GEF-6 GEF SECRETARIAT REVIEW FOR FULL-SIZED/MEDIUM-SIZED PROJECTS
THE GEF/LDCF/SCCF TRUST FUND

GEF ID:	**9085**		
Country/Region:	**South Africa**		
Project Title:	**Equity Fund for the Small Projects Independent Power Producer Procurement Programme (non-grant)**		
GEF Agency:	**DBSA**	GEF Agency Project ID:	
Type of Trust Fund:	**GEF Trust Fund**	GEF Focal Area (s):	**Climate Change**
GEF-6 Focal Area/ LDCF/SCCF Objective (s):		**CCM-1 Program 1;**	
Anticipated Financing PPG:	**$200,000**	Project Grant:	**$15,000,000**
Co-financing:	**$190,450,000**	Total Project Cost:	**$205,650,000**
PIF Approval:	**April 28, 2015**	Council Approval/Expected:	**June 01, 2015**
CEO Endorsement/Approval		Expected Project Start Date:	
Program Manager:	**David Elrie Rodgers**	Agency Contact Person:	**Nomsa T. Zondi**

Review Criteria	Questions	Secretariat Comment
Project Consistency	1. Is the project aligned with the relevant GEF strategic objectives and results framework?[1]	DER, March 19, 2015. Yes. This project is aligned with GEF-6 focal area objective: CCM-1 Program 1 - Promote the timely development, demonstration and financing of low-carbon technologies and mitigation options.
	2. Is the project consistent with the recipient country's national strategies and plans or reports and assessments under relevant conventions?	DER, March 19, 2015. Yes. The project is aligned with the Government of South Africa's national strategies and national communications to the UNFCCC.
Project Design	3. Does the PIF sufficiently indicate the drivers[2] of global environmental degradation, issues of sustainability, market transformation, scaling, and innovation?	DER, March 19, 2015. Yes. The project articulates how the lack of adequate cost-effective financing for small scale renewable energy production is limiting the extent of clean energy installation in South Africa, leading to greater greenhouse gas emissions. This project will be the first of its kind in South Africa, and create several

[1] For BD projects: has the project explicitly articulated which Aichi Target(s) the project will help achieve and are SMART indicators identified, that will be used to track the project's contribution toward achieving the Aichi Target(s)?
[2] Need not apply to LDCF/SCCF projects.

Review Criteria	Questions	Secretariat Comment
		innovations: a debt fund, shared risk, a GEF funded equity fund, and a securitization platform.
	4. Is the project designed with sound incremental reasoning?	DER, March 19, 2015. The baseline scenario in South Africa shows that energy demand is increasing rapidly. The Government has established numerous strategies and programs to promote efficiency and renewable energy. Recognizing the important role that SMEs play in the South African economy, as well as barriers that currently prevent this sector from growth and profitability, particularly in the RE sector, the government of South Africa has initiated several programs in a bid to address these obstacles, including the Small Projects Independent Power Producers Programme (SP-IPPP) to provide financing and support for renewable energy. The objective of this proposal is to establish and capitalize an Investment Equity Fund which will provide small projects with equity funding to help attract debt financing. SMEs find it hard to raise equity despite the availability of debt funding. It is concluded that without the GEF resources, the small scale renewable energy projects and SME project developers will continue to be excluded from participation in the market yet they are regarded as very important participants in the country's economy. Failure of SMEs to access debt and equity would compromise growth of the RE sector resulting in a suppressed environment and continue to jeopardize the country's mitigation efforts The proposed investments will result in installation of close to 100MW, reducing about 260,000 tCO_2 per year, resulting in an estimated 5 million tCO_2e over an assumed average project useful lifetime of 20 years. Please address the following comments:

Review Criteria	Questions	Secretariat Comment
		a) The proposed combination of debt and equity funding is very innovative. Please describe the potential for the equity fund to continue after the GEF project is over and GEF investments have been reflowed to the GEF Trust Fund. That is, we would like to know the future of the fund after the initial 20 projects are funded. b) A donor contribution of $4.7 million is "to be confirmed." Please clarify what types of donors are being targeted. c) In Table F, please include total lifetime CO2e emissions benefits, not an annual amount. DER, March 30, 2015. a) The fund has the opportunity to continue with other investors after the completion of the GEF project. Comment cleared. b) The co-financing is identified as from kFW. Comment cleared. c) Total lifetime emissions of 5 million tCO2e were included in Table F. Comment cleared.
	5. Are the components in Table B sound and sufficiently clear and appropriate to achieve project objectives and the GEBs?	DER, March 19, 2015. Table B provides clear information on the proposed approach. Please respond to the following comments. a) On Page 6, Table 1 presents an explanation on how the GEF funding for equity will improve the return for small project sponsors, leading to more investment. Please clarify if the column "commercial lenders required returns" refers to commercial equity investment. That is, please confirm that prevailing market conditions imply that commercial equity is available at 14% and the GEF equity will be made available at 6%. b) On page 7 and 8, the explanation of debt financing is

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		helpful, explaining a process for securitizing senior notes within 12 months to allow repayment. However, we did not see a similar securitization process for the GEF equity investment. Instead, the proposal is to repay the equity from dividend flows. Please explain the proposed time-table for repayment of equity funding versus repayment of debt funding. We would assume that equity investors would receive returns prior to debt investors. Please clarify. c) We do not fully understand the proposed equity fund structure. Please explain more clearly, including details such as tenor of investments, proposed exit timing for each investment, and recycling of investments back into the fund. How long would the fund last? Is the 6% return a risk-adjusted expected return, or would losses reduce the return? Also, please explain the expected reflow of principal and earning to the GEF, including an indicative timeline specifying when the expected payments would be made to the GEF Trust Fund. When the GEF funding is fully exited from the fund, will it close, or will other investors be sought to maintain the fund? d) Please describe the proposed approach for dealing with project developers that are not on track to succeed. Does the FIRST have means for intervening to help project developers? e) In order to quality for GEF funding, specific investments must be in full compliance with GEF strategic focal area objectives covered by this project as specified in Table B. The GEF Partner agency has three options for obtaining GEF Secretariat concurrence: 1) In advance, under Option 1 on page 9, paragraph 52, of GEF/C.42/Inf.08, Operational Modalities for Public Private Partnership Programs; 2) Concurrent - prior to

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		each investment decision under Option 2; or 3) Hybrid combination of option 1 and option 2 where option 2 is used on special types investments. Please specify which option the Agency will pursue. Based on the project proposal to limit investments to specific types of renewable energy, Option 1 is recommended. Please confirm. f) Project management costs should be zero for non-grant investments. That is, all GEF Partner Agency expenses should be covered by the agency fee. All management expenses of the fund partner should be covered under the fund structure. Please revise and resubmit with corrected sub-totals. g) Please propose project timelines including the following: 1) expected date for submission of CEO endorsement 2) expected date for complete investment of all GEF funding 3) expected duration for the GEF project with expected dates for mid-term review, project completion, and submission of the terminal evaluation. 4) expected lifetime of the investments and whether these will continue after the project completion date. 5) schedule of reflows, including an indicative timeline specifying when the expected payments would be made to the GEF Trust Fund. DER, March 30, 2015. a) Confirmed. Comment cleared. b) Yes, GEF equity investment is paid over 5 years, before other investors. Comment cleared. c) Details provided with helpful annex. Comment cleared. d) Provisions will be established to help assist project developers. Comment cleared.

Review Criteria	Questions	Secretariat Comment
		e) Option 1 is confirmed. Comment cleared. f) Comment cleared. g) Detailed schedule provided. Comment cleared.
	6. Are socio-economic aspects, including relevant gender elements, indigenous people, and CSOs considered?	DER, March 19, 2015. Yes. The development of SMEs, including enterprises located in local communities shall be achieved. This approach shall also ensure fostering of rural development and growth of green jobs. The project also describes involvement of stakeholders and strong support for the Social Economic Development programme which mainly targets women.
Availability of Resources	7. Is the proposed Grant (including the Agency fee) within the resources available from (mark all that apply):	
	• The STAR allocation?	DER, March 19, 2015. The proposed project requests funding from the non-grant pilot. a) In Table E, the fee applied for the PPG is incorrect. It should be calculated on the same basis as the agency fee calculations in Table D. Please clarify if the PPG should be $183,486 and the agency fee $16,514. for a total of $200,000. DER, March 30, 2015. PPG amount and fee corrected. Comment cleared. In updated versions, do not include the PPG amount in Table D.
	• The focal area allocation?	
	• The LDCF under the principle of equitable access	
	• The SCCF (Adaptation or Technology Transfer)?	
	• Focal area set-aside?	
Recommendations	8. Is the PIF being recommended for clearance and PPG (if additional amount beyond the norm) justified?	DER, March 19, 2015. Not at this time. Please address the above comments. DER, March 30, 2015. The PIF is technically cleared. Prior to CEO endorsement, please supply the following clarifications:

Review Criteria	Questions	Secretariat Comment
		a) provide additional detail on the pipeline of project developers, types of projects, locations, readiness and other market assessment information to better judge how the 100 MW target will be met. b) Please expand the annexes into a standard revenue model. c) Please provide details on the management team at FIRST and its track record for conducting this work. d) Please clarify the planned exit strategy for the GEF equity investment in more detail. e) Please clarify the schedule of reflows using the GEF provided template or the equivalent
Review Date	Review	March 19, 2015
	Additional Review (as necessary)	March 30, 2015
	Additional Review (as necessary)	

Review Criteria	Questions	Secretariat Comment at CEO Endorsement
Project Design and Financing	1. If there are any changes from that presented in the PIF, have justifications been provided?	
	2. Is the project structure/ design appropriate to achieve the expected outcomes and outputs?	
	3. Is the financing adequate and does the project demonstrate a cost-effective approach to meet the project objective?	

Review Criteria	Questions	Secretariat Comment at CEO Endorsement
	4. Does the project take into account potential major risks, including the consequences of climate change, and describes sufficient risk response measures? (e.g., measures to enhance climate resilience)	
	5. Is co-financing confirmed and evidence provided?	
	6. Are relevant tracking tools completed?	
	7. *Only for Non-Grant Instrument:* Has a reflow calendar been presented?	
	8. Is the project coordinated with other related initiatives and national/regional plans in the country or in the region?	
	9. Does the project include a budgeted M&E Plan that monitors and measures results with indicators and targets?	
	10. Does the project have descriptions of a knowledge management plan?	
Agency Responses	11. Has the Agency adequately responded to comments at the PIF[3] stage from:	
	• GEFSEC	
	• STAP	
	• GEF Council	
	• Convention Secretariat	
Recommendation	12. Is CEO endorsement recommended?	
Review Date	Review	
	Additional Review (as necessary)	
	Additional Review (as necessary)	

[3] If it is a child project under a program, assess if the components of the child project align with the program criteria set for selection of child projects.