



## GEF SECRETARIAT REVIEW FOR FULL/MEDIUM-SIZED PROJECTS\* THE GEF/LDCF/SCCF/NPIF TRUST FUNDS

GEF ID:	5586		
Country/Region:	Sri Lanka		
Project Title:	Appropriate Mitigation Actions in the Energy Generation and End-Use Sectors in Sri Lanka		
GEF Agency:	UNDP	GEF Agency Project ID:	5232 (UNDP)
Type of Trust Fund:	GEF Trust Fund	GEF Focal Area (s):	Climate Change
GEF-5 Focal Area/ LDCF/SCCF Objective (s):	CCM-2; CCM-3; CCM-6;		
Anticipated Financing PPG:	\$0	Project Grant:	\$1,790,411
Co-financing:	\$25,880,000	Total Project Cost:	\$27,670,411
PIF Approval:	December 19, 2013	Council Approval/Expected:	
CEO Endorsement/Approval		Expected Project Start Date:	
Program Manager:	David Elrie Rodgers	Agency Contact Person:	

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion <sup>1</sup>	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
Eligibility	1. Is the participating <b>country eligible</b> ?	KC September 19, 2013. Yes.	DER/MGV, December 19, 2014. Yes.
	2. Has the <b>operational focal point</b> endorsed the project?	KC September 19, 2013. Yes. GEF OFP B.M.U.D Basnayake, Secretary, Ministry of Environment endorsed the project on August 29, 2013.	DER/MGV, December 19, 2014. Yes.
Resource Availability	3. Is the proposed Grant (including the Agency fee) within the <b>resources available</b> from (mark all that apply):		
	• the STAR allocation?	KC September 19, 2013. Yes. Sri Lanka has \$2,070,000 remaining under its climate change STAR allocation.	DER/MGV, December 19, 2014. Yes.
	• the focal area allocation?	KC September 19, 2013. Yes. Sri Lanka has \$2,070,000 remaining under its	DER/MGV, December 19, 2014. Yes.

\*Some questions here are to be answered only at PIF or CEO endorsement. No need to provide response in gray cells.

<sup>1</sup> Work Program Inclusion (WPI) applies to FSPs only. Submission of FSP PIFs will simultaneously be considered for WPI.

FSP/MSP review template: updated January 2013

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		climate change STAR allocation.	
	<ul style="list-style-type: none"> <li>the LDCF under the principle of equitable access</li> </ul>	KC September 19, 2013. N/A	NA
	<ul style="list-style-type: none"> <li>the SCCF (Adaptation or Technology Transfer)?</li> </ul>	KC September 19, 2013. N/A	NA
	<ul style="list-style-type: none"> <li>the Nagoya Protocol Investment Fund</li> </ul>	KC September 19, 2013. N/A	NA
	<ul style="list-style-type: none"> <li>focal area set-aside?</li> </ul>	KC September 19, 2013. N/A	NA
Strategic Alignment	<p>4. Is the project aligned with the focal area/multifocal areas/ LDCF/SCCF/NPIF <b>results framework and strategic objectives</b>?</p> <p><i>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 progress toward achieving the Aichi target(s).</i></p>	<p>KC September 19, 2013. Yes. The proposed medium-sized project targets CCM-2 and CCM-3 focal area objectives. However, the project is expected to have outputs that would establish number of identified enabling activities besides implementation of demonstration project. Hence, it is recommended to reallocate resource allocations amongst objectives CCM -2, 3 and 6.</p> <p>KC December 9, 2013. Yes. Comments cleared</p>	<p>DER/MGV, December 19, 2014. The descriptions in the FA outcomes and output columns of Table A do not match the GEF-5 focal template. Please use the language from the templates for CCM2, 3, and 6.</p> <p>DER/MGV, January 26, 2015. Comment cleared.</p>
	<p>5. Is the project consistent with the recipient <b>country's national strategies and plans</b> or reports and assessments under relevant conventions, including NPFE, NAPA, NCSA, NBSAP or NAP?</p>	<p>KC September 19, 2013. Yes. The proposed project is in line with Sri Lanka's National Communication.</p>	<p>DER/MGV, December 19, 2014. Yes.</p>
	<p>6. Is (are) the <b>baseline project(s)</b>, including problem(s) that the baseline project(s) seek/s to address, sufficiently described and based on sound data and assumptions?</p>	<p>KC September 19, 2013. No.</p> <p>a) There are number of "initiatives" and "plans", at national level, being listed, however there is very little information provided on baseline projects that defines GEF incrementality. Please describe on-going projects and articulate the gaps and barriers that the GEF project will address. The GEF incrementality needs to be clarified in the form of outputs. Please</p>	<p>DER/MGV, December 19, 2014. Yes.</p>

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Project Design		<p>also see comments in box 7.</p> <p>b) The co-financing of \$7 million is to support NAMA implementation when the NAMAs may not be identified until years after the project is started. Please align the project such that the MRV and other financing tools and systems can be demonstrated with the investment project under NAMA implementation component.</p> <p>c) What is the rationale to request GEF financing to characterize business-as-usual baseline?</p> <p>KC December 9, 2013. Yes. Comments sufficiently addressed.</p>	
	7. Are the components, outcomes and outputs in the <b>project framework</b> (Table B) clear, sound and appropriately detailed?	<p>KC September 19, 2013. Please streamline the outputs to focus on the keys ones.</p> <p>a) Component 1 and 2: Please provide details of Sri Lanka energy mix and potential target sectors/sub-sector. Please use information available in various national reports such as national communications, technology needs assessments, etc. Please explain the difference and rationale of conducting additional NAMA-related analyses that are different from such reports. We would also expect the PIF to reference renewable energy, energy efficiency and other low-carbon scenarios specifically in description.</p>	<p>DER/MGV, December 19, 2014. The project consists of the following components:</p> <ol style="list-style-type: none"> <li>1. Business-as-usual energy generation and end-use sector baselines at national and sub-national level</li> <li>2. Mitigation options for the energy generation and end-use sectors</li> <li>3. Implementation of appropriate mitigation actions in the energy generation and end-use sectors</li> <li>4. MRV system and national registry for mitigation actions in the energy generation and end-use sectors</li> </ol> <p>Please respond to the following questions:</p> <p>a) Component 2. In a change from the PIF, the endorsement request argues on</p>

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		<p>b) Component 2 and 3: The information on private sector investments is insufficient and does not give details on utilization and role of the resources attributable to this project. Please clarify.</p> <p>c) Component 3:</p> <p>i. There are no identified outputs of NAMA implementation. Please explain.</p> <p>ii. The component support the implementation of at-least one of appropriate mitigation action utilizing carbon market mechanism. Please provide evidence of government's commitment towards such mechanisms by the CEO endorsement stage. Without government's buy-in, domestic cap-and-trade, supported or crediting NAMAs are less likely to be sustained. Also be advised to avoid double counting of GHG reductions that are GEF attributed from carbon-markets.</p> <p>iii. Please be more specific on the demonstration NAMA sub-sectors at the endorsement stage. Please also make use of the GEF/STAP methodologies while estimating GHG emission reductions wherever applicable. The STAP methodology for calculating abatement from energy efficiency would be a useful tool here for estimation. See <a href="http://stapgef.org/node/792">http://stapgef.org/node/792</a></p> <p>d) Please also provide illustrations on co-financing utilized for investments accessing carbon markets.</p> <p>Additionally, please also see the</p>	<p>page 6 that there is no need to develop any new policy. Please briefly clarify which existing national policies authorize the development of the proposed NAMAs.</p> <p>b) Component 2. Some of the outputs described in Table B were already completed during the PPG phase. Please clarify and remove any duplication of effort.</p> <p>DER/MGV, January 26, 2015.</p> <p>a) Explanation describes adequate government policies to promote clean energy and support NAMAs. Comment cleared.</p> <p>b) Correction made. Comment cleared.</p>

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		<p>comments in Box 4</p> <p>KC December 9, 2013. Yes. Comments sufficiently addressed.</p>	
	<p>8. (a) Are global environmental/adaptation benefits identified? (b) Is the description of the incremental/additional reasoning sound and appropriate?</p>	<p>KC September 19, 2013. Not yet. The present estimation of GHG emission is based on the SLSEA project that is defined as the baseline activity in the present proposal. This illustration does not give any detail on GEF incremental reasoning. Please clarify.</p> <p>KC December 9, 2013. Yes. Comments sufficiently addressed.</p>	<p>DER/MGV, December 19, 2014. The emissions estimates on page 9 of the CEO Approval Request, and page 47 of the project document, and page 84-101 of the pro-doc, and the tracking tool do not agree. In one case the direct CO2 lifetime savings at 66,639. In another case the lifetime is listed as 17,898. Please align all estimates and summarize the direct and indirect estimates in the CEO approval Request.</p> <p>DER/MGV, January 26, 2015. The benefits estimates have been clarified and aligned. Comment cleared.</p>
	<p>9. Is there a clear description of: a) the <b>socio-economic benefits</b>, including gender dimensions, to be delivered by the project, and b) how will the delivery of such benefits support the achievement of incremental/ additional benefits?</p>		<p>DER/MGV, December 19, 2014. Yes. The UNDP environmental and social screening was provided.</p>
	<p>10. Is the role of public participation, including CSOs, and indigenous peoples where relevant, identified and explicit means for their engagement explained?</p>	<p>KC September 19, 2013. Yes.</p>	<p>DER/MGV, December 19, 2014. Yes.</p>
	<p>11. Does the project take into account potential major risks, including the consequences of climate change, and describes sufficient risk mitigation measures? (e.g., measures to enhance climate</p>	<p>KC September 19, 2013. Not completely. As Sri Lanka has not acceded NAMAs, how does the GEF agency analyze and rate the risks related to supported NAMAs (including carbon market mechanisms) recognition both</p>	<p>DER/MGV, December 19, 2014. Yes.</p>

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	resilience)	<p>domestically and internationally? Will the position of the Sri Lankan government change? Please clarify. Please also see comments in box 24.</p> <p>KC December 9, 2013. Yes. Comments sufficiently addressed.</p>	
	<p>12. Is the <b>project consistent and properly coordinated</b> with other related initiatives in the country or in the region?</p>	<p>KC September 19, 2013.</p> <p>a) Please ensure that all references and data are consistent with the Second National Communication of Sri Lanka. Please submit the detailed illustration of how the proposed project will be coordinated with the Third National Communication and Biennial Update Reports efforts by the endorsement stage.</p> <p>b) As all illustrated activities and initiatives identified as baseline and co-financing are taking place at national level and given the active support towards national reports and assessment, please explain the merit of establishing provincial level GHG emission inventory systems and analysis, and why GEF resources should be utilized.</p> <p>KC December 9, 2013. Yes. Comments sufficiently addressed.</p>	DER/MGV, December 19, 2014. Yes.
	<p>13. Comment on the project's <b>innovative aspects, sustainability, and potential for scaling up.</b></p> <ul style="list-style-type: none"> <li>• Assess whether the project is innovative and if so, how, and if not, why not.</li> <li>• Assess the project's strategy for sustainability, and the</li> </ul>	<p>KC September 19, 2013. Not yet.</p> <p>Please address the comments in box 4, 6, 7, 8, and 11.</p> <p>KC December 9, 2013. Yes. This will be the first NAMA preparation and implementation project in Sri Lanka that aims to establish the enabling</p>	DER/MGV, December 19, 2014. This is the first NAMA-related project in the country. The innovative nature of the project also stems from migration from a conventional, project-based approach to sector-wide approach that will include testing and implementation of novel financial and market instruments, and implementation of measurement,

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	<p>likelihood of achieving this based on GEF and Agency experience.</p> <ul style="list-style-type: none"> <li>Assess the potential for scaling up the project's intervention.</li> </ul>	<p>conditions including demonstration, MRV and national NAMA registry in the country. The GEF implementing agency have been developing other NAMA related projects in countries namely Peru, Tunisia, Kazakshtan, amongst others. This gives them comparative advantage and sufficient experience in this area of work.</p>	<p>reporting and verification (MRV) system for these interventions.</p>
	<p>14. Is the project structure/design sufficiently close to what was presented at PIF, with clear justifications for changes?</p>		<p>DER/MGV, December 19, 2014. Yes. The changes have been justified.</p>
	<p>15. Has the cost-effectiveness of the project been sufficiently demonstrated, including the cost-effectiveness of the project design as compared to alternative approaches to achieve similar benefits?</p>		<p>DER/MGV, December 19, 2014. No. Please see the question in box 8 on the GHG emissions and then justify more strongly how the GEF grant and co-financing is being used cost-effectively.</p> <p>DER/MGV, January 26, 2015. Comment cleared.</p>
<p>Project Financing</p>	<p>16. Is the GEF funding and co-financing as indicated in Table B appropriate and adequate to achieve the expected outcomes and outputs?</p>	<p>KC September 19, 2013. To be decided. Please see comments in Box 4.</p> <p>KC December 9, 2013. Yes. Comments sufficiently addressed.</p>	<p>DER/MGV, December 19, 2014.</p> <p>a) Please clarify how the co-financing amounts from each source are allocated to the specific technologies proposed in the project (bio-digesters, HEM, and solar PV)</p> <p>b) Based on the information provided, it appears the co-financing provided for component 2 is very expensive for such small energy and GHG benefits. Please clarify and discuss cost-effectiveness as noted in box 15. A NAMA project should be very authoritative on cost-effectiveness.</p> <p>DER/MGV, January 26, 2015.</p> <p>a) Clarification provided. Comment</p>

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			cleared. b) The response describes the full extent of solar installations to be 10 MW, and presents a refined cost-effectiveness ratio. Comment cleared. Assumptions for a 15% capacity factor for solar PV seem very conservative. During project implementation, the agency should monitor cost-effectiveness carefully and provide well-developed NAMAs that inform the Government of Sri Lanka on wise investments to meet its climate change goals.
	17. <u>At PIF</u> : Is the indicated amount and composition of co-financing as indicated in Table C adequate? Is the amount that the Agency bringing to the project in line with its role? <u>At CEO endorsement</u> : Has co-financing been confirmed?	KC September 19, 2013. Yes, the UNDP amount is appropriate. The \$4 million cofinancing will come from the private sector developers as investments and hard-loan, but the specifics are unknown at this stage. Please also see comments in Box 6.	DER/MGV, December 19, 2014. Yes.
	18. Is the funding level for <b>project management cost</b> appropriate?	KC September 19, 2013. Yes.	DER/MGV, December 19, 2014. Yes.
	19. <u>At PIF</u> , is PPG requested? If the requested amount deviates from the norm, has the Agency provided adequate justification that the level requested is in line with project design needs? <u>At CEO endorsement/ approval</u> , if PPG is completed, did Agency report on the activities using the PPG fund?	KC September 19, 2013. Yes. The output of the PPG activities should be readily available for upcoming national reports such as third national communications and/or Biennial Update Reports.	DER/MGV, December 19, 2014. Yes.
	20. If there is a <b>non-grant instrument</b> in the project, is there a reasonable calendar of reflows included?	KC September 19, 2013. N/A	DER/MGV, December 19, 2014. NA



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Project Monitoring and Evaluation	21. Have the appropriate <b>Tracking Tools</b> been included with information for all relevant indicators, as applicable?		DER/MGV, December 19, 2014. Please align the tracking tools as noted in box 8.  DER/MGV, January 26, 2015. The tracking tools are aligned with the project document. Comment cleared.
	22. Does the proposal include a <b>budgeted M&amp;E Plan</b> that monitors and measures results with indicators and targets?		DER/MGV, December 19, 2014. Yes.
Agency Responses	23. Has the Agency adequately responded to comments from:		
	• STAP?		DER/MGV, December 19, 2014. NA
	• Convention Secretariat?		NA
	• The Council?		NA
	• Other GEF Agencies?		NA
Secretariat Recommendation			
Recommendation at PIF Stage	24. <b>Is PIF clearance/approval being recommended?</b>	KC September 19, 2013. Not at this time. Please address the above mentioned comments in boxes 4, 6, 7, 8, 12, 16, 17, and 24.  The PIF includes the vague description of the investment components, incremental reasoning and the uncertain nature of the co-financing commitment from private sector developers. Also the merits of NAMAs in Sri Lanka when its accession is still unclear are not explained and understood. Also as a financing mechanism, the UNFCCC would like GEF support towards NAMAs be reported to the UNFCCC NAMA registry. It is advised to have a tele-conference with GEF Secretariat to further discuss the proposal prior to its revised submission.	

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		KC December 9, 2013. Yes. Please take note of the comments and observations in box 25.	
	25. Items to consider at CEO endorsement/approval.	<p>KC December 9, 2013.</p> <p>Following items to be considered while CEO endorsement request is submitted:</p> <ol style="list-style-type: none"> <li>1. Details on investment projects (and timeline) in line with TNA exercise carried out, and national priorities identified in energy generation and end-use sectors.</li> <li>2. Marginal cost-curve and gap analyses for priority sectors and sub-sectors.</li> <li>3. Detailed calculations on CO2 emission reductions (including use of GEF/STAP EE methodology, wherever applicable).</li> <li>4. In order to establish a sustainable and long-term NAMA mechanism (including credit NAMAs) in Sri Lanka, please also submit details on government commitment and accession on NAMAs.</li> <li>5. Co-financing letters from all partner agencies and private sectors shall be submitted.</li> <li>6. It is also advised to match support sort towards NAMA preparation and implementation from the GEF, as an operating entity of the financial mechanism of UNFCCC, through NAMA Registry designated authority (UNFCCC national focal point).</li> </ol>	
Recommendation at CEO Endorsement/ Approval	26. Is CEO endorsement/approval being recommended?		<p>DER/MGV, December 19, 2014. Not at this time. Please respond to questions in boxes 7, 8, 15, 16, 21.</p> <p>DER/MGV, January 26, 2015. All comments cleared. This project is</p>

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			technically cleared and ready to be submitted for approval.
	First review*	September 19, 2013	December 19, 2014
	Additional review (as necessary)	December 09, 2013	January 26, 2015
<b>Review Date (s)</b>	Additional review (as necessary)		

\* **This is the first time the Program Manager provides full comments for the project. Subsequent follow-up reviews should be recorded. For specific comments for each section, please insert a date after comments. Greyed areas in each section do not need comments.**