

## GEF SECRETARIAT REVIEW FOR FULL/MEDIUM-SIZED PROJECTS

**Country/Region:** Tanzania  
**Project Title:** Tanzania: Mini-Grids Based on Small Hydropower Sources to Augment Rural Electrification  
**GEFSEC Project ID:** 4004  
**GEF Agency Project ID:** GEF Agency: UNIDO  
**GEF Focal Area (s):** Climate Change  
**GEF-4 Strategic Program (s):** CC-3;  
**Anticipated Project Financing (\$):** PPG: \$0      GEF Project Allocation: \$3,350,000      Co-financing: \$7,200,000      Total Project Cost: \$10,550,000  
**PIF Approval Date:** Anticipated Work Program Inclusion: March 31, 2010  
**Program Manager:** Dimitrios Zevgolis      GEF Agency Contact Person: Mr. Jossy Thomas

Review Criteria	Questions	Secretariat Comment at PIF/Work Program Inclusion	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
Eligibility	1. Is the participating country eligible?	Yes, Tanzania ratified the UNFCCC on 17 April, 1996. □□□□□	
	2. If there is a non-grant instrument in the project, check if project document includes a calendar of reflows and provide comments, if any.		
	3. Has the operational focal point endorsed the project?	The submitted endorsement letter is not signed by the OFP (Mr. Eric Mugurusi).  DZ, Oct 1, 2009: Yes, by letter dated Sept 9, 2009.	
	4. Which GEF Strategic Objective/ Program does the project fit into?	It fits into the Strategic Program in Promoting Market Approaches for Renewable Energy.	
	5. Does the Agency have a comparative advantage for the project?	This is a TA/investment project and UNIDO has a comparative advantage for TA/Capacity Building interventions for market approaches for renewable energy.	
Resource Availability	5. Is the proposed GEF Grant (including the Agency fee) within the resources available for (if appropriate):		
	<ul style="list-style-type: none"> <li>• The RAF allocation?</li> </ul>	No, Tanzania has a total CC allocation of \$ 5.35 million and only \$ 3,831,500 is	

		<p>remaining to be programmed. The indicative cost of the PIF + PPG + IA fees is \$ 4.3 million.</p> <p>DZ, Oct 1, 2009: Tanzania : Climate Change allocation \$5,350,000, utilization \$1,591,100, pipeline \$0, Available \$3,758,900 The indicative cost of the PIF + PPG + fees is \$ 3.806 million, which exceeds the available amount. Also, UNIDO has submitted another proposal in the past for EE in the buildings sector, which wasn't cleared. Will UNIDO withdraw that proposal?</p> <p>DZ, Dec 4, 2009: Yes.</p>	
	<ul style="list-style-type: none"> <li>• The focal areas?</li> </ul>	Yes.	
	<ul style="list-style-type: none"> <li>• Strategic objectives?</li> </ul>	N/A	
	<ul style="list-style-type: none"> <li>• Strategic program?</li> </ul>	N/A	
Project Design	6. Will the project deliver tangible global environmental benefits?	<p>The project will deliver direct benefits linked with the implementation of SHP plants of 4MW total capacity at least (direct annual emission reduction: 21,000 tons CO2).</p> <p>DZ, Oct 1, 2009: The direct annual emission reduction is estimated at 11,000 tons CO2.</p> <p>DZ, Dec 4, 2009: The project will deliver direct benefits linked with the implementation of SHP plants of 3MW total capacity at least (direct annual emission reduction: 12,600 tons CO2). However, it should be noted that in draft versions of the PIF that have been shared with the GEFSEC, the total capacity of the SHP plants was 4MW, and in the current PIF in various points this capacity is still estimated</p>	

		<p>as 4MW. Please explain the discrepancies.</p> <p>DZ, Jan 7, 2010: The comment has been addressed. The annual direct benefit due to the project is expected to be more than 12 ktonnes of CO2.</p>	
	7. Is the global environmental benefit measurable?		
	8. Is the project design sound, its framework consistent & sufficiently clear (in particular for the outputs)?	<p>The project consists of an investment component and 3 TA components. The outputs of these components concern the building of capacity in the country for the development of SHP mini-grids and the demonstration of the application of this technology.</p> <p>However, there is another project implemented by the WB in the same country with a similar objective, and it should be noted that the WB project has a more integrated scope. For this reason and in order to avoid the duplication of effort and maximize the project's replication effect and added value, the project should be redesigned after consultation with the WB project team.</p> <p>DZ, Oct 1, 2009: The comment is addressed.</p> <p>DZ, Dec 4, 2009: The project design has been modified after consultation between the GEFSEC and the Agency. However, in the current design, the following issues should be addressed:</p> <ul style="list-style-type: none"> <li>a. The output 3.1 concerns the development of productive activities (agroprocessing, rural industries, etc.) which will utilize the power generated by the hydro-plants. These activities are not eligible for GEF financing.</li> <li>b. The minimum total capacity of the SHP</li> </ul>	

		<p>installations to be funded should be clarified. c. It should be explicitly mentioned that the SHP installations that will be funded by this project will not receive funding from the other GEF/WB project, in order to avoid any double counting and financing of the same installation from two different GEF projects.</p> <p>DZ, Jan 7, 2010: The comments have been addressed.</p>	
	<p>9. Is the project consistent with the recipient country's national priorities and policies?</p>	<p>Yes, it is consistent with the National Energy Policy.</p>	
	<p>10. Is the project consistent and properly coordinated with other related initiatives in the country or in the region?</p>	<p>It is stated that coordination and synergies will be sought with three GEF projects in the country (a UNDP PV project and two WB projects). However, the two WB projects are actually one project that has the same objective with the UNIDO project. That said, UNIDO should seek to coordinate with the WB project immediately so as to reformulate the project in order to maximize the added value of the current project.</p> <p>DZ, Oct 1, 2009: The comment is addressed.</p> <p>DZ, Dec 4, 2009: The new version of the PIF refers to the streamlining of the WB credit line. Since this is a part of another GEF project, It should be explicitly mentioned that the SHP installations that will be funded by the UNIDO project will not receive funding from the other GEF/WB project, in order to avoid any double counting and financing of the same installation from two different GEF projects.</p> <p>DZ, Jan 7, 2010:</p>	

		The comment has been addressed.	
	11. Is the proposed project likely to be cost-effective?	<p>The cost-effectiveness of the project is limited to the development of 4MW total capacity of SHP since the its barrier removal TA activities are already undertaken by the WB project that is under implementation.</p> <p>DZ, Oct 1, 2009: The project has low cost-effectiveness due to the limited direct emission reductions in comparison to the project cost. The indirect impact attributed to the project is questionable.</p> <p>DZ, Dec 4, 2009: The cost effectiveness of the project depends on the actual capacity of SHP that will be installed. Obviously, the project will be more cost-effective if 4MW, instead of 3MW, are installed.</p> <p>DZ, Jan 7, 2010: The comment has been addressed.</p>	
	12. Has the cost-effectiveness sufficiently been demonstrated in project design?		
	13. Is the project structure sufficiently close to what was presented at PIF?		
	14. Does the project take into account potential major risks, including the consequences of climate change and includes sufficient risk mitigation measures?	<p>Major risks are identified, however it is not clear how the involvement of the private sector will be ensured.</p> <p>DZ, Oct 1, 2009: The comment still stands.</p> <p>DZ, Dec 4, 2009: The comment is addressed.</p>	
Justification for	15. Is the value-added of GEF	GEF involvement will facilitate the	

GEF Grant	involvement in the project clearly demonstrated through incremental reasoning?	<p>demonstration of the small hydropower technology in the rural areas of the country and it will address the barriers to more widespread use of it. However, given that there are two other GEF projects in the same country regarding the promotion of renewable energy production, and one of them (the WB project) promotes SHP as well, the added value of the specific project seems limited to only the 4 MW additional capacity of SHP.</p> <p>DZ, Oct 1, 2009: The added value is mainly limited to the 4 MW additional capacity of SHP, which is low in comparison to the GEF funding. There is no description of a scheme (financial and regulatory) that could provide incentives to provide incentives to the private sector to upscale these demo investments.</p> <p>DZ, Dec 4, 2009: GEF involvement is expected to demonstrate the sustainability of investments in the SHP sector, which will be scaled up by the investments expected to be supported by the other GEF/WB project. Also, the GEF involvement will be important for the development of local capacity for the development of small hydro plants.</p>	
	16. Is the type of financing provided by GEF, as well as its level of concessionality, appropriate?		
	17. How would the proposed project outcomes and global environmental benefits be affected if GEF does not invest?		
	18. Is the GEF funding level of project management budget appropriate?	PM GEF funding is equal to 10.3% of the total GEF funding, and 37% of the total PM budget. It should decrease significantly.	

		<p>DZ, Oct 1, 2009: The comment still stands.</p> <p>DZ, Dec 4, 2009: PM GEf funding is equal to 4.5% of the total GEF funding.</p>	
	19. Is the GEF funding level of other cost items (consultants, travel, etc.) appropriate?		
	20. Is the indicative co-financing adequate for the project?	<p>It seems more than adequate for small-hydro plants of 4 MW in total. However, there are co-financing sources with significant contribution that are not named (i.e. bilateral aid agency, others), while there is no justification about the form and the size of private contribution.</p> <p>DZ, Oct 1, 2009: The comment still stands.</p> <p>DZ, Dec 4, 2009: Co-financing is enough for the development of 3 or 4 MW of SHP. It should be noted that if private sector co-financing is expected, then the capacity could be increased.</p>	
	21. Are the confirmed co-financing amounts adequate for each project component?		
	22. Has the Tracking Tool been included with information for all relevant indicators?		
	23. Does the proposal include a budgeted M&E Plan that monitors and measures results with indicators and targets?		
Secretariat's Response to various comments from:	STAP		

	Convention Secretariat		
	Agencies' response to GEFSEC comments		
	Agencies' response to Council comments		
<b>Secretariat Decisions</b>			
<b>Recommendations at PIF</b>	<b>24. Is PIF clearance being recommended?</b>	<p>No. The project will promote the development of small hydropower in Tanzania to augment rural electrification, nevertheless this is one of the objectives of another GEF project by the WB. The incremental value of the project will not be higher than that associated to the 4MW additional capacity, since the WB project is supposed to remove the barriers for SHP production in Tanzania. For this reason, UNIDO should coordinate with the WB in order to reformulate the project.</p> <p>Also the GEF contribution is higher than the available funds, the endorsement letter is not signed by the OFP and GEF funding for PM is over-estimated.</p> <p>DZ, Oct 1, 2009: No. Comments should be addressed. Also, the GEF contribution is higher than the available funds and GEF funding for PM is over-estimated.</p> <p>DZ, Dec 4, 2009: No. The remaining comments should be addressed.</p> <p>DZ, Jan 7, 2010: PIF has been recommended by PM for CEO clearance.</p>	
	<b>25. Items worth noting at CEO Endorsement.</b>		

Recommendation at CEO Endorsement	<b>26. Is CEO Endorsement being recommended?</b>		
Review Date	1 <sup>st</sup> review		
	2 <sup>nd</sup> review	October 01, 2009	
	3 <sup>rd</sup> review	December 04, 2009	

### REQUEST FOR PPG APPROVAL

Review Criteria	Decision Points	Program Manager Comments
PPG Budget	1. Are the proposed activities for project preparation appropriate?	DZ, Dec 4, 2009: Yes. However, it should be noted that the PPG refers to 4MW capacity of SHP investments, while the PIF has contradictory figures.  DZ, Jan 7, 2010: The comment has been addressed.
	2. Is itemized budget justified?	Yes. However, GEF covers disproportionally some miscellaneous costs, which could be covered by the cofinancing since they concern existing infrastructure of the co-financing source (office facilities, vehicles, etc.).  DZ, Jan 7, 2010: The comment has been addressed.
	3. Is the proposed GEF PPG Grant (including the Agency fee) within the resources available under the RAF/Focal Area allocation?	Yes.
	4. Is the consultant cost reasonable?	Yes.
Recommendation	<b>5. Is PPG being recommended?</b>	No.  DZ, Jan 7, 2010: PPG recommended by PM. If the FSP PIF is cleared by CEO for entry into work program, then PPG will be presented to CEO for approval.
Other comments		
Review Date	1 <sup>st</sup> review	December 04, 2009
	2 <sup>nd</sup> review	January 07, 2010
	3 <sup>rd</sup> review	

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