GEF EO Terminal Evaluation Review Form

1. PROJECT DATA				
			Review date:	02/07/2010
GEF Project ID:	1413		at endorsement (Million US$)	at completion (Million US$)
IA/EA Project ID:	PIMS 2249	**GEF financing:**		
Project Name:	Energy Efficiency Measures in the Honduran Commercial and Industrial Sectors (PESIC)	IA/EA own:	1.00	1.00
Country:	Honduras	Government:	0.00	0.00
		Other*:	1.64	1.12
		Total Cofinancing		
Operational Program:	OP 5 Removal of Barriers to Energy Efficiency and Energy Conservation	**Total Project Cost:**	2.64	2.12
IA	UNDP	Dates		
Partners involved:	• NGO CEHDES (Consejo Empresarial Hondureño de Desarrollo Sostenible) as EA • Secretaría de Ambiente y Recursos Naturales (SERNA) as GEF focal point • Secretaría Técnica de Cooperación (SETCO) as monitor of UNDP • CIDA as co-donor	Effectiveness/ Prodoc Signature (i.e. date project began)		09/21/2004
		Closing Date	Proposed: 10/31/2007	Actual: 07/31/2008
Prepared by: Ines Angulo	Reviewed by: Neeraj Negi	Duration between effectiveness date and original closing (in months): 37	Duration between effectiveness date and actual closing (in months): 46	Difference between original and actual closing (in months): 9
Author of TE: Humberto Rodríguez		TE completion date: 09/18/2008	TE submission date to GEF EO: October 2009	Difference between TE completion and submission date (in months): 13

* Other is referred to contributions mobilized for the project from other multilateral agencies, bilateral development cooperation agencies, NGOs, the private sector and beneficiaries.

2. SUMMARY OF PROJECT RATINGS AND KEY FINDINGS

Please refer to document GEF Office of Evaluation Guidelines for terminal evaluation reviews for further definitions of the ratings.

Performance Dimension	Last PIR	IA Terminal Evaluation	IA Evaluation Office evaluations or reviews	GEF EO
2.1a Project outcomes	**MS**	**MS**	**-**	**MS**
2.1b Sustainability of Outcomes	**N/A**	-	**-**	**ML**
2.1c Monitoring and evaluation	**N/A**	**MS**	**-**	**S**
2.1d Quality of implementation and Execution	**NA**	**MS**	NA	**S**
2.1e Quality of the evaluation report	**N/A**	**N/A**	-	**S**

2.2 Should the terminal evaluation report for this project be considered a good practice? Why?
No. The information is well summarized and easily accessible, there is a good analysis on the activities carried out by the project, but little analysis on the efficiency in the use of financial resources.

2.3 Are there any evaluation findings that require follow-up, such as corruption, reallocation of GEF funds, mismanagement, etc.?
No.

3. PROJECT OBJECTIVES

3.1 Project Objectives

a. What were the Global Environmental Objectives of the project? Were there any changes during implementation?
According to the project appraisal document, the project GEO is to "reduce GHG emissions of heat and electricity generation activities".

There were no changes during implementation.

b. What were the Development Objectives of the project? Were there any changes during implementation?(describe and insert tick in appropriate box below, if yes at what level was the change approved (GEFSEC, IA or EA)?)

According to the project appraisal document, the project DO is to "remove/reduce barriers to the (increased) commercial use of energy efficient equipment and practices in the commercial and industrial sectors".

No changes to the DO during implementation.

Overall Environmental Objectives	**Project Development Objectives**	**Project Components**	**Any other (specify)**
			X Source of verification for the DO: "Baseline report on GHG emissions" changed to a "Manual to translate energy efficiency (EE) into CO emissions reductions"

c. If yes, tick applicable reasons for the change (in global environmental objectives and/or development objectives)

Original objectives not sufficiently articulated	**Exogenous conditions changed, due to which a change in objectives was needed**	**Project was restructured because original objectives were over ambitious**	**Project was restructured because of lack of progress**	**Any other (specify)**

				Cost of baseline was not justifiable due to the size of the project.

4. GEF EVALUATION OFFICE ASSESSMENT OF OUTCOMES AND SUSTAINABILITY

4.1.1 Outcomes (Relevance can receive either a satisfactory rating or a unsatisfactory rating. For effectiveness and cost efficiency a six point scale 6= HS to 1 = HU will be used)

a. Relevance **Rating: S**

Project outcomes are relevant to the GEF OP5 - removal of barriers to energy efficiency and energy conservation - because the project addresses the following barriers: (i) Lack of trained personnel or technical or managerial expertise, (ii) Regulatory biases or absence, (iii) High initial capital costs or lack of access to credit.

Project outcomes are relevant to Honduras because:

- In 2001, 50% of electricity generation was thermoelectric and the increase in electricity generation in the last years has been dependent in new thermoelectric plants. Therefore, Honduras dependency on fossil fuels has increased in the last years, increasing also the energy cost in the country.
- The baseline for the EE market produced in 1997 found that EE projects can save from 240 to 1300 TJ with an investment between US$100 – 150 Millions, annual reduction costs between US$32-50, and a 34% IRR.

b. Effectiveness **Rating: MS**

Outcome 1: Remove all existing barriers for successful EE pilot projects in the commercial and industrial sectors. This includes existing financial barriers for investments in energy efficient equipment and practices. The TE finds that Outcome 1 hasn't been accomplished because:
(i) a collateral scheme (FOPESIC trust fund) operating successfully: in 1.5 years, the FOPESIC has realized only one operation for US$3,500.
(ii) 4-5 EE pilot projects under implementation: even if 8 EE projects were implemented by 5 companies, these companies used their own resources instead of funds from the FOPESIC and/or private banks.
(iii) 4-6 EE projects ready for negotiation: EE diagnostic studies for 13 companies have been carried out but they are not projects ready for investment.

Outcome 2: Assist in removing/reducing technical, legislative, institutional/organizational, economic, information, and financial barriers related to the replication of pilot projects. The TE finds that Outcome 2 has been partially accomplished because:
(i) a minimum of 5 bank loans provided for EE projects: in May 2008, three companies estimated to invest US$345,000 in EE projects, among them Plásticos Vanguardia that applied for a US$85,000 loan with Banco de Occidente.
(ii) the existence of policy instruments to incentive EE measures: the EE Law is ready for debate in Congress.
(iii) trained professionals in EE technologies through workshops and hands-on training: PESIC carried out 14 workshops and trainings that were attended by 753 participants (mostly from the private sector, government and universities). Training has been rated as moderately satisfactory, but there has been a complaint for the lack of hands-on training.
(iv) existence and operations of ESCOs: there are no ESCOS in operation
(v) increased number of professionals and institutions active in EE activities: The project states that 7 consultants have been trained to carry out the EE diagnostic and feasibility studies, but there is no registry regarding companies and consultants working on EE.

c. Efficiency (cost-effectiveness) **Rating: UA**

The evaluator hasn't provided any analysis on the efficiency of the project.

4.1.2 Impacts: summarize the achieved intended or unintended impacts of the project.

Impacts achieved by the project include:

- PESIC has made major contributions to the draft of the EE Law and EE regulations elaborated by the Energy Commission of the Congress.
- Till May 2008, the project achieved a reduction of 451 t CO2/year.

4.2 Likelihood of sustainability. Using the following sustainability criteria, include an assessment of **risks** to sustainability of project outcomes and impacts based on the information presented in the TE. Use a four

point scale (4= Likely (no or negligible risk); 3= Moderately Likely (low risk); 2= Moderately Unlikely (substantial risks) to 1= Unlikely (High risk)). The ratings should be given taking into account both the probability of a risk materializing and the anticipated magnitude of its effect on the continuance of project benefits.

a. Financial resources	**Rating: ML**
PESIC could partly sustain itself through the training courses such as the ones offered during the project, and through the preparation of EE diagnostics and feasibility studies for the private sector (industry and commerce). Since the end of the project no diagnostic has been carried out, but proposals have been presented to companies such as Dole Honduras, Price Waterhouse, Bac Credomatic Honduras, UNITEC and Grupo Terra. On the other hand, according to PA Consulting, even in an optimistic scenario, PESIC financial mechanism (FOPESIC) isn't financially sustainable due to high management costs of the trust fund, and therefore it still relied on external funding	
b. Socio political	**Rating: L**
The Law of Energy Efficiency and energy efficiency regulations are ready for debate in Congress, and are expected to be approved without opposition. In addition, the project has been able to raise positive awareness regarding the importance of EE among private companies.	
c. Institutional framework and governance	**Rating: L**
One of the strengths of the project has been the capacity building of professionals through the training offered by the project. PESIC is an initiative of the CNP+L (National Center of Cleaner Production), which is one of the services offered by CEHDES (Honduran Chapter for the World Business Council for Sustainable Development). PESIC has a website offering its services.	
d. Environmental	**Rating: N/A**
N/A	

4.3 Catalytic role

a. Production of a public good - Methodology developed for EE diagnostic and EE project financial analysis, supported by 9 training workshops on EE. - Reduction of 451 t CO2/year.
b. Demonstration 8 EE pilot projects have been implemented in 5 companies.
c. Replication A methodology for EE diagnostic and for financial analysis has been developed, but replication is hindered by the lack of knowledge/methodology on how to present a project to a private bank for financing and the monitoring of energy savings on a sufficient time span.
d. Scaling up PESIC played a strong role in the recommendations to the EE policy through its participation in the Program for the Reduction in the Energy Demand and the development of the EE Law. The Law has been approved by the Congress Energy Commission and is ready for debate in Congress.

4.4 Assessment of processes and factors affecting attainment of project outcomes and sustainability.

a. Co-financing. To what extent was the reported cofinancing (or proposed cofinancing) essential to achievement of GEF objectives? Were components supported by cofinancing well integrated into the project? If there was a difference in the level of expected co-financing and actual co-financing, then what were the reasons for it? Did the extent of materialization of co-financing affect project's outcomes and/or sustainability? If it did, then in what ways and through what causal linkages?
The co-financing provided by CIDA (approx. 50% of the project funds) was well-integrated into the project; these funds were used to provide the technical assistance through the contracting of the consulting company PA Consulting. CIDA provided more funds than initially programmed (US$ 1.14 instead of US$ 1). The co-financing funds appear to be smaller at the end of the project because the project appraisal document had initially included CEHDES in-kind contribution and loans to be provided by private financial institutions as cofinancing. The TE does not include an explanation for this change.
b. Delays. If there were delays in project implementation and completion, then what were the reasons for it?

Did the delay affect the project's outcomes and/or sustainability? If it did, then in what ways and through what causal linkages?
There was a delay in project implementation (almost one year) due to the lengthy process to hire the consulting company. The delay didn't affect project's outcomes and/or sustainability.
c. Country Ownership. Assess the extent to which country ownership has affected project outcomes and sustainability? Describe the ways in which it affected outcomes and sustainability highlighting the causal links.
The fact that (i) the project was proposed and executed by a well-established Honduran NGO – CEHDES - that already provides services related to sustainable development to private companies, and (ii) a Program for the Reduction in the Energy Demand and the development of the EE Law was on place, certainly had a positive effect on the achievement of outcomes and the sustainability of the project.

4.5 Assessment of the project's monitoring and evaluation system based on the information in the TE

a. M&E design at Entry Rating (six point scale): MS
Not all indicators specified in the logical framework for objectives, outcomes and activities were well designed, relevant or specific. The project appraisal document highlights a built-in evaluation process, whereby the effectiveness, operational soundness, and expected impact of the activities has been described to facilitate review of progress during the project lifetime.
b. M&E plan Implementation Rating (six point scale):S
The project successfully implemented the following monitoring procedures: • Daily monitoring of project implementation by CEHDES. • Quarterly monitoring meetings between UNDP and CEHDES. • If considered appropriate, annual or more frequent visits to the project by UNDP Honduras or the Regional office UNDP/GEF Panama. It also accomplished all the monitoring processes required by UNDP: • Two PIR (2006 and 2007) • One Mid Term Review • Tripartite revisions with SERNA, CEHDES, PESIC, PNUD-GEF, CIDA, PA Consulting and SETCO. Only one meeting took place on November 2, 2006. A second should have taken place after the TE. • Two external financial audits
b.1 Was sufficient funding provided for M&E in the budget included in the project document? According to the project document, US$ 30,000 (GEF funds) were assigned for M&E.
b.2a Was sufficient and timely funding provided for M&E during project implementation? There is no mention of lack or shortage of funding mentioned in the TE.
b.2b To what extent did the project monitoring system provided real time feed back? Was the information that was provided used effectively? What factors affected the use of information provided by the project monitoring system? Although the information produced by the monitoring system proved to be useful during implementation, the TE found that there wasn't a systematic follow up on the recommendations made by the Mid Term Evaluation.
b.3 Can the project M&E system (or an aspect of the project M&E system) be considered a good practice? If so, explain why. Yes. An implementable M&E system was set in place which included indicators that were easy to quantify and verify.

4.6 Assessment of Quality of Implementation and Execution

a. Overall Quality of Implementation and Execution (on a six point scale): S
b. Overall Quality of Implementation – for IA (on a six point scale): S
Briefly describe and assess performance on issues such as quality of the project design, focus on results,

adequacy of supervision inputs and processes, quality of risk management, candor and realism in supervision reporting, and suitability of the chosen executing agencies for project execution.

Project design had important positive aspects: (i) activities are in line with the expected project outcomes and objectives, (ii) indicators in the logical framework are considered appropriate to guide and monitor project execution (but some indicators were not appropriate because not directly dependent on project's activities – such as the approval of EE legislation that can be proposed by the project but its approval is dependent on the Government, or the existence and operation of energy service companies (ESCO) that depends on the private sector), (iii) highly participatory process during project conceptualization and design.

The TE concludes that UNDP acted effectively in the selection, recruitment of experts, consultants and assignment of national counterparts; in defining tasks and responsibilities; in the quantity, quality and timeliness of inputs for the project implementation.

The selection of a national NGO – CEHDES as the EA proved to be a good choice since it is a well established organization committed to sustainable development and with close contact with the private sector.

c. Quality of Execution – for Executing Agencies[1] (rating on a 6 point scale): MS

Briefly describe and assess performance on issues such as focus on results, adequacy of management inputs and processes, quality of risk management, and candor and realism in reporting by the executive agency.

Adequacy of management inputs and processes: Positive aspect: (i) the subcontracting of a consulting company with experience in EE gave CEHDES greater capacity support than if it had hired individual consultants, (ii) a detailed work plan presented by PA Consulting and deliverables were turned in a timely manner. Negative aspects: (i) SERNA should have been involved in the preparation of policy recommendations as it would have greatly facilitated the review and approval process.

Quality of risk management: Negative aspect: The intention letters signed by companies interested in participating/investing in EE projects wasn't sufficient to ensure their participation. However, it is very difficult that a company commits itself to invest in a project beforehand.

There was a delay in the start of the project due to the time needed to hire the consulting company (bidding process), but this didn't compromise the achievement of results.

Instead, due to the delay on the set up of the financial mechanism (the trust fund FOPESIC) no funds were available by this mechanism to finance the implementation of the pilot projects.

5. LESSONS AND RECOMMENDATIONS

Assess the project lessons and recommendations as described in the TE

a. Briefly describe the key lessons, good practice or approaches mentioned in the terminal evaluation report that could have application for other GEF projects

- Monitor the recommendations exposed during project meetings or MTR evaluations to take advantage of the work of experts.
- Auditing is essential for project execution, in particular when the amount of the project is high and the EA depends on the results provided by a consulting firm. Frequently the EA doesn't have the technical knowledge needed to evaluate the deliverables; in such cases it is advisable to hire a specialized consultant.
- While designing a project, it is advisable to use output indicators that do not depend directly on project's activities, such as "the existence of operation of ESCOs", which depends entirely on the private sector itself, or "the bill on EE is ready to be debated" since it can be proposed/discussed/promoted by the project but its approval and implementation depends on governmental institutions outside the scope of the project.

[1] Executing Agencies for this section would mean those agencies that are executing the project in the field. For any given project this will exclude Executing Agencies that are implementing the project under expanded opportunities – for projects approved under the expanded opportunities procedure the respective executing agency will be treated as an implementing agency.

b. Briefly describe the recommendations given in the terminal evaluation
The TE included specific recommendations for the different partners involved in the project: To CEHDES/PESIC: - Take into consideration the permanence and strengthening of the PESIC, since it is an initiative that responds to a real need of the industrial and commercial sectors: energy consumption reduction in a country highly dependent on oil imports. - Develop an appropriate business plan, without expecting that the FOPESIC becomes a source of funding for the PESIC. - Continue with the development of EE projects taking advantage of the funds available in FOPESIC. - Establish a clear "project cycle" for the EE projects. - Train the associated/not associated PESIC consultants in the design and management of EE project proposals that includes, beside the diagnostic of EE opportunities (well known by PESIC), the development of energy and emissions baselines, the installation of equipments, financial management, measurement and verification of energy savings and emissions reduction, project monitoring. - Update the information provided in PESIC website (www.pesic.org) including recent results, directory of consulting companies and companies that sell EE equipment (making explicit that PESIC isn't responsible for the results obtained by hired one of the listed companies), and reconsider the possibility of publishing the content of the trainings (it hasn't been done till now because PESIC considers the trainings as a possible source of income). - Develop the EE market of the commercial sector due to the potential in energy savings in illumination and A/C, which have a short payback period and are easy to implement. - Clearly define in CEHDES the future role of PESIC in relation to the CNP+L (Honduran National Center of Cleaner Production), which is another CEHDES initiative. To UNDP: - Monitor the operation of the FOPESIC. The evaluator recommends allowing an additional term of 6 months to see if the funds are being successfully used. In this case, let the fund function until its 3 remaining years. Otherwise, return the remaining funds to the GEF/UNDP. - Try to negotiate a reduction in operation costs for the FOPESIC trust fund.

6. QUALITY OF THE TERMINAL EVALUATION REPORT

6.1 Comments on the summary of project ratings and terminal evaluation findings based on other information sources such as GEF EO field visits, other evaluations, etc.

Provide a number rating 1-6 to each criteria based on: Highly Satisfactory = 6, Satisfactory = 5, Moderately Satisfactory = 4, Moderately Unsatisfactory = 3, Unsatisfactory = 2, and Highly Unsatisfactory = 1. Please refer to document GEF Office of Evaluation Guidelines for terminal evaluations review for further definitions of the ratings. Please briefly explain each rating.

6.2 Quality of the terminal evaluation report	**Ratings**
a. To what extent does the report contain an assessment of relevant outcomes and impacts of the project and the achievement of the objectives? The TE provides a good assessment of project achievements and effectiveness.	S
b. To what extent the report is internally consistent, the evidence is complete/convincing and the IA ratings have been substantiated? Are there any major evidence gaps? The TE is convincing and presents the necessary evidence to support its ratings.	S
c. To what extent does the report properly assess project sustainability and /or a project exit strategy? The evaluator analyzes the existing possibilities to ensure the continuity of the services provided by PESIC.	S
d. To what extent are the lessons learned supported by the evidence presented and are they comprehensive? Some useful lessons are presented, but there is confusion between lessons and recommendations.	MS
e. Does the report include the actual project costs (total and per activity) and actual co-financing used? The TE includes the project budget and makes reference to the external audits, but there isn't an analysis of the Expenses Report even though they were provided to the evaluator.	MS

f. Assess the quality of the reports evaluation of project M&E systems? The TE exposes the recommendations in the previous MTR and the quality of the indicators, but it doesn't discuss the sources of verification/methodology and how the EA or IA followed up on the accomplishment of the indicators.	MS

7. SOURCES OF INFORMATION FOR THE PRERATATION OF THE TERMINAL EVALUTION REVIEW REPORT EXCLUDING PIRs, TERMINAL EVALUATIONS, PAD.