

## 1. Project Data

| Summary project data                                   |                          |   |                                     |
|--|--------------------------|---|-------------------------------------|
| GEF project ID   |                          | 1609  |                                     |
| GEF Agency project ID                                  |                          | GFL-2328-2721-4982 (IMIS number)  |                                     |
| GEF Replenishment Phase                                |                          | GEF – 3   |                                     |
| Lead GEF Agency (include all for joint projects)       |                          | UNEP – United Nations Environment (lead), Asian Development Bank (ADB)  |                                     |
| Project name   |                          | Seed Capital Assistance Facility Phase I (Renewable Energy Enterprise Development)  |                                     |
| Country/Countries                                      |                          | Burkina Faso, Cambodia, Cameroon, China, Ghana, India, Indonesia, Kenya, Lao PDR, Myanmar, Namibia, Philippines, Rwanda, South Africa, Sri Lanka, Tanzania, Thailand, Uganda, Viet Nam, Zambia  |                                     |
| Region   |                          | Global: Africa, Asia  |                                     |
| Focal area   |                          | Climate Change – Renewable Energy   |                                     |
| Operational Program or Strategic Priorities/Objectives |                          | CC-2 Industrial Energy Efficiency<br>CC-4: On-Grid Electricity from Renewable Sources<br>CC-5: Renewable Energy for Rural Energy Services<br><br>OP-6: Promoting the adoption of renewable energy by removing barriers and reducing implementation costs, with some contribution to OP-5: Removing Barriers to Energy Conservation and Energy Efficiency/ |                                     |
| Executing agencies involved                            |                          | UN Environment/Economy Division, Asian Development Bank (ADB), Frankfurt School UNEP Collaborating Centre   |                                     |
| NGOs/CBOs involvement                                  |                          | None  |                                     |
| Private sector involvement                             |                          | Significant involvement of private equity funds, cooperating partners and private investors   |                                     |
| CEO Endorsement (FSP) /Approval date (MSP)             |                          | March 2007  |                                     |
| Effectiveness date / project start                     |                          | July 2008   |                                     |
| Expected date of project completion (at start)         |                          | August 2013   |                                     |
| Actual date of project completion                      |                          | June 2018   |                                     |
| Project Financing                                      |                          |   |                                     |
|  |                          | At Endorsement (US \$M)   | At Completion (US \$M) <sup>1</sup> |
| Project Preparation Grant                              | GEF funding              | 0.3   | 0.3                                 |
|  | Co-financing             | 0.15  | 0.15                                |
| GEF Project Grant                                      |                          | 8.4   | 8.4                                 |
| Co-financing   | IA own                   | 1   | 1.67                                |
|  | Government               |   |                                     |
|  | Other multi-/bi-laterals | 1.21  | 0.5                                 |

<sup>1</sup> PIR 2017 and TE

|  |                |  |       |
|--|----------------|--|-------|
|  | Private sector | 52.4   | 20    |
|  | NGOs/CSOs      |  |       |
| <b>Total GEF funding</b>                                   |                | 8.7  | 8.7   |
| <b>Total Co-financing</b>                                  |                | 54.47  | 22.35 |
| <b>Total project funding (GEF grant(s) + co-financing)</b> |                | 62.87  | 31.05 |
| <b>Terminal evaluation/review information</b>              |                |  |       |
| <b>TE completion date</b>                                  |                | August 2018  |       |
| <b>Author of TE</b>  |                | Dr. Christine Woerlen (Team Leader). Ute Zimmermann and Lisa Keppler |       |
| <b>TER completion date</b>                                 |                | 27 February 2020   |       |
| <b>TER prepared by</b>                                     |                | Mourad Shalaby   |       |
| <b>TER peer review by (if GEF IEO review)</b>              |                | Neeraj Negi  |       |

## 2. Summary of Project Ratings

| Criteria                                  | Final PIR       | IA Terminal Evaluation | IA Evaluation Office Review | GEF IEO Review |
|---|-----------------|------------------------|-----------------------------|----------------|
| Project Outcomes                          | HS <sup>2</sup> | S                      |                             | S              |
| Sustainability of Outcomes                |                 | L                      |                             | L              |
| M&E Design                                |                 | S                      |                             | S              |
| M&E Implementation                        |                 | MS                     |                             | MS             |
| Quality of Implementation                 |                 | S                      |                             | S              |
| Quality of Execution                      |                 | S                      |                             | MS             |
| Quality of the Terminal Evaluation Report |                 | -                      |                             | MS             |

## 3. Project Objectives

### 3.1 Global Environmental Objectives of the project:

The environmental objective of the project is to reduce energy-related CO<sub>2</sub> emissions through the increased use of renewable energy technologies and services provided through local enterprise. Investment in sustainable energy Small-and-Medium Sized Enterprises (SMEs) in targeted countries and regions of the project continues to be limited. New energy capacity additions are mostly met by conventional fossil fuel sources, resulting in increased greenhouse Gas (GHG) emissions. The project thus aims to address energy-related CO<sub>2</sub> emissions by shifting energy production away from fossil fuels towards more sustainable sources (CEO Endorsement Document, p6).

### 3.2 Development Objectives of the project:

The overall objective of the project is to reduce energy-related CO<sub>2</sub> emissions through the increased use of renewable energy technologies and services provided through local enterprise.

The near-term objectives of the project are to, first, increase in developing countries the flow of seed capital to sustainable energy enterprises and projects and, second, to convince the energy finance community that early stage

<sup>2</sup> Overall project progress towards meeting project objectives, PIR 2017, p16

seed capital investing is a viable and cost-effective strategy for building long term commercial energy investment portfolios.

This project thus addresses one of the main barriers to the development of Small-and-Medium Sized Enterprises (SMEs) in the field of renewables and, to a lesser extent, energy efficiency (CEO Endorsement Document, p6).

### 3.3 Were there any **changes** in the Global Environmental Objectives, Development Objectives, or other activities during implementation?

The TE notes that the renewable energy financing environment “might have evolved already [...] during the period of project development”, which led to a few changes. During the project’s start-up phase, larger projects started to dominate and the Small-and-Medium Sized Enterprises (SMEs) angle became less prominent. As it was beyond UN Environment’s means to manage the investments into small businesses directly, the focus of the project shifted towards infrastructure project development, i.e. the development of larger renewable energy projects in the form of Special Purpose Vehicles (SPVs).

In addition, the evolution the financing environment for renewable energy and energy efficiency during the period of project development meant that more loan funding became available including from various development banks. As a result, the target group of the project was altered to private equity funds that invested in on-grid and off-grid renewable energy projects rather than local businesses providing technologies such as solar home systems.

Generally, these changes altered the “impact logic” and scale, as larger projects with bigger budgets were targeted instead of the originally planned investments into small and local businesses (TE, p18-19).

## 4. GEF IEO assessment of Outcomes and Sustainability

Please refer to the GEF Terminal Evaluation Review Guidelines for detail on the criteria for ratings.

Relevance can receive either a Satisfactory or Unsatisfactory rating. For Effectiveness and Cost efficiency, a six point rating scale is used (Highly Satisfactory to Highly Unsatisfactory), or Unable to Assess. Sustainability ratings are assessed on a four-point scale: Likely=no or negligible risk; Moderately Likely=low risk; Moderately Unlikely=substantial risks; Unlikely=high risk. In assessing a Sustainability rating please note if, and to what degree, sustainability of project outcomes is threatened by financial, sociopolitical, institutional/governance, or environmental factors.

Please justify ratings in the space below each box.

|                      |                      |
|----------------------|----------------------|
| 4.1 <b>Relevance</b> | Rating: Satisfactory |
|----------------------|----------------------|

The TE rated the “strategic relevance” of the project as ‘satisfactory’. This TER rates relevance as satisfactory, given that the project addresses the crucial issue of energy production and capacity in developing countries, while promoting and financially supporting clean development pathways through investments in renewable energy rather than in conventional fossil fuels and other non-sustainable sources (TE, p31-32).

By promoting improved energy efficiency through the increased use of renewable energy in partner countries to help reduce greenhouse gas (GHG) emissions and other pollutants as part of low emission development pathways in developing countries, the project is aligned with UN Environment’s strategic sub-programme Climate Change. The

project builds on the precursor project Rural Energy Enterprise Development (REED), which had provided enterprise development assistance and working capital to sustainable energy Small-and-Medium Sized Enterprises (SMEs). This project is considered an upscaling of the REED project. As explained in section 3.3, the focus was changed to private equity funds and the development of bankable investment projects. This is in line with the priorities of the GEF, which is constantly requested by its donors to strengthen private sector co-financing and private sector involvement.

The relevance for national needs is analyzed from two perspectives: the need for renewable energies; and the situation of private equity as funding instruments.

Increasing demand for electricity on-grid renewable energy was included in many power development plans of several Asian and African countries targeted by this project at the time of its development and operationalization. During this time period (2007-2013), substantial regulatory changes were introduced for mainstreaming renewable energy, namely the opening of the sector for private investors, implying that funding for renewable energies would need to leverage a significant amount of private capital to advance. The project thus established close connections with the African Development Bank and the Asian Development Bank to access both continental markets. The combination of leveraging private capital for renewable energy projects through private equity funds “answered to a need in the countries”, namely bridging “a deficit in project development and financial structuring”.

|                          |                      |
|--------------------------|----------------------|
| <b>4.2 Effectiveness</b> | Rating: Satisfactory |
|--------------------------|----------------------|

The TE rates “the overall quality of delivery of outputs” as ‘satisfactory’, and this TER rates effectiveness as satisfactory, given that the overarching objective - greenhouse gas (GHG) emission reduction through an increase in renewable energy and energy efficiency projects - has “probably been achieved”. The first 8 projects that are in operation, or fully financed and in construction, are likely to lead to 30.95 million tons of greenhouse gas (GHG) emission savings, potentially more. The greenhouse gas (GHG) savings are at a high level and in line with expectations given the amount of Megawatts (MW) produced (577 MW). More than 140 investment projects were supported by the project.

The project effectively strengthened the position of the environmental, social and governance (ESG) safeguards, and supported the mainstreaming of the International Finance Corporation (IFC) standards on these safeguards with direct partners. Therefore, no negative sustainability impacts should be expected as they have been thoroughly safeguarded. The programme was defined by outcomes rather than components in the TE. Overall the achievement of direct outcomes is rated as ‘Satisfactory’ by the TE. The project was scheduled to work towards four outcomes, namely: i) increased access to enterprise development support and seed financing for early stage sustainable energy enterprises and projects in target regions; ii) increased experience amongst financiers for investing in small scale renewable energy / energy efficiency projects; iii) mainstreaming of seed capital into commercial energy finance approaches, whereby seed portfolios become pipeline development tools for later stage commercial investing; iv) a new breed of indigenous clean energy enterprises established offering a range of greenhouse gas (GHG) mitigating projects, products, and services (TE, p36-51).

Outcome 1: Increased access to enterprise development support and seed financing for early stage sustainable energy enterprises and projects in target regions:

The project did well in achieving an increase in the volume of direct seed finance. The Project Document states that the project would leverage USD 1 million of seed capital from co-operating project funds, and USD 300,000 to USD 1 million of entrepreneurial capital, with USD 250,000 to 350,000 of GEF funding. The amount of total seed capital

and follow on investments mobilized was targeted to be USD 67 million, which is a little higher than in the budget anticipated USD 50.9 million as co-financing from the cooperating partners. Although it is not possible to confirm the overall value of increased financing that can be attributed to the project, the fact that the project was able to leverage finance is not disputed. This has also been confirmed during interviews conducted by the project evaluators. In these, different parties have described in what way this has taken place: 1. The project helped provide financeable proposals faster, 2. at higher quality, and 3. with higher credibility. As such, the interviewees claimed that the project support was a sort of “stamp of approval” which allowed the Funds to attract more equity and later debt finance.

In quantitative terms, an indicator of this outcome’s success would be an increase in the volume of direct seed transactions. The target was USD 14 million, while the Project Implementation Report (PIR) of 2017 indicated that USD 16.3 million had been committed to 31 projects.

Outcome 2: Increased experience amongst financiers for investing in small scale renewable energy / energy efficiency projects:

The project supported various activities that resulted in significant capacity building for project developers. Since 135 projects received support in the first phase of the project (Support Line 1 (SL1), focused on finding investable projects), 100 in Asia and 35 in Africa, it is highly likely that capacity building at the level of the cooperating partner and at the level of the project was successfully conducted. This view is further supported by interviews, especially with the cooperating partners in Africa who stated that the capacity and skill level of local project developers was very low and that they needed to get much more involved at a very early stage than they had expected. This deep engagement resulted not only in capacity building at the level of the project developers but also for the private equity funds, getting a clearer understanding of project development and allowing them to tailor their pipelines better. However, the TE notes that the project’s impact on the capacity of financial institutions is not clear, and that “the impressions is [...] that (the project) had very little influence on the wider financial markets”.

In quantitative terms, an indicator of this outcome’s success would be an increase in the number of investments in targeted countries. The target was 134 projects receiving investments, while the Project Implementation Report (PIR) of 2017 indicated that 135 projects received investments under the project’s first phase (Support Line 1 (SL1): finding investable projects) and 31 projects had been approved under the project’s second phase (Support Line 2 (SL2): developing their bankability).

Outcome 3: Mainstreaming of seed capital into commercial energy finance approaches, whereby seed portfolios become pipeline development tools for later stage commercial investing:

The TE notes that 9 seed capital windows have been created of which 7 were completed as planned. Two terminated early their engagement with the project. None of the supported Private Equity Funds had a seed capital window in the beginning, and they had to create it with support from the project. Mainstreaming of seed capital for commercial renewable energy finance might not have been fully achieved. But the project did successfully encourage private equity funds in Asia and Africa to look through the seed window and see opportunities in other countries and types of renewable energy which they pursued. The TE notes, however, that the sustainability of this approach to this issue cannot be assessed, and the number of seed windows is a questionable indicator of project effectiveness.

In quantitative terms, the number of seed finance windows created within new or existing Funds is an indicator of outcome achievement. The project aimed at creation of 4 to 6 seed capital windows. The Project Implementation Report (PIR) of 2017 indicated that 9 seed financing windows had been created, although 2 were terminated as mentioned above. Thus, net achievement was higher than that expected at project start.

Outcome 4: A new breed of indigenous clean energy enterprises established offering a range of Greenhouse Gas (GHG) mitigating projects, products, and services:

The project supported mostly existing private equity funds specialized in renewable energy. Their product was the successful development of bankable renewable energy projects. The private equity funds did not offer any other service or product, nor did they plan to do so in the future. The project supported these private equity funds by “gently nudging them to take more risk”. This led to a maturing of a market where developers and financiers cooperate. The Megawatts of electricity produced and resultant greenhouse gas (GHG) emissions reduction are relevant indicators for generation of clean energy.

The project targeted production capacity of 52 Megawatts (MW), and generation of 160 Gigawatt hours (GWh) per year, of clean energy. The Project Implementation Report (PIR) of 2017 reports establishment of 576.98 MW capacity from nine projects (399.4 MW of which has been commissioned and 177.8 MW under construction or in the process of commissioning). Once all are commissioned, they will collectively produce 1169 GWh/year. Thus, the achievements are greater than the targets.

|                       |                                   |
|-----------------------|-----------------------------------|
| <b>4.3 Efficiency</b> | Rating: Moderately unsatisfactory |
|-----------------------|-----------------------------------|

The TE rates overall efficiency as ‘moderately unsatisfactory’, and this TER agrees with the rating. Although the project was somewhat inefficient, some of the inefficiencies are not entirely attributable to the project’s lead agencies nor to the executing agencies and there are some areas of efficient performance as well.

The project worked through private equity funds, including the entire process of project selection and development up to financial closing. By relying on the existing institutional processes of private equity funds and insisting on high levels of self-financing, the project “did not spend money beyond what was needed to push the envelope a little further in early de-risking”.

Through the cost sharing mechanism, one of the key features of the project, for each Dollar provided to funds at least the same amount of private funds was spent. In the end, the project was able to leverage much more funds than the 50:50 split envisioned, not only from the private sector, but also from the European Investment Bank (EIB).

The TE notes, however, that while cost effectiveness on the investment level was high, overhead costs were “considerable, potentially too high”. For a small facility such as the one created by the project, management costs are at the high end and were 43 % of the total costs of the facility. This was balanced to some degree by the executing agencies providing staff on an in-kind basis and by the higher than expected leverage of the support lines.

In terms of time lags, the duration of the project was planned to be 6 years. It commenced in April 2007 and was closed in Africa in December 2015 and in Asia in December 2017. The delay of the project resulted in higher overall management costs. The TE notes that the delay was due to a chain of external effects, which could not have been avoided by the project management. External effects for the project management were the global financial crisis of 2008, the change in the African Development Bank’s (AfDB) strategy not to partner with the project any longer and the fact that the project was originally conceived in the beginning of 2003/4 and that since then markets had moved. Regarding implementation in Asia, the Asian Development Bank’s (ADB) Private Sector Operations Department and the ADB’s GEF liaison office noted the slow disbursements in small increments during evaluation interviews. The GEF-funded amount of USD 4.2 million was available in 2008, when the Memorandum of Understanding (MOU) between UN Environment and the Asian Development Bank was signed. The project faced delays during

implementation. The TE notes that the last project extension could have been avoided had the implementing agent better understood the internal processes of the Asia Climate Partner Fund. Overall, the project itself, as well as individual investments, took much longer than expected. While UNEP was well-intentioned to keep the project-created facility open for an additional three years, it was ultimately futile. An honest “cut and recommissioning” of the funds might have been more efficient.

The TE provides the following explanations for the slow implementation:

- The complexity of the project design led to several alignment processes between stakeholders, which is not unusual, but costs time.
- The length of time to develop a project was underestimated. Project finance is often underestimated in terms of time and money required before it can be successfully closed. A much faster work flow was anticipated by the project in the beginning and this had an impact on the speed of disbursement of funds.

|                           |                |
|---------------------------|----------------|
| <b>4.4 Sustainability</b> | Rating: Likely |
|---------------------------|----------------|

The TE rates project sustainability to be ‘high’ and ‘likely’ because “the renewable energy investments will provide sustainable energy for the near future, generally in a financially sustainable environment (if not for local policy or contractual changes) and the private sector partners will likely keep developing renewable energy projects”. This TER also rates the project’s sustainability as likely, given that it supported the production of renewable energy, the expansion of investments into this same sector, had a positive effect on employment, ensured the application of environmental, social and governance (ESG) safeguards and contributed to the institutional growth of Development Finance Institutions and at least one Multilateral Development Bank (TE, 51,61).

**Financial sustainability**

In the view of the cooperating partners, the project supported clean energy development projects of a “higher quality”, and thus with a higher likelihood of success and impact and thus, sustainability, than projects without such support. This is due to more resources being available during the project development and vetting process. The fact that research and analysis was sequenced properly and happened at the right and logical time in the project development process means that better overall technical and financial design improved the stability and durability of the projects. Well functioning renewable energy projects have a pilot function in the region and increase the chances of replication.

Specifically, the support granted by the project’s Support Line 1 (SL1: finding investable projects) helped build a more diversified pipeline. Cooperating partners were able to look at projects which they had otherwise disregarded or postponed as they may have been perceived as too risky and/or required too much financial resources to develop further. This has led to a more stable project pipeline in many of the supported private equity funds, which will continue to exist even when the Funds are no longer supported by the project.

In Asia, the project is credited with increasing the ability, experience and “risk appetite” of private equity funds/project developers to assess and evaluate projects, leading to faster project development and financial closing process, which lower the cost of project development and are likely to also have a positive effect on financial entities,

who in parallel are more self-assured to invest. These private entities have thus become more autonomous and risk-seeking in the field of renewable energy, stimulating the sector and improving financial sustainability and independence from the project.

In Africa the project supported projects directly through private equity funds. The project closed 35 sub-projects in a much wider variety of countries in Africa than in Asia, for example Tanzania, Uganda, Kenya, Burkina Faso, and South Africa. In Asia, the project closed 15 sub-projects mainly in India and the Philippines. In terms of technology the spread was also wider including more geothermal and biogas projects. This variety enforced the pilot function some of the projects have and supported replication processes, positively affecting these sectors' prospects and financial future.

### **Sociopolitical sustainability**

Several sub-projects are already in operation and contributing to power generation. The TE points out that these sub-projects "have a share in increasing and stabilizing employment in the region". This is a general observation when an earlier unserved region is now served with any form of electricity, not specific to renewable energy.

The local environmental and social sustainability of the individual projects has been ensured in following the International Finance Corporation (IFC) safeguards. This has also been flagged by the funds as an issue that they were able to spend more time on with the help of the project. The project team also highlighted the fact that they managed to support and strengthen the trend towards mainstreaming the IFC standards for environmental and social safeguards and that they today are considered more and more standard requirements.

Another expected impact of the application of the environmental, social and governance (ESG) safeguards in the renewable energy projects was the "learning effect", i.e. the training of local staff and the anchoring of ESG safeguard conditions in project documents, the TE stating that "a legacy has been laid". Private equity funds and project developers now include ESG safeguards in their early thinking process also because they noted that many financiers, including among their co-investors, follow the ESG safeguards of IFC, with particular focus on project finance. The project financially supported the training of local staff and external studies and has contributed to "a new breed of local ESG safeguard experts".

### **Institutional sustainability**

Institutionally, some sustainable partnerships were created between the project, specifically UN Environment and the Frankfurt School of Finance and the private equity funds, and between some private equity funds and some project developers. The relationship between UN Environment and the Frankfurt School of Finance has also been strengthened and continues to thrive in phase II of the project.

A less intended but positive impact of the project was that Development Finance Institutions (DFIs) were taken on board. The de-risking strategy of the project, i.e. the support and improvement of early stage project investments, made DFIs invest in the equity and/or provide long-term debt. The TE explains that "it would certainly be too much to say that only because of (the project) did MDBs (Multilateral Development Banks) become more willing to take risks". However, an impact of the project as a niche product versus the financially much more powerful DFIs might have been that they reconsidered their position and took an interest in the renewable energy sector.

### **Environmental sustainability**



A long-term impact on greenhouse gas (GHG) emission effects in target countries is rated as 'Likely' by the TE. The initial project target was for 0.4 to 0.8 million tons to be directly reduced from assisted transactions, with 2.2 to 5.7 million tons reduced at a later stage through scaling-up. The project results, as per the Project Implementation Report (PIR) of 2017, were 30.95 million tons of reduced CO<sub>2</sub> expected from the first eight projects fully financed and in construction or already commissioned. Several sub-projects continue to operate and contribute to clean power generation through several means (solar, wind). Several of the project outcomes as well as the expected investment leverage and climate impact have thus been achieved. Cleaner energy generation bodes well for the targeted countries' environmental sustainability.

The project can be credited with strengthening the environmental, social and governance (ESG) safeguards, and supporting the mainstreaming of the International Finance Corporation (IFC) standards on these safeguards with direct partners. While under these considerations, the project is rated 'satisfactory' by the TE in the sense that no negative sustainability impacts should be expected as they have been thoroughly safeguarded.

## **5. Processes and factors affecting attainment of project outcomes**

**5.1 Co-financing.** To what extent was the reported co-financing essential to the achievement of GEF objectives? 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 so, in what ways and through what causal linkages?

The TE rates financial management as 'highly satisfactory', alluding to the fact that "ultimately, the funding and in-kind contributions all materialized and were utilized by the PMU (Project Management Unit) as appropriate". Given the nature of the project, which heavily involved private equity funds and direct participation of the private sector, it is safe to say that the project would not have been possible without co-financing (TE, p54-55). At the same time, a substantial part of pledged co-financing did not materialize. The CEO endorsement document indicates USD 53.1 million of co-financing, the source being "commercial financing" through financial institutions and entrepreneurs, while the TE and the latest Project Implementation Report (PIR, 2017) indicate USD 22.35 million of materialized co-financing. The CEO endorsement document also contains the following explanation: "It is not clear to the reviewer how the co-financing figures for commercial finance were derived." It seems that the project had been targeting a relatively ambitious amount of USD 53.1 million, hoping to leverage significant private funds from the commercial sector, but in the end only about half of that amount actually materialized.

Grants were received from the GEF (USD 8.4 million) and the by UN Foundation (USD 0.7 million). In-kind contributions were expected from the UN Environment Fund to a value of USD 0.97 m and the ADB and the AfDB to a value of USD 0.4 m. This represents USD 9.1 m in cash financing and USD 1.37 m in in-kind contributions. Information about the exact amount of in-kind contributions from ADB and AfDB has not yet been made available to UN Environment. In addition, the clean energy projects and the cooperating partners of the project were co-financed by several international development banks, including the European Investment Bank (EIB) in a grant of USD 0.95 million to co-finance two cooperating partners, and many other financial institutions or loan providers for the investment projects. The GEF Funding was expected to leverage USD 54.47 million in co-financing, as mentioned previously. In addition to the USD 0.7 million from the UN Foundation, it was expected that the project would leverage fund investments of around USD 50.9 million, and matching expenses of private equity funds (cooperating partners) worth USD 1.5 million. In the project documents the matching expenses of private equity funds (cooperating partners) are listed as co-financing. More specifically, they are in-kind co-financing, because they represent administrative and transaction costs that accrue directly to the private equity funds and are their normal activity.

Until the end of the project, the private equity funds co-financed the investment project development activities directly with USD 22.35 million. Overall, the leveraged financing – amount of total seed/ follow-on investment mobilized in the projects - was USD 503 million. The leverage ratio was much higher than expected, due to the “changed project approach”, which consisted of “support of development costs rather than working capital, private equity funds, (and) on-grid “infrastructure” projects rather than retail technologies like solar lanterns”. Furthermore, six new funds were established with the total volume of USD 1 billion.

The administration costs, against the budget that actually goes to the funds, constitutes 47.6% of the GEF grant or 43.2% of all grant funding, and this share is slightly higher than anticipated at project start.

5.2 Project extensions and/or 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 so, in what ways and through what causal linkages?

As explained in the efficiency section (4.3), the initial duration of the project was planned to be 6 years. The project started in April 2007 and closed in December 2015 for the Africa component, a 2-year delay, and in December 2017 for the Asia component, a 4-year delay (TE, p57-58). The project was completed in June 2018 after a five-year delay.

The TE notes that a part of the delay was due firstly to exogenous shocks. the global financial crisis of 2008. The African Development Bank’s (AfDB) decision to withdraw from its participation in the project also affected implementation. Additionally, the project was originally conceived in the beginning of 2003/4 and when implementation started the market conditions had changed.

The TE also provides the following explanations for the slow implementation of the project:

- The complexity of the project design led to several alignment processes between stakeholders, which is not unusual, but costs time.
- The length of time to develop a project was underestimated. Project finance is often underestimated in terms of time and money required before it can be successfully closed. A much faster work flow was anticipated by the project in the beginning and this had an impact on the speed of disbursement of funds.

The delay of the project resulted in higher overall management costs. Regarding implementation in Asia, the Asian Development Bank’s (ADB) Private Sector Operations Department and the ADB’s GEF liaison office in the interviews noted the slow disbursements in small increments. The GEF-funded amount of USD 4.2 million was available in 2008, when the Memorandum of Understanding (MOU) between UN Environment and the Asian Development Bank was signed. Over a time span of 10 years, until project closure in June 2018, this implies an average annual flow of “only” USD 0.42 m. In addition, the Asian Development Bank was not able to deploy the full amount. An estimated USD 0.78 million remained undisbursed. For a large development bank, which usually provides multimillion-dollar loans, this is an unexpected outcome, the TE notes, before explaining that in Asia, the last project extension could have been avoided had the implementing agent better understood the internal processes of the Asia Climate Partner Fund.

5.3 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 TE does not assess “country ownership and driven-ness” (TE, p31-32). An assessment of level of support from participating countries would have been informative.

## 6. Assessment of project’s Monitoring and Evaluation system

Ratings are assessed on a six point scale: Highly Satisfactory=no shortcomings in this M&E component; Satisfactory=minor shortcomings in this M&E component; Moderately Satisfactory=moderate shortcomings in this M&E component; Moderately Unsatisfactory=significant shortcomings in this M&E component; Unsatisfactory=major shortcomings in this M&E component; Highly Unsatisfactory=there were no project M&E systems.

Please justify ratings in the space below each box.

|                                    |                      |
|------------------------------------|----------------------|
| <b>6.1 M&amp;E Design at entry</b> | Rating: Satisfactory |
|------------------------------------|----------------------|

Overall, the monitoring and reporting of the project is rated as ‘satisfactory’ by the TE, and this TER also rates M&E design as satisfactory, given that it was properly budgeted and supervised, and contained specific and measurable indicators.

A Project M&E plan was included in the project documents. The plan was consistent with the project’s implicit theory of change. The M&E plan included a budget of USD 0.134 million. The project M&E plan and LogFrame contained direct and indirect impact targets and co-finance as well as leverage targets and timeframes. Four of the five outcomes have been operationalized in the monitoring framework with indicators that can be considered SMART (simple, measurable, attainable, relevant and timebound). It is unclear why a fifth outcome was mentioned in one approval-relevant document but not before or after. An overview of monitoring and reporting responsibilities of the project management entities was provided in the CEO endorsement document, outlining the monitoring responsibilities of UNEP, the Project Management Unit (PMU), the management committee and the executing agencies.

|                                   |                                 |
|-----------------------------------|---------------------------------|
| <b>6.2 M&amp;E Implementation</b> | Rating: Moderately satisfactory |
|-----------------------------------|---------------------------------|

The TE rates monitoring implementation as “moderately satisfactory”. This TER rates M&E implementation as moderately satisfactory, given that most GEF and UNEP M&E standards were adhered to, and mid-term recommendations were taken into account and affected the project, but there were several shortcomings as well.

The TE notes that monitoring and project reporting was done “very meticulously”, following GEF processes and procedures, in annual reporting and a mid-term review. The annual reviews consisted of standard, indicator-driven reporting and extensive narrative, and are good records for the project progress and supervision. This process was implemented through the Asian Development Bank and UN Environment/Frankfurt School for the two regions separately (Africa and Asia). It was then compiled at the UN Environment GEF Division for reporting to the GEF.

However, the TE notes a few shortcomings of the monitoring and reporting process. UN Environment maintained separate accounting and reporting lines for the cash co-financing from UN Foundation and did not include the GEF project development facility grant in the same reporting. As such, the budget was not reported by activity in the monitoring document. The TE considers to be a neglect in adjusting the monitoring to the ultimate project structure. The original budget was structured by outputs that followed a functional logic (“seed window” vs. “operation of the facility”). This budget should have been differentiated in regions at the project approval phase. Furthermore, the TE points out that it would have been appropriate to adjust the budget to the new activities.

The TE also notes that the indicators were not adjusted to the changed focus in project partners and investment project type and thus remained somewhat low. The greenhouse gas (GHG) emission targets were easily exceeded. The confirmation of this impact is, however, weakened by the fact that no clear guidance for greenhouse gas (GHG) reduction calculation is provided. The project relies on the sub-projects and private equity funds to calculate and report greenhouse gas (GHG) emission reduction, and the empirical basis for these calculations is unclear, the TE referring to whether these are to be based on operational experience or expectations with respect to the power generated. Some projects have yet to start commercial operations, and it is unclear if their greenhouse gas (GHG) emission reduction contribution is included or not. The current numbers are therefore difficult to validate.

For monitoring the investment projects, UN Environment developed an online reporting tool. According to the background report for a project meeting held in 2011, the online reporting tool was fully developed but, in the end, it was not put into operation by the external contractor and Frankfurt School. During phase II of the project, the tool was further - and this time successfully - developed by Frankfurt School and another contractor, although without gender data or local benefits data.

The mid-term review was completed at the end of 2012, outlining several recommendations which were adhered to, including extending the project by 12 to 18 months, which the TE judged to have been “over-implemented”, as the project was ultimately extended not until the end of 2014 but until mid-2018; focusing the project on infrastructure funds rather than venture capital funds; and coordinating the project more closely to other initiatives in the clean energy development and finance space.

## 7. Assessment of project implementation and execution

Quality of Implementation includes the quality of project design, as well as the quality of supervision and assistance provided by implementing agency(s) to execution agencies throughout project implementation. Quality of Execution covers the effectiveness of the executing agency(s) in performing its roles and responsibilities. In both instances, the focus is upon factors that are largely within the control of the respective implementing and executing agency(s). A six point rating scale is used (Highly Satisfactory to Highly Unsatisfactory), or Unable to Assess.

Please justify ratings in the space below each box.

|  |                      |
|--|----------------------|
| <b>7.1 Quality of Project Implementation</b> | Rating: Satisfactory |
|--|----------------------|

Quality of project management and supervision is rated as ‘satisfactory’ by the TE, noting “highly committed project management and supervision by UN Environment”. This TER also rates the quality of project implementation as

‘satisfactory’, given that UNEP and its affiliated Frankfurt School both implemented and executed the project successfully, acted as important coordinators and organizers in this multilayered and multilocational project, and generally supported the project reaching successful outcome. However, UNEP kept the project open for an additional three years, which was ultimately futile and inefficient. Individual investments took much longer than expected, and a recommissioning of the funds might have been more efficient. More flexibility of the funds between the agencies might have allowed for full utilization of the GEF funds.

UN Environment was responsible for overall project supervision to ensure consistency with GEF policies and procedures and provide guidance on linkages with related GEF-funded activities. The UN agency was a member of the project Management Committee, represented by the UN Environment/Economy Division. They were also executing the project in Africa, supported by Frankfurt School UN Environment Collaborating Centre for Climate & Sustainable Energy Finance. As such, UN Environment had a unique role as both an implementor and an executor of the project. The TE notes that the inception report to this evaluation found that, in terms of governance and supervision arrangements, the role and responsibility of UN Environment is not sufficiently described. The project, after approval by the GEF Council, was moved to co-implementation between UN Environment and the Asian Development Bank, with support from the African Development Bank. This shift was not fully reflected in the revised project document, causing significant confusion in the evaluation of the intervention.

The collaboration of UN Environment and the implementing/executing partners Frankfurt School for Africa and Asian Development Bank for Asia was considered a successful one. UN Environment as the Project Management Unit (PMU) kept the oversight of the status of contracts and disbursement of both support lines and timing in Asia and Africa.

|   |                                 |
|---|---------------------------------|
| <b>7.2 Quality of Project Execution</b> | Rating: Moderately Satisfactory |
|---|---------------------------------|

There is no specific rating for the executing agencies in the TE. This TER rates project execution as moderately satisfactory, as the Asian Development Bank greatly helped the project and its execution in Asia, but failed to disburse all project funds by the end of the project, whereas the late inclusion of the Frankfurt School as an executing agency had a positive impact on the project.

The project was developed with involvement of the Asian and African Development Banks, who acted as representatives and intermediaries of the concerned countries although their roles were somewhat different. The TE notes of the two only the Asian Development Bank was involved in administering GEF funds, while the African Development Bank’s exact role was described as an advisory body that participates in committee meetings and provides inputs into decision making on Africa.

The Asian Development Bank (ADB) was the co-implementing Agency and executing agency with respect to the GEF funds for Asia, and the Project Management Unit (PMU) for the Asia region. ADB received a grant allocation from GEF for USD 4.410 million and was a member of the Management Committee (which was a joint committee for Asia and Africa). ADB implemented the project through its Private Sector Operation Department (PSOD), which acted as the Project Management Unit (PMU) for the facility in Asia. As such they were tasked with finding cooperating partners, conducting due diligence on them, managing contracts and maintaining oversight of the work undertaken by the fund managers. The ADB was instrumental in helping the project establish a close connection to the Asian markets, as it was active in private equity fund investments at the time the project was developed. By leveraging

private capital for renewable energy projects through private equity funds, the ADB helped answer a need in the concerned countries and increased the project's effectiveness, bridging a deficit in project development and financial structuring. However, one major shortcoming of the project was the fact that the Asian Development Bank was not able to deploy the full amount it was granted. An estimated USD 0.78 million remained undisbursed.

The African Development Bank (AfDB) was a member of the Management Committee, whereas the implementation for Africa was carried out by the UN Environment Collaborating Centre for Climate and Sustainable Energy Finance located at the Frankfurt School of Finance and Management. Within Africa, the UN Environment and AfDB Management Committee representatives were responsible for the selection of the project's cooperating partners. The African Development Bank dropped out of the project due to internal reasons, namely an internal shift of strategy and a reorganization of its private sector exposures. For this reason, they are not evaluated in this section.

Between 2008 and 2010, the Project Management Unit (PMU) attempted to operationalize this structure, until in 2010, the implementation of the Africa component was contracted out to the Frankfurt School UNEP Collaborating Centre for Climate and Sustainable Energy Finance, at the Frankfurt School of Finance and Management. The Frankfurt School was contracted by UN Environment through a Project Cooperation Agreement to carry out specific activities. Those included the contracting and related oversight of the work undertaken by the cooperating partners in Africa. Cooperating partners were generally found via Frankfurt School's mapping exercise where they documented the leads and provided a short fact sheet on a growing number of fund managers and their activities in the sector. The integration of Frankfurt School into the team was handled in a "timely and professional manner". The Frankfurt School was "an important asset and factor of success for the project", provided the evaluation with a rich base of documentation and were available for answering questions at all times. The ability of Frankfurt School to provide financial competence with technical assistance was an important success factor for this project and its successor. In addition, Frankfurt School was more focused on and more able to provide hands-on technical assistance and guidance to fund managers than the Asian Development Bank with its focus on much larger scale projects. The relationship between UN Environment and the Frankfurt School of Finance has also been strengthened and continues to thrive in phase II of the project.

Through the initial participation of the African Development Bank a close connection to the African local markets was established and – vice versa - through the Asian Development Bank to the Asian markets. Both international finance institutions, and most notably the Asian Development Bank, were also active in private equity fund investments at the time the project was developed. The combination of leveraging private capital for renewable energy projects through private equity funds answered to a need in the concerned countries. Specifically, since this was early stage capital which supported capacity building at project and private equity fund level it thereby bridged a deficit in project development and financial structuring. The project was therefore relevant to target countries. The evaluation found that the project overall was well aligned with country strategies and "filled a relevant niche in the financing and development spectrum of renewable energy in frontier markets". The project met with positive developments in these markets as well as in global technology markets, but also helped provide resources to fund managers to develop better projects faster and with more consistent attention to Environmental and Social safeguards. The portfolio of projects was very diverse with respect to partners, technologies, and geographies.

The TE notes that implementation speeds were different between Africa and Asia. While Africa was off to a slower start, the funds were fully and successfully disbursed by the end of 2015. In Asia, on the other hand, funds were not fully disbursed at project close. There are a number of explanatory factors for that: firstly, the markets (financial, energy and technology) are different in the two regions; secondly, the agencies have different core competencies and delivery orientation: while the Asian Development Bank is specialized in providing large loans, UN Environment and its implementation partner Frankfurt School of Finance, which replaced the African Development Bank as the

implementing agency in Africa, have a more academic and assistance-oriented approach, and enter into a resource-intensive direct and open-ended dialogue with the partners.

## 8. Assessment of Project Impacts

***Note - In instances where information on any impact related topic is not provided in the terminal evaluations, the reviewer should indicate in the relevant sections below that this is indeed the case and identify the information gaps. When providing information on topics related to impact, please cite the page number of the terminal evaluation from where the information is sourced.***

8.1 Environmental Change. Describe the changes in environmental stress and environmental status that occurred by the end of the project. Include both quantitative and qualitative changes documented, sources of information for these changes, and how project activities contributed to or hindered these changes. Also include how contextual factors have contributed to or hindered these changes.

The overarching objective of the project was to reduce energy-related CO<sub>2</sub> emissions through the promotion of renewable energy and energy efficiency projects. The initial target was for 0.4 to 0.8 million tons to be directly reduced from assisted transactions, with 2.2 to 5.7 million tons reduced at a later stage through scaling-up. The project results, as per the Project Implementation Report (PIR) of 2017, were 30.95 million tons of reduced CO<sub>2</sub> expected from the first eight projects fully financed and in construction or already commissioned. As such, the project succeeded in delivering a long-term impact on greenhouse gas (GHG) emissions in target countries. The project successfully supported renewable energy projects which directly contributed to these greenhouse gas (GHG) emissions reductions, achieving significant climate impacts.

8.2 Socioeconomic change. Describe any changes in human well-being (income, education, health, community relationships, etc.) that occurred by the end of the project. Include both quantitative and qualitative changes documented, sources of information for these changes, and how project activities contributed to or hindered these changes. Also include how contextual factors have contributed to or hindered these changes.

The local environmental and social sustainability of the individual projects has been ensured in following the International Finance Corporation (IFC) safeguards. The project team highlighted on this point that they managed to support and strengthen the trend towards mainstreaming IFC standards for environmental and social safeguards and that they today are considered more and more standard requirements. As such, major negative social and environmental impacts were avoided.

The guidance for inclusivity (with respect to gender, minorities, and disadvantaged populations) at the project design stage was limited to gender. No gender-specific considerations are included in the project's phase I. The Project Document emphasizes that women benefit in particularly strong ways from rural energy access – however, this refers to rural off-grid situations, while the project ended up doing little for off-grid renewables and supported mainly on-grid renewables. For the final project investments, the consideration is not fleshed out consistently anymore, the TE notes. The social impact-related outcome was not included in the monitoring modalities, and this might give reason for concern that the social and inclusivity dimensions have been overlooked.

The project's phase I is a relatively old project, and at that time, the social dimension of infrastructure and energy access was recognized but not differentiated with respect to the type of poor affected, the TE notes. Many standards and practices of the approving bodies regarding positive contributions to social and environmental dimensions of relatively technical and abstract project concepts have been growing significantly since the time of the project's approval. The project can be credited with strengthening the position of the environmental, social and governance (ESG) safeguards and supporting the mainstreaming of the IFC standards with their direct partners. Under these considerations the project is rated 'satisfactory' by the TE in the sense that no negative sustainability impacts should be expected as they have been thoroughly safeguarded. But the TE also emphasizes that future projects should raise their ambition in these areas so that more positive contributions to social and economic inclusivity can be leveraged.

8.3 Capacity and governance changes. Describe notable changes in capacities and governance that can lead to large-scale action (both mass and legislative) bringing about positive environmental change. "Capacities" include awareness, knowledge, skills, infrastructure, and environmental monitoring systems, among others. "Governance" refers to decision-making processes, structures and systems, including access to and use of information, and thus would include laws, administrative bodies, trust-building and conflict resolution processes, information-sharing systems, etc. Indicate how project activities contributed to/ hindered these changes, as well as how contextual factors have influenced these changes.

#### a) Capacities

The project's Theory of Change (TOC) is based on the assumption that in less developed markets there is scarcity of bankable renewable energy projects because of developers have inadequate financial knowledge and financiers lack credible information on risks involved in the development processes. The project worked to address this gap and increase financier's capacity to be able to assess actual risks involved in renewable energy projects and invest in these by taking calculated risks. The project outcomes were achieved through a number of services provided by the project, among them business development services, and two lines of support in the form of co-funding of business development activities of the cooperating partners. According to the ProDoc, the support via Support Line 1 was envisioned to reduce the enterprise development and transaction costs of preparing early stage energy investments and Support Line 2 to account for the higher risks of seed investments in clean energy projects. These activities led private equity funds to support businesses and projects in their early phase and build up business capacities with sustainable energy projects and investments. Through the demonstration of these successes, financing for these sustainable energy businesses become part of the mainstream activities of private equity funds, and ultimately led to a "new breed" of clean energy enterprises, like Mobisol or Off-Grid Electric, often supported by venture capitalists from the US and UK.

Through the initial participation of the African Development Bank a close connection to the African local markets was established and – vice versa – and through the Asian Development Bank (ADB) to the Asian markets. Both international finance institutions, and most notably the ADB, were also active in private equity fund investments at the time phase I of the project was developed. The combination of leveraging private capital for renewable energy projects through private equity funds answered to a need in the countries. Specifically, since this was early stage capital which supported capacity building at project and private equity fund level it thereby bridged a deficit in project development and financial structuring. The project was therefore relevant to target countries and increased their business and investment capacity in the renewable energy field.



In particular Support Line 1 (SL1: finding investable projects) supported various activities that resulted in significant capacity building for project developers. Since 135 projects received SL1 support, 100 in Asia and 35 in Africa, it is highly likely that capacity building at the level of the cooperating partner and at the level of the project were successfully conducted. This view is further supported by interviews with cooperating partners in Africa, which stated that the capacity and skill level of local project developers was very low and that they needed to get much more involved at an earlier stage than they had expected. This deep engagement resulted not only in capacity building at the level of the project developers but also at the level of the private equity funds, getting a clearer understanding of project development. This allowed them to tailor their pipelines better. In Asia, private equity funds typically worked with project development companies, strengthening their capacity.

On another note, the TE points out that the impact of the project on the capacity of financial institutions is not clear. During the planning period of the project's phase I it was expected that more financial institutions would be drawn to financing renewable energy projects. This cannot be verified nor denied as evidence is missing, the TE notes. It is however likely that the project's phase I, in combination with other development finance institutions' activities, may have drawn new banks into renewable energy finance in the course of a syndication process. The impression is, however, that the project had very little influence on the wider financial markets. None of the interviewees of the TE evaluation team said that they believed that that the project had this kind of impact. A contributing factor is likely to be the fact that a limit was set on the number of similar projects (no more than 2) each cooperating partner could support in each country.

## b) Governance

The project did not work with a specific single country, nor with governments in general. Rather, the project worked closely with investors and private equity funds. The individual investments of the cooperating partners adhered to Environmental, Social and Governance (ESG) safeguards, specifically the International Finance Corporation (IFC) investment principles, in their renewable energy projects. Therefore, the project can be credited with strengthening the position of the environmental, social and governance (ESG) safeguards, and supporting the mainstreaming of the IFC standards with direct partners.

8.4 Unintended impacts. Describe any impacts not targeted by the project, whether positive or negative, affecting either ecological or social aspects. Indicate the factors that contributed to these unintended impacts occurring.

There were no documented unintended impacts. The risk of unintended negative impacts of the project was considered low, as noted by the TE, due to the significant attention given to the inclusion and evaluation of the environmental, social and governance safeguards.(TE, p14).

8.5 Adoption of GEF initiatives at scale. Identify any initiatives (e.g. technologies, approaches, financing instruments, implementing bodies, legal frameworks, information systems) that have been mainstreamed, replicated and/or scaled up by government and other stakeholders by project end. Include the extent to which this broader adoption has taken place, e.g. if plans and resources have been established but no actual adoption has taken place, or if market change and large-scale environmental benefits have begun to occur. Indicate how project activities and other contextual factors contributed to these taking place. If broader adoption has not taken place as expected, indicate which factors (both project-related and contextual) have hindered this from happening.

During the life of the project (2008-2018) in most of the target countries, substantial regulatory changes were introduced for mainstreaming renewable energy. This included the opening of the sector for private investors, as it became clear that funding for renewable energy would need to leverage a significant amount of private capital to push through. This resulted in the mainstreaming of seed capital into commercial energy finance, whereby seed portfolios become pipeline development tools for later stage commercial investing. 9 seed windows were created of which 7 were completed as planned. Two terminated early their engagement with the project. None of the supported private equity funds had a seed window in the beginning, and they had to create it with support from the project. However, the TE points out that mainstreaming of seed capital for commercial renewable energy finance might not have been fully achieved, despite these positive outcomes.

The project can be credited with the mainstreaming of International Finance Corporation (IFC) standards for environmental and social and governance safeguards (ESG) and that they today are considered more and more standard requirements. The local environmental and social sustainability of the individual projects were ensured in following the IFC safeguards. This was also flagged by the involved private equity funds as an issue that they were able to spend more time on with the help of the project.

The project contributed technical support “to set up and implement sectoral initiatives and to make renewable energy and energy efficiency technologies bankable and replicable”. The replication of projects through the project’s cooperating partners was directly part of the programme logic. After two projects in the same technology / country combination, the concerned partner could not use further project funds for a project of the same type and had to either change the technology or move on to the next country, assuming that the partner would replicate what they have learned at a later stage. The TE notes that examples of this type of replication was documented in South Africa, one of the beneficiary countries of the project.

In terms of technology the spread was also wider including more geothermal and biogas projects. This variety enforced the pilot function of some of the projects and supported replication processes.

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## **9. Lessons and recommendations**

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

The TE provides several key lessons learned which offer valuable insight and information that could be relevant for other GEF projects.

Mainstreaming renewable energy projects within private equity funds is difficult. Renewable energy projects, and environmentally-friendly projects and initiatives in general are not always deemed bankable, i.e. profitable. It is difficult and dangerous (for liability reasons) to attempt to change the investment behavior of companies too much.

Furthermore, the investment environment for renewable energy projects drastically changed since the project’s creation. Technology costs dropped significantly, especially for solar and wind power generation. Many countries have much more favorable investment environments and compensation rules now. Renewable energy technologies have become the investments with the fastest growth rates and lead the global energy investment overall. The TE notes that the project, to some degree, fueled but also rode that wave, “and it is hard to clearly say which aspect outweighs the other”. However, the relative financial value of the project, the small number of cooperating partners

and the low concentration of clean energy development projects initiated through the project in any one country, suggest that it was the project that benefited from the progression in this sector, rather than having driven it.

On another note, the project itself, as well as individual investments, took much longer than expected, as explained in the 'efficiency' and 'project extension' sections. While it was well-intentioned to keep the project open for another three years, it was ultimately futile, notes the TE. An honest "cut and recommissioning" of the funds might have been more efficient. More fungibility (interchangeability) and flexibility of the funds between the agencies might have allowed for full utilization of the GEF funds.

## 9.2 Briefly describe the recommendations given in the terminal evaluation.

The TE offers several recommendations which are meant to inform and enhance phase II of the project, the most important recommendation being that this project "has suffered from too little attention from within ADB (Asian Development Bank) and the financial community. Consistent and clear outreach and promotion of lesson learning should be given higher priority".

Furthermore, as explained in the 'efficiency' section, at the time of the evaluation the remaining funds that had not been disbursed during the project were significant, due to slow implementation and the project's complex design. The TE recommends not underestimating the length of time to develop a project. Project finance is often underestimated in terms of time and money required before it can be successfully closed. A much faster work flow was anticipated by the project in the beginning and this had an impact on the speed of disbursement of funds. Also, the TE recommends redirecting the remaining funds to an outreach and knowledge management work programme around private equity investment and phase II of the project, rather than returning the funds to the GEF.

The TE also recommends considering whether and how the project's concept can be applied to other areas of environmental and social finance, including "environmentally-sensitive sectors that are already set up for public-private partnerships and thus fraught with fewer legal and sustainability challenges", while being realistic and taking into account the fact that many investment areas in environmental finance are not only less profitable than mainstream finance but require longer patience to become profitable. The TE explains that in other sectors, including real estate and land investment, profitability is generated through price rises that are potentially socially or financially unsustainable. The sectors to invest in and develop a similar project to this one should thus be chosen with great care. In the same vein, the TE recommends partnering with pension funds, insurances, or other types of "patient capital", rather than with private equity funds which only seek "a profitable exit".

The TE recommends considering whether or not the project could be and should be turned into a fee-charging revolving fund with slow leakage, due to the unsustainable current levels of 40% administrative fees.

Finally, with regard to project management, UN Environment is advised to highlight to its project teams the need to keep an audit trail of: a) changes in project design, results, targets and indicators and b) clarifications of the project design that become evident during the life of a project. This can be done through Steering committee meetings and their minutes, and recorded in the annual Project Implementation Review reports in the case of GEF projects.

## 10. Quality of the Terminal Evaluation Report

A six point rating scale is used for each sub-criteria and overall rating of the terminal evaluation report (Highly Satisfactory to Highly Unsatisfactory)

| Criteria | GEF IEO comments | Rating |
|----------|------------------|--------|
|----------|------------------|--------|

|   |  |           |
|---|--|-----------|
| 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 analyses each projected outcome and impact, although a significant focus is placed on financial transactions and market information, perhaps due to the commercial nature of the project. But environmental, social, and development impacts are somewhat overshadowed. | <b>MS</b> |
| To what extent is the report internally consistent, the evidence presented complete and convincing, and ratings well substantiated?         | The report is mostly consistent although financial data and co-financing amounts are somewhat confusing. The ratings are substantiated and explained but again, a strong focus is place on financial information.  | <b>MS</b> |
| To what extent does the report properly assess project sustainability and/or project exit strategy?   | Sustainability is properly analyzed. Once more, financial sustainability is emphasized over other categories (environmental, social, institutional), but connections are made between these categories.  | <b>S</b>  |
| To what extent are the lessons learned supported by the evidence presented and are they comprehensive?                                      | The lessons learned are supported by the evidence and useful, although not entirely comprehensive and quite short.   | <b>MS</b> |
| Does the report include the actual project costs (total and per activity) and actual co-financing used?                                     | Yes, although there are several tables in the TE indicating co-financing amounts, leading to confusion.  | <b>MU</b> |
| Assess the quality of the report's evaluation of project M&E systems:   | The report contains very little information about M&E design. The information about implementation is more comprehensive and informative.  | <b>MS</b> |
| <b>Overall TE Rating</b>  |  | <b>MS</b> |

**11. Note any additional sources of information used in the preparation of the terminal evaluation report (excluding PIRs, TEs, and PADs).**