## GEF EO Terminal Evaluation Review Form for OPS4

### 1. PROJECT DATA

<table>
<thead>
<tr>
<th>GEF Project ID:</th>
<th>1702</th>
<th>Review date:</th>
<th>October 8, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>IA/EA Project ID:</td>
<td>TF052429</td>
<td>GEF financing:</td>
<td>$0.405 at endorsement (Million US$) and $0.405 at completion (Million US$)</td>
</tr>
<tr>
<td>Project Name:</td>
<td>REHABILITATION AND EXPANSION OF SMALL HYDRO-POWER PLANTS ON THE RIVER RABA</td>
<td>IA/EA own:</td>
<td>$0 at endorsement and $0 at completion</td>
</tr>
<tr>
<td>Country:</td>
<td>Hungary</td>
<td>Government:</td>
<td>$0.843 (loan) and $0.12 Loan not specified; grant of $0.302</td>
</tr>
<tr>
<td>Other*:</td>
<td>$0.877 Private sector contribution not specified; Austrian government grant of $0.392</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Cofinancing:</td>
<td>$1.84 Unable to assess</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational Program:</td>
<td>STRM</td>
<td>Total Project Cost:</td>
<td>$2.245 Not specified</td>
</tr>
<tr>
<td>IA:</td>
<td>IBRD</td>
<td>Dates:</td>
<td>Effectiveness/Prodac Signature (i.e. date project began): 7/21/2003</td>
</tr>
<tr>
<td>Partners involved:</td>
<td>Government of Hungary, Government of Austria, private sector</td>
<td>Closing Date:</td>
<td>Proposed: not specified</td>
</tr>
<tr>
<td>Reviewed by:</td>
<td>Neeraj Negi</td>
<td>Duration between effectiveness date and original closing (in months): not specified</td>
<td></td>
</tr>
<tr>
<td>Duration between effectiveness date and actual closing (in months): 35</td>
<td>Difference between original and actual closing (in months): unknown</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Author of TE:</td>
<td>Helmut Schreiber</td>
<td>TE completion date:</td>
<td>08/01/2006</td>
</tr>
<tr>
<td>TE submission date to GEF EO:</td>
<td>October 2007</td>
<td>Difference between TE completion and submission date (in months): 14 months</td>
<td></td>
</tr>
</tbody>
</table>

* 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.

<table>
<thead>
<tr>
<th>Performance Dimension</th>
<th>Last PIR</th>
<th>IA Terminal Evaluation</th>
<th>IA Evaluation Office evaluations or reviews</th>
<th>GEF EO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1a Project outcomes</td>
<td>HS</td>
<td>HS</td>
<td>Not available</td>
<td>MS</td>
</tr>
<tr>
<td>2.1b Sustainability of Outcomes</td>
<td>N/A</td>
<td>L</td>
<td>Not available</td>
<td>L</td>
</tr>
<tr>
<td>2.1c Monitoring and evaluation</td>
<td>HS</td>
<td>HS</td>
<td>Not available</td>
<td>UA</td>
</tr>
<tr>
<td>2.1d Quality of implementation and Execution</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>UA</td>
</tr>
<tr>
<td>2.1e Quality of the evaluation report</td>
<td>N/A</td>
<td>N/A</td>
<td>Not available</td>
<td>U</td>
</tr>
</tbody>
</table>

2.2 Should the terminal evaluation report for this project be considered a good practice? Why?
No. The TE presents incomplete evidence, does not assess all the relevant aspects of the project, and provides unrealistic ratings for many aspects of the project.

### 2.3 Are there any evaluation findings that require follow-up, such as corruption, reallocation of GEF funds, mismanagement, etc.?

Further investigation should be undertaken to determine what was the cause of the NGOs asking to disassociate themselves with the project, and if this issue has been satisfactorily resolved. The TE attributes this to miscommunication, but presumably there may be a larger issue.

As described by the TE, “The Project has been reviewed by local representatives of Bankwatch Network and WWF during a site visit within one of the preparatory missions in May 2002. While neither the representative of Bankwatch, nor that of WWF raised objections to proceeding with the project at that time, the project team's impression of their endorsement and support of the project has lately proved to be false. Recently, Bankwatch Network and WWF have requested GEF to correct the files so that it would no longer appear as if these NGOs were supporters of the project. Steps are currently being taken to resolve this issue that has resulted from obvious miscommunication.”

### 3. PROJECT OBJECTIVES

#### 3.1 Project Objectives

**a. What were the Global Environmental Objectives of the project? Were there any changes during implementation?**

Environmental objectives beyond the general project objectives, noted below, are not identified. According to the project outcome indicators in the project brief, the project will result in “CO2 emissions reduced by a total of 159,400 tons over 30 year life of the Project.”

No changes during implementation.

**b. What were the Development Objectives of the project? Were there any changes during implementation?**

According to the Project Brief, “The objective of the Project is to contribute to increases in the utilization of renewable energy in Hungary and demonstrate the possibility of operating small hydro-plants under economic conditions, provided environmental benefits are monetized through grant support.”

No changes during implementation.

<table>
<thead>
<tr>
<th>Overall Environmental Objectives</th>
<th>Project Development Objectives</th>
<th>Project Components</th>
<th>Any other (specify)</th>
</tr>
</thead>
<tbody>
<tr>
<td>If yes, tick applicable reasons for the change in objectives</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Original objectives not sufficiently articulated</td>
<td>Exogenous conditions changed, causing a change in objectives</td>
<td>Project was restructured because original objectives were over ambitious</td>
<td>Project was restructured because of lack of progress</td>
</tr>
<tr>
<td>Any other (specify)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 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 (of outcomes to focal areas/operational program strategies and country priorities) Rating: S**

According to information available in the project document, the project was relevant to GEF operational programs and country priorities. The project was consistent with and in support of Hungarian national policies on energy, renewable
energy, and EU accession, including:

- Ministerial Decree on the purchase price of electricity from public utilities (1996)
- Under the agreements on EU accession, the country has committed itself to reach a share of 7.5% of renewable energy use in total primary energy use by the time of accession and of 12% by 2010

With regard to the World Bank’s Country Assistance Strategy (CAS), according to the project document, “The new CAS under preparation is a pre-graduation Country Assistance Strategy, which will call for cooperation between the Country and the Bank to graduate Hungary from the status of a recipient country. In the energy and environment sectors, it is focused largely on assisting Hungary in meeting the requirements of EU accession. The Project helps to support that strategy.”

A.1. What is the relevance of the project outcomes/results to:

(i) the national sustainable development agenda and development needs and challenges?

The project outcomes support the national sustainable development agenda through increased availability of renewable energy. Expanding the availability of domestically produced renewable energy also supports development needs.

(ii) the national environmental framework, agenda and priorities?

Described in section 4.1.1.a. on relevance.

(iii) the achievement of the GEF strategies and mandate?

The project outcomes support GEF strategies in the climate change focal area.

(iv) the implementation of the global conventions the GEF supports (countries obligations and responsibilities towards the convention as well as the achievement of the conventions objectives)

The project outcomes support the objectives of the UNFCCC, through the expansion of renewable energy sources and the abatement of greenhouse gases.

A2. Did the project promote of International (Regional and / or Global) Cooperation and Partnership

The project received financial support from the Austrian government. Other than this there was no other particular aspects of international cooperation noted in the TE.

b. Effectiveness  Rating: MS

There are relatively few details in the TE about the process of implementation, but the objectives of the project appear to have been met. According to the TE, “The project objectives have been fully met in that the reconstruction and the capacity additions under the project have been completed as planned and the utilization of renewable energy has increased.”

Regarding the Kormend component, the TE states that “This component has been completed ahead of time, except for the fish ladder, and is operational since late 2002.” The TE does not indicate whether or not the fish ladder portion of this component was ever completed. Reviewing the project brief and the TE, the fish ladder for this component was anticipated to cost $90,000 of the total of $745,000 for the Kormend component. However, the importance of the fish ladder in ensuring that there are no negative environmental impacts from the project means that this aspect has importance that is disproportionately higher than its assessed cost as a percentage of the total component.

According to the TE, the Csorotnek component has become operational in early 2005. The TE describes the Kormend component as “completed” as of 6/30/2006 and states “Envisaged CO2 reductions achieved”, but only describes the Csorotnek component as “Under implementation.” It is not clear whether the Csorotnek component has been completed and become operational. The TE also states “Current re-assessment of generation potential has shown that the plant could annually produce over 4GWh of electricity, mainly due to the lowering of the suction pipes at the old

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Please consider for regional and global project only
power house and resulting higher water drop.” There is no explanation of why the Csorotnek site is undergoing reassessment, and it does not appear that the site is operational.

c. Efficiency (cost-effectiveness) Rating: MS

According to the TE, one of the project components experienced budget underrun, while one of the project components experienced significant budget overrun. The TE indicates that overall financing for the project was about 57% more than anticipated at appraisal, yet the TE states “Cost overruns have remained manageable. Sources to finance excess contingency and unexpected items have been made available to secure smooth implementation with only minor delays.” No additional GEF funds were disbursed beyond the original grant amount, so the extra costs were born by the co-financing parties. The project objectives were achieved in the anticipated amount of time, with the same amount of GEF resources, but considering the overall increased cost, the efficiency of the project must be considered marginally satisfactory. Higher than anticipated financial returns from the sale of the electricity produced have helped ensure that the higher investment cost has not jeopardized the long-term financial return of the project.

The TE also includes a short discussion on the cost of abatement as a measure for cost-effectiveness: “Cost effectiveness for this kind of projects is best illustrated by the CO2 unit abatement cost. This has increased from $2.53 at the time of appraisal to $9.38 at present. This is due to the increases in capital and operating costs of the project, whereas the increase in unit revenues is not taken into account in the calculation of the incremental costs. As a result, the incremental cost per ton of CO2 reduction rises. While this is not a very attractive number, it still remains below $10 per ton which today is the going rate in many carbon financed projects.”

d. To what extent did the project result in trade offs between environment and development priorities / issues (not to be rated)

There is no information in the TE that indicates that trade-offs were made. However, at the end of the project, the NGOs that had initially indicated they would support the project formally asked to have their names removed from any association with the project. The TE attributes this only to miscommunication between the parties.

4.1.2 Results / Impacts (Describe Impacts) (please fill in annex 1 – results scoresheet and annex 2 – focal area impacts (against GEF Strategic Priority indicators, where appropriate and possible)

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: L

The financial sustainability appears likely. According to the TE, the amount of electricity generated will be higher than anticipated during project appraisal, leading to positive financial return. In addition, according to the TE, there does not appear to be a risk that the government policy of guaranteed renewable energy buyback will be discontinued.

As described by the TE, “Cost overruns have remained manageable. Sources to finance excess contingency and unexpected items have been made available to secure smooth implementation with only minor delays. Actual results show that output estimates have been conservative. Actual production by the whole project is about 10% higher than appraisal estimates. There is all evidence that the Government is committed to continue its guaranteed electricity buyback policy in support of renewable energies.”

b. Socio-economic / political Rating: L

As described above, the TE indicates that there remains political support for guaranteed renewable energy buyback.

c. Institutional framework and governance Rating: L

2 Please consider direct and indirect global environmental results; any unexpected results; local development benefits (including results relevant to communities, gender issues, indigenous peoples, NGOs and CBOs)
According to the TE, “Throughout project implementation the project sponsor has demonstrated that it possesses all the competencies necessary to manage a project of this scale and to operate hydro power plants of this size.”

d. Environmental

The green house gases abated through the successful achievement of project outcomes should be sustained. Based on information in the TE, there may be some negative risk to fish habitat if the fish ladders are not completed or do not function appropriately. However, based on the available information, there is no evidence to draw this conclusion.

e. Technological

According to the TE, “There were no unexpected technological risks.”

4.3 Catalytic role

a. INCENTIVES: To what extent have the project activities provide incentives (socio-economic / market based) to catalyze changes in stakeholders

The project was designed to increase the potential rate of return, to make the investment attractive to the private sector. As described by the project document:

“When a GEF grant of US$ 405,00 is added to recognize the value of the carbon emission reductions, the real return on equity increases to about 16.5 %. As a result of the prospects of the proposed GEF grant, and the Hungarian and Austrian grants, the owners could secure a long-term loan at 10-years and 6% interest. As a result, the return on equity will increases to 20.8%, making the Project attractive for the equity investors, and providing a cash flow which will help meet occasional smaller-than-average river flows with resulting lower production.”

b. INSTITUTIONAL CHANGE: To what extent have the project activities changed institutional behaviors

According to the TE, “The grant did not aim at the development/strengthening of institutions.”

c. POLICY CHANGE: To what extent have project activities led to policy changes (and implementation of policy)?

The project did not include any components intended to influence policy changes or implement specific policies. The project was dependent on the continuation of the Hungarian policy of guaranteed buyback of renewable electricity.

d. CATALYTIC FINANCING: To what extent did the project led to sustained follow-on financing from Government and / or other donors? (this is different than co-financing)

There is no information available in the TE to indicate that there was follow-on financing. The continued operation of the small hydro plants is expected to be financially sustainable.

e. PROJECT CHAMPIONS: To what extent have changes (listed above) been catalyzed by particular individuals or institutions (without which the project would not have achieved results)?

No information available in TE on this issue.

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? 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?

Although the actual GEF funding to the project was the same as the approved funding, due to cost over runs, a result of

3 Please review the ‘Catalytic Role of GEF: How is it measured and evaluated – A conceptual framework’ prior to addressing this section.
increase in equipment prices, the actual total project cost was greater than anticipated. The need for additional funds was met through raising more cofinancing. The co-financing was essential to achieving project objectives.

The GEF funding supported the two investment components of the project. For the Csorotnek component the GEF funding comprised 17.4% of the total anticipated cost of $1.44 million USD. For the Kormend component the GEF funding comprised 19.3% of the total anticipated cost of $0.805. With the GEF funding accounting for less than 20% of each of these components, the co-financing was clearly an essential element for project success.

According to the TE, counterpart funding was received from other donors, and “There was a considerable leveraging effect, as the project has been supported in parallel by Hungarian and Austrian funds. The [GEF grant] has leveraged $301,840 of national government support (Szechenyi Plan) and a grant of $392,102 from the Austrian government.” According to the project document, the support from the Hungarian Szechenyi Plan source was originally anticipated to be only $120,000.

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?

According to the TE, there were no substantial delays. This presumably refers to the time period after the beginning of implementation of the project. The timeframe outlined in the project brief indicates an overall implementation period 1-2 years prior to the actual implementation period. For example, the TE indicates that the project began disbursement July 21, 2003, while the project brief indicates that a mid-term review would be undertaken in the first half of 2003. The project brief indicates that some activities related to the project are under implementation in 2001 – perhaps this refers to activities that were not anticipated to be funded with GEF funds.

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.

According to the TE, government commitment is rated as highly satisfactory. There is little additional information to support this conclusion. However, the fact that co-financing from the government was greater than anticipated at project approval is some indication that there was strong country ownership.

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): S

The M&E plan is described in the project document with relatively little detail. However, the design conformed with World Bank standards, and was sufficient for the small size and low-complexity of the project. The project document describes the M&E plan as such:

“REPORTS
Periodic reports will be prepared by the company on the status of the Project. These reports will primarily focus on the status of the physical implementation of the Project. Progress reports will contain information also on power generation and sales to be used for the estimation of reductions in carbon emissions.
SUPERVISION
Implementation of the Project will be supervised through review of Project progress reports and through regular site visits.
MID-TERM REVIEW
A mid-term review of Project implementation will be undertaken during the first half of year 2003.”

In the project document, the brief table describing project activities includes indicators, which are targeted, and appropriately scoped. The indicators are at the output, outcome and impact level, as appropriate to the relevant project components.

b. M&E plan Implementation Rating (six point scale): UA

The TE does not present sufficient information to assess this aspect. The TE presents the following information:

“Monitoring and Evaluation: Highly Satisfactory; Brief Comment: AS ENVISAGED”
b.1 Was sufficient funding provided for M&E in the budget included in the project document?

The project document does not breakout the funding for the M&E portion of the project separately from other project components. The level of funding for M&E does not appear to have been a problem, although project status reports have not been made available for review as part of this terminal evaluation review.

b.2a Was sufficient and timely funding provided for M&E during project implementation?

Unable to assess.

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?

Unable to assess.

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.

Unable to assess.

4.6 Assessment of Quality of Implementation and Execution

| a. Overall Quality of Implementation and Execution (on a six point scale): UA |
| b. Overall Quality of Implementation – for IA (on a six point scale): UA |

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.

There is insufficient information available in the TE to make an assessment of this aspect. The following information is reported in the TE:

“Assessment of bank performance: Rated Moderately Satisfactory; Comment: Time and funds spent on project preparation indicate that the World Bank might consider further streamlining procedures for MSPs.”

| c. Quality of Execution – for Executing Agencies\(^4\) (rating on a 6 point scale): UA |

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.

There is insufficient information available in the TE to make a complete assessment of this aspect. The TE reports the following data:

“Project Management: Highly Satisfactory; Brief Comment: ACCORDING TO SCHEDULE”

“Financial Management: Highly Satisfactory; Brief Comment: AS ENVISAGED”

“Procurement: Highly Satisfactory; Brief Comment: AS PLANNED”

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

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\(^4\) 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.
The “Main lessons learned” cited in the TE are actually just results of the project. One interesting point from the lessons listed is that the rebuilding of the Csorotnek site had a positive effect on flood control, demonstrated during the “substantial flood of August 2005.”

b. Briefly describe the recommendations given in the terminal evaluation

The TE includes two recommendations:

“Main recommendations to stakeholders:
If stakeholders are interested in small hydropower projects the GEF MSP facility is not the most suitable instrument of support.

Main recommendations to bank management:
The time for preparation of MSP is often excessive. It might be more appropriate to use the GEF full size project facility for energy sector operations. For small hydropower projects the level of scrutiny of environmental impact issues would benefit from simplification.”

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.

No other sources available.

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.

<table>
<thead>
<tr>
<th>Quality of the terminal evaluation report</th>
<th>Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. To what extent does the report contain an assessment of relevant outcomes and impacts of the project and the achievement of the objectives?</td>
<td>3</td>
</tr>
<tr>
<td>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?</td>
<td>1</td>
</tr>
<tr>
<td>c. To what extent does the report properly assess project sustainability and/or a project exit strategy?</td>
<td>3</td>
</tr>
<tr>
<td>d. To what extent are the lessons learned supported by the evidence presented and are they comprehensive?</td>
<td>2</td>
</tr>
<tr>
<td>e. Does the report include the actual project costs (total and per activity) and actual co-financing used?</td>
<td>3</td>
</tr>
<tr>
<td>f. Assess the quality of the reports evaluation of project M&amp;E systems?</td>
<td>1</td>
</tr>
</tbody>
</table>

7. SOURCES OF INFORMATION FOR THE PREPARATION OF THE TERMINAL EVALUATION REVIEW REPORT EXCLUDING PIRS, TERMINAL EVALUATIONS, PAD.


8 Project stakeholders and Key Contacts (Names, addresses, emails etc – mandatory for field visit countries)

9. Information Gaps (for Field visit countries only)