

**Strengthening resilience of rural livelihoods to climate risks through
sustainable energy access**

Green Climate Fund Proposal, Pre-Project Appraisal Meeting

Ministry of Rural Rehabilitation and Development (MRRD)
Jan 2, 2018

I. Introduction

UNDP convened a Pre-Local Project Appraisal Committee (Pre-LPAC) to appraise the proposed project **“Afghanistan rural energy market transformation initiative - Strengthening resilience of livelihoods through sustainable energy access”**. The committee comprised UNDP Afghanistan Country Office staff, the National Designated Authority of Afghanistan (National Environmental Protection Agency), the Implementing Partner (Ministry of Rural Rehabilitation and Development (MRRD), Ministry of Agriculture, Irrigation and Livestock, Ministry of Energy and Water, Ministry of Higher Education as well as representatives from private sector companies) and some donor agencies (EU, Embassy of republic of Korea, Embassy of Spain, Embassy of Japan, Embassy, JICA) and other relevant stakeholders. A complete list of participants is attached in Appendix A of this appraisal report.

The purpose of the meeting was to appraise the project and determine recommendations in regard to the next steps of the project. The draft of the project proposal was shared with the Pre-LPAC in advance to invite feedback and comments to be discussed at the appraisal meeting. The agenda for the meeting included a brief presentation of the project followed by review and discussion of key issues including project design (relevance and approach), the log frame, management arrangements, risk management, economic and financial analysis, technical evaluation, environmental and social impacts, financial management and procurement, operations and maintenance, and monitoring and evaluation. The agenda for the meeting is attached in Appendix B.

II. Meeting Summary

Opening Remarks

The meeting commenced with the opening remarks being delivered by Deputy Minister of MRRD, Mr. Essa Qudrat, who outlined the key objectives of the meeting as well as the key focus areas of the projects. He reiterated very strongly the importance of this project at a national level and pledged the fullest support of the Ministry and the president office support in achieving the goals of the project. He also highlighted the objectives of the project detailed as below:

1. The proposed project is designed to empower the rural poor in fighting climate change impacts such as changing seasons, erratic precipitation and increased incidence of extreme events affecting lives, ecosystems and livelihoods in rural Afghanistan.
2. The objective of the proposed project is to bring transformational changes in the rural energy market by enhanced private sector participation through Renewable Energy Service Companies (RESCOs); creating mechanisms for setting up a ring-fenced Rural Electrification Facility (REF). As well as provide RE solutions by setting up a total of mini-grids using solar and mini-hydro technologies through innovative business models and delivery mechanisms.

3. Further, the project will scale-up country-level best practices in innovative service delivery and local management models, with an objective of mainstreaming them by strengthening existing policy and regulatory frameworks as well as built institutional capacities.

This was followed by a welcome address delivered by Mr. Jocelyn Mason, Senior Deputy Country Director for UNDP Afghanistan, who appreciated the special efforts made by high-level government officials in the successful preparation for this project proposal. He highlighted the intervention is identified as a climate change adaptation priority. In addition, this project also aims to deliver long terms solutions for communities that have been living in disaster prone areas. Mr. Mason commended the process of the proposal preparation which has shown national ownership in the formulation and consultation processes.

Presentation on GCF

An overview of the Green Climate Fund and the project preparatory process was presented by Laura Rio, Section chief and unit head of Livelihood and Resilience Unit for UNDP Afghanistan. Laura Rio presented the project's development process, emphasizing the national ownership of the project.

There were seven regional level consultation sessions and two high-level Inter-ministerial meetings coordinated by the Ministry of Economy. In addition more than 50 bilateral discussions with experts, NGOs, technical agencies were held to design the project. Extensive field consultations were held in seven regional level. A special meeting for gender assessment for the project was conducted with UN agencies, Ministry of Women Affairs and civil societies working on women-related development issues and its involvement at the project design.

Thereafter, Mr. Qudrat, Deputy Minister of MRRD highlighted feedback received during the recent meeting at COP in Paris with GCF team on the mentioned project proposal submission and the climate change negative impact on Afghan communities. He emphasized the need to demonstrate clearly to GCF the instrumentality of the proposed interventions and the strong need to include the private sector and civil society organizations in implementing and delivering the project on the ground. He further highlighted the need to show clear linkages between the different outputs of project as there are significant crosscutting themes. He further reiterated the need to demonstrate behavioral change among the beneficiary communities leading to greater coping capacity to existing and predicted climate change impacts.

Presentation of the proposed project

The project proposal was co-presented by Mr. Abhijit Chatterjee, Climate Change expert and Ms. Nilofer Malik, Programme Analyst, who highlighted the objective of the project – to Strengthening resilience of rural livelihoods to climate risks through sustainable energy access. This is to be achieved through two main outputs; Output 1- Rural renewable energy markets transformed, strengthened and mainstreamed; 2. Output 2- Clean energy solutions for agriculture and livelihoods in target rural areas increased.

Mr. Abhijit then presented the selection of the targeted geographies and the proposed criteria for beneficiary selection. This takes in to consideration of factors such as climate change vulnerability, no power grid extension, poverty incidence and irrigation potential. The targeted beneficiaries were selected based on several vulnerability criteria, which included – women headed households, Internal Displaced People (IDP), Potential for enterprise development, no national grid extension. It was highlighted that, out of 32 provinces extensive prefeasibility study 17 provinces been shortlisted. Then the both presenters presented a detailed theory of change of the project, highlighting current gaps and how each outputs of the project aims to address this either directly or indirectly. The project financing, co- financing, stakeholder engagement, operations and maintenance plans, economic and technical assessment and social and environmental safeguards were presented.

Key Discussion Points and Comments

Project Design

- It was highlighted that project investment is in line with the government's national priority programmes (NPP) and one of the main part of the citizen's charter.
- Private sector participant from Afghanistan Renewable Energy Union (AREU) provided details of the companies available in the country who are willing to support the energy sector.

Collaboration

- The project will be supported by an inter-ministerial coordinating committee, donor agencies and Community Development Councils (CDC), which will function as a Steering Committee.
- An expert team will be established for project monitoring and advice.
- It was suggested that not all collaborators will be engaged in every stage or location of the project but rather will be engaged based on their strengths, skills and prior work in different aspects of the project.
- The engagement of the Provincial Councils was discussed.

Risk Assessment

- It was discussed that security situation in the country will be a risk during project implementation, however, involvement of community district councils and village elders will reduce such security risk.
- The inclusion of an additional risk as accuracy of the climate forecast should be mentioned.

Management Arrangements

- A project board will be set up chaired by the Ministry of Rural Rehabilitation and Development, Ministry of Energy and Water (MoEW) and UNDP as the Senior Supplier. Additional Ministries, Ministry of Agriculture, Irrigation and Livestock (MAIL), Ministry of Higher Education, a representative from ICE (Inter Ministerial Commission of Energy) and the NDA (National Environment Protection Agency (NEPA)) as Senior Beneficiary.
- A strong project management unit will be established to support execution
- The project management unit will report directly to Senior Beneficiary.
- The UNDP National Implementation Modality will be strictly followed to ensure effective and timely implementation
- A comment was also made that in some regions Non-Governmental Organizations and Community Development Councils (CDC) have a better link to farmers and local communities than the government. This was acknowledged and in response, a hybrid modality of ground level execution was discussed. The project will engage NGOs to carry out work areas that they have comparable strengths vis-à-vis the government agencies.

Sustainability

- Sustainability of the project was highlighted as a key area of focus. It was agreed that the sustainability rests mainly on the Government of Afghanistan in terms of operation and maintenance and continuation. Involvement of private sectors, cooperatives and communities will increase the level of sustainability.
- It was also discussed that the private sector has a significant role to play in this regard and could be a resource in the sustainability.

Economic and Financial Analysis

- It was accepted that the project is economically sound and viable
- No comments were raised on the economic benefits

Environmental, Social and Gender Impacts

- A comment was made that the involvement and engagement of the local community organizations will be key in this aspect
- A concern was raised whether women led civil societies or agriculture cooperatives will be engaged in this process, it was reiterated that the registration of organizations will help in this regard and a fair balance of representatives will be used for service delivery

Financial Management and Procurement

- Financial and management procurement will be guided by the financial rules and regulations of UNDP and MRRD.
- A query was raised on the government co-financing of the project – can money and resources already implemented by the government of Afghanistan in areas relating to this project be included the government co-financing funds?
- Such financing is considered baseline investment on which the project builds on. Co-financing is considered to be financing that is commensurate with the project outputs and supports the project to achieve its targets.

Operations and Management Plan

- The O&M Plan was presented and discussed. Responsible agencies to the project confirmed that they have committed to support the maintenance of the GCF-financed investments.
- A query was raised on the action plan for having a presence at ground level – it was clarified that the MRRD has a very strong and closes presence at rural areas through the CDSs as such this participatory approach will enable them too to be involved in reaching out to the grass root level.

Closing Remarks

Mr. Essa Qudrat and Mr. Jocelyn Mason thanked the government and other agencies for their active participation in the technical working group (TWG) and sharing technical insights, data and information for the further improvement of this project. Additional Ministry of Rural Rehabilitation and Development (MRRD), expressed gratitude to the UNDP team who provided technical assistance for the development of the Feasibility Report.

Recommendations and Next Steps

The pre-pac recommended the project for approval. The pre-pac agreed fullest cooperation for the submission of required documents for the final proposal submission

It was highlighted that the next steps would be the submission for UNDP technical and financial clearance followed by the submission of the project proposal to the GCF. It was mentioned that the review process would depend on the pipeline of projects within the GCF and possible consideration.

Appendix A

List of Participants

No	Name	Designation	Organization	Contact Details
1	Mohammad Ajmal Shinwari	Head of ASERD/REED	MRRD	ajmal.hz@mrrd.gov.af
4	Naqeeb Karimi	Coordinator	GIZ-IDEA	naqeeb.karimi@giz.de
5	Farid Safi	Project Manager	BORDA	safi@borda-afg.org
6	Amy Jennings	Coordinator	BORDA	jennings@borda-afg.org
2	Nematullah Nemati	Program Officer	Embassy of Japan	nematullah.nemati@kb.mofa.go.jp
3	Abdul Hamid Quraishi	GPS Officer	World Bank	aquraishi@worldbank.org
7	Ahmad Rasooly	Senior Technical specialist	ASERD	a.rasuly@mrrd.gov.af
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9	Jamie Grieve	Operation Advisor	UNEP	jomie.grieve@unep.org
10	Najiullah Elyas	Sr. Survey Engineer	ASERD	njiullah.elyas@mrrd.org
11	Fakhruddin Fakhri	Technical Specialist (Rural Energy Specialist)	ASERD	farkhruddin.faskhri@mrrd.gov.af
12	M. Naqib Amiri	Advisor	MRRD/Deputy Minister	najib.amiri@mrrd.gov.af
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16	Haris Haidari	RE Coordinator	Inter-Ministerial Committee on Energy	haidari.ice@gmail.com
17	Ahmad Murtaza Ershad	Lecturer	Kabul University	amershad@ku.edu.af
18	Nangyalay Zarmal	ASS.G.Manager	Afghanistan Renewable Energy Union	info@areu.com.af
19	Rahimi	Climate change expert	MRRD	
20	Haroon Khan	Program Manager	JICA	
22	Laura Rio	Head of L&R Unit	UNDP	laura.rio@undp.org
23	Mohammad Rafi	Director General	MAIL	mohammad.rafi@mail.gov.af
24	Ghulam Mohammad	Deputy Director	NEPA	malikyar@gmail.com
25	Nilofer Malik	Program Analyst	UNDP	nilofer.malik@undp.org
26	Mohammad Salim	Program Officer	UNDP	mohammad.salim@undp.org
27	Abhijit Chattejee	Climate Change Policy Specialist	UNDP	abhijit.chattejee@undp.org
28	Mohammad Riaz Ramin	Senior Program Officer	GERES	r.rameen@geres.eu

Appendix B

Green Climate Fund Proposal, Pre-Project Appraisal Meeting

Time: 2:30pm-4:00pm

Venue: Conference Room of the Ministry of Rural Rehabilitation and Development

Time	Agenda	Presenter
1430-1440	Welcome address by MRRD	Mr. Essa Qudrat, Deputy Minister, MRRD
1440-1450	Welcome address by UNDP	Mr. Jocelyn Mason, Deputy Country Director, UNDP
1450-1500	Brief on the project preparatory process	Ms. Laura Rio, Chief of Section and head of Livelihoods and Resilience Unit, UNDP
1510-1525	Presentation on the Funding Proposal	Mr. Abhijit Chaterjee, Climate Change expert and Ms. Nilofer Malik, Programme Analyst
1525-1550	Comments and suggestions	
1550-1600	Closing remarks	
1600	Refreshments	

Appendix C: Revision of the original proposal

November 2018, UNDP received comments on the proposal from the GCF focal point for Afghanistan. The focal point provides comments and guidance, which are summarized in the following points:

GCF had some concern on the design of the proposal with UNDP's scope of accreditation. The scope of the accreditation of an entity must be consistent with its track record, assessed by the independent accreditation panel, for the management of specified fiduciary and safeguard standards. Therefore, the GCF accredited entities, in the implementation of GCF projects, may only impose and supervise the application by executing entities of fiduciary and safeguard standards for which such accredited entity is accredited for.

The Afghanistan proposal includes the establishment within the REF (the technical arm of the Executing Entity (MRDD/DABS)) of a revolving facility for awarding reflows from the tariffs generated by the mini-grids initially funded by the GCF to additional RESCOs. The scope of UNDP's accreditation does not include grant award. For this reason, when implementing GCF projects, UNDP cannot supervise the establishment of grant award mechanisms for the selection and awarding of such reflows. The selection decisions and the reflows that may be awarded under the REF will impact the results generated by the GCF funds. More successful RESCOs financed with the reflows will allow the GCF grant to have wider impact, while less successful RESCOs will limit the impact of GCF funds.

In general, the transformative impact of the Afghanistan project depends on the impact achieved not only from the RESCOs funded by the GCF, but also by the RESCOs selected by the REF to receive the reflows. For another GCF project in which an accredited entity with only accreditation for grant management included a revolving mechanism, such mechanism was funded by parallel co-financing, and the expected impacts of the project were entirely attributable to the project management function of the accredited entity. The revolving mechanism in such project is not expected to be established nor supervised by the accredited entity. The impacts of such project, as specified in the funding proposal, do not depend on the success of the revolving facility.

With this guidance, it still may be possible for UNDP to consider re-designing the proposed project so that the expected impact may be delivered without dependence on REF determination of reflows."

November 2018, UNDP officially informed the suggestions to the NEPA and MRRD. While UNDP has reservation on agreeing with the accreditation issue.

After NDA meeting with GCF Sec it was agreed to revise the proposal and scale it down from \$34 million to \$21 million. The NDA and MRRD were positive to bring the changes as deemed. In Aug 2019, the team started redesign the original proposal.

The main objective of the project was remained the same as the original proposal that was submitted to GCF Secret with revision of the Outputs.

Output 1: Energy Market Risk mitigated/removed through policy, regulatory and institutional development for improved renewable energy (RE) services in rural areas

Output 2: Capacity and engagement of the existing and potential mini-grid market actors and stakeholders strengthened on RE mini-grids

Output 3: Construction of 3 greenfield solar mini-grids and set-up of an "upscaling platform" to facilitate additional mini-grid investments

September 2019, the 1st peer review meeting was held at the MRRD office. The team of 20 senior officers from MRRD, NEPA, MAIL and UNDP provided an update information on the revision of the proposal.

The revised content of the proposal was presented and discussed with revised budget of \$21.9 million as below:

The project is comprised of three Outputs which will occur in parallel. The first Output, addressing Energy Market Risk, focuses on strengthening the enabling institutional and regulatory framework for mainstreaming rural renewable energy markets by undertaking a set of 4 activities. These are i) Regulations for mini-grids and tariff mechanisms and structure developed and approved ii) Technical standards and guidelines developed for design and operation of mini-grids iii) Policy on fostering institutional reform and coordination mechanism among responsible institutions for mini grid development developed and iv) A framework for financial de-risking and financial incentives for RE mini-grids designed. The second Output, addressing Social Acceptance Risk and Labour Risk, comprises of capacity building of all relevant stakeholders as well as institutionalizing training for future sustainability. Specific activities include i) Capacity strengthening activities designed and delivered for government entities on technical, managerial, administrative and financing aspects of RE mini-grids ii) Capacity strengthening activities designed and delivered for non-energy institutions and beneficiaries on rural RE mini-grid systems iii) Capacity strengthening activities designed and delivered for private sector/RESOs on designing, operating and maintaining mini-grids and iv) Training institutionalized, and knowledge platform developed. The third Output, addressing Developer Risk, will prepare investment design reports ready for implementation for 5 mini-grid sites, and will develop accompanying green procurement and safeguards standards for mini-grids. The project will further provide proof-of-concepts for future reference by means of the implementation of 3 solar mini-grids with a total installed capacity of 2.6 MW in the provinces of Kandahar, Parwan and Khost. Activities are i) Green procurement policy for mini-grids developed and mainstreamed ii) Social and environmental safeguards policy for mini-grids developed and mainstreamed iii) Investment design reports for 5 mini-grids enabling direct government procurement or future private sector tendering iv) Implementation of 3 solar mini-grids with RESOs responsible for O&M.

Recommendations and Next Steps

The pre-pac recommended the project for approval. The pre-pac agreed fullest cooperation for the submission of required documents for the final proposal submission

It was highlighted that the next steps would be the submission for UNDP technical and financial clearance followed by the submission of the project proposal to the GCF.