

Annex 7

MANAGEMENT RESPONSE TEMPLATE

UNDP/GEF Mid Term Review
Management Response and Tracking Template

Project Title: Facilitating Renewable Energy and Energy Efficiency Applications for Greenhouse Gas Emission Reduction

Project PIMS #: 5569

Mid Term Review Completion Date: 05.05.2020

Key issues and Recommendations	Management Response*	Key Actions	Timeframe	Responsible unit(s)	Tracking**	
					Status***	Comments
<p><u>Recommendation 1 – Immediate action to secure cash co-financing from all key stakeholders:</u> There is an alarming mismatch between cash co-financing commitment at endorsement, cash co-financing provided up to the MTR and expected future cash co-financing. The lack of financial funds are a severe threat for carrying out all further planned activities by the PMU and providing the necessary funds for investment into the demonstration projects. In detail, the Project faces the following challenges in terms of co-financing:</p> <ul style="list-style-type: none"> The co-financing of US\$ 300,000 was planned to be used for project management, due to the lack of resources the PMU is heavily under-resourced, with direct 	<p>Agree. The project management unit (PMU) will organize formal co-financing updates from partner organizations as a priority action in response to the recommendation. Key actions have been proposed according to the respective sub-recommendations.</p>	<p>1.The Management will pursue the matter with UNDP headquarters in collaboration with the RTA to ensure that the TRAC commitment of</p>	June 2020	FREAGER TEAM & UNDP CO Management	Pending	

<p>negative impacts on the entire performance of the project. The UNDP Country Office is aware of its co-financing commitments and is also aware that resources in the region have been reduced. The Country Office is in discussions with headquarters to solve the situation. These funds are required to adequately manage the Project in the remaining lifetime.</p>		<p>\$300,000 from the UNDP CO is achieved and documented.</p>				
<ul style="list-style-type: none"> PPL made cash co-financing commitments at endorsement of US\$ 11 million for mini-hydro development, US\$ 2 million for solar PV mini-grids and US\$ 3 million towards township energy efficiency program, giving a total of US\$ 16 million of cash co-financing. Co-financing of US\$ 0.6 million has been provided up to now for the implementation of the Samarai solar PV project. Discussions with PPL during the MTR mission led to the conclusion that the current management is not aware of the co-financing commitments made in 2017. As cash co-financing will be required for the demonstration projects, clarification about the potential funding available is urgently required. 		<p>2. Two actions identified:</p> <ol style="list-style-type: none"> PMU to meet with counterpart in PPL to discuss potential changes in the project activities and outputs (but still contributing to the relevant outcomes) that can be aligned to the current and planned RE and EE programs and activities of PPL. This is to ensure identification and design of such replacement or modified activities that will build on such PPL programs and activities as stated in PPL's co-financing letter. Organize a meeting between UNDP 	<p>July 2020</p>	<p>FREAGER TEAM & CCDA</p>	<p>Pending</p>	

<ul style="list-style-type: none"> • CCDA is facing budget restrictions, which have an impact on the in-kind contribution provided to the project as well as the cash co-financing available. No clarity was reached during the MTR mission regarding the level of cash co-financing available, this should be picked up with CCDA urgently. • Meetings with provincial governments in Eastern Highlands and in East Sepik Province confirmed budget restrictions and it was made clear that the level of co-financing committed at endorsement will not be reached. It was mentioned by both provinces that reservations in the 2020 budget need to be made urgently to get clarity on the co-financing available for the mini-hydro and energy efficiency demonstration projects. Additionally, potential co-financing contributions of Daulo and Lufa Districts for the mini-hydro projects and from Wewak and Maprik Districts for the township energy efficiency projects should be investigated. 		<p>Management and PPL Management to present and discuss the co-financing process and clarify PPL's co-financing. This is in direct response to the change of management within PPL during the project period.</p>				
		<p>3. The PMU will conduct a financial forecasting exercise with CCDA to assess the current and future budget available to support project interventions.</p> <p>If a future financial deficit (related to project co-financing) is established, the PMU will support the implementation of the national climate finance plan (under CCDA), which identifies mechanisms to support climate actions, inclusive of renewable energy and energy efficiency initiatives.</p>	July 2020	FREAGER TEAM & UNDP CO Management	Pending	
		<p>4. PMU will conduct scoping to calculate cash and in-kind contributions from both provinces as well as identify potential co-financing contributions that will</p>	October 2020	FREAGER TEAM & CCDA	Pending	

		contribute to the project that were not considered at project inception.				
<p><u>Recommendation 2 – Extend project end-date by 12 months:</u> The original design of the Project included a project lifetime of slightly less than 4 years, from October 2017 to August 2021. Taking into account the large number of activities to be carried out in combination with demonstration projects, it is not clear why the project has not been designed for a period of 5 years. Additionally, there have been considerable delays in the initial project phases, with the Inception meeting taking place only 9 months after project start and the project manager only being hired almost a year after project start. It is therefore recommended to extend the project end-date by 12 months to August 2022. This will give higher likelihood for remaining activities being implemented according to the plan and for demonstration projects being implemented and commissioned. A condition for this extension is the provision of cash co-financing from UNDP as committed during endorsement. Without this co-</p>	Agree.	PMU will seek a 12-month extension of the project to August 2022 from GEF through UNDP HQ.	September 2020	FREAGER TEAM, UNDO CO Management & CCDA	Pending	

financing, proper staffing of the PMU and support with international experience is not feasible.						
<p><u>Recommendation 3 – Increase capacity of the PMU:</u> Increasing the capacity of the PMU needs to be an immediate action point. The project manager needs strong support in administration and procurement to be able to focus on strategic decisions. Additional support in communication is necessary to increase the content of the website and support the upcoming communication and media work planned under Component 4. Currently the website only provides very general information on the project and is far away from being used as an active tool to communicate the work carried out and results achieved by the Project. Facebook and Instagram pages haven't been setup up to now.</p> <p>A key focus of the PMU needs to be the preparation and implementation of the demonstration projects.</p> <p>The Project Manager is lacking the necessary technical know-how to provide the required strong lead in the work on the demonstration projects and should be supported by 2 experts, one focusing on the mini-hydro demonstration projects, one focusing</p>	Agree.	1. Recruitment of the Project Associate to assist the Project Manager with administration and procurement immediately.	June 2020	FREAGER TEAM, UNDP CO	Pending	
		2. Develop and implement a communications plan with UNDP Communications Team to develop and disseminate information. Immediately develop a project brief to be put on UNDP website.	June 2020	UNDO CO, FREAGER TEAM	Pending	
		3. Contract an International TA to oversee technical aspects of project and provide quality control of outputs by consultants. Develop a procurement plan for technical ICs for remainder of the project in order to ensure that technical support is available at critical points during project implementation.	July 2020 July 2020	UNDO CO, FREAGER TEAM & CCDA	Pending	

<p>on the EE township programs (“Demonstration Project Managers”). These experts can either be provided from key stakeholders such as CCDA or PPL, but this should be under the condition that experts have sufficient time dedicated to the FREAGER project and that work for the FREAGER project has priority over other commitments. If this cannot be secured, external experts should be hired.</p> <p>Work of the Demonstration Project Managers has to be supported by an international technical advisor (depending on the capacity on RE and EE, this should be one or two advisors). International technical support has proven to be very helpful for the Samarai project and should also be used for the mini-hydro and energy efficiency projects.</p>						
<p><u>Recommendation 4 – Improve key stakeholder engagement:</u> CCDA and PPL have a key role in the implementation of the FREAGER project, CCDA is the Implementing Partner, PPL the senior supplier. CCDA has been active in co-chairing the Project Board and supporting various activities. However, more leadership from CCDA would be helpful taking into account the delays in implementation of activities up to now and the</p>	<p>Agree.</p>	<p>Update Stakeholder engagement plan, in partnership with CCDA, to take into account changes in the framework conditions.</p> <p>Organize high level UNDP/CCDA/PPL meeting to clarify and reiterate the objectives of the project and strengthen partner leadership of project</p>	<p>June 2022</p> <p>July 2020</p>	<p>FREAGER TEAM, UNDPCO</p>	<p>Pending</p>	

<p>extensive work program until end of the project. A clear commitment of additional resources contributing to the management of demonstration projects implementation would be an important contribution. Due to changes in PPL management, a lack of full understanding of the role of PPL as well as the co-financing commitments given was identified during the MTR mission. It is recommended to revive the cooperation on a high level between executives of UNDP, CCDA and PPL, to be followed by a coordination meeting/workshop on project manager/project staff level.</p>		<p>implementation for specific components of the project.</p> <p>Conduct an awareness raising workshop at a technical level with PPL and CCDA staff to stimulate interest in the project with new staff of the respective organisations.</p>	July 2020			
<p><u>Recommendation 5 – Improve number of Project Board meetings:</u> The PB is supposed to meet twice a year, up to now only 3 meetings have been held. As stated by stakeholders in PB meetings and as also communicated in different meetings during the MTR mission, PB meetings should be held 4 times a year in 2020 and 2021. With the large number of activities to be carried out under all components, regular meetings of all relevant stakeholders are necessary to ensure proper information of all stakeholders, properly steer the project and initiate activities of adaptive management, if necessary. It is understood that travel costs to allow members outside of Port</p>	<i>Partially agree.</i>	<p>Board Meetings will be arranged in line with UNDP & GEF requirements.</p> <p>PMU will determine the most cost-effective means of holding PB meetings considering board members are based on four different provinces, causing logistical challenges.</p> <p>Dates for next meeting will be set at end of each board meeting.</p>	On going	FREAGER TEAM & CCDA	Partially completed.	<p>First meeting in 2020 held on 16th March.</p> <p>Second meeting planned for 16th June 2020.</p>

<p>Moresby to participate in the PB meetings are a concern. Although face-to-face meetings are to be preferred, participation via conference call or skype should be considered in case of budget constraints.</p>						
<p><u>Recommendation 6 – Provide support to PMU in project management and M&E:</u> Planning in the Annual Work Plans is done by activities as defined in the ProDoc, the implementation schedule is by quarter. While all activities are listed in the AWP, it is difficult to understand how proper project management can be carried out, as there is lack of detail on steps necessary to prepare and implement all activities. A more detailed work plan, which allows proper project management for the remaining lifetime of the Project is necessary and would be an important tool for ensuring timely delivery of activities and outputs. Support through additional resources should be provided to the PMU. Additionally, support by UNDP on M&E for the PMU is recommended. Information provided during the MTR (such as PIR) indicates that the M&E system hasn't been set up properly and therefore cannot be used as a project management tool to identify where activities need to be carried out to</p>	<p>Agree.</p>	<p>PMU will develop: (a) detailed implementation plan of the ongoing and outstanding activities; and, (b) detailed M&E system with biannual reporting against project indicators. Results of the M&E system will be presented to Board members during PB meetings.</p>	<p>August 2020</p>	<p>UNDP CO, FREAGER TEAM</p>	<p>Pending</p>	

achieve the projected results and outputs.						
<p><u>Recommendation 7– Reduce work input on Component 3:</u> With the considerable delays in the initial project phase and the large number of activities still to be carried out, it is clear that not all activities can be carried out as planned. Response on the initial work under Component 3 (financing of renewable energy and energy efficiency projects) has been meager. Only one financing institution participated in FREAGER meetings up to now (Bank South Pacific) and confirmed that RE and EE projects can apply under existing loan schemes. However, no specific credit/loan facility for RE and EE will be established which will have preferential terms for such projects. Discussions during the MTR mission with PPL didn't give confidence on the interest of the company to investigate energy efficiency investments under an ESCO setting. As a consequence, the activities under Component 3 should be limited to the planned workshop and preparing an ESCO concept for PPL.</p>	<p><i>Disagree.</i> <i>This area of work is important to ensure demonstration of sustainability of EE component of the project and establish a marketplace for EE in the country.</i></p>	<p>The project will develop a concept note, as recommended. However, it will go further to evaluate the reasons that the MTR evaluator provided to reduce activities under Component 3 in order to make appropriate adaptive management measures.</p> <p>An IC will be contracted to assess the market potential for energy efficiency technology uptake in PNG, consult with the financial sector to design a financial product with preferential terms for RE and EE initiatives.</p>	July 2020	FREAGER TEAM & CCDA	Pending	

<p><u>Recommendation 8– Critically review progress of mini-hydro projects:</u> Due to the delays in the initial project phases, there is a considerable risk that implementation of the mini-hydro projects will not be feasible within the (extended) lifetime of the Project. This seems to be specifically the case for the Miruma project, where – based on information provided during the MTR mission – there is no grid existing for supplying electricity generated to consumers. In the case of Gotomi, the existence of a mini-grid owned by PPL was confirmed, but as the mini-grid is currently not in operation, there was lack of clarity under which conditions the grid can be restarted and whether there are additional barriers not considered up to now. Once the feasibility for both projects is available, the likelihood of successful project implementation within the remaining lifetime of the Project needs to be critically reviewed. If there is a considerable risk that implementation cannot be finalized in time, two options should be considered: (a) secure commitment of stakeholders/partners</p>	<p>Agree. Management takes note of the recommendation and will take up appropriate actions.</p>	<p>PMU/CCDA validate and confirm findings of MTR to understand the nature, magnitude and severity of the issues pointed out in order to identify required resource inputs (e.g. experts, demo hardware etc).</p> <p>Contract an IC on hydro to provide oversight of the work packages under the mini-hydro project, as well as contribute to and quality control technical feasibilities.</p> <p>PMU/CCDA to investigate alternative demos/demo sites</p> <p>Technical Assistance to be sought for planning of the demo implementation – from design, engineering, construction, commissioning and operation.</p>	<p>July 2020</p>	<p>FREAGER TEAM, UNDP & CCDA</p>	<p>Pending</p>	
--	--	---	------------------	--------------------------------------	----------------	--

<p>to implement the project after the support from GEF has stopped. This could for example be through PPL or private sector investors. (b) if no partner can be committed to secure successful implementation, preparation should be pushed forward as far as feasible (e.g. prepare drawings, secure permissions, prepare tender documents), but construction should not be started.</p>		<p>Develop a sustainability plan for mini-hydros in partnership with provincial partners and PPL.</p> <p>Investigate and secure commitment of stakeholders/partners to implement the demo projects in the event that installations are delayed. This will form part of the risk management strategy identified during feasibility and design of the demos.</p>	<p>October 2022</p>	<p>FREAGER TEAM, UNDP, CCDA and PPL</p>	<p>Pending</p>	
---	--	--	---------------------	---	----------------	--

* Unit(s) assigned to be responsible for the preparation of a management response will fill the columns under the management response section.

** Unit(s) assigned to be responsible for the preparation of a management response will be updating the implementation status. Assigned with an oversight function monitors and verifies the implementation status.

*** Status of Implementation: Completed, Partially Completed, Pending