

Swiss Review of the GEF Intersessional Work Program of March 2011

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1.1 Biological Diversity

1.1.1 N°01 – ID 4356; China: Securing Biodiversity Conservation and Sustainable Use in China's Dongting Lake Protected Areas, (FAO); GEF cost: 2,9 million USD; total project cost: 6,2 million USD

General Comments

The proposed project complies with CBD strategies and priority programs. If successful, the proposed interventions will significantly contribute to the sustainable conservation of key wetlands and lake ecosystems of global importance.

Main Concerns

- 1) How to achieve financial sustainability of proposed interventions? Source of seed money for proposed ecological fund and how to replenish fund?
- 2) Is the legal framework for co-management arrangements of protected areas (including affected communities depending on the resources within the NRs) in place?
- 3) Ecological Compensation Fund: what is the funding source and is the fund sufficient to compensate all affected communities for lost traditional user rights and opportunities, safeguarding sustainable livelihoods of families reportedly representing some of the poorest in the country?
- 4) How exactly will the project mainstream biodiversity conservation into sector planning in all of China (see Project Framework 5)?
- 5) It is not clear how the proposed harmonized multi-stakeholder management of the NRs will be achieved in view of the numerous resource- and land-use mandates and authorities related to the target area.

Conclusions and Recommendations

In spite of the recognized global ecological importance and urgent protection needs of the targeted wetlands, stabilizing and safeguarding the livelihood of the economically marginalized communities depending on the NRs for their survival should receive top priority. There are doubts on how the project deals with social justice and human life.

The project is sound and justified and should be endorsed in principle taking these concerns into consideration.

1.1.1.1 Further Comments

It is suggested that the proposed threat analysis is included in the multi-stakeholder inception workshop. Following the threat analysis, potential mitigation measures and related interventions/strategies should be discussed at the same event in a participatory fashion involving all workshop participants in order to keep the planning process transparent and open, and pro-

viding all stakeholders with the opportunity to express their concerns and lobby their interests. It is advised against conducting “exclusive” workshops (technical workshops as proposed in the document). All workshops should include representatives of current user groups of the NRs in view of the importance of the targeted ecosystems related to the livelihood of the communities located within. Ownership and buy-in by all major stakeholders will be the key to the success of this highly ambitious project.

1.2 Climate Change

1.2.1 N°02 – ID 4427: Russian Federation: Russia Energy Efficiency Financing (REEF) Project, (WB); GEF cost: 22,7 million USD; total project cost: 847,3 million USD

1.2.1.1 Overall Comments

The project aims at reducing GHG emissions by improving energy efficiency (EE), which constitutes one of the most important mitigation potentials in Russia, through the development of an in-house energy efficiency lending business. The project builds upon a US\$300 million IBRD loan and is supported by strong national policies and strategies in the field of energy efficiency improvement.

The development of an in-house energy efficiency lending business will be done through efforts expanding in two main directions: a) first, loans to large energy-intensive companies, and then to regional and municipal entities; b) first, through Gazprombank (GPB), and then through other banks which will receive training and technical assistance as well as benefit from Gazprombank's experience.

While the project has some strong features for success with regard to the implementation (use of existing tools to analyze energy uses and prioritize actions, development of models that will be replicated on a large scale, training of new banking partners, etc.), some aspects of the project need further elaboration and clarification (sectors that will be targeted, evaluation of barriers and risks for EE loans, identification of potential banks and services partners for the market development phase, etc).

The project objective is to reduce greenhouse gases through the removal of barriers related to energy efficiency investments in the large scale industrial and municipal sectors. The implementation of the project activities will strengthen Russia's capability in establishing financing and delivery mechanisms supporting energy efficiency investments in the country's industrial and municipal sector. Russia's economy is one of the most energy-intensive in the world.

1.2.1.2 Questions, Concerns and Challenges for further Project / Program Refinement

Even after 20 years of market reforms, there are persistent barriers to enhancement of energy efficiency. STAP observes that while the PIF lists barriers to enhanced energy efficiency, it provides very little information about the intended lending priorities associated with its mitigation potentials and how markets will really be transformed through the implementation of this large project. ESCO promotion and financing has been pursued by the World Bank (with GEF funding) in Russia and Ukraine since in the mid 1990s. One would hence expect that this PIF proposal would refer to **key lessons learned** (since 1995) through earlier GEF funded interventions in enhancing EE and how the intervention through this comparatively large project would be made more effective (with regard to ESCOs) and policy conducive. Such information is however largely lacking. There is reference to the "GEF EE

Umbrella Programme” implemented by UNDP/UNIDO and EBRD, which should contribute to bring down apparently still significant barriers. The PIF is however silent on how this project itself addresses the policy dimension. Surprisingly, the STAP review does not point to this gap. Considering the size of the project, what, if not such a large project, is capable of generating the policy gains stipulated in the GEF 5 intervention strategy for EE in the industrial and the building sector? In 2010, EBRD and IEA published a review paper on energy efficiency governance, a document which seems not to have been fully taken into consideration while drafting this PIF note. The Chinese 12-year plan provides an example of what can be achieved in enhancing energy efficiency in the industry sector through a conducive policy framework (e.g. by increased taxation of companies who fail to meet required energy efficiency benchmarks). Russia should adopt this ambition as well and GEF/World Bank could contribute to this process.

- The project is described as being framed within the Energy Strategy 2030 that, among others, aims at increasing energy prices (particularly in the public buildings and housing sectors) and thus will support energy efficiency (see pp.6-7). How will the project support the phasing out of the energy subsidies in the above-mentioned sectors and in the other sectors that are being focused on in component 1 (petrochemical, machinery, metal, agro-processing, regional/municipal utilities) and 2 (regions/cities with no mention of the sectors that will be focused)?
- What sectors will be targeted in component 2 (regional and municipal level) (pp.10-11) and based on what criteria?
- What potential energy services companies and banks have been identified for component 3A and B (technical assistance to support broad market development) (p. 11)? What strategy will be used to recruit them?
- The PIF analyses the situation as follows: “(...) without GEF resources, it is likely that GPB would only lend to its existing customer base, and only finance very large (...) industrial EE and modernization projects. While the result would likely be very large energy savings, it is unlikely that the project would lead to substantial uptake by other banks (...)” (p. 9). What analyses support these assumptions?
- What difficulties did the banks see (with the exception of Gazprombank) when they were presented with the project and declined the invitation to participate in its first phase? (p.9) How will these difficulties be overcome so that these banks are able to participate in a later phase of the project?
- To what extent do the GEF funds, blended with the loan funds for the implementation of pilot EE action plans on the regional/municipal level (component 2B), help to overcome the repayment risks? To what extent are new banking partners recruited in component 3B (market development) able to provide loan funds without grant funds for reducing repayment risks (p. 11)?

Conclusions and Recommendations

Switzerland welcomes this ambitious World Bank project proposal.

In the further process of Prodoc preparation, more effort should be made to integrate policy gains into the lending policy and the overall project design. We further recommend strengthening the search for best policy practices in the STAP review.

Important critical issues have been identified for ensuring the success of this project. Since the identified risks under B.4 are significant, the above-mentioned concerns and challenges should be satisfactorily addressed before project endorsement.

1.3 Land Degradation

1.3.1 N°03 – ID 4352: Tajikistan: Second Upland Agricultural Livelihoods and Environmental Management, (WB); GEF cost: 5,4 million USD; total project cost: 23,3 million USD

Overall Comments

The social and environmental relevance of SL/WM to overcoming resource degradation and climate change impacts is proven. The inclusion of SL/WM in the World Bank's 2010-2013 Country Partnership Strategy for Tajikistan shows the importance of the project for these goals. The available project documentation, however, does not reflect the claim to integration in existing strategies and programmes, nor does it do justice to the statement that this project has been requested as a follow-up to the successful World Bank/GEF financed Community Agriculture and Watershed Project (CAWMP). As stated by the STAP, the project description is too general and does not yet respond to "how questions" and related criteria. The main hypothesis, stating that "improved land management over a larger area would reduce the vulnerability of agro-ecosystems to soil erosion and pasture deterioration - major factors in degradation of uplands" is indeed the key for the success of the project. Implementation concepts, methods, and approaches should be much clearer than in the current PIF; this is all the more relevant in view of the fact that the World Bank has the main responsibility for this project due to their additional financing of a total of 15 million USD. There are high risks that funds will not reach targeted beneficiaries. This weakness and the need to develop knowledge and institutional capacity highlight the importance of investing into capacity development and integrating local resource users and civil society.

Questions, Concerns and Challenges for further Project Preparation

The financing of farmers' subprojects provides a strong incentive to participate in the project. The elaboration of village action plans risks being driven mainly by the hidden agendas of the more powerful local stakeholders to gain access to funding. How can the conditions for SL/WM planning at the village level be improved? Such planning requires joint analysis in view of common interests, including secure access to land by users. It would be helpful to show how this is successfully done by the CAWMP.

According to the PIF, all subprojects for farmers will address sustainable development. How will this be put in practice considering the lack of capacity and the risks of the project being misled by individual interests?

Improved capacities and knowledge regarding sustainable agricultural practices are expected to increase agricultural productivity, resulting in greater household financial capital and contributions to national-level economic growth. But it remains unclear how this benefit will be achieved. Output 1.5 refers to this in terms of dissemination, but the state of the art does not confirm the efficacy of a dissemination approach.

Nevertheless the magnitude of WB engagement in SL/WM programmes in Tajikistan requires and allows for knowledge management for the region considered. What are the project's approaches to participatory learning and knowledge integration, and what tools and networks (e.g. WOCAT, see <http://www.wocat.net/>) for knowledge management support are applied?

In social terms it remains unclear how the project intends to avoid the risks of contributing to further segregation and disparity within rural society and thereby maintaining high rates of poverty.

The present project's risks of failing to reach targeted beneficiaries and capture benefits contrasts with the WB's claim to great experience in investment lending focusing on institution building, infrastructure development and policy reform.

1.3.1.1 Conclusions and Recommendations

Further project formulation has to address the current lack of adequate approaches, tools, networking and project design in order for the project to make enhancing contributions to SL/WM and governance in Tajikistan.

1.4 Multi-focal Areas

1.4.1 N°04 – ID 4332; Azerbaijan: Sustainable land and forest management in the Greater Caucasus landscape, (UNEP); GEF cost: 6,248 million USD; total project cost: 17,648 million USD

Overall Comments

The high local and global relevance of the project is obvious.

Thematically, the primary focus has to be given to inadequate pasture management and overgrazing. The herders' interests cannot be neglected and must be integrated into solutions to reduce overgrazing. The problem structure identified matches available experience and impressions. The difficulties related to the legal, regulatory and institutional framework (identified in the baseline and addressed in Component 1) have to be emphasised and further specified in order to facilitate a coherent functioning of the governmental structures. These difficulties are related to minimal experience, which seems to be the key and calls for integrative bottom-up learning processes in order to create motivation, competence and co-operative relations between herders and government representatives. Such an experience will provide a basis for building an enabling legal, policy and institutional framework. Working with pilot rayon-level and intersectoral committees could offer an opportunity to overcome specific difficulties and the lack of experience and create capacity to transform the institutional framework.

Questions, Concerns and Challenges for further Project Preparation

- Models for sustainable land and forest management are not blueprints. They have to be rooted in the local and regional society and context and must be formulated in a bottom-up process in which external experts and representatives contribute constructively and are integrated in the joint learning process.
- The strategic procedure is the key for the success of the project. The project should begin with pilot initiatives to jointly understand the current degradation dynamics and develop countermeasures.
- The enhancement of the institutional framework depends on legal enforcement, which therefore may represent a critical factor that must be addressed in addition to direct measures to avoid project failure due to corruption.
- Carbon sequestration can only be enhanced if the dynamics of degradation are reversed. It would be therefore beneficial to the project to revise the planned procedure and create opportunities for learning processes in pilot contexts to initiate transformation of the institutional framework.
- Specific integrative joint learning concepts for mixed groups of local resource users, experts and institutional representatives may be a key complement to planning support from cross-sectoral expert groups.
- WOCAT (<http://www.wocat.net/>) offers expertise, concepts and techniques for the further preparation, implementation and monitoring of projects for SLM.
- Insecurity due to conflicts in certain regions may constitute a major obstacle to the project's progress. A good regional balance and flexibility may be necessary in order to reduce risks without leaving out needs that have to be addressed.

Conclusions and Recommendations

The importance and magnitude of forest and pasture degradation in Azerbaijan need to be addressed. However, there is much negative experience with previously launched action plans and programmes. This project must therefore avoid the known risks and operate with a

procedure that allows for innovation and builds on pilot experience. Competences developed in specific pilot municipalities and rayons (see above) may be an important precondition for initiating the transformation of the current institutional framework into a more enabling one.

Overall, Switzerland recommends to GEF the approval of this project.

1.4.2 N°05-10: Fifth operational phase of the GEF's Small Grants Programme, (UNDP)

N°05 – ID 4382; Costa Rica; GEF cost 4.4 million USD, total Project cost 9 million USD

N°06 – ID 4375; Ecuador; GEF cost 4.4 million USD, total Project cost 9.2 million USD

N°07 – ID 4383; India; GEF cost 5 million USD, total Project cost 11 million USD

N°08 – ID 4362; Kenya; GEF cost 5 million USD, total Project cost 10.5 million USD

N°09 – ID 4380; Pakistan; GEF cost 2.78 million USD, total Project cost 6.34 million USD

N°10 – ID 4338; Philippines; GEF cost 4.6 million USD, total Project cost 9.2 million USD

Overall Comments

This commentary refers to six projects, n°05 to n°10, of the current IWP, which are all subscribed to the fifth operational phase of the GEF's Small Grants Programme. For all of them, UNDP figures as implementing agency.

- All six projects are designed in line with the 5th phase of the SGP.
- Part 1 (project identification) of the six PIFs is done in a rather coherent way. For each project the Focal Area Strategy Frameworks are systematically described and the Project Frameworks are well specified.
- Part 2 (project justification) of the six PIFs is individually done for each project. Particularly the project overview is very well specified.
- We regret, however, that the STAP reviews for all six projects are identical. They do not deal with the individualities of each project.

Questions, Concerns and Challenges for further Project / Programme refinement

We basically feel that the six projects are well designed. The challenges for further Project refinement are in general not project specific but refer more to the overall SGP (programme) level. The latter have been commented on and discussed earlier.

There are only three challenges we would like to emphasise again:

- All six projects look rather like stand-alone projects. We particularly regret that little attention seems to be given to their links with the respective GEF country portfolios.
- All six projects seem very ambitious and deal with very different focal areas and geographic territories. The risk of a dispersion of efforts is evident.
- The verification in project monitoring and assessments is a major challenge.

Conclusions and Recommendations

Overall, all six projects are well designed and the project frameworks are well specified and given very individually.

Switzerland supports the approval by GEF of all 6 SGP projects

1.5 Persistent Organic Pollutants (POPs)

- 1.5.1 N°11 – ID 4441: China: Minimizing Formation and Releases of Unintentionally Produced POPs (UPOPs) from China’s Pulp and Paper Sector, (WB);**
GEF cost: 15 million USD; total project cost: 75 million USD

1.5.2

Conclusions and Recommendations

We fully support the very well-described comments of the STAP reviewer and expect that they are followed further in the project planning.

Overall, the support of this project is justified by: the reduction of the exposure, the economic importance, and the existence of a sector policy. Therefore, Switzerland recommends to GEF the approval of this current project.