



Sustainable Energy Efficiency in Municipal Services (SEEMS)

Review PIF and Make a recommendation

Basic project information

GEF ID

10896

Countries

Ukraine

Project Name

Sustainable Energy Efficiency in Municipal Services (SEEMS)

Agencies

World Bank

Date received by PM

11/29/2021

Review completed by PM

12/17/2021

Program Manager

Ming Yang

Focal Area

Climate Change

Project Type

MSP

PIF

Part I ? Project Information

Focal area elements

1. Is the project/program aligned with the relevant GEF focal area elements in Table A, as defined by the GEF 7 Programming Directions?

Secretariat Comment at PIF/Work Program Inclusion

12/1/2021 MY:

Yes, the project is well aligned with the GEF 7 CCM-1-3 focal area element.

1/10/2022 MY:

Please address the following comments from the GEF PPO unit:

1. The Executing Partner included in Portal (Ukrexim Bank) is not included in the LoE. Please remove it and indicate it to be determined (t.b.d.). The executing partner can be finalized at the CEO Endorsement stage. It is an easy way. Alternatively, please get a new LoE with Ukrexim Bank included as the executing partner.

2. Per the policy guidelines of the GEF on page 50: "During the identification of a potential project or program, the GEF Agency (working with the EA, if already identified) provides an indicative cost estimate of the PMC budget that appears in the PIF and PFD templates, as follows."

For this project no PMC has been identified yet ? please do so and keep in mind the requirement of proportionality of the GEF and Co-financing contributions to PMC.

1/13/2022 MY:

Yes, all comments were addressed and cleared.

Agency Response

WB 1/11/22

1. We have changed the executing partner to TBD as suggested.
2. Given the small amount of the GEF grant in comparison to the overall project size, the team does not currently intend to use GEF funds to cover any PMC. The team is exploring other sources of grant funding and/or counterpart funding to cover certain project management costs that may require grant support, including the hiring of a gender specialist in the PIU. An indicative PMC amount to be covered by the World Bank co-financing is now included in Table B.

Indicative project/program description summary

- 2. Are the components in Table B and as described in the PIF sound, appropriate, and sufficiently clear to achieve the project/program objectives and the core indicators?**

Secretariat Comment at PIF/Work Program Inclusion

12/1/2021 MY:

Yes, Table B and the description in the PIF on the project are sound, appropriate, and clear to achieve the project/program objectives and the core indicators.

Agency Response

Co-financing

- 3. Are the indicative expected amounts, sources and types of co-financing adequately documented and consistent with the requirements of the Co-Financing Policy and Guidelines, with a description on how the breakdown of co-financing was identified and meets the definition of investment mobilized?**

Secretariat Comment at PIF/Work Program Inclusion

12/1/2021 MY:

Yes, the \$300 million loan co-financing is adequately documented and consistent with the requirements of the Co-Financing Policy and Guidelines.

Agency Response

12/17:

Please note that the co-financing source for the \$300 million loan is the World Bank. This has been updated in the PIF and portal table.

GEF Resource Availability

4. Is the proposed GEF financing in Table D (including the Agency fee) in line with GEF policies and guidelines? Are they within the resources available from (mark all that apply):

Secretariat Comment at PIF/Work Program Inclusion

12/1/2021 MY:

Yes, the proposed GEF financing in Table D (including the Agency fee) is in line with GEF policies and guidelines. They are within the resources allocation of GEF7 STAR CCM allocation to Ukraine.

Agency Response

The STAR allocation?

Secretariat Comment at PIF/Work Program Inclusion

12/1/2021 MY:

Yes, after the project budget, Ukraine has a leftover of \$0.26 only in its GEF7 STAR account.

Agency Response

The focal area allocation?

Secretariat Comment at PIF/Work Program Inclusion

12/1/2021 MY:

Yes, after the project budget, Ukraine has a leftover of \$0.26 in its GEF7 CCM STAR account.

Agency Response

The LDCF under the principle of equitable access?

Secretariat Comment at PIF/Work Program Inclusion
12/1/2021 MY:

N/A

Agency Response
The SCCF (Adaptation or Technology Transfer)?

Secretariat Comment at PIF/Work Program Inclusion
12/1/2021 MY:

N/A

Agency Response
Focal area set-aside?

Secretariat Comment at PIF/Work Program Inclusion
12/1/2021 MY:

N/A

Agency Response
Impact Program Incentive?

Secretariat Comment at PIF/Work Program Inclusion
12/1/2021 MY:

N/A

Agency Response
Project Preparation Grant

5. Is PPG requested in Table E within the allowable cap? Has an exception (e.g. for regional projects) been sufficiently substantiated? (not applicable to PFD)

Secretariat Comment at PIF/Work Program Inclusion
12/1/2021 MY:

N/A

Agency Response

Core indicators

6. Are the identified core indicators in Table F calculated using the methodology included in the corresponding Guidelines? (GEF/C.54/11/Rev.01)

Secretariat Comment at PIF/Work Program Inclusion

12/1/2021 MY:

Not completed yet.

The project targeted to mitigate 5,295,000 tonnes of CO₂, but the amount of energy savings that is required for Indicator 6.3 is missing. Please estimate the amount.

13/17/2021 MY:

Yes, comments were cleared.

Agency Response

12/17:

Since the initial submission of the GEF proposal, the team conducted a detailed economic and financial analysis of the project, based on which the savings and GHG emissions reductions were revised. The updated GHG reduction estimate is 3.105 million tons. The portal entry and PIF form have been revised to reflect this. In addition, the portal entry is updated to include a target for indicator 6.3, estimated at 24,433,277,137 MJ over the project lifetime.

Three types of public infrastructure subprojects were selected for energy consumption reduction and associated CO₂ reduction analysis: (i) public buildings thermal retrofit, (ii) public buildings internal heating system upgrade and (iii) street lighting renovation. The sampling of three types of projects were selected from the list of already implemented projects in Ukraine in the period 2013-2018 which provides detailed information about investments in EE measures, actual energy consumption measured before project implementation and after <https://misto-em.org.ua/proekty/#projects> .

Subprojects analysed included the following investments:

- Building heating system upgrade: installation of individual thermal point (ITP), installation of an automatic weather-dependent regulator, replacement of the distribution pipeline with insulation, energy management.
- Thermal retrofit of building: insulation of building envelope, replacement of windows, heating system, ventilation, and lighting improvements.
- Street lighting renovation: replacement of lamps with fastening like LVD-150, fixing some columns, laying of the SIP cable.

Actual energy savings reported in the implemented projects were converted to the primary energy savings using conversion to primary energy factors 1.3 for DH thermal energy and 2.3 for electricity, based on the Primary factors and Member States regulation and on the EC Comprehensive study of building renovation activities. Emission factors for conversion of kWh primary energy saved to the tons of CO₂ savings were based on Ukraine's Greenhouse Gas Inventory 1990-2019 report. For DH heat thermal energy savings was used 0.0002709 tCO₂/kWh conversion factor and for electricity 0.0010110 tCO₂/kWh. Table 1 in Annex 1 presents a summary of the energy savings and CO₂ emissions reductions by subproject.

Based on this analysis, **energy savings from the project** are expected to amount to **24,433,277,137 MJ over the project lifetime.**

Reduction of CO₂ emissions for the lifetime of investments (see Table 2 in Annex 1 of the PIF), were calculated based on the different lifecycle of investments for three types of project technologies analyzed: 20 years lifecycle was used for public building thermal retrofit investment, 15 years for heating system and 10 years for street lighting modernization.

The total value of CO₂ reduction is estimated at 846,000 tCo₂ over the project duration (by end 2026) and 3.105 million tCo₂ over the lifetime of investments. The estimate for the project duration is slightly higher than the earlier estimate shared with GEF. The estimate for the lifetime duration is lower, because it was based on a lifetime of 20 year for all investments, while the revised estimate differentiated lifetime for each subproject.

Project/Program taxonomy

7. Is the project/program properly tagged with the appropriate keywords as requested in Table G?

Secretariat Comment at PIF/Work Program Inclusion

12/1/2021 MY:

Not at this time. Table G is empty and Annex C is missing.

Please fill Table G and Annex C with the appropriate keywords.

12/17/2021 MY:

Yes, they are attached in the PIF MS-Word Document version. (Maybe the WB does not have access to Table G and Annex C via Portal.)

Agency Response

12/17:

Table G and Annex C of the PIF have been completed.

Part II ? Project Justification

1. Has the project/program described the global environmental/adaptation problems, including the root causes and barriers that need to be addressed?

Secretariat Comment at PIF/Work Program Inclusion

12/1/2021 MY:

Yes, it is described in paragraphs 1 and 2 of the PIF datasheet.

Agency Response

2. Is the baseline scenario or any associated baseline projects appropriately described?

Secretariat Comment at PIF/Work Program Inclusion

12/1/2021 MY:

Yes, it is described in paragraphs 3 and 7 of the PIF datasheet.

Agency Response

3. Does the proposed alternative scenario describe the expected outcomes and components of the project/program?

Secretariat Comment at PIF/Work Program Inclusion

12/1/2021 MY:

Yes, 12/1/2021 MY:

Yes, it is described in paragraphs 3 and 7 of the PIF datasheet.

Agency Response

4. Is the project/program aligned with focal area and/or Impact Program strategies?

Secretariat Comment at PIF/Work Program Inclusion

12/1/2021 MY:

Yes, it is well aligned with the GEF 7 CCM -1-3 strategy.

Agency Response

5. Is the incremental/additional cost reasoning properly described as per the Guidelines provided in GEF/C.31/12?

Secretariat Comment at PIF/Work Program Inclusion

12/1/2021 MY:

Yes, it is described in the section of B. Economic Analysis in the PCN.

Agency Response

6. Are the project?/program?s indicative targeted contributions to global environmental benefits (measured through core indicators) reasonable and achievable? Or for adaptation benefits?

Secretariat Comment at PIF/Work Program Inclusion

12/1/2021 MY:

Not completed yet.

Please provide the methodology, data and assumptions for estimating GHG emission reduction and energy savings.

12/17/2021 MY:

Yes, comments were cleared.

Agency Response

12/17:

Please refer to response on Part I question 6 above. This information is also included in the Word version of the PIF and in the portal.

7. Is there potential for innovation, sustainability and scaling up in this project?

Secretariat Comment at PIF/Work Program Inclusion

12/1/2021 MY:

Not completed yet.

With less than \$2 million of GEF grant, this project will mobilize \$300 million of investment in EE in Ukraine. The project should be therefore innovative, sustainable, and capable of scaling up.

Please write a paragraph for each of the three topics: innovation, sustainability and scaling up.

12/17/2021 MY:

Yes, comments were cleared.

Agency Response

12/17:

The Word version of the PIF (Project description, section 7) has been updated to include paragraphs on innovation, sustainability and scaling up.

Project/Program Map and Coordinates

Is there a preliminary geo-reference to the project's/program's intended location?

Secretariat Comment at PIF/Work Program Inclusion
12/1/2021 MY:

Yes, the geo-reference is shown in Figure A2.1. Cities included in ESP technical assistance for EE in DH of the PCN.

Agency Response
Stakeholders

Does the PIF/PFD include indicative information on Stakeholders engagement to date? If not, is the justification provided appropriate? Does the PIF/PFD include information about the proposed means of future engagement?

Secretariat Comment at PIF/Work Program Inclusion
12/1/2021 MY:

Yes, it is described in paragraph 42 of the PCN.

Agency Response
Gender Equality and Women's Empowerment

Is the articulation of gender context and indicative information on the importance and need to promote gender equality and the empowerment of women, adequate?

Secretariat Comment at PIF/Work Program Inclusion
12/1/2021 MY:

Yes, it is described in paragraph 32 of the PCN.

Agency Response
Private Sector Engagement

Is the case made for private sector engagement consistent with the proposed approach?

Secretariat Comment at PIF/Work Program Inclusion
12/1/2021 MY:

Yes, it is described in paragraph 19, 21 and 47 in the PCN.

Agency Response

Risks to Achieving Project Objectives

Does the project/program consider potential major risks, including the consequences of climate change, that might prevent the project objectives from being achieved or may be resulting from project/program implementation, and propose measures that address these risks to be further developed during the project design?

Secretariat Comment at PIF/Work Program Inclusion

12/1/2021 MY:

Yes, it is described in paragraph 37-42 in the PCN.

Agency Response

Coordination

Is the institutional arrangement for project/program coordination including management, monitoring and evaluation outlined? Is there a description of possible coordination with relevant GEF-financed projects/programs and other bilateral/multilateral initiatives in the project/program area?

Secretariat Comment at PIF/Work Program Inclusion

12/1/2021 MY:

Yes, it is described in paragraph 6 of the PIF datasheet.

Agency Response

Consistency with National Priorities

Has the project/program cited alignment with any of the recipient country's national strategies and plans or reports and assessments under relevant conventions?

Secretariat Comment at PIF/Work Program Inclusion

12/1/2021 MY:

Yes, it is described in paragraph 7 of the PIF datasheet.

Agency Response
Knowledge Management

Is the proposed ?knowledge management (KM) approach? in line with GEF requirements to foster learning and sharing from relevant projects/programs, initiatives and evaluations; and contribute to the project?s/program?s overall impact and sustainability?

Secretariat Comment at PIF/Work Program Inclusion

12/1/2021 MY:

Not completed yet.

Please fill the section of knowledge management in the datasheet or in the PCN. While doing so, please provide information with the following requirements:

1. an overview of existing lessons and best practice that inform the project document
2. plans to learn from relevant projects, programs, initiatives & evaluations
3. proposed processes to capture, assess and document information, lessons, best practice & expertise generated during implementation
4. proposed tools and methods for knowledge exchange, learning & collaboration
5. proposed knowledge outputs to be produced and shared with stakeholders
6. a discussion on how knowledge and learning will contribute to overall project impact and sustainability
7. plans for strategic communications

12/17/2021 MY:

Yes, comments were cleared. A special document on KM is found on the Portal.

Agency Response
12/17:

The knowledge management section of the PIF has been updated to follow the outline suggested above.

Environmental and Social Safeguard (ESS)

Are environmental and social risks, impacts and management measures adequately documented at this stage and consistent with requirements set out in SD/PL/03?

Secretariat Comment at PIF/Work Program Inclusion

12/1/2021 MY:

Not completed. Please write a section in the datasheet or in the PCN on Environmental and Social Safeguard (ESS). While doing so,

1. Please ensure that the project document has provided the overall risk categorization (High/Substantial, Moderate/Medium, Low). Please check for appropriate justification.
2. Please confirm that the project document includes information on any measures to address ESS related risks and impacts during project implementation.
3. Please upload any available screening/assessment reports such as preliminary Environmental and Social Risk and Impact Assessment report(s).
4. Please consider social measures to deal with the impact of COVID-19 at local communities where the project activities are conducted.
5. Please also write a paragraph on any opportunities that COVID-19 may provide for the project.

12/17/2021 MY:

Yes, comments were cleared.

Agency Response

12/17:

The requested ESS information (points 1-3 above) was provided through the portal in the original submission.

There are no mining activities under the project (point 4 above).

We have added an Annex 2 to the PIF that includes information on COVID-19 opportunities. This information is also included in the PCN.

Part III ? Country Endorsements

Has the project/program been endorsed by the country's GEF Operational Focal Point and has the name and position been checked against the GEF data base?

Secretariat Comment at PIF/Work Program Inclusion
12/1/2021 MY:

Yes, the OFP's letter of endorsement is in the project document folder.

Agency Response

Termsheet, reflow table and agency capacity in NGI Projects

Does the project provide sufficient detail in Annex A (indicative termsheet) to take a decision on the following selection criteria: co-financing ratios, financial terms and conditions, and financial additionality? If not, please provide comments. Does the project provide a detailed reflow table in Annex B to assess the project capacity of generating reflows? If not, please provide comments. After reading the questionnaire in Annex C, is the Partner Agency eligible to administer concessional finance? If not, please provide comments.

Secretariat Comment at PIF/Work Program Inclusion
12/1/2021 MY:

N/A

Agency Response

GEFSEC DECISION

RECOMMENDATION

Is the PIF/PFD recommended for technical clearance? Is the PPG (if requested) being recommended for clearance?

Secretariat Comment at PIF/Work Program Inclusion

12/1/2021 MY:

Not at this time.

Please address the comments above.

1/10/2022 MY:

As indicated in Box 1 of the review sheet, please address the following comments from the GEF PPO unit:

1. The Executing Partner included in Portal (Ukrexim Bank) is not included in the LoE. Please remove it and indicate it to be determined (t.b.d.). The executing partner can be finalized at the CEO Endorsement stage. It is an easy way. Alternatively, please get a new LoE with Ukrexim Bank included as the executing partner.

2. Per the policy guidelines of the GEF on page 50: "During the identification of a potential project or program, the GEF Agency (working with the EA, if already identified) provides an indicative cost estimate of the PMC budget that appears in the PIF and PFD templates, as follows."

For this project no PMC has been identified yet ? please do so and keep in mind the requirement of proportionality of the GEF and Co-financing contributions to PMC.

The agency can put its responses below Box 1 of the review sheet.

1/13/2022 MY:

Yes, all comments were addressed and cleared.

The PM recommends the CEO to approve the project.

ADDITIONAL COMMENTS

Additional recommendations to be considered by Agency at the time of CEO endorsement/approval.

Secretariat Comment at PIF/Work Program Inclusion

Review Dates

	PIF Review	Agency Response
First Review	12/1/2021	12/17/2021
Additional Review (as necessary)	1/10/2022	1/11/2022
Additional Review (as necessary)	1/13/2022	
Additional Review (as necessary)		
Additional Review (as necessary)		

PIF Recommendation to CEO

Brief reasoning for recommendations to CEO for PIF Approval

CEO Cover Memo at PIF

Ukraine's economy is one of the most energy intensive in Europe and in the world. Under its revised Nationally Determined Contribution (NDC), the Government has committed to a reduction in GHG emissions of 65 percent by 2030. Improving energy efficiency (EE) is not only key to achieving such a target and mitigating the effects of climate change, but also improving air quality, enhancing energy security, fiscal performance, and economic competitiveness. As more than 70 percent of the population lives in cities, focusing on energy consumption at the municipal level in Ukraine would bring significant additional economic and social benefits with important demonstrational effects.

Among countries in Europe and Central Asia, Ukraine has the fourth lowest energy efficiency score (47), according to the Regulatory Indicators for Sustainable Energy (RISE) 2020 report. There has been a general lack of rehabilitation investments in buildings over the country, including in the public sector in cities. By-laws needed to implement the Buildings Directive, the resolution of the national nearly zero-energy buildings plan and energy labelling regulations, including on space heaters have only been recently approved.

The project aims to scale up the investment in energy-efficient (EE) technologies in municipal facilities and services in Ukraine, thereby contributing to a reduction of

energy consumption that will lead to GHG emissions reduction and air quality improvement in cities. The World Bank and GEF funds will be channeled and managed through Ukrexim Bank to municipalities, to finance eligible capital investments and technical assistance activities which will enable energy savings and reduction of municipal energy bills. This viable approach for expanding municipal EE financing in Ukraine will also demonstrate and contribute to the sustainability of municipal services while improving the financial performance of municipalities. The project consists of three components:

- Component 1: Municipal EE and Energy Management Investments. This component would support loans of \$300 million to municipalities and municipal energy companies for investments in the municipal street lighting, water and wastewater, space heating and building sub-sectors, as well as other relevant types of municipal Energy Efficiency / Renewable Energy services and investments.

- Component 2: Foreign Exchange Hedging and/or Credit Enhancement Mechanism. Grant-funded support will be provided to help smaller/less creditworthy municipalities access project funds, through mechanisms to be determined during preparation, such as foreign exchange risk hedging instrument and potentially credit enhancement mechanisms (need to be further confirmed).

- Component 3: Technical Assistance to promote Enabling Environment for Municipal EE Projects and Project Implementation. Grant-funded support will be mobilized for (a) Technical Assistance (TA) for investment selection process, FM capacity strengthening, support to municipalities to participate in lending programme, citizens engagement, and gender-related activities, and (b) Project Implementation and Monitoring (monitoring framework; central procurement management capacity within Ukrexim Bank; reporting and overall management; supervision of works; capacity building on safeguards for Municipalities, etc.)

By reducing energy consumption through EE interventions in Municipal Services, the project will directly lead to a decrease in greenhouse gas (GHG) emission reductions (ERs) to provide Global Environmental Benefits (GEBs). An estimate was made to quantify emissions reductions about 795,000 tons of CO₂ by 2026 (end of project implementation), and the lifecycle GHG emission mitigated (over a 20-year period) will be more than 5 million tons.

Challenges from COVID-19:

Although the economic impact in Ukraine from the COVID-19 outbreak so far appears to be less severe than initially anticipated, the pandemic has exacted a heavy toll in terms of health and mortality impacts; and undermined the government's commitment to undertake critical reforms. Ukraine's economic recovery in 2021 is expected to be moderate ? annual gross domestic product (GDP) growth at just 3.8 percent ? given high uncertainty associated with the rollout of the vaccine and the direction of economic

policies to address bottlenecks to investment and safeguard macroeconomic sustainability. Strong economic recovery remains constrained by low levels of fixed investment, exacerbated by the COVID-19 crisis. Stronger growth in fixed investment depends on progress with reforms that address structural weaknesses in the financial sector, market distortions from the lack of an agricultural land market, an anticompetitive environment, large numbers of state-owned enterprises (SOEs), and macroeconomic vulnerabilities.

Ukraine must now find a path to a rapid and inclusive growth trajectory while delivering on an increasingly urgent climate agenda. The new government that took office in August 2019 presented an ambitious 5-year program targeting 5-7 percent annual GDP growth, attraction of US\$50 billion in Foreign Direct Investment (FDI), the creation of 1 million new jobs and major economic reforms (including opening the agricultural land market and de-monopolization by unbundling the two largest state-owned monopolies). However, the COVID crisis derailed growth ambitions, shifted priorities, and put the government in a position where it must focus on supporting recovery in an environment where fiscal space is exceptionally tight. At the same time, the climate agenda is becoming an imperative in Ukraine, as the impacts of climate change are already raising risks to infrastructure, health, and the livelihoods, and the emergence of the European Union (EU) Green Deal is putting economic and political pressure on Ukraine to converge on climate policy. Despite some clear sectoral trade-offs, objectives of growth, inclusion, and climate sustainability are by no means contradictory and, in fact, climate action offers an opportunity for Ukraine to invest in modernizing its economy and institutions in a way that delivers faster and more inclusive growth.

Opportunities of this project in COVID-19:

The GEF project supports the World Bank COVID crisis response approach, specifically pillar 4 to "strengthen policies, institutions and investments for resilient, inclusive and sustainable recovery by Rebuilding Better? through improving resilience and sustainability of the energy sector, enhancing energy security, mitigating the impacts of climate change, and enhancing private sector participation in EE markets. Direct employment during construction works and installation of relevant equipment are expected to create an inclusive countercyclical positive economic impact, ultimately contributing to the Build Back Better principles and the economic recovery after the COVID-19 crisis. The project will support the creation of job and business opportunities leveraged by energy efficiency and energy management investments to improve the overall energy efficiency in the provision of municipal services. Moreover, the Project will support the progressive access of women to labor opportunities in the sector by strengthening their technical capacity, creating networking opportunities and helping them align their professional with market opportunities, through specific trainings and capacity building activities. In the middle of the Covid-19 pandemic and subsequent economic crisis, the Project supports countercyclical public investments in sustainable and resilient infrastructure with an inclusive view, fully aligned to the Building Back

Better principles of achieving resilience through stronger, faster, and more inclusive post-disaster reconstruction.