

# Innovating Eco-Compensation Mechanisms in Yangtze River Basin (YRB)

Review CEO Endorsement and Make a recommendation

## Basic project information

**GEF ID**

10711

**Countries**

China

**Project Name**

Innovating Eco-Compensation Mechanisms in Yangtze River Basin (YRB)

**Agencies**

ADB

**Date received by PM**

12/8/2021

**Review completed by PM**

5/3/2022

**Program Manager**

Hannah Fairbank

**Focal Area**

Multi Focal Area

**Project Type**

## PIF

### CEO Endorsement

#### Part I ? Project Information

#### Focal area elements

**1. Does the project remain aligned with the relevant GEF focal area elements as presented in PIF (as indicated in table A)?**

Secretariat Comment at CEO Endorsement Request

January 31, 2022 HF:

Yes

Agency Response

**Project description summary**

**2. Is the project structure/design appropriate to achieve the expected outcomes and outputs as in Table B and described in the project document?**

Secretariat Comment at CEO Endorsement Request

April 25, 2022 HF:

All comments cleared.

January 31, 2022 HF:

1.) The connection between Outputs 2.3 and 2.4 (e.g. protected area expansion and corridor creation/improvement) and eco-compensation (Component 1) is unclear in the CER. Please clearly describe in all relevant sections of the CER and ProDoc how these are closely linked and interdependent. Currently it reads as though there is an eco-compensation scheme/activities and then there are PA activities that are not connected.

2.) Please ensure that Output 4.4 doesn't include any expenses that should be categorized as PMC-flagging this because "project coordination" is included in this Output currently.

3.) Noting that the KM elements of Output 4.4 seem to have been removed/changed since PIF. Please justify/provide an explanation of this change.

#### Agency Response

ADB Response 05 April 2022

- 1) The narrative in the preamble section of Outcome 2 provides additional insight on the linkages between the various Outputs. Further the Outcome/ Output descriptions have also been modified to show the linkage logic better.
- 2) Output 4.4 has been modified to clarify that this is GEF Agency YRB coordination.
- 3) A brief reference to the Knowledge Management (KM) Strategy has been added in Output 4.4 to align with the overall GEF KM Approach contained in the KM section of Portal. The difference between this and the PIF is that KM is much better mainstreamed through the project structure.

**3. If this is a non-grant instrument, has a reflow calendar been presented in Annex D?**

Secretariat Comment at CEO Endorsement Request NA

#### Agency Response

##### **Co-financing**

**4. Are the confirmed expected amounts, sources and types of co-financing adequately documented, with supporting evidence and a description on how the breakdown of co-financing was identified and meets the definition of investment mobilized, and a description of any major changes from PIF, consistent with the requirements of the Co-Financing Policy and Guidelines?**

Secretariat Comment at CEO Endorsement Request

May 11, 2022 HF:

Comments cleared.

May 9, 2022 HF:

Given the nature of the \$6.4M grant from the National Forest and Grassland Administration: (i) recommend changing to ?Public investment / Investment mobilized?. (ii) And provide a summary of the grant and the funded activities in the Investment Mobilized description section.

April 25 ,2022 HF:  
Comment cleared.

January 31, 2022 HF:

1.) Given the structure of the project it is surprising that there is no provincial-level or private sector co-finance indicated. Is provincial, local or private sector co-finance expected during project implementation?

Agency Response

ADB Response 11May 2022

i) Done

ii) summary description provided

ADB Response 05 April 2022

1) Securing separate, stand-alone supporting documentation from provincial governments is challenging at this stage in the process. First, during project preparation and also the final CER validation meeting on 30 March 2022, provincial governments indeed indicated that they would provide support, so we fully anticipate that this can be documented during implementation. Furthermore, the co-financing from the MARA (ADB loan) and NFGA which is included in the CER, flows through provincial governments through transfers by central government. The provinces feel that in a way, they are contributing to the co-financing.

On private sector co-financing: It should be noted that the notion of 'private sector' is still new in PRC, relative to advanced Western economies and other democracies in the developing world. In some quarters, even State-Owned Enterprises (SOEs) which have equity structures are sometimes mislabelled as private sector. Secondly, during project preparation, there were some challenges encountered due to the general mistrust of private sector for profit enterprises at the level of local governments. The project aims to create a venue /platform to bring these stakeholders together and strengthen or address these issues and build trust across the parties. All this said, the section on Private Sector Engagement in the CER has been improved considerably ? and we are confident that there will eventually be co-financing during project implementation (and beyond).

**GEF Resource Availability**

**5. Is the financing presented in Table D adequate and does the project demonstrate a cost-effective approach to meet the project objectives?**

Secretariat Comment at CEO Endorsement Request

April 25 ,2022 HF:

Comment cleared.

January 31, 2022 HF:

1.) It is unclear why the BD Star allocation is split into two sperate lines in Table D. Please explain and/or consolidate.

Agency Response

ADB Response 05 April 2022

1) Corrected.

**Project Preparation Grant**

**6. Is the status and utilization of the PPG reported in Annex C in the document?**

Secretariat Comment at CEO Endorsement Request

January 31, 2022 HF:

Yes

Agency Response

**Core indicators**

**7. Are there changes/adjustments made in the core indicator targets indicated in Table E? Do they remain realistic?**

Secretariat Comment at CEO Endorsement Request

May 11, 2022 HF:

Comments cleared.

May 9, 2022 HF:

Please include the WDPA ID if available for Core Indicators 1.1 and 1.2 as well as the ?Name of the Protected Area? for the two sub indicators.

May 2, 2022 HF:

All comments cleared.

April 25, 2022 HF:

1.) At the beginning of the GEB section of the CER please clearly articulate the GEBs expected to be produced as a result of this project. Please note that project GEBs customarily go beyond the Core Indicator targets to a more holistic view of the GEBs (for BD/LD) resulting from a project.

2.) Comment cleared. Please note though, that we recommend a reassessment of the baseline during project inception taking into account the impacts of China?s Returning Farmland to Forest Program (RFFP) (or Grain for Green program) which has been in operation since 1999. The RFFP is the largest program in terms of scale, monetary investment, and impact for ecosystem services (PES) and ecological restoration in the world. Due to the RFFP, many scholars believe that this program will positively continue impact China?s ecosystem for a long time. For example, an article published in March 2022 (<https://www.frontiersin.org/articles/10.3389/fenvs.2022.862740/full>) concludes that ?*The agricultural ecosystem in Sichuan Province is in a sustainable developing status. The ecological carrying capacity or ECC (including carbon sequestration) of forest land is the strongest, showing an upward trend, followed by the ECC of water areas.*? This means that overall carbon sequestration will continue in Sichuan?s farmland and forests which would impact the AFOLU baseline for this project.

3-6.) All comments cleared.

7.) Please include documentation (or point us to the documentation) of the underlying assumptions and parameters regarding the GHG emission reductions from the plastics work as it was not included in resubmission.

8.) METT worksheets noted. Have target METT scores been set for these PAs?

9.) Comment cleared.

January 31, 2022 HF:

1.) Please elaborate under the core indicator table and in the GEB section how all the GEB estimates have been developed.

2.) We take note of the uploaded document '21-11-18 Updated AFOLU Report YRB' which includes the parameters used for the calculation in the different types of land interventions. Nevertheless, in this document the methodology used is unclear. Please provide the references of the parameters and the calculation formulas used for each type of land interventions, considering that the methodology needs to be aligned with the IPCC guidelines.

3.) In the document '21-11-18 Updated AFOLU Report YRB', the tables reveal that the period considered for the calculation is 29 or 31 years. Please note that as per GEF guidelines, the period to consider should be 20 years, unless an alternative number of years is deemed appropriate and well justified. This only applies for the core-indicator 6.1 (AFOLU), not 6.2.

4.) In the document '21-11-18 Updated AFOLU Report YRB', the areas of project interventions and the results in terms of GHG mitigation are not consistent with the project description: we find in total 445,575 hectares of 'forest protection' instead of 400,834 hectares and 1,000 hectares of 'Afforestation/Reforestation' instead of 2,000 hectares (the latter can change significantly the GHG result). In addition, the summary table in pages 1-2 only report on the GHG benefits in the first year of accounting only (the total in this table is therefore very different from what is expected). Finally, in this document the GHG results from each type of land intervention at the end of the accounting period is different from the totals reported in the project description and the core indicators section (this seems to be due to different accounting periods depending on the supporting document provided: 29-31 years in the uploaded document vs 14 years in the Portal entry). Please clarify and ensure the information provided is consistent throughout all the information provided in the submission package.

5.) In the core indicator section of the Portal entry, the 'Duration of accounting' should be 20 years (and not 14), as indicated above. Please amend or justify the choice of the period chosen.

6.) Under the 'Global Environment Benefits' section, the indication of a calculation 'during the project period' is not aligned with our guidelines (as indicated above again) nor consistent with the core indicator section where the period is 14 years. This needs to be amended and ideally aligned with 20 years.

7.) What will happen to the plastic management, if the proposed GEF project does not proceed? With these baseline scenarios, methodologies, assumptions, emission factors and other relevant information, one can further verify the GHG accounting.

8.) Please submit METT spreadsheets, scores and targets for PA activities.

9.) In explanation of targets there is a note that the hectares under 1.1 (80,000) were included in the target for 1.2 and there is interest in rectifying this. There is no need from the GEFSEC perspective given the aggregate figures are the same and it is clear

that there was just a shift from 1.2 to 1.1 to clarify the characteristics of those targeted hectares. We recommend leaving it as is and including a note.

## Agency Response

### ADB Response 11 May 2022

The WDPA ID numbers are not applicable to the CRB PAs. The "China Danxia" World Heritage site does however overlap with or include some of these PAs, as well as others outside the YRB. The reference is here: <https://www.protectedplanet.net/555512005>.

The names of the PAs under Sub-indicator 1.2 have been listed. There is an explanatory note on Sub-indicator 1.1 provided in the the Core Indicator narrative section. The 80,000 ha of areas under this indicator have not been confirmed/named. This will be part of the activities under Output 2.3 - the spatial mapping.

### ADB Responses 02 May 2022

- 1) Narrative introduced in GEB section supplemented by table; Additional benefits beyond Core Indicators are discussed in the "Benefits" section
- 2) Reference added to the GEB section regarding re-assessment of baseline at inception
- 7) References for Core Indicator 6 and Core Indicator 10 have been included - with documentation uploaded in the Roadmap section
- 8) Core Indicator table updated; Narrative in CER refers to METT score ambitions for Mid term and termination of project.

### ADB Response 05 April 2022

- 1) All GEB estimates have been revised and the area estimated on the basis of project targets, with carbon sequestration estimates are based on USAID and Winrock (<https://winrock.org/ms/winrock-tools/?pid=20476>) AFOLU tool. The assumptions for this are included in the Core Indicator section and the GEB section, as well as the annexed, **revised** AFOLU report dated 27 February 2022.



2) The estimates are based on USAID-Winrock comprehensive guidance and a series of tools for estimating terrestrial carbon stocks of any land cover type (<https://winrock.org/ms/winrock-tools/?pid=20476>) which we believe aligns with IPCC guidance.

3) The GHG accounting duration has been revised to 20 years.

4) The area has been checked, original statistics was 480,834 for all PA in CRB, which includes 445,575 ha forests, and 35,259 wetlands.

The PA consolidation processes may find that the 80,000 ha overlaps with different types of PA, and thus, actual existing PA covers only 400,834 ha. FYI the reforestation area has been increased to 2000 ha, and the 1000 ha of wetlands remains but will be co-financed by NFGA in entirety.

5) and 6) modified to 20 year accounting period.

7) The chosen methodology measures the projects performance against a "business as usual" baseline. The assumption in any of these GHG calculations is that the project is additional, the meaning of which is that without the project activities there is no financial or operational motivation to change. So for the purposes of this calculation the baseline and GHG emission reductions are already well articulated in our view.

8) Individual METT 7 Scoresheets have been annexed in the Roadmap. Consolidated scores have been presented in the CER narrative under Outcome 2.

9) Noted with thanks.

## **Part II ? Project Justification**

**1. Is there a sufficient elaboration on how the global environmental/adaptation problems, including the root causes and barriers, are going to be addressed?**

Secretariat Comment at CEO Endorsement Request

January 31, 2022 HF:

Yes

Agency Response

**2. Is there an elaboration on how the baseline scenario or any associated baseline projects were derived?**

Secretariat Comment at CEO Endorsement Request

April 25, 2022 HF:  
Comments cleared.

January 31, 2022 HF:

1.) The discussion of the baseline scenario regarding eco-compensation policy and practice highlights the lack of a monitoring system for "the extent to which degraded ecosystems have been restored as a result of eco-compensation" , but it fails to mention the extent to which there are systems for monitoring improved management/conservation of intact ecosystems as a result of eco-compensation incentives. Does that mean that monitoring exists for the management of intact ecosystems, but just not restoration as a result of eco-compensation? Please revise to clarify the full-baseline regarding monitoring of ecological benefits of eco-compensation efforts.

2.) The baseline also includes (iii) Lack of consistent accounting methods. Please elaborate the extent to which efforts exist for this issue to be addressed at the national-level in China (as part of the "National Regulation on Ecological Compensation"?) and/or will be addressed by this project. And if not, how will the project contribute to addressing this barrier. Also, whether there is a possibility of international standards to address this issue (ISO or the accounting equivalent?) Please elaborate/clarify.

### Agency Response

ADB Response 05 April 2022

1) The baseline scenario regarding eco-compensation policy and practice on monitoring system has been revised and clarified as ?The existing eco-compensation schemes include non-commercial forest/grassland eco-compensation, as well as some pilot eco-compensation cases, e.g. wetland and water quality. Those have established comprehensive monitoring system but no monitoring system has been established to assess the extent to which degraded ecosystems have been restored.?

2) The baseline description has been revised to ?*verification and improvement of accounting methods*. Analysis of several prior and existing natural capital accounting projects suggests that the definition of parameters, the selection of simulation model, and the adoption of pricing method varied from project to project. Even for the same ecosystem, due to data availability, it is impossible to adopt the same accounting method, making the accounting results incomparable and challenging application to policy formulation. Efforts were made to address this issue. The Technical Guideline on Gross Ecosystem Product (1.0 version) formulated by Chinese Academy of Environmental Planning Research Centre for Eco-Environmental Sciences, CAS was released in September, 2020. The guideline introduces the accounting technical procedure, indicator system and accounting method of GEP physical and value quantity of terrestrial ecosystem, which support the implementation of the ecological product

realization mechanism, regional eco-compensation, natural resource and asset audit, etc. 31 provinces, districts and cities finished the GEP accounting under this guideline. In 2020, the government of Zhejiang Province issued the provincial-level GEP accounting standard to specifically introduce the GEP accounting steps, the category of ecological product, the accounting equations, the pricing method, etc. to promote the consistent accounting methods in provincial level.?

**3. Is the proposed alternative scenario as described in PIF/PFD sound and adequate? Is there sufficient clarity on the expected outcomes and components of the project and a description on the project is aiming to achieve them?**

Secretariat Comment at PIF/Work Program Inclusion

May 2, 2022 HF

All comments cleared.

April 25, 2022 HF:

- 1.) Comment cleared.
- 2.) Comments on Figures 5, 6, & 7 cleared. Please address comments/questions on Figures 11 & 12.
- 3 & 4.) Comments cleared
- 5.) Comment cleared. Please include in CER and ProDoc.
- 6.) & 7.) 8.) 9, 10. 11) Comment cleared.
- 12.)-14.) Comments cleared.
- 15.) -16.) Comments cleared.

January 31, 2022 HF:

- 1.) Please revise figure 4 "How are project outcomes connected?" to explicitly indicate the connection between the eco-compensation framework and the two major results: 1.) biodiversity and ecosystems services enhanced in the CRB; and 2.) agricultural field plastics pollution reduced in the YRB. Maybe include a bullet in each that makes a general statement about who the downstream users/payers are and who the upstream stewards/producers are in each area, for instance: "downstream public and private sector users of ecosystem services produced by protected areas in the CRB will compensate upstream stewards-both communities and PA management for securing the production of these services through improved PA management." The relationships within the CW component are even less clear. Spelling-out basic through-lines within and between the

Components is needed to clarify not only this Figure, but also the project justification/description.

2.) Figures: Figures 5, 6, 7 are very helpful. Please highlight key difference between these models. In addition, seems that there is no figure/model for "crop specific eco-compensation model on agricultural plastics"-Please explain/describe. Figure 11 indicates that contributions from consumers and companies will be voluntary. Please explain why and whether there is an on-ramp to required payments? Figure 12: The relationships between the boxes and the meaning of the arrows related to 'eco-compensation supported behavior change' is unclear. Please clarify or redact.

3.) Please clarify what is meant by "jointly constructed park" in Figure 5. Aren't 'governments & enterprises in middle and lower reaches' the "financial sources"? Or are "financial sources" different? Please clarify.

4.) For all three of these figures please complete the picture/close the loop of the proposed eco-compensation model to show how the compensation results in an incentive to improve ecosystem stewardship/management and/or change agricultural plastic use behavior/production.

Component 2:

5.) Please explain/include in project justification a clear description of the relationship between the expansion/establishment of 80,000 of protected areas in the CRB and the proposed eco-compensation model. Currently this target and eco-compensation seem disconnected.

6.) Output 2.1 in the CER states that 'however results have been disappointing' of the reforestation investments in the watershed. Please explain why this is, and how this project will learn from/build upon these failures while avoiding similar pitfalls.

7.) Please clarify this description of Output 2.2 as it currently includes statements such as: "local communities will contribute their collectively owned land for biodiversity conservation." What does "contribute" mean in this case? Further on what land will "human activities will be prohibited or severely restricted"? Please note that GEF funds will not support (voluntary or involuntary) resettlement. Please elaborate how the project intends to address the potential impacts of any new resource use restrictions or management regimes through eco-compensation. Further, all of these activities should be fully covered by ADB's social and environmental safeguard procedures. Finally, please provide a more descriptive framing for this output clearly linking the eco-compensation to the 'green livelihood' ideas listed including clarifying sections such as "revenue enhancement from sales of green products could be realized and contribute to an eco-compensation fund etc." Currently the section is hard to understand. Recommend revising this para for clarity and increased precision of what is planned.

8.) Output 2.3 includes capacity development to increase PA management effectiveness and i.) formulation of a new training curriculum for PA managers and staff. It is not clear however how this fits in or why another PA management training curriculum is needed, or how it will build on current or past investments. Please describe why and what is needed in terms of training and how it will build on past and current efforts (while avoiding redundancy) given the significant level of investment and multiple ongoing PA system reform and PA management projects and national efforts (e.g. CPAR and others).

9.) Output 2.3 includes "focused efforts on rare and endemic fish" that refers to fish monitoring. This activity does not seem well integrated or clearly aligned with the eco-compensation objective of this project nor a clear priority for GEF support. Please clearly justify per the objective of this project demonstrating the GEF increment for further review/consideration, support with project co-finance or redact.

10.) Output 2.4 Please clearly link these activities (e.g. forest corridor restoration) back to the eco-compensation system/model for CRB.

11.) Please note, the following activities are not eligible for GEF funding under the GEF-7 biodiversity strategy: "River ecosystem restoration plans" and "Restoration of 1000 ha of river wetlands fish spawning grounds/migration channels." Please redact from GEF project.

Component 3:

12.) Table under output 3.2 ? PCB should be deleted as this is not a chemical associated with plastic.

13.) In terms of the proposed eco-compensation interventions for agricultural plastics, please clarify why is recycling of PVC being considered and what would it be recycled to? Is recycling cost effective or is it more practical to identify alternative materials/processes for replacement of PVC? How would chemical treated films be treated?

14.) For recycling of seed trays would this include reuse?

15.) Please clearly describe early in the CER for the eco-compensation model being developed to reduce (reuse/recycle) agricultural plastics who is paying for what behavior change.

Component 4:

16.) Please confirm that given this project is funded by China's GEF-7 STAR and CW that activities under this component are focused on China and China south-south engagement. For instance: Output 4.2: describes ADB's proposed INCF, is this being provided as context versus GEF support via this project? Please clarify.

## Agency Response

ADB Responses 02 May 2022

2) Narrative for Figures 11 and 12 expanded /explained further

5) Narrative included in CER (and will be included in Internal Agency Document)

ADB Response 05 April 2022

1) Figure 4 has been revised.

2) Figure 5,6&7 differences. The main difference lies in the difference of compensation subjects, while the sources of compensation funds are also different. For example, the funding resource of the inter-provincial leading ecological compensation mode usually comes from the government, and a small part comes from the middle and downstream enterprises. In the enterprise-led diversified ecological compensation model, more funds come from middle and downstream enterprises, and less government funds are involved. In the basin ecological compensation model based on forestry carbon sink transaction, the capital source usually comes from forest owners, managers and protectors, and the benefits generated through carbon sink will return to them. Please see Outcome 3 for a description of specific ecological compensation model for agricultural plastics.

3) Jointly constructed industrial park here refers to a trans-regional economic cooperation mode carried out by two or more parks under the guidance of industrial policies and regional planning to achieve win-win cooperation, coordinate development and promote industrial gradient transfer. The core is the organized and large-scale implementation of industrial gradient transfer from developed regions to less-developed regions. For example, in the Suzhou and Suqian jointly constructed industrial parks in Jiangsu Province, some of the value-added tax and income tax will be kept by the province, the city and the county, and the rest will be subsidized to the co-built parks to improve their rolling development.

For the governments and enterprises leading models, the financial sources are from the governments and enterprises in the middle and lower reaches; for the model of which the main approach is by carbon sink, the financial sources would be the forest managers themselves, or the benefits gained from carbon sink management.

4) Figures 5,6&7 have been modified to show additional boxes which show the positive impacts with the implementation of proposed eco-compensation models. Also added is one more paragraph for each model to explain the positive impacts that would be brought by implementing these models.

5) The existing PAs only cover 24% of the whole river basin, where natural forests cover almost 50%. The target of 80,000 ha of non-commercial forests will deliver better ecosystem services in the CRB, and contribute to the alternative green livelihoods, which offset the loss of income as eco-compensation.

6) Results have been disappointing due to lack of effective coordination, monitoring and assessment feedback, and tenuous linkages between restoration efforts and ecosystem management. In the current GEF project, the proposed Chishui River Alliance is seen as an institutional innovation to address some of these issues.

7) "Local communities will contribute their collectively owned land for biodiversity conservation" is now revised as: "most of the forests with great biodiversity conservation value are community-owned land which have been designated as protected areas according to national policy and relevant procedures". Local communities will not be resettled in any cases. (More information see Environment and Social Safeguard Review). Part of the land had been designated as core protected area where human activities are prohibited or severely restricted, and around the core area are regulated use area where traditional farming and biodiversity friendly activities are encouraged. All of these activities are compliant with ADB's social and environmental safeguard procedures.

In compensating local communities, national and provincial government has already created an eco-compensation fund. However, such eco-compensation fund has been too low to have incentives for local communities. Interviews with local communities confirm that little or no funds have ever been received. The local communities have instead expressed strong desire for alternative livelihoods when their forests cannot be cut. This gives them more control over their destiny. As such Output 2.2 aims to provide better incentives for local communities to alternative "green" livelihoods to maintain a "positive biodiversity" agricultural landscape.

8) The concept of OECM is quite new to China. As with any "new" framework, there will be need for ongoing interpretation and implementation. Maintaining the full value of OECMs in promoting effective conservation requires substantial efforts to build capacity to identify, monitor and maintain their biodiversity values. This training will focus technical support for identification and curation of data on OECM areas as well as monitoring the effectiveness of OECMs.

9) It should be clarified that all activities under Output 2.3 will be financed by NFGA. Narrative added as "Hydrological regime that maintained by health forests and river connectivity is the fundamental for the survival of rare and endemic fishes in the upper

stream of Yangtze river. Eco-compensation mechanism that encourages ecosystem management and restoration contributes to the aquatic biodiversity conservation. Population status of rare and endemic fish species is the key indicator for health ecosystem as well as for biodiversity conservation. The monitoring of rare and endemic fish species will contribute to GEP (output 1.2 & 4.1) as key indicator.?

10) Subtropical evergreen broad-leaved forests in the upstream and downstream ecosystems are severely fragmented, and the remaining native subtropical evergreen broad-leaved forests are located in agricultural landscapes composed of farmland, degraded forests and artificial bamboo forests. forest corridor restoration will bring better ecosystem service in the CRB. However, most of the land are collective owned. The willingness of local community to restore forests depends on eco-compensation or other incentives.

11) Activities of ?River ecosystem restoration plans? and ?Restoration of 1000 ha of river wetlands fish spawning grounds/migration channels.? will be co-financing entirely by NFGA.

12) Deleted references

13) Burning PVC is highly polluting so it is important to collect and recycle PVC agricultural plastics to divert it from open burning. Durable PE alternatives have been used in agriculture but mainly in large-scale industrialized farming. Smallholders usually have difficulty to afford for purchasing and maintaining PE irrigation pipes. Therefore at the current stage it is more practical to promote an alternative way to treat end-of-life PVC, that is recovering and mechanical regeneration.

All waste agricultural plastic film will be collected and processed by washing and mechanical recycling. Plastics will be collected, crushed, washed, sorted and regenerated, the chemical treated film will be cleaned during the process of washing.

PVC can be challenging to recycle however its diversion away from open burning and mismanagement in the environment is considered as an improvement over the existing baseline.

Recycling in the context of this project considers any solution which brings the material under effective and sustainable including but not limited to closed loop recycling, open loop recycling and conversion to refuse derived fuel for use in environmentally compliant combustion systems. The preferred option, wherever possible, is for closed loop recycling.

Material substitution will be considered and implemented where a viable alternative is available and represents a saving over recycling solutions.

The majority of plastics covered in this project are not laminated or treated films. Where a materials recyclability is reduced or eliminated by a treatment or layering then this product will, wherever possible be avoided via the eco-compensation system



14) Seed trays can be used for 1 to 2 times so recycling of trays follows the last round of use and does not include reuse. Recycled materials can be made to new products and be use again.

15) Under Outcome 3, eco-compensation will take multiple forms. This would include a combination of: i) Extended Producer Responsibility schemes, including for example, agricultural container management program, ii) buy back and other incentives from suppliers if possible, iii) introduction of agricultural plastics substitution, reduction and recycling program. There are multiple compensation methods in the implementation of ecological compensation mechanism, including direct subsidies in cash or in kind for farmers, credit support and land concessions for companies and training and technical assistance. It is anticipated that the GEF would support some initial activities under Outputs 3.1 and 3.2; with the co-financing taking over the lion's share of funding for the scaling up under Output 3.3 (for 3.3 GEF funds would support some policy and knowledge work related to the scaling). It is early to determine the targets of behaviour change, however, it is anticipated that farmers, cooperatives and influencers in the supply chain will be among the principal audiences.

16) Initial core activities for the INCFE will be in PRC through a parallel ADB Technical Assistance. ADB is supporting additional technical assistance to expand the INCFE applications, however these will still be in the context of south-south engagement.

**4. Is there further elaboration on how the project is aligned with focal area/impact program strategies?**

Secretariat Comment at CEO Endorsement Request

January 31, 2022 HF:

Yes

Agency Response

**5. Is the incremental reasoning, contribution from the baseline, and co-financing clearly elaborated?**

Secretariat Comment at CEO Endorsement Request

April 25, 2022 HF:

Comment cleared.

January 31, 2022 HF:

Yes, overall, although some of the activities are not eligible/well justified in regards to the GEF increment. Those have been flagged in this review sheet and should be redacted or funded with public or loan co-finance. Please revise accordingly.

Agency Response

ADB Response 05 April 2022

The clarifications have been made.

**6. Is there further and better elaboration on the project's expected contribution to global environmental benefits or adaptation benefits?**

Secretariat Comment at CEO Endorsement Request

May 2, 2022 HF:

All comments cleared.

April 25, 2022 HF:

- 1.) Comment cleared.
- 2.) Please address per previous comment on this.

January 31, 2022 HF:

- 1.) The links/logic connecting the project's "current scenario, GEF alternative and GEBs" depicted in the table in the Global Environmental Benefits section need to be strengthened. Please revise to clarify how the alternative scenario results in GEBs. And also revise the project results framework accordingly.
- 2.) Further, please keep in mind that the GEBs can and should be articulated beyond the core indicator targets. Currently the depiction of the project's GEBs in this table seems to be limited to core indicator targets. Please revise.

Agency Response

ADB Response 02 May 2022

- 2) The narrative in the "Benefits" Section has been expanded beyond Core Indicators.

ADB Response 05 April 2022

- 1) GEF section has been revised, with 2) including benefits beyond Core Indicators and corresponding revisions to Results Framework (Annex A)

**7. Is there further and better elaboration to show that the project is innovative and sustainable including the potential for scaling up?**

Secretariat Comment at CEO Endorsement Request

January 31, 2022 HF:

Yes

Agency Response

**Project Map and Coordinates**

**Is there an accurate and confirmed geo-referenced information where the project intervention will take place?**

Secretariat Comment at CEO Endorsement Request

January 31, 2022 HF:

Yes

Agency Response

**Child Project**

**If this is a child project, is there an adequate reflection of how it contributes to the overall program impact?**

Secretariat Comment at CEO Endorsement Request

NA

Agency Response

**Stakeholders**

**Does the project include detailed report on stakeholders engaged during the design phase?  
Is there an adequate stakeholder engagement plan or equivalent documentation for the implementation phase, with information on Stakeholders who will be engaged, the means of engagement, and dissemination of information?**

Secretariat Comment at CEO Endorsement Request

May 2, 2022 HF:

Comment cleared.

April 25, 2022 HF:

1.) Noted. As requested please include a brief overview/summary of stakeholder engagement during the PPG as well as what is planned for project implementation. This is a synthesis narrative that addresses the plan/the approach which is not addressed through lists of stakeholders (previously engaged/to be engaged).

January 31, 2022 HF:

1.) Please include in the CER an overview/summary of stakeholder engagement during PPG as well as planned for project implementation (prior to detail contained).

Agency Response

ADB Response 02 May 2022

1) An new narrative in the Stakeholder Engagement section has been added - which covers PPG insight and outlines a general approach for stakeholder engagement and how this is woven through the project structure.

ADB Response 05 April 2022

1) The Stakeholder Engagement section has some modifications. Kindly note that there is an Annexed list of stakeholders consulted during PPG. Further, an additional matrix has been added which indicates 'means of engagement' and estimated timing.

**Gender Equality and Women's Empowerment**

**Has the gender analysis been completed? Did the gender analysis identify any gender differences, gaps or opportunities linked to project/program objectives and activities? If so, does the project/program include gender-responsive activities, gender-sensitive indicators and expected results?**

Secretariat Comment at CEO Endorsement Request

January 31, 2022 HF:

Yes

Agency Response

**Private Sector Engagement**

**If there is a private sector engagement, is there an elaboration of its role as a financier and/or as a stakeholder?**

Secretariat Comment at CEO Endorsement Request

April 25, 2022 HF:

Comment cleared.

January 31, 2022 HF:

1.) Please elaborate the envisioned role of the private sector in eco-compensation in this project.

Agency Response

ADB Response 05 April 2022

1) The Private Sector Engagement section has been revised.

#### **Risks to Achieving Project Objectives**

**Has the project elaborated on indicated risks, including climate change, potential social and environmental risks that might prevent the project objectives from being achieved? Were there proposed measures that address these risks at the time of project implementation?**

Secretariat Comment at CEO Endorsement Request

April 25, 2022 HF:

Comment cleared.

January 31, 2022 HF:

1.) Climate change: please address/include the need for the identification and planning of expansion or establishment of new PA/OECMs to take into account climate change projections and impacts on local ecosystems.

Agency Response

ADB Response 05 April 2022

1) The following contents has been added in the mitigating options to climate change in the table listing risks: "The proposed GEF project activities in Output 2 include expanding comprehensive protected areas system and enhancing management effectiveness of all protected areas. A series of measures included in the project activities, such as the identification and planning of expansion or establishment of new PA/OECMs, establishment of ecological corridors for key species, etc. will enhance the adaptability of ecosystem and biodiversity to climate change risk in the project area."

### **Coordination**

**Is the institutional arrangement for project implementation fully described? Is there an elaboration on possible coordination with relevant GEF-financed projects and other bilateral/multilateral initiatives in the project area?**

Secretariat Comment at CEO Endorsement Request

May 11, 2022 HF:

Comment cleared.

May 9, 2022 HF:

1.) In section 6 (Institutional Arrangement and Coordination) there are more Executing Partners (the National Forestry and Grassland Administration (NFGA) and the Ministry of Agriculture and Rural Affairs) than those mentioned in Project Information(National Development and Reform Commission). Please correct/make consistent.

April 25, 2022 HF:

Comments cleared.

January 31, 2022 HF:

1.) Please revise the reference to GEFID 10711 as a 'proposal' as it is nearing endorsement.

2.) Please include coordination with UNDP on both the CPAR program given the PA activities.

Agency Response

ADB Response 11 May 2022

1) the Project Information section has been updated

ADB Response 05 April 2022

1) Done.

2) Included CPAR2.

**Consistency with National Priorities**

**Has the project described the alignment of the project with identified national strategies and plans or reports and assessments under the relevant conventions?**

Secretariat Comment at CEO Endorsement Request

April 25 ,2022 HF:

Comment cleared

January 31, 2022 HF:

1.) In addition to listing relevant national priorities, please 'describe the alignment of the project" to the priorities (alignment/contribution).

Agency Response

ADB Response 05 April 2022

1) The section on national priorities has clarified 'alignment contribution' where relevant.

**Knowledge Management**

**Is the proposed ?Knowledge Management Approach? for the project adequately elaborated with a timeline and a set of deliverables?**

Secretariat Comment at CEO Endorsement Request

April 25, 2022 HF:

Comment cleared.

January 31, 2022 HF:

1.) Noting that the KM 'strategy' in the documents tab of the portal is a list of actions, rather than a strategic approach. Please describe the KM strategy for this project.

## Agency Response

ADB Response 05 April 2022

1) A KM Approach has been included, which consists of insights on: a) KM Principles, b) KM Strategy, and c) KM implementation.

### 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 CEO Endorsement Request

May 3, 2022 HF:

Comment cleared.

May 2, 2022 HF:

1.) Revisions noted, however given that this project will include both protected area creation and improved protected areas management, there will clearly be changes (restrictions) on land use (e.g. through increased enforcement of PA regulations and designation of protected areas) and therefore the potential for "economic displacement" of local people (noting there will be no resettlement). Yes, the project and the government intends to "offset" and "compensate" for these changes in land use and livelihoods through this project, but we would expect that this risk of restrictions in land use and economic displacement and corresponding mitigation measures/activities clearly stated in the documentation. This is a routine practice for projects/activities involving PA management and PA establishment. Please include clearly in the ESS documentation, and the risk section of the CER.

Standard 6: Restrictions on Land Use and Involuntary Resettlement			
Will the project involve land use and involuntary resettlement?		X	The proposed project activities do not include civil works and therefore do not involve land use and Involuntary resettlement.

April 25, 2022 HF:

1). The passage from Output 2.2 of the CER below seems to indicate that economic displacement of communities would be expected due to human activities being severely restricted or prohibited in core areas of the PAs. If the PA establishment, or increased management/implementation of PA regulations that would result in this economic displacement occur as a result of this project investment, this should be included in the ESS documentation and mitigation measures should be developed. Please address.



communities to alternative "green" livelihoods to maintain a "positive biodiversity" agricultural landscape. A management guidelines for protected areas which will be covered in Output 2.1, part of the land will be designated as a protected area, and part of the land will become a "regulated use area" that allows traditional farming and biodiversity friendly activities. In the protected area, human activities will be prohibited or severely restricted, however, local communities will not be resettled. An ecological compensation mechanism aims to offset the loss of income caused by the new protection priorities.

January 31, 2022 HF:

- 1.) Please provide social safeguard review documentation. The environmental safeguard review is in the documents tab but don't see a social safeguards document (to include both the 'ethnic minority development plan' as mentioned as well as a more general social safeguard review document for this GEF project).
- 2.) FPIC is required under GEF's social/environmental safeguards whereas FPIC isn't included in the CER summary of the: "ethnic minority development plan" that applies to this project. Please address.

#### Agency Response

ADB Response 03 May 2022

1) the CER has been modified in the appropriate section under Output 2.2 and the ESS Risk Screening Documentation has been revised accordingly. Please refer to 22-05-03 REVISED Environment and Social Risk Screening Assessment.

ADB Response 02 May 2022

1) The referenced section has been modified for clarity.

ADB Response 05 April 2022

- 1) The environment and social safeguards have been combined into a single review. There is low social safeguards risk and will not trigger the social safeguards requirements of land use and involuntary resettlement and indigenous people of ADB and GEF. Kindly refer to the ESS review which is uploaded.
- 2) ADB apologizes that the section on ethnic and minority development was a "carry-over" from the PIF. (this is now removed). In the current project areas, there are no concentrated ethnic minority communities or villages in the project area. There are only 38 scattered ethnic minorities who have migrated to the project area due to marriage or work, and they will benefit from the project as residents. The project will not trigger the

ADB Safeguard Policy Statement (2009) and the Indigenous Peoples Safeguards requirements under the GEF

### **Monitoring and Evaluation**

**Does the project include a budgeted M&E Plan that monitors and measures results with indicators and targets?**

Secretariat Comment at CEO Endorsement Request

May 11, 2022 HF:

Comment cleared.

May 9, 2022 HF:

M&E budget in the budget table under Annex E shows only \$75,000 while the M&E budget table under Section 9. Monitoring and Evaluation shows \$275,000 - please amend so all budget tables have the same info.

April 25, 2022 HF:

Comment cleared.

January 31, 2022 HF:

1.) The M&E plan should be budgeted separately whereas the table provided in the M&E section indicates that the budget for nearly all line items is "included in the GEF implementation activities". Please revise.

Agency Response

ADB Response 11 May 2022

M&E plan under Section 9 and budgeted amounts are now aligned.

ADB Response 05 April 2022

1) Fully budgeted M&E Plan has been included.

### **Benefits**

**Are the socioeconomic benefits at the national and local levels sufficiently described resulting from the project? Is there an elaboration on how these benefits translate in supporting the achievement of GEBs or adaptation benefits?**

## Secretariat Comment at CEO Endorsement Request

April 25, 2022 HF:

Comment cleared.

January 31, 2022 HF:

1.) Please describe the socioeconomic benefits expected from securing ecosystem service provision through eco-compensation in the CRB.

## Agency Response

ADB Response 05 April 2022

1) The section (table) on GEBs refers to socio-economic benefits - including job creation through introduction of eco-products and eco-tourism opportunities, poverty reduction through potential for increase of income at household level, adaptation and human health benefits.

## Annexes

**Are all the required annexes attached and adequately responded to?**

## Secretariat Comment at CEO Endorsement Request

April 25, 2022 HF:

Comments cleared.

January 31, 2022 HF:

- 1.) Please upload the to Portal a project budget per the GEF Project budget template.
- 2.) Climate change assessment annex: Please fill in the # of the annex in the document. Please further elaborate the climate change mitigation benefits of the project.

## Agency Response

ADB Response 05 April 2022

- 1) An appropriately formatted budget was included in the initial submission. We cannot understand how it would not be visible. Regardless we have revised the budget slightly and uploaded this in the appropriate GEF format.
- 2) The climate change risk assessment annex has been revised accordingly: (1) The # of the annex in the document has prefix with a current date, (2) More detailed description of the climate change mitigation benefits was in ?Section D. Climate mitigation within the project.

**Project Results Framework**

Secretariat Comment at CEO Endorsement Request

April 25, 2022 HF:

Comment cleared.

January 31, 2022 HF:

Please see previous comments on project results framework.

Agency Response

ADB Response 05 April 2022

Noted with thanks.

**GEF Secretariat comments**

Secretariat Comment at CEO Endorsement Request

April 25, 2022 HF:

Comments cleared.

January 31, 2022 HF:

Please respond directly to each of the the comments contained in the PIF review sheet to be addressed through PPG and at CEO endorsement submission. These are available in

the PIF review sheet and below

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

### **Secretariat Comment at PIF/Work Program Inclusion**

October 16, 2020 HF:

- 1.) Please describe private sector engagement and co-finance contribution to be addressed during the PPG stage for this project.
- 2.) Please identify and capture the hectares under improved management resulting from eco-compensation mechanisms under the project are captured in the core indicator targets (including those outside PAs beyond the current hectares in core indicator 1). Please include hectareage that will be directly impacted by the pol work under this project (including by improved/scaled-up eco-compensation mechanisms). This includes implementation of policy that is supported directly by GEF funds, project co-finance or government expenditures within the period of the project.
- 3.) Sub-indicator 1.1: Please include the name and size of the protected area(s) to be created-presumably identified during PPG.

### **Agency Response**

ADB Response 05 April 2022

1) 2) and 3) have all been addressed in the opening section of the CER to give prominence and continuity.

### **Council comments**

### **Secretariat Comment at CEO Endorsement Request**

April 25, 2022 HF:

Comment cleared.

January 31, 2022 HF:

- 1.) Please provide an account of how Council comments were addressed.

### **Agency Response**

ADB Response 05 April 2022

1) Responses to GEF 59th Council comments are included in Annex B.

**STAP comments**

Secretariat Comment at CEO Endorsement Request

April 25, 2022 HF:

Comment cleared.

January 31, 2022 HF:

Please respond directly to the STAP review of this project.

Agency Response

ADB Response 05 April 2022

Responses to the STAP review are included in Annex B

**Convention Secretariat comments**

Secretariat Comment at CEO Endorsement Request NA

Agency Response

**Other Agencies comments**

Secretariat Comment at CEO Endorsement Request NA

Agency Response

**CSOs comments**

Secretariat Comment at CEO Endorsement Request NA

Agency Response

**Status of PPG utilization**

Secretariat Comment at CEO Endorsement Request Clear

Agency Response

**Project maps and coordinates**

Secretariat Comment at CEO Endorsement Request Clear

Agency Response

**Does the termsheet in Annex F provide finalized financial terms and conditions? Does the termsheet and financial structure address concerns raised at PIF stage and that were pending to be resolved ahead of CEO endorsement? (For NGI Only)**

Secretariat Comment at CEO Endorsement Request

NA

Agency Response

**Do the Reflow Table Annex G and the Trustee Excel Sheet for reflows provide accurate reflow expectations of the project submitted? Assumptions for Reflows can be submitted to explain expected reflows. (For NGI Only)**

Secretariat Comment at CEO Endorsement Request NA

Agency Response

**Did the agency Annex H provided with information to assess the Agency Capacity to generate and manage reflows? (For NGI Only)**

Secretariat Comment at CEO Endorsement Request NA

Agency Response

**GEFSEC DECISION**

**RECOMMENDATION**

**Is CEO endorsement recommended? (applies only to projects and child projects)**

Secretariat Comment at CEO Endorsement Request

May 11, 2022 HF:

All comments cleared. CEO endorsement is recommended. 2nd cancellation date is June 11, 2022.

May 9, 2022 HF:

No, not at this time. Please see few remaining policy comments highlighted in review sheet.

May 3, 2022 HF:

Yes. This project is technically recommended by the PM.

May 2, 2022 HF:

No, not at this time. Please address remaining issue regarding potential economic displacement and mitigation measures/activities. Noting the 2nd cancellation deadline for this project is June 11, 2022 for CEO endorsement.

April 25, 2022 HF:

No, not at this time. Please see comments in review sheet. Noting the 2nd cancellation deadline for this project is June 11, 2022 for CEO endorsement.

January 31, 2022 HF:

No, not at this time. Please see comments in review sheet.

**Review Dates**

	<b>Secretariat Comment at CEO Endorsement</b>	<b>Response to Secretariat comments</b>
<b>First Review</b>	<b>1/31/2022</b>	
<b>Additional Review (as necessary)</b>	<b>4/25/2022</b>	
<b>Additional Review (as necessary)</b>	<b>5/2/2022</b>	
<b>Additional Review (as necessary)</b>	<b>5/3/2022</b>	
<b>Additional Review (as necessary)</b>	<b>5/9/2022</b>	

**CEO Recommendation**

**Brief reasoning for CEO Recommendations**