

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

Review PIF 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

9/28/2020

Review completed by PM

10/22/2020

Program Manager

Hannah Fairbank

Focal Area

Multi Focal Area

Project Type

FSP

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

October 25, 2020 HF:

Comments cleared.

October 23, 2020 HF:

- 1.) Type of Trust Fund: the project is wrongly classified as MTF. It should be GET – please amend.
- 2.) There is not proportionality in the co-financing contribution to PMC per recent GEF Policy – please revise. The GEF percent contribution to PMC needs to be the same as the GEF contribution to overall project financing. For instance, if co-financing is 10X the GEF amount, then co-financing contribution to PMC should be 10 X more than GEF PMC contribution.

October 22, HF:

All comments cleared.

October 16, 2020 HF:

1.) I think this has caused more confusion since now the allocation of resources to the entry points BD 1-3 and BD 2-7 has been changed, but this is in no way reflected in the allocation of GEF resources between Components 1 and 2-the allocation of GEF resources to the Components has not shifted commensurately. To remedy this in a logical way, please review the description of the BD entry points, consider the funding needs by BD Components and re-allocate so these track logically (as in, how much GEF resources are needed to support each component, and then make the entry point allocation follow that). It may be that the original allocation is correct, but in need of explanation, or it may be that a shift is needed based on the project activities. Please revise accordingly.

2.)a.) Please reference linkages to 'financial sustainability' and 'effective management' in alignment with entry point 2-7 if that is the case.

Biodiversity: The project will be relevant to the program on Mainstreaming Biodiversity, through emphasis on spatial and land-use planning related resource use to maximize production without undermining or degrading biodiversity. This will be linked to actions to sustain protected areas and their conservation objectives, through technical capacity building and implementation of financial mechanisms that incentivize actors to change current practices that may be degrading biodiversity; and relevant policy and regulatory implications. It will also have direct relevance to the program on Natural Capital Assessment and Accounting with respect to the Gross Ecosystem Product (GEP) and natural capital accounting activities supported under Components 1, 2 and 4. In addition to support for valuation of multiple ecosystems services in the CRB, actions under Component 4 will target specific decisions or policy concerns in order to be as impactful as possible.

b.) I still see land degradation section in the Focal Area alignment section. Since this project doesn't use LD funds this is confusing. Also, the activities listed under Land Degradation don't seem to track with other Components in the PIF. Please remove for clarity.

Land Degradation: The combined GEF and ADB financing will have some relevance to land degradation neutrality, in that it aims to improve agricultural productivity, without expanding land use and incorporating 'green' principles into ongoing agricultural practices. The associated ADB baseline project will address the physical, biological and socio-economic aspects of the processes of land degradation in project areas, with attention to deforestation, and promotion of food security and livelihoods of affected communities. It will apply and scale up sustainable land management practices, including landscape restoration using locally adapted species, agro-forestry, farmer-managed natural regeneration, etc.

c.) Comment cleared.

3.) Comment cleared.

October 3, 2020 HF:

1.) There is alignment but it is unclear why the proportion of BD funds allocated to BD 1-3 vs 2-7 is so heavily weighted towards the later. At the least a portion (1/2?) of Component 1, a large proportion (if not all) of Component 4 and a portion of Component 2 (BD eco compensation?) should be allocated to BD 1-3. Currently it looks like all of Component 2 is allocated to BD 2-7 (PA management etc). This further highlights the question of how several of the outputs under Component 2 fit into this eco-compensation project. Please explain or re-balance accordingly.

2.) The text in the section of the PIF on "alignment with GEF focal area and impact programs" needs the following edits/corrections:

a.) For BD: Please note that entry points 1-3 and 2-7 have been selected so please revise text to align with those entry points in the strategy (general language on mainstreaming is okay, but this section should address the entry points that have been selected for the PIF).

b.) Since this project does not use LD funds nor does it fall under either the FOLUR or the Cities IP, please remove that text.

c.) In the "Coordination" section, please include an elaboration for how this project will coordinate with the FOLUR impact program in China (Hubei presumably) and briefly how the two investments are complementary.

3.) Please fix "submission date" in the Portal. Right now it reads 10/8/2019-is this correct? I thought this was the first official submission. My be a system glitch (if so, please alert helpdesk).

Agency Response

ADB Response 26 October 2020

Items 1) and 2) have been addressed.

ADB Response 22 October 2020

All items referenced have been addressed in the PIF.

ADB Response 15 October 2020

1) Perhaps our understanding of ‘natural capital accounting’ is narrower than it should be. We had considered that Components 1 and 4 would be aligned with BD 1-3; however we have re-distributed equally across 1-3 and 2-7.

2) a) Section has been revised; b) Done; c) Done.

3) We have no idea on how the submission date is captured by the Portal. This could be the date when we first created the file.

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

October 22, 2020 HF:

All comments cleared.

October 16, 2020 HF:

1.) Comment cleared.

2.) Both comments cleared.

3.) a.) Under each Outcome overview (including Outcome 1 here), please include one sentence that starts "This outcome will" because right now, the point of the Outcome is totally lost in background detail.

b.) Output 1.1 title: Recommend adding the word "policy" or "regulatory" or "enabling" prior to framework for this to make sense.

c.) to g.) All comment cleared.

4.) a.) Please include an overview sentence in Outcome 2 that summarizes this outcome before diving into the language about "one vertical, three horizontal" this will help to clarify to the reader what this outcome is about before getting into the details.

b)--c.) Comments cleared

d.) Thank you for this. Please remove the following sentences from the PIF, and any related activities as they are not well-aligned with the project Objective or Outcomes: *"There are also potential benefits by increasing the resilience of supply chains and offering wider opportunities for societal health benefits from medicinal plants. There is emerging information which suggests that proven traditional Chinese medicine may be an effective treatment for Covid-19 disease. Research and scientific studies will need to be undertaken to support this. Integrating these, and other factors, will be explored in detail during project preparation."*

e.) The text under each of the outputs should: clearly state what the output is; how it contributes to the Outcome and project objective; and some potential actions/activities to get there. This doesn't have to be lengthy, but it should be clear. Right now the text is really confusing and not easy for the reader to understand what the output is, how it fits into the bigger picture, and what are some examples of actions/activities. Also, please edit/proofread each of the Outputs under Outcome 2. Including this sentence: "There is great potential to establish one national park that integrates and consolidates all different types of protected areas, and form an effective protected area system that consists of national park, nature reserves and nature parks." Should this refer to "one national park system?" Otherwise this is confusing. Any trimming of unnecessary text or background is welcome.

f.)-g.) Comments cleared.

h.) Output 2.4: Please include a sentence that clearly explains the eco-compensation mechanism proposed-or framework for doing so. I think the graphic attempts this, but the role of the private sector in this, and the payers/beneficiaries/service providers are still not so clear (the government/donors paying the PA who is paying the farmers? this doesn't seem quite right). Is it that the Protected Area is going to pay farmers to conserve part of their collective land? And the money to

do this is going to come from the central government or the private sector, or donor resources (then question of sustainability)? Even though this is at the concept phase, there should be a clear, high-level picture of what is planned/envisioned. The para that starts "The GEF project" should be clarified.

5.) a.) Thank you for better linkage to ECM in the Outcome language. Please considerably edit down the overall Outcome language as currently the reader gets lost in so much detail and background and graphics it is difficult to follow the logic and content of the Outcome. Please use the Outcome 2 length as a good example. Please Annex anything that isn't critical to the Outcome.

b.)-c.) Comments cleared.

6.) Comments cleared. As requested above, please include one umbrella sentence in beginning of Outcome 4 narrative that explains the Outcome and how it contributes to the project Objective/other Outcomes. Then launch into the lab explanation.

October 3, 2020 HF:

1.) The project objective does not adequately capture the objective(s) of this project, which it seems should be less about **demonstration** of eco-compensation (which has been demonstrated many, many times in China with billions of dollars in backing by the government, which leaves little justification for why GEF would be financing this from an incremental reasoning perspective), but should articulate some of the potentially transformational innovations to eco-compensation ('next-generation?') that will be implemented (private sector 'payers', application of GEP, green-financing for eco-compensation through the lab, use with a new sector-namely agricultural plastics, consolidating and testing regulations for the actual implementation of ECM) and scaling the approaches through the YRB and beyond (if this is indeed the case).

2.) The graphic title "How are project outcomes connected?" Is helpful and provides the reviewer with a clearly picture of each of the Components of the project, though it doesn't really provide an idea of how they are related. A couple of observations:

a.) Interestingly, the graphic seems to totally miss the PA management and establishment activities in Component 2 and only captures the GEP, eco-compensation enabling conditions and identifying options for eco-compensation. Actually, the project is much easier to understand without a couple of the proposed PA management and establishment activities in Component 2 (and the lions share of the funds, 2-7. More on that soon...)

b.) The third bullet in the graphic for both the BD and A sections start out with "identifying options for eco-compensation..." It isn't clear where this fits into the project Components, and what actually happens with the "options." Are they then fed into a pipeline for the Lab, or developed and scaled with the government etc?

3.) Component 1:

- a.) Component language: "Developing eco-compensation mechanisms"-could work on a bit of a scaled-up/innovative component language that is a bit more descriptive of what is intended.
- b.) Output 1.1: What is the "framework" that is referenced? From what I can understand this output focuses on: bringing in the private sector/financial innovations to eco-compensation; contributing to the development of (and trialing use of) regulations for PES; and capacity building. From this it is unclear what "framework" this output is referring to. Please clarify/revise. (Also, pointing out that the PIF says that eco-compensation experiments have been conducted nation-wide" which further calls into question why we would be investing in further "demonstration.") I think I understand what this project is supporting that is different and scalable- but it is still communicated in PIF as demonstration which is questionable from an GEF increment perspective (see comments on GEF increment).
- c.) Output 1.2: GEP. Please make sure to define GEP somewhere in the Component, or prior.
- d.) Final sentence starts "It will also look at how the government..." and references bringing in the private sector to eco-compensation. Shouldn't this go in Output 1.1 since that is where those activities seems to sit?
- e.) Figure 3. "Some Indicators used" recommend either removing, or putting in an Annex. As it stands the table splits up the text too much and is distracting to the reader. Also, if it is retained please clarify/revise as it doesn't clearly communicate what the "indicators" are, and the "comments" column is confusing.
- f.) Figure on "Natural Capital Asset/accounting indicator etc" could also go in an annex or be removed. Too much detail in the text of this PIF/concept. Also-it is unclear how the quality (ecosystem intactness, function, diversity) is captured? It doesn't look like any of the "accounting indicators" actually does this.
- g.) The establishment of a gross-ecosystem-product (GEP) balance sheet is vital to sustainable development. Please briefly explain if GEP will be connected to GDP to measure leaders' performance in this project scope.

4.) Component 2:

- a.) Outcome 2: Given the overall project objective, shouldn't this Outcome also focus on eco-compensation for BD conservation (and to support PA management?)? If so, could clarify in Outcome language.

- b.) This Outcome contains lots of background, and text about challenges, and threats etc that should go in earlier sections of the PIF-it makes this Outcome very muddled and hard to follow. The biodiversity threats and drivers piece should be further developed earlier in the PIF. The Component language could provide a brief overview/context and then get straight to the point of what it is going to do and how under the Outputs.
- c.) The detailed info about GEFID 5096 should go in the "baseline" section, and recommend that limited reference should be included here to the extent it is helpful for this Component/Outcome to build on the findings of the GEF TE.
- d.) The language about the "relevance to COVID-19" is good as it addresses how the project can contribute to prevention of future "spillover", green recovery etc. It could be clarified a bit (not clear what the reference to "medicinal plants" really means, and a developed/explained a bit further about the project's role in "green recovery" from the pandemic.
- e.) Outputs 2.1, 2.2 and (portions of) 2.3: It is unclear how Outputs 2.1 and 2.2 (and parts of 2.3) contribute to the project objective regarding ECM, and how they are linked to efforts to innovate, scale-up and improve eco-compensation for biodiversity conservation in the YRB. They seem to be important biodiversity conservation activities, but not necessarily well-integrated into the overall framework for the project. Please see coordination comments applicable to these outputs.
- f.) Chishui scenic area PA is included in the IUCN child project of PFD GEFID 10710 which also seems to fall under the target area for this Output 2, please see comments in "Coordination" section and make any needed revisions to project Components.
- g.) Output 2.4: Table 1 and the lengthy text on Output 2.4 regarding the UNDP project should be edited for clarity and go in an annex rather than the body of the PIF under this Output. It is distracting from the focus of the Output/proposed activities. If there is something specific that is relevant to include in terms of baseline on which to build this Output, okay, but it should be very succinct/targeted.
- h.) The paragraph that begins: "The eco-compensation design will consider two layers..." has a sentence that includes "and developing joint eco-tourism facilities such as the joint visitor information system..." which doesn't seem to make any sense in the context of this paragraph. Please explain, clarify/revise etc.
- 5.) Component 3:
- a.) Recommend referring to eco-compensation in some way presumably upfront in this Component.
- b.) In addition, please make the case regarding plastic pollution impacts on YRB ecosystem/biodiversity-this is another way to link the components more closely.

c.) The role of the Ministry of Agriculture should be fully recognized and leveraged. For example, *Agricultural Film Recycling Action Plan*, announced by the Ministry of Agriculture in 2017, has set a roadmap, targets and codes of conduct for reuse and recycling of agricultural plastic.

6.) Component 4:

a.) The sentence that begins with "As a microcosm of the growth challenges in the PRC" is a great overview of the opportunity for this project and should likely be elevated to elsewhere in the PIF to frame the project. Great to hear of the planned launch at COP-15.

b.) The table in Output 4.1 is likely too much detail at this stage and can be distracting from the main elements of this Component. Recommend moving to annex or removing.

c.) Output 4.2: How will the GEF resources be used? Will it be part of the National Green Development Fund for pilot projects or mobilize private financing, support enabling environment or institutional setup etc? If it'll be used to mobilize private financing, then will those activities be included as co-financing?

Agency Response

ADB Response 22 October 2020

3) a) done, b) done

4) a) d) e) and h) all done

5) a) done. New Annex G included

6) done

Note: section on Covid-19 relevance amended as per email from GEF on 22 October 2020.

ADB Response 15 October 2020

1) Title and project objective change done. Argument is strengthened in narrative under Outcome 1.

2) a) and b) Relevant sections have been modified for clarity

3) a) and b) Sections revised

3) c) See expanded narrative in Output 1.2.; d) Section has been revised for clarity; e) removed Figure 3; f) removed referenced figure. There is an explanation on GEP vs GDP under Output 1.2

4) 4 a) Modified; b) narratives in Project Justification and Alternative Scenario has been restructured; c) Narrative modified in Baseline and Alternative Scenario sections

4) d) Covid-19 reference has been clarified. PRC counterparts consider this a sensitive subject and there is pushback on any suggestion that the virus “originated” anywhere in China, among other concerns. The best approach is to reduce likelihood of any recurrence / occurrence of this type of pandemic. There are references to “build forward better” and “build forward greener”.

4) e) Outputs 2.1, 2.2 and 2.3, as well as 2.4 all contribute to biodiversity conservation in Chishui River Basin, but most of the land designated, or to be designated as protected areas are collectively owned, and a source of major livelihood for local communities, and therefore an comprehensive eco-compensation mechanism is needed, On the other hand, due to the history of local communities who have been depending the land for their livelihood, substantial changes in their farming system and forestry activities to fit into biodiversity friendly manner would require both governmental and market based eco-compensation mechanism (relevant to 2.4).

With regard to the connection with output 2.3, it is particularly important to provide capacity building to the protected areas system management for their implication of eco-compensation into protected areas management.

Some slight revisions introduced, with stronger links to ECM articulated under Output 2.4

4) f) Coordination with IUCN on geographic coverage of projects has been confirmed; g) This text has been edited and the table has been Annexed (Annex F); h) Output 2.4 has been revised.

5) a) b) c) all done. Additional narrative added on links between chemicals work and biodiversity and ecosystems services (Outcomes 2 and 3)

6 a) This has been shifted to the introduction / pre-amble to the Alternative Scenario section; b) Table removed; c) GEF role clarified in Output 4.2. Work will be mainly focussed on creating a 'sub-fund' under the NGDF dedicated to YRB. This is explained.

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

October 16, 2020 HF:

Comment cleared. Please address during PPG.

October 5, 2020 HF:

Is private sector co-finance expected? I would imagine so given the role in the project, if so, please include in narrative at least, if not in table.

Agency Response

ADB Response 15 October 2020

At this point, not possible to commit to private sector co-financing. Discussions are ongoing.

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

October 26, 2020 HF:

Comment cleared.

October 23, 2020 HF:

Programming of Funds: there is no reason why there should be two line items for BD in both Tables D and E – please merge these.

October 16, 2020 HF:

All comments cleared.

October 5, 2020 HF:

- 1.) The programming of funds needs to be ‘POPs’ and not ‘SAICM’ in the finance tables.
- 2.) PMC ‘proportionality’ – GEF’s PMC proportion is 4.7% (which is acceptable), co-financing’s PMC proportion is 0.9%. PMC from co-financing needs to be much more proportional to the GEF PMC share (assuming then 1.2% towards PMC from each)?
- 3.) M&E budget is not indicatively provided in the Table B. M&E budget is recommended to be within the levels and eligible expenditure types as specified in the Guidelines on the Project Cycle Policy (3% in this case).

Agency Response

ADB Response 26 October 2020

This item has been addressed.

ADB Response 15 October 2020

- 1) Done
- 2) Not entirely clear on this comment, however co-financing PMC has been increased to \$1.32 million. GEF PMC remains same.
- 3) Detailed budget presentation is required at CER stage, as we understand. Nevertheless narrative under Output 4.4 refers to an indicative allocation of \$ 75,000 for MTR and TE. Project monitoring costs would be distributed across Outcomes 2, 3 and 4

The STAR allocation?

Secretariat Comment at PIF/Work Program Inclusion
October 3, 2020 HF:

Yes

Agency Response
The focal area allocation?

Secretariat Comment at PIF/Work Program Inclusion
October 3, 2020 HF:

Yes.

Agency Response

The LDCF under the principle of equitable access

Secretariat Comment at PIF/Work Program Inclusion NA

Agency Response

The SCCF (Adaptation or Technology Transfer)?

Secretariat Comment at PIF/Work Program Inclusion NA

Agency Response

Focal area set-aside?

Secretariat Comment at PIF/Work Program Inclusion NA

Agency Response

Impact Program Incentive?

Secretariat Comment at PIF/Work Program Inclusion NA

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

October 5, 2020 HF:

Yes.

Agency Response

Core indicators

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

Secretariat Comment at PIF/Work Program Inclusion

October 16, 2020 HF:

Comments cleared. Please address both during PPG.

October 5, 2020 HF:

1.) It isn't clear whether the benefits of the work on eco-compensation is captured in the core indicator targets? Please ensure that the outcomes/impacts of this critical policy and financing work is captured via hectare targets (presumably a mix of PA and non-PA hectares). Please include hectare that will be directly impacted by the policy 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.

2.) Sub-indicator 1.1: The name and size of the protected area(s) to be created would need to be indicated in the PIF (if known) and at CEO Endorsement stages (at latest). Please ensure complementarity and no overlap with GEFID 10711-further conversation on this is ongoing.

Agency Response

ADB Reponse 15 October 2020

1) The core indicators are attributable to the GEF financing and parts of the ADB co-financing at this point. PRC Government (particularly sub-national) co-financing will be explored during project preparation. The eco-compensation designed for Chishui River Basin would be exclusive to that area. It would be premature to estimate and core indicators that are attributable to scaling up, until more detailed project preparation work is done.

2) We only have the target of 80,000 hectares to be expanded as protected areas, and the plan has been proposed to NFGA. Once this proposal has been accepted, a comprehensive investigation on boundary and zoning will be conducted in late stage. Only after this will we know the name and exact size of the new protected area.. Once the site and its boundary has been decided, we then can work with local government and local communities to reach agreement through eco-compensation mechanism, to put their land for conservation

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

October 16, 2020 HF:

Comment cleared.

October 5, 2020 HF:

Please include indigenous people in the taxonomy for this project.

Agency Response

ADB Response 15 October 2020

Done.

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

October 16, 2020 HF:

Comments cleared

October 5, 2020 HF:

- 1.) The sub-section titled: "*Biodiversity loss through intensive agricultural practices*" does not actually address the topic. In addition, the inclusion of the paragraph on the Yangtze Basin Protected Area Network (YBPAN) and the Nature School seems out of place and does not seem directly linked to a discussion of the "global environmental problems/root causes and barriers" as required here. Please revise.
- 2.) The discussion of globally significant biodiversity focuses on fisheries and wetlands, whereas it seems that the project activities are aimed at terrestrial protected areas. Please rectify by including a discussion of the broader globally significant biodiversity and drivers/barriers in the YRB. Some of this text could be cut from elsewhere in PIF and included here.

Agency Response

ADB Response 15 October 2020

- 1) Modifications done.
- 2) Within Output 2.3, a key activity is highlighted: Develop and consolidate a sub-management system for the Upper Yangtze Endangered and Endemic Fish National Nature Reserve. Eco-compensation mechanism that support the terrestrial ecosystem conservation direct benefit aquatic ecosystems, through conservation of forests, restoration of forests and wetland to improve aquatic environment. On the other hand, the Component 3 work also contribute to the pollution control of the river ecosystem, and improve habitat quality for the rare and endangered fishes.

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

Secretariat Comment at PIF/Work Program Inclusion

October 16, 2020 HF:

Comments cleared.

October 5, 2020 HF:

- 1.) What was the result of the previous GEP project from IUCN (<https://www.iucn.org/asia/countries/china/gross-ecosystem-product-gep%EF%BC%89>) and how is this project component 1.2 and component 4 different or build on the previous IUCN GEP project?
- 2.) In its 2019 Policy Recommendations to the State Council, the CCICED proposed a “one vertical + multi-horizontal” ecological compensation mechanism for the Yangtze River Economic Belt. The one vertical means local finance as the core; multi-horizontal include central finance as the incentive, and active participation from the private sector and social capital. Against this backdrop/baseline policy, please briefly explain how the proposed eco-compensation framework compliments and enriches this mechanism.

Agency Response

[ADB Response 15 October 2020](#)

- 1) Some narrative is included in the baseline scenario. The IUCN report is also referenced under Output 1.2
- 2) Narrative in the PIF, particularly with respect to Outputs 2.4 and 3.3 on design and structure of the ECM are illustrative. Regarding “multi-horizontal” aspects of ECM in the policy, our understanding is that to date this has not been well developed /implemented. This project hopes to undertake this in the two mechanisms envisioned. This requires strong Government supervision and monitoring, which we hope to address under Outcome 4.

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

Secretariat Comment at PIF/Work Program Inclusion

October 22, 2020 HF:

All comments cleared.

October 16, 2020 HF:

Please revise the first paragraph or two of this section to include a clear statement of the "alternative scenario" or the "desired end state" this project intends to create in the YRB (which should be based on a clear articulation of the theory of change on which the project design is based). Right now the initial text just explains what the project will do in terms of actions/activities (demonstrate eco-compensation etc). Presumably the desired end state is something like: "A prosperous and ecologically healthy YRB where ecosystems are managed sustainably to.....by.....". Please draft original language that describes the alternative scenario expected to result from this GEF-ADB investment. The alternative scenario is one of the, if not the, most important sections in a PIF (along with the GEF incremental reasoning for the project) without which it is difficult to understand the justification for GEF investment.

October 5, 2020 HF:

Right up front in the alternative scenario section, please articulate, in the form of a narrative, the project's theory of change, including the desired "end state" the project intends to achieve (essentially this should be the alternative scenario envisioned). Currently this section includes a restatement of the project outcomes and components, rather than a theory of change that provides a description of the causal links between the development challenge, key assumptions, proposed strategies, impacts and achievement of the desired 'end state' or 'alternative scenario'. A clear, compelling explanation of the TOC of this project is more important than any graphic (although the current graphic included doesn't provide any sense of causal pathways that a TOC requires, but it is a nice, organized way to graphically depict the elements of the project and the context). Please refer to the STAP TOC primer for further guidance.

Agency Response

ADB Response 22 October 2020

Narrative has been edited / revised as per guidance.

ADB Response 15 October 2020

The Theory of Change has evolved and presented as Figure 2 in the Alternative Scenario introduction

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

Secretariat Comment at PIF/Work Program Inclusion

October 16, 2020 HF:

Comment cleared.

October 5, 2020 HF:

See previous comments on FA/IP linkages/alignment.

Agency Response

ADB Response 15 October 2020

Duly noted.

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

October 22, 2020 HF:

Comment cleared. Thank you for this strong incremental reasoning for GEF support.

October 16, 2020 HF:

The final sentences of each of the last three paragraphs of this section contain the closest thing to the incremental reasoning for the project but it is still buried and a bit fragmented. Right upfront in this section please clearly state the incremental reasoning (across the 4 Outcomes) that makes it clear why GEF resources are critical (to do something that wouldn't otherwise be happening with government or loan funding). What is the added value of GEF investment, or the incremental cost that the GEF project is covering that will justify the investment of GEF resources? Then the section can retain the rest of the explanatory text and info on BAU etc.

October 3, 2020 HF:

The three elements of the incremental cost reasoning in the PIF need to be brought out and clearly stated at the beginning of each paragraph, (the explanation can come after). As it stands, the "lede [headline] is buried" and it is difficult to quickly understand the GEF increment which is critical. Due to this the GEF increment remains unclear. As it is written the concept gives the impression that the GEF would be supporting demonstration of a policy that the government should be paying for. Please clarify and revise.

Agency Response

ADB Response 22 October 2020

Narrative on incremental cost has been revised as per guidance.

ADB Response 15 October 2020

Incremental cost section has been revised.

6. Are the project's/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

October 22, 2020 HF:

All comments cleared. Thank you.

October 16, 2020 HF:

1.) Comment cleared. Please consider during PPG and address scaling-up plans in CER.

2.) The GEB section now only contains a table which is fine but should be accompanied by a brief summary of the GEBs for globally significant biodiversity and CW expected from this project. Please revise.

October 3, 2020 HF:

1.) If the GEF is to support further "demonstration" of eco-compensation, is the government upscaling this approach considerably with co-finance? The scaled impacts should then also be captured (hectares) as a direct impact of our investment in the core indicators.

2.) This section should be a discussion of the GEBs instead of inclusion of the core indicator targets (though they can be included for clarity in addition to a discussion of GEBs). From the BD perspective it should include a brief discussion of the benefits to globally significant biodiversity in particular.

Agency Response

1) This is the longer term objective. For example a similar framework investment program is being prepared – the Yellow River Ecological Corridor Program. However in our view it is quite early to be able to attribute scaled up hectarage at this point, without having commenced any on ground activities under the current GEF project in YRB – ie no good practice achievements to scale as yet.

2) GEB section has been revised.

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

Secretariat Comment at PIF/Work Program Inclusion

October 16, 2020 HF:

Comments cleared.

October 3, 2020 HF:

Yes. In fact, the four short paragraphs in this section of the PIF are likely the best articulation of the value of the project found in the document. Given this please consider revising/incorporating these themes into both the project justification and incremental reasoning sections.

Please further articulate the project's approach to sustainability and to [active] scaling-up.

Agency Response This section has been expanded.

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

October 16, 2020 HF:

Comment cleared.

October 3, 2020 HF:

Maps have been provided but it would be helpful to have a list of project counties/sites with geo-references.

Agency Response

Annex A now includes GPS coordinates for the main PA areas in Guizhou province (Outcome 2) and 4 of 6 proposed project sites under Outcome 3 – agricultural field plastics; as well as one map of contiguous areas for Outcomes 2 and 3.

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

October 16, 2020 HF:

Comments cleared.

October 3, 2020 HF:

Thank you for the additional information regarding the EMDP.

Please revise section to address the primary questions at hand regarding stakeholder engagement, including:

1. consultations held to date;
2. indicative information on how stakeholders (including CSOs and IPs) will be engaged in project preparation; and
3. stakeholders respective roles (list provided is noted) and include 'means of engagement'

Agency Response

Annex G provides a list of stakeholders consulted during project preparation.

A provisional Stakeholder Engagement table has been presented, with some notes on possible roles. During PPG phase, this will be elaborated in more detail, especially if there are fewer restrictions due to the pandemic.

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

October 16, 2020 HF:

Comment cleared.

October 3, 2020 HF:

Please include a mention of any plans to do further gender analysis during PPG to contribute to project design.

Agency Response Done.

Private Sector Engagement

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

Secretariat Comment at PIF/Work Program Inclusion

October 16, 2020 HF:

Comments cleared.

October 3, 2020 HF:

- 1.) Given the focus on increasing the engagement of the private sector in ECM in the YRB this section should include a description of the role of the private sector in the project from this perspective-as it seems fundamental.
- 2.) What about the participation of the private sector in the plastics/CW component? There is a mention of AEPW engagement, but no sense of the role of the private sector.

Agency Response

ADB Response 15 October 2020

- 1) Given the limitations on PIF preparation meaningful consultations with forest dwelling communities, farming communities, and companies in agricultural supply chains were not possible. This would be done during PPG as the proposal gets fleshed out more
- 2) Consultations with AEPW are in early stages, but have been promising, potential for collaboration included in the PIF. Discussions are ongoing with AEPW, not only in the context of this project, but at ADB corporate level.

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

October 16, 2020 HF:

Comments cleared.

October 3, 2020 HF:

- 1.) Climate change risk: Please see STAP guidance on climate risk screening (link below) and provide at least a basic climate risk screening at PIF stage. At a minimum, at PIF stage, the climate risks should be identified, listed and described. This can include:
 - a.) Outlining the key aspects of the climate change projections/scenarios at the project location (or as close to it with data available), which are relevant for the type of intervention being financed (e.g. changes in temperatures, rainfalls, increased flooding, sea level rise, saltwater acquirer contamination, increased soil erosion, etc).
 - b.) Time horizon if feasible/data available (e.g. up to 2050). Please refer to list of examples from STAP guidance.
 - c.) Listing key potential hazards for the project that are related to the aspects of the climate scenarios listed above (describe how the climate scenarios identified above are likely to affect the project, during 2020-2050).
 - d.) Describing plans for climate change risk assessment and mitigation measures during PPG.

(<https://stapgef.org/sites/default/files/publications/Climate%20Risk%20Screening%20web%20posting.pdf>)

2.) COVID-19 pandemic: Please refer to the GEFSEC informal guidance to Agencies on COVID risks and opportunities in project design here: https://www.thegef.org/sites/default/files/documents/GEF_COVID_Project_Design_Review_Considerations_20200925.pdf Please further unpack the pandemic as a risk to this project design and implementation in the risk table (e.g. by logistics, consultations, impacts on communities, etc and basic approach to mitigation-whatever is relevant). Also, please describe the impact on the project preparation including stakeholder consultation (particularly local communities and indigenous people considering they cannot participate virtual stakeholder meeting due to lack of internet connection) by travel ban due to COVID-19 and how IA/EA will mitigate this impact.

Also, throughout the PIF please identify potential opportunities as appropriate, that this project could provide to mitigate impacts of the pandemic, 'build back greener/better' and to prevent future spillover. This seems especially important given the geographic focus of the project (e.g. in the originating province of the pandemic, and working at the nexus between ecosystems and large human populations etc). Further, the IA and EA may consider including a description/exploration about how the transformation to a more 'nature-centric' system by adopting eco-compensation mechanism in Yangtze River Basin with proposed project would also address the risk of future pandemics, and help in recovery. If this is indeed the case.

Agency Response

ADB Response 15 October 2020

Climate risk screening is now included for the project areas.

The Risk section has been modified. Please see earlier comment on Covid-19 reference in the PIF.

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

October 22, 2020 HF:

All comments cleared.

October 16, 2020 HF:

Please address the first requirement of the Coordination section in the PIF: "Outline the institutional structure of the project including monitoring and evaluation coordination at the project level." This should be the initial text in that section. Then you can launch into the coordination with other projects in the target geography. It might make sense to start off the explanation of the other YRB GEF investments with a statement about the government prioritization of the YRB as a justification for a concentrated set of investments in the region (that also links well with the next section). Also, I would recommend taking out the graphic on the coordination mechanism as it is distracting and doesn't really make clear the coordination proposed. Don't forget to include any other projects that this one may need to coordinate with in the YRB.

1.) Comment cleared.

2.) Comment cleared.

October 3, 2020 HF:

Very good to hear of the 'coordination framework' that is being developed between the four GEF Agencies that are implementing projects in the YRB (ADB, IUCN, FAO mentioned-seems that UNDP should be in there as well).

1.) Please address how the protected area management/establishment and networking activities proposed for GEF support in the Chishui He basin (via IUCN/NFGA Child Project and the ADB/NDRC PIF) are coordinated/complimentary and not overlapping. This is particularly important given the respective jurisdictions/roles and responsibilities of NFGA vs NRDC, and how this work would be coordinated (e.g. NFGA is identified as a project "implementation partner"-what does this mean visa vis (PA) activities in the Chishui basin)?

2.) One of the major lessons learned from GEF-6 Integrated Approach Pilot Program is that if there is no clear project activity and dedicated budget for coordination between child projects, knowledge sharing between different implementation agencies and government institution would rarely happen due to different timelines and reporting lines of projects. Considering this project will share information and leverage comparative advantage with GEFID 10710, the project document should clearly state which information will be generated from which project and feed into which project activity, as well as identify each institution's comparative advantage. If this information is not yet available in the PIF stage, IA and EA shall identify it during the PPG phase but, still PIF should acknowledge these and allocate budget for particular knowledge sharing activity and coordination work (budget for trainings, meetings and travels from both projects).

Agency Response

ADB Response 22 October 2020

All comments addressed in the Coordination Section.

ADB Response 15 October 2020

- 1) This has been resolved through consultations between ADB, IUCN and NFGA. See “Coordination” section.
- 2) Output 4.4 has been modified to include coordination, with indicative budget suggested, which will be finalized during budget preparation

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

October 15, 2020 HF:

Comment cleared.

October 3, 2020 HF:

Yes. Recommend redacting list of pollution prevention activities titled "Outcome can be achieved through the following actions." It seems out of place and detracts from the understanding of how this project meets national priorities.

Agency Response

ADB Response 15 October 2020

Done.

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

October 22, 2020 HF:

Comment cleared.

October 16, 2020 HF:

Please include KM within the project Outcomes (outcome 4?) Right now it does not clearly show-up in the project design.

Previous comment cleared on KM write-up.

October 3, 2020 HF:

Please address the key ingredients of a Knowledge Management Approach, including:

1. an overview of existing lessons and best practice that inform the project concept
2. plans to learn from relevant projects, programs, initiatives & evaluations
3. proposed processes to capture, assess and document info, 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/program impact and sustainability
7. plans for strategic communications

It is acceptable if some of this information is provided in others sections of the PIF (rather than the KM section); but the KM section should contain clear references to these other sections accordingly.

Agency Response

ADB Response 22 October 2020

Outcome 4 and Output 4.4. updated accordingly.

ADB Response 15 October 2020

Knowledge management approach section has been updated.

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

October 22, 2020 HF:

All comments cleared.

October 16, 2020 HF:

1.) Noting risk classification is "low" for this project. This project will be establishing 80,000 hectares of new protected area, please document how and why this project is currently categorized as **low risk**-particularly in the context of the following question regarding scope of documentation, and scope of safeguards documentation provided.

2.) Thank you. This seems to be screening documentation for (one of) the parent loan projects (“Yangtze River Green Ecological Corridor Comprehensive Agriculture Development Project”). Was a safeguards pre-screening or comparable safeguards review performed for the scope of this GEF PIF? It seems that the screening documentation that was provided was done in 2018 and that the scope of that agricultural project, and the scope of this proposed project are not the same-meaning that many of the activities in the PIF don’t seem to be covered by the safeguard documentation provided (including, but not limited to, protected areas management and establishment). Please explain and provide documentation as required by GEF policy SD/PL/03.

3.) Noting that the Ethnic Minority Development Plan refers to free, prior and informed public participation and consultation rather than Free, Prior and Informed Consent. GEF safeguard minimum standards require FPIC, which will be particularly critical given the protected areas work to be under taken.

4.) The documentation provided states that resettlement (voluntary or involuntary) will not be undertaken within the regional loan project. Per the question above, as it doesn't seem that the safeguard documentation provided aligns with the scope of the current GEF project, including PA establishment/gazettelement, it is not clear that the due diligence report and safeguard documents would apply.

October 3, 2020 HF:

1.) What is the initial overall risk classification of this project? Please include.

2.) Please provide documentation e.g. screening report and/or preliminary environmental and social risk and impact assessment report for this project (if available).

3.) Please include the adherence to FPIC in the risk section on "indigenous people and ethnic minorities."

4.) Noting here the risk of involuntary resettlement under this project. Please include language that removes the risk of resettlement (voluntary or involuntary) from this project. This should be done in coordination with and understanding of the project EA, NDRC.

Agency Response

ADB Response 22 October 2020

- 1) risk classification changed to "Medium"
- 2) Correct. The ADB Rapid Environmental Assessment (REA) specific to GEF intervention is now added as "Evidence" and narrative table on ESS updated accordingly.
- 3) and 4) addressed in REA and ESS narrative as applicable.

ADB Response 15 October 2020

- 1) Classification is now included in the portal
- 2) Some reference links have been input into the Portal
- 3) Done.
- 4) Included.

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

October 3, 2020 HF:

Yes.

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

NA

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

October 23, 2020 HF:

No, please address the following remaining issues in the review sheet:

1.) Type of Trust Fund: the project is wrongly classified as MTF. It should be GET – please amend.

2.) There is not proportionality in the co-financing contribution to PMC per recent GEF Policy – please revise. The GEF percent contribution to PMC needs to be

the same as the GEF contribution to overall project financing. For instance, if co-financing is 10X the GEF amount, then co-financing contribution to PMC should be 10 X more than GEF PMC contribution.

3.) Programming of Funds: there is no reason why there should be two line items for BD in both Tables D and E – please merge these.

October 22, 2020 HF:

YES! This PIF is recommended for technical clearance.

October 15, 2020 HF:

No, please address the remaining questions, highlighted in yellow.

October 3, 2020 HF:

No, please address the comments in the review sheet and revise the project documentation accordingly.

ADDITIONAL COMMENTS

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 policy 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.

Review Dates

	PIF Review	Agency Response
First Review	10/5/2020	
Additional Review (as necessary)	10/16/2020	
Additional Review (as necessary)	10/22/2020	
Additional Review (as necessary)	10/23/2020	
Additional Review (as necessary)		

PIF Recommendation to CEO

Brief reasoning for recommendations to CEO for PIF Approval

This project aims to achieve an ecologically healthy Yangtze River Basin (YRB) of China where ecosystems are managed sustainably and able to support prosperity for populations that depend on its resources. The project will promote innovative eco-compensation mechanisms in the biodiversity conservation and agricultural waste sectors to improve the terrestrial and freshwater ecosystem health in the upper and mid-Yangtze River Basin. It will advance two demonstration eco-compensation models that focus on protection and restoration of biodiversity and ecosystems services, and sound management of plastic wastes, notably agricultural field plastic films. The eco-compensation models will aim to internalize the notion of Gross Ecosystem Product (GEP) as a measurement and accounting tool and through this, examine the opportunities to apply financing mechanisms for better management of biodiversity and ecosystems services and ‘cleaner - greener’ agriculture in key areas - to support long term, sustainable solutions to drivers of environmental degradation in YRB.

As a microcosm of the growth challenges in the China, the YRB presents a valuable test bed for designing and piloting new instruments and approaches for sustainable financing and protection of natural capital assets, married with appropriate platforms to capture knowledge for scaling-up and deployment and

mainstreaming across traditional land use management and planning systems for green and inclusive development. The project will be structured around four interlinked component outcomes: O-1: Eco-compensation implementation framework for healthy ecosystems in YRB refined; O-2: Biodiversity and ecosystems services in Chishui River Basin enhanced and supported by eco-compensation mechanism; O-3: Agricultural field plastic pollution reduced in project areas of YRB reduced and supported by eco-compensation mechanism; and O-4: Sustainable financing and knowledge management for eco-compensation mechanisms supported by natural capital laboratory in YRB.

This project innovative, because it goes beyond traditional payment for ecosystems models, and builds on China's experience and lessons learned in eco-compensation to date. It also aims to introduce new forms of measurement, such as Gross Ecosystem Product, supported by a suite of "healthy river basin indicators" which takes into consideration the economic value of natural capital assets. Few, if any, schemes to date have directly targeted application of agricultural field plastics, so this will be a new endeavor. GEF-7 resources BD/CW: \$8,073,396 and Co-finance \$111,000,000 resulting in:

Terrestrial protected areas newly created (hectares): 80,000 ha; Terrestrial protected areas under improved management effectiveness (hectares): 480,834 ha; Area of forest and forest land restored (hectares): 2,000 ha; Reduction, disposal/destruction, phase out, elimination and avoidance of chemicals of global concern and their waste in the environment and in processes, materials and products (thousand metric tons of toxic chemicals reduced)=443 g/TEQ*; and Tonnage of agricultural field plastics diverted from landfill and combustion = 2,480,817 MT