Reducing Community Carbon Footprint by a Circular Economy Approach in the Republic of Serbia

Part I: Project Information

GEF ID
10425

Project Type
MSP

Type of Trust Fund
GET

CBIT/NGI
CBIT **No**
NGI **No**

Project Title
Reducing Community Carbon Footprint by a Circular Economy Approach in the Republic of Serbia

Countries
Serbia

Agency(ies)
UNDP

Other Executing Partner(s)
Ministry of Environmental Protection

Executing Partner Type
Government

GEF Focal Area
Multi Focal Area

Taxonomy

Focal Areas, Influencing models, Convene multi-stakeholder alliances, Demonstrate innovative approache, Deploy innovative financial instruments, Transform policy and regulatory environments, Strengthen institutional capacity and decision-making, Stakeholders, Beneficiaries, Local Communities, Communications, Behavior change, Public Campaigns, Strategic Communications, Awareness Raising, Education, Civil Society, Non-Governmental Organization, Academia, Community Based Organization, Private Sector, SMEs, Individuals/Entrepreneurs, Financial intermediaries and market facilitators, Capital providers, Large corporations, Type of Engagement, Partnership, Information Dissemination, Consultation, Participation, Gender Equality, Gender Mainstreaming, Gender-sensitive indicators, Integrated Programs, Sustainable Cities, Municipal waste management, Global Platform for Sustainable Cities, Capacity, Knowledge and Research, Innovation, Learning, Indicators to measure change, Adaptive management, Capacity Development, Knowledge Generation, Knowledge Exchange, Climate Change, Climate Change Mitigation, Sustainable Urban Systems and Transport, Renewable Energy, Energy Efficiency, Financing, International Waters, Pollution, Nutrient pollution from all sectors except wastewater, Plastics, Chemicals and Waste, Waste Management, eWaste, Land Degradation, Sustainable Land Management, Integrated and Cross-sectoral approach, Income Generating Activities

Rio Markers

Climate Change Mitigation

Climate Change Mitigation 2

Climate Change Adaptation

Climate Change Adaptation 0

Submission Date

8/4/2021

Expected Implementation Start

11/1/2021

Expected Completion Date

10/31/2026

Duration

60In Months

Agency Fee($)

168,815.00

A. FOCAL/NON-FOCAL AREA ELEMENTS

Objectives/Programs	Focal Area Outcomes	Trust Fund	GEF Amount($)	Co-Fin Amount($)
CCM-1-3	Accelerating energy efficiency adoption, Cleantech innovation	GET	894,000.00	7,150,000.00
LD-1-1	Per the flexibility policy of the climate change, Serbia is one of the countries, which has been granted flexibility in the use of their STAR allocations and is, therefore, using part of the land degradation (LD) STAR allocation for this climate change mitigation project. In other words, even it is using a part of the LD STAR allocation for its funding, this is not a multi-focal area (MFA) project, but a climate change mitigation project.	GET	883,000.00	7,000,000.00
		Total Project Cost($)	**1,777,000.00**	**14,150,000.00**

B. Project description summary

Project Objective

Reducing Community Carbon Footprint by a Circular Economy Approach in the Republic of Serbia

Project Component	Financing Type	Expected Outcomes	Expected Outputs	Trust Fund	GEF Project Financing($)	Confirmed Co-Financing($)

Project Component	Financing Type	Expected Outcomes	Expected Outputs	Trust Fund	GEF Project Financing($)	Confirmed Co-Financing($)
1. An enabling institutional and policy framework	Technical Assistance	Outcome 1: An enabling institutional and policy framework for advancing cross-sectoral circular economy (CE) in Serbian communities	Output 1.1 A gap analysis between the latest EU circular economy policies and related Serbian laws and regulations. Output 1.2 By building on the results and recommendations of Output 1.1, new bylaws and other policy measures for effectively advancing circular economy in Serbia drafted Output 1.3 Circular economy related ISO standards that are not in use in Serbia yet transposed Output 1.4 A completed socio-economic impact and livelihood analysis with related recommendations and, as applicable, a Livelihood Action Plan, to mitigate the eventual harmful socio-economic impacts to vulnerable population groups such as informal waste collectors, who may be affected	GET	252,000.00	450,000.00

Project Component	Financing Type	Expected Outcomes	Expected Outputs	Trust Fund	GEF Project Financing($)	Confirmed Co-Financing($)
2. Implementation of new innovative project sourcing and financing modalities to promote low carbon circular economy development together with related KM and public outreach activities.	Technical Assistance	Outcome 2: New innovative circular economy project and business ideas to reduce community carbon footprint identified and implemented with support by LCCIP	Output 2.1: Finalized design of the Low Carbon Communities Innovation Platform (LCCIP) to source and support the implementation of new resource efficient circular economy related business ideas, products, investment projects and process improvements. Output 2.2: The LCCIP established with agreed co-financing arrangements and a mentorship and technical assistance facility as part of the LCCIP to provide guidance and technical support for entrepreneurs in developing their initial ideas to marketable businesses and products and structuring financing from other public, semi-commercial or commercial funding sources for sharing the initial project costs and risks. Output 2.3: Workshop and	GET	443,500.00	450,000.00

Project Component	Financing Type	Expected Outcomes	Expected Outputs	Trust Fund	GEF Project Financing($)	Confirmed Co-Financing($)
2. Implementation of new innovative project sourcing and financing modalities to promote low carbon circular economy development	Investment	Outcome 2: New innovative circular economy project and business ideas to reduce community carbon footprint identified and implemented with support by LCCIP	Output 2.5 Pilot CE investments selected by a challenge call and their implementation supported by Performance-Based Payments Output 2.6 Specific Challenge Call organized to source and support, by innovation awards, up to 5 new pilot initiatives for the integration of informal waste collectors in the waste management system. Output 2.7 Specific Challenge Call organized to source and support, by innovation awards, up to 10 innovative CE based low-carbon pilot initiatives proposed by the R&D sector.	GET	850,000.00	12,000,000.00

Project Component	Financing Type	Expected Outcomes	Expected Outputs	Trust Fund	GEF Project Financing($)	Confirmed Co-Financing($)
3. Monitoring and evaluation	Technical Assistance	Outcome 3: Project results monitored, evaluated and reported	Output 3.1 Project inception report and workshop. Output 3.2 Project monitoring reports, including final project report with monitored results of the supported project and business ideas and compilation of the lessons learnt Output 3.3 Project terminal evaluation.	GET	70,000.00	50,000.00
				Sub Total ($)	**1,615,500.00**	**12,950,000.00**

Project Management Cost (PMC)		
GET	161,500.00	1,200,000.00
Sub Total($)	**161,500.00**	**1,200,000.00**
Total Project Cost($)	**1,777,000.00**	**14,150,000.00**

C. Sources of Co-financing for the Project by name and by type

Sources of Co-financing	Name of Co-financier	Type of Co-financing	Investment Mobilized	Amount($)
Civil Society Organization	Chamber of Commerce	Grant	Investment mobilized	590,000.00
Private Sector	Serbian SMEs	Equity	Investment mobilized	4,000,000.00
GEF Agency	UNDP	Grant	Investment mobilized	100,000.00
GEF Agency	UNDP	In-kind	Recurrent expenditures	50,000.00
Recipient Country Government	Ministry of Environmental Protection	Grant	Investment mobilized	3,560,000.00
Recipient Country Government	Ministry of Environmental Protection	In-kind	Recurrent expenditures	150,000.00
Donor Agency	EU Delegation	Grant	Investment mobilized	2,600,000.00
Recipient Country Government	City of Belgrade	Grant	Investment mobilized	1,100,000.00
Other	EIF and Procredit Bank	Other	Investment mobilized	2,000,000.00
			Total Co-Financing($)	**14,150,000.00**

Describe how any "Investment Mobilized" was identified

The required financial resources to implement the project will be obtained by a mix of different sources using a blended financing approach combining both technical assistance and investment funds and including both public and private sector financing. The Ministry of Environmental Protection has committed to support the project by a direct cash-contribution of up to 5 million US$ over the five-year duration of the project (up to 1 million US$ per year) by co-financing eligible circular economy and climate change mitigation investments. From this total of US$1 million per annum, a more conservative amount to be monitored and reported at the end of the project has been set at US$ 3,56 million, which is included as co-financing to the project which will be mobilized by project supported investments. The EU supported Green Deal, which was first presented in December 2019 is supporting measures to enable

European citizens and businesses to benefit from sustainable green transition with the aim of making the EU the world?s first carbon neutral bloc by 2050. The EU has for the past 20 years been the primary financier of climate change mitigation and environmental protection policies and actions in Serbia - notably through investment in improved waste management, wastewater treatment, reducing the industrial emissions, supporting the energy efficiency measures with approximately 400 million Euros already invested. The EU will continue with similar support also in the coming years, from which the amount of investments for activities and outputs in the current EU pipeline that are envisaged to directly contribute to reaching the outcomes and objectives of the mentioned GEF supported project have been conservatively estimated to be equal to at least US$ 2,60 million. The Chamber of Commerce and Industry of Serbia is an independent national association of the Serbian business community, which among its other activities is also strongly supporting the transition to a circular economy model. Since 2017, the Chamber has been following the topic of circular economy and related global initiatives through its Center for Circular Economy. Against this background, it has also expressed its commitment to support this new GEF supported circular economy project by an amount reaching at least 500,000 Euros or approximately USD 590,00 in total by parallel co-funding activities. The City of Belgrade is aiming at becoming a carbon neutral city by 2050 and in this respect has expressed its wish to fully participate in the implementation of the UNDP/GEF project to reduce its carbon footprint by supporting new innovative circular economy initiatives. For this, the City of Belgrade has also expressed its willingness to co-finance the related activities with an amount of up to US$ 5 million, from which a more conservative amount to be monitored and reported at the end of the project has been set at US$ 1,1 million. By recognising that the lack of innovative approaches towards financing the SMEs and mid-caps in Serbia is a barrier to the achievement of SDGs not only for the SMEs, but also for individual consumers, the ProCredit Bank has launched an InnovFin Programme to offer financing by more favorable financing conditions to innovative projects. By also bearing in mind that the challenge-based approach promoted by UNDP in Serbia was proven to be a very successful method for sourcing and further developing new innovative climate friendly solutions contributing to SDGs, a rationale exists also for the Procredit Bank to benefit from a similar approach in future projects. Against this background, the Procredit Bank has expressed its interest and readiness to closely co-operate with the GEF supported project by nurturing a partnership established already during the previous Climate Smart Urban Development (CSUD) project by supporting investments based on innovative, circular economy-based solutions in addressing the environmental and climate challenges in Serbia. The available funds for realizing this are in the amount of approximately 60 mil EUR over two years as a part of the regular ?green? finance activities of the ProCredit Bank Serbia, from which a conservative target for the direct cofinancing amount to be monitored and reported at the end of the project has been set at US$ 2.0 million. In addition to the project co-financing sources described above, the project will have a specific focus on mobilizing private sector co-financing for new and innovative circular economy project and business ideas. One of the lessons learned from the ongoing UNDP implemented GEF funded CSUD project has been that the private sector interests into new markets and business opportunities are by far greater compared to all the other stakeholders. This is mainly due to the fact that the private sector is keen on using all available opportunities for investments and continuous growth. In an environment where investment opportunities are limited due to poorly developed markets, the private sector is perceiving circular economy as a good opportunity to invest in new resource use and production.

The private sector is also typically more flexible than the public sector in benefitting from new knowledge, skills and partnerships due to less complicated corporate procedures. The CSUD project engaged a broad range of stakeholders, including CSOs, academia, public sector and individuals, which resulted in a number of very good ideas. At the end, however, only the private sector projects managed to come up with concrete and tangible co-financing plans. Therefore, much of the focus of this new project will also be in mobilizing private sector financing for new innovative circular economy business and investment opportunities. The estimated co-financing as direct private sector equity contributions to finance the targeted circular economy investments has been estimated at US$ 4 million.

D. Trust Fund Resources Requested by Agency(ies), Country(ies), Focal Area and the Programming of Funds

Agency	Trust Fund	Country	Focal Area	Programming of Funds	Amount($)	Fee($)
UNDP	GET	Serbia	Climate Change	CC STAR Allocation	894,000	84,930
UNDP	GET	Serbia	Land Degradation	LD STAR Allocation	883,000	83,885
				Total Grant Resources($)	**1,777,000.00**	**168,815.00**

E. Non Grant Instrument

NON-GRANT INSTRUMENT at CEO Endorsement

Includes Non grant instruments? **No**

Includes reflow to GEF? **No**

F. Project Preparation Grant (PPG)

PPG Required **true**

PPG Amount ($)

50,000

PPG Agency Fee ($)

4,750

Agency	Trust Fund	Country	Focal Area	Programming of Funds	Amount($)	Fee($)
UNDP	GET	Serbia	Climate Change	CC STAR Allocation	20,000	1,900
UNDP	GET	Serbia	Land Degradation	LD STAR Allocation	30,000	2,850
				Total Project Costs($)	**50,000.00**	**4,750.00**

Core Indicators

Indicator 6 Greenhouse Gas Emissions Mitigated

Total Target Benefit	(At PIF)	(At CEO Endorsement)	(Achieved at MTR)	(Achieved at TE)
Expected metric tons of CO?e (direct)	95000	100000	0	0
Expected metric tons of CO?e (indirect)	1638000	1640000	0	0

Indicator 6.1 Carbon Sequestered or Emissions Avoided in the AFOLU (Agriculture, Forestry and Other Land Use) sector

Total Target Benefit	(At PIF)	(At CEO Endorsement)	(Achieved at MTR)	(Achieved at TE)
Expected metric tons of CO?e (direct)				
Expected metric tons of CO?e (indirect)				
Anticipated start year of accounting				
Duration of accounting				

Indicator 6.2 Emissions Avoided Outside AFOLU (Agriculture, Forestry and Other Land Use) Sector

Total Target Benefit	(At PIF)	(At CEO Endorsement)	(Achieved at MTR)	(Achieved at TE)
Expected metric tons of CO?e (direct)	95,000	100,000		
Expected metric tons of CO?e (indirect)	1,638,000	1,640,000		
Anticipated start year of accounting	2022	2023		
Duration of accounting	20	3		

Indicator 6.3 Energy Saved (Use this sub-indicator in addition to the sub-indicator 6.2 if applicable)

Total Target Benefit	Energy (MJ) (At PIF)	Energy (MJ) (At CEO Endorsement)	Energy (MJ) (Achieved at MTR)	Energy (MJ) (Achieved at TE)
Target Energy Saved (MJ)		1,900		

Indicator 6.4 Increase in Installed Renewable Energy Capacity per Technology (Use this sub-indicator in addition to the sub-indicator 6.2 if applicable)

Technology	Capacity (MW) (Expected at PIF)	Capacity (MW) (Expected at CEO Endorsement)	Capacity (MW) (Achieved at MTR)	Capacity (MW) (Achieved at TE)
select		1.00		

Indicator 11 Number of direct beneficiaries disaggregated by gender as co-benefit of GEF investment

	Number (Expected at PIF)	Number (Expected at CEO Endorsement)	Number (Achieved at MTR)	Number (Achieved at TE)
Female	7,500	5,000		
Male	7,500	5,000		
Total	15000	10000	0	0

Part II. Project Justification

1a. Project Description

The project design in respect to the points listed above has remained essentially the same as in the PIF with an objective to reduce the Serbian communities? carbon footprint by a circular economy approach. By further analysis done during the PPG phase, however, some outputs have been further elaborated or added in order to better address the identified barriers to proceeding with the circular economy agenda in Serbia, while also mitigating the risks to the eventually reduced income opportunities and livelihood of current informal waste collectors. The latter has been addressed by adding output 1.4 (a socio-economic impact and livelihood analysis with related recommentions) and output 2.6 (specific challenge call to find new innovative ideas for securing continuing income opportunities for informal waste collectors within a waste management system applying the circular economy principles.

Another change to the project desing in the PIF is due to the fact that with the EU and GIZ support, the Ministry of Environmental Protection completed an initial Circular Economy Road Map together with a three-year Implementation Program. Therefore, the first output of the component 1 in the PIF (Circular Economy Road Map) was further elaborated and redefined as current output 1.5 ?An updated Circular Economy Road Map and the 2nd three-year Implementation Program for Circular Economy completed by building on a broad consultative process and incorporating experiences and lessons learnt from monitoring the implementation of the first program and the CE investments piloted?. A complementary need and opportunity also emerged during the PPG phase for the development of local circular economy road maps and/or action plans by local self-governments by building on the activities of the Climate KIC project ?Developing pathways for the circular economy? and its potential further follow-up with EU IPA funding, leading to the integration of a complementary output 1.6 into the project design in order to better guide and facilitate the development of circular economy at the level of local self-governments.

As regards the project design for Outcome 2, it has remained practically the same as in the PIF with the exception more detailed description or splitting of certain outputs to more specific ones. In addition, the output 2.6 mentioned already earlier and output 2.7 addressing the research sector in particular were added as complementary outputs into the project strategy for Outcome 2 in order to address the issues and requests brought up during the PPG phase of the project.

For Outcome 3, the mid-term evaluation was removed from the outputs as it is not anymore required for medium-size projects. On the other hand, the inception report and workshop were added as specifics outputs to align the outputs under Outcome 3 with the project M&E plan.

Otherwise, the project remains broadly similar to what was presented at the PIF stage with a focus on innovation and climate friendly technologies and catalyzing new and additional investments in this area. Some key elements are as follows:

As concluded by the Global Resource Outlook 2019 published by the UNEP International Resource Panel (IRP) in March 2019[1][1], the extraction and processing of natural resources has accelerated over the last two decades and accounts for more than 90 per cent of our biodiversity loss and water stress and approximately half of the climate change. Thus, a systematic and holistic cross-sectoral improvement of resource efficiency and a shift towards circular economy (CE) needs to be among the core actions to reach the targets of the Paris Climate Agreement. The role of circular economy in this context is also highlighted by the GEF Background Note on Circular Economy prepared for the sixth GEF Assembly meeting in June 2018 noting that ?*The circular economy model provides tremendous opportunities for reducing natural resource extraction and emissions of hazardous chemical emissions and greenhouse gases, along with fast tracking the achievement of commitments by countries with the major international conventions*?.

On the path towards more efficient resource utilization and for meeting its commitments to the Paris Agreement, Serbia still has major steps to take. Managing the material streams is inadequate and collection of recyclable materials is poorly organized by the mostly inefficient Public Utility Companies (PUCs). Lack of appropriate surveillance and control system allows the use of non-compliant landfills and illegal dumpsites. Besides wasting resources, the situation represents a major threat also to the local environment with more than 3,500 illegal dumpsites, uncontrolled burning and pollution of air, soil and waters. According to initial estimates, approximately 50 million Euros worth of usable resources are every year deposited to non-sanitary landfills in Serbia with the estimated recycling rate from 5 to 7% only.

From wastewater only 13% is treated in cities in Serbia. In most municipalities, there is no infrastructure for sewage and wastewater treatment, but wastewater is released untreated into the rivers. A significant amount of plastic from Serbia and other countries of the region is also ending up to the rivers and further to the sea.

The Ministry of Environmental Protection (MoEP) still lacks adequate resources, capacity and information for developing effective CE policies and for ensuring their effective enforcement and implementation. For this, it would need to establish new project management and financing structures, while also strengthening its enforcement capacity. The available incentives for the private sector should be applied more transparently way by taking into account criteria and indicators, which promote circular economy and efficient use of resources in general. The public awareness on the benefits and practical means to effectively advance circular economy would need to be enhanced in parallel.

While some circular economy related strategies and legislation have been developed and adopted during the past few years, the work has been largely focusing on an effort to align the Serbian legislation with the corresponding EU directives. There has been less emphasis on new bottom-up initiatives for promoting cross-sectoral co-operation for new innovative ideas and business opportunities, by which waste management would not be seen as an additional cost item only. An enabling policy and financing environment for circular economy is equally needed for local communities. In advancing green procurement schemes, greater attention should be paid, among others, to manufacturers? prolonged product responsibility and life-time carbon footprint of the products and services to be purchased.

The main barrier to improving resource efficiency is the lack of end-of-waste regulations for all such waste streams, which would enable better reuse and recycling of raw materials and boost circular economy in a broader context. Besides communal waste, other waste streams, such as construction waste, still lack basic legislation that would allow their recycling and/or reuse. Inadequate surveillance and enforcement of environmental legislation represent a further barrier to this effect. Although there is a growing number of start-up companies, which are innovating and developing new solutions for waste originating from households, service sector and industry, the current approach to resource management in Serbia is still largely based on a linear use of raw materials. This is discouraging also the SMEs, which could be reliable public sector partners in advancing circular economy and their corporate environmental responsibility.

A problem tree illustrating the causal chain between the root, underlying and immediate causes is presented in Figure 1 below. The baseline scenario is that in the absence of the project, the barriers discussed above continue to hinder the effective advancement of circular economy in Serbia, thereby also preventing the related GHG emission reduction.

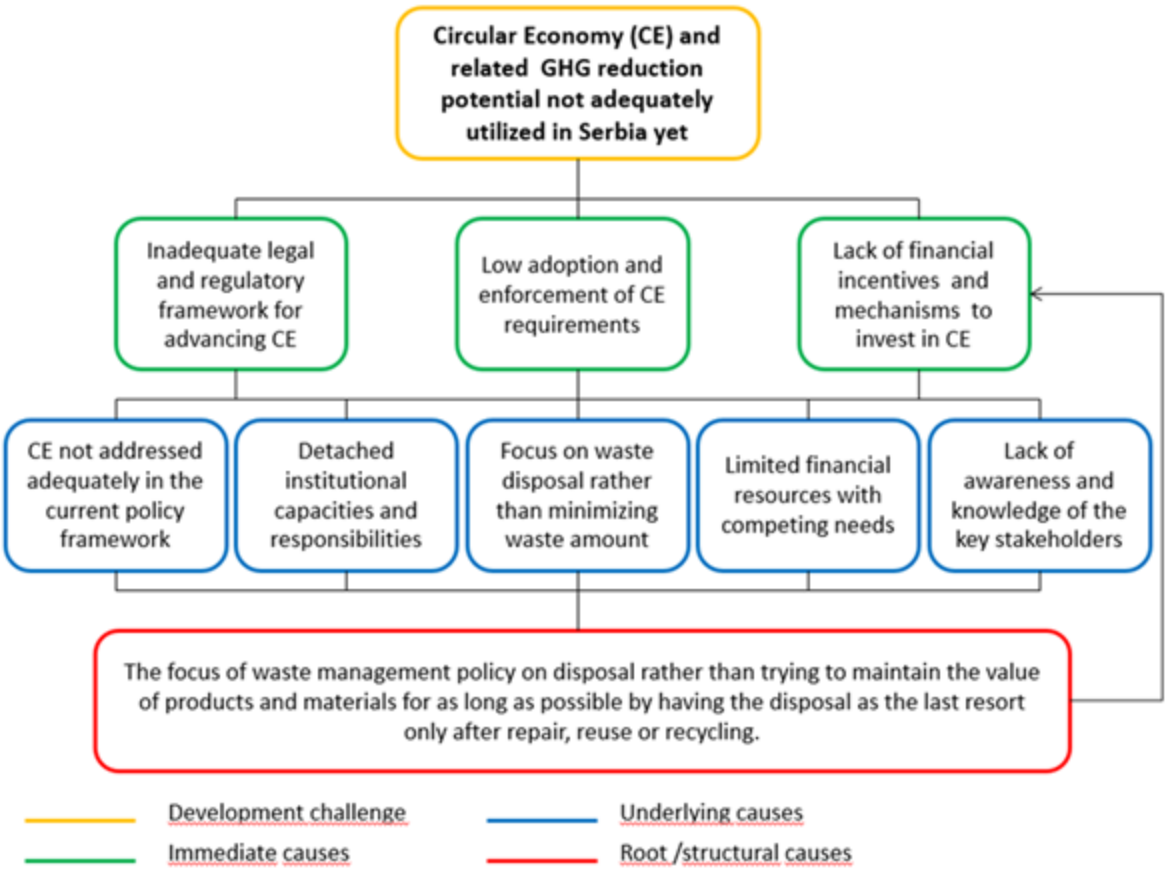


Figure 1 Problem tree

By building on the lessons learned, including the successful testing and piloting of low value performance-based payments and a challenge-based approach by the earlier GEF supported Climate Smart Urban Development (CSUD) project, a similar mechanism and financing modality for combatting climate change will be applied for advancing circular economy. The performance-based payments approach using financial incentives that do not exceed more than 20% of the total project cost have been proven successful, because it requires a meaningful cost-sharing contribution by the project owner and/or project other co-financing partners, while at the same time increasing project owner?s accountability on the results to be actually achieved. Further discussion on performance-based grants can be found from chapter IV.

Besides sourcing new innovative community-based business initiatives and investment ideas to serve as pilot projects using a blended finance approach mixing grants and equity and loans, the project will also address the equally important policy, capacity building and public awareness raising dimensions by engaging key stakeholders to work together on an enabling legal and regulatory framework, a strategic roadmap and related implementation program to facilitate a gradual move from the current linear to a circular economy, as illustrated by figure 2 below.

Figure 2 From linear to a circular economy in using limited natural resources

To address the identified development challenge, the immediate, underlying and root causes and the related causal chains discussed in the previous section, the theory of change (ToC) can be presented by an iterative process including three main elements, as illustrated in figure 3 below.

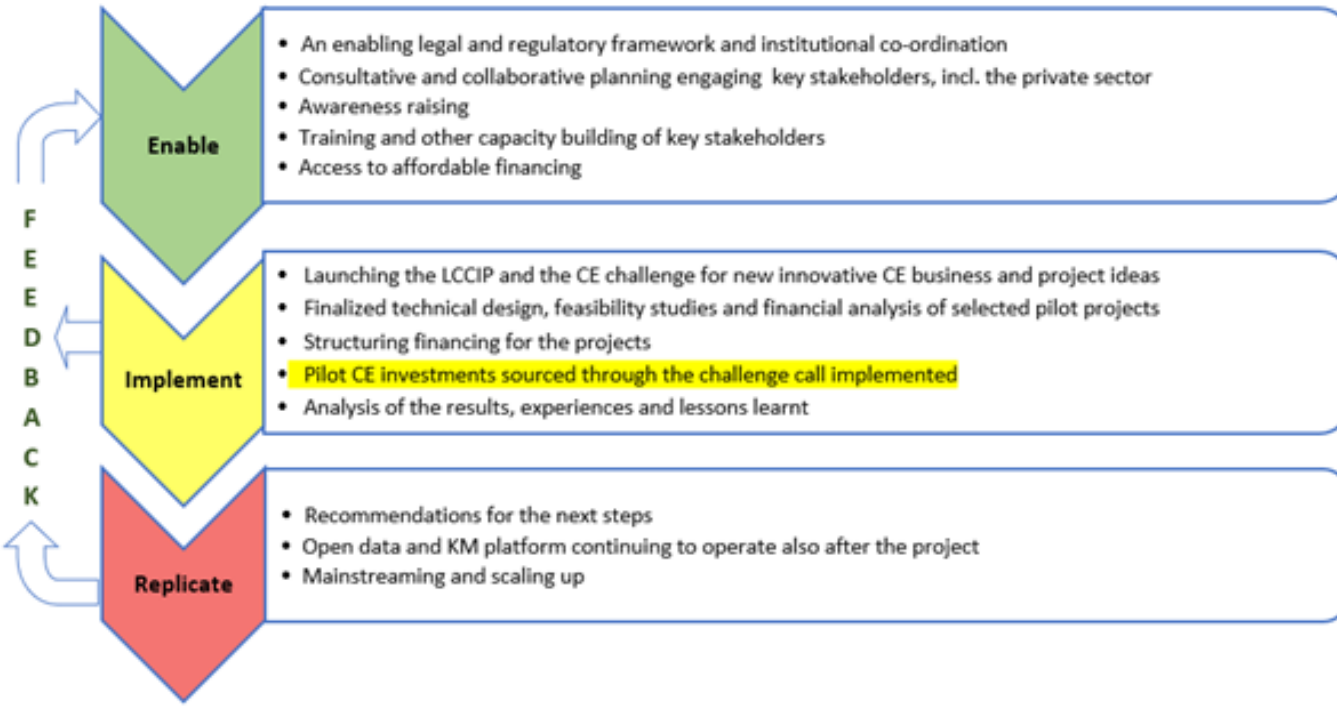


Figure 3: Simplified illustration of the ToC and the areas to be addressed and supported by the project

Furthermore, the causal chains between the identified barriers/underlying problems and the project outputs, outcomes and objective as suggested by the to STAP?s primer on the issue of Theory of Change (TOC) - https://www.stapgef.org/theory-change-primer is illustrated in figure 4 below. As commonly noted, access to financing is not really the main problem as long as: the economic and financial benefits of low and no carbon investments can be clearly demonstrated and verified based on credible data, there are trained local professionals to prepare and implement projects based on state of the art knowledge and practices, the policy makers also recognize and acknowledge the benefits of low and no carbon circular economy investments on country?s overall economic and environmental wellbeing and, consequently, advance enabling policies to facilitate this also in practice. As such, the Theory of Change also heavily builds on creating an enabling environment for further advancing the circular economy agenda in Serbia rather than just financing a few technical demonstration projects.

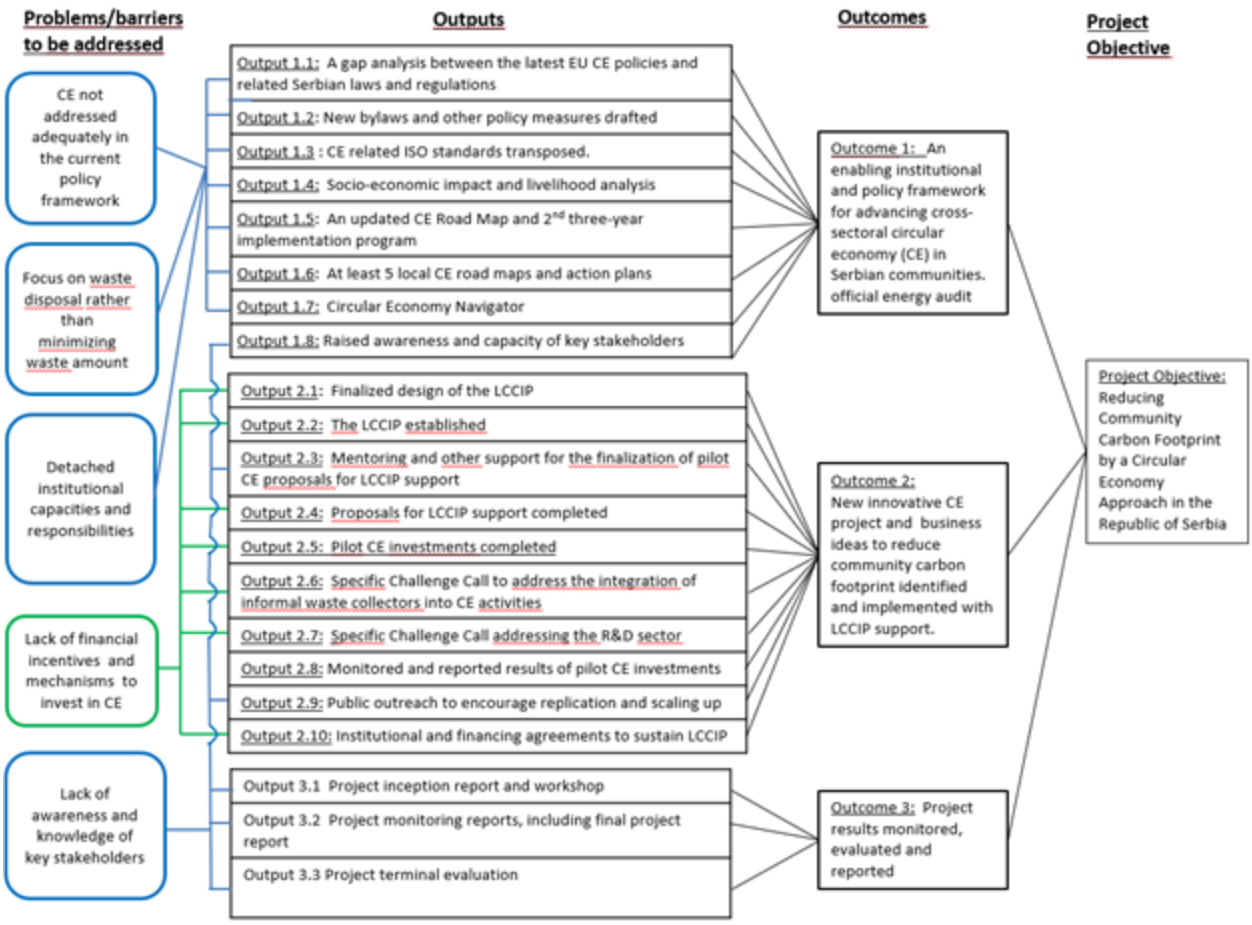


Figure 4: A complementary illustration of the ToC showing the causal chains

By taking a system-wide approach to circular economy by dematerialization (savings, reduction of material and energy use) and rematerialization (reuse, remanufacturing and recycling) as essential elements of a sustainable city and community development, the project seeks to establish an enabling policy and institutional framework and create a sustainable financing mechanism for facilitating the implementation of new technologies, processes and business initiatives. Switching the focus from the responsive passive approach in environmental protection to a modern, circular/green economy-based approach will provoke structural changes and create a market for new green investments and green jobs, while at the same time improving Serbia?s overall resource efficiency and reducing the greenhouse gas emissions and other pollutants to the environment.

It is also important to note that promoting circular economy is not only about supporting specific investments or facilities but about supporting a change in people's way of thinking, which should go through the entire society. Moving from a linear to a circular economy is not a project, but a process, which requires inputs and commitments from a variety of different stakeholders to work towards the same goal by hopefully recognized mutual benefits. Therefore, it is critical that from the very beginning the policy framework and suggested measures for moving towards a circular economy will be developed by a broad consultative process in close cooperation between the public, private, academic and civil society stakeholders. This offers an opportunity to better engage civil society and also emphasize the important role women can play in this process. Furthermore, it helps to foster

investments from the private sector and multilateral development banks and raise investors? awareness and transparency regarding the sustainability of their investments.

The project is following this approach by lending from the idea of a highly consultative, participatory and well-documented process of developing cross-sectoral national and community-oriented circular economy road maps, as earlier piloted in Finland, France, Slovenia and the City of Amsterdam. This will serve as an initial platform for the required consultations, research and awareness-raising and will be complemented by a funding mechanism to support and share the risks of new concrete initiatives and pilot/demo projects and business ideas.

Concerning the actual investments and new circular economy business opportunities, the project will follow the methodology and tools already tested within the CSUD project in order to further blend and leverage funding for climate resilient development solutions. These include innovation challenges and low-value performance-based payments, new types of partnerships with the private sector, multi-stage evaluation of proposals with strong ownership of national counterparts as well as incubation/acceleration type of technical assistance and mentoring provided to the project teams. The support will be organized by the establishment of a Low Carbon Communities Innovation Platform (LCCIP) for facilitated interaction between the cities and communities, research institutions and companies (both, public and private) in order to produce new innovative circular economy related project ideas and business solutions.

The project is contributing to the GEF-7 Focal Area Objective 1: "Promote innovation and technology transfer for sustainable energy breakthroughs?. As outlined by the GEF-7 Replenishment Programming Directions (GEF/R.7/10 April 2, 2018): ?*Technology is key area for the UNFCCC and in Article 10 of the Paris Agreement, and is one of the key means to reduce, or slow the growth in GHG emissions, and to stabilize their concentrations. To that end, technology innovation with the private sector can help to create or expand markets for products and services, generate jobs and support economic growth. Supportive policies and strategies are fundamental to catalysing innovation and technology transfer for mitigation and enhancing private sector investments. Resources from the GEF play a key role in piloting emerging innovative solutions, including technologies, management practices, supportive policies and strategies, and financial tools which foster private sector engagement for technology and innovation.*?

The Circularity Gap Report 2019, released during the annual meeting of the World Economic Forum in Davos further recognizes circular economy as a regenerative system in which resource input and waste, emission, and energy leakage are minimized by slowing, closing, and narrowing energy and material loops. Such an approach has been reaffirmed by the UNFCCC Secretariat as well.

Incremental/additional cost reasoning and expected contributions from the baseline, the GEFTF, LDCF, SCCF and co-financing

Incremental cost financing will be on the principal of a maximum of 20% performance based payment compated to the total project cost and ensuring that the projevt meets the criteria of additional meaning that the performance based payment played a critical role in helping the project to be commercially viable. The project is requesting funding for activities, which can contribute to, but are not directly included in any EU accession requirements or related Government action plans. Although fully aligned with the related EU and national policies and targets on integrated waste management, increased resource efficiency, climate change mitigation and increasing the share of renewable energy in a broader sense, they present complementary activities, which would not be implemented without the requested GEF support.

While about USD 1.78 million is requested from the GEF to contribute to the financing of the required TA and for M&E activities as well as to provide complementary innovation awards and performance based payments to encourage and share the risks of new circular economy pilot and business initiatives,

cost-sharing at the level of over USD 14 million is expected from the project cofinancing partners as elaborated in further detail in table C of Part I of this endorsement request. This represents a co-financing ratio of 8 to 1. During project implementation, the project will also further explore opportunities for alternative financing such as crowd-funding for those new project and business initiatives that may be suitable for this type of financing.

In the project investment component, the GEF grant of USD 850,000 will be used as catalytic seed funding to mobilize private sector investments as well as co-financing from domestic and international financing organisations (incl. bilateral donors, development agencies etc.) by using the same implementation and co-financing strategy for investments, which has already been successfully demonstrated in the frame of the ongoing Climate Smart Urban Development (CSUD) project. For the investment of GEF funds at the amount of USD 500,000, the CSUD project has already managed to leverage private sector co-financing at the amount of over USD 10 million for concrete investment projects which represents a co-financing ratio of 20 to 1. This new project attempts to do the same, but this time with the focus on circular economy projects in particular.

Global and local environmental benefits

In November 2014, the GEF Secretariat, in cooperation with STAP, started a review process aimed at further refining its GHG accounting methodologies, and exploring opportunities to harmonize them with those developed by relevant partners. The results of this exercise: ?Guidelines for Greenhouse Gas Emissions Accounting and Reporting for GEF Projects? were presented to the GEF Council in 48th meeting in June 2015. The GHG analysis conducted for the project takes into account these updated guidelines and recommendations as elaborated in further detail below.

While definition of the GEF on direct GHG emission reductions has remained unchanged as ?emission reductions, which are attributable to the investments made during the project's supervised implementation period and totaled over the respective lifetime of the investments?, for ?indirect emission? reductions the new guidelines recommend the use of the term ?consequential emissions? instead, defined as ?those projected emissions that could result from a broader adoption of the outcomes of a GEF project plus longer-term emission reductions from behavioral change.?

No agreed GEF methodology for calculating GHG benefits of circular economy projects has been developed yet, but GEF methodology adopted in 2013 for ?Calculating Greenhouse Gas Benefits of the Global Environment Facility Energy Efficiency Projects (Version 1.0) can be applied for this purpose. As defined in the methodology, the direct GHG emission reductions ?are those achieved by project investments such as technology demonstrations and discrete investments leveraged during the project?s supervised implementation period?. In contrast, GHG emission reductions achieved, for example, as a result of market facilitation and development through project-supported policy and institutional frameworks, capacity building, information gathering, and replication effects of demonstration activities, are considered indirect GHG emission reductions (or as later *defined consequential emissions).*

The methodology defines 4 different modules for determining GHG emission reductions, including the following:

- Standards and Labeling
- Building Codes
- Demonstration & Diffusion
- Financial Instrument

From these, the module of ?Financial Instrument? is most applicable for the project under consideration since the final selection of the projects to be supported by Low-Value Performance Based Payments has not been done yet, but will be done during the project implementation. In addition, the candidate projects represent a variety different sectors and different type of projects, for which different GHG assessment methodologies would need to be used.

The global environmental benefits of the project consist of direct and indirect greenhouse gas (GHG) emission reductions. In addition, by advancing resource use by circular economy approach, the project seeks to reduce the amount of plastic and other hazardous waste ending to international waters by the rivers running through Serbia.

The details of the investments supported by the GEF funds will only be known after the first projects for the LCCIP support have been selected. The minimum target for the direct GHG reduction impact of the project has, however, been set as 0.12 tCO2eq reduced for each USD of GEF funds invested. With the proposed allocation of USD 0.85 million of GEF funds to directly support the new pilot initiatives during the GEF project implementation, the direct GHG emission reduction target of the project can be counted as at least 100 ktons of CO2eq over the respective lifetime of the investments This can result, for instance, from energy savings by using recycled raw materials, increasing the share of renewable energy production by different waste to energy applications, reducing methane or other GHG emissions from materials currently disposed into landfills, improved transport logistics of different resource streams etc. The reported emission reductions will be closely monitored and verified over the GEF project duration by a detailed MVR plan required from each supported pilot project as a prerequisite to receiving any GEF funds.

While the direct GHG emission reduction impact may look modest compared, for instance, to many methane reduction projects (due to 25 times higher global warming potential of methane compared to CO2), the project aims at promoting new circular economy project and business ideas rather than just providing complementary grant funding for already quite common and well tested traditional methane reduction and utilization projects at landfills. While with the proposed project approach the initial direct GHG emission reduction impact can be more modest, the potential for replication by opening new avenues for circular economy and related incremental consequential GHG emission reduction can be far greater

The indirect GHG emissions reduction impact of the project (as per the GEF definition of indirect impact) will come from three sources: 1) successful replication and/or scaling up of the pilot initiatives supported directly by GEF funds; 2) creating an enabling institutional and policy framework for initiating new business ideas in the area of greater resource efficiency and circularity approach to resource management; and 3) contributing to a broader transformation from linear towards a low-carbon circular communities with related GHG reduction benefits. An exact quantitative estimate for this is difficult to give at this stage, but by using as a reference the estimated total GHG emissions of 3 276 ktons of CO2eq originating from the waste management sector in Serbia in 2014, an indirect GHG emission reduction target corresponding to about 5% of these emissions per year over the next 10 years after the project completion (equal to about 1 640 ktons in total) appears as an achievable target.

Innovation

The project includes several innovative elements both in Serbia and in the global context, including the entire concept of moving from the current linear to a new circular economy-based approach that improves resource and product efficiency, creates green jobs and reduces significantly harmful emissions, including GHGs. It will create a new type of platform for closer interaction between the Government, local communities, companies, financing entities and research institutions in advancing circular economy in Serbia, thereby contributing also to the related policy development taking into account the findings of the scientific community and the feedback from the private sector. Collectively prepared Circular Economy Road Maps have just been prepared for a few countries so far and Serbia would be among the first GEF programme country/ies to further proceed with such an initiative. Combining this with the development of a ?Circular Economy Navigator" is presenting a novel idea as well. On the financing side, the project will explore new green funding schemes and provide a new platform for blended financing for combining different financial sources from bilateral donors, private sector and other international sources such as EU IPA and multilateral funds. Applying different incentive, risk sharing and co-funding instruments in an innovative and flexible way with the support of such platform still presents a novel approach to project financing in Serbia and would make the targeted circular economy investments and related business development more attractive also for the private sector. The innovation challenges combined with performance-based payments (PBPs) will be an elementary part of this initiative as a method for sourcing new project and business ideas as well as

exploring the use of new financing modalities such as crowd-funding (with or without the PBPs) in financing circular economy investments. Finally: No medium or full-size GEF funded project with a specific focus on supporting sustainable city development by a circular economy and challenge based approach has been implemented yet. As such, the project can be considered to have some innovative elements also from this viewpoint.

As regards the pilot CE investments selected by a challenge call and supported by new type of innovative financing modalities, the project is advancing by innovative ?*best-value-for-money? principles*? innovative solutions that can be applied and replicated at the community level, thereby assistin the cities in becoming sustainable and aligned with the global development agenda and with the Paris Agreement Goals. The innovation challenges used by the project, complemented by acceleration support and PBPs as co-financing and by supporting access to other innovative financing products for low-carbon, circular economy solutions and businesses, the project will facilitate that such new cost-effective innovations can enter the market that otherwise would remain hidden. For some issues, such as waste management, the project will introduce completely new approaches to existing practices by applying principles of circular economy, bringing new values to waste materials and creating new market of secondary raw materials. Serbia needs to transform its industrial production in line with the advanced EU standards, by applying best available technologies to reduce harmful emissions. Project will also pioneer implementation of Serbia?s new Industrial Development Strategy that promotes circular economy as completely new and innovative approach in industrial production. In doing so, the project will create a pool of innovative best-available techniques/technologies for potential selection and application by interested industries. In addition, the team of mentors will assist interested industries, through the acceleration process, to test and apply such innovative techniques/technologies.

Sustainability and potential for scaling up

For sustainability, it is essential that the supported pilot initiatives offer both long and short term ?win-win? opportunities, including environmental, economic and, when applicable, social ones. Realistic cost-sharing opportunities of project owners and other key stakeholders will be taken into account from the very beginning together with the engagement of the private sector. The GEF contribution is limited up to 20% of the total investments, which can be considered as a reasonable cost-sharing ratio for de-risking new innovative project and business ideas not tested before, while also ensuring that the supported projects have an adequately healthy financial basis and risk profile without oversubsidizing them. As regards the sustainability of the proposed challenge based financing mechanism, the Ministry of Environmental Protection is currently looking for new financing vehicles, which would facilitate partnerships with the private sector, in particular the waste industries, to move away from direct subsidies towards blending of funds and leveraging private capital. After initiated by the GEF project, the proposed challenged based financing mechanism is envisaged to be later included among the financial support modalities of the Ministry of Environmental Protection together with a variety of other financing instruments that can be used for supporting environment and climate infrastructure/project investments. In other words, the Ministry can take the proposed challenge based financing mechanism over and continue to manage and implement it also after the GEF project. Worth mentioning in this context is also the EUR 820 million InnovFin Programme of the European Investment Fund (EIF) and the ProCredit group allowing banks in Germany, Greece, Ukraine, Georgia, Albania, Bosnia and Herzegovina, Bulgaria, Macedonia, Moldova, Romania and Serbia to offer innovative SMEs and mid-caps additional lending by reducing the collateral requirements without passing on the cost of increased risk to the client, thereby also reducing the required grant funding to support such projects.

Potential for scaling up will be among the key criteria when evaluating the proposals submitted for LCCIP. The required framework for this is provided by the preparation of the Circular Economy Road Map identifying the challenges and opportunities for improved resource efficiency and circular economy in a broader national context, while also identifying and highlighting tangible actions (through the challenge call and otherwise), which could be easily implemented, replicated and scaled up from the economic and commercial point of view. Rather than preparing and updating the Road Map and the related Implementation Program as a simple civil servant or consultancy work, the aim is to produce them by a truly consultative and participatory process by bringing different stakeholder

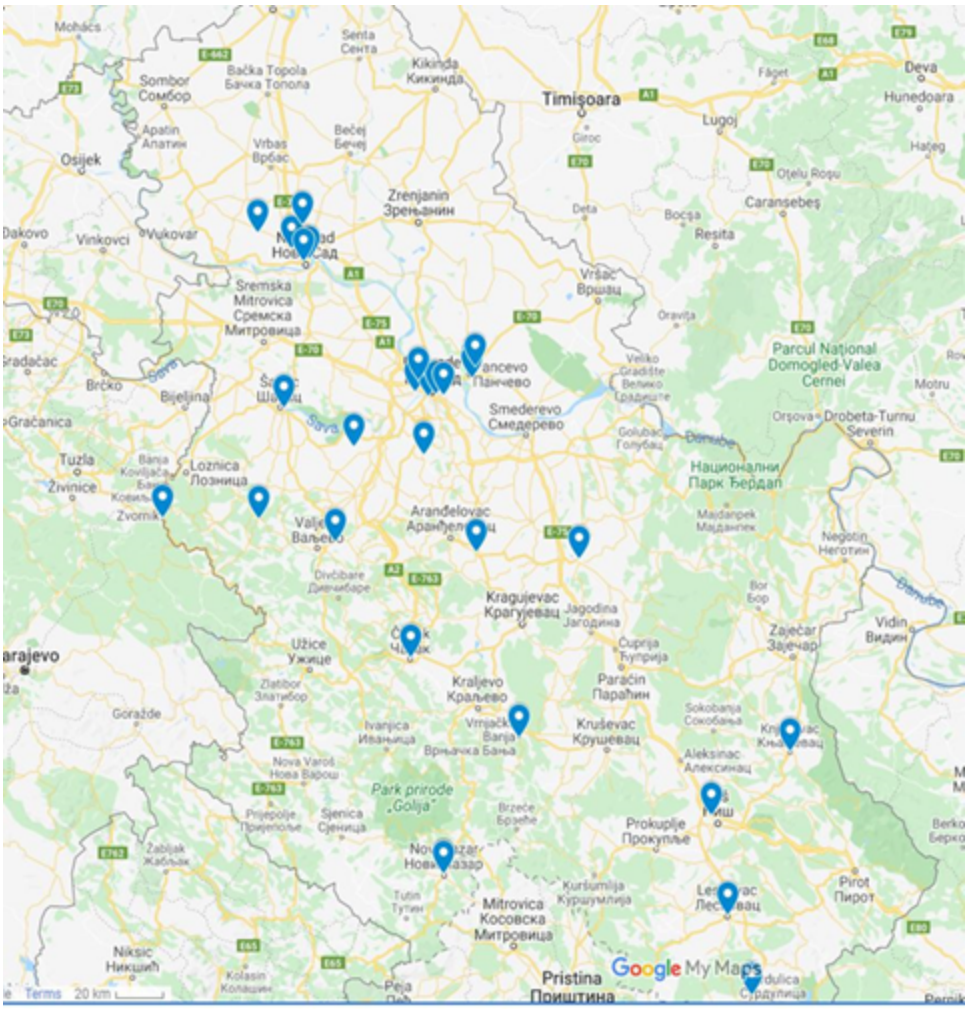
together to discuss and work on concrete actions that are required to accelerate the process towards a more efficient use of natural resources in Serbia. As a part of this process, the awareness of the key decision makers and their trust on the benefits and opportunities of moving towards circular economy at the community level can also be built in general. The market transformation towards a low-carbon, resource efficient circular economy will be further enabled and encouraged, as needed, by assisting the Government in drafting new legislative and regulatory acts to remove the identified barriers for related business ideas as well as by facilitating the transfer of the knowledge and experience gained during the project by using public media, seminars, workshops and other already existing communication and co-operation platforms, including the GEF supported Circular Economy Platform. Given the foreseen interest of several GEF programme countries to similar activities, the materials developed, and the results and lessons learned during the project are expected to be of direct interest also to them. The rapidly growing international recognition of the importance of moving from a linear to a circular economy as key means to combat climate change is likely to give a further boost for scaling up the project impact. The project will also work with the commercial banks and lending institutions to support scale up of businesses that will be suitable candidates for green borrowing and transformation. Such support will include the acceleration support services of the LCCIP and will match suitable candidates with the bank?s green borrowing criteria.

[1] https://www.resourcepanel.org/reports/global-resources-outlook

1b. Project Map and Coordinates

Please provide geo-referenced information and map where the project interventions will take place.

See Annex E



	x	y
1	20.3993676	44.8248692
2	19.1056975	44.3735643
3	21.865513	43.3432973
4	20.3728121	44.8061773
5	20.5170294	43.1415301
6	19.7527622	45.2897185
7	20.6673601	44.8773739
8	22.0636676	42.714109

9	20.4421817	44.7900487
10	21.1966631	44.2319619
11	20.6602893	44.852582
12	20.3497327	43.892712
13	20.4786065	44.7960868
14	19.5885307	44.3725565
15	20.51833	43.1406209
16	19.7122615	44.749453
17	20.680837	44.2552653
18	21.944477	42.9954468
19	20.6760572	44.8895872
20	19.8391598	45.2574751
21	20.8968819	43.6166348
22	19.8072075	45.3699623
23	20.0686153	44.6179858
24	19.9721542	44.2922947
25	19.5818069	45.3443845
26	19.8126626	45.2474707
27	20.4196003	44.5920241
28	22.2556227	43.5674618
29	20.3914324	44.8428829
30	20.5149877	44.7951139

1c. Child Project?

If this is a child project under a program, describe how the components contribute to the overall program impact.

n/a

2. Stakeholders

Select the stakeholders that have participated in consultations during the project identification phase:

Civil Society Organizations Yes

Indigenous Peoples and Local Communities

Private Sector Entities Yes

If none of the above, please explain why:

In addition, provide a summary on how stakeholders will be consulted in project execution, the means and timing of engagement, how information will be disseminated, and an explanation of any resource requirements throughout the project/program cycle to ensure proper and meaningful stakeholder engagement. A Stakeholder Engagement Plan is attached to the project document as Annex 9 and has been uploaded with the submission also as a separate document.

During project implementation, the engagement of key stakeholders will be facilitated by multiple means starting with the project inception workshop. Depending on the situation with the COVID-19 at that time in Serbia, the inception workshop can be organized either as an on-site or an on-line event. An integrated on-line knowledge management, public outreach and match-making platform named to Circular Economy (CE) Navigator will also be established among the first project activities (output 1.7) in order to share up to date information of the project as well as to educate key project stakeholders and the general public on the key topics the project is dealing with. The CE Navigator also includes a forum, in which these topics can be discussed and through which specific questions to the project management or other project participants on those topics can be made. Other means for engaging stakeholders and facilitating public participation will be the workshops and training activities organized during the projects as its final report and terminal evaluation, which will also be published online.

The project Implementing Partner and the project management assigned by it has the overall responsibility for implementing the Stakeholder Engagement Plan with UNDP providing oversight. The project management may also assign certain tasks for implementing the plan for other parties, subject to a written agreement. The ultimate responsibility for ensuring the implementation of the plan at the adequate level also in this case, however, remains with the project Implementing Partner.

As regards the stakeholders to be engaged and the timing for that, a reference is made to the table included in the stakeholder engagement plan. The project budget includes specific budget lines for engaging local experts, training and public outreach workshops and for establishing and managing the CE Navigator, which are all part of or contribute to local stakeholder engagement. While the total budget for project?s technical assistance activities excluding project management will be about USD 835 million, it is difficult to define what particular share out of this is assigned for stakeholder engagement, siince it will be a core element of all project?s technical assistance activities in one form or another. In the project?s M&E framework, there are also gender specific indicators measuring, for instance, the number of participants in project?s training activities, recording the visitors at the project websites well as indicators for checking and monitoring that project activities contributing in one way or another to stakeholder engagement such as workshops, project monitoring and evaluation reports have been completed on time and published online.

Please provide the Stakeholder Engagement Plan or equivalent assessment.

Annex 9: Stakeholder Engagement Plan

Public engagement during project development

The key stakeholders listed in table 3 below have been consulted and their comments taken into account in project development. Due to the restrictions caused by the global COVID-19 pandemic, no on-site project preparation workshops could be organized, but the key stakeholders were be engaged by using different on-line collaboration platforms and video-conferencing facilities beside a few on-site meetings by adopting the required precautionary measures.

Particular consultations have been conducted with the private sector to explore their interest and also experience in dealing with circular economy and their collaboration with communities. Consultations were conducted with the Nordic Business Alliance that encompasses companies such as Ikea, Volvo and Velux with good track record of collaborating with communities in fostering circular economy and improving resource and energy efficiency. One of the main outputs of this collaboration relates to the improvement of public services that municipalities are providing to their citizens. The companies participating the Climate Incubator/Accelerator of the Climate Smart Urban Development Challenge were also consulted for their experiences from this support, which has been taken into account in the project design.

During the PPG phase, a pre-challenge call was organized resulting in 50 CE proposals from five sectors, proposed by public and private entities.

As a part of the PIF preparation in December 2019 - March 2020, the project team conducted consultative meetings with local self-governments, namely the Cities of Belgrade, Kragujevac, Nis and Krusevac. All of them expressed interest in further exploring and taking into account the principles of circular economy in city planning and operation of public utility companies, while also preparing to develop and present concrete investment projects to that effect. The cities also expressed the need for additional policy support for introducing circular economy value chains by creating enabling regulatory and financing framework at the local level.

Concerning the financing sector, the project team consulted IFIs and local commercial banks for available financing instruments, including less traditional ones such as green bonds, green guarantees and crowdfunding. Worth mentioning in this context is also the EUR 820 million InnovFin Programme of the European Investment Fund (EIF) and the ProCredit group allowing banks in Germany, Greece, Ukraine, Georgia, Albania, Bosnia and Herzegovina, Bulgaria, Macedonia, Moldova, Romania and Serbia to offer innovative SMEs and mid-caps additional lending by reducing the collateral requirements, without passing on the cost of increased risk to the client. Discussions with EBRD were held about their future plans to support circular economy related businesses in the entire Western Balkans region.

Other consulted groups have included representatives of relevant state institutions, academia and CSOs. These consultations were primarily held in the frame of UNFCCC CoP26 preparations, where circular economy was specifically pointed out as a still largely unexplored area for helping the countries to comply with the targets of the Paris Agreement. This was further reiterated by the establishment of a specific working group by the Ministry of Environmental Protection to serve as a multi-stakeholder consultative vehicle for developing and implementing circular economy in Serbia. As the coordinator of the working group, the Ministry of Environmental Protection is expecting that the proposed GEF project can provide much needed support for final formulation and operationalization of the CE concept in Serbia. UNDP has been acting as the secretariat for the working group and its inputs have been considered in the development of the proposed GEF project.

The project has also explored the possibilities for collaboration with the "Product Stock Exchange" ? a public company that supports introduction of the market of secondary raw materials in Serbia.

The stakeholders, their relevant interests, and why they are included and who will be represented on the Project Board is listed below.

The key stakeholders, their envisaged roles and reasons for their inclusion are summarized in table 3 below.

Table 3. Key partnerships of the project and Project Board Members

Name of the entity	**Envisaged role and potential areas for co-operation during project implementation**	**Timing of engagement**
Central government administration and related organizations and companies		
Ministry of Environmental Protection (MoEP) (Project Board Chair and Key Implementing Partner)	The project implementing partner, ensuring timely implementation of project activities and reporting on the achieved results. Coordination of the work with other entities engaged as project partners and across the Government counterparts. The MoEP is also responsible for environmental protection, circular economy, industrial emissions, waste management and climate change related issues in general, including related legal and regulatory framework. It is also the Government entity in charge of financing green investments from the Government budget and for supporting investments into environmental infrastructure at the local level. The MoEP will provide the required financial resources to ensure sustainability of project interventions upon the project closure.	From the beginning of the project
Ministry of the Economy	This Ministry is in charge of the Industrial Development Strategy for Serbia, which includes also circular economy under one of the priority areas of intervention. Its primary goal is to promote principles of circular economy among industries and the application of best available technologies in order to improve efficiency of production and reduce environmental pressure.	As needed
Ministry of Finance	A key stakeholder for the establishment of any new financial support mechanisms. The role of the Ministry of Finance in the project would be to ensure that financing mechanisms, such as Innovation Awards, Performance-based Payment Agreements, are integrated gradually into the Government budgeting and financing framework. The Ministry of Finance also approves budget plans for and expenditures of other governmental entities, including resources that are to be used as co-financing for any Government co-financed projects.	As needed

Ministry of Education, Science and Technological Development	Responsible for matters dealing with education, research, innovation and intellectual property rights. This Ministry is also one of potential partners for collaboration under the LCCIP as it will implement the project related to the construction of brand-new Student Housing Campus that will be based completely on circular economy, energy and resource efficiency principles. This project will result in near zero-emission / zero waste circular building. As such it can be used as a model of good practice that can be widely promoted for the purpose of replication and upscaling of similar investment projects.	As needed
Ministry of Mining and Energy (MME)	A foreseen project partner for energy efficiency and renewable energy related matters requiring the engagement of the Government entity responsible on these matters. Also, the role of the Ministry will be important to ensure facilitation of permitting procedures for relevant projects and guide potential investors into energy related circular solutions.	From the beginning of the project
Ministry of Construction, Transport and Infrastructure	Responsible for matters dealing with construction, infrastructure and transport. Oversees implementation of legislation related to energy permits for buildings, transport sector (e.g. in case of construction of roads); Developing and managing a database on buildings with energy certificates which is relevant for the circular buildings projects that will also have significant impacts on energy performance of buildings.	As needed
Statistical Office of the Republic of Serbia (SORS),	The main entity in Serbia responsible for compiling and publishing official statistics on different sectors and activities	As needed
Institute for Standardization	A key stakeholder to co-operate with on any matters concerning CE related ISO and standards and their adoption in Serbia (Output 1.3)	
State Hydrometeorological Services	Collecting and managing various climate related data	As needed
Public Procurement Office	An independent government agency to help the establishment of sound procurement procedures and practices to ensure that public funds are spent in an efficient and transparent way. A key counterpart to discuss matters concerning CE related public procurement policies and procedures in accordance with the new Law on Public Procurement that include elements of green public procurement.	As needed
The Administration for Joint Services of the Republic Bodies (UZZPRO)	This is a Government entity that is in charge of management of all public buildings under the authority of the Central Government. Their particular role may be of importance in case that some of the circular economy/decarbonization solutions can be applied in government building which can have significant scale-up effect.	As needed
Local (city) administration and PUCs		

Administrations of local self-governments	Key project counterparts at the municipal level, including local energy management offices, environmental departments and entities dealing with other municipal services. Also responsible for updating the local waste management plans as a logical entry point also for CE related matters.	From the beginning of the project
Standing Conference of Towns and Municipalities (Project Board member representing interests of the local self-governments/local communities)	A representative of the Serbian municipalities and a key project partner to support the introduction and implementation of project related activities at the municipal level with the related outreach, networking, co-ordination and training activities through its working committees and otherwise. Also participating in the legal and regulatory work by reviewing and commenting draft regulations.	From the beginning of the project
Regional Development Agencies	Possible project partners at the regional level	
Regional Waste Management Centers	The regional waste management centers are established by the decision of several municipalities to jointly manage waste on their territory (including collection, transport and processing of waste). The project will establish close collaboration with regional waste management centers in order to provide them with solutions for improved waste recovery that, if multiplied and upscaled can have large impact on boosting circular economy.	
Regional Energy Efficiency Centers	Technical experts to support the project implementation in any EE related matters. Such centers, among others, in Belgrade, Nis, Novi Sad, Kragujevac and Kraljevo.	
Energy and Environment related NGOs and professional associations		
Chamber of Commerce and Industry	Envisaged project partner for engaging and advancing the CE agenda within the private sector, including knowledge management, capacity building and training	From the beginning of the project
Chamber of Commerce of Green Serbia	A voluntary, independent business expert organization founded in April 2013 to pursue goals on all green economy subjects in the spheres of energy production, environmental protection, green building and sustainable agriculture.	
Chamber of Engineers	Envisaged project partner for engaging professionals and providing advisory services related to buildings? energy performance calculation methodology, technical design and construction.	From the beginning of the project
Serbian Industrial Energy Efficiency Network	Established under the Norwegian-Serbian Energy Efficiency Cooperation in partnership with the Belgrade University and the Institute for Energy Technology, IFE, to facilitate information exchange and promotion of energy efficiency in the industry.	

National Association for Local Economic Development (NALED)	Association of businesses, local governments and civil society organizations which work together on creating favorable conditions for improving the business climate and encouraging economic growth in Serbia.	From the beginning of the project
Climate KIC	Funded by the European Institute of Innovation and Technology, the Climate KIC contributes to creating a prosperous, inclusive, climate-resilient society with a circular, zero-carbon economy. It operates in Serbia through the projects that are implemented by the Chamber of Commerce and Industry. They will in particular contribute to the project by sharing knowledge, know-how and also by parallel co-financing of project activities.	
Other NGOs	Possible areas for co-operation to be clarified further with NGOs and related initiatives such as: ? European Movement in Serbia ? National Convent on the EU ? Environmental Ambassadors for Sustainable Development ? RES Foundation ? Heinrich B?ll Stiftung ? Representation Belgrade ? European Center for Regional Cooperation ? Centre for Ecology and Sustainable Development ? National Association for Local Economic Development (NALED) ? Cirekon (Circular Economy oriented CSO) ? Environmental Engineers ? Belgrade Open School ? Yurom Center from Nis ? organization for the protection of Roma people rights and their active involvement in the society ? CSO Standing Conference Roma Citizens Association (SKRUG) ? League of Roma	
Universities and other scientific, research and educational entities		
Local universities and other research and educational entities	Scientific research, further elaboration and implementation support to advance circular economy in Serbia	From the beginning of the project
Public Utility Companies (PUCs)		

Local public utility companies on heat and water supply, waste & wastewater management and other public utility services	Envisaged project partners for collecting and sharing data on different public services and for implementing CE related measures and initiatives in their particular field	
International organisations and financing entities		
EBRD	The EBRD is implementing Circular Economy Regional Initiative (Near Zero Waste), which is a GEF funded initiative that includes Serbia and other countries of the Western Balkans. The objective of the project is to catalyse and scale up of circular economy initiatives by addressing barriers to investments in circular economy technologies and processes, and adoption of circular economy strategies and business practices. The project will establish partnerships with the mentioned EBRD initiative in order to jointly consider support in policy planning, but also in supporting innovative decarbonization solutions based on the circular economy. This will ensure synergy and upscale of the impacts of both initiatives. In addition, the project will cooperate with the EBRD?s ?Green Cities Initiative? in particular in assisting Local Self Governments in the development of environment and climate related policies, including the local circular economy roadmaps.	
EU / IPA	Envisaged co-operating opportunities in the legal and regulatory framework development. Also EU is the largest donor in Serbia, supporting the implementation of projects that contribute to the improvement of environmental infrastructure (waste, wastewater treatment, greening of the industrial sector, sustainable transport and construction and reducing carbon emissions etc.) in line with the priorities of the Serbian Government. The Government of Serbia also endorsed in November 2020 the Sofia Declaration on Green Agenda for the Western Balkans which strongly promotes decarbonization and circular economy transition. The EU Delegation to Serbia provided parallel co-financing letter to the project.	From the beginning of the project
GIZ	Envisaged co-financing source for CE related investments and technical assistance. The GIZ acts in to support the Government as well as municipalities to improve environmental infrastructure, in particular in the area of waste management (reuse and recycling). Channeling the funds of German Government, the GIZ invests into technological solutions and public utility companies in charge of waste and wastewater treatment. The GIZ also supports Serbia?s efforts to create policies and actions in line with the circular economy principles (joint work with UNDP in supporting the Ministry of Environment to produce first CE Roadmap). The synergy will be sought between the project and GIZ activities to ensure maximum impact.	

EIB	European Investment Bank is operating in Serbia to provide favorable loans in green investments, for both government and private entities. Their focus is on supporting energy efficiency and renewable energy investments in public and private sector, as well as improved waste management. EIB also intends to implement in Serbia its circular economy related borrowing schemes and seeks partnerships with interested development partners and potential beneficiaries. The project will facilitate the inveiglement of EIB in financing circular investments sourced through the challenges.	
EIF InnovFin and Procredit Bank	The InnovFin Programme is a joint initiative of the European Investment Fund (EIF) and the ProCredit group supported also by Horizon 2020 - the EU Framework Program for Research and Innovation to increase lending to innovative SMEs and mid-caps. As such, in the frame of the UNDP supported and GEF financed project it presents an envisaged co-financing source for CE related investments and business development.	
UNDP (member of the Project Board)	Responsible for overall project oversight and provision of implementation support for Component 2 with Performance Based Payments.	From the beginning of the project
Private sector	The private sector (including companies and industries) is recognized as one of the key beneficiaries of the project with significant potential for leveraged financing for green investment projects. The results of recent research on Covid19 recovery of the economy in Serbia, conducted by UNDP and EU, indicate significant interest of corporate sector to invest in green transition, in particular decarbonization and circular economy. The private sector understands the economic benefits of green transformation. The project will build up on this momentum to accelerate this transformation by leveraged financing and de-risking of public and IFI financing.	

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The steps and actions to achieve meaningful consultation and inclusive participation, including information dissemination

During project implementation, the participation will be facilitated by multiple means starting with the project inception workshop. Depending on the situation with the COVID-19 at that time in Serbia, the inception workshop can be organized either as an on-site or on-line event.

An on-line knowledge management platform (aka CE Navigator) will be established among the first project activities in order to share up to date information of the project as well as to educate key project stakeholders and the general public on the key topics the project is dealing with, including a forum, in which these topics can be discussed and through which specific questions to the project management or other project participants on those topics can be made.

The consultations with all stakeholder listed in Table 3 will be continued throughout the project implementation at the time and the level required. Given the nature of the project, the targeted stakeholders will be primarily engaged through bilateral discussions with the entities representing those groups as well as by organizing at least one or two larger consultative knowledge management workshops, where the project intermediate results and further implementation can be presented for and

discussed with a broader audience. The participants are encouraged and expected to bring up their views on the main barriers to effective promotion of low-carbon, resource efficient circular communities in Serbia, on their possible role in removing those barriers as well as on possible negative impacts and consequences, which the circular economy initiatives may have for certain groups of population in Serbia. As an example, the collection of recyclable materials from household waste in Serbia is often undertaken by informal waste collectors, mostly Roma people, which would need to be taken into account during further project preparation and implementation. For this purpose, the project will establish active collaboration with Roma people- oriented organizations, such as the Yurom Center from Nis, with whom both the Government and UNDP have already established relations based on joint implementation of environmental projects. Also, women, as well as children are currently heavily engaged in waste collection. While greater efficiency and formalisation are essential for increasing the recycling rates, there is also a need to take care of the continuing income opportunities of the current informal waste collectors. It is also possible that even after the project implementation and ?formalization? of the employment of women in waste management, there may still be open gender equality/labor related issues.

The proposed project will support the processes of mainstreaming human rights issues through its design and activities by a clearly defined human-rights based approach. It will support the implementation of open monitoring, information and knowledge management as well as broad community engagement and participation in the preparation and updating of key policy documents such Serbia Circular Economy Road Map and Implementation Programs under Outcome 1. This will be done by a highly participatory approach, thereby seeking to improve the transparency and accountability of local governance, opportunities for public participation in decision making and development of people?s living environment. In this way the project will support the right to information and will aim to reflect the views of various stakeholders, including minorities and marginalized groups in the project design and operation. More efficient and environmentally friendly use of limited natural resources is expected to contribute to the further improvement of quality of life and the advancement of equal human rights to safe and clean environment, while also creating new employment and business opportunities thus supporting the right for equal employment. Throughout the project implementation, specific emphasis will also be placed on gender related aspects and equal rights of men and women.

Other means for engaging stakeholders and facilitating public participation will be the workshops and training activities organized during the projects as its final report and terminal evaluation, which will also be published online.

Roles and responsibilities for implementation of the Plan

The project Implementing Partner and the project management assigned by it has the overall responsibility for implementing the Stakeholder Engagement Plan with UNDP providing oversight. The project management may also assign certain tasks for implementing the plan for other parties subject to a written agreement. The ultimate responsibility for ensuring the implementation of the plan at the adequate level also in this case, however, remains with the project Implementing Partner.

The timing of the engagement throughout the project cycle

See table 3

The budget for stakeholder engagement throughout the project cycle and, where applicable, for related capacity-building to support this engagement

There is not specific budget titled stakeholder engagement , but there are specific budget lines for engaging local experts, training and public outreach workshops, establishing and managing project website, which all part of or contribute to local stakeholder engagement. While the total budget for project?s technical assistance activities excluding project management is about USD 0,7 million, it is difficult to define what particular share out of this is assigned for stakeholder engagement in particular since it will be a core element of all project?s technical assistance activities in one form or another.

Key indicators of stakeholder engagement during project implementation, and steps that will be taken to monitor and report on progress and issues that arise

In the project?s M&E framework, there are gender specific indicators measuring, for instance, the number of participants in project?s training activities, recording the visitors at the project website well as indicators for checking and monitoring that project activities contributing in one way or another to stakeholder engagement such as workshops, project monitoring and evaluation reports have been completed on time and published online.

No Free, Prior and Informed Consent (FPIC) by indigenous people is required for project activities.

In addition, provide a summary on how stakeholders will be consulted in project execution, the means and timing of engagement, how information will be disseminated, and an explanation of any resource requirements throughout the project/program cycle to ensure proper and meaningful stakeholder engagement

Select what role civil society will play in the project:

Consulted only;

Member of Advisory Body; Contractor;

Co-financier; Yes

Member of project steering committee or equivalent decision-making body;

Executor or co-executor;

Other (Please explain) Yes

3. Gender Equality and Women's Empowerment

Provide the gender analysis or equivalent socio-economic assesment.

Gender Analysis and Gender Action Plan are attached to the project document as Annex 11 has been uploaded with the submission also as a separate document.

Does the project expect to include any gender-responsive measures to address gender gaps or promote gender equality and women empowerment?

Yes
Closing gender gaps in access to and control over natural resources;

Improving women's participation and decision making Yes

Generating socio-economic benefits or services or women Yes

Does the project?s results framework or logical framework include gender-sensitive indicators?

Yes
4. Private sector engagement

Elaborate on the private sector's engagement in the project, if any.

The private sector will have a key role in implementing the project as project developers and participants to the challenge calls as well as actual investors and project cofinaciers. In addition, the projects seeks to closely engage the private sector by various means into a truly consultative process for further developing the CE related legal and regulatory framework in Serbia, including getting feedback on the implementation of the first Circular Economy Roadmap and the related Implementation Program as well as for the development of an updated Circular Economy Roadmap and the related second three-year implementation program.

Performance based payments, as innovative tool for private sector engagement, is still UNDP?s internal procedure and can only supplement the existing complicated Government procedures for engagement of private companies. However, in order to ensure continuity and efficiency of partnerships with the private sector, more sustainable mechanisms will need to be elaborated during the time span of the project for blending of funds and de-risking investments. This addressed by Output 2.10 in the project design. This may also include transferring knowledge and mechanisms for the implementation of green impact bonds schemes in Serbia, by closely working with the Ministry of Finance and the Ministry of Environmental Protection, as key institutions.

The co-finacing of the private sector SMEs has been estimated to be equivalent to at least US$ 4 million and will represent the expected project owners? own financing share of the pilot CE investement (about 30% of the total estimated investment of US$ 12,85 million).

5. Risks to Achieving Project Objectives

Elaborate on indicated risks, including climate change, potential social and environmental risks that might prevent the project objectives from being achieved, and, if possible, the proposed measures that address these risks at the time of project implementation.(table format acceptable):

Description	Risk Category	Impact & Probability	Risk Treatment / Management Measures	Risk Owner
Lack of political will either at the central or local governmental level to effectively contribute to the development and implementation of the CE related policies in Serbia	Political	The adoption of the envisaged policy documents will significantly delayed or cancelled entirely L = 2 I = 4 Risk level: Moderate	Developing the project in close consultation with the key stakeholders of the national and local self-governments as well as by proposing measures, which are fully aligned with and can contribute to the achievement of the national priority targets in the waste management sector.	MoEP / Project director

The Government or the participating local self-government do not have the financial resources to support the proposed solutions or their effective replication.	Financial	There is less co-financing for the planned pilot projects L = 2 I = 4 Risk level: Moderate	This risk is mitigated by signed co-financing letter required at the CEO Endorsement as well as having several different co-financing sources, including bi- and multilateral donors and the environmental funds managed by local self-governments. A significant share of financing for the planned pilot projects is also expected from the private sector.	MoEP / Project director
The LCCIP does not motivate the targeted stakeholders i.e. no proposals of decent quality and amount are received	Operational	There will be no pilot project ideas to be supported L = 1 I = 4	This risk will be mitigated by careful preparation and design of the call for proposals. The experiences and results from prior CSUD Challenge project as well as the pre-challenge call organized during the PPG phase of this project also indicate that by good preparation and attractive marketing, this risk can be effectively addressed	Project management
Due to technical failure of the equipment and/or software used, the trust of the key stakeholders and investors on the proposed CE solution(s) is lost	Other (technology risk)	The confidence of the key stakeholders on the proposed CE measures is lost L = 2 I = 3 Risk level: Moderate	Adequate due diligence and, when applicable, pre-testing of the proposed CE solutions.	Project management
The CE pilot projects and policy measures may generate waste that is harmful to the environment and human health, if not properly managed and disposed.	Environmental	The implemented measures will result in non-acceptable local environmental problems L = 2 I = 3 Risk level: Moderate	Having as an obligatory component for all proposals an environmental impact assessment addressing also the waste issue.	Project management

The changing climate and extreme weather conditions eventually appearing more frequently and more intensively may pose specific risks to CE projects and measures that are exposed to such weather.	Environmental	The implemented measures will not produce the desire benefits or will result in adverse effects to environment L = 2 I = 3 Risk level: Moderate	Taking the changing climate and the risk for more frequent and intensive extreme weather conditions into account in the calculations, in defining the technical specifications for the equipment and in ensuring their proper installation.	Project management
Inadequate local capacity to effectively implement the proposed measures	Operational	The targeted project results will not be achieved L = 2 I = 4 Risk level: Moderate	Adequate focus on capacity building, coaching and adaptive management	Project Board and UNDP by their oversight functions and responsibilities
Continuing COVID-19 pandemic will prevent some project activities from being implemented	Social	The targeted project results will not be achieved and the stakeholders cannot be engaged at the level required. L = 2 I = 4 Risk level: Moderate	Planning and developing alternative ways or introducing required precautionary measures for allowing the implementation of critical project activities despite of COVID-19 restrictions. For instance, all required project meetings, workshops and training events can also be organized online.	Project management

In addition to the summary table above,the COVID-19 and climate change related risk are discussed in further detail below.

COVID-19 related risks and opportunities

While the situation with COVID-19 in Serbia is gradually getting better (Figure 4) and Serbia is also vaccinating its people with leading rates in Europe, the possible impacts COVID-19 or similar pandemic are briefly discussed below.

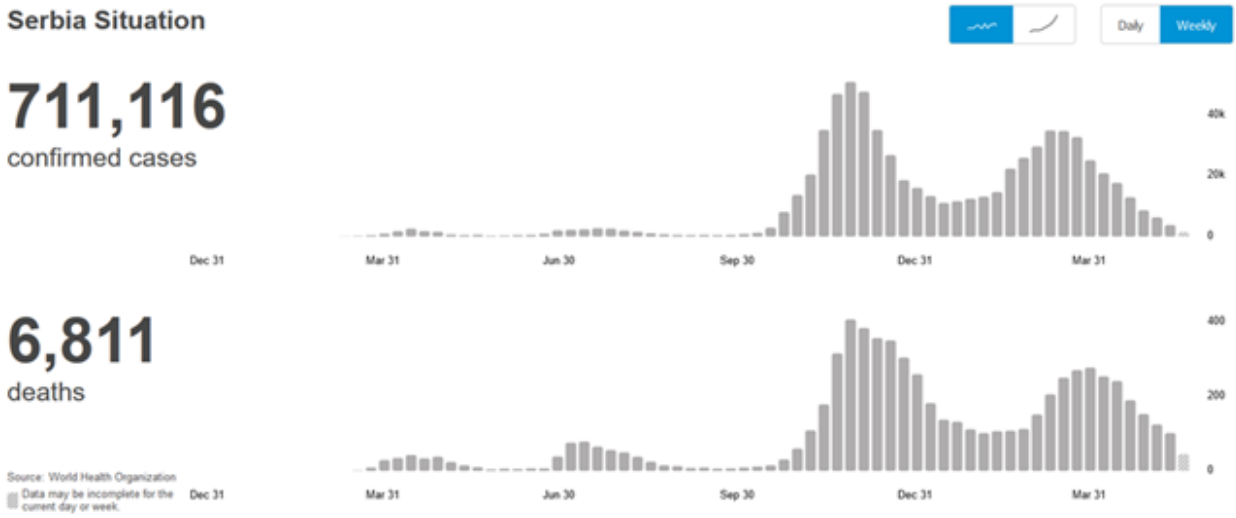

Figure 4 COVID-19 related situation in Serbia as of May 25th 2021 (Source: https://covid19.who.int/region/euro/country/rs)

The main impact of continuing COVID-19 pandemic on project implementation will be because of eventually continuing social distancing measures and restrictions for public gatherings. In such a case, the planned public outreach events, stakeholder consultation meetings and group training cannot be organized by physical meetings, but they would need to be virtual ones. During the pandemic most people among the stakeholders the project is targeting have already become familiar with different types of virtual meetings and, therefore, continuing such online events in the frame of this project, as needed, is not expected to create major challenges. As needed, the project will also provide specific training for or facilitate otherwise the participation of those stakeholders that may require such support.

Also, as it concerns the project staff, they will be responsible for the type of deskwork that can also be conducted outside the project office, if needed. As such, COVID-19 even if continuing with related restrictions is not likely to have any major impact on implementing the project in schedule. Similarly, no impact on baseline or stated project targets is foreseen.

The project co-financing arrangements have been discussed and agreed upon in the middle of COVID-19 pandemic and there was no indication that COVID-19 would somehow influence the availability of this co-financing, including the private sector companies that so far have expressed interest in participating the project. The most vulnerable SMEs would be those that work in such services sectors fields (such as cafes, restaurants, sports facilities etc., whose revenues and related investment capacity depends directly on the number of clients they can serve with social distancing measures in force. Such sectors are not, however, expected to play any dominant role in the type of projects seeking for GEF support.

As regards the opportunities, the project will be at the core of promoting new innovative ideas for promoting circular solutions to reduce unsustainable resource extraction and environmental degradation, as suggested also by the GEF Guidance Note dated August 27, 2020. It aims at i) minimizing waste that

threaten Global Environmental Benefits (GEBs) by contributing to POPs and GHG emissions; ii) avoiding or reducing marine and freshwater pollution which has risen dramatically during COVID19 due to rise in use of disposables, particularly in the medical and food sectors and iii) examining new opportunities for improved waste management (incl. waste water treatment) that may help in mitigating the risk for future pandemics and vector-borne diseases.

Similarly, the project will encourage innovation also in other climate change related fields contributing to energy efficiency and use of low- and zero-carbon technologies such as renewable energy and electromobility, while not increasing the use of harmful chemicals and ensuring the ability to recapture and recycle materials at the end of life. Furthermore, it can support and facilitate the implementation of new innovative ideas presented by project?s business development partners to improve resilience to climate change and promote sustainable business practices that are bio-based, energy efficient and chemicals free (as far as possible).

By all of the above and by applying challenge-based project sourcing and performance based project financial support mechanisms, the project has an opportunity to significantly contribute to green recovery and resilience by engaging both the public and the private sector for mutually benefitting co-operation producing both global and local environmental benefits, new green business opportunities for the private sector and ingredients for green economic recovery in general.

The project will have a specific focus also on exploring and, to the extent possible, creating new jobs and income opportunities for the current informal waste collectors, while at same time reducing the severe health risks associated with the current informal waste segregation practices and illegal dump sites.

Climate Change Risks

Since the final selection of the specific CE pilot investments to be supported by the project will be done by a challenge call during the project implementation, ,the climate change related risks can at this stage be be discussed at a general level affecting all sectors, including those associated with different CE related activities. A more detailed analysis of climate change related risks and their mitigation will, however, be requested from every project applying for GEF grant support at the final project selection stage. Furthermore, the UNDP performance based payment modality in itself is forcing the project proponents to consider also climate change related risks in their project formulation and management, since the support is only paid in the case the project is completed in accordance with the agreed specifications.

The analysis prepared for the Second National Communication of Serbia predicted an average temperature rise of 0.5-0.9 ?C by 2040 and 1.8-2.0 ?C during 2041-2070. For precipitation, the models predicted a change between +20% and -20% with reduced rainfall expected during the summer season accompanied by longer periods of drought. Vulnerability assessments were made for the hydrology and water resources, forestry, agriculture and health care with a conclusion that all these sectors will be affected by climate change.

No specific vulnerability assessment has been done yet on the built environment such as buildings, waste treatment facilities and landfills, thereby limiting the availability of information for these particular areas. It is clear, however, that any predicted changes in the temperature and precipitation as well as the risks for more frequent extreme weather events would need to be fully taken into account also in these subsectors.

As it concerns the climate change related risks to circular economy related activities in general, the models predict increasing temperatures and eventual shortages of both surface and groundwater, while at the same time extreme weather events such as heavy rainfalls increase the risks for disastrous floods, as already evidenced in 2014. There are 99 areas in Serbia that have been recognized to be under a significant flood risk during intensive rainfall periods. The largest potentially flooded areas lay along the Danube, Tisa, Sava, Drina, Velika Morava, Ju?na Morava, and Zapadna Morava rivers. The impact would affect the entire society causing serious damage to existing infrastructure, disrupting supply and distribution chains and resulting in significant financial losses to both private and public companies thereby hindering their current CE related activities and further investment capacity. As an example, the agriculture and farming related businesses suffered losses in the amount of $2 billion in 2012 due to the drought only, while in 2017 these losses amounted to over $1 billion. During the extreme floods of 2014, the overall estimated economy-wide losses amounted to more than $1,7 billion (http://www.obnova.gov.rs/uploads/useruploads/Documents/RNA-REPORT-140714.pdf). Especially smaller companies, while having a significant potential to contribute to and advance circular economy (e.g. small-scale renewable energy producers, waste operators, recycling industry, construction companies etc), were found to be most vulnerable to any market disruptions.

During the implementation of the ongoing GEF-funded CSUD project, some main climate change related risks and challenges as it concerns different types of CE projects were identified as follows:

? Physical damage to CE related infrastructure, incl. waste collection, segregation and treatment facilities due to heavy storms, flooding or similar;

? Other distortions in waste collection and segregation chains, which can result in a shortage of raw materials for CE related product manufacturing such as organic waste for biogas/compost production, wood for pellet production, plastic, glass and metal for manufacturers of recycled products from these materials etc.;

? Operational risks in all sectors in the case of extreme weather conditions due to difficulties with regular supplies and/or with the employees and other workforce to reach their working places. Such a risk may also materialize due to a possible increase in infectious vector-borne diseases due to climate change.

? Temporary suspension of Power Purchase Agreements (PPA) for CE related renewable energy (RE) producers, which the Force Majeure articles of the PPAs in the case of extreme weather conditions or their consequences would allow. While loan agreements with banks may also be temporarily suspended, in the end, the obligations of borrowers still need to be completely fulfilled, which can significantly affect the liquidity of especially smaller RE producers and start-ups;

? In the building sector, any new construction materials and equipment produced from circulated raw materials would need to resist more extreme weather conditions, while also maintaining buildings? thermal comfort in the case of increasing temperatures and be also tested for those;

? In the forestry sector, the predicted temperature rise and increased periods of drought are expected to lead to growing number of more extensive forest fires, thereby having an impact on CE projects relying on forest resources;

? In agriculture, the climate change impact assessment focused on the crop yield only, which even on its own may have an impact on different CE related business initiatives using the agricultural residues as raw material

Based on the type of proposals received under the pre-challenge call organized during the PPG phase and as indicated in the draft Third National Communication under the UNFCCC and analysis prepared under the National Adaptation Plan (NAP), the highest climate risks are imposed on projects related to agriculture - using circular economy principles in food production and production of heat energy from agricultural residues.

The increased intensity and frequency of storms, droughts, floods, and other natural disasters, reduced availability and quality of water (for irrigation) and altered precipitation periods (no precipitation during the periods of importance for normal crop growth and development) have negative impacts on agriculture. Therefore, climate change impacts are reflected as direct impacts on the quality and quantity of crops, food growing (high and low temperatures, especially during maturity periods; heavy precipitation or its absence, hail); and indirect impacts caused by changes in soil quality, water availability, the appearance of pests and weeds. If selected for co-financing, SMEs working in these sectors will have to prepare a detailed SESP and Livelihood Assessment Plan, before signing PBPs agreements. In SESP, SMEs will have to define activities to address climate change impact, as follows: identify climate change impact on specific micro-locations, climate change projections and social and economic aspects in the impact assessment on crops and fruit growing; necessity for applying the appropriate agro and pomo-technical measures; selection of the most resistant varieties.

Based on assessments presented in the Third National Communication under the UNFCCC, the increased intensity and frequency of floods can be expected in flooded zones. Therefore, if a project selected for co-financing is located in the Ma?va region (the City of ?abac, Municipality of Mali Zvornik), South Ba?ka region (municipality of Ba?ka Palanka), Srem region (Municipality of Ruma), SMEs will have to reflect this risk in SESP and Livelihood Assessment Plans. SMEs will have to take into account climate models and projected precipitation and define legally binding plans of reactions in the case of disasters, with a particular focus on extreme weather events. These documents will have to include measures to protect assets and human lives, short term and long term measures, and have to be developed before signing PBPs agreements.

By taking into account the above, the climate change specific risks concerning some selected candiate projects sourced by the preliminary pre-challenge call organized during the PPG phase can be summarized as follows:

Project name/type	Physical damage by extreme weather conditions	Distortions in supply chains	Operational risks
CE student housing for building integrated RE, EE and CE construction materials	X	X	
Biomass energy (wood chips from waste wood)		X	X
Restarting glass recycling and processing		X	
Biodiesel against the greenhouse effect		X	X

Bioenergy from agricultural waste (briquettes)	X	X	X
Using waste bases and acids for fertilizer production		X	X
Colleting and supplying for recycling technical surplus paper produced in printing houses		X	X
Switching from fuel oil to wood chips produced from wood waste (fruit trees)	X	X	X
Constructing compost fields and hangars for the treatment of green waste collected from public areas.	X	X	X

While it is clear that all the risks discussed above would need to be taken duly into account in pilot CE investments considered for project support, by giving due attention to the precautionary measures as it concerns, for instance, the location of those investments, these risks are manageable. Serbian companies also have legal obligations to produce emergency plans for eventual disastrous events and, consequently, are requested to present these plans also in the case of applying for GEF project support, should they be subject to legal obligation.

6. Institutional Arrangement and Coordination

Describe the institutional arrangement for project implementation. Elaborate on the planned coordination with other relevant GEF-financed projects and other initiatives.

The project will be implemented by using the National Implementing Modality (NIM) with the Ministry of Environmental Protection (MoEP) serving as the project Implementing Partner (IP). While the project management and all project activities under Outcomes 1 and 3 will rely on full national implementation, including the procurement, the MoEP has requested UNDP implementation support for implementing the Outputs 2.1?2.7 for Outcome 2. The requested support services include: i) procurement, (ii) HR recruitment/management, (iii) financial services, (iv) logistics support, and (v) project reporting.

The reason for requesting UNDP implementation support for the mentioned outputs is that the Government has currently no mechanisms in place to conduct challenge calls and low-value performance-based payments, which are an essential part of the project, as presented already in the approved PIF. Therefore, the MoEP would not be able to meet the project targets for Outcome 2. The Government co-operation with the private sector in the recycling industry, for instance, is based on simple incentives, which are paid according to strictly defined technical criteria. Similarly, the public calls for NGOs and research organizations are limited and activities are focused on one-time research-oriented interventions with no development focus or monitoring of the impact after the projects have ended. In Human Resource management, MoEP has lengthy procedures for the selection of experts, thereby seriously limiting the opportunities to respond in a timely manner to the typically evolving support needs during the mentoring process to facilitate the development of the initial innovative CE ideas sourced by the challenge calls into mature investment projects.

As an integral part developed for implementation of the of UNDP?s Innovation Challenge Policy and the earlier GEF supported Climate Smart Urban Development (CSUD) in Serbia, the challenge calls and the related low-value performance based payments were found to be a very effective and successful tool for engaging the private sector for meaningful, cost-effective and highly productive co-operation in sourcing new innovative project ideas and approaches for climate change mitigation in the targeted subsectors. By complementing the technical assistance and related mentoring support, the role of the GEF funded performance based payments in co-finacing the actual investment projects is essentially in buying down the higher initial costs of new innovative project and business ideas, which is a typical situation for most greenfield investments. At the same time by being a performance based payment, the motivation with supported investors also remains to meet the promised GHG mitigation and other targets, the monitoring and verification of which based on transparent measurable indicators defined and decided by the Project Board will be an essential part of the project (Output 2.8).

For effectively fulfilling the requirements of its supporting role, UNDP Serbia has already established and gradually built several partnerships with institutions such as Serbian Chamber of Commerce and Industry, National Association for Local Economic Development (NALED), the Innovation Fund, Standing Conference of Towns and Municipalities, the EU funded Climate-KIC project, and the Government of Sweden with a network of around 10,000 stakeholders to foster co-operation and facilitate exchange experience and peer-to-peer learning. All this cannot be simply transferred to a third party without losing the ingredients of this groundwork, which is essential for the successful implementation of the project.

By building on UNDP's Innovation Challenge Policy, UNDP Serbia has established its capacity to effectively support national institutions in launching challenge-based procurement calls for innovative solutions and to ensure transparent and prompt evaluation process consisting of three steps (technical screening, independent experts' evaluation and final evaluation in cooperation with national partners) by engaging a number of experts of various professional background. By this, UNDP will also build the capacities of the other institutions so that they can effectively provide similar services in the future, in particular concerning the cooperation with the corporate sector and industries.

For ideas selected for further development, the proponents receive mentoring and other expert support from an ?Incubator/Accelerator Clinic?, which was first introduced by the CSUD project mentioned already before. This is a unique mechanisms developed by UNDP Serbia that ensure fast track engagement of specific expertise, but also provide other types of assistance to innovative solutions, such as identification and establishment of partnerships, market research, business plan development, identification of funding sources (investors, commercial lending etc.). The Innovation Challenge Policy was already described in the approved Project Identification Form (PIF), as the main mechanism for sourcing, accelerating and implementation of the innovative solutions based on circular economy principles. The Government/MoEP cannot provide such de-risking assistance. Financial and other management of such supporting functions would be practically impossible to outsource for any other international agency either, which do not have specific operational procedures developed by UNDP for this purpose as an integral part of UNDP?s Innovation Challenge policy.

In short, while launching the LCCIP and the challenge-based approach as a part of that will provide an entirely new entry point for advancing circular economy in Serbia, the MoEP is not yet fully geared to implement it on its own. Otherwise, a Harmonized Approach to Cash Transfers (HACT) assessment has been carried out for the MoEP with a conclusion that it is capable of implementing the project.

The Project Board consisting of representives of the MoEP, Standing Conference of Towns and Municipalities (SCTM), and UNDP will be responsible for coordination between various donor and government-funded projects and programmes and final beneficiaries at local level. In addition, the co-ordination will be facilitated by direct consultations of the project management with various governmental and non-governmental entities throughout the project implementation, in particular with the Chamber of Commerce and Industry (CoC), the National Association for Local Economic Development (NALED) and others.

UNDP is accountable to the GEF for the implementation of this project. This includes oversight of project execution to ensure that the project is being carried out in accordance with agreed standards and provisions. UNDP is responsible for delivering GEF project cycle management services comprising project approval and start-up, project supervision and oversight, and project completion and evaluation. UNDP is also responsible for the Project Assurance role of the Project Board/Steering Committee.

In order to maintain the required firewall for the implementation support for Outputs 2.1 ? 2.7, the monitoring and verification of the results of the supported investment projects to justify the Performance Based Payments will remain fully with the MoEP. Any costs of the UNDP support services will also be paid in full by UNDP co-financing contribution (UNDP TRAC).

7. Consistency with National Priorities

Describe the consistency of the project with national strategies and plans or reports and assesments under relevant conventions from below:

NAPAs, NAPs, ASGM NAPs, MIAs, NBSAPs, NCs, TNAs, NCSAs, NIPs, PRSPs, NPFE, BURs, INDCs, etc.

Based on the Law on Planning and Construction (Off. Gazzette of the Republic of Serbia 37/19), the Government of Serbia adopted National Strategy for Sustainable Urban Development of Serbia by 2030. This strategy recognizes circular economy, low carbon emissions and resource and energy efficiency as tools for local economic development and prosperity. This was identified based on the EU Urban Agenda that recognizes circular Economy as one of the 12 main points of urban development.

In Serbia's EU accession process, resource efficiency based on circular economy approaches and other related topics, are included in Chapter 27 of the EU Acquis, for which the alignment of the Serbian legal and regulatory framework is subject to regular reviews. Also, Serbia endorsed the Sofia Declaration on Green Agenda for the Western Balkans which is largely based on the introduction of circular economy in the context of decarbonization. This Agenda is put forward by the EU, reflecting upon the EU Green Deal policy and is supposed to facilitate Serbia?s EU accession process.

The National Programme for the Adoption of the Acquis (February 2018) makes indirect reference to circular economy and resource efficiency and includes, among others, the following post-2021 targets in the related fields:

- the establishment of waste management facilities network (2032-2034);

- implementation of the practice of separate collection and treatment of hazardous waste from households and industry;
- development of a system for fulfilling recycling rate of packaging waste of at least 55% and processing of at least 60% of packaging waste by 2025;
- establishment of a system for achieving the recycling rate of municipal waste of at least 50% by 2030; and
- establishment of a system for the management of special waste streams (waste tires, waste batteries and accumulators, waste oils, waste vehicles, waste from electrical and electronic equipment) in order to achieve a quantity of 4 kg per inhabitant of separately collected waste from electrical and electronic equipment from households by 2023 and at least 45% of batteries and accumulators by 2026.

Other objectives and targets for recycling and reuse are presented in the RS regulation on ?Determining the Packaging Waste Reduction Plan? for the period of 2015-2019 ("Official Gazette" No. 144/2014). Activities planned for the period of 2018 ? late 2021 include, among others:

- development of the Specific Implementation Plan for the Packaging and Packaging Waste Directive (2018, supported by the IPA 2013 project);
- implementation of the Waste Management Strategy and setting goals for recycling and processing;
- establishment of the system for return / collection and recycling / processing of used packaging and packaging waste, according to identification from the national strategy;
- improvement of information base for packaging placed on the market, produced, collected, recycled and processed packaging waste;
- improvement of economic instruments to support the achievement of objectives; and
- introduction of separation at the place of origin in 17 municipalities (with the support of IPA 2017 project "Establishment of primary separation of municipal waste in four regions for waste management: Duboko, Srem-Ma?va, Pan?evo and Pirot");

The Republic of Serbia also has National Strategy for Cleaner Production, adopted in 2010. The aim of the strategy is to improve processes, products and services to increase efficiency and reduce risks to humans and the environment. With support of UNEP and UNIDO, Serbia established in 2007, the Serbian National Cleaner Production Centre (NCPCS) with the purpose of identification and implementation of more efficient and cleaner production (RECP) opportunities and business cases. The strategy identifies options for introducing cleaner production in Serbia in order to attain sustainable development. Some of the measures refer to sustainable resource and material management, introduction of more efficient technologies that save energy and resources, maintenance for prolonged products lifespan and recycling.

The Concept of the Development of the Republic of Serbia by 2020 also indicates the need for greater introduction of renewable energy and energy efficiency. These goals are also embedded in the National Renewable Energy Action Plan which implies increase of the share of renewables at 27% by the year 2020. Cleaner production, greater resource and energy efficiency in production and consumption are also among priorities of Serbia?s Sustainable Development Strategy.

Other key documents pertaining to resource efficiency and circular economy include: the National Strategy for Sustainable Use of Natural Resources and Goods (2012), National Environmental Protection Programme (2010), National Strategy on Water Resource Management (2016), the Law on Waste

Management (Official Gazette of the RS", No. 36/2009, 88/2010 and 14/2016). The Law on Environmental Protection (Official Gazette of the Republic of Serbia 135/2004, 36/2009, 43/2011 etc.) includes complementary provisions for issuing environmental labels for products, the production, marketing, circulation, consumption and disposal of which cause less environmental pollution compared with similar products or if their raw materials are obtained from waste recycling. In addition, and in favor of circular economy approach, the Law on Environmental Protection is mentioning the need ?to reduce spatial burden and consumption of raw materials and energy in construction, production, distribution and utilization; including the possibility for recycling?.

8. Knowledge Management

Elaborate the "Knowledge Management Approach" for the project, including a budget, key deliverables and a timeline, and explain how it will contribute to the project's overall impact.

For knowledge management, the project will build on an "Open Knowledge" approach by publishing all project related documentation, presentations, training materials and supported new project and business initiatives in the national circular economy knowledge sharing platform (CE Navigator), unless there is a specific reason for not doing so in order to protect, for instance, some intellectual property rights or commercially sensitive information. This applies also tothe project terminal evaluation, which similar to all GEF financed UNDP implemented projects will be available for downloading from the public UNDP website: web.undp.org/gef/evaluation.shtml.

By building on the knowledge management portal of the ongoing CSUD project (http://inovacije.klimatskepromene.rs/) and the CE-HUB jointly established by the Serbian Chamber of Commerce, UNDP and the GIZ, their further development to a CE Navigator has been included as Output 1.7 in the project strategy to serve as an integrated online knowledge management platform and market place for i) collection and use of recycled secondary raw materials; ii) marketing of new innovative business ideas and projects; and iii) finding suitable implementation and financing partners for them. While taking full advantage of the available IT opportunities, the activities implemented within this framework may also encompass specific match-making events, trainings etc.

The initial version of the CE Navigator is sought to be established by the end of the first year of project implementation with continuing further development, upgrading and updating throughout the project implementation. The budget assigned for this includes US$ 70,000 as subcontract, including the estimated initial development costs (US$ 40k) and its annual management and further upgrades during four years (US$ 5-10k per year). The day-to-day management and updating of the content of the CE Navigator will be done by the staff of the Project Management Unit (PMU) supported also by the MoEP. The project?s KM and related implementation strategy also includes workshops to provide an opportunity at regular intervals to present and discuss project results and further plans with the key stakeholders. The GEF funding allocation for the organisational costs of the workshops is US$ 25,000 over 5 years, including a bigger final workshop to be organized at the end of the project. The GEF funding allocation for the workshops will be complemented by the MoEP cash and/or in-kind co-financing.

In order to ensure the sustainability of the KM, the project based CE Navigator will be transformed into the CE Knowledge Hub, linked with the Chamber of Commerce and Industry Circular Economy platform, and supported also by the Project Implementing Partner (MoEP). As such, it will become a central tool for

further dissemination of the good practices and lessons learnt of public and private enterprises piloting decarbonization projects and solutions based on the CE approach. This will be complemented by a training programme targeting key policymakers and company managers to build their knowledge on the main CE related policy and legislative trends and achievements at the national, EU and global level and to enhance their capacity to respond to the increasing demand for resource efficient low-carbon CE solutions in combatting climate change and other environmental challenges. As a part of this, the project will also assist companies to align with the requirements of the EU Green Agenda for the Western Balkans and its Economic and Investment Plan, thereby enhancing their knowledge and skills in this area and helping the companies to maintain their competitiveness at the regional and global markets. The training programme will be an integral part of the CE Navigator and will be implemented by the Project Implementing Partner in co-operation with the Chamber of Commerce and Industry to ensure its sustainability also after the project.

As it concerns other aspects of the project?s KM approach, more detailed information on that can be presented as follows:

Overview of existing lessons and best practice that inform the project concept

The project is building on the methodology and tools already successfully tested by the Climate Smart Urban Development (CSUD) project in Serbia? (GEF ID: 9342)) in order to further blend and leverage funding for climate resilient development solutions. These include innovation challenges and performance-based payments, a new type of partnership with the private sector, multi-stage evaluation of proposals with strong ownership of national counterparts as well as incubation/acceleration type of technical assistance and mentoring provided to the project teams. The Low Carbon Communities Innovation Platform (LCCIP) builds on the good experiences of the KM platform established as a part of the CSUD project to facilitate interaction between the cities and communities, research institutions and companies (both, public and private) in order to produce new innovative circular economy related project ideas and business solutions.

The CSUD project supported 11 public and private enterprises in piloting innovative approaches for climate smart farming, turning organic waste into biogas, carbon neutral production of essential oils, energy generation from diversified woody biomass and new business models for solar energy generation with further examples about the type of projects that could be considered also for LCCIP support to be found from the CSUD project website (http://inovacije.klimatskepromene.rs/en/home/). The lessons learnt obtained from the previous CSUD project as it concerns, for instance, the role of the private sector, the project selection procedures, the areas that appeared to benefit from the mentoring support most such as assessing the global environmental benefits of the proposed projects, their market potential or business development opportunities, in general, have been used and applied in the design of this new project.

Plans to learn from relevant projects, programs, initiatives & evaluations

All previously piloted innovative climate smart solutions supported by the CSUD project and the new CE based solutions will be presented within the ?examples of good practice? section of the CE Navigator and LCCIP to inspire and support new projects. All new pilot CE initiatives will be given a specific ID code, by which the progress of each pilot initiative during the mentoring and acceleration phase can be monitored and recorded based on the agreed criteria. Besides ensuring effective monitoring and evaluation of project progress, this will also support systematic compilation of further experiences and lessons learnt from the projects supported.

For learning from corresponding initiatives in other countries and for ensuring that the latest global knowledge, best practices and technological developments can be taken into account in further development and implementation of project activities, the project shall link up with other knowledge management networks and platforms dealing with the topic. This includes initiatives such as the European Circular Economy Stakeholder Platform (https://circulareconomy.europa.eu/platform/knowledge), Dutch Circular Economy Knowledge Hub (https://www.circulareconomyclub.com/listings/case-studies/circular-economy-knowledge-hub/) and the frontrunners in preparing national Circular Economy Roadmaps such as SITRA (https://www.sitra.fi/en/topics/a-circular-economy/) to just mention a few. The core project team will also be supported by a coaching team composed of a network of international research institutes and professionals, who may provide technical backstopping and share knowledge on the latest international developments in their particular field e.g. as invited speakers or other contributors to the events organized by the project.

The project also seeks to both benefit from and contribute to the Global Platform for Sustainable Cities (GPSC), which serves as a knowledge platform where participating cities can tap the cutting edge knowledge and expertise in sustainable urban planning, and exchange ideas and share experiences. The larger Global Platform is led by the World Bank and joined by major global city-based networks advocating urban sustainability including, ICLEI and C40 and leading environmental think-tanks such as World Resources Institute (WRI). Through engagement with the GPSC, these technical partners and city-based networks provide knowledge sharing and technical expertise in support of participating cities, in partnership with Implementing Agencies, and National Governments. Also, the project will build an interface with the European Circular Economy Platform (ECESP), a joint initiative by the European Commission and the European Economic and Social Committee, as well as other similar platforms for business sector, such as BusinessEurope CE platform that continuously brings new examples of innovative ways in which industry, SMEs and other business add to the circular economy in Europe.

Proposed processes to capture, assess and document info, lessons, best practice & expertise generated during implementation

As mentioned before, all new CE-based decarbonization initiatives will be given a specific ID code and a card, by which the progress of each pilot initiative can be monitored and the experiences and lessons learnt from them recorded. Each ID card will consist of two parts. One part will be available only to the Implementing Partner and UNDP for internal monitoring purposes (incl. financial monitoring), while the other part will include publicly visible data about the project and the lessons learned from their implementation. The project team will also monitor and prepare specific progress reports for each supported pilot initiative, while also preparing visual materials such as videos to document different stages of their development and implementation. Otherwise, a reference is made to what was written already before on the proposed processes to capture, assess and document info, lessons, best practice & expertise generated during implementation.

Proposed tools and methods for knowledge exchange, learning & collaboration

Targeted stakeholders will be primarily engaged through bilateral discussions as well as by organizing at least one or two larger consultative knowledge management workshops, where the project intermediate results and further implementation can be presented for and discussed with a broader audience. For this purpose, the project will also establish a ?Community of Practitioners? which will have its dedicated webpage on social media to exchange information and communicate with other interested stakeholders.

The new CE pilot initiatives sourced by the Innovation Challenge are sought to be further elaborated with stakeholders such as the Serbia?s Innovation Fund and the Cleaner Production Center of the Faculty for Technology from Belgrade, so that they can continue to identify and disseminate innovative decarbonization technologies even upon the completion of the project. It is expected that this will boost the innovation capacity of domestic enterprises in the field of green technologies and resource efficiency by linking them to local R&D service providers. Participation of the research institutions is equally relevant as they will ensure promotion and testing of new technologies, based on their research work and collaboration with other research institutions globally.

The Standing Conference of Towns and Municipalities will support matching local self-governments with the innovators and facilitating the application of appropriate innovative CE & decarbonization solutions at the local level. The SCTM will also include dissemination of lessons learned, knowledge and examples of good practices, sourced through the project, among interested municipalities. The SCTM will be in this way an active contributor to the work and sustainability of the CE Navigator.

Proposed knowledge outputs to be produced and shared with stakeholders

The CE Navigator and the LCCIP will compile into one easily accessible online platform all knowledge materials generated by the project, including the training materials, data and reports with lessons learned from the new pilot CE initiatives, draft regulations and their updates as well as other materials of interest. Through the CE Navigator and the LCCIP, good practices and lessons learned will be available for any private company, local authorities, national institutions or interested individuals seeking to better inform themselves on circular economy and its decarbonization potential in Serbia.

As a summary from what has been discussed already earlier in this chapter, the knowledge outputs to be produced and shared with the stakeholders will include, among others, the following:

? The CE Navigator and LCCIP Platform to facilitate open online access to all KM materials produced by the project as well as links to other CE related KM services

? A virtual marketplace included within the CE Navigator and LCCIP Platform to compile and share information for: i) collection and use of recycled secondary raw materials; ii) marketing of new innovative business ideas and projects; and iii) finding suitable implementation and financing partners for them

? Specific match-making and training events to facilitate face-to-face contacts and discussions together with associated training materials stored and published also online

? The progress, monitoring and evaluation reports of the pilot CE initiatives supported by the project as well as the overall project final report and terminal evaluation

? Videos and other visual presentation materials of the pilot CE initiatives

For all knowledge products, the support of a gender expert will also be used in order to incorporate gender specific considerations into them at a required level.

A discussion on how knowledge and learning will contribute to overall project and sustainability plans for strategic communications

The project will support the implementation of open monitoring, information and knowledge management as well as broad community engagement and participation in the preparation and updating of key policy documents under Outcome 1. This will be done by a highly participatory approach, thereby seeking to

improve the transparency and accountability of local governance, opportunities for public participation in decision making and development of people?s living environment. In this way, the project will make sure that all findings and good results obtained during the acceleration and implementation phase are captured and used to inform the policy creation/amendments.

The Implementing Partner will also make sure that all successful results arising from the acceleration and implementation phases, as well as examples of good practice, are captured and used to feed policies and decision making. For this purpose, the MoEP as Implementing Partner will form an inter-ministerial Working Group comprised of all relevant national and regional/local authorities. These working groups will closely follow the implementation of the project and use the results for informed decision making and policy creation/amendments (e.g. development of policy document on CE and the accompanying action plan, by-laws on to Climate Change Law, energy legislation, implementing acts of Industrial Development Policy etc.).

The project will also support the processes of mainstreaming human rights issues through its design and activities by a clearly defined human-rights based approach. This action will also support the right to information and will aim to reflect the views of various stakeholders, including minorities and marginalized groups.

9. Monitoring and Evaluation

Describe the budgeted M and E plan

The project results, corresponding indicators and mid-term and end-of-project targets in the project results framework will be monitored annually and evaluated periodically during project implementation. The Monitoring Plan included in Annex 5 of the project document details the roles, responsibilities, and frequency of monitoring project results.

While project-level monitoring and evaluation will be undertaken in compliance with UNDP requirements, additional mandatory GEF-specific M&E requirements will be undertaken in accordance with the GEF Monitoring and Evaluation Policy. In addition to these mandatory UNDP and GEF M&E requirements, other M&E activities deemed necessary to support project-level adaptive management will be agreed during the Project Inception Workshop and will be detailed in the Inception Report.

The annual GEF PIR covering the reporting period July (previous year) to June (current year) will be completed for each year of project implementation. Any environmental and social risks and related management plans will be monitored regularly, and progress will be reported in the PIR.

The GEF Core indicators included as Annex 14 of the project document will be used to monitor global environmental benefits and will be updated for reporting to the GEF prior to the TE. The updated monitoring data should be shared with TE consultants prior to required evaluation missions, so these can be used for subsequent ground truthing. The methodologies to be used in data collection have been defined by the GEF and are available on the GEF website.

An independent terminal evaluation (TE) will take place upon completion of all major project outputs and activities. The terms of reference, the evaluation process and the final TE report will follow the standard templates and guidance for GEF-financed projects available on the UNDP Evaluation Resource Center.

The evaluation will be ?independent, impartial and rigorous?. The evaluators that will be hired to undertake the assignment will be independent from organizations that were involved in designing, executing or advising on the project to be evaluated. Equally, the evaluators should not be in a position where there may be the possibility of future contracts regarding the project being evaluated.

The total indicative costs of the project's M&E are US$ 70,000 (i.e. less than 5% of the total amount of requested GEF funds), with a break down and timing as follows:

GEF M&E requirements	Indicative costs (US$)	Time frame
Inception Workshop	5 000	Within 60 days of CEO endorsement of this project.
Inception Report	Incl. in workshop costs	Within 90 days of CEO endorsement of this project.
M&E of GEF core indicators and project results framework	10 000	Annually and at mid-point and closure
GEF Project Implementation Report (PIR)	10 000	Annually typically between June-August
Monitoring of GAP and ESMF (NA)	5000	On-going.
Supervision missions	None	Annually
Independent Terminal Evaluation (TE)	40 000	July 31, 2026
TOTAL indicative COST	70 000	

10. Benefits

Describe the socioeconomic benefits to be delivered by the project at the national and local levels, as appropriate. How do these benefits translate in supporting the achievement of global environment benefits (GEF Trust Fund) or adaptation benefits (LDCF/SCCF)?

The experiences both in the EU and globally have shown that moving from a linear to circular economy can play a major role in boosting the economy, creating new jobs and promoting social equality, while at the same time generating global environmental benefits by better resource efficiency and consequent reduction of the use of earth?s non-renewable resources. As concluded by the new Circular Economy Action Plan published by the EU in 2020, moving increasingly towards circular economy has the potential in the EU to increase its GDP by an additional 0.5% by 2030 and create 700,000 new jobs. By putting this into the perspective within the Serbian Economy, the GDP of Serbia in 2020 was about 53 billion US dollars, so a 0,5% increase of this would correspond to about 265 million US dollars, while with a similar ratio the amount of new jobs created by circular economy in Serbia has been estimated by OECD to be in the range of 30,000[1]

For private companies, moving to circular economy can provide new business opportunities, boost their profitability by better resource efficiency and making them less vulnerable to price fluctuations and possible supply disruptions of imported raw materials. For consumers, moving to circular economy should mean more reliable and long - lasting high quality products with lower life-cycle costs, thereby addressing also social equality aspects.

While it is clear that the GEF supported project is just one part of a broader attempt to support the transfer of the Serbian economy from the current largely linear one to a more circular type, it will by supporting

new CE pilot initiatives, training different professional groups and decision makers and raising awareness also directly contribute to and benefit hundreds or even thousands people in Serbia and providing and training and capacity

At the municipal level, innovative solutions related to waste reduction, reuse and recycling will contribute to the achievement of local waste management targets, closure of illegal dumpsites (app. 2,500 of them throughout Serbia) and expand the lifetime of landfills. In turn, this will reduce waste management related costs in municipal budgets by turning waste into a resource for businesses and reduce pollution. The project will also foster collaboration between municipalities and companies involved in waste related businesses (waste operators) by increasing the share of recyclable materials available at the local markets. In return, this will increase the employment opportunities, in particular for vulnerable groups such as the Roma population with related social benefits,

By incentivising the circular economy based business models and by setting up the secondary raw materials stock market, the project will boost the creation of start-ups and SMEs interested to operate in some part of the product life cycle from resource recovery to manufacturing, distribution, reparation, reuse and recycling. Serbia would be given a chance for development by the model of the circular economy, and according to that its citizens will have ecological security, "green" jobs, new water and air quality, healthy food and a new quality of life. The nation?s social capital is also an investment for future.

The project support to decarbonization solutions based on circular economy principles will also contribute to the ?*Just Transition*? [2][2] efforts of the Paris Agreement in Serbia through prequalification of the workforce and diversification of local economies. Also, the promotion of innovative low-carbon technologies and business models will increase the demand for reskilling. This trend will trigger the transformational shift of the educational systems in order to better respond to the market needs for clean, green and fossil-free products and services. Since Serbia is part of the European Commission Initiative for coal regions in transition in the Western Balkans, the project will assist the Government to create the *Just Transition Roadmap* and accompanying incentive schemes for accelerating labour market transformation. This will assist Serbia in mobilizing additional financing to support green transition.

In addition, the project activities will contribute directly to mobilizing additional funding from both, public and private sectors, as well as commercial borrowing, needed to attain the global climate mitigation targets embedded into the NDCs. Serbia?s draft revised NDC document proposes an increase of the economy-wide climate ambition from 9,8% (as expressed by Serbia?s INDC) to 33,3% of GHG emission reduction by 2030 compared to the 1990 levels. Such a significant increase will require the mobilization of additional funding for new technologies and low-carbon business models in all sectors of the economy. In this way, Serbia will be able to actively contribute to the achievement of the Paris Agreement targets, while at the same time boosting the national economy.

By moving towards circular economy, the project will also assist Serbia in contributing to SDGs with related socio-economic benefits such as goal 13 on Climate Action, goal 7 by increasing the energy efficiency rates; goal 9 by increasing the access of small-scale industrial and other enterprises to financial services, including affordable credit, and their integration into value chains and markets; goal 12 by achieving the sustainable management and efficient use of natural resources and substantially reducing waste generation through prevention, reduction, recycling and reuse; and goal 11 by promoting sustainable urban development and reducing the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.

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[1] Source:Circular economy as a chance for the development of Serbia?, OSCE, 2016 https://www.osce.org/sr/serbia/292311?download=true)

[2] https://www.ituc-csi.org/just-transition-in-the-paris

11. Environmental and Social Safeguard (ESS) Risks

Provide information on the identified environmental and social risks and potential impacts associated with the project/program based on your organization's ESS systems and procedures

Overall Project/Program Risk Classification*

PIF	CEO Endorsement/Approval	MTR	TE
High or Substantial	High or Substantial		

Measures to address identified risks and impacts

Elaborate on the types and risk classifications/ratings of any identified environmental and social risks and impacts (considering the GEF ESS Minimum Standards) and any measures undertaken as well as planned management measures to address these risks during implementation.

Annex K. Social and Environmental Screening Template

(Presented as Annex 6 of the Project Document.)

The completed template, which constitutes the Social and Environmental Screening Report, must be included as an annex to the Project Document. Please refer to the Social and Environmental Screening Procedure and Toolkit for guidance on how to answer the 6 questions.

Project Information

Project Information	
1. Project Title	Reducing Community Carbon Footprint by a Circular Economy Approach in the Republic of Serbia
2. Project Number	6285
3. Location (Global/Region/Country)	Serbia
4. Project Stage	ProDoc
5. Date	20 April 2021

Part A. Integrating Overarching Principles to Strengthen Social and Environmental Sustainability

QUESTION 1: How Does the Project Integrate the Overarching Principles in order to Strengthen Social and Environmental Sustainability?
Briefly describe in the space below how the Project mainstreams the human-rights based approach

Since the break-up of former Yugoslavia, Serbia has actively adhered to the principles of mainstreaming human rights in the national legislation and government policies. The country has ratified and participates in a number of international human rights conventions and protocols. Additionally, the country has adopted national strategies towards gender equality and against discrimination. The proposed project will further support this process and will mainstream through its design and activities a clearly defined human-rights based approach.

The project will support the implementation of open monitoring, information and knowledge management as well as broad community engagement and participation through a highly participatory approach, thereby also seeking to improve the transparency and accountability of local governance, opportunities for public participation in decision making and development of people?s living environment. In this way, the project will support the right to information and will aim to reflect the views of various stakeholders, including minorities, marginalized and vulnerable groups in the project design and operation. In this context, the potential risk is reducing opportunities for marginalized and vulnerable groups (primarily Roma and poor people) engaged in informal waste collection through increased re-use of secondary materials and decreasing its disposal and collection by the informal collectors. More efficient and environmentally friendly waste management promoted under the project is expected to contribute to the further improvement of quality of life and the advancement of equal human rights to a safe and clean environment, while also creating new employment and business opportunities thus supporting the right for equal employment. Throughout the project implementation, specific emphasis will be on piloting options for the creation of employment opportunities for informal waste collectors and also on gender related aspects and equal rights of men and women, as described in detail below. Also, the project will seek active exchange and cooperation with relevant other activities of UN agencies or other donors, e.g. UNHCR Programme for the Empowerment of Roma, the GIZ Inclusion of Roma and other marginalized groups in Serbia.

Briefly describe in the space below how the Project is likely to improve gender equality and women?s empowerment

Although normative, policy and institutional framework for gender equality have been developed for almost two decades in Serbia, and many advancements towards better gender equality and empowerment of women are achieved, there are still systematic and profound gender inequalities due to the structural barriers preventing women?s equal participation in the economy, social life and decision-making processes, as well as patriarchal norms, values and attitudes underpinning these inequalities. Women have lower access to natural resources due to low land ownership. Their participation in economy is less favorable, marked with lower participation and employment rates, concentration in the social service or personal service sectors, low participation among entrepreneurs. This leaves the huge unused potential for engagement in innovative activities, including those related to the circular economy, undermining their contribution to decarbonization. In the agriculture sector, they make one fifth among farm heads, and the farm size headed by women is much smaller than farms headed by men. Therefore, their potential to adjust to climate change and to engage in productive mitigation activities is much lower.

As a consequence of less favorable economic participation, women have a weaker economic position, and therefore lower resilience to climate change adverse impacts as well as lower capacities to adjust to the climate change. Carrying predominant responsibilities in the household economy and family care, women are the primary target group for changing attitudes and practices related to the consumption patterns relevant to circular economy and decarbonization. In particularly difficult position are women from marginalized groups, such as Roma (with particularly low employment and often employment in informal, hazardous jobs linked to the waste collection), women living in rural remote areas, women with disabilities, women living in households with low work intensity and high poverty risks, who as livelihood coping strategies employ practices that are not beneficial from the perspective of decarbonization. Despite the progress in women?s participation in decision making, particularly in terms of the higher share in positions at the highest levels of legislative and executive power, women?s interests are not well reflected in many decision-making bodies and policies. Gender mainstreaming is gradually introduced in public policymaking, as well as gender responsive budgeting, but there is still a need to be further introduced in all policies and programs related to climate change and environmental protection.

The project will further support the improvement of gender equality in the country by taking a gender responsive approach to promote gender equality and women?s empowerment in the design and execution of all project outputs. To achieve this, the Project will, through involving UNDP gender focal point and hiring a gender expert at the PPG stage fully incorporate gender considerations into the project design. Additionally, during project Implementation, a gender expert will be hired to assist the Project Team.

Gender equality is consistently integrated into the project design, in all three outcome areas. The project will strengthen institutional capacities and create enabling policy environment, taking care that stakeholders and policy making processes are gender sensitive, and along with other capacities, institutions will increase capacities for gender mainstreaming in policies, programs and budgets. Data collection, analysis, and assessments (including socio-economic impact assessments) will be gender sensitive, paying particular attention to gender specific aspects and issues related to women?s rights and empowerment, and particularly of women from marginalized groups. In support of busines ideas and innovative proposals, the project intervention will specifically encourage female innovators, entrepreneurs and experts. Mentorship and technical assistance will take care of specific potentials and needs of women supported. Challenge calls will be designed not only in a way that provides equal opportunities for women but to stimulate their interest and encourage their participation. All awarded projects will have to demonstrate gender equality considerations and impact. Information based on the applications received under the pre-challenge call indicates still insufficient gender awareness of majority of applicant entities, and therefore, particular attention will be paid to the increase of their gender competences in order to be able to fully use the project potential to contribute to the gender specific benefits. Monitoring, evaluation and dissemination activities will be fully gender sensitive and gender responsible. Indicators, evaluation criteria will be designed based on gender responsive evaluation principles. Dissemination activities will ensure that best practices promoting women engagement in climate change action are visible and will motivate other women to consider engaging in similar actions.

Briefly describe in the space below how the Project mainstreams sustainability and resilience

Mainstreaming environmental sustainability is at the core of the project strategy. Among others, environmental sustainability will be achieved by means of introducing and providing various tools for environmentally sustainable management and operation of all Serbian municipalities and SMEs, with a strong focus on improved waste management practices. The project will support environmental management capacities on the national level (Outcome 1), as well as on the local and SME level through coaching and supporting piloting innovative approaches (Outcome 2). On the national level, the project will support the Ministry of Environmental Protection for the development and implementation of the circular economy policy framework. Also, the project will seek cooperation and provide advice to the Ministry of Economy for the implementation of the Industrial Policy Strategy of Serbia 2021-2030, which recognizes the importance of circular economy. Also, the project will provide support to the Public Procurement Agency for the preparation and piloting of green procurement in Serbia.

On the local level, the project will support development of local CE roadmaps, in line with the National CE Roadmap, and introduction of circular economy principles in the Local Waste Management Plans, with the aim to support the concept of circular communities in Serbia.

Through the cooperation with the Chamber of Commerce and Industry of Serbia and its CE Hub, the project will support building the capacities of the Chamber and SMEs. The Chamber will be also engaged in the Acceleration phase for the innovative CE solutions in order to ensure sustainability of the project interventions beyond the lifetime of the project.

Briefly describe in the space below how the project strengthens accountability to stakeholders

The project design is closely aligned with the national policy regarding the promotion of the circular economy. The support for setting the policy framework for CE provided to the Ministry of Environmental Protection will be subject to the legally prescribed public consultation process. This process will be supported by the project and ensure that all relevant stakeholders? comments are included.

Furthermore, the project will organize consultative meetings with different target groups, such as potential beneficiaries (SMEs, R&D, start-ups), public sector (local communities, public companies, government agencies) as well as CSOs and representatives of marginalized and vulnerable categories (Roma, women, poor) that might be impacted by the improved waste management practice and reduction of secondary raw materials for collection. These consultations will provide an opportunity for the stakeholders to raise their concerns. In this context, the support for innovative approaches supported under Outcome 2 will be subject to an assessment of potential negative impacts. The invitation for participation in the challenge calls will be public and presented in dedicated events, providing an opportunity for the stakeholders any potential concern. The draft Stakeholder Engagement Plan will be developed during the PPG phase as part of ESMF, subject to further development during the implementation phase.

The communication and mobilization of the business community will be ensured through the cooperation with the Chamber of Commerce and Industry and their engagement in building capacities of beneficiaries and decision makers.

Part B. Identifying and Managing Social and Environmental Risks

QUESTION 2: What are the Potential Social and Environmental Risks? *Note: Complete SESPT Attachment 1 before responding to Question 2*	**QUESTION 3: What is the level of significance of the potential social and environmental risks?** *Note: Respond to Questions 4 and 5 below before proceeding to Question 6*			**QUESTION 6: Describe the assessment and management measures for each risk rated Moderate, Substantial or High**
Risk Description ***(broken down by event, cause, impact)***	***Impact and Likelihood (1-5)***	***Significance*** ***(Low, Moderate, Substantial, High)***	***Comments (optional)***	***Description of assessment and management measures for risks rated as Moderate, Substantial or High***

Risk 1: The collection of recyclable materials from household waste in Serbia is often undertaken by informal waste collectors, mostly Roma people, which may face a risk of losing their income opportunities by the introduction of new waste management practices through the implementation of project ideas supported by the challenge calls under Component 2. P.4, P.5 and P.6, Standard 5, q5.2	I = 4 L = 3	Substantial	While greater efficiency and formalization of the sector are essential for increasing the recycling rates, there is also a need to take care of the continuing income opportunities for the current informal waste collectors. This can lead to further disempowerment of Roma women whose economic participation is lowest in Serbia and living standard the poorest. According to UNDP study, only 9% of Roma women from marginalized Roma communities are employed and majority are employed in informal jobs. Their weak economic participation and position also have a huge impact on intergenerational poverty and exclusion as their wellbeing is strongly reflected on children?s wellbeing including weak resilience and CC adaptation potential. Due to future targets for increasing recycling rate in Serbia, as part of the EU accession process, this risk is present	The analysis conducted during the PPG and elaborated in SESP and ESMF showed that the informal waste collectors, collecting secondary materials, could be potentially economically affected by the Component 2 of the project. This group include mainly Roma and poor (elderly) people. The assessment of the impact has shown that substantial impact is possible, however with limited likelihood due to the fact that the challenge calls will not be targeting changes in the household waste collection. However, the potential risks cannot be assessed fully at this stage so it is foreseen to develop SESP for project proposals which will be selected for financial support under Component 2 (the projects which pass the initial screening against disqualification criteria and acceleration phase). Depending on SESP, project idea specific ESMP will be prepared where needed. The support for developing the project ideas into project proposals provided within Component 2 will be done following SESP and ESMP. Here is it important to mention that the project design foresees a specific call for piloting innovative approaches for introducing informal waste collectors into formal waste management. Gender sensitive solutions will be sought after. The positive experience from this specific call will be integrated into relevant project ideas. In addition, capacity building and cooperation with CSOs and other projects working with the impacted group will ensure mitigation of the adverse impact.

Risk 2: The implementation of the project ideas supported under Component 2 may lead to concerns about the human rights of the affected marginalized social groups involved in waste collection, mainly Roma, and lead to potential conflicts. P.1, P.5, P.8,P13 and P.14 Standard 5, q5.2	I=3 L=2	Moderate	As the project will involve change in the waste management practices and may negative impact the supply of source of income of informal waste collectors, it could result in potential conflicts and raise concerns about human rights of the affected population. Similar cases have been observed in other projects related to waste management in the region. However, since the marginalized involved in informal waste collection are primarily collecting secondary materials from communal waste which is not targeted by this project (the project will focus on specific waste streams such as biodegradable waste, construction waste, textile etc.), the impact is assessed as intermediate and likelihood as low.	The Stakeholder Engagement Plan has been developed during the PPG phase (Annex 9 of ProDoc)., An updated version will be prepared during the first year of implementation as part of the ESIA. Particular attention will be given to marginalized and vulnerable groups, such as the Roma population, women and the poor that are involved in the waste collection (secondary raw materials). In this context, the project will ensure the exchange of data and information with CSOs and representatives of the Roma population and ensure their close involvement in project activities. The project design mitigates this risk because the project will support transformational changes and provide legal/regulatory/incentive recommendations and guidance on the full integration of ?informal waste collectors? in the national social and employment policy. Furthermore, the design of project ideas supported within Component 2 will ensure mitigation of this risk through obligatory integration of solutions for integration of potentially affected informal waste collectors. As defined in the ProDoc Output 2.6 will provide solutions for integration of informal waste collectors in the waste management which will become requirements for the innovative projects supported throughout Component 2.Namely, in order to pilot these recommendations and guidance, innovative approaches, including the introduction of informal collectors in the legal system, will receive additional points when evaluating the challenge call applications. Also, a specific call for supporting innovative approaches for the integration of informal waste collectors and their piloting is foreseen. This specific call will also support activities for enabling affected groups to obtain alternative income sources, such as training and education for new opportunities in the job market. Several capacity building events will be arranged for marginalized groups to become part of the formal waste management schemes (including the options for the establishment of their businesses).

Risk 3: The project may have adverse impact on gender equality in terms of lower share of women among entities awarded for projects through challenges, or due to the lack of awareness and understanding of awarded entities on how to implement projects in gender responsible ways within Component 2, in terms of adverse impact on women from Roma community engaged in waste collection practices P.8 and P.9	I = 3 L = 3	Moderate	Having in mind the lower participation of women among entrepreneurs and business owners, particularly in the areas related to the circular economy, as well as lower participation of women in research in this area, there is a risk of not achieving optimal outreach to women through awards to projects selected through challenges. There is also a risk to have a negative impact on the economic participation of women from marginalized groups, particularly Roma women, with the introduction of new processes and practices they can face increased exclusion and consequently worsening of livelihoods. It is possible that even after the project implementation and ?formalization? of the employment of women in waste management, they can still be treated as a cheap source of labour.	A special gender responsive ESMF was developed. Gender-specific indicators will be designed as part of the project results framework, collecting gender-sensitive data on the project impact during its implementation. Additionally, the project has been designed to specifically encourage female innovators, entrepreneurs, and experts to participate in the project implementation and the gender action plan defines how this will be done in detail. Promotion activities and training will be gender mainstreamed, targeting specific needs and roles of women who are directly involved in waste management or any part of the product?s lifecycle. The awareness-raising activities will be implemented with entities implementing projects awarded through challenges to better understand how their project can be fully gendered responsible and even unlock the women?s empowerment potential that was not initially intended or recognized. The gender engagement strategy and gender action plan will ensure that key gender equality stakeholders are engaged in the activities and outcomes planned within the project regarding the development of the normative framework. This risk is caused by Component 2. However, positive, SES compliant, examples as a result of work under Component 2 may be used for drafting recommendations in scope of Component 1.

Risk 4: Upstream impacts (risk of unintended social or environmental consequences of policy changes). P.2, P.4, P.5, P.6, P.9 Standard 1, q1.1, q1.7 Standard 3, q3.2, Standard 5, q.5.2, Standard 8, q8.1, q8.2 and q8.3	I = 3 L = 3	Moderate	Policy changes can entail risks related to the economic displacement of informal waste collectors, as well as potential environmental risks related to the changes in waste management that could lead to adverse impacts on soils, air or water pollution. In addition, there is a risk that the government will not have the capacity to meet their obligations.	Due to the limited capacities of the government in terms of circular economy, the project design incorporates assistance in improving national policy in the area of resource management by promoting reuse and recycling schemes for all waste streams, as well as a prolonged lifetime of the products and the lifecycle assessment of production processes and services. The project will support the development and monitoring of the first Circular Economy Programme as well as other relevant legislation, such as supporting the creation of ?end of waste? policy for each waste stream and introducing incentive measures for the reuse/recycling industry. Also, the project will support the implementation of the Industrial Policy Strategy of Serbia. Additionally, the Waste Policy of Serbia will be amended. By promoting circular economy approaches & lifecycle assessment of products and services, the project will contribute to the reduction of pollution from extractive industries, waste disposal (soil contamination, water and air pollution), as well as GHG emissions from the landfills and dumpsites. By providing clear guidelines for different industries and sectors on the opportunities and benefits of CE, the project will trigger a transformational shift. Also, the CE indicators will be developed to ensure monitoring of the Circular Economy Programme and applied CE interventions in different industries and sectors. The project will also promote alternatives and phasing out of harmful substances that are being used in production, processing and packaging processes by various industries and businesses, leading towards more responsible production and consumption patterns. In this way, the project design will allow the mitigation and appropriate management of this risk. A specific SESA covering policy changes will be prepared during the implementation.

Risk 5: The project may pose potential risk to the health and safety of the individuals involved in the waste management activities under the project. Standard 7, q 7.1 and q.7.6	I = 4 L = 2	Moderate	The probability of occurrence of this risk is low as the project will not support any activities which include any harmful/hazardous waste. This should be properly monitored and managed during the project implementation stage. At the same time, the project will support diverting waste from landfilling and avoidance of landfilling of biodegradable waste which will reduce the risk of methane related fires on landfills and thus reduce health and safety risk.	This risk is under the scope of ESMF. Occupational health and safety are obligatory for all companies by the law. All project ideas applying for the challenge calls will need to confirm their compliance with the national legislation. In the first stage of selection process of project ideas under challenge calls, the CE project proposals which include management or production of harmful/hazardous waste will be excluded. Specific Occupational Health Safety Protocols will be requested for CE project proposals as one of the deliverables before the issuance of performance-based payment. As part of the project design, training and awareness-raising will be organized for stakeholders and practitioners to better understand ways of safe management of materials that are being placed in the circularity chains. Complementary capacity building and learning materials will be produced, in particular for the occupations directly affected, such as in the waste recycling industry.
Risk 6: Physical displacement of informal waste collectors P.5 Standard 5, q 5.1	I = 4 L = 2	Moderate	There is a risk of economic displacement of the informal waste collectors. .	This risk is under the scope of ESMF. Project specific SESPs will be developed for each pre-selected project idea applying for challenge calls. Identification of a risk for physical displacement will be a disqualifying criterion for project ideas applying for challenge calls.

Risk 7: The investments and other measures supported by the project may generate waste, which, if not properly managed, may be disposed in an environmentally unsound manner. Standard 1, q.1.7 Standard 3, q 3.2 and q.3.5 Standard 8, q 8.1, q 8.2 and q.8.3	I = 4 L = 3	Substantial	The project aims to introduce new measures for managing waste based on the principles of the circular economy. Therefore, the probability of the waste not being properly managed is low, still, the impact of the project is considered to be substantial, especially in the initial project stages when the new measures are planned to be introduced.	This risk is under the scope of ESMF. For all project ideas pre-selected for the challenge calls a SESP will be developed and , where needed, a Life Cycle Assessment that will ensure the right circularity and pollution effect scope of projects and initiatives. At the same time, the project will support local self-governments in introducing the CE principles in their local waste management plans. Also, the project will further provide policy support to the Ministry to fully develop and enact the Prolonged Producer?s Responsibility concept. Moreover, priority will be given to innovative proposals that are based on zero-waste and zero landfilling. Prioritization of resource re-use over the resource extraction will be promoted throughout all project activities, thus reducing the probability of the occurrence of this risk. These requirements will be reflected in the scoring criteria for the final decision on co-financing innovative CE projects. The details will be further elaborated during the acceleration and implementation phase, with the support of waste management and lifecycle assessment experts. All requirements will be verified by the Project Board which will include representatives of the Ministry in charge for waste management policy.

Risk 8: The outcomes of the projects supported in scope of Component 2 may be sensitive or vulnerable to potential impacts of climate change Standard 2, q.2.2	I=3, L=3	Moderate	The project proposals which will be supported under Component 2 which entail the use of biodegradable waste stemming from agricultural production may have the risk of reduction of input material in case of climate change (e.g. increased drought). However, even in case of reduced yield due to climate change, it is not expected that the overall amounts of available agricultural waste will be reduced (e.g. it can happen that due to poor quality of the yield, the overall amount of biodegradable waste could even increase).	During the selection process under the challenge calls, the applicants which foresee the use of biomass waste as input material will be requested to provide the assessments about the available quantities of biomass. Here, the outputs of the recently finished UNDP Project ?Reducing Barriers to Accelerate the Development of Biomass Markets in Serbia ?will provide valuable information for the assessment of biomass potential. Also, in order to assure that the PBP is provided only for sustainable solutions, the project applicants will be requested to provide confirmation from potential biomass suppliers.

QUESTION 4: What is the overall Project risk categorization?		
Select one (see SESP for guidance)		**Comments**
Low Risk	**?**	
Moderate Risk	**?**	

	Substantial Risk	**x**			**Out of eight identified risks, six are classified as moderate and two as substantial. Therefore, the project is classified as a substantial risk project. In addition to the ESMF, Stakeholder Engagement Plan and Gender Action Plan developed during PPG phase, development of a SESA and SESP for individual project ideas selected for co-financing under Component 2 (as well ESMP where needed), , is planned during project implementation.**
	High Risk				
	QUESTION 5: Based on the identified risks and risk categorization, what requirements of the SES are triggered (check all that apply)?				
	Question only required for Moderate, Substantial and High Risk projects:				
	Is assessment required? (check if ?yes?)	**X**			**Status? (completed, planned)**
	If yes, indicate overall type and status		**X**	Targeted assessment(s)	**Completed during PPG: gender analysis, stakeholder analysis**
			X	ESIA (Environmental and Social Impact Assessment)	**Planned during implementation**
			X	SESA (Strategic Environmental and Social Assessment)	**Planned during implementation**
	Are management plans required? (check if ?yes?)	**X**			

	If yes, indicate overall type		X	Targeted management plans (Gender Action Plan, Stakeholder Engagement Plan, on CE project proposal level Waste Management Plan, Occupational Health Safety Plans and, if needed, Livelihood Action Plan)	**Completed during PPG: Gender Action Plan, Stakeholder Engagement Plan**
			X	ESMP (Environmental and Social Management Plan which may include range of targeted plans)	**Planned during implementation**
			X	ESMF (Environmental and Social Management Framework)	**Completed during PPG**
	Based on identified risks, which Principles/Project ?level Standards triggered?		**Comments (not required)**		
	Overarching Principle: Leave No One Behind				
	Human Rights	**X**			
	Gender Equality and Women?s Empowerment	**X**			
	Sustainability and Resilience	**X**			
	Accountability	**?**			

	1. Biodiversity Conservation and Sustainable Resource Management	X	
	2. Climate Change and Disaster Risks	X	
	3. Community Health, Safety and Security	X	
	4. Cultural Heritage	?	
	5. Displacement and Resettlement	X	
	6. Indigenous Peoples	?	
	7. Labour and Working Conditions	X	
	8. Pollution Prevention and Resource Efficiency	X	

Supporting Documents

Upload available ESS supporting documents.

Title	Module	Submitted
6285_Serbia CE_Annex 10_ESMF _19May2021_clean and cleared	**CEO Endorsement ESS**	
6285_Serbia CE_Annex 6_SESP_19May2021_clean and cleared	**CEO Endorsement ESS**	
6285 UNDP GEF pre-SESP 21052020-1	**Project PIF ESS**	

ANNEX A: PROJECT RESULTS FRAMEWORK (either copy and paste here the framework from the Agency document, or provide reference to the page in the project document where the framework could be found).

Annex A: Project Results Framework (either copy and paste here the framework from the Agency document, or provide reference to the page in the project document where the framework could be found).

This project will contribute to the following Sustainable Development Goal (s): *#5* Gender equality, #11 Sustainable cities and communities, #13 Climate Action				
This project will contribute to the following country outcome (UNDAF/CPD, RPD, GPD): Serbia adopts and implements climate change and environmentally friendly strategies that increase community resilience, decrease carbon footprint and boost the benefits of national investments[1]				
	Objective and Outcome Indicators **(no more than a total of 20 indicators)**	**Baseline**	**Mid-term Target**	**End of Project Target**
Project Objective: Reducing Community Carbon Footprint by a Circular Economy Approach in the Republic of Serbia	**Mandatory** *Indicator 1 (also Core Indicator 11)*: Number of direct project beneficiaries disaggregated by gender (individual people)	NA	Males: 500 Females: 500	Males: 5 000 Females: 5 000
	Mandatory GEF Core Indicators: *Indicator 2 Core Indicator 6.2)*: Direct and indirect lifetime GHG emissions avoided (metric tons of CO2e)	NA	Direct: 0 Indirect: 0	Direct: 100 ktons of CO_{2eq} Indirect: 1 640 ktons of CO_{2eq}
	Indicator 3 Core Indicator 6.3): Energy saved (TJ)	NA	0 TJ	1 000 TJ
	Indicator 4 Core Indicator 6.4): Increase in installed renewable energy (RE) capacity (MW)	NA	0 MW	1 MW
Project component 1	**An enabling institutional and policy framework**			

Project Outcome 1: An enabling institutional and policy framework for advancing cross-sectoral circular economy (CE) in Serbian communities	*Indicator 5:* Alignment of the Serbian legal and regulatory framework with the EU circular economy related policy framework and the Chapter 27 of the EU Acquis covering CE related matters	Satisfactory	Satisfactory	Good
	Indicator 6: Level of completion of an updated Circular Economy Road Map, 2nd three-year CE implementation program and at least 5 communal circular economy road maps or action plans	NA	20%	100%
	Indicator 7: Number of users of the CE Navigator and the Registry for Recycled Secondary Raw Materials	NA	400	4 000

Outputs to achieve Outcome 1	Output 1.1 A gap analysis between the latest EU circular economy policies and related Serbian laws and regulations. Output 1.2 By building on the results and recommendations of Output 1.1, new bylaws and other policy measures for effectively advancing circular economy in Serbia drafted Output 1.3 Circular economy related ISO standards that are not in use in Serbia yet transposed Output 1.4 A completed socio-economic impact and livelihood analysis with related recommendations and, as applicable, a Livelihood Action Plan, to mitigate the eventual harmful socio-economic impacts to vulnerable population groups such as informal waste collectors, who may be affected by new CE policies. Output 1.5 An updated Circular Economy Road Map and the 2nd three-year Implementation Program for Circular Economy completed by building on a broad consultative process and incorporating experiences and lessons learnt from monitoring the implementation of the first program and the CE investments piloted. Output 1.6 At least 5 circular economy road maps or action plans developed by local self-governments by building on the activities of the Climate KIC project ?Developing pathways for the circular economy? and its potential further follow-up with EU IPA funding. Output 1.7 Circular Economy Navigator as an online knowledge management and marketing platform (serving also as the project and the LCCIP website) to support: i) collection and use of recycled secondary raw materials; ii) marketing of new innovative business ideas and projects; and iii) finding suitable implementation and financing partners for them. While taking full advantage of the available IT opportunities, the activities implemented within this framework may also encompass specific match-making events, trainings etc. Output 1.8 Raised awareness and built capacity of the key stakeholders to implement CE related policies, including capacity building of the industry and commercial sector to integrate circular economy ideas into their businesses.			
Project component 2	**Implementation of new innovative project sourcing and financing modalities to promote low carbon circular economy development**			
Outcome 2: New innovative circular economy project and business ideas to reduce community carbon footprint identified and implemented with support by LCCIP with related KM and public outreach activities	*Indicator 8:* Number of new CE economy project and business ideas implemented with LCCIP support	NA	0	At least 5 projects implemented
	Indicator 9: Amount of co-financing leveraged for the supported CE investments	NA	0	US$ 10 million
	Indicator 10: Amount of financing assigned at the end of the project to sustain LCCIP operations beyond the life of the project	NA	0	US$ 1 million

	Indicator 11: : Status of the project KM platforms and other public outreach material	NA	Project KM platform in operation and regularly updated, and at least 5 articles or stories about the project in public media published	Project KM platform in operation and regularly updated, final workshop organized and at least 10 articles or stories about the project in public media published
Outputs to achieve Outcome 2	Output 2.1: Finalized design of the Low Carbon Communities Innovation Platform (LCCIP) to source and support the implementation of new resource efficient circular economy related business ideas, products, investment projects and process improvements. Output 2.2: The LCCIP established with agreed co-financing arrangements and a mentorship and technical assistance facility as part of the LCCIP to provide guidance and technical support for entrepreneurs in developing their initial ideas to marketable businesses and products and structuring financing from other public, semi-commercial or commercial funding sources for sharing the initial project costs and risks. Output 2.3: Workshop and other training events, including direct mentoring to support the finalization of proposals for LCCIP financial support Output 2.4: Proposals including feasibility studies, business and financing plan seeking for LCCIP financial support completed Output 2.5 Pilot CE investments selected by a challenge call and their implementation supported by Performance-Based Payments Output 2.6 Specific s challenge call organized to source and support by innovation awards for a minimum of 5 new initiatives for the integration of informal waste collectors in the waste management system. Output 2.7 Specific Challenge Call organized to source and support by innovation awards up to 10 innovative CE based low-carbon solutions proposed by the R&D sector. Output 2.8: Monitored and reported results of the supported projects for their direct GHG reduction, social, economic and local environmental impacts Output 2.9 Public outreach to disseminate results and encourage the replication of pilot projects, including the use of social media, TV, radio, articles in printed media and video coverage, as well as organizing walk-through tours of key public officials to get more government buy-in and a final project workshop Output 2.10 Institutional and financing agreements to sustain the LCCIP operations after the project end completed, with at least US$ 1 million assigned for continuing the challenge calls and for blending other financing sources, including the potential use of the Green Fund as the main source of public co-financing to facilitate the implementation of new innovative project and business ideas to advance the CE agenda in Serbia.			
M&E	**Monitoring and evaluation**			

Outcome 3: Project results monitored, evaluated and reported	*Indicator 12:* Status of the project M&E reports	NA	Inception report, inception workshop and initial monitoring reports completed	Final project report and terminal evaluation completed
Outputs to achieve Outcome 3	Output 3.1 Project inception report and workshop. Output 3.2 Project monitoring reports, including final project report, including monitored results of the supported project and business ideas and compilation of the lessons learnt Output 3.3 Project terminal evaluation.			

[1] leveraging at least $10 million USD in co-financing investments and leading to direct project lifetime CO2 reductions of at least 100,000 tonnes of CO2e

ANNEX B: RESPONSES TO PROJECT REVIEWS (from GEF Secretariat and GEF Agencies, and Responses to Comments from Council at work program inclusion and the Convention Secretariat and STAP at PIF).

The GEF Secretariat comments at the PIF/Work Program Inclusion to be considered at the time of the CEO endorsement/approval include the following:

1. In the PPG stage, please consider engaging private investments in this project

2. In the CEO EA stage, please present more detailed KM information on:

a) an overview of existing lessons and best practice that inform the project concept
b) plans to learn from relevant projects, programs, initiatives & evaluations
c) proposed processes to capture, assess and document info, lessons, best practice & expertise generated during implementation
d) proposed tools and methods for knowledge exchange, learning & collaboration
e) proposed knowledge outputs to be produced and shared with stakeholders
f) a discussion on how knowledge and learning will contribute to overall project and sustainability plans for strategic communications

3. At the CEO EA stage, the Agency agreed to undertake detailed analysis on global environment benefits that will be delivered by the project..

4. Also, at the CEO EA stage, the agency needs to:

a) update innovation, scaling up, and sustainability;
b) provide a project map;
c) address the issue of dual functions of project implementation and execution.

The comments have been addressed as follows:

1. This has been considered and by building on the excellent results of the ongoing CSUD project (see the response below) has been included as a core element of the project implementation strategy facilitated by the challenge calls and the Performance Based Payment (PBP) cost-sharing modality.

2. More detailed KM information on the points brought up has been presented in the CEO Endorsement Request and in the Project Document as follows:

As concluded by the Mid-Term Review (MTR) of the ongoing GEF supported Climate Smart Urban Development (CSUD) project in Serbia, the possibility for adaptive management has been a key factor for project success so far. For instance, neither the concept of project incubators/accelerators nor the Low-Value Performance-Based Payments (PBPs) were included in the initial project document, but were successfully added later at the inception phase. This is typical for all projects dealing with new innovative ground-breaking approaches, namely that not everything can be elaborated in every single detail in advance, but there needs to be enough room for adjusting and adapting the project implementation strategy to the observations and lessons learnt during the project implementation. The importance of this cannot be over-emphasized in the current project either, while also highlighting the critical importance of professional project management with the demonstrated adaptive management capacity and prior experience of managing projects of similar kind, including engagement of and working with a variety different private and public sector stakeholders in a constantly changing environment.

The concept of project incubators/accelerators was recognized by the CSUD MTR as a key component in the good progress the CSUD project has made so far, as it allowed project ideas to be further developed with professional mentoring support financed by the project. Similarly, the Performance-Based Payments (PBPs) were found by the conclusions of an independent MTR as an excellent tool of working with the private sector. The main benefit of PBPs is that payments are based on performance and specific milestones are defined to trigger payments. This reduces project?s financing risks, as further payments are only made if the investment projects to be supported make sufficient progress. While the financial regulations of the Government of Serbia do not recognize and allow the use of such a financing modality yet, the aim of the project with implementation support is to gradually introduce the possibility to use PBPs also by the MoEP and the Government of Serbia in supporting new innovative approaches to tackle the challenges they are facing, including the climate change.

The challenge-based approach in general was concluded by the CSUD MTR to produce excellent results with over 110 applications received. From these, 38 ideas were selected for further incubation, which was later narrowed to five to receive GEF co-financing for actual implementation. However, even those project ideas that did not receive co-financing at the end benefitted from the professional mentoring support, which was helping to develop their initial ideas into more mature projects and by which they are now better prepared to apply funding also from other sources. Thus, the impact of the CSUD project similar to the approach proposed by the new CE project is not limited to only those projects that receive direct investment support, but among the beneficiaries are also those that receive mentoring support during the incubation/acceleration phase. As a complementary benefit it was also found by the MTR that during the incubation phase the participants learned from each other, while facing similar challenges.

In conclusion, the CSUD Project Support Team, the Incubation/Acceleration Clinic for new innovative project ideas and the Performance Based Payments all facilitated by excellent co-operation between the MoEP and the UNDP, including the related UNDP Implementation Support, received ?very positive comments from a number of stakeholders interviewed during the MTR? and was seen as an achievement, which has managed to ?integrate climate change into the topic of innovation?. The MTR also concluded that ?the project has successfully integrated the private sector into the activities, which is demonstrated by a large number of private sector representatives participating in the various events and workshops and by the majority of Innovation Challenge projects being implemented by private sector?. The co-financing of the private sector in implementing these projects amounted US$ 10 milion. As regards the sustainability aspects, the stakeholders interviewed during the CSUD MTR mission expressed their interest in replicating the approach of the Innovation Challenge. At the time of the MTR there were advanced discussions with the Embassy of Sweden about financing an additional Innovation Challenge on biodegradable waste. Also, the EU Delegation expressed interest in replicating an Innovation Challenge for specific project types. This was also concluded by the MTR to be an excellent result of the CSUD project demonstrating the validity of the approach taken.

The proposed tools and methods for knowledge exchange, learning & collaboration are centered in and around the CE Navigator discussed in further detailed in chapter 6 of this CEO Endorsment Request, supported by a number of workshops and other public outreach activities are discussed in greater detail in Annex 9 of the project document (Stakeholder Engagement Plan).

3. The project GHG reduction analysis is presented in Annex 13 of the Project Document prepared in accordance with the ?Guidelines for Greenhouse Gas Emissions Accounting and Reporting for GEF Projects? presented to the GEF Council in 48th meeting in June 2015 and the methodology adopted by the GEF in 2013 for energy efficiency projects "Calculating Greenhouse Gas Benefits of the Global Environment Facility Energy Efficiency Projects (Version 1.0).

4. The points raised by the fourth comments have been addressed as follows:

a) Updated section on innovation, scaling up, and sustainability are presented in the project document (pages 19-21)

b) A project map and co-ordinates are attached both to the Project Document (Annex 3) and the CEO Endorsement Request (Annex E) based on the projects identified by the pre-challenge call organized during the PPG phase as the most promising candidates to continue to the mentoring phase.

c) The project managements arrangements and the issue of dual functions of project implementation with required firewall arrangements have been addressed in chapter VII of the Project Document (Governance and Management Arrangements), in section 6 of the CEO Endorsement Request (Institutional Arrangement and Coordination) and the Checklist.

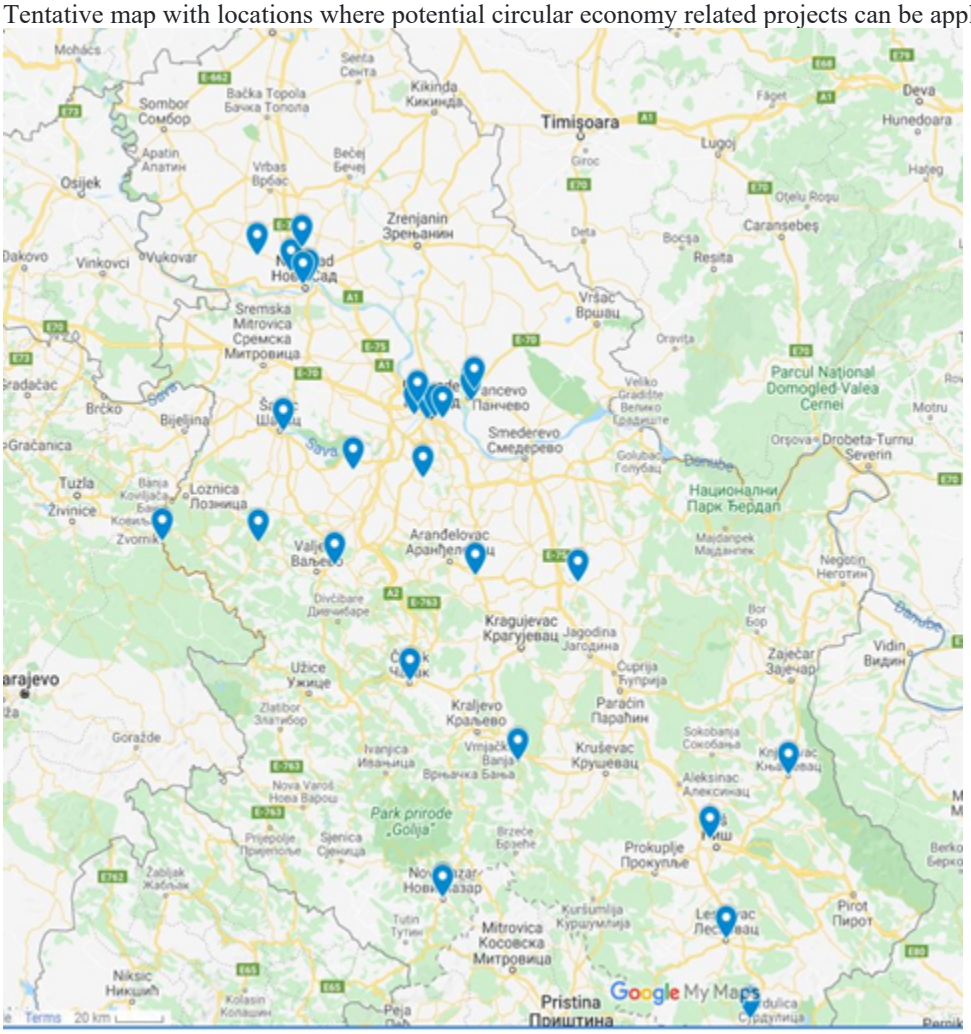
ANNEX C: Status of Utilization of Project Preparation Grant (PPG). (Provide detailed funding amount of the PPG activities financing status in the table below:

Project Preparation Activities Implemented	*GEF Amount ($)*		
	Budgeted Amount	*Amount Spent to date*	*Amount Committed*
Component A: Preparatory Technical Studies & Reviews:	40,000	37,391	2,609
Component B: Formulation of the NCE VF Project Document, CEO Endorsement Request, and Mandatory and Project Specific Annexes	7,500	6,134	1,366
Component C: Validation Workshop and Report	2,500	0	2,500
Total	**50,000**	**43,525**	**6,475**

ANNEX D: Project Map(s) and Coordinates

Please attach the geographical location of the project area, if possible.

Tentative map with locations where potential circular economy related projects can be applied



	x	y
1	20.3993676	44.8248692
2	19.1056975	44.3735643
3	21.865513	43.3432973
4	20.3728121	44.8061773
5	20.5170294	43.1415301
6	19.7527622	45.2897185
7	20.6673601	44.8773739
8	22.0636676	42.714109

9	20.4421817	44.7900487
10	21.1966631	44.2319619
11	20.6602893	44.852582
12	20.3497327	43.892712
13	20.4786065	44.7960868
14	19.5885307	44.3725565
15	20.51833	43.1406209
16	19.7122615	44.749453
17	20.680837	44.2552653
18	21.944477	42.9954468
19	20.6760572	44.8895872
20	19.8391598	45.2574751
21	20.8968819	43.6166348
22	19.8072075	45.3699623
23	20.0686153	44.6179858
24	19.9721542	44.2922947
25	19.5818069	45.3443845
26	19.8126626	45.2474707
27	20.4196003	44.5920241
28	22.2556227	43.5674618
29	20.3914324	44.8428829
30	20.5149877	44.7951139

ANNEX E: Project Budget Table

Please attach a project budget table.

Expenditure Category	Detailed Description	Component (USDeq.)	Total (USDe	Responsibl e Entity

		Component 1	*Component 2*	*Sub-Total*	*Component 3 M&E*	*PMC*	q.)	(Executing Entity receiving funds from the GEF Agency)[1]
		Sub-component 1.1	*Sub-component 2.1*					
Furniture/Equipment	Audio visual equipment and communications costs			-		4,000	4,000	MoEP
Furniture/Equipment - Vehicle	ICT equipment and furniture for the PMU staff and office, as needed			-		3,500	3,500	MoEP
Contractual Services ? Individual	Costs of the LCCIP management team with a LCCIP Advisor for 80 weeks at the rate of $975 per week, LCCIP task manager for 180 weeks at the rate of $700 per week and LCCIP Assistant for 180 weeks at the rate of $475 per week.		289,500	289,500			289,500	MoEP with UNDP Implementation Support

Contractual Services ? Individual	Innovation awards for outputs 2.6 and 2.7. Innovation awards will be coordinated and implemente d in line with UNDP policy on Innovation challenges.		70,000	70,000			70,000	MoEP with UNDP Implementa tion Support
Contractual Services ? Individual	Contribution of project manager by 160 weeks at the rate $450 per week and project assistant by 260 weeks at the rate of $225 per week to administrati ve project management			-		130,5 00	130, 500	MoEP

Contractual Services ? Company	Contractual services for Outputs 1.1 - 1.7, including review and drafting CE related legal texts ($30,000), facilitating a consultative process for and drafting national CE Road Map and 2nd Implementation Progam (incl. elaboration of measures to mitigate the eventual negative social impacts) & supporting the development of at least 5 local CE plans ($50,000), and development and management of the Circular Economy Navigator and related public outreach ($60,000)	140,000		140,000			140,000	MoEP

Contractual Services ? Company	Contractual services for monitoring and reporting LCCIP results together with related public outreach and developing a draft proposal for sustaining LCCIP results		29,000	29,000			29,000	MoEP
Contractual Services ? Company	Final evaluation			-	40,000		40,000	MoEP
International Consultants	International project advisor on Circular Economy support for Outcome 1, including support for annual planning and adaptive management during the first three years. $3,750 weeks for 12 workweeks in total	45,000		45,000			45,000	MoEP

International Consultants	International project advisor on Circular Economy support for Outcome 2, including support for annual planning and adaptive management during the first three years. $3,750 per week for 8 workweeks in total		30,000	30,000			30,000	MoEP with UNDP Implementation Support
Local Consultants	Local expert support for public outreach design and implementation ($1,000 per week for 47,5 weeks)	47,500		47,500			47,500	MoEP
Local Consultants	Local expert support for Outputs 2.1-2.7, incl. the mentoring team (50 weeks) and design of the LCCIP and specific challenge calls (20 weeks). $1,000 per week for 70 weeks in total		70,000	70,000			70,000	MoEP with UNDP Implementation Support

Local Consultants	Short term local expert support for project monitoring (incl. GHG accounting) ($1,000 per week for 19 weeks)			-	19,000		19,000	MoEP
Grants	Low-Value Performance Based Payments Agreements for at least 5 new and innovative CE investment projects, projects where the payment does not make up more than 20 percent of the total capital cost of the project		780,000	780,000			780,000	MoEP with UNDP Implementation Support
Trainings, Workshops, Meetings	Organisational costs for co-ordination, KM and training workshops contributing to different outputs of component 1	15,000		15,000			15,000	MoEP
Trainings, Workshops, Meetings	Organisational costs for co-ordination, KM and training workshops contributing to different outputs of component 2		10,000	10,000			10,000	MoEP with UNDP Implementation Support

Trainings, Workshops, Meetings	Inception workshop ($5,000)			-	5,000		5,000	MoEP
Trainings, Workshops, Meetings	Final project workshop ($10,000)		10,000	10,000			10,000	MoEP
Travel	International and local expert travel	4,500		4,500			4,500	MoEP
Travel	International and local expert travel		5,000	5,000			5,000	MoEP with UNDP Implementation Support
Travel	International and local expert travel			-	6,000		6,000	MoEP
Travel	Project management related travel			-		6,000	6,000	MoEP
Office Supplies	Office supplies			-		2,500	2,500	MoEP
Other Operating Costs	Annual financial audits			-		15,000	15,000	MoEP
Grand Total		252,000	1,293,500	1,545,500	70,000	161,500	1,777,000	
		252,000	***1,293,500***	***1,545,500***	***70,000***	***161,500***	***1,777,000***	

1,254,500	MoEP with UNDP Implementation Support
522,500	MoEP

ANNEX F: (For NGI only) Termsheet

Instructions. Please submit an finalized termsheet in this section. The NGI Program Call for Proposals provided a template in Annex A of the Call for Proposals that can be used by the Agency. Agencies can use their own termsheets but must add sections on Currency Risk, Co-financing Ratio and Financial Additionality as defined in the template provided in Annex A of the Call for proposals. Termsheets submitted at CEO endorsement stage should include final terms and conditions of the financing.

ANNEX G: (For NGI only) Reflows

Instructions. Please submit a reflows table as provided in Annex B of the NGI Program Call for Proposals and the Trustee excel sheet for reflows (as provided by the Secretariat or the Trustee) in the Document Section of the CEO endorsement. The Agencys is required to quantify any expected financial return/gains/interests earned on non-grant instruments that will be transferred to the GEF Trust Fund as noted in the Guidelines on the Project and Program Cycle Policy. Partner Agencies will be required to comply with the reflows procedures established in their respective Financial Procedures Agreement with the GEF Trustee. Agencies are welcomed to provide assumptions that explain expected financial reflow schedules.

ANNEX H: (For NGI only) Agency Capacity to generate reflows

Instructions. The GEF Agency submitting the CEO endorsement request is required to respond to any questions raised as part of the PIF review process that required clarifications on the Agency Capacity to manage reflows. This Annex seeks to demonstrate Agencies? capacity and eligibility to administer NGI resources as established in the Guidelines on the Project and Program Cycle Policy, GEF/C.52/Inf.06/Rev.01, June 9, 2017 (Annex 5).