

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

Review PIF and Make a recommendation

Basic project information

GEF ID

10425

Countries

Serbia

Project Name

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

Agencies

UNDP

Date received by PM

10/28/2019

Review completed by PM

4/27/2020

Program Manager

Ming Yang

Focal Area

Multi Focal Area

Project Type

MSP

PIF

Part I – Project Information

Focal area elements

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

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

Yes, the project is aligned with the GEF 7 CCM-1-3, CCM1-4, and LD1.

Agency Response

Indicative project/program description summary

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

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

Not completed at this time.

The investment component is not clear. How will the GEF \$950,000 and the \$12.8 million be invested?

What is the additional value of the GEF grant on the top of the existing baseline projects?

Will the GEF grant be used for some demonstration buildings for the purpose of sustaining and extending lifetime or for the development of new buildings that will have new standards and codes for a circular future and optimal lifetime?

12/2/2019 MY:

Not completed at this time. It is not clear how "The GEF grant of USD 950,000 will be used as catalytic seed funding to mobilize private sector investments " In the project outputs, please elaborate how the private sector will be willing to put investments with the GEF grant.

In Table B, please:

1. Consider combining the outputs of "Serbia Circular Economy Road Map and Navigator ..." and "The design and finalization of the Low Carbon Communities and Cleantech Innovation Platform (LCCCIP) ..." The reason is that these outputs are all TAs. Component 2 can only consist of Investment and demonstration.
2. In Component 1 again, consider adding the design and development of new circular economy-related laws, standards and codes for buildings. For example, by law or by the codes, residents must use sort their wastes while dumping them, and all wastes must be reused and recycled locally in the communities or redistricted.

3. In Component 2 (only for investment), consider building necessary facilities to sort and collect solid wastes to demonstrate the effectiveness of the application of such a law, standards, codes, etc. For example, as the PIF mentioned, for **reusing and circulating the used materials for constructing new buildings or renovating old ones**, please indicate where the demonstration will take place and how many new and old buildings will be selected by the GEF investment under the demonstration sub-project or component. Please estimate the costs for the demonstration.
4. Elaborate how the \$12.8 million co-financing will be used with the GEF project. In Table B, please breakdown the use of the \$12.8 million.
5. Indicate how and where the private investments will be used for the project.

2/27/2020 MY:

Not completed yet at this time.

Per the responses of the Agency: **"This means that rather than using the GEF grant for predefined pilot/demonstration projects, it will be used as innovation awards and incentives (including performance based grants) for uncovering and de-risking new innovative circular economy business ideas and projects, which will be selected on a competitive basis as a part of project implementation. These ideas and projects are primarily expected to be initiated by the private sector."** Please justify how to make the project sustainable. When the GEF project implementation is over, who will continually provide grants to reward and provide incentives to the private sector for their continued investment? Please be aware that GEF grants are very limited and they should not be used to subsidize a couple of private investors for their projects, although the GEF welcomes private investment in global environment.

In Table B, for the sub-component of Investment in Component 2, please clearly indicate where, how and what kind of tangible facility or equipment will be installed or established after using the \$950,000 GEF grant and \$1.28 million co-financing. In other words, please put quantitative targets of investment of tangible equipment that will directly deliver Global Environment Benefits (GHG emission reductions) in Table B. "Financing arrangements for the implementation of the projects/business solutions selected for LCCCIP support completed" is uncertain and unclear.

4/3/2020 MY:

Not at this time.

Per the Agency's responses to the comments of 2/27/2020 MY, there are at least two issues to be cleared. First, there are no measures to guarantee zero-corruptions in selecting the private firms that will be subsidized by the GEF grant. How can the UNDP ensure that the private firms are selected in an open, transparent, and competitive procedure? Who will be in the firm selection panel? Furthermore, what does the UNDP do if the selected private firms use the GEF subsidies (grant) to

buy goods and services for private purposes rather than for delivering global environment benefits? Second, a private firm which is NOT selected by the GEF/UNDP for the subsidies, may have little or nothing to do with "Reducing Community Carbon Footprint by a Circular Economy". Please justify how this project will scale up the engagement of all private firms (not only the selected ones, but also non-selected ones) in the country to invest in community for carbon reduction.

4/27/2020 MY:

OK.

Agency Response

April 21, 2020 - UNDP Response: Both the Government of Serbia and UNDP have anti-fraud measures in place that are applied to all UNDP GEF projects. An open, fully transparent and competitive procedure in selecting private companies for project support will be ensured by a public call of proposals in full accordance with both the UNDP and the Government of Serbia procurement rules. In addition, in accordance to UNDP anti-fraud rules, all staff have an obligation to report all instances of suspected wrongdoing. After technical screening of the proposals for their eligibility and completeness of the project documentation, each submitted proposal will be evaluated and scored by independent external experts (usually three experts per project idea including both local and international experts), who are evaluating ideas only based on their content. The results are presented for the Project Board comprised of the Government and UNDP representatives for final approval. The Performance Based Payment (PBP) modality strictly define what are the milestones that need to be met in order for payments to be released. This significantly reduces the risk to almost zero that funds are released for projects that do not materialize.

Previously, no concerns of corruption have been brought up on any UNDP GEF projects implemented projects in Serbia, so the reasons for raising this concern for this particular project only vs. all other GEF supported projects seeking to mobilize the private sector are not clear to us.

The project helps scale up the engagement of all private firms (not only the selected ones) through its work on regulatory and policy issues and by helping the government of Serbia to introduce new legislation and the institutional and policy framework. This work will help all private firms and not just the ones selected by this project to receive performance based payments.

11/11/2019 UNDP:

The GEF grant of USD 950,000 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. This new project attempts to do the same, but this time with the focus on circular economy projects in particular.

What comes to other baseline projects described in greater detail under the title "Describe how any "Investment Mobilized" was identified" under table C of Part I, some of them provide a basis by which the circular economy approach can be advanced, facilitated and promoted (such as the establishment of municipal waste management centers), while others will be used as a co-financing source for new innovative circular economy business ideas and investments. As mentioned before,

the value added of the GEF investment grant will be to provide catalytic seed funding for new innovative circular economy business ideas and investments by using a challenge-based implementation modality, which has already been successfully tested and demonstrated in the frame of the ongoing CSUD project.

Given the chosen challenge call-based approach, the specific investment projects to be supported with the GEF grant are not known yet, but as long as they fall under the category of promoting circular economy, they can also be in the building/construction sector. These can also include new standards and codes for extending the lifetimes and reusing and circulating the materials used for constructing new buildings or renovating old ones. As a typical example, different insulation materials re-using the materials from other processes can be mentioned. In fact, these standards, codes and new construction norms to advance the use of reused and circulated raw materials and improve the segregation of construction waste when demolishing old buildings or constructing new buildings is an extremely important segment of circular economy and should be reflected also in the related policy work.

Further clarification on this issue marked in yellow has been added into the PIF chapter “Incremental/additional cost reasoning and expected contributions from the baseline, the GEFTF, LDCF, SCCF and co-financing” in pages 21-22.

12/11/2019 UNDP:

For using the GEF grant of USD 950,000, the project will follow the same challenge based approach as in the previous CSUD project. This means that rather than using the GEF grant for predefined pilot/demonstration projects, it will be used as innovation awards and incentives (including performance based grants) for uncovering and de-risking new innovative circular economy business ideas and projects, which will be selected on a competitive basis as a part of project implementation. These ideas and projects are primarily expected to be initiated by the private sector. In order to qualify for any GEF grant funding, they also need to have concrete co-financing commitments at the amount of at least 80% of the total project costs.

The proposed challenge based implementation approach and related financing arrangements and possible partnerships are explained in greater detail in the PIF chapter “Proposed alternative scenario with a brief description of expected outcomes and components of the project” under Outcome 2.

As regards Table B:

1) It is true that the design and finalization of the Low Carbon Communities and Cleantech Innovation Platform (LCCCIP) will also include some TA activities. In essence, however, the LCCCIP is a project development and financing platform for concrete investment projects, while the proposed activities under Outcome 1 relate more to the required policy work and strategic guidance to advance circular economy in Serbia in general. Therefore, from the later project development and management point of view, we would prefer to keep all LCCCIP related activities within component 2 (incl. the investments financed by the LCCCIP) and hope this would be OK also for the GEF Secretariat. One of the key objectives of the LCCCIP related TA activities is to help the project proponents to leverage and structure co-financing for their investments, so keeping it within component 2 would make sense also from this point of view.

2) What comes to the current circular economy related legal and regulatory framework, Serbia as an EU accession country is closely following the steps taken by the EU in this area in line with the “Circular Economy Action Plan” adopted by the European Commission in December 2015. Although not completed yet, the process of gradually aligning the legal and regulatory framework in Serbia with the corresponding EU directives has been underway for some time already, as described in pages 11-12 of the PIF. A more detailed analysis of the remaining legal and regulatory gaps in the building and construction sectors can be done during the PPG phase and will be presented for final CEO endorsement together with the proposed activities to address those gaps. Some additional provisions as it concerns the buildings in particular have also been added in page 18 of the PIF already at this stage as per the recommendations of the review.

3) UNDP has already initiated some work on the development of new by-laws for construction waste in Serbia based on circular economy principles, which complements well the proposed GEF project. Predefining and selecting specific demonstration projects at this stage is not possible, however, since it would run

against the proposed challenge based approach, which should be open for all circular economy related proposals and business ideas. Some demonstration projects to be selected may also well be in the construction sector, but it will depend on the content of the proposals received and their merits compared to other proposals. Therefore, the exact number or costs of such projects cannot be estimated at this stage yet.

4-5) In addition to the breakdown of the \$12.8 million co-financing presented under table C of the PIF, some further details on this should be possible to provide at the CEO endorsement, once the plans of the project's foreseen co-financing partners have been advancing a bit further. It is also to be noted that this \$12.8 million does not yet include the envisaged private sector contributions, which will be leveraged by the challenge call. Therefore, while the project is committed to have co-financing at the amount of at least \$12.8 million in total for such investments that are directly contributing to the stated project objective and targets, the specific amounts for each separate investment can only be revealed after completing the challenge call.

GEF: Please justify how to make the project sustainable. When the GEF project implementation is over, who will continually provide grants to reward and provide incentives to the private sector for their continued investment? Please be aware that GEF grants are very limited and they should not be used to subsidize a couple of private investors for their projects, although the GEF welcomes private investment in global environment.

UNDP Response: UNDP wishes to clarify to the GEF that that the project is not intending to provide grants to subsidize the private sector but rather is providing performance based payments in order to catalyze and incentivize private sector investments. In this context, we would also like to note that by the CSUD project currently under implementation, UNDP is already using performance based payments and through this approach has managed to leverage over USD 10 million private sector financing with about US\$ 500,000 of GEF resources spent for investments and supported close to 40 companies to advance their climate change mitigation related project and business ideas by the SME incubation and mentoring support provided by the project. The support of the proposed new project either is much greater than supporting just “a couple of private investors”

This approach of leveraging private sector investment is fully in line with GEF guidance. In fact, the GEF-7 Programming Directions emphasize already in its introductory chapter that “GEF programming should mobilize and strengthen diverse coalitions of actors, especially to leverage the private sector” as well as to “respond more effectively to country priorities...”. This is exactly, what the proposed new GEF projects aims to do, using performance based payments, in accordance with the priorities and preferred project implementation and financial support strategy of the Government of Serbia, while also meeting the GEF requirements. UNDP is aware that the available GEF resources are quite small indeed vs. the resources needed for effectively combating climate change, and this is why a small amount of GEF resources is aimed at leveraging a much larger amount of private sector investment.

In particular, the GEF supports the deployment of innovative financial instruments, including demonstrations and incremental financing for low-emission, climate-resilient investments, enabling private sector investment to flourish. Challenge awards using a performance based payments approach can be considered to be an innovative financial instrument as it is using these payments to incentivize and catalyze significant additional private sector financing.

Table C now makes it clear that \$3 million USD of private sector co-financing is expected to be leveraged as a result of the Challenge Awards.

What is a performance based payment and why is it not a grant?

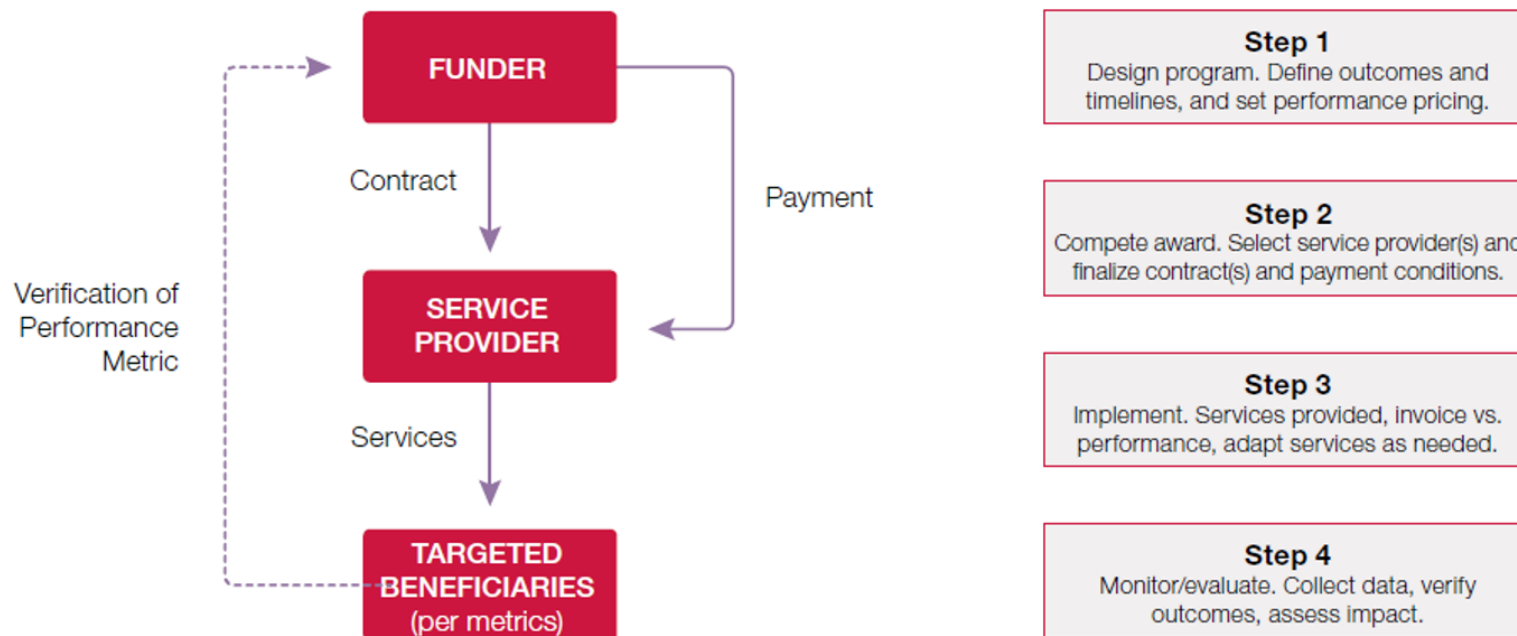
The concept of payments in exchange for the achievement of development results originated with development financial institutions in the 1990s, and has now been used by a variety of development partners in a range of thematic areas, as documented by the World Bank. “Pay for results” (PFR or pay for performance/success/outcomes) is an umbrella term used to describe various schemes that pay a party upon the achievement of results, rather than for efforts to accomplish those results. The basic premise behind all “pay-for-results” schemes is that the achievement of results can be optimized by giving project partners a financial incentive. Such schemes commonly involve private sector partners, including for-profit service providers or non-governmental organisations, and there is a

growing interest in applying them to a variety of development challenges. In such schemes, all partners to the project will mutually agree on the performance indicators that will be used (including where appropriate the sequencing of performance indicators) to trigger payments and rewards upon verification.

The following table provides an example of a performance based compensation structure and clarifies how a performance based payment is not a grant.

PBC Structure and Implementation Steps

Example 1: Traditional PCB



What about sustainability concerns?

In the Circular Economy PIF, the sustainability of the supported project and business ideas has been taken into account by limiting the GEF contribution 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 without over subsidizing them also ensuring that the supported projects have an adequately healthy financial basis and risk profile to respond to sustainability concerns. Worth mentioning in addressing the sustainability concerns and required follow-up 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.

In addition, the Ministry of Environment is currently looking for a financing vehicle, which would facilitate partnerships with the private sector, in particular the waste industries, to move away from direct subsidies towards the blending of funds and the leveraging of private capital. The new GEF project will be setting up and piloting such a mechanism, using performance based payments, where the waste industry can be gradually pulled towards becoming a vital part of the circular economy. Once established and tested by the GEF project, the Ministry will take it over and continue to manage and implement it also after the GEF project. It is envisaged to become a part of the overall mechanism of the new Green Fund of the Ministry of Environmental Protection with a variety of different financing instruments that can be used for supporting environment and climate infrastructure/project investments.

In addition, the performance based financing mechanism proposed by the project will be established and implemented in close co-operation with other national counterparts in Serbia such as the Serbian Innovation Fund and the Ministry for Innovation and Technological Development. The Matchmaking Grants Programme of the Serbian Innovation Fund, for instance, supports commercialization of R&D and further knowledge-based development of innovative enterprises, stimulates establishment of collaboration/partnerships with international companies/organizations and increases the number of technology-based companies and prepares them for additional investment opportunities. As such, the cooperation with these initiatives will help to ensure the sustainability of the project results and approach.

GEF: In Table B, for the sub-component of Investment in Component 2, please clearly indicate where, how and what kind of tangible facility or equipment will be installed or established after using the \$950,000 GEF grant and \$1.28 million co-financing. In other words, please put quantitative targets of investment of tangible equipment that will directly deliver Global Environment Benefits (GHG emission reductions) in Table B. "Financing arrangements for the implementation of the projects/business solutions selected for LCCCIP support completed" is uncertain and unclear.

Under the Challenge Based approach, the selection of projects is made following a call for proposals or a 'challenge'. This means that at the current time it is not possible to determine the types of project that will be selected or to make a determination about what type of tangible facility or equipment will be installed. However, as required, UNDP can organize the first challenge already during the PPG phase, in which case further details can be provided in the UNDP project document and GEF Request for CEO endorsement. UNDP has clearly stated already in the PIF as a criteria for selecting projects that for each US\$ of GEF funds invested, the supported investments need to have a direct GHG reduction impact of at least 0.1 tons of CO₂eq reduced. Otherwise they do not qualify for GEF support. By this, the target for the overall minimum direct GHG reduction impact of the supported investments has been set at 95 ktons of CO₂eq.

Co-financing

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

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

Yes. It is shown in Table C.

Agency Response

GEF Resource Availability

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

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

Yes. It is 9.5%.

Agency Response

The STAR allocation?

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

Yes. The country has a total of \$4.47 million in STAR and it is a fully flexible country in using STAR.

Agency Response

The focal area allocation?

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

Yes. The country has a total of \$4.47 million in STAR and it is a fully flexible country in using STAR.

Agency Response

The LDCF under the principle of equitable access

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

N/A

Agency Response

The SCCF (Adaptation or Technology Transfer)?

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

N/A

Agency Response

Focal area set-aside?

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

N/A

Agency Response

Impact Program Incentive?

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

N/A

Agency Response

Project Preparation Grant

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

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

Yes. It is 9.5%.

Agency Response

Core indicators

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

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

Not completed at this time.

The Agency may need to identify additional global environment in the focal area of Land Degradation (hectares of land saved for landfills)

Also, the number of direct emission reduction of GHG looks very small. Please double check the calculation, taking into account methane reduction benefits from landfills.

12/3/2019 MY:

Yes, the comments were addressed and the PIF was revised on pages 22 and 23. But more technical work is needed in the PPG stage and more detailed results on this should be presented in the CEO RE stage.

Agency Response

11/11/2019 UNDP:

This will be further elaborated during the PPG phase, but as an initial estimate it can be said that every 500 tons of segregated waste that can be circulated and reused reduces about 15 hectares of the need of land that otherwise would be occupied by non-sanitary landfills and dumpsites.

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), but 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.

Further clarification on this issue marked in yellow has been added into the PIF chapter “Global and local environmental benefits” in pages 22 and 23.

12/11/2019 UNDP:

As suggested, further work on this can be done during the PPG phase.

Project/Program taxonomy

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

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

Not completed at this time.

Please consider the keywords that are related to LD focal area as well.

12/3/2019 MY:

Yes, the comments were addressed and the PIF was revised on page 6.

Agency Response

11/11/2019 UNDP:

LD specific keywords, topics and themes have been added into the Taxonomy table (Annex C) as well as into Table G.

Part II – Project Justification

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

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

Yes, it is stated on pages 6-8.

Agency Response

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

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

Not clear at this time.

Some local communities and companies in Serbia have already been sensitized to circular economy through the pilot initiatives supported by the CSUD project. Please use a chart to demonstrate these baseline projects in circular economy that are happening now and that will happen in the future five years. Then, justify why the GEF grant is so important for the country in circular economy development.

12/3/2019 MY:

Not at this time.

The Agency presented a table (Table 1) on page 14 on circular economy related pilot initiatives supported by the CSUD. However, the following paragraph is still not clear what the Agency will be doing in circular economy for the country. Please compare the existing strategy or policy of the country in waste management such as those mentioned in Table 1, and future (to be proposed) strategy by the GEF project, such as refuse (prevent the use of new resources), reduce (decrease the use of resources), Reuse (find new way of using wasted materials), Reproduction (create new products from second hand stuff), Repair (maintain and expend the existing resources and machines), recover and recycle (recover the last energy from wastes), re.. re... etc. These are the foundation of circular economy. These will ensure to stop using new materials in the cycle of economy development. These are what the project should do.

In other words, while some local communities and companies in Serbia have already been sensitized to circular economy through the pilot initiatives supported by the CSUD project, there has been no broader policy and strategy focus on promoting circular economy in Serbia yet, by which the circular economy approach can be mainstreamed. With this new project, the Government of Serbia wants to have a more comprehensive and strategic focus on developing the circular economy concept in Serbia. With the GEF support, it plans to do this by a highly consultative process, while also continuing to catalyze and boost new innovative circular economy project and business ideas and leverage co-financing for them. For this, the GEF grant is essential by using an already tested challenge based approach, which was proven to be effective in uncovering and catalyzing new business ideas and investments contributing to climate change mitigation. After all the circular economy related projects supported so far in the frame of the CSUD project present only a minor although still important segment of the opportunities, by which circular economy and related climate change mitigation can be effectively promoted

In oth

2/27/2020 MY:

Yes, comments were addressed.

Agency Response

11/11/2019 UNDP:

A table summarizing the circular economy related pilot initiatives supported by the CSUD project has been added into the PIF chapter “Baseline scenario and any associated baseline projects” together with an explanation, why the GEF grant is important for the country in circular economy development (marked in yellow) in pages 13 and 14.

In a nutshell, while some local communities and companies in Serbia have already been sensitized to circular economy through the pilot initiatives supported by the CSUD project, there has been no broader policy and strategy focus on promoting circular economy in Serbia yet, by which the circular economy approach can be mainstreamed.

With this new project, the Government of Serbia wants to have a more comprehensive and strategic focus on developing the circular economy concept in Serbia. With the GEF support, it plans to do this by a highly consultative process engaging not only public authorities, but also the civil society and the private sector, while also continuing to catalyze and boost new innovative circular economy project and business ideas and leverage co-financing for them. For this, the GEF grant is essential by using an already tested challenge based approach, which was proven to be effective in uncovering and catalyzing new business ideas and investments contributing to climate change mitigation. The circular economy related projects supported so far in the frame of the CSUD project present only a minor although still important segment of the opportunities, by which circular economy and related climate change mitigation can be effectively promoted.

12/11/2019 UNDP:

We fully agree on the reviewer’s views what the project should do and further clarification on this has also been added into the PIF as described in further detail below. Table 1 just presented some examples of circular economy related pilot initiatives that were supported by the CSUD project, but they do not present the entire baseline for the proposed new project. Similarly, the paragraph after table 1 to which the review is referring is primarily explaining the complementarity of this new project to the previous CSUD project rather than to the presented project baseline as a whole.

The existing baseline strategies and policies of Serbia in the area of circular economy have been discussed in more detail in pages 11-12 of the PIF by noting that as an EU accession country Serbia is closely following the steps taken by the EU in this area in line with the “Circular Economy Action Plan” adopted by the European Commission in December 2015.

As noted in the PIF (e.g. in page 16), however, there is a need for a more holistic approach to promoting circular economy in Serbia by taking a system-wide approach to dematerialization (savings, reduction of material and energy use) and re-materialization (reuse, remanufacturing and recycling), which is in line with what the review is also suggesting. While the remaining legal and regulatory gaps will be analyzed in further detail during the PPG phase of the project, some complementary information on the policy related areas where the project tentatively is envisaging to work have been added in page 18 of the PIF.

The system wide-approach also means that while addressing the remaining legal and regulatory gaps are important (as done under Outcome 1 of the project), there is also a need for complementary institutional strengthening, awareness raising, capacity building as well as concrete incentives and a sustainable financing mechanism to facilitate the testing and implementation of new innovative technologies, processes and business initiatives. These are all elements of the theory of change to gradually move from the current linear to sustainable circular economy.

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

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

Not completed at this time. On page 14, the PIF indicates that the project will facilitate the transition towards circular economy that is based on the following main principles:

- Improving the efficient use of resources;
- Identifying and creating new opportunities for economic growth and promoting the innovation and competitiveness of cities and their surroundings as well as their companies;
- Increasing investment opportunities at the community/city level by creating an enabling policy and incentive environment;
- Guaranteeing the security of supply of essential resources;
- Fighting against climate change and limiting the environmental impact of the resource use.

12/3/2019 MY:

Not at this time.

Please consider designing a circular economy for a community or a city using real circular economy theory (not waste management theory). Then, use the GED grant to demonstrate the feasibility of such circular economy. It should minimize the use of new resources and wastes from the economy.

In particular, please consider investing a pilot sub-project to demonstrate the impact of circulate economy on carbon emission reductions in Component 2. This demo project, for example, could be a group of new buildings that are designed with codes and standards for future circular economy-based buildings.

2/27/2020 MY:

Not at this time.

Please consider using the GEF grant to demonstrate the feasibility of a circular economy. It should minimize the use of new resources and wastes from the economy.

In particular, please consider investing a pilot sub-project to demonstrate the impact of circulate economy on carbon emission reductions in Component 2. This demo project, for example, could be a group of new buildings that are designed with codes and standards for future circular economy-based buildings.

4/3/2020 MY:

Not at this time.

Again, please consider using the GEF grant to demonstrate the feasibility of a circular economy. It should minimize the use of new resources and wastes from the economy.

In particular, please consider investing a pilot sub-project to demonstrate the impact of circulate economy on carbon emission reductions in Component 2. This demo project, for example, could be a group of new buildings that are designed with codes and standards for future circular economy-based buildings.

4/27/2020 MY:

OK.

Agency Response

April 21, 2020 - UNDP Response: Comprehensive responses on this particular comment have been provided already earlier in previous responses to the GEF Secretariat. This same comment is repeated already for the third time without any reference to our earlier responses.

As previously explained to the GEF one of the criteria for project selection in the first set of Climate Change Challenge awards is that at least one sub-project will be aimed at demonstrating the impact of circular economy pilot projects in resource efficiency and energy efficiency in public buildings.

In addition, as was communicated to the GEF Secretariat in their formal letter, the priority of this project is not to work on energy efficiency buildings but rather it is to introduce circular economy to the entire production-consumption value chains, which also includes prevention and reuse/recycling of waste, reducing and improving the resource and energy intensity of the production processes. This approach is fully in line with the Serbian Government priorities in the areas of climate change mitigation, circular economy, industrial development and waste management.

11/11/2019 UNDP:

Under component 2, pilot projects will indeed be supported, but the idea with the challenge approach is that they will not be selected beforehand at this PPG stage. This is a project development and implementation approach that has already proven its feasibility and success in the frame of the CSUD project. Therefore, it is

proposed to be applied for this new project as well, but this time with the focus solely on circular economy projects. New project ideas in the building sector are eligible as well.

In fact, the Ministry of Environment has also been considering to construct a new building or refurbish its existing building as a showcase for applying the circular economy principles, but this cannot yet be confirmed. Should this idea advance during the PPG phase, this can be reflected in the final project document submitted for CEO Endorsement.

What comes to the challenge approach as the chosen implementation modality for selecting and further developing new circular economy pilot and demonstration projects, the results of the CSUD project by its mid-term have confirmed that it really works. The challenge approach, along with the acceleration support to innovative project proposals and business ideas, can raise huge interest of potential beneficiaries, including the private sector. The challenge call resulted in over 100 applications, out of which 34 were selected for incubation and 12 were shortlisted as potential candidates for co-financing in implementation. In the end of the first phase, five (5) projects proposed by public and private companies were awarded with co-financing grants leveraging total capital worth more than USD 10 million, while for others the project has still continued its support for leveraging financing from other financing sources.

As regards the suggestion to consider as a possible demo project a new building that is designed with codes and standards for a circular future and optimal lifetimes, a reference is made to the UNDP response to comment No 2. of Part I with related clarifications added into the PIF.

12/11/2019 UNDP:

See the response to the previous comments. The demonstration of the actual impact of circular economy in terms of reducing carbon emissions is an elementary part of the project strategy. Rather than doing this by a group of pilot/demonstration projects selected and defined already at this stage, however, the project is proposing to use a similar challenge based approach, which proved to be quite successful within the CSUD project in identifying and selecting the most promising and feasible pilot/demo projects to contribute to the project objective from among over 100 proposals received. As such, there is no question on whether or not concrete pilot/demo projects are needed to demonstrate the benefits of circular economy, but how to best mobilize also the private sector and civil society to actively participate in this effort and come up with their own ideas. The challenge based approach in this respect has already shown its merits and, therefore, is suggested to be used as an selection and implementation modality of the pilot and demonstration projects also for this new project. Circular economy-based buildings can be among the supported pilot/demo projects, should the necessary prerequisites for their implementation exist in terms of their content, adequate co-financing and committed stakeholders to implement them. The construction sector in any case will be among sectors, which needs to be taken into account when advancing circular economy in Serbia and the issue will also be addressed in the frame of the other medium-size project proposed for GEF funding titled “Enhancing the Energy Management System to Scale up Energy Efficiency Investments in Public Buildings in Serbia”, which has a particular focus on buildings.

Beside private sector companies, there are also a few communities in Serbia, which have demonstrated certain interest in taking more progressive steps towards becoming circular economy communities. Consultations with them can be continued during the PPG phase to assess the feasibility of such entire community based demo projects. The results of this assessment will be presented for final CEO Endorsement. Related text has been added in page 20 of the PIF.

In particular, please consider investing a pilot sub-project to demonstrate the impact of circulate economy on carbon emission reductions in Component 2. This demo project, for example, could be a group of new buildings that are designed with codes and standards for future circular economy-based buildings.

17/03/2020 UNDP Response: One of the criteria for project selection in the first set of Climate Change Challenge awards can be that at least one pilot sub-project will be aimed at demonstrating the impact of circular economy pilot projects in energy efficiency in public buildings.

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

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

Yes.

Agency Response

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

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

Not completed at this time.

GEF additional costs were not clearly justified in the sub-component of INV in Component 2. Please see the comments in the previous two boxes.

12/3/2019 MY:

Not completed at this time.

Please see the comments above and revise sub-component of INV in Component 2

2/27/2020 MY:

Not completed at this time.

Please see the comments above and revise sub-component of INV in Component 2

4/3/2020 MY:

Not at this time. In the INV in Component 2, please consider using GEF grant to finance tangible assets that will demonstrate feasibility of circular economy to mitigate GHGs in the communities of the country.

4/27/2020 MY:

OK.

Agency Response

April 21, 2020 - UNDP Response: Comprehensive responses on this particular comment have been provided already before by explaining the idea of a challenge based approach. Therefore, for further details a reference is made to those earlier responses. Tangible assets demonstrating the feasibility of circular economy will be financed not only by the GEF grant, but also by the project's co-financing sources. The expected GHG mitigation impact will be ensured by a performance based financing modality. Examples of interventions introducing new products or renewable energy technology solutions, software solutions and smart metering devices, all technological solutions that are triggering transition from linear to circular economy production value chains, etc.). As already described, the solutions will be sources through the Challenge calls for which detailed criteria will be further elaborated early in the PPG phase.

11/11/2019 UNDP:

See the responses to the comments in the previous two boxes

12/11/2019 UNDP:

See the responses to the comments in the previous two boxes

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

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

Not completed at this time.

It seems that the targeted GHG emissions, particularly direct emissions reductions are very small. More work such as accounting CH4 reduction from landfills needs to be done.

Land restoration or land use savings due to the reduction of landfills should also be accounted.

12/2/2019 MY:

Ok, at the CEO AR stage, the Agency agreed to undertake detailed analysis on global environment benefits that will be delivered by the project. A reminder has been put at the end of this review sheet.

Agency Response

11/11/2019 UNDP:

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.

Also, 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, and in the long run significantly exceed the GHG reduction impact of the CH₄ reduction from landfills only, which will proceed anyway also with the support of other projects.

As mentioned in the PIF, the importance of moving from a linear economy to a circular one in a broad sense has also been noted by the GEF Background Note on Circular Economy prepared for the sixth GEF Assembly meeting in June 2018: "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".

As it concerns the GHG reduction impact from the land restoration or land use savings due to the reduction of landfills, more detailed estimates on this can be done during further project preparation, since this is not a simple calculation - especially, if wishing to maintain also some accuracy with them. What can be said already at this stage, however, that approximately 70% of all waste currently produced in Serbia is disposed to non-sanitary landfills i.e. dumpsites. Only 30% or close to 440 million tons in 2018 has been disposed on 8 regional landfills and 2 municipal landfills that are operated in accordance with EU regulations.

By further advancing the idea of circular economy within the overall waste management strategy of Serbia, the project can both reduce the amount of waste ending up to landfills (either legal or illegal) as well as facilitate better segregation of waste, which will also improve, for instance, the methane recovery from organic waste.

More accurate estimates on the impact on this can be done at the PPG stage during further project preparation and presented at the final project document for CEO Endorsement.

As regards the complementary clarifications provided in the PIF on this particular comment, a reference is made to the response provided to comment No. 6 of Part I with related additions into the PIF.

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

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

Not completed at this time.

Please write one paragraph for each of the following topics: *Sustainability and potential for scaling up*

12/3/2019 MY:

Not completed yet.

Please consider a real circular economy model for the country as an innovative initiative for the project.

2/27/2020 MY:

Not completed yet.

Please write one paragraph on Sustainability and another paragraph on Scaling-up to replace the mixed section of these two topics on page 24.

4/3/2020 MY:

Not completed at this time.

Please write only one concise paragraph on Innovation to justify why this project is innovative or new. Here is an example on how to write it:

The proposed project, which will demonstrate zero-carbon energy for economic development in 115 Chinese villages and 3 towns, involves the application of appropriate technological, institutional and policy development to increase rural community's climatic resilience, productivity and income of its citizens while mitigating emissions of greenhouse gases. It has several aspects of innovation. First, this project promotes and demonstrates the application of zero carbon town and

village development in rural China, which has never been in the policy agenda of economic development and environment conservation of the Chinese government. Over the past decades, the Chinese government has always targeted a “low carbon economy” which does not have any strict binding target in carbon emission reductions. This GEF project will catalyze the Chinese government to have zero-carbon emission policy to achieve its zero-carbon rural economy by 2050. Second, this project will lead to the implementation of the circular economy in rural China. Without a circular economy initiative, it is difficult or impossible to implement the zero-carbon economy policy/strategy in rural China. Third, this project provides a new approach to rural green development that was advocated by the Chinese government’s rural revitalization strategy, since the zero-carbon economy does not only make good use of local renewable energy resources, but also create new jobs for the local farmers and communities. Fourth, several new energy related applications will come to China’s rural areas. These include (a) energy storage as supplemental component of the decentralized renewable energy-based power generation system, (b) smart mini/micro-grid distribution system, and (c) energy-food production integrated rural development planning, which is part of the zero-carbon energy/economy initiative.

Per the para of sustainability on page 26, the UNDP expects the **Ministry to take the proposed challenge based financing mechanism over and continue to manage and implement it after the GEF project.** It means that the private firms will not be able to sustain their operations without further support of the national government. If the government does not continue providing the subsidies, how will the project will continue operation?

In the para of scaling-up on page 26, the PIF reads: "**Potential for scaling up will be among the key criteria when evaluating the proposals submitted for LCCCIP.**" It is not convincing. Please justify and rewrite how the GEF project results such as new policy, innovative demo, technology transfer in circular economy will be scaled up during and after the GEF project implementation in the country.

4/27/2020 MY:

Ok. But in the CEO AR stage, the agency needs to update the three paragraphs of innovation, sustainability and scaling up.

Agency Response

April 21, 2020 - UNDP Response: As requested, the chapter on innovation has been revised to include just one paragraph.

*Per the para of sustainability on page 26, the UNDP expects the **Ministry to take the proposed challenge based financing mechanism over and continue to manage and implement it after the GEF project.** It means that the private firms will not be able to sustain their operations without further support of the national government. If the government does not continue providing the subsidies, how will the project will continue operation?*

April 21, 2020- UNDP Response: The Ministry taking over the mechanism is just another positive aspect of the project which indicates that further circular economy projects are likely to be supported in the future with financial incentives. It does not mean that the projects initially supported by the proposed financing mechanism would not be able to sustain their operations without further support of the government. The sentence the comment is referring to simply means that the Ministry will continue to use the challenge based mechanism for sourcing new project and business ideas contributing to circular economy and climate change mitigation and leverage also additional funding for that. Performance based payments are simply incentives to kick start investments in new technologies and new circular economy investments that would not otherwise take place without the project. It certainly does not mean private firms will not be able to sustain their operations without support of the national government as provided that the investments are profitable (as in any business) the operations will be able to be sustained and expanded.

In the para of scaling-up on page 26, the PIF reads: "Potential for scaling up will be among the key criteria when evaluating the proposals submitted for LCCCIP. It is not convincing. Please justify and rewrite how the GEF project results such as new policy, innovative demo, technology transfer in circular economy will be scaled up during and after the GEF project implementation in the country.

April 21, 2020 - UNDP Response: The comment does not consider the rest of the paragraph and is just citing its first sentence. As a response to this comment, a reference is made to the entire paragraph on "Potential for scaling-up. Private sector generates profits including retained earnings and allow companies to borrow more based on more assets. Retained earnings can be used for further investments in new projects. By definition, private sector works to grow business and to scale up. This project works to support private sector with new and innovative approaches to circular economy and so therefore by definition by supporting the private sector the project also supports scaling up.

11/11/2019 UNDP:

The PIF already includes three paragraphs on the topics "Sustainability and potential for scaling up", but some further clarification on these topics has been added into the PIF in page 25 (marked in yellow).

12/11/2019 UNDP:

See the earlier response about using a challenge based approach in selecting concrete investment/demo projects. The circular economy model otherwise is explained in pages 7-8 and the project approach in advancing it in Serbia from page 16 onwards.

17/03/2020 UNDP Response: One of the criteria for selecting projects as part of the first Challenge Awards can be that at least one pilot sub-project will be aimed at demonstrating the impact of circular economy on carbon emission reductions in energy efficiency in public buildings under Component 2.

Project/Program Map and Coordinates

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

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

Not completed at this time.

Please provide a map to show the venue where the proposed project can set up its project boundary.

12/3/2019 MY:

Please consider a demo for circular economic buildings. Then, present the map of the demo project.

2/27/2020 MY:

Not at this time.

The GEF grant is very limited. The PIF needs to be clear on how and where the limited grant will be used. Please consider a demo for circular economic buildings. Then, present the map of the demo project.

4/27/2020 MY:

OK, But at the CEO AR stage, the agency must show a map.

Agency Response

11/11/2019 UNDP:

The map was not considered as applicable for this particular PIF, since the project focus will be on Serbia as a whole. Such a map and the related boundaries may become actual later at the project implementation stage for individual pilot and investment projects, however, and can be drawn and provided at that stage. As mentioned before, however, these projects are not known yet, but they will be selected at the project implementation stage by following the challenge based approach.

12/11/2019 UNDP:

A reference is made to the earlier responses as it concerns the selection of predefined pilot/demo projects at this stage.

Stakeholders

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

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

Yes. it is on page 23.

Agency Response

Gender Equality and Women's Empowerment

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

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

Yes. it is on page 24.

Agency Response

Private Sector Engagement

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

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

Yes. it is stated on page 24 -25. But in the PPG stage, please consider engaging the private sector to invest in this project.

Agency Response

11/11/2019 UNDP:

This definitely will be done as a part of the challenge based project identification, development and co-financing approach, in which similar to the CSUD project, the private sector is expected to play a main role and be a key stakeholder. In order to further emphasize the importance of engaging the private sector already in the PPG stage, a corresponding note on this was added into the PIF in chapter "Private sector engagement" in page 27 (marked in yellow)

Risks to Achieving Project Objectives

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

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

Not at this time.

Please consider the impact and consequences of climate change on this project.

12/3/2019 MY:

Yes. Comments were addressed.

Agency Response

11/11/2019 UNDP:

The impact and consequences of climate change on this project can be considered from two angles: First, it is likely to further highlight the essence and importance of better resource efficiency and related opportunities to improve energy efficiency and promote the increasing use of renewable energy in combating climate change. The importance of moving from a linear to a circular economy has also been emphasized in the GEF Background Note on Circular Economy prepared for the sixth GEF Assembly meeting in June 2018.

Secondly, the changing climate and weather patterns and the extreme weather conditions eventually appearing more frequently and more intensively may pose specific risks on those circular economy investment projects (including the possible infrastructure investments), which need to be duly taken into account during the preparation of those projects. At a more detailed and specific level this can only be done, once those projects are known.

Corresponding additions have been made into the PIF chapter “Risks” in page 28.

Coordination

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

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

Yes. it is on pages 26-27.

4/3/2020 MY:

On page 30, the PIF reads:

On institutional arrangements, support services maybe requested during project implementation. The Serbia is a middle income country. However support to national implementing partners is needed for various activities including procurement, recruitment and operational transactions in addition to management oversight. The main reason for this is the fact that the specific implementing partner from the Government does not have capacity to implement itself the project (high inefficiency

and unclear practices). At PPG stage, further analyses will be performed, for example including HACT assessments, to determine which entity is the best actor to provide these support services and what are the associated costs.

Please be aware that the UNDP should NOT take any executing functions in Serbia. Please remove all the languages and budgets that enable the UNDP to execute the project.

4/27/2020 MY:

Not completed yet.

On page 21 of the most recent PIF, it reads the following:

Under the project management component, it is expected that support services will be provided during project implementation by UNDP to the Government upon the specific request of the national implementing partner. Types of activities to be supported by the UNDP during project implementation include organization of some international tenders, procurement of equipment, hiring of international consultants, hiring of national consultants, organization and arrangement of study tours. The cost of the support services to be provided by UNDP is currently estimated as USD 161,545; which includes approx. \$23,500 technical and \$9,500 administrative services. This will be further reviewed in the PPG phase.

Please check the whole document again and again, and make sure that all the languages on UNDP's execution functions are removed.

6/5/2020 MY:

Please respond the comment made on 4/27/2020 .

6/17/2020 MY:

Not completed at this time. In the Agency Response box for this question/comment in the GEF Portal, please respond the comment made on 4/27/2020 . In other words, please put the following "**June 17th 2020 – UNDP Response:** All references to UNDP doing implementation support was removed six months ago in December 2019." In the box below.

7/6/2020 MY:

Yes, comments were addressed.

Agency Response

June 18th 2020 – UNDP Response: All references to UNDP doing implementation support was removed six months ago in December 2019."

April 21, 2020 - UNDP Response: The agreement between UNDP and F is that UNDP should not be charging Direct Project Costs (DPC) to projects and all text related to DPC costs was removed four months ago. The text in the PIF has been changed again on pp30 of the PIF and it now reads the following:

On Institutional Arrangements, this project will be implemented using the National Implementation Modality (NIM) with the Ministry of Environmental Protection of the Republic of Serbia as the main implementing partner for this project. UNDP will provide oversight services to the project in accordance with the rule and procedures for implementing GEF projects.

Consistency with National Priorities

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

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

Yes. it is on pages 27.

Agency Response

Knowledge Management

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

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

Yes. it is on pages 27-28.

In the CEO AR stage, please present more detailed information on:

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

Agency Response

Environmental and Social Safeguard (ESS)

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

Secretariat Comment at PIF/Work Program Inclusion

Agency Response

Part III – Country Endorsements

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

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

Yes. Mr. Nikola Maravic, Operational Focal Point since 2018-10-01, signed the endorsement letter.

The letter is uploaded to the GEF Portal.

Agency Response

Termsheet, reflow table and agency capacity in NGI Projects

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

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

N/A

Agency Response

GEFSEC DECISION

RECOMMENDATION

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

Secretariat Comment at PIF/Work Program Inclusion

10/30/2019 MY:

Not at this time.

Please address the comments above.

12/3/2019 MY:

Not at this time.

Please address the comments above.

2/27/2020 MY:

Not at this time.

Please address the comments above.

4/3/2020 MY:

Not at this time.

Please address the comments above.

4/27/2020 MY:

Not at this time. Please address the following issues.

1- Amounts in Tables A, D and E don't match. This project is a standalone CCM project, although it uses some funding from the LD focal area. Please modify Tables A, D, and E to make these tables consistent. To make these tables consistent, a new Letter of Endorsement (LOE) is needed. The proposed project is to use \$1,000,830 from CCM and \$999,735 from LD. It looks like a multi focal area project. However, the project only delivers CCM benefits. Thus, it is a standalone CCM project. The Country and the UNDP can use the LD \$999,735 funding for the project given that Serbia only has \$4.42 million in total STAR

allocation which fits the GEF flexibility policy. But in the LOE, the OFP should indicate that the government is willing to use the LD \$999,735 funding for a standalone CCM project. That way, the Agency can easily enter the data in Tables A, D, E and others to make the numbers consistent and comply with the LOE.

2- The requested Agency Fee in the GEF Portal for PPG in each focal area in Table E + the requested Agency Fee in the Portal for climate change is higher than the allocated amount in the LoE: For CC: In the Portal: 87,780 – in the LoE: 86,830. Please amend it. The new LOE should take into account the numbers.

3- On cofinancing: the UNDP should be selected as a GEF Agency, (not donor agency) and the in-kind should be grant. The UNDP needs to submit a new co-financing letter.

4- On Stakeholder Engagement, the PIF reports that consultations with civil society organizations, indigenous peoples and local communities and private sector entities will continue throughout the PPG phase. However:

(i) It's clear that there are no indigenous peoples in the project area. Hence, please untick the box for consultations with Indigenous Peoples and Local Communities (which is an universal term to refer to Indigenous Peoples).

(ii) The PIF only describes how the project was consulted with private sector entities. Please describe in detail the consultations that took place with all stakeholders including civil society organizations (CSOs), local commercial and development banks, local energy service companies and urban development firms during project identification. This requirement is to comply with the GEF's Policy on Stakeholder Engagement (effective on July 1, 2018), which states (for projects at the PIF stage) "Agencies provide a description of any consultations conducted during project development...."

5- On Environmental and Social Safeguards: the PIF indicates that some risk screening has taken place (e.g. regarding marginalized and vulnerable groups, and economic displacement) and includes plans to develop an Environmental and Social Management Framework. In addition, Section 5 includes additional information on environmental risks, but the UNDP should be able to, at this stage, provide UNDP's "Social and Environmental Screening Template". Please provide early screening results, or indicate more clearly the preliminary overall risk classification of the project as well as the types and risk classification of identified risks and potential impacts.

A. Indicative Focal/Non-Focal Area Elements

Programming Directions	Trust Fund	GEF Amount(\$)	Co-Fin Amount(\$)
CCM-1-3	GET	1,777,000	14,150,000
CCM-1-4	GET		
Total Project Cost (\$)		1,777,000	14,150,000

D. Indicative 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(\$)	Total(\$)
UNDP	GET	Serbia	Climate Change	CC STAR Allocation	894,000	84,930	978,930
UNDP	GET	Serbia	Land Degradation	LD STAR Allocation	883,000	83,885	966,885
Total GEF Resources(\$)					1,777,000	168,815	1,945,815

Source of Funds	GEF Agency	Focal Area	Amount (in US\$)			
			Project Preparation	Project	Fee	Total
GEFTF	UNDP	Climate Change	20,000	894,000	86,830	1,000,830
GEFTF	UNDP	Land Degradation	30,000	883,000	86,735	999,735
Total GEF Resources			50,000	1,777,000	173,565	2,000,565

E. Project Preparation Grant (PPG)

PPG Required

PPG Amount (\$) PPG Agency Fee (\$)

50,000 4,750

Agency	Trust Fund	Country	Focal Area	Programming of Funds	Amount(\$)	Fee(\$)	Total(\$)
UNDP	GET	Serbia	Climate Change	CC STAR Allocation	30,000	2,850	32,850
UNDP	GET	Serbia	Land Degradation	LD STAR Allocation	20,000	1,900	21,900
Total Project Costs(\$)					50,000	4,750	54,750

C. Indicative 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(\$)
Government	Ministry of Environment	In-kind	Recurrent expenditures	150,000
Government	Ministry of Environment (Green Fund)	Grant	Investment mobilized	3,500,000
Donor Agency	The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	Grant	Investment mobilized	2,500,000
Donor Agency	Climate KIC	Grant	Investment mobilized	850,000
Donor Agency	UNDP	In-kind	Recurrent expenditures	150,000
Donor Agency	EBRD	Loans	Investment mobilized	2,000,000
Donor Agency	EIF and Procredit Bank	Loans	Investment mobilized	2,000,000
Private Sector	Serbian SMEs	Equity	Investment mobilized	3,000,000
Total Project Cost(\$)				14,150,000

6. Please check the whole document and make sure all languages on UNDP's execution functions are removed.

7. In the core indicators, there is no duration of accounting. Please revise it.

6/5/2020 MY:

Not at this time.

Please take actions to address the following suggestions.

1. Check each of the above boxes of comments and address them without any missing points.
2. The Social and Environmental Screening Template is missing in the GEF Portal. Please re-submit it.
3. The duration of accounting for the core indicators is wrong. Please correct it.

6/17/2020 MY:

Not completed at this time.

1. For the question on "**Coordination**", In the Agency Response box of the Portal, please respond the comment made on 4/27/2020 . In other words, please put the following "**June 17th 2020 – UNDP Response: All references to UNDP doing implementation support was removed six months ago in December 2019.**" in the box below the question of **Coordination** .
2. The Social and Environmental Screening Template cannot be found. Please indicate the location or re-submit it.
3. The duration of accounting for the core indicators (Duration of accounting 5) is wrong. It is about the technical lifetime not implementation period of the GEF Project. Please correct it.

7/6/2020 MY:

7/6/2020 MY:

Not at this time.

Please carefully address comments of the GEF, and fully record the responses for each of the comments in the response sheet.

For example, to respond the GEF comments on 4/27/2020 and 6/5/2020, the Agency only provided the following responses in the response sheet:

<< UNDP Response of 17th June 2020

1. CCM 1-3, and CCM 1-4 are both listed in the box with \$1,77,000 GEF Amount as this project falls under both CCM 1-3 and CCM 1-4. It is not possible at current time to separate what amount goes under CCM 1-3 and CCM 1-4 but if the GEF would like this separation, then this can be done during the PPG phase. This is fixed in the revised PIF.
2. The SESP is included in the GEF Portal
3. The core indicators has been corrected to show 5 years not 4 years as this is a 5 year project. This has now been fixed. >>

They are not clear nor enough. The PM noticed that the core indicator (refer to item 3 above) has been further revised from 5 to 20 in the GEF Portal per the PM's advice. But the Agency did not record the change in the response sheet. Please provide a comprehensive response sheet to update and cover each of the agency's action and response to comments of the GEF. Thank you.

7/13/2020 MY:

Yes, all comments were addressed. The PM recommends technical clearance for this project.

ADDITIONAL COMMENTS

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

Secretariat Comment at PIF/Work Program Inclusion

10/31/2019 YM:

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

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

1. an overview of existing lessons and best practice that inform the project concept

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

At the CEO EA stage, the Agency agreed to undertake detailed analysis on global environment benefits that will be delivered by the project. A reminder has been put at the end of this review sheet.

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

1. update innovation, scaling up, and sustainability;
2. provide a project map;
3. address the issue of dual functions of project implementation and execution.

Please check all the GEF's comments at the PIF stage and make sure all the comments are fully addressed at the CEO AR stage.

Review Dates

	PIF Review	Agency Response
First Review		
Additional Review (as necessary)		
Additional Review (as necessary)		

	PIF Review	Agency Response
Additional Review (as necessary)		
Additional Review (as necessary)		

PIF Recommendation to CEO

Brief reasoning for recommendations to CEO for PIF Approval

The objective of the project is to reduce Community Carbon Footprint by a Circular Economy Approach in the Republic of Serbia. It has three components: (1) An enabling institutional and policy framework; (2) Implementation of new innovative project sourcing and financing modalities to promote low carbon circular economy development; and (3) Monitoring and Evaluation. With \$ 1,777,000 GEF grant, this project is expected to mobilize \$14,150,000 from the government and other stakeholders. The proposed MSP project is highly preferred by the government of Serbia. The OFP of the country wrote an email to the GEF SEC on April 10, 2020 and expressed the importance of the project to the country. The email is uploaded to the project document folder. The PM appreciates the government's passion on the project and consequently recommends the CEO to approve the PIF now. Some project issues such as innovation, sustainability, scaling up, GHG accounting, project location map, knowledge management, and agency's dual functions of execution and implementation will be further updated and /or addressed in the CEO Approval Request stage.