

Scaling up investment in energy efficiency in buildings through enhanced energy management information system (EMIS) and green social housing

Review CEO Endorsement and Make a recommendation

Basic project information

GEF ID

10402

Countries

Azerbaijan

Project Name

Scaling up investment in energy efficiency in buildings through enhanced energy management information system (EMIS) and green social housing

Agencies

UNDP

Date received by PM

10/19/2021

Review completed by PM

4/29/2022

Program Manager

Ming Yang

Focal Area

Climate Change

Project Type

FSP

PIF

CEO Endorsement

Part I ? Project Information

Focal area elements

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

Secretariat Comment at CEO Endorsement Request

10/25/2021 MY:

Yes. The project remains aligned with the GEF CCM focal area elements as presented in PIF.

4/22/2022 MY:

Please address the comments from the GEF PPO:

1. On project information: given the 4 week circulation, stipulated above, please move the expected implementation start to a future date as it is very unlikely this project to be endorsed before the expected implementation start date.

2. On core-indicators:

a. Please provide logics and methodologies used to assess the direct and indirect GHG emission mitigated (Core Indicator 6). Please submit the calculation of GHG emission mitigation (the Excel file of EX-ACT tool if the Agency uses this tool).

b. Please uncheck the core indicators 3 and 4 in the core indicator table since there are irrelevant to the project.

3. On the utilization of PPG: please provide details of the activities that were funded through the funds allocated to the PPG.

4. On Council Comments:

a. the comments from Germany and Canada stipulated in the CEO Endorsement do not seem to match those provided in the stakeholders section of the Portal

b. the comment from the US has not been addressed

4/29/2022 MY:

Yes, comments were addressed and issues were cleared.

Agency Response

27/04/2022 UNDP:

1. The expected implementation start and completion dates are revised as September 15, 2022 and September 14, 2027. The project workplan, budget and the M&E plan has been updated accordingly.

2. a. The logic and methodologies to assess the direct and indirect GHG emission mitigated (Core Indicator 6) has been explained in Annex Q of the CER Doc. This Annex has the following text to explain the methodology used for GHG calculations:

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.

b. Core indicators 3 and 4 for Project 10402 are unchecked. It is confirmed that they are not relevant to the project and there is no data/input inserted for these core indicators.

3. Annex C is revised with the details of the activities.

4. a. The responses to the comments of Germany and Canada have been further elaborated in Annex B of CEO ER. Also, the Stakeholder section of the CEO ER documents is updated with these additions. The updated responses are also provided below for reference:

Response to German Member:

We agree on this recommendation of the Council Member. As a follow up, this issue has been highlighted as a cross-cutting element within the project's stakeholder engagement approach and related public awareness raising activities. As a result, the economic benefits of improved energy efficiency and its synergies with the climate change agenda to incentivize the desired changes has a central role in the project. Having the Ministry of Education as a key project partner together with the schools and kindergartens as the first targets for introducing EMIS and other concrete energy efficiency measures, also well serves this goal. Beside raising the awareness of the current decision makers on the win-win opportunities of improved energy efficiency, working with schools and kindergartens provides an excellent opportunity to engage and sensitize future decision makers on this important topic and at the same time benefit from the nature born eagerness of children to educate their parents also on behavioral aspects contributing to energy efficiency.

Response to Canada Member:

The stated mission of the State Oil Fund of the Republic of Azerbaijan (SOFAZ) is ?to transform depletable hydrocarbon reserves into financial assets generating perpetual income for current and future generations? with the following objectives[1]:

- Preserving macroeconomic stability, ensuring fiscal-tax discipline, decreasing dependence on oil revenues and stimulating development of the non-oil sector*
- Ensuring inter-generational equality with regard to the country's oil wealth and accumulate and preserve oil revenues for future generations*
- Financing major national scale projects to support socio-economic progress*

In the area of climate change, SOFAZ has committed USD 50 million to the IFC Catalyst Fund, which was established in 2012 to stimulate the development of funds and projects focused on renewable energy and climate-friendly solutions. Otherwise, no directly climate change related projects have been supported by SOFAZ yet.

Given the current project co-financing arrangements and its immediate targets, no specific need for complementary co-financing of SOFAZ was foreseen at this point, but it could be a potential financing partner for scaling up the project activities to serve current and future generations also in terms of combatting climate change. To facilitate

this, the project management, supported by the Project Board and/or the State Commission on Climate Change, will during project implementation seek to establish contacts with SOFAZ management to discuss and explore the issue in further detail. SOFAZ representatives will also be invited into all public outreach workshops and other events that can be consider as relevant to them.

b. The US council member comment is directed to FAO, which we believe is for another project. We checked once again the compilation of comments submitted by GEF Council Members on the GEF December 2019, 57th Work Programme which has only comments from Germany and Canada: https://www.thegef.org/sites/default/files/work-program-documents/GEF_C.57_compilation_council_comments.pdf

[1] <https://oilfund.az/en>

Project description summary

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

Secretariat Comment at CEO Endorsement Request

10/25/2021 MY:

Not at this time.

Output 2.2.3 shows that at least \$10 million in investment mobilized and projects implemented for energy efficient investments in public buildings, based on the measures identified by the EMIS. The output is expected to be achieved by GEF investment of \$750,000 and co-financing \$10,000,000. Per the co-financing resources in Table C and the received co-financing letters, the portion of investment mobilized in co-financing budget does not clearly show any cash or grant. It might be difficult to accomplish the expected outputs with the GEF limited grant only. Please elaborate (1) more about the \$10 million investment co-financing in output 2.2.3 and justify how the co-financing will contribute to the project investment outputs; (2) how to start investment demonstration project without sufficient cash.

4/19/2022 MY:

Yes, comments were addressed and issues were cleared.

Agency Response

19/04/2022 UNDP:

First, we would like to provide some clarifications on the GEF SEC comment, which seems to refer to PIF output number to output 2.3.3 at CEO ER stage. This output 2.3.3 is planned to be achieved by GEF investment of \$1,150,000 and co-

With regard to the GEF SEC questions:

(1) This co-financing amount will be provided by

(a) the Ministry of Education (\$10,000,000) for energy efficiency related building capital expenditures. For domestic re categorizing these capital expenditures as 'public investment?' in its GEF co-financing letter.

These capital expenditures relate to the refurbishment of at least 30 buildings with the total floor area of approximately energy performance by at least 35% from their estimated average baseline energy consumption of 250 kWh per m2.

(b) Ministry of Ecology and Natural Resources (\$420,000) for renovation of the Hydromet building with complementary

Further details on co-financing under this output is now provided in several sections of the CEO ER:

-Please see Part I, Table C and the details on the investment mobilized.

-Please refer to 'Proposed alternative scenario?' section, text provided under output 2.3.3.

-Please refer to 'Incremental/additional cost reasoning?' section and the new Table 2 on co-finance.

(2) As set out in the response to (1) above, the co-financing refers to concrete capital expenditures, and as such there is investments.

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

Secretariat Comment at CEO Endorsement Request

10/25/2021 MY:

N/A

Agency Response

Co-financing

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

Secretariat Comment at CEO Endorsement Request

10/25/2021 MY:

Not completed yet.

1. Please elaborate the \$680,000 investment mobilized co-financing from the Ministry of Ecology and Natural Resources (MENR). Is it in equity or cash or any other forms?

2. The co-financing letter provided by the Ministry of Energy (MoE) does not indicate the amounts of co-financing. Pleaser provide a new letter with the amounts.



3. Co-financing letter from Baku Executive Authority (BEA) is missing. Please provide the letter.

4/19/2022 MY:

Yes, comments were addressed and issues were cleared.

Agency Response

19/04/2022 UNDP:

1. The Government of Azerbaijan has a general preference for using the "public investment" co-financing type for the investments to be made by the Government organizations. Therefore, co-finance letters from the Government include "public investment" and "in-kind" types. The contents of co-finance contributions are now defined under relevant sections of CEO ER, as described under the first comment box.

Specifically, the "public investments" co-financing from the Ministry of Ecology and Natural Resources (MENR) will include retrofitting investments for their Hydromet building with energy efficient techniques. The co-financing contributions as per their types are stated in Table 2 under the heading of "*Incremental/additional cost reasoning and expected contributions from the baseline*". The table 2 can be seen as following:

Table 2 Project co-financing partners

Co-financing source	Co-financing type	Co-financing amount (US\$)	If yes, list the relevant outputs
The Ministry of Ecology and Natural Resources (MoENR)	Public Investment	680,000	Outcome 2.3 (TA and INV), Outcome 4, M&E, PMC
	In-kind	500,000	Outcome 2.3 (TA), Outcome 4, M&E, PMC
Ministry of Energy (MoEn)	Public Investment	400,000	Outcome 1, Outcome 2.1, Outcome 2.2. Outcome 4, M&E, PMC
	In-kind	400,000	Outcome 1, Outcome 2.1, Outcome 2.2. Outcome 4, M&E, PMC
Ministry of Education (MoEd)	Public Investment	10,800,000	Outcome 2.2, Outcome 2.3 (TA and INV), M&E, PMC
	In-kind	500,000	Outcome 2.2, Outcome 2.3 (TA), M&E, PMC
State Housing Development Agency of the Government of Azerbaijan (MIDA)	Public Investment	20,000,000	Outcome 3.1, Outcome 3.2 (TA and INV), M&E, PMC
	In-kind	100,000	Outcome 3.1, Outcome 3.2 (TA), M&E, PMC
UNDP	Grant	120,000	PMC
	In-kind	400,000	M&E, PMC

2. A new letter by the Ministry of Energy is attached to the resubmission, as requested.

3. To the time of PIF development, kindergartens in Baku were under the Baku Executive Authority, therefore, the co-financing letter was sought from them. However, in 2021, the process has started to transfer them to the Ministry of Education, and in December 2021 by the Decree of the President they were moved under the authority of the Ministry of Education. Thus, the Ministry of Education is responsible not only for public schools, but also for kindergartens. Therefore, they became a natural partner under this project, discussions on the fruitful cooperation started with them, and they agreed to act as a partner and co-financer of this project, which was reflected in the respective letter, attached to the proposal.

GEF Resource Availability

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

Secretariat Comment at CEO Endorsement Request

10/25/2021 MY:

Yes.

Agency Response
Project Preparation Grant

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

Secretariat Comment at CEO Endorsement Request
10/25/2021 MY:

Yes. It is reported in Annex C.

Agency Response
Core indicators

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

Secretariat Comment at CEO Endorsement Request
10/25/2021 MY:

Yes. The changes are shown in Table E and the targeted amounts are realistic.

Agency Response

Part II ? Project Justification

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

Secretariat Comment at CEO Endorsement Request
10/25/2021 MY:

Yes. The global environmental/adaptation problems and the root causes and barriers are elaborated in PART II: PROJECT JUSTIFICATION.

Agency Response

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

Secretariat Comment at CEO Endorsement Request

10/25/2021 MY:

Yes. The baseline scenario is elaborated in PART II: PROJECT JUSTIFICATION.

Agency Response

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

Secretariat Comment at PIF/Work Program Inclusion

10/25/2021 MY:

Yes. The GEF project alternative scenario and the theory of change are elaborated in PART II: PROJECT JUSTIFICATION.

Agency Response

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

Secretariat Comment at CEO Endorsement Request

10/25/2021 MY:

Yes.

Agency Response

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

Secretariat Comment at CEO Endorsement Request

10/25/2021 MY:

Not completed yet.

In the section of "The incremental cost reasoning for the different project components and the project as a whole is as follows:

For Component 2, The baseline and co-financing contributions to component 2 will primarily consist of the budgetary resources and in-kind contributions of the Baku Executive Authority and the Ministry of Ecology and Natural Resources at the estimated amount of USD 11,580,000 in total. "

Please provide the letter of co-financing from Baku Executive Authority and elaborate the budgetary resources (in cash or in equity) and describe how the \$11.58 million co-financing will be used in Component 2.

Similarly, for Component 3, please give more details on the following statement: " The baseline and co-financing contributions to component 3 will primarily consist of the budgetary resources and in-kind contributions of MIDA at the estimated amount of USD 48,730,000 in total. "

4/19/2022 MY:

Yes, comments were addressed and issues were cleared.

Agency Response

19/04/2022 UNDP:

As mentioned in the earlier responses (to the question 2 and 4 under Part I), the final discussions with the Baku Executive Authority, this has been compensated by a co-financing agreement reached with the Ministry of Education (MoEd). The corresponding letter is attached to the submission.

As regards the co-financing contribution of MIDA, the figure of USD 48,730,000 mentioned in the section of "Incremental/additional cost reasoning and expected contributions from the baseline", under component 3 was an error, which has been corrected in the resubmitted CEO ER. The correct figure is USD 20,100,000, as shown also in table C of the CEO ER. Out of this amount, USD 20 million will be a public investment (i.e. capital expenditures) by MIDA for covering the baseline costs of the construction of two residential and 4 service buildings (a school, kindergarten, health center and shopping center) as a part of the new MIDA development project in Hovsan area. The design of the buildings will be supported by a green architectural design contest under Output 3.1.2 of the project. While the MIDA co-financing is expected to finance the buildings' baseline construction costs, the requested GEF funding for component 3 will contribute to the agreed incremental energy efficiency and renewable

energy investments, which do not belong to the MIDA's baseline design and construction activities.

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

Secretariat Comment at CEO Endorsement Request
10/25/2021 MY:

Yes. It is shown in the section of "*Global environmental benefits (GEFTF) and/or adaptation benefits (LDCF/SCCF)*"

Agency Response

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

Secretariat Comment at CEO Endorsement Request
10/25/2021 MY:

Yes. Innovation, sustainability and scaling-up potential are presented.

Agency Response

Project Map and Coordinates

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

Secretariat Comment at CEO Endorsement Request
10/25/2021 MY:

Yes. The project map is shown in Annex E.

Agency Response

Child Project

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

Secretariat Comment at CEO Endorsement Request
10/25/2021 MY:

N/A

Agency Response
Stakeholders

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

Secretariat Comment at CEO Endorsement Request
10/25/2021 MY:

Yes. The stakeholder engagement plan is attached to Annex E.

Agency Response
Gender Equality and Women's Empowerment

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

Secretariat Comment at CEO Endorsement Request
10/25/2021 MY:

Not at this time.

The Agency says that gender analysis is shown in Annex O, but Annex O in the CEO
ER document is empty. Please fill Annex O.

Agency Response
19/04/2022 UNDP:

The gender analysis has been added as Annex O to the CEO ER

Private Sector Engagement

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

Secretariat Comment at CEO Endorsement Request

10/25/2021 MY:

Yes. The role of the private sector is presented in the section of "*4. Private Sector Engagement*".

Agency Response

Risks to Achieving Project Objectives

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

Secretariat Comment at CEO Endorsement Request

10/25/2021 MY:

Not completed at this time

For Climate Risk Screening, please ensure that climate risks are further identified, listed and described. This can include:

1. Outlining the key aspects of the climate change projections/scenarios at the project locations, which are relevant for the type of intervention being financed (e.g. changes in temperatures, rainfalls, increased flooding, sea level rise, saltwater acquirer contamination, increased soil erosion, etc.).

- 1.1 including time horizon if feasible/data available (e.g. up to 2050).

- 1.2 looking at list of examples from STAP guidance.

2. Listing key potential hazards for the project that are related to the aspects of the climate scenarios listed above. This means elaborating a narrative that describes how the climate scenarios indicated above are likely to affect the project, during 2021-2050.

3. Describing plans for climate change risk assessment and climate risk mitigation measures. Please see the STAP guidance on this issue.

The purpose of the above request from the GEF PM is to make sure STAP's comments at PIF stage are well addressed.

4/19/2022 MY:

Yes, comments were addressed and issues were cleared.

Agency Response

19/04/2022 UNDP:

As requested, the section dealing with the climate change risks has been updated to better address the STAP comments and guidance (The heading of 5.Risk of CEO ER Document and Annex 8 of the Project document)

Coordination

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

Secretariat Comment at CEO Endorsement Request

10/25/2021 MY:

Yes. It is described in the section of "*6. Institutional Arrangement and Coordination*". The UNDP will not perform any execution functions for the project.

Agency Response

Consistency with National Priorities

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

Secretariat Comment at CEO Endorsement Request

10/25/2021 MY:

Yes. The project is consistent with the National Priorities of Azerbaijan as outlined in the section of " 7. *Consistency with National Priorities*"

Agency Response

Knowledge Management

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

Secretariat Comment at CEO Endorsement Request

10/25/2021 MY:

Yes. It is elaborated in the section of "8. *Knowledge Management*"

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 CEO Endorsement Request

10/25/2021 MY:

Yes. It is elaborated at the section of " *Social and Environmental Risks*" and in the uploaded document entitled "Social and Environmental Screening Template (2021 SESP Template, Version 1)"

Agency Response

Monitoring and Evaluation

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

Secretariat Comment at CEO Endorsement Request

10/25/2021 MY:

Yes. The M&E plan is described in the section of "9. *Monitoring and Evaluation*"

Agency Response

Benefits

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

Secretariat Comment at CEO Endorsement Request

10/25/2021 MY:

Yes.

Agency Response

Annexes

Are all the required annexes attached and adequately responded to?

Secretariat Comment at CEO Endorsement Request

10/25/2021 MY:

Not completed yet.

Please double check all annexes in the CEO ER document package and fill the missing information.

4/19/2022 MY:

Yes, comments were addressed and issues were cleared.

Agency Response

19/04/2022 UNDP:

All annexes are provided now.

Project Results Framework

Secretariat Comment at CEO Endorsement Request

10/25/2021 MY:

Yes. It is shown in Annex A.

Agency Response

GEF Secretariat comments

Secretariat Comment at CEO Endorsement Request

10/25/2021 MY:

N/A

Agency Response

Council comments

Secretariat Comment at CEO Endorsement Request

10/25/2021 MY:

Not completed yet.

Canada Comments

It would be helpful if the proposal could provide greater clarity on the role of the State Oil Fund of Azerbaijan as a stakeholder of this project. Ref: ?Stakeholders expected to participate in the project, and benefit from the capacity building and awareness raising events are: The State Oil Fund of Azerbaijan [...]

UNDP Response:

The State Oil Fund of Azerbaijan is not envisaged to have any particular role in the project at this point, but will be further explored during project implementation

Please describe why the State Oil Fund of Azerbaijan is not envisaged or engaged. Please elaborate how it will be further engaged during project implementation. These would be the answers expected by the Canadian government. Thank you.

4/19/2022 MY:

Yes, comments were addressed and issues were cleared.

Agency Response

19/04/2022 UNDP:

As requested, the UNDP response to the Council comments by the Canadian government has been updated, as requested. The updated response is also provided below:

The stated mission of the State Oil Fund of the Republic of Azerbaijan (SOFAZ) is *to transform depletable hydrocarbon reserves into financial assets generating perpetual income for current and future generations* with the following objectives^[1]:

- ? Preserving macroeconomic stability, ensuring fiscal-tax discipline, decreasing dependence on oil revenues and stimulating development of the non-oil sector
- ? Ensuring inter-generational equality with regard to the country's oil wealth and accumulate and preserve oil revenues for future generations
- ? Financing major national-scale projects to support socio-economic progress

In the area of climate change, SOFAZ has committed USD 50 million to the IFC Catalyst Fund, which was established in 2012 to stimulate the development of funds and projects focused on renewable energy and climate-friendly solutions. Otherwise, no directly climate change-related projects have been supported by SOFAZ yet.

Given the current project co-financing arrangements and its immediate targets, no specific need for complementary co-financing of SOFAZ was foreseen at this point, but it could be a potential financing partner for scaling up the project activities to serve current and future generations also in terms of combatting climate change. To facilitate this, the project management, supported by the Project Board and/or the State Commission on Climate Change, will during project implementation seek to establish contacts with SOFAZ management to discuss and explore the issue in further detail. SOFAZ representatives will also be invited to all public outreach workshops and other events that can be considered as relevant to them.

[1] <https://oilfund.az/en>

STAP comments

Secretariat Comment at CEO Endorsement Request

10/25/2021 MY:

Not completed.

The description on climate risk and measures to mitigate the risk are still weak. Please use STAP's approach to addressing the issue. Please see the comments in the Box on risks as well.

4/19/2022 MY:

Yes, comments were addressed and issues were cleared.

Agency Response

19/04/2022 UNDP:

As requested, the section dealing with the climate change risks has been updated to better address the STAP comments and guidance (risks section of the CEO ER document). The response is also provided below:

Climate Change Risks

Depending on the model used, the analysis prepared for the Fourth National Communication (FNC) of Azerbaijan predicted an average temperature rise from 0,5-2,0 °C by 2040 and from 1 to 3 °C during 2041-2070. For precipitation, the models predicted a change between +20% and -20%. Vulnerability assessments were made for the agriculture, water resources, coastal areas and public health.

As regards the projected sea level rise, Azerbaijan is not bordered by open seas, but Caspian Sea is the world's largest inland body of water currently about 28 meters below the sea level (figure 5 below). As presented in the FNC, various attempts have been made to predict future change of the Caspian Sea level with the predictions ranging from -3 meters to +3 meters from the current level, but it has not been possible to confirm any of these estimates yet. Therefore, the FNC concluded that instead of trying to have an accurate long-term forecast on this issue, attempts should be made to determine the tendency of the sea level change meeting the practical needs, while also taking precautionary measures such as developing a protective engineering concept of coastal zone and not having any major construction work carried out there[1].

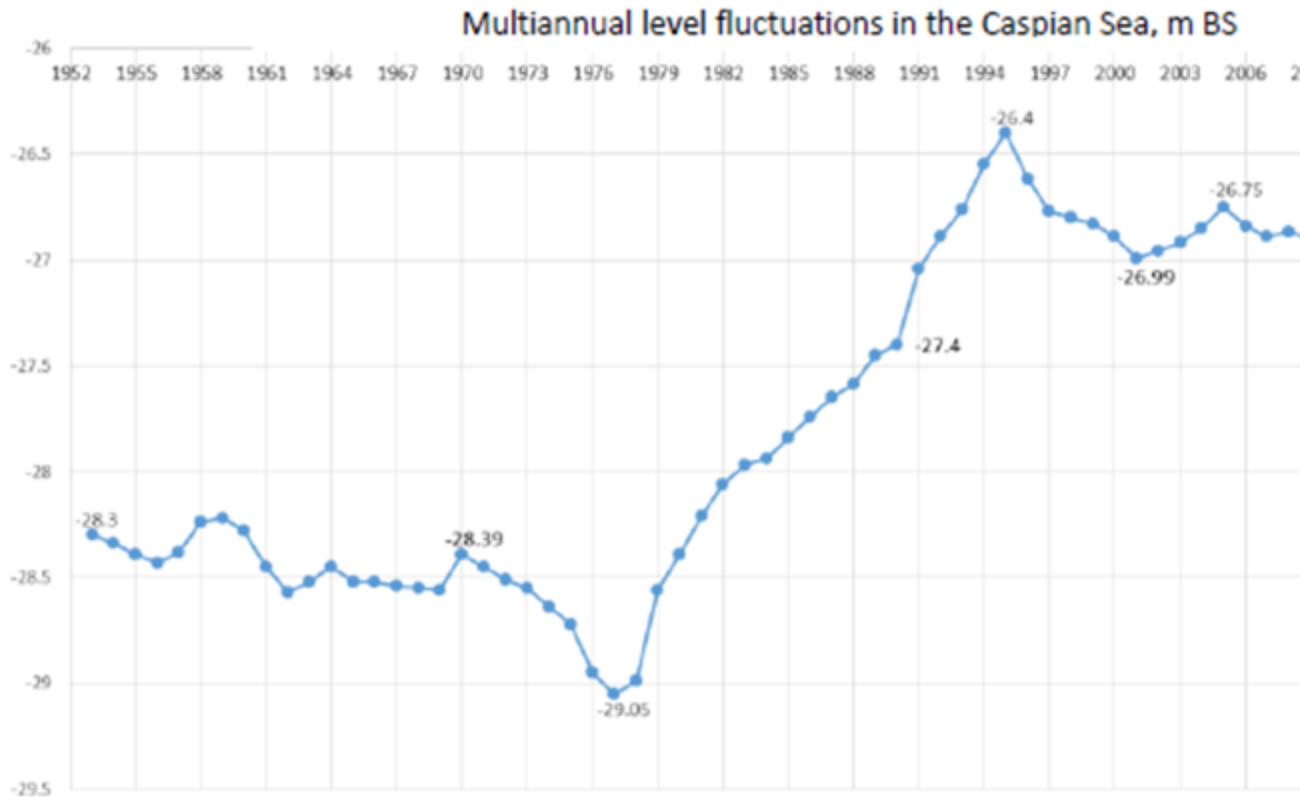


Figure 5 Fluctuations of the Caspian Sea level in 1952-2020

A significant increase in the number and duration of extreme hot days and heat waves in the summer months has been observed in recent years. In June-August 1991-2020, the total number of days with a maximum air temperature of 35 °C higher compared to 1960-1990 increased from 86 to 125 days in Baku, while the maximum duration of such days increased from 5 to 25 days. Correspondingly, the number of events classified as heat waves increased during the same time periods from 2 to 27. The FNC predicted that due to climate change, a significant further increase in the number of such hot days and heat waves can be expected in the coming years posing a direct risk to public health.

Although no specific vulnerability assessment was done by the FNC for the built environment such as buildings *per se*, it is clear that any predicted changes in the temperature, precipitation or both would need to be fully taken into account in the feasibility studies and technical design documents prepared for any building renovations or new buildings with due attention to buildings' thermal comfort as well the resistance of the buildings to other extreme and eventually more frequent weather conditions such as stormy winds and rainfalls.

As a resilience measure to increasing number and duration of extremely hot days and heat waves in the summer months with associated public health risks, the FNC makes a recommendation to take this into account in the design and construction of buildings by installing, among others, air cooling systems. In MIDA constructed buildings, no cooling systems are currently installed as standard equipment, but this may need to be

considered for new buildings. Similarly, the issue shall be considered when retrofitting existing public buildings.

All aspects discussed above would also need to be taken fully into account in the training activities organized by project by also considering how to minimize the eventually increasing energy consumption and related GHG emissions due to, for instance, increasing indoor cooling needs, while also strengthening institutions and local authorities responsible for supervising the design and construction of buildings with such new requirements. Beside human capacity building and strengthening their resources otherwise, this may also require some legal and regulatory amendments.

[1] The Fourth National Communication of Azerbaijan (2021), page 239

Convention Secretariat comments

Secretariat Comment at CEO Endorsement Request

10/25/2021 MY:

N/A

Agency Response

Other Agencies comments

Secretariat Comment at CEO Endorsement Request

10/25/2021 MY:

N/A

Agency Response

CSOs comments

Secretariat Comment at CEO Endorsement Request

10/25/2021 MY:

Yes.

Agency Response

Status of PPG utilization

Secretariat Comment at CEO Endorsement Request
10/25/2021 MY:

Yes. It is presented in Annex C.

Agency Response
Project maps and coordinates

Secretariat Comment at CEO Endorsement Request
10/25/2021 MY:

Yes. It is shown in Annex E.

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

Secretariat Comment at CEO Endorsement Request
10/25/2021 MY:

N/A

Agency Response

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

Secretariat Comment at CEO Endorsement Request
10/25/2021 MY:

N/A

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

Secretariat Comment at CEO Endorsement Request
10/25/2021 MY:

N/A

Agency Response

GEFSEC DECISION

RECOMMENDATION

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

Secretariat Comment at CEO Endorsement Request

10/25/2021 MY:

Not at this time.

Please address the comments above.

12/10/2021 MY:

The PM cleared the Notification of extending the Project Approval/Endorsement date, which is June 19, 2022.

4/22/2022 MY:

Please address the comments from the GEF PPO:

1. On project information: given the 4 week circulation, stipulated above, please move the expected implementation start to a future date as it is very unlikely this project to be endorsed before the expected implementation start date.

2. On core-indicators:

a. Please provide logics and methodologies used to assess the direct and indirect GHG emission mitigated (Core Indicator 6). Please submit the calculation of GHG emission mitigation (the Excel file of EX-ACT tool if the Agency uses this tool).

b. Please uncheck the core indicators 3 and 4 in the core indicator table since there are irrelevant to the project.

3. On the utilization of PPG: please provide details of the activities that were funded through the funds allocated to the PPG.

4. On Council Comments:

- a. the comments from Germany and Canada stipulated in the CEO Endorsement do not seem to match those provided in the stakeholders section of the Portal
- b. the comment from the US has not been addressed

4/29/2022 MY:

Yes, comments were addressed and issues were cleared. The PM recommends the CEO to endorse this project.

Review Dates

	Secretariat Comment at CEO Endorsement	Response to Secretariat comments
First Review	10/25/2021	
Additional Review (as necessary)	12/10/2021	
Additional Review (as necessary)	4/19/2022	
Additional Review (as necessary)	4/29/2022	
Additional Review (as necessary)		

CEO Recommendation

Brief reasoning for CEO Recommendations

CEO cover memo for GEFID 10402

Investing in energy efficiency (EE) remains top priority in Azerbaijan to achieve its climate change mitigation goal. The "In-Depth Review of the Energy Efficiency Policy of the Republic of Azerbaijan" completed by the Energy Charter Secretariat in cooperation with the Ministry of Energy of the Republic of Azerbaijan in 2020

concluded that there is still a significant untapped energy saving potential both in the residential and service sector (including public sector) buildings, which could cut the energy consumption and related CO₂ emissions by 50%. The Review also shows that over the past 10 years the average energy consumption of residential buildings has changed between 204 and 276 kWh/m²/year without clear or consistent downward trend. In buildings in Azerbaijan, the main primary energy source for heating, hot water preparation and electricity generation is natural gas. Thus, increasing EE in buildings will greatly cut down gas consumption and reduce carbon emissions. The GEF project targets further development and adoption of supporting primary and secondary legislation for buildings. Specifically, this project develops a new Law on Building EE with energy management information system and related energy management in public buildings for a total floor area of at least 1 million m². The project will also implement EE retrofits in at least 30 public buildings and piloting new low-carbon EE design in constructed social buildings. By a combination of these measures, with GEF investment of \$4.5 million, this project will mobilize about \$34 million co-financing and mitigate 1.3 million tonnes of CO₂eq over the 25 years lifetime of the investment.

COVID-19 impact/challenge briefing:

The main impact of continuing COVID-19 pandemic on project implementation will be due to eventually continuing or reintroduced social distancing measures and restrictions for public gatherings. In such 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 whom the project is targeting have already become familiar with different types of virtual meetings. 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 main impact as potential delays due to eventually worsening COVID-19 pandemic could be on the actual renovation and related construction works, should the pandemic require the reintroduction of some social distancing measures at construction sites.

COVID -19 opportunity briefing:

Regarding the opportunities, the project will create new work and investment opportunities for energy efficient technologies, thereby contributing 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 also for the private sector and ingredients for green economic recovery in general.