

Environmentally Sustainable Development of the Iron and Steel Industry

Review PIF and Make a recommendation

Basic project information

GEF ID

10564

Countries

China

Project Name

Environmentally Sustainable Development of the Iron and Steel Industry

Agencies

World Bank

Date received by PM

3/24/2020

Review completed by PM

4/9/2020

Program Manager

Anil Sookdeo

Focal Area

Chemicals and Waste

Project Type

FSP

PIF

Part I – Project Information

Focal area elements

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

Secretariat Comment at PIF/Work Program Inclusion

Yes, The project seeks to address the reduction of unintentionally produced persistent organic pollutants from the iron and steel sector in China. The emissions from this sector in China is the highest in the world. China has included this sector as a priority in their National Implementation Plan.

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 Yes. The project proposes to work directly with several enterprises that will be selected through a competitive process to demonstrate best available technology and best environmental practices. These will be, through regulations and financial arrangements will be scaled and replicated throughout the sector over time.

Agency Response

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 Yes

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 Yes

Agency Response

The STAR allocation?

Secretariat Comment at PIF/Work Program Inclusion N/A

Agency Response

The focal area allocation?

Secretariat Comment at PIF/Work Program Inclusion N/A

Agency Response

The LDCF under the principle of equitable access

Secretariat Comment at PIF/Work Program Inclusion N/A

Agency Response

The SCCF (Adaptation or Technology Transfer)?

Secretariat Comment at PIF/Work Program Inclusion N/A

Agency Response

Focal area set-aside?

Secretariat Comment at PIF/Work Program Inclusion N/A

Agency Response

Impact Program Incentive?

Secretariat Comment at PIF/Work Program Inclusion 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 Yes

Agency Response

Core indicators

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

Secretariat Comment at PIF/Work Program Inclusion Yes. The project proposes to address a significant amount of UPOPs emissions (24%) of the target for core indicator 10.

Agency Response

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 Yes

Agency Response

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

Yes. The iron and steel sector in China is the largest in the world and as a result, China's emissions of UPOPs is significant. The project is proposing to address the sector.

Agency Response

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

Secretariat Comment at PIF/Work Program Inclusion

Yes

Agency Response

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

Secretariat Comment at PIF/Work Program Inclusion

Yes

Agency Response

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

Secretariat Comment at PIF/Work Program Inclusion

The project is fully aligned with the chemicals and waste focal area programing directions.

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

Yes

Agency Response

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

Yes

Agency Response

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

Secretariat Comment at PIF/Work Program Inclusion

Yes. This project is the first in the iron and steel sector and will provide valuable lessons to facilitate reductions globally.

Agency Response

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

Agency Response

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

Yes

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

Yes

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

Please articulate in the proposal how the enterprises to be engaged will be selected and what measures will be put in place to mitigate unintentional competitive advantage of these enterprises.

April 6, 2020 - Comment cleared.

Agency Response

The demonstration enterprises will be selected through open and transparent calls for proposal, with one enterprise at least selected before CEO endorsement based on criteria to be developed during project preparation. The participating enterprises will have to demonstrate good environmental and social management practices. The additional level of pollution control supported by the project is not expected to lead to increased product market price, but may rather increase operating costs; the project therefore is not expected to confer a direct competitive advantage to the participating enterprises. (This response has been incorporated into the portal entry form.)

Risks

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

Yes

Agency Response

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

Yes

Agency Response

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

Yes

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

Yes

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

Yes.

Agency Response

Termsheet, reflow table and agency capacity in NGI Projects

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

Secretariat Comment at PIF/Work Program Inclusion

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

Please address the question on the private sector.

April 7, 2020 - The project concept project (page iii) states that “You cannot proceed because the E&S Specialists have not finalized their rating”. In addition, there seems to be some inconsistencies in terms of risk ratings in the concept note – on the first page “the Environmental and Social Risk Classification” is described as substantial, and then on page 9, in the section that discusses the Overall Risk and Explanation, it identifies the Environmental and social risk as Moderate. Please attach the “Concept Environmental and Social Review Summary (ESRS)”, which should be available at the PIF stage, and clarify inconsistencies in terms of ratings.

April 14 2020 - All comments have been addressed. The project is recommended for technical clearance.

ADDITIONAL COMMENTS

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

Secretariat Comment at PIF/Work Program Inclusion

Review Dates

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

PIF Recommendation to CEO

Brief reasoning for recommendations to CEO for PIF Approval

Due to the sheer size of the iron and steel industry in China, the global environmental benefits expected to accrue from the proposed project are very large. China is both the largest producer and consumer of iron and steel in the world. Global crude steel production in 2018 was 1.88 billion tons, of which over 50%, 0.93 billion

tons, were produced in China. The total releases of PCDD/Fs in exhaust gas from iron ore sinter plants in 2016 was estimated at approximately 1,522 g toxic equivalents (TEQ), and at 363 g TEQ from electric arc furnaces. The estimated impact at the end of the project is a globally significant reduction of 318 g TEQ of annual releases of dioxins, with further reduction after project closure expected through sector and nation-wide replication. To put things into perspective, annual emissions of dioxins from all primary metals industry in the United States amount to 632 g TEQ , as reported through the Toxics Release Inventory.

The target set for this this project addresses 24% of the core indicator 10.

The project proposes to select several enterprises with which to work directly with to reduce emissions and use the knowledge gained to replicate to other enterprises. The demonstration enterprises will be selected through open and transparent calls for proposal, with one enterprise at least selected before CEO endorsement based on criteria to be developed during project preparation. The participating enterprises will have to demonstrate good environmental and social management practices. The additional level of pollution control supported by the project is not expected to lead to increased product market price but may rather increase operating costs; the project therefore is not expected to confer a direct competitive advantage to the participating enterprises.