



REQUEST FOR CEO APPROVAL

PROJECT TYPE: MEDIUM-SIZED PROJECT

TYPE OF TRUST FUND: GEF TRUST FUND

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PART I: PROJECT INFORMATION

Project Title: Payment for Watershed Services in the Chishui River Basin for the Conservation of Globally Significant Biodiversity			
Country(ies):	China	GEF Project ID: ¹	5096
GEF Agency(ies):	UNDP	GEF Agency Project ID:	4822
Other Executing Partner(s):	Ministry of Environmental Protection	Submission Date:	May 26, 2014
GEF Focal Area (s):	Biodiversity	Project Duration(Months)	48
Name of Parent Program (if applicable):	N/A	Project Agency Fee (\$):	181,324

A. FOCAL AREA STRATEGY FRAMEWORK²

Focal Area Objectives	Expected FA Outcomes	Expected FA Outputs	Trust Fund	Grant Amount (\$)	Cofinancing (\$)
BD-2	Outcome 2.1: Increase in sustainably managed landscapes and seascapes that integrate biodiversity conservation	Output 2.1 National and sub-national land-use plans (1) that incorporate biodiversity and ecosystem services valuation	GEF TF	1,199,450	8,945,000
BD-2	Outcome 2.2: Measures to conserve and sustainably use biodiversity incorporated in policy and regulatory frameworks	Output 2.2. Policies and regulatory frameworks (1) for production sectors.	GEF TF	537,226	5,605,000
Project Management Cost				172,000	1,450,000
Total project costs				1,908,676	16,000,000

B. PROJECT FRAMEWORK

Project Objective: To operationalize a replicable Payment for Watershed Services (PWS) scheme in the Chishui River Basin to stimulate land and natural resource use systems that conserve biodiversity and sustain ecosystem processes

Project Component	Grant Type	Expected Outcomes	Expected Outputs	Trust Fund	Grant Amount (\$)	Confirmed Cofinancing (\$)
1. Systemic and institutional framework for PWS development and management established at municipal and provincial levels for the Chishui River Basin within	TA	1.1 Institutional capacity of provincial/municipal governments is emplaced to coordinate PWS programmes, allowing for the systematic scale up of PWS across the Chishui watershed (1,893,200 hectares). I.e. indicated by:)Improved capacities of provincial and municipal environmental protection offices for implementing PES/PWS as shown by increased scores in the Capacity Development	1.1 Capacity for planning and managing PWS mechanisms developed within Guizhou Provincial EPD and Municipal EPBs within Chishui River Basin; including establishment of the provincial PWS office at Guizhou EPD with capacity for developing, supervising and scaling up pro-conservation PWS mechanisms in the Chishui River Basin; provision of training in essential functions such as mapping and monitoring of ecosystem services and land use changes using GIS tools; and strengthening of	GEF TF	738,550	8,050,000

¹ Project ID number will be assigned by GEFSEC.

² Refer to the [Focal Area Results Framework and LDCF/SCCF Framework](#) when completing Table A.

Guizhou Province		<p>Scorecard.</p> <p>1.2.PWS and biodiversity conservation are mainstreamed into national and Guizhou provincial policies, regulations and plans by the end of the project as indicated by the GEF Biodiversity Tracking Tool.</p> <p>1.3.Provincial government investment in eco-compensation / PWS schemes in Chishui River Basin is sustained at CNY 50 million per year from 2015 and supports replication of PWS to other watersheds.</p> <p>1.4.Land use change restrictions codified in provincial development / land use and water resource plans through inputs to the following 5 year plans reduce threats to aquatic habitats and biodiversity in the CRB.</p>	<p>coordination and information sharing mechanisms for harmonisation of PWS and Eco-Compensation schemes.</p> <p>1.2 A standardized biodiversity and ecosystem services indicator system developed to assess the impacts of PWS schemes, including; implementation of site monitoring protocols following the Ecosystem Health Index methodology and fish monitoring protocol.</p> <p>1.3 PWS mainstreamed into the Regulations on Ecological Compensation and other provincial level regulations and related policies and plans to regulate land uses, facilitate land use trade-offs, and integrate its implementation with eco-compensation schemes.</p> <p>1.4 Private sector involvement in PWS promoted and incentivized through introduction of an eco-labelling scheme.</p> <p>1.5 Best Practice guidelines, methodological protocols and lessons learned shared for scaling-up and replicating PWS in additional watersheds in the Chishui River Basin and elsewhere in China</p>			
2. Pilot PWS scheme(s) are demonstrated in selected sub-watersheds of the Chishui River Basin in Guizhou Province.	TA	<p>2.1.No less than 7,000 hectares of the selected demonstration sub-watershed is under biodiversity friendly land use by community land managers (in compliance with PWS Agreement conditions and proposed catchment management plan)</p> <p>2.2.Change in land use supporting biodiversity within demonstration sub-watershed, indicated by a 10% increase in forest cover in pilot demonstration areas from the time of PWS agreement signature</p> <p>2.3.Sustained presence of globally significant fish populations in the Chishui River system, as indicated by monitoring of river stretches immediately downstream of pilot PWS sites using a</p>	<p>2.1 PWS pilot mechanism established in Wuma sub-watershed, generating uptake of biodiversity friendly land use options; including:</p> <ul style="list-style-type: none"> -Ecosystem services in the selected sub-watershed are defined, measured and assessed. -Marketable value is determined -Prospective sellers and buyers are identified, village cooperatives established to bundle the supply of ecosystem services by communities, and ensure cost effectiveness in payment distribution -Capacity of community land users to modify land use practices is enhanced through technical assistance / extension on biodiversity friendly land use practices -PWS agreements are brokered between sellers (village cooperatives) and buyers (downstream companies with 	GEF TF	998,126	6,500,000

		<p>standardized monitoring protocol.</p> <p>2.4. Improvements in ecosystem health as indicated by Ecosystem Health Index</p> <p>2.5. Positive trend indicating improvement in status of key ecosystem services specified in PWS agreement(s)*</p> <p><i>*Parameters and detailed baseline measurements to be determined in Year One of Project</i></p>	<p>provincial government as intermediary)</p> <p>2.2 PWS agreements are established for the provision of watershed services. PWS agreements implemented. A long-term financial agreement specifying conditions for its operation (Value of service; mode of payment; delivery of service) agreed upon by buyers and sellers of watershed services and operationalised through public/private partnerships.</p> <p>2.3 The impacts of PWS implementation on land use changes, delivery of ecosystem services, biodiversity and livelihoods monitored, assessed and reported. Participatory monitoring and verification system are in place.. Training is provided to municipal governments to monitor and enforce compliance</p> <p>2.4 Catchment management plan for Wuma River valley demonstrates a framework for integrating PWS with eco-compensation and regulatory mechanisms for sustainable watershed management</p>			
Subtotal					1,736,676	14,550,000
Project management Cost (PMC) ³					172,000	1,450,000
Total project costs					1,908,676	16,000,000

C. SOURCES OF CONFIRMED COFINANCING FOR THE PROJECT BY SOURCE AND BY NAME (\$)

Please include letters confirming cofinancing for the project with this form

Sources of Co-financing	Name of Co-financier (source)	Type of Cofinancing	Cofinancing Amount (\$)
GEF Agency	UNDP	Cash	500,000
National Government	Ministry of Environmental Protection	Cash	500,000
Local Government	Guizhou Environmental Protection Department	Cash	15,000,000
Total Co-financing			16,000,000

D. TRUST FUND RESOURCES REQUESTED BY AGENCY, FOCAL AREA AND COUNTRY¹

GEF Agency	Type of Trust Fund	Focal Area	Country Name/ Global	(in \$)		
				Grant Amount (a)	Agency Fee (b) ²	Total c=a+b
UNDP	GEF TF	Biodiversity	China	1,908,676	181,324	2,090,000

³ PMC should be charged proportionately to focal areas based on focal area project grant amount in Table D below.

Total Grant Resources	1,908,676	181,324	2,090,000
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E. CONSULTANTS WORKING FOR TECHNICAL ASSISTANCE COMPONENTS:

Component	Grant Amount (\$)	Cofinancing (\$)	Project Total (\$)
International Consultants	72,000	0	72,000
National/Local Consultants	164,400	138,660	303,060

F. DOES THE PROJECT INCLUDE A “NON-GRANT” INSTRUMENT? No

PART II: PROJECT JUSTIFICATION

A. DESCRIBE ANY CHANGES IN ALIGNMENT WITH THE PROJECT DESIGN OF THE ORIGINAL PIF⁴

A.1 National strategies and plans or reports and assessments under relevant conventions, if applicable, i.e. NAPAS, NAPs, NBSAPs, national communications, TNAs, NCSA, NIPs, PRSPs, NPFE, Biennial Update Reports, etc. NA

A.2. GEF focal area and/or fund(s) strategies, eligibility criteria and priorities: NA

A.3 The GEF Agency's comparative advantage: NA

A.4. The baseline project and the problem that it seeks to address: NA

A. 5. Incremental /Additional cost reasoning: describe the incremental (GEF Trust Fund/NPIF) or additional (LDCF/SCCF) activities requested for GEF/LDCF/SCCF/NPIF financing and the associated global environmental benefits (GEF Trust Fund) or associated adaptation benefits (LDCF/SCCF) to be delivered by the project:

During the process of project preparation and elaboration of the Strategic Results Framework, minor changes were made to the outcomes and outputs as stated in the PIF to reflect the reality of the project intervention more accurately. However, two outcomes under Component 2 in the PIF Project Framework table were considered to be unrealistic and replaced with other outcome indicators, as follows:

1. Land use change under PWS, increasing* forest cover under native species in the Chishui headwaters from its current 20% and, and maintenance of the downstream cover at current 60%. This enhances connectivity between major habitat blocks over an area of 1,179,464 hectares.

Based on further investigation during the PPG phase, this outcome was considered unrealistic for the demonstration area and timescale of the project intervention. This component of the project primarily aims to demonstrate the PWS mechanism at a small pilot scale, so that it can be harmonized or embedded in existing national eco-compensation policy and practices, and upscaled starting towards the end of the 4 year project period, and mainly thereafter. Consequently, while work in component 1 will prepare the ground for basin-wide replication and upscaling, this indicator has been replaced in the SRF with one that is more appropriate for the project's actual scale of intervention:

⁴ For questions A.1 –A.7 in Part II, if there are no changes since PIF and if not specifically requested in the review sheet at PIF stage, then no need to respond, please enter “NA” after the respective question.

Change in land use supporting biodiversity within demonstration sub-watershed, indicated by a 10% increase in forest cover in pilot demonstration areas from the time of PWS agreement signature.

2. Number of protected rare plant and animal species is maintained minimally at 70 (38 plant species and 32 animal species). Critical species include *Taxus chenensis* var. *mairei*, *Alsophila spinulosa*, *Fokienia hodginsii*, *Aix galericulata*, *Chrysolophus pitus*, *Chrysolophus amherstiae*.

This outcome was deleted, as these species are to a very large extent dependent upon protected areas that will not be the subject of PWS interventions under this project (as it is a BD2 – not BD1 project), which will more appropriately focus on rehabilitation of degraded watersheds through improved land use practices including reforestation. Instead, a number of other biodiversity-related outcome indicators have been included in the SRF, including one that concerns the Chishui River Basin's primary biodiversity value as a critical refuge for fish populations in the Upper Yangtze River Basin (including two Critically Endangered and one Vulnerable species): Sustained presence of globally significant fish populations in the Chishui River system, as indicated by monitoring of river stretches immediately downstream of pilot PWS sites using a standardized monitoring protocol.

This indicator in particular is considered more relevant, as the sustainable supply of high quality water is the key ecosystem service sought from the project's intervention by the provincial government and downstream industries which will be paying for the watershed services through PWS agreements.

An issue affecting the strategic design of the project arose during the PPG period. Following PIF approval, a new global UNDP policy was introduced regarding the risk assessment for projects involving alcohol companies. As a direct consequence of this new policy, the design of the present project has been adjusted such that the Guizhou provincial government (Environmental Protection Department) will be the initial buyer of ecosystem services from upstream farming communities. The Guizhou provincial government has substantial funds available for environmental protection of the Chishui River Basin that will support this role. The intention is that the provincial government would subsequently resell the watershed services to private companies through related PWS agreements with the private sector end users. One advantage of this approach is that the provincial government will effectively under-write the PWS agreements, avoiding potential delays in their establishment and initial investment in essential land use change with the communities before private sector engagement is fully established. Consequently, the project will seek to facilitate private sector participation in PWS schemes, through promotional activities and the establishment of an MEP-endorsed eco-labelling scheme that provides recognition to companies that buy in to PWS schemes. Similarly, in view of the above-mentioned restriction on engagement with alcohol companies in UNDP administered projects, it was not possible to accept cofinancing from Maotai (or any other liquor companies in the Chishui River Basin). Consequently, the Guizhou provincial Government (Environmental Protection Department) has agreed to increase the level of cofinancing provided, so that the same total (\$16 million) as stated in the PIF has been confirmed. These comments are also provided in the responses in Annex B below.

A.6 Risks, including climate change, potential social and environmental risks that might prevent the project objectives from being achieved, and measures that address these risks: 1. The rating for the risk "Climate change impacts affect proposed land use changes under PWS" has been reduced to Low according to the Risk Assessment Guiding Matrix. 2. New risk added: Potential buyers of PWS services opt for a different water supply solution (Medium). 3. New risk added: Upstream communities lack willingness to change land uses as part of PWS agreements (Low). 4. New risk added: Long time needed to implement PWS effectively at scale may cause loss of interest (Medium). Elaboration and mitigation measures for all risks are given in Table 5 of the Project Document.

A.7. Coordination with other relevant GEF financed initiatives: NA

B. ADDITIONAL INFORMATION NOT ADDRESSED AT PIF STAGE:

B.1 Describe how the stakeholders will be engaged in project implementation.

Stakeholder Involvement Plan

Information dissemination and consultation during the PPG

The PPG phase included consultations with the project's key stakeholders at the national, provincial and local levels. A field trip was carried out in Guizhou Province, visiting all four municipalities in the Chishui River Basin, convening stakeholder meetings including briefings about PWS and the project in Guiyang and in each municipality, including downstream industry representatives. The demonstration sub-watershed (Wuma) was visited and the proposed communities for involvement in the demonstration activities were investigated in detail by the local consultants, including gender issues, and their willingness to participate in the project's PWS demonstration activities was confirmed (see record of community consultations in Annex 5 of the Project Document). All related government institutions were consulted during project development, as were research and academic institutions and NGOs on specific issues. Stakeholder consultation meetings were convened at the provincial level, including presentation and review of project activities in the draft project document. Project design was a participatory process, in line with UNDP's and GEF's requirements.

Project Approach to Stakeholder Involvement

The project will focus stakeholder engagement at two levels of intervention: (i) working with national, provincial and local public institutions and agencies in order to strengthen their capacity to consolidate, expand and effectively manage the PA System and to align project activities with government's strategic priorities; and (ii) working directly with civil society organisations, formal and informal resource users (rights holders), private landowners and individuals to strengthen collaborative relationships for participatory PWS schemes, mitigate impacts of sectoral practices, and optimise the benefits arising from project activities.

Stakeholder involvement plan

During the project preparation stage, a preliminary stakeholder analysis was undertaken in order to identify key stakeholders, assess their interests in the project and define their roles and responsibilities in project implementation. This included the collection of baseline socio-economic information on the proposed pilot communities, informing them about the project's planned PWS activities and confirming their willingness to participate in demonstration activities (see Annex 5 of the Project Document). A full Stakeholder Involvement Plan remains to be prepared upon project inception. Table 2 in the Stakeholder Analysis section of the Project Document describes the major categories of stakeholders identified, and their roles envisaged in the project.

The project proposes a mechanism to achieve broad-based stakeholder involvement in the project preparation and implementation processes. Stakeholder participation will include the following components (see Table 10 of the Project Document):

- Project Steering Committee (PSC)
- Provincial Project Coordination Committee

- Stakeholder Committees at site level

Long-term stakeholder participation

The project will provide the following opportunities for long-term participation of all stakeholders, with a special emphasis on the active participation of local communities, and enhancement of inter-sectoral coordination for PWS as part of sustainable watershed management:

Decision-making – through the establishment of the Project Steering Committee. The establishment of the structure will follow a participatory and transparent process involving the confirmation of all key project stakeholders; conducting one-to-one consultations with all stakeholders; development of Terms of Reference and ground-rules; inception meeting to agree on the constitution of the PSC.

Capacity building – at systemic, institutional and individual levels – is one of the key strategic interventions of the project and will target all stakeholders that have the potential to be involved in brokering, implementing and/or monitoring management agreements related to activities in and around the reserves. The project will target especially organizations operating at the community level to enable them to actively participate in developing and implementing PWS agreements. Women and indigenous / ethnic minority groups will be proactively considered for capacity building activities based on specific needs assessments.

Communication - will include the participatory development of an integrated communication strategy. The communication strategy will be based on the following key principles:

- providing information to all stakeholders;
- promoting dialogue between all stakeholders;
- promoting access to information.

The project's design incorporates several features to ensure on-going and effective stakeholder participation in the project's implementation. The mechanisms to facilitate involvement and active participation of different stakeholder in project implementation will comprise a number of different components:

i) Project inception workshop

273. The project will be launched by a multi-stakeholder workshop. This workshop will provide an opportunity to provide all stakeholders with the most updated information on the project, refine and confirm the work plan, and will establish a basis for further consultation as the project's implementation commences.

ii) Constitution of the Project Steering Committee (PSC)

The PSC will be constituted to ensure consistent representation of the key stakeholders throughout the project's implementation. The representation, and broad terms of reference, of the PSC are described in the Management Arrangements in Part III of the Project Document. Membership has been restricted to key stakeholders in order to facilitate efficient decision-making, compensated by the addition of the Provincial Project Coordination Committee to enable input from a wide range of provincial stakeholders.

iii) Establishment of the National Project Management Office (NPMO)

The NPMO will take direct operational responsibility for facilitating stakeholder involvement and ensuring increased local ownership of the project and its results. The NPMO will be located in MEP-FECO, and a Sub-Project

Management Office in the Guizhou Environmental Protection Bureau in Guiyang to ensure coordination among key stakeholder organizations at the provincial level during the project period.

iv) Constitution of the Provincial Project Coordination Committee (PPCC)

The PPCC will be constituted to ensure broad representation of stakeholders at provincial and local levels throughout the project's implementation. The representation and general functions of the PPCC are described in the Management Arrangements in Part III of the Project Document.

v) Establishment of local working groups

At the activity level, local or specialist working groups (e.g., PWS outreach team, sustainable agriculture extension team, gender and minority empowerment team, ecosystem services and biodiversity monitoring team, catchment management plan development team) will be established as required, to facilitate the active participation of affected institutions, organisations and individuals in the implementation of the respective project activities. Different stakeholder groups may take the lead in each of the working groups, depending on their respective mandates. There will be equitable representation of women and ethnic minorities on site stakeholder committees and groups related to community co-management, alternative livelihoods and awareness activities.

vi) Project communications

The project will develop, implement and annually update a communications strategy to ensure that all stakeholders are informed on an on-going basis about: the project's objectives; the project's activities; overall project progress; and the opportunities for stakeholders' involvement in various aspects of the project's implementation.

vii) Implementation arrangements

A major part of the demonstration activities planned under Component 2 of this project have specifically been designed to directly involve and provide benefits to local stakeholders, based on consultations conducted during the PPG phase in which the willingness of the selected pilot communities was confirmed (see Annex 5 of Project Document), and which will apply the principle of free prior and informed consent to the establishment of PWS agreements. In fact, the whole ethos of the PWS intervention is to enable financial and technical support to impoverished upstream farming communities through facilitating the development of agreements with downstream users of ecosystem services (focusing on water flows and quality). However, this is not a poverty alleviation project – in return the pilot communities (and eventually all communities in the watershed, including ethnic minority communities) must agree – following transparent and truthful explanation of the consequences - to changes towards more sustainable land use, through re-forestation, changes in crops, slope and soil protection measures, etc. In the short term, the participating communities will receive assistance for making such changes, which will also include the creation or development of new opportunities for sustainable or alternative livelihood options based on feasibility assessments. In the long term, the combination of secure, sustainable livelihoods coupled with improved environmental conditions should lead to widespread socio-economic improvements, breaking the downward spiral of poverty and environmental degradation. Women and indigenous / minority groups will be proactively considered for participation in sustainable livelihood activities based on these assessments. This will include the prioritization of ethnic minority communities for replication of the PWS pilots, in conjunction with the consideration of environmental and feasibility criteria.

viii) Formalizing cooperative governance structures

The project will actively seek to formalize cooperative governance structures at the level of communities and townships, to ensure the on-going participation of local stakeholders in the planning and management of demonstration activities for sustainable watershed management according to the PWS agreements.

ix) Capacity building

All project activities are strategically focused on building capacity – at systemic, institutional and individual levels – of the key stakeholder groups to ensure sustainability of initial project investments. The project will also seek to raise public awareness of the value and importance of the ecosystem services and biodiversity secured through sustainable watershed management and effective habitat conservation and rehabilitation.

Coordination with related initiatives

The current project is the only planned national PWS project in China financed by GEF. However, linkages and synergies will be sought through coordination with the GEF projects listed in Table 11 of the Project document. In addition to the GEF projects, the present project will also closely coordinate its work with other relevant initiatives, as follows.

First, the project is closely related to an initiative supported by the Asian Development Bank (ADB) geared to developing national eco-compensation policy legislation as well as related knowledge products on the ecosystem market in China. WWF with a \$ 50,000 grant from ADB is working on the project entitled “Public-Private-Partnership: Pilot Development of a Mechanism for Payment for Watershed Services in Chishui Watershed”. The present project will build directly on the initial efforts supported by ADB and WWF to engage with local stakeholders to start developing a foundation for a viable PWS mechanism in the watershed. Close coordination has been developed during the PPG phase, when discussions were held with ADB. Subsequent collaboration will be ensured through direct contact between the PMO and the ADB/WWF initiative, and invitation of representatives to the PSC meetings. Collaboration with WWF going forward will be significant in view of the organization’s past work in the area, which established an MoU between WWF China and Guizhou Environmental Protection Department (2011-2015) prioritizing PES technical support; and initiation of an annual meeting mechanism on eco-environmental protection of Chishui River among three provinces in April 2011.

In addition, ADB is financing a 12 month project from January 2014 entitled: Development of Public-Private Funding Mechanism for Chishui Watershed Protection. Local implementation will be led by Guizhou International Cooperation Center for Environmental Protection. Coordination with this initiative will be achieved through Guizhou EPD as the project’s provincial level executing agency.

Integrated river basin management in the Chishui River Basin is an important part of the EU-China River Basin Management Programme (RBMP). The vision of the RBMP is to make a significant contribution to China’s national goals for the water sector and achieve “sustainable management and use of China’s water resources that are compatible with socio-economic development”. The RBMP is structured in five components. The component of Yangtze River Integrated River Basin Management is working in Chishui River which has been chosen as a pilot site to promote and replicate policies, plans and measures for integrated river basin management. The GEF supported project builds on experiences and information produced through the RBMP. Moreover, it will add significant value to the on-going initiative by realizing PWS as a finance mechanism which includes the private sector as well as poor farming communities in negotiated transactions for the delivery of properly valued watershed services as well as for biodiversity conservation.

In addition to WWF, The Nature Conservancy (TNC) has significant experience and technical expertise to offer towards project implementation. With a well-established programme in the Yangtze River Basin, TNC aims to safeguard the vitality of the Yangtze River basin by preserving its biodiversity and ecosystem services through mitigating the impacts of hydropower and flood control infrastructure, protecting fish populations and managing fishery resources, including multi-stakeholder conservation strategies and hydropower sustainability funds. Specific activities relevant to the present project include fish conservation and monitoring. First, the Conservation Action Plan of the Rare and Endemic Fish

National Nature Reserve at the Upper Yangtze River. Working with Southwest University and the Yangtze Fishery Commission, eight key targets, nine key threats and fifty-eight actions have been recognized. Due to the importance of its habitats and fish species, the Chishui River Ecosystem is one of the eight key targets for conservation attention, as well as being a priority for the present project. Secondly, a Monitoring Protocol for fish populations has been developed and handbook published in order to standardize the monitoring methods used by different agencies and institutes in the Yangtze River Basin and facilitate scientific assessments. Capacity development training and on-site practice of this monitoring handbook are promoted and expected with partners' cooperation, which would contribute to capacity development on the monitoring of globally significant biodiversity in the Chishui River Basin, with direct relevance to the impacts of PWS schemes. Thirdly, TNC has conducted pilot testing of an Eco-Regional Assessment tool to the Upper Yangtze Basin, recognizing the Chishui as a priority for conservation attention. More detailed application has potential to identify key areas for conservation attention through the upscaling and replication of PWS schemes, eco-compensation programmes for sustainable watershed management. TNC is also in the process of identifying pilot sites for climate change adaptation / mitigation analysis, with potential for collaboration with the present project. Finally, both TNC and WWF are partners in the Natural Capital Project <http://www.naturalcapitalproject.org/> with experience of developing and applying tools such as InVEST to facilitate PES and PWS approaches towards biodiversity conservation and sustainable land management, and have the technical capacity to assist the project. Both organizations have participated in PPG consultations and have conducted bilateral discussions with MEP regarding their programmes.

B.2 Describe the socioeconomic benefits to be delivered by the Project at the national and local levels, including consideration of gender dimensions, and how these will support the achievement of global environment benefits (GEF Trust Fund/NPIF) or adaptation benefits (LDCF/SCCF):

Establishment of the PWS mechanisms and development of the systemic and institutional capacity needed for their implementation will yield significant socioeconomic benefits at local and river basin levels. The PWS scheme will include a system for monitoring changes in income levels. The project's initial intervention in the Wuma catchment will focus on communities in Xienong village, within Wuma township, who will be the direct beneficiaries of the demonstration pilot. In addition, the population of Wuma town (population 30,000) and the overall Wuma watershed (population 132,200 including ethnic minorities) will also benefit indirectly through the improved land use sustainability arising from implementation of the catchment management plan.

The benefits arising from the PWS schemes include improved environmental conditions, improved livelihoods and also payments made under the PWS schemes themselves from the buyers to the service providers. The last will be determined through Cost Benefit Analysis, taking into account the actual valuation of the services provided under each agreement according to local market values. It should also be noted that environmental returns (i.e. changes in water quantity or quality) take a significantly longer time than changes in livelihood, which the PWS programme must be able to balance. For reference (only), payments for eco-compensation programmes in Wuma Township include CNY 146.25/ha/year for the Ecological Forest Compensation Fund programme; and CNY 3,675/ha/year for the Sloping Land Conversion Programme.

The downstream industries in the city of Renhuai (population 630,000) are expected to be eventual buyers of ecosystem services (high quality flows of river water) through the PWS scheme(s), thus representing the long term beneficiaries of environmental improvements in upstream watersheds. This will contribute towards sustainable employment and the security of the city's economy. In addition, Renhuai City government will benefit through sustained investment flows and related tax revenue. Guizhou Provincial government will also benefit from steady improvements in environmental quality in the river basin as a destination for investment and tourism.

As the scheme is expanded, more sub watersheds will introduce PWS as a conservation and development tool, ultimately benefiting up to 10 million people in the Chishui River Basin. These actions will have national impacts, as the only main river in China not crossed by a mainstream dam will be protected through innovative conservation finance mechanisms, and the approach is considered for replication in other river basins as part of MEP's national policies and programmes.

Concerning gender, it has been demonstrated in several studies that biodiversity conservation efforts are more effective and efficient when women and vulnerable groups are empowered to participate as equal partners in information sharing and generation, education and training, technology transfer, organizational development, and policy development. In line with UNDP and GEF affirmative action policies, project preparation included a gender disaggregated baseline assessment of the pilot communities for the demonstration component. This indicated that women have little say in decision-making, with 100% of family heads being male. Women are typically engaged in housework, childcare and farming activities, while the men are increasingly working outside the community, increasing the burden on women to manage domestic affairs and care for children and the elderly. The project will proactively consider women's involvement in the demonstration activities, especially as they are more involved in agricultural activities. The development of alternative livelihood options for women that are more well-aligned to their family roles will be reviewed and supported as steep lands are taken out of production or transferred to more suitable perennial crops. Key lessons that will be integrated into this project include providing spaces for separate meetings and trainings with women to build their technical skills and capacities, supporting female champions and facilitators to complement (not threaten) traditional leadership, and using the strengths of local traditions as the basis for culturally appropriate and representative decision-making processes both within communities and in multi-stakeholder settings.

The pilot projects will work closely with community facilitators, community-based organisations, and NGOs to ensure that the partner communities are integrally involved in all aspects of the project and in locally appropriate ways. In order to ensure that these concerns are proactively incorporated into workplans and implementation procedures, the project will be guided by a part time consultant on gender and minority empowerment throughout implementation. This position will also review and report annually on the effectiveness of gender and ethnic minority participation. In addition, the project's impact on gender and minority groups has been reviewed in the ESSP (see Annex 10 of Project Document), identifying no significant negative impacts and an overall positive response.

B.3. Explain how cost-effectiveness is reflected in the project design:

The project's approach of addressing barriers to the introduction of PWS as an integral component of eco-compensation programmes at river basin level (including the weak enabling framework and institutional capacity for PWS implementation; and insufficient experience and know-how for the establishment of viable PWS mechanisms to support biodiversity conservation) is cost-effective in that it will have broad applicability at provincial and national levels, with the intention of demonstrating a model for upscaling and replication to other river basins across China, supported by the developing national policy on eco-compensation incorporating PWS/PES under MEP's leadership.

By focusing initially on one province (Guizhou) where strong political, business community and economic support exist for environmental protection in the Chishui River Basin, building operational capacity for PWS and demonstrating it at a feasible scale, the project takes a highly cost effective route towards demonstrating and fine-tuning a PWS mechanism which would then be upscaled to the 1,179,464 hectares of biodiversity-rich Chishui watersheds within the Guizhou Province, and subsequently to the 1,893,200 ha of ecosystems in the Chishui River Basin and other river basins in China driven by the project's National Executing Agency, the MEP. The project will prepare the way for replication and upscaling through measures including capacity building, awareness raising, development of guidelines and methodologies, and sharing of lessons learned at these different levels.

While the Guizhou provincial government will act as an initial buyer of ecosystem services in the demonstration component of this project, it will facilitate the involvement of major private sector companies in taking up the end user costs for the watershed services provided (a secure supply of good quality water) through introducing an eco-labelling scheme and awareness actions. These companies have already demonstrated keen interest in securing adequate clean water supplies for their needs, driving significant environmental protection measures upstream. Such private sector contributions to PWS schemes have huge potential to finance land use changes towards more sustainable watershed management and biodiversity conservation across China, representing a major new source of revenue that would supplement baseline government investment.

The total GEF investment of \$2,090,000 for this project will leverage a minimum of \$16 million in cofinancing including \$15.5 million from MEP and Guizhou provincial government, a highly cost-effective ratio of 7.65. While valuation has yet to be conducted of the ecosystem services available in the Chishui River Basin, experience elsewhere suggests that the returns on this investment will – in the long term – be many times greater, benefiting biodiversity conservation, the livelihoods of impoverished farming communities, and downstream industries and populations. Importantly, systematic improvements in the supply of clean water over the long term will reduce constraints for economic development in riparian municipalities, yielding major economic benefits. The payments anticipated under PWS agreements will similarly benefit impoverished upstream areas that have been forced to forego industrial development opportunities in order to maintain the environmental quality of the river system.

The mainstreaming of PWS into provincial watershed management and sectoral practices in combination with existing eco-compensation programmes will be a cost-effective investment in terms of project impact as well as for MEP and Guizhou EPD's subsequent operations. The project's approaches in mainstreaming the uptake of sustainable land uses and conservation measures across multiple sectors, involving a range of stakeholders including local communities and the private sector, and building capacity of the provincial and municipal EPD are expected to lead to cost-effective watershed management that avoids duplication of work, reduces biodiversity degradation and loss of ecosystem services from incompatible land uses and development practices, and ensures the sharing of timely information and resources.

Given that Guizhou is one of the least developed provinces in China, the receipt of GEF resources channeled through UNDP will be a source of pride for the provincial government, which facilitates political commitment to take difficult decisions on issues such as inter-agency coordination towards integrated watershed management, the mainstreaming of biodiversity conservation into development plans and sectoral practices, and concessions on land uses.

C. DESCRIBE THE BUDGETED M & E PLAN:

MONITORING AND REPORTING

Project monitoring and evaluation will be conducted in accordance with established UNDP and GEF procedures and will be provided by the project team and the UNDP Country Office (UNDP-CO) with support from the UNDP/GEF Regional Coordination Unit in Bangkok. The Strategic Results Framework in Project Document Section II Part I provides performance and impact indicators for project implementation along with their corresponding means of verification. The BD-2 Tracking Tool (see Annex 9 of Project Document), Capacity Assessment Scorecards (see Annex 7) and Ecosystem Health Index scorecard (Annex 8) will all be used as instruments to monitor progress. The M&E plan includes: inception report, project implementation reviews, quarterly and annual review reports, and mid-term review and final evaluation. The following sections outline the principal components of the M&E Plan and indicative cost estimates related to M&E activities (see Table 1 below). The project's M&E Plan will be presented and finalized in the Project's Inception Report following a collective fine-tuning of indicators, means of verification, and the full definition of project staff M&E responsibilities.

A Project Inception Workshop will be conducted with the full project team, relevant government counterparts, co-financing partners, the UNDP-CO and representation from the UNDP-GEF Regional Coordinating Unit, as well as UNDP-GEF (HQs) as appropriate. A fundamental objective of the Inception Workshop will be to assist the project team to understand and take ownership of the project's goal and objective, as well as finalize preparation of the project's first Biennial Work Plan (BWP) and annual and quarterly activity plans on the basis of the Strategic Results Framework. This will include reviewing the logframe (indicators, means of verification, assumptions), imparting additional detail as needed, and on the basis of this exercise, finalizing the BWP with precise and measurable performance indicators, and in a manner consistent with the expected outcomes for the project.

Monitoring responsibilities and events

A detailed schedule of project review meetings will be developed by the project management, in consultation with project implementation partners and stakeholder representatives and incorporated in the Project Inception Report. Day-to-day monitoring of implementation progress will be the responsibility of the Project Manager based on the project's BWP, activity plans and its indicators. Specific targets for the first year implementation progress indicators together with their means of verification will be developed at the Inception Workshop and included in the BWP. Targets and indicators for subsequent years would be defined annually as part of the internal evaluation and planning processes undertaken by the project team.

Measurement of impact indicators related to PWS targets will occur according to the schedules defined in the Inception Workshop. The measurement of these will be undertaken through subcontracts or retainers with relevant institutions. Periodic monitoring of implementation progress will be undertaken by the UNDP-CO through quarterly meetings with the Implementing Partner, or more frequently as deemed necessary. This will allow parties to take stock and to troubleshoot any problems pertaining to the project in a timely fashion to ensure smooth implementation of project activities.

Annual Monitoring will occur through the PSC Meetings (PSCM). This is the highest policy-level meeting of the parties directly involved in the implementation of a project. The project will be subject to PSCMs at least two times a year. The first such meeting will be held within the first six months of the start of full implementation.

The Project Manager in consultations with UNDP-CO and UNDP-GEF RCU will prepare a UNDP/GEF PIR during the months of June-August. In addition, the Project Manager, in consultation with UNDP-CO will prepare an Annual Review Report (ARR) by the end of January and submit it to PSC members at least two weeks prior to the PSCM for review and comments. The ARR will be used as one of the basic documents for discussions in the PSCM. The Project Manager will present the ARR (and if needed the PIR) to the PSC, highlighting policy issues and recommendations for the decision of the PSCM participants. The Project Manager also informs the participants of any agreement reached by stakeholders during the PIR/ARR preparation on how to resolve operational issues. Separate reviews of each project component may also be conducted if necessary. The PSC has the authority to suspend disbursement if project performance benchmarks are not met. Benchmarks will be developed at the Inception Workshop, based on delivery rates, and qualitative assessments of achievements of outputs.

The terminal PSCM is held in the last month of project operations. The Project Manager is responsible for preparing the Terminal Report and submitting it to UNDP-CO and UNDP-GEF RCU. It shall be prepared in draft at least two months in advance of the terminal PSCM in order to allow review, and will serve as the basis for discussions in the PSCM. The terminal meeting considers the implementation of the project as a whole, paying particular attention to whether the project has achieved its stated objectives and contributed to the broader environmental objective. It decides whether any actions are still necessary, particularly in relation to sustainability of project results, and acts as a vehicle through which lessons learnt can be captured to feed into other projects.

UNDP Country Offices and UNDP-GEF RCU as appropriate, will conduct yearly visits to project sites based on an agreed upon schedule to be detailed in the project's Inception Report/Biennial Work Plan to assess first hand project progress. Any other member of the Project Steering Committee can also accompany.

Project Reporting

The Project Manager in conjunction with the UNDP-GEF extended team will be responsible for the preparation and submission of the following reports that form part of the monitoring process. The first six reports are mandatory and strictly related to monitoring, while the last two have a broader function and the frequency and nature is project specific to be defined throughout implementation.

A Project Inception Report will be prepared immediately following the Inception Workshop. It will include a detailed Biennial Work Plan divided in quarterly time-frames detailing the activities and progress indicators that will guide implementation during the first year of the project. An Annual Review Report (ARR) shall be prepared by the Project Manager and shared with the Project Steering Committee. As minimum requirement, the ARR shall consist of the Atlas standard format for the Project Progress Report (PPR) covering the whole year with updated information for each element of the PPR as well as a summary of results achieved against pre-defined annual targets at the project level. The ARR should consist of the following sections: (i) project risks and issues; (ii) project progress against pre-defined indicators and targets and (iii) outcome performance. The Project Implementation Review (PIR) is an annual monitoring process mandated by the GEF. Once the project has been under implementation for a year (from the CEO approval date), a Project Implementation Report must be completed by the CO together with the project team. Quarterly progress reports: Short reports outlining main updates in project progress will be provided quarterly to the local UNDP Country Office and the UNDP-GEF RCU by the project team. UNDP ATLAS Monitoring Reports: A Combined Delivery Report (CDR) summarizing all project expenditures, is mandatory and should be issued quarterly following the finalization of the quarterly progress reports. The following logs should be prepared: (i) The Issues Log is used to capture and track the status of all project issues throughout the implementation of the project. (ii) the Risk Log is maintained throughout the project to capture potential risks to the project and associated measures to manage risks; and (iii) the Lessons Learned Log is maintained throughout the project to capture insights and lessons based on good and bad experiences and behaviours. Project Terminal Report: During the last three months of the project the project team will prepare the Project Terminal Report. Periodic Thematic Reports: As and when called for by UNDP, UNDP-GEF or the Implementing Partner, the project team will prepare Specific Thematic Reports, focusing on specific issues or areas of activity. Technical Reports are detailed documents covering specific areas of analysis or scientific specializations within the overall project. As part of the Inception Report, the project team will prepare a draft Reports List, detailing the technical reports that are expected to be prepared on key areas of activity during the course of the Project, and tentative due dates. Where necessary, this Reports List will be revised and updated, and included in subsequent APRs.

External Evaluations

The project will be subjected to at least one independent external review and one evaluation: An independent Mid-Term Review will be undertaken at the mid-point of the project lifetime. The Mid-Term Review will determine progress being made towards the achievement of outcomes and will identify course correction if needed. It will focus on the effectiveness, efficiency and timeliness of project implementation; will highlight issues requiring decisions and actions; and will present initial lessons learned about project design, implementation and management. Furthermore, it will review and update the ESSP report. Findings of this review will be incorporated as recommendations for enhanced implementation during the final half of the project's term. The organization, terms of reference and timing of the mid-term review will be decided after consultation between the parties to the project document. The ToR for this Mid-term review will be prepared by the UNDP CO based on guidance from the UNDP-GEF Regional Coordinating Unit.

An independent Final Evaluation will take place three months prior to the terminal Project Steering Committee meeting, and will focus on the same issues as the mid-term review. The final evaluation will also look at impact and sustainability of results, including the contribution to capacity development and the achievement of global environmental goals. The Final Evaluation should also provide recommendations for follow-up activities. The ToR for this evaluation will be prepared by the UNDP CO based on guidance from the UNDP-GEF Regional Coordinating Unit.

Learning and Knowledge Sharing

The project will develop a communications strategy in the first year, which will be updated annually and implementation supported by a communications, education and awareness specialist. This will include capturing and disseminating lessons learned, for review at PSC meetings in order to inform the direction and management of the project, and shared with project stakeholders as appropriate. A project completion report will document the project's achievements and lessons learned at the end of the project. Results from the project will also be disseminated within and beyond the project intervention zone through a number of existing information sharing networks and forums.

Branding and Visibility

Full compliance is required with UNDP's Branding Guidelines and guidance on the use of the UNDP logo. These can be accessed at <http://web.undp.org/comtoolkit/reaching-the-outside-world/outside-world-core-concepts-visual.shtml>. Full compliance is also required with the GEF Branding Guidelines and guidance on the use of the GEF logo. These can be accessed at http://www.thegef.org/gef/GEF_logo. The UNDP and GEF logos should be the same size. When both logs appear on a publication, the UNDP logo should be on the left top corner and the GEF logo on the right top corner. Further details are available from the UNDP-GEF team based in the region.

Audit Clause

The Government will provide the Resident Representative with certified periodic financial statements, and with an annual audit of the financial statements relating to the status of UNDP (including GEF) funds according to the established procedures set out in the Programming and Finance manuals. The Audit will be conducted according to UNDP financial regulations, rules and audit policies by the legally recognized auditor of the Government, or by a commercial auditor engaged by the Government.

Table 1. M&E Activities, Responsibilities, Budget and Time Frame

Type of M&E activity	Responsible Parties	Budget US\$ <i>Excluding project team staff time</i>	Time frame
Inception Workshop	Project Coordinator UNDP CO UNDP GEF	10,000	Within first two months of project start up
Inception Report	Project Team UNDP CO	None	Immediately following IW
Measurement of Means of Verification for Project Purpose Indicators	Project Manager will oversee the hiring of specific studies and institutions, and delegate responsibilities to relevant team members	To be finalized in Inception Phase and Workshop. Indicative cost: 15,000.	Start, mid and end of project
Measurement of Means of Verification for Project Progress and Performance (measured on an annual basis)	Oversight by Project Manager Project team	To be determined as part of the Biennial Work Plan's preparation and updated annually. Indicative cost: 5,000 (annually); total: 20,000	Annually prior to ARR/PIR and to the updating of biennial work plans

Type of M&E activity	Responsible Parties	Budget US\$ <i>Excluding project team staff time</i>	Time frame
ARR and PIR	Project Team UNDP-CO UNDP-GEF	None	Annually
Quarterly progress reports	Project team	None	Quarterly
CDRs	Project Manager	None	Quarterly
Issues Log	Project Manager UNDP CO Programme Staff	None	Quarterly
Risks Log	Project Manager UNDP CO Programme Staff	None	Quarterly
Lessons Learned Log	Project Manager UNDP CO Programme Staff	None	Quarterly
Mid-term Review	Project team UNDP- CO UNDP-GEF Regional Coordinating Unit External Consultants (i.e. evaluation team)	40,000	At the mid-point of project implementation.
Final Evaluation	Project team, UNDP-CO UNDP-GEF Regional Coordinating Unit External Consultants (i.e. evaluation team)	40,000	At the end of project implementation
Terminal Report	Project team UNDP-CO local consultant	0	At least one month before the end of the project
Lessons learned	Project team UNDP-GEF Regional Coordinating Unit (suggested formats for documenting best practices, etc)	12,000 (average 3,000 per year)	Yearly
Audit	UNDP-CO Project team	20,000	Yearly
TOTAL indicative COST <i>Excluding project team staff time and UNDP staff and travel expenses</i>		US\$ 157,000	


PART III: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT(S) AND GEF AGENCY(IES)

- A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT(S) ON BEHALF OF THE GOVERNMENT(S):** (Please attach the [Operational Focal Point endorsement letter\(s\)](#) with this form. For SGP, use this [OFP endorsement letter](#)).

NAME	POSITION	MINISTRY	DATE
Jiandi Ye GEF Operational Focal Point	Director: International Financial Institution Division III, International Department	Ministry of Finance	August 17, 2012

B. GEF AGENCY(IES) CERTIFICATION

This request has been prepared in accordance with GEF/LDCF/SCCF/NPIF policies and procedures and meets the GEF/LDCF/SCCF/NPIF criteria for CEO endorsement/approval of project.

Agency Coordinator, Agency Name	Signature	Date	Project Contact Person	Telephone	Email Address
Adriana Dinu, UNDP-GEF Executive Coordinator and Director a.i.		May 26, 2014	Midori Paxton, Regional Technical Advisor, EBD, UNDP	+66- 818787510	midori.paxton@ undp.org

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

Objective/ Outcome	Indicator	Baseline	End of Project target	Source of Information	Risks and assumptions
Objective: To operationalize a replicable PWS scheme in the Chishui River Basin to stimulate land and natural resource use systems that conserve biodiversity and sustain ecosystem processes	PWS and biodiversity conservation are mainstreamed into national and Guizhou provincial policies, regulations and plans by the end of the project as indicated by the GEF Biodiversity Tracking Tool.	See GEF BD Tracking Tool ⁵ . Existing national and provincial policies, regulations and plans do not refer to PWS as an operational mechanism. While biodiversity conservation is included in the existing plans such as “Guizhou Chishui River Basin Environmental Protection Plan (2013-2020)” and there is the Guizhou Provincial Strategy and Action Plan for Biodiversity Conservation (2012-2020), it is not fully integrated into other policies, regulations and plans.	See GEF BD Tracking Tool targets. PWS and biodiversity conservation mainstreamed into national and Guizhou provincial policies, regulations and plans, including the Regulation on Ecological Compensation, Guizhou Provincial Chishui River Protection Act, 13 th Five-Year Environmental Policy regulations, and Planning of Ecosystem Function Area in the Upstream of Chishui River Basin. Official approval of the demonstration PWS scheme.	Official MEP and Guizhou provincial government notifications; project reports. GEF BD2 Tracking Tool completed at project preparation stage, midterm and project completion.	Risks: <ul style="list-style-type: none"> - Potential buyers of PWS services opt for a different water supply solution - PWS buyers / sellers lack capacity to fulfil terms of PWS agreements - PWS providers lack the willingness to change land use practices through PWS agreements - Long time needed to implement PWS effectively at scale may cause loss of interest - Long time required to achieve delivery of services under PWS may affect willingness of buyers to participate - Delays in establishing a suitable legal – institutional framework for PWS may impact implementation of PWS agreements - Climate change impacts affect viability of proposed land use changes under PWS - Fish populations in CRB may be affected by other factors including releases, fishing, point source pollution and river engineering
	Sustained presence of globally significant fish populations in the Chishui River system, as indicated by monitoring of river stretches immediately downstream of pilot PWS sites using a standardized monitoring protocol.	Baselines to be established in Year One following confirmation of pilot sites and methodology ⁶	Annual monitoring using standardized protocol confirms presence of the same species in stretches of the Chishui River system immediately downstream of pilot PWS sites	Project reports	
	Provincial government investment in eco-compensation / PWS schemes in Chishui River Basin is sustained at CNY 50 million per year from 2015 and supports replication of PWS to other watersheds	Guizhou Provincial Government Special Fund for Environmental Protection in Chishui River Basin – allocation for 2013 of RMB 40 million	Guizhou Provincial Government Special Fund for Environmental Protection in Chishui River Basin – annual allocations consistently reach RMB 50 million and support replication of PWS to other watersheds	Guizhou Provincial Government official documents	

⁵ See Project Document **Annex 9** for the GEF Biodiversity Tracking Tool baseline assessment

⁶ See **Annex 1** for a list of endemic fishes of the Upper Yangtze River in the Chishui River (2007). Note the risk applying to this indicator – careful analysis of the range of factors affecting the fish populations is required in order to assess monitoring results.

Objective/ Outcome	Indicator	Baseline	End of Project target	Source of Information	Risks and assumptions
	Land use change restrictions codified in provincial development / land use and water resource plans through inputs to the following 5 year plans reduce threats to aquatic habitats and biodiversity in the CRB.	While existing plans protect water quality in the CRB, sectoral plans continue to exert serious impacts on biodiversity, including waterway development for shipping and river regulation on tributaries.	Land use change restrictions codified in provincial development / land use and water resource plans through inputs to the following 5 year plans reduce threats to aquatic habitats and biodiversity in the CRB.	Recommendations of project supported review group; incorporation of recommendations in official publication of Guizhou provincial land use plans for next 5 year period.	works <u>Assumption:</u> -The Chinese Central Government and Guizhou Provincial Government are committed to investing in PWS demonstration in the context of expanding China's eco-compensation programme as a means of arresting water pollution, land degradation and biodiversity loss
Outcome 1: Systemic and institutional framework for PWS development and management established at municipal and provincial levels for the Chishui River Basin within Guizhou Province	Outputs: 1.1 <i>Capacity for planning and managing PWS mechanisms is developed within Guizhou Provincial EPD and Municipal EPBs within Chishui River Basin</i> 1.2 <i>A standardized biodiversity and ecosystem services indicator system is developed to assess the impacts of PWS schemes</i> 1.3 <i>PWS is mainstreamed into related policies, plans and regulations to regulate land uses, facilitate land use trade-offs, and integrate its implementation with eco-compensation schemes</i> 1.4 <i>Private sector involvement in PWS is promoted and incentivized through introduction of an eco-labelling scheme</i> 1.5 <i>Best Practice guidelines, methodological protocols and lessons learned are shared for scaling-up and replicating PWS in additional watersheds in the Chishui River Basin and elsewhere in China</i>				
	An office in charge of planning and managing PWS mechanisms along the Chishui River within Guizhou province is established within Guizhou provincial EPD.	No dedicated office or staff for PWS coordination within Guizhou EPD	Dedicated PWS office established within Guizhou provincial EPD with at least 2 staff and an annual operational budget of at least USD 50,000 by end of Year 3.	MEP and Guizhou EPD official communications	<u>Risks:</u> - Long time needed to implement PWS effectively at scale may cause loss of interest - Long time required to achieve delivery of services under PWS may affect willingness of buyers to participate
	Improved capacities of provincial and municipal environmental protection offices for implementing PES/PWS as shown by increased scores in the Capacity Development Scorecard	Capacity Development Scorecard baselines ⁷ : Guizhou EPD: 41% Bijie EPB: 38% Chishui EPB: 35% Renhuai EPB: 35%	Capacity Development Scorecard Targets: Guizhou EPD: 85% Bijie EPB: 75% Chishui EPB: 75% Renhuai EPB: 80%	Project reports on Capacity Development Scorecard at project preparation, mid term and project completion.	- Delays in establishing a suitable legal – institutional framework for PWS may impact implementation of PWS agreements

⁷ See Project Document **Annex 7** for scorecard baseline results

Objective/ Outcome	Indicator	Baseline	End of Project target	Source of Information	Risks and assumptions
		Zunyi EPB: 39%	Zunyi EPB: 75%		<u>Assumption:</u> -The Chinese Central Government and Guizhou Provincial Government are committed to investing in PWS demonstration in the context of expanding China's eco-compensation programme as a means of arresting water pollution, land degradation and biodiversity loss
	At least 12 staff from MEP-FECO, Guizhou EPD, Bijie EPB, Chishui EPB, Renhuai EPB and Zunyi EPB trained and given official mandate to monitor biodiversity and ecosystem services impacts arising through PWS schemes and harmonized eco-compensation programmes.	No staff trained to date.	At least 12 staff trained and given official mandate to monitor biodiversity and ecosystem services impacts arising through PWS schemes and harmonized eco-compensation programmes.	Project reports; MEP and Guizhou EPD official communications	
	An ecolabelling scheme is established for companies participating in PWS schemes and taken up by the private sector	No ecolabelling scheme exists for PWS schemes in China at present	Ecolabelling scheme is established and at least three companies meeting criteria for engagement in PWS schemes are awarded the label	Project reports; MEP and Guizhou EPD official communications	
	Institutional capacity of Guizhou EPD reaches readiness for PWS implementation and replication	Existing capacity for PWS implementation requires development and is not ready for implementation or replication. No PWS guidelines available at provincial / river basin level	Management guidelines and methodological protocols for scaling-up and replicating PWS in additional watersheds along the Chishui River Basin are produced by Guizhou EPD, training in their application is provided to all provincial and municipal EPB offices in the river basin.	Project reports.	

Objective/ Outcome	Indicator	Baseline	End of Project target	Source of Information	Risks and assumptions
	Outputs: 2.1 PWS pilot mechanism established in Wuma sub-watershed, generating uptake of biodiversity friendly land use options 2.2 PWS agreements are established for the provision of watershed services 2.3 The impacts of PWS implementation on land use changes, delivery of ecosystem services, biodiversity and livelihoods are monitored, assessed and reported 2.4 Catchment management plan for Wuma River valley demonstrates a framework for integrating PWS with eco-compensation and regulatory mechanisms for sustainable watershed management				
Outcome 2. Pilot PWS scheme(s) are demonstrated in selected sub-watersheds of the Chishui River Basin in Guizhou Province	PWS agreement(s) for pilot areas within the demonstration sub watershed including a long-term financial agreement are agreed upon by buyers and sellers of specified watershed services and operationalized.	No PWS agreements exist for the pilot demonstration areas	PWS agreement(s) for the pilot areas within the demonstration sub-watershed including a long-term financial agreement are agreed upon by buyers and sellers of specified watershed services and operationalized.	Project reports; legal documents for PWS agreement(s)	Risks: - Potential buyers of PWS services opt for a different water supply solution - PWS buyers / sellers lack capacity to fulfil terms of PWS agreements - PWS providers lack the willingness to change land use practices through PWS agreements - Long time needed to implement PWS effectively at scale may cause loss of interest - Long time required to achieve delivery of services under PWS may affect willingness of buyers to participate - Delays in establishing a suitable legal – institutional framework for PWS may impact implementation of PWS agreements - Climate change impacts affect
	Area of the selected demonstration sub-watershed under biodiversity friendly land use ⁸ by community land managers	Land use in demonstration sub-watershed is currently unsustainable, with increasing deforestation, cultivation of annual crops on steep slopes over 25° gradient, causing biodiversity loss, soil erosion and reduced water conservation capacity ⁹	No less than 7,000 hectares of the selected demonstration sub-watershed is under biodiversity friendly land use by community land managers	Project reports	
	Change in land use supporting biodiversity within demonstration sub-watershed, indicated by a 10% increase in forest cover in pilot demonstration areas from the time of PWS agreement signature	The forest cover in Wuma sub-watershed was 16,678 ha (32.68% of total land) in 2010; and 3,408 ha (28.86% in the Wuma Township) part of the watershed ¹⁰	10% increase in forest cover in pilot demonstration areas from time of PWS agreement signature	Project reports; monitoring of habitats using remote sensing / GIS land cover analysis	

⁸ Sustainable watershed management compliant with conditions spelt out in the PWS Agreements, and in line with the biodiversity conservation objectives of the Catchment Management Plan for the demonstration sub-watershed.

⁹ For details, see **Annex 5**, based on Dan Wenhong and Peng Sitao. November 2013. Report of Payment for Watershed Services. (Baseline study for PPG Phase). Unpublished report.

¹⁰ Dan Wenhong and Peng Sitao. November 2013. Report of Payment for Watershed Services. (Baseline study for PPG Phase). Unpublished report.

Objective/ Outcome	Indicator	Baseline	End of Project target	Source of Information	Risks and assumptions
	10% increase in average annual per capita income of farming households participating in PWS pilot demonstration ¹¹	Baseline average income for 2013 ¹² (RMB) Baiyangtun: 7396 Majiapo: 6561 Jiaotong: 6661	Average annual per capita income increases at 10% per annum over baseline after 2 years into PWS pilot project.	Project reports; socio-economic surveys of communities participating in PWS pilot	viability of proposed land use changes under PWS <u>Assumption:</u> - Local government and community leaders recognize sufficient potential value in a PWS pilot demonstration to participate in the project
	Improvements in ecosystem health as indicated by Ecosystem Health Index	Baseline EHI score to be determined in Year One for selected pilot area(s)	EHI scores show increasing trend for selected area(s) based on annual assessments	Project reports; EHI scorecards	
	Positive trend indicating improvement in status of key ecosystem services specified in PWS agreement(s)* <i>*Parameters and detailed baseline measurements to be determined in Year One of Project</i>	Estimated dry season runoff for the Wuma River 2000-2009 was 43.90 million m ³ . No water quality data are available. ¹³ Baseline for ecosystem services specified in PWS agreement to be established during project implementation period.	Trend of stable or slight improvement in status of water quality / quantity provided by demonstration area by end of project, according to terms of PWS agreement(s).	Project reports	

¹¹ Guizhou Provincial Government has set this same 10% target in its Twelfth Five-Year Development Plan

¹² Dan Wenhong and Peng Sitao. November 2013. Report of Payment for Watershed Services. (Baseline study for PPG Phase). Unpublished report.

¹³ For estimated historical trends in runoff, see: Dan Wenhong and Peng Sitao. November 2013. Report of Payment for Watershed Services. (Baseline study for PPG Phase). Unpublished report.

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

Comments	Responses	Reference in Project Document
Responses to GEF Secretariat review at Work Programme inclusion – November 13, 2012		
<p>16. Is there a clear description of: a) the socio-economic benefits, including gender dimensions, to be delivered by the project, and b) how will the delivery of such benefits support the achievement of incremental/ additional benefits?</p> <p>29 Sept 2012: Further measurable GEB needs to be clarified by the time of CEO endorsement.</p>	<p>The indicators for measurement of GEB are included in the project's Strategic Results Framework. While it is difficult to be specific at this time, it is anticipated that the PWS intervention will primarily benefit the globally significant fish populations in the Chishui River Basin, as the principal ecosystem service to be provided is a sustainable flow of high quality river water. This will be measured using a standardized monitoring protocol that has been developed for the Yangtze River Basin collaboratively by The Nature Conservancy and the Yangtze Fisheries Institute. The baseline assessment of the fish populations for relevant river stretches will be conducted in Year One of the project.</p>	<p>Section I, Part II, Incremental Reasoning and expected global, national and local benefits; Section II, Part I -SRF</p>
<p>17. Is public participation, including CSOs and indigenous people, taken into consideration, their role identified and addressed properly?</p> <p>Initial review comment: Yes. However, the participation of private sector companies appears weak, only 'interest' has been expressed.</p> <p>29 Sept 2012: Further information provided. The Maotai is expected to contribute \$5 million to the project as cofinance.</p>	<p>Following PIF approval, a new global UNDP policy was introduced regarding the risk assessment for projects involving alcohol companies. As a direct consequence of this new policy, the design of the present project has been adjusted such that the Guizhou provincial government (Environmental Protection Department) will be the initial buyer of ecosystem services from upstream farming communities. The Guizhou provincial government has substantial funds available for environmental protection of the Chishui River Basin that will support this role. The intention is that the provincial government would subsequently resell the watershed services to private companies through related PWS agreements with the private sector end users. One advantage of this approach is that the provincial government will effectively under-write the PWS agreements, avoiding potential delays in their establishment and initial investment in essential land use change with the communities before private sector engagement is fully established. Consequently, the project will seek to facilitate private sector participation in PWS schemes, through promotional activities and the establishment of an MEP-endorsed eco-labelling scheme that provides recognition to companies that buy in to PWS schemes.</p>	<p>Section IV, Part IV – Stakeholder Participation Plan</p>
<p>25. At PIF: comment on the indicated cofinancing; At CEO endorsement: indicate if confirmed co-financing is provided.</p> <p>Initial review comment: From the presented concept, it is not fully understood why the interested private companies would not significantly co-finance such a project.</p> <p>29 Sept 2012: \$5 million cofinance has been identified and expected from the Maotai company.</p>	<p>In view of the above-mentioned restriction on engagement with alcohol companies in UNDP administered projects, it was not possible to accept cofinancing from Maotai (or any other liquor companies in the Chishui River Basin). Consequently, the Guizhou provincial Government (Environmental Protection Department) has agreed to increase the level of cofinancing provided, so that the same total (\$16 million) as stated in the PIF has been confirmed.</p>	<p>Project Document Identification page (front); Section III – Total Budget and Workplan; Section IV Part I – Cofinancing letters</p>
Responses to GEF Secretariat review at CEO Approval– Received on May 19, 2014		

<p>13. Are the activities that will be financed using GEF/LDCF/SCCF funding based on incremental/additional reasoning?</p> <p>The GEFSEC recognize that there is a significant reduction in the area that the project will have a direct impact (i.e 7000ha). Please justify cost effectiveness of this change as well as clarify both the direct and indirect area coverage through the project intervention. We found some indication of potential replication in larger areas, but was not sure whether this will be done through project implementation or at a later stage. Please clarify.</p>	<p>As indicated in the referenced sections, the project will contribute directly towards the sustainable management of watersheds in the Chishui River Basin within Guizhou Province totaling 1,179,464 ha, and towards the improved management of a demonstration area of at least 7,000 ha in the Wuma River watershed through a PWS mechanism integrated with Eco-Compensation programmes. Thus, while, the demonstration sub-watershed area in Component 2 of the project is the basis for describing the area of direct impact as 7,000ha, on the basis that this is a biodiversity mainstreaming project, the incorporation of PWS into Guizhou provincial policies, plans and regulations and associated capacity building measures for the provincial and riparian municipal governments mean that the project will in fact directly impact the management of at least 1,179,464 ha. This is reflected in the project objective indicators in the SRF, such as: <i>PWS and biodiversity conservation mainstreamed into national and Guizhou provincial policies, regulations and plans, including the Regulation on Ecological Compensation, Guizhou Provincial Chishui River Protection Act, 13th Five-Year Environmental Policy regulations, and Planning of Ecosystem Function Area in the Upstream of Chishui River Basin. Official approval of the demonstration PWS scheme.</i> The project's indirect coverage is 1,893,200 ha which is the entire Chishui River Basin spanning across three provinces, namely Yunnan, Guizhou and Sichuan Provinces. Revision has been made on this in the GEF BD-2 Tracking Tool.</p> <p>In terms of cost effectiveness, the project's approach of addressing barriers to the introduction of PWS as an integral component of eco-compensation programmes at river basin level (including the weak enabling framework and institutional capacity for PWS implementation; and insufficient experience and know-how for the establishment of viable PWS mechanisms to support biodiversity conservation) is cost-effective in that it will have broad applicability at provincial and national levels, with the intention of demonstrating a model for upscaling and replication to other river basins across China, supported by the developing national policy on eco-compensation incorporating PWS/PES under MEP's leadership.</p> <p>Under Output 1.5, best practice guidelines, methodological protocols and lessons learned will be shared for scaling-up and replicating PWS in additional watersheds in the Chishui River Basin and other watersheds in China. Thus, the project will implement preparatory measures to enable upscaling of the pilot projects to other watersheds, including engaging the provincial governments of Yunnan and Sichuan through Guizhou EPD, supporting annual meetings on environmental protection and rehabilitation of the river basin, and exchanges and information sharing towards harmonized approaches for river basin management. The upscaling of project outcomes will be facilitated through the dissemination of project results, lessons learned and experiences including the development of guidelines and documentation of best practices in the piloting of PWS agreements.</p> <p>Upscaling and replication of PWS schemes and harmonized eco-</p>	<p>Prodoc: Section 1 Part II #188, #195, Table 3, Output 1.5 (p53), Section II, Part 1 (SRF) and Part II #251</p> <p>GEF BD-2 TT</p>
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	<p>compensation programmes for sustainable watershed management will be guided by the application of an eco-regional assessment approach to identify threats to the freshwater ecosystem and biodiversity and identify priorities for protection. It is proposed that training be provided in the use of InVEST to key project staff, pilot testing linked to the Catchment Management Plan be conducted for the demonstration watershed through Output 2.4, and plans for its use in upscaling PWS across the CRB in relation to biodiversity conservation priorities should be reviewed subsequently through this output. MEP-FECO will play a significant role in determining and guiding the approach used for upscaling, with a view to its promotion and application at national level.</p> <p>Overall, MEP-FECO have very strong interest in improving and operationalizing PWS/PES policy at national level and are keen to learn from and apply the outcomes of this project. The development of an operational PWS system will take time to demonstrate and apply, requiring incremental upscaling and roll-out. This project provides the critical support to get this process underway, build the capacity, policy, regulatory and institutional framework for it to be operationalized in Guizhou, and the critical demonstration experience at a realistic scale (given the project budget and timeframe) to inform its further development.</p>	
<p>14. Is the project framework sound and sufficiently clear? Yes, however, please clarify direct and indirect coverage of project intervention as noted above.</p>	Please see response to question 13 above.	
<p>16. Is there a clear description of: a) the socio-economic benefits, including gender dimensions, to be delivered by the project, and b) how will the delivery of such benefits support the achievement of incremental/additional benefits? While consideration on gender and ethnic minorities are well noted throughout the documents, both the GEF template and project document does not provide any details on who the ethnic minorities are and the potential involvement in the project. Please provide further information and the consultation that has been undertaken with the concerned population on project approach and design.</p>	<p>The ethnic minorities resident in the Wuma demonstration sub-watershed are mentioned under Outcome 2 #160, and also in page 4 of Annex 5 (site profile) and Annex 10 (ESSP) of the project document. Details of the consultations are provided in Annex 5, which focused on the PWS pilot villages, and township government officials. Minority ethnic groups are not resident in the selected pilot communities for the PWS demonstration, but are present in other parts of the demonstration sub-watershed. Further information on ethnic minority populations in this area has been added to the introduction to site interventions (#85), the table of stakeholders (Table 2) and Outcome 2 (#160, 164). The main scope for ethnic minority involvement lies in implementing the catchment management plan for the Wuma River, and in replicating the PWS pilot sites elsewhere in this watershed. This has been added to Output 2.4 (#175), and included in the Stakeholder Involvement Plan (#279). Related text in Annex 10 has been modified.</p>	<p>Prodoc: Section 1 Part I (# 85), Part II #160, #164, #175 SIP; Section II Part IV #279 Annex 5 (Site profile); Annex 10 (ESSP)</p> <p>CEO: B1 p8</p>

21. Is the project structure sufficiently close to what was presented at PIF, with clear justifications for changes? Changes are explained. Please clarify the coverage question noted above.	Please see response to question 13 above.	
29. Has the Agency responded adequately to comments from: STAP, Council Comments? The PM did not find the response matrix. Please clarify if there were comments from the Council and their responses	We confirm that no comments were received from STAP and Council. It is noted at the bottom of Annex B: Comments response matrix in the CEO endorsement request document.	CEO Doc: Page 23

No comments were received from STAP and GEF Council members.

ANNEX C: STATUS OF IMPLEMENTATION OF PROJECT PREPARATION ACTIVITIES AND THE USE OF FUNDS¹⁴

A. PROVIDE DETAILED FUNDING AMOUNT OF THE PPG ACTIVITIES FINANCING STATUS IN THE TABLE BELOW:

PPG Grant Approved at PIF: \$ 100.457			
<i>Project Preparation Activities Implemented</i>	<i>GEF/LDCF/SCCF/NPIF Amount (\$)</i>		
	<i>Budgeted Amount</i>	<i>Amount Spent To Date</i>	<i>Amount Committed</i>
Activity 1: Development of Conceptual and methodological guidelines on PWS	8,000	3,800	4,200
Activity 2: Legal and institutional review for PWS development and management	16,000	9,600	6,400
Activity 3: Target watershed profiling and baseline assessment	18,000	10,241	7,759
Activity 4: Provincial and local stakeholder analysis and capacity assessment	19,000	10,513	8,487
Activity 5: Gender assessment and social and environmental safeguard screening	2,457	2,457	0
Activity 6: Preparatory studies for PWS and design of viable mechanism (s)	19,000	11,400	7,600
Activity 7: Feasibility Analysis and Budget	18,000	9,505	8,495
Total	100,457	57,516	42,941

ANNEX D: CALENDAR OF EXPECTED REFLows (if non-grant instrument is used)

Provide a calendar of expected reflows to the GEF/LDCF/SCCF/NPIF Trust Fund or to your Agency (and/or revolving fund that will be set up)

¹⁴ If at CEO Endorsement, the PPG activities have not been completed and there is a balance of unspent fund, Agencies can continue undertake the activities up to one year of project start. No later than one year from start of project implementation, Agencies should report this table to the GEF Secretariat on the completion of PPG activities and the amount spent for the activities.

NA