



**GEF SECRETARIAT REVIEW FOR FULL/MEDIUM-SIZED PROJECTS*
THE GEF/LDCF/SCCF/NPIF TRUST FUNDS**

GEF ID:	6921		
Country/Region:	China		
Project Title:	Demonstration of Mercury Reduction and Minimization in the Production of Vinyl Chloride Monomer		
GEF Agency:	UNIDO	GEF Agency Project ID:	
Type of Trust Fund:	GEF Trust Fund	GEF Focal Area (s):	Chemicals and Waste
GEF-5 Focal Area/ LDCF/SCCF Objective (s):			
Anticipated Financing PPG:	\$300,000	Project Grant:	\$16,200,000
Co-financing:	\$99,000,000	Total Project Cost:	\$115,500,000
PIF Approval:		Council Approval/Expected:	June 01, 2015
CEO Endorsement/Approval		Expected Project Start Date:	
Program Manager:	Ibrahima Sow	Agency Contact Person:	Zhengyou Peng

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
Eligibility	1. Is the participating country eligible ?	Yes. China has signed the Minamata Convention. However GEFSEC would appreciate any indication on the steps taken by China for the ratification of the Minamata Convention. August 25, 2014: Information on the steps taken by China for the ratification of the MC provided: Comment cleared	
	2. Has the operational focal point endorsed the project?	Yes.	
Resource Availability	3. Is the proposed Grant (including the Agency fee) within the resources available from (mark all that apply):		

*Some questions here are to be answered only at PIF or CEO endorsement. No need to provide response in gray cells.

¹ Work Program Inclusion (WPI) applies to FSPs only. Submission of FSP PIFs will simultaneously be considered for WPI.

FSP/MSP review template: updated January 2013

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
	<ul style="list-style-type: none"> the STAR allocation? 	NA	
	<ul style="list-style-type: none"> the focal area allocation? 	Yes	
	<ul style="list-style-type: none"> the LDCF under the principle of equitable access 	NA	
	<ul style="list-style-type: none"> the SCCF (Adaptation or Technology Transfer)? 	NA	
	<ul style="list-style-type: none"> the Nagoya Protocol Investment Fund 	NA	
	<ul style="list-style-type: none"> focal area set-aside? 	Yes	
Strategic Alignment	<p>4. Is the project aligned with the focal area/multifocal areas/ LDCF/SCCF/NPIF results framework and strategic objectives?</p> <p><i>For BD projects: Has the project explicitly articulated which Aichi Target(s) the project will help achieve and are SMART indicators identified, that will be used to track progress toward achieving the Aichi target(s).</i></p>	<p>Yes, the project aligns with CW2 Program 3 and CW2 program 4</p>	
	<p>5. Is the project consistent with the recipient country's national strategies and plans or reports and assessments under relevant conventions, including NPFE, NAPA, NCSA, NBSAP or NAP?</p>	<p>Yes, in particular with the environmental protection strategy of China and with the core elements of the national "12th five-year plan of heavy metal pollution prevention and control".</p> <p>However, under Project justification, Para 2, its is mentioned that "the activities for the reduction and phase out of mercury production and usage, introduction of alternative technologies have been identified as high priority action for mercury reduction in China": Please provide the reference documents for this statement.</p>	

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		August 25, 2014: Policy documents provided: Comment cleared	
Project Design	6. Is (are) the baseline project(s) , including problem(s) that the baseline project(s) seek/s to address, sufficiently described and based on sound data and assumptions?	<p>UNIDO would need to provide compelling justification for the large amount requested from GEF (\$23.1 million) for a demonstration project. It is known that mercury-based carbide production technology is the prevailing process for PVC production in China. Since mercury-free catalyst technology is still in the stage of experiment, I am not convinced that the project could achieve a reduction of 360 tons of mercury, by using and promoting low-mercury catalysts. In fact, we would like to see existing data showing that the use of low mercury catalyst is effective.</p> <p>August 25, 2014: GEF project amount has been clearly justified and the rationale for the reduction of 360 tons of mercury explained: Comment cleared.</p>	
	7. Are the components, outcomes and outputs in the project framework (Table B) clear, sound and appropriately detailed?	<p>It is not clear under Project component 2 what "BAT/BEPs" would be promoted! please clarify.</p> <p>August 25, 2014: BAT/BEPs that would be demonstrated in the project have been highlighted: Comment cleared</p>	
	8. (a) Are global environmental/adaptation benefits identified? (b) Is the description of the incremental/additional reasoning sound and appropriate?	<p>The project indicated that 360 tons of mercury will be reduced. This target appears too ambitious considering that the mercury free catalyst technology that would be used in the VCN sector is only in the stage of experiment and that there is no evidence that the low mercury technology has shown to be effective in the VCM sector in China.</p>	

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		August 25, 2014: The use of low mercury technology would help achieve the reduction of 360 tons: Comment cleared.	
	9. 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?		
	10. Is the role of public participation, including CSOs, and indigenous peoples where relevant, identified and explicit means for their engagement explained?	Yes	
	11. Does the project take into account potential major risks, including the consequences of climate change, and describes sufficient risk mitigation measures? (e.g., measures to enhance climate resilience)	Yes. However rating all risks as low is questionable! See section 8. August 25, 2014: Comment adequately addressed.	
	12. Is the project consistent and properly coordinated with other related initiatives in the country or in the region?	Some projects components seem to duplicate what is envisaged in the MIA and the inventory projects. For example, why is it needed to undertake mercury inventory in the PVC sector if the UNEP/inventory project is planning to do so? August 25, 2014: Comment adequately addressed.	
	13. Comment on the project's innovative aspects, sustainability, and potential for scaling up.	The project aims at reducing considerable quantity of mercury. Sustainability and potential for scaling up will be assessed based on clarifications	

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	<ul style="list-style-type: none"> Assess whether the project is innovative and if so, how, and if not, why not. Assess the project's strategy for sustainability, and the likelihood of achieving this based on GEF and Agency experience. Assess the potential for scaling up the project's intervention. 	<p>requested on the use of free and/or low mercury technologies.</p> <p>August 25, 2014: Comment adequately addressed.</p>	
	14. Is the project structure/design sufficiently close to what was presented at PIF, with clear justifications for changes?		
	15. Has the cost-effectiveness of the project been sufficiently demonstrated, including the cost-effectiveness of the project design as compared to alternative approaches to achieve similar benefits?		
Project Financing	16. Is the GEF funding and co-financing as indicated in Table B appropriate and adequate to achieve the expected outcomes and outputs?	<p>The budget requested from GEF is too much for a demo project (please see section 6).</p> <p>For the project co-financing, it should be confirmed that private firms are committing to make this investment in mercury reductions. More details on exactly what kind of investments will be made by which firms is needed. This is key to determining if this project is worthwhile.</p> <p>August 25, 2014: Please provide English versions of the financial commitment letters from the the companies and</p>	<p>We expect UNIDO to elaborate on the amount of co-financing marked as "equity" during the PPG. Clarity is needed on this type of contribution from the participating private companies.</p>

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		<p>academic institutions</p> <p>August 29, 2014 It should be noted that tangible cash resources are needed to implement the project. However, the letters submitted by the private companies indicate that these companies will mainly commit co-financing in kind. UNIDO needs to clarify what the large 'in-kind' resources would be exactly.</p> <p>October 6, 2014 FECO has provided an updated co-financing commitment letter addressing the comment above. Comment cleared.</p>	
	<p>17. <u>At PIF</u>: Is the indicated amount and composition of co-financing as indicated in Table C adequate? Is the amount that the Agency bringing to the project in line with its role? <u>At CEO endorsement</u>: Has co-financing been confirmed?</p>	<p>See section 16 Furthermore, note that the letter provided by FECO is not consistent with what is indicated under table C on the co-financing breakdown. Please clarify.</p> <p>August 25, 2014: Please provide the new co-financing letter consistent with table C.</p> <p>August 29, 2014. Since co-financing is very critical for this project, we would like to see clear indications reflected in the letter to be provided at this stage.</p>	
	<p>18. Is the funding level for project management cost appropriate?</p>	<p>to be assessed after the project budget is re-evaluated and finalized.</p>	
	<p>19. <u>At PIF</u>, is PPG requested? If the requested amount deviates from the norm, has the Agency provided adequate justification that the level requested is in line with project design needs?</p>	<p>same as point raised in 18</p>	

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	<u>At CEO endorsement/ approval, if PPG is completed, did Agency report on the activities using the PPG fund?</u>		
	20. If there is a non-grant instrument in the project, is there a reasonable calendar of reflows included?	NA	
Project Monitoring and Evaluation	21. Have the appropriate Tracking Tools been included with information for all relevant indicators, as applicable?		
	22. Does the proposal include a budgeted M&E Plan that monitors and measures results with indicators and targets?		
Agency Responses	23. Has the Agency adequately responded to comments from:		
	• STAP?		None received
	• Convention Secretariat?		GEFSEC has requested comment from the MC secretariat and from ADB who is planning to submit a similar project.
	• The Council?		
	• Other GEF Agencies?		None received.
Secretariat Recommendation			
Recommendation at PIF Stage	24. Is PIF clearance/approval being recommended?	<p>Not at this time. Please respond to issues raised in this review and address in particular issues related to the budget and use of technologies to reduce mercury.</p> <p>August 25, 2014: Please provide the English version of the commitment letters from the private companies and academic institutions and the co-financing letter from FECO.</p>	

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		<p>August 29, 2014 Not at this time. Please address comments related to co-financing.</p> <p>October 6, 2014 An updated co-financing letter has been provided to address the issue of co-financing. Comment cleared. The PIF is technically cleared and can be included in a future GEF 6 Work Program.</p> <p>December 23, 2014. The additional review note below was sent out to UNIDO; Additional review comments for the China VCM project This note serves as additional review comments concerning the UNIDO/China "Demonstration of mercury reduction project and minimization in the production of Vinyl Chloride monomer in China" GEF ID: 6921.</p> <ul style="list-style-type: none"> • Considering that China is the only country in the world that uses calcium carbide based Vinyl Chloride Monomer (VCM) production to produce Polyvinyl Chloride (PVC) and that the potential for replication of the project in other GEF eligible countries is quasi-null. • Considering also that the overall GEF allocation to support mercury projects in GEF-6 is somehow limited and would need to address high priorities identified by the Intergovernmental Negotiation Committee on mercury, namely Enabling activities projects (Minamata Initial Assessment, National 	

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		<p>implementation Plan for ASGM) and Small Scale and Artisanal Gold mining projects; We recommend to reduce the GEF contribution by 50% and encourage UNIDO to work with the GoC with the view to mobilizing the necessary additional resources for the project. It is expected that the project target of reducing 360 tons of mercury through the development of low mercury catalysts and mercury free catalyst in the China VCM sector will be maintained.</p> <p>March 9, 2015 UNIDO has responded to the additional comments. Comments cleared</p>	
	25. Items to consider at CEO endorsement/approval.		
Recommendation at CEO Endorsement/ Approval	26. Is CEO endorsement/approval being recommended?		
	First review*	August 18, 2014	
	Additional review (as necessary)	August 25, 2014	
Review Date (s)	Additional review (as necessary)	August 29, 2014	

* **This is the first time the Program Manager provides full comments for the project. Subsequent follow-up reviews should be recorded. For specific comments for each section, please insert a date after comments. Greyed areas in each section do not need comments.**