



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

GEF ID:	5291		
Country/Region:	Azerbaijan		
Project Title:	Nationally Appropriate Mitigation Actions (NAMAs) for Low-carbon End-use Sectors in Azerbaijan		
GEF Agency:	UNDP	GEF Agency Project ID:	5138 (UNDP)
Type of Trust Fund:	GEF Trust Fund	GEF Focal Area (s):	Climate Change
GEF-5 Focal Area/ LDCF/SCCF Objective (s):	CCM-2; CCM-3; CCM-6;		
Anticipated Financing PPG:	\$100,000	Project Grant:	\$3,570,000
Co-financing:	\$34,000,000	Total Project Cost:	\$37,670,000
PIF Approval:		Council Approval/Expected:	June 01, 2013
CEO Endorsement/Approval		Expected Project Start Date:	
Program Manager:	Karan Chouksey	Agency Contact Person:	Marina Olshanskaya

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
Eligibility	1. Is the participating country eligible ?	March 12, 2013. Yes	
	2. Has the operational focal point endorsed the project?	March 12, 2013. Yes. OFP Husein Baghirov, Minister, MINISTRY OF ENVIRONMENT AND NATURAL RESOURCES endorsed the project on December 13, 2012.	
Resource Availability	3. Is the proposed Grant (including the Agency fee) within the resources available from (mark all that apply):		
	• the STAR allocation?	March 12, 2013. Yes. Azerbaijan has \$4,276,000 left in its climate change STAR allocation.	
	• the focal area allocation?	March 12, 2013. Yes. Azerbaijan has \$4,276,000 left in its climate change STAR allocation.	

	equitable access		
	<ul style="list-style-type: none"> the SCCF (Adaptation or Technology Transfer)? 	N/A	
	<ul style="list-style-type: none"> the Nagoya Protocol Investment Fund 	N/A	
	<ul style="list-style-type: none"> focal area set-aside? 	N/A	
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>March 12, 2013. Yes. The proposed project targets the end-use energy sector and has pilot components including CCM-2, CCM-3 and CCM-4. The expected FA outputs listed in table B addresses the key FA objectives identified for the project, except CCM-4. Please clarify the activities, other than GHG inventories, undertaken within CCM-4 or it is advisable to reallocate funding for FA objective CCM-4 to CCM-2,3 and 6.</p> <p>March 27, 2013: The PIF has been revised, focusing on NAMAs in end-use sectors covered under CCM-2 and CCM-3. Comment cleared.</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?	March 12, 2013. Yes.	
	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?	March 12, 2013. Yes. Please clarify whether the main co-financing listed as investment is cash, in-kind or a grant. Please explain how the co-financing of \$15 Million is to support NAMA implementation when the NAMAs may not be identified until years after the project is started. Please confirm SOCAR's pre-commitment to such spending. Furthermore, it appears that this co-financing is randomly distributed	

Project Design		<p>will be expected from the government/SOCAR at the endorsement stage.</p> <p>March 27, 2013: The explanation is provided. Comments cleared. Please provide the co-financing letters from the Government, and SOCAR on pilot projects and prioritized NAMAs implementation at the CEO endorsement stage.</p>	
	<p>7. Are the components, outcomes and outputs in the project framework (Table B) clear, sound and appropriately detailed?</p>	<p>March 12, 2013.</p> <p>Component 1 has one of the outcomes listed as sub-sectoral GHG inventories for key end-use sectors: energy generation, buildings and transport. Please clarify how energy generation is a part of end-use sector(s). Also, component 1 and 2 have similar components with National Communications and to be submitted BURs. Please maintain the difference and rationale of conducting additional NAMA related analyses that are different from such reports. We would also expect the PIF to reference renewable energy, energy efficiency and other low-carbon scenarios specifically in description.</p> <p>Component 3. Please ensure that the estimated GHG emission reduction are attributable to investment projects (identified within priority NAMAs). Please be more specific on the demonstration NAMA sub-sectors at the endorsement stage. The component will also aim to demonstrate at-least one NAMA utilizing carbon market mechanism. Please provide evidence of government's commitment towards such</p>	

		<p>stage. Without government's buy-in, domestic cap-and-trade, supported NAMAs or crediting NAMAs are not likely to happen. We are concerned on the double-counting of GHG reductions from GEF funding and carbon-markets. Please use co-financing only for investments accessing carbon markets.</p> <p>Additionally, please also see the comments in Box 4.</p> <p>March 27, 2013: The clarification is provided. Comments cleared. Please provide prioritized sub-sectoral NAMAs including credited NAMA at the CEO endorsement stage.</p>	
	<p>8. (a) Are global environmental/adaptation benefits identified? (b) Is the description of the incremental/additional reasoning sound and appropriate?</p>	<p>March 12, 2013. Presently, the PIF includes a rough top-down estimation of total 4,652,000 tons CO₂e achieved emission reduction. However, the estimate is based on \$30 million of co-financing of which \$15 million is already BAU/Baseline, and therefore not eligible. Please re-estimate cumulative direct and indirect CO₂e emission reductions to only the incremental financing. Also, please clarify how this NAMA project will address 30% of the national emission reduction target of Azerbaijan. During project implementation stage, the calculation on referred baseline (second National communication to UNFCCC) and incremental benefits need to be substantiated once the NAMA sub-sectors are identified based on evaluated GHG inventories. Please also clarify cumulative in-direct emission reduction, as it appears to be an under-estimation; and perhaps only counting the 2025 figures for a single year.</p>	

		<p>March 27, 2013: The explanation is provided. Comments cleared. Please provide GHG emissions reduction in detail with sound methodologies and assumptions at the CEO Endorsement stage.</p>	
	<p>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?</p>		
	<p>10. Is the role of public participation, including CSOs, and indigenous peoples where relevant, identified and explicit means for their engagement explained?</p>	<p>March 12, 2013. Yes.</p>	
	<p>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)</p>	<p>March 12, 2013. Yes.</p>	
	<p>12. Is the project consistent and properly coordinated with other related initiatives in the country or in the region?</p>	<p>March 12, 2013. Please ensure that all references and data are consistent with the Second National Communication of Azerbaijan to UNFCCC. Please submit the detailed illustration of how the proposed NAMA project will be coordinated with the Third National Communication and BUR efforts at the endorsement stage.</p> <p>March 27, 2013: Explanation has been provided. Comments cleared. Please provide detailed project implementation and coordination arrangements at the CEO</p>	

	<p>13. Comment on the project's innovative aspects, sustainability, and potential for scaling up.</p> <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>March 12, 2013.</p> <p>Innovativeness: This is the first NAMA project in the country.</p> <p>Sustainability: The project outcomes will include the establishment and operationalization of national registry mechanism, and national MRV guideline and standard methodologies for the identified end-use sectors.</p> <p>Scaling up: Policy and regulatory instruments will be established to promote investment for prioritized mitigation actions.</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>March 12, 2013. To be decided. Please see comments in Box 4.</p> <p>March XX, 2013: Yes, GEF resources have been reallocated. 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?</p> <p><u>At CEO endorsement</u>: Has co-financing been confirmed?</p>	<p>March 12, 2013. Yes, the UNDP amount is appropriate. The 30 million co-financing will come from the SOCAR as an investment, but the specifics are unknown at this stage. Please see comments in Box 6.</p> <p>March 27, 2013:</p>	

		cleared. Please provide the co-financing letters from the Government, and SOCAR on pilot projects and prioritized NAMAs implementation at the CEO endorsement stage.	
	18. Is the funding level for project management cost appropriate?	March 12, 2013. Yes. It is 5% of the GEF project grant.	
	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? <u>At CEO endorsement/ approval</u> , if PPG is completed, did Agency report on the activities using the PPG fund?	March 12, 2013. The output of the PPG activities under component 1 should be readily available in the Third National Communication. March 27, 2013: Yes. The clarification is provided. Comment Cleared.	
	20. If there is a non-grant instrument in the project, is there a reasonable calendar of reflows included?	N/A	
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?		
	• Convention Secretariat?		
	• The Council?		
	• Other GEF Agencies?		
Secretariat Recommendation			
Recommendation at PIF Stage	24. Is PIF clearance/approval being recommended?	March 12, 2013. Please address the above mentioned comments in boxes 4, 6, 7, 8, 12, 16, 17, and 23.	

		<p>the investment components and the uncertain nature of the co-financing commitment. Please elaborate on the rationale for how SOCAR will pre-commit \$15 million of new investment for NAMA to be determined later.</p> <p>March XX, 2013: The explanation is provided. Comments cleared. The PIF has been technically cleared and may be included in an upcoming Work Program, subject to availability of resources in the GEF Trust Fund.</p>	
	25. Items to consider at CEO endorsement/approval.	<p>March 27, 2013: Please address the following items by the CEO Endorsement stage:</p> <ul style="list-style-type: none"> a) the co-financing letters from the Government, and SOCAR; b) detailed design of financial mechanisms to ensure replication after the GEF project; b) specific activities under prioritized supported and credited NAMAs; c) MRV systems suited to the types of identified prioritized NAMAs; d) Sound methodologies and assumptions for GHG emissions estimation, especially for NAMAs and pilot projects to avoid duplication. 	
Recommendation at CEO Endorsement/Approval	26. Is CEO endorsement/approval being recommended?		
	First review*	March 12, 2013	
Review Date (s)	Additional review (as necessary)		
	Additional review (as necessary)		

* 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.