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

GEF ID:	**4621**		
Country/Region:	**China**		
Project Title:	**Hebei Energy Efficiency and Emission Reduction Project**		
GEF Agency:	**ADB**	GEF Agency Project ID:	
Type of Trust Fund:	**GEF Trust Fund**	GEF Focal Area (s):	**Climate Change**
GEF-5 Focal Area/ LDCF/SCCF Objective (s):		**CCM-2; Project Mana; CCM-2; CCM-2;**	
Anticipated Financing PPG:	**$0**	Project Grant:	**$3,636,363**
Co-financing:	**$189,000,000**	Total Project Cost:	**$192,636,363**
PIF Approval:		Council Approval/Expected:	**November 01, 2011**
CEO Endorsement/Approval		Expected Project Start Date:	
Program Manager:	**Ming Yang**	Agency Contact Person:	**Pradeep Perera**

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?	MY/DER, August 31, 2011. Yes.	
	2. Has the operational focal point endorsed the project?	MY/DER, August 31, 2011. Yes. Mr. Jiandi Ye, GEF OFP, Ministry of Finance, signed the endorsement letter on August 30, 2011, allocating zero for PPG, $3,636,364 for the project, and $363,636 for fee, equaling a total amount of $4,000,000.	
Agency's Comparative Advantage	3. Is the Agency's comparative advantage for this project clearly described and supported?	MY/DER, August 31, 2011. Yes.	
	4. If there is a non-grant instrument in the project, is the GEF Agency capable of managing it?	MY/DER, August 31, 2011. There is no non-grant instrument in the project.	

*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.

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	5. Does the project fit into the Agency's program and staff capacity in the country?	MY/DER, August 31, 2011. Yes.	
Resource Availability	6. Is the proposed Grant (including the Agency fee) within the resources available from (mark all that apply):		
	• the STAR allocation?	MY/DER, August 31, 2011. Yes.	
	• the focal area allocation?	MY/DER, August 31, 2011. Yes.	
	• the LDCF under the principle of equitable access	MY/DER, August 31, 2011. N/A	
	• the SCCF (Adaptation or Technology Transfer)?	MY/DER, August 31, 2011. N/A.	
	• Nagoya Protocol Investment Fund	MY/DER, August 31, 2011. N/A.	
	• focal area set-aside?	MY/DER, August 31, 2011. N/A.	
Project Consistency	7. Is the project aligned with the focal /multifocal areas/ LDCF/SCCF/NPIF results framework?	MY/DER, August 31, 2011. Yes, this project is aligned with CCM-2, Energy Efficiency.	
	8. Are the relevant GEF 5 focal/ multifocal areas/LDCF/SCCF/NPIF objectives identified?	MY/DER, August 31, 2011. Yes. However, Table A, Focal Area strategy Framework is not properly filled in. Each expected FA outcome should be shown on its own row with the respective funding levels assigned to each. In this case, the entries for outcomes 2.1 and 2.2 should total to the project funding. Outcome 2.3, GHG emissions avoided, does not require entries for the dollar amounts. Please clarify. MY/DER September 13, 2011. The above comments were not taken into account. Here are our detailed suggestions:	

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		On page 1, the PIF indicates that $1 million of GEF resource shall be sued for FA output 2.1, and $2,450,000 for FA outputs 2.2 and 2.3. It is highly suggested that the GEF funds are used in the following way: $500,000 for FA output 2.1, and $2,950,000 for FA outputs 2.2 and 2.3. Specifically, we recommend the following details (Refer to pages 2, 3, and 4 on PIF): 1. US$ 500,000 for Project component 1 1. Energy efficiency and emission reduction (EE&ER) technology identification and dissemination, and design of market-based incentives (page 2) 2. US$ 500,000 for Project component 2. Capacity building and development of ESCO industry and M&V agents in Hebei; 3. US$ 500,000 for Project component 3: Capacity building of banks and industrial firms to increase bank financing of energy efficiency projects 4. $2,450,000 for Project component 4: Investment in energy efficiency projects in the industrial sector. Reason: The CEO would like the GEF funds to be used more in "investment activities", rather than in "training and capacity building". Again, this change is highly recommended.	

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		In Table B, please identify properly the nature of each component as TA or Investment. If a component includes both a TA and an Investment element, then the component should be displayed on two rows with the appropriate amount in each row. Table C is not consistently completed. MY/DER September 15, 2011. Issue cleared.	
	9. Is the project consistent with the recipient country's national strategies and plans or reports and assessments under relevant conventions, including NPFE, NAPA, NCSA, or NAP?	MY/DER, August 31, 2011. Yes. This project is consistent with the national strategy of the PRC for energy efficiency as reflected in the 12th Five Year Plan.	
	10. Does the proposal clearly articulate how the capacities developed, if any, will contribute to the sustainability of project outcomes?	MY/DER, August 31, 2011. Yes, but not sufficient. Besides the policies indicated in the PIF, other two policies should be developed to ensure China will have future funding mechanisms leading to sustainable financing for energy efficiency. First, the project should help Hebei to develop a mechanism or a system that will facilitate the private sector and individual investments in capacity building to measure, report, and verify (MRV) carbon emission mitigations. Second, a government policy or regulation paper should be developed from the project which will encourage	

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		technology duplication or further transfer within the country after the project is over. According to the experience of a GEF project in China in the 1990s, after new technologies were transferred from Japan and the USA to a number of local Chinese companies, these technologies had no longer been further transferred from the project beneficiary companies to other Chinese local companies. The reason is that those beneficiary companies wanted to monopolize the transferred technologies for their own use so that they maximize profit. This should be avoided in the future GEF projects by new policies. MY/DER, September 13, 2011. Issues are addressed and cleared.	
Project Design	11. 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?	MY/DER, August 31, 2011. No, the description of the baseline project is incomplete. The document clearly explains that Hebei has strict targets to reduce energy intensity by 17% under the 12th five year plan. Then on page 13, the description of the baseline implies that without the GEF project, Hebei's mobilized investment will fall short of the energy savings goal by 6 mtce. Then on page 13-14, the document claims that the GEF project will provide additional benefits of 1.95 mtce, reducing the shortfall to about 4 mtce. Thus, the document appears to imply that Hebei will fall short of its target even with the project. a) Please clarify the assumption that	

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		Hebie will mobilize the same investment in the 12th five year plan as in the 11th five year plan. b) Please clarify the consequences for Hebei of falling short of the target. c) Please clarify if the GEF project will create incremental benefits allowing the meeting of the target d) Please clarify that the policies, laws, and regulations developed under Component 1 will be developed with an eye to fully meeting the target e) At the time of the CEO endorsement, please identify which policies are being proposed for adoption with a high probability of helping meet the target. MY/DER September 13, 2011: The description of the baseline project is complete. However, there is inconsisitent in GHG emission mitigation numbers in the PIF. On page 1: 2.3 - Emission savings of 1.9 million tons of CO2 (MtCO2) equivalent per annum or about 38 million tons lifetime (20 years) from the investments using the ADB credit line, and an additional 8.0 million tons of CO2 equivalent per annum or about 160 million tons lifetime (20 years) from investment projects leveraged by the GEF support. On Page : (i) Successful implementation of nine demonstration energy efficiency	

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		projects including an ESCO projects to achieve energy savings of 293,000 mtce and CO2 savings of approxmiately 800,000 tons On page 13: It is expected that eight subprojects having a total investment requirement of about $179 million would be financed initially using the ADB loan proceeds of $100 million assuming ADB would finance about 50%â€“70% of the investment cost. These projects are estimated to save 293,000 tce per year, resulting in CO2 savings of 750,000 t/y. On page 15: The identified energy efficiency projects to be implmented under component 4 will result in investments of $179 million and an annual energy savings of 297,000 tce during the 12th plan. These would result in direct emission reduction benefits of 760,000 tCO2 equivalent. Although component 4 will mobilize a total of $600 million resulting in energy savings of an emission reduction of 1Mtce and 2.4 mCO2 equivalent due to the investments made over 15 years through the revolving fund, only the energy savings and emission reductions due to the identified subprojects are included in the incemental analysis as the subsequent projects would be implemented after the 12th plan.	

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		Please make the above statements consistent. This must be revised. MY/DER September 15, 2011. Issuse are cleared.	
	12. Has the cost-effectiveness been sufficiently demonstrated, including the cost-effectiveness of the project design approach as compared to alternative approaches to achieve similar benefits?		
	13. Are the activities that will be financed using GEF/LDCF/SCCF funding based on incremental/ additional reasoning?	MY/DER, August 31, 2011. Yes.	
	14. Is the project framework sound and sufficiently clear?	MY/DER, August 31, 2011. Yes. The project consists of four components: 1. Energy Efficiency and Emission Reduction (EE&ER) technology identification and dissemination, and design of market-based incentives 2. Capacity Building and Development of ESCO Industry and M&V agents in Hebei 3. Capacity building of banks and industrial firms to increase bank financing of energy efficiency projects 4. Investment in energy efficiency projects in the industrial sector Please respond to the clarifying comments below: a) Component 1. Innovative is spelled incorrectly in Table B. Please spell-check the whole document. b) Component 1. The outputs describe	

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		recommended policies, procedures, assessments, and frameworks. Please clarify the role of the Hebei provincial government in developing and adopting these provisions. Please describe the commitment of the government to implement these through laws or regulations. Adoption of the policies should be a clear outcome of the project. c) Component 1. Please clarify the linkage between the activities of Component 1 and the loans to be provided under Component 4. Why conduct so many studies if the major incentive mechanism will be loans? Also, why spend so much time identifying innovative technologies when 8 advanced technology investments have already been identified under Component 4. Please clarify. d) Component 1. At the time of CEO endorsement, it should be more clear which incentives will be adopted by the Hebei government and supported by the GEF funding. e) Component 2. ESCO training and capacity building are recurrent themes in many GEF projects. Please clarify how this element of Component 2 will utilize existing materials. f) Component 2. ESCO businesses, both global and national, are thriving in China. Please justify the need to train additional ESCO businesses in Hebei, and explain whether ESCOs based outside of Hebei will be eligible for loans under Component 4.	

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		g) Component 2. Please clarify the acquisition of equipment, the disposition of the equipment and which project partners would own the equipment. h) Component 2. Please identify the Super ESCO and whether this is a public or private company. i) Component 2. The training on M&V and ISO 50001 is commendable. Consider including ISO 50001 adoption as a criteria in selection of loans under the credit line in Component 4. j) Component 3. Training for ISO 50001 will be commonplace at the time of project implementation. Please clarify how existing and free materials will be used and coordination with other efforts will avoid duplication of effort. h) Component 4. The proposed use of revolving loan fund using the ADB credit line sounds valuable. Please clarify the role of local banks and how they access the credit line. Please clarify if other options, such as partial risk guarantees to address the barrier of perceived risk are under consideration. MY/DER, September 13, 2011. Issues are addressed and cleared.	
	15. Are the applied methodology and assumptions for the description of the incremental/additional benefits sound and appropriate?	MY/DER, August 31, 2011. Yes, the GEF funding will be critical to encouraging adoption of new options for helping Hebei meet its stringent energy intensity targets.	

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	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?	MY/DER, August 31, 2011. More explanation is needed. Consider that without the project, Hebei province may take administrative actions to shut-down the oldest and most energy intensive plants, which could cause loss of socio-economic benefits even as pollution is reduced and energy is saved. With the project, newer technology can be employed to reduce pollution and emissions but also modernize facilities and retain benefits. Please clarify. MY/DER, September 13, 2011. Issues are addressed and cleared.	
	17. Is public participation, including CSOs and indigeneous people, taken into consideration, their role identified and addressed properly?	MY/DER, August 31, 2011. Unclear. Please clarify. MY/DER, September 13, 2011. Issues are addressed and cleared.	
	18. Does the project take into account potential major risks, including the consequences of climate change and provides sufficient risk mitigation measures? (i.e., climate resilience)	MY/DER, August 31, 2011. Risks are assessed, however please address the following issue: a) Local ESCOs are prioritized under this project, even though there is a risk (risk number iv). Also, there is substantial risk that national and global ESCOs can perform the work faster and better. The PIF should be revised to clarify the important role that national and global ESCOs could play. MY/DER, September 13, 2011. Issues are addressed and cleared.	
	19. Is the project consistent and properly coordinated with other related initiatives in the country or in the	MY/DER, August 31, 2011. Somewhat. Please include a description of the coordination with CHUEE - China	

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	region?	Utility Based Energy Efficiency Finance Program. MY/DER, September 13, 2011. Issues are addressed and cleared.	
	20. Is the project implementation/ execution arrangement adequate?	MY/DER, August 31, 2011. Additional explanation is needed. Will this project be self-executed by ADB? If so, no project management funding from GEF is allowed. MY/DER, September 13, 2011. Issues are addressed and cleared.	
	21. Is the project structure sufficiently close to what was presented at PIF, with clear justifications for changes?		
	22. If there is a non-grant instrument in the project, is there a reasonable calendar of reflows included?		
Project Financing	23. Is funding level for project management cost appropriate?	MY/DER, August 31, 2011. The reference to footnote # 3 in footnote #5 on page 4 is confusing. The GEF project management costs can be no more than 5% of the GEF contribution, unless justified, and only if project management is outsourced to another entity. If ADB retains responsibility for project management, the GEF allocation should be zero. Please clarify. MY/DER, September 13, 2011. Again, the GEF project management costs should be no more than 5% of the GEF contribution. Please either change the amount $186,364 into $172,500, or	

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		provide a stronger justificaiton to use 5.1% in calculation. MY/DER September 15, 2011. Document is revised and issuse are cleared.	
	24. Is the funding and co-financing per objective appropriate and adequate to achieve the expected outcomes and outputs?	MY/DER, August 31, 2011. Overall the allocation of funding is appropriate. Please clarify the following issues: a) Component 2, activity ix "Study tours and international exchanges related to performance contracting and M&V" and Component 3, activity vi "Study tours and international exchanges related to industrial energy management and implementation of ISO 50001. GEF funding cannot be used for travel for these tours and exchanges. Please clarify that only co-financing will be used for this activities. MY/DER, September 13, 2011. Issues are addressed and cleared.	
	25. At PIF: comment on the indicated cofinancing; At CEO endorsement: indicate if confirmed co-financing is provided.	MY/DER, August 31, 2011. Yes. At the time of CEO endorsement, the type of co-financing from the Hebei Provincial Government should be clearly identified, and the private sector partners clearly identified, with all appropriate co-financing letters.	
	26. Is the co-financing amount that the Agency is bringing to the project in line with its role?	MY/DER, August 31, 2011. Yes.	
Project Monitoring and Evaluation	27. Have the appropriate Tracking Tools been included with information for all relevant indicators, as applicable?		

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	28. Does the proposal include a budgeted M&E Plan that monitors and measures results with indicators and targets?		
Agency Responses	29. Has the Agency responded adequately to comments from:		
	• STAP?	MY/DER, August 31, 2011. N/A	
	• Convention Secretariat?	MY/DER, August 31, 2011. N/A	
	• Council comments?		
	• Other GEF Agencies?	MY/DER, August 31, 2011. N/A	
Secretariat Recommendation			
Recommendation at PIF Stage	**30. Is PIF clearance/approval being recommended?**	MY/DER, August 31, 2011. Not at this time. Clarifications are requested in boxes 8. 11, 14, 16, 17, 18, 19, 20 MY/DER, September 13, 2011. Not at this time. Revisions are required. But they can be done in one day. MY/DER September 15, 2011. Document is revised and issuse are cleared.	
	31. Items to consider at CEO endorsement/approval.	MY/DER, August 31, 2011. At the time of CEO endorsement, it will be critical to identify the set of policies that Hebei provincial government will be seeking to adopt to help ensure satisfaction of the energy intensity target.	
Recommendation at CEO Endorsement/ Approval	32. At endorsement/approval, did Agency include the progress of PPG with clear information of commitment status of the PPG?		
	33. Is CEO endorsement/approval being recommended?		
Review Date (s)	First review*	August 31, 2011	

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion [1]	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
	Additional review (as necessary)	September 13, 2011	
	Additional review (as necessary)	September 15, 2011	
	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.**

REQUEST FOR PPG APPROVAL

Review Criteria	Decision Points	Program Manager Comments
PPG Budget	1. Are the proposed activities for project preparation appropriate?	
	2. Is itemized budget justified?	
Secretariat Recommendation	**3. Is PPG approval being recommended?**	
	4. Other comments	
Review Date (s)	First review*	
	Additional review (as necessary)	

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