



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

GEF ID:	<b>6930</b>		
Country/Region:	<b>China</b>		
Project Title:	<b>Energy Efficiency Improvement in Public Sector Buildings</b>		
GEF Agency:	<b>UNDP</b>	GEF Agency Project ID:	<b>5395 (UNDP)</b>
Type of Trust Fund:	<b>GEF Trust Fund</b>	GEF Focal Area (s):	<b>Climate Change</b>
GEF-5 Focal Area/ LDCF/SCCF Objective (s):			
Anticipated Financing PPG:	<b>\$200,000</b>	Project Grant:	<b>\$8,932,420</b>
Co-financing:	<b>\$62,500,000</b>	Total Project Cost:	<b>\$71,632,420</b>
PIF Approval:		Council Approval/Expected:	<b>October 01, 2015</b>
CEO Endorsement/Approval		Expected Project Start Date:	
Program Manager:	<b>Ming Yang</b>	Agency Contact Person:	<b>Manuel L. Soriano</b>

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion <sup>1</sup>	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
Eligibility	1. Is the participating <b>country eligible</b> ?	MY 8/12/2014 Yes.	
	2. Has the <b>operational focal point</b> endorsed the project?	MY 8/12/2014 Yes. PPG: \$200,000 PPG fee: \$19,000 Project: \$8,932,420 Project fee: \$848,580 Total: \$10,000,000	
Resource Availability	3. Is the proposed Grant (including the Agency fee) within the <b>resources available</b> from (mark all that apply):		
	• the STAR allocation?	MY 8/12/2014 Yes.	

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

<sup>1</sup> 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

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	<ul style="list-style-type: none"> <li>• the focal area allocation?</li> </ul>	MY 8/12/2014 Yes.	
	<ul style="list-style-type: none"> <li>• the LDCF under the principle of equitable access</li> </ul>	MY 8/12/2014 Not applicable (N/A).	
	<ul style="list-style-type: none"> <li>• the SCCF (Adaptation or Technology Transfer)?</li> </ul>	MY 8/12/2014 N/A	
	<ul style="list-style-type: none"> <li>• the Nagoya Protocol Investment Fund</li> </ul>	MY 8/12/2014 N/A	
	<ul style="list-style-type: none"> <li>• focal area set-aside?</li> </ul>	MY 8/12/2014 N/A	
Strategic Alignment	<p>4. Is the project aligned with the focal area/multifocal areas/ LDCF/SCCF/NPIF <b>results framework and strategic objectives</b>?</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>MY 8/12/2014</p> <p>Not at this time.</p> <p>Please articulate more clearly the linkages between the project components and GEF-6 climate change mitigation strategic objectives and programs that are stated on pages 49 -70 of GEF-6 PROGRAMMING DIRECTIONS at <a href="http://www.thegef.org/gef/GEF6-Programming-Directions">http://www.thegef.org/gef/GEF6-Programming-Directions</a></p> <p>MY 8/24/2014 Cleared.</p>	
	<p>5. Is the project consistent with the recipient <b>country's national strategies and plans</b> or reports and assessments under relevant conventions, including NPFE, NAPA, NCSA, NBSAP or NAP?</p>	MY 8/12/2014 Yes.	
	<p>6. Is (are) the <b>baseline project(s)</b>, including problem(s) that the baseline project(s) seek/s to address, sufficiently described and based on sound data and assumptions?</p>	<p>MY 8/12/2014</p> <p>Not at this time.</p> <p>China started its Energy Service Companies (ESCOs) business and market based financing in the industrial sector</p>	

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Project Design		<p>and commercial buildings for energy conservation, and the ESCOs business has been very successful over the past 20 years. But the Chinese ESCOs and market based financing have not extended to government buildings.</p> <p>On the contrary, in the US, ESCOs started their business in government buildings and were very successful.</p> <p>Please identify barriers in China that have been preventing ESCOs from successful business in government buildings. This project may need to focus on unlocking these barriers.</p> <p>MY 8/24/2014 Cleared.</p>	
	7. Are the components, outcomes and outputs in the <b>project framework</b> (Table B) clear, sound and appropriately detailed?	<p>MY 8/12/2014 Not at this time.</p> <p>The GEF Secretariat recommends the Agency to consider the following elements in the Project Components and Project Outcomes in Table B:</p> <p>1. For Component "Public Sector EC&amp;EE Policy and Regulatory Frameworks", please consider developing energy efficiency standards/codes and a labeling program for government buildings. One example is the Energy Start Building Program of the US EPA.</p> <p>This Component should have a target, such as "By 2020, all or 70% of Chinese government buildings should become Certified Energy Efficient Buildings".</p>	

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		<p>2. For Component "Energy Performance Monitoring and Evaluation System for Public Sector Buildings", the outcomes or outputs should include a market based mechanism to encourage the private sector (ESCOs) to perform refurbishing government buildings for energy efficiency improvement. In addition, ESCOs with special government permit can perform energy efficiency auditing, bench-marking, monitoring, reporting, certifying, and issuing labels for certified energy efficient building.</p> <p>3. For Component "EC&amp;EE Improvement Promotion and Demo Programs for Public Sector Buildings", please indicate the number of demo buildings. It is suggested that the project should select at least four buildings for demo from the national government, a provincial government, a county government and a small township government.</p> <p>Finally, the agency needs to increase the budget for the sub-component of "INV".</p> <p>MY 8/24/2014 Comments are addressed.</p>	
	<p>8. (a) Are global environmental/adaptation benefits identified? (b) Is the description of the incremental/additional reasoning sound and appropriate?</p>	<p>MY 8/12/2014 Not at this time.</p> <p>Barriers that prevent the private sector (ESCOs) from refurbishing government buildings have not been addressed.</p> <p>The project design may also need</p>	

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		<p>significant revision. Please see comments in Box 7.</p> <p>MY 8/24/2014 Cleared.</p>	
	<p>9. Is there a clear description of: a) the <b>socio-economic benefits</b>, 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>MY 8/12/2014 Not at this time.</p> <p>The role of private investments in energy efficiency for government buildings has not been identified. Please address market roles and responsibilities of (1) local commercial banks, and (2) ESCOs.</p> <p>The role of ESCOs is not limited to providing information as indicated in the PIF. It may cover project design, finance, implementation, monitoring, verification of energy savings, post-evaluation, and certification, etc. If ESCOs do not do these jobs, who will do so in the market?</p> <p>MY 8/24/2014 Comments are addressed.</p> <p>The Agency will design activities for ESCOs during the project preparation phase (i.e., during the PPG exercise).</p>	

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	<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>MY 8/12/2014 Not at this time.</p> <p>The PIF does not address the sustainability and scaling up of improving energy efficiency in public sector buildings. The Chinese government does not provide a market based mechanism to finance energy efficiency projects for public buildings. The private sector does not have incentives to work for public buildings. The risk of non-sustainability and non-scaling up is very high. Please address these risks.</p> <p>MY 8/24/2014 Cleared.</p>	
	<p>12. Is the <b>project consistent and properly coordinated</b> with other related initiatives in the country or in the region?</p>	<p>MY 8/12/2014 Not at this time.</p> <p>Please address how this project will be linked to the following GEF Energy Efficiency Projects that are under implementation and CEO endorsed in China:</p> <p>GEFID3700 China UNDP - Promoting Energy Efficient Room Air Conditioners (PEERAC) Project Under Implementation</p> <p>GEFID3743 China World Bank - Provincial Energy Efficiency Scale-Up Program Under Implementation</p>	

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		<p>GEFID4109 China World Bank - China Energy Efficiency Promotion in Industry Under Implementation</p> <p>GEFID2951 China World Bank - Energy Efficiency Financing Under Implementation</p> <p>GEFID3672 China UNDP - Phasing-out Incandescent Lamps &amp; Energy Saving Lamps Promotion (PIESLAMP) Under Implementation</p> <p>GEFID4621 China ADB - Hebei Energy Efficiency Improvement and Emission Reduction Project CEO Endorsed</p> <p>GEFIDGEFID4869 China World Bank - Urban-Scale Building Energy Efficiency and Renewable Energy IA Approved</p> <p>MY 8/24/2014 Cleared.</p>	
	<p>13. Comment on the project's <b>innovative aspects, sustainability, and potential for scaling up.</b></p> <ul style="list-style-type: none"> <li>Assess whether the project is innovative and if so, how, and if not, why not.</li> <li>Assess the project's strategy for sustainability, and the likelihood of achieving this based on GEF and Agency</li> </ul>	<p>MY 8/12/2014</p> <p>Not at this time.</p> <p>1. For innovation:</p> <p>Please compare this project against other energy efficiency projects that are under implementation and endorsed in China as listed in Box 12, and find the innovative market niche of this project. The Agency may consider the following as innovation</p>	

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	<p>experience.</p> <ul style="list-style-type: none"> <li>Assess the potential for scaling up the project's intervention.</li> </ul>	<p>for the project, and any others to be suggested: initiating a green building labeling program for government buildings as the Energy Star labeling done by the USEPA for US government buildings.</p> <p>2. For Sustainability: Sustainability is about continued operation of the project when the implementation period is over. Please identify how the new government policy and regulations, institutional mechanisms, and the pilot demonstration models that are to be developed from this project will continually be applied in refurbishing public buildings, and justify how the demo energy efficient buildings will continue running. For example, if a newly installed air conditioning (AC) in a demonstration building is out of order after the GEF project is over, who will be responsible for replacement, where does the budget come from? Who will monitor it? The owner of the building may not be willing to continually use energy efficient A/C since it is usually more expensive. Please address these specific issues for sustainability.</p> <p>3. For Scaling-up: Without private sector investments, it will be difficult for projects to be scaled up. Please address how the project will incentivize the private sector (local banks and ESCOs) to invest in public buildings.</p> <p>MY 8/24/2014</p>	



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		Cleared.	
	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>MY 8/12/2014</p> <p>Not at this time.</p> <p>1. Components 1 and 2, and the TA sub-component in Component 3 are budgeted with too much GEF funding. As a result, the total investment for demonstration of energy efficient buildings is \$200,000 or 2% of the total GEF funding for the project. Please consider enlarging the amount of GEF funding for investment.</p> <p>2. The co-financing ratio is 1: 6.7. Please increase the ratio and the level of ambition.</p> <p>3. The fourth Item in Table C shows that \$8,000,000 grant and \$2,000,000 in-kind co-financing will come from 30 provincial governments. Will this project demonstration program involve 30 Chinese provinces? Will the Agency be able to get co-financing letters from 30 provincial governments? Please address</p>	

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		<p>these issues.</p> <p>MY 7/27/2015</p> <p>Not completed at this time. Comment 2 has not been addressed. During GEF 5, the average co-financing ratio in climate change portfolio was 1:17. Please increase the ratio of co-financing for this project.</p> <p>If the Agency has any questions, please contact the GEFSEC.</p> <p>MY 8/11/20154</p> <p>Not completed at this time. Please increase the ratio of co-financing for this project.</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>MY 8/12/2014</p> <p>Not at this time.</p> <p>The Agency only puts \$100,000 for a four year project. This is insufficient as a basis to substantiate UNDP engagement and presence in China. Please consider increasing this amount.</p> <p>MY 8/24/2014</p> <p>Not at this time. The Agency needs to increase grant as co-financing for this project.</p> <p>MY 7/27/2015</p> <p>Not at this time. Please consider increasing co-financing ratio to 1:15 for this project.</p>	

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		MY 8/14/2015 Not completed at this time. Please see the comments in Box 16.	
	18. Is the funding level for <b>project management cost</b> appropriate?	MY 8/12/2014 Yes.	
	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?	MY 8/12/2014  The requested PPG amount does not deviate from the norm.	
	20. If there is a <b>non-grant instrument</b> in the project, is there a reasonable calendar of reflows included?	MY 8/12/2014 N/A	
Project Monitoring and Evaluation	21. Have the appropriate <b>Tracking Tools</b> been included with information for all relevant indicators, as applicable?		
	22. Does the proposal include a <b>budgeted M&amp;E Plan</b> 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	24. Is PIF clearance/approval being recommended?	MY 8/12/2014	

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PIF Stage		<p>Not at this time.</p> <p>Please address comments in Boxes: 4, 6, 7, 8, 10, 11, 12, 13, 16, and 17.</p> <p>Please contact the GEF Secretariat if the Agency has any questions.</p> <p>6/9/2015 Informal comments from the GEF SEC:</p> <ol style="list-style-type: none"> <li>1. Energy use in China's public buildings continues to rise--China's large-scale public buildings account for less than 4% of the national urban building area, but accounted for more than 20% of the total national building energy consumption. Please confirm what share of China's total GHG emissions come from public buildings.</li> <li>2. Improving energy efficiency in public buildings is one of the top priorities for China's emissions reduction by 2030. Please confirm government policies and statements that confirm this is a top priority.</li> <li>3. Innovative features of this project include: (1) introduction and facilitation of market-oriented financing schemes for EE initiatives in public buildings; (2) establishment and operationalization of an energy monitoring and reporting system for public buildings; and (3) formulation of improved building energy performance standards. Please describe what is innovative. What is meant by</li> </ol>	

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		<p>"market-oriented"? Why are new standards needed? Why not just adopt international standards?</p> <p>4. Engagement with the private sector has strong potential in this project and should be expanded. During project design, the GEF recommends the Chinese government and the UNDP to identify ways to partner with the IFC and support financial approaches to incentivizing investments of local banks and energy service companies in the public building sector.</p> <p>7/1/2015 Informal comments from the GEF SEC:</p> <p>1. What business model will be used to attract private sector partners and investment?</p> <p>2. What is the global "state of the art" for efficiency in public buildings and how can it be applied in this project?</p> <p>3. What are the plans for engaging with all levels of government - explain the roles of district, local, provincial, and national government?</p> <p>4. What elements of the project would be worthy of highlighting at Paris to showcase truly innovative approaches for building sector?</p> <p>MY 7/27/2015</p> <p>Not at this time.</p> <p>The Agency addressed the informal questions of the GEF SEC dated on June</p>	

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		<p>9, 2015 and July 1, 2015.</p> <p>However, the Agency needs to raise the co-financing ratio for this project up to 1:15. Please see and address the comments in Boxes 16 and 17.</p> <p>Please contact the GEF Secretariat if the Agency has any questions.</p> <p>MY 8/14/2015 Not completed at this time. Please increase the ratio of co-financing for this project (See the comments in Boxes 16 and 17). Please contact the GEF Secretariat if the Agency has any questions.</p> <p>MY 9/1/2015</p> <p>All comments were addressed.</p> <p>The Agency agreed to continue working on the co-financing issue during the PPG stage and to raise the co-financing ratio at the CEO endorsement stage.</p> <p>The Program Manager recommends CEO PIF clearance.</p>	
	25. Items to consider at CEO endorsement/approval.		
<b>Recommendation at CEO Endorsement/ Approval</b>	<b>26. Is CEO endorsement/approval being recommended?</b>		
	First review*	August 12, 2014	
<b>Review Date (s)</b>	Additional review (as necessary)	August 24, 2014	
	Additional review (as necessary)	July 27, 2015	

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**\* 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.**