



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

GEF ID:	6989		
Country/Region:	Nepal		
Project Title:	Developing climate resilient livelihoods in the vulnerable watershed in Nepal		
GEF Agency:	UNDP	GEF Agency Project ID:	5434 (UNDP)
Type of Trust Fund:	Least Developed Countries Fund (LDCF)	GEF Focal Area (s):	Climate Change
GEF-5 Focal Area/ LDCF/SCCF Objective (s):			
Anticipated Financing PPG:	\$150,000	Project Grant:	\$7,000,000
Co-financing:	\$40,000,000	Total Project Cost:	\$47,150,000
PIF Approval:		Council Approval/Expected:	
CEO Endorsement/Approval		Expected Project Start Date:	
Program Manager:	Fareeha Iqbal	Agency Contact Person:	Keti Chachibaia

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> ?	Yes, Nepal is a least developed country and has completed its NAPA.	
	2. Has the <b>operational focal point</b> endorsed the project?	Yes. A signed letter from the OFP dated September 29, 2014, has been submitted.	
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?		
	• the focal area allocation?		
	• the LDCF under the principle of equitable access	Yes. However, please see comment for Item 24.	
	• the SCCF (Adaptation or Technology Transfer)?		

\*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 Nagoya Protocol Investment Fund</li> <li>focal area set-aside?</li> </ul>		
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>Adjustment is requested. The stated objectives (diverse and strengthened livelihoods; adaptation mainstreamed in development frameworks) are aligned with LDCF strategic objectives. However, the numbering of the LDCF CCA objectives and sub-objectives used in Table A of the GEF Datasheet is outdated.</p> <p>Recommended action, FI, Oct. 21, 2014: Please revise Table A to reflect the new numbering of the LDCF/SCCF strategic objectives. For example, integration of CCA in relevant plans, policies and decision-making processes would now be folded under CCA-3, not CCA-1.</p> <p>Update, FI, Dec. 8, 2014: Yes, the CCA objectives have now been correctly aligned.</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>	<p>Yes. Nepal's NAPA prioritizes community-based adaptation through the integrated management of agriculture, water, forest and biodiversity sectors. It is also aligned with Nepal's 25-Year National Water Resources Strategy (2002), its draft (2014) Watershed Management Policy, and its Three Year Plan Approach Paper (2011-2014), which aims at promoting clean, green and climate responsive development.</p>	
	<p>6. Is (are) the <b>baseline project(s)</b>, including problem(s) that the baseline project(s) seek/s to</p>	<p>Yes. Problem: Less than 20 percent of Nepal's area is arable, most of which is on</p>	

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Project Design	address, sufficiently described and based on sound data and assumptions?	hillslopes and a high proportion rainfed. Investments in irrigation have tended to be badly planned, poorly constructed, and have contributed to erosion and landslides. Given the increasing situation of higher levels of snowmelt and greater rainfall variability with climate change, it is important to rehabilitate and maintain the functional integrity of watersheds. Projects: There are 4 baseline projects; one is a \$4 M UNDP-funded program to fast-track the MDGs and safeguard development gains and the other 3, totaling \$36 M, are national programs in community forestry and soil conservation being implemented by the Dept. of Soil Conservation of the Ministry of Forest and Soil Conservation.	
	7. Are the components, outcomes and outputs in the <b>project framework</b> (Table B) clear, sound and appropriately detailed?	Adjustment is requested. If possible, it would be more suitable to use PPG funding, and not LDCF project funds, for organizing and facilitating the consultations and dialogue with various stakeholders for the Payment for Ecosystem Services (PES) feasibility and design process (Component 1). If PES will be used to provide communities with incentives to "not clear forested slopes" and "engage in watershed friendly land use and livelihood practices", as the PIF states, these do not qualify as climate change adaptation actions, but as activities that should be undertaken regardless.  Recommended action, FI, Oct. 24, 2014: Kindly use PPG or baseline funds if possible to support community	

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		<p>consultations for project design, including PES consultations.</p> <p>Update, FI, Dec. 8, 2014: This section has been addressed.</p>	
	8. (a) Are global environmental/adaptation benefits identified? (b) Is the description of the incremental/additional reasoning sound and appropriate?	<p>Not quite. Hydrological assessments, sectoral decision-making, and infrastructure guidelines will integrate climate change aspects. The PIF states that the integrated watershed management investments will build adaptive capacity of communities, but there is insufficient explanation of how these will differ from investments that would have needed to be undertaken in any case.</p> <p>Recommended action, FI, Oct. 24, 2014: Please discuss how climate change considerations/assessments will be used to select and guide integrated watershed management practice design.</p> <p>Update, FI, Dec. 8, 2014: Yes for PIF stage. The PIF states that hydro-economic models of climate change impacts will inform climate-responsive decision making.</p> <p>By CEO endorsement: Please provide a concrete explanation of how the LDCF-supported adaptive watershed management approaches, including the PES elements, will serve to address the additional risks posed by climate change. Please provide specifics on (i) the 'additional' or climate-change-driven aspects of this project that the</p>	

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		LDCF funds will support, including investments (relative to investments that would normally have been undertaken in the absence of climate change), and (ii) the specific ways in which these aspects of the project will help address the additional risks or needs posed by climate change.	
	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?		
	10. Is the role of public participation, including CSOs, and indigenous peoples where relevant, identified and explicit means for their engagement explained?	<p>Yes for PIF stage. The project will engage with national and international NGOs, and will employ the baseline project's community outreach and mobilization mechanisms.</p> <p>However, the PIF mentions that the Ministry of Irrigation is interested in co-executing the LDCF project -- yet the baseline projects appear to be programs of mainly the Ministry of Forestry &amp; Soil Conservation.</p> <p>By CEO Endorsement (FI): Kindly elaborate further on the execution arrangements. Please demonstrate whether both the Ministry of Irrigation and the Ministry of Forestry &amp; Soil Conservation will be executing the project (and if not, why) and also benefit from adaptation-related capacity building activities.</p>	

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	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>Not quite. Institutional, financial, and climate risks have been discussed and mitigation measures proposed. However, sustainability of adaptation measures is still in question.</p> <p>Recommended action, FI, Oct. 24, 2014: As a large part of the success of the project will depend on community adoption of new measures/practices, please discuss how the activities will be sustained in the long term.</p> <p>Update, FI, Dec. 8, 2014: More information is requested. The three-pronged approach has been noted. However, please provide more information on the ability of the PES component to sustain beyond the project lifetime. Even if legal incentives for PES are created, how will the mechanism (and its ability to deliver sustained adaptation benefits) be implemented and monitored in the long term?</p> <p>Update, FI, Feb. 13, 2015: Yes for PIF stage. Agency has provided adequate explanation for the time being. Details on design of the PES component, with clear rationale for its climate change adaptation aspect, should be provided at CEO Endorsement stage.</p>	
	12. Is the <b>project consistent and properly coordinated</b> with other related initiatives in the country or in the region?	Yes for PIF stage. It will coordinate with an LDCF-supported project on GLOFs in Nepal, UNDP's 'Climate Change Support Programme for Nepal', and the ADB project, 'Climate Change Vulnerability Mapping in Watersheds in Middle and	

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		<p>High Mountains of Nepal'.</p> <p>By CEO Endorsement (FI): Please provide details on how synergies are leveraged with the ADB project, 'Climate Change Vulnerability Mapping in Watersheds in Middle and High Mountains of Nepal': please discuss whether there is an overlap of watersheds assessed, and data or methodologies shared/improved.</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 experience.</li> <li>Assess the potential for scaling up the project's intervention.</li> </ul>	<p>FI, Oct. 24, 2014: Agency is requested to provide this information.</p> <p>Update, FI, Dec. 8, 2014: The Agency has provided substantial information (see comments on replicability and sustainability below). However, please refer to comment for Item 11, above.</p> <p>Replicability: The project aims at physical investments to generate adaptation benefits in 7,500 ha and provision of climate resilient livelihood benefits in an additional 3 districts to eventually include 150,000 beneficiaries. The ensuing lessons and learning for adaptation will generate an evidence base for further replication.</p> <p>Sustainability: The project will support the development of consensus based, hydro-economic model informed, sub-watershed management plans geared at watershed protection services essential for immediate and long-term flood and</p>	

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		drought management. Legal incentives for PES or a similar financial mechanism for scaling up adaptation-friendly livelihood and land use practices will be instated. This focus on adaptive, integrated watershed management has potential to yield sustainable benefits. (Please see comment for Item 11.)	
	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>More information is requested. Many of the adaptation measures indicated in the PIF (assessments, adjustment of infrastructure guidelines, community forestry, fodder production, land rehabilitation, catchment ponds, etc.) seem relatively low-cost. Yet the grant request is for \$7 million, a relatively large allocation for the LDCF.</p> <p>Recommended action, FI, Oct. 24, 2014: Given that the scale of the project (7,500 ha of watershed) is not particularly large, please discuss in more depth the factors necessitating \$7 million in LDCF funding.</p> <p>Update, FI, Dec. 8, 2014: This has been adequately addressed.</p>	



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		While physical restoration measures will be implemented over 7,500 acres of watershed (with 40,000 beneficiaries), climate resilient livelihood measures will target 3 districts so that the extent over which watershed functions are restored and adaptation benefits are provided will include 150,000 beneficiaries. The project will generate an evidence base for further replication.	
	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?	Yes. There is indicative co-financing of \$40 million.	
	18. Is the funding level for <b>project management cost</b> appropriate?	No. The specified project management cost (PMC) is slightly high, at 5.7 percent.  Recommended action, FI, Oct. 24, 2014: Please revise PMC so that it is within 5 percent of the project cost.  Update, FI, Dec. 8, 2014: Yes, PMC is now within 5 percent of the project cost.	
	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	Yes. PPG has been requested and is within the norm, at \$150,000.	

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	PPG fund?		
	20. If there is a <b>non-grant instrument</b> in the project, is there a reasonable calendar of reflows included?	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 PIF Stage	24. Is PIF clearance/approval being recommended?	<p>No. Please address the comments provided for Items 4, 7, 8, 11, 13, 16 and 18.</p> <p>Update, FI, Dec. 8, 2014: Please address comment for Item 11.</p> <p>FI, Feb. 13, 2015: Yes, the project is recommended for approval. However, the project will not be processed for Council review and approval until adequate, additional resources become available in the LDCF.</p>	
	25. Items to consider at CEO endorsement/approval.	Items 10 and 12.	

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		<p>Update, FI, Dec. 8, 2014: 8, 10 and 12.</p> <p>Update, FI, Feb. 13, 2015: 8, 10, 11 and 12.</p> <p>Note from GEF Sec: Several key aspects of the project description have been deferred to CEO Endorsement stage. As such, the Agency is reminded, when designing project activities, to kindly keep the additionality reasoning for climate change adaptation at the fore. At CEO Endorsement, kindly include a matrix or table revealing how regular watershed/livelihood activities that would have addressed today's needs have been adjusted to apply a climate change lens (i.e., not only addressing today's climate needs, but also for changing climatic conditions). The GEF Sec would welcome engagement with the Agency during project preparation.</p>	
Recommendation at CEO Endorsement/ Approval	<b>26. Is CEO endorsement/approval being recommended?</b>		
	First review*	October 24, 2014	
Review Date (s)	Additional review (as necessary)	December 08, 2014	
	Additional review (as necessary)	February 13, 2015	

\* 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.