



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

GEF ID:	4427		
Country/Region:	Russian Federation		
Project Title:	Russia Energy Efficiency Financing (REEF) Project		
GEF Agency:	World Bank	GEF Agency Project ID:	123692 (World Bank)
Type of Trust Fund:	GEF Trust Fund	GEF Focal Area (s):	Climate Change
GEF-5 Focal Area/ LDCF/SCCF Objective (s):	CCM-2; CCM-4; Project Mana;		
Anticipated Financing PPG:	\$0	Project Grant:	\$22,727,273
Co-financing:	\$824,500,000	Total Project Cost:	\$847,227,273
PIF Approval:	December 28, 2010	Council Approval/Expected:	
CEO Endorsement/Approval		Expected Project Start Date:	
Program Manager:	Alexis Jean-Roch Mariani	Agency Contact Person:	

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?	Yes.	
	2. If there is a non-grant instrument in the project, is the GEF Agency capable of managing it?	The project includes non-grant instruments under 1.A. (item iv " special financing products or schemes).The World Bank Is capable of managing them.	
Agency's Comparative Advantage	3. Has the operational focal point endorsed the project?	Yes, by letter on August 5th 2010.	
	4. Is the Agency's comparative advantage for this project clearly described and supported?	Yes. The World Bank's comparative advantage for this project lies in its ability to manage investments and financial schemes.	
	5. Is the co-financing amount that the Agency is bringing to the project in line with its role?	Yes. The WB will provide a hard loan of \$300M to establish a credit line.	
	6. Does the project fit into the Agency's program and staff capacity in the country?	Yes. The project fits into the Country Partnership Strategy between the WB and Russia. WB's Moscow office will implement the project.	
	7. Is the proposed GEF/LDCF/SCCF Grant (including the Agency fee)?		

Resource Availability	(mark all that apply):		
	• the STAR allocation?	Yes	
	• the focal area allocation?	Yes	
	• the LDCF under the principle of equitable access?	na	
	• the SCCF (Adaptation or Technology Transfer)?	na	
Project Consistency	• focal area set-aside?	na	
	8. Is the project aligned with the focal area/multi-focal area/ LDCF/SCCF results framework?	Yes.  Please note that given the size of the credit line to be established, it seems inaccurate to continue to speak about "demonstrations" in table A. You may want to adjust this wording in the CEO endorsement request.	
	9. Are the relevant GEF 5 focal area/ LDCF/SCCF objectives identified?	The project fits into 2 objectives of the CC focal area : CCM-2 (energy efficiency) and CCM-4 (urban).	
	10. Is the project consistent with the recipient country's national strategies and plans or reports and assessments under relevant conventions, including NPFE, NAPA, and NCSA?	Yes. The project is consistent with Russia's strategy on energy efficiency. In addition, it is listed in the draft programming chart sent by the OFP and its importance for the country has been reaffirmed during a recent visit in Moscow by the GEF CEO.	
	11. Does the proposal clearly articulate how the capacities developed will contribute to the institutional sustainability of project outcomes?	Yes, The project includes technical assistance: - for Gazprombank (which will support the sustainability of the credit line), - for the Russian Energy Agency and for municipalities (which will prepare follow-up local investments), - for other banks (which will scale-up the program through other banking partners).	
	12. Is (are) the baseline project(s) sufficiently described and based on sound data and assumptions?	Yes. The baseline project is a \$300M loan by the WB, complemented by Gazprombank (GPB), to invest in energy efficiency. The baseline project would only target very large industrial energy efficiency projects (GPB usual clients).	

Project Design			
	13. Is (are) the problem(s) that the baseline project(s) seek/s to address sufficiently described and based on sound data and assumptions?	Yes. Although the baseline project would deliver GHG reduction, it would not address several important markets (municipalities for example) and would not involve other banks than GPB. The objective of the project is to address these issues and to insure a successful and sustainable implementation of the credit line.	
	14. Is the project framework sound and sufficiently clear?	Yes. The project is composed of 4 components: - energy efficiency investments for large industries (GEF = \$4M, cofinancing \$556M). - energy efficiency investments for municipalities (GEF = \$8M, cofinancing \$217.5M) - market development, especially to recruit other banks in the EE lending market (GEF = \$9.2M, cofinancing \$40.5M) - project management (GEF \$1.5M, cofinancing \$2.5M).	
	15. Are the incremental (in the case of GEF TF) or additional (in the case of LDCF/SCCF) activities complementary and appropriate to further address the identified problem?	Although the description of the components is considered to be sufficient at the concept stage, the following points are expected to be addressed at the CEO endorsement stage :  1. Component 2.A. The CEO endorsement request should be more specific on the description and the cost of the activities. In particular, we would like to see a clear breakdown of this cost between the test of ESMAP's RAF in 15-20 municipalities and the support to GPB to develop EE financing in the regional and municipal sector. In addition, we consider that limiting the geographical	

strong limitation. The GEF is providing much funding to Russia on energy efficiency under GEF-4 and under GEF-5 : we should now move beyond the stage of "pilots areas" and address the whole country. Finally, could you please explain why the funding to cities would be channeled through REA rather than being directly provided to the final recipients ?

2. Component 2.B. The use of GEF grant for investments should be carefully explained and justified at the CEO endorsement stage - especially, please justify how this limited funding, blended with the loan funds, will really mitigate repayment risks (see also risk number 6 in table B.4, considered as "medium").

3. Component 3.A. The cofinancing of this sub-component is low (especially from REA) and should be improved at the CEO endorsement stage. In addition, you mention GPB's cofinancing of \$2M (last lines of the paragraph) but you do not include it in your calculation. The CEO endorsement request should be more specific on the description of the activities under this sub-component, which can certainly not be limited to "soft" activities on information dissemination. In particular, could you please elaborate on the work with the industrial associations, and on the kind of policies to be developed ? At the CEO endorsement stage, we expect a strong commitment from the Russian government to really pass and enforce policies and regulations that will be developed under this project.

16. Are the applied methodology and assumptions for the description of the global environmental benefits/adaptation benefits sound and appropriate?

The project is expected to result in 2MtCO2 emissions reductions / year. At the CEO endorsement stage, please provide a full calculation of the emissions reductions expected from the project ; we strongly suggest the use of GEF methodology on energy efficiency.

	17. Has the cost-effectiveness sufficiently been demonstrated, including the cost-effectiveness of the project design approach as compared to alternative approaches to achieve similar benefits?	Yes. 2MtCO2 emissions reductions / year roughly correspond to a cost-effectiveness of \$1/tCO2.	
	18. Is there a clear description of the socio-economic benefits to be delivered by the project and of how they will support the achievement of environmental/ adaptation benefits (for SCCF/LDCF)?	Yes.	
	19. Is the role of civil society, including indigenous people and gender issues being taken into consideration and addressed appropriately?	At the CEO endorsement stage, please explain how the project is taking into consideration these issues.	
	20. 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)	Yes.	
	21. Is the provided documentation consistent?	Yes	
	22. Are key stakeholders (government, local authorities, private sector, CSOs, communities) and their respective roles and involvement in the project identified?	Yes.	
	23. Is the project consistent and properly coordinated with other related initiatives in the country or in the region?	Part B.6 provides a clear explanation on the interaction between the different GEF projects in Russia.	
	24. Is the project implementation/ execution arrangement adequate?	The project will be executed by two Project Implementation Unit, one in GPB, one in REA. To allow coordination between the different parts of the project, as well as coordination with other EE initiatives, we expect the WB to propose, at the CEO endorsement stage, an effective coordination mechanism.	

	25. Is the project structure sufficiently close to what was presented at PIF, with clear justifications for changes?		
	26. If there is a non-grant instrument in the project, is there a reasonable calendar of reflows included?		
Project Financing	27. Is the GEF/LDCF/SCCF funding level for project management cost appropriate?	<p>Comment to be addressed at the PIF stage.</p> <p>The GEF amount for PM is high for a \$25M project.</p> <p>The PIF clearly says that the bulk of the project management costs (especially the operation of the credit line) is included in the various components. We understand from this statement that additional cofinancing for project management is included in other components.</p> <p>Please include all the project management costs in component 4. Please ensure that the cofinancing ratio of the project management component is proportionate to the cofinancing ratio of the whole project. This could be done either by reducing GEF contribution to PM, or by increasing cofinancing accordingly.</p> <p>12-27-2010- Cleared.</p>	
	28. Is the GEF/LDCF/SCCF funding per objective appropriate to achieve the expected outcomes and outputs according to the incremental/additional cost reasoning principle?	Yes.	
	29. Comment on indicated cofinancing at PIF. At CEO endorsement, indicate if cofinancing is confirmed.	The cofinancing is appropriate. However, the cofinancing of the PM component should include the project management costs currently included in the various components (operation of the credit line etc).	

		12-27-2010- Cleared.	
	30. Is the budget (GEF/LDCF/SCCF funding and co-financing) per objective adequate to achieve the expected outcomes and outputs?	Yes given the information available at the concept stage. We expect the WB to provide, at the CEO endorsement stage, a full description of the activities and a sound justification of their costs.	
Project Monitoring and Evaluation	31. Has the Tracking Tool been included with information for all relevant indicators, as applicable?		
	32. Does the proposal include a budgeted M&E Plan that monitors and measures results with indicators and targets?		
Agency Responses	33. Has the Agency responded adequately to comments from:		
	<ul style="list-style-type: none"> <li>• STAP?</li> </ul>		
	<ul style="list-style-type: none"> <li>• Convention Secretariat?</li> </ul>		
	<ul style="list-style-type: none"> <li>• Council comments?</li> </ul>		
	<ul style="list-style-type: none"> <li>• Other GEF Agencies?</li> </ul>	<p>Comments have been send by EBRD and responded by the WB.</p> <p>The WB shares one of the concerns expressed by EBRD: the capacity of the Russian Energy Agency. Given the importance of this comment, we expect that this concern will be fully address during project preparation, and that the final level of technical assistance provided to REA reflects its true capacity to execute these activities.</p> <p>Other important points raised by EBRD should also be addressed during project preparation :</p> <p>1. Coordination mechanism. We consider that REA, as the executing agency of several GEF projects, should establish a unique coordination team responsible for the coordination of all these projects, rather than having several separated teams impossible to coordinate. This mechanism should allow discussion and coordination between the GEF Agencies</p>	

		<p>2. Overlaps. Although the WB document is clear on this matter, it will be critical to specify at the CEO endorsement request that no sub-project (industrial or municipal) will be allowed to receive funding from two different GEF projects.</p> <p>3. Level of funding: as noted before in the review, we expect the WB to provide, at the CEO endorsement stage, a full description of the activities and a sound justification of their costs.</p>	
<b>Secretariat Recommendation</b>			
<b>Recommendation at PIF Stage</b>	<b>34. Is PIF clearance/approval being recommended?</b>	<p>Please address the comment on project management.</p> <p>12-27-2010- Yes</p>	
	35. Items to consider at CEO endorsement/approval.	Please consider and address all the points listed above as relevant for the CEO endorsement stage.	
<b>Recommendation at CEO Endorsement/ Approval</b>	36. At endorsement/approval, did Agency include the progress of PPG with clear information of commitment status of the PPG?		
	<b>37. Is CEO endorsement/approval being recommended?</b>		
<b>Review Date (s)</b>	First review*	December 14, 2010	
	Additional review (as necessary)	December 27, 2010	
	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.



## REQUEST FOR PPG APPROVAL

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

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