



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

GEF ID:	<b>4784</b>		
Country/Region:	<b>Ukraine</b>		
Project Title:	<b>Introduction of Energy Management System Standard in Ukrainian Industry</b>		
GEF Agency:	<b>UNIDO</b>	GEF Agency Project ID:	
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):	<b>CCM-2; Project Mana; CCM-2;</b>		
Anticipated Financing PPG:	<b>\$0</b>	Project Grant:	<b>\$5,550,000</b>
Co-financing:	<b>\$39,750,000</b>	Total Project Cost:	<b>\$45,300,000</b>
PIF Approval:		Council Approval/Expected:	<b>February 01, 2012</b>
CEO Endorsement/Approval		Expected Project Start Date:	
Program Manager:	<b>David Elrie Rodgers</b>	Agency Contact Person:	<b>Rana Ghoneim</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 country eligible?	DER, December 15, 2011. Yes.	
	2. Has the operational focal point endorsed the project?	DER, December 15, 2011. Yes.	
Agency's Comparative Advantage	3. Is the Agency's comparative advantage for this project clearly described and supported?	DER, December 15, 2011. Yes.	
	4. If there is a non-grant instrument in the project, is the GEF Agency capable of managing it?	DER, December 15, 2011. Yes.	
	5. Does the project fit into the Agency's program and staff capacity in the country?	DER, December 15, 2011. Yes.	
	6. Is the proposed Grant (including the Agency fee) within the resources		

\*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 11-22-2010

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Resource Availability	available from (mark all that apply):		
	• the STAR allocation?	DER, December 15, 2011. Yes.	
	• the focal area allocation?	DER, December 15, 2011. Yes.	
	• the LDCF under the principle of equitable access	DER, December 15, 2011. NA	
	• the SCCF (Adaptation or Technology Transfer)?	DER, December 15, 2011. NA	
	• Nagoya Protocol Investment Fund	DER, December 15, 2011. NA	DER, December 15, 2011. NA
	• focal area set-aside?	DER, December 15, 2011. NA	
Project Consistency	7. Is the project aligned with the focal /multifocal areas/ LDCF/SCCF/NPIF results framework?	DER, December 15, 2011. Yes.	
	8. Are the relevant GEF 5 focal/ multifocal areas/LDCF/SCCF/NPIF objectives identified?	DER, December 15, 2011. Table D is not properly filled out. Please clarify.  DER, January 5, 2012. Table D is optional. Comment 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?	DER, December 15, 2011. Yes. References to Ukraine 2011 National Communications are included.	
	10. Does the proposal clearly articulate how the capacities developed, if any, will contribute to the sustainability of project outcomes?	DER, December 15, 2011. Yes.	
	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?	DER, December 15, 2011. a) Section B.1 includes not only the baseline scenario, but the elements of the incremental GEF project. Please move the description of the GEF incremental project into Section B.2 b) Please expand the description of the components for the GEF project in	

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Project Design		<p>Section B.2. The description of the components is virtually limited to Table B.</p> <p>DER, January 5, 2011. The changes requested have been implemented. Comment cleared.</p>	
	<p>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?</p>		
	<p>13. Are the activities that will be financed using GEF/LDCF/SCCF funding based on incremental/additional reasoning?</p>	<p>DER, December 15, 2011.</p> <p>a) Although the activities show incremental reasoning over the baseline, they fall short of demonstrating replicability and sustainability. Please clarify how energy management standards will be replicated after the project is completed.</p> <p>DER, January 5, 2012. The revised PIF explains that companies' eligibility to receive government aid will be tied to their willingness to undertake energy management standards. Comment cleared.</p> <p>b) The investment components are not well defined. Please consider including non-grant instruments, such as revolving loan programs or risk guarantee programs, that will increase availability of financing for energy efficiency investments. As an alternate, please explain how this project will increase</p>	

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		<p>utilization of existing financing credit-lines (e.g., EBRD).</p> <p>DER, January 5, 2012. The revised PIF includes the potential use of a non-grant instrument that will be explored during the project design phase. Documentation that companies will have improved access to financial credit-lines was also provided. Comment cleared. At CEO endorsement, please provide clear description of the financial mechanisms that will be developed and supported.</p>	
	<p>14. Is the project framework sound and sufficiently clear?</p>	<p>DER, December 15, 2011.</p> <p>a) Component 1 is for policy and institutional support, but the level of co-financing is very high. Please describe why this level should be so large.</p> <p>b) Component 1 only identifies voluntary programs. We would expect the Government of Ukraine to consider very strong policy and regulatory frameworks to implement energy efficiency requirements. Please clarify if the project will lead to mandatory requirements.</p> <p>c) Component 2 is shown in Table B as an investment component. Please clarify if this is more properly described as TA, or if not, what are the investment elements?</p> <p>d) For Component 3, please delineate the TA and investment elements of this component. Please carefully delineate if the GEF funding is for providing TA or will be used as investment.</p> <p>e) The investment element is not clear.</p>	

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		<p>Please clarify how the investment will be mobilized and implemented.</p> <p>DER, January 5, 2012</p> <p>a) Funding for component 1 reduced; component 3 increased. Comment cleared.</p> <p>b) The revised PIF explains that companies' access to broader energy programmes will be contingent on adoption of energy management standards - so many companies will treat them as "mandatory" in order to be eligible for government incentives. Comment cleared.</p> <p>c) Component 2 is TA and Table B has been updated. Comment cleared.</p> <p>d) Component 3 has been delineated is 20% TA and 80% investment. Comment cleared.</p> <p>e) Component 3 will include the potential use of non-grant instruments to promote investment in companies testing energy management standards. Comment cleared.</p>	
	<p>15. Are the applied methodology and assumptions for the description of the incremental/additional benefits sound and appropriate?</p>	<p>DER, December 15, 2011. There is confusion on the number of companies that will implement EMS systems. Is it 30 or 60? Please correct references in the text.</p> <p>DER, January 5, 2012. The project will implement 5 to 10 projects in 3 to 6 Industrial sectors with a total number of 30 companies to be assisted. Comment cleared.</p>	

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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?	DER, December 15, 2011. Yes.	
	17. Is public participation, including CSOs and indigeneous people, taken into consideration, their role identified and addressed properly?	DER, December 15, 2011. Yes.	
	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)	<p>DER, December 15, 2011. Please clarify the policy risk. If the project only focuses on voluntary frameworks, the policy risk should be rated as high-there would be a high risk that energy management standards are not fully adopted and implemented.</p> <p>DER, January 5, 2012. Risk is low as the companie's eligibility to join broader government programmes will be tied to their willingness to undertake energy management standards. Comment cleared.</p>	
	19. Is the project consistent and properly coordinated with other related initiatives in the country or in the region?	<p>DER, December 15, 2011. Please provide additional details on how participants in this project may be able to access the EBRD credit-line.</p> <p>DER, January 5, 2012. Additional coordination detail is provided. The EBRD credit-line (e.g, UKEEP facility) is not a GEF related project. Comment cleared.</p>	
	20. Is the project implementation/ execution arrangement adequate?	DER, December 15, 2011. The PIF does not include a description of the project	

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		<p>implementation approach. Please supply.</p> <p>DER, January 5, 2012. Description is supplied. The PMU will be hosted by KPI (Institute for Energy Saving and Energy Management of the National Technical University of Ukraine "Kyiv Polytechnical Institute"). The arrangement appears adequate. Comment cleared.</p>	
	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?	<p>DER, December 15, 2011. The ratio of project management costs exceeds 5% of the requested GEF amount of \$5,272,500. Please justify any amount over 5% or clarify the number to meet the 5% level.</p> <p>DER, January 5, 2012. The project management costs have been reduced to less than 5% of the GEF amount. Comment cleared.</p>	
	24. Is the funding and co-financing per objective appropriate and adequate to achieve the expected outcomes and outputs?	<p>DER, December 15, 2011. Please supply the costs per company for implementing energy management systems and describe how the investment component will be mobilized and implemented.</p> <p>DER, January 5, 2012. Cost estimates</p>	

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		were provided, as low as \$100,000 per company per year at the beginning. The investment components were described and will be further developed during project design. Comment cleared.	
	25. At PIF: comment on the indicated cofinancing; At CEO endorsement: indicate if confirmed co-financing is provided.	DER, December 15, 2011. a) The ratio of co-financing to GEF funding request is less than 4:1. This is far too low for clean energy projects in general, and specifically in the industrial sector in a large industrialized country. Additional co-financing is required before the PIF can proceed. b) Please clarify the co-financing entries in Table C. The private sector is listed as cash, but in the wrong column. On financial institutions, please explain why these are listed as soft loans rather than hard loans.  DER, January 5, 2012. Co-financing has been raised, with justification for the level provided. The table was corrected. Comment cleared.	
	26. Is the co-financing amount that the Agency is bringing to the project in line with its role?	DER, December 15, 2011. Yes.	
Project Monitoring and Evaluation	27. Have the appropriate Tracking Tools been included with information for all relevant indicators, as applicable?		
	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:		
	<ul style="list-style-type: none"> <li>• STAP?</li> </ul>	DER, December 15, 2011. NA	



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	<ul style="list-style-type: none"> <li>• Convention Secretariat?</li> </ul>	DER, December 15, 2011. NA	
	<ul style="list-style-type: none"> <li>• Council comments?</li> </ul>		
	<ul style="list-style-type: none"> <li>• Other GEF Agencies?</li> </ul>	DER, December 15, 2011. NA	
<b>Secretariat Recommendation</b>			
Recommendation at PIF Stage	<b>30. Is PIF clearance/approval being recommended?</b>	DER, December 15, 2011. Not at this time. Please address comments in boxes 8, 11, 13, 14, 15, 18, 19, 20, 23, 24, and 25.  DER, January 5, 2012. Comments cleared in boxes 8, 11, 13, 14, 15, 18, 19, 20, 23, 24, and 25. PIF clearance is recommended.	
	31. Items to consider at CEO endorsement/approval.	DER, January 5, 2011. a) All co-financing commitments must be clearly identified with commitment letters. b) At CEO endorsement, please provide clear description of the financial mechanisms that will be developed and supported. c) At CEO endorsement, please provide clear plans and organizational arrangements for coordination with related programs in the Ukraine.	
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?		
	<b>33. Is CEO endorsement/approval being recommended?</b>		
Review Date (s)	First review*	December 15, 2011	
	Additional review (as necessary)	January 05, 2012	
	Additional review (as necessary)		
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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.**

**REQUEST FOR PPG APPROVAL**

<b>Review Criteria</b>	<b>Decision Points</b>	<b>Program Manager Comments</b>
PPG Budget	1. Are the proposed activities for project preparation appropriate?	DER, December 15, 2011. Yes.
	2. Is itemized budget justified?	DER, December 15, 2011. Yes.
Secretariat Recommendation	<b>3. Is PPG approval being recommended?</b>	DER, December 15, 2011. Yes.
	4. Other comments	DER, December 15, 2011. During the project preparation phase, please explore the use of non-grant instruments as requested in box 15.  DER, January 5, 2012. A non-grant instrument will be explored during project design as part of the investment component. Comment cleared.
Review Date (s)	First review*	December 15, 2011
	Additional review (as necessary)	January 05, 2012

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