



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

|  |   |                              |                   |
|--|---|------------------------------|-------------------|
| GEF ID:                                    | 5357  |                              |                   |
| Country/Region:                            | Ukraine   |                              |                   |
| Project Title:                             | Removing Barriers to Increase Investment in Energy-Efficiency in Public Buildings |                              |                   |
| GEF Agency:                                | UNDP  | GEF Agency Project ID:       | 4114 (UNDP)       |
| Type of Trust Fund:                        | GEF Trust Fund  | GEF Focal Area (s):          | Climate Change    |
| GEF-5 Focal Area/ LDCF/SCCF Objective (s): | CCM-2;  |                              |                   |
| Anticipated Financing PPG:                 | \$90,000  | Project Grant:               | \$5,480,000       |
| Co-financing:                              | \$22,000,000  | Total Project Cost:          | \$27,570,000      |
| PIF Approval:                              | September 12, 2013  | Council Approval/Expected:   | November 01, 2013 |
| CEO Endorsement/Approval                   |   | Expected Project Start Date: |                   |
| Program Manager:                           | Ming Yang   | Agency Contact Person:       | John O'Brien      |

| Review Criteria              | Questions   | Secretariat Comment at PIF (PFD)/Work Program Inclusion <sup>1</sup>  | Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP) |
|------------------------------|---|---|--|
| <b>Eligibility</b>           | 1. Is the participating <b>country eligible</b> ?   | MY/DR 4/1/2013: Yes   |  |
|                              | 2. Has the <b>operational focal point</b> endorsed the project?   | MY/DR 4/1/2013: Yes, with a total amount of \$6,090,600.  |  |
| <b>Resource Availability</b> | 3. Is the proposed Grant (including the Agency fee) within the <b>resources available</b> from (mark all that apply): |   |  |
|                              | <ul style="list-style-type: none"> <li>• the STAR allocation?</li> </ul>  | MY/DR 4/1/2013:<br><br>Ukraine has \$26,940,000 as a total amount of STAR allocation. As of April 1, 2013, if the country's OFP is no longer endorsing the GEFID 4758 Market Development for Sustainable Production and Use of Liquid Biofuels, it has utilized |  |

\*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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|                     |  | \$22,308,295. Therefore, the country has a reminder of \$6,850,050.  |  |
|                     | <ul style="list-style-type: none"> <li>the focal area allocation?</li> </ul>                       | <p>MY/DR 4/1/2013:<br/>The country has an amount of \$22,460,000 STAR allocation in climate change focal area. As of April 1, 2013, it has utilized \$16,368,807 in climate change, if the OFP is no longer endorsing the GEFID 4758 Market Development for Sustainable Production and Use of Liquid Biofuels. The country has a reminder of \$6,091,193 which is sufficient to cover the amount required in this project.</p> <p>Before moving this project forward, the GEF Secretariat may need to get a confirmation from the OFP of Ukraine showing that the country has really canceled the GEFID 4758 project.</p> <p>MY 4/10/2013:<br/>Cleared.<br/>The OFP sent an endorsement letter on February 8, 2013 for this project.</p> |  |
|                     | <ul style="list-style-type: none"> <li>the LDCF under the principle of equitable access</li> </ul> | MY/DR 4/1/2013:<br>Not applicable.   |  |
|                     | <ul style="list-style-type: none"> <li>the SCCF (Adaptation or Technology Transfer)?</li> </ul>    | MY/DR 4/1/2013:<br>Not applicable.   |  |
|                     | <ul style="list-style-type: none"> <li>the Nagoya Protocol Investment Fund</li> </ul>              | MY/DR 4/1/2013:<br>Not applicable.   |  |
| Strategic Alignment | 4. Is the project aligned with the focal area/multifocal areas/ LDCF/SCCF/NPIF <b>results</b>      | MY/DR 4/1/2013: Yes<br><br>With CCM-2: Promote market  |  |

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|                 | <p><b>framework and strategic objectives?</b><br/> <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>transformation for energy efficiency in industry and the building sector.</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>MY/DR 4/1/2013: No.</p> <p>It seems that paragraphs 20 and 21 are not really linked to NAPAS, NAPs, NBSAPs, national communications, TNAs, NCSAs, NIPs, PRSPs, NPFE, Biennial Update Reports.</p> <p>Please summarize the characterization of needs for energy access and energy efficiency in the National Communication and the NAMA. Please clarify the status of TNA and its energy efficiency reference.</p> <p>MY 4/10/2013:<br/>Cleared</p> |  |
|                 | <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/DR 4/1/2013: Not clear at this time.</p> <p>Please take into account possible amendment to legislation and policy on EE building in the future, although it does not happen today. On page 9, a table shows four components in baseline situation. Component 1 reads: "No amendment to new legislation on EE buildings to require energy passports and minimum energy performance standards for existing public buildings. No</p>               | <p>MY/DR 4/1/2013:<br/>N/A</p>                             |

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| Project Design  |  | <p>comprehensive inventory or database or energy monitoring and management system. No system of monitoring and enforcement." The above statement may be true in 2013 for Ukraine, but it might not be true for the country in 2015 or 2017 even without the GEF project.</p> <p>Please keep the following question in mind when designing the project baseline: "What will happen in the country without the GEF project in the next 10 years in terms of energy efficiency for the existing buildings?" At the time of CEO endorsement, please use the GEF/STAP methodology for energy efficiency projects to support the baseline analysis.</p> <p>MY 4/10/2013:<br/>Cleared</p> |  |
|                 | 7. Are the components, outcomes and outputs in the <b>project framework</b> (Table B) clear, sound and appropriately detailed? | <p>MY/DR 4/1/2013: Not really.</p> <p>a) Component 1. Based on the extensive project history in Ukraine, we expect this component to be much stronger and focus on clear regulatory and policy design, drafting, and adoption. This should be a core accomplishment of the project. Please clarify.</p> <p>b) Component 1.1. Please explain how the conduct of energy audits fit into component 1. It seems more logical for this to fit into component 3. Inclusion of policy/regulatory requirements for energy audits could be in this component (see comment on 4.4)</p> <p>c) Component 2. The description of</p>   |  |

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|                 |           | <p>financial instruments is quite limited. Please clarify. Also, please clarify if the financial incentive scheme is to be separate from the policy and regulatory actions. It would make sense that the policy development included a financial incentive or financing structure. Further, please explain the financial barriers to be addressed by the new mechanism and explain why the existing KfW/IFC credit line does not address this barrier.</p> <p>d) Component 3. The incrementality of GEF funding for these pilots is not clear, especially when \$42 million of co-financing is claimed. Please provide a much stronger rationale for the GEF alternative scenario and what differentiates the GEF pilots from the other investments. In general, we also expect clear explanation for why pilots are needed in Ukraine which has many extensive building projects underway. The comment on page 10 "Pilot projects that demonstrate international best practice with regards to energy-efficiency and passive buildings are unlikely to be implemented in the next five years. The problem is that without GEF support, it is highly unlikely that existing public buildings in Ukraine will receive attention with regard to new energy-efficiency investments" is difficult to reconcile with the \$55 million in claimed co-financing, most of which are pre-existing projects from bilateral agencies and UNDP that are working on the same topic areas. Please justify or drop component 3.</p> |  |

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|                 |   | <p>e) Bullet 3.4 in Table B, "walk through ..." may not be claimed as investment. It is a kind of training. In general, the GEF grant should not be used to finance a study tour. Please revise it and clarify and delineate TA versus INV spending.</p> <p>f) Component 4. GEF funding should not be used for international conferences. This should be from co-financing.</p> <p>g) Component 4.4. Approved national energy audit program appears to be a regulatory requirement. Should this activity be in component 1?</p> <p>MY 4/10/2013:<br/>Cleared</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/DR 4/1/2013: Not really at this time.</p> <p>The baseline assumption is based on static scenario. See comments in Box 6. The global environment benefits will likely be overestimated on the basis of this static assumption scenario.</p> <p>MY 4/10/2013:<br/>Cleared</p>  |  |
|                 | <p>9. Is there a clear description of:<br/>a) the <b>socio-economic benefits</b>, including gender dimensions, to be delivered by the project, and<br/>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</p>  | <p>MY/DR 4/1/2013:</p> <p>Please briefly indicate if this project is relevant to indigenous people.</p>  |  |

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|                 | engagement explained?  | MY 4/10/2013:<br>Cleared   |  |
|                 | 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)  | MY/DR 4/1/2013: Yes  |  |
|                 | 12. Is the <b>project consistent and properly coordinated</b> with other related initiatives in the country or in the region?  | MY/DR 4/1/2013: Yes  |  |
|                 | 13. Comment on the project's <b>innovative aspects, sustainability, and potential for scaling up.</b> <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> | MY/DR 4/1/2013: Not completed.<br><br>Innovative: Yes, since the financial schemes being proposed have not been done in the country before.<br><br>Sustainability and scaling up: Possibly Not. Please consider adding and significantly expanding the government regulations on the EE upgrading for existing buildings. It will be more sustainable.<br><br>Example:<br>To facilitate upgrading energy efficiency for existing buildings in Australia, the government enforced a regulation in the early 2000s: Existing buildings are not allowed to put on the market for sale, if they are not upgraded to comply with new energy efficiency standards and codes of the government.<br>Can the UNDP work with the government of Ukraine using the similar |  |

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|                   |  | <p>policy or regulation approach of the Australian government for the existing buildings? In this way, the government of Ukraine can issue "passports" to upgrade their existing buildings.</p> <p>MY 4/10/2013:<br/>Cleared</p>   |  |
|                   | <p>14. Is the project structure/design sufficiently close to what was presented at PIF, with clear justifications for changes?</p>   |  |  |
|                   | <p>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?</p>   |  |  |
| Project Financing | <p>16. Is the GEF funding and co-financing as indicated in Table B appropriate and adequate to achieve the expected outcomes and outputs?</p>  | <p>MY/DR 4/1/2013: Not clear at this time.</p> <p>In Table C on page 4, please split "Cash and in-kind" into "cash" and "in-kind", and put them in two different rows.</p> <p>MY 4/10/2013:<br/>Cleared</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?<br/><u>At CEO endorsement</u>: Has co-financing been confirmed?</p> | <p>MY/DR 4/1/2013: Not clear at this time</p> <p>a) The representation of co-financing raises some concern and needs clarifications. The co-financing appears to be a mixture of baseline co-financing and project co-financing for the GEF alternative scenario. Please distinguish between the two types of co-financing. b) It is unclear why the UNDP is recording \$18.5 million in cash as co-financing.</p> |  |



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|                 |   | <p>Please justify.</p> <p>c) Will EBRD be providing a confirmed co-financing letter for \$300,000? The breadth and size of co-financing as listed reduces the reasoning for incrementality of the GEF project. Please justify.</p> <p>d) The project claims a unique aspect of this project is component 2, innovative financing. But the private sector co-financing is listed as TBD. Please explain how private sector leveraging will be pursued and what target level will be aimed for. Please provide an estimate in the co-financing table.</p> <p>MY 4/10/2013:<br/>Cleared</p> |  |
|                 | <p>18. Is the funding level for <b>project management cost</b> appropriate?</p>   | <p>MY/DR 4/1/2013: No.</p> <p>The amount in Table A on page 1 and Table B on page 4 (\$274,000) should be \$260,300, 5% of \$5,206,000.</p> <p>MY 4/10/2013:<br/>Cleared</p>   |  |
|                 | <p>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?</p> | <p>MY 4/10/2013:<br/>Yes.</p>  |  |

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|                                   | 20. If there is a <b>non-grant instrument</b> in the project, is there a reasonable calendar of reflows included?            | MY/DR 4/1/2013: 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>MY/DR 4/1/2013: Not at this time.</p> <p>See comments in Boxes: 5, 6, 7, 8, 10, 13, 16, 17, and 18.</p> <p>The overall design appears to be a mixture of building-related efforts without a clear focus and not clearly distinguished from baseline and other projects. Please refine the PIF accordingly.</p> <p>MY 4/10/2013:<br/>All cleared</p> |  |
|                                   | 25. Items to consider at CEO endorsement/approval.   | <p>MY 4/12/2013:</p> <p>GHG emission reduction is approximately estimated at the PIF stage.</p>  |  |

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|   |   | The Agency confirmed to calculate emission reductions during the PPG phase with the methodology that was developed by STAP. |  |
| Recommendation at CEO Endorsement/ Approval | <b>26. Is CEO endorsement/approval being recommended?</b> |   |  |
|   | First review*   | April 01, 2013  |  |
| Review Date (s)                             | Additional review (as necessary)                          | April 12, 2013  |  |
|   | 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.**