PROJECT IDENTIFICATION FORM (PIF) [1]

PROJECT TYPE: Full-sized Project
TYPE OF TRUST FUND:GEF Trust Fund

PART I: PROJECT IDENTIFICATION

Project Title:	Arctic Environment Project (Financial Mechanism for Environmental Rehabilitation in Arctic)		
Country(ies):	Russian Federation	GEF Project ID:[2]	
GEF Agency(ies):	WB (select) (select)	GEF Agency Project ID:	P131289
Other Executing Partner(s):	Ministry of Economic Development, Russian Federation	Submission Date:	2012-04-18
GEF Focal Area (s):	Multi-focal Areas	Project Duration (Months)	60
Name of parent program (if applicable): ➢ For SFM/REDD+ ☐	Framework Programme "Arctic Agenda 2020"	Agency Fee ($):	495,413

A. FOCAL AREA STRATEGY FRAMEWORK[3]:

Focal Area Objectives	Expected FA Outcomes	Expected FA Outputs	Trust Fund	Indicative Grant Amount ($)	Indicative Co-financing ($)
CCM-2 (select)	Outcome 2.1: Appropriate policy, legal and regulatory frameworks adopted and enforced	Output 2.1: Energy efficiency policy and regulation in place	(select)	0	8,000,000
CCM-2 (select)	Outcome 2.2: Sustainable financing and delivery mechanisms established and operational	Output 2.2: Investment mobilized, Output 2.3: Energy savings achieved	GEFTF	2,869,525	45,000,000
CCM-3 (select)	Outcome 3.2: Investment in renewable energy technologies increased	Output 3.2: Renewable energy capacity installed	GEFTF	800,200	44,000,000
IW-2 (select)	Outcome 2.1: Implementation of agreed Starategic Action Programmes (SAPs) incorporates ecosystem-based approaches to management of LMEs, ICM principles, and policy/legal/institutional reforms into national/local plans	Output 2.1: National and local policy and legal reforms adopted and implemented; Functioning of national inter-ministry committee	(select)	0	8,000,000
IW-2 (select)	Outcome 2.3: Innovative solutions implemented for reduced pollution, rebuilding or protecting fish stocks with rights-based management, ICM, habitat restoration/conservation, and port management and produce measurable results	Output 2.3: Types of technologies and measures implemented in local demonstrations and investments	GEFTF	1,834,862	80,000,000
(select) CHEM-3	Outcome 3.1: Country capacity built to effectively manage chemicals of global concern and reduce risks	Output 3.1: Development and implementation of management plans for persistent toxic substances and other chemicals	(select)	0	30,000,000

[1] It is very important to consult the PIF preparation guidelines when completing this template.
[2] Project ID number will be assigned by GEFSEC.
[3] Refer to the reference attached on the Focal Area Results Framework when filling up the table in item A.

	related their productiona nd use	of global concern			
(select) (select)			(select)	0	
(select) (select)			(select)		
(select) (select)			(select)		
(select) (select)	Others		(select)		
		Sub-Total		5,504,587	215,000,000
		Project Management Cost[4]	(select)		15,000,000
		Total Project Cost		5,504,587	230,000,000

B. PROJECT FRAMEWORK

Project Objective: The proposed PDO is to improve Russia's environmental management systems to deal with growing environmental risks and pollutions in the Arctic Zone caused by climate change and increasing human activities.

Project Component	Grant Type	Expected Outcomes	Expected Outputs	Trust Fund	Indicative Grant Amount ($)	Indicative Cofinancing ($)
Capacity Building	TA	Strengthened environemntal management systems in Russia to deal with growing environemntal concerns in the Arctic, in terms of legal framework, institutional capacity and finacing mechanism.	(1) a new legal framework specifically catered towards addressing priority environmental issues in the Arctic as a platform for mitigating environmental risks; (2) new rules, regulations, guidelines and standards for environmental and infrastructure investments to increase resiliency against climate change and help prevent pollution of the fragile Arctic ecosystem; (3) capacity strengthening for public agencies (relevant government ministries, and regional and municipal authorities) and other stakeholders to prepare, implement, and monitor environmental projects in the Arctic; (4) establishment and operationalization of a new financial intermediary arrangement (Arctic Environment Fund).	(select)	0	25,000,000
Arctic Environment Fund	Inv	(1) Cleaner environment in the Arctic; (2) More climate resilient living conditions in the Arctic; (3) increased investments that reduce energy use; (4) GHG emissions avoided (tons of CO2 equivalent);	(1) construction, expansion, and rehabilitation of environmental infrastructure such as wastewater treatment facilities, waste management facilities, drainage facilities, and enhanced nutrient reduction plants; (2) energy	GEFTF	5,504,587	190,000,000

[4] GEF will finance management cost that is solely linked to GEF financing of the project. PMC should be charged proportionately to focal areas based on focal area project grant amount.

		and (5) reduction of transboundary transport of pollutants in Arctic water bodies.	efficiency/renewable energy investments; (3) clean-up operations and/or remediation of contaminated sites (this could possibly include chemicals, POPs, and even radiations)			
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
Sub-Total					5,504,587	215,000,000
Project Management Cost[5]				(select)	0	15,000,000
Total Project Costs					5,504,587	230,000,000

C. INDICATIVE CO-FINANCING FOR THE PROJECT BY SOURCE AND BY NAME IF AVAILABLE, ($)

Sources of Cofinancing	Name of Cofinancier	Type of Cofinancing	Amount ($)
GEF Agency	World Bank	Hard Loan	150,000,000
National Government	Federal and Regional Governments	Unknown at this stage	60,000,000
Private Sector	Private sector and other partners	Unknown at this stage	20,000,000
(select)		(select)	
(select)		(select)	
(select)		(select)	
(select)		(select)	
(select)		(select)	
(select)		(select)	
(select)		(select)	
Total Cofinancing			230,000,000

D. GEF/LDCF/SCCF/NPIF RESOURCES REQUESTED BY AGENCY, FOCAL AREA AND COUNTRY[1]

GEF Agency	Type of Trust Fund	Focal Area	Country Name/Global	Grant Amount (a)	Agency Fee (b)[2]	Total c=a+b
WB	GEFTF	Climate Change	Russian Federation	3,669,725	330,275	4,000,000
WB	GEFTF	International Waters	Russian Federation	1,834,862	165,138	2,000,000
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)(select)	(select)				0
(select)	(select)(select)	(select)				0
(select)	(select)(select)	(select)				0
(select)	(select)(select)	(select)				0
(select)	(select)(select)	(select)				0
(select)	(select)(select)	(select)				0

[5] Same as footnote #3.

Total Grant Resources	5,504,587	495,413	6,000,000

[1] In case of a single focal area, single country, single GEF Agency project, and single trust fund project, no need to provide information for this table

[2] Please indicate fees related to this project.

PART II: PROJECT JUSTIFICATION

A. DESCRIPTION OF THE CONSISTENCY OF THE PROJECT WITH:

A.1.1 the GEF focal area/LDCF/SCCF strategies /NPIF Initiative:

The project will strengthen Russia's environmental management systems to deal with growing environmental concerns in the Arctic through: (i) formulating appropriate legal frameworks; (ii) developing institutional capacities at national, regional, and local levels; and (iii) establishing a sustainable financing mechanism that will finance environmental investments. More specifically, the project aims to achieve the following global environmental benefits through TA and investments, which are consistent with the GEF 5 Focal Area Strategies. In particular, the project will:

- Reduce or avoid emission or release of green house gases from the Russian Arctic and neighboring areas (this will be achieved mainly through investments in energy efficiency and renewable energy technologies, which is consistent with Objectives 2 and 3 of the GEF Climate Change Focal Area);
- Prevent and abate pollution of the coastal and marine environments in the Russian Arctic (this will be achieved through supporting identified SAP priority activities, development of a new legal framework/institutional strengthening and investments in water treatment technologies that will reduce transboundary transport of pollutants, which is consistent with Objectives 2.1 and 2.2 of the GEF International Waters Focal Area); and
- Reduce or manage pollution from chemicals and other toxic substances of global concern in the Russian Arctic.

A.1.2. For projects funded from LDCF/SCCF: the LDCF/SCCF eligibility criteria and priorities:

N/A

A.1.3 For projects funded from NPIF, relevant eligibility criteria and priorities of the Fund:

N/A

A.2. national strategies and plans or reports and assessments under relevant conventions, if applicable, i.e. NAPAS, NAPs, NBSAPs, national communications, TNAs, NIPs, PRSPs, NPFE, etc.:

The project is consistent with the Russian Federation's national strategies and priorities. The Arctic environmental agenda is one of the top priorities of the Government of the Russian Federation (GORF). As a response to the growing environmental and climate risks in the Arctic Zone, GORF formulated and approved the Strategic Action Program for Protection of the Russian Arctic Environment (SAP-Arctic) in 2009. The SAP-Arctic describes the goals, priority activities, and targets for protecting the environment in the Arctic for the period up to 2020. The diagnostic analysis to formulate the SAP-Arctic identified more than 100 "hot-spots" in areas of intensive economic activities, mostly by resource-extractive industries. Often, these hot-spots are also areas with significant GHG emissions that offer climate mitigation opportunities.

GORF has also prepared a broad framework program to mainly implement the SAP-Arctic, which is called the Arctic Agenda 2020. The Arctic Agenda 2020 consists of

several projects, for which GORF seeks financing and support from different international agencies, including the World Bank. This project is one of the projects included in the Arctic Agenda 2020.

The project is also consistent with Russia's commitments to mitigate greenhouse gas emissions. The project responds to the analysis and recommendations of the Third National Communication of the Russian Federation to the UNFCCC. In addition, President Medvedev committed at the Copenhagen Climate Conference in late 2009 to cut emissions by 15 to 25% by 2020, as compared to 1990 emission levels.

B. PROJECT OVERVIEW:

B.1. Describe the baseline project and the problem that it seeks to address:

Due to the large-scale economic development and climate warming in recent decades, remote Arctic areas have become more accessible thus increasing human activities. This has led to more pressures on the pristine but fragile environment in the Arctic Zone of the Russia Federation (AZRF). For example, the Arctic is becoming polluted from local sources and due to trans-boundary pollutant transport. Pollution of the atmosphere, water bodies and soil with noxious substances from metallurgy, oil and gas production and transportation, unauthorized landfills of municipal and industrial waste presents a special hazard for the health of the Arctic environment and people in the zone.

In addition, the AZRF is facing serious challenges imposed by climate change, with some of the most significant threats being already evident: rising temperature, changes in the hydrological regimes and increased number of extreme weather events such as floods, anomalous heat, windstorms, forest fires, as well as melting of Arctic ice and permafrost. The rate of temperature rise in the Arctic is approximately twice as high as the global average (0.2 – 2.5 degrees Celsius since 1960's), which has a significant impact on the Arctic ice sheet, tundra and permafrost. The proposed project seeks to address these problems.

The proposed project development objective is to improve Russia's environmental management systems to deal with growing environmental risks and pollutions in the Arctic Zone caused by climate change and increasing human activities.

The project's key results will include: (1) an improved legal framework specifically designed to deal with environmental issues and climate impacts in the Arctic zone; (2) improved capacities of regional and municipal authorities in the Arctic Zone to manage environmental investments; (3) establishment and operationalization of a financial mechanism to finance critical environmental infrastructure and clean-up operations in the Arctic (tentatively called Arctic Environment Fund - AEF); and (4) priority environmental investments in the Arctic to be financed by the AEF.

The proposed project will mainly consist of two major components: Capacity Building and Arctic Environment Fund. The initial concept of these components is as follows:

Capacity Building: The proposed project will support various capacity building efforts to improve environmental management and reduce environmental risks in the AZRF. These will likely include: (1) formulating a new legal framework specifically catered towards addressing priority environmental issues in the Arctic as a platform for mitigating environmental risks; (2) preparing new rules, regulations, guidelines and standards for environmental and infrastructure investments to increase resiliency against climate change; (3) capacity strengthening for public agencies (relevant government ministries, and regional and municipal authorities) and other stakeholders to prepare, implement, and monitor environmental projects in AZRF; and (4) any technical assistance required for establishment and operationalization of a new financial intermediary arrangement (AEF).

Arctic Environment Fund: The proposed project would also finance an initial capital to the Arctic Environment Fund (AEF), which will provide much-needed financing to eligible borrowers (mainly, regional and municipal authorities in AZRF) for environmental investments and technical assistance. The AEF will mobilize financial resources for environmental clean-up and other environmental activities in AZRF, create fiscal discipline and financial accountability, and enhance transparency in priority setting and other decision making related to environmental investments in AZRF. The AEF could also act as a catalyst to form a partnership between private sector and regional/municipal authorities in the Arctic Zone. The Fund will operate on the basis of operational guidelines to be approved by GORF and will be fully integrated in the federal budget. The AEF will operate as a Government funded program and therefore the design efforts will focus on AEF sustainability, accountability, transparency and financing principles to ensure financing for sub-projects that generate significant public goods and measurable environmental improvements.

While details of the Fund's operation such as lending terms, eligibility criteria, project cycle, and business procedures will be determined after further analyses during project preparation, the key to the Fund's success will be its sustainability beyond the life of the project. In this context, the Fund will be a revolving fund, and it is also expected to incorporate private resources in terms of environmental fees and charges. This may require further analysis of the current levels of environmental fees and fines, enforcement and collection mechanisms, and the system of environmental public expenditures.

The AEF will likely be supervised by a Board consisting of representatives from relevant GORF ministries (such as the Ministry of Economic Development, the Ministry of Natural Resources and Ecology, and the Ministry of Finance), regional and municipal governments, and other stakeholders (such as indigenous people's organization and environmental NGOs). AEF's Board will be responsible for making /amending policies and approving sub-projects. AEF's operations will be supported by professional staff responsible for screening, analyzing, appraising, and monitoring the sub-projects. Also, the AEF management will be responsible for ensuring that environmental and social issues are properly managed under the sub-projects it finances. It can outsource the key functions such as appraisal, monitoring and evaluation, and audits to the external professionals. Details of AEF's organizational structure and its staffing, decision making process, and other institutional arrangements will be determined after further analyses during project preparation.

According to GORF, 16 priority environmental sub-projects had already been identified in the Arctic Zone and pre-investment studies were conducted. Some of these sub-projects will likely constitute an initial pipeline of AEF financing, and they include construction of wastewater treatment plants, modernization of waste management facilities, and clean-up activities for contaminated mining sites with the total cost estimate of about US$ 135 million. During project preparation, these pre-investment studies will be further reviewed and screened, and engineering designs will be prepared for viable sub-projects.

While the types of sub-projects to be financed by the AEF will be determined and finalized during project preparation, the current broad list includes: (1) environmental infrastructure such as wastewater treatment facilities, waste management facilities, and drainage facilities (this could include new investments as well as upgrading); (2) energy efficiency/renewable energy investments; (3) clean-up operations and/or remediation of contaminated sites (this could include chemicals, POPs, and even radiation). It is important to gradually scale-up the Fund's operations to build its capacity over time. For that, the project should limit the number of sub-projects and the variety of eligible sectors to a manageable level, especially in the first years of the Fund operations.

B. 2. incremental /Additional cost reasoning: describe the incremental (GEF Trust Fund/NPIF) or additional (LDCF/SCCF) activities requested for GEF/LDCF/SCCF/NPIF financing and the associated global environmental benefits (GEF Trust Fund/NPIF) or associated adaptation benefits (LDCF/SCCF) to be delivered by the project:

The GEF financing will play a critical role in shaping the Fund's establishment and future scale up. The GEF financing will allow AEF to create a pipeline of sub-projects and it will help the nascent AEF provide investment funds for environmental infrastructure, energy efficiency, and renewable energy investments during the first years of the Fund operations. AEF will have two designated GEF windows (one for climate change mitigation and the other for international waters) which specifically provide loans and partial grants for pilot and demonstration purposes. While details of lending terms will be determined during project preparation, GEF Funds on-lent for sub-projects will be returned to the AEF and will remain in the AEF for financing future sub-projects. The AEF will continue to manage revolving funds. The Fund's early pilot and demonstration activities are expected to build demand for a more environmentally sustainable AEF investment program. These investments will be carefully selected in accordance with criteria agreed by the Fund's Board. In addition, an investment financing mechanism of this type is expected to help demonstrate the feasibility of these environmental investments, their market potential, as well as increase acceptance of this financing mechanism in Russia. Following these pilot investment efforts, IBRD resources would help build on the lessons learned from GEF-supported investments, supporting further investments in the project's later years.

Eligible Projects. Eligible projects will include the following: (i) energy efficiency retrofits in public buildings, such as schools and hospitals; (ii) methane capture and utilization for heat or power generation, especially from liquid waste or landfill gas; (iii) renewable energy for power and heat generation, especially the use of biomass for independent boilers feeding into heating networks; and (iv) wastewater collection, treatment and disposal systems. AEF's business

process including budgeting and auditing procedures, which will be developed during project preparation, will ensure that only eligible activities will be financed out of each window of the AEF. Further, these activities will be chosen based on their impact, priority, and leverage.

Financing terms as well as projects will be determined during project preparation.

Incremental benefits. GEF support will be critical to help establish a viable financing and implementation mechanism that can be tested in the Russian market, refined based on early implementation experiences, and institutionalized to be later scaled up with commercial financing. The IBRD loan will allow these early experiences to be gained on a more commercial basis and create a critical mass of successful investments to allow for broader replication. Without GEF involvement aimed at bring down the barriers and creating the investment enabling environment, these critical investments aimed at protecting the fragile environment of the AZRF would be delayed, resulting in a significant loss in global climate change mitigation opportunities.

The project will generate significant global environmental benefits. Conservatively, the project will catalyze approximately US$45 million of investments in EE projects. A World Bank Energy Efficiency study estimated that US$1 million invested in EE could result in savings of about 920 toe and reductions of GHG emissions by 2,500 tons of CO2e a year. Therefore, the joint IBRD/GEF project will lead to a reduction in GHG emissions by more than 110,000 tons of CO2e per year. Over ten years of project energy efficient equipment lifetime, the project would therefore result in a reduction of 1.1 m tonnes CO2e over the lifetime of the project.

Similarly, the project will catalyze approximately US$40 million of investments in RE projects. Three quarters ($30m) of this amount is anticipated to be devoted to biomass heat facilities at a cost of $500/kWh and one quarter ($10m) would be invested in biomass electricity generation facilities costing $1500/kWh. All biomass facilities are assumed to have a lifetime of 20 years (15 years operation after completion of the project) and to operate for 4500 hours/year. Russia's system-wide GHG emission intensity was estimated in 2009 as 341 g/kWh. The biomass heat units would therefore result in lifetime emissions reductions of 1.38 million tonnes of CO2eq and the biomass electricity units would therefore result in lifetime emissions reductions of 153 thousand tonnes of CO2eq. Combined, the renewable energy investment would yield emission reductions of 1.51 m tonnes of CO2eq.

When combined with the energy efficiency investments, the total combined emissions of GHG avoided comes to 2.61 m tonnes of CO2equivalent. From the perspective of the GEF contribution of $3.5 million, this works out to slightly more than US$1.4 per tonnes of CO2eq.

In addition, investments in wastewater treatment and collection will reduce BOD and nutrient discharge into water bodies in the Arctic, ultimately improving water quality as well as delivering positive impacts on fish populations in the Arctic marine environment. The project will catalyze about US$ 80 million of such investments and will result in the reduction of approximately 2,800 tons of BOD discharge and 600 tons of nutrient discharge per year after the initial five years of AEF operations. These estimates are based on three pre-investment studies for wastewater investments. As the yield of methane from wastewater streams in cold weather environments is not well-understood, no estimate of GHG emissions avoided from the methane captured by these plants is included. However, this, and all of the estimated GHG emission reductions estimates, will be revisited during project preparation.

B.3. Describe the socioeconomic benefits to be delivered by the Project at the national and local levels, including consideration of gender dimensions, and how these will support the achievement of global environment benefits (GEF Trust Fund/NPIF) or adaptation benefits (LDCF/SCCF). As a background information, read Mainstreaming Gender at the GEF.":

The project will be linked directly with the Russian Arctic regional benefits, particularly through transfer of knowledge, skill development, application and replication of best practices, enhancement and protection of environmental conditions for economic well-being of Arctic peoples, and addressing threats to environmental and human health.

The proposed project will directly and indirectly contribute to the achievement of regional and local environment benefits. It will help organize partnerships of stakeholders, particularly with the private sector, for promotion and facilitation of investments to rehabilitate or address environmental "hot spots" and introduce good practices and technologies for energy efficiency and renewable energy.

Indigenous peoples and their organizations in the Russian North will actively participate in the project. It is expected that the local communities, particularly indigenous communities, will be key stakeholders in sub-project preparation and implementation to be financed through AEF. The project will equip these stakeholders with information, tools, policy and institutional options to assure consideration of their environmental and socio-economic concerns into project decisions.

While the project will encourage participation of both men and women in project activities, some of the sub-projects to be financed through AEF may target women as the main beneficiaries of local environmental and socio-economic benefits generated by such sub-projects, through direct engagement of women in the environmental management activities proposed in this project.

B.4 Indicate risks, including climate change risks that might prevent the project objectives from being achieved, and if possible, propose measures that address these risks to be further developed during the project design:

The project's key risks include sustainability of the AEF operations unless recovery of funds and replenishment are ensured. This risk will be mitigated by establishing appropriate eligibility criteria, lending terms, and appraisal procedures of the AEF and by providing AEF staff with technical assistance to help implement these operational rules and procedures. Also, an appropriate mechanism will be designed to incorporate private resources into the AEF in the form of environmental fees and charges.

Another risk includes the limited capacity of regional and municipal authorities in the Arctic Zone to prepare, implement and monitor the sub-projects that AEF finances, including procurement, financial management and safeguard aspects (selection of appropriate environmental technology, participation of and consultation with indigenous people in sub-project preparation and implementation, etc.). TA will target these authorities, and AEF's appraisal and monitoring capacity will be developed. Particularly for the safeguard risks, an Environmental and Social Framework (ESF) will be prepared and applied to sub-projects to be financed by the AEF. The ESF will describe environmental and social requirements and processes for sub-projects such as screening,

stakeholder consultation, preparation of assessment reports, monitoring activities, etc., depending on the types of sub-projects. The AEF board will approve the only sub-projects that successfully meet the ESF requirements, and the AEF management is responsible for ensuring the ESF implementation and monitoring. The World Bank team will also monitor the implementation of safeguard aspects during supervision based on a risk-based approach.

Given that these sub-projects will be implemented in the remote Arctic areas, there is a certain risk that it might be too difficult for the Bank to undertake an adequate level of supervision and monitoring. Also, the severe winters in these areas might negatively affect the implementation schedule of the construction and clean-up operations. It is important that supervision is carefully planned according to the operational risks of each sub-project, and implementation plans should appropriately take into consideration the limited length of construction seasons.

B.5. Identify key stakeholders involved in the project including the private sector, civil society organizations, local and indigenous communities, and their respective roles, as applicable:

The key stakeholders involved in the project are identified as follows:

- National government: Ministry of Economic Development, Ministry of Natural Resources and Ecology, Ministry of Regional Development, Roshydromet - The Ministry of Economic Development (MED) and the Ministry of Natural Resources and Ecology (MNRE) will be the principal national counterparts of the project. The MED will coordinate project preparation and implementation, and will also be responsible for establishment of the Arctic Environmental Fund and for elaboration of methodological and regulatory provisions of the public-private partnerships. MNRE will be responsible for the introduction of harmonized environmental legislation and institutional and management mechanisms/structures.
- Regional administrations: Oblasts and other regional administrative units, of which geographic coverage are wholly or partly included in the Arctic Zone of the Russian Federation. They will be involved in preparation and implementation of sub-projects to be funded through AEF. They are also the primary target of the capacity building activities under the project.
- Non-Governmental Organizations and Indigenous Peoples' Organizations: RAIPON, Northern Forum. RAIPON and other indigenous people's organizations will play an active role in the implementation of the sub-project activities that are relevant to indigenous people.
- International/UN organisations: United Nations Environment Programme is the coordination agency for the framework program called the Arctic Agenda 2020. The project will also coordinate with other GEF agencies particpating in the Arctic Agenda 2020 such as UNDP and EBRD.
- Private Sector: The project will explore the public private partnerships for addressing pollution management in the Arctic areas, but the specific format of the partnerships will be determined later.

B.6. Outline the coordination with other related initiatives:

This project is part of the broader framework program "Arctic Agenda 2020," with UNEP designated as the GEF Programme Coordination Agency for purposes of coordinating GEF agencies with the national counterparts. UNEP will carry out the tasks of the GEF Programme Coordination Agency as defined in GEF/C.38/5/Rev.1. Within Russia, the Ministry of

Economic Development (MED) in cooperation with the Ministry of Natural Resources and Ecology (MNBRE) will coordinate activities of Russian institutions participating in the project and delivery of expected outputs. The MED will be tasked to convene and chair the Inter-Agency Working Group to be supported by the Program Coordination Agency for the successful delivery of all program components and achievement of program goals.

Among the proposed projects under the Arctic Agenda 2020, this project has the most synergies with the EBRD-supported Energy Efficient and Renewable Energy in the Arctic Project. EBRD will finance sub-projects with a more commercial nature while this project will finance non-commercial environment sub-projects through AEF. These will include EE improvements and RE installments at government buildings, schools, hospitals, community halls, etc. and also EE improvements in public infrastructure such as water supply and sewerage systems. Close coordination is being ensured to maximize the synergies between the two projects.

C. DESCRIBE THE GEF AGENCY'S COMPARATIVE ADVANTAGE TO IMPLEMENT THIS PROJECT:

The proposed project is an investment operation and is consistent with the comparative advantage of the World Bank as stipulated in the Comparative Advantage matrix. The World Bank has substantial experience in implementing environmental improvement projects globally, including energy efficiency, renewable energy and wastewater treatment projects, and is a leading international financial institution in a number of sectors related to the GEF's focal areas. The Bank's comparative advantage also lies in its strong operational capacity, which is built on fiduciary standards, environmental and social safeguards, and portfolio quality assurance and monitoring system.

Moreover, energy efficiency is identified as a strategic target and direction under the World Bank energy strategy and support program to developing economies. In Russia, the World Bank produced in 2008 the "*Energy Efficiency in Russia: Untapped Reserves*" report, which became a reference for policy makers and other stakeholders, and has been leading a policy dialogue with the government authorities since that time.

The World Bank Group has had a strong presence in Russia on renewable energy, including: (i) the Sustainable Energy Finance Program implemented by IFC; and (ii) the Renewable Energy Project prepared by the World Bank and implemented by IFC. This project will be built on the experiences of these projects.

The World Bank also has a strong commitment to the improved management of transboundary water systems. The Bank, along with UNDP and UNEP, has been a major international partner in a number of regional seas programs in the Europe and Central Asia region, mostly supported by the Global Environment Facility (GEF). These programs have been instrumental in bringing riparian countries together with international partners, with the aim of preserving the environmental and hence economic features of each sea.

C.1 Indicate the co-financing amount the GEF agency is bringing to the project:

Discussions are ongoing between the World Bank, Ministry of Economic Development and Ministry of Finance regarding the IBRD loan co-financing amount for this project. A loan amount of approximately US$100 million to US$150 million has been indicated.

C.2 How does the project fit into the GEF agency's program (reflected in documents such as UNDAF, CAS, etc.) and staff capacity in the country to follow up project implementation:

The newest Country Partnership Strategy (CPS) for Russia (2012 -2016) has three strategic

themes. The proposed project is consistent with one of the country outcomes, "*Improved management of environmental risks and natural resources*", under the first theme of "*Increasing Growth with Diversification*." The project is also consistent with the third CPS theme of "*Deepening Russia's Global Role*," as protecting the Arctic environment is certainly a global public good.

Project implementation will be supported by a skilled and experienced World Bank team that is based in the Bank's Moscow Office, supplemented with environmental and pollution management specialists from Headquarters in Washington, DC. This Moscow team includes a Country Sector Coordination, Natural Resource Management Specialist, Financial Management Specialist, Procurement Specialist, and Operations Officer. The team's proximity to the client will help to ensure continuous project supervision and to address any issues that may arise expediently.

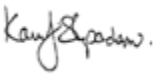
PART III: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT(S) AND GEF AGENCY(IES)

A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S): (Please attach the Operational Focal Point endorsement letter(s) with this template. For SGP, use this OFP endorsement letter).

NAME	POSITION	MINISTRY	DATE *(MM/dd/yyyy)*
Rinat Gizatulin	Deputy Minister	MINISTRY OF ENVIRONMENT AND NATURAL RESOURCES	**04/13/2012**

B. GEF AGENCY(IES) CERTIFICATION

This request has been prepared in accordance with GEF/LDCF/SCCF/NPIF policies and procedures and meets the GEF/LDCF/SCCF/NPIF criteria for project identification and preparation.

Agency Coordinator, Agency name	Signature	DATE *(MM/dd/yyyy)*	Project Contact Person	Telephone	Email Address
Karin Shepardson, GEF Executive Coordinator, ENVGC, World Bank		April 18, 2012	Angela Armstrong, GEF Regional Coordinator	202-458-0975	aarmstrong@worldbank.org
			Toshiaki Keicho, Project Team Leader	202-458-7896	tkeicho@worldbank.org