Terminal Evaluation Review form, GEF Evaluation Office, APR 2014

1. Project Data

Summary project data			
GEF project ID		70	
GEF Agency project ID		8799	
GEF Replenishment Phase		Pilot Phase	
Lead GEF Agency (include all for joint projects)		World Bank	
Project name		Greenhouse Gas Reduction Project	
Country/Countries		Russian Federation	
Region		ECA	
Focal area		Climate Change	
Operational Program or Strategic Priorities/Objectives		Short-Term Response Measures (STRM)	
Executing agencies involved		Russian Energy Saving Foundation, Ministry of Fuels and Energy (MoFE); JSC Gazprom	
NGOs/CBOs involvement		N/A	
Private sector involvement		Lead executing agency/One of the beneficiaries (JSC Gazprom)	
CEO Endorsement (FSP) /Approval date (MSP)		12/19/1995	
Effectiveness date / project start		12/12/1996	
Expected date of project completion (at start)		06/30/1999	
Actual date of project completion		06/30/1999	
Project Financing			
		At Endorsement (US $M)	**At Completion (US $M)**
Project Preparation Grant	GEF funding		
	Co-financing		
GEF Project Grant		3.200	0.531
Co-financing	IA own		
	Government	0.500	0.028
	Other multi- /bi-laterals		
	Private sector		
	NGOs/CSOs		
Total GEF funding		3.200	0.531
Total Co-financing		0.500	0.028
Total project funding (GEF grant(s) + co-financing)		3.700	0.0559
Terminal evaluation/review information			
TE completion date		09/18/2000	
TE submission date		09/18/2000	
Author of TE		N/A	
TER completion date		10/28/2014	
TER prepared by		Sean Nelson	
TER peer review by (if GEF EO review)		Joshua Schneck	

2. Summary of Project Ratings

Criteria	Final PIR	IA Terminal Evaluation	IA Evaluation Office Review	GEF EO Review
Project Outcomes	N/R	U	MU	MU
Sustainability of Outcomes	N/R	L	L	L
M&E Design	N/R	N/R	N/R	MU
M&E Implementation	N/R	N/R	N/R	U/A
Quality of Implementation	N/R	S	S	MU
Quality of Execution	N/R	U	U	MU
Quality of the Terminal Evaluation Report	-	-	S	MU

3. Project Objectives

3.1 Global Environmental Objectives of the project:

According to the Project Document (PD), the project had 2 GEOs: 1) to measure the amount of methane released by the Russian natural gas industry and identify projects to reduce this amount and 2) to measure the amount of CO2 released by the Russian natural gas industry and identify projects to reduce this amount. At the time, the Russian Federation was one of the world's biggest GHG emitters. Its energy intensity was between 3 to 12 times higher than OECD nations. In addition, the Russian Federation was also the world's biggest natural gas supplier and the global natural gas industry's largest source of methane emissions.

3.2 Development Objectives of the project:

As stated in the PD, the DO is to "identify and prioritize investments and changes in procedures in the natural gas supply and utilization systems," which was to lead to "a cost-effective GHG mitigation program" (PD, p. 2). The program was made up of the following components:

1) **Reduction of GHG Emissions from the Producing/Processing System:** Identify sources of GHG emissions, quantify the amount of emissions from these sources. Methane from the natural gas sector would be a particular focus.

2) **Reduction of GHG Emissions from the Transmission System:** Quantify the amount of methane and CO2 leakage from mainlines.

3) **Reduction of GHG Emissions from the Distribution Network:** Identify methane losses in the natural gas distribution network, including how to prevent these losses.

4) **Reduction of GHG Emissions from Gas Utilization:** Identify and quantify the major sources of GHG emissions in the industrial sector, the electricity sector and the residential sector. Prescribe energy efficiency measures to ameliorate this problem.

5) **Evaluation and Prioritization of the Proposed Natural Gas Investment Project:** Identify projects and new construction processes that would allow the Russian Federation to lower its GHG emissions.

3.3 Were there any **changes** in the Global Environmental Objectives, Development Objectives, or other activities during implementation?

There are **no** changes to the GEOs and the DOs mentioned in the TE.

4. GEF EO assessment of Outcomes and Sustainability

Please refer to the GEF Terminal Evaluation Review Guidelines for detail on the criteria for ratings.

Relevance can receive either a Satisfactory or Unsatisfactory rating. For Effectiveness and Cost efficiency, a six point rating scale is used (Highly Satisfactory to Highly Unsatisfactory), or Unable to Assess. Sustainability ratings are assessed on a four-point scale: Likely=no or negligible risk; Moderately Likely=low risk; Moderately Unlikely=substantial risks; Unlikely=high risk. In assessing a Sustainability rating please note if, and to what degree, sustainability of project outcomes is threatened by financial, sociopolitical, institutional/governance, or environmental factors.

Please justify ratings in the space below each box.

4.1 **Relevance**	Rating: **Satisfactory**

This project was relevant to the GEF under Short-Term Response Measures (STRM) to fight climate change. The project was relevant to the GEF under Climate Change Short-Term Response Measures. The project was linked to the World Bank's Russia Energy Efficiency Project (EEP). On the local level, this project also complemented the Environmental Management Project in Volgograd.

While the Russian Supreme Soviet had passed new environmental legislation in the latter days of the Soviet Union, the recent change in regimes had left environmental protection in the Russian Federation lacking. This project would help fill the gaps in environmental data collection, which could help lead to both greater environmental protection and enforcement.

4.2 **Effectiveness**	Rating: **Moderately Unsatisfactory**

Note: The TE neither directly nor systematically addresses the 5 project components described in section 3.2 of this document. Instead, the TE breaks the project down into a PTD Component (Production, Transmission and Distribution) and a Utilization Component. The TE does not address why it uses this different framework from the PD. The PTD Component was made up of the first 3 project components in the PD and made up the bulk of the project. The beneficiary was Gazprom. The

Utilization Component was made up of the last 2 project components in the PD. The beneficiary was the Ministry of Fuel and Energy (MoFE).

While the TE rates the project's effectiveness as "Unsatisfactory," this TER rates it as "Moderately Unsatisfactory" due to the overall success of the Utilization Component.

Summary: The project only achieved goals under the Utilization Component, which identified 19 projects that together could mitigate 1.28 million metric tons of CO2 annually. However, not all of these projects were active or feasible as of the TE's writing. Seminars and customer surveys were also carried out. The PTD Component, which originally made up ¾ of the project's estimated costs at appraisal, was never executed.

PTD Component: **Unsatisfactory**

This component was not executed. This was due to JSC Gazekrom's poor management, planning and coordination. Gazprom originally created Gazekrom as the implementing agency to carry out the PTD Component. The PTD Component originally made up ¾ of the project's estimated costs at appraisal.

Utilization Component: **Satisfactory**

The project analyzed 19 proposed projects that would lower Russian Federation GHG emissions by an estimated 1.28 million metric tons of CO2 per year. These projects were all region- or city-focused. The EEP was already supporting programs in Ryazan, Semenov, Archangelsk, Kaliningrad and the Saratov region, which were expected to collectively reduce CO2 emissions by 290,000 metric tons per year. Proposed projects in Tobolsk, Samara and the Rostov region that would have mitigated 190,000 metric tons of CO2 annually received EEP approval and were going to be executed, but local governments withdrew after failing to come up with the required co-financing. The project also reviewed energy efficiency projects in Gorodets, Omsk, Cherepovetz and the Kaluga region for possible EEP support. In addition, the project prepared potential programs for Vladimir, Moscow, St.Petersburg, Appatity, Ufa, Onega and Petropavlovsk-Kamchatsky. These proposals were currently under World Bank consideration. Field measurements were taken in Ryazan, Semenov, Archangelsk and Kaliningrad.

The project also supported seminars in Rostov-on- Don and Kaliningrad. These seminars covered measuring GHG emissions from industry and thermal processes. Customer surveys were carried out and analyzed for customers of a heating company, 24 industrial businesses, 7 thermal power plants and 2 heat and power plants. Each of these companies' GHG emissions was quantified. The project also analyzed possible energy efficiency measures for each of these sources. The customers surveyed were in both the residential and commercial sectors. This survey's results were reported to the Russian Federation government. Last of all, the project also shared with the Russian government its recommendations regarding improving gas utilization facilities.

4.3 **Efficiency**	Rating: **Unsatisfactory**

Summary: The project ran into multiple delays, especially regarding Gazekrom. This helped lead to the PTD Component's cancellation. The project also saw some improper financial management, though few details are given over what exactly happened.

Management and Financial Issues: Gazekrom was insufficiently staffed and lacking in counterpart funds to ever become operational. According to the TE, the executing agencies failed to create "administrative and financial management capacity agreed at appraisal" (TE, p. 11). An audit uncovered that US$66,000 of "ineligible expenditures" (TE, p. 5) were paid out of the project's Special Account. (The TE does not specify what these expenditures entailed.) The Ministry of Finance paid the amount back to the World Bank.

Delays: Poor coordination between MoFE, Gazprom and other federal agencies led to delays executing the PTD Component, which led to its closure. In particular, poor coordination between MoFE, Gazprom and Gazekrom appears to have caused the PTD Component's cancellation. Gazekrom's poor management of the Special Account used for project disbursement led to slow disbursement of the Utilization Component. The executing agency that MoFE created – JSC Investenergoeffect – also saw disbursement delays in April 1999. This was because project staff realized that Investenergoeffect's legal documents did not actually provide for funding of operating costs. After negotiations, EEP provided a retroactive loan to cover operating costs.

4.4 **Sustainability**	Rating: **Likely**

Note: The TE's Sustainability rating of "Likely" is only for the Utilization Component. For the purposes of this TER, the Financial, Institutional and Sociopolitical ratings below are only for the Utilization Component since this was the only component that achieved results.

Summary: The World Bank and the Russian government, especially MoFE, had pledged to support future projects this project had identified. As a result, the project outcomes were likely sustainable.

Risks to the sustainability of project outcomes is further assessed along the following 4 risk dimensions:

Environmental: **Unable to Assess**

The TE does not include information on environmental risks to project sustainability.

Sociopolitical: **Unable to Assess**

Though the TE claims that "the project, through its completed analytical part, contributed to a legislative and regulatory capacity-building effort of the government to support the development of GHG mitigation strategies for Russia," (TE, p. 7) the TE provides few details to assess sociopolitical risks to project sustainability. While several pieces of energy efficiency and environmental legislation had been passed at the national and local level, the TE does not assess if these new laws actually helped or hindered project sustainability.

Institutional: **Likely**

The MoFE had taken control of project mobile laboratories in order to take additional measurements. A work plan was being written as of the TE's release. The Russian government was also taking steps to integrate Investenergoeffect's institutional capacity into its regular operations.

Financial: **Likely**

Several proposed and analyzed projects were either receiving or set to receive World Bank funding through the EEP. The proposed Russia Municipal Heating Project would also build off of project work.

5. Processes and factors affecting attainment of project outcomes

5.1 Co-financing. To what extent was the reported co-financing essential to the achievement of GEF objectives? If there was a difference in the level of expected co-financing and actual co-financing, then what were the reasons for it? Did the extent of materialization of co-financing affect project's outcomes and/or sustainability? If so, in what ways and through what causal linkages?

Gazprom did not deliver on its promised co-financing. The amount promised is unclear because the PD combined this project's project financing with EEP financing in its accounting tables. The TE states that "in the project documentation, including the legal document, the implementation and co-financing arrangements were not laid out in sufficient detail and, eventually, Gazprom did not follow the agreement reached during appraisal" (TE, p. 5). Gazprom's failure to provide adequate co-financing led to Gazekrom's failure, which led to the failure of the PTD Component.

The TE combines government financing with Gazprom financing in its financial tables even though Gazprom underwent privatization during the project. As a result, the TE does not directly state the exact amount Gazprom promised and/or delivered.

5.2 Project extensions and/or delays. If there were delays in project implementation and completion, then what were the reasons for it? Did the delay affect the project's outcomes and/or sustainability? If so, in what ways and through what causal linkages?

Poor coordination between MoFE, Gazprom and other federal agencies led to delays executing the PTD Component, which led to its closure. In particular, poor coordination between MoFE, Gazprom and Gazekrom appears to have caused the PTD Component's cancellation. Gazekrom's poor management of the Special Account used for project disbursement led to slow disbursement of the Utilization Component. Investenergoeffect also saw disbursement delays in April 1999. This was because project staff realized that Investenergoeffect's legal documents did not actually provide for funding of operating costs. After negotiations, EEP provided a retroactive loan to cover operating costs.

The MoFE hoped to expand the project to also cover natural gas flaring due to oil extraction. They also wanted to create an energy sector environmental monitoring system. Their proposal called for extending the project closing date to December 31, 2000. However, the Bank decided against the project extension when an audit uncovered US$66,000 in misspent funds.

5.3 Country ownership. Assess the extent to which country ownership has affected project outcomes and sustainability? Describe the ways in which it affected outcomes and sustainability, highlighting the causal links:

The MoFE, especially through Investenergoeffect, carried out the Utilization Component satisfactorily, which demonstrates a high degree of MoFE project ownership. However, Gazprom failed to deliver on its support for the PTD Component on nearly every level. In addition, Utilization Component sustainability was based more on World Bank support than on Russian partners' actions.

6. Assessment of project's Monitoring and Evaluation system

Ratings are assessed on a six point scale: Highly Satisfactory=no shortcomings in this M&E component; Satisfactory=minor shortcomings in this M&E component; Moderately Satisfactory=moderate shortcomings in this M&E component; Moderately Unsatisfactory=significant shortcomings in this M&E component; Unsatisfactory=major shortcomings in this M&E component; Highly Unsatisfactory=there were no project M&E systems.

Please justify ratings in the space below each box.

6.1 **M&E Design at entry**	Rating: **Moderately Unsatisfactory**

While the PD did include a "Proposed Supervision Program" in Schedule C of the document, it did not include a Mid-Term Review (MTR) in this schedule. The PD only includes scant discussion of M&E. The PD also lacks a dedicated M&E budget. The indicators were sometimes SMART, but not consistently so. For instance, the PD says that for the Reduction of GHG Emissions from the Distribution Network Component, "based on the data obtained, current and future GHG emissions would be estimated" (PD, Annex p. 5 of 13). However, no time horizon or method of calculating GHG emissions is provided.

6.2 **M&E Implementation**	Rating: **Unable to Assess**

It is unclear from the TE if the MTR was ever conducted. The MTR submission date fields on page 1 of the TE are left blank. The TE is too vague on the "Supervision" sections to determine the degree to which M&E activities took place, and the quality of M&E outputs and processes.

7. Assessment of project implementation and execution

Quality of Implementation includes the quality of project design, as well as the quality of supervision and assistance provided by implementing agency(s) to execution agencies throughout project implementation. Quality of Execution covers the effectiveness of the executing agency(s) in performing its roles and responsibilities. In both instances, the focus is upon factors that are largely within the control of the respective implementing and executing agency(s). A six point rating scale is used (Highly Satisfactory to Highly Unsatisfactory), or Unable to Assess.

Please justify ratings in the space below each box.

7.1 **Quality of Project Implementation**	Rating: **Moderately Unsatisfactory**

Note: While the TE rated World Bank project implementation as "Satisfactory," this document rates it as "Moderately Unsatisfactory" due to major project design flaws, especially regarding the PTD Component and Gazprom's responsibilities.

The project design failed to provide a framework to ensure any work whatsoever on the PTD Component would ever be conducted. The project design and the legal documents were vague regarding Gazprom's responsibilities, which made it easy for Gazprom to renege on its commitments. This led to the failure of the PTD Component, which represented ¾ of all planned project spending. In addition, the World Bank "overestimated the Recipient's implementation capacity and the capacity of MoFE to effectively cooperate with Gazprom at the project level" (TE, p. 9). The project design failed to ensure a representative of the Ministry of Finance was on the Coordinating Committee. The Ministry of Finance was the World Bank's main governmental partner in the Russian Federation at the time. The lack of a Ministry of Finance voice on the Coordinating Committee weakened World Bank leverage over project execution. In addition, the M&E design was lacking.

As for supervision, an audit did discover misspent project funds. Catching this issue represents good project oversight. After the World Bank received a poor rating for this project under the Country Portfolio Performance Review (CPPR), the Bank adapted to improve its performance. (The TE is vague on what the World Bank exactly did to adapt. The TE also fails to mention if the World Bank or IEG wrote this CPPR.)

7.2 **Quality of Project Execution**	Rating: **Moderately Unsatisfactory**

According to the TE, "no formal agreement between MoFE and Gazprom was put in place [at entry] to secure coverage of expenses related to the PIU [Project Implementation Unit], works in the field, and the co-financing of procurement" (TE, p. 5). Gazekrom was insufficiently staffed and lacking in counterpart funds to become operational. The misuse of World Bank funds from the Special Account is of particular concern, especially since this was not reported directly to the World Bank, but only discovered through a World Bank audit. The Coordinating Committee was also ineffective during project execution.

On the plus side, the 1998 financial crisis appears to have not affected the project's outcomes. Work was carried satisfactorily for the Utilization Component.

8. Assessment of Project Impacts

Note - In instances where information on any impact related topic is not provided in the terminal evaluations, the reviewer should indicate in the relevant sections below that this is indeed the case and identify the information gaps. When providing information on topics related to impact, please cite the page number of the terminal evaluation from where the information is sourced.

8.1 Environmental Change. Describe the changes in environmental stress and environmental status that occurred by the end of the project. Include both quantitative and qualitative changes documented, sources of information for these changes, and how project activities contributed to or hindered these changes. Also include how contextual factors have contributed to or hindered these changes.

The TE notes no environmental changes due to the project as of the TE's writing. EEP projects assessed under this project that were currently active were expected to mitigate 290,000 metric tons of CO2 annually (TE, p. 6). However, it is not clear from the TE what mitigation levels, if any, had already been achieved.

8.2 Socioeconomic change. Describe any changes in human well-being (income, education, health, community relationships, etc.) that occurred by the end of the project. Include both quantitative and qualitative changes documented, sources of information for these changes, and how project activities contributed to or hindered these changes. Also include how contextual factors have contributed to or hindered these changes.

The project evaluated potential World Bank projects that would require a total of US$115.6 million in financing. Of these projects, EEP was providing US$26.79 million in funding for active projects in Ryazan, Semenov, Archangelsk, Kaliningrad and the Saratov region (TE, p. 6).

8.3 Capacity and governance changes. Describe notable changes in capacities and governance that can lead to large-scale action (both mass and legislative) bringing about positive environmental change. "Capacities" include awareness, knowledge, skills, infrastructure, and environmental monitoring systems, among others. "Governance" refers to decision-making processes, structures and systems, including access to and use of information, and thus would include laws, administrative bodies, trust-building and conflict resolution processes, information-sharing systems, etc. Indicate how project activities contributed to/ hindered these changes, as well as how contextual factors have influenced these changes.

a) Capacities

The project assessed 19 potential projects that would allow the Russian government and local stakeholders to assess how to tackle GHG mitigation. The project experience appears to have helped to raise energy efficiency awareness among local businesses (especially in the heating and utilization sector) and the Russian government (TE, pp. 6-7). MoFE had received the project's mobile laboratory equipment, which would allow it to conduct additional measurements in the field (TE, p. 9).

b) Governance

The TE notes several pieces of environmental legislation passed at both the central and local level in Russia, but does not establish causal linkages between this project and these pieces of legislation. The TE says that the project supported attempts at reform, but does not provide details on these attempts and if they were successful. The TE claims that "support [to the Russian government] was provided to the design of a GHG monitoring system for the energy sector," (TE, p. 7) but the TE does not state if the GHG monitoring system was ever created or implemented.

8.4 Unintended impacts. Describe any impacts not targeted by the project, whether positive or negative, affecting either ecological or social aspects. Indicate the factors that contributed to these unintended impacts occurring.

The TE notes no unintended impacts due to the project.

8.5 Adoption of GEF initiatives at scale. Identify any initiatives (e.g. technologies, approaches, financing instruments, implementing bodies, legal frameworks, information systems) that have been mainstreamed, replicated and/or scaled up by government and other stakeholders by project end. Include the extent to which this broader adoption has taken place, e.g. if plans and resources have been established but no actual adoption has taken place, or if market change and large-scale environmental benefits have begun to occur. Indicate how project activities and other contextual factors contributed to these taking place. If broader adoption has not taken place as expected, indicate which factors (both project-related and contextual) have hindered this from happening.

The project's evaluations helped to lead to active EEP programs in Ryazan, Semenov, Archangelsk, Kaliningrad and the Saratov (TE, p. 6).

9. Lessons and recommendations

9.1 Briefly describe the key lessons, good practices, or approaches mentioned in the terminal evaluation report that could have application for other GEF projects.

The following points are drawn from the "Lessons Learned" section of the TE:

- The Russian government and local governments are committed to GHG emissions mitigation for the gas utilization sector. The heating sector is willing to use its own funds to finance energy efficiency measures.
- Projects should be designed so that a single organization has ultimate responsibility for project deliverables and disbursing project funds. Implementation plans need to be detailed before being approved.
- Projects need to ensure that counterpart funds and co-financing are secured and will be delivered for projects to be effective. Without this, project execution is put in jeopardy. Securing counterpart funds should have been considered mandatory.

- Future projects in the Russian Federation should include the Ministry of Finance in the Grant Agreement. Project design needs to be clear to ensure all executing agencies meet their commitments. The project's relatively small budget may have made this project easy for Gazprom to ignore while focusing on other activities.

- Gazrekom's poor financial management and financial oversight has increased the risks of carrying out such projects in the Russian Federation, especially any larger related projects.

9.2 Briefly describe the recommendations given in the terminal evaluation.

The following are drawn from the "Lessons Learned" section of the TE.

- Due to Gazrekom's poor financial management, the TE states that "it is recommended that no cross-financing be established between different projects for critical implementation activities" (TE, p. 13).

- In the future, recipient agencies' respective responsibilities and activities need to be spelled out in detail in the project design and legal documents. This will make it easier to ensure recipients and executing agencies abide by their commitments.

- To ensure that the World Bank has greater leverage in any future related programs in the Russian Federation, the Ministry of Finance should be a signatory to Grant Agreements.

- Securing counterpart funds should have been considered mandatory before project execution.

- Projects should be designed so that a single organization has ultimate responsibility for project deliverables and disbursing project funds.

10. Quality of the Terminal Evaluation Report

A six point rating scale is used for each sub-criteria and overall rating of the terminal evaluation report (Highly Satisfactory to Highly Unsatisfactory)

Criteria	GEF EO comments	Rating
To what extent does the report contain an assessment of relevant outcomes and impacts of the project and the achievement of the objectives?	The TE does not individually address each project component described in the PD. Instead, the TE uses its own framework (the PTD Component and the Utilization Component) to assess project outcomes, but the TE does not address why it does not stick with the PD's design.	**MU**
To what extent is the report internally consistent, the evidence presented complete and convincing, and ratings well substantiated?	The discussion regarding the project's outcomes was consistent throughout the TE. However, the effect the project had on legislation and regulation was often vague, though this was not a major project focus.	**MS**
To what extent does the report properly assess project sustainability and/or project exit strategy?	The TE's discussion of institutional and financial risks to project sustainability is fair and fact-based. However, the TE's discussion of the sociopolitical environment in the Russian Federation at the time lacks enough detail to be relevant to this project.	**MS**
To what extent are the lessons learned supported by the evidence presented and are they comprehensive?	The "Lessons Learned" section is convincing and comprehensive. The TE's body had established beforehand that the issues brought up in this section were the major issues affecting the project's execution.	**S**
Does the report include the actual project costs (total and per activity) and actual co-financing used?	While the TE includes project financing and financial tables, the TE does not differentiate between Russian government co-financing and Gazprom co-financing. This makes it difficult to assess the extent to which Gazprom did not deliver on promised co-financing.	**MU**
Assess the quality of the report's evaluation of project M&E systems:	The TE fails to mention M&E documents by name. Its discussion of the M&E system is rather vague. In addition, the TE does not discuss the rather glaring problems evident in the M&E design present in the PD. The TE does not address the fact that no MTR may have been conducted.	**U**
Overall TE Rating		**MU**

Overall TE rating: (0.3 * (3+4)) + (0.1 * (4+5+3+2)) = 2.1 + 1.4 = 3.4 = Moderately Unsatisfactory

11. Note any additional sources of information used in the preparation of the terminal evaluation report (excluding PIRs, TEs, and PADs).