



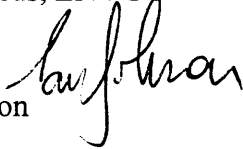
# Global Environment Facility

1818 H Street, N.W., Washington, DC 20433 USA  
Tel: (202) 473-0508 - Fax: (202) 522-3240 / (202) 522-3245

## Facsimile Cover Sheet

DATE: August 21, 1997 No. of Pages:  
*Inc. Cover sheet*

TO: Rafael Asenjo, UNDP-GEF PHONE: 212-906-6998  
Ahmed Djoghlaif, UNEP-GEF 254-2-520-825  
Lars Vidaeus, ENVGC 202-522-3256

FROM: Ian Johnson  PHONE: (202) 473-1053  
FAX: (202) 522-3240

CC: GEFSEC/Ops Team/ PBG/SL

SUBJECT: July 1997 Intersessional Work Program

### Message:

The July 1997 intersessional work program has been approved by Council. However, two Council Members have raised objections about three projects: Japan has reserved its judgement on approving the Pakistan Protected Areas Management project; the USA does not approve the Conservation and Sustainable Use of Dryland Agro-Biodiversity of the Fertile Crescent and the Vietnam Demand-Side Management projects.

Attached are comments from those Council Members who had comments about individual projects in the work program. These comments should be taken into consideration when finalizing project documents for endorsement.

**Ministry of Finance  
Government of Japan**

3-1-1 Kasumigaseki Chiyoda-ku  
Tokyo Japan

August 13, 1997

Dr. Mohamed T. El-Ashry  
Chief Executive Officer and Chairman  
Global Environment Facility  
1818 H Street NW  
Washington, D.C., 20433 USA  
fax: 202-522-3240

Dear Dr. El-Ashry:

As Mr. Uenishi informed you in his letter dated July 31, 1997, I succeeded him as Director in charge of Development Issues on July 15; accordingly, I will participate in GEF Council meetings as Member representing Japan. Also, Mr. Yukihiro Nikaido, Japan's Alternate of Council and Deputy Director of Global Issues Division, Ministry of Foreign Affairs, was succeeded by Mr. Yusuke Shindo.

As regards the document "the Intersessional Work Program proposed for Council Approval" (GEF/IS/2, July 9, 1997), I have attached Japan's comments to this letter. Our view is that the Work Program is generally well organized and distinction of the role between GEF funds and other resources within a project is carefully examined.

However, as we see some problems in the project proposal A3, which are explained in the attachment, we will reserve our judgment whether to approve this proposal or not until further information becomes available. We approve all the other project proposals in the Work Program. We have also made some technical comments on the proposals A4 and C8/9.

I look forward to working closely with you on various global environmental issues at this challenging time.

With my best regards,



Kazuhiko Koguchi  
Director in charge of Development Issues  
International Finance Bureau  
Phone: 81-3-3580-3238  
Fax: 81-3-5251-2139

August 13, 1997

Japan's Comments on the Proposed Work Program (GEF/IS/2, July 9, 1997)

Project A3: Protected Areas Management Project (Pakistan)

We reserve our judgment on this project proposal, as description of the proposal is not clear enough to know which part of the project is to be financed by GEF funds and, accordingly, it is difficult to judge whether GEF funds are to be used in conformity with the Instrument (the figures on the use of GEF funds on page 3 of the proposal do not appear sufficiently detailed).

For further consideration, we would like to have Annexes B, C and D of this proposal, which are not included in the current Work Program.

Project A4: Conservation and Sustainable Use of Dryland Agro-Biodiversity of the Fertile Crescent (Regional)

The project is proposed in line with the aim of the Convention on Biological Diversity. We request that the project be executed bearing in mind that its focal area is biological diversity; it should avoid placing too much emphasis on surveys and examinations of the agricultural sector in the region, nor should avoid seeking for the promotion of the agricultural sector in the region itself.

Project C8/9: Phase-out of Ozone Depleting Substances (Latvia and Lithuania)

We believe these two project proposals are appropriate in the sense that the COP8 meeting of the Montreal Protocol adopted the resolution to call for financial assistance in this area, other than that from the multilateral fund established through the protocol on Latvia and Lithuania.



141/12/4

Environment Division  
Fax No: 0064-4-494 8507

**FACSIMILE MESSAGE**

**DATE:** 13 August 1997

**TO:** Mohamed T El-Ashry **FAX NO:** 001 202 522 3240  
 Chief Executive  
 Global Environment Facility  
 WASHINGTON

**CC:** Mr Kerry Groves **FAX NO:** 0061 6 206 4998  
 Development Banks Section  
 AusAID, Australia

Mr Gil-Soo Shin **FAX NO:** 0082 2 722 7581  
 Director, Ministry of Foreign  
 Affairs, Republic of Korea

**FROM:** Darryl Dunn **CHARGE CODE:** ENV

**MFAT:** ENV **PAGE 1 OF:** 5

**SUBJ:** GLOBAL ENVIRONMENT FACILITY : PROPOSED  
 INTERSESSIONAL WORK PROGRAMME

We refer to the intersessional programme proposed for Council approval dated 9 July (reference GEF/IS/2). The following comments on the programme were contributed by New Zealand and Australia and are submitted by New Zealand on behalf of the constituency grouping of Australia, Republic of Korea and New Zealand.

**Approval :** This constituency approves the proposed work programme, subject to clarification of issues raised below.

0249617.01

**STATEMENT OF CONFIDENTIALITY:** The information contained in this document is intended only for the addressee. If you are not the addressee, any disclosure, photocopying, distribution, or use of this information is strictly prohibited. If you have received this facsimile in error, please notify the sender by telephone immediately.

### General Comments

**Presentation and transparency :** We found the project descriptions in the secretariat's cover note interesting, but feel that the cover note should contain a summary of key conclusions on (i) extent of global benefits, (ii) project net cost-benefits, (iii) feasibility risks (iv) extent of/scope for private sector investment (v) risk management plan and accountabilities. We had great difficulty in searching for this information in the following 150 or so pages.

This Constituency has strongly supported the introduction of a logical framework format, and we also support the introduction of a revised and standardised brief format which would improve the ability of Council members to assess the projects in accord with GEF criteria. Accordingly we support the Secretariat's effort in that direction as outlined in paragraphs 10-12.

We look forward to much greater transparency and elaboration of risks, which a logframe can identify. The norm for risk analysis in these projects is three short paragraphs.

We have an ongoing concern that project documentation does not explicitly state how issues raised by the technical review are being addressed. We would like the Secretariat to provide project documentation that explicitly states how the outcomes of the technical review, undertaken by the STAP or its Roster of Experts, have been incorporated into project documentation.

**Volume :** This Constituency looks forward to a steady acceleration in the number of good projects considered under the GEF to contribute the necessary critical mass to achieve the global objectives required of the facility. It is encouraging to see that there are fifteen enabling activity projects for biodiversity and ten enabling activity projects for climate change, as set out in Annex C.

**Biodiversity : Scope:** We are pleased that projects cover both conservation and sustainable use.

We support the biodiversity project proposals subject to clarification of the Pakistan and Ghana projects.

We would like the Secretariat to consider requesting an assessment of the impact on 'biodiversity value' of the reforestation component of the Ghana project proposal.

We seek clarification of the methodology used to calculate the incremental benefit for the Pakistan project proposal and how the appropriate baseline was set.

Since the India coal bed methane recovery project is the only short term project being proposed in this tranche and has significant mitigation potential, we have no problems with supporting this tranche of projects, subject to clarification as to whether pertinent concerns raised in the technical review for the Brazil project have been addressed.

Brazil Energy Efficiency Project: The Viet Nam project documentation explicitly acknowledges that STAP Review comments have been addressed (in Section 15 of the Project Description, page 8).

Although not critical, the technical review (of the Brazil project) makes six suggestions (see pages 3-5) but it is not clear in the project summary if or how these have been addressed. The Brazil project summary only notes that the technical review has been undertaken and is attached (see question 15, page 7, project concept document).

Private sector involvement : India: Coal bed methane project. As this project appears to essentially involve a commercial investment and is income generating, it would be helpful if explanation could be provided as to why no commercial financing (either loan or equity) was possible. While we note the conclusion in the project documentation that 'in the absence of GEF intervention, the project would not be undertaken as past experience has indicated conclusively' we are of the view that the underlying issues should be made more transparent in the proposal.

Viet Nam Demand Side Management Project: This projects seems a good fit with the particular priority objectives of the GEF Climate Change focal area. The project summary in this proposal was helpful and included checklists for environmental impact and participatory approaches. This proposal gives a better assessment of risk and risk management measures incorporated into project design by reproducing part of a logframe, although the summary is largely subjective and it is difficult to judge whether or not the measures noted will have the desired effect.

**Ozone :** We remain concerned that documents submitted claim that all sub-projects are at or below the cost-effectiveness thresholds applying to the Montreal Protocol Multilateral Fund. This is not the case with two out of three sub-projects exceeding these thresholds. We are also concerned that projects containing fairly straightforward errors continue to be submitted for GEF Council approval (details of our calculations are listed below).

A possible explanation for these differences is that the support costs have been incorporated in the project costs. If so, it is not possible to calculate the cost-effectiveness threshold. These support costs should be listed separately, for transparency, as is the case with the Multilateral Fund project documentation.

Ghana natural resources management project: We are concerned that the project component that includes "investment in reforestation of degraded forests" does not produce a net loss of biodiversity. For example, the methods used to assess an area as degraded should take into account the range and diversity of species present in the area before forest areas are cleared to make way for plantations.

The technical review in annex 3 raises serious doubts as to whether the establishment of reserves is either feasible or sustainable. Very strong commitment from the Government of Ghana may be needed to address these issues.

We support this project subject to the clarification of the above two issues.

Pakistan Protected Areas Management Project: This proposal notes that the Government of Pakistan lacks the resources to invest in biodiversity conservation and that currently Protected Areas are inadequately funded. It is not clear however how the baseline scenario was calculated to determine appropriate GEF funding. The project proposal should elaborate on what methodology was used to calculate the incremental benefit and consequently how the appropriate baseline was set.

We support this project subject to clarification of the above issue.

Regional project: The regional (middle east) project focuses on 'ten globally important domesticated food crops.' It would be helpful if this project could be analysed in the broader context of how genetic material for these crops is being conserved globally through both in-situ and ex-situ conservation, and how the project will complement and specifically link into these wider efforts.

Eastern Mongolia grasslands project : We acknowledge and endorse the participatory process of project design reported in the proposal and annex 3. It would have been helpful in terms of judging whether the critical stakeholders were in fact consulted if a list identifying these was annexed to the proposal. The risk assessment section identifies only two issues to do with national and regional concerns, for which certain high level inter-government activities are proposed. There is no mention in this section of other undoubted areas of risk in the project, even though the background sections, particularly B and C (socio-economic and threats to biodiversity) describe a very difficult operational context for it. We note that biodiversity threats and project outputs to counter these are listed in table 2 of Annex 7.

Climate Change : A general issue is the mix of climate change project 'types' that the GEF funds. We are concerned that GEF funding for climate change activities should focus on the GEF's core operational programmes and enabling activities for national communications, rather than "short term projects". While the latter can provide a cost-effective avenue for greenhouse gas mitigation, they should only represent a minority of climate change funding over time.



In line with the objective to ensure that all ozone projects funded by the GEF meet requirements as least as stringent as those applying to the Multilateral Fund, funding for GEF projects should only be approved up to the maximum level allowable under the Multilateral Fund.

If the problems with the cost-effectiveness thresholds are resolved, we support these projects conditional on ratification of the London Amendment and the other conditions listed in para 3 (the same in both project documents).

Latvia: Latvian Aerosol Industry - claims that cost-effectiveness is equal to MPMF threshold of 4.4US\$/kg, but using the figures provided we calculate it to come to 4.738US\$/kg.

Sub project costs	US\$954,400
Project impact	201.4 ODP tonnes
Cost-effectiveness	4.738US\$/kg

Ritols Manufacture of Rigid Polyurethane Foam - claims that cost-effectiveness is equal to MPMF threshold of 7.83US\$/kg but using the figures provided we calculate it to come to 8.84US\$/kg.

Sub project costs	US\$106,000
Project impact	12.5 ODP tonnes
Cost-effectiveness	8.84US\$/kg

Lithuania: Snaige Joint Stock Co - claims that cost-effectiveness is less than MPMF threshold of 13.76US\$/kg, but using the figures provided we calculate it to come to 17.98US\$/kg.

Sub project costs	US\$2,009,162
Project impact	111.7 ODP tonnes
Cost-effectiveness	17.98US\$/kg

National Recovery and Recycling Programme - whilst cost-effectiveness thresholds do not strictly apply to this sector the document claims that the cost-effectiveness is 15.72US\$/kg, but using the figures provided we calculate it to come to 16.42US\$/kg.

Sub project costs	US\$159,607
Project impact	9.72 ODP tonnes
Cost-effectiveness	16.42US\$/kg.



**GOVERNMENT OFFICES**  
Ministry for Foreign Affairs

Enheten för globalt samarbete  
Ambassadråd Susanne Jacobsson  
Telephone 08-405 5609

Stockholm, 8 August 1997

Dr. Mohamed T. El-Ashry  
GEF Secretariat,  
WASHINGTON DC  
Fax No (202) 522 3240

Intersessional Work Program

Dear Mohamed,

Referring to your letter of July 9, 1997 on the proposed work program you will find our comments below.

The constituency of Sweden, Finland and Estonia approves the work program as a whole.

We would like to raise the following points as technical issues for further consideration in the development of the proposal.

1. On the biodiversity projects we recognize the effort to link policy changes, capacity building, conservation and sustainable use and local participation into all of them. The weakest point in our view seems to be that of local participation and we would like to see this strengthened. If this is done it would also cater for the projects sustainability. The GEF share of total financing also seems to be on the high side particularly regarding the projects in Pakistan and Mongolia.

2. The project proposal on conservation and sustainable use of dryland agrobiodiversity of the Fertile Crescent involves the Palestinian Authority. We wonder whether PA has ratified the convention. If not, it would fall outside of GEF support.

Postal Address  
S-103 39 STOCKHOLM  
SWEDEN

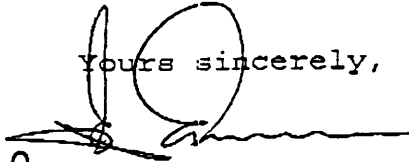
Street  
Fredsgatan 6

Telephone +46 8 405 10 00  
Fax +46 8 723 11 76  
Telex 105 90 MINFOR S

Internet: ud@foreign.ministry.se  
X.400: S=UD; O=Foreign; P=Ministry; A=SIL; C=SE

As many of our technical experts are currently on leave, I would appreciate to be able to possibly communicate some additional comments for your assistance at a later stage.

Yours sincerely,



for Malin Kärre  
Director  
Council Member



BUWAL Bundesamt für Umwelt, Wald und Landschaft  
 OFEFP Office fédéral de l'environnement, des forêts et du paysage  
 UFAPP Ufficio federale dell'ambiente, delle foreste e del paesaggio  
 UFAGC Uffici federal d'ambient, gaud e cuntrada

Eidgenössisches Departement des Innern  
 Département fédéral de l'intérieur  
 Dipartimento federale dell'Interno  
 Departament federal da l'intern

## TELEFAX

<b>Empfänger/In:</b>	<b>Mr. Mohamed T. El-Ashry</b> CEO, Global Environment Facility 202 522 3240
<b>Telefax:</b>	
<b>Absender/In:</b>	<b>Phillipe Roch</b> Director Swiss Agency of the Environment, Forests and Landscape
<b>Telefon:</b>	0114131 322 9301
<b>Telefax:</b>	0114131 322 7958
<b>X.400:</b>	
<b>E-Mail:</b>	
<b>Anzahl Blätter:</b>	8 (including cover sheet)
<b>Datum / Zeit:</b>	August 1997

**Our Comments to the Intersessional Work Program GEF/IS/2  
 dated July 9, 1997**

Dear Mr. El-Ashry,

Thank you for your letter of July 9, 1997, concerning the Work Program, which we herewith wish to approve.

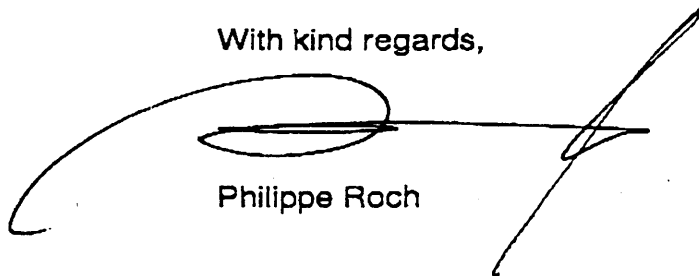
At the same time we wish to raise a number of technical issues which we submit for further consideration in the development of the project proposals.

Our comments refer to the following 5 project proposals:

1. No. A-1 Ghana: Natural Resources Management, World Bank
2. No. A-3 Pakistan: Protected Areas Management, World Bank
3. No. B-5 Brazil: Energy Efficiency Project, World Bank
4. No. B-6 India: Coal bed methane recovery and commercial utilization, UNDP
5. No. B-7 Vietnam: Demand-Side Management, World Bank

These technical comments of course should not cause a delay in the project approval process.

With kind regards,

A handwritten signature in black ink, consisting of a large, sweeping loop on the left and a more complex, angular stroke on the right that extends upwards and to the right.

Philippe Roch

Encl.: Technical Comments to 5 project proposals

Internal Copies: PhR, NB, LL, LAR, RJ, UPT,  
Monsieur J.-B. Dubois

**08. Aug. 1997**

**Review of the GEF Work Program sent by mail on July 9, 1997  
concerning the Projects: A1, A3, B5, B6 and B7**

**Project N° A-1:**

**Ghana: Natural Resources Management; World Bank, USD 8.90 million**

In general, we conclude that the document reflects a good project description, rationale and preparation. Basically, the project design seems to be consistent with the GEF operational principles and criteria. However, for most of the principles and criteria, the information given is not explicit enough for an overall assessment. It would be helpful if project documents showed more explicitly how the operational principles are satisfied.

According to the commentaries made in the document, the project seems to be well integrated within national policies and strategies.

Particularly reasonable seems also the scheme for implementation, which plans an initial phase of 18 months for institutional restructuring and critical policy reform, improving first of all the environment for implementation.

The concept is soundly defined. Particularly, according to our own experience in this field, we fully support the approach chosen by the project designers by which biodiversity conservation and forest management are combined. With a view to global benefits, we consider such an approach as more impact oriented and realistic than some of the experimental approaches of other GEF projects of this focal area. Nevertheless, despite our basic support, we are also conscious that there might be some inconsistencies with the principle 'complement traditional development'. Furthermore, on the basis of the information given in the document, it is rather difficult for us to assess whether the project design is really fully complementary with the other related projects in this field. Particularly the reach of the project, its differentiation from other related projects, and its collaboration with them concerning the efficiency of the wood processing and milling industry and concerning the restructuring of the forestry policies, should be further explained.

Independent from the sound conceptual combination of different components (such as forest sector policy and institutional reform, participatory and sustainable management of production forests, savannah woodland management, national parks and wildlife resource management, forest biodiversity protection) we feel that the project is very ambitious and believe that there is a need to prioritise the objectives in accordance with the scope of the other related projects.

We also consider as very decisive and agree with the objective of 'restructuring of the Forestry Department into a semi-autonomous self-financing Forest Service'. However, as this objective plays a decisive role for the achievement of sustainability and for successful project implementation, we suggest the project document gives further information about the strategies and mechanisms to be applied. Also, the critical commentaries made and risks mentioned in the Technical Review by STAP {annex 3} should be further analysed and reflected in the project document.

The method applied for the incremental cost analysis seems to reflect the actual standard of the GEF projects of this focal area. It differentiates between the three cost categories 'baseline', 'increment' and 'GEF alternative' and further between domestic and global benefits. Incremental cost is calculated as the cost for the activities, defined as supplementary to the baseline (on the basis of qualitative criteria). In consequence, the quantification of incremental cost follows the scheme that *the baseline is 'no GEF activity'* and the *incremental cost is the total cost of GEF activity*. We conclude that if incremental cost shall really serve as a technical criteria for decision making within the GEF, it is indispensable to develop further the criteria and methods and to change from qualitative methods to more quantitative ones.

Many references to participation are made in the document (lessons learnt, Ghana's long-standing experience in local involvement, etc.). We are convinced that participatory schemes and methods will be applied in project implementation. However, we would warmly welcome further information on the strategies, mechanisms and methods for participatory project implementation. Furthermore, although local consultation and beneficiary participation is envisioned, it is not clear up to which degree project preparation is based on a participatory approach (see project document page 11, block 3, point e: "The project will build on lessons learnt in community participation .... The following consultation and participation mechanisms are envisioned: ...."). Our own lesson learnt with participation shows that successful participation in project implementation begins with the participation in project preparation and design.

Last but not least, the cover note mentions that supporting activities will include "several innovative schemes for sustainable management of forests through community participation and set-up of a fund for alternative livelihoods". However it is difficult to find wider explanations in the project document.

**Project N° A-3:****Pakistan: Protected Areas Management; World Bank, USD 11.14 million**

The project concept document reflects a good quality and a fine preparation. The project seems to satisfy basically the GEF guidance and operational principles.

However, the Technical Review by STAP (Annex G of Project Concept Document) points out several critical aspects that merit further analysis which should be reflected in the final project design.

After careful review, we would like to add the following commentaries:

- In comparison with the GEF projects reviewed so far, we appreciate particularly that detailed information is given about:
  - ⇒ monitoring and evaluation (nevertheless, we share the opinion of the technical review by STAP that the range described for monitoring is very ambitious),
  - ⇒ the institutional set-up for the management and implementation of the project.
- The project concept document gives rather detailed information about the scope of the project areas and about the diversity of species. However, for the overall assessment of the project document, it would be very helpful if more basic information were given, such as:
  - ⇒ the population living in the project areas and their buffer zones, as well as the target population of project; otherwise it is impossible to understand the relevance of the project activities and the reach of its participatory approach,
  - ⇒ quantified data on the specific threats from human resource use, as well as the specific targets of the alternative uses proposed; otherwise it is impossible to understand the dimension of the problems and the relevance of the alternative uses proposed, and last but not least, to assess the chances for success.
- Following the project concept document (page 4), the budget for internationally recruited technical input is USD 3.05 million. Compared with the total cost of project, this sum seems to be very elevated and leads to several doubts about the project design. Is such a dependency on foreign expertise justified, might it not even be contraproductive? Is it consistent with the principles 'country-driven', 'cost-effectiveness' and 'sustainability'?
- The document implies the fact that the project has national priority and mentions the different forms of support by GoP, however, it attests that its Ministry is relatively new and underfunded. It also indicates that "successful implementation of the project will enable MoE to emphasize the need for increasing political support for biodiversity conservation" (page 13). Despite the existence of national strategies, after the review of the document it is still not clear to us to which degree the commitments by GoP reach, and we feel that the conservation of biodiversity and natural resources still depends widely on international funding. We would welcome that this point were clarified in the document, and would recommend that GoP are invited to make clear commitments.
- The document indicates that "at the national level the project will establish cost effective and participatory management systems" (page 6). As such instruments might be of great importance for other projects, we would expect more details about this topic to be given in the project concept document.



**Project N° B-5:****Brazil: Energy Efficiency Project, World Bank, USD 20.0 million**

Switzerland welcomes the proposed project as being an important component to reduce CO2 emissions in the future in Brazil.

It matches well with most of the GEF operational criteria. It is however not clear if the strategies/priorities have been established based on a macro model analysis. Nevertheless, the direction of the project seems to be all right.

Switzerland would like to stress some points to be taken into consideration for further planning.

**About the project objectives**

It seems that in the project design, hardware solutions are privileged against software solutions. By software solutions we mean that Energy efficiency (EE) can also be achieved in a first stage almost without investment by optimisation of the operation of plants and systems. It seems essential to consider optimisation of operation before going for investment in EE (This does not apply to pure consumer items). Various programmes (e.g. E2000 in Switzerland) do demonstrate the importance of optimal operation. Credibility among potential customers is also enhanced if demonstration cases include first optimisation without investment, and then EE investments logically in sequence. Switzerland would recommend that the optimisation of operation be a first step. This seems to be an essential component when trying to develop the ESCO models in a country.

**Strategies of Implementation**

1. There seems to be no market study planned in the project. It is to some extent difficult to conduct market studies without developing market seeds first. However, we would stress the need to differentiate the marketing strategies (for products as well as for ESCOs) among the various kinds of end users, which can be divided into three broad categories:
  - a) General consumer products which are of interest to the consumers as well as to the industries and institutions, and which can be marketed via traditional marketing channels
  - b) Technologies for processes which can be replicable in large numbers, in small scale industry clusters, where marketing has to be channelled through the industry association themselves
  - c) Public/private complex buildings systems (administrative, hospitals, ...), where the optimisation of operation can only be successfully implemented in the long run with the active participation of the operational staff, and includes software and hardware components
2. Implementing organisation
  - a) (The lack of information about ELECTOBRAS-PROCEL may render the following comment invalid). The utilities do not have usually a "cultural" background for Energy Efficiency, and confine themselves to peak shaving. One must not underestimate the internal resistance to the introduction of Demand Side Management oriented approach within an institution whose main aim was and is to supply more and more power. Historically EE has generally been developed outside the frame of utility companies. It may be wise to accompany PROCEL with a steering committee which is independent of the utilities.
  - b) If, when privatising the power supply, one wants to ensure that the power for the rural poor market is actually kept at an acceptable level, some mechanisms should be set at government level to ensure a reasonable cost level (pure financial analysis would tend to increase the cost for very small consumers). This point should be considered with the Government of Brazil.

**Project N° B-6:**

**India: Coal bed methane recovery and commercial utilisation, UNDP, USD 9.19 million**

We would like to support the concept of this project, which is built logically around safety and environmental issues, and which should lead to compound effect of reducing methane emission as well as CO<sub>2</sub> emissions.

India has in its underground very important and long term coal resources and will use them for a long time (many decades). Therefore, coal bed methane recovery (CBM) and its utilisation will have an impact both in the short and long run.

On the other hand, the use of gas is becoming more and more common in industries for environmental reasons. Coal bed methane recovery should allow the supply of gas in India to be increased significantly in the long run. It matches well with national priorities to shift as much as possible dirty industries from coal to gas.

Implementation aspects have been already well defined in the project proposal.

However, we would like to call the attention of the Council to the institutional aspects, which are to some extent addressed in the proposal, should not be underestimated, as experience shows that these factors usually tend to slow down the project implementation. This project involves a number of participants, and deserves therefore specific attention in this regard. Another area of concern lies in the fact that previous attempts to develop CBM have by and large failed. A detailed analysis of these failures should be performed before starting the actual project, and lessons learnt should be reflected in the project design.

GEF contribution is rightly placed and determinant in allowing the performance of pilot and test projects to demonstrate the feasibility and techno-economic viability of the technology on selected sites, and in assisting capacity building and demonstrating the end-use of the recovered gas.

We would like to support this project, which does not present any risks other than its own failure, and which, if successful, would initiate the coal bed methane recovery technique in India.

**Project N° B-7:**

**Vietnam: Demand-Side Management, World Bank, USD 3.6 million**

We would like to support this GEF project concept, which addresses essential lacunas in a country where infrastructure development is a priority, and where Demand-Side Management (DSM) would not be considered otherwise.

The approach seems very logical. It consists in assisting Electricity of Vietnam (EVN) in creating a DSM cell, which while growing would perform and develop DSM related activities.

We agree with the philosophy of the project, but have some recommendations to be considered at implementation level:

1. The present complete project (322 mill USD) is essentially an infrastructure project (> 90% of the total project cost are physical components (high voltage lines and substations)). The DSM component seems to be an add-on which may not be natural. At the concept level, it is of course very logical to build a DSM component besides the development of infrastructures, but the two components are by nature very different. The infrastructure part of it is a very well determined and planned project. It consists of physical operations which do not directly relate to DSM. The DSM component is a capacity building cum development component, and has by nature a different and slower development path. Another issue is the fact that the people competent in distribution line planning are usually not the same as those competent in DSM. Consulting services, if clubbed together, may not be optimal. We would recommend that the two components be clearly separated in order to avoid neglect of this component. We would recommend considering that the DSM component be as independent as possible in its management of the rest of the project.
2. We would like to draw attention to the fact that creating awareness and building competence to conduct the planned activities within the considered time frame and budget (e.g. 100 industries) may be over-optimistic. It also not very clear which agencies/companies are going to be actually implementing the DSM activities.
3. The definition of standards for hardware components is in itself a progress, but not sufficient, especially when considering commercial buildings. In this case, in a new and rapidly growing building stock, it would be wise to consider the possibility of adding the demonstration of planning and construction of energy efficient buildings which use integral design approach, and passive/hybrid techniques which would enable lighting and cooling installed power and loads to be significantly reduced by proper design and operation.



**MINISTRY  
FOR ENVIRONMENTAL PROTECTION  
AND NUCLEAR SAFETY OF UKRAINE**

5 Khreshchatyk Str., 252601, Kyiv -1

Phone: 380 44 228 06 44; Fax: 380 44 229 83 83; E-mail Internet: mep@mep.FreeNet.Kiev.UA

**TO:**

**Mr. Mohamed T. El-Ashry  
Chief Executive Officer and Chairman,  
Global Environment Facility  
GEF Secretariat, 1818 H Street NW  
Washington D.C. 20433, USA  
Fax : (202) 522 3240/ 3245**

*Ref.: Proposed work programme*

Kyiv, August 14, 1997

Dear Mr. Mohamed T. El-Ashry,

thank you very much for your kind attention and sending out to me as a member of the GEF Council the proposed work programme for revision. Please excuse me for not replying immediately as far as I have been fairly busy these last weeks.

As a result of my acquaintance with the "Intersessional work programme..." I fully support the proposed decision made in accordance with paragraphs 34 and 36 of the Rules of Procedure for the GEF Council. Together I have no objection to any project proposal or to the work programme in general.

I greatly appreciate the tremendous work that has been done by the Secretariat and the progress that the GEF has achieved in developing project proposals. All those concerning, for instance, biodiversity issues are quite ambitious and certainly should benefit both wildlife protection and human prosperity in such different parts of the world. In this respect I indeed admired the Natural Resource Management Project designed for Ghana, although I agree that institutional and organizational changes due to occur under the project may not instantly generate income that would cover future costs for management. On the other hand it seems quite optimistic that much attention is drawn to the investment into human resources (training, public involvement etc.) and this component could even be extended. The same may be said also about other proposals.

Talking specifically about an area I would like to mention the proposal made for Mongolia and concerning its grasslands (the Eastern Steppe). For me, as a Ukrainian biologist with a background in botany, I am sincerely happy that this rich in biodiversity but suffering from human impact biome stretching all over Eurasia from Ukraine to Mongolia has gained deserved attention. If accepted this project seems to me could benefit the whole area, be the starting point in the development of regional cooperation concerning issues of steppe ecosystem conservation and wise use of grasslands in Eurasia as far as they can be considered as a transcontinental corridor. In the meantime an inventory has been undertaken under the supervision of the IUCN of survived steppe habitats in Ukraine and Russia; adding Kazakhstan and

Mongolia would allow to pull these pieces together and building up on the Mongolian GEF project could greatly facilitate this process. Other issues of joint interest could also appear, for instance, Ukraine possesses the largest stock in captivity of the Przewalski horse, which could serve as a source for reintroduction back to Mongolia etc.

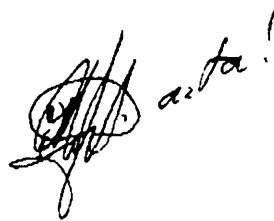
The project on sustainable use of dryland agro-biodiversity of the fertile crescent is very important also. The idea on creation of corridors on the modeling territories where land degradation is actual will be effective in scope of last other world initiatives, for example, in connection with the UN Convention on Combat Desertification, which Ukraine is going to support.

Overall I am pleased with what I have seen and I hope the work of the GEF Council will be successful and enjoyable to all its members and in particular to you as its Chairman. Thank you and best regards.

Sincerely,

**Yaroslav Movchan**

**Deputy Minister  
and GEF Council Member**



fax. +38 044 2282922  
gef-mov1



# FAX MESSAGE

## Department For International Development

94 Victoria Street

London

SW1E 5JL

Tel : (44 171) 917 0534

Fax : (44 171) 917 0679

12 August 1997

Mohamed El-Ashry  
GEF Secretariat  
202 522 3240

*Dear Mohamed,*

Thank you for your letter of 9 July enclosing the proposed work programme for our consideration.

I confirm that we approve the following work programme, and have no objections to any of the projects.

- |                        |                        |   |
|------------------------|------------------------|---|
| <b>Biodiversity</b>    | Ghana:                 | Natural Resources Management  |
|                        | Mongolia:              | Biodiversity Conservation and Sustainable Livelihood in the Grasslands of Eastern Mongolia                                  |
|                        | Pakistan:<br>Regional: | Protected Areas Management Project<br>Conservation and Sustainable Use of Dryland Agro-Biodiversity of the Fertile Crescent |
| <b>Climate Change</b>  | Brazil:                | Energy Efficiency Project   |
|                        | India:                 | Coal Bed Methane Recovery and Commercial Utilisation  |
|                        | Vietnam:               | Demand-Side Management  |
| <b>Ozone Depletion</b> | Latvia:                | Phase-out of Ozone Depleting Substances   |
|                        | Lithuania:             | Phase-out of Ozone Depleting Substances   |

I have some comments on the Ghana Natural Resource Management project which relates to background work the UK has undertaken through its own bilateral programme.

We need to ensure that, as the proposal progresses through pre-appraisal and appraisal stages, the Government of Ghana takes a strong lead in ensuring that other donors are fully involved. To this end, our West and North Africa Division will raise with the World Bank Task Manager in Ghana and the Ghanaian Government, the issue of DFID involvement in the planned October Appraisal Mission.

*Yours sincerely*

*David Turner*

D P Turner  
Environment Policy Department

cc: Chris Austin, UKDel (BRD)

#elash

**FAX MESSAGE COVERSHEET**  
**U.S. DEPARTMENT OF THE TREASURY**

Room 5400  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220 USA

Truman T. Semans  
Office of Multilateral Development Banks  
TEL:(202) 622-1810  
FAX:(202) 622-1228  
E-MAIL: truman.semans@treas.sprint.com  
(or) truman@igc.apc.org

**13 August, 1997**

**Pages: 2 including cover**

**TO:** Dr. Mohamed El-Ashry  
Chief Executive Officer  
Global Environment Facility  
**FAX:** (202) 522-3240  
**RE:** U.S. Vote on Proposed GEF Work Program

*Mohamed*

Dear ~~Dr. El-Ashry~~:

Please see the letter from Deputy Assistant Secretary William Schuerch, attached. If there are any problems with the transmission of this fax, please contact LaChrista Jones at (202) 622-1263

Best Regards,

*Truman*  
Truman T. Semans, Jr.  
International Economist

cc: DAS Rafe Pomerance (State Department)

attachment



DEPARTMENT OF THE TREASURY  
WASHINGTON

AUG 13 1997

BY FAX

Mr. Mohamed El-Ashry  
Chief Executive Officer  
Global Environment Facility  
1818 H Street, NW  
Washington, DC 20433

Dear Mohamed:

We find that the latest proposed work program contains a number of interesting projects, and we can approve the proposed decision on the work program with the exception of two projects. We do not approve the "Conservation and Sustainable Use of Dryland Agro-Biodiversity of the Fertile Crescent" proposal, on the basis of U.S. legislative concerns related to Syria. We also do not approve the Viet Nam Demand-Side Management Project because it raises important policy concerns: what constitutes baseline and incremental activities, and in turn what activities are eligible for GEF incremental cost financing and what activities should be financed through other sources including regular Implementing Agency assistance.

I want to note two especially promising proposals. The India Coal Bed Methane proposal has strong potential for long term GHG reductions in an emissions growth sector, while supporting India's overall developmental objectives and creating a viable market for coal bed methane technologies. We invite the GEF to seek U.S. EPA's expertise for this and other coal bed methane projects. The Brazil Energy Efficiency project has a strong focus on engaging private sector in energy efficiency investments, and it shows a level of country commitment and co-financing that should be an objective for all GEF projects.

We may offer technical comments on these and other projects in the work program, and if so, will send these within three weeks. Please express my appreciation to staff and management involved in bringing this work program forward.

Sincerely,

A handwritten signature in dark ink, appearing to read "W. Schuerch for".

William E. Schuerch  
Acting Deputy Assistant Secretary  
International Development, Debt, and  
Environment Policy

cc: A/S David Lipton  
Jan Piercy, USED/WB  
DAS Rafe Pomerance (State Department)