

GEF Funded GHG Mitigation Program Design & Vietnam PECSME Project Example

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The Design of Energy Efficiency Programs with GEF Funding

- GEF - Global Environmental Facility
- Five Operational Programs –OP 5 Climate Change
- Executing Agencies are UNDP, World Bank, ADBs (Asian, African DB), EBRD
- GEF funds environmental projects – giving effect to 1992 Rio World Summit objectives
- Focus on developing countries
- Vietnam seen as favorable country for projects

The GEF Project Cycle

- Project idea from country program, NGOs, previous projects, or executing agency
- PDF (Project Design Fund) proposal, considered, reviewed, feedback & perhaps funded by GEF
- PDF exercises can get up to US \$1 Million grant
- PDF exercises typically involve a number of national and international consultancies
- LFA (Logical Framework Analysis) design
- Develop project brief for full scale project
- GEF looks for 4 : 1 country & donor co-funding to any GEF grant

The LFA Approach

- Non-prescriptive approach to good project design
- Arose from mid-1970's concerns that aid projects frequently failed due to unclear objectives & lack of meaningful indicators to evaluate success
- Involves deep consultation with stakeholders
- Key step is 3–5 day participatory LFA workshop
- Uses situation analysis, problem tree development, barrier removal elements, project components & activities, key assumptions, independently verifiable indicators, incremental cost analysis, co-funding, formal country endorsement

Energy Efficiency & Conservation Evolution in Vietnam

- Work started under MOSTE with donor & NGO funding from 1995 on National EC&EE Program
- Early information gathering studies identified cement, ceramics, coal fired power as key sectors
- 1997 EC Master Plan process with Netherlands Govt & NGO, also France, Japan, EU, Korea, Thailand, Germany & UN-ESCAP support
- 1996 Vietnam Energy Conservation Program started with MOSTE, Netherlands & SIDA support
- SME priority sectors of brick & tile; ceramics; paper; plastics; & textiles identified
- Early training of energy auditors, awareness, policy & institutional development w strong Vietnamese ownership

Economic Development in Vietnam

- GDP doubled in 1990's, now growing @ 7% p.a
- 81 M people, 335,000 km², 75% rural population
- Energy growing @ 8.5% p.a, elect @ 13–15% p.a
- CO₂ to double from 2000-2010 & again by 2020
- “Doi Moi” economic liberalisation started 1986
- 15 M tonnes coal, 16 M tonnes crude oil, 36,000 GWh, 3 Billion m³ gas & LPG p.a
- Energy infrastructure investment @ 5% of GDP
- Net energy importer by 2015 if no new discoveries
- +ve of increasingly market oriented energy prices
- Local pollution becoming key concern & driver

The SME Sector

- Pre 1986 focus on SOE's & co-operatives
- Now account for 25% of GDP & employment
- Widespread use of antiquated technology
- Poor management skills
- Poor operator skills & training
- Still some command & control policy paradigm
- In theory many agencies & policies to assist
- Under pressure from growing market competition, rising energy prices, local pollution reduction
- Poor competitiveness a threat to MDG goals

The PECSME PDF-B Exercise

- US \$330k grant from GEF & \$74k from EDP
- 7 Vietnamese teams - Policy, Institutional, Finance, Training, PR & Aware, ESCO, Demo
- 3 specialist international consultants – Finance, PR & Awareness, & Project Design
- Project Management Office led by Ministry of Science and Technology located at VECF
- Report to UNDP-Vietnam & to UNDP-GEF KL
- Project Brief now awaiting GEF STAP Review

Key PECSME Findings

- Necessary institutions already in place
- Increasing market orientation of energy prices
- SME's will pay for specialist technical assistance
- Banks have funds to lend & branch networks
- Under-utilised development & environment funds
- No land ownership a key issue for loan collateral
- Limited technical and operator training capacity
- 3rd Sept 2003 signing by PM of EC&EE Decree important – but limited Vietnam capacity to implement relevant decree provisions

Key SME EC&EE Barriers

- **Lack of public & SME awareness of EC&EE benefits**
- **Limited practical policy implementation @ central, provincial & commune levels**
- **Limited knowledge, info, skills & co-ord in ESCOs**
- **Lack of knowledge/skills in EC practices/operations**
- **Antiquated & energy-inefficient technologies**
- **Lack of appreciation of need to invest in energy audits**
- **Lack of skills in preparing business cases for EC loans**
- **Sufficient collateral for finance sector EC funding**
- **Limited skills in finance sector to evaluate EC loans**
- **Inadequate local capacity in EC equip manuf & refurb**
- **Under-utilization of est dev/ environ funds for EC**
- **=complex mix of barriers to remove**

Project Goal, Purpose & Objectives

- For GEF - goal is GHG reduction cf baseline
- For Vietnam driver pollution & SME competitive
- Project purpose removal of barriers to widespread uptake of EC technologies, improved management focus on reducing energy costs, enhanced technician training in EC practices and improved operation of energy using equipment use
- Objectives to achieve increased impact of existing policies & EC&EE decree, enhanced SME & public awareness of EC&EE, improved skills in EC&EE implementation, fostering of ESCOs, increased financial system willingness to lend, increased credibility of EC&EE investments

Project Components/Activities & Expected Results

1. Policy and Institutional Support
2. Information Dissemination & Awareness
3. Technical Capacity Development
4. Energy Services Industry Promotion
5. Financing
6. Demonstration

Risks, Sustainability, Stakeholders, Implementation, Monitoring

- Identify risks, assess levels, identify mitigation
- Identify & obtain commitment to continue key project activities after project completion in 2009
- Identify stakeholders in order of relevance & show that they were consulted & their views addressed
- Identify full-scale project implementation, management, staffing, tasks, monitoring

Incremental Cost & Activities, Baseline, Indicators, Assumptions

- For each component and activity identify –
- Baseline or what would happen anyway
- Incremental activities & their costs
- What will be produced, when will it be achieved & independent indicators
- Key assumptions by component/activity

Co-financing, Country Endorsement, & GEF Approval of Full-Scale Project

- Identify co-funders, \$\$ & formal letters of support, mix of in-kind and in cash support
- Overall 4 : 1 co-financing for GEF funding
- Obtain country focal point letter of endorsement
- Project brief from Country Office (UNDP Vietnam) to Regional UNDP-GEF Coordinator (KL), GEFSEC NY for comments & review, brief then revised, to GEF Council for approval

Thank you for your attention

Happy to answer any questions
on GEF Funding Procedures or Vietnam
PECSME Project example.