Folder Title:	Masood Ahmed - Chronological File - April to June 1986
Folder ID:	30450192
Series:	Sector and Operational energy and industry unit chronological files
Dates:	04/03/1986 - 06/27/1986
Subfonds:	Masood Ahmed files
Fonds:	Records of Individual Staff Members
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CHRON

APRIL - JUNE

1986

AHMED

June 27, 1986

Mr. Dennis Flannery

Thailand Energy Restructuring

Dennis -

As promised, attached is a cleaner and more elaborate version of the Agency/Objectives/Options matrix that I spoke with you about yesterday.

The row headings are meant at this stage to be illustrative as I am sure that you will have a more comprehensive and structured listing of both the objectives and options relevant for analysing restructuring prospects of individual agencies. Therefore, please feel free to change this as you think appropriate. Nevertheless, I think this might be a useful framework for structuring the subsequent discussion within NESDB and within the Bank on what could otherwise become a soft pillow of a subject. The first set of rows (under objectives) would basically identify what specific purpose would be served by restructuring in the case of the various energy sector agencies. The second set (options) would specify what modalities were available to realize these objectives in each case. Between the two, we should come up with a good fix on the strong candidates for further action.

I don't suppose we'll be able to fill in the whole matrix without further discussions with RTG, but with Eric and Yves Albouy's input we should certainly be able to tackle the PTT and EGAT columns. You are already the resident expert on Bangkok!

Call me if you have any comments.

Masood Ahmed

cc: Mr. Hume, Sadove (o/r), Daffern (o/r) (EGY).

THAILAND ENERGY SECTOR EFFICIENCY AND RESTRUCTURING
OBJECTIVES AND OPTIONS MATRIX

PUBLIC AGENCIES

	Petroleum Subsector								Power Subsector				Lignite			Fuelwood/Charcoal		
	PTT	- upstream	- gas pipeline	- refining	- marketing	- LPG distribution	BANGCHAK - refining	- defense energy dept.	EGAT - generation	- transmission	MEA	PEA	EGAT	DMR	NEA	NEA	RFD	UNIV.
OBJECTIVES																		
Improve Operational Performance																		
Strengthen Competitive Environment																		
Increase Enterprise Accountability																		
Clarify Enterprise Objectives																		
Increase Financial Transparency																		
Reduce Call on Public Funds																		
- for operational expenses																		
- for investment budget																		
Reduce Call on Public Sector Managers																		
Increase Flow of Private Funds into Energy																		
OPTIONS																		
Improve Regulatory Framework																		
Introduce "Contract Plans"																		
Decontrol Pricing Policy																		
Preset Tariff Adjustment Rules																		
- establish non executive Board of Business private people																		
- float shares in local market																		
- sell parts to private sector																		
- joint venture																		
- subcontract parts of business to others																		
- enclave projects																		
- float shares internationally																		

FORM NO. 27 - OCR
(3/82)

WORLD BANK OUTGOING MESSAGE FORM Cable, Telex

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Typewritten Character Must Fall Completely in Box!

PAGE 1 OF 1

OFFICIAL DEPT/DIV ABBREVIATION: EGYS1

MESSAGE NUMBER:

TEST NUMBER (FOR CASHIER'S USE ONLY):

START HERE

INTBAFRAD, BANGKOK, THAILAND. ATTENTION MR. JECHOUTEK.

DURING MEETING WITH PIYASWASTI, SOPHONG AND COLLEAGUES AT BANGKOK REFINERY ON JUNE 20, THEY AGREED TO SEND ME BY FAX THROUGH RMB SOME FIGURES ON ECONOMIC COST OF GAS AND COAL ETC., WHICH WE HAD CALCULATED AT THE MEETING BUT THEY WANTED TO CHECK AND FINALIZE. THESE FIGURES WOULD BE USED AS INPUT FOR THE FUEL SUBSTITUTION PAPER THAT WE HAVE PROMISED TO DO IN NEXT TWO WEEKS. THEREFORE, IMPORTANT TO RECEIVE THIS INFORMATION ASAP. GRATEFUL IF YOU COULD CALL PIYASWASTI AND VERIFY STATUS. MANY THANKS. BEST REGARDS, MASOOD AHMED, DEPUTY DIVISION CHIEF, ENERGY STRATEGY AND PREINVESTMENT DIVISION I, INTBAFRAD.

END OF TEXT

PINK AREA TO BE LEFT BLANK AT ALL TIMES

INFORMATION BELOW NOT TO BE TRANSMITTED

CLASS OF SERVICE: Telex	TELEX NO.: 82817	DATE: 6/27/86
SUBJECT: Thailand Fuel Substitution	DRAFTED BY: MAhmed:hm	EXTENSION: 73996
CLEARANCES AND COPY DISTRIBUTION:	AUTHORIZED BY (Name and Signature): Masood Ahmed, Dep. Division Chief, EGYS1	
	DEPARTMENT: Energy	
	SECTION BELOW FOR USE OF CABLE SECTION	
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June 26, 1986

Mr. Ian Hume

Staffing of Thailand Fuelwood Missions

Ian -

Further to your query, I have checked up on the staffing of the two ESMAP fuelwood missions to Thailand which is as follows:

Fuelwood Supply Project Preparation Mission

ESMAP Staff	2	Grut, Taylor
International Consultants	2	Hussain (Forester); Hines (First Economist)
Total	4	

Improved Stoves/Kilns Program Preparation Mission

ESMAP Staff	2	Terrado, van der Plas
International Consultants	3	Booth (Charcoal Specialist); Burns (Stove Marketing Specialist); Shanahan (Stove Production Specialist)
Total	5	

This excludes two local consultants working with each mission on subtasks that did not require expatriate input. These numbers are in line with those for a "typical" ESMAP mission which would comprise 1 higher level, 1 researcher, and 3 or so consultants.

Bernard Montfort

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PAGE 1 OF 2

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MESSAGE NUMBER

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INTBAFRAD, BANGKOK, THAILAND. ATTENTION VISITING STAFFMEMBER MIKAEL GRUT (EGY). RE: POSSIBILE AUSTRALIAN COFINANCING OF ESMAP FUELWOOD/CHARCOAL STUDY. DURING DISCUSSIONS YESTERDAY WITH MR. JEREMY WILSON, FROM ADAB'S COFINANCING UNIT, HE EXPRESSED STRONG INTEREST IN CONTRIBUTING TOWARDS COST OF THE ESMAP PREPARATORY WORK NOW UNDERWAY FOR FUELWOOD SUPPLY AND CONSERVATION IN THAILAND. ONLY OBSTACLE MIGHT BE THAT THE WORK HAS ALREADY STARTED AND THERE IS ONLY LIMITED AUSTRALIAN PARTICIPATION IN THE MISSION. HOWEVER I TOLD HIM THAT THIS WAS A TWO PHASE EXERCISE WITH A SECOND MISSION PLANNED FOR NOVEMBER AND THAT ALTHOUGH WE WOULD LIKE TO MAINTAIN THE SAME TEAM FOR BOTH PHASES, TO THE EXTENT THAT AN ADDITIONAL PERSON WAS REQUIRED FOR THE SECOND MISSION, WE WOULD TRY TO IDENTIFY A SUITABLE AUSTRALIAN CANDIDATE. I ALSO TOLD HIM THAT WE WERE ALREADY USING HARRY BOOTH ON THE CHARCOAL SIDE. ANYWAY IT LOOKS LIKE THEY MIGHT PICK UP AT LEAST PART OF THE COST. TO THIS END HE SUGGESTED THAT YOU MIGHT MEET WITH MARGARET REGNAULT, FIRST SECRETARY (DEVELOPMENT) IN THE AUSTRALIAN EMBASSY IN BANGKOK AND BRIEF HER ON THE SCOPE, OBJECTIVES ETC., OF YOUR MISSION. REFER TO MR. WILSON'S VISIT HERE AND

END OF TEXT

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CLASS OF SERVICE: Telex	TELEX NO.: 82817	DATE: 6/25/86
SUBJECT:	DRAFTED BY:	EXTENSION:
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PAGE 2 OF 2

OFFICIAL DEPT/DIV ABBREVIATION: EGYS1

MESSAGE NUMBER:

TEST NUMBER (FOR CASHIER'S USE ONLY):

START HERE

HIS RECOMMENDATION FOR YOU TO SEE HER. ADVISE ME OF OUTCOME OF YOUR VISIT SO I CAN PASS ALONG TO HIM. TRUST MISSION GOING WELL. REGARDS, MASOOD AHMED, DEPUTY DIVISION CHIEF, ENERGY STRATEGY AND PREINVESTMENT DIVISION I, INTBAFRAD.

END OF TEXT

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INFORMATION BELOW NOT TO BE TRANSMITTED

CLASS OF SERVICE: Telex	TELEX NO.: 82817	DATE: 6/25/86
SUBJECT: ESMAP: Thailand Fuelwood Study	DRAFTED BY: MAhmed:hm	EXTENSION: 73996
CLEARANCES AND COPY DISTRIBUTION:	AUTHORIZED BY (Name and Signature): Masood Ahmed, Deputy Chief, EGYS1	
	DEPARTMENT: Energy	
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June 25, 1986

Mr. Dosik

Solar Energy Product Opportunity

Dick -

The attached material was given to me yesterday by Mr. Wilson of ADAB who thought it might be of relevance to our ESMAP and other work.

I would appreciate your views on the viability/relevance of the concept. Many thanks.

Masood Ahmed

AUSTRADE
Australian Trade Commission

MINUTE PAPER

SUBJECT -

14 May 1986

Mr

V83/4170
PMcD:DW

rec'd 16/5

CYRO

Mr J Tucker
Services and Intellectual
Property Section
AUSTRADE
Canberra

No coordination review office

ESMAP: CFF: SOLAR ENERGY PRODUCT
OPPORUTNITY - ROSS INTERNATIONAL
CONSULTING SERVICES

(YOUR 85/6354 refers.)

We discussed the solar energy systems being promoted by Ansett Energy, with Mr Daryl Ross, Managing Director of Ross International Consulting Services, Melbourne (a marketing consultant employed to investigate potential markets for alternative energy systems in Africa) who indicated the following:

. Ansett Energy has four projects currently under construction (or about to be) which incorporate the above technologies; these include a :

(a) project at Hayman Island to produce hot water for hotel use;

(b) hospital in Sydney-involving hot water heating , and also drying facilities - the project has been put out to tender;

(c) sewage treatment plant, where the Ansett system will be used to provide the heat (for the process) which is normally supplied by natural gas (has also been put out to tender);

(d) another hotel (hot water) application

The above are primarily intended to provide data on the economic viability of the applications, not their technical viability/practicability.

Ansett Energy reportedly considers its Thermal Diode method of heat entrapment technically proven - and likewise, its application of the Saltless Pond technology involving a " floating glass membrane".

It is expected that the assessments of (a) and (b) should be completed before the end of 1986.

Ross Consulting Services has written to Trade Commissioners in Kenya, Egypt and Algeria; it has received a good response from the Australian High Commission in Zimbabwe - and an acknowledgement response from Nigeria.

Its last telex communication with the World Bank was in February 86.

Only very general mention of ADAB was made during the conversation.

Regarding the question of Australian consultants for assessment of the developments, it has been suggested that CSIRO has several experts in the field who might be highly suitable and independent, but it is not known whether they use computer models in the assessment of such developments.

I trust that the above helps you in your discussions with ADAB concerning the ESMAP program for Australian funding.

Should you wish to clarify some details, Daryl Ross can be contacted on (03) 211 3559/ (03) 787 1140; my direct number is (03) 611 3507.

P. J. McDonald.

Peter J McDonald
SIP SECTION

THERMOLAKE

A NEW COST-EFFECTIVE CONCEPT IN CAPTURING AND STORING SOLAR POWER

ANSETT ENERGY
A MEMBER OF THE
ANSETT TRANSPORT
INDUSTRIES GROUP

INTRODUCTION

THERMOLAKE is a dramatic breakthrough in large scale solar - thermal energy systems. Ansett Energy (a member of the Ansett group of companies) is responsible for marketing and continued development in many countries around the world.

WHAT IS ANSETT ENERGY'S THERMOLAKE?

ANSETT ENERGY'S THERMOLAKE is an integrated solar collector/storage device, one of a family of systems known as solar ponds.

WHAT IS NEW ABOUT THERMOLAKE?

THERMOLAKE makes it possible to deliver economically, large quantities of Solar Energy at a constant rate, even through lengthy periods without sunshine.

WHAT DOES THERMOLAKE DO?

THERMOLAKE stores and delivers hot water in the temperature range of 60-90 degress C, for both direct and indirect uses at practically any desirable system size, for use in industrial, agricultural and other applications.

ENVIRONMENTALLY ATTRACTIVE

THERMOLAKE provides pollution-free heat at a low cost, competitive with any source of fossil fuels. Noise levels resulting from Diesel Generators and the like, particularly as occur in remote locations, can be reduced.

WHO CAN USE THERMOLAKE?

THERMOLAKE can be the primary heat source for a wide variety of applications, some of which are listed below:

THERMOLAKE provides hot water, either directly or indirectly for application in swimming pools, laundries, sanitary systems and kitchens in hotels, resorts, hospitals and similar complexes.

THERMOLAKE heat is delivered, via heat exchangers, for application in district heating, water desalination installations, distillation, industrial preheating and process heating for the paper, waste treatment, food and textile industries.

THERMOLAKE provides heat for agricultural applications, such as greenhouses and fish ponds.

THERMOLAKE is a heat source for thermal conversion processes such as absorption cooling, for air conditioning and cold storage, and vapour compression and for low grade steam generation.

THERMOLAKE is, in special cases, an economic heat source for mechanical conversion processes, utilizing closed cycle Rankine engines for pumping and for remote supply of electricity.

HOW DOES THERMOLAKE WORK?

THERMOLAKE functions as an integrated solar collector/storage device consisting of a manmade pond rather similar to a farm dam that is filled with any type of water, and is covered with THERMOLAKE thermal diodes.

The THERMOLAKE thermal diodes act as an effective thermal insulation, preventing heat losses from the water to the ambient by limiting evaporation, thermal infra-red radiation and convection, while permitting the solar radiative energy to penetrate the pond. The exposure of the covered pond to solar radiation results in heat accumulation in the pond at a natural and stable temperature gradient - from top to bottom. The highest temperature is at the top of the pond.

To stabilize operating conditions, the top layer is mixed to any desirable depth creating an isothermal layer. The pond itself is simply a water based thermal storage device, which is why any type of water can be used.

The heated water is withdrawn from the THERMOLAKE pond by pumping the top (isothermal) layer of water. The heat is extracted from this layer and the water is then channelled back to a lower level in the pond.

HOW ECONOMIC IS THERMOLAKE?

Heat economy depends on three major factors: operating expenses, including fuel and labour, maintenance requirements and investment costs.

With THERMOLAKE, operating costs are negligible, maintenance is at a very low level (ca. 0.1-0.2c/thermal KWH in small installations), and the determining factor is investment.

In a typical medium sized industrial or climate-control application, located within the sun-belt (40 degress latitude, north and south) and depreciated at normal rates over the guaranteed lifetime of the system, heat price is much lower than with any known alternative utilizing fossil fuel resources.

If you already have an investment in boilers and fossil fired fuel, THERMOLAKE should be able to greatly reduce your energy expenditure. If you are considering investing in new energy plant, THERMOLAKE may be competitive with the capital cost of equipment before the enormous savings in energy costs are considered!

HOW EFFICIENT IS THERMOLAKE?

THERMOLAKE's performance depends on both the climatic conditions at the site at which it is installed and on the specific application for which it is intended.

A rough performance estimate for a typical industrial or climate-control application at an average site within the sun-belt, would be as high as 40% overall annual efficiency. Competitive systems reach much lower levels.

This estimate is based on test results demonstrating an average light absorption efficiency for both direct and diffused radiation of 65-70% for the floating thermal diode trays, and an average thermal loss from the pond's surface of 1.1-1.2 W/m squared degrees C.

WHAT MAKES THERMOLAKE DIFFERENT?

In comparison to all other existing solar energy systems, THERMOLAKE is cost-effective for a wide variety of medium sized applications. It excels in heat yield, fast reaction time after installation, minimum maintenance needs and modest land requirements.

THERMOLAKE differs from conventional rooftop solar heating in accumulation ability and economy.

THERMOLAKE differs from other solar pond systems in its flexible size requirements for the solar pond, demonstrating full economic advantages even at very small pond sizes.

THERMOLAKE's thermal yield/land requirement is much higher than most other solar pond system, making it applicable in areas where land prices are at a premium.

THERMOLAKE presents no environmental problems if leakage occurs, since in contrast to other solar pond systems it need not be based on salt water.

THERMOLAKE's reaction is much faster than other solar pond systems, delivering heat in just a few weeks following installation.

THERMOLAKE is only minimally influenced by wind or wave motion, to which other solar ponds are very sensitive.

THERMOLAKE does not suffer from an evaporation problem, requiring no significant addition of water.

THERMOLAKE's accumulation capability is easily increased by a simple depening of the pool.

THERMOLAKE is the new cost-effective concept in capturing solar power.

Thermolake Typical Energy Balance.

INTERESTED IN MORE DETAILS?

Ansett Energy would be pleased to discuss your Energy application, and provide further details on THERMOLAKE.

ANSETT ENERGY: SYDNEY (02) 43 4026
MELBOURNE (03) 810 9577

PART B

A Technical and Economic Review of the

Saltless Solar Pond (THERMOLAKE*)

Produced For

Ansett Energy

A Division of

Ansett Transport Industries (Operations)

Pty. Ltd.

* Registered Trademark of associate companies of Ansett Energy

1. Introduction*

There are several major modes to capture and utilize solar energy:

- Low temperature heat production for domestic, commercial, industrial and agricultural usages.
- Solar thermal electric power generation
- Photo-voltaic direct conversion to electric power
- Biomass production and conversion into gases or liquid fuels

Frequently these modes are viewed competitively by proponents of one or the other technology. They should be seen as complementary, however, and interpreted as technologies designed to achieve quite different goals. For example it is technically cumbersome and economically not justifiable to plant sugar-cane, harvest it and convert it through an elaborate process into liquid fuel in order to burn the fuel to produce domestic hot water at 50 degress C, when the same goal can be achieved much more economically with a simple flat plate collector and a small storage boiler.

THERMOLAKE is a device to produce low temperature heat (between 60 and 90 degress C). An assessment of its capabilities and market potential has to rely on a comparison of this technology with other solar devices that serve the same purpose. These are primarily:-

- The flat plate collector
- The evacuated tube collector,
- Both in combination with some sort of storage device.

The inclusion of the storage device is imperative since only a systems approach can lead to an adequate assessment of a particular system's advantages and disadvantages. More important still, any elevation of a technical system ought to include all devices that are necessary to accomplish a certain task - e.g. to provide hot water for domestic purposes or space heating of residences or office buildings all year round and for all weather conditions. For collector systems this means the inclusion of a back-up system to guarantee full year round service.

Under the same premise, it is not necessary to include systems that serve different purposes in the assessment. Hence, direct photo-voltaic conversion, solar thermal electricity generation and biomass production are excluded from the following evaluation. They serve quite different purposes and have their own applications which are quite different from those of low temperature heat systems.

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* The THERMOLAKE or "Saltess Solar Pond" refers exclusively to a new development by Ansett Energy.

This report will be structured as follows:

- A survey of the general technical and economic properties of low temperature solar applications
- A description of solar ponds, especially the THERMOLAKE Saltless Solar Pond as technical solutions
- A technical and economic comparison of these alternative solutions.
- Identification of potential applications for THERMOLAKE under special consideration of geographical and socio-economic limitations

2. Low Temperature Heat Applications

The production of low temperature heat for domestic hot water, space heating and commercial applications consumes a large share of the total energy requirement of most countries, depending on geographical location, climatic conditions and stage of development. The proportions vary from 30% to over 50%. Currently most of this requirement is supplied through the use of fossil fuels, mainly oil, gas and coal.

Since the 1970's oil crisis interest in efforts to utilize solar energy to supply the low temperature market increased at a rapid pace. These efforts focused primarily on solar technologies for domestic hot water and space heating. Solar systems for commercial, industrial and agricultural application (drying, heating of greenhouses) lagged behind and are only recently receiving more attention.

Solar hot water heaters are the only systems that could achieve considerable market success, at least in those countries with an abundance of solar radiation. In 1978, 250,000 systems had been installed in Israel, 30,000 in the USA, 10,000 in Cyprus and well over 2,000,000 in Japan*. In countries with moderate climatic conditions, market success was very limited, just as solar space heating systems failed to capture a large share of the market, anywhere.

There are several important reasons for this:

- The time of most abundant supply of solar radiation does not coincide with the time of greatest demand, especially for home heating purposes. Moreover, radiation is not constant over time - it is necessary that solar systems are capable of bridging several days or even weeks of bad

---

* F. Jaeger, Solar Energy Application in Houses, Oxford Pergamon Press 1981.

weather. This can be accomplished either by

- elaborate and hence expensive heat storage devices or

- back-up systems capable of carrying the full heating load.

- The requirement to have a back-up system and/or elaborate storage devices increases the cost of solar systems to such an extent as to render them uneconomical in most situations. A survey of the economics of solar systems in the nine countries of the European Community in 1980 came to the conclusion that only in Southern France and Italy, solar heaters capable of supplying 90% of the total requirements - would have amortization periods that are significantly below the expected lifetime of a system.*

  Calculations of amortization of low temperature solar systems are always haphazard for two reasons:

  - They have to make assumptions about future costs for conventional fuels which are at best educated guesses. The price for oil today and in the near future is determined more by politics than by economics and thus largely unpredictable.

  - There are always special situations and conditions where solar systems are economical. In the hotels and guesthouses in northern or central Europe seaside resorts, where hot water is mainly used during summer periods, solar hot water systems can be paid off in 10 years, for instance. Similarly, the installation of solar hot water systems in German one or two family houses could prove economical in those cases where hot water is produced with oil or gas fired furnaces for space heating, which frequently work at less than 20% system efficiency during the summer.

  The evacuated tube collector was developed in order to solve some of these problems. By placing the absorber inside an evacuated tube, heat losses are reduced. In addition, the bottom of the tube is covered by a mirrored surface that reflects radiation onto the absorber. Finally a tubular surface reflects less direct radiation than a flat glass plate and captures more of the radiation during the early morning and late afternoon hours. Thus the total performance of this collector type is considerably better (about 75%) than that of the flat plate collector, particularly under the climatic conditions prevailing in northern and central Europe. It is at present also twice as expensive as

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* Ibid - Chapter 5 - the survey assumed an annual fuel cost growth rate of 5% and an interest rate of 2% above inflation. The survey was limited to EC member countries. Conditions in other Mediterranean countries would lead to similar results.

a flat plate collector. On the other hand, it is a good candidate for mass production and should become competitive with the flat plate collector in the near future.*

- The problem of heat storage has not yet been solved. For short term storage (several days) well insulated liquid storage tanks can be used economically. The storage medium is usually water. For long-term or seasonal storage, large-scale liquid storage tanks are required. Recent feasibility studies in Germany came to the conclusion that medium-sized tanks (ca. 30 cu. mtrs.) would cost about US$400 per cu. mtr. volume, while larger units of ca. 100,000 cu. mtr. would amount to $120-200 per cu. mtr.**

  In addition to liquid storage, latent heat and rock storage systems have been proposed. The latter can be used only in conjunction with air heating systems which are not common in most of Europe. Moreover, this requires air collectors, which work most efficiently in hot climates. Nonetheless, rock storage in conjunction with solar passive house design could offer economic solutions - mainly for one-family houses, however. Latent heat storage utilizes the change of specific chemicals (hydrated salts, pure organic compounds, paraffins). Solar heat is used to melt the storage material, when the molten material re-solidifies, heat is emitted again. The advantage of latent storage lies in the fact that energy can be preserved over long periods of time without costly insulation However, most materials have not shown satisfactory reliability performance. Moreover most of them are quite expensive.***

  Recently plaster has become an interesting candidate for long-term storage. Initial cost estimates suggest it as a serious competitor for water. Here, however, R&D is required before it can be marketed.

  At present it must be concluded that other than short-term storage will add to the cost of low temperature solar systems and thus significantly extend their amortization periods.

---

* Cf., K. Schreitmueller, in Bundesminister fuer Forschung und Technologie, Statusbericht, Thermische Nutzung der Solarenergie, Bonn, 1983.

** Cf., R. Jank; J. Strickradt, W. Breuer, in Bundesminister fuer Foschunf und Technologie, Stratusbericht, Thermische energiespeicherung, Bonn, 1983.

*** Klages; Jung et al, in Inbid.

Note: All $ referred to are $US unless stated to the contrary. Also note that oil prices at the time of writing are highly transient and comparisons involving cost of oil derived energy are indicative only.

- There is one case where the abundance of solar radiation nearly coincides with demand: solar space cooling. Low temperature solar energy from all types of collectors can be used in conjunction with absorption cooling machines. Most applications of this technology have not passed the stage of pilot projects, since solar energy from all types of collectors proved itself to be too expensive.

In Summary, flat plate and evacuated tube collectors as sources of low temperature heat for domestic hot water, space heating and cooling and in commercial, industrial and agricultural applications failed to become a commercial success - with the exception of simple hot water systems - because of:

- the time gap between availability of solar radiation and energy demand,

- the need to have a back-up system capable to carry the full load of the system, and

- the need to use complex and expensive heat storage devices at least for short-term storage.

The solar pond was introduced as a solar collector and storage device that could solve several of these problems.

3. The Salt-Solar Pond : Types and Applications

3.1 The Basic Concept

Since the salt-solar pond functions both as a solar collector and storage device with a long range storage capability, it received great interest as a source of low temperature heat, a source which could overcome several of the problems outlined in the last section.

The salt-solar pond utilizes a simple natural phenomenon: a body of water which has a density gradient (due to varying salt concentration) will suppress convective currents from the bottom up. In this matter hot layers may be stored underneath cold ones without spontaneously mixing. Density gradients may be formed by special techniques and maintained over extended periods with appropriate care. Over time the pond will store more and more energy until a temperature gradient is built up that parallels that salt concentration gradient in the pond. In this fashion, extremely high temperatures (ca. 100 degrees C.) can develop at the bottom of the pond, whilst the surface maintains a temperature similar to that of the air surrounding it. Convective and conductive heat losses are reduced, while a good proportion of solar radiation is captured in the pond. The energy can be withdrawn from the bottom of the pond whenever it is needed and can be used for low temperature applications or for the generation of electricity in conjunction with a Rankin generator. Thus the salt-solar pond does function as an integrated solar collector and storage system.

3.2 Conditions of Application

The first large-scale salt-solar pond was put into operation in Ein Bokek in Israel at the shore of the Dead Sea in 1979. This is an ideal location for an artificial solar pond, because plenty of highly concentrated salt water is available and because the intensity of the solar radiation expedites the build-up of the salt and temperature gradient in a relatively short time. There is of course no great demand for low temperature heat at this location and consequently the yield of the pond was used to generate electricity with the aid of a Rankin generator.

The potential for utilizing this concept at locations similar to the Dead Sea for the purpose of generating electricity is great, since the technology of extracting the energy from ever larger ponds is progressing rapidly. Eventually large proportions of the Dead Sea itself - and similar salt lakes - could be utilized as natural salt gradient solar ponds.

The utilization of artificial salt gradient solar ponds at other localities, where these conditions are not present, encounters several serious problems:

- If no natural source of salt is available, it has to be bought and transported to the pond. For a pond with a depth of 3 metres, one ton of salt per square metre surface has to be added. This increases the cost of constructing the pond by approximately 250% - 300%.

- Whenever a salt gradient solar pond is constructed outside of salt lake or desert areas, it poses a threat to the acquifer or ground water. Even if the pond could be made virtually leakproof, natural events such as earthquakes could lead to the pollution of the acquifers.

In addition, there are some general technical problems of salt gradient solar ponds which have or can be solved, at considerable cost however. The more important of these are:

- The building and the maintenance of the salt gradient in the pond is a difficult task, requiring skill and regular observation and maintenance. The problem has been solved technically but adds to the cost of operation of the pond. The gradient can be brought out of balance by heavy winds or improper extraction of energy and water replacement. Once the gradient has been destroyed, it will take some time for the pond to "recover", i.e. to restore the salt gradient and to accumulate energy in the lower layers on the pond.

- The efficiency of the pond as a solar collector depends to a great extent on the transparency of the water. The presence of pollutants - both organic and mineral - will reduce the absorption rate. Since it cannot be prevented that organic pollutants enter the pond, it has to be cleaned or washed at regular intervals. This, too, adds to the cost of operating the pond.

- There will always be some degree of evaporation from the pond. Under Mediterranean climatic conditions, this amounts to about 2 mtr.* per annum. This water has to be replaced and adds again to the cost of operating the pond, particularly at places where water is costly.

- The peripheral equipment (pipes, pumps, heat exchangers, etc) have to be constructed from costly, corrosive resistant materials, since it is in constant contact with hot, high salt conditions.

There are two other types of solar ponds that could avoid some of these difficulties. One of these may be called the "Saturated Solar Pond". Here the salt gradient is self-maintained by the nature of solubility of specific salts (high temperature dependent solubility): the higher the temperature, the more salt will be dissolved. In this fashion, the problem of maintaining the gradient at all times automatically has been accomplished. The other problems persist, however. Moreover, this special sodium nitrate is available only in a few places, like Chile, for instance.

The "Jelled Solar Pond" uses certain transparent gel systems to prevent natural convection. Here, of course, all the problems associated with salt are solved, others are added, however. Organic materials contain bacteriological contaminants. With rising temperatures micro-organisms may develop which reduce the translucidity of the pond and thus reduces the absorption rate considerably. Eventually it will render the pond useless.

It must be concluded, therefore, that the salt gradient solar pond - as well as the jelled and saturated pond - do not present a solution to the problem of harnessing solar energy for low temperature domestic, commercial, industrial and agricultural applications on a broad basis. The salt gradient solar pond is an excellent system for generating electric power where conditions similar to those of the Dead Sea prevail.

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* These figures are based on preliminary calculations for an experimental solar pond in Germany

The THERMOLAKE Saltless Solar Pond

THERMOLAKE functions as an integrated solar collector and storage device. This system is based on a quite different principle to the salt-gradient solar pond. A body of water is covered by an array of glass captules called "Thermal Diodes" which cover the water and prevents convective heat losses from the water to the ambient while it permits most solar radiance to enter the pond. The pond itself is essentially a water based thermal storage device, hence any type of water can be used: sweet water, brine, even waste water.

The translucent insulation is encased in modules each of two sq.m. A very light polycarbonate (or similar material) honeycomb structure, highly transmissible to the full solar spectrum at almost any angle of incidence, highly opaque to thermal infra-red radiation and an excellent suppressor of thermal convection, is placed in the array of Thermal Diodes which is supported over the water.

As the insulated surface of the pond is exposed to solar radiation, energy will be accumulated in the pond with a natural temperature gradient from top to bottom. The highest temperatures are at the top of the pond. This energy can be withdrawn by pumping the top layer of water, cooling it in a heat exchanger and channelling it back to the bottom of the pond.

The following diagram illustrates the system.

SCHEMATIC VIEW OF THERMOLAKE

Heat losses to the ground can be reduced either by insulating the pond to the ground or by adding to the depth of the pond so that the lower, cold layers of water themselves function as an insulator. For most applications, the bottom of the pond does not have to be insulated but the side walls will require some insulation.

The advantages of THERMOLAKE are as follows:

- Since salt water is not required, most of the drawbacks of the salt gradient pond have been eliminated.

  - There is no danger to the acquifer
  - The cost for adding salt is eliminated
  - The costly procedures to build and maintain the salt gradient are also eliminated
  - Corrosion of peripheral equipment is significantly lower, hence less costly materials can be used.

- Since the pond is covered, evaporation is reduced to a minimum. The pond will maintain its water level naturally through rain. During prolonged periods of rain, some of the water may have to be drained away.

- Physical damage to the pond (storms, earthquakes, objects falling into the pond) can be repaired quickly. Individual modules can be replaced, and there is no need to rebuild the gradient.

- The efficiency of the pond as a solar collector is high; nearly the full solar spectrum can be utilized. Transmission of global radiation is 70% or better while the heat loss factor is only 0.9 w/m 2 degrees C. Ground loss is 13w/m 2 without insulation.

There are a number of factors that limit the range of applications of THERMOLAKE, affect its life span and cost of maintenance:

- THERMOLAKE requires considerable space. Small ponds are inefficient since they require similar peripheral equipment to large ponds. Thus, THERMOLAKE cannot be used to harness solar energy for residential application in decentralized one and two family dwellings. For concentrated multi-family housing the cost of land could play a limiting role. How the land costs affect the economics of the pond will be analysed in the next section. Despite these limitations, there remains a broad spectrum for applications; they will be described in section 5.

- The efficiency of the pond as a solar collector decreases with the solar radiance available. In areas with low radiation - on account of geographic location or climatic conditions - THERMOLAKE cannot be used as a collector. But it could play a role as a device for large scale, long term heat storage, particularly if heat losses can be balanced with gains through radiation. For the time being, the pond as a collector would seem to be limited to use in the area between the 40 degree latitude north and south.

5. A Comparison between THERMOLAKE and other Low Temperature Systems

Innovations are usually an economic success if they cost less than competing devices and/or if they increase system efficiency, reliability or convenience. Solar technology has been such a limited success in the marketplace primarily because it could not compete with conventional fuel fired systems at present fuel costs. In order to assess the economic viability of THERMOLAKE, we need to compare it firstly with other solar systems and secondly with conventional systems.

Table I compares the average performance and the costs of THERMOLAKE and a Standard Flat Plate collector system, on a lifetime basis.

TABLE I: Performance and Cost of THERMOLAKE and a Standard Flat Plate Collector System

	Average thermal output in kwh per annum & m2	Investment Cost per m2 in $
THERMOLAKE	700	50
Low Grade Flat Plate	660	155

NOTE: These figures were computed on the assumptions of a mean insulation of 200 w/m2; transmission of global radiation of 70% for the THERMOLAKE and 85% for the Flat Plate Collector; a heat loss factor of .9 w/m2/degrees C for the THERMOLAKE and 1.9 w/m2/degrees C. (combines collector and storage) for the collector; ground loss of 13w/m2 for the THERMOLAKE and 0 for Collector System; a mean temperature difference of 50 degrees C. for both systems.*

A very clear cost advantage of three to one for the THERMOLAKE over the Flat Collector is apparent. Since this advantage is so large, it also leads to a significant advantage over conventional fuel prices. The price of energy from THERMOLAKE is c 1.44/kwh; that of oil is c 3.92/kwh if we assume a price of c 35kg.

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* This is a very optimistic assumption for a "standard" collector. It was used in order to standardize the conditions

It does not suffice to demonstrate the relative advantage of THERMOLAKE on this general performance data. THERMOLAKE has to prove itself in the market by offering a technical system that can provide low temperature energy at costs significantly below those of competing systems. To do this the costs of providing energy for hot water, space heating and cooling for a hotel located in the Mediterranean area were computed. It was assumed that each, the THERMOLAKE, Flat Plate collectors and conventional energy supply systems would provide for the total low temperature heating and cooling load for an average size hotel with about 110 rooms. The results are presented in Table II.

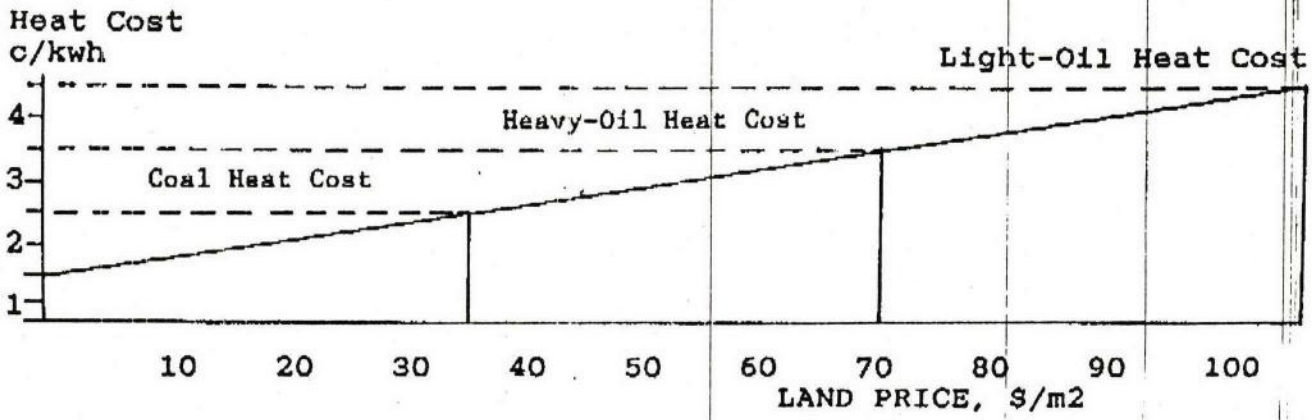
Table II: Comparative Costs for Providing Energy for Hot Water, Space Heating and Cooling in US $ per Year and per Room for a 4 Star Hotel with about 110 Rooms at the Mediterranean

	THERMOLAKE	Flat Plate Collector	Conventional Energy System
Space Heating & Hot Water	72.00	235.00	196.00
Space Cooling	109.40	321.50-419.50	110.00
TOTAL	181.40	556.50-654.50	306.00

The cost advantage of the THERMOLAKE with respect to hot water and space heating is striking. No less significant is the fact that THERMOLAKE can compete with electrically provided space cooling. Finally the table shows clearly that Flat Plat Collector systems have no chance of capturing this market.

It could be agreed now, that land costs could change this picture fundamentally, since they have not been considered in the calculations, and since they indeed represent a limiting function. In order to test this, a sensitivity analysis of THERMOLAKE to land costs was carried out. The results are presented in Graph I.

Graph I: The Sensitivity of THERMOLAKE to Land Costs



The graph shows clearly the direct linear relationship between energy and land costs. The graph also shows the cut-off points above which THERMOLAKE cannot compete with conventional energy systems. The importance of this conclusion can be illustrated with the hotel calculations: hot water and space heating had a considerable cost advantage - without taking land costs into account. If land costs push the price per kwh heat generated by THERMOLAKE close to the level of light oil fuel (4.5 c/kwh) or exceed it, the cost advantage of THERMOLAKE is dissipated.

HOW LONG CAN THERMOLAKE STORE?

THERMOLAKE stores solar energy in a water basin which can be designed to the necessary depth. The storage capability can extend from short (several days) periods to very long (seasonal) intervals.

THERMOLAKE can capture solar energy during sunny periods and supply heat to the consumer during quite prolonged periods without direct sunshine.

In spite of the low rates at which energy is streamed into the pond, it can be extracted much faster. If an average yearly gain of 80 W/m squared is obtained, extraction can exceed the 2000 W/m squared level.

HOW IS THERMOLAKE BUILT?

The rectangular THERMOLAKE solar pond is dug in the usual manner. A specially developed heat resistant liner is used along its bottom sloped sidewalls to prevent leakage to the ground.

While most THERMOLAKE applications do not require thermal insulation of the pond's bottom, heat loss may be reduced by applying an insulating layer to the bottom and sidewalls, or by increasing the pond's depth to let the water serve as a thermal insulator.

After being filled with water, the pond is covered with the THERMOLAKE thermal diodes, which are modular rectangular shaped elements with surface dimensions of 2m x 1m (approximately).

Specially designed arrangements allow optimal performance of both suction and delivery of water to the external system, as well as high tolerance to variations in water level.

The unique thermodynamic performance of the THERMOLAKE thermal diodes is contributed mainly by a newly developed, sophisticated honeycomb structure. This structure, due to its geometrical relations, virtually eliminates convective heat losses. Furthermore, the inherent optical properties of the material from which it is made, reduce the longwave infra-red radiative losses to a minimum.

The honyecomb structure is encased in a special glass material.

The Ansett Thermolake Principal

HOW LONG IS THERMOLAKE EFFECTIVE?

The THERMOLAKE thermal diodes enjoy excellent durability. The design life of the inner honeycomb structure is a minimum of 10 years though it is expected to last much longer. This is due to the absence of any measurable mechanical stress and to the efficient protection against ultra-violet degradation. This protection is provided by a special high quality low iron glass. The glazing also makes cleaning simple.

As the water in the THERMOLAKE solar pond need not be salt water and contains only a very low oxygen concentration, almost no corrosion is suffered by the pond liner or other components of the system located outside the pond. This also means that the THERMOLAKE solar pond does not represent an environmental problem should accidental leakage occur, allowing it to be located, without any fear of contamination, above potable aquifiers.

The Ansett Thermolake Principal of Operation.

HOW IS THERMOLAKE MAINTAINED?

The maintenance of THERMOLAKE is simple. Keeping THERMOLAKE operating at optimal performance requires only occasional surface cleaning, which is performed by an uncomplicated mechanism. No special care is neeeded to maintain the water's clarity since the water is not used for transmitting radiation. The maintenance of the quality of the water in the THERMOLAKE solar pond is simple and inexpensive. The thermal gradient of the pond is self-maintained and requires no care. In some respects, and within limits, the dirtier the water the better.

FORM NO. 27 - OCR
(3/82)

WORLD BANK OUTGOING MESSAGE FORM Cable, Telex

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PAGE 1 OF 1

OFFICIAL DEPT DIV ABBREVIATION: EGYS1

MESSAGE NUMBER

TEST NUMBER (FOR CASHIER'S USE ONLY)

START HERE

INTBAFRAD, BANGKOK, THAILAND. ATTENTION: JIM. RECEIVED YOUR FAX OF THE TRANSLATION ON GAS PRICING. MANY THANKS FOR THIS AND FOR ALL YOUR ASSISTANCE DURING MISSION. BEST REGARDS, MASOOD AHMED, DEPUTY CHIEF, ENERGY STRATEGY AND PREINVESTMENT DIVISION I, INTBAFRAD.

END OF TEXT

PINK AREA TO BE LEFT BLANK AT ALL TIMES

INFORMATION BELOW NOT TO BE TRANSMITTED

CLASS OF SERVICE: Telex	TELEX NO.: 82817	DATE: 6/24/86
SUBJECT: Translation on gas pricing	DRAFTED BY: MAhmed:hm	EXTENSION: 73996
CLEARANCES AND COPY DISTRIBUTION:	AUTHORIZED BY (Name and Signature): Masood Ahmed, Deputy Chief, EGYS1	
	DEPARTMENT: Energy	
	SECTION BELOW FOR USE OF CABLE SECTION	
	CHECKED FOR DISPATCH	

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: June 5, 1986

TO: EGYS1 Staff

FROM: Masood Ahmed, Acting Division Chief, EGYS1

SUBJECT: Delegation of Responsibility

Between my departure for Thailand tonight and Mr. Montfort's return to headquarters on Tuesday, June 10, Mr. Jivat Thadani will be in charge of the division.

cc: Messrs. Churchill, Hume, Bourcier, Sadove, Saunders, Iskander, Dosik, McCarthy, Heron, Fish, Bates, Kalim (EGY).

MAhmed:hm

FORM NO 27 OCR
(3/82)

WORLD BANK OUTGOING MESSAGE FORM Cable, Telex

IMPORTANT—PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM

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PAGE 1 OF 1

OFFICIAL DEPT/DIV ABBREVIATION: EGYS1

MESSAGE NUMBER

TEST NUMBER (FOR CASHIER'S USE ONLY)

START HERE

TO MR K. JECHOUTEK, INTBAFRAD, BANGKOK, THAILAND. RE: YOURTEL JUNE 5. FIELD TRIP NOT HIGH PRIORITY, BUT ON SUNDAY JUNE 15 IT COULD BE INTERESTING FOR MISSION TO VISIT FOR EXAMPLE THE NEA/RFD CHARCOAL PRODUCTION CENTER AT SARABURI ABOUT TWO HOURS DRIVE NORTHEAST OF BANGKOK, AND AT THE SAME TIME THE NEARBY RFD TREE NURSERY AND OTHER ENERGY-RELATED MATTERS. I ESTIMATE THAT ABOUT 3-4 PERSONS WOULD AVAIL THEMSELVES OF SUCH A POSSIBILITY. REGARDS, MASOOD AHMED, ACTING DIVISION CHIEF, ENERGY STRATEGY AND PREINVESTMENT DIVISION I, INTBAFRAD.

END OF TEXT

PINK AREA TO BE LEFT BLANK AT ALL TIMES

INFORMATION BELOW NOT TO BE TRANSMITTED

CLASS OF SERVICE: Telex	TELEX NO.: 82817	DATE: 6/5/86
SUBJECT: ESMAP Thailand Field Trip	DRAFTED BY: MAhmed:hm	EXTENSION: 73996
CLEARANCES AND COPY DISTRIBUTION: cc: Mr. Hume (EGY).	AUTHORIZED BY (Name and Signature): Masood Ahmed, Acting Chief, EGYS1	
	DEPARTMENT: Energy	
	SECTION BELOW FOR USE OF CABLE SECTION	
	CHECKED FOR DISPATCH	

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

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DATE: June 5, 1986

TO: EGYS1 Staff

FROM: Masood Ahmed, Acting Division Chief, EGYS1

SUBJECT: Delegation of Responsibility

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cc: Messrs. Churchill, Hume, Bourcier, Sadove, Saunders, Iskander, Dosik, McCarthy, Heron, Fish, Bates, Kalim (EGY).

MAhmed:hm

June 4, 1986

Mr. Ian Hume

FY87 Budget

Ian -

I would appreciate your guidance on the budgeting of policy and advisory work by EGYS1 staff for FY87. The problem is as follows.

In their role as country coordinators and technical specialists, the staff of this division have frequently been called upon to assist EGYPA in the advisory and review work for CPP's, CEM's, energy sector reports, and project-related documents. In substance, I personally think that this interchange is healthy and useful for both divisions. We would therefore like this participation of EGYS1 staff to continue in the department's policy, advisory, and review work.

In the past this work has been budgeted as inter-unit support between us and EGYPA, although in a somewhat ad hoc manner. For FY87, however, we have a problem because the total allocation of other output for the department has been reduced to a point where in Bob Saunder's view, there can be no allocation for advice and review work by EGYS1 staff. I think this would be unfortunate but I can understand Bob's difficulty. However, if this is to be the case, then it would entail some changes in the individual work program and priorities for staff within the division, and since we are now in the process of preparing IPP's for FY87, it would be useful to communicate this change to them at this time.

I would be grateful for your guidance on this matter.

Masood Ahmed

cc: Messrs. Saunders, Montfort (o/r) (EGY).

IE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: June 3, 1986

TO: EGYS1 Staff

FROM: Masood Ahmed, Deputy Division Chief, EGYS1

SUBJECT: FY87 Individual Work Programs

1. As Bernard indicated at last Friday's staff meeting, we have prepared first drafts of the FY87 Work Programs for each higher level/researcher staff in the division based upon:

(i) the current status of the CAM approved divisional work program for FY87;
(ii) the list of committed and/or fully funded ESMAP tasks;
(iii) a small allowance for as yet unidentified tasks and for business develoment.

Draft lists of items (i) and (ii) above are attached for your information.

2. Also attached for your review and comments is your own draft work program. In most cases the proposed tasks and their timing reflect the discussions we have had for the FY86 PPR process. The next step is for each staff member to prepare a draft IPP based on the attached work program, noting in particular the phasing of the proposed tasks across each quarter of the fiscal year to identify protential bunching problems or individual time conflicts. Your draft IPP should also include the training proposals for FY87 which were agreed during the PPR discussions.

3. If you have comments or questions on the attached material which you would like to raise before drafting your IPP, please contact me before I leave on mission at the end of the week. I will leave Thursday morning open for this purpose. Thereafter, Bernard will be back next week and your comments should be directed to him.

4. We have agreed to substantially complete the individual work programming for the division for FY87 by the end of this month. I would therefore appreciate your early attention to this matter.

Attachments

cc: Mr. Montfort (o/r), EGYS1.

MAhmed:hm

FY87 ESMAP Work Program by Product Line and Country

		Total SYs
Assessment		
1	Algeria	1.44
2	Unidentified	1.15
Household Energy		
3	Senegal Household Strategy	2.12
4	Burkina Household Stratey	1.73
5	Morocco Household Strategy	0.96
6	Niger UNSO	1.08
Fuelwood Supply		
7	Thailand	1.54
Energy Efficiency		
8	Syria Cement	1.50
9	Indonesia Brick and Tile	0.92
10	Ghana Industrial Energy Conservation	1.60
11	Senegal Industrial Energy Conservation	5.15
12	Unidentified	1.38
Power System Efficiency		
13	Syria Energy Efficiency	1.19
14	China or Malaysia)	1.19
15	or Burkina)	1.19
16	Indonesia Diesel Follow-up	1.19
Institutional Support		
	(Restructuring/Investment Review)	
17	Unidentified (Thailand/Liberia)	1.54
Oil & Gas		
18	Unidentified (Syria)	0.96
Biomass Residues		
19	Ghana Sawmills	1.21
20	Ivory Coast Residue Study	0.21
Renewables		
21	Mauritania	1.17
Stove Project Preparation		
22	Thailand Stoves	1.29
23	Niger Stoves	0.58
Aid Coordination/Project follow-up		
24	Indonesia	1.06
	Total--SYs	33.37

FY87 WORK PROGRAM
(as of May 29, 1986)

	Name	Prod. ID	EGYS1/35250 HL	Cons	35230 EGYD1	35240 EGYD2	35207 EGYPA	35320 IND	Projects	Programs	Total
	West Africa										
chad	Assessment	3CHDSR003	3.00	-	-	1.00	-	-	1.00	-	5.00
Congo	Assessment	3COBSR004	5.00	3.00	-	2.00	2.00	-	3.00	1.00	16.00
Ghana	EGY Effic.	3GHASR020	8.00	-	-	-	1.00	-	2.00	1.00	12.00
Nigeria	Sector UP.	3NIRSR054	6.00	-	-	2.00	-	-	1.00	1.00	10.00
Senegal	House. EGY	3SENSR028	9.00	5.00	-	3.00	2.00	-	-	1.00	20.00
Sierra Leone	Assessment	3SILSR008	8.00	-	-	-	2.00	-	-	-	10.00
			39.00	8.00	0.00	8.00	7.00	0.00	7.00	4.00	73.00
	EMENA										
Algeria	Assessment	5ALGSR013	7.00	3.00	5.00	-	2.00	-	3.00	-	20.00
Egypt	Gas Strat.	5EGTSR011	3.00	3.00	-	-	-	-	-	-	6.00
Morocco	House. EGY	5MYCSR036	9.00	-	2.00	-	-	-	4.00	5.00	20.00
Syria	Gas & EGY	5SYRSR009	6.00	6.00	5.00	-	6.00	-	2.00	-	25.00
YAR	EGY Options	5YARSR019	6.00	4.00	-	-	-	-	3.00	2.00	15.00
			31.00	16.00	12.00	0.00	8.00	0.00	12.00	7.00	86.00
	EAST ASIA										
Korea	LNG Util	7KORSR003	8.00	6.00	6.00	-	-	-	4.00	-	24.00
Laos	Assessment	7LAOSR004	6.00	-	-	-	-	-	2.00	2.00	10.00
Thailand	Impact low oil prices	7THLSR022	10.00	7.00	3.00	-	2.00	2.00	3.00	3.00	30.00
			24.00	13.00	9.00	0.00	2.00	2.00	9.00	5.00	64.00
	TOTAL SRA		94.00	37.00	21.00	8.00	17.00	2.00	28.00	16.00	223.00
	SWO-3BUR		1.00	-	-	-	-	-	-	-	1.00
	3NIR		2.00	-	-	-	-	-	-	-	2.00
	3MLISAL		5.00	-	-	-	-	-	-	-	5.00
	3GHA		4.00	-	-	-	-	-	-	-	4.00
			12.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12.00
	Total (SRA+SWO)		106.00	37.00	21.00	8.00	17.00	2.00	28.00	16.00	235.00

Support to Other Bank

(as if May 29, 1986)

SECTOR WORK

Dept	TaskID		Name		SWs
13640	SRA	3GHASR026	Energy Strategy		5.00
13640	SRA	3GUISR010	Energy Strategy		2.00
13640	SRA	3GUBSR014	Power Sector Note		2.00
13640	SRA	3IVCSR023	Energy Strategy		7.00
13640	SRA	3SILSR017	Energy Strategy		3.00
17640	SRA	7INSSR039	Energy Sec. Options		8.00
	Sub-total				27.00

NON-SECTOR WORK

13310	LENP	3NIGPA033	Power II		2.00
13430		3MTAPA034	Mauritania SAC		5.00
13430		3GUIPA040	SAC I (Suppl.)		0.50
13430		3GUIAC001	Second C.G.		4.00
15320	ERA	5YARER011	Plan Prep Asst		3.00
12640		2BUIEIA024	Charcoal stoves	*	6.00
	ADC	3STP	Aid Coordination		1.00
13610	LEN	3NIR	WAPAB (Irfan)	*	20.00
13640	LENP	3IVCPA073	Energy Sector Loan	*	18.00
15310	ERA	5EGTER011	Plan Prep & Review	*	5.00
15320	CEM	5YARcem	Country ec. memo	*	10.00
15430	ERA	5TUNER010	Planning Framewk	*	4.00
17640	ERA	7INSER017	Domes. resource		5.00
35207	TAS	1WLDGGUN4	UNDP Gasifier		10.00
35207	TAS	1WLDGA669	EGYPA		6.00
	TAS	1WLDRE529	EGYPA		4.00
35230			EGYD1		4.00
	Sub-total				107.50

GRAND TOTAL 134.50

*Regions have not yet inputted these SWs in their MIS files.

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: June 3, 1986

TO: Distribution

FROM: Ian M. Hume, Assistant Director, EGYPS

SUBJECT: ESMAP: THAILAND - Country Program Review Mission Terms of Reference

1. You should arrive in Bangkok by June 11, 1986, for a stay of about eight days to participate in the above mission which I will be leading. In close collaboration with Thai Government officials and the staff of RMB, and in liaison with Messrs. Kaji and Ikram who will be in Bangkok at the same time, the objectives of the mission are to review the scope of ongoing and planned ESMAP work and to design the framework for the coordination of Thai Government and Bank interaction on the implementation of this work. To this end, the mission will carry out the following tasks:

(a) Carry out mid-mission reviews for the two ESMAP rural energy preinvestment missions that will be in Thailand at the same time, led by Messrs. Grut and Terrado.

(b) Discuss the scope and timing of the proposed study on the impact of lower and uncertain oil prices and obtain the information necessary to prepare a detailed issues paper for this study upon return to Washington; as you know 30 SW of Bank resources have been allocated for this task under the FY87 ESW budget.

(c) Discuss the nature and scope of the assistance being requested under ESMAP by RTG on the issue of energy sector restructuring and privatization; in this regard, our objective should be to ensure a comprehensive and free exchange of views with the various officials and agencies involved in this topic so as to be able to determine whether and how best the Bank, through ESMAP, could assist the Government in developing a strategy on this important issue; therefore, upon our return to headquarters, we should prepare an issues paper which will be used as a basis for deciding upon the scope of subsequent Bank involvement on this topic.

(d) Discuss and agree upon the specific arrangements that would be put into place for the monitoring and coordination of the various ESMAP activities now underway or planned for Thailand; this should include the possibility of setting up interagency working groups for special topics or studies, or an interministerial steering committee to periodically review the progress of the ESMAP program as a whole.

2. In carrying out this work, the mission's main counterpart agencies will be the NESDB and the NEA. At the NESDB, the mission will meet initially with Dr. Phisit Pakkasem, Deputy Secretary General, and with the members of his staff. At NEA, the mission will meet with Dr. Prapath Premmani, Secretary General, and his staff. As appropriate, the mission may also meet with Minister Sulee and other senior policy-makers concerned with energy sector issues in Thailand. The mission will also meet with the senior management of energy sector agencies to discuss their views on the issues of restructuring and sector priorities. Staff of the Resident Mission in Bangkok may join the mission for some of these meetings. We will also contact the office of the UNDP resident representative to brief them on the status and prospects for ESMAP work in the country and to explore the possibilities for UNDP IPF funding of part of this work.

3. The nature of the mission requires that we work closely together in carrying out the above tasks. However, Mr. Aleem will have a special focus on the preparatory work for the oil price impact study and will be responsible for preparing an initial draft of the issues paper for this study upon return to headquarters. Similarly, Mr. Flannery will focus his efforts on the topic of restructuring and will be responsible for the production of the issues paper on this topic upon return to headquarters. Mr. Daffern will support the mission on the oil and gas issues, and will, in particular, follow-up on the exploration promotion assistance requested by the Government. Although, I plan to depart from Bangkok on June 19, 1986, you may be required to stay on for up to another week to complete various aspects of the work; the necessity and duration of such an extension will be decided in the field.

4. Upon our return to Washington, we will produce a back-to-office report on our findings. This will be followed by the two detailed issues papers on the oil price impact study and the prospects for energy sector restructuring, referred to above.

Distribution:

Messrs. Sadove, Ahmed, Daffern, Aleem (EGY); Flannery (IND).

cw and cc: Messrs. Ikram (AEA); Sood (INDRE).

cc: Messrs. Dherse (UPSRO); Kaji, Kikuchi, Lav (AEA);
Blaxall, Nayyar, Albouy (AEPEN);
Bourcier, Montfort, Saunders, McCarthy, de Capitani,
Grut, Terrado (EGY).

MAhmed:hm

THE WORLD BANK INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: June 3, 1986

TO: Mr. Stephen Weissman, Program Coordinator, EISVP

FROM: Masood Ahmed, Acting Division Chief, EGYS1

EXT: 73996

SUBJECT: ESMAP: FY87 Work Program

1. In response to your request, attached is a copy of the FY87 ESMAP Work Program for EGYS1.

2. The Work Program was prepared as per Ms. Berg's instructions outlined in a meeting with Margaret Walsh on May 27, 1986, except for UNDP Staff Salaries where we used the average instead of the actual salary cost. Ms. Berg was informed that actual salaries will be reflected in the first revision of the work program. If you have any questions please do not hesitate to call me.

Attachment

cc: Messrs. Hume, Montfort (o/r), Bates (EGY).

Mesdames Berg (EISVP); Nemitz, Owen (EGY).

MAhmed:hm

ESMAP

FY87 WORK PROGRAM

June 4, 1986

FY87 ESMAP WORK PROGRAM

Summary Table
Sources & Applications (SY)

Applications

Work Program	35.17
MAA	3.00
Overhead	4.01
	42.18

Sources

UNDP-Higher Level	8.52
Assistant Level	10.43
Consultants	18.04
EIS- Higher level	3.90
Consultants	1.02
Region-Higher Level	0.28
	42.18

ESMAP FY87 WORK PROGRAM

Funds Required and Available

Funds Available (See Section I attached)

Non-Bank	US$ million	
(i) Core:		1.02
Committed	1.02	
Unidentified		
(ii) Earmarked for Specific Activities		3.99
Committed	2.97	
Unidentified	1.02	
Sub total		
Bank		0.90
Staff Input Obtained through CAM	0.33	
Other Staff Input (MAA, TAC)	0.11	
IBRD Logistical Support (of which office space, etc)	0.46	
		5.91

Funds Required

(i) Country Specific Work Program (See Section II)		4.78
Identified Tasks	3.54	
Unidentified	1.24	
(ii) Non-Country Specific Items (See Section III)		1.13
Direct Management, Administration, Overhead	0.44	
IBRD Logistical Support (of which office space)	0.46	
Equipment	0.23	
		5.91

FY87 ESMAP Program and Budget

Section I: Total Estimated Funding by Source

		FY87 a/ $ Million
Committed Core Funds		
World Bank--Direct		0.440
--Indirect		0.461
EEC		0.038
France		0.144
Switzerland		0.188
United Kingdom		0.094
Denmark		0.029
UNDP IPF Account		0.028
UNDP Energy Account		0.377
Dutch		0.125
Sub-Total		1.924
Committed Earmarked Funding (By Project)		
Norway	Burkina Household Strategy	0.350
	Senegal Household Strategy	0.550
Syria	UNDP IPF Account Power	0.250
Senegal	IPF Ind./Conservation	0.184
Canada	Senegal Industrial Conservation	0.825
	Ghana Sawmills	0.100
UNSO	Household Energy	0.106
Netherlands	Niger Stoves	0.030
	Indonesia Brick and Tile	0.150
	Power Efficiency Follow-up	0.150
	Indonesia Diesel Follow-up	0.200
DANIDA	Mauritania Wind	0.076
Unidentified		1.015
Sub-Total		3.986
TOTAL		5.91

a/ Except for IBRD fiscal year should be defined as the sum of two calendar year programs divided by 2.

SECTION II: FY87 Work Program by Product Line and Country

	Total SYs	Total Cost $
Assessment		
1 Algeria a/	1.48	198,878
2 Unidentified	1.19	172,685
Household Energy		
3 Senegal Household Strategy‡ a/	2.16	349,628
4 Burkina Household Strategy‡	1.77	275,900
5 Morocco Household Strategy a/	1.00	93,028
6 Niger UNSO‡	1.12	115,560
Fuelwood Supply		
7 Thailand	1.58	250,280
Energy Efficiency		
8 Syria Cement	1.54	215,200
9 Indonesia Brick and Tile‡	0.96	239,634
10 Ghana Industrial Energy Conservation a/	1.64	148,790
11 Senegal Industrial Energy Conservation‡	5.19	205,462
12 Unidentified	1.42	729,354
Power System Efficiency‡		
13 Syria Energy Efficiency	1.23	141,058
14 China or Malaysia)	1.39	173,397
15 or Burkina)	1.39	173,397
16 Indonesia Diesel Follow-up	1.67	211,555
Institutional Support		
(Restructuring/Investment Review)		
17 Unidentified (Thailand/Liberia)	1.58	217,862
Oil & Gas		
18 Unidentified (Syria)	1.00	120,487
Biomass Residues		
19 Ghana Sawmills‡	1.25	115,728
20 Ivory Coast Residue Study	0.25	11,768
Renewables		
21 Mauritania‡	1.21	160,620
Stove Project Preparation		
22 Thailand Stoves	1.33	182,247
23 Niger Stoves‡	0.62	95,906
Aid Coordination/Project follow-up		
24 Indonesia	1.19	179,943
Total--SYs	35.17	4,778,367

a/ Totals include partial CAM funding of 1.58 SY from ESW budget.

‡ Funds tied to specific projects

SECTION III: Direct Management, Administration and Overhead

	SYs	US$
(a) Direct Management and Administration	3.00	0.24
Overhead (leave, trg, etc.) Bank staff	0.72	0.04
Overhead (leave, trg, etc.) UNDP Staff	3.29	0.17
Other Non-Programmable Items)	-	0.23
Equipment)		
Sub-total	7.01	0.67
(b) IBRD Indirect Support	-	0.46
TOTAL	7.01	1.13

Section IV: Memorandum Items

(a) UNDP Staffing

Positions

Higher Level	8.50
Assistant Level	10.84
Support	
Total	19.34

Staffyears

Higher Level	8.52
Assistant Level	10.43
Consultants	18.04
Total	36.99

Budget (000)

Salaries

Higher Level	736.4
Assistant Level	459.7
Consultant Fees	1836.3
Travel	1738.4
Other Direct Costs) Equipment)	225.2
Total	5003.0

(b) IBRD Support

(i) EIS Support

Staffyears

Higher Level	3.90 a/
Consultants	1.02 a/
Total	4.92

Budget

Salaries HL	205.9
Consultants	117.7
Travel	102.5
Other Direct Costs	
Total	425.3

(ii) Regional Support

Staffyears

Higher Level	0.28 b/

Budget

Salaries HL	14.7

(iii) IBRD Logistical and Indirect Support

UNDP Staff--Office Space security, supplies, etc	241.3
Bank Staff (benefits, office space, etc	219.7
Total	461.0

---

a/ Of the total EIS HL/Cons input of 4.92 SY, 1.3 SY have been obtained under the CAM allocation for ESW and the balance is charged against Other Output (THL 2.41 SY) and Management and Administration (MHH 1.21 SY)

b Obtained as regional support for ESMAP tasks which are partially funded through CAM.

FORM NO 27 - OCR
(3/82)

WORLD BANK OUTGOING MESSAGE FORM Cable, Telex

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PAGE 1 OF 2

OFFICIAL DEPT/DIV ABBREVIATION: EGYPS

MESSAGE NUMBER

TEST NUMBER (FOR CASHIER'S USE ONLY)

START HERE

TO MR. JECHOUTEK, INTBAFRAD, BANGKOK, THAILAND. RE: FORTHCOMING ESMAP MISSION. (AAA) MANY THANKS YOUR EFFORTS TO SET UP TENTATIVE PROGRAM FOR FORTHCOMING ESMAP MISSION. IN ADDITION TO MESSRS. SADOVE, AHMED, AND MYSELF, THE MISSION WILL ALSO INCLUDE ERIC DAFFERN, IRFAN ALEEM (EGYS1, TO FOCUS ON OIL PRICE IMPACT STUDY) AND DENNIS FLANNERY (INDRE, TO ASSIST ON RESTRUCTURING ISSUES). WE PLAN TO ARRIVE ON JUNE 11, EXCEPT FOR MESSRS. SADOVE AND DAFFERN, WHO WILL ARRIVE JUNE 12. ACCORDINGLY, IT WOULD BE USEFUL TO RESERVE JUNE 12 FOR DISCUSSIONS WITH QUILL HERMANS AND YOURSELF AND TO SCHEDULE THE MEETINGS WITH KHUN PRAPATH AND DR. PHISIT ON FRIDAY JUNE 13. (BBB) IN ADDITION TO THE SCHEDULED MEETINGS, IT WOULD BE USEFUL TO MEET WITH THE FOLLOWING: KHUN KASAME (BANGCHAK/TORC/EGAT); DR. CHAO (EGAT/PTT); DR. TONGCHAT (PTT); KHUN SIWAWONG (DMR); KHUN SOPHON (BANGCHAK); AND KHUN MANAS OR KHUN NIBHAT (MOF). (CCC) ADDITIONAL MEETINGS FOR INDIVIDUAL MISSION MEMBERS CAN BE ARRANGED ON ARRIVAL BUT ERIC DAFFERN WOULD LIKE TO MEET WITH KHUN PALA, KHUN SIRIN AND KHUN VISET OF PTT. THESE MEETINGS COULD BE ARRANGED AT THE SAME TIME AS THE ONES SCHEDULED FOR TDRI AND

END OF TEXT

PINK AREA TO BE LEFT BLANK AT ALL TIMES

INFORMATION BELOW NOT TO BE TRANSMITTED

CLASS OF SERVICE: Telex	TELEX NO.: 82817	DATE 060286
SUBJECT: Thailand ESMAP Mission	DRAFTED BY: MAhmed:hm	EXTENSION: 73996
CLEARANCES AND COPY DISTRIBUTION: cc: Sadove, Ahmed, Daffern, Aleem (EGY); Flannery (IND); Lav (AEASE).	AUTHORIZED BY (Name and Signature): Ian Hume, Assistant Dir., EGYPS	
	DEPARTMENT: Energy	
	SECTION BELOW FOR USE OF CABLE SECTION	
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FORM NO. 27 SCF (3/82)

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PAGE 2 OF 2

OFFICIAL DEPT DIV ABBREVIATION: EGYPS

MESSAGE NUMBER

TEST NUMBER (FOR CASHIER'S USE ONLY)

START HERE

CHULALONGKORN UNIVERSITY, IN WHICH MR. DAFFERN NEED NOT PARTICIPATE. THANKS FOR YOUR EFFORTS. REGARDS, IAN HUME, INTBAFRAD.

END OF TEXT

PINK AREA TO BE LEFT BLANK AT ALL TIMES

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CLASS OF SERVICE: Telex

TELEX NO.: 82817

DATE: 6/2/86

SUBJECT: Thailand ESMAP Mission

DRAFTED BY: MAhmed

EXTENSION: 73996

CLEARANCES AND COPY DISTRIBUTION:

cc: Messrs. Sadove, Ahmed, Daffern, Aleem (EGY); Flannery (IND); Lav (AEASE).

AUTHORIZED BY (Name and Signature): Ian Hume, Assistant Dir., EGYPS

DEPARTMENT: Energy

SECTION BELOW FOR USE OF CABLE SECTION

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The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
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May 30, 1986

Cecily Donoghue
Trade Commissioner
Embassy of Australia
1601 Massachusetts Ave., N.W.
Washington, D.C. 20036

Dear Cecily,

Just a note to let you know that I will not be able to attend your farewell party on June 12, as I will be on mission in Thailand. It has been a real pleasure to work with you during your stay here. We are all sorry to see you go but at least in your new job you will continue to be involved with the Bank and, hopefully, ESMAP. When you have settled down in Canberra, send us your address and the next time I have a chance to visit Australia I will be sure to look you up.

All the best.

Sincerely yours,

Masood Ahmed
Deputy Division Chief
Energy Strategy and Preinvestment
Division I
Energy Department

Record Removal Notice

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File Title	Barcode No.
Masood Ahmed - Chronological File - April to June 1986	30450192

Document Date	Document Type
28 May, 1986	Memorandum

Correspondents / Participants
To: Aklog Birara, PMDSD
From: Masood Ahmed, Deputy Division Chief, EGYS1

Subject / Title
Noureddine Berrah

Exception(s)
Personal Information

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.

Withdrawn by	Date
Sherrine M. Thompson	November 08, 2022

May 27, 1986

To Distribution

ESMAP: Current Status and Future Prospects

Attached is a revised version of the ESMAP task force memo which should replace the version circulated under cover of Mr. Kalim's memo of May 19, 1986. The attached draft incorporates Mr. Hume's comments and also includes the Annex on ESMAP's budgetary situation and the list of points which require discussion and approval at either EGY or Vice President level.

Masood Ahmed

Distribution

Messrs. Weissman (EISVP);
Bourcier, Hume, Saunders, de Capitani, Montfort,
McCarthy, Iskander, Daffern, Bates, Byer, Kalim (EGY);
Churchill (WUDDR).

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: May 27, 1986

TO: Mr. Ernest Stern, Acting Vice President, EIS

THROUGH: Mr. Philippe Bourcier, Acting Director, EGY

FROM: Ian Hume, Assistant Director, EGY

SUBJECT: ESMAP: Current Status and Future Prospects

1. The purpose of this memorandum is to brief you on the current status of ESMAP operations and funding and to seek your approval of the general directions proposed for the program in the coming year.

2. In the aggregate, we propose a continuation of ESMAP operations at their current level but with sufficient shifts across product lines to take account of the recent developments in world energy markets, the outcome of the Paris meeting of ESMAP donors and participating developing countries, and the changing emphasis in the Bank's own operational priorities. The underlying assumption is that the need for energy development has not abated. The need for energy-related technical assistance has probably increased in many countries, and there has been a shift in emphasis to new areas which need urgent attention (see para. 5 below).

3. In resource terms, the Program is now funded for the next 15-18 months, with donor funds in hand of $5.25 million and about the same amount again expected to be received during the course of the year. Regarding the Bank's contribution, the 20% ceiling on the Bank's share set a year ago has not been breached and will not be exceeded in the coming year. However, as explained later in this memorandum, the 20% ceiling will need to be fully utilized in coming years because, in our view, it represents the minimum share of the Bank that is acceptable to the other ESMAP donors. The memo also sets out a variety of other internal programming and management issues for your review and approval.

Summary of Recent Developments

4. After two initial years of rapid growth, FY86 has been a period of consolidation for ESMAP, during which a management transition has been successfully completed and there has been further progress in integrating the program's operational priorities and budgeting procedures into the Bank system. In parallel, the program output has continued apace as shown in the following table. The steady growth in the demand for ESMAP assistance reflects the successful track record that the Program has established, most notably as an instrument for identifying gaps in the existing array of preinvestment and TA programs and then developing an operational response to fill these gaps where they are a high priority.

ESMAP Activity Completions

	April 1984-March 1985	April 1985-March 1986
Project Preparation Studies	5	9
Institutional/Management Assistance	4	6
Energy Strategy Studies	9	6
Total	18	21
Activities in hand at end of period	57	51
Active countries at end of period	31	42

5. We anticipate that the demand for ESMAP operations will remain high over the medium term, notwithstanding the decline in oil prices. Indeed, the dramatically altered price scenario has itself generated the need for certain additional types of analysis in most countries, which need to identify measures to take advantage of short-term price relationships without sacrificing their longer-term energy development strategy. Moreover, to the extent that lower oil prices are translated into higher economic growth rates among the OIDC's, their energy demand and the volume of investments required to supply it will also grow more quickly. At the same time, individual energy investment decisions will need to be made and evaluated in a framework of high and continued price uncertainty. As shown further below, ESMAP has a clear role to play in helping countries carry out this analysis and some countries (e.g., Thailand) have already requested such support from the program. Finally, the urgency of formulating better policies and projects to meet household energy needs in most developing countries remains largely unaffected by world oil price movements; ESMAP has begun to establish a track record in this regard -- particularly in Africa -- and the demand for continued Program involvement will remain high.

6. While the demand for ESMAP work in the aggregate is unlikely to be reduced by these recent developments, they will have an important bearing on the relative priority of individual ESMAP product lines. This is entirely consistent with the underlying philosophy of the program which is to develop specific product lines to respond to priority needs and to change the mix of products as quickly as the needs themselves evolve. To some extent, these changes must also reflect the current concerns and priorities of the program's donors. In this context, the January 1986 Paris Consultative Meeting provided a useful forum for donors and recipient countries to express their views on the relative priorities for future ESMAP operations. Wherever feasible, these views have also been taken into account in shaping the design of future work, the highlights of which are outlined below.

Future Operational Priorities

7. ESMAP will continue to be a highly flexible instrument of technical assistance for helping the developing countries to tackle their energy problems and to respond to the energy issues which need to be addressed by the Bank and donor community at large. It will have no fixed product lines so that it can be readily adapted to the specific and sometimes unique requirements of individual developing countries. Some of the external pressures which shape these needs are rapidly changing; while others are becoming even more acute.

8. We see four key aspects in the external environment which will govern the major priorities for ESMAP's FY87 work program. First, to deal with their debt burden, developing countries will have to restructure their economies (including their energy sectors) and institutions to promote greater economic efficiency and growth. Second, as indicated in paragraphs 5 and 6, falling oil prices in the oil-importing countries have created opportunities for higher economic growth which will be associated with increased energy demand and the need for additional energy investments. Decisions about these investments and the associated choices between alternative fuels will have to be taken in a situation of greatly increased uncertainty. At the same time, oil-exporting countries must deal with the seriously adverse fiscal impact of falling oil prices. Third, deforestation continues unabated and will need new and more comprehensive approaches to deal with it. Fourth, ESMAP has reached the point where the need for its involvement in downstream project preparation work has become manifest.

9. These priorities in the developing countries lead us to propose the following areas of emphasis in the technical assistance which we provide to support our member countries in dealing with the changed external environment:

(i) Household Energy Strategy Work will carry out an integrated analysis, from the demand side, of the energy needs of urban and rural households. Household energy strategy studies examine the pattern of energy use in households, the relative market costs of different fuels, and inter-fuel substitution possibilities. Fuelwood issues will play a central role, given their importance in most of our member countries. We are already implementing household energy work in Ethiopia and Niger and future work is proposed in, for example, Senegal and the SADCC countries.

(ii) Energy Sector Strategy and Restructuring Work will address the basic institutional, managerial, organizational, financial and policy issues affecting the efficiency and growth prospects of developing countries. This work has substantial overlap with regular Bank sector and -- to a lesser extent -- subsector work. The comparative strengths of ESMAP are:

- o the provision of a rapid response with a minimum of bureaucratic inertia;

- o an overall, integrated approach to the energy sector, focusing on the links between the various sub-sectors;

- o a perspective which has been learned through the Energy Assessment Program, i.e., one which is wider than that of Bank sector work and which is not immediately linked in the government's eyes with conditionality; and

- o expertise in finding and utilizing the highly qualified consultants who will be needed for this kind of work.

Specifically, we will examine: the scope for increasing the role of private participation in the energy sector (in petroleum, power, coal, fuelwood supply), as we did in Liberia and Mauritius; improvements in coordination between different institutions in the energy sector to bring about more efficiency (e.g., Bolivia); increased decentralization in decision making; short-term responses to falling oil prices (e.g., Thailand); and the fiscal, financial and macroeconomic aspects of energy pricing, as we are doing in Colombia. Further, Energy Assessments will be subsumed under this part of ESMAP and will be undertaken on an 'ad hoc' basis according to the concepts recently recommended by the Task Force on Sector Work.

(iii) Pre-Feasibility and Feasibility Work, which has been a mainstay of ESMAP, will continue to emphasize: fuelwood/forestry and other inter-fuel substitution projects which link with our household energy strategy analysis, such as those under design or implementation in Sudan, Tanzania and Thailand; power system efficiency projects, which are aimed at making better use of existing physical resources rather than undertaking significant new investments and which will underpin our work on increasing macroeconomic efficiency and growth; and the formulation of projects in natural gas (including unconventional uses) and in new and renewable energy which have been carefully identified and targetted such that their economic rates of return remain high even at currently-prevailing oil prices. ESMAP should be employed rather than the PPF/SPPF where:

- o the Bank wishes to maintain closer control of the work of consultants by hiring and managing them directly;

- o there is a need to enter further upstream than the point at which a PPF/SPPF could reasonably be activated; and

- o the use of grant funds will overcome a government's reluctance to borrow for project preparation work, particularly to the extent that ESMAP can be used without presumption of Bank funding for the subsequent investment.

  ESMAP should also be used to prepare projects which are likely to be financed by other agencies but where the Bank aims to influence their selection and design. This is a quality control and an aid coordination function to ensure that the funds available from other donors are directed towards high-priority and well-prepared projects in which the Bank cannot participate directly.

(iv) Downstream Project Preparation Work will help countries to identify and mobilize funding for investment projects or other activities which have been supported by ESMAP pre-feasibility and feasibility studies; and monitor the extent to which these projects and activities are in fact implemented. We are responding to:

- o the demonstrated demand from the beneficiary countries, who lack the expertise in such downstream work;

- o the proper insistence by the Bank and other donors upon evidence that ESMAP studies are being implemented and not merely put "on the shelf"; and

- o the relative disadvantage or even absence of other agencies to carry out this kind of activity -- while downstream work should be supplemented by efforts from the Bank's Regional Staff and Resident Representatives and from UNDP Resident Representatives, they are not accountable for the successful follow-up of ESMAP work.

  We shall need to: participate in and help to organize UNDP Round Table and Consultative Group meetings; ensure that UNDP and IBRD Resident Representatives keep us informed of developments in the country or donor/government interest in follow-up; maintain regular contact with key donors who are potentially interested in the follow-up phase; and get involved in a limited and highly selective way in the supervision of projects which are a follow-up to an ESMAP activity where there is an important element of innovation (e.g., a pilot project).

10. A detailed work program for FY87 to reflect these priorities is under preparation. This will largely comprise tasks which are already underway or committed (amounting to some 47SY); funding for new tasks is being sought.

Funding Status and Constraints

11. The short funding horizon for ESMAP has been a cause of concern for some time and this concern was highlighted in early 1986 when it appeared that delays in the receipt of pledged funds could pose a serious cash flow problem during this calendar year. However, as a result of an intensive program of donor visits to follow-up on the Paris conference, I am pleased to report that the short term funding problem has been largely resolved. Non-bank funds in hand currently amount to $5.25 million and a further $5.5 million should be made available during the remainder of the year. The funds in hand are adequate to cover all existing ESMAP contractual liabilities and work commitments. These funds, along with the additional funds expected and the previously agreed level of Bank support, should also enable the program to continue to operate at about current levels for the next 15-18 months. There is a likelihood of some slippage in the accrual of pledged funds but this can be accommodated through a rearrangement of individual work programs and tasks. Nevertheless, efforts to translate pledges into receipts will continue to be accorded a high priority. Further details on funding are provided in an Annex.

12. Beyond FY87, the ESMAP funding position is more uncertain, but depends to a large extent on the size and visibility of the support provided by the UNDP and the Bank. Recent discussions with the major donors have made it clear that while the volume of their future funding for ESMAP will remain at least as high as before, the nature and mechanism for this support is likely to undergo a fundamental shift. Specifically, most of the program's donors are likely to move increasingly to the funding of individual ESMAP activities on a case-by-case basis rather than providing general allocations to the program to be used by the Bank for ESMAP tasks as they arise. This reflects an underlying desire by many donors to be more actively involved in the selection and design of the specific tasks for which their funds would be earmarked. It also reflects a general concern to ensure that donor funds are not being used for tasks which the Bank would otherwise have carried out as part of its normal operational work. Finally, there is a strong donor preference for their funds to be used for incremental expenses directly related to the earmarked activity (i.e., consultant fees, travel, field costs, etc.) and for the Bank/UNDP to bear the "general" costs of core staff and overheads. While the donors accept that the Bank/UNDP have limited resources to devote to ESMAP, in our judgment, the proposed $1 million/year from UNDP/DGIP and 20% of the work program cost from the Bank's budget, represent about the minimum level of Bank/UNDP support that would be needed for a sustainable Program.

13. These shifts in the pattern of donor funding imply (i) some reduction in the flexibility for program management, and (ii) a much higher level of administrative input (by managers and staff) to follow-up on donor pledges and to ensure that the necessary reporting and expenditure commitments are met. They also imply that the 20% share of the Bank, which had initially been envisaged as a ceiling, will in fact

need to be drawn upon fully to meet the Program's funding requirements. An illustration of sources and applications of funds reflecting these assumptions are shown below.

ESMAP
FY88 Sources and Applications of Funds
Illustrative Scenario

Program Costs	$m	Program Funding	$m
General:		General:	
Staff Salaries	2.0	UNDP-DGIP	1.0
Staff Travel	0.3	Bank @20%	1.5
Office Space, etc.	0.5	Office Space	(0.5)
Sub-Total	2.8	Staff/Cash	(1.0)
		Other Donors	0.3
		Sub-Total	2.8
Activity Specific:		Earmarked:	
Consultants fees, travel, etc.	4.7	Other donors	4.7
TOTAL	7.5	TOTAL	7.5

Internal Programming and Management Issues

14. Finally, there are a number of internal programming and management issues which relate to ESMAP and its links with other parts of Bank operations. Their status and the actions proposed to resolve them are summarized below for your review and approval.

(a) Development of Integrated Budget and Donor Reporting System. This has been an area of weakness, partly due to internal difficulties and partly because the OPMIS has not been able to incorporate UNDP-funded activities into the system. Work is underway to develop an adequate system that will meet the needs of the program managers, other donors and the Bank's overall operational reporting systems. We anticipate that this system will be fully functional in the next three months.

(b) ESMAP and the CAM Process. We are exploring specific ways in which the CAM process can contribute to the closer integration of ESMAP into the Bank's overall priority setting and resource allocation system. One obstacle is the impracticality of allocating ESMAP funds ex-ante as part of the country allocations under CAM because of the uncertainty regarding the amount of non-Bank funds that will become available in a

prospective year and because the funds that do become available will increasingly be earmarked for specific activities. Nevertheless, we propose to use the annual CAM programming cycle as an opportunity to review as fully as possible the relative priorities of all prospective ESMAP tasks in each country.

(c) Staffing Issues. ESMAP's flexibility and rapid response to newly identified needs requires an almost continously evolving mix of staff skills. This was one of the prinicpal rationales for the use of fixed-term contracts to recruit staff for the Programs and these contracts will continue to be used for many of the non-fungible specialist staff who will work on ESMAP. However, this arrangement is proving increasingly inadequate for staff who are fungible in other parts of the Bank. Some of them have already been attracted by offers of regular positions elsewhere before we have had even a minimum period to recoup the initial investment made in them; others are uncomfortable about their prospects on fixed-term contracts and are pursuing opportunities for regular slots. The problem will be exacerbated when we proceed to recruit the types of seasoned and highly marketable professionals who will spearhead the development of the new ESMAP product lines in complex areas such as energy sector restructuring. These professionals are unlikely to be willing to move to Washington on a two-year fixed-term contract, particularly when other parts of the Bank are willing to offer regular positions for the same type of skills.

We propose to resolve this problem in two ways. First, we seek your approval to instruct PMD that the three-year minimum rule for rotation applies to staff on fixed-term assignments in EGY as for any other assignment. Second, we seek your approval to allocate up to four regular positions for ESMAP work; their cost would be included in the Bank's 20% contribution and they would be used to recruit and retain the highly seasoned and fungible staff that are required to ensure the Program's credibility on central energy issues. We recognize that the use of regular positions will create a "contingent liability" for the Bank but this will be small and the staff recruited will be easily fungible and highly marketable.

(d) Organizational Structure. We have examined the alternative arrangements for organizing the ESMAP, ESW and other non-project work carried out by the Department and concluded that the existing organizational arrangements are the most suitable for the next 12 months and will facilitate further integration of ESMAP into the Bank's regular priority setting processes. Consequently, we intend to retain two Energy Strategy and Preinvestment Divisions grouped on geographical lines. It is therefore important that the two divisions continue with a full

management team and that Mr. de Capitani's successor be appointed expeditiously. We have discussed this matter with PMD and will revert to you shortly for further guidance.

15. In sum, we seek your approval for:

- the proposed ESMAP operational priorities for the next year;
- the continuation of the Bank's contribution of 20% of total Program costs; this percentage will need to be utilized fully in FY87; and
- the provision of part of this contribution in the form of four positions which would be used to recruit fungible and experienced energy staff.

16. We stand ready to meet with you to clarify the above points or to respond to any queries you might have.

[BUDGET/NRA/JT:na/5-7-86]

Annex
Table 1

ESMAP Staff Budget 1/

(Unit: Staff Weeks)

Resources Needed	Projects Core & Co-financed	Sector 2/ Work	Total in CY86	Total to Completion of Tasks
H-L Staff	462	148	610	775
Research Staff	270	75	345	421
Consultants	854	303	1,157	1,272
Total	1,586	526	2,112	2,471

Available	For CY86
H-L Staff	600
Research Staff	410
Consultants	Hire as needed

1/ Needs for ongoing tasks in CY86 and all tasks to be initiated this year for which funds have been accepted. Estimates exclude Management and Secretarial staff.

2/ Excluding Bank financed Sector work which would require about 465 SW of professional staff and Consultant time. This figure is subject to confirmation or modification through the CAM programming process for FY87.

[BUDGET/NRA/JT:na/5-7-86]

Annex
Table 2

ESMAP Staff Budget CY86 1/
Financial Data
($000's)

	In CY86	For Task Completion
H-L Staff	1,068	1,243
Research Staff	302	361
Consultants	2,430	2,672
Secretarial	322	356
Sub-total	(4,122)	(4,632)
Travel	1,307	1,585
Miscellaneous	600	700
Sub-total	(1,907)	(2,285)
Bank Staff (for Management)	337	378
Administrative Staff	143	160
Office Space	517	581
Sub-total	(997)	(1,119)
TOTAL	7,026	8,036

Notes:

1/ Staff and Consultant costs calculated as per Bank standards.

Table 3: COST OF STAFF CONTRACTS: IN CY 86 AND TO COMPLETION ($000s)

	1986 1st Qtr.	1986 2nd Qtr.	1986 3rd Qtr.	1986 4th Qtr.	Total 1986	1987	1988
H-L. Staff	17	18	18	14	18	7	1
Cost	252.9	267.7	252.9	178.5	952.0	215.2	21.0
Researchers	14	13	12	9	14	3	0
Cost	105.0	97.5	82.5	67.5	352.5	5.2	0
Admin. Staff	4	4	4	4	4	0	0
Cost	36.6	36.5	36.6	33.1	142.8	0	0
Secretaries	12	11	10	9	12	6	0
Cost	90.0	77.5	75.0	65.0	307.5	36.2	0
Total Number	47	46	44	36	48	16	
Cost	484.4	479.3	446.9	344.1	1,754.7	256.5	21.0

Grand total of commitments for staff contracts = $2,032.2

[BUDGET/NRA/JT:na/5-7-86]

Annex
Table 4

FUNDING STATUS OF ESMAP
(April 29, 1986)
($'000)

	CY84	CY85	CY86
A. CORE FUNDS 1/			
(i) Received			
UNDP - EGY Account	498	1,425	1,507
- IPF	0	277	223
Denmark	0	91	116
Switzerland	0	1,270	751
U.K.	0	0	373
Reimbursements 2/	0	0	284
(ii) Expected			
EEC			160
Netherlands	60	0	500
France	0	0	575
(iii) IBRD Contribution 3/	700	711	829
Subtotal	(1,258)	(3,774)	(5,318)
B. EARMARKED FUNDS 1/			
Received	0	2,088	1,998
Expected c/	0	0	4,286
Subtotal	0	0	(6,284)
Total	1,258	5,862	11,602

1/ See Annex Table 4 (i) for details.

2/ See Annex Table 4 (ii) for details.

3/ IBRD contribution in CY85 and CY86 comprises estimated cost of staff and accommodation provided. See Annex Table 4 (iii) for details.

ESMAP RESOURCES
STATUS REPORT - CALENDAR YEAR 1986
as of March 31, 1986

Name	Contributions in hand	Contributions pledged
PART I		
Core Funds		
Energy Account *	1,507,082	0
Swiss Government *	751,000	0
Denmark Government *	116,000	0
French Government	0	575,000
Netherlands	0	500,000
British Trade/Industry **	373,000	0
Sweden - Guinea Bissau ** a/	64,000	0
IPF * 223,402	0	
Dutch/Ethiopia Cooking ** a/	15,000	0
Dutch/I. Coast biomass a/	67,000	0
Dutch/Kenya Peri Urban **	57,000	0
CIDA/Kenya Solar ** a/	80,965	0
EEC	0	160,000
Subtotal	(3,254,449)	(1,235,000)
PART II		
Earmarked Funds		
CIDA/Colombia **	228,260	0
CIDA/Kenya Power Master **	717,896	0
CIDA/Senegal Ind. Cons. Follow	0	750,000
CIDA/Ghana Sawmills	0	100,000
CIDA/Tanzania	0	457,000
CIDA/Jamaica	0	457,000
Norway/Households: Burkina	0	350,000
Norway/Household: Senegal	0	550,000
UNSO/Household energy **	335,000	0
Dutch/Niger Stoves	0	200,000
Dutch/Ind. Brick and Tile	0	140,000
Dutch./Power Efficiency Follow up	0	150,000
USTDP/Pakistan Solar	0	45,000
Danida/Mauritania wind	0	76,000
Danida/Sri Lanka wind	0	76,000
Danida/Solar and Water	0	304,000
Danida/Sudan Fuelwood	0	73,000
Dutch/Sudan Fuelwood	0	50,000
Norway/Sudan Fuelwood	0	100,000
Finland/Sudan Fuelwood	0	85,000
IPF/Senegal Ind/Energy *	366,217	0
IPF/Zimbabwe Pertroleum *	45,000	0
IPF/Zinbabwe Power Sec *	76,716	0
IPF/Paraguay TA assis *	73,316	0
IPF/Mauritius Energy plan *	72,000	0
IPF/Uganda Tobacco Cur *	84,031	0
IPF/Syria Power	0	140,000
IPF/Syria Energy Strategy	0	183,500
Subtotal	(1,998,436)	(4,286,500)
Total of I and II	5,252,885	5,521,500

Notes:

Core Funds: Funds coming from the Energy and other accounts which finance salaries/benefits/and miscellaneous expenses for staff on board.

Earmarked Funds: Funds that can only be spent on specified project and its costs (usually consultants) and cannot be spent on core staff unless otherwise specified in the project document.

* Already recorded in CY85 budget.

** To be recorded in the May 1986 mandatory budget revision.

a/ Reimbursements for work already done and funds spent from CORE.

[BUDGET/NRA/JT:na/5-7-86]

Annex
Table 4 (ii)

REIMBURSEMENTS RECEIVED IN CY86

(for expenditure incurred from core funds for earmarked projects in earlier years)

	US$
Sweden - Guinea Bissau	64,000
Netherlands - Ethiopia	15,000
- Ivory Coast biomass	67,000
Netherlands - Kenya Peri Urban	
CIDA - Kenya Solar	81,000
Total	284,000

[BUDGET/NRA/JT:na/5-7-86]

Annex
Table 4 (iii)

DETAIL OF BANK'S CONTRIBUTION, CY86

Authorized staff: H-L	2 staff-years
Support staff	1 staff-year
Travel costs	$45,000
Staff Costs: H-L	117,000
Support	20,000
Overhead 95%	130,000
Travel	45,000
Premises for ESMAP Staff (UNDP)	517,000
Total	829,000

n-quest/MA/disk/5/28/86:hm DRAFT

ESMAP TASK FORCE - QUESTIONS

The task force report outlines the priority areas envisaged for ESMAP operations during the coming year. The next step is to take action on a number of fronts so that implementation of these agreed priorities can proceed forthwith. Most of these actions relate to funding and internal programming and budgeting issues. Following internal (EGY) discussion and approval of the recommendations listed below, those items marked with an asterisk will also need to be submitted for VPEIS/SVPOP approval.

1. Funding Issues.

** the Bank should provide 20% of the total cost of the program for the medium term; assuming an FY87 program level of $7-8 million, this would translate into a Bank input of about $1.4-1.6 million.

** this $1.5 million would be provided in the form of:

(a) office space and overheads $0.5m

(b) four staff positions $0.5m

(c) cash for cons./travel etc. $0.5m

-- clarify the respective roles of UNDP/Bank in carrying through the frequent and informal consultations with donors that will be increasingly associated with the growth in project specific funding; in this regard, also ensure that all staff have a clear understanding of the internal (i.e., within EGY) arrangements for monitoring and managing donor relations.

2. Staffing Issues.

-- proceed with the speedy recruitment of several (3-5) seasoned and highly qualified staff to spearhead the development of major new product lines in areas such as restructuring and complex sector analysis;

** use up to two regular Bank positions to recruit such staff where fixed-term assignments are unlikely to provide adequate incentives;

** instruct PMD that the three-year minimum rule for rotation applies to staff recruited on fixed-term assignments in EGY as for any other assignment. (Staff recruited on two year fixed-terms for funding reasons could be extended for a further one year at EGY's option).

3. Budgeting Issues.

-- develop and agree a critical path' chart that will ensure the establishment of an integrated and computerized budgeting and donor reporting system within the next three months.

-- develop a specific proposal for integration of various types of ESMAP work into the CAM programming system, agree these with senior management and put into place by end cy86.

4. Organizational Issues.

-- assuming no radical reorganization, we would retain the current organizational arrangement for the execution of ESMAP work until at least end FY87; this would imply that all ESMAP work would continue to be managed centrally by the two geographically organized Energy Strategy and Preinvestment divisions.

MAhmed/hm

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: May 23, 1986

TO: Mr. Francois Bauer, Division Chief, WAPEG

FROM: Masood Ahmed, Deputy Division Chief, EGYS1

SUBJECT: LIBERIA: Power Efficiency Study

1. I am puzzled by your memo of May 21 to Mr. Eccles, expressing reservations on the draft green cover of the above report. As I see it, this memo resurrects issues which have been discussed at length and agreed with your staff; and it does not offer any alternative proposals to the approach set out in the report.

2. The basic concern raised in your memo is whether the restructuring and privatization of LEC is a necessary and/or feasible option. This is precisely the point that we have raised ourselves for discussion in the meetings that have been held on earlier drafts of the report. We fully recognize that this recommendation is different from the approach adopted (with varying degrees of success) in other countries. We also recognize, that to be successful, this approach requires the full commitment of the Government of Liberia. We are aware that even with this full commitment, there is no guarantee that the proposed approach will be successful.

3. Not withstanding all these caveats, the fact is that the mission concluded that in the special circumstances of Liberia this was the best--indeed, only--approach, and that the standard approach had been demonstrated not to work. 1/ Subsequently, in the discussions of the mission's work, at which we raised the viability issue as the principal agenda item, the consensus was that this was the appropriate course of action. Furthermore, the government's recent passing of legislation to enable the privatization of public sector entities indicates that it may be receptive to the proposals for restructuring LEC. In any event, no one had any alternative about which they felt more confident. Your division was fully represented at these meetings, and I personally cannot recall that there was any dissent on their part to the proposed approach.

4. You also state that the mission did not have the necessary expertise to carry out a revised task which was different from what it had initially set out to do. I am afraid that I do not share this view. In the Activity Initiation Brief, which your division cleared, one of the tasks set out for the mission was to "prepare a comprehensive action program to reduce non-technical losses including analyses of

1/ See OED Report No. 4614, project completion report for third power project loan 1150-L13R.

program costs, definition of the required legal framework, definition of an adequate institutional and organizational setting, necessary equipment, and software requirements." A power sector management consultant was made part of the team to focus on this area. In the process of defining an adequate institutional and organizational setting, the mission concluded that restructuring and privatization was necessary, a conclusion well within the Terms of Reference and competence of the team.

5. Under these circumstances, I am unclear about what you propose as a next step. As we see it, the mission's recommendations have been examined extensively and a concensus reached that they should be tested out with the Government of Liberia whose active support, we all agree, is a prerequisite for subsequent action. The draft green cover was intended to provide a framework for this discussion. Mr. Kendall informs us that the Government is eagerly awaiting the report, has a pretty good idea of its contents, and is not entirely unreceptive to its recommendations. I am not sure what is gained by delaying the transmittal of the report to the Government; nor how you would propose that it be modified to make it suitable for transmittal. I look forward to discussing this matter with you at your earliest convenience.

cc: Messrs. Eccles, Chaparro, Mena (WAP);
Berk, Ramirez (o/r), Aggarwal (WA1);
Hume, Fish, Montfort, Gulstone, Bachrach (EGY).

MAhmed/AGulstone:hm

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

May 22, 1986

ITDG Ltd.
Myson House
Railway Terrace
RUGBY CV 21 3 HT
UK

Messrs. S. Burns, Y. Shanahan, D. Earl:

Please find attached your terms of reference for the Thailand charcoal stoves and kilns activity. Also attached is a package of background information:

(a) Thailand: Issues and Options in the Energy Sector, September 1985;

(b) Thailand: Rural Energy Issues and Options, September 1985;

(c) Burundi: Improved Charcoal Cookstoove Strategy, August 1985;

(d) Rwanda: Improved Charcoal Production Techniques, Yellow Cover, May 1986;

(e) Niger: Improved Stoves Project, Mid-Term Progress Report, May 1986;

(f) Summary, Conclusions and Recommendations of: Improved Biomass Cooking Stove for Household use, 1984;

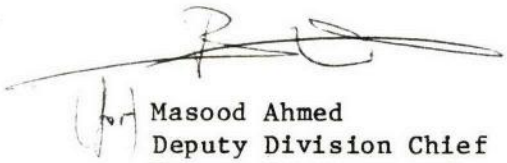
(g) Summary, Conclusions and Recommendations of: Charcoal Production Improvement for Rural Development in Thailand, 1984;

(h) Chapters on stoves and kilns, from: Final Accomplishment Report for the Renewable Non Convential Energy Project, 1984.

Items (a) - (e) are World Bank publications; (d) and (e) still are internal documents and may not be quoted or used for other purposes than in relation to the Thailand project. Items (f) - (h) are NEA/USAID publications; the full reports will be available in Thailand.

You will be contacted by the Bank's London office for all formal arrangements. If you have any questions, please do not hesitate to call Robert van der Plas (202-477-4687), or Ernesto Terrado (202-477-3435)

Sincerely yours,



Masood Ahmed
Deputy Division Chief
Energy Strategy and
Preinvestment Division I
Energy Department

cw & cc: E. Terrado (EGYPA)

Attachments

May 20, 1986

Mr. Julian Bharier

CER Training Proposal

Julian -

I have now had a chance to look through the training proposal put together by CER. The principle of offering custom tailored in situ training to meet the specific needs of individual countries is a good one which few consulting firms or other bodies have attempted to exploit. However, the specific proposal is not particularly impressive. I can't see how such a wide range of topics could be covered in the length of time suggested in any but a very superficial manner. Moreover, I suspect that most of the intended audience would already have the general knowledge of each of the individual topics covered.

In my view, by opting for a standard "background on energy" type of course, the proposal loses its inherent attractiveness, which is to provide custom tailored courses to meet specific needs. What would be much more useful is to show that CER has the capacity to develop specific courses to meet individual client needs and to provide a guide to the areas of expertise and types of training for which such courses could be tailored. Certainly the attached cv's show a wide range of expertise although it would benefit from strenthening on the technical side.

Hope the above comments are useful. I have also read through the draft policy paper. Nice piece of work! I have a few comments on it which I will pass onto you on your next trip, which I understand will not be too far into the future.

Look forward to seeing you then.

Masood

P.S. Hope you got the package of the QIB, etc., that we sent last week.

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

my chron.

DATE: May 16, 1986

TO: Mr. Jerome Chevallier, WA2DC

FROM: Masood Ahmed, Deputy Division Chief, EGYS1

SUBJECT: CONGO: Energy Assessment - FY87 Resource Allocation

1. I refer to our recent conversation on this subject, when you informed me that for country resource constraint reasons, the FY87 allocation for completion of this task would have to be reduced by over a third to 16SW. We will of course make our best eforts to deliver the best product within this revised budget, but I would like to put on notice that this mid-stream reduction will affect the scope and depth of the analysis that can be carried out under the assessment. Specifically, the lower staffweeks allocation will greatly reduce our flexibility to accommodate requests for additional analysis that may emerge during the review and discussion of the yellow and green cover drafts of the assessment report. It may also restrict the resources that can be devoted to the discussion phase of the green cover draft with the Congolese authorities.

2. I have taken note of the possibility of additional resources becoming available in the event that other tasks planned in the Congo program do not proceed as speedily as currently envisaged. I will also discuss with Mr. Iskander the possibility of incorporating some of the results of the work to be carried out by his division in connection with the preparation of the proposed Technical Assistance project. Nevertheless, I expect that the need for additional resources to complete this task satisfactorily and within the original budget will remain an issue during the coming months, and I propose that we revert to it at the time of the internal review of the draft assessment report.

cc: Messrs. Palein (WA2DC); Bauer (WAPEG);
Iskander, Montfort, Ferroukhi (EGY).

DCraig/MAhmed:hm

Record Removal Notice

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File Title	Barcode No.
Masood Ahmed - Chronological File - April to June 1986	30450192

Document Date	Document Type
16 May, 1986	Memorandum

Correspondents / Participants
To: Lorraine Cook, PMDSD
From: Masood Ahmed, Deputy Division Chief, EGYS1

Subject / Title
Interview report on Mr. Ounali

Exception(s)
Personal Information

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.

Withdrawn by	Date
Sherrine M. Thompson	November 08, 2022

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: May 9, 1986

TO: Messrs. Bernard Montfort, Division Chief, EGYS1,
Alberto de Capitani, Division Chief, EGYS2,
Robin Bates, Deputy Division Chief, EGYS2

FROM: Masood Ahmed, Deputy Division Chief, EGYS1

EXT: 73996

SUBJECT: ESMAP: Task Force Report

Attached is a substantially revised version of the above paper which attempts to reflect our discussions of last Tuesday. Mr. Hume has last night's version of this (i.e., missing Part IV and some overnight editing). Assuming that he approves of the draft, he intends to circulate it more widely by cob Friday. Therefore, it would be very useful if you could review the draft and we could meet briefly later today to incorporate your comments.

Attachment

cc: Messrs. Hume, Thadani (EGY).

MAhmed:hm

r-task/MA/disk/5/9/86:af:5/9/86:hm

TASK FORCE ON ESMAP

I. SUMMARY

1.1 The purpose of this note is to review the medium term operational priorities and funding prospects for ESMAP in the light of two recent developments -- the collapse in oil prices and the outcome of the January 1986 consultative meeting for ESMAP donors and recipients in Paris. This note also addresses a number of internal issues relating to the organization, budgeting, programming, and staffing of ESMAP work within the Bank.

1.2 The principal conclusion of this review is that ESMAP can continue to make a major and cost effective contribution for energy preinvestment and technical assistance work in the developing countries and as an instrument for aid coordination. However, in order to ensure this outcome, the following steps need to be taken as a matter of some urgency:

(a) reduce the perception of uncertainty about the future of the program, which is now seriously affecting its credibility and staff morale -- this in turn entails (i) a clear statement from senior management that the Bank intends to continue with ESMAP for at least the next two years, subject to the availability of donor funding; (ii) a clear statement of the future prospects for the minimum level of funding assured to the program and the

implication in terms of the number and types of fixed term staff that will be retained for the program at headquarters;

(b) recognize and spell out for both internal staff and regions that the program has limitations as well as strengths; some of these limitations we can seek to overcome in time (e.g., staffing mix); others are an inherent feature of the multidonor funding of the program (some mismatch with regional priorities, etc.);

(c) resolve a number of pending internal management issues of which the most important are the establishment of a working budget reporting system for the program, the allocation of a minimum critical mass of regular positions to the EGYS1/2 divisions, and speedy action to fill impending vacancies in the ESMAP management team.

1.3 In funding terms, the program is fully funded at the level of $8 million/year for the next 15 months; all contractual liabilities are fully covered from existing resources; and, depending on the aggressiveness with which we wish to pursue it, it should be feasible to continue with a program of $7-9 million executed by a fixed term staff of about the current size for the foreseeable future beyond 1986.

II. EXTERNAL ENVIRONMENT

2.1 After two initial years of very rapid growth, the last year has been a period of consolidation for ESMAP, during which a management transition has been successfully completed and there has been considerable progress in integrating the program with the rest of the Bank. Externally, the first consultative meeting of program donors and participating developing countries has taken place with important implications for the future. 1/ A more dramatic exogenous development has been the recent decline in international oil prices.

2.2 The Impact of the Oil Price Collapse. There are several reasons which suggest that the energy related technical assistance needs of most developing countries will not diminish as a result of the fall in oil prices and may plausibly increase in some countries. Even assuming that the current price structure is a deviation from long-term trends, most countries need assistance in identifying ways to take advantage of

---

1/ In parallel, the program's output has also continued apace as shown below:

ESMAP Activity Completions	April 1984-March 1985	April 1985-March 1986
- Preinvestment Studies	5	9
- Technical Assistance/Institutional	4	6
- Energy Strategy Studies	9	6
TOTAL	18	21

Ongoing Activities at end of period
Active Countries at end of period

short-term price relationships without sacrificing their longer term energy development strategy. Moreover, the sequencing and timing of investments will need to be reexamined and decisions on both energy investments and policy will be made in an environment of much greater price uncertainty. In oil importing countries, higher growth may require an acceleration of energy investment programs; in oil exporters revenue shortages will require prudent screening of existing investment plans, of which a large share relate to the energy sector. In sum, decision making in the energy sector is likely to be more complex during the next two to three years and the need for ESMAP-type assistance will reflect this. Equally, on the funding side most donor agencies share the view that energy remains an important priority despite the current price fall, and there is no evidence to suggest that ESMAP funding will be curtailed as a result of this factor. However, other factors will affect future ESMAP funding as shown below.

2.3 The Paris Consultative Meeting. Apart from the general appreciation of the usefulness of the Joint Programs, the principal donor message at this meeting and in subsequent bilateral discussions is that in future the funding of the program will be predominantly on an activity-by-activity basis, rather than through general allocations to be used by the Bank on ESMAP tasks as they arise. Related to this -- and possibly underlying this shift in some cases -- are the following donor concerns:

(a) to be more actively involved in the selection and design of the work that they fund;

(b) to have a clearer and more detailed accounting of how their money is spent;

(c) to resist the use of their funds for payment of staff salaries, office space, overheads and similar "core costs" which they believe ought to be borne from the resources of the Bank and UNDP;

(d) with one or two exceptions, to resist the use of their funds for the carrying out of "strategy" type work which they believe the Bank ought to (and otherwise would) carry out as part of its regular operational work and from its own budget.

2.4 Most donors have made it clear that the size of their contribution to ESMAP is not an issue; indeed, some have stressed that within the case-by-case framework the availability of funding could be substantially higher. However, what they do desire is a much greater degree of participation in the selection and design of specific tasks for which their funds would be earmarked. To the extent that this becomes the standard pattern for ESMAP funding, it would have a number of important operational implications of which the more important include:

(a) a longer response time to government requests because the funding for each request will need to be mobilized on a case-by-case basis;

(b) a shift to larger activities because of the impracticality and expense of funding small (say under $75,000) activities on a case-by-case basis;

(c) greater difficulty in developing new product lines because of the scarcity of donors willing to fund an activity without a demonstrated track record;

(d) an increased likelihood of mismatches between what we would like to do at any given time and the activities for which donor funding is available at that point.

These factors, which essentially imply reduced flexibility for program management, must be borne in mind in examining the operational priorities for the medium term.

III. OPERATIONAL PRIORITIES

3.1 There is no reason to change ESMAP's basic objective which is to accelerate the implementation of priority investment and policy options in the developing countries. To achieve this objective ESMAP should continue to provide three types of assistance:

(a) a project preparation and promotion service for the developing countries -- the projects may eventually be financed by the Bank, other donors, governments or the private sector;

(b) a technical assistance service to strengthen existing or newly created energy sector institutions and their management;

(c) a source for strategy and sector analysis.

Two points should be noted in this categorization. First, these lines are not always clearly drawn and a given ESMAP activity may include elements of more than one type of assistance (e.g., household energy strategy which frequently comprises sector analysis in the first instance leading to the preparation of specific projects). Nevertheless, for conceptual and programming purposes it is useful to make this distinction as will be illustrated further below. And second, that in all these areas, a special feature of the program would be to act as a center for innovation in terms of the design and initial testing of new products

that would subsequently be incorporated within the regular programs of the Bank or of other agencies.

3.2 Although the overall objectives and program categories remain unchanged, the design of specific product lines within each category needs to be much more flexible and to change in response to evolving country needs. This is also reflected in the current evolution of operational priorities for ESMAP in each category of assistance.

3.3 In project preparation, the decline in oil prices has had the greatest effect on the priority of non-fuelwood renewable projects which comprised a significant share of ESMAP preinvestment work in 1984-85, and which are largely uneconomic under the new oil price scenario. Thus, the amount of resources devoted to work on solar water heating and wind energy is likely to decline sharply for some time. This will enable an increase in the attention devoted to the area of project promotion and supervision, where there is considerable pressure from developing countries and donors to step up ESMAP efforts. Specifically, this work will help countries identify and mobilize funding for investment projects or other activities (e.g., training programs) which have been supported by ESMAP prefeasibility and feasibility studies. The activity would include the following:

- participating in and helping to organize UNDP Round Table and consultative group meetings;

- ensuring that UNDP and IBRD Resident Representatives keep us informed of developments in the country or donor/government interest in follow-up;

- maintaining regular contact with key donors who are potentially interested in the follow-up phase; and

- getting involved in a limited and highly selective way in the supervision of ESMAP follow-up projects where there is an important element of innovation (e.g., a pilot project).

3.4 Similarly, preinvestment work on fuelwood and natural gas, both of which remain high priorities for developing countries today, can be allocated more attention. Power sector efficiency work and energy conservation projects more generally will continue to be a major product line.

3.5 In the institutional strengthening area, the emphasis will be on responding to the need to improve the efficiency of energy sector institutions through restructuring (including privatization) and through the definition of their inter-relationships, roles, staffing and training needs. This would include examining the scope for increasing the role of private participation in the energy sector (in petroleum, power, coal, fuelwood supply), and increased decentralization in decision making. A second area will be the provision of assistance in streamlining the procurement and distribution of petroleum products, where in many countries the existing arrangements are cumbersome and high-cost.

3.6 It is in the area of energy strategy assistance that the specific needs of developing countries have changed most significantly in recent months. Partly as a result of the Energy Assessment Program, most developing countries have by now developed at least a basic overall energy sector strategy. However, they need help to devise an appropriate short-term response to the new energy price structure. Many will also need to reexamine the feasibility, timing and sequencing of energy investments. At the subsector level, at least in Africa, the urgency of developing a coherent and integrated strategy for meeting the energy needs of the household sector is not much affected by commercial energy price movements and the work has only recently begun. Specifically, there is a need to carry out in these countries household energy strategy studies which examine the pattern of energy use in households, the relative market costs of different fuels, the prospects for improving the efficiency of energy-using appliances, and inter-fuel substitution possibilities (e.g., more efficient fuelwood/charcoal stoves and charcoal kilns; the scope for utilizing indigenous peat and coal resources which are typically underexploited). Household energy strategy work will link with and provide a logical underpinning for much of the ESMAP prefeasibility/feasibility work in Africa. To the extent that donors are willing to fund ESMAP involvement in the energy strategy area, these are the priorities that will need to be reflected in the work.

3.7 The availability of donor funding is a general caveat that applies to the discussion of future operations priorities in all areas of ESMAP work because it is the match of this availability against the menu

of work that we would propose which will eventually determine the work that is actually carried out under the program. As the manager of the program, the Bank can play a major role in helping to shape these donor preferences by articulating the country and sector strategy framework which sets operational priorities and by proposing activities where ESMAP has a clear contribution to make in terms of value added.

IV. ESMAP'S COMPARATIVE ADVANTAGE

4.1 The issue of ESMAP's comparative advantage is one that affects not just the donors but also the place of the program within the Bank. As a relatively recent addition to the range of Bank instruments, it is important to be able to demonstrate where and how the use of Bank resources through ESMAP provides an "incremental value added" over and above that which could have been obtained through some other existing Bank program. Moreover, in this analysis it is important to distinguish between the comparative advantage of ESMAP, which is one program run by the Energy Department, and that of the Energy Department as a whole which, because of its central nature, has a comparative advantage vis-a-vis the regions in carrying out certain functions for the Bank.

4.2 ESMAP's comparative advantage can be defined at two levels. First, certain advantages reflect the intrinsic nature of the program and apply equally to all ESMAP tasks. The principal item in this category is of course the leverage that the Bank obtains from managing a pool of funds to which it contributes only 20%. The obverse of this is that to mobilize the other 80% of non-Bank funds will inevitably entail some compromise on how the total funds should be spent. At one extreme, as long as more than 20% of the program funds are spent on tasks that the Bank would otherwise have funded exclusively, and the remainder comprises of tasks which are of high quality and which are not objectionable, then the Bank is better off with ESMAP than without. In practice, the outcome will of course be considerably better than this and one measure of success for the Program's managers will be the extent to which they can

ensure a program content which reflects the Bank's view of country and sector priorities.

4.3 Further general advantages of the program are that it provides a valuable instrument for aid coordination whereby the Bank can seek to influence the decisions of developing countries and other donors in regard to projects and issues with which it is not itself directly involved. ESMAP also provides a mechanism for the provision of preinvestment and technical assistance unencumbered by the short-term lending considerations which affect the provision of similar assistance by the operating divisions. Finally, the program can serve as a center for the development and initial testing of new operational products -- a function for which there is no obvious alternative mechanism within the Bank.

4.4 Apart from these general features, ESMAP also has some advantages that relate more specifically to the individual product lines. These are discussed below.

4.5 Prefeasibility and Feasibility Work. ESMAP has the following advantages in the preparation of projects for Bank financing, compared with the main competitor products, which are the PPF, and also in Africa the SPPF.

- ESMAP enables the Bank to maintain much closer control of the work as consultants are hired and managed directly and the work is done "in-house";

- ESMAP has less bureaucratic procedures than those required to initiate a PPF/SPPF;

- ESMAP can enter further upstream than the point at which a PPF/SPPF could reasonably be activated; and

- the use of grant funds can help to overcome a frequent government reluctance to borrow for project preparation work, particularly as ESMAP can be used without presumption of Bank funding for the subsequent investment (this also applies to the SPPF).

4.6 In regard to the preparation of projects that are likely to be financed by other agencies, the principal rationale for Bank involvement through ESMAP is to seek to influence their selection and design through the technical input of our staff and the strategy framework that has been developed for the Bank's own operations. This is essentially a quality control and an aid coordination function, where the objective is to ensure that the funds available from other donors are directed towards high-priority and well-prepared projects in which the Bank cannot participate directly.

4.7 Technical Assistance and Institutional Strengthening. The predominant vehicle for Bank involvement in this area is through project components which fund technical advisors, studies, etc. ESMAP's comparative advantage in relation to project-related technical assistance is relatively easy to identify for short-term interventions -- it can be

faster responding; the pace and scope of the work does not have to be determined largely on project grounds; it allows for much closer control, etc. ESMAP is less well suited to provide longer term institutional strengthening because this requires a degree of continuing involvement and interaction with the counterpart agency which is much more effectively and cheaply piggybacked onto an ongoing operational relationship.

4.8 The main issue in regard to ESMAP's technical assistance role is not so much competition from other Bank products as whether this adds significantly to the quality and results of technical assistance provided by other agencies who specialize in this line of business (UN agencies such as UNIDO, ILO, UNSO, DTCD, etc., and the bilaterals). Moreover, to the extent that ESMAP is largely funded by these other agencies, there is a clear merit in being cautious about developing product lines which are competitive rather than complementary. One way to address this is to limit ESMAP's involvement in the technical assistance/institutional strengthening area to:

- upstream work which will define the scope, focus and cost of a program of technical assistance with institutional strengthening which can then be taken up by other agencies;

- supervision of technical assistance programs if so requested by the recipient government and donor agency involved, and if the area is one in which our staff can contribute effectively;

- limited work in a few clearly defined TA product lines for a limited duration where the Bank has a major contribution to make in terms of methodology, product definition, etc.

4.9 Strategy and Sector Analysis. The regular Bank instrument for this is economic and sector work (ESW). Apart from the general advantage of leverage through cost sharing, the only special advantage that ESMAP has vis-a-vis ESW is that it can respond to perceived needs or requests without the strictures of the annual CAM programming cycle. However, this argument is weakened because of the reluctance of most donors to fund strategy work except in the household/biomass energy area, because of the delay introduced through obtaining funds for each task on a case-by-case basis and by the fact that the CAM process should be flexible enough to reallocate resources to a high-priority urgent task which has been identified in mid-cycle. It is therefore difficult to attribute any obvious value added to the use of ESMAP in this area. 2/

2/ As noted earlier, this is not the equivalent to there being no comparative advantage to carrying out energy strategy work within EGY; as the finding of the task force on ESW has shown, there is a strong case for carrying out certain types of strategy and sector work centrally -- these would simply be part of EGY's regular Bank operations.

V. PROGRAM FUNDING - STATUS AND PROSPECTS

5.1 There are two sets of issues that need to be addressed in this regard. First, this review has clarified the short-term funding status, i.e., up to the end 1986 where there has been some uncertainty as to the availability of adequate non-Bank funds to meet work program commitments and contractual liabilities to staff. The results of this work are detailed in Mr. Thadani's memorandum of May 9 which is attached as an Annex to this note. The 1986 budgetary position can be summarized as follows:

(a) The current ESMAP work program measured as all tasks on which work has already substantially begun or for which earmarked funds have been accepted, amounts to some 47 SY of which about 40 SY will be executed during 1986 and the balance in CY87-88. The total financial costs of implementing this program (including overheads such as office space, etc.) are $7 million in CY86 and a further $1 million in CY87-88.

(b) These financial costs are fully covered by funds in hand or for which firm pledges have been received. Funds in hand amount to $3.25 million in general funding, $0.8 million of an imputed Bank input for overheads and $2.0 million in funds earmarked for specific activities. Additional funds expected during the year are $1.2 million in general funding and $4.3 million in earmarked funds.

(c) Contractual liabilities in terms of fixed-term staff costs are $1.75 million for CY86, declining sharply to $0.26 million in CY87 and $21,000 in CY88. These contractual liabilities can be fully met from general funds that are in hand.

(d) The staff requirements to carry out the committed work program [as per (a)], exceeds the existing staff resources available to the program, if any allowance is made for work on new activities. If staff only worked on the committed tasks then the staff requirements would roughly balance staff availability. Alternatively, if there was some slippage in the implementation of the committed work program, as is likely, this would free up some staff time to work on preparing other tasks.

(e) If the pledged general funds do not materialize, this will mean some slippage and rearrangement of tasks by the end of the year; the likelihood of this happening is small. If the pledged earmarked funds do not materialize, then the activities for which they would be used will not be started. This will also result in some reallocation of tasks and individual staff work programs but will be manageable.

In sum, the CY86 budget position can best be described as "comfortable but no cause for complacency". Efforts to translate pledges into

receipts should continue to be accorded a high priority.

5.2 Beyond 1986, the ESMAP funding position becomes more uncertain. The move to project-by-project funding and the reluctance of many donors to pay for the "core staff" means that these general costs will have to be borne to a greater extent from Bank/UNDP funds. In this regard the two crucial assumptions for maintaining the program at about its current level, in terms of both dollars and staff on board, are:

(a) that the UNDP will deliver on its pledge to provide $1.0 million/year from the DGIP budget;

(b) that the Bank will indeed cover 20% of the total cost of the program in overheads, staff input and a balancing cash item. This could result in the following scenario:

Program Costs	$m	Program Funding	$m
General:		General:	
Staff Salaries	2.0	UNDP-DGIP	1.0
Staff Travel	0.3	Bank @20%	1.5
Office Space, etc.	0.5	Office Space	(0.5)
Sub-Total	2.8	Staff/Cash	(1.0)
		Other Donors	0.3
		Sub-Total	2.8
Activity Specific:		Earmarked:	
Consultants fees, travel, etc.	4.7	Other donors	4.7
TOTAL	7.5	TOTAL	7.5

Under this scenario the program could continue at about its current size but with a significantly different funding pattern in which the contribution of the UNDP and the Bank would be used primarily for meeting the staff and other core costs, while other donors provided funding for operational expenses and consultants. It is important to note, however, that the total Bank contributions would still remain at the 20% ceiling indicated by Mr. Stern.

VI. INTERNAL MANAGEMENT ISSUES

6.1 Apart from funding, the continued health and smooth operations of the program require action on a variety of internal issues. Five of these are dealt with below: the first two relate to the programming and budgeting of ESMAP operations and the remainder to its staffing and management.

(a) Development of an Integrated Budget and Donor Reporting System. The inadequacies of the current manual system have been widely agreed as has the importance of action to restore this aspect of the operation onto a firm footing. Work is underway to develop a computerized, integrated budget system and its speedy completion has the highest priority. In this regard, additional investigation is needed on how to link the proposed system with the UNDP's budgeting formats and requirements. A related issue is the clarification of the job descriptions and respective responsibilities of the various staff involved in ESMAP budgeting (at the departmental, divisional and program levels) and donor coordination.

(b) ESMAP and the Cam Process. The introduction of the CAM processes has merely brought into sharper focus the ambiguity that has always existed regarding how and to what extent ESMAP activities can be effectively integrated into the Bank's budgeting and programming system. A welcome decision in the

past year has been to include the Program in the aggregate, as an "above the line" item in the Bank's administrative budget, which will greatly facilitate the integration process.

A second decision that has been made is that while ESMAP in the aggregate will be "above the line", its resources will not be allocated ex-ante on a country basis as part of CAM because of the uncertainty regarding the amount of non-Bank funds that will be available in a prospective year, and because the funds that do become available will generally not be fungible across countries. This does not mean that ESMAP tasks will be outside the Bank's priority setting processes. On the contrary, all proposed ESMAP activities should continue to be scrutinized closely by regional programs and projects staff to ensure that they represent the highest priority tasks for which non-Bank funding can be made available. Moreover, the annual CAM programming exercise provides a good opportunity to review the entire menu of prospective ESMAP tasks in each country and to come to a common understanding on their relative priorities. This common understanding should then provide the framework for the efforts of the program's managers to solicit donor funding for these tasks. However, it would be understood that the sequence and timing for their implementation would depend upon the interest and speed of donor response.

The above mechanism begs the question of how prospective tasks would be assigned for non-Bank funding under ESMAP or for inclusion in the Bank's regular administrative budget allocation through CAM. This distinction is relatively easy to draw in the case of ESMAP work in the areas of project preparation and in the provision of technical assistance for institutional strengthening; neither of these lines of activity is generally funded by the Bank through its administrative budget. However, in the area of energy sector and strategy work this could pose a problem because many tasks could be eligible for funding in either way. In practice though, this sort of decision would only be required in rare cases because of the general reluctance of donors to fund sector work under ESMAP. Consequently, the proposal here is to restrict ESW work under ESMAP to those special cases where for reasons of size, subject matter or demonstrated donor interest, a clear case can be made to seek non-Bank funding. In these cases, the additional funding would be explicitly reflected in the CAM process by increasing the total CAM allocation by that amount and setting priorities within the expanded budget. As the non-Bank funding would generally be tied to the particular task, it would be understood that the total allocation would change depending upon the decision to include or exclude the task.

(c) Modifying Staff Skills. ESMAP's flexibility and rapid response to newly identified needs requires an almost continously evolving mix of staff skills. The fixed-term contracts used for recruiting staff under the Program have greatly enhanced the Bank's ability to make these shifts in program staffing. Indeed, one of the proclaimed benefits of the program in the past was that it served as a training ground for many new staff who subsequently moved to regular positions elsewhere in the Bank as their potential and expertise was recognized through wider exposure. This is a healthy principle but it has now begun to hurt the Program for three reasons.

(i) Our ability to retain these staff for a minimum period of three years -- so that we can recoup at least some of the initial investment made in their training and orientation -- is being hampered by the breakdown of the traditional rule governing the minimum length of assignment. Other divisions have made offers of a regular position to our staff well within the three-year period and we have been forced to release them.

(ii) To retain a minimum quotient of staff with Bank familiarity, we have recruited regular staff internally on two to three year secondments to the Program, with a reentry commitment by the releasing department or the operational complex; PMD claims that this is no longer feasible.

(iii) Many of the new areas of work that have been identified as a high priority for ESMAP -- restructuring, complex sector analysis, oil and gas, etc. -- require staff who are more seasoned and whose marketability is high. These people are also the least likely to accept a move to Washington on a two-year fixed-term contract -- particularly when other parts of the Bank are willing to offer regular positions for the same type of skills.

Thus, while the need for modifying and upgrading staff skills in the Program is clear, the ability to do so under the existing framework is not. A variety of actions are required to relax these constraints: one of these being the allocation of additional Bank positions to the Energy Strategy and Preinvestment Divisions which house the ESMAP work.

(d) The Case for Additional Bank Positions. The Bank has agreed to contribute a maximum of 20% of the total costs of ESMAP and no increase in this is either warranted or likely. The Bank's contribution comprises of office space and other overheads, staff input for managing and executing the work, and a cash contribution to arrive at the 20% figure. It is the balance between the latter two that needs to be changed. While recognizing that use of regular positions for staff on a limited duration program causes a "contingent liability", this is really no different in principle than the general staff redeployment issue that results from periodic shifts in emphasis across the Bank's work. Moreover, the staff who would be offered a regular position would have been through the regular recruitment process to establish their marketability outside ESMAP. Therefore, it is proposed that a minimum of two additional Bank positions (which would raise the total to four) be made available to the program with a corresponding reduction in the annual cash contribution of the Bank.

A related but separate issue concerns the number of Bank positions allocated to these divisions for the execution of regular Bank work (ESW, operational support, policy and advisory, etc.) which accrues to them out of the CAM budgeting process. The assumption here is that regular Bank work will be carried out through the allocation of staff and other resources commensurate with the job.

(e) Replacement of Vacancies in Program Management. The next six to twelve months will be critical in determining the long-term direction and viability of the program. During this period, the two Energy Strategy and Preinvestment Divisions will also be carrying out an ambitious and diversified program of Bank work, primarily ESW. Consequently, it is imperative that they be operating with a complete management team. Specifically, this means that Mr. de Capitani's successor should be nominated and in place at the earliest possible time and certainly within two months. An early nomination would also seem to reduce EGYS2 staff uncertainty about the prospects for their division.

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DIRECTION GENERALE DE LA PLANIFICATION GEOGRAPHIQUE ET SECTORIELLE, BRUSSELS, BELGIUM. ATTENTION MR. P. FRIX. RE PROPOSED ESMAP FUELWOOD PREINVESTMENT WORK IN THAILAND AND MY LETTER OF APRIL 23, 1986. UNABLE TO REACH YOU BY PHONE TO INFORM YOU THAT MR. MIKAEL GRUT, THE STAFFMEMBER IN MY DIVISION RESPONSIBLE FOR THE PROPOSED FUELWOOD PREINVESTMENT WORK IN THAILAND WHICH WE HAVE ASKED YOU CONSIDER SUPPORTING, WILL BE PASSING THROUGH BRUSSELS TOMORROW ON HIS WAY TO BURUNDI. IF YOU BELIEVE IT WOULD BE USEFUL, HE COULD MEET WITH YOU FRIDAY AFTERNOON TO PROVIDE ANY FURTHER INFORMATION OR CLARIFICATION ON THE PROPOSED WORK. HE WILL ARRIVE HOTEL CENTRAL, TELEPHONE 5118060, AT 1000 FRIDAY MORNING. I WILL ALSO ASK HIM TO CALL YOU AT YOUR OFFICE UPON ARRIVAL TO SEE IF A MEETING WOULD BE DESIRABLE. BEST REGARDS, BERNARD MONTFORT, DIVISION CHIEF, ENERGY STRATEGY AND PREINVESTMENT DIVISION I, WORLD BANK.

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THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: May 6, 1986

TO: Mr. James Chaffey, Division Chief, EM2DA

FROM: Masood Ahmed, Deputy Division Chief, EGYS1

SUBJECT: SYRIA: Issues and Options in the Energy Sector

Attached please find the draft of a section outlining the impact of lower oil prices on the recommendations of the above report, which we propose to insert in the final version which is now ready for printing. As you know, when the draft blue cover was cleared for issuance by the region in March, it was on the understanding that this would incorporate a brief section providing this analysis in a preface. The Government of Syria has also agreed that this would be the most effective way of addressing the recent oil price developments in the report. Given that the attached draft is somewhat more detailed than had been envisaged initially, we propose that it be inserted as part of the executive summary of the report rather than as a preface. We would be grateful for any comments from yourself or from the other regional staff concerned, by cob May 12, if possible, so that the draft and the report can be finalized.

cc: Messrs. Reekie, Mckechnie (EMP); Hume, McCarthy, Montfort, Decaux, Gray, Frueh (EGY).

Ms. Rasmussen (EM2).

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PREFACE

Impact of Recent Lower International Oil Prices on the Recommendations in the Report

1. This report was prepared in 1985 and its analysis was based on 1985 prices and price forecasts of crude oil and petroleum products. During the first two months of 1986 alone, spot prices of crude declined by almost 50%. Continued price volatility is expected over the short term. While some forecasters are projecting that oil prices in real terms will remain 50% below the 1985 level for a decade or longer, the majority of experts foresee oil prices rebounding over the next several years or even in the next year to around two-thirds of the 1985 level. The price projection the Bank is currently using is a price of $13.50/bbl (average FOB) in 1986 increasing to $17/bbl in 1987 and up to $22/bbl in 1990 (which is equivalent to about a constant real price of $15/bbl, in 1985 prices).

2. Notwithstanding the precise future evolution of international oil prices, it is clear that the expectation is for a substantially lower price forecast for the immediate term. Therefore the validity and robustness of the Assessment Report's main recommendations need to be established in the light of lower oil prices and with a view to the increased degree of uncertainty of future oil price development. The approach adopted in this section is to briefly reassess the impact of lower oil prices on the report's key recommendations and, where possible, to estimate the oil price switch-over point that would substantially alter the respective recommendation or set of recommendations.

Accelerated Gas Development

3. The principal energy supply-related recommendation of the report is to embark upon an accelerated program of natural gas development. This recommendation does not change even if oil prices remain at half the 1985 level. If one assumes oil prices drop to the new level currently being used by the Bank the rate of return on the overall gas and LPG development program drops to about 30% from the previous estimate of 43% and net present value is still over one-half billion dollars. In fact, the development of gas described in the report is still viable if oil prices were to remain at $8.50/bbl (real 1985 prices) for the next two decades. It is at this price level that the overall rate of return drops to 15%. The pattern of gas substitution is not expected to change; the majority of the gas will substitute for fuel oil. Gas prices, as recommended, should still be pegged marginally below fuel oil, the principal alternative fuel.

Oil Production

4. There are two aspects to the problem: the impact of lower oil prices on the activities of foreign contractors and the impact on the recommendations for oil-related activities of SPC. Lower oil prices have already had a major impact on the budgets of major international oil companies who announced cuts of 20-30% in annual exploration and development expenditure plans. However, these reductions in activity do not appear to have affected activity in Syria. The new discoveries by Shell-Pecten seem to be highly profitable in

view of the high well productivity and relatively shallow depth of the fields. In fact, Shell-Pecten has doubled the number of rigs and Marathon is negotiating an extension of its contract. Moreover, there are indications that other oil companies continue to be interested.

5. The recommendations outlined in the report on oil production are of course sensitive to oil price forecasts, but would remain valid under the new lower oil price scenario currently used by the Bank. However, at even lower oil prices, the profitability of drilling plans would need to be carefully evaluated on a well by well and case by case basis. The nature of oil development is a series of small investments which cannot be evaluated in detail in this report. However, the sequencing and phasing of such drilling investments can be adjusted to fit variations in the profitability of oil development. Lower oil prices would not affect the need for urgently required technical inputs, studies and training.

Refining

6. Lower oil prices do not affect the report's recommendation to improve operational efficiency in the refining sector and to adopt a flexible operating policy for the refinery subsector so as to optimize the country's crude and petroleum product trade balance. In fact, the expected increased volatility of future crude and product prices on the world market provides a stronger incentive to adopt a more flexible refining/product trade strategy, rather than operating on a predetermined policy of refining as much Syrian crude as technically possible and maximizing middle distillate output.

7. The report recommends that the benefits of installing some type of cracking facilities should be studied immediately since such an investment could have a rapid payback of a couple of years ($77 million annual benefit on an investment of $90-120 million). It is not clear yet how the drop in crude prices will affect the structure of product prices which influence the economics of cracking, but this investment is likely to remain profitable. For example, even assuming that the benefits are halved, this would only stretch out the payback period to four years, assuming little change in the structure of product/crude prices. The report also identifies refinery efficiency improvements which would cost $25 million but have a payback time of less than one year. These improvements are still highly profitable at any oil price above $5/bbl.

Energy Pricing

8. Petroleum Products. The table below shows the ratios of retail to import/export parity prices -- the latter indicatively based on international oil prices at 50% of their 1985 levels. The comparison is made at two exchange rates, and because of the divergence in these rates, the outcome is very different. However, using the tourist exchange rate as a guide to the shadow price of foreign exchange in the country, the table shows that the international price fall has eliminated the implicit price subsidy that petroleum products previously received in the country. Indeed, the resulting ratios of international to domestic prices is now much more in line with those prevailing in most other developing countries. Whether these new ratios should be maintained is a function of a number of factors including the fiscal requirements of the Government, the price structure for alternative fuels, and

the expectation of the duration of the current international price levels. Although these questions are ultimately for the Government to resolve, in the view of the mission given the high degree of uncertainty about international price changes even in the short term and the fact that, at the shadow exchange rate, retail prices are not out of line with other countries, there does not appear to be a strong case for reducing domestic petroleum prices at this time.

Ratio of Retail to Import/Export Parity Prices of Petroleum Product

Fuel	Parallel Exchange Rate (5.45 SL/$)		Tourist Exchange Rate (9.75 SL/$)	
	Nov. '85 int'l prices	one half of Nov. '85 int'l prices	Nov. '85 int'l prices	one half of Nov. '85 int'l prices
LPG	0.81	1.62	0.45	0.90
Gasoline	2.30	4.60	1.22	2.44
Kerosene/Jet	1.30	2.60	0.72	1.44
Gasoil	1.30	2.60	0.82	1.64
Fuel Oil	0.82	1.64	0.56	1.12

Note: Domestic prices are those in effect after September 20, 1985.
Tourist rates as of March 1986.

9. Electricity. The electricity price recommendations also do not change with lower oil prices. The basis of the proposed electricity price increase of 75% is to cover short-term operating costs. This is a minimum increase regarded to cover only operating costs and not even a portion of depreciation or interest costs. Moreover, given the financial burden future investment requirements in the power sector are likely to pose on the Public Electricity Establishment, the report's recommendations concerning power tariff increases is considered valid.

Energy Conservation

10. Since oil prices directly determine the benefits of oil-related energy conservation, lower oil prices adversely affect conservation benefits. However, analyses show that even if petroleum and petroleum product prices remained for a long period at half of their respective 1985 levels, the specific energy efficiency improvement programs identified in the report would remain of high priority.

11. Improvement of Power System Efficiency. Lower international oil prices would affect the economic benefits of reducing technical power losses and improving the efficiency of power generation. However, even with oil prices 50% below their 1985 levels, the energy efficiency investments would result in favorable economic payback periods of about two years. Moreover,

power system efficiency improvements are expected to yield additional indirect benefits by alleviating power supply shortfalls and the financial benefits accruing to PEE from reduced losses would remain unaltered.

12. Industrial Energy Efficiency. Although some energy conservation measures that could have been proposed at 1985 oil price levels may not be justified at substantially lower oil prices there appears to be scope for more than US$10 million in annual energy savings in the cement industry even at oil prices 50% below their 1985 levels. A similar quantitative assessment for the fertilizer industry cannot be derived at the present stage. However, there is evidence that even after successful conversion of the country's major ammonia plant to gas and with energy prices at half of the 1985 levels there would still be a substantial scope for energy efficiency improvement that could be realized through measures with economic payback periods of less than 3-4 years.

13. Household Energy. Given the important role the household sector plays as an energy consumer, an assessment of energy supply and demand management options needs to be established in the form of a household energy strategy to be viewed under a range of energy price scenarios. Given the present lack of energy consumption data, and the wide variety of measures that could be applied in developing energy supply and managing demand, it appears premature to speculate on each measure's economic justification at the present stage. What seems to be obvious is that promoting the use of renewable energy forms is less attractive as international prices of competing petroleum products get lower. In fact, the use of solar energy may prove to be uneconomic if international gas-oil prices remain at or below 55% of the 1985 price level.

14. In sum, the above outline shows that the assessment report's key recommendations are in general relatively robust against even a 50% decline of international oil prices compared to 1985 price levels, allowing these recommendations to serve as a guidance in managing some key aspects in the country's energy sector. Finally, in macroeconomic terms, the recent oil price drop is unlikely to have a major impact in the near future -- given Syria's present approximate balance in oil trade and assuming that lower international oil prices are not allowed to affect domestic petroleum product prices. However, to the extent that the country becomes a net oil exporter in the medium term, lower international oil prices will, of course, result in poorer terms of trade than would otherwise have prevailed.

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PAGE 1 OF 2

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MESSAGE NUMBER

TEST NUMBER (FOR CASHIER'S USE ONLY)

TO MR. M.J. DELORME, EUROPEAN ECONOMIC COMMUNITY, HEAD OF DIVISION, DG VIII, BRUSSELS, BELGIUM. RE YRTLEX 10.186 CONCERNING POSSIBLE EEC PARTICIPATION IN ESMAP. (AAA) COPY OF NEA LETTER REQUESTING ESMAP ASSISTANCE BEING FACSIMILIED TO YOU TODAY. THE TWO ACTIVITY INITIATION BRIEFS INADVERTENTLY LEFT OUT WITH THE APRIL 9 LETTER WERE MAILED TO YOU APRIL 17. ADDITIONAL COPIES ARE BEING MAILED TODAY. (BBB) WE HAVE INFORMED NEA OF THE NEED TO CONTACT EEC DELEGATION OFFICE IN BANGKOK WITH A FORMAL REQUEST FOR FINANCIAL SUPPORT THROUGH ESMAP. THIS SHOULD BE FORTHCOMING IN THE NEXT FEW DAYS. (CCC) WE APPRECIATE THAT ANY FUTURE EEC PARTICIPATION IN ESMAP WOULD NOT FOLLOW THE PROCEDURES USED IN THE CASE OF THE PREVIOUS GRANT TOWARDS THE ENERGY ASSESSMENT WORK AND IN PARTICULAR THAT THE HOST GOVERNMENTS WOULD NEED TO BE MORE DIRECTLY INVOLVED IN THE FUNDING AGREEMENTS. WE ARE OPEN TO ANY SPECIFIC PROPOSALS ON THE PREFERRED MODALITIES. FROM OUR OWN POINT OF VIEW, IT WOULD BE USEFUL IF THE MODALITY ADOPTED WERE THE SAME FOR EACH EEC SUPPORTED ESMAP ACTIVITY SO AS TO FACILITATE THE PROCESSING OF SUBSEQUENT JOINT OPERATIONS. IT WOULD ALSO BE APPRECIATED

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TELEX NO.: 21877 COMEU B

DATE: 05/01/86

SUBJECT: EEC Participation in ESMAP

DRAFTED BY: MAhmed:ps

EXTENSION: 73996

CLEARANCES AND COPY DISTRIBUTION:

cc: Messrs. de Capitani, Montfort, Ahmed (EGY). Ms. Sharkey (EGY).

AUTHORIZED BY (Name and Signature): Ian Hume, Assistant Director, PGYDR

DEPARTMENT: Energy

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IF THE PROPOSED MECHANISM MAINTAINED, TO THE EXTENT POSSIBLE, THE QUICK RESPONDING AND FLEXIBLE NATURE OF ESMAP, WHICH BOTH THE DONORS AND THE DEVELOPING COUNTRIES HAVE MENTIONED AS BEING AMONG ITS IMPORTANT ADVANTAGES. WE LOOK FORWARD TO HEARING FROM YOU. BEST REGARDS, IAN HUME, ASSISTANT DIRECTOR, ENERGY DEPARTMENT, WORLD BANK.

END OF TEXT

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TELEX NO.: 21877 COMEU B

DATE: 05/01/86

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REF : TCP HC

cc: ~~Montfort~~ ✓
Ahmed

RCA9900
248423 WORLDBANK
21877 COMEU B

DE : C.C.E. BRUXELLES - TLX1 - SERVICE TELEX
A : INTERN BANK RECONSTR DEVELOPMENT IBRD - WASHINGTON
REF: 17:56 29-04-86 000047145 - 000051059

REF.NR. 97969 - VIII

INBAFRA - WORLD BANK - WASHINGTON
ATTENTION MR IAN HUME
ENERGY DEPARTMENT

OUREF. : 10.186

REF. YOUR LETTER OF 9 APRIL TO MR LEQUEUX SOLLICITING EEC SUPPORT AND INVOLVEMENT FOR TWO ESMAP ACTIVITIES FOR THAILAND ONE DEALING WITH WOODFUEL SUPPLY IN NE REGION AND THE OTHER WITH LARGE SCALE INTRODUCTION OF IMPROVED CHARCOAL KILNS AND STOVES. COULD YOU PLEASE SEND US A COPY OF THE LETTER OF NEA AND THE INITIATION BRIEFS AS THEY WERE NOT JOINED WITH YOUR LETTER. AS EXPLAINED TO MR MONTFORT DURING N1S VISIT TO THE EEC LAST MONTH AND AS REITERATED TO MR M. MASUD OVER THE TELEPHONE WE ARE WILLING TO LOOK AT THE POSSIBILITIES TO COFINANCE CERTAIN ESMAP SERVICES FOR COUNTRIES

IN ASIA AMD LATIN AMERICA PROVIDED THE CEC RECEIVES AN OFFICIAL REQUEST FROM THE COUNTRIES CONCERNED TO DO SO. WE HAVE ALREADY INFORMED OUR DELEGATION IN BANGKOK ABOUT SUCH A POSSIBLE FORTHCOMIMG REQUEST FROM THE NEA AND THE RFD BUT HAVE NOT RECEIVED ANY COMFIRMATION YET THAT SUCH REQUEST HAS BEEN MADE. SNOULD IT ARRIVE HOWEVER WE WOULD LIKE TO DISCUSS THE NATURE AND MODALITIES FOR POSSIBLE EEC SUPPORT WITH THE THAI AUTHORITIES FIRST. THIS IS IMPORTANT AS FUTURE SUPPORT FROM THE EEC TO ESMAP WOULD NO MORE AS IN THE PAST CONSIST OF MONEY TRANSFERS TO THE UNDP/WORLD BANK ENERGY ACCOUNT BUT RATHER BE MADE AVAILABLE DIRECTLY TO THE D.C. CONCERNED THROUGH A FINANCING AGREEMENT WHICH WILL SPECIFY TME OBJECTIVES AND THE MODALITIES OF SUCH SUPPORT.
REGARDS.

JEVM DELORME, HEAD OF DIVISION, VIII-A-3
MNMN

ENERGY Sta...
PREINVESTMENT DIV. I
Dt. Recd. 4/29 Log No. 818
For Action To: Ahmed/Grant/Frueh
For Info. To: ~~Montfort~~
Action Taken On:
Reference File: ESMAP thailand files
EEC donor file

4/29

248423 WORLDBANK
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FOR MR JECHOUTEK, INTBAFRAD, BANGKOK, THAILAND. RE: YR TLX APR. 25 ON PROPOSED ESMAP WORK. (AAA) RE OIL PRICE IMPACT STUDY. APPRECIATE NEA'S CONCERN THAT PROPOSED STUDY SHOULD NOT DUPLICATE ANY EXISTING OR PLANNED WORK. ALSO RECOGNIZE THAT INSTITUTIONAL SENSITIVITIES WILL REQUIRE CAREFUL AND DELICATE HANDLING TO MAINTAIN THE PARALLEL GOOD RELATIONSHIP ESTABLISHED WITH BOTH NESDB AND NEA DURING THE ENERGY ASSESSMENT PHASE. TO THIS END IMPORTANT TO NOTE THAT THE PROPOSED STUDY WILL FOCUS PRIMARILY ON THE EFFECT OF LOWER AND UNCERTAIN OIL PRICES ON INVESTMENT DECISIONS IN THE ENERGY SECTOR, EVALUATING HOW ECONOMICS, SEQUENCING AND TIMING OF VARIOUS PROPOSED ENERGY PROJECTS IS LIKELY TO BE AFFECTED. THE NEA'S WORK WHICH YOU MENTION IN YR TLX IS, WE UNDERSTAND, MORE CONCERNED WITH ESTABLISHING INITIAL IMPACT OF EXOGENOUS PRICE CHANGES ON INTERNAL PRICING POLICY FOR DIFFERENT ENERGY PRODUCTS AND ON THE FINANCIAL AND FISCAL IMPACT OF THESE CHANGES ON ENERGY PRODUCING COMPANIES AS WELL AS ON NATIONAL EXCHEQUER. THESE MATTERS ARE OF COURSE UNDERSTOOD TO BE WITHIN NEA'S PURVIEW AND TO THE EXTENT THAT THE PROPOSED ESMAP STUDY DEALS WITH THEM AT ALL, IT WOULD

END OF TEXT

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Telex 82817 05/01/86

Thailand: Proposed ESMAP Work

MAhmed:hm 73996

cw and cc: Messrs. Sadove, Ahmed (EGY); Ian Hume, Assistant Director, EGY
Lav (AEASE).

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RELY HEAVILY ON THE ANALYSIS AND RESULTS EMERGING FROM NEA'S WORK. ON THE INVESTMENT SIDE, THE INTERACTION WOULD BE MORE DIRECTLY WITH NESDB. NOTE THAT WE WOULD NOT PROPOSE TO STUDY INSTITUTIONAL ISSUES WHICH APPEAR TO BE MOST SENSITIVE. (BBB) THE SCOPE OF THE PROPOSED ESMAP STUDY WILL BE OUTLINED IN DRAFT TERMS OF REFERENCE WHICH WILL BE SENT TO NESDB AND NEA DURING THIS MONTH THROUGH RESIDENT MISSION BANGKOK. RECEIPT OF THOSE TOR'S WOULD BE GOOD OPPORTUNITY TO CLARIFY ANY REMAINING NEA CONCERNS AND REASSURE THEM ABOUT PROPOSED WORK. (CCC) REGARDING MISSION TIMING, GIVEN NEA REQUEST WE WOULD PROPOSE TO DELAY MISSION TO COMMENCE ABOUT JUNE 12. FURTHER DELAY NOT FEASIBLE BECAUSE BOTH BOB SADOVE AND I HAVE PRIOR COMMITMENTS FROM ABOUT JUNE 18. BEST REGARDS, IAN HUME, ASSISTANT DIRECTOR, ENERGY DEPARTMENT, WORLD BANK.

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cc: Mr. Sadove

Bob Sadove
Masood Ahmad

ZCZC DIST0119 JWS0424
AEASE EGYPS ADMCB
REF : TCP FCA

BAN0427
AEASE EGYPS
.IBRDBAN
INTBAFRAD BANGKOK THAILAND APRIL 25, 1986

FOR COLE COPY HUME
RE THAILAND ESMAP WORK.
AAA OIL PRICE IMPACT STUDY. DR. PRAPHAT OF NEA ADVISES THAT THREE DETAILED IMPACT STUDIES OF FALLING OIL PRICES HAVE BEEN PREPARED BY HIM FOR MINISTER SULI RECENTLY AS BASIS FOR GOVERNMENT DECISION ON FURTHER RESTRUCTURING OF PETROLEUM PRODUCT RETAIL PRICES ANNOUNCED YESTERDAY. THESE STUDIES STILL CONFIDENTIAL AND NOT AVAILABLE, BUT APPEARS THAT THEY DEAL WITH FUEL OIL, AUTOMOTIVE FUELS, AND DOMESTIC FUELS RESPECTIVELY, AND CONTAIN QUITE DETAILED RE-EVALUATION OF VEHICLE OPERATING COSTS, TAX OPTIONS, OIL FUND IMPACT, ETC. RECOMMENDATIONS HAVE BEEN IMPLEMENTED IN FULL. ANY TOR TO BE DISCUSSED BY FORTHCOMING MISSION WILL HAVE TO TAKE EXISTENCE OF THESE STUDIES INTO ACCOUNT. IMPACT STUDY ON GAS PRICING IS UNDER PREPARATION BY NEA, AND IMPACT ON EGAT AND OTHER GAS CONSUMERS' FUEL CHOICES WILL BE STUDIED.
BBB IN GENERAL, NEA CONSIDERS NESDB INITIATIVE TOWARDS ESMAP AS ENCROACHING ON AND DUPLICATING OWN WORK, AND ESMAP MISSION WILL HAVE TO TREAD CAREFULLY IN FORMULATING THE WORK PROGRAM. NEA NOW WORKING ON RECOMMENDATIONS TO RESTRUCTURE ENERGY STRATEGY COORDINATING MECHANISM AS HIGHLIGHTED IN OCTOBER ENERGY SEMINAR. THIS ACTIVITY MAY RESULT IN HIGH-LEVEL COMMITTEE PERHAPS CHAIRED BY A DEPUTY PRIME MINISTER WITH INFLUENTIAL ROLE FOR MINISTER SULI WHO RELIES ON NEA FOR ANALYSIS. DEVELOPMENTS IN POLITICAL BALANCE BETWEEN COALITION PARTIES MAY BE IMPORTANT IN SHAPE AND INFLUENCE OF COMMITTEE.
CCC IN VIEW OF ABOVE, NEA SUGGESTS MISSION TIMING AROUND MID-JUNE AS PRAPHAT NOT AVAILABLE BEFORE, AND NEW COORDINATING MECHANISMS PROBABLY JUST TAKING SHAPE AT THAT TIME. WOULD BE WISE TO OBLIGE. PLEASE ADVISE. REGARDS
JECHOUTEK

=04250643

ALT RTD FROM:YPSM

NNNN

Doesn't surprise me. If "PIRT" is to work at all it will have to be very fast — we'll probably miss the last many boat on many cases.

I guess we have to acquiesce in the face data, and let's not be surprised if the "impact" issue eludes us although the issues go much beyond what NEA focuses on.

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

April 28, 1986

Mr. Ingvar Karlen
Director
BITS
Fredsgatan 2
S-111 52 Stockholm
Sweden

Subject: THAILAND - ESMAP Biomass Energy Preinvestment Studies

Activity Initiation Briefs

Dear Mr. Karlen:

During his recent visit to Stockholm, Mr. Robin Bates furnished you with a number of proposals for ESMAP activities which we would like to undertake during the coming months. To follow up on his visit, I am pleased to attach for your consideration two further ESMAP Activity Initiation Briefs for which we would welcome Swedish support.

The attached Activity Initiation Briefs outline two activity proposals in the area of biomass production and use in Thailand to be implemented under the joint UNDP/World Bank Energy Sector Management Assistance Program (ESMAP). Although these two activities are designed to be implemented separately, their background and objectives are closely linked. The first covers the preparation of a demonstration fuelwood project for the Northeast Region which could help to lay the basis for an expanded program of social forestry in the country. The second activity addresses the issues of woodfuel conversion and utilization efficiency by preparing a program to accelerate the dissemination of improved cooking stoves and charcoal kilns.

Both activities were identified as a high priority for follow-up in the 1985 ESMAP report "Thailand: Rural Energy Issues and Options," which concluded that despite widespread switching to modern fuels, the supply/demand imbalance for woodfuels would worsen over the next twenty years unless urgent action was taken to increase wood supply and to manage demand through more efficient conversion and utilization of wood and charcoal. Following these recommendations, the Government of Thailand through the National Energy Administration (NEA) and the Royal Forestry Department (RFD), requested ESMAP assistance in preparing specific action programs to address these issues. In response to this request, an ESMAP reconnaissance mission visited Thailand in March 1986, to discuss the precise objectives, scope and modus operandi for the proposed ESMAP activities. The attached Activity Initiation Briefs reflect the agreements reached on these issues with the concerned agencies.

As regards cost, the fuelwood project preparation study is expected to require a total of US$225,000 while the improved charcoal stove and kiln preparation study will cost about US$150,000. Both activities are planned to be initiated in June of this year, to take advantage of field conditions before the heavy rainy months.

Given the high priority attached to these activities by the Government of Thailand, we are eager to initiate this work in accordance with the above timetable. I would therefore be grateful for an early indication of the possibility of your supporting part of the costs of the proposed work.

Sincerely yours,

Masood Ahmed
Deputy Division Chief
Energy Strategy and Preinvestment
Division I
Energy Department

Attachments

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Sincerely yours,

Masood Ahmed
Deputy Division Chief
Energy Strategy and Preinvestment
Division I
Energy Department

Attachments

cc: Messrs. B. Montfort, R. Bates, M. Grut (EGYS1);
Ms. K. Sharkey (EGYS1)

Mr Hume 5/R

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Cable Address: INTBAFRAD
Cable Address: INDEVAS

April 28, 1986

Mr. Jorma Paukku
FINNIDA
Box 276
00171 Helsinki 17
Finland

Subject: THAILAND - ESMAP Biomass Energy Preinvestment Studies
Activity Initiation Briefs

Dear Mr. Paukku:

During his recent visit to Helsinki, Mr. Robin Bates furnished you with a number of proposals for ESMAP activities which we would like to undertake during the coming months. To follow up on his visit, I am pleased to attach for your consideration two further ESMAP Activity Initiation Briefs for which we would welcome Finnish support.

The attached Activity Initiation Briefs outline two activity proposals in the area of biomass production and use in Thailand to be implemented under the joint UNDP/World Bank Energy Sector Management Assistance Program (ESMAP). Although these two activities are designed to be implemented separately, their background and objectives are closely linked. The first covers the preparation of a demonstration fuelwood project for the Northeast Region which could help to lay the basis for an expanded program of social forestry in the country. The second activity addresses the issues of woodfuel conversion and utilization efficiency by preparing a program to accelerate the dissemination of improved cooking stoves and charcoal kilns.

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Division I
Energy Department

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Deputy Division Chief
Energy Strategy and Preinvestment
Division I
Energy Department

Attachments

cc: Messrs. B. Montfort, R. Bates, M. Grut (EGYS1);
Ms. K. Sharkey (EGYS1)

Mr Hume 5/R

The World Bank
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(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

April 28, 1986

Mr. Børge V. Blønd
Head of Department
Ministry of Foreign Affairs
Danish International Development Agency
Asiatisk Plads 2
DK-1448 Copenhagen K
Denmark

Subject: THAILAND - ESMAP Biomass Energy Preinvestment Studies

Activity Initiation Briefs

Dear Mr. Blønd:

During his recent visit to Copenhagen, Mr. Robin Bates furnished you with a number of proposals for ESMAP activities which we would like to undertake during the coming months. To follow up on his visit, I am pleased to attach for your consideration two further ESMAP Activity Initiation Briefs for which we would welcome Danish support.

The attached Activity Initiation Briefs outline two activity proposals in the area of biomass production and use in Thailand to be implemented under the joint UNDP/World Bank Energy Sector Management Assistance Program (ESMAP). Although these two activities are designed to be implemented separately, their background and objectives are closely linked. The first covers the preparation of a demonstration fuelwood project for the Northeast Region which could help to lay the basis for an expanded program of social forestry in the country. The second activity addresses the issues of woodfuel conversion and utilization efficiency by preparing a program to accelerate the dissemination of improved cooking stoves and charcoal kilns.

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Deputy Division Chief
Energy Strategy and Preinvestment
Division I
Energy Department

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Sincerely yours,

Masood Ahmed
Deputy Division Chief
Energy Strategy and Preinvestment
Division I
Energy Department

Attachments

cc: Messrs. B. Montfort, R. Bates, M. Grut (EGYS1);
Ms. K. Sharkey (EGYS1)

Mr. Hume Ok

April 28, 1986

Mr. Antony P. Cole, AEASE

Subject: THAILAND - FY87 ESW Program:
Impact of Lower and Uncertain Oil Prices

Mr. Cole,

Further to the discussions on the above subject in the CAM review meeting held on Friday, April 25th, I would like to confirm the following revisions to our proposal:

(i) The focus of the study will be on the impact of recent changes in oil markets on investment decisions and priorities in the energy sector in Thailand. Any work on pricing, demand, etc... will be carried out only to the extent necessary for evaluating investment decisions.

(ii) The study process would be accelerated so that results are available earlier and in time for feeding into the operational requirements of the FY87 - 89 lending programme.

We will be sending the revised proposal to you shortly. In the meantime, if you have any further comments, please let me know.

Kind regards,

Masood Ahmed
EGYS1

cc: Messrs: Lav (AEASE); Sadove (EGYDR); Albouy (AEPEN); Aleem (EGYS1)

MAhmed:afs

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
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(202) 477-1234
Cable Address INTBAFRAD
Cable Address INDEVAS

April 25, 1986

Mr. Conrad van der Toren
Ministerie van Buitenlandse Zaken
Bewuidenhoutseweg 67
Postbus 20061
2500 EB den Haag
The Netherlands

Subject: Follow-up to our meeting of February 18, 1986 on the participation of the Netherlands in the joint UNDP/World Bank Energy Sector Programmes

Dear Mr. van der Toren,

May I begin by thanking you for arranging very useful and interesting meetings during my visit last February. Our mutual briefings on the structure and "modus operandi" of the Ministry of Foreign Affairs and the UNDP/World Bank Joint Energy Programmes respectively ensured the continuation of excellent cooperation between us.

To briefly recapitulate on points raised during our discussions, we have taken note of your particular interest in preinvestment and strategy work relating to the household energy area with special reference to biomass and desertification linkages. We also appreciated your clarification of the respective roles of the country desk coordinators and the special sector program coordinators in regard to the selection, design, and supervision of Netherlands' assisted projects. In terms of the interaction with ESMAP work, we agreed that both the country and sector coordinators will of course need to be kept fully briefed and we intend to continue to do so. However, as agreed with you, to avoid any possibility of confusion, in future we will address all correspondence and project proposals relating to the nine target countres in West Africa to yourself, with copies to the relevant Sector Program coordinators, i.e., Messrs. Hamburger and Ronhaar. Similarly, for the five coastal "sector countries" -- Ivory Coast, Ghana, Benin, Nigeria, and Cameroon -- we will address all correspondence to the relevant sector program coordinators with copies to yourself. We hope that this arrangement will assist in the growth and processing of ESMAP project proposals.

In regard to the follow-up action required on specific proposals, the current status of developments is as follows:

(a) Ivory Coast - Agricultural Residues Study: Extensive field work and laboratory tests are underway; the first sections of the draft report sent by consultants indicate that the project is progressing well. While no difficulty is envisaged in providing you with a copy of the Green Cover on completion, its

finalization is likely to take another three months. At that time, we will obtain the Ivorian Government's permission to send you the report;

(b) Ivory Coast - Bagasse Utilization and Household Energy Strategy, Ghana - Household Energy Strategy: This constituted the package of proposals in which you were most interested and which I left behind for your consideration. If you have had the opportunity to evaluate these activities, we would greatly appreciate your response to the viability of co-financing them.

(c) Niger - Improved Stoves Project: As you may be aware, an ESMAP mission is now in the field to monitor this activity. While it was not feasible to plan a joint mission with reasonable advance notice on this occasion, we welcome your proposal that a joint supervision mission take place in future. We will contact you well in advance of the next opportunity.

In view of their interest in these matters, I am copying this letter to Messrs. Hamburger and Ronhaar. Please also convey my best regards to Messrs. Kuynenburg and Sciarone. I look forward to hearing from you at your earliest convenience.

Yours sincerely,

Masood Ahmed
Deputy Division Chief
Energy Strategy and
Pre-investment Division I
Energy Department

cc: Messrs. Hume, de Capitani/Bates, Montfort, Floor (EGY);
Harland, Rothermel/Cox (UNDP New York).

KSharkey:na

FORM NO. 27 - OCR (3/82)

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ATTENTION KWEI ARMAR, VISITING STAFF MEMBER, INTBAFRAD, ACCRA, GHANA. (AAA) YOUR MISSION TO BANJUL HAS BEEN CLEARED BY MEPID AND MR NJIE IS EXPECTING TO SEE YOU UPON ARRIVAL. (BBB) MANY THNKS YOUR TLX REPORTING PROGRESS ON PREPARATORY WORK FOR THE SAWMILLS RESIDUE STUDY. ONE FURTHER ACTION NEEDS TO BE TAKEN. CIDA HAS INFORMED ME THAT IN ORDER TO RELEASE THE FUNDS THEY REQUIRE A LETTER TO BE SENT FROM GOVT (SIGNED BY DR BOTCHWE OR HIS DESIGNATE) TO THE CANADIAN HIGH COMMISSIONER IN ACCRA. THIS LETTER, WHICH IS SIMILAR TO THE ONE THAT WAS SENT TO INITIATE THE ASSESSMENT ITSELF, SHOULD SIMPLY NOTE THAT GOG UNDERSTANDS THAT CIDA HAS MADE AVAILABLE FUNDS TO THE JOINT UNDP/WB ESMAP FOR FOLLOW UP PREINVESTMENT AND TA ACTIVITIES ARISING FROM THE ASSESSMENT WORK AND REQUESTING THAT THESE FUNDS SHOULD NOW BE DISBURSED TO INITIATE THIS FOLLOW UP WORK. LETTER SHOULD STATE THAT THE FIRST ACTIVITY TO BE UNDERTAKEN IS THE SAWMILLS RESIDUE UTILIZATION STUDY, THE SCOPE AND OBJECTIVES OF WHICH HAVE ALREADY BEEN DISCUSSED WITH CONCERNED GOG OFFICIALS AND CIDA STAFF IN OTTAWA. HOWEVER, MS. STRABY OF CIDA SUGGESTS THAT LETTER SHOULD COVER THE ESMAP PROGRAM IN GHANA GENERALLY SO

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CLASS OF SERVICE: TELEX | TELEX NO.: 2207 | DATE: 04/23/86

SUBJECT: Mission to Banjul - Sawmills

DRAFTED BY: MAhmad:hm

EXTENSION: 75996

CLEARANCES AND COPY DISTRIBUTION:

AUTHORIZED BY (Name and Signature): Masood Ahmed, Deputy Chief, EGYS1

DEPARTMENT: Energy

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FORM NO. 27 - OCR
(3/82)

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PAGE 2 OF 2

OFFICIAL DEPT/DIV ABBREVIATION: EGYS1

MESSAGE NUMBER

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THAT WE DO NOT HAVE TO DO A SIMILAR LETTER EACH TIME WE WANT TO START A NEW ESMAP ACTIVITY. THEREFORE LETTER CAN JUST SAY THAT SUBSEQUENT ESMAP ACTIVITIES TO BE COVERED UNDER THIS ARRANGEMENT WILL BE IDENTIFIED AND DEFINED THROUGH MUTUAL CONSULTATION AMONG GOVT, BANK AND CIDA STAFF. ONCE THIS LETTER HAS BEEN RECEIVED BY THE LOCAL CANADIAN HIGHCOMM., AND A COPY SHOULD ALSO BE SENT TO US, CIDA FUNDS WILL BE DISBURSED AND THE ACTIVITY IMPLEMENTATION CAN BEGIN IMMEDIATELY. (CCC) REGARDING THE POINTS RAISED IN MR DENKYI'S LETTER AND YOUR TELEX, INCORPORATION OF THESE IN THE DESIGN OF THE PROPOSED WORK SHOULD NOT POSE ANY DIFFICULTIES. WE WILL REVERT WITH A DETAILED RESPONSE TO BE SENT OUT WITH BOROUMAND ON HIS PREPARATORY MISSION IN MAY. HAVE A GOOD MISSION IN BANJUL. BEST REGARDS, MASOOD AHMED, DEPUTY CHIEF, ENERGY STRATEGY AND PREINVESTMENT DIVISION I, INTBAFRAD.

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CLASS OF SERVICE: TELEX	TELEX NO.: 2207	DATE: 06/23/86
SUBJECT:	DRAFTED BY:	EXTENSION:
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ESMAP: FUTURE OPERATIONAL PROJECTS, FUNDING AND STAFFING

1. This note evaluates the future operational priorities for ESMAP in the light of the comparative advantage and identifies the staffing and funding requirements associated with the various alternative development strategy for the program. ESMAP's comparative advantage is in turn measured as the incremental contribution or advantage that the use of the program brings -- vis-a-vis other Bank products -- in meeting the energy assistance needs of the developing countries. The rationale for adopting the "zero-based" approach is that as the managers of a relatively unconvential recent addition to the range of Bank assistance instruments, the onus is upon us to demonstrate to senior management that ESMAP promotes an incremental benefit to that which the allocation of resources would have been obtained by channeling the same resources to other existing Bank programs. A further assumption that has been made for this paper is that ESMAP's future options do not include any direct role in energy lending although staff reunited for the program may, as now, assist other agents in the design, appraisal and supervision of such projects. Finally, although obvious, it is important to note at the outset that even excluding lending operations, ESMAP is only one part of the activities of the Energy Department; the Department's policy, strategy and preinvestment work also includes other tasks which are programmed, funded and managed in quite different ways. Nevertheless, it is within this general framework of strategy of preinvestment assistance that most ESMAP activities fall and where a number of related but distinct roles for the Program can be defined. These roles are:

(i) ESMAP as a project preparation and promotion service for the Bank, for other donors or for both.

(ii) ESMAP as a technical assistance service geared to strengthening energy sector institutions and their management.

(iii) ESMAP as a source for strategy and sector analysis.

(iv) ESMAP as a center for innovation in terms of the design and initial operational testing of new products that would subsequently be associated into the regular programs of the Bank or of other agencies.

(v) ESMAP as a source of policy definition and cross country empirical work.

2. The following paragraphs outline the incremental contributions, that ESMAP could make in each of these roles. The findings and staffing implications of this discussion are outlined in the subsequent section.

3. ESMAP as a Project Preparation Service. Preinvestment has been the program's major focus to date and reflects a number of advantages that ESMAP use brings. In regard to the preparation of projects for Bank financing, the use of ESMAP has the following advantages versus the main competitor products which are the PPF and also, in Africa the SPPF.

- ESMAP enables the Bank to maintain much closer control of the work as any consultants are hired and managed directly and the work is done "in-house".

- ESMAP has less bureacratic procedures than those required to indicate a PPF/SPPF.

- ESMAP can come in further upstream than the point at which a PPF/SPPF could reasonably be activated.

- The use of grant funds can help to overcome a frequent government reluctance to borrow for project preparation work, particularly as ESMAP can be used without presumption of Bank funding for the subsequent investment (this also applies to the SPPF).

4. In regard to the preparation of projects that are likely to be financed by other agencies, the principal rationale for Bank involvement through ESMAP is to seek to influence their selection and design through the technical input of our staff and the strategy framework that has been developed for our own operations. This is essentially an aid coordination function where the objective is to ensure that the funds available from other donors are directed towards high priority and well prepared projects which the Bank itself cannot directly participate in for some reason. Even if particular service was provided entirely gratis to other donors by the Bank, compromise would be a necessary element in

successfully influencing the actions of other independent agencies. Where the work is largely funded by these other donors, as is the case for ESMAP now, the relationship becomes even more complex. The principal issue here and one on which we should seek senior management approval is whether, even if this work is funded largely by non-Bank sources, ESMAP should prepare only those projects to which the Bank attaches high priority or whether the program should seek to improve the design of viable but donor priority projects which a particular donor is interested in funding with the support of the host government.

5. In sum, ESMAP's comparative advantage as a preinvestment service for the Bank is relatively clear as is the case in regard to the preparation of projects for other agencies -- at least where there is no dispute about the priority of those projects. The issue is less clear regarding the preparation of viable but, in the Bank's view, lower priority project which another donor agency seeks to implement and for which it requests and is willing to pay for, ESMAP support for project preparation.

6. ESMAP as a Technical Asisistance Service. The predominant vehicle for Bank involvement in this area is through project components which fund technical advisors, studies, etc. ESMAP's comparative advantage in relation to project related technical assistance (TA) is relatively easy to identify -- it can be faster responding; the pace and scope of the work does not have to be determined largely on project grounds; it allows for much closer control, etc. ESMAP is less well suited to provide longer term institutional strengthening because this requires a degree of continuing involvement and interaction with the

counterpart agency which is much more effectively and cheaply piggybacked onto an ongoing operational relationship.

7. The main issue in regard to ESMAP's technical assistance role is not so much competition from other Bank products as whether this adds significantly to the quality and results of technical assistance provided by other agencies who specialize in this line of business (UN agencies such as UNIDO, ILO, UNSO, DTCD, etc., and the bilaterials). Moreover, to the extent that ESMAP is largely funded by these other agencies there is a clear merit in being cautious about developing product lines which are competitive rather than complementary. In our view, one way to address this is to limit ESMAP's involvement in the technical assistance/institutional strengthening area to:

- upstream work which will define the scope, focus and cost of a program of technical assistance with institutional strengthening which can then be taken up by other agencies;

- supervision of technical assistance programs if so requested by the recipient government and donor agency involved, and if the area is one to which our staff can contribute effectively;

- limited work in a few clearly defined TA product lines in which we believe that the Bank has a major contribution to make in terms of methodology, product definition, etc.; these product lines would generally be active for a limited duration.

ESMAP as a Source of Strategy Analysis

8. The regular Bank instrument for this is of course economic and sector work and it is in this area that ESMAP's comparative advantage is most difficult to define except in purely financial terms -- i.e., the use of ESMAP to carry out a given piece of sector work will generally reduce the cost to the Bank's administrative budget because part of these costs will be borne by ESMAP's other donors. However, the willingness of other donors to "subsidize" what they perceive as the Bank's regular ESW operations is increasingly limited. Moreover, an argument can be made that even if the use of ESMAP brings in additional funds for ESW this should not automatically be an "addition" to the existing CAM allocation for energy ESW but should lead to the reevaluation of priorities within an enlarged total budget. In effect ESW programming, particularly under the CAM process, should proceed independently of source of funding and the justification using ESMAP to extend the administrative budget dollar devoted to energy ESW is rather weak. Finally, indiscriminate substitution of ESMAP and Bank administrative budget funds for ESW causes confusion both within the Bank and outside because there it is not easy to explain why certain tasks are funded under one category and other similar tasks under yet another.

9. In our view, ESMAP does have a contribution to make in the ESW area in two regards. First, ESMAP can contribute to the incremental costs associated with processing a given ESW task which is likely to be of widespread interest; i.e., where normal Bank requirements would entail the termination of work as a green cover report, ESMAP funds can usefully be deployed to ensure the processing of this work to the blue cover stage

so that other donors can benefit from the analysis and recommendations. Second, in exceptional cases the required ESW task will be of such a magnitude that the Bank cannot afford to fund it entirely from its own administrative budget; in these cases, ESMAP can serve as a vehicle for putting together a multidonor funding package to carry out the proposed work (e.g., a major energy sector study in Algeria will require in excess of 150 SW and the only way to carry it out would be for the Bank to join forces with one or more other donors). Except for these two areas, however, it is difficult to make a case for major ESMAP involvement in policy and strategy work.

10. ESMAP as Center for Innovation. While there is a general agreement on the need for the Bank to be more flexible and responsive in perceiving and developing the market for new products, there is much less consensus on precisely how this is to be achieved. In particular, there is a need to define how the increasingly structured, organized and task specific budgeting system that is one outcome of CAM can be made sufficiently flexible to provide the "venture capital" required to develop and test new operational products. In effect there is a gap between the policy formulation stage, for which the policy line of the administrative budget provides resources, and the point at which this policy has been translated into a few successful operations which can then be incorporated into the regular operations of the Bank or of other donors.

11. ESMAP has already played this role successfully in the case of power sector loss reduction projects for example -- when this line of work was first conceived under ESMAP the policy analysis justifying the

effort had already been done but there remained considerable skepticism among the operational staff on the operational relevance and market potential for this work. Two years of ESMAP involvement later, there is general acceptance of the marketability and usefulness of the product, heavy demand by regional staff for ESMAP support and a growing interest in incorporating this aspect into their regular operations. A similar case can be made for ESMAP's contribution to the development of the household biomass/energy product line.

12. In terms of comparative advantage, there is no direct competition from other Bank products so the real question is whether ESMAP is a suitable vehicle for product development and the extent to which the Bank is willing to invest resources in this function in the energy sector. The implications of alternative funding mechanisms are dealt with later in this note.

13. Related to this question is the use of ESMAP to develop and test new products for which the principal interest is from donors other than the Bank. The issues involved here are similar with the exception that the Bank must be satisfied that the product to be developed is one of potentially high priority and the donor in question must be willing to bear the costs and risks associated with the development of the product.

ESMAP as a Source of Cross Country and Policy Analysis

14. ESMAP has no comparative advantage in this area as compared with the regular policy work of the Bank. The only contribution that ESMAP could make would be to provide a mechanism for sharing the costs of this work with other donors. This should be examined whenever the work is likely to be of wider interest and some donor(s) is willing to fund

part of the costs. This does not preclude the use of staff hired under the program to carry out policy work for the Bank for career development or other reasons -- however, this would not mean that the work was part of ESMAP and the Bank would reimburse the program's budget for the staff time so deployed.

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ATTENTION MR. FRANZ KAPS, INTBAFRAD, DAKAR, SENEGAL. FOR YOUR INFORMATION AND FOR ONWARD TRANSMITTAL TO VISITING STAFF MEMBER MS JACQUELINE SHANBERGE. REPRODUCED BELOW IS THE TEXT OF A TELEX JUST SENT TO TRANS ENERG IN CONNECTION WITH THE UNSATISFACTORY COVERAGE OF INSTITUTIONAL AND POLICY ISSUES IN THE INCEPTION REPORT OF THE ESMAP INDUSTRIAL ENERGY CONSERVATION TECHNICAL ASSISTANCE PROJECT. IN A TELEPHONE CONVERSATION WITH JOHN MULCKHUYSE, MR. PAILLAT OF TRANS ENERG HAS AGREED THAT REPORT IS WEAK IN THIS REGARD AND HE IS EXPECTED TO PROPOSE REMEDIAL MEASURES. TEXT OF TELEX READS QUOTE TO MR. BERTRAND PAILLAT, TRANS ENERG, PARIS, FRANCE. RE: SENEGAL INDUSTRIAL ENERGY CONSERVATION PROJECT. (AAA) HEREWITH WE CONFIRM THE TELECOM MR. MULCKHUYSE HAD WITH YOU ON APRIL 21, 1986, CONCERNING THE CONSULTANCY WORK ABOUT INSTITUTIONAL ENVIRONMENT. FOLLOWING OUR TELEX DATED APRIL 11, AND AFTER RECEIVING A REPORT FROM MS. SHANBERGE WHO VISITED SENEGAL ON APRIL 17, WE EXPRESS OUR GREAT CONCERN WITH REGARD TO THE WORK DONE BY THE CONSULTANT AS IT APPEARS IN THE DRAFT INCEPTION REPORT. THE CONSULTANT, AS INDICATED IN THE TERMS OF REFERENCE, HAS NOT MADE ANY REAL PROGRESS TO A COMPREHENSIVE STUDY OF ALL THE CONSTRAINTS,

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CLASS OF SERVICE: TELEX

TELEX NO.: 3149

DATE: 04/22/86

SUBJECT: Senegal: Industrial Energy Conservation Project

DRAFTED BY: Mahmed:hb

EXTENSION: 73996

CLEARANCES AND COPY DISTRIBUTION:

cc: Messrs. Gorjestani (IPAPS); Bauer, Davis (WAPEG); Mulckhuyse (IND); Floor EGGY).

Ms. Shanberge (EGY).

AUTHORIZED BY (Name and Signature): Masood Ahmed, Deputy Chief, EGYS1

DEPARTMENT: Energy

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DISINCENTIVES, POLICIES AND SPECIFIC FACTORS, E.G. LEGISLATION, THAT CONSTITUTE THE INSTITUTIONAL AND POLICY ENVIRONMENT PERTINENT TO OEC. INSTEAD THE CONSULTANT DEALT MAINLY WITH THE ORGANIZATIONAL ASPECTS OF OEC, A ROLE WHICH IS THE RESPONSIBILITY OF MR. VERLET. (BBB) THEREFORE, THE INCEPTION REPORT CANNOT BE ACCEPTED IN ITS PRESENT FORM AND CONTENTS. AS THE PRINCIPAL CONTRACTOR, WE ARE SURE THAT TRANS ENERG WILL WISH TO GIVE THIS MATTER URGENT CONSIDERATION AND WE LOOK FORWARD TO RECEIVING YOUR PROPOSALS ON WHAT SPECIFIC STEPS YOU PLAN TO TAKE TO PRODUCE A SATISFACTORY INCEPTION REPORT IN THE IMMEDIATE TERM AND TO ENSURE PROPER CONSIDERATION OF INSTITUTIONAL AND POLICY ISSUES DURING THE COURSE OF THE PROJECT. (CCC) IT GOES WITHOUT SAYING THAT IN BOTH THE PREPARATION OF A REVISED VERSION OF THE INCEPTION REPORT AND IN SUBSEQUENT ANALYSIS OF THIS ISSUE, THE CONSULTANT MUST WORK IN VERY CLOSE ASSOCIATION WITH THE SENEGALESE AUTHORITIES TO ENSURE THAT THEIR INPUT AND IDEAS ARE FULLY REFLECTED AND EVALUATED IN THE REPORTS. PLEASE LET ME KNOW IF WE CAN BE OF FURTHER ASSISTANCE TO RESOLVE THIS VERY IMPORTANT ISSUE UNQUOTE. BEST REGARDS, MASOOD AHMED, DEPUTY CHIEF, ENERGY STRATEGY AND PREINVESTMENT DIVISION I, INTBAFRAD.

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TELEX NO.: 3149

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THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: April 21, 1986

TO: Mr. Anthony Cole, Chief, AEASE

FROM: Masood Ahmed, Deputy Division Chief, EGYS1

EXTENSION: 73996

SUBJECT: THAILAND: ESMAP Biomass Energy Preinvestment Studies Activity Initiation Briefs

1. Attached please find for your review and comments two draft Activity Initiation Briefs (AIB) for ESMAP preinvestment studies that are proposed in the area of biomass energy production and use. Although these two activities are designed to be implemented separately, their background and objectives are closely linked. The first covers the preparation of a demonstration fuelwood project for the Northeast Region which could help to lay the basis for an expanded program of social forestry in the country. And the second activity addresses the issues of woodfuel conversion and utilization efficiency by preparing a program to accelerate the dissemination of improved cooking stoves and charcoal kilns.

2. Both activities were identified as a high priority for followup in the 1985 ESMAP report "Thailand: Rural Energy Issues and Options," which concluded that despite widespread switching to modern fuels, the supply/demand imbalance for woodfuels would worsen over the next twenty years unless urgent action was taken to increase wood supply and to manage demand through more efficient conversion and utilization of wood and charcoal. Following these recommendations, the Government of Thailand through the National Energy Administration (NEA) and the Royal Forestry Department (RFD), requested ESMAP assistance in preparing specific action programs to address these issues. In response to this request, an ESMAP reconaissance mission visited Thailand in March, 1986, to discuss the precise objectives, scope and modus operandi for the proposed ESMAP activities. As indicated in the mission's Back to Office Report of March 31,1986, subject to Bank management approval, agreement has been reached on these issues with the concerned government agencies. The attached AIB's reflect these discussions and incorporate informal comments received from concerned staff in the Bank.

3. The next step after the internal review of the attached drafts has been completed, is to forward them to the Thai Government agencies involved for their review and to enable them to begin the preparatory work. Thereafter, missions are planned for both activities in June, 1986, to take advantage of field conditions before the heavy rainy months. The fuelwood project preparation study will also require a second mission in November to complete the data gathering and field analysis.

4. As regards cost, the fuelwood project preparation study is expected to require a total of $225,000 while the improved charcoal stove and kiln preparation study will cost about $150,000. Partial funding for these activities may be provided through ESMAP by the EEC and the Belgian Government.

5. Please send any comments or queries on the attached material to Mikael Grut (X 75508), who will be responsible for the fuelwood project preparation study; Ernie Terrado (X 73435), who will be responsible for the charcoal stoves and kilns study; or to myself (X 73996). Please also let me know if you would like a meeting to review these drafts in which case we would be happy to arrange one.

Attachment

cc: Messrs. Blaxall, Navyar, Ahmed (AEP); Kikuchi, Lav (AEA); Gamba (IND); Bourcier, Hume, Saunders, Sadove, Kalim, McCarthy, Dosik, Fish, Heron, de Capitani (EGY); Harland, Rothermal/Cox (UNDP); Hermans (resident representative).

EGYS1/EGYS2 Professional Staff

MAhmed:dap

Joint UNDP/World Bank
Energy Sector Management Assistance Program

THAILAND

ACCELERATED DISSEMINATION OF IMPROVED COOKING STOVES

AND CHARCOAL KILNS

ACTIVITY INITIATION BRIEF

APRIL 1986

Energy Strategy and
Preinvestment Division I
Energy Department
The World Bank
Washington, D.C. 20433

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Background

1. The fuelwood problem in Thailand must be addressed by a combination of supply and demand side actions. The augmentation of wood supplies, especially in critical areas of the Northeast Region, will be the topic of an ESMAP activity focussed on forestry issues. The present activity which will be carried out in parallel is concerned specifically with fuelwood conservation measures.

2. The potential impact of fuelwood conservation measures through the use of higher efficiency utilization devices is considerable. Of the total fuelwood consumption of about 39 million m3 in 1983, about 67% or 26 million m3 were used in the production of charcoal. The charcoal kilns used vary from small pit or earthmound types to large oven type mud or brick structures with efficiencies ranging from 15 to 30 % (by weight, based on air- dried wood). The charcoal produced in turn were combusted in traditional bucket stoves, with typical efficiencies of 15 to 20 %. The rest of the fuelwood was burned directly in simpler wood stoves, of about 10 to 15 % efficiency. To illustrate potential savings: if only 10% of the charcoal produced in 1983 were done in kilns 25% more efficient than the current average, the wood savings would be about 500,000 m3 or roughly the sustainable yield of about 200,000 ha of natural forests. Similarly, the replacement of just 100,000 charcoal stoves of 20% efficiency with improved types of 30% efficiency could save the equivalent of over 200,000 m3 of wood. Although it is difficult to accurately monitor such savings in practice, it is logical to expect that the large-scale use of stoves technically more efficient than traditional ones would result, on an overall basis, in substantial wood savings.

3. In Thailand, two key factors provide optimism for success of a large-scale dissemination program : (1) the availability of consumer-acceptable stoves and kilns of higher efficiency than traditional ones, and (b) the existence of many commercial (traditional) stove manufacturers with apparently ready markets for their products. Improved bucket stoves and charcoal kilns resulted from the USAID Renewable Energy Project implemented by NEA/RFD. The devices have passed lab tests and limited field trials, including transfer of technology to two commercial stove manufacturers who are now producing some of the new types. There are currently 78 stoves manufacturers in the country, with combined capacity of about 120,000 units per month. Traditional stoves normally last for 1-2 yrs while the improved type is expected to last from 2-3 yrs. The situation suggests that a five-year stoves dissemination program with targets in the order of hundreds of thousands of units may be quite feasible in Thailand. The conversion to improved kilns may pose more difficulty since existing kilns are presently individually constructed on site, and a high proportion of charcoliers in the small-scale category are operating illegally.

Objectives

4. The objectives of the ESMAP preinvestment work are:

(1) To assist the Thailand government in developing a coherent, feasible and high impact program for conserving fuelwood through large-scale conversion from traditional to higher efficiency kilns and cooking stoves, as a complement to parallel efforts to augment fuelwood supplies through tree-planting programs. The program will seek to capitalize on existing commercial manufacturing and marketing channels and minimize actual outlay of public funds.

(2) To produce, in close collaboration with local counterparts, a project "package" for large-scale dissemination of improved stoves and kilns with specific physical targets, work plans and timetables, financial and managerial requirements, and well- defined functions and responsibilities of all participating government and private institutions. To the extent possible, the package must be in a form ready for financing consideration by interested donor agencies, if external funds would be required.

Scope of Work

The work proposed will concentrate on establishing a long-term strategy for disseminating improved stoves and charcoal kilns and preparation of a marketing campaign for an initial time-slice of about five years. In particular it will include the following tasks:

(1) Verify availability of higher efficiency stoves and kilns of marketable quality (this may involve some random testing of units by or in presence of mission members). Determine the scope for further R&D work, especially in reducing production cost per unit, which could be carried out in parallel with the commercialization program for ready units.

(2) Review of experience so far in demonstrating or actual marketing of improved stoves and kilns, in particular the experience of the commercial stove firm "MW" in Roi-et province, which was founded with Australian seed money; the experience of the Ratchaburi manufacturer, whose staff underwent training at NEA and is now producing and marketing a limited number of improved charcoal stoves; and also the experience of the RFD Stoves Group which disseminated two years ago hundreds of improved stoves in some villages. The review would aim at identifying problem areas and indications of the most promising approaches.

(3) Study the existing commercial traditional stoves manufacturing, distribution and retailing networks, their methods, costs, profits, nominal and actual capacities,

location in relation to markets and fuel supplies, and problems perceived by manufacturers in converting to improved stoves. Determine from this study how maximum conversion to improved stoves could be achieved with as little disruption from existing practices as possible. Identify what specific technical assistance, credit and other incentives would be needed to attract participation by manufacturers and retailers.

(4) Gauge from available surveys or from own spot surveys consumer attitudes towards improved stoves which are higher priced but which are more sturdy, use less wood or charcoal and have better appearance. Determine the optimal mix and level of promotional schemes (e.g. media advertisements, cookout "fairs", stove lease arrangements, etc) that would be effective for Thai consumers. A detailed promotional program should be drawn up identifying potential implementors, geographic coverage and estimated costs. Assess the need for additional market surveys to be done during the course of the project and specify the extent, timing, location and resources required for such surveys.

(5) For the kilns component, review all available information on number, capacity, production process, costs and location of both commercial large-scale charcoliers and small producers. Determine as well the source of wood and charcoal distribution outlets of these producers. The object is to identify the producers group or groups upon which a conversion program could be focussed with the highest potential impact on wood savings, given that project staff and financial resources are limited and that it may be virtually impossible to "flush out" and organize most of the small producers. Design a detailed program of training, technical assistance, demonstration and extension of credits and other incentives which would result in most of these target producers shifting to improved methods. Determine if, in addition, to the above approaches, raising stumpage fees would be effective in prodding commercial producers to shift to more efficient methods. The social impacts of the program, both positive and adverse, should also be examined. This includes examining how many small, especially illegal, producers would probably lose their means of livelihood as a result of the program and how the situation could be remedied.

(6) Determine the most effective project phasing in terms of physical targets (units in place), geographic coverage. types of activities and fund disbursements over the project period (5 years). Determine, for example, whether it would be practical to focus attention in the initial years to stoves manufacturers and charcoal producers whose markets and wood sources are in the priority areas of the Northeast. Devise monitoring procedures which would enable the project to obtain periodic (say, on a yearly basis)

feedbacks of consumer acceptance and actual market penetration results.

(7) Define a project management organization which shows clearly how the activities are to be managed on a day-to-day basis, the communication and reporting lines and the functional linkages between all participating governmental and private institutions.

(8) Provide an itemized summary of project financial requirements and disbursement schedule. Determine the budgetary implications of the project on NEA, RFD and other involved agencies.

Time Schedule, Organization and Cost of Activity

6. The proposed schedule for the activity is as follows:

Field Work	June 1986
White Cover	September 1986
Yellow Cover	October 1986
Green Cover	November 1986
Government Review	November 1986
Blue Cover	January 1987

7. As shown below, the proposed activity is estimated to cost about US$158,000. This includes provision for activity related travel and subsistance, 21 man-weeks of international consulting services (Marketing Specialist, Stove Manufacturing Expert, Charcoal Production Specialist), 12 man-weeks at local consulting services (Socio Economist/ Sociologist and Stove Marketing Associate) and 27 man-weeks of ESMAP specialist and support staff input. In addition, the budget estimate includes a provision for some supplement studies and survey work.

Cost Estimate
(US$)

Item	Fees	Subsistance Travel	Total
International Consultants	44,100	33,400	77,500
Local Consultants	13,000	8,600	21,600
ESMAP Specialists	23,000	21,400	44,400
ESMAP Support Staff	6,500		6,500
Sundry (Supplement studies and surveys)	10,000		10,000
Total	96,600	63,400	160,000

7. In addition, the Government will provide in kind for logistics during the field work and depute a local counterpart team to the core team.

8. Direct counterpart agency for the subject activity will be the National Energy Administration. In addition, close collaboration will be required with the Royal Forestry Department, the National Economic and Social Development Board as well as with any agencies currently active in areas related to the proposed activity in Thailand (USAID, UNDP).

Draft Terms of Reference

I. ESMAP Mission Leader

1. You will arrive in Thailand on _____, 1986, for a stay of about 15 working days as part of a mission to prepare a cooking stoves and improved charcoal kiln dissemination program. Your main responsibilities are to:

(a) coordinate the work between the Economist, Sociologist, and the Stove, Kiln and Marketing specialists, and ensure that the original objectives as stated in the Activity Outline are achieved to the extent possible;

(b) discuss the results with the Government and potential donors, as well as with organizations and institutions that could be involved in the execution of the work plan;

(c) liaise with the UNDP and IBRD field offices to advise them on the steps to be undertaken before the work plan can be effectuated;

(d) Together with the ESMAP Stove Specialist to finalize the draft report submitted by the specialists.

II. ESMAP Stove Specialist

1. You will arrive in Thailand on _____, 1986, for a stay of about 24 working days as part of a mission to prepare a cooking stoves and improved charcoal kiln dissemination program. Your responsibilities are to:

(a) assist the mission leader, and to take over his responsibilities as acting mission leader after he has left the country especially with respect to supervising all consultants;

(b) in conjunction with the Stove Specialist, to select suitable stoves for dissemination, to identify training needs for stove producers to produce the improved stoves with sufficiently high quality;

(c) together with the Kiln Specialist, to identify training needs for charcoalers to adopt the improved techniques and kilns;

(d) to identify suitable organizations, capable of executing the large-scale dissemination of improved kilns and stoves;

(e) after the specialists have submitted their final contributions to the draft report containing the workplan, to finalize in conjunction with the mission leader the final report.

III. Marketing Specialist

1. You will arrive in Thailand on _____, 1986 for a stay of about 24 working days as part of a mission to prepare a cooking stove and improved charcoal kiln dissemination program. Your main responsibilities are to:

(a) assess the short- and long-term market potential for improved wood and charcoal stoves in identified priority areas to be viewed under a range of different implementation scenarios;

(b) define in detail the market segments for improved stoves in terms of region, likely consumer preferences, absorbtive capacity, scope for penetrability, scope for efficiency improvement, fuel availability, accessibility through specific advertizing medias and identify in each market segment potential multipliers or multiplier groups;

(c) determine the main market barriers for the dissemination of improved stoves in the identified market segments and recommend viable measures to respectively eliminate or reduce these barriers;

(d) develop short- and long-term market penetration strategies for dissemination of improved stoves. Inter alia, this would involve determination of dissemination targets over the entire market development phase and identification of priority market segments that should be developed during an initial dissemination program;

(e) establish with a view to the priority market segments the basic outlines for marketable images of improved stove types and the basic outlines of images for progressive users of improved stoves. Based on this, design a costed and scheduled advertizing campaign, including advertizing messages, media selection, regional spread and frequency of the advertizing messages and institutions/companies involved and prepare in parallel a program for an energy conservation education campaign. To this end establish a plan to test the response of buyers as well as that of the retail and manufacturing sectors involved in a stove dissemination program on a test market.

(f) review the marketing procedures and the physical distribution of stoves and advise on ways and means of stimulating the manufacturer and trade sector to include in their respective product mix improved stoves, and to apply more aggressive marketing methods in line with the proposed advertizing campaign;

(g) recommend in cooperation with the Stove Specialist organizational arrangements for the promotional aspects during an initial stove dissemination phase;

(h) estimate together with the likely market price ranges of the stoves to be disseminated;

(i) define in conjunction with the Stove Specialist a system to monitor over time the progress in disseminating improved stoves;

(j) together with the kiln specialist, to define the measures and strategy to create awareness among charcoal producers, and convince them to adopt better and more efficient methods of producing charcoal; and

(k) together with the other specialists design a detailed, costed and phased workplan to disseminate improved stoves in priority segments of the Thai economy.

2. By the end of the field work you will establish a detailed outline of those sections of the mission's draft project preparation report that deal with your areas of responsibility. Following the field work you will have two weeks to refine your recommendations.

3. You will visit Washington for 10 working days starting on _____, 1986, to discuss and finalize the draft project preparation document.

IV. Stove Manufacturing Specialist

1. You will arrive in Thailand on _____, 1986 for a stay of about 24 working days as part of a mission to prepare a cooking stove dissemination program. Your particular responsibilities will be to:

(a) assess the energy efficiencies, the specific technical features, and relative numbers of stove types currently in use in the urban and household sectors, their technical advantages and disadvantages, technique and outlay related attitudes of stove users towards the stoves as well as the prevailing operation and onsite assembling techniques and advise on the likely scope for efficiency improvement in the market segments that will be determined together with the Marketing Specialist;

(b) establish the status of previous and ongoing efforts to develop, test, manufacture and disseminate improved stoves. Special emphasis should be given to facilities and activities resulting from a recently completed USAID stove project in Thailand. This should include a review of results and viability of results of efficiency and adaptability tests under field conditions, and the assessment of problems/shortcomings in stove manufacturing as experienced under that project;

(c) advise together with the Marketing Specialist, the Sociologist and the Stove Specialist on marketable types of improved stoves for wide-scale dissemination. Special emphasis need to be placed on the identification of suitable stove types that would be disseminated in priority market segments under an initial stove dissemination program;

(d) review the technical standards of the stove-manufacturing industry, advise on technical aspects of production techniques for improved stoves or stove parts which would also include assessment of the availability of appropriate material, as well as advise on alternative materials and alternative manufacturing/assembling methods;

(e) assess, in cooperation with the other Specialists the need for training in the stove manufacturing industry and, if required, also for marketing/distribution agents;

(f) together with the other specialists, to design a detailed, costed and phased workplan to disseminate improved stoves in priority segments of the Thai economy.

2. By the end of the field work you will establish a detailed outline of those sections of the mission's draft project preparation report that deal with your areas of responsibility. Following the field work you will have two weeks to refine your recommendations.

3. You will visit Washington for 10 working days starting on _____, 1986, to discuss and finalize the draft project preparation document.

V. Improved Kiln Specialist

1. You will arrive in Thailand on _____, 1986 for a stay of about 24 working days as part of a mission to prepare an improved charcoal kiln dissemination program. Your main responsibilities are to:

(a) identify the present charcoal production activities, both traditional and improved, including techniques, conversion efficiencies, seasonality and origin of wood;

(b) investigate the transport, wholesale and retail market sector, and identify the scope for improvements in these sectors;

(c) assess the potential for improvements of production techniques, i.e. kilns, methods, and identify all supporting measures required, including organizing small scale producers, training, material, and government requirements. This includes both centralized larger scale charcoal production as well as small scale decentralized production in transportable kilns;

(d) together with the other specialists design a detailed, costed and phased workplan to disseminate improved charcoal kilns in priority segments of the Thai economy.

2. By the end of the field work you will establish a detailed outline of those sections of the mission's draft project preparation report that deal with your areas of responsibility. Following the field work you will have two weeks to refine your recommendations.

3. You will visit Washington for 10 working days starting on _____, 1986, to discuss and finalize the draft project preparation document.

VI. Local Sociologist/Socio-Economist

1. Your main responsibilities before the field mission are to:

(a) review all available information and survey reports on disseminating improved stoves and related subjects, especially those available only in Thailand (e.g., the soon to be completed NEA Northeast altitude survey on household fuels);

(b) review all ongoing and planned programs by the Government and NGO's in the areas of rural/urban livelihood upliftment, and determine how the project could interface with such programs; and

(c) prior to the field mission, submit by early May a brief report of not more than 10 pages identifying specific social, cultural and institutional issues that must be addressed during the field mission.

2. During the field mission you will work closely together with the other specialists during 3-4 weeks. Your responsibilities are to:

(a) provide the mission with all required survey data and other socio-economic information if needed;

(b) attempt to ensure that the dissemination methodologies have no adverse social consequences;

(c) identify social impacts of introducing improved stoves and kilns to the users;

(d) identify the projected impacts on illegal charcoal production when improved techniques and kilns are made available to legal producers;

(e) design a plan to monitor the social changes resulting from the introduction of improved kilns and stoves during an initial kiln and stove dissemination phase;

(f) together with the Marketing Specialist, determine social indicators to be used in the marketing and publicity campaign;

(g) together with the other specialists design a detailed, costed and phased workplan to introduce and disseminate improved charcoal kilns and stoves in the priority segments of the Thai economy.

3. By the end of the field work you will establish a detailed outline of those sections of the mission's draft project preparation report that deal with your areas of responsibility. Following the field work you will have two weeks to refine your recommendations.

Joint UNDP/World Bank
Energy Sector Management Assistance Program

THAILAND

FUELWOOD PROJECT PREPARATION

ACTIVITY INITIATION BRIEF

APRIL 1986

Energy Strategy and
Preinvestment Division I
Energy Department
The World Bank
Washington, D.C. 20433

TABLE OF CONTENTS

I. BACKGROUND

Country

1.1 The report "Thailand: Rural Energy Issues and Options" prepared in 1985 under the joint UNDP/World Bank Energy Sector Management Assistance Program (ESMAP) revealed that Thailand is meeting 60% of its fuelwood demand by over-exploiting its forest resources. Over the coming years this unbalanced supply/demand situation is expected to worsen further. Within the next 15 years potential annual fuelwood demand could increase from the current 40 million m^3 to 50 million m^3 while the sustainable supply could decline to about 14 million m^3 if no corrective measures on the supply and/or demand side are implemented.

1.2 The above mentioned report consequently recommended that immediate supply and demand oriented actions be given priority to counteract prevailing trends. Following this recommendation the Royal Thailand Government requested ESMAP assistance to improve fuelwood supply and manage demand. During a subsequent ESMAP reconnaissance mission it was agreed that this assistance should be in the form of the preparation of an energy conservation program aimed at reducing fuelwood demand through increased use of improved cooking stoves and charcoal kilns, and the preparation of a fuelwood project -- the latter is the subject of this Activity Outline.

1.3 Although fuelwood is Thailand's largest source of primary energy and at least in the poorer regions will continue to be the main household fuel well beyond the turn of the century, little work has been done on developing a program or infrastructure for affordable fuelwood production to cope with the future demand. The Royal Forestry Department (RFD) has concentrated its efforts on traditional forestry development in its National Forest Reserves, and is only now beginning to pursue social forestry. It would therefore be too ambitious to develop a national social forestry project at the present stage. Rather, what is called upon is a smaller and more locally targeted initiative that could help to demonstrate the approach and to provide a body of operational data that could be used subsequently to design a nation-wide fuelwood planting program. For the initial pilot/demonstration project to be designed under ESMAP, the Northeast Region is considered the most appropriate target area since this region faces the most severe fuelwood problems and, as one of the least developed areas of the country, has been targeted for special focus under the sixth development plan of the Government.

Northeast Region

1.4 The Northeast Region, where the proposed fuelwood project would be situated, consists of 16 Provinces, with a total area of 168,854 km^2. It contains about 35% of Thailand's total population of 53 million. The corresponding population density is 110/km^2. About 85% of the population is rural. The mean annual income is lower than in Thailand's other provinces. Most of the region is taken up by the Korat

Plateau, with an average elevation of about 200 m and a flat or gently undulating terrain. The mean annual rainfall is around 1,300-1,400 mm, with two annual peaks.

1.5 The soils are poor and sandy. Main crops are rice on the slightly better soils of the bottom lands, and cassava on the poorer uplands. The cassava is mostly exported as cattle fodder to the EEC, but the price and the export quota is lower than some years ago, and some of the cassava land has been phased out. Another important crop is kenaf for fiber.

1.6 The forest area was estimated at 2.6 million ha in 1982 (15% of total land area) and 2.1 million ha in 1986 (12%). The corresponding annual rate of deforestation is 133,000 ha, or 6% of the remaining forest area. The Energy Assessment estimated that the natural forest area accessible for sustained yield harvesting is 0.5 million ha, and that the sustainable fuelwood yield from this area is 1.25 million m^3/year.

1.7 The Energy Assessment also estimated that 48% of the rural households use mainly fuelwood for energy, 50% mainly charcoal, but that many of these households use both fuels. The main urban cooking fuel in Thailand as a whole is charcoal for 52% of households and wood for 9%; i.e., woodfuel for 61%. In the Northeast this percentage is considerably higher. As determined under the recently completed USAID Village Woodlot Project the average consumption of woodfuels, i.e. fuelwood and charcoal, expressed in roundwood equivalent, is 1.2 m^3/person/year. This is higher than in the other, wealthier regions where there has been considerable substitution of woodfuels by LPG and other modern energy sources. With a population of about 19 million and an average woodfuels consumption corresponding to 1.2 m^3 of wood per person p.a., the total annual consumption in the Northeast Region amounts to 23 million m^3, i.e. many times more than the above-mentioned sustainable annual yield of 1.25 million m^3. Some of the difference comes from trees outside the natural forest area, but most comes from depleting the wood stock.

1.8 The fact that the overwhelming majority of even the well-to-do rural households in the Northeast still use fuelwood indicates that this will be the main rural household fuel there for the foreseeable future. A field survey carried out under the above mentioned USAID-financed Village Woodlot Project indicated that 39% of the rural population has to purchase its woodfuels. This is an unusually high proportion for rural people in a developing country and indicates the scarcity of woodfuels. It also indicates that there is scope for commercial fuelwood production by the private sector. Including the urban woodfuels consumers, almost half the people of the Northeast purchase woodfuels. With the area under cassava being reduced, and this area often being too poor for other agricultural crops but adequate for fuelwood crops, land is becoming available. As only one crop can be grown per year, and as the most labor-consuming part of woodfuels production - harvesting and processing of the wood - can be done during the agricultural off-season, woodfuels production could be a useful source of cash income for the rural

population. In the southwestern part of the Northeast Region, which is less than 200 km from Bangkok, the huge charcoal consumption of that city of 8.2 million people could also provide a market for private sector fuelwood growers and charcoal makers. At present that market is supplied mainly with mangrove charcoal, but the depletion of the mangroves is harmful for fisheries and for the coastal ecology in general.

1.9 In the Northeast Region itself there has been much environmental degradation as a result of deforestation. With the sandy soils and most of the forests gone, the runoff of the rainfall is rapid, resulting in flooding during the rainy season and lack of soil moisture during the rest of the year. The Northeast can in fact be described as a semi-arid area. The seasonal flooding has also brought up salt from the parent rock, resulting in vast areas with saline soils. In the central part of the Region desertification has created more than 300,000 ha of badlands. The Australian-financed land reclamation project Tung Kula Ronghai Phase IV has a component for treeplanting to counter salinity.

1.10 During 1981-84 the USAID-financed Village Woodlot Project established 960 ha of Eucalyptus camaldulensis in the Northeast Region, often with intercropping, and carried out a number of surveys related to fuelwood production and consumption. The 960 ha can be expected to produce a sustainable annual wood yield of about 10,000 m^3. This is only a very small fraction of the fuelwood requirement of the Northeast, but the project is considered an important catalyst. This project focused on communal treeplanting. Emphasis on individual treeplanting, which is usually more popular, remains virtually untried in Thailand. Such treeplanting could be by small farmers or by other entrepreneurs, and it could be in the form of conventional woodlots, lines of trees, or single trees, and will be a major focus of the project to be prepared under this ESMAP activity.

1.11 Another project which could serve as a useful data base for the currently proposed fuelwood project is the UNDP/FAO project "Development of Diversified Forest Rehabilitation, Northeast Thailand" in the Kao Phoo Luang National Forest Reserve, which began in 1981 and will end in September 1986. Although, as its name indicates, the purpose of this project is the rehabilitation of encroached natural forest rather than fuelwood production as such, it has experimented with different agroforestry approaches which can be useful for future fuelwood projects. A UNDP/FAO forestry extension project for the Northeast and Central Provinces is under preparation.

II. PROPOSED ACTIVITY

Activity Identification

2.1 This Activity Initiation Brief deals with proposed preinvestment work for a project requested by the Royal Thai Government to increase the fuelwood supply in the Northeast Region, the poorest of Thailand's regions and the one where the fuelwood supply/demand imbalance is most serious.

Objectives

2.2 The immediate objective of the proposed activity is to assist the Government in preparing a viable fuelwood project in the Northeast Region of Thailand with a special focus on social forestry through private sector involvement, that could eventually be replicated on a larger scale, and that could help stem deforestation and environmental degradation. The activity will result in a project preparation document that can serve as a sufficient basis for appraisal by any interested donor agency and in the build-up of local expertise in fuelwood project planning. The Government has indicated that resources should be readily available for a project of this type in the Northeast. Various donors (e.g. the UNDP) have also expressed interest in funding a project of this nature. It seems likely, therefore, that any ESMAP preinvestment work in this area will be followed through rapidly to the implementation stage.

Scope of Work

2.3 The principal components of the work to be done under the proposed activity are:

(a) build-up of local expertise in fuelwood project preparation through on-the-job training of local counterparts participating in the ESMAP activity;

(b) establishment of physical targets, areas of priority, organizational and financial requirements and assessment of supportive policy and incentive measures for a social forestry project with emphasis on private sector involvement, individually or communally;

(c) survey work on social attitudes with respect to treeplanting;

(d) design of a program for establishing RFD fuelwood plantation test and demonstration plots;

(e) design of a program for seedling production for satisfying the needs of the project;

(f) a plan to provide for project-related training and research;

(g) design of an extension service for the project, including determination of manpower requirements, organizational arrangements, preparation of draft terms of reference;

(h) preparation of a program to strengthen the RFD to enable it to cope with upcoming tasks; and

(i) recommendation of an overall project organization, including organizational structure, description of positions and respective draft terms of reference, and a schedule for the build-up of the organization;

(j) recommendation of appropriate agroforestry packages;

(k) financial and economic rate of return analyses.

Time Schedule, Organization and Cost of Activity

2.4 In view of the fact that the envisaged project would constitute a new departure in Thailand, it would not be possible to bring it to appraisal stage in the course of a single mission. Two missions are therefore proposed. In the first, the project would be formulated (identified) in as much detail as is possible at that stage, including estimates of costs, benefits and rates of return. Where information gaps are found, follow-up studies will be proposed, and terms of reference will be prepared. Where other measures need to be taken before one could hope to successfully implement the project, such measures will be discussed with the Government. The report of the formulation mission will be submitted to the Government for comments. The final preparation mission will take cognizance of comments received, as well as of possible follow-up studies or measures taken since the formulation mission. Unless the formulation mission finds that different skills are needed for the preparation mission, the latter should if possible be carried out by the same team, in order to ensure continuity.

2.5 The Government has asked that the formulation mission be fielded before the onset of the heavy rains in August, which would make field work difficult. The proposed time schedule is:

Project formulation mission	June 1986
Draft project outline	August 1986
Project preparation mission	November 1986
White Cover report	January 1987
Yellow Cover report	March 1987
Green Cover report	April 1987
Government review	May 1987
Blue Cover report	July 1987

2.6 Direct counterpart agency for the activity will be the NEA, but the day-to-day project preparation work will be done together with the RFD, which is already in the process of conducting a survey to identify

areas in the Northeast Region where there is most likely to be private sector interest in treeplanting. In addition, close liaison will be maintained with the the National Economic and Social Development Board. as well as with development agencies currently active in the forestry/fuelwood sector in Thailand (USAID, UNDP, FAO).

2.7 As detailed below the proposed activity is estimated to require a total of about US$235,000. This includes provision for activity related travel and subsistence, 30 man-weeks of international consulting services (Social Forester, Forest Economist), 28 man-weeks of local consulting services (Agroforester, Rural Sociologist) and 59 man-weeks of ESMAP specialist and support staff input. Furthermore, it includes a provision for supplemental studies and survey work.

COST ESTIMATE
(US$)

	Fees	Subsistence/Travel	Total
International Consultants	54,000	46,800	100,800
Local Consultants	30,200	12,100	42,300
ESMAP Specialists	40,500	34,400	74,900
ESMAP Support Staff	7,000		7,000
Sundry (supplement studies and surveys)	10,000		10,000
Total	141,700	93,300	235,000

In addition, the Government will provide in kind for logistics during the field work and depute a local counterpart team to the core team.

III. DRAFT TERMS OF REFERENCE

3.1 The ensuing draft terms of reference refer to both the identification and preparation missions, although as a result of the former some tasks which cannot now be foreseen may be added. ESMAP staff and international consultants should work closely with their respective counterparts during the missions. If during the identification mission the consultants on social forestry, forest economics, agroforestry and rural sociology become aware of information gaps which need to be filled before the preparation mission, they should, before the end of the identification mission, prepare terms of reference for the required follow-up studies, and decide if local expertise is available to undertake such studies, or if they require an input by foreign expertise.

Mission Leader (ESMAP)

3.2 You will take the lead responsibility for the subject ESMAP activity, and function as overall supervisor for the project preparation. In particular, you will be responsible for:

(a) preparing the fieldwork, recruiting the consultants, fielding the missions, supervision of the fieldwork and subsequent preparation of the project document;

(b) coordinating with other ongoing and planned ESMAP activities as well as activities of other development agencies in this area;

(c) deciding on possible follow-up studies to be carried out after the missions;

(d) defining together with the other team-members the most appropriate role of all concerned agencies in project implementation;

(e) elaborating with concerned government agencies on a system of supportive policy and incentive measures;

(f) identifying the major risks the proposed project might face and any preventive measures;

(g) discussing with concerned agencies any procurement procedures acceptable to all parties involved; and

(h) identifying likely sources of funds for the implementation of the project to be proposed.

Report Coordinator (ESMAP)

3.3 You will assist the mission leader in preparing and coordinating the field work and the subsequent preparation of the project document. In particular, you will be responsible for processing the consultants' contributions to the project document into a complete and consistent draft document. In the

subsequent stages you will be responsible for processing the draft document in the final version that will be published under ESMAP.

Social Forestry Specialist

3.4 Keeping in mind that the objective of the project is to increase production of affordable fuelwood in the Northeast Region, particularly by involving the private sector and institutions like schools, temples and army camps in the planting of fuelwood and multipurpose trees, you will formulate the project activities in the fields of seedling production and dissemination (RFD nurseries or village nurseries), forestry extension (by RFD or by some other rural development extension service, with technical backing from RFD), project-related training and research, RFD plantations, and whatever other actions you recommend in order to achieve the project objective. In order to decide on the scale of the seedling production and dissemination program, you will have to estimate the likely seedling demand by the non-RFD sector year by year and area for area, for the five years of the proposed project implementation period. In the case of communal woodlots you will recommend how the benefits should be divided between the participants, so that the latter know from the beginning the conditions under which they participate.

3.5 You will identify the corresponding required project inputs both in physical terms (manpower, equipment, fuel, materials, technical assistance etc.) and in financial terms, year by year for a period of five years. You will also estimate the recurrent costs after the implementation period, as well as the expected project benefits. You will provide these estimates to the Forest Economist, who will need them for his rate of return calculations.

3.6 Together with the Agroforestry Specialist you will advise on species to be used in the project to complement Eucalyptus camaldulensis which at present has a virtual monopoly position in treeplanting in the Northeast Region. You will decide on possible tree improvement work to be done by the project. You will also advise on soil preparation, planting espacements, weeding schedule and fire protection to be recommended by or used in the project.

3.7 You will make recommendations regarding the protection and management of the remaining natural forests; regarding the setting up of a monitoring unit to report on the progress of the project; regarding the RFD structure (to be illustrated in an organizational chart) most appropriate for the efficient implementation of the project, and on whether any institution-strengthening (e.g. a Management Information System) is required.

3.8 Together with the Mission Leader you will liaise closely with the FAO Regional Forestry Officer in Bangkok, to ensure that the activities of the proposed fuelwood project do not duplicate those of the planned UNDP/FAO forestry extension project.

Forest Economist

3.9 Working closely with the Social Forestry Specialist, you will

estimate the financial and economic rates of return of various fuelwood supply scenarios, in particular:

(a) Plantations established by farmers or other entrepreneurs for the production of: (i) Fuelwood; (ii) Charcoal; (iii) Fuelwood or charcoal (whichever gives the highest rate of return) in conjunction with building poles, pulpwood, and small timber.

When evaluating the economic costs and benefits of farmers' woodlots in monetary terms, you can cost the time of the farmers and their families during the agricultural off-season at a shadow rate equal to three quarters of the going rate of agricultural labor. For the case of farmers who do not buy fuelwood, but collect it free of charge, you should calculate the rate of return of fuelwood lots in terms of time rather than money; the difference between the time at present spent each year on collecting the family's fuelwood requirements from the bush, and the time that would be spent if a fuelwood lot were established, would constitute the costs and the benefits in such a "time flow" analysis. During the period of establishment of the fuelwood lot, this alternative would be more time consuming than the collection alternative, and the difference would constitute the time cost of the woodlot; later, however, the fuelwood lot would be the less time consuming alternative, and that difference would then constitute the annual time benefit of the woodlot.

(b) Plantations established by RFD, with outputs like those listed in (i) to (iii) above. In this alternative the infrastructure cost would presumably be heavier than in the case of private plantations, and there would also be overheads, but on the other hand yields are generally higher.

c) Agroforestry plantings by the private sector - say for the two combinations of trees and crops that seem most promising to the Agroforestry Specialist.

3.10 Besides calculating the rates of return for the above models, you should also calculate the financial and economic rates of return for the project as a whole, or for the project components if there are such components in the sense that they could conceivably be implemented on their own. As the main benefit of the proposed project would be environmental, you will try to quantify this benefit and introduce it into your economic rate of return calculation; in this you will work closely with the Agroforestry Specialist.

3.11 Possible residual values at the end of the period of analysis, such as roads, buildings, or standing timber, will be entered as a revenue in that year. In the economic analyses land will be valued at either the opportunity cost or the market value. Time allowing, you will subject your calculated rates of return to some form of sensitivity analysis.

Agroforestry Specialist

3.12 You will evaluate the various agroforestry approaches which have

been tried in the Northeast, e.g. in the USAID-financed village woodlot project, in the UNDP/FAO forest rehabilitation project, and in RFD's research plots, and on the basis of this evaluation you will recommend agroforestry packages for the proposed project. You will also estimate what the effect on crop production would be if fuelwood were eventually to become unavailable in the Northeast and the rural population were forced to depend on agricultural residues as its main household fuel, and you will communicate your quantitative estimate to the Forest Economist who needs it for his calculation of the project's economic rate of return.

3.13 You will recommend, in consultation with the Social Forestry Specialist, trials of agroforestry packages which could alleviate the fuelwood problem but which may not yet have been tried in the Northeast Region, e.g. (possibly) the planting of fodder trees, windbreaks, combinations of trees and grazing, or the use of terminalia arjuna, as in Uttar Pradesh, India, for the reclamation of saline soils and at the same time for silk production. Together with the Rural Sociologist you will investigate the farmers' degree of appreciation for different species of trees, as a function of the effect of these species on crop production and their yield of other products besides wood.

Rural Sociologist

3.14 As the problems experienced by social forestry projects are generally of a sociological rather than a forestry nature, you will determine the constraints which prevent a greater degree of participation by the non-RFD sector (small farmers, other entrepreneurs, institutions) in the planting of fuelwood and multipurpose tree species. Such constraints could for example be lack of land (although the farmers seem to tolerate trees even in the middle of their valuable paddy fields), lack of time (although in the long run fuelwood collection from distant natural sources may be more time consuming), no security of "tree tenure" or at least the belief that no such security exists, low prices for fuelwood and charcoal, no knowledge of how to make charcoal (for sale to the towns and cities), and so on. You will make recommendations on how the identified constraints can be overcome or alleviated, and estimate the costs of implementing these recommendations.

3.15 You will make recommendations on how institutions like schools, wats and military camps can be encouraged to participate to a greater extent in treeplanting.

April 10, 1986

Mr. John Blaxall, AEP

Mr. Blaxall -

I understand that you expressed some concern about this mission. I would appreciate the opportunity to meet with you to try to answer any questions you might have. I understand you will return to Washington around May 6; please call me at your convenience.

Masood Ahmed
ext. 73996

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ext. 73996

FUTURE OF ESMAP TASK FORCE

List of Issues

- Clarify 1986 budget situation.

- Donors will determine what ESMAP does - if they dont fund it doesn't get done.

- Most donors ae willing to fund only certain types of activities (preinvestment, new and renewables, household energy, etc.) and in many cases these interests do not coincide with what the Bank would like us to do if we were entirely unconstrained.

- Question: whether ESMAP's role is

  - prototype for developing new lines of business which should subsequently be incorporated into regular operations

  or

  - to provide an additional window for Bank involvement in areas of work which regular Bank operations do not (and will not) cover; i.e., quality control/technical input into analysis and preinvestment of issues not directly related to Bank-financed operations.

- Staffing mix for these two roles is very different (e.g. baker's work requires experienced chefs).

- Role of ESMAP
  - as a program
  - as a staff

  in doing strategy and sector work.

- As currently constituted, the staff of the two divisions does not have sufficient numbers of Bank experienced and seasoned professionals to credibly take on the tasks of (1) complex energy sector studies including public investment reviews in larger countries; (2) preparation and appraisal of energy sector loans; and (3) energy sector restructuring.

- Concept of ESMAP as a "center for innovation in Bank product development" is not consistent with the current predominance of non-Bank funding for the Program.

- Link of ESMAP and CAM

  1. If ESMAP is to retain either the role of testing new products or the role of doing non-Bank type work then it is

not feasible for ESMAP tasks to be programmed entirely within the CAM system:

- of speed response $<$1 year
- innovative tasks - critical mass of output and results must precede incorporation in system
- uncertainty about size of non-Bank resources
- tasks donors will fund, may not be the next priority task on CAM's list.

2. ESMAP and Strategy Work - some donors are willing to fund strategy work (e.g. Swiss, Dutch for subsectoral strategy in households and some case-by-case studies by Scandinavians) but most wish to channel their contributions to preinvestment work while assuming that Bank will continue to carry out and fund sector strategy studies from its own regular budget (to which they indirectly contribute anyway).

MAhmed:aaf
April 9, 1986

Masood

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

April 9, 1986

Mr. Pierre Lequeux
Administrateur Principal
Commission des Communautes Europeennes
Direction Generale du Developpement
200, Rue de la Loi
1049 Brussels
Belgium

Dear Mr. Lequeux:

Re: Proposed ESMAP Activities in Thailand

As you may know, we have been discussing with Mr. Jonckers of your division the possibility of EEC support for two proposed ESMAP preinvestment activities in Thailand. Both of these activities address the important issue of biomass energy supply with one focussing on the preparation of a fuelwood supply project in the less developed Northeast region of the country, while the other will serve to accelerate the commercialization of improved charcoal kilns and stoves. We understand from Mr. Jonckers that these activities are in principle of interest to you and the purpose of this letter is to provide additional information on the proposed work and to ask formally for your financial support to enable its speedy execution.

In regard to the background for the proposed activities, you may recall the issuance of an October 1985 joint UNDP/World Bank report entitled "Thailand: Rural Energy Issues and Options". This report, alongwith other studies carried out by the Thai Government and other donor agencies, emphasized the need to embark upon a program of afforestation and fuelwood conservation and substitution to help stem the growing imbalance between woodfuel supply and demand. In line with the above findings, which were discussed at a major symposium organized by the National Energy Administration (NEA) in October 1985, the NEA and the Royal Forestry Department (RFD) formally requested ESMAP assistance in developing projects to increase fuelwood supply and to improve the conversion and utilization efficiency of scarce biomass resources. In response, an ESMAP reconnaissance mission visited Thailand in March 1986 to agree upon the objectives, scope of work, timing, etc. for the proposed ESMAP activities. As a result of this mission we now propose to embark upon two complementary activities, one dealing with woodfuel supply in the critical Northeast region and the other with the largescale introduction of improved charcoal kilns and stoves. As you will note from the enclosed letter received from the NEA subsequent to the mission, the proposed ESMAP tasks are given a high priority by the Thai Government and we would very much like to respond positively to their request to initiate the fieldwork for these tasks before the start of the heavy rains in August, 1986.

I am also enclosing for your review and consideration two ESMAP Activity Initiation Briefs which provide details on the objectives, coverage and methodology for the proposed studies. You will note that the expected total cost of these studies is $300,000, about two thirds of which will be required to engage the services of international and local consultant experts. In addition, the NEA and the RFD will be devoting considerable staff resources to prepare for, and participate in, the proposed ESMAP activity.

Given the shared priority that RTG and ourselves attach to this work, we are ready to allocate some limited ESMAP core resources to help cover the cost of the proposed activities. However, as you know, these resources alone would not permit us to carry out a task of this scale in the timeframe requested by the Government. Consequently, we would be appreciative of any financial support that the EEC could provide towards the execution of these tasks. As regards the modalities for the support, we would welcome your suggestions but one option would be to follow the proceedures and arrangements that have already been established for the support provided by the EEC to selected Energy Assessment Studies carried out by this department. In this context, I should note that we have investigated the possibility suggested by Mr. Jonckers of utilizing any savings remaining from that earlier grant for the energy assessment studies; however, with the anticipated costs of the Congo Energy Assessment, which is currently underway, it does not appear that there will be any funds left over from the earlier grant to transfer to the proposed ESMAP work in Thailand. Consequently, we would appreciate your consideration of the proposed ESMAP preinvestment studies as a separate exercise. I look forward to your early response.

Yours sincerely,

Ian Hume
Assistant Director
Energy Department

MAhmed:mac

Masood's chron file

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: April 8, 1986

TO: Ms. Edith Nemitz, EGYDR

FROM: Masood Ahmed, Deputy Division Chief, EGYS1

EXT.: 73996

SUBJECT: FY86 Budget--Third Quarter Review

1. Further to your request, I am attaching the revised version of Third Quarter Administrative Budget Review. As you will note, the revision now shows a zero balance for the FY86 Administrative Budget for EGYS1. This has been achieved by transferring expenditures on assessments, other sector work and ESMAP to the UNDP funded budget. Two additional points are worth mentioning.

(a) Transfer of Funds to the Bank: In response to your memo of April 1, 1986 regarding the transfer of $42,000 from UNDP to the Bank. This amount should be transferred from the Staff Travel Line 15.0 of the ESMAP budget INT/83/E05/G/73/42 dated March 18, 1986. Please note that after this amount has been transferred the balance for UNDP staff travel for the period April 1 - December 30, 1986, is $34,819 which is about half of the estimated travel expenses for the first quarter of CY86.

Budget: INT/83/E05/G/73/42 (dated March 19, 1986)	Budget CY86--EGYS1	Commitments & Expenses Jan-Mar 30	Balance
Line 15.0 Travel (Staff)	148,081	71,265	76,816
Reimbursement to World Bank	-	-	42,000
			34,816

(b) Transfer of Funds to UNDP: Another related issue is that UNDP needs to be reimbursed for salaries, benefits and taxes charged to them for staff in EGY who are not working for the UNDP programme. This includes Mr. Ansari and Ms. Counselman for whom routine reimbursements have been made in the past from EGYD2; and Ms. Stout where we understand that as of January 1986, her duties and responsibilities were transferred to EGYDR. Her cost therefore would have to be borne by the Bank budget. The total reimbursement due UNDP is $51,264, broken down as follows:

Name		Department	Amount
Stout	(Jan. - June 1986)	35205	$ 17,500
Counselman	(July - Nov. 1985)	35240)	
Ansari	(June 1985)	35240)	33,764
Total			51,264

Attachment

cc: Messrs. Hume (EGYPA), de Capitani (EGYS2), Montfort (EGYS1)

MAhmed/MWalsh:mw

P-1867

EGYS1 - 35250

FYB6 Administrative Budget

	Allocated Budget ('000)	Expenses March '86	Estimated Expenses	Total Exp.	Reimb.	Over Under (-)
Staff Travel	93.6	176.4	1.2	177.6	72.7 a/	11.3
Consultant Travel	26.2	37.9	-	37.9	-	11.7
Consultant Fees	90.6	80.9	-	80.9	-	-9.7
Temporaries	26.3	33.4	15.1	48.5	22.2	0.0
Overtime	4.4	7.5	0.0	7.5	-	3.1
Representation	0.0	0.0	0.0	0.0	-	0.0
Hospitality	0.0	0.0	0.0	0.0	-	0.0
Contractual Service	2.5	0.5	0.5	1.0	-	-1.5
Communications	6.0	2.0	2.0	4.0	-	-2.0
Internal Computing	0.0	0.0	0.0	0.0	-	0.0
Salary Savings	-	-	-	-	12.9	-12.9
Total	249.6	338.6	18.8	357.4	94.9	.0

a/ Trips charged to front office and EGYPA $30.7
and UNDP Credit Commitment $42.0

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(3/82)

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Chron. Ahmed

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PAGE 1 OF 3

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TO MR. PRAPATH PREMMANI, SECRETARY GENERAL, NEA, BANGKOK, THAILAND. (AAA) REYRTLX OF APRIL 28 TO MR. SADOVE, WHICH HAS BEEN PASSED ON TO MY DIVISION AS MR. SADOVE IS TRAVELLING ON MISSION. WE WOULD BE MOST HAPPY TO PROVIDE YOU WITH ANY INFORMATION WE MIGHT HAVE ON ALTERNATIVE INSTITUTIONAL ARRANGEMENTS. HOWEVER, GIVEN THE EXTENSIVE NATURE OF THE SUBJECT IT MAY BE USEFUL IF WE COULD DEFINE THE SCOPE OF YOUR REQUIREMENTS MORE PRECISELY. IN TERMS OF THE INFORMATION THAT IS READILY ACCESSIBLE WITHIN THE BANK, THE FOCUS IS PRIMARILY ON INSTITUTIONAL ARRANGEMENTS THAT PREVAIL IN THE VARIOUS DEVELOPING MEMBER COUNTRIES. ALTHOUGH WE HAVE NOT PREPARED A SYSTEMATIC COMPILATION OF THESE VARIOUS INSTITUTIONAL ARRANGEMENTS, IT IS CLEAR THAT THERE IS NO GENERAL INSTITUTIONAL MODEL AND DIFFERENT COUNTRIES HAVE DEVELOPED VARIOUS APPROACHES BASED ON THEIR SPECIFIC NEEDS AND HISTORICAL CIRCUMSTANCES. THIS IS PARTICULARLY SO IN THE ENERGY SECTOR WHERE THERE ARE BOTH A NUMBER OF LARGE PUBLIC ENTERPRISES (POWER UTILITIES, NATIONAL OIL COMPANIES) AS WELL AS SMALL AND LARGE PRIVATE SUPPLIES OF ENERGY (PRIVATE OIL COMPANIES, SMALL FARMERS PRODUCING FUELWOOD OR CHARCOAL, KEROSENE RETAILERS, ETC.). (BBB) THROUGH THE ENERGY ASSESSMENT WORK THAT HAS BEEN CARRIED OUT IN ASEAN AND OTHER

END OF TEXT

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DEVELOPING COUNTRIES, IT IS ALSO CLEAR THAT THE COMMON FEATURES OF INSTITUTIONAL ARRANGEMENTS THAT APPEAR TO WORK RELATIVELY SMOOTHLY ARE (I) REASONABLE DEGREE OF CLARITY IN TERMS OF THE RESPECTIVE RESPONSIBILITY AND ACCOUNTABILITY OF THE VARIOUS MINISTRIES OR DEPARTMENTS INVOLVED IN THE SECTOR, (II) A FORUM WHERE POLICY DECISIONS AFFECTING THE SECTOR CAN BE DISCUSSED AMONG THE VARIOUS ACTORS INVOLVED --THIS FREQUENTLY TAKES THE FORM OF AN INTER-MINISTERIAL COMMISSION OR COMMITTEE CHAIRED AT THE MINISTERIAL OR PERMANENT SECRETARY LEVEL AND (III) A SMALL BUT INFLUENTIAL GROUP OF POLICY ANALYSTS OR TECHNICAL STAFF WHO WOULD SERVE AS A TECHNICAL SECRETARIAT FOR THIS INTERAGENCY GROUP AND WHO WOULD ASSIST IN PREPARING AND EVALUATING POLICIES AND PROJECTS FROM THE PERSPECTIVE OF THE ENERGY SECTOR AS A WHOLE.

IF YOU CONSIDER IT USEFUL, WE WOULD BE HAPPY TO SEND YOU THE RELEVANT EXTRACTS FROM THE VARIOUS INDIVIDUAL ENERGY ASSESSMENT REPORTS OR OTHER COUNTRY STUDIES WHERE WE HAVE LOOKED AT INSTITUTIONAL ARRANGEMENTS FOR THE ENERGY SECTOR.

(CCC) REGARDING DEVELOPED COUNTRIES, THE BANK HAS NOT CARRIED OUT ANY SYTEMATIC REVIEW OF EXISTING INSTITUTIONAL ARRANGEMENTS. (THE INTERNATIONAL ENERGY AGENCY MAY BE A BETTER SOURCE OF THIS TYPE OF INFORMATION AT LEAST FOR ITS MEMBER COUNTRIES). HOWEVER,

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IT IS CLEAR THAT HERE TOO, THE ARRANGEMENTS VARY CONSIDERABLY IN TERMS OF THE DEGREE OF DIRECT GOVERNMENT INVOLVEMENT IN SETTING SECTOR TARGETS AND INVESTMENT PLANS AND CRITERIA. ALSO IN TERMS OF THE NUMBER OF GOVERNMENT AGENCIES/DEPARTMENTS THAT ARE INVOLVED IN ENERGY POLICY AND INVESTMENT DECISION MAKING. (DDD) REPEAT. WOULD BE HAPPY TO PROVIDE ADDITIONAL INFORMATION AND DOCUMENTATION ON THIS SUBJECT, DEPENDING UPON YOUR SPECIFIC NEEDS. IN PARTICULAR, PLEASE ADVISE IF COPIES OF EXTRACTS FROM ENERGY ASSESSMENTS OR OTHER REPORTS OUTLINING INSTITUTIONAL ARRANGEMENTS IN OTHER DEVELOPING COUNTRIES WOULD BE USEFUL FOR YOU. (EEE) FINALLY, LET ME TAKE THIS OPPORTUNITY TO EXPRESS MY APPRECIATION ON BEHALF OF MESSRS. AHMED, GRUT AND TERRADO FOR THE COURTESIES AND HELP EXTENDED TO THEM DURING THEIR RECENT MISSION. THEY HAVE BRIEFED ME OF THEIR FINDINGS AND I HAVE ALSO READ YOUR LETTER OF MARCH 11. WE WILL BE SENDING YOU A DETAILED RESPONSE SHORTLY BUT I WOULD LIKE TO ASSURE YOU OF THE HIGH PRIORITY THAT WE ATTACH TO THE PROPOSED COLLABORATIVE WORK WITH YOURSELF AND RFD. BEST REGARDS, BERNARD MONTFORT, CHIEF, STRATEGY AND PREINVESTMENT DIVISION I, ENERGY DEPARTMENT, WORLD BANK.

END OF TEXT

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CLASS OF SERVICE: TELEX	TELEX NO.: 20524	DATE: 04.04.86
SUBJECT: THAILAND: Alternative Institut. Arrang.	DRAFTED BY: MAhmed:mac	EXTENSION: 73996
CLEARANCES AND COPY DISTRIBUTION: cc. & cl. with Mr. Kikuchi cc: Messrs. Hume, Montfort, Sadove, McCarthy (EGY); Nayyar (AEP)	AUTHORIZED BY (Name and Signature): Masood Ahmed, Deputy Chief, EGYS1 DEPARTMENT: ENERGY	
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THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

Masood - (copy with Wachs...)

DATE: April 4, 1986

TO: Mr. Antony Cole, Chief, AEASE

FROM: Masood Ahmed, Deputy Chief, EGYS1

EXT.: 73996

SUBJECT: LAOS: Energy Assessment

1. Ms. Di Tullio, Mr. Bonnel, Mr. Sparkes and I met on April 1, to discuss the priority, scope, timing and resource requirements of an energy assessment in Laos. This note records the results of our discussions and the agreements we reached on next steps.

2. Priority/Justification. We agreed that, subject to the caveats noted further below, it would be worthwhile to carry out an energy assessment study in Lao PDR. We envisage that this study would focus primarily on four issues:

(i) Electric power development for export and for local use -- the latter would also entail the question of centralized large hydro schemes for export that may also provide surplus for domestic use in surrounding areas versus small generation plants in these areas:

(ii) Petroleum product supply and distribution;

(iii) Provincial centers, including household/rural energy supply -- this is linked to the more general issue of isolated local energy production/supply systems versus the development of a regional or national energy supply infrastructure or imports; and,

(iv) Institutional/organizational improvement -- where, given the prevailing scarcity of skilled manpower and resources, the approach would be to define the minimum improvements required for the critical decisions.

3. The first issue --the question of electric power development for exports-- is clearly the most important and arguably the most complex. Normally, the energy assessment mission would have focussed much of its resources on analysis of this question. However, this will not be the case because the assessment can draw upon the extensive work programmed under phase I of the UNDP financed and Bank executed hydro prefeasibility/feasibility study and the preparatory work for the next power project operation. Consequently we felt that although the assessment report would give due prominence to the power export question, the actual resources allocated for this aspect of the assessment study could be relatively low -- in the range of 10-15 SW.

4. Regarding the other issues, we agreed that data availability may prove a constraint on the extent of analytical work feasible and may necessitate some small survey work as part of the assessment exercize, as has been the case in some West African countries.

5. We agreed that given the reduction in the scope of work in the power sector, the total resource requirements to carry out an energy assessment on Laos could be reduced to 60 SW. In terms of timing, we agreed that there were economies of scale in starting the assessment work at the time when the results of phase I of the UNDP financed hydro study were being reviewed and discussed within the Bank; i.e. during the fourth quarter of FY87. However, the bulk of work would be done in FY88 with the final report production anticipated for June 1988. In terms of the allocation of resources, the revised schedule would require a total of 15 SW to be allocated for this task in FY87 and the balance of 45 SW to be spent in FY88. We also agreed to explore the possibility of mobilizing non-Bank funds to partially defray the anticipated FY88 resource requirements; in the first instance Ms. Di Tullio will raise this question with Ms. C. Long, the UNDP Deputy Resident Representative in Vientiane, who has already expressed support for an energy assessment.

6. In terms of country commitment, there appears to be growing interest on the part of the Lao PDR Government for Bank assistance in the energy sector but they are also keenly aware of the opportunity cost of scarce local counterpart time. The Government has requested more information on the process and mechanics of how an energy assessment is carried out, along with some samples of assessments done for comparable countries. This material will be sent to them shortly. We also agreed that it would be important to field a reconnaissance mission which would answer any remaining question on the assessment process or scope, evaluate the extent to which data inadequacies would hinder the conduct of the exercize, identify counterpart arrangements and agree on a timetable for execution of the work. The timing for this mission has yet to be fixed but the general view was that this should take place before December 1986.

7. Regarding immediate next steps, it was agreed that:

(i) The Energy Assessment would be included under the CAM with a revised allocation of 15 SW in FY87 and 45 SW in FY88; a revised proposal showing the detailed SW breakdown is attached.

(ii) our Division would prepare an information package explaining the coverage scope and process of the energy assessment and subsequent ESMAP preinvestment assistance; Ms. Di Tullio would hand this documentation to the Lao authorities during the CEM discussion mission leaving April 20, and explore the proposed timing of the assessment exercize with them.

Please let me know if you agree with the proposed strategy.

cc. and cleared with Ms. Di Tullio (AEA)
Mr. Sparkes (AEP)

cc: Messrs. Ikram, Bonnel (AEA); Nayyar, Ahmed (AEP);
Hume, Sadove, McCarthy, Montfort (EGY)

MAhmed:mac

LAOS: ENERGY ASSESSMENT

Revised CAM Proposals

Resource Requirements:	FY87	FY88	Total
EGYS1 Staff	9	11	20
EGYS1 Consultants	-	20	20
EGYD1	-	2	2
EGYPA	-	4	4
AEA	3	4	7
AEP	3	4	7
	---	---	---
Total	15	45	60

Schedule

Reconaissance mission	December 1986
Main mission	July 1987
Green Cover	March 1988

Managing Division: EGYS1 (352/50)

Mission Leader: Richter

Second Draft

LAOS

Energy Assessment

Resource Requirements	FY87	FY88	Total
EGYS1	9	21	30
EGYD1/PA	-	12	12
AEP	3	6	9
AEASE	3	6	9
Total	15	45	60

Schedule:

Reconnaissance Mission	Jan 1986
Main Mission	August 1986
Green Cover	May 1987

Mission Leader: Richter
Managing Division: EGYS1

April 4, 1986

Mr. Ian Hume, EGYPS

Subject Thailand ESMAP Follow-up

Ian -

Attached is the revised draft of the telex to Dr. Phisit which Mr. Kikuchi is now reviewing. I notice that the revised proposal is for Mr. Dherse and yourself to visit Thailand at the end of April to follow up in connection with the study on privatization.

I must say I still have some reservations about this level of response which as I mentioned to you may be more suitable at a later stage. At least insofar as the letter from Phisit reflects the conversation we had in Bangkok, my judgment would be that a more low key approach would be better suited to taking further what is still a very tentative dialogue. As you know, Dr. Phisit's enthusiasm for promoting privatization is not universally shared within the Government. A high level Bank mission supposedly in response to his request could well cause him some internal difficulties and, as a consequence, possibly jeopardize the exercise itself.

If I could suggest an alternative, it would be perhaps for a visit by Bob Sadove plus one or two other staff/consultants to discuss this question further with Dr. Phisit and to agree on the most suitable approach for further action.

Ready to discuss at your convenience.

Masood

cc: Bernard

MAhmed:aaf

DRAFT TELEX

DR. PHISIT PAKKASEM, NATIONAL ECONOMIC AND SOCIAL DEVELOPMENT BOARD, BANGKOK, THAILAND. (AAA) THANKS YOUR LETTER OF MARCH 11, WHICH I RECEIVED WITH GREAT INTEREST. I UNDERSTAND THAT ALL FOUR AREAS MENTIONED IN YOUR LETTER HAVE A PRIORITY FOR GOVERNMENT ACTION AND EXTERNAL SUPPORT. HOWEVER, IN TERMS OF IMMEDIATE ACTION I AGREE THAT THE FIRST PRIORITY WOULD BE TO ASSIST RTG IN EVALUATING THE EFFECT OF LOWER AND UNCERTAIN OIL PRICES ON ENERGY POLICY, INVESTMENT AND OPERATIONAL DECISIONS IN THE COUNTRY. BASED ON YOUR DISCUSSIONS WITH MR. AHMED, MY STAFF ARE PREPARING DRAFT TERMS OF REFERENCE FOR THIS STUDY WHICH WE WILL SEND YOU FOR YOUR REVIEW BEFORE THE END OF THIS MONTH. A MISSION TO DISCUSS THIS DRAFT, AND TO AGREE UPON THE NEXT STEPS WITH THE NESDB AND OTHER AGENCIES INVOLVED, COULD BE FIELDED IN MAY OR JUNE AT A MUTUALLY CONVENIENT DATE. (BBB) REGARDING THE PROPOSED STUDY ON PRIVATIZATION, WE WOULD WELCOME THE OPPORTUNITY TO WORK WITH YOU IN SPELLING OUT YOUR OBJECTIVES FOR THE ENERGY SECTOR RESTRUCTURING AND SELECTIVE PRIVATIZATION AND WORKING OUT AN

IMPLEMENTABLE OPERATIONAL PLAN. TO ACHIEVE THIS THERE NEEDS TO BE A DISCUSSION BETWEEN THE BANK AND RTG BEFORE THE DETAILED WORK IS CARRIED OUT. I AM PREPARED TO VISIT BANGKOK APRIL 30-MAY 2 AND COULD BE ACCOMPANIED BY IAN HUME, ASSISTANT DIRECTOR, ENERGY DEPARTMENT, AT AN EARLY DATE THAT IS MUTUALLY CONVENIENT. (DDD) REGARDING THE TWO REMAINING ITEMS. FOR RURAL ENERGY, AS YOU KNOW THE RECENT MISSION ALSO HAD EXTENSIVE DISCUSSIONS WITH NEA AND RFD TO DEFINE THE SCOPE OF TWO PROPOSED ESMAP ACTIVITIES IN THE BIOMASS ENERGY AREA. THEY WILL, OF COURSE, KEEP YOU BRIEFED ON THE PROGRESS OF THIS WORK AND WILL MEET WITH YOUR STAFF DURING THEIR NEXT MISSION TO ASCERTAIN WHETHER ADDITIONAL EFFORTS ARE REQUIRED. SIMILARLY, THE STRENGTHENING OF THE INDIGENOUS TECHNICAL CAPABILITY FOR ENERGY SUPPLY FORECASTING IS A WORTHWHILE OBJECTIVE AND WE ARE PLEASED TO LEARN OF CIDA'S CONTINUING SUPPORT FOR YOUR EFFORTS IN THIS REGARD. WE WILL BE PLEASED TO EXPLORE THE POSSIBILITY OF SPONSORING SUPPLEMENTARY ASSISTANCE UNDER ESMAP. MY STAFF WILL ALSO FOLLOW-UP ON THIS MATTER DURING THEIR MISSION. (EEE) IN SUM, I WOULD LIKE TO ASSURE YOU OF OUR CONTINUING INTEREST IN COLLABORATIVE EFFORTS

IN THIS IMPORTANT SECTOR AND I LOOK FORWARD TO THE RESULTS OF THIS JOINT WORK. BEST REGARDS, JEAN-LOUP DHERSE, VICE PRESIDENT, ENERGY AND INDUSTRY, THE WORLD BANK.

MAhmed:mac

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: April 4, 1986

TO: Messrs. Hume, Montfort, de Capitani, Bates (EGY)
Ms. Nemitz (EM2)

FROM: Masood Ahmed, Deputy Division Chief, EGYS

SUBJECT: UNDP Budget Design

1. As agreed at our last meeting on this subject, I have prepared two forms which are attached for your review and comments.

2. The first form is the basic task budget report that will be used by task managers to monitor their individual budgets and will also serve as the basis for aggregate reports to be produced at the divisional or other level. Given the multi-user nature of this form, I have attempted to divide the task budget form into various blocks which reflect the specific needs of different user groups.

3. The second page is an attempt to explain in schematic form the conceptual framework for expenditure reporting within (and across) the two strategy divisions.

4. I would be happy to explain these forms further or to answer any queries you might have in regard to this.

Attachments

MAhmed:mac

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File Title		Barcode No.
Masood Ahmed - Chronological File - April to June 1986		30450192
Document Date	**Document Type**	
04 April, 1986	Table	

Correspondents / Participants

Subject / Title
UNDP Budget Design

Exception(s)
Personal Information

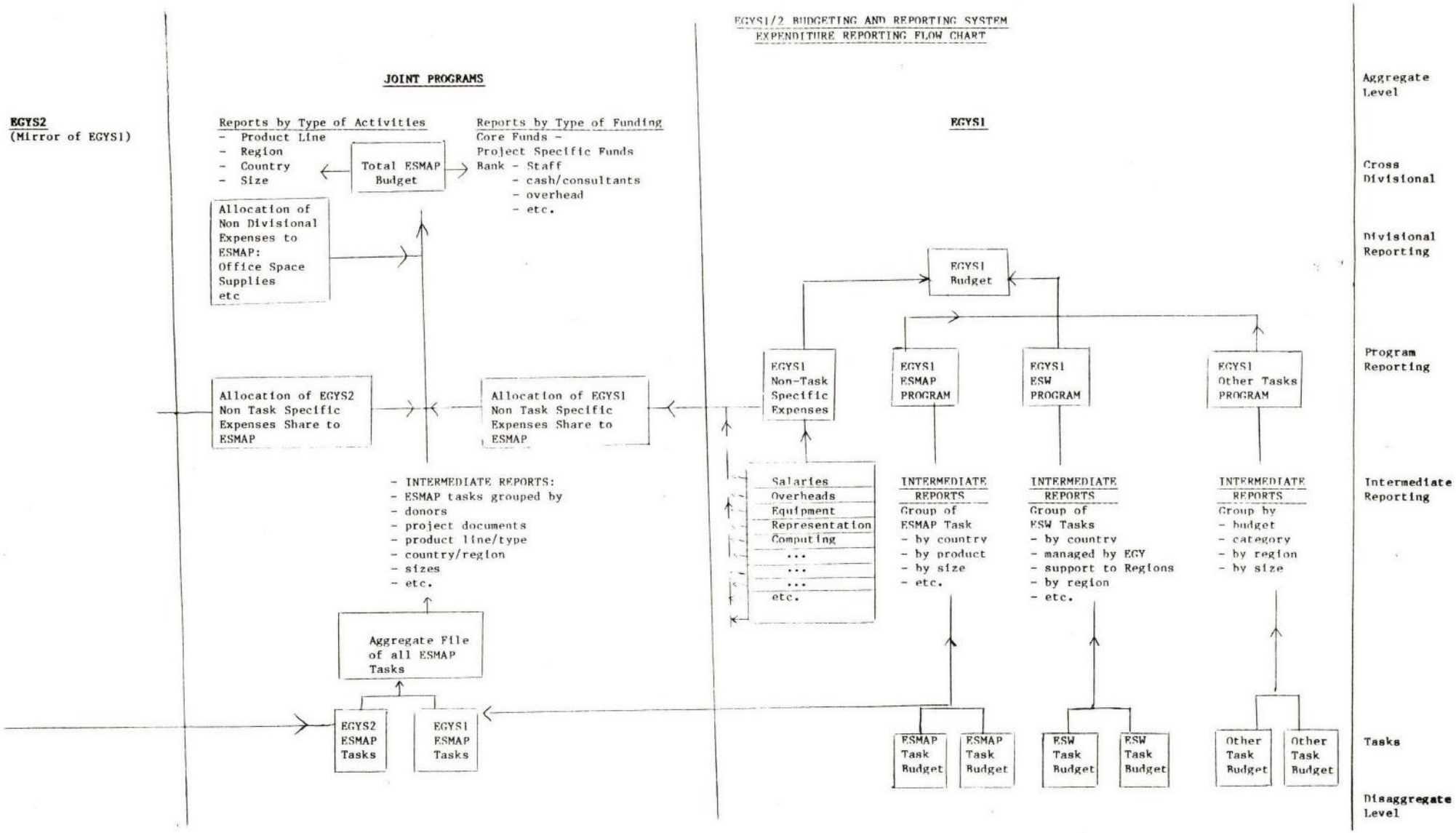
Corporate Administrative Matters

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.

Withdrawn by	Date
Sherrine M. Thompson	November 08, 2022

EGYS1/2 BUDGETING AND REPORTING SYSTEM
EXPENDITURE REPORTING FLOW CHART



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Mr Montfort

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TO MR. PRAPATH PREMMANI, SECRETARY GENERAL, NEA, BANGKOK, THAILAND. (AAA) REYRTLX OF APRIL 28 TO MR. SADOVE, WHICH HAS BEEN PASSED ON TO MY DIVISION AS MR. SADOVE IS TRAVELLING ON MISSION. WE WOULD BE MOST HAPPY TO PROVIDE YOU WITH ANY INFORMATION WE MIGHT HAVE ON ALTERNATIVE INSTITUTIONAL ARRANGEMENTS. HOWEVER, GIVEN THE EXTENSIVE NATURE OF THE SUBJECT IT MAY BE USEFUL IF WE COULD DEFINE THE SCOPE OF YOUR REQUIREMENTS MORE PRECISELY. IN TERMS OF THE INFORMATION THAT IS READILY ACCESSIBLE WITHIN THE BANK, THE FOCUS IS PRIMARILY ON INSTITUTIONAL ARRANGEMENTS THAT PREVAIL IN THE VARIOUS DEVELOPING MEMBER COUNTRIES. ALTHOUGH WE HAVE NOT PREPARED A SYSTEMATIC COMPILATION OF THESE VARIOUS INSTITUTIONAL ARRANGEMENTS, IT IS CLEAR THAT THERE IS NO GENERAL INSTITUTIONAL MODEL AND DIFFERENT COUNTRIES HAVE DEVELOPED VARIOUS APPROACHES BASED ON THEIR SPECIFIC NEEDS AND HISTORICAL CIRCUMSTANCES. THIS IS PARTICULARLY SO IN THE ENERGY SECTOR WHERE THERE ARE BOTH A NUMBER OF LARGE PUBLIC ENTERPRISES (POWER UTILITIES, NATIONAL OIL COMPANIES) AS WELL AS SMALL AND LARGE PRIVATE SUPPLIES OF ENERGY (PRIVATE OIL COMPANIES, SMALL FARMERS PRODUCING FUELWOOD OR CHARCOAL, KEROSENE RETAILERS, ETC.). (BBB) THROUGH THE ENERGY ASSESSMENT WORK THAT HAS BEEN CARRIED OUT IN ASEAN AND OTHER

END OF TEXT

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CLASS OF SERVICE:	TELEX NO.:	DATE:
SUBJECT:	DRAFTED BY:	EXTENSION:
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FORM NO. 27 - OCR
(3/82)

WORLD BANK OUTGOING MESSAGE FORM Cable, Telex

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DEVELOPING COUNTRIES, IT IS ALSO CLEAR THAT THE COMMON FEATURES OF INSTITUTIONAL ARRANGEMENTS THAT APPEAR TO WORK RELATIVELY SMOOTHLY ARE (I) REASONABLE DEGREE OF CLARITY IN TERMS OF THE RESPECTIVE RESPONSIBILITY AND ACCOUNTABILITY OF THE VARIOUS MINISTRIES OR DEPARTMENTS INVOLVED IN THE SECTOR, (II) A FORUM WHERE POLICY DECISIONS AFFECTING THE SECTOR CAN BE DISCUSSED AMONG THE VARIOUS ACTORS INVOLVED --THIS FREQUENTLY TAKES THE FORM OF AN INTER-MINISTERIAL COMMISSION OR COMMITTEE CHAIRED AT THE MINISTERIAL OR PERMANENT SECRETARY LEVEL AND (III) A SMALL BUT INFLUENTIAL GROUP OF POLICY ANALYSTS OR TECHNICAL STAFF WHO WOULD SERVE AS A TECHNICAL SECRETARIAT FOR THIS INTERAGENCY GROUP AND WHO WOULD ASSIST IN PREPARING AND EVALUATING POLICIES AND PROJECTS FROM THE PERSPECTIVE OF THE ENERGY SECTOR AS A WHOLE.

IF YOU CONSIDER IT USEFUL, WE WOULD BE HAPPY TO SEND YOU THE RELEVANT EXTRACTS FROM THE VARIOUS INDIVIDUAL ENERGY ASSESSMENT REPORTS OR OTHER COUNTRY STUDIES WHERE WE HAVE LOOKED AT INSTITUTIONAL ARRANGEMENTS FOR THE ENERGY SECTOR.

(CCC) REGARDING DEVELOPED COUNTRIES, THE BANK HAS NOT CARRIED OUT ANY SYTEMATIC REVIEW OF EXISTING INSTITUTIONAL ARRANGEMENTS. (THE INTERNATIONAL ENERGY AGENCY MAY BE A BETTER SOURCE OF THIS TYPE OF INFORMATION AT LEAST FOR ITS MEMBER COUNTRIES). HOWEVER,

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WORLD BANK OUTGOING MESSAGE FORM Cable, Telex

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IT IS CLEAR THAT HERE TOO, THE ARRANGEMENTS VARY CONSIDERABLY IN TERMS OF THE DEGREE OF DIRECT GOVERNMENT INVOLVEMENT IN SETTING SECTOR TARGETS AND INVESTMENT PLANS AND CRITERIA. ALSO IN TERMS OF THE NUMBER OF GOVERNMENT AGENCIES/DEPARTMENTS THAT ARE INVOLVED IN ENERGY POLICY AND INVESTMENT DECISION MAKING. (DDD) REPEAT. WOULD BE HAPPY TO PROVIDE ADDITIONAL INFORMATION AND DOCUMENTATION ON THIS SUBJECT, DEPENDING UPON YOUR SPECIFIC NEEDS. IN PARTICULAR, PLEASE ADVISE IF COPIES OF EXTRACTS FROM ENERGY ASSESSMENTS OR OTHER REPORTS OUTLINING INSTITUTIONAL ARRANGEMENTS IN OTHER DEVELOPING COUNTRIES WOULD BE USEFUL FOR YOU. (EEE) FINALLY, LET ME TAKE THIS OPPORTUNITY TO EXPRESS MY APPRECIATION ON BEHALF OF MESSRS. AHMED, GRUT AND TERRADO FOR THE COURTESIES AND HELP EXTENDED TO THEM DURING THEIR RECENT MISSION. THEY HAVE BRIEFED ME OF THEIR FINDINGS AND I HAVE ALSO READ YOUR LETTER OF MARCH 11. WE WILL BE SENDING YOU A DETAILED RESPONSE SHORTLY BUT I WOULD LIKE TO ASSURE YOU OF THE HIGH PRIORITY THAT WE ATTACH TO THE PROPOSED COLLABORATIVE WORK WITH YOURSELF AND RFD. BEST REGARDS, BERNARD MONTFORT, CHIEF, STRATEGY AND PREINVESTMENT DIVISION I, ENERGY DEPARTMENT, WORLD BANK.

END OF TEXT

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CLASS OF SERVICE: TELEX	TELEX NO.: 20524	DATE: 04.04.86
SUBJECT: THAILAND: Alternative Institut. Arrang.	DRAFTED BY: MAhmed:mac	EXTENSION: 73996
CLEARANCES AND COPY DISTRIBUTION: cc. & cl. with Mr. Kikuchi cc: Messrs. Hume, Montfort, Sadove, McCarthy (EGY); Nayyar (AEP)	AUTHORIZED BY (Name and Signature): Masood Ahmed, Deputy Chief, EGYS1	
	DEPARTMENT: ENERGY	
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WORLD BANK OUTGOING MESSAGE FORM Cable Telex

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(1) BM - info
(2) John Thomas - info.
(3) My thesis file -

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PAGE 1 OF 2

OFFICIAL DEPT DIV ABBREVIATION AEASE

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This cable - pls file in Thailand EMAF -

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FOR DR. PHISIT PAKKASEM, DEPUTY SECRETARY GENERAL,NESDB BANGKOK, THAILAND. COPIED TO JECHOUTEK, RMB, BANGKOK, THAILAND. AAA) GRATEFUL YOUR LETTER OF MARCH 11, ADDRESSED TO MR. DHERSE. IN TERMS OF IMMEDIATE ACTION WE AGREE THAT THE FIRST PRIORITY WOULD BE TO ASSIT RTG IN EVALUATING THE EFFECT OF LOWER AND UNCERTAIN OIL PRICES ON ENERGY POLICY, INVESTMENT AND OPERATIONAL DECISIONS IN THE COUNTRY. BASED ON YOUR DISCUSSIONS WITH MR. AHMED, OUR ENERGY STAFF ARE PREPARING DRAFT TERMS OF REFERENCE FOR THIS STUDY WHICH WE WILL SEND YOU FOR YOUR REVIEW BEFORE THE END OF THIS MONTH. A MISSION TO DISCUSS THIS DRAFT, AND TO AGREE UPON THE NEXT STEPS WITH THE NESDB AND OTHER AGENCIES INVOLVED, COULD BE FIELDED IN MAY OR JUNE AT A MUTUALLY CONVENIENT DATE. BBB) REGARDING THE PROPOSED STUDY ON PRIVATIZATION, WE WOULD WELCOME THE OPPORTUNITY TO WORK WITH YOU IN SPELLING OUT RTG'S OBJECTIVES FOR SELECTIVE PRIVATIZATION OF THE ENERGY SECTOR AND WORKING OUT AN IMPLEMENTABLE OPERATIONAL PLAN. TO ACHIEVE THIS THERE NEEDS TO BE A DISCUSSION BETWEEN THE BANK AND RTG (INCLUDING THE CONCERNED AGENCIES) BEFORE THE DETAILED WORK IS CARRIED OUT. SHOULD YOU CONSIDER THAT RTG AND ALL THE AGENCIES CONCERNED ARE PREPARED TO DISCUSS PRIVATIZATION OBJECTIVES AS DESCRIBED IN YOUR LETTER, THE BANK WOULD BE

END OF TEXT

See att. page

4.4.86

THAILAND: ENERGY SECTOR

IHume:MAhmed:KKikuchi:tt

cleared with and cc: Mr. Dherse, EISVP

Gautam Kaji, Director

cc: Mr. Blaxall, Mr. Cole, Mr. Ikram, Mr. Hermans, Mr. Nayyar

AEA

WORLD BANK OUTGOING MESSAGE FORM Cable, Telex

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PREPARED TO SEND A MISSION AT AN EARLY DATE FOR THIS PURPOSE. IN THIS CONNECTION, MR. DHERSE MAY BE ABLE TO VISIT THAILAND APRIL 30-MAY 2. PLEASE INDICATE YOUR CONVENIENCE. CCC) REGARDING THE TWO REMAINING ITEMS. FOR RURAL ENERGY, AS YOU KNOW THE RECENT MISSION ALSO HAD EXTENSIVE DISCUSSIONS WITH NEA AND RFD TO DEFINE THE SCOPE OF TWO PROPOSED ESMAP ACTIVITIES IN THE BIOMASS ENERGY AREA. THEY WILL, OF COURSE, KEEP YOU BRIEFED ON THE PROGRESS OF THIS WORK AND WILL MEET WITH YOUR STAFF DURING THEIR NEXT MISSION TO ASCERTAIN WHETHER ADDITIONAL EFFORTS ARE REQUIRED. SIMILARLY, THE STRENGTHENING OF THE INDIGENOUS TECHNICAL CAPABILITY FOR ENERGY SUPPLY FORECASTING IS A WORTHWHILE OBJECTIVE AND WE ARE PLEASED TO LEARN OF CIDA'S CONTINUING SUPPORT FOR YOUR EFFORTS IN THIS REGARD. WE WILL BE PLEASED TO EXPLORE THE POSSIBILITY OF SPONSORING SUPPLEMENTARY ASSISTANCE UNDER ESMAP. OUR STAFF WILL ALSO FOLLOW-UP ON THIS MATTER DURING MISSION. DDD) IN SUM, I WOULD LIKE TO ASSURE YOU OF OUR CONTINUING INTEREST IN COLLABORATIVE EFFORT IN THIS IMPORTANT SECTOR AND I LOOK FORWARD TO THE RESULTS OF THIS JOINT WORK. BEST REGARDS, GAUTAM KAJI, DIRECTOR, COUNTRY PROGRAMS DEPARTMENT, EAST ASIA AND THE PACIFIC REGION, WORLD BANK.

END OF TEXT

April 3, 1986

Mr. Zia Mian, EGYD2

Zia,

I asked De Brule for comments on South Pacific Study. He has done so.

His points:

Nature of Singapore as a spot market: potential for a term arrangement at prices linked to spot sales is very limited.

- Singapore has drawbacks -- sometimes run out of specific products -- jet fuel, gasoline
- majors unlikely to back up this kind of arrangement
- references to oil companies may be misinterpreted
- AFRA rates are only an index -- freight assumption is too low
- savings on Mojas (single rating) is good point but you might look at 93 RON
- IDO is simply a blend of gasoil with fuel - much more reasonable to blend in the country

His number: 203-622-6800.

Do you think it worth talking to him?

Masood Ahmed

cc: South Pacific Study file

MAhmed:mac

(3/82)

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TO MR. S.H. CHOI, RESIDENT REPRESENTATIVE, INTBAFRAD, ACCRA, GHANA. REYRTLX MARCH 24 ESMAP SAWMILL RESIDUES STUDY. NORMAL ESMAP PROCEDURE IS FOR ALL CONSULTANTS TO BE RECRUITED DIRECTLY BY THE BANK AND WE WOULD ISSUE APPOINTMENT LETTERS. IN CASE OF LOCAL CONSULTANTS WE HAVE ASKED MFP HELP IN IDENTIFYING CANDIDATES BUT FINAL RECRUITMENT AND CONTRACT WOULD STILL BE WITH THE BANK. KWEI ARMAR IS PROCEEDING TO GHANA ON LEAVE NEXT WEEK AND WOULD BE ABLE TO PROVIDE MORE DETAILS ON PROCEDURES. BEST REGARDS. MASOOD AHMED, DEPUTY DIVISION CHIEF, ENERGY STRATEGY AND PREINVESTMENT DIVISION I, ENERGY DEPARTMENT, INTBAFRAD.

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CLASS OF SERVICE: TELEX	TELEX NO.: 2207	DATE: 04.03.86	
SUBJECT: GHANA: Sawmill Residues Utilization	DRAFTED BY: MAhmed:mac	EXTENSION: 73996	
CLEARANCES AND COPY DISTRIBUTION: cc: Messrs. Berk (WAJ); Bauer (WAP); Mendis (CON)	AUTHORIZED BY (Name and Signature): Masood Ahmed, Deputy Chief, EGYS1		
	DEPARTMENT: ENERGY		
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Masood chron

April 3, 1986

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MAhmed:mac