

**Response of the World Bank Group to the Comments and Questions on the Proposal for Enabling Environment Assessment for Sustainable Energy Investments in SREP Countries**

Budget

The current budget estimate is based on extensive experience with other similar indicators the World Bank Group has developed and implemented over the last decade as well as other publicly available information regarding indicators developed by other institutions. We will update the budget after the list of indicators and methodology for collecting and analyzing the data are agreed and finalized. Also, we assume that primary data will need to be collected in each country and many private and public sector representatives will need to be surveyed. Identifying the right respondent group, collecting primary data and consultations will likely require initial visits to each country. For example some indicators (e.g. so called "time and motion" indicators) which measure efficiency of procedures and processes will require costly initial design but are considered critical for improving enabling environment. \$175,000 was based on the assessment of only six SREP countries. The SREP sub-committee however decided that all 13 countries should be part of the assessment. There are a few potential options for reducing the cost:

- reducing the number of pilot countries participating in the assessment, e.g. selecting only countries which have approved investment plans (six countries) or will have investment plans approved by November (10 countries) , or selecting countries which have funds for implementing investment plans (eight countries). The revised proposal was developed based on the understanding that the SREP sub-committee would prefer to have all countries included in the assessment and the proposed revised decision assumes that all countries will be included in the assessment.
- reducing the scope of the assessment. This would mean reducing the number of indicators and the depth of analysis. This may potentially impact the robustness of the assessment. The decision regarding the scope reduction can be made after the final list of indicators for assessment is identified.
- identifying more cost effective means of collecting and analyzing data. This can be done after the final list of indicators is identified.

As a way forward we suggest:

- 1) SREP sub-committee will approve the proposed budget as the upper limit.
- 2) We will maximize the use of country structure, where feasible, which will help to increase ownership, build local capacity and in the long run reduce the cost of data collection.

3) WBG jointly with partner MDBs will organize consultations with interested members of the SREP sub-committee as well as other experts to discuss the proposed indicators and methodology for collecting and analyzing the underlying data within two months after approval of the budget. Based on the consultations the cost estimate will be updated.

4) We will periodically report on the actual cost incurred. Any savings will be returned to SREP or used for the future phases, should the SREP sub-committee choose to do so.

#### Integration into country structures

As stated above, we agree that it is important to help build recipient country capacity to analyze and internalize the results of the assessment. Furthermore, it is even more important to help build recipient country capacity to analyze and internalize the results of the assessment. This can be achieved in the following way:

- where possible, maximize use of data from government sources. This will be addressed during design and validation of indicators and reflected in the final budget.
- identify opportunities for integrating data collection and analysis as well as mechanisms for analyzing the results of the assessments in the country structures and provide recommendations for integration as part of the assessment report
- conduct consultations with the recipient countries on how to maximize the use of country structures
- in the country(s) selected for an "in depth analysis" provide a specific action plan for maximizing the use of country structures

#### Sustainability

We believe that the key aspect of sustainability is to ensure that there is strong demand for the product. It will allow us to raise sufficient funds for future assessments. We intend to start fund raising for the Phase II which will include multi-year assessment and more countries, as soon as we are sufficiently advanced with the design of the indicators. This approach has been successful in developing similar products in other sectors. We also hope that we will be able to identify methods for reducing the variable cost of the assessment as we refine the methodology and identify more sources of data and increase the use of country structure which will help to reduce need for SREP funds.

#### WBG additional co-financing

While the proposal was developed in response to the SREP committee request, the WBG believes it has potential relevance for countries beyond those participating in the

SREP program. Hence, the WBG will cover substantial part of the design and analysis cost. However, as you are well aware the WBG as well as other MDBs operate within a very constrained budget and allocation of additional funds at this stage may not be possible. We will continue exploring additional financing options. In addition, WBG will be willing to cover any potential cost overrun given that this is a completely new product for countries where collecting data can be difficult and cost is not always predictable.

### Status of consultations

The consultations with pilot country representatives took place during the pilot country meeting in late May. We received strong support and also very useful comments which will be used to further develop and refine indicators. Following approval of the funding, we intend to conduct a series of additional consultations with private sector, experts, specialized agencies and development partners as well as interested SREP committee members to design and validate the indicators and methodology. We also intend to establish an advisory group which will guide us throughout the implementation process.

### Link with other activities:

Investment Climate : .The Investment Climate (IC) Business Line Private Participation in Infrastructure supports the development of policies and regulations to facilitate private participation in the power sector. IC works to reduce barriers to private sector entry and operation, promote efficient service provision, develop effective and sustainable incentives to attract investment in renewable energy, and promote the resulting improved investment environment to attract new investment opportunities. Interventions typically involve direct support to government clients to develop secondary rules and regulations – such as standard or model contracts, light handed permitting or regulatory procedures, interconnection guidelines, or the design of feed-in tariffs – as well as primary legislation to remove constraints to private entry when appropriate.

The proposed assessment would help meet the objectives of the IC Business Line work on infrastructure (power) in three main ways:

- 1) By avoiding costly scoping missions: The indicators could, in the case where the topics overlap squarely (for example on regulatory simplification for licensing), serve as a basis for advisory work without an expensive preliminary scoping mission.
- 2) By helping to evaluate the effect of their work: Through annual (or biennial) benchmarking, teams can more easily track changes in laws and regulations that affect private participation in energy access and renewables. The indicators would provide the metrics needed to better measure the impact of WBG reform support.
- 3) By serving as a leverage with client countries for more reforms: Doing Business indicators have encouraged reforms worldwide in part through the work of the Investment Climate Indicator-Based Reform team. Similarly, indicators on energy access, renewables and efficiency could pave the way for more Investment Climate advisory services interventions in energy by serving as an entry point to advocate for

further reforms with client governments.

Climatescope and other similar products : We have conducted a mapping analysis which demonstrates complementarity of the proposed assessment due to its unique focus on policies and regulations. We will make sure there is a cooperation between the teams.

CIRI: The CIRI team is an integral part of the SREP enabling environment assessment team and all relevant knowledge is being utilized. The Maldives meeting instead focused on the discussion of the SREP enabling environment assessment.

Suggestions for indicators:

We intend to organize discussions on the selection of indicators and methodology within two months after the approval of the budget. Currently, the fossil fuel subsidy indicator is in the long list.

Selection of a country for "in-depth analysis"

While the country for in-depth analysis hasn't been yet selected, we agree that it would be useful to select a high performer country.

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