

June 19, 2013

Concept Note

Proposal for Enabling Environment Assessment for Sustainable Energy Investments in SREP Countries

A. Introduction

At its meeting in October 2012, the SREP Sub-Committee requested the Multilateral Development Banks (MDBs) to start reporting in November 2013 on progress in strengthening the institutional setting and enabling environment for renewable energy in all SREP pilot countries. For this purpose, the Sub-Committee requested the CIF Administrative Unit to prepare, in collaboration with the MDB Committee, a proposal for reporting on the enabling environment for promoting investments in renewable energy in SREP countries. The Sub-Committee also requested to elaborate on the suggested approach, timeline, and funding requirements.

The SREP program aims at leading countries into low carbon energy pathways through the use and increased access of renewable energy. The program stipulates that combined public and sector actions are required in this endeavor, underscoring the important role of the public sector in setting the policy and regulatory framework for private and public sector investments. Yet few low-income countries have enabling environment conditions in place which are conducive to increased renewable energy investments. The SREP program design document cites weak enabling environments among the key challenges hindering the development of the country's renewable energy potential.

The SREP program guidelines indicate that an assessment of sector governance, institutions and energy policy instruments to promote renewable energy and the need for improved capacity for planning and implementation should be included in the investment plans. The improvement of enabling environment conditions helps reduce risks and transactions costs, and thereby encourages sustainable energy investments, notably through increased private sector participation.

B. Proposal

In response to the SREP Sub-Committee request, we propose to create a framework for assessing the enabling environment for promoting investments in sustainable energy in SREP countries. The enabling environment assessment will help policymakers make specific, actionable changes to improve their countries' laws, regulations, policies, and institutional practices for the promotion of sustainable energy investments.

The key objectives of the assessment include:

- a) **Contributing to domestic policy debate by providing policy makers and development partners with a reference** to identify what institutional, regulatory, and legislative systems support sustainable energy investments;

- b) **Providing an objective comparison of the investment climate for supporting investment in sustainable energy** as a benchmark for monitoring progress over time. The goal is to conduct this assessment on a biennial basis (every other year); and
- c) **Contributing to achieving SREP objectives** of scaling up the deployment of low carbon technologies in the energy sector.

The results of the assessment will serve as a basis for a policy dialogue between SREP and MDBs and other development partners targeted at improving the enabling environment. Further, the results will help to identify the barriers that may impede implementation of SREP investment plans and help to ensure sustainability and scaling up of investments.

C. Audience

The primary audience for the assessment will be policymakers in SREP countries, as well as development partners including the SREP Sub-Committee. The secondary audiences include investors (e.g., the assessment could be used as an initial filter to help identify investment opportunities), service providers, academics, and civil society both in SREP countries and globally.

D. Scope

The assessment will be conducted in all SREP countries which either have approved investment plans or are currently developing one¹. The assessment will cover grid connected renewable energy, off-grid/mini-grid renewables as part of the broader energy access policies, and energy efficiency as the least cost solution for meeting energy demand and reducing need for more expensive generation.² Initially, the focus would be on electricity only, but can later be extended to renewable energy generation for thermal purposes (e.g. heat or desalination) and modern cooking solutions under a follow-on proposal.

E. Methodology

The assessment of enabling environment for sustainable energy will be based on identifying and analyzing indicators and sub-indicators for each area of renewable energy, energy efficiency, and energy access. Other cross-cutting indicators would also be considered.

A few basic principles will guide the selection of the indicators:

- **Objective:** indicators should reflect facts and not subjective opinions, and to the extent possible be based on analysis of laws, regulation, and practices;
- **Comparable:** the method of measurement for an indicator should allow consistent application in each country and enable meaningful comparative analysis across countries;

¹ As of June 2013, the SREP participating countries are Armenia, Ethiopia, Honduras, Kenya, Liberia, Maldives, Mali, Mongolia, Nepal, Tanzania, Pacific Islands (Solomon Islands, Vanuatu), and Yemen

² The SREP Sub-Committee agreed that investments in energy efficiency can be considered as eligible co-financing and included as an integral part of the SREP Investment Plans. A number of approved investment plans have emphasized importance of energy efficiency.

- **Actionable:** indicators should measure aspects of the policy and regulatory environment that are under the control of policymakers; and
- **Context neutral:** indicators should track characteristics of the enabling environment which do not favor specific technologies, policies or financial instruments over others which can allow achieving the same objective.

STEP 1 - Identify an initial set of indicators through a number of activities, including:

- Analysis of existing policies and regulations to identify the best practices;
- Desk research of relevant initiatives;
- Consultations with SREP country policy makers, industry experts, and private investors. This input will be facilitated through a series of focus groups and targeted surveys, the goal of which will be to identify the best practices in creating enabling legal, institutional, regulatory, and policy environments to support renewable energy, energy efficiency, and energy access investments;
- Selection of an initial set of indicators based on the criteria described in the methodology; and
- Identify the methods and sources for collecting the data including from government publications, global databases and indexes, in-country interviews.

STEP 2 - Validation of indicators and methodology through consultations with experts and development partners. The SREP pilot country meeting scheduled for May 28-30, 2013 will be used as an opportunity to receive feedback from SREP country policy makers.

STEP 3 - Undertake the assessment in SREP countries:

- Collect data for each indicators; and
- Analyze results.

STEP 4 - Dissemination

- Present results to SREP Sub-Committee; and
- Publish results.

F. Results

Results will be presented to the SREP Sub-Committee and will be disseminated accordingly to relevant stakeholders. The assessment will provide data for each participating SREP country covering each indicator and sub-indicator for the areas of renewable energy, energy efficiency, energy access, as well as cross-cutting indicators. Detailed explanations of how each indicator and sub-indicator is measured will be provided. The data will allow analysis across countries as well as country specific analysis. .

G. Partnership

The development of the assessment will be coordinated by the World Bank Group (WB and IFC) in close collaboration with other MDBs. The indicators will be developed through dialogue with policymakers in SREP countries, energy sector experts in the private sector, academia, bilateral, and international development organizations (e.g., IEA, IRENA), as well as relevant stakeholders in SREP donor and client countries. The following activities will aim at selecting and validating the most suitable indicators, determining cost-effective methods and

sources for collecting data, identifying implementation partners, and securing potential sources of funding for the scale up phase:

- Presentation to SREP pilot country representatives during the pilot country meeting in May 2013;
- Survey of and/or focus groups with private sector;
- A series of virtual brainstorming sessions with experts including SREP partners and stakeholders to refine and validate indicators; and
- Consultations with potential implementing partners such as IEA, IRENA, World Energy Council, and IRENA.

H. Sustainability and Relevance to Other Initiatives

As part of the World Bank's role of co-chair for the SE4ALL Advisory Board, the institution is called to play a leadership role in identifying and disseminating best practices that will support opt-in countries to achieve the SE4ALL goals. A central part of this role has been the creation of the SE4ALL Global Tracking Framework (GTF), created in collaboration with development partners to provide a regular framework for tracking outcomes of the SE4ALL goals.

If successful, the foundation laid by this first assessment for SREP countries, including the methodology and results, will be used to scale it up in other countries such as those countries under the Sustainable Energy for All initiative (SE4ALL).³ The scale up phase will rely on funding from other sources. The goal is to conduct this assessment on a biennial basis (every other year).

I. Timetable

The timetable for the proposed assessment in SREP countries is presented below:

Deliverable	Date⁴
Defining the criteria and principles for the indicators	July 2013
Identification of initial set of indicators	July 2013
Validation of indicators and methodology through consultations	July - August 2013
Undertake the assessment in SREP countries	September - December 2013
Analysis of Results	January - February 2013
Publication of the results	March 2014

³ The initiative was launched by the UN Secretary General in September 2011. The assessment will leverage the SE4ALL initiative and include data from the SE4ALL Global Tracking Framework. The initiative's goals are to i) provide universal access to modern energy services; ii) double the share of renewable energy; and iii) double the rate of energy efficiency improvements by 2030. At present, over 70 countries have opted-in to the initiative.

⁴ The timetable assumes that the funding will be approved in early June. If funding approval is delayed the timetable will need to be adjusted accordingly

J. Budget

The total cost for the assessment in 12 SREP countries is estimated to be \$530,000, including the completion of an in-depth analysis in one of these countries. The SREP program will contribute, \$340,000 (less than \$30,000 per country), to cover the incremental cost for collecting the data and analyzing results. The World Bank Group will use its budget and funding received from USAID (\$75,000) to finance the design and validation cost given that the results of the assessment might be used to scale it up in other countries. Below is the budget breakdown. A more accurate estimate will be done and after the indicators and data collection methods are finalized and will be presented to SREP Sub-Committee at the Fall 2013 meeting.

Task	Staff / Consultant	Title	Labor Cost			Travel Cost			Total Cost (US\$)	Sources of Funding (US\$)			
			(US\$ per week)	(nr. of weeks)	(US\$)	(nr. of Trips)	(US\$ per trip)	(US\$)		WBG	USAID	SREP	
Development of concept, methodology and initial indicators	Staff	Senior	5,000	4	20,000			-	20,000	15,000	25,000		
		Specialist	3,500	4	14,000			-	14,000				
		Analyst	2,000	3	6,000			-	6,000				
	Consultant	Specialist	2,000	13	25,000			-	25,000		50,000		
		Analyst	1,250	20	25,000			-	25,000				
Validation	Staff	Senior	5,000	2	10,000			-	10,000	20,000			
		Specialist	3,500	2	7,000			-	7,000				
		Analyst	2,000	2	3,000			-	3,000				
	Consultant	Specialist	2,000	5	10,000			-	10,000	10,000			
		Analyst	1,250		-			-	-				
Design of Survey	Staff	Senior	5,000	3	15,000			-	15,000	20,000		20,000	
		Specialist	3,500	6	21,000			-	21,000				
		Analyst	2,000	2	4,000			-	4,000				
	Consultant	Specialist	2,000		-			-	-				
		Analyst	1,250		-			-	-				
Conducting Survey in 12 SREP countries	Staff	Senior	5,000	2	10,000			-	10,000			20,000	
		Specialist	3,500	8	28,000			-	28,000				
		Analyst	2,000	7	14,000			-	14,000				
	Consultant	Specialist	2,000	44	88,000	6	5,000	30,000	118,000			240,000	
		Analyst	1,250	48	60,000	6	5,000	30,000	90,000				
Conducting "deep dive" in 1 SREP country	Staff	Senior	5,000		-			-	-				
		Specialist	3,500		-			-	-				
		Analyst	2,000		-			-	-				
	Consultant	Specialist	2,000	5	10,000	1	5,000	5,000	15,000			30,000	
		Analyst	1,250	8	10,000	1	5,000	5,000	15,000				
Analyzing results and preparing report	Staff	Senior	5,000	3	15,000			-	15,000			10,000	
		Specialist	3,500	2	7,000			-	7,000				
		Analyst	2,000	4	8,000			-	8,000				
	Consultant	Specialist	2,000		-			-	-			20,000	
		Analyst	1,250		-			-	-				
Refining methodology and preparing the next phase	Staff	Senior	5,000	4	20,000			-	20,000	50,000			
		Specialist	3,500	4	14,000			-	14,000				
		Analyst	2,000	8	16,000			-	16,000				
	Consultant	Specialist	2,000		-			-	-				
		Analyst	1,250		-			-	-				
					460,000				70,000	530,000	115,000	75,000	340,000