



9 | ESMAP MANAGEMENT RESPONSE TO THE TECHNICAL ADVISORY GROUP REPORT

To the Consultative Group on the Energy Trust Fund Programs:
Energy Sector Management Assistance Program & Asia Sustainable and
Alternative Energy Program, March 31, 2017

INTRODUCTION

1. This document is the ESMAP management response to the report prepared by the ESMAP Technical Advisory Group (TAG) for presentation to the ESMAP Consultative Group (CG) meetings scheduled for March 31 – April 2, 2017.
2. At the outset, management would like to thank the members of the TAG¹ for working on a tight schedule with its consultations and report writing to make the report available in a timely manner for CG deliberations. We note the TAG recommendation “to allow more time to TAG for summarizing the information provided and for preparation of the report.” We regret that the timetable was constrained given the time that it took to select and recruit the two new TAG members, and hopefully it will not be repeated next year given the stability of the current TAG membership.

MANAGEMENT RESPONSE

3. The recommendations of the TAG report relate to three areas: (i) related to the CG; (ii) related to ESMAP; and (iii) related to ASTAE. Our management response is with reference to the latter two areas.
4. We are, by and large, in agreement with the findings and recommendations of the TAG report, and therefore would like use the management response to focus on a few key recommendations and to provide clarification on a few issues raised in the report.

¹ Ms. Tamara Babayan, Mr. John Heath, and Ms. Richenda Van Leeuwen

KEY TAG RECOMMENDATIONS

RECOMMENDATION	MANAGEMENT RESPONSE
OVERALL RECOMMENDATION	
<p>Given the context of ESMAP constraints and the need to consider energy access in Africa as the highest priority for development, TAG noted that the Africa Region reported that the major barriers to improved access were the financial viability and operational capability of utilities. Reform programs that have brought success and improved access in other regions have failed to deliver in Africa. Therefore TAG recommends that ESMAP explores how it can bring together its expertise in order to help re-define approaches to energy access in much of Africa, covering for example:</p> <p>Re-thinking the nature of the grid businesses, given the reality of the financial and economic position of the utilities, and the reducing costs of mini-grid and off-grid solutions.</p> <p>In any one country further strengthening coordinated approaches involving ESMAP skills in tariffs and subsidies, geospatial planning, system planning, markets, grid integration, mini-grid and off-grid development. An example where this approach has been developed to a significant extent is Kenya.</p> <p>Further enhance extension of the product offerings on subsidy reform and grid integration to incorporate system optimization, market operations, cross subsidies and the analysis of commercial risks. Important issues include: demand forecasting, supply/demand balancing risks, negative impact of increased connections on utility viability, clarity of tariff, subsidy and cross-subsidy strategies.</p> <p>It is noted that the principal driver of this approach would be the World Bank Regional teams, but ESMAP could seek to influence their work through the extended product offering.</p>	<p>We agree with the TAG recommendation regarding prioritizing of access in Africa within the context of ESMAP constraints.</p> <p>We agree with the recommendation to provide more product offerings, within the context of ESMAP’s Business Plan, to regional teams.</p>
Recommendation to ESMAP	
<p>TAG advises ESMAP management to continue to work with donors to try, and where possible, to gain multi-year commitments that underwrite the full four-year business plan, and continue to outreach to new donors, as has already begun. New donors may take on specific projects, while recognizing that targeted donations received should be supplemental to, rather than replace core support from bilateral agencies.</p>	<p>We are working with our donor country partners to confirm the availability of resources pledged for the FY17-20 Business Plan. We have also identified a few new donors, including non-country partners, and engaged in targeted engagement through specific ESMAP programs that does not replace the core support.</p>
<p>Given the global pace of innovation on technology relevant across the renewable energy sector, and that the majority of research and development takes place in OECD countries, TAG further recommends that ESMAP explore ways to more fully bring cutting edge technological research to bear on its</p>	<p>We are in agreement with this recommendation, and in fact have started such a relationship with the National Renewable Energy Lab (NREL) in the United States, first through the</p>

programming, and particularly help ensure that World Bank staff and stakeholders have access to the latest research that may have very practical considerations pertaining to policy planning and programs in future years. One way to capture this could be as part of ESMAP's global activities, through developing new and strengthening existing partnerships with some of the laboratories working on renewable energy, energy storage and green fuels research and applications, and through convening global or regional energy innovation conferences that bring together research communities alongside policy makers and planners and other stakeholders. This can help to facilitate more knowledge exchange around what constitutes relevant cutting edge solutions, especially in a fast changing renewable energy landscape.

secondment of a senior staff from NREL and with an ongoing relationship that is likely to be funded by the Children's Investment Fund Foundation (CIFF). In a similar vein, ESMAP is collaborating with the Denmark Technical University (DTU) on the Wind Global Atlas.

Recommendation to ASTAE

TAG recommends continued tracking of activities similar to ASTAE using the same indicators, in order not to lose valuable information after the closure of ASTAE

Though ASTAE indicators have not been incorporated into the FY17-20 Business Plan, the indicators were used to report for the FY14-16 lending informed in FY16 Portfolio Review and Annual Report annexes. We will continue this practice through the Business Plan period.

CLARIFICATIONS TO TAG OBSERVATIONS

TAG REPORT REFERENCE

Section 3.3 (last para), in referring to the failures of efforts to reform the utility sector in Africa over the last 20 years, the TAG report notes two ESMAP-financed activities – Rethinking orthodoxy on power sector reform, and Energy Subsidy Reform Assessment program, and judges that “these activities could only scratch the surface....”

MANAGEMENT CLARIFICATION

We would like to clarify that ESMAP-financed assessments in Nigeria, Egypt, and Ukraine, have been comprehensive. In Egypt, the assessment laid the groundwork for a series of IBRD Development Policy loans. In Ukraine, it helped with capacity building to design and implement targeted social protection programs, as well as significant increases in tariffs.

Section 7.2 (first para), the TAG report notes that energy subsidy reform activities have focused on fossil fuel subsidies and on the mitigation and communication of impacts on the population affected.

We would like to clarify that the Subsidy Reform TA Facility focuses on subsidies in the larger energy context, and not just on fossil fuels.