

ESMAP MANAGEMENT RESPONSE TO THE EXTERNAL EVALUATION OF FY 2017-2020 BUSINESS PLAN

March 24, 2020

ESMAP management would like to thank the ICF Incorporated team – Mark Wagner, Jessica Kyle, Anne-Marie Verbeken, Matthew Savage and James Gardiner – for conducting the external evaluation of the ESMAP FY17-20 Business Plan. ESMAP management appreciates the useful findings on the performance and results of the current Business Plan. The following represents ESMAP’s response to the recommendations of the evaluation.

- 1. Maintain and strengthen ESMAP’s relevance and influence within the World Bank and globally.** Suggested actions include: continue the model of ESMAP cross-support to operational teams; deepen engagement at the management level in the WBG to help drive change and interest for sustainable solutions, such as clean cooking and mini-grids; ensure that ESMAP remains engaged with the broader processes of the sustainable energy transition and energy sector reform; continue to link the renewables support with the broader issue of viable national utilities; in energy efficiency consider opportunities to drive the agenda internally and externally; continue dual pathway approach in the ESRF, of technical assistance and knowledge generation focusing on practical learning; sharpen the focus on the poor.

ESMAP Response: Agreed.

Follow-up Actions:

- (a) ESMAP will continue the cross-support model, in which ESMAP staff will be embedded in World Bank country operations teams, providing technical assistance, bringing global knowledge, and providing policy advice to clients through World Bank country programs.
- (b) ESMAP will deepen the engagement at the management level across both World Bank regional and thematic groups (including health, education, gender, environment, climate, agriculture, urban, as well as IFC) for both ongoing programs and new business lines. ESMAP has already started a series of briefings for the Infrastructure Vice President on sustainable energy solutions (he chaired the Concept Note Review for the new ESMAP Cooling Facility). Similarly, ESMAP will step up its on-going engagements with the management teams of the World Bank’s Gender and Climate Change Groups, as well as the Global Practices (GPs).
- (c) ESMAP will continue to remain engaged with, and contribute to, broader processes of the sustainable energy transition, particularly through collaboration with the SDG7 Technical Advisory Group, IEA, IRENA, and Mission Innovation/Clean Energy Ministerial. On energy sector reform, the new business plan for FY21-24 proposes a significant scale-up of ESMAP’s work on next generation utilities and energy markets and regional power trade, in addition to a more forward-looking approach to energy subsidy reform.
- (d) On sharpening the focus on the poor, a priority area for the new business plan will be on strengthening affordability of energy access for the poorest consumers, for both electricity and clean cooking. ESMAP will support mainstreaming of least/low-cost best fit technologies (solar mini grids, off-grid solar systems, improved/modern cooking solutions), scalable business models and end-user financing schemes (e.g. pay-go, micro-finance, payment schemes) to address the needs of remote, poor populations, as well as populations living in fragile and conflict-affected areas. ESMAP will also develop

the knowledge base and expand the use of demand-side subsidies – building on programs supporting supply-side subsidies – to bridge the affordability gap for solar mini grids, off-grid solar systems, improved/modern cooking solutions, as well as explore new business models that have the potential to reach at scale the last mile customers (e.g. working with local entrepreneurs and last mile distributor companies for off-grid solar systems, improved/modern cooking solutions, as well as AC productive appliance suppliers for solar mini grids). The Energy Subsidy Reform Facility already has a focus on mitigating the impacts of reform on the poor and vulnerable through social protection and other measures. The Results Framework will include an indicator to track the reforms that ensure the poor are not any worse off due to subsidy reforms.

- (e) In renewable energy, the new Business Plan includes an integrated approach through SRMI, which seeks to support national renewable energy programs that have evidence-based targets, promote socio-economic development, and address risks comprehensively (including off-taker risk due to unviable utilities).
- (f) To drive the energy efficiency agenda, the Business Plan has anchored energy efficiency in broader sectoral initiatives: as part of a suite of measures to decarbonize industry; to promote clean and efficient cooling; and, to advance zero carbon public services/sector. ESMAP will also focus on mobilizing climate finance at scale through a programmatic GCF facility on efficient cooling).
- (g) The Energy Subsidy Reform Facility will advance the practical learning by working directly with the Task Team Leaders (TTLs), knowledge sharing through internal events, including a 2-day World Bank Group conference, and a flagship knowledge product summarizing the achievements and experiences of the program to date; it will also continue the technical assistance through grants to support governments, together with utilities and regulators, to design and implement a comprehensive package of sustainable energy subsidy reforms.

- 2. Embrace the trend toward programmatic activities in the next business period**, with consideration given to a set of priority countries in which substantial progress could be made toward SDG7. Consider cohesive and successive grants on a country basis to drive results and attention to political economy issues.

ESMAP Response: Agreed.

Follow-up Actions:

ESMAP is already providing support for programmatic country activities with consecutive and multi-window grants for energy transition activities that cover renewable energy, energy efficiency, sector reform, and/or coal mine closure in about a dozen countries that are significant users of coal. With the impending launch of the World Bank's initiative to scale up financing for energy access in Africa (Africa LEAP), similar country programs are envisaged for high access-deficit, low income countries. A first such country program for Nigeria is under discussion. The Energy Subsidy Reform Facility will continue its comprehensive approach and strong emphasis on political economy, while programs such as the SRMI, Zero Carbon Public Sector and Next Generation Utilities will apply similar programmatic approaches to RE and EE deployment and utility reform, respectively. This is in line with the World Bank operational processes and systems evolving to facilitate programmatic approach to advisory services and analytics in order to consolidate stand-alone tasks into comprehensive projects.

- 3. Focus on a strategic approach to gender, a pragmatic approach to knowledge, and capacity building of national actors to support effectiveness.** For gender, key areas of focus could be to ensure that actions to close gender gaps are pursued through scaled support to ESMAP's regional gender and energy programs and to ensure that budget is allocated in lending operations for implementation of gender actions.

ESMAP Response: Agreed.

Follow-up Actions:

- (a) The new Business Plan will strengthen the support to the regional gender and energy programs to ensure the World Bank lending programs put in place and implement specific actions to close gender gaps in employment and entrepreneurship, including within utilities' workforce.
- (b) In knowledge generation, ESMAP will commission own-managed flagship knowledge products for the new themes and workstreams, focusing on hands-on operational knowledge and policy dialogue which presents the comparative advantage of ESMAP relative to other global partners focusing on knowledge generation. Each ESMAP program will also incorporate a focus on gender in its knowledge work.
- (c) ESMAP will continue to focus on capacity building of national actors where applicable. For example, the MTF team will publish the survey preparation and implementation guidelines and data analysis tools for national statistical offices and survey specialists wishing to replicate the MTF tier calculations and descriptive statistics. A training and capacity building program is being developed under the Energy Storage Partnership.
- (d) ESMAP will strengthen the individual grant reporting on client capacity through clearer articulation of statements of change and establishing stronger linkages between capacity building activities and both World Bank Group lending and policy change outcomes at the program level.

- 4. Rationalize ESMAP's theory of change and Results Framework and contextualize ESMAP's impact** relative to the WBG's relevant energy lending portfolio and SDG7 targets. Suggested actions for the Results Framework include: add targets for the gender program; reduce overlap in outcome targets; and ensure that the substance of ESMAP program objectives are well represented in the outcomes.

ESMAP Response: Agreed.

Follow-up Actions:

- (a) The FY21-24 Business Plan will include both a visual and a narrative explanation of the Theory of Change, explaining the interlinkages between the programs and assumptions for driving the change. The program results frameworks will be nested in the Theory of Change, explaining the specific results chains that the programs envisage that will contribute to achieving the Theory of Change objectives. The Results Frameworks aim to achieve both policy and investment (including the private resource mobilization and World Bank Group lending) and will set respective targets.
- (b) The Results Frameworks will include outcomes/intermediate outcomes and targets focusing on gender.
- (c) ESMAP will continue its approach to reporting on the impact of its grants and own-managed work, while contextualizing such impacts against the World Bank lending trends.

- 5. Proactively and pragmatically manage for emerging tensions in the ESMAP business model.** Maintain ESMAP's flexibility, agility, and cost-efficiency. Ensure that ESMAP continues to receive a sizeable portion of non-preferenced funding and increase transparency around reporting on preferenced funding.

ESMAP Response: Agreed.

Follow-up Actions:

- (a) ESMAP's budget note will provide more transparency on how each program is being funded – by preferred and non-preferred funding. In particular, funding for recipient-executed activities, especially those co-financing IBRD/IDA operations, would be drawn from preferred contributions.
- (b) ESMAP plans continued enhancements to its Activities Dashboard and Grant Management System to incorporate transparent tracking of funding allocations, including preferencing, to ensure that the management of ESMAP, as well as the Bank's energy and other practice groups, are properly informed about funding availability. The programmatic approvals, cost and scope of activities will continue to be proactively communicated to TTLs.
- (c) ESMAP staff enhance their work across different ESMAP programs/windows to maximize synergies across programs and offering holistic advice to the World Bank operational teams.

6. **Define a new role for the TAG.** The role should recognize the purpose of the TAG, as reflected by CG members in interviews, to play an independent quality assurance function and serve as a strategic advisor.

ESMAP Response: Agreed, with the understanding that the dual role requires different types of expertise.

Follow-up Actions:

ESMAP proposes that the new terms of reference of TAG would have the following scope: a) conduct periodic assessments of ESMAP's results focusing on specific themes and geographies (to be determined in coordination with the CG). For this purpose, the TAG composition may include a consortium of a firm specializing in the M&E and KM methods and independent energy experts; and, b) participate in workshops convened by ESMAP to take mid-term stock of the business plan and to solicit advice for the development of the following business plan period. For this purpose, the TAG would consist of key thought leaders in the energy sector. ESMAP will finalize the new role of TAG in consultation with the CG.