

Consultative Group of the Energy Trust Funded Programs AEP/ASTAE/ESMAP

March 15-16, 2004, Washington, DC

Summary Proceedings

1. The Consultative Group (CG) for the Energy Trust-Funded Programs (ETFPs) managed by the World Bank met in Washington, DC on March 15-16, 2004. Mr. Jamal Saghir, the World Bank's Director for Energy and Water and Chair of the World Bank's Energy and Mining Sector Board chaired the meeting. This document presents a summary of the meeting's proceedings.

2. In her welcoming remarks, Ms. Nemat Shafik, the World Bank's Vice President for Infrastructure emphasized that the World Bank had reengaged in the infrastructure business and the Infrastructure Action Plan (IAP) had laid out a clear cut strategy. The Bank Group is now focusing on operationalizing the Infrastructure Action Plan, which was the theme of Energy Week 2004 (March 8-11). It highlighted the crucial role played by energy in the implementation of the IAP. Ms. Shafik addressed the importance of energy services to reduce poverty and to achieve the Millennium Development Goals (MDGs). She expressed her appreciation to donors for their commitment to the Energy Trust Funded Programs and encouraged donors to focus on implementation.

Post WSSD--Implementation Plans

Mr. Saghir's Presentation

3. In his opening remarks, Mr. Saghir first outlined the issues, observations and lessons from Energy Week 2004. The key points were:

✍ **The multi-dimensional nature of energy security.** One dimension is the contrast between the energy rich and energy poor. Industrialized countries have clear motivations regarding energy security and have developed well-articulated strategies, while developing countries have complex motivations and no clear strategy. There are also tensions within developing countries with major disparities in the availability of affordable and efficient energy services between income groups, geographical regions, rural and urban population.

✍ **Access to energy services:** Mr. Saghir emphasized the enormous need for investment into expanding access to energy services through a wide range of technologies, including the use of hydro-carbon products. Also, renewable energy can make a significant contribution. Mr. Saghir stressed the World Bank Group's commitment to scaling-up renewables, including large-scale hydro (see below). He also stated that the Bank Group was working on developing implementation plans for scaling up both energy services and renewables. Under these initiatives, each regional energy team outlined its scale-up strategy during Energy Week.

✍ **The growing energy investment gap:** Rapid urbanization and economic growth in developing countries has posed a huge demand for energy infrastructure

investment. For example, electricity infrastructure in developing countries needs about \$120 billion of new investment per year till 2010 according to the International Energy Agency. However, there is a large growing gap to supply the demand. Private sector investors are few: international private investors have retrenched and domestic capital participation is also very limited. The investment lags have resulted in shortages, system failure, and slow system expansion, which slow economic growth.

✍ **Public-private partnership:** Despite the Bank Group's plan to scale-up its energy business, the magnitude of the needs is such that all possible resources from all stakeholders, including the IFIs, public sources, bi-lateral funding, the private sector and civil society will need to be pooled. To begin engaging the private sector, the Bank Group has issued a guidance note to staff on public-private partnership and will follow this with a series of technical notes on how to operationalize this guidance note. The Bank Group is also convening a roundtable of the CEO's of leading power investors in developing countries to initiate a process of engagement.

✍ **Renewable energy:** Mr. Saghir made special mention of the Bank Group's increased focus on new renewable energies and the need to leverage existing resources for renewables. Mr. Saghir was emphatic about the Bank Group's support to large-scale hydroelectric power. Large hydro is a renewable energy resource, and has a significant potential for meeting the energy needs of developing countries; at the same time, the Bank recognizes that large hydro projects must be undertaken in an environmentally and socially sustainable way.

✍ **The Infrastructure Action Plan:** With the Infrastructure Action Plan, approved by the World Bank Board of Executive Directors in July 2003, the infrastructure business including energy is back on the Bank Group's agenda. The lending for energy projects is already increasing and WBG will do more. The Bank is combining all instruments (IBRD/IDA loans, credits and guarantees, IFC loans and investments, MIGA guarantees) to scale up its energy services.

4. Mr. Saghir highlighted the progress made by the three ETFPs on deliverables identified at the Berlin CG meeting in April 2003. Since the Berlin meeting, ASTAE has broadened the definition of alternative energy with a focus on access to modern energy services and environmental sustainability. It has also developed a new strategy and business plan for donor review. AFRREI and RPTES have transformed into a single Africa Energy Sector Multi-Donor Trust Fund with greater strategic coherence and focus on biomass energy and rural electrification. ESMAP has expanded its team to deliver greater intellectual leadership and has developed proposals for a new business model to operationalize its intellectual leadership agenda.

5. At the end of his presentation, Mr. Saghir outlined the objectives of the CG meeting: for the first day, to hear from each donor their present aid cooperation policy in energy since WSSD, to hear from the TAG their retrospective review and ideas for the future, to discuss the major initiatives taken by Germany on Renewables and the Netherlands on Energy For Development; for the second day, to discuss the Business

Plans of the ETFPs and to analyze the implications for the donors both in terms of financial commitments and the organization of the CG. During the ensuing discussion donors emphasized that they expect from the Bank to continue its leadership in scaling up renewable energy.

Donors' presentations

6. The donors and observers presented their respective aid cooperation policies in energy since WSSD. Their positions on energy and their priority energy issues are summarized in the table below:

	Is energy high on agenda?	Priority Issues					
		Access Scale-Up	Regional project/energy trade	Renewable energy	Public - private partnership	Energy security	Capacity building for policy/strategy
Canada	Not yet	X	X			X	X
Denmark	Not yet	X					
Finland	Not yet	X	X	X	X		X
France	Yes	X	X	X	X		X
Germany	Yes	X		X	X		
IsDB	Yes		X		X		
Netherlands	Yes	X			X		
Norway	Yes	X	X	X	X		
Sweden	Yes	X	X	X			
UNDESA	Yes						
UNDP	Yes	X		X	X		X
UNF	Yes	X		X			
UK	Not yet	X			X		X
USA	Not yet				X		

7. The donors also raised the importance of harmonization of aid cooperation policies between donors as well as between the International Financial Institutions (IFIs). In this context, numerous partnerships were highlighted by donors: the Global Village Energy Partnership (GVEP), EU Energy Initiative, Global Network for Sustainable Energy Development (GNSD), Renewable Energy & Energy Efficiency Partnership (REEEP), LPG Challenge, Energy-Environment Partnership (Central America), Extractive Industry Transparency Initiative (EITI), Gas Flaring Initiative, etc.

8. The donors also emphasized the importance of effective monitoring and evaluation. They highlighted the need for accounting for results and greater country-level engagement. The issue of enhancing the participation of the local private sector in development-oriented activities was also mentioned. Within this context the Netherlands mentioned a Call for Ideas inviting proposals from the private sector and NGOs.

9. The ensuing discussion focused on how to put energy higher on the donors' agenda. It was pointed out that out of WSSD a consensus has emerged that energy is not an end in itself, but that energy needs must be addressed at the country level, within the overall development agenda. Concerns were raised that energy issues were not included in many PRSPs. Mr. Saghir confirmed that the Bank conducted a review of energy issues in PRSPs and the results were disappointing. Nevertheless, the Bank has committed to

work with countries and to scale up energy services at the country level. Donors supported the idea of an ‘energy champion’ on the international scene to raise the profile of energy in the development agenda.

Report of the Technical Advisory Group

10. Mr. Andrew Barnett, acting moderator of the TAG, presented the report of the Technical Advisory Group (TAG) to the CG. He stated that the TAG supported the change in the Bank’s energy sector policy which was viewed as “less ideological and more programmatic”. After re-visiting the Berlin conclusions of the need for “increasing coherence among the ETFPs”, Mr. Barnett stated that the TAG recognized the good progress that had taken place in that direction. TAG reported on the India Client Survey led by Jyoti Parikh. Forty-five client provided feedback through questionnaires and interviews, covering four ESMAP projects and one ASTAE project. They reported that ESMAP made a significant contribution to the formulation of the Power Sector Reform and Renewable Energy Policy in India, and that ESMAP’s value-added is to bring the international experience. They would like to see a faster publication process, and broader consultations and participation in the definition of the ESMAP activities. At the request of the chair of the CG, the TAG presented their view on the key energy challenges facing the donor community:

~~✍~~ Africa’s energy future remains a critical and complex issue. It is important to identify the key interlocutors for energy in the discussions on PRSPs and MDGs.

~~✍~~ There is a need to develop an “energy alert” system which could give the global energy/development community early warnings about important issues such as security of supply failures.

~~✍~~ How to ensure “sustained political will” to ensure that reform transitions are implemented successfully?

~~✍~~ There is a need for more systematic research on the energy related household health issue which is beyond indoor air pollution.

11. The TAG stated that they think the ETFPs are worthwhile from the cost/benefit prospect and they see the ETFPs add value to the work of the Bank and the wider community. The TAG stressed that the ETFPs (especially ESMAP) needed to be more “ahead of the curve”, helping the donor community to anticipate and find a way through the tough issues that would emerge in the energy sector over the next few years. Mr. Andrew Barnett stated that the TAG is now in a critical period. In the past the TAG was intended as an instrument to overlook ESMAP. Later on other ETFPs were added. The Bank is of the opinion that the TAG should now become less focused on the process and more on strategic issues.

Energy Trade Review

12. During 2003, the TAG supervised a review of ESMAP energy trade portfolio conducted by Dr. Robert Means and funded by ESMAP. Mr. Jan Moen, a TAG member, presented the following summary of Dr. Means’ conclusions:

✍ The work generally was successful in developing political support for regional power trade and the development of institutions capable of dealing with the technical issues involved in regional trade.

✍ ESMAP should continue to extend support to such regional initiatives which may look risky because they require significant upfront resources, as it should continue to operate in the more difficult areas of energy sector development.

✍ ESMAP's ability to draw on its extensive experience in regional power trade was restricted by deficient record keeping on some projects.

13. The TAG commented that the review provides valuable results even though it was limited by insufficient information. The TAG agreed with ESMAP's project selection and stated that the risks ESMAP took were fully acceptable. The TAG also suggested that ESMAP draw all the experience of energy trade into a manual and give priority to developing broader partnerships if new projects are supported. During the ensuing discussion, ESMAP was complimented for providing a forum for discussion of energy trade issues and pulling together resources for countries (especially for high level officials) on this topic. ESMAP's management response is included in the report.

Energy Conferences

14. Mr. Manfred Konukiewitz of BMZ, Germany, presented the background, preparation arrangements, and structure of the Renewables 2004 Conference in Bonn, Germany, and invited all donors to the conference. He stated that this conference has gained a high level of political support and is being organized to be action-oriented and demand-focused and encouraged all to present new ideas and actions needed.

15. Mr. Paul Hassing of the Ministry of Foreign Affairs, the Netherlands, presented the Energy for Development Conference, December 2004. He stated that the conference's objective was to discuss sustainable development with energy, which would directly respond to WSSD. He stressed the acknowledgement of different prospects from developing countries regarding climate change. There will be a long debate on the tension between economic growth, poverty reduction, and environment protection. But new ideas are expected from this conference. Mr. Hassing stated that the conference was still in the process of preparation and welcomed ideas and comments.

16. Mr. Fernando Echavarria of the US Department of State presented the progress of the African Rift Geothermal Development Facility (ARGeo) and the achievements of the 2003 East Africa Regional Geothermal Conference. He focused on Kenya's successful experience in using geothermal energy and showed the vision that geothermal, as a clean energy alternative, would address local resources for sustainable development. The concerns of environmental impact and the price of geothermal energy were raised in the following discussion. The monitoring of groundwater levels and quality was raised as an issue.

Overview of the Energy Trust Funded Programs

Africa Energy Program (AFTEG)

17. Mr. Yusupha Crookes, Africa Energy Sector Manager of the World Bank, presented the context and the strategy of the World Bank's Africa energy unit. He presented the regional constraints of weak utilities, weak financial sectors, and few private players. Given the performance of the energy sector, he addressed five immediate outcomes the Africa energy program aims to achieve: increasing the sustainability of biomass fuel use in urban areas, mitigating health & environmental impacts of energy use, increasing electrification, expanding access to services, and reducing the fiscal burden of the energy sector. In addition, Mr. Crookes pointed out to the approaches that the program is taking, including the representation of energy in PRSPs and CASes, strengthening institutional capacity, building links with other sectors, and integrating the instruments in the Bank.

18. In his commentary, Mr. Anders Cajus Petersen of the Swedish International Development Agency, welcomed the broad picture Mr. Crookes provided and raised the question of how the energy trust fund could contribute to regional development in Africa. The TAG commented that the Africa energy trust fund needs to be complementary to the Bank Group's strategy and operations in the Africa region instead of being fully integrated into the Bank's program. Mr. Crookes responded that the focus of the trust fund was biomass-based services and rural electrification, as well as analytical work. He emphasized that the trust fund was a coherent part of the whole program and it should be integrated into the country and regional program. In addition to the overall program strategy, donors requested AFTEG to give detailed and specific proposals for funding consideration.

Asia Alternative Energy Program (ASTAE)

19. Ms. Junhui Wu, Sector Manager of the World Bank for East Asia and the Pacific (EAP), presented the EAP energy strategy, the follow-up of the CG meeting in Berlin, and ASTAE's commitments to support the regional strategy. She emphasized that ASTAE would "stand on three legs"—Access, Efficiency, and Renewables—to scale up sustainable energy development. Ms. Wu outlined that in FY 2003 ASTAE disbursed \$2.2 million and supported more than 14 projects and programs, including support for non-lending activities. She provided two examples to illustrate ASTAE's support work. The first was the Green Electricity Project in Shanghai which is the first introduction of a green electricity scheme in developing country city. ASTAE supported its implementation in cooperation with ESMAP. The second activity was the Cambodia Rural Electrification and Transmission Project under which ASTAE supported the development of a ten-year Renewable Energy Action Plan and mini- and micro-hydro schemes.

20. In his commentary, Mr. Gerry Collins of the Canadian International Development Agency, appreciated the good progress ASTAE has made since last Berlin CG meeting. He noted that the issue of climate change and the benefits of renewable energy need to be addressed. The issue that ASTAE's identity was not well known was raised in the discussion by the TAG, as a result of their consultation with Indian partners. The ASTAE team responded that ASTAE was already well known in China and more efforts would be taken to expand its identity in the rest of Asia. In responding to the question of the comparative advantage of ASTAE relative to other funds, Ms. Wu emphasized the

flexibility of ASTAE, which could quickly respond to demand, e.g. through pre-lending activities, mid-term review, supervision, etc. Ms. Wu noted that ASTAE was complementary instead of competing with Bank or bilateral projects.

Energy Sector Management Assistance Program (ESMAP)

21. Ms. Dominique Lallement, Manager of ESMAP, first introduced two new senior staff members at ESMAP, Mr. Douglas Barnes and Mr. Ananda Covindassamy, who have joined the team as a response to the CG's request for additional staff to assist with the implementation of ESMAP's mandate on intellectual leadership. Ms. Lallement's presentation first highlighted ESMAP's progress and impact in 2003, then proposed a new business model for ESMAP for 2005-2007. Ms. Lallement's highlighted: a) the strength of the demand for ESMAP, with an increase in proposals received through ESMAP's call for proposals from 10 in March 2002 to 42 in October 2003; the improvement in the success rate of proposals also increased, from 39% to 49% showing greater pre-submission engagement of proponents with the ESMAP team; c) efforts to maintain efficiency -- a 10 week call for proposal cycle (down from 6 months before 2002) and management costs at 5.6% of contributions in 2003, and d) ESMAP's intellectual leadership on conceptualizing multi-sector approaches to energy-poverty reduction for PRSPs implementation plans and energy services projects, on evaluation methodologies to assess the impact of reform on the poor, and through its initiative to address regulation of decentralized energy services. ESMAP's knowledge management was illustrated by the substantial improvement in the timeliness of its publications, and the support to a large number of knowledge sharing events around the world, including in cutting-edge areas such as gender in energy and mining. Ms. Lallement cited ESMAP's Honduras education/ICT project as an example of innovation by ESMAP. ESMAP's support for changes in policies, legislation, and lending are examples of specialized technical assistance. In addition, ESMAP continued to work through partnerships, especially the Global Village Energy Partnership (GVEP), Regional Power Trade Committees, and the Energy Efficiency Network.

Ms. Lallement presented the concept for a new business model for ESMAP's as a response to the challenges given to ESMAP to provide intellectual leadership on global issues, to increase the circulation of knowledge, and to boost the scaling-up challenge. This concept is the outcome of wide-spread consultations.

~~✍~~ **Content strategy:** Ms. Lallement stated that the validity of the three pillars of ESMAP's current strategy —Energy Access/Poverty, Energy Market, and Energy Environment—were still appropriate, but she submitted to harbor them under the over-arching goal of **energy security**, which is at the core of energy policy and operational needs in emerging and developing economies.

~~✍~~ **Operational strategy:** She proposed three new business lines: - *a cutting-edge think tank*, to address the key global issues for the next decade by conducting in-depth analytical work and by providing early warning about issues on the horizon. *A knowledge "power plant"* to generate/integrate/disseminate knowledge for policy-making in client countries by serving as a knowledge broker and working on impact measurement. An *implementation "booster"* to support innovation in

government strategies/policies, to help place energy in PRSPs and other development management instruments, to facilitate the development of country energy-poverty reduction strategies and action plans, and to support selective thematic strategies.

22. In his commentary, Mr. Peter Davies (DFID) commended the achievements of ESMAP over the past year and welcomed the news that the secretariat had been strengthened with additional full time staff. The portfolio has grown and the fast track window has greatly reduced the time to approve and fund proposals. Nurturing and building GVEP has absorbed a great deal of management effort. While recognising that without this effort, GVEP would not have gained its international profile, for which ESMAP’s management is warmly commended, this has been a distraction from fully addressing higher-level strategic issues. The plan to move GVEP’s Technical Secretariat to another organisation is welcomed, as this is not part of ESMAP’s core mandate. As for the new business model, the overall goal of energy security needs a clearer definition – is this security for end-users or at national, regional or global level? Links to development outcomes need to be explicitly stated. Concerns about global environmental impacts and processes should not deflect attention from the core developmental issue, which is access to services to reach the MDGs. Countries may need help in designing medium and long-term energy policies taking account of external factors, such as the price and supply of fuel. Is there a role for ESMAP here? Stimulating private sector involvement remains a priority. Mr. Davies thought ESMAP might usefully work more closely with the Public-Private Infrastructure Advisory Facility (PPIAF), which has a strong energy sector interest.

Looking Forward: the Role of the Energy Trust Fund Programs (ETFPs)

23. Mr. Saghir’s summary of the three ETFPs business lines is recorded on the table below.

	Vision	Issues Discussed	Funding Requirement
AFTEG	Five Immediate Outcomes: Increasing biomass fuel in urban areas, Mitigating health & environmental impacts, Increasing electrification, Expanding services, Reducing fiscal burden.	Energy in PRSP, Biomass, Gender, M&E, Regional trade, Revenue management, Utility reform, Water and energy, Target approach for rural electrification, and Bank lending in Africa.	\$2.5 million per year
ASTAE	Three Legs: Scaling up access, renewables, and efficiency	Cross-sector, Climate change, Target vs. indicators, RE/EE in national energy policy, ASTAE vs. the Bank and bilateral programs.	\$6.1 million for CY 2004-2006

ESMAP	Three Operational Business Lines: Cutting-Edge Think Tank, Knowledge Power Plant, and Implementation Booster	Definition of energy security, climate change, country-level policies and action plans, link with Bonn conference, intellectual leadership, public-private partnership, and advocacy energy nexus for developing countries .	\$15 million per year for CY 2005-2007
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24. Mr. Saghir requested each donor’s funding position for the ETFPs. Most donors expressed their continuing support to the ETFPs. The Netherlands, the largest donor, committed to maintaining the previous year's level of funding for ASTAE and ESMAP provided that the commitments of other donors are reasonable as well. Canada, France, and UNDP stated that they would maintain the previous year’s contributions. Sweden stated that they would commit SKR 15 million for ESMAP’s Africa program. Norway mentioned it provides energy funding to the Bank Group through a single channel without sector indication based on a three-year plan, and would alert the Government on the request to reconsider funding energy in its own right. The UK stated they would at least maintain their funding level to ESMAP and that they need two-page concept notes for the other programs. The UN Foundation confirmed the current levels of commitment. Total funding levels indicated were \$7.4 million for 2004-2005 (12months) as compared to a total request of about \$15.0 million. At Mr. Saghir’s request on behalf of the GVEP Board, the CG agreed that \$1.0 million of ESMAP resources would be allocated to support the GVEP Technical Secretariat, for the next two years of operation.

25. Based on the ‘chilled’ funding commitments, the "raison d’être" and the organization of the CG were discussed. A proposal to conduct two-day annual meetings for the CG was approved. The first day will be along the lines of a ‘think tank’ which brings together the wider energy community to discuss the broad energy agenda. The second day would be a meeting of only the active donors to discuss each ETFP’s business plan.

26. The TAG’s function and performance was also discussed at the end of the CG meeting. The TAG’s role as a promoter of the broader energy agenda and an independent monitor of the performance of the ETFP’s was agreed as important and valuable to the CG. Because the structure of the CG would change, there was consensus that a new TOR for the TAG was necessary. Messrs. Peter Davies of the UK, and Anders Pederson of Sweden agreed to take the lead on reviewing the TORs and sending them to the donors by end of April 2004 with the objective to complete them by May 30, 2004. The TAG members will continue their current contracts and new TORs will be drafted, circulated, approved, and then contracted through ESMAP or the UNDP.

Conclusion

27. Mr. Saghir thanked the participants for their continued support to the ETPFs and for the very frank and constructive discussions. The meeting adjourned on March 15, 2004 at 5:30pm.