

Technical Advisory Group Report to the Consultative Group of Donors

**World Bank Energy Trust Funded Programmes (ETFP):
ESMAP and ASTAE**

April 2006 to March 2007

Final Report
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EXECUTIVE SUMMARY

- i This report is organized into a five page Executive Summary, a three page summary of recommendations, followed by a main report of 48 pages containing sections on the overall energy context and developments in the Bank and the Energy Trust Funded Programs, ESMAP, the thematic areas, cross-cutting areas, the regional windows, ASTAE, and clients & partnerships. Many of the details that underpin the main report are provided in a series six annexes including a summary matrix (Annex 6) on TAG 2006 recommendations, developments, and TAG 2007 recommendations.
- ii This is the third and final report by the current team members of TAG as Andrew Barnett has asked to step down at the end of March 2007. The report builds upon the comments made and developments noted in the 2005 and the 2006 reports to the CG. The 2005 TAG report concentrated on the new Business Plans for ESMAP and ASTAE that had been developed. The 2006 TAG report reviewed the status of implementation of the Business Plans, the changes and their effects, and gaps and issues that remained to be tackled. In 2006 TAG also attempted to look more systematically at wider issues of partnerships, some client views, and the coherence of energy and development issues among the different stakeholders, with some suggestions to the CG on programmatic and strategic issues. The current 2007 report follows the same overall framework.
- iii The report covers a large number of topics, but they all lead to three overall messages:
 - A. Both ESMAP and ASTAE are doing well and the donor money allocated to them is being well spent
 - B. ESMAP has an important role to play in enabling the global community to keep an appropriate balance between three competing issues:
 - a. The role of modern energy services in poverty reduction
 - b. The maintenance of energy security for poor countries in the context of high price and supply volatility in traded fuels
 - c. The pursuit of environmentally sound energy activities at the household and national levels as well as the level of global pollutants
 - C. The need for ESMAP (and ASTAE) to raise its sights in relation to both its aspirations and achievements. The money is flowing in, and the interest in energy is high and growing. Now is the time to expand the role and reach of the trust funded energy programmes. They need to significantly increase the analytic and evidence base upon which policy and practice is based at the Bank, in the donor community and in client countries both in the public and private sectors. Now is the time for ESMAP to think much more proactively about how to anticipate the energy agenda (horizon scanning), and to find new ways to build the capacity and provide the support to policy makers in north and south with high quality analytical and empirical activities. It can do this by
 - a. Expanding its high quality and independent analytical work on upcoming issues (such as the current work on liquid biomass fuels) by using a wider range of skills,

- being more outward looking, and by learning more quickly how to improve current policies and practice.
- b. Learning the lessons from other trust funded activities about whether (and how) they achieve their objectives more effectively than ESMAP (WSP, CGIAR,)
 - c. Develop new ways of building the capacities of donors and client countries to better frame and implement their energy policies, including the implementation of the Paris Accord on donor co-ordination.
- iv Unlike the previous year the TAG was not able to carry out any client/stakeholder consultations with developing country partners that are host to trust fund activities in 2006-2007. Similarly the process of consultation with donors was also much more limited with only two donor countries providing feedback to the TAG. TAG therefore focused its work on the statutory tasks of review of Energy Trust Funded Programs (ESMAP and ASTAE) and participation in the WB Energy Sector Board meeting; and a series of more intensive and strategic consultations with Bank staff in Washington.

The External Context

- v The anticipated trend of rising importance of energy issues in the priorities of almost all countries and at the World Bank continued to grow rapidly through 2006. Since the 2006 meeting of the CG and the previous TAG report, the increased importance of energy was again stressed at the G8 meeting in Russia and it remains a high priority item for the next meeting in Germany. The big change between the situation one year ago and now has been the decline in oil prices by around 35% from the peak, with some predicting a fall to about 50% of peak prices. On the other hand the year has seen a major jump in concerns regarding climate change.
- vi It is our view that the three different objectives related to energy – namely supporting the economic demands and needs of the poor; security of supplies and prices; and reducing environmental impacts will all remain high priorities, but the media and public spotlight will move from one to another at a more rapid pace. While the light shines on one particular objective at one forum at one time, there will be increasing need for countries and the Bank to be able to take all the issues into account in policies and actions. This requires much higher capacity at several global levels for research and analysis, policy formulation, dialogue with stakeholders and for coherent actions.

The Bank Context

- vii There have been several major developments in the Bank that will be critical to the energy practice of the Bank and on the future context within which the trust-funded programmes work (reported in our earlier memo circulated in November 2006). First, is the restructuring and the integration of the Bank's work by combining the Infrastructure Network (which included energy and water) and the Environmentally and Socially Sustainable Development (ESSD) network into a new Network named "Sustainable Development" with Kathy Sierra as the Vice President of the new Sustainable Development Network. This was followed by the

expansion of the duties of Jamal Saghir who, in addition to Energy and Water has been given additional responsibility for Transport.

- viii Second, is the welcome given to the Bank report “A Progress Report on an Investment Framework for Clean Energy and Development” by the Development Committee of the Bank (composed of 24 members, usually Ministers of Finance or Development, and who represent the full membership of the Bank and Fund) in Singapore in September, which especially welcomed the Africa framework.
- ix The Framework contained (in Annex I) “The Energy Access Action Plan for Sub-Saharan Africa”. This has three overarching “goals”: Electricity for growth (increased coverage for enterprises and households); powering the MDGs (connecting clinics, community centres, schools & local administration using least cost mix of grid extensions and decentralised solutions); and meeting basic needs (lighting and cooking including biomass supply). Within these there are five strategic “tracks” to achieve these goals (discussed later in detail):

The Internal Context

- x The ESMAP Business Plan, (approved by the CG in March 2005) continues to provide a useful framework for the trust funded activities to respond to the shifting policy agenda. The important changes that have occurred over the year within ESMAP are listed in the text.
- xi These changes have helped continued improvements in ESMAP processes, efficiency and outputs. At the same time the increased demands placed on ESMAP from changes within the Bank, client needs, the operationalisation of the regional block grants, bringing new staff on board and improved dissemination efforts have meant that some of the work planned for 2006 has slipped.

TAG’s Overall Conclusion

- xii TAG believes that donors’ trust funds are being managed efficiently and with very useful outputs and outcomes that meet donor, Bank and client needs. The TAG believes that ESMAP has had and continues to have an increasingly important role to play and there have been significant increases in ESMAP outputs. TAG reconfirms its view that ESMAP has special global comparative advantages in many tasks that are needed by the different stakeholders of ESMAP.
- xiii TAG notes that there has been significant increase in the level of funding of ESMAP by the donors from a little under \$8 million in 2004 to around \$15 million in 2006¹. This increase and the increase in the percentage of core support are both positive. TAG believes that the new urgency on energy and climate change, together with last years issue of security and the ongoing needs of Africa and the poor, justify higher trust fund allocations to meet new requirements and the stated priorities of most governments.
- xiv ESMAP is now better positioned for further expansion to meet new demands in partnership with donors and clients. TAG suggests that the CG members discuss how improved partnerships can be used to develop capacity outside the Bank so that more effective

¹ Adding the World Bank contribution to this, the total for 2006 is almost 16 million.

outcomes are possible. TAG hopes that the forthcoming CG meeting in Europe can provide new ideas for increased partnerships by all stakeholders.

- xv Similarly and in addition, TAG confirms that in its view that ASTAE also continues to play a very useful role in a number of selected countries in Asia. Compared to ESMAP, it has a tighter focus on leveraging Bank loans for investments in Renewable Energy (RE), Energy Efficiency (EE) and Access. ASTAE has approximately one sixth the budgetary resources of ESMAP, similarly small core staff resources, and has recently been working only in the East Asia and Pacific region. The differences in the size of resources and the scope of work between the two programs are reflected in both the attention and space devoted by the TAG to the two trust funds.
- xvi ASTAE, from its inception in 1992, has been based on the fact that it was more difficult to generate projects for World Bank funding in RE and EE because the concepts were new and unfamiliar to both Bank staff and country borrowers, and so they needed additional effort, time, and costs to develop. It was also focused on Asia given the higher growth rates and higher CO2 emissions from the region. Thus ASTAE was designed in the main to assist and leverage additional Bank lending in the areas of Renewable Energy and Energy Efficiency. After ten years, ASTAE was reviewed and the recommendations were to continue ASTAE in the regional operational unit, with added MDG related goals including poverty, access, gender and indoor air pollution. The “new” ASTAE is only three years old.
- xvii Among the highlights for ASTAE (presented in the annual report) are the new commitments from Sweden, Netherlands and a new partnership with the government of Australia, and expected support from Norway. Thus ASTAE has been successful in increasing the number of donors from two in the previous year to four and has secured larger resources going forward over the coming three years. ASTAE is in the process of updating and revising their Business Plan to reflect the new donors and larger resources and intends to request donors during the CG for their guidance. The TAG welcomes this dialogue.
- xviii ASTAE also reports that in FY06 two projects have been approved for Bank loans. The first contributes to the traditional ASTAE goal of enhancing renewable investments and the second to the new goal of improving access to 52,000 households. Bank loans show the EAP region dominating investments in new renewables indicating the importance of ASTAE to the region. Among other highlights are a reorganized ASTAE web site, almost ready to be launched; continued work on conceptualization of a Monitoring and Evaluation framework; and, the written Knowledge outputs from ASTAE.
- xix TAG notes that ASTAE has been successful in covering a wider range of countries in the East Asia and Pacific region in 2006, such as Indonesia, Vietnam, Mongolia, Cambodia, Laos, Philippines and Timor Leste, even though activities in China are almost half in number and in money spent. Strategically, this concentration in China raises some difficult issues for ASTAE. On the one hand China is critical for climate change issues but other countries are more important for access issues and ASTAE donors appear to have been more reluctant to support work in China. This will need resolution between the donors and the fund.
- xx Last year, the TAG recommended that ASTAE continue its evolution to include poverty and gender orientation in its activities. The TAG has been informed many times about

planned efforts to improve poverty and gender orientation of ASTAE activities, but thus far these do not appear to have materialized. One constraint mentioned by ASTAE is that it is difficult to do non-lending activities in the present framework. The East Asia and Pacific department informed us that gender may be included in social impact analysis components in mainstream lending operations planned in Indonesia and Vietnam. The TAG has not been able to obtain further information about these but looks forward to learning more about poverty and gender orientation in ASTAE in future.

- xxi TAG notes a number of successful co-operations between ASTAE and ESMAP. TAG is pleased to note the comments of the East Asia region sector manager on the value and complementarity of both trust-funded programs in this region, - ASTAE and ESMAP. It is our view that the new Business Plan of ESMAP allows for greater clarity and synergistic cooperation between the two trust-funded programs in the region.
- xxii TAG has attempted to allocate around 10% -15% of its time to ASTAE (with the balance allocated to ESMAP) keeping the size difference in mind. The donors involved in the support of ASTAE have not expressed any particular interest in any specific questions on or about ASTAE. TAG assumes this may be because of the smaller size and simpler scope of ASTAE.

Acknowledgements

- xxiii The TAG has continued to receive considerable assistance from many members of Bank Staff, who have been consulted, together with (smaller) numbers of the donor consultative group. We have been supplied with all the information we have asked for (except as noted) and have been met with openness and frankness in all our discussions. We are grateful to all for their time and many useful comments. We also congratulate Ede Ijjasz, for his confirmation as the Manager at the previous CG and for the many useful measures that have been incorporated into ESMAP processes, for the increased efficiency of processes, faster and improved reporting, the building up of staff capacity and we especially thank him for rapid responses to almost all requests at short notice.
- xxiv Two of the TAG members wish to place on record a special vote of thanks to Andrew Barnett, who has been with the TAG since November 1996. He has expressed his desire to step down with this as his last contribution. He has provided TAG with considerable institutional memory, excellent advice and insights into the work of the Bank and the Trust Funds, and, also provided important links to many key stakeholders among donors and country clients. It will be a challenge to find a replacement with a similar complement of skills and experience.

SUMMARY OF RECOMMENDATIONS

- I. TAG recommends that Donors should continue to support both ESMAP and ASTAE, and that where possible they continue to provide this support through largely unrestricted funds that support the agreed business plans.

ESMAP

- II. Overall the balance of the ESMAP portfolio seems appropriate, and TAG recommends that the balance is kept under constant review so that it continues to reflect the needs of both country clients and donors.
- III. TAG is pleased to note the continued broadening of the definition of renewable energy by donors and ESMAP. While important work has been reported on biomass feedstocks for liquid fuels such as ethanol, more attention on traditional biomass cooking, and heating and biomass for direct and decentralized electricity generation, together with continued work on liquid biofuel, could be useful under this rubric. Also a small review of small scale wind power could be useful to the access and poverty agenda.
- IV. Given the importance of the Energy Poverty thematic area both to clients and to donors, the TAG commends its continued emphasis by ESMAP. This theme is of critical importance for ESMAP and receives a substantial part of the funding and management attention. TAG supports ESMAP's ongoing efforts to disseminate ESMAP's best work and to increase staff capacity on biomass energy and household energy. TAG urges completion of work envisaged in the Business Plan on peri-urban energy – where ESMAP should be forward-looking and shaping the debate, on interfuel substitution, and on M&E of energy inputs to achieving MDGs including contributing to PRSPs.
- V. The TAG is encouraged by the high-quality work on biomass energy and cooking energy and believes that further ESMAP could usefully provide an intellectual leadership role in global debates related to household energy and biomass energy. An informed Bank viewpoint and niche needs to be developed identifying comparative advantage on biomass and cooking energy. The TAG supports the practical operationalisation of research findings on energy poverty already underway, and in our view more can be done to support and develop operationalisation of the completed analytical work and lessons of previous trust funds in Africa and other regional energy operations.
- VI. The TAG supports early completion of the ESMAP review of energy access in the Bank's portfolio and its dissemination, with a view to establishing a baseline for monitoring.
- VII. TAG recommends strong support for this exploration of new ways of providing modern energy services to poor people through the SME sector using largely local private capital. Given the rather shaky start the TAG recommends that this sub-programme is given particular supportive oversight in 2007 and that progress reports are made available to the CG and the TAG as soon as they become available.
- VIII. The new World Bank Gender Action Plan offers new opportunities for ESMAP to support gender mainstreaming in operational energy units as well as in its own activities. TAG recommends that capacity and competencies in gender be established within ESMAP and,

if requested, the regional units, to support gender mainstreaming in ESMAP thematic areas and the operational energy units. The TAG believes that systematic feedback on gender when block grants or project concept notes are reviewed could be a low-cost way of improving gender impacts of energy activities and enhancing sustainability of operations and development effectiveness. Sector and sub-sector assessments, household energy, small and medium enterprise, and social impact activities may also offer useful initial openings.

- IX. Furthermore, the TAG considers that resources should be made available to support gender components in operational energy projects, as well as the development of tools and training needed to implement these. The TAG believes that a particular contribution of ESMAP could be the documentation of the returns and benefits from engendering projects, so that the design of the next generation of projects can be improved both in the Bank and elsewhere. Also, innovative work on gender and energy within the Bank should be supported on gender equity in energy pricing and gender & energy in SME as well as continuing to advance past work on indoor air pollution and institutional/financial empowerment of women in mining communities.
- X. The TAG remains convinced of the important of GVEP to ESMAP in providing an innovative mechanism for channelling funds and other support to partners in developing countries. Given the rapidly changing nature of GVEP as the result of its new business plan and prospects of increased funding from Russia TAG recommends that as part of its normal reporting processes ESMAP management provides a clear statement to the CG about its intended relationship with the management of GVEP and its secretariat, the approximate staff time it likely to be involved each year, and the mechanism by which the GVEP secretariat will be held responsible for the use of funds channelled through ESMAP.
- XI. The TAG commends the increased emphasis on Africa and continuation of this support by ESMAP. Many CG members will be pleased to note the inclusion of biomass energy for cooking as one of the five pillars of the Action Plan, and AFTEG is the first region to do so. The TAG believes that ESMAP can play a key role in strengthening implementation of the Action Plan and syndication concept and capacities of partners both within and outside of the Bank. The TAG believes that the syndication approach is a promising new mechanism by which donors can meet the terms of the Paris Declaration to work more effectively together and that syndication will both require and lead country sector studies – suggested in the past by some members of the CG and by the TAG – that will increasingly take into account the many new dimensions to energy policy and investments.
- XII. Now that ESMAP's publications processes are progressing well, TAG recommends that ESMAP should now to turn its attention to undertaking one or more user surveys. This should include both print and electronic publications and web pages.
- XIII. TAG continues to believe that the CG members should consider additional mechanisms to enhance coordination between the donor stakeholders beyond the single day spent at the CG. ESMAP and the CG need to consider how to encourage greater exchange of high quality knowledge about energy issues in the many different policy levels among donor stakeholders.

- XIV. In the view of the TAG, ESMAP has made substantial efforts to increase and improve the services and benefits it provides for donors. In order to further strengthen these efforts, the TAG recommends that these efforts continue and expand, and be tested and monitored in practice. A question in our minds is whether increasing services and benefits for donors may be facilitated by some additional staff resources for this purpose in ESMAP. Real-time reporting of up-to-date information on projects on the donor web site would be particularly useful. It may be helpful to review mechanisms for regular exchange of information with the CG and make them consistent and current, including on the web page. To a large extent, it is now up to the CG donor members to take advantage of the opportunities offered by ESMAP through the advance knowledge of regional block grants, and to follow up with their suggestions for working together both at country level and with donor country agencies and institutions.
- XV. The TAG continues to be convinced that it would be beneficial to both ESMAP and donors if seconded staff as well as funds were provided by donors. Junior Professional Officers (JPOs) are a good target group. Seconded staff would have an opportunity both to bring knowledge of other development institutions into trust funded initiatives, and to better understand the Bank's internal processes; that in turn might strengthen relationships.

ASTAE

- XVI. TAG suggests that the increasing role for ASTAE places a number of new demands on staff to improve and expand its activity reports which in the past have been excellent. There is need for an expanded M&E framework (being developed), and the provision of more information on the work on gender and the work on SME and financial intermediaries. It is our view that ASTAE should continue to be supported by the past donors and also new donors, especially given the rising importance of access, RE and EE globally and in the region. TAG urges the donors supporting ASTAE to review how its past and continued success can provide larger lessons to a wider audience on how to achieve global objectives on climate change together with the access agenda. This probably requires more strategic thinking by both the donors and by ASTAE.
- XVII. The TAG recommends, as last year, that ASTAE include poverty and gender orientation in its activities, and wishes this year to encourage ASTAE donors to monitor achievements in this area more closely.

TRANSPARENCY

- XVIII. The TAG again recommends that the TAG report be put in the public domain on one of the World Bank Trust Fund web sites. The report is not confidential as it is seen by at least over 50 people. Placing it in the public domain does not appear to have any negative aspects but can increase transparency and the value of the report as it becomes available to a wider group of stakeholders.

MAIN REPORT TO THE CONSULTATIVE GROUP OF ENERGY TRUST FUNDED PROGRAMME DONORS

INTRODUCTION

1. Through its terms of references the Technical Advisory Group is asked to provide an informed, independent opinion to the Consultative Group (CG) of the Energy Trust Funded Programmes (ETFP) about the purpose, strategic direction and priorities of the Energy Trust Funded Programmes. In addition it is asked to provide advice and suggestions to the CG in a number of specific areas (see Annex 1).
2. Following extensive discussions with the donor members of the CG following the 2005 CG meeting, the donors suggested that the limited number of days available to the TAG should be focused first on the core “statutory” tasks - drafting and finalizing the TAG report, attending meetings of the TAG, the Sector Board and the CG. Within that it was suggested that the work should involve wider consultations in a more formal framework with donors, Bank task managers, and client countries. Further, within time limitations, TAG was requested to participate in, and provide a review for donors of some ETPF outputs, in order to provide feedback on client perceptions of the work of the trust funds at the country level. It was agreed that TAG was not resourced to undertake formal evaluations, but it might review, and summarize for donors, any evaluations or M&E related work from the ETPF programs. TAG members were also asked to participate in ETPF discussion /advisory groups on particular issues as requested by Task Managers and donors, particularly issues of strategic significance.
3. This year’s TAG report closely follows the format of last year’s report and continues the somewhat more formal approach, given the generally positive feed back that was received. The focus is therefore on the achievements of ESMAP and ASTAE against the targets set out in their business plans, and the Bank’s response to TAG recommendations in its 2006 report.
4. TAG again attended the Bank’s Energy Sector Board meeting in October, and entered into expanded and formal consultations with staff in October 2006 and January 2007. As usual TAG received full cooperation and was provided full access both to people and documents.
5. This report was substantially assisted this year by the sight of the draft annual reports of both ESMAP and ASTAE which were made available in the first week of January. Given that these two documents will be made available to CG members well in advance of the annual meeting in Berlin, this means that there is less need for the TAG to describe the trust funded activities. The draft ESMAP report was based on the results of their routine six months reports covering the period up to December 31. And as has been the usual practice the ASTAE draft annual report covers the twelve month period to June 2006. TAG activities in 2006/7 are described in more detail in **Annex 1**, and persons met are listed in **Annex 2**.
6. The administrative procedures to renew contracts for the TAG were only completed in September. As a result the TAG work plan 2006/7 was modified in October to take into account the late start date. The TAG has therefore focused this year on its core “statutory” tasks set out in paragraphs 5, 6 and 7 the TAG TOR (namely drafting and finalizing the TAG report, attending meetings of the TAG, the Sector Board and the CG). It has consulted primarily with Trust Fund and Task Managers, and to a limited extent through e-mail with donors.

7. TAG produced a short note following the visit to the Bank, October 9-13, 2006 and TAG participation in the Bank's Energy Sector Board Retreat (October 12). This was circulated to the CG members. TAG used the first visit as an opportunity for initial dialogues with Trust Fund Managers and other Bank staff on the developments with regards to trust funded activities and the over all context for the energy practice at the Bank and member countries. This was followed up with another visit during the week of January 8-12, 2007. A full program of activities was organised for the TAG on both visits to give sufficient detail and breadth of information on the trust funded activities. The present report follows up on a number of points and issues from previous reports to the CG, while discussing those flagged in the note of October 2006, in greater detail.
8. TAG, ESMAP and ASTAE agree on the importance of some effort to obtain perspectives from the field and understand client perceptions. Very useful discussions were held with ASTAE in order to schedule some county client consultations for TAG in 2007 in association with ASTAE's own project monitoring visits. A similar procedure will be used with ESMAP to schedule TAG visits in 2007 to gain clients' views of ESMAP activities.

THE ENERGY CONTEXT IN 2006

9. Prices have declined from a peak of US\$78 per barrel of oil in July 2006 to around \$50 at the time this report. Experts remain divided over long and short term price projections, as to whether prices will continue to decline (the hedge fund effect) or they will jump back up due to supply constraints, geo-political tensions and so on. While prices have receded, the rapid decline highlights new concerns of price and supply volatility. Beyond the physical security of supply, price volatility of oil spills over into volatile prices for other fuels, affects the energy costs of alternatives such as biofuels, and changes the economic rationale (positively) for supply options such as wind and hydro that do not have an ongoing fuel cost associated with energy production. Expansion of energy supply options is an excellent tool for reducing the volatility of energy costs and supplies, but the planning of the portfolio has become much more complicated. In many countries, new incentives and policies are promoting various new energy supply options, with major attention devoted to biofuels (see later discussion on ESMAP report on biofuels).
10. The decline in the headlines on fuel prices and supply concerns has been replaced by new headlines on energy and global warming. Across most of North American record warm weather brought climate change high onto the public agenda and put increasing pressure on the governments of Canada and US to take concrete steps to curb domestic greenhouse gas emissions. NASA's Goddard Institute for Space Studies reported that the five highest years for the Earth's average temperature have been 1998, 2002 and 2003, 2005 and 2006 with 2007 expected to be at the top of the range. The weather in Europe was also unseasonably warm, with record temperatures in many countries, raising increasing concerns there.
11. This set of developments with regards to the weather events provided the perfect background to the release of the Stern² report commissioned by the Government of the UK. Among its

² Sir Nicholas Stern is the Head of the UK Government Economics Service and adviser on the economics of climate change and development. The Chancellor of the UK had asked Sir Nick Stern to lead a major review of the economics of climate change in July 2005 to determine more comprehensively the nature of the economic challenges and how they can be met, in the UK and globally. The Economics of Climate Change: The Stern Review, Nicholas Stern, Cambridge, January 2007. Full reports and commentaries can be found at http://www.hm-treasury.gov.uk/independent_reviews/stern_review_economics_climate_change/sternreview_index.cfm

main conclusions are - that there is now clear scientific evidence that emissions from the burning of fossil fuels are causing changes to the Earth's climate. The mounting economic and human costs are clearly brought out, failure to act now will exact much greater penalties later, failure to act could risk up to twenty percent reduction in global GDP while one percent of global GDP is required to be invested to mitigate the effects of climate change. Stern suggests that climate change threatens to be the greatest and widest-ranging market failure ever seen. The President of the World Bank commented on the report that the Bank is committed to addressing the dangers of climate change and referred to the Investment Framework for Clean Energy (see below). He welcomed that the Stern Review provided a much needed critical economic analysis of the issues. The Bank will work closely with its clients and partners to turn Bank analysis into practice.

12. The next big report to hit the press is the fourth assessment report from the IPCC "Climate Change 2007: The Physical Science Basis" released on 2 February 2007³. It concludes that the understanding of anthropogenic warming and cooling influences on climate has improved since the Third Assessment Report in 2002, that warming of the climate system is unequivocal, and with very high confidence, over 90%, that this is caused by human actions⁴. It is very likely that most of the increase in the past 50 years is due to the increase in greenhouse gas concentrations. The report estimates that with constant emissions at 2000 level, temperatures may rise only by 0.9 C in 2100 while with other emission scenarios temperature rises up to 5 C are possible. The IPCC will also be releasing additional volumes - "Impacts, Adaptation and Vulnerability" in April 2007, followed by the report from Working Group III on the "Mitigation of Climate Change" in May 2007⁵.
13. Thus as anticipated, the trend of rising importance of energy issues in the priorities of almost all countries and at the World Bank continued to grow rapidly through 2006. Since the 2006 meeting of the CG, and the previous TAG report, the increased importance of energy was again stressed at the G8 meeting in Russia and it remains a high priority item for the next G8 Summit hosted by Germany in June at Heiligendamm. The German Chancellor and officials have repeatedly remarked that energy, climate change and Kyoto will be among the priorities at the summit⁶. The World Bank president is invited to speak at the event.
14. The poverty and development aspects of climate change are not forgotten, with UNDP's 2007 Human Development Report having climate change as its theme. The draft concept note for the report reminds that the way in which the climate change challenge is addressed will have profound implications for human development. While the world's poorest countries and its poorest people bear little responsibility for the build-up of carbon and other global warming gases in the earth's atmosphere, they stand to bear the brunt of the social and economic consequences. It warns that there is a clear and present danger that climate change will roll back human development for a large section of humanity, undermining international cooperation aimed at achieving the Millennium Development Goals (MDGs) in the process.

³ Available at <http://www.ipcc.ch/>

⁴ The Union of Concerned Scientists and also The Royal Society (UK) have charged EXXON of following the example of tobacco companies and providing support for groups that "misrepresented the science of climate change." The company has now abandoned its refusal to accept the link between emissions and warming.

⁵ The fourth assessment Synthesis Report, combining the 3 working group reports, is scheduled for completion in fall 2007.

⁶ Issues on the development of Africa are also a priority at the summit.

The links between climate change and development, the mitigation agenda, and the “beyond Kyoto” debate will be addressed in the report.

15. At its fifteenth session in New York in May, the United Nations Commission on Sustainable Development will continue the process begun last year at the review session on evaluation of progress in implementing Agenda 21 and the Johannesburg Plan of Implementation. The 15th session will focus on lessons learned and best practices in addressing barriers in the thematic areas of energy for sustainable development, industrial development, air pollution/atmosphere, and climate change – the issues currently on the agenda of the CSD. Policy options and measures that could be taken at the international level with regard to improving access to energy, encouraging energy efficiency and promoting the use of advanced and cleaner energy technologies and other energy-related topics will be discussed and an action platform adopted at the CSD in New York in May.
16. The big change between the situation one year ago and now has been the reduction of concerns on prices, with continuing security concerns of different types and with a major jump in concerns regarding the environment and climate change. It is our view that the three different objectives related to energy – namely supporting the economic demands and needs of the poor; security of supplies and prices; and reducing environmental impacts will all remain high priorities, but the media and public spotlight will move from one to another at a more rapid pace. **While the light shines on one at one forum at one time, there will be increasing need by countries and the Bank to be able to take all the issues into account in policies and actions. This requires much higher capacity at several global levels for research and analysis, policy formulation, dialogue with stakeholders and for coherent actions.**
17. The World Bank (and ESMAP) have continued to play an increasing role in response to G8 requests for analytical support, and the higher priority to energy in all client countries, for implementing new directions in energy investments. The World Bank President participated at the Legislators Forum on Climate Change⁷ in Washington D.C. in February 2007. The forum brought together delegates from the G8 and the plus 5 countries (China, India, Mexico, Brazil and South Africa), which together produce 75 percent of the world’s greenhouse gases. Mr. Stern said institutions like the World Bank and International Monetary Fund have a “great deal to contribute in deepening that international understanding,” as well as helping countries prepare for and adapt to climate change and “rise to the challenge of maintaining growth while reducing carbon.” TAG had stated in 2006 – “A critical task for the energy and development community – in which the Bank and ESMAP can play a key role – will be how to reconcile and balance these diverse and sometimes conflicting agendas, and in particular, how to maintain energy and poverty high on the agenda” while attending to the concerns for security and climate change. **It is the view of TAG that in the medium term (5-10 years) the energy policy scenario will be driven by three goals and objectives:**
 1. **Increasing energy access and energy for poverty reduction growth**
 2. **Increasing energy security for individual countries and reducing effects of both price and supply volatility**

⁷ The forum is part of the G8+5 Climate Change Dialogue launched in February 2006 at the House of Commons in the UK.

3. Promotion of lower carbon energy options and also lower carbon economic structures

18. While these three goals will provide the over arching framework for energy policy, clearly their strategic priorities, sequencing and the specificity of the tasks will vary by country and region. This is discussed later in the section on ESMAP thematic focus and possible sharpening of the focus for 2008-2010. The shifts must always be accompanied by concerns about whether they will shift attention away from the poor and from Africa. TAG is pleased to report that improving energy access remains a priority at the Bank, the trust funds and also at the next G8 meeting.

Major developments in the World Bank

19. There have been several major developments in the Bank that will be critical to the energy practice of the Bank and on the future context within which the trust-funded programmes work (reported in the earlier memo of November 2006).
20. First, is the restructuring and the integration of the Bank's work by combining the Infrastructure Network (which included energy and water) and the Environmentally and Socially Sustainable Development (ESSD) network into a new Network named "Sustainable Development". Kathy Sierra, is the Vice President of the new Sustainable Development Network. This remains a work in progress. The most important recent development here is that Jamal Saghir, earlier Director of Energy and Water has been given the additional duties of Transport.
21. The purpose of consolidating these areas is to improve synergies between sectors, better integrate core operations, and to ensure that the World Bank strengthens its focus on sustainability as it increases the investments in infrastructure. This is a major change in organisation and consultations are ongoing with the regions on how the new Network will be organised and function in practice. According to the Director and also ESMAP management, this integration presents special opportunities for ESMAP to leverage its activities across sectors that are naturally related to its activities, such as transport, water, environment and urban and social development.
22. Second, an important milestone was the presentation of "A Progress Report on an Investment Framework for Clean Energy and Development" to the Development Committee of the Bank (composed of 24 members, usually Ministers of Finance or Development, and who represent the full membership of the Bank and Fund) in Singapore in September. This was welcomed in paragraph 10 of the Communiqué following the meeting. This work was begun after the Gleneagles meeting of the G8 in 2005 and has been reported upon in previous TAG reports. The Framework has three pillars: (i) energy for development and access to affordable energy for the poor; (ii) the transition to a low carbon economy; and (iii) adaptation to climate change. ESMAP has been assigned the key role in supporting upstream analytical work for pillars 1 and 2 of the Framework.
23. Third, "An Energy Access Action Plan for Sub-Saharan Africa" is the subject of Annex I of the Framework document. The Action Plan has three overarching "goals": Electricity for growth (increased coverage for enterprises and households); powering the MDGs (connecting clinics, community centres, schools & local administration using least cost mix

of grid extensions and decentralised solutions); and meeting basic needs (lighting and cooking including biomass supply). Five strategic “tracks” are proposed to achieve these goals: (i) electrification programs with better integration of mini-grid and off-grid electricity options to complement grid-based approaches; (ii) enhancing generation capacity (including via regional projects) to power grids; (iii) provision of energy services for key public facilities such as schools and clinics; (iv) promotion of stand-alone lighting packages for households remote from electricity service; and (v) push for cleaner cooking, heating and lighting fuels. Comprehensive new approaches to electrification are proposed: a sequential program of grid expansion over a long-term of 15 years or more; a program approach to financing through “syndication” of an agreed plan, and an order of magnitude increase in financing to between \$2 and \$4 billion per annum. ESMAP intends to support the upstream analytical work for many of the AFTEG's analysis for the syndication programs.

24. And finally an important development that should be noted is the expansion of the donor group at the CG. Most notable is the announcement by Russia at the 2006 G8 meeting to contribute US\$30 million for the GVEP program. These funds will be channelled through ESMAP. At this time discussions are underway between Bank staff and the Russian officials on setting up the arrangements and legal documents for the management of these funds. Russia will also become a new member of the CG. Similarly, Australia as a new contributor to ASTAE will become a partner in the CG.
25. The World Bank and the trust funded energy programme have made significant contributions to the global understanding and response to these events and will be asked to play a key role in the near future. It is clear that there will be new demands on the trust funds to respond to climate change issues, and they will have an increasingly challenging role balancing the themes and focus in the coming years.

KEY DEVELOPMENTS IN THE ETF PROGRAMMES IN 2006

26. A very positive development in 2006 includes the increased receipts from and increased flexibility in trust fund allocation by donors that had been a major constraint for ESMAP in FY05, both in terms of total amount and the restrictions on the use of funds. Activities that had been postponed in 05 have been started and the allocations have allowed ESMAP to provide indicative levels of allocations to the regions for 07 allowing for forward planning.
27. It is our view that with the strengthened ESMAP, and with a number of basic process improvements, ESMAP needs to give greater consideration to how it can increase the services and benefits it provides for donors – to meeting the needs of its “shareholders”- in order to have a wider impact on their assistance programs and on developing country “stakeholders”. A number of strategic discussions with ESMAP have focused on these issues. Last year we suggested possible mechanisms to facilitate working together, such as staff secondment, and note the steps taken by the Germans to improve communications with ESMAP. Developments in this area are discussed in more detail in the section on donors and partnerships at the end of this report. This year, it will be useful to have donor feedback on whether the regional plans of work (such as the one for the Africa Region), now available in advance, have actually facilitated country level cooperation between donors. Finally, if climate change means a move away from Business As Usual, then many more institutional changes, capacity building, and more effective working together with countries in identifying/carrying out global studies, in information sharing/coordination on studies and activities at country/regional level, and in joint program efforts will be required.

28. TAG has found overwhelming approval of the implementation of the regional windows by all the regional staff interviewed. The block grants have reduced transaction costs, demonstrate regional and country ownership and should provide for improved accountability. It is also expected that this will improve coherence between the use of ESMAP funds and country and regional demands and also the coherence and leveraging of World Bank investments. It has been suggested that the process can also improve quality assurance but these effects will only emerge after some time. **The TAG believes that it is important that processes are now in place that allow ESMAP to make the knowledge generated by the regional block grants to become greater than the sum of the individual projects by both comparative analyses and more general lesson learning reviews and is pleased to note that these have been emphasized in the work program of the thematic leaders.**
29. Some elements of the Business Plan remain to be implemented. This is understandable and not inappropriate given the number of changes in the Bank, the staffing in ESMAP and the many important and positive changes in processes that have been made in the past two years, which required significant management and staff time. **The need for attention to completing the Business Plan and for ongoing strategic refinements and fine tuning of ESMAP continues. Some of the planned issues for the core think-tank work that were given priority by donors and TAG have been slow to start. These include: horizon-scanning; urban energy; the examination of how to address the cooking energy crisis; gender mainstreaming; Clean Air Initiative; decentralized energy for small and medium enterprise.**
30. TAG has remarked earlier, and it is worth repeating, the complexity and the range of the demands together with a wide range of clients (donors, countries, Bank) implies that the trust funds will always be forced to balance between global issues and region and country specific ones, leading to tensions in thematic focus, between Bank needs and other stakeholder needs, between leveraging of actions and investments and public goods of knowledge and capacity building, resulting in inherent tension as well as complementarity between these different demands. The regional windows have improved country coverage and should improve the leveraging of Bank funds. One principal area of activity for ESMAP as a global trust fund is to support increasing policy coherence, and larger and more effective partnerships with a wider range of partners, starting with donors, country clients, and other stakeholders. **We believe that the positive moves towards Bank and country alignment need to be balanced in 2007 with stronger global and regional thematic and knowledge leadership role ascribed to ESMAP for the central staff.** We are pleased to note that this is in fact the aim of ESMAP, now equipped with significantly larger core expert human resources. We have expressed concern from time to time, that the think-tank function of ESMAP is to produce cutting edge, intellectually coherent work that is not necessarily “aligned” with the Bank but offers a different, sometimes even **a critical voice, needs always to be guarded and preserved. This and other outcomes will be followed up by TAG in the coming year.**
31. ESMAP (and ASTAE) staff have provided most useful tables that set out in detail the actual progress against targets set in their Business Plan, and in relation to the recommendations made by the TAG in its report of March 2006.
32. What can be said here, is that the Trust funded energy programmes have been very successful indeed in meeting their targets and TAG believes TAG believes that overall, donors’ trust funds are being managed efficiently and with very useful outputs and outcomes

that meet donor, Bank and client needs. The TAG believes that ESMAP has an increasingly important role to play. TAG reconfirms that ESMAP has special global comparative advantages in many tasks that are needed by the different stakeholders of ESMAP. Similarly and in addition, TAG confirms its view that ASTAE also continues to play a very useful role in a number of countries in Asia (there are more issues discussed about ESMAP in this report however, because of its larger and global role).

ESMAP

33. The TAG is pleased to state that overall ESMAP has made tremendous progress in re-positioning itself, to deliver on many of these rising demands and needs. TAG in 2006 had expressed some reservations regarding the practical difficulties that faced the new manager and TAG is pleased to find that many of the concerns have been allayed by the increasing efficiency of management and expansion of staff. The trust funds will need continued and greater support from all partners and stakeholders, especially the donors, to achieve greater global, regional and country level coherence of policies and programmes.
34. Continuing the metaphor of the ESMAP “bus”⁸ TAG believes that it is increasingly on schedule and going in the right direction, with increased efficiency and greatly increased passenger satisfaction (as measured by responses from Bank client staff). The throughput and core capacity of ESMAP has increased with increased donor support and increase in core staff. These are all necessary elements to deal with increased demands on the ESMAP bus which faces an increasingly challenging and complex environment. The new administrative arrangements, addition of senior expert staff in key thematic areas, and regional windows appear to have improved operational leveraging and local ownership. It has been suggested that the encouragement of the regional energy units to define their plans can also increase quality assurance processes further.
35. The Efficiency Review and Action Plan for ESMAP and the Water and Sanitation Program (WSP) has been progressively implemented, in particular by streamlining functions and seeking synergies between the two programs. **TAG is pleased to note that ESMAP is fully staffed in accordance with the thematic priorities and the Business Plan.** This has been possible due to the donor contributions and also excellent and timely recruitment.
36. The TAG had useful meetings with the strengthened ‘resource management team’, and with the ‘communications and knowledge management team’ responsible for both energy and water. In addition the TAG met with the new “thematic” staff in ESMAP. Without exception they were highly qualified and experienced people who clearly will make a significant contribution in their areas of specialisation. Understandably it will take some time for them to understand the intricacies of Bank procedures and to be able to cover all the topics in their remits, particularly where they are responsible for activities outside their specialist knowledge.

⁸ Minutes of 2005 CG said: “Using the metaphor of a running bus, Mr. Davis raised the key questions such as the operation, ownership, direction, approach, stakeholder relationships of the ETFPs.”

ESMAP Core Team Members

Manager (shared with WSP)	Ede Ijjasz-Vasquez, Manager, ESMAP.
Energy Poverty	Douglas Barnes
Energy Efficiency	Ashok Sarkar (joined December 2005)
Energy Markets and Governance	Tae Jong (joined ESMAP December 2005). Ananda Covindassamy retired in December 2006
Energy Security	Jonathan Cooney (joined ESMAP November 2006)
Renewable Energy	Soren Krohn (joined ESMAP August 2006)
SME program	Marlon Lezama (joined December 2006)
Support functions (shared with WSP)	
Finance and resource management	Lydia Kruse Tietz, Resource Management Officer Vishy Ramanathan, Resource Mgt. Analyst
Communications and knowledge management	Heather B. Worley and Marjorie Araya

37. TAG believes that this core staff of ESMAP, in combination with the new ways of working that have reduced administrative burdens on the core staff, will provide a better balance in the use of staff resources in managing the core functions of think-tank and regional support together with the required administrative oversight functions.
38. There are several positive indicators that the steps that have been and are being taken by ESMAP to improve its effectiveness are paying dividends⁹. Among them are:
- ESMAP reports is now more timely, for instance the annual report was available in draft in January 2007 which is considerably sooner than in most previous years, thus making the TAG's task easier.
 - Written and other outputs have increased, and are more timely. In particular the time to publication has declined, a regular Newsletters has been produced, together with short briefing documents.
 - Regional departments unanimously report that many administrative delays have been removed, and that they have been greater certainty by means of indications of allocations for 2007 and 2008, thus allowing for better planning and coordination.
39. The TAG noted the contribution that ESMAP had made in support of the Bank's development of the "an investment framework for clean energy and development" and the widespread acceptance of the political importance of the document. **TAG welcomes the distinction being made between development and access issues especially for Africa on the one hand and low carbon transition needs of the rest of the world on the other.**

ESMAP Regional Windows: the overall situation

40. ESMAP has continued to implement its policy of providing "block grants" to the Bank's operational programmes in the regions, also known as ESMAP's "regional windows". A second round of allocations was approved in December 2006.

⁹ Of course, there are also issues that need attention and these are discussed in later sections

41. The TAG found that the regional windows continue to be universally welcomed. There is also a general sense of improved procedures and flexible response on both parties. This second round of grants introduced enhancements based on lessons from the first round. These include:

- A clearer description of the rules under which the block grants will operate
- Allocations were influenced by the extent to which the first round of grants have been disbursed by each unit
- Several mechanisms, including a reserve of fund, and improved financial outlook information to the regions, allow greater assurance of similar level of support in 2008 to regional units, subject also to timely and quality delivery of outputs
- For multiyear activities Task Team Leaders (TTL) are requested to specify in advance the year in which they expect the funds to be spent
- The appointment of regional co-ordinators both in the Regions and in ESMAP to improve communication.
- In particular 25% of the grant amounts were made on approval with the commitment to provide the subsequent funds when the “Project Concept Note” documentation is completed (which is essentially a contract to deliver specific outputs) and reviewed by the ESMAP core team to ensure incorporation of cross-regional lessons, global perspectives, and overall quality enhancement

42. Getting the buy-in from multiple Bank units is nonetheless a fairly complex process. The functioning and outputs of the windows will need to be monitored.

43. While efforts were made to balance the distribution of block grants between the themes of the ESMAP business plan, some regions needed encouragement to find enough good proposals associated with poverty reduction. In effect the block grants arrangements have resulted in more coherence and larger amounts of funding going to Africa. They also have resulted in an increase in support to the Middle East, Eastern Europe and Central Asia, and the oil sector in the context of the energy security theme. Volumes committed to South Asia have also begun to pick up

44. The small “innovation fund” that has been in existence since 2004 was allocated to the Clean Air Initiative in 2007 (no funds were allocated to this activity in 2006).

ESMAP FUNCTIONS

Analytical work by the think-tank

45. With the enlarged core ESMAP team, it is expected that a larger “own-managed” programme of work will be implemented that will bring the budget allocation between ESMAP “core” and the allocations to regions and themes to closer alignment with the ESMAP Business Plan.

46. The ESMAP manager has indicated that ideally he would like his staff to allocate their time as follows:

- 50% to ESMAP’s “own managed” programmes
- 20% to the administration of the Block grants, and
- 30% cross support to other parts of the Bank, both to propagate the experience of the ESMAP findings, but also to utilise the specialist expertise of the ESMAP staff. A key

objective of the cross-support is to influence the design of Bank operations and enhance their quality with cross-support activities selected from a larger set of requests based on the potential impact of ESMAP staff involvement.

47. **The TAG regards this as an ideal allocation.** ESMAP staff have allocated a considerable amounts of time to so-called “legacy projects” which were started in previous period and need to be completed. As the unrestricted funds have become available and new staff have been recruited it is expected that new “own managed” projects will be suggested that build both on the needs of the Bank and the skills of the staff. These ideas will be elaborated into Project Concept Notes during 2007.
48. The TAG takes the view that there are a number of interesting activities being undertaken under the block grants, and it has a sense that the thematic leaders within ESMAP are taking action now to see how they can add value to these activities so that the ‘whole can be made greater than the sum of the individual parts’. An examination of the topics covered by the block grants suggests to the TAG that candidate topics for these value-adding activities would appear to include:
- continued work on modern biomass fuels, particularly liquid fuels and biomass applications for rural, household and decentralised power production
 - new models for supplying modern energy services to poor people through small and medium enterprises, and
 - energy assessment methodologies at the country level

Operational Leveraging

49. The ESMAP business plan indicates that one of the functions of the ESMAP funds is to help ensure that the results from the analytical and knowledge work are integrated into country-level policy dialogues and the scaling-up of investments in energy services by development partners. Some examples of such operational leveraging are given in the following discussion on the thematic areas; for example under the energy poverty thematic area, the use of the review of rural electrification best practices in the scale up of energy access in the Africa Region involving both grid and off-grid electrification; the use of reviews of improved stoves and indoor air pollution in increasing focus on improved stoves to reduce indoor air pollution in South Asia and Haiti; and plans for use by regional operations of energy guidelines for living standards measurement studies that will be used to guide national poverty plans.
50. The TAG believes that the block grants to the operations departments in the regions offer more opportunities for operational leveraging and this will clearly be something upon which ESMAP should be able to report when the first round of block grants is completed. Certainly the grants to the small enterprise theme (see below) should in principle open up new ways for the Bank to address the issue of providing modern energy services through small enterprises. Furthermore it is to be hoped that the appropriate ESMAP manager will require the regional teams to report such impacts when and if they occur.

Knowledge-sharing clearing house

51. TAG interviewed the new ‘communications and knowledge management team’ responsible for both energy and water when it visited Washington in October and again in January. The ESMAP report for 2007 provides details of the different “communications products” that have been elaborated to meet the needs of particular segments of the audience. The new products include
- Flagship reports, reflecting cutting-edge outputs
 - An Enhanced Report Series, essentially providing a more attractive format
 - A Knowledge Exchange series of short (four page) briefs
 - A redesigned ESMAP eNews, highlighting publications, events and news, and providing a quarterly summary of ESMAP updates.
52. The TAG believes that ESMAP is professionalizing its publications processes and speeding up the time to publication. It is also providing high quality outputs on a number of topics. The TAG were particularly impressed by the ESMAP-funded report on Biofuels and the WTO¹⁰. This appears to the TAG to be of high quality, timely, and challenging to the conventional wisdom. A longer review of this document appears in Annex 3.
53. The TAG found a number of other reports to be highly competent and authoritative. These include the review of electricity sector reforms and the poor in Europe and Central Asia, and the global experience in the management of oil funds. These extract the general lessons learned from a wide diversity of experience¹¹. The latter book reviews a wide range of schemes including those of Norway and the Alberta Heritage Saving Trust Fund, as well as those of Oman and Kuwait. *People and Power* brings together a series of studies on the distributional impacts of electricity sector reforms in Europe and Central Asia region between 1999 and 2004. Breaking new ground at the time, the approach to poverty and social impact analysis taken with these studies has been mainstreamed into Bank operations and is now routinely conducted to analyse the likely impact of policy reforms and determine effective mitigating strategies.
54. A second issue is on ensuring the maximum value from the ESMAP outputs. We note that the documents referred to above have been extensively peer reviewed both within the Bank and outside. This is to be commended though it does add to the time for completion but the improvement in quality makes this a necessary step. In the small sample of reviews of trust funded outputs, **TAG has found that the practice of “peer reviews” can be improved with the almost automatic addition of greater numbers of reviewers external to the Bank. At present there is a relatively rigorous process of review for ESMAP output, but many are limited to peer reviews within the Bank.**
55. Finally, related to getting the maximum value from the outputs, is the issue of different formats for presentation of reports. It is the view of the TAG reviewer that both the

¹⁰ *Considering Trade Policies for Liquid Biofuels* January 2007 Draft by Masami Kojima, Donald Mitchell, and William Ward.

¹¹ **People and Power: Electricity Sector Reforms and the Poor in Europe and Central Asia**, by Julian A Lampietti, Sudeshna Ghosh Banerjee and Amelia Branczik. **Experiences with Oil Funds: Institutional and Financial Aspects** Robert Bacon and Silvana Tordo (report 321/06).
http://wbln0018.worldbank.org/esmap/site.nsf/files/321-06+Experiences+Oil+Fund_for_web.pdf

documents discussed above, can and should have alternate and additional methods of presentation of the results. The two documents cover a very large terrain and raise many issues and also provide some guidance on many of them. The complexity and interconnections between issues makes the presentation of the results inherently difficult. Both documents (as they are or incorporating other material) can usefully be repackaged in more user friendly reports and/or several policy briefs. TAG is pleased to note that this is one major purpose of the four-page notes and ESMAP is following this process for the documents discussed.

56. TAG has been a strong supporter of ESMAP written outputs. ESMAP has been a major intellectual force over the years. But the TAG has also argued for an equally long time that there would be considerable benefit to ESMAP undertaking a serious user survey (market survey) in order to better understand its audiences, and to assess whether or not its communications outputs meet the needs of users. The TAG is not aware of any donor managing to measure the impact of its publications, and this is not recommended at this time. But it would be useful to understand who uses the publications, and to see what types of output target audiences want. TAG also found the larger evaluation of World Bank research¹² carried out by an external panel of great interest. This focused more on the outputs of the Development Economics Group and even though it included some wider publications from other units, the energy trust funded publications have not been looked at. It provides useful methodology that can be applied to the ESMAP publications portfolio at a reasonable cost.
57. The TAG did not press these points in its earlier reports, given that the most pressing need was to reform the publication processes, and to speed up the operation. Now that this is progressing well, **the TAG recommends that ESMAP should now to turn its attention to undertaking one or more user surveys. This should include both print and electronic publications and web page.**
58. In November the TAG asked members of the CG to whom in their staff they would like ESMAP publications sent. Only two donors replied. A number of possible conclusions can be drawn from this fact, but it provides prima facie evidence of a lack of demand from this particular quarter.
59. The TAG's own experience suggests that the main audience for the technical reports are Bank staff and consultant firms who act as contractors both to the Bank and to client governments both in OECD and developing countries. Certainly such groups should be included in the survey. Consultants often make good use of ESMAP publications and their reports can shape government policy.¹³ Of course, another audience for the reports are clients in developing countries. But their relative views will only become clearer with user surveys. **It might also be useful for ESMAP to monitor citation of its publications and analyses in key international and donor reports, as a way to monitor impact.**
60. Electronic communications are increasingly important and the TAG is pleased to note the improved ESMAP electronic newsletter. The ESMAP web site we understand is still under improvement and in the view of the TAG this is indeed needed. It is still difficult to find or

¹² An Evaluation of World Bank Research, A. Banerjee, A. Deaton, N. Lustig, K. Rogoff and E. Hsu, September 24, 2006, OED, World Bank.

¹³ For example the draft Energy Sector Report prepared by consultants for SIDA makes wide use of ESMAP publications.

identify key publications when searching (and this is not necessarily improved by the diverse labelling of publications now); and reporting of actual engagements is not up-to-date.

ESMAP's Thematic Areas: Overview

61. In the view of the TAG, the ESMAP Business Plan adopted in 2005 addressed the emerging issues well through its four themes. Work had been slowed with funds and staff constraints in 2005. The four themes are:
 - energy security (the impact of higher oil prices at macro-economic level and on the poor, and energy efficiency are included here);
 - energy-poverty (both rural and peri-urban access as well as the GAPFund; the provision of decentralized energy services through small and medium enterprises and the gender theme have recently been moved to this thematic area);
 - renewable energy (supporting the Bank's overall mission); and
 - governance and market efficiency (including regional power trade, and until recently the provision of decentralized energy services through small and medium enterprises).
62. Overall the thematic areas appear to be well funded now, with major gaps noted in 2006 covered with the additional donor resources that have become available to ESMAP. The balance of effort across themes is broadly appropriate and in keeping with the business plan (except as noted). TAG notes with approval the increased emphasis on a wider spectrum of energy efficiency issues and that in the coming years this will demand additional resources for cross sectoral and structural work.
63. Several wider issues stand out in the view of TAG from the discussions in this thematic area. First, when the new business plan is developed in 2007 for the period 2008-2010, it will be worthwhile to rethink the organisation of the main themes. It has become clearer that the four current themes do not have the same level of hierarchy (as economists often say it mixes apples and oranges). It appears to TAG that ESMAP has been working and will continue to work to support the achievement of three global goals:
 - **Improving energy access with equity and energy for poverty reducing growth;**
 - **Increasing energy security for countries and reducing effects of both price and supply volatility; and**
 - **The promotion of lower carbon energy options (and other environmental damages) which will require direct energy sector policies and also wider policies towards lower carbon economic structures.**
64. Achieving these goals will require a suitable mix of mechanisms (including both policies and investments). These mechanisms include work to improve governance, market efficiency, and energy efficiency. The mechanisms might also include investment in specific areas such as renewables in general, or more specifically on wind, hydro, biomass and so on.

Energy Security

(Thematic Area Leader: Jonathan Cooney)

65. The ESMAP work on energy security is focused on policies for poor countries to mitigate price and supply instabilities. As we comment in the introduction, higher volatility in energy prices, supplies, and policy responses, are likely to be with us for the medium term. TAG had remarked in 2006 that the energy security theme area had produced work on the macro-economic impacts of higher oil prices, including the impact on different income groups¹⁴. It had also produced a report on biofuels¹⁵. It is to ESMAP's credit that some of the work had begun earlier when oil prices were lower. Work along each of the two dimensions has continued, with several new publications in 2006 (two of which are commented below)¹⁶, and papers and seminars.
66. The two new documents for 2006 were reviewed by one TAG member. **They are judged to be excellent, timely, and valuable to many different clients.** The 2005 report on oil prices focused more on the impacts on countries and the poor. The 2006 report starts with a policy framework to deal with rising prices, how the effects of higher costs can be reduced for end-users and their equitable distribution, political support for policies. It also reviews the response of 38 countries to the high oil prices. The responses have been complex and depend on income levels, size of the economy, degree of market liberalization, pricing policy, ratio of imports and socio political factors. The report suggests longer term directions for more coherent response in the future. ESMAP reports that this has been used to document macro economic costs of various policy options and in country dialogues as in the Philippines and the work formed the basis for a report to the Bank's Board. Another excellent report on Biofuels which belongs in energy security here and also in renewables is discussed later.
67. The Energy Security Portfolio includes 39 projects in 2006 for a total commitment of US\$5.4 million. The dominant share (26) was on Energy Efficiency with commitments of US\$3.9 million (or 72% of the total). TAG agrees with this balance and the priority now being given to efficiency which had been neglected in past years.
68. Among broad themes that have emerged - regional integration and energy trade has emerged as important with work in the Southern Cone of Latin America, West and Southern Africa, Southeast Europe, between central Asian and South Asian countries and in Southeast Asia. ESMAP has a new staff member taking a lead in this area.
69. For 2007, the plans are to continue with the main issues highlighted, namely regional trade and integration; mitigating effects of oil price volatility with a project, to measure and assess volatility and then look at ways to ameliorate its effects; demand-side responses; and, mechanisms to improve environmental performance of coal in India and China; are all useful directions to follow in our opinion.

¹⁴ TAG had commented positively on the ESMAP reports "The Impact of Higher Oil Prices on Low Income Countries and on the Poor" and "The Vulnerability of African Countries to Oil Price Shocks: Major Factors and Policy Options".

¹⁵ ESMAP report "The Potential for Bio Fuels for Transport in Developing Countries".

¹⁶ New for 2006 following up on the two issues are "Coping With Higher Oil Prices", R. Bacon and M. Kojima, August 2006 and "Considering Trade Policies for Liquid Biofuels", by Masami Kojima, D. Mitchell and W. Ward, (draft) January 2007

70. Given the excellent presentation of the portfolio, its composition, outputs, and geographical distribution of the 13 active projects in the ESMAP annual report, TAG does not need to provide additional details here. As in the ESMAP report, the portfolio on Energy Efficiency is covered in a separate section.

Energy Efficiency

71. (Thematic Area Leader: Ashok Sarkar)
72. In the previous report TAG did not have any discussions on this theme as the thematic team leader had only recently been appointed. **TAG is now pleased to note that the ESMAP program on energy efficiency has found new energy with the addition to human resource at ESMAP. It has been the view of TAG that work on energy efficiency should be one of the highest priorities for the ESMAP, the Bank and partner countries¹⁷.** This rise in priority has now been acknowledged with the increased concern with respect to global warming as one major pillar towards solutions must rest with increased efficiency of energy use. Too often energy efficiency has been seen by policy makers as a “luxury” for rich countries and less relevant to poor countries.
73. One of the relatively simple but tremendously exciting projects developed through ESMAP and the lead person is the “Uganda Energy Efficiency” component in the Emergency Response to the country’s power crisis. This component, implemented in 2006, provides for bulk procurement and distribution of 800,000 compact fluorescent lamps to residential consumers by the local electric utility. This single measure is expected to reduce peak load by 25 MW to alleviate the power deficit situation in the country, with severe shortages. This is one example of “low hanging fruit” of energy efficiency that has wide potential in many developing countries. **It will be important for ESMAP to ensure that it continues to be involved in the execution and post execution learning and dissemination of results for possible replication in other countries.**
74. Again the ESMAP Annual Report provides a clear narrative of the energy efficiency portfolio, its composition and geographical spread. So we only draw attention to some of the highlights of 2006. The support to Energy Design Guidelines for Housing in Mexico is noteworthy in beginning work on an important sector that can provide large efficiency gains in particular as cooling needs of inefficiently designed buildings are driving a large part of the electricity demand growth in many countries.
75. Since the last TAG report (March 2006), the “Developing Financial Intermediation Mechanisms for Energy Efficiency Projects in Brazil, China and India” has been completed (awaiting final publication). As a consequence, energy efficiency loans through local financial intermediaries are being prepared for China. Similarly Brazil established a credit line to guarantee 80 percent of the credit risks in energy efficiency projects to be implemented in coordination with the Brazilian Association of ESCOs. Furthermore there is also a useful geographical spread as the Efficiency Policy in Morocco is leading to the development of the draft law of energy efficiency and likely Bank investment.
76. China is naturally a country with special focus for energy efficiency. Activities there include the analysis of more efficient use of coal; coal bed methane; Energy Efficiency Policy, Regulation and Institutional Framework; and earlier work has led to new National Heat

¹⁷ This had also been part of the rationale for the creation of ASTAE. TAG is pleased to note the increased cooperation between ASTAE and ESMAP, especially in China but also in other countries noted later.

Pricing Method by the Ministry of Construction in China. In China, ESMAP and ASTAE cooperated in the “Shanghai Energy Conservation Promotion Project” to build momentum toward energy conservation in the Shanghai Municipality. This is linked to another successful ESMAP and ASTAE activity in Shanghai which developed a green electricity scheme for the first time. The joint ESMAP/ASTAE publication¹⁸ is an excellent report. The report deals both with operational issues relevant to the specific needs in Shanghai and also has an appropriate review of related experiences in other countries. While the basis for such schemes on appeals to consumers conscience will not have a very large impact by itself, increased supply of electricity from mandated utility programs are gaining widespread political support as one approach to reducing electricity related emissions.

77. Potentially valuable work that has been started include the “Win-win DSM Options in Developing Countries”, which looks at strengths and weaknesses of utility DSM programs in the past – both WBG funded programs in Kenya, Thailand, Vietnam, and Brazil and also non-Bank DSM programs in India, Tunisia, Hungary and Dominican Republic. “Building up on Energy Efficiency Institutional Best Practices” examines the potential role and structure of alternate public sector-based energy efficiency institutional practices. Another important initiative is the “Plus Five Countries Energy Efficiency Indicators Project” in Brazil, China, India, Mexico, and South Africa. This is in cooperation with the International Energy Agency, the Inter-American Development Bank (for Brazil and Mexico), and the US Agency for International Development (for India). The project would help complement macro-level EE indicators with end-use level indicators- such as in urban/ buildings, industry, transport and agriculture sectors. It will lead to a better understanding of the drivers of energy demand by sector, and the measurement of energy efficiency and environmental performance of end-use technologies in these sectors vis-à-vis structural effects in within and across sectors.
78. ESMAP has promoted and helped establish an “Energy Efficiency Thematic Group” in WBG to exchange operational ideas and solutions across core energy and user sectors (transport, urban, agriculture) for scaling up energy efficiency in the WBG portfolio. ESMAP supported a Forum at the CSD-14 which called for significant scale-up of energy efficiency investment in the developing world.
79. The requests for projects under regional block grants include many energy efficiency projects spanning the regions and across various sectors. **The theme is making excellent progress toward goals in the ESMAP Business Plan and there appear to be very useful impacts over time. Looking ahead TAG anticipates increased demand in this area across sectors and regions.**

Renewable Energy

(Thematic Area Leader: Soren Krohn)

80. The renewable energy theme has been given high priority stemming from the renewable energy commitment made by the World Bank at the Bonn conference in June 2004. This is further supported by increased concern over climate change and the need for a low-carbon economy, as well as by the need to diversify energy supply options for energy security. The promotion of renewable energy has also always had as one objective to increase energy

¹⁸ “Developing a Green Electricity Scheme for Shanghai” by Nouredine Berrah, Enno Heijndermans and Mark D. Crowdis.

availability in un-served areas, promoting energy access and equity. This area has been strengthened within ESMAP by the addition of a senior staff expert in the spring of 2006. ESMAP work in the past year includes responses to higher demands for support to RE investment projects in most regions.

81. In 2006, ESMAP had a portfolio of 15 projects with US\$2.2 million of commitments that focused on four main areas: policy and regulatory frameworks; market opportunities; financing resource assessment and sector development studies; and knowledge. The full list is provided in the ESMAP annual report. ESMAP lead staff in the area is providing important cross support to Bank investments, especially in the area of grid connected wind power.
82. An important activity being undertaken is to develop methods to better compare the economic value of “free-fuel renewables” such as hydro, wind and solar on the one hand and fuel-based power generation. This attempts to look at uncertain future costs not well addressed by current analysis of power projects.
83. ESMAP has funded an analysis of the potential for biofuel production in Mozambique as well as an assessment of the social and economic impacts of biodiesel production in Brazil.

Energy Poverty

(Thematic Area Leader: Doug Barnes)

84. Energy for poverty reduction remains on the international agenda with the MDG and CSD processes. Enabling poor people to gain access to modern energy services remains challenging especially in Africa and South Asia. **The need to raise attention to the relationships between energy and poverty , disseminate lessons learned and encourage the use of best practices, etc., both in the Bank and outside, is still very much present. ESMAP continues to provide useful analytical contributions to these issues and has been able to integrate key findings into country-level policy dialogues and operational Bank activities. This theme is of critical importance for ESMAP and receives a substantial part of the funding and management attention.**

Progress against 2005-2007 Business Plan

85. The ESMAP Business Plan 2005-7 included analytical work on peri-urban issues, subsidies, biomass energy, and the impact of energy on developing countries linked with multi-sector work and MDGs; knowledge tasks such as synthesis of foundation work on indoor air pollution and rural electrification, completion of studies on impact of reform on the poor, development of training programmes, and work on an energy-poverty index; and operational leveraging through testing business models for peri-urban areas, addressing issues of distribution of household petroleum fuels, support for scaling up energy services in non-energy projects, support to the Global Village Energy Partnership (GVEP), and support for pre-investment activities.
86. The energy poverty thematic area currently also includes both the major DfID project on energy in small and medium scale enterprises (in previous years covered under the market efficiency and governance theme), and the emerging work on gender and energy. These, and GVEP, will be discussed in separate sections below.

87. The breadth and depth of work under the energy poverty thematic area has established ESMAP credibility and reputation as a principle source for analytical work on energy access. After several years of delays in completion of publications, **the majority of the Business Plan for Energy Poverty has been successfully completed**, with the publication of several legacy flagship documents this year. Major tasks, outputs, and TAG recommendations are indicated in the table below.
88. The backlog of legacy work is gradually being cleared and **analytic work** by ESMAP on energy and poverty continues to be cutting edge as evidenced by the six (compared with 3-4 promised in the BP) high quality flagship publications that have been produced or will soon be (indicated in the table in italics) on: urban household energy; environmental health and traditional fuel use (two, one in Guatemala and one in China); energy guidelines for living standards measurement surveys; rural electrification best practices; and the impact of electricity sector reform on the poor.¹⁹ Four-page briefing notes have been an effective means of dissemination of key findings and policy recommendations; four of these have been produced.²⁰
89. Under **operational leveraging**, ESMAP has provided critical support to AFTEG in development of an Energy Access Action Plan for Sub-Sahara Africa as part of the Clean Energy Investment Framework. Further ESMAP support to the Africa Region has been requested under the FY07 block grants and **in the view of the TAG, ESMAP support will be essential to achieving Bank and client capacity to integrate energy access with clean energy in the Plan**. A portfolio review of energy access in the Bank that was planned in the BP and executed in 2005 was still judged not ready for distribution by ESMAP and was not made available to the TAG. **When completed, the ESMAP portfolio review of energy access in the Bank should form a useful baseline against which further progress can be judged.**

Status of Energy Poverty Thematic Area, Business Plan 2005-7		
Task	Outputs	TAG comments
Think tank		
Peri-urban issues	- Brazil workshop 2005 (report forthcoming – over a year in production) - <i>The Urban Household Energy Transition</i> (2005)	Given the importance of urbanisation it is likely that more work will be necessary on peri-urban issues
Economic justification for subsidies	-	See specific recommendations on gender
Guidelines for development & use of biomass options	- <i>Traditional Hearths and Polluted Homes: Energy, Environment and Improved Stoves in India</i> (forthcoming 2007) - <i>Environmental Health and Traditional Fuel Use in Guatemala</i> (2005) - <i>Household Energy, Indoor Air Pollution and Health: A Multi-sectoral Intervention Program in Rural China</i>	TAG supports planned ESMAP biomass energy & household energy specialist with focus on Africa Biomass remains an under funded area in both ESMAP and regional work programs: define niches for World Bank and

¹⁹ See table for full titles.

²⁰ *Transformative Power: Meeting the Challenge of Rural Electrification; Four Regulatory Principles to Promote Diverse Electrification; A Primer on Consumer Surplus and Demand: Common Questions and Answers; Indoor Air Pollution in Cold Climates: A Comparison of Mongolia and China* (forthcoming).

	<i>(forthcoming 2007)</i>	encourage regions
Impact of energy linked with multi-sector work & MDGs	- <i>Energy Policies and Multitopic Household Surveys: Guidelines for Questionnaire Design in Living Standards Measurement Studies</i> (2006) - framework for M&E of rural electrification projects in Vietnam, Peru & Mongolia - draft on energy-poverty links in Bangladesh	Continue move to operationalise M&E in cooperation with regional operations.
Knowledge clearing house		
Synthesis of foundation work	- <i>The Challenge of Rural Electrification: Successful Experience and Strategies for Developing Countries</i> (forthcoming, 2007) - Gender and energy website ²¹	See specific recommendations on gender mainstreaming
Complete studies on impact of reform on poor	<i>People and Power: Electricity Sector Reforms and the Poor in Europe and Central Asia</i> (2006)	
Develop training programmes with WBI	Funding redirected to Energy Access in Africa initiative	
Energy-poverty index	Draft framework applied in Bangladesh	Extend to other countries and cooperate with Africa on development of indicators
Operational leveraging		
Test alternative business models for peri-urban areas	No work reported	Need to complete planned work on peri-urban issues
Review of distribution of HH petroleum fuels	No outputs reported	More work necessary on how to introduce interfuel substitution into regional operations
Provide operational support for Access Scale-Up Initiative through:	Energy Access in Africa Scale Up Initiative produced jointly with AFTEG.	
- GVEP GAPFund	20 projects in 10 countries	NGO grant program shows high demand but modalities difficult for Bank
- Support to Africa Region for Energy Access Action Plan for Africa	<i>Annex 1. Energy Access for the Poor to An Investment Framework for Clean Energy and Development</i> approved by Bank Board (Sept. 2006)	Continued assistance to Africa Region will be important to build capacity of Bank staff and client countries to implement the Plan.
- Portfolio review of energy access	Draft under review (June 2006)	This study should be completed and made available as soon as possible.
- Regional block grants	Largest area of block grants, 24% of portfolio with 82 projects, USD\$13	Continued emphasis on energy poverty thematic area needed

21

	million	with assistance to regions to address energy poverty, including biomass and cooking energy, in regional grants.
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90. A major achievement in the energy and poverty thematic area appears to have been operational leveraging of ESMAP's research findings in the Bank's operational regional programs, in several areas:

- use of review of rural electrification best practices in the scale up of energy access in the Africa Region involving both grid and off-grid electrification;
- use of the same review for significant emphasis on M&R in rural electrification projects results in major regional block grants to develop analysis and research methods in Peru, Vietnam and ;
- use of reviews of improved stoves and indoor air pollution in increasing focus on improved stoves to reduce indoor air pollution in South Asia and Haiti;
- plans for use by regional operations of energy guidelines for living standards measurement studies that will be used to guide national poverty plans.

91. **The TAG welcomes this operationalisation of research findings on energy access, and encourages continuation in these directions.** Under the new regional block grant system, there has been a high demand for Energy Poverty projects, and it remains the largest of the thematic areas with 82 projects [not just block grants] thus far, of which 53 are under implementation valued at about \$13 million. The Africa region has the largest number of projects and highest amount of financing under the Energy and Poverty thematic area. This year, 24% of regional block grants by value (\$1.67 million) came under the energy poverty thematic area (22% of activities), compared with 26% of the portfolio last year (\$1.51 million). The portfolio under implementation is even larger, with 52% by value (\$13.1 mil) of the total and 39% by number of activities (25) under energy poverty. Despite the size of the energy poverty portfolio, ESMAP reports that some regions find it difficult to identify projects related to energy access/poverty and require ESMAP assistance in doing so.

Review of TAG recommendations 2006

92. In 2006, the TAG recognized that due to budgetary pressures and lack of staff time, some significant gaps existed in the energy access agenda. Concerning **peri-urban household energy**, a literature review (and flagship publication) and an initial effort to define a program through the Brazil workshop in 2005 have not yet materialized into further activities. Over the next three decades almost 95 percent of population growth will occur in urban areas, and gaps in energy access are likely to occur. This is an example of **an issue where ESMAP should be forward-looking.**

93. Concerning **biomass energy and cooking energy**, the TAG is encouraged by the high-quality analytical work and believes that much more needs to be done in the area of biomass energy and cooking energy to continue to provide the basis for a Bank operational role in this area.²² Operationalisation of ESMAP's analytical work on biomass energy and cooking

²² Per 2006 TAG report recommendation: "...a more focused effort on cooking energy, through partnerships with other UN and donor agencies, would be timely. In the view of the TAG, and strongly supported by the donors at last years' [2005] CG meeting, the cooking energy crisis should be the subject

as well as of other trust fund program experience²³ in the World Bank regional energy units is at an early stage in most regions. **It is highly encouraging that a concept is emerging under the Africa Energy Access Plan and that the Africa region has adopted biomass and cooking energy as a one of its pillars, a first for a World Bank region. This effort needs further support and development of not only the electricity component but of the biomass energy component as well. There needs to be a greater operationalisation of the issues of biomass and household energy in other regional energy units as well, by encouraging block grant selection in these areas, and learning from these activities.**

94. Expertise on biomass energy and household energy is thin in the Bank and ESMAP has traditionally been the incubator for such skills for the Bank in this area. ESMAP will contribute to Bank capacity when the planned additional staff member on household energy is hired. **Importantly, ESMAP can contribute to the development of an informed Bank viewpoint and niche identifying its comparative advantage on biomass and cooking energy.**²⁴ **The TAG believes that ESMAP could usefully do more to provide intellectual leadership to global debates related to household and biomass energy** for example on market identification, supply chains and institutional responsibilities in stoves for different markets; household energy, indoor air pollution and health; or the issue of non-renewable and renewable biomass under the CDM and voluntary carbon markets.
95. Last year the TAG recommended the preparation of **operational background papers on energy strategies suitable for PRSPs**²⁵ in high profile countries, and several donors expressed interest in energy sector assessments along the lines of past ESMAP work (though with an improved approach). **The TAG supports such energy sector assessments under the Africa Energy Access Action Plan and believes that energy sector assessments - including both electricity and biomass fuels - can be a useful tool for integrating energy and national poverty plans, and providing the framework for donors to contribute to the new “syndicates”.** The new guidelines on energy in Living Standards Surveys and energy poverty index being developed by ESMAP offer methods that have been welcomed by Bank units as a route for energy to contribute to PRSPs as well.

The Small Enterprise Programme

(Sub theme manager Marlon Lezama)

96. This programme has the potential for contributing significantly to poverty reduction by using public funds to leverage increased capital from local private sector sources. While such interventions are likely to remain a small proportion of the total requirement and total World

of a major initiative and an examination is needed of how to approach the household energy problem in a different way that will truly address the needs of the poor and meet the MDGs.”

²³ In particular, of the experience of the Africa Regional Program for the Traditional Energy Sector, (RPTES), reviewed in last year’s TAG report.

²⁴ For example, the recently issued World Bank report on progress in renewable energy and energy efficiency states that: “The implementation of improved stove programs (ISPs) for wood fuels had mixed results, as substantiated by (a) lack of proof on deforestation reduction effects, (b) limited reduction of aggregate demand for wood fuels, and (c) poor demonstrated consumer acceptance of improved stoves, as confirmed by limited market sustainability of ISPs beyond the initial donor-subsidized phase.” Sources for this statement are not clear, but it is contradicted in fact by findings of ESMAP analytical work.

²⁵ These were included in an earlier approved concept note, but were not financed due to the transition to block fund agreements.

Bank energy activity, TAG strongly supports the SME initiative. It represents one of the few real opportunities to for reaching poor people that the state alone is unlikely to reach through grid based electricity or subsidized distribution of fossil fuels such as kerosene or LPG.

97. The SME program was previously managed by the Governance and Market Efficiency theme. But reporting was now been moved to the energy poverty theme because most of the activities in the SME program are intended to unlock the potential of the domestic private sector to provide energy services to the poor, rather than focusing only on market reforms and other policy changes to provide a better enabling environment upstream.
98. During its October visit TAG noted that the ESMAP sub-programme, which is supported by a grant from DFID appears to be making progress after a slow start. The management of the current activities have been delegated to the Regions and assurances have been given to the TAG that all the activities underway are fully aligned with the objectives of the programme. The TAG was provided with a set application forms and Log frames for projects in five countries in October and interviews were held with some of the staff responsible for the projects in the Regions. The projects appear to be largely adding new activities associated with existing Bank programmes. While this makes sense it means that the programme will have to put in additional effort to learning from the other innovative SME energy programmes around the world. As part of this work one paper has already been produced and another, essentially a literature review, is in progress.²⁶.
99. The newly appointed Senior SME specialist will have responsibilities in both the energy and water programmes. He will manage both programs in an effort to unlock the potential of the domestic private sector to provide services to poor people and ensure close coordination across these two programs. The TAG is pleased to learn that it is also the responsibility of the central ESMAP team to lean the wider lessons from these projects.
100. It is too soon to form an opinion about the outputs of these projects as many of them have only recently started. Furthermore the thematic manager had only arrived in ESMAP in the last days of 2006, just before the TAG's visit and he could not be expected to be up to speed. This therefore remains an important sub-programme to which a great deal of money (\$10m) has been allocated. .
101. TAG therefore recommends strong support for this exploration of new ways of providing modern energy services to poor people through the SME sector using largely local private capital. Given the rather shaky start the TAG recommends that this sub-programme is given particular supportive oversight in 2007 and that progress reports are made available to the CG and the TAG as soon as they become available.

Global Village Energy Programme (GVEP)

102. The Business Plan described its commitment to assist in the implementation of the Global Village Energy Partnership both in terms of financial or thematic support to the Technical Secretariat, the launch of the GAPFund to support partner activities, and country-level activities that include the preparation of multi-sector energy-poverty investment plans and pilot projects.

²⁶ *“Four principles for effective regulation of grid and off-grid electrification”* by Bernard Tenenbaum and Kilian Reiche, World Bank 2004, and *“Toolkit for Access to information on Low-cost options for small scale and off grid electricity systems in Developing countries”*, Draft May 2006.

103. The 2006 ESMAP report notes that these activities have continued in 2006 with a number of successes including the setting up and disbursement of funds under the so-called GAP Fund.
104. However during the year there have been major upheavals within the GVEP secretariat, including the departure of the programme manager. There also appears to have been a major gap in funding leading to the secretariat being unfunded since July 2006. A new more market orientated business plan has been developed, which apparently will lead to a new model of operation.
105. But perhaps the biggest event of the year was the announcement by Russia at the 2006 G8 meeting to contribute US\$30 million for the GVEP program to create two funds in East and West Africa for small scale energy development in rural and peri-urban areas. The TAG understands that these funds will be channelled through ESMAP. The TAG further understands that discussions are underway between Bank staff and the Russian officials on setting up the arrangements and legal documents for the management of these funds. This will be followed by thorough peer review process of the draft technical proposal.
106. The TAG would merely note that at the time the ESMAP business plan was written it was noted that “certain donors raised concern that [assisting GVEP] might have diverted from ESMAP’s primary functions to undertake analytical and knowledge management work” and it was acknowledged that even at that time “this effort created a strain on ESMAP resources” (Business Plan page 55). We also note in this context that even the setting up of the GAP fund proved to be very labour intensive in terms of ESMAP staff time.
107. The TAG remains convinced of the important of GVEP to ESMAP in providing an innovative mechanism for channelling funds and other support to partners in developing countries. Given the rapidly changing nature of GVEP as the result of its new business plan and prospects of increased funding from Russia TAG recommends that as part of its normal reporting processes ESMAP management provides a clear statement to the CG about its intended relationship with the management of GVEP and its secretariat, the approximate staff time it likely to be involved in 2007/8, and the mechanism by which the GVEP secretariat will be held responsible for the use of funds.

Governance and market efficiency

(Thematic Area Leader Tae Jong)

108. Responsibility for this theme has now been taken over by Tae Jong who joined ESMAP in December 2005). He takes over from Ananda Covindassamy who retired in December 2006. In addition to issues of energy sector reform, and energy trade, in the past this theme also covered topics related to small enterprise. This sub-theme of small enterprise is now the responsibility of Marlon Lezama who joined ESMAP from the IFC in Asia in December 2006. (See above).
109. The ESMAP annual report suggests that during 2006 attempts were made to rectify previous lacunae by focussing on the “poverty reduction and the provision of affordable energy to the poor” in the context of sector reforms. The 2006 annual report notes a number of activities and reports and they are to be welcomed.

“The Evolution of Enterprise Reform in Africa” Technical Report 084

John Nellis, November 2005

“As disappointment mounted with SOE reform and rehabilitation measures, donor enthusiasm grew concerning privatization. In retrospect, this enthusiasm appears to have been generated as much or more by deep frustration with performance improvement approaches other than divestiture, and by expectations based on theory, rather than on hard empirical evidence of the superiority of private participation and ownership in the African setting. Thus, the shift to privatization was something of a leap of faith.”

“Past reform tactics based on an evolutionary approach did not produce the needed and anticipated results. Revised tactics based on privatization and PPI have, in most but not all cases, resulted in positive improvements along several dimensions. But PPI has not been as widely adopted as anticipated, nor has it generated the massive resources and changes hoped for, nor has it been widely accepted as beneficial by the African public.”

“The findings of recent studies in Africa suggest that PPI should not be jettisoned. Rather, the more productive path is to recognize the limitations of the approach, and to work harder at creating the conditions needed to make it function effectively. This will entail, as many have recognized, an end to the view that public and private infrastructure provision is a dichotomy—a case of either-or, one or the other—and a better appreciation of the extent to which the performance of each is dependent on the competence of the other. In other words, for the private sector to perform well, public sector capacity must be enhanced. Moreover, proposed tactics of reform should fit more closely with the expectations and sentiments of the affected government, consumer base, and general population. This broader approach implies, probably, a reduction in the scope and, certainly, a reduction in the planned speed of operations. Improving infrastructure performance is a long-term matter.”

“Adoption of this revised strategy should aid the acceptance and ease the implementation of infrastructure reform. But it also has costs: African infrastructure networks need expansion now, not years from now. Settling for the more cautious, politically palatable and socially acceptable PPI forms—for example, management contracts as opposed to concessions or divestitures—will not solve the capital shortage problem. Moreover, and somewhat paradoxically, the more acceptable management and lease contracts place heavy demands on governments, in terms of designing, negotiating, evaluating and enforcing them.”

110. Similarly efforts were made to learn the lessons from sector reform in Africa, and to continue the process of building consensus among the many players involved in energy trade in both Africa and Asia.
111. New activities agreed at the end of 2006 can be characterised under five headings: While over half the new funds are for sector studies in Africa, 22% are for oil and gas, 16% for electricity, and 8.3% for energy trade.
112. There is little doubt that these issues of governance and market efficiency, particularly power sector reform and energy trade, will remain important for the Bank and the wider donor community. **The TAG therefore recommends that this theme and these activities should continue to attract a significant proportion of the available funds.** Even though the Bank now takes a less ideological and more pragmatic approach to the mix of public and

private capital in the power sector²⁷, there remains a major shortage of investment (see Box above) and a need to find innovative ways of using public funds to leverage increased capital from other local and foreign private sector sources. One such route that is likely to rise in importance is the provision of energy services through the SME sector using largely local private capital (see paragraph 96 above).

Cross-cutting areas

Horizon-scanning

113. The 2005-2207 business plan noted that concerns had been expressed about ESMAP's ability to "capture new agenda issues" (page 56). The Business Plan concluded that "in order to address these concerns and become more agile and forward looking, ESMAP is proposing a new mechanism for "scanning the horizon." It was suggested that ESMAP would

"Form a virtual panel of about ten experts from academia from a wide range of expertise from developing and industrialized countries, from academia, policy making agencies, NGOs, the private sector, to consult and exchange views particularly with the TAG three times a year and produce notes on "scanning the horizon for emerging trends in energy and poverty". In addition, ESMAP will use its contacts under its Knowledge Clearing-House activities to monitor informally the pulse of the energy sector worldwide".

114. Understandably these activities have been put on the back burner while other more pressing tasks were carried out to improve the administration of the programme. However despite this ESMAP has shown what it can do in this area. First, by anticipating the enthusiasm for modern biomass fuels, particular liquid fuels, and commissioning two reports that provide a more balanced analysis of the evidence and key issues²⁸. (See review in Annex 3).
115. And secondly by hosting a Roundtable on Energy Security enabled the Bank Group to assemble a group of 12 world experts to discuss in a "Chatham House" setting the issue of energy security from the perspective of developing countries, as part of the Bank's preparations for the G8 Summit in St Petersburg
116. In addition, in previous years the World Bank's Energy Week has also provided an opportunity to hear opinions from outside the Bank about emerging trends and issues.
117. But given the increase in funding made available to ESMAP and the near completion of the recruitment process, we believe that ESMAP should now re-visit its mechanism for scanning the horizon for up coming issues, and develop Project Concept Notes on key issues that are ripe for high quality analytic and empirical work that can be undertaken as ESMAP's "own managed" activities.

²⁷ The new Bank policy is reflected in an operational guidance note to staff: **Public and Private Sector Roles in the Supply of Electricity Services**: Operational Guidance for Bank Group Staff, January 2004.

²⁸ "Advancing Bioenergy for Sustainable Development: Guideline for Policymakers and Investors" Volumes I, II, and III, April 2005, Sivan Kartha, Gerald Leach, Sudhir Chella Rajan, Stockholm Environment Institute, for Energy Sector Management Assistance Program, (ESMAP report 300/05, and "Considering Trade Policies for Liquid Biofuels", by Masami Kojima, D. Mitchell and W. Ward, (draft report for ESMAP) January 2007.

118. The TAG therefore recommends that ESMAP should now implement methods to proactively anticipate the energy agenda (horizon scanning), and to find new ways to build the capacity and provide the support to policy makers in north and south with high quality analytical and empirical activities. It can do this by expanding its high quality and independent²⁹ analytical work on upcoming issues, by using a wider range of skills and being more outward looking, and by learning more quickly how to improve current policies and practice.

Gender Mainstreaming (currently under Energy Poverty, Theme Leader: Doug Barnes)

119. The ESMAP Business Plan for 2005-7 identified the need to integrate gender as part of its social dimension emphasis. Although ESMAP has delivered some significant output, progress is not commensurate with what is needed and there are missed “low-hanging fruit” opportunities because gender is not raised in the ESMAP review process. Last year the TAG recommended that a gender theme be added under the regional windows, to respond to the opportunities for gender mainstreaming identified at Energy Week. Increased effort on gender mainstreaming was strongly endorsed by the CG at the 2006 meeting.
120. ESMAP management believes that the business plan adequately incorporates gender as an important lens of its activities and ESMAP is undertaking gender activities as identified in the Annual Report. Continuous improvement of its capacity in the energy gender area is currently being evaluated by ESMAP, and the TAG has been consulted for advice in this area by ESMAP management.
121. Under **knowledge management**, a major gender activity undertaken by ESMAP since the last CG has been the launching of a Gender and Energy webpage in October 2006. ESMAP participated in the World Renewable Energy Congress “gender track” and published a technical report on feasibility of women’s energy enterprises in Ghana and several reports on issues of concern to women, though not necessarily including gender perspective.³⁰ It co-sponsored a training session during Sustainable Development Week attended by more than 50 energy and social development practitioners mainly from the Bank, including country offices.
122. On the **operational leveraging** front, as concerns the ESMAP block grants, the oil and gas department (COCPD) has developed a focused and practical gender work program in the extractive industries, based on experience in Papua New Guinea and Poland in ESMAP-supported projects. **However it seems that the ESMAP review process for regional grants has not in general provided sufficient feedback to regional managers on the opportunities for gendering activities proposed. In the absence of a special effort, gender mainstreaming activities are unlikely to develop spontaneously in many proposals through the current system of block grants:** With the exception of an

²⁹ In this context it should be noted that the main criticism of ESMAP in the independent evaluation of global trust funds was that “OED’s survey of stakeholders involved in the governance of these programs expressed concerns about the Bank’s domination of the programs and the difficulty of advocating viewpoints different from the Bank’s”, particularly citing the Bank’s policy in the power sector since the early 1990’s have performed poorly, see page 28, “*Addressing the Challenges of Globalization An Independent Evaluation of the World Bank’s Approach to Global Programs* 2004 , The World Bank, Washington, D.C.

³⁰ Ghana: the Impact of Sector Reform on the Poor; China Indoor Air Pollution; Lessons from Improved Stove Program in India.

interesting proposal from COCPO, *none* of the draft project concept notes for 2007 block grants provided to the TAG included a gender perspective. The new innovation/cross-sectoral fund of \$500,000 for FY07 (about 7% of total regional block grants) could be a modest avenue to encourage some proposals including gender as a cross-cutting issue.

123. A promising development in the Bank is the new four-year US\$ 24.5 million Gender Action Plan (GAP)³¹, “Gender Equality as Smart Economics,” approved by the Bank’s Board of Governors at its September 2006 meeting in Singapore. The GAP aims to spur women’s economic empowerment by facilitating women’s access to labour, financial, product, and land markets for all productive activities such as agriculture and small and medium enterprises. The provision of gender-sensitive infrastructure services is considered a key element to facilitate women’s access to these four markets. The goal is to make the World Bank’s operations in poor countries more effective in achieving the Millennium Development Goal (#3) on women’s economic opportunity and empowerment. It provides a framework for motivating each department, through incentives and mandates, to integrate gender into activities. The plan will finance new measures to increase World Bank Group operations on gender equality in development sectors that do not traditionally address women’s empowerment, as a way to enhance the sustainability of its operations and as a matter of development effectiveness.
124. The new Gender Action Plan has received strong support from donor partners, and the Bank expects to finance about half the US \$24.5 million budget through donor contributions. Germany has been a key partner in its development, and the German Minister for Economic Cooperation and International Development has agreed to champion the initiative and will host a high-level conference on the plan in early 2007.
125. The GAP includes four action areas:
- **Action 1:** Engender operations and technical assistance in economic sectors (through [modest] incentive funding for gender mainstreaming and gender analysis).
 - **Action 2:** Implement Results-Based Initiatives (that empower women economically) including impact evaluations and best practices.
 - **Action 3:** Improve knowledge and statistics on women’s economic participation and the relationship between gender equality, growth, and poverty reduction.
 - **Action 4:** Undertake a targeted communications campaign (donors and clients).
126. Infrastructure is seen as a key enabling input to the GAP. ESMAP took the lead in the ex-Infrastructure Vice Presidency in coordinating the preparation of the contribution from the infrastructure sectors to the Plan. Energy is mentioned under the first action area, with a commitment to “Strengthen gender focus of the Scaling-Up Energy Access Agenda”. A working group (initially coordinated by retired ESMAP manager Dominique Lallement and now by Ian Bannon from Social Development) has been established under the new vice-presidency for Sustainable Development, and is preparing a detailed implementation plan for the GAP, and gender nodes have been identified in each unit. Both operational energy units and the energy anchor are asked to make specific proposals for implementation of the GAP. The gender node for the energy anchor is Doug Barnes. Although some donor funds have already been mobilized specifically for the GAP, so far these are minimal and it appears

³¹ <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTGENDER/0,,menuPK:336874~pagePK:149018~piPK:149093~theSitePK:336868,00.html>

likely that ESMAP will be requested to consider energy-related proposals that emerge from the group's work. Initial work areas proposed for energy include:

- Indoor air pollution
- Subsidies, gender equity in energy pricing
- Gender support for energy operations
- Gender and energy in SME
- Institutional/financial empowerment of women in mining communities

127. Concerning ESMAP staffing, of the five new professional staff recently added, none are women, and all professional staff in ESMAP are now men. The new small and medium enterprises expert, Marlon Lezama, has experience working on gender issues in SME in Asia.

Recommendations

128. **The new World Bank Gender Action Plan offers new opportunities for ESMAP to support gender mainstreaming in operational energy units as well as in its own activities. TAG recommends that:**

- **Capacity and competencies in gender be established within ESMAP and, if requested, the regional units, to support gender mainstreaming in ESMAP thematic areas and the operational energy units. The TAG believes that systematic feedback on gender when block grants or project concept notes are reviewed could be a low-cost way of improving gender impacts of energy activities and enhancing sustainability of operations and development effectiveness. Sector and sub-sector assessments, household energy, small and medium enterprise, and social impact activities may offer useful initial openings.**
- **Resources be made available to support gender components in operational energy projects, as well as the development of tools and training needed to implement these. The TAG believes that a particular contribution of ESMAP could be the documentation of the returns and benefits from engendering projects, so that the design of the next generation of projects can be improved both in the Bank and elsewhere.**
- **Innovative work on gender and energy within the Bank be supported on gender equity in energy pricing and gender & energy in SME as well as continuing to advance past work on indoor air pollution and institutional/financial empowerment of women in mining communities.**

Regions and the ESMAP window

Africa Region (AFTEG)

(Manager: Vijay Iyer; Regional grant coordinator: Koffi Ekouevi)

129. Sub-Saharan Africa continues to be both the region with the largest gaps in energy access and poverty, and the region with the highest priority for the CG donors. Last year, the TAG recommended that the share of resources allocated by ESMAP to Africa better reflect this need and the high priority accorded by the donors. Indeed, **the regional share of grants to**

the Africa region (AFTEG) has risen from 17% in 2005 (USD .997 million), to 24% in 2006 (USD 1.7 million).

130. A major reason for this rise is the introduction of the block grant system by ESMAP, which has allowed AFTEG to more closely match ESMAP funds with its own program priorities and planning cycles.
131. A further reason is the “critical” (according to AFTEG) assistance given by ESMAP in developing the Action Plan for Scale-up of Energy Access in Sub-Saharan Africa. It should be noted that earlier, separate energy trust funded programmes (the Regional Program for the Traditional Energy Sector, RPTES, and the African Rural and Renewable Energy Trust Fund, AFRREI, both closed in 2005) have supplied much of the concept and lessons that provide a foundation for the new Action Plan. But the new Action Plan is an important step in mainstreaming these lessons as the regional strategy. Block grants were used in FY2006 to support development of the action plan, and ESMAP and energy anchor staff provided key expertise. ESMAP has also funded meetings by African energy ministers to build consensus on policy strategies for the Action Plan. **Many CG members will be pleased to note the inclusion of biomass energy for cooking as one of the five pillars of the Action Plan, and AFTEG is to be commended as the first regional energy unit to do this.**
132. This inclusion is certainly at least partly due to the lessons learned from a previous African energy trust-funded program, the RPTES. Last year, TAG strongly recommended that the potentially outstanding results from the flagship project of RPTES, PROGEDE in Senegal, deserved an outside and more independent follow up and evaluation supported by the donor(s) to increase the credibility of the results, capturing key lessons and for wider replication and scale up. TAG has continued to discuss this issue with the Africa program and is pleased to learn that AFTEG continues to follow up on leads, directions and approaches, suggested by this outstanding work. **TAG continues to believe that more should be done to fulfil the trust fund’s mandate to generate lessons and share them more widely with clients and donors, generating global public goods.**
133. **The TAG believes that it will be important for AFTEG to continue to draw on ESMAP resources and experience to demonstrate to other donors that the syndication approach is a genuine break from what was often perceived as the Bank’s domineering approach to “partnership”, and to involve partners more effectively during the diagnostic phase** represented by the \$1.5m contribution from ESMAP for the “Sub-Saharan Sector Syndication Prospectuses for Uganda, Senegal and Kenya” mentioned under the Governance and market efficiency theme.
134. The TAG believes that the syndication approach could provide a new mechanism by which many donors can meet the terms of the so-called Paris Declaration to work more effectively together. The country syndication plans are a work in progress but **TAG believes that these will both require and lead country sector studies - suggested in the past by some members of the CG and by the TAG - that will increasingly take into account the many new dimensions to energy policy and investments.**
135. Another TAG 2006 recommendation was for exploration of modern biomass energy as a “new” renewable and important growth area to meet demand for liquid fuels as well as rural employment creation in Africa. Indeed, two ESMAP funded activities are being carried out in this area, in Mozambique and... The TAG would like to emphasise the **need for independent and intellectually rigorous analysis and empirical work to establish a sound basis for making decisions about biomass derived liquid fuels.**

LAC

(Lucio Monari, ESMAP Regional Coordinator)

136. The LAC region appears to be using its ESMAP block grants to build on earlier work on energy trade (particularly in the Southern Cone), on climate change, and energy sector strategies. LAC now contains only 5 IDA countries. One apparent area of new development is likely to be Climate Change, which has recently become a more acceptable subject for policy analysis than it was previously. ESMAP funds therefore provide a way for the Bank to move into these new areas and to pay for limited amounts of the extra staff time involved.
137. The precise figures for 2007 ESMAP block grants to the LAC region were not finalised at the time of writing this report. But initial estimates suggest that they have chosen to allocate over half of their 2007 funds to Country Case Studies for Climate change (55%) and a further 40% on topics within the energy security theme. It would also appear that like the Africa Region they have chosen to spend a significant amount of the ESMAP grant (some \$255,000 or 35% of the total) on Energy Sector Strategies. These are to take place in countries that face energy shortages and are aimed at developing a robust strategy for energy supply which would encompass higher levels of energy security.
- 138. ESMAP may well wish to explore whether there are lessons to be learned between Africa and LAC as to the methodologies used in these energy sector studies, and how they can improve on the methods used in ESMAP's "energy issues and options" reports produced at the level of individual countries.**
139. The team reported that as they do not work much on traditional biomass fuels they did not see much opportunity to implement the new Bank-wide gender strategy in the energy sector. The TAG finds this a good example of why capacity to identify gender opportunities needs to be strengthened in energy units.

ASIA

140. TAG was unable to meet anyone from the South Asia Region in 2006 because of conflicts in travel schedules.

East Asia and Pacific Region

(Selina Wai Sheung Shum, ESMAP Regional Coordinator and Junhui Wu, Manager)

141. The regional coordinator discussed that the ESMAP regional grant has been fully mainstreamed into the regional program. The EAP has a five year business plan for the region 2005-2010. This was shared with TAG and it is very well organized taking around a dozen key issues for the region and also showing how all the issues are not the same across countries and need country tailored approaches. The region is fortunate in having both ASTAE and ESMAP operating there.
142. East Asia & Pacific (EAP) region received \$690,000 for 10 activities in the region. The ESMAP window is used to support more strategic issues and upstream work – such as the

restructuring of the coal sector, which is important to several countries in the region and is outside the ASTAE mandate; work on energy sector capacity building for rural access in the Philippines which has a longer time frame of 5-7 years³²; and another important ESMAP funded work that has started is to look across the region on five key regional issues – the development of regional gas markets, technology for cleaner coal, biofuels, governance of public institutions and harmonization of policies. These are all examples of activities that are outside the ASTAE window but are important issues for the region. Beyond the important work done in China the region is spearheading new work in Mongolia, Cambodia and Indonesia with ESMAP support.

143. Examples were given by the manager of country level coordination with donors – with the Norwegians in East Timor on smart meters; in Philippines with the US DOE; in Mongolia with the Netherlands; on social aspects of access in Vietnam and Indonesia with Sweden and also an active donor consultative group on energy in Vietnam among others.
144. The region is already developing some analytical work on energy and the transport sector, a very fast growing energy user in the region. The region is waiting to learn more about the GEF restructuring that will tend to reduce funds to smaller countries. **Over all the TAG impression was positive with regards to the non-overlap between ASTAE and ESMAP in the region and that there are complementarities that are often exploited.**

Middle East and North Africa Region (MENA)

(Anna Maria Bjerde, ESMAP Regional Coordinator and Jonathan Walters, Sector Manager)

145. The regional staff provided an overview of the region. The Bank has not been too involved before in the region in the energy sector. Many countries are rich and do not want Bank loans. But even these countries seek partnership with the Bank and often pay for Bank advice and knowledge. Examples of countries eligible for trust funded work include Egypt, Morocco, Tunisia, Algeria, Yemen, Jordan and Djibouti, with others paying for technical advice. Current lending is only \$400 million but is growing quickly.
146. Most countries seek Bank advice and support especially on tariff reforms, market opening and support policies, governance, renewables and on energy efficiency. Energy security and climate change issues are the major policy drivers among the client countries. For instance in Egypt there is a shortfall of electricity of around 1500MW with an 8% annual growth rates in demand. But tariffs have been set 12 years earlier and do not support expansion. The work in Egypt supported by ESMAP includes work on tariffs, including time of use, smart metering and load management, energy efficiency. Similarly in Morocco and Tunisia, high subsidies and policy distortions are priority issues where they seek Bank support for more rational policies. ESMAP has provided support for 9 activities in the region for a total amount of \$1.11 million.
147. The team was enthusiastic about the changes in ESMAP and the regional windows, as they believed the earlier method had resulted in low allocations to their region. They believe that ESMAP funds are critical to the work in the region; it is the only support available for policy dialogues and policy changes are critical to the region. The region was also pleased with the processes of incentive provided by ESMAP as the region gained from their performance. They find their clients wish for high quality advice and have been pleased with the recent cross support provided by ESMAP staff on RE and EE.

³² Work in Philippines was started in 1999 and is going to lead to a Bank loan in 2007.

Eastern Europe & Central Asia (ECA)

(Charles M. Feinstein, Energy Sector Manager)

148. The regional sector manager explained that this region possibly contained the largest number of countries and a group of countries with the largest diversity among them. The countries here range from Russia, a member of G8 and with rich resources (which seeks and pays for Bank technical advice); a number of European countries on the fast track to EU membership, with substantial EU support; then the countries of Central Asia, many oil rich but with many problems. Then there are the countries of the South Caucasus - Georgia, Azerbaijan, itself a diverse group, where Azerbaijan is a major gas exporter, Armenia an energy importer, and Georgia, which with Bank support has succeeded after a decade in supplying electricity to homes for 24 hours a day. Two other large countries in this region are Turkey, with priorities on sector modernization, hydro power and environmental management; and Ukraine, highly reliant on coal and where efficiency issues are a very high priority. For a number of the countries, market reforms, energy trade, and renewables and energy efficiency together with carbon finance make for useful investment paths.
149. ESMAP is providing support for 9 activities costing \$660,000 for 2006 to the region (see ESMAP Annual report for the list). The region had only one activity supported by ESMAP the previous year. The region has been very pleased with the regional windows, with the processes (though there were some teething troubles and lack of funds earlier at the start), the improved quick response to regional queries, and the required degree of flexibility in operating the windows. The region believed that the future ESMAP work plans could be built around the three goals of security, environment and access with growth. The manager provided many examples of impacts in the regions on policy and lending.

Oil, Gas, Mining & Chemicals Department (COCPO)

(Coordinator: John Strongman)

150. COCPO received 17% of the total allocation to regional blocks in 2006, and has been allocated 9% for 2007 based on low disbursement rates. According to COCPO, ESMAP funding is important because it enables getting into thematic areas that are not in the regular budget. In the view of the TAG, **COCPO has carried out important and high quality work contributing to various thematic areas of the ESMAP Business Plan, including on coping with oil price volatility, global biofuels trade, and women in mining as well as on expanding household use of petroleum and LPG, and Southern cone gas integration.** The forthcoming analytical piece on trade policies for liquid biofuels is reviewed by the TAG in **Annex 3** as an example of timely and cutting-edge policy analysis that ESMAP can and should be supporting. COCPO's work on gender bias in extractive industries and improving the impact of mining projects on women is an excellent example of identifying and promoting an appropriate and operational application of gender in infrastructure. In 2007, COCPO plans further work in the above areas as well as expanding to improving benefits of extractive industries to youth and expanding petroleum markets in Sub-Saharan Africa.

ASTAE

(Antonie de Wilde, Coordinator and Junhui Wu Manager, East Asia and Pacific)

151. The logic of the ASTAE program from its inception in 1992 has been based on the fact that it was more difficult to generate projects for World Bank funding in RE and EE because the concepts were new and unfamiliar to both Bank staff and country borrowers, and so they needed additional effort, time, and costs to develop. It was also focused on Asia given the higher growth rates and higher CO2 emissions from the region. Thus ASTAE was designed in the main to assist and leverage additional Bank lending in the areas of Renewable Energy and Energy Efficiency. ASTAE was seen to have succeeded in promoting RE and EE in the World Bank lending in Asia by 2002³³. The future of ASTAE was reviewed and the management review of ASTAE in 2003³⁴ examined different options and supported that an ASTAE operation be continued, that it be located in an operational unit in Asia to promote close interaction with Bank staff and to maintain the flexibility of “just in time” resources to respond to specific country or project related issues. The new 2004 work plan also added MDG related goals including poverty, access, gender and indoor air pollution. The “new” ASTAE is only three years old.

Highlights in 2005-2006

152. A full description of ASTAE activities for the year July 2005 – June 2006 is available in the Annual Status Report #14, 2006 and a few highlights are provided here. In 2005-06 ASTAE was funded only by Canada, and Netherlands. Going forward Sweden has committed almost 2.5 million USD for the coming three years. The Government of Netherlands has approved USD\$7.4 million for FY06–08. A new supporter of ASTAE is the government of Australia, which will provide US10 million dollars over four years, focused on the Mekong region. Also discussions are under way with Norway which has also agreed to support ASTAE. Thus ASTAE has been successful in securing larger resources going forward over the coming three years than before. ASTAE is in the process of updating and revising their Business Plan to reflect the new donors and resources and has communicated with the TAG that they intend to request donors during the CG for their guidance. **The TAG welcomes this dialogue.**

153. The Canadian funds have been used and no renewal has been made. Efforts to secure DFID support from country resources for energy efficiency in India appear not to have been successful. Thus while the number of donors remains narrow, it has gone up from three to four. **It is heartening that key donor countries find ASTAE to be an important vehicle for promoting the climate, environment and access agenda in Asia.**

154. ASTAE reports that in FY06 two projects whose development ASTAE supported have been approved for Bank loans. One is for the China Renewable Energy Scale-Up Program. The second is for Rural Electrification in Laos. The first contributes to the traditional ASTAE goal of enhancing renewable investments and the second to the new goal of improving access to 52,000 households. The overall importance of ASTAE contributions to EAP projects on new renewables and the relative shares of investments across Bank regions

³³ Page 23, New and Renewable Energy: A Review of World Bank’s Assistance, August 2006, OED, World Bank.

³⁴ Management Review of the Asia Alternative Energy Program (ASTAE) by M.G. Sri-Ram Aiyer, April, 2003.

is shown in the ASTAE report. It shows EAP region dominating new renewables (other than hydro), the second highest region in small scale hydro and energy efficiency. ASTAE reported that other important achievements in 2006, besides the vote of confidence from the donors, include:

- i A reorganized ASTAE web site, almost ready to be launched
 - ii Further conceptualization of a Monitoring and Evaluation framework;
and,
 - iii A list of written outputs from ASTAE³⁵ .
155. ASTAE is continuing its efforts to work at the country level with earmarked funds and to leverage local financing. ASTAE has its complement of 3 locally hired staff in the region, and now has moved the coordinator to Australia to be closer to the Pacific islands and South East Asia.

³⁵ Electricity for All. Options for Increasing Access in Indonesia, December 2005. East Asia Energy and Mining Unit, the World Bank Group. 2. Shanghai: Developing a Green Electricity Scheme. Nouredine Berrah, Enno Heijndermans, Mark D. Crowdis, September 2006, Final ESMAP and ASTAE Report. 3. Energy Efficiency for Water and Wastewater. Hebei Pilot Phase II, June 2003, Consultant Report, Published by ASTAE in March 2006. 4. Assistance to the Government of Indonesia's Demand-Side Management Program. Consultant Report, January 2006. Econoler International for the World Bank Group. 5. Burgos Wind Farm Project. Consultant Technical Review, Philippines, June 2006. Risø National Laboratory, for ASTAE. 6. Biomass Energy Development. Scoping Study in Inner Mongolia, China, November 2005. ASTAE, The World Bank Group. 7. Local Production Potential for Segments of Renewable Energy in Fiji. Consultant Assessment, March 2006. For ASTAE.

Activities Supported by ASTAE in July 05 to June 06
(SOURCE: DRAFT STATUS REPORT 05-06, NUMBER 14)

	<i>ASTAE project</i>	<i>Type and details of activity July 05-June 06</i>	<i>Funds (US\$)</i>
<i>Develop sustainable energy programs in ASTAE priority countries in Asia(China, India, Indonesia, and Vietnam)</i>			
<i>China: total disbursed US\$832,870 - (including activity 20 listed under "flagship" project)</i>			
1	Heat Reform and Building Energy Efficiency Program	KP: Knowledge Product <ul style="list-style-type: none"> • Development of a methodology for evaluating the cost and benefits of energy efficiency measures; • Preparation of recommendations for energy efficiency designs for demonstration in Tianjin; • Review of national testing, certification and labelling system for energy efficient building materials and products, and dissemination of the study results. 	175,428
2	Implementation support to the China Renewable Energy Scale-up Program (CRESP-I	KP: Knowledge Product <ul style="list-style-type: none"> • Support North Long Yuan wind power company in the early stages of implementation of the 100MW wind farm • Validation of wind data and choice of site; • Support to establishment of bid document and assistance in bidding. 	161,100
3	Biomass resource study in Inner Mongolia	KP: Knowledge Product <ul style="list-style-type: none"> • Assess potential for developing a World Bank/GEF project; • Assess availability of biomass resource either as crop residue or energy crop and technical and feasibility of biomass-fired plants; • Identify project sites, project sponsors and carbon financing. 	135,176
4	Building a resource efficient society	KP: Knowledge Product <ul style="list-style-type: none"> • High level international conference held in China, targeting government officials and decision makers; • Provided best international practices and experiences; • Established a road map of principles, policies and modalities to build a more efficient development path for China. 	101,954
5	Shanghai Energy Conservation Supervision Centre	TA: Technical Assistance <ul style="list-style-type: none"> • Supported the design and plans for the renovation to create a living exhibition on energy improvements. 	95,046
6	Renewable Scale – Up (CRESP) program	PE: IDA / IBRD Credits Support to the CRESP team.	31,565
7	Compiling Wind Resource Assessments	KP: Knowledge Product <ul style="list-style-type: none"> • Compilation and publication of wind assessments in China 	31,370
8	Implementation support to Renewable Energy Development Project (REDP)	PE: IDA / IBRD Credits <ul style="list-style-type: none"> • Support of the establishment of market competition in the PV market. Setting product standards, for labelling and services. 	25,974

	<i>ASTAE project</i>	<i>Type and details of activity July 05-June 06</i>	<i>Funds (US\$)</i>
9	Building Energy Efficiency	TA: Technical Assistance <ul style="list-style-type: none"> • Support of the building material markets, regulation, testing and certification. 	25,689
<i>India: No activity</i>			
<i>Indonesia: total disbursed US\$280,713</i>			
10	Indonesia Electricity Access and Rural Transformation project	EW: Economic Sector Work <ul style="list-style-type: none"> • Analysis of RE situation and recommendations for electrification strategies. "Report Electricity for All" widely distributed; • Study Tour for PNL and Ministry of Energy to view Rural Electrification best practices. 	170,560
11	PNL Demand Side Management	KP: Knowledge Product <ul style="list-style-type: none"> • Assessment of current ongoing DSM programs; • DSM training courses for PNL staff and industrial customers; • Industrial energy audit program and monitoring system. 	110,153
<i>Vietnam: total disbursed US\$42,927</i>			
12	Support for the supervision of the Vietnam Rural Energy II	GE: GEF Grant <ul style="list-style-type: none"> • Assistance to the World Bank team to supervise the GEF project. 	42,927
<i>Total for Priority Countries: US\$1,156,509</i>			
<i>Develop sustainable energy projects in other countries in Asia</i>			
13	Cambodia, implementation support to Rural Electrification and Transmission	PE: IDA / IBRD Credits <ul style="list-style-type: none"> • Regulatory capacity building for renewables. 	8,588
14	Lao PDR, Southern Provinces Rural Electrification II	PE: IDA / IBRD Credits <ul style="list-style-type: none"> • General preparation support to World Bank team. 	21,134
15	Mongolia, support for the preparation of the Delivery of Infrastructure Services Project	GE: GEF Grant <ul style="list-style-type: none"> • Project identification support to increase access to electricity and improve reliability of electricity service among the herder population and in off-grid centres 	121,020
16	Philippines, support for the supervision of the Power System Loss Reduction project	KP: Knowledge Product and GE: GEF Grant <ul style="list-style-type: none"> • Screening of proposed investments by the cooperatives in order to help attract private sector participation, • Provide cooperatives and local authorities capacity building 	33,576
17	Philippines, PNOC Burgos Wind farm	CN: Carbon Finance <ul style="list-style-type: none"> • Support to project preparation, due diligence for carbon finance; • Capacity building of local agencies 	81,656
18	Timor Leste, Energy Service Delivery project	TA: Technical Assistance <ul style="list-style-type: none"> • Preparation of the Rural Electrification master plan. • Preinvestment study for project preparation 	148,991
<i>Total for other Countries (including activity 19, 21 and 22): US\$459,765</i>			
<i>Develop sustainable energy components in nonenergy sector projects in Asia</i>			

	<i>ASTAE project</i>	<i>Type and details of activity July 05-June 06</i>	<i>Funds (US\$)</i>
19	Bangladesh, ENPOGEN II	KP: Knowledge Product <ul style="list-style-type: none"> • Poverty and Gender project addressing women's access to modern energy services • Survey to analyze the structure of demand for energy in women owned enterprise, analyze it and pilot test interventions designed to enhance such access 	10,661
<i>Develop ASTAE "flagship" projects</i>			
20	Voluntary Green Electricity Scheme for Shanghai	UE-KP: Knowledge Product <ul style="list-style-type: none"> • Support design and implementation green electricity scheme • Support to website, logo creation, and media campaign. 	49,207
<i>Outreach and knowledge sharing</i>			
21	ASTAE publications	KP: Knowledge Product <ul style="list-style-type: none"> • ASTAE Atlas 	7,580
22	Global Village Energy Program (GVEP) East Asia	KP: Knowledge Product <ul style="list-style-type: none"> • Follow-up activities after the 2005 launch. 	26,560
23	ASTAE Management/administration	<ul style="list-style-type: none"> • ASTAE international-hire and local staff; • Technical Advisory Group support; • Editing services; and • Administrative support. 	343,709
Grand total			\$1,959,983

Overall comments on ASTAE

156. TAG had remarked in March 2005 that it recommended that ASTAE should apply its proven approach to new and under-served countries in the region while deepening its work in China. **TAG notes that ASTAE has been successful in covering a wider range of countries in the East Asia and Pacific region in 2006**, such as Indonesia, Vietnam, Mongolia, Cambodia, Laos, Philippines and Timor Leste, even though activities in China are almost half in number and in money spent. The new strategy has resulted in investments for access in Laos.
157. TAG had commented in 2004 and 2005 that ASTAE is almost absent from South Asia and that continues in 2006. TAG continues to support the evolution of ASTAE to include poverty orientation to ASTAE activities, the extension to full menu, the efforts at promoting "decentralized" energy service options, on energy and small enterprise and energy in non-energy sectors. Strategically, this concentration in China raises some difficult issues for ASTAE. On the one hand China is critical for climate change issues but other countries are more important for access issues and ASTAE donors appear to have been more reluctant to support work in China. This will need resolution between the donors and the fund.
158. Last year, the TAG recommended that ASTAE continue its evolution to include poverty and gender orientation in its activities. The TAG has been informed many times about planned efforts to improve poverty and gender orientation of ASTAE activities, but thus far

these do not appear to have materialized³⁶. One constraint mentioned by ASTAE is that it is difficult to do non-lending activities in the present framework. The East Asia and Pacific department informed that gender may be included in social impact analysis components in mainstream lending operations planned in Indonesia and Vietnam. **The TAG has not been able to obtain further information about these but looks forward to learning more about poverty and gender orientation in ASTAE in future. The TAG recommends, as last year, that ASTAE include poverty and gender orientation in its activities, and wishes this year to encourage ASTAE donors to monitor achievements in this area more closely.**

159. We believe given the size of the resources with ASTAE, the current structures are appropriate. TAG remains convinced of the value of ASTAE as an operationally orientated energy trust funded program for the region, which does not duplicate the work of ESMAP at present. There are several instances of cooperation between ASTAE and the regional windows of ESMAP. TAG notes that among the activities listed for ASTAE in 2006 at least half of the ones in China and most of the others in Indonesia, Philippines, Mongolia and Timor Leste have linked support from and with ESMAP. The useful communications and cooperation result from the fact all work is coordinated through the single manager for East Asia. TAG has commented positively on one of the ASTAE publications – Green Energy in Shanghai. It has not been possible to review other ASTAE documents. We are pleased to note the comments of the East Asia region sector manager on the value and complementarity of both trust-funded programs in this region - ASTAE and ESMAP. It is our view that the new Business Plan of ESMAP allows for greater clarity and synergistic cooperation between the two trust-funded programs in the region.
160. TAG has attempted to allocate around 10% -15% of its time to ASTAE (with the balance allocated to ESMAP) keeping the size difference in mind.
161. The donors involved in the support of ASTAE have not expressed any particular interest in any specific questions on or about ASTAE. This may be because of the smaller size and simpler scope of ASTAE and also the fact that each support from ASTAE is pre-cleared by the individual donor, that the donors contributing to ASTAE are fully satisfied with the reports and the outputs and perhaps its does not require further attention from TAG. **Thus given that one role of TAG, is to provide some comfort to the donors regarding their trust funded contribution, TAG assumes that the ASTAE donors are well informed and do not need further assistance from TAG.**
162. The TAG has been tasked with another function of providing a challenge function to the trust funds and to provide any suggestions to the funds that may help them improve their performance. **In this role TAG makes the following suggestions regarding ASTAE. TAG had stated last year, that given its size and scope, “the annual reports of ASTAE are excellent and provide full details of all activities, the resources, their allocation and outputs”. But now the size of resources is increasing, the scope has increased with poverty issues in addition to RE and EE, and the geographical coverage has added many smaller and more difficult countries. Further, the global priorities to RE and especially EE will increase substantially with the rising importance of climate change mentioned earlier. Each of these makes new demands on ASTAE for reporting of**

³⁶ Beyond one informal background report on in Bangladesh, which represents the only time that poverty or gender are mentioned in the draft Annual Report, except for poverty reduction being included in the objectives of ASTAE.

results that need to be reflected in the reports of work done, outputs, outcomes and lessons learned. TAG remains concerned as to whether in spite of the successes of ASTAE it has been able to overcome the “Limited Systemic Impact” that was cited in the 2003 review.³⁷

163. TAG entered into discussions with ASTAE on the improved M&E framework being developed, the work on gender and the work on SME and financial intermediaries. **ASTAE will need to report additional details of these issues through an expanded M&E framework.** ASTAE is considering and the TAG supports this, that its impacts on Bank leverage of investments are well captured by the list of Bank loans that arise from ASTAE supported initiatives. A low cost idea is to take what ASTAE generated activities that become Bank board approved projects, and for compare ASTAE targets with the Bank files (ISR or Completion reports) and compare the actual with the ASTAE estimates and targets. ASTAE is continuing its efforts to expand the M&E frameworks to incorporate more socio-economic impacts³⁸ as well as gender dimensions with greater use of gender tools and disaggregated data. Using the Bank project generated data supplemented by data on socio economic impacts will cover the majority of ASTAE's current activities. But additional indicators will be needed to cover those where support generated 100% non Bank investments as China Jade (Green) Electricity project, the knowledge outputs and outreach such as the BBC series, and the plans to catalyze local private investments.
164. **It is our view that ASTAE should continue to be supported by the past donors and also new donors, especially given the rising importance of access, RE and EE globally and in the region. TAG urges the donors supporting ASTAE to review how its past and continued success can provide larger lessons on how to achieve global objectives on climate change together with the access agenda and that requires more strategic thinking by the donors and by ASTAE.** This view is supported by the review of the Bank investments in RE and EE which states that more needs to be done on rigorous evaluations to promote lesson learning and to promote wider dissemination of good practices. It is for the ASTAE donors to determine the most appropriate balance for ASTAE between pure operational leveraging within the Bank and promoting the larger public good.

ESMAP and ASTAE: the similarities and differences

165. The successful roll out of the ESMAP “block grants” to the Bank’s operational teams in the Regions, raised questions on the relations of ESMAP and ASTAE as to whether there is overlap or different results. TAG had been asked some comparative questions in 2006 that it hoped to answer in this report. TAG asked the appropriate energy unit managers examine and compare their experience of the two energy trust funds as they operate in the Asia region, and to clarify the situation. **How is ASTAE different from the ESMAP window? And, if there is a value for a specialized fund in Asia for leveraging operations and complementing the ESMAP regional window, whether a similar fund would be useful**

³⁷ - The 2003 review, (New and Renewable Energy: A Review of World Bank’s Assistance, August 2006) was concerned that “in spite of over ten years of effort, the systemic impact on countries has been limited” and the efforts in RE and EE are “a relatively small share of total installed capacity or new capacity being added”.

³⁸ The review (ibid) of Bank portfolio on NRE states “it is unclear the extent to which the Bank’s NRE assistance has reduced poverty” and this needs to be remedied with stronger M&E systems.

in other priority regions such as Africa. TAG has some details but it has not been able to find a fully satisfactory answer to this question.

166. Briefly, ASTAE is a smaller, in size, geographical focus and thematic focus - RE and EE only initially and now with an additional goal of promoting access, compared to ESMAP. Over the past 6 years ASTAE has allocated on average \$1.8 million annually, with a range between one and three million dollars as compared to ESMAP with allocations in the range of \$8-12 million annually, targeted to increase further to 14-15 million dollars. ASTAE has a simpler mandate to promote and leverage Bank investments in areas that are new, more labour intensive and difficult to undertake under Business As Usual. Also ASTAE is located within the East Asia Program and managed by the Program Manager.
167. ASTAE is completely focused on the targets for investments and the NRE outputs that these generate. While a number of reports get produced from the support provided, its primary focus is not reports while as all ESMAP allocations must be completed with a peer reviewed publications. ASTAE states while 75% of the reports it produces could be made widely available at least 25% are confidential. Thus while ESMAP and some other trust funds have global public goods and knowledge generation as a primary purpose, ASTAE places knowledge more within its operational needs for reaching ASTAE targets. It does produce some reports but the balance is different and “the main outputs for ASTAE are the Project Approval Documents”.³⁹
168. At present, ASTAE is completely integrated within the East Asia Program. ASTAE staff is embedded into the Department, both in Headquarters and in the field. The process of allocation of resources is a “just in time” process geared to the needs of the regional Bank staff developing NRE. ASTAE, as oppose to ESMAP, directly supports TTLs [Task Team Leaders] with project development and implementation. Project officers (task team leaders) in the EAP unit, first contact ASTAE to check if ASTAE can fund an activity they need to get done as a part of their work for the preparation of a new project, or supervision of existing project, or related with Technical Assistance. If the activity fits in with the ASTAE objectives⁴⁰, they are asked to prepare a proposal in a standard format. The proposal is reviewed by the coordinator, if required additional issues are discussed and the proposal can be improved with examples from other projects or activities in the RE and EE area; and always ASTAE requests that the proposal estimates targets. Often, it is too early to give numbers or estimates, but still this is emphasized. Then the proposal is sent to the Manager, EAP, for clearance in 2 -3 days, and then ASTAE sends it to the donor funding agency for their approval. When this is received it gets an account code, implementation starts. From here on the World Bank processes take over and ASTAE activities are reported as part of the Bank’s process. During implementation the progress is reported through Implementation Status Reports and finally Implementation Completion Reports (ICRs).
169. As compared to that ESMAP has a much more complex approval process to ensure that the project fits in with ESMAP priorities, and the regional priorities, as well as a quality review and finally ESMAP requires a published output. The emphasis of ASTAE funding is its closeness with the actual work of loans. ESMAP looks at the bigger picture, more often related with upstream issues, which might or might not be related to the development an individual project. But several times the upstream activities promote projects and joint

³⁹ Information provided by ASTAE coordinator.

⁴⁰ Including that it does not finance the actual project development costs which are financed by the Bank's budget.

financing occurs where the two meet and that there are activities supported both by ESMAP and by ASTAE.

170. ASTAE has clearly achieved a significant measure of success over the past years. The primary measure that has been used is the fact that the investments in ASTAE by donors of \$24 million has led to the development of and implementation of 45 World Bank projects in Asia, for total Bank loans of 1.2 billion dollars in NRE. It is widely believed that ASTAE's success in promoting NRE is largely due to the fact that it has successfully combined the additional knowledge resources with the relatively smaller financial resources to provide value added services to Bank staff. But also the success is not only due to the mechanism, but there is certainly an element of good fortune associated with the growth rates in China and some other Asian countries, and these external forces have helped ASTAE to be successful.
- 171. While TAG is not convinced that it has a fully satisfactory answer to the questions raised, we believe that the operating hypothesis can well be that in the circumstances of East Asia and China in particular, where growth is rapid and large investments are already taking place guided by strong institutions, there the small incremental support from ASTAE can make a larger difference. In Africa on the other hand where there are multiple barriers, with low capacity and low investments, longer term local capacity enhancing activities are likely to be more important. In the meantime, too, the Energy Access Action Plan for Sub-Saharan Africa has been developed and is now open for donor support. Perhaps, as suggested by the Dutch, implementation of this Action Plan together with the ongoing Dutch funded FINESSE program (operated by the African Development Bank) should be monitored before any new initiatives are developed. ASTAE may have useful lessons to share with the new Africa programs, however.**

CLIENTS AND PARTNERSHIPS: SHAREHOLDERS AND STAKEHOLDERS

172. In 2005-2006, the TAG initiated a more formal process of consultation with donors, country clients, and the Bank, noting that in the Business Plan, “the Consultative Group has confirmed ESMAP’s value as a *partnership* that serves the global energy practice.” In commenting on the need for the TAG, donors emphasized that the CG only meets annually and it is difficult to work together to identify needs and develop common opinions; the TAG could contribute as a uniting factor by listening to donors, countries and Bank staff.
173. Concerning donor coordination, the TAG has the impression that due to frequent EU energy meetings, CG members (who in this year have been almost exclusively from European countries) now have more opportunities to meet and develop joint viewpoints; a TAG role here thus may be less important. Furthermore, more formal systems of communication have or are being set up between ESMAP and donors (see below), partly as a result of TAG recommendations, so that there are some more opportunities for donors and ESMAP to exchange information.
174. The TAG has been keen to consult the views of users of the energy trust funded programmes within time constraints whenever the opportunity arises. Client visits were included in the original work plan of the TAG for 2006-2007. However, due to the late start of the TAG 2006-2007 contract (mid-September 2006), client visits were not possible to

program in the limited remaining time before the draft TAG report was due in February. Client visits remain a high priority of the TAG for 2006-2007, and planning for visits as part of Bank supervisory missions has been initiated with ASTAE and ESMAP.

Donors as partners and clients

175. **ESMAP is facing a healthier funding situation in general, with \$14.9 million projected for calendar year 2006, of which nearly 60% is unrestricted funding rather than thematically restricted.** This is due largely to the Dutch donor contribution but core contributions were also received from France, Iceland and Norway. TAG was pleased to note the untying of the funds from the Netherlands, which will enable the next round of funding (particularly to the Regions) to be allocated in closer alignment to the ESMAP business plan. Demand by the regions still greatly exceeds supply however.
176. The first step in a more formal process in 2005-2006 was consultation with the donors about the need for the TAG and what the TAG should do – and not do. The ten then-current donors on the 2006 CG were consulted.⁴¹ The strongest opinion that emerged was that the TAG should focus on its core “statutory obligations” (drafting and finalizing the TAG report, attending meetings of the TAG, the Sector Board and CG) and that it should not be overloaded with other tasks. One key theme was that TAG works primarily on behalf of the donors and its main task was to support the donors and the CG. In the email exchanges it was said that this requires TAG to listen to the donors, to identify needs and common opinions, to collect their views of the performances of the funds, and to assess the trust funded programmes in relation to the programmes and interests of the donors. In 2005-2006, the TAG collected information from the CG through emails and discussions, on donor strategy, work plan, and priorities in energy and development; specific activities/issues/collaborations that ESMAP could undertake to provide donors’ work with greater value; evaluations or reviews of ETFPs and energy projects; and other comments on what donors would like the TAG to address. All ten donors answered and their responses were included in an annex table to the TAG report.
177. This year, the TAG repeated this exercise of donor consultation by email. Responses were received from two (Netherlands and Germany) of the eleven current CG members.⁴² We have assumed from this that for most donors the situation has changed little. Responses (including updates by the two donors who responded) are included in Annex 5

Policy statements/strategy on energy

178. Most though not all donors have policy statements specifically on energy and development available in English (Denmark, Sweden, US, Germany, UK). Others have policy statements in their own language (Finland) or planned to develop these (France).
179. For some, energy policy is derived from policy statements on broader development issues (Sweden, Norway, and Canada) and in several countries, energy must fit into other development priorities e.g. poverty, environment, governance or into country/regional

⁴¹ Canada, Denmark, Finland, France, Germany, Netherlands, Norway, Sweden, UK and US (which though not a member was expected to shortly become one and was hence consulted).

⁴² Canada, Denmark, Finland, France, Germany, Iceland, Netherlands, Norway, Sweden, UK, and the United Nations Foundation.

priorities (SIDA, UK). In others, renewable energy and energy efficiency are priorities in energy strategy, and energy is becoming more important in development policy (Germany).

180. Several countries face challenges with fitting energy into their countries' current development priorities (Canada, UK) and selling the continuation of their support to decision makers in their ministries (Finland). It would appear that in some countries at least the "energy agenda" has become subsumed in national policies for global climate change, rather than as issues primarily related to development and the reduction of poverty.
181. Specific areas of donor priorities in relation to the trust funds appear to be similar to last year:
- renewable energy (Germany, Denmark, Finland)
 - energy efficiency (France, Germany)
 - household energy, access by the poor (Netherlands, US, Germany)
 - private sector (Canada, Denmark, UK)
 - rural electrification (Finland)
 - regional cooperation (Canada)
 - CSD 14/15 (Finland, US)
 - Governance (US)
 - Environment and climate (Denmark)
182. A number of donors focus on Africa or place a heavy emphasis there (Germany, Sweden, Denmark, Norway, and Netherlands).

Specific activities/collaborations

183. Last year's report identified a number of areas where donors had expressed a desire to work more closely with ESMAP in order to gain from ESMAP's knowledge and contribute their own expertise in partnerships that would improve their own programs. The TAG 2006 report recommended that ESMAP give greater consideration to how it can increase the services and benefits it provides for donors – to meeting the needs of its "shareholders"- in order to have a wider impact on their assistance programs and on developing countries more broadly. Measures recommended in the 2006 TAG report (based on donor responses) are listed below, together with follow-up actions since last March as reported by ESMAP, as observed by the two donors who reported, and/or as noted by the TAG:
184. *Assistance to CG members in their development and non-development ministries to "make the case" for increasing energy budgets.* ESMAP reports preparation of analytical work in key areas that has helped bring forward the energy challenges to the development agenda. Recent examples include ESMAP's contribution to the preparation of the World Bank Clean Energy Investment Framework; its work in biofuels, financing strategies for energy efficiency, and oil volatility among others.⁴³
185. *Mechanisms developed or expanded to facilitate working together, such as staff secondment by donors to ESMAP.* Only one case of staff secondment was reported, but this was to the Energy Anchor, not to the trust funds (by the German Government, on renewable energy). ESMAP reports initial exploration of potential secondments through JPO program

⁴³ See for example the reference to ESMAP report in the recently issued "Communication from the Commission to the European Council and the European Parliament – An Energy Policy for Europe."

with Sweden and Austria, and continues to be open to staff secondments to strengthen linkages with donor agencies.

186. *Working together at country level*, which the TAG felt last year might be facilitated by the new regional block grants, with country level and regional activities available in advance. Indeed, ESMAP management believes that the new regional block grant structure is providing the platform for such interaction at the country level. Project summaries of proposed 2007 regional block grant proposals are being distributed to CG members. This can allow early warning for interaction and comments from country offices of donor agencies, as the full project concept notes are developed and activities are launched. Some examples of such cooperation are given above e.g. in the East Asia and Pacific Region of the Bank.
187. *Better knowledge management* e.g. through a communications director, continued streamlining of publications, and the production of products tailored to better meet the needs of different audiences. A communications officer has been hired and a streamlined process of production is now operational in India. A new electronic newsletter has been developed to improve the dissemination of reports and other knowledge products produced by ESMAP to broader audiences. The ESMAP web page is being upgraded. This effort is aiming at more effectively reaching donors, counterparts, partner agencies, and the development community in general. The short briefs and the electronic newsletter appear to be particularly appreciated by donors.
188. *More effective working together with donor country agencies and institutions* in identifying/carrying out global studies, in information sharing/coordination on studies and activities at country/regional level, and in joint program efforts. ESMAP management expects that the early distribution of the 2007 regional block grant project summaries will trigger early dialogue with donor country agencies and institutions. Thematic leaders are also beginning to explore with other agencies new global studies, most notably the Energy Efficiency Indicators work for the +5 countries, to be undertaken jointly with the IEA, the Interamerican Development Bank, and the Asian Development Bank. The activities supporting Pillar 1 of the Clean Energy Investment Framework at the regional level are being discussed and coordinated with regional agencies such as the African Development Bank. Holding the 2007 CG meeting back-to-back with the EC and Germany-sponsored event “Towards a Europe-Africa Energy Partnership” is expected to further strengthen collaboration.
189. *Improvements in reporting* have not been a formal recommendation of past TAG reports, however informally the TAG has frequently made suggestions on how to better communicate and present ESMAP to its audience. A number of TAG suggestions have been adopted. This year for example, an annex comparing achievements to planned Business Plan was added to the annual report, as well as sections on the regional perspective, following TAG comments. Still, it appears that there is room for improvement in reporting.⁴⁴

⁴⁴ For example Germany notes that while the six-monthly status reports provide valuable information on ongoing ESMAP studies, the latest report as of January 2007 provides information on the six-month period ending December 31, 2005, and on some studies the information provided is even less recent or incomplete, including only project title and task manager.

190. More formal arrangements for closer cooperation have been set up between ESMAP and some countries. The Germans, for example, report agreement to cooperate in four areas following a meeting in March 2006:

- Representatives from the German side and from ESMAP will meet once a year and hold a phone or video conference every 6 months.
- Share information about focal countries of Germany's bilateral assistance to the energy sector and individual projects.
- Develop a joint but informal working document to track progress in all areas/countries where we already cooperate and identify opportunities for future cooperation.
- Frequent informal exchange on energy issues between staff from the World Bank Group/ESMAP and experts from German development institutions

191. In addition during 2006, GTZ and ESMAP launched a joint study on the productive use of energy in sub-Saharan Africa with case studies in Ghana, Nigeria, South Africa and Uganda.

192. These agreements have not yet been fully effectively implemented, however. It is not known to what extent such arrangements are the rule among CG donors. A question in our minds is whether increasing services and benefits for donors may be facilitated by some additional staff resources for this purpose in ESMAP.

Evaluation

193. There was a strong opinion by the CG that it was not TAG's job to undertake independent evaluations of the work of the Trust funds (the Netherlands). Although there may be a role for TAG following the evaluations carried out by others (the Netherlands) and to distil the lessons learned for donors from any internal Bank evaluations of the energy related trust funds - of which the TAG might be given early sight (Canada). Keeping in mind these caveats, SIDA was particularly keen that the TAG assess the "results of ESMAP activities" as the donors know very little about the results "on the ground" of the program. Similarly the UK saw "value in the TAG consulting with clients [in developing countries] about what the ETPFs can do for them in the context of WB involvement in Energy".

194. TAG has commented on several occasions that its own work and other reviews and evaluations have consistently found that the professional quality of ESMAP activities is generally high. Yet as in all operations there is always scope for improvement and a need to adjust to new circumstances. ESMAP's FY02-04 business plan incorporated for the first time a set of indicators to monitor the outputs and outcomes of its activities. TAG has noted that both the ESMAP BP 05-07 and ASTAE have begun work to improve the tracking of output and outcome level results and this remains a work in progress.

195. In 2005-06 TAG had been sent two documents by donors related to evaluations of activities conducted by ESMAP with their funds. In 2006-07 no examples were provided by donors.

196. TAG noted that a wider evaluation of World Bank research performed during the period 1998-2005 was carried out by an eminent panel of development economists⁴⁵. Unfortunately the coverage of ESMAP outputs was very limited, almost non-existent, possibly because it focused mostly on the outputs of the Development Economics Group. This report provides useful methodology that can be applied to the ESMAP publications portfolio at a reasonable cost.
197. A second document⁴⁶ reviews the Bank performance on investments in New and Renewable Energy. This document makes extensive references to the work done by ESMAP and ASTE and the contributions of the trust funds to enabling the Bank to achieve high growth rates in investments and also maintain a comparatively high quality in the portfolio. Comments pertinent to the two trust funded programs are provided within the appropriate sections.
198. It is the view of TAG that given the high cost of formal evaluations, both in financial terms⁴⁷ and staff time, there does not appear to be a need for such an evaluation of either trust fund. **Some issues have been identified by TAG for further work by consultants and they include focused studies on the quality of publications as above; and some levels of user survey of knowledge products. TAG has also suggested that the donors need to examine how important outputs supported by them such as the work on biomass reported on last year and the work of a dedicated fund such as ASTAE can be further replicated and scaled up outside the Bank.**

ACKNOWLEDGEMENTS

199. The TAG has continued to receive considerable assistance from many members of Bank Staff, who have been consulted, together with (smaller) numbers of the donor Consultative Group. In particular, Jamal Saghir and Ede Ijjasz who were very helpful in ensuring that meetings could be held with as many people as possible, and for the invitation to join the discussions at the Sector Board, and, John Prakash who made all the arrangements for the visit, documents and meetings. Special thanks are also due to Junhui Wu, manager of EASEG (including ASTAE), and Vijay Iyer, manager of AFTEG, the managers of other sector programs, and their staff, who ensured that the TAG was well informed about their programs, within the extremely busy reorganization of work. We also congratulate Ede Ijjasz, for his confirmation as the Manager of ESMAP at the March CG and for the many useful measures that have been incorporated into ESMAP processes, for the increased efficiency of these processes, for faster and improved reporting, the building up of staff capacity and we especially thank him for rapid responses to almost all requests at short notice. Finally thanks are also due to the donors who shared their thoughts and concerns during the year with TAG. We have been supplied with all the information we have asked for (except as noted) and have been met with openness and frankness in all our discussions. We are grateful to all for their time and many useful comments.

⁴⁵ An Evaluation of World Bank Research, 1998-2005, by A. Banerjee, A. Deaton, N. Lustig and K. Rogoff, September 24, 2006. World Bank, available at <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/0,,contentMDK:21165468~pagePK:64165401~piPK:64165026~theSitePK:469372,00.html>

⁴⁶ New and Renewable Energy: A Review of World Bank's Assistance, August 2006, OED, World Bank.

⁴⁷ The most recent evaluation of WSP cost over one million dollars.

200. Two TAG members (and many Bank staff) wish to place on record a special vote of thanks to Andrew Barnett, who has been with the TAG since November 1996. He has expressed his desire to step down with this as his last contribution. He has provided TAG with considerable institutional memory, excellent advice and insights into the work of the Bank and the Trust Funds, and has also provided important links to many key stakeholders among donors and country clients. It will be a challenge to find a replacement with a similar complement of skills and experience.

ANNEX 1: TAG TERMS OF REFERENCE AND ACTIVITIES IN 2005-2006

In summary the Technical Advisory Group is asked to provide an informed, independent opinion to the Consultative Group (CG) of the Energy Trust Funded Programmes (ETFP) about the purpose, strategic direction and priorities of the Energy Trust Funded Programmes. In particular the TAG is asked to provide advice and suggestions to the CG in the following areas.

- Current and emerging global issues in the energy sector, likely to have an impact on growth and development in low and middle income countries.
- The strategy, overall priorities and their development into practical business plans, taking into account the volume of likely donor funding that can be secured for each trust funded programme, in the context of the World Bank's energy business strategy.
- The business plan for each of the two regional programmes (ASTAE and AETF), their consistency with ESMAP, how they complement ESMAP and their contribution to the implementation of the WB energy business strategy.
- The potential impact of each programme and a high-level assessment of the actual impacts from implementation, especially on the World Bank's energy business and on the programmes and interests of the donors.
- The potential for the programme to arrive at innovative approaches and new knowledge for improving energy service delivery in developing countries
- Any other area as requested by the Chair of the CG.
- To review the overall impact of implementing the ETFP.

TAG Activities in 2006

Following the CG meeting in March 2006, the TAG participated in two teleconferences with the ESMAP manager. TAG developed a draft work plan which was discussed with the ESMAP manager in May. The work plan emphasized TAG's statutory tasks, in particular consultation with donors, Bank task managers, and selected client countries. The administrative procedures to renew contracts for the TAG could only be completed in September. As a result the TAG work plan 2006/7 was modified in October to take into account the late start date. The focus was narrowed to its core "statutory" tasks set out in paragraphs 5, 6 and 7 of the TAG TOR (namely drafting and finalizing the TAG report, attending meetings of the TAG, the Sector Board and the CG), and as time allowed, the TAG addressed some of the questions set out in paragraph 2 of their ToR, in consultations primarily with Trust Fund and Task Managers. Donor consultations were limited and given time constraints, client consultations were not possible. TAG and the Trust fund managers agree that some minimum amount of time must be allocated in early 2007 for field observations and client consultations.

TAG was invited to attend the Bank's Energy Sector Board Retreat October 12 and used the opportunity for initial dialogues with Trust Fund Managers and other Bank staff on the developments with regards to trust funded activities and the overall context for the energy

practice at the Bank and member countries. This was followed up with a visit to the Bank in early January, to dialogue with Bank staff, review progress against plans and prepare the draft TAG report. A full program of activities was organised for the TAG to give sufficient detail and breadth of information. A list of the meetings is provided in Annex 1.

TAG reiterated the importance of a minimum level of field visit and client consultations need to be carried out to complete the review function.

On both occasions extensive briefing binders were provided to the TAG on trust funded program activities during the relevant period. These included summaries of progress towards implementation of the 2005-2007 business plan per thematic area; summaries of work programs, by region; and the supervision of special programs such as SME and GAPFund. The TAG also received project implementation summaries and the project concept notes for the activities currently supported by ESMAP (particularly those under the regional windows). The list of people met is in Annex 2 and the documents received are provided in Annex 3.

In addition to the usual meetings with energy task managers, plus ASTAE staff and the Africa team, meetings were held with many of the regional coordinators (the regional staff that help the sector managers monitor the ESMAP-funded block grants); teams of professionals working on certain areas (renewable energy, SME); the communications/knowledge management team (to show progress in upgrading this function in ESMAP). Special discussions were held in sessions on the Clean Energy Investment Framework (including the Africa Energy Access Scale Up Action Plan); and sessions on M&E, finances and progress on the ESMAP/WSP streamlining.

At the request of Bank staff, “brainstorming” sessions were also held with the ESMAP task manager and selected energy sector staff to cover (i) ideas for the horizon scanning process; (ii) progress on and mechanisms for ESMAP to more effectively reach out to energy professionals in the donor agencies particularly for the access program in Africa; (iii) on M&E; (iv) on strategic issues for the energy sector and ESMAP; and (iii) how to move forward to the next level with the gender agenda in ESMAP.

A note was prepared following the October meetings and distributed in November 2006 to the Trust Fund staff and the CG members. In comments received Germany requested more information from ESMAP on

ANNEX 2 PERSONS MET IN WASHINGTON DC.

(September 12-15, 2005 AND January 4-12, 2006)

	Person met	Responsibility
1	Jamal Saghir	Director, Energy, Water and Department
2	Ede Ijjasz-Vasquez	Manager, ESMAP.
3	Ashok Sarkar	Sr Specialist Energy Efficiency, ESMAP
4	Douglas Barnes	Sr Specialist, Energy Poverty, ESMAP
5	Soren Krohn	Sr Renewable Energy Specialist, ESMAP
6	Jonathan Coony	Specialist, Energy Security, ESMAP
7	Tae Yong Jung	Sr Energy Economist, Low Carbon Economy and Climate Change Modeling, ESMAP
8	Marlon Lezama	SME Specialist, ESMAP
9	Marjorie Araya	Communications ESMAP
10	Heather Worley	Communications Officer, ESMAP
11	Lydia Tietz	Resource Management Officer
12	Mr. Vishy Ramanathan	Resource Mgt. Analyst
13	Dominique Lallement	Gender Consultant to the Vice President
14	Junhui Wu	Manager, East Asia, Energy and Manager, ASTAE
15	Antonie de Wilde	Coordinator, ASTAE
16	Selina Wai Sheung Shum	Lead Financial Analyst, East Asia and ESMAP Regional Coordinator
17	Vijay Iyer	Sector Manager, AFTEG
18	Koffi Ekouevi	Senior Economist, AFTEG and ESMAP Regional Coordinator
19	Arun Sanghvi	Consultant, AFTEG
20	Mark Blackden	Gender, Africa Region
21	Kyran O'Sullivan	Sr Energy Specialist (ETWEN)
22	Lucio Monari	Lead Energy Economist, Latin America and Caribbean and ESMAP Regional Coordinator
23	Anna Maria Bjerde	Lead Energy Specialist, Middle East and North Africa and ESMAP Regional Coordinator

24	Jonathan Walters	Sector Manager, Middle East and North Africa
25	Sylvia Pariente-David	Sr. Energy Specialist, Middle East and North Africa
26	Pierre Audinet	Sr. Energy Economist, Middle East and North Africa
27	Charles M. Feinstein	Energy Sector Manager, ECSSD
28	Masami Kojima	Lead Energy Specialist (COCPO), on Bio-energy
29	John E. Strongman	Adviser, Mining (COCPO) and ESMAP Coordinator
	Ekaterina Koryukin	Operations Officer, Oil, Gas, Mining & Chemicals Department (COCPO)
30	Ananda Covindassamy,	Retired. Previously Adviser, ESMAP
31	Anil Cabraal	Lead Energy Specialist
32	Gary Stuggins	Adviser

Annex 3: Liquid Biofuels

The in progress and current draft report, *Considering Trade Policies for Liquid Biofuels* (by Masami Kojima, D. Mitchell and W. Ward, (draft version January 2007)). This is a very valuable report that has been produced under the ESMAP work program on Energy Security. This report builds on the previous report *Potential for Biofuels for Transport in Developing Countries*, (October 2005, ESMAP) prepared by Masami Kojima with Todd Johnson. The challenge posed in the report is how policies for biofuels can integrate a large set of concerns for efficiency, energy security, agricultural development, rural employment and several environmental concerns including greenhouse gas emissions with issues in trade. TAG thanks the authors and ESMAP for allowing us to have an early view of the document which is currently undergoing further reviews.

The report breaks ground in describing the many different and complex linkages between these different aspects, in particular - agriculture, global markets for oil, biofuels, and the agricultural feedstocks (such as sugar cane, beets, maize, corn oil); they are used directly for human and animal food, and also by-products and residues. Some of the principal conclusions drawn in the report include:

Today ethanol from sugar is the most efficient route with corn a much poorer source requiring more energy for conversion. Brazil is the world's lowest cost producer of sugar cane and also with the lowest cost plants for conversion of sugar to ethanol. The economics of ethanol are best when the price of oil is high and the price of sugar is low. Even during the recent highs in oil prices ethanol costs have been higher than gasoline except for a few months in 2005, because sugar prices were also high. In economic terms (for countries other than Brazil) the conversion of sugar to ethanol becomes most attractive for countries that are both landlocked and relatively efficient sugar producers. They can save on the transport costs of both fuel and sugar for export. The main driver for ethanol and bio diesel has been on security grounds.

The report also examines the links between the agricultural production, trade, and increased use of biofuels. It finds that when around 10% of the crop goes into biofuels the crop begins to track oil prices as the demand driver becomes its use as transport fuel. This then raises questions for other edible crops such as corn, and vegetable oils such as palm, rape seed and soy. From 2005 world sugar prices have shown increased correlation with oil prices, similarly rape seed oil has moved from being the cheapest oil to the most expensive as it has dominated the bio diesel market. Recently palm oil is in greatly increased demand as a biofuel. There are a complex set of trade and WTO related issues also with regards to biofuels, which have been heavily subsidized with potential implications for the Doha trade discussions. The report also suggests that the environmental gains are highly variable and context specific.

This is only a very a small subset of complex issues discussed in the report. Its importance becomes obvious as countries increasingly take to subsidies for biofuel production and also mandated mixtures of biofuels with gasoline and diesel. Already US corn prices have jumped causing distress to Mexican tortilla consumers. Indonesia has recorded rapid increase palm oil

production much of it exported to Europe to meet new 2003 directive to achieve a blend of up to 5.75% of transport fuels. The NGO Wetlands International working with Dutch researchers has announced the production of palm oil results in carbon dioxide emissions of up to 10-11 fossil fuels. In Indonesia the plantations degrade rain forests on peat land. The drainage of peat land results in very rapid peat decomposition, causing emissions of 70 up to 100 tonnes of carbon dioxide per year per hectare. They are also causing the long-lasting fires that cover hundreds of thousands resulting in additional increase in carbon dioxide emissions. This is equivalent to almost 8% of the total global carbon dioxide emissions from fossil fuels, bringing national emissions from Indonesia to third highest in the world after USA and China⁴⁸.

On a more positive note the report points out that immediately, in many cases, direct biomass use for combustion and power generation can be highly effective, from all objectives and in the future second generation technologies for conversion of cellulosic wastes and grasses are more promising. A number of conclusions emerge from the report. First there is and will remain a continued need for follow up work on biofuels and biomass. Second, the value of external reviewers is confirmed in providing wider comments to ESMAP publications. Third, this⁴⁹ and other publications provide a strong argument for increased communications support for the analytical work. Each of these documents is highly complex and provides information along several important issues relevant for different stakeholders. There is likely to be considerable added value in slicing and dicing the findings in different ways and communicating these most appropriately to different audiences.

⁴⁸ Sources Wetlands International at www.wetlands.org/ckpp and International Herald Tribune, 31 January 2007, page 1.

⁴⁹ As well as the earlier publication on biofuels in 2005 and on the impacts of higher oil prices are other examples.

ANNEX 4: A NOTE ON MONITORING & EVALUATION

Background

TAG has operated under the donor recommendations that, it is **not** TAG's job to undertake independent evaluations of the work of the Trust funds. There can be a role for TAG to follow up on evaluations carried out by others and to distil the lessons learned for donors from any internal Bank evaluations of the energy related trust funds of which the TAG might be given early sight. At the same time other donors believed TAG must assess the "results of ESMAP activities" as the donors know very little about the results "on the ground" of the programme, and noted the value in the TAG consulting with clients, especially in developing countries about what the ETPF have done, or can do for them, in the context of WB involvement in Energy"⁵⁰.

TAG has commented that its own work and other evaluations have consistently found that the professional quality of ESMAP activities is generally high. Yet as in all operations there is always scope for improvement and a need to adjust to new circumstances. ESMAP's FY02-04 business plan incorporated for the first time a set of indicators to monitor the outputs and outcomes of its activities. TAG has noted that both the ESMAP BP 05-07 and ASTAE have begun work to improve the tracking of output and outcome level results and this remains a work in progress.

Follow up from earlier reports

In 2005-06 TAG had been sent two documents by donors related to evaluations of activities conducted by ESMAP with their funds. One concluded that the activities had been carried out well and they could have been improved with greater participation of national experts, which had been curtailed due to donor restrictions. The second document, on PROGEDE, concluded that the project's *participatory, community-driven and multi-sectorial design and approach constituted major innovations and departure from the classic forestry operations in Senegal -- and in the rest of the Africa Region. Further, it achieved development along multiple dimensions, including increased supply of biomass fuels, improved sustainability with improved end-use efficiency. It also led to positive outcomes in terms of poverty alleviation (rural community empowerment and social change, generation of rural employment and incomes, targeted gender development, arresting natural resource wealth losses to the rural populations, creation of new economic activities, etc.), and institutional capacity.*

TAG strongly recommended that the potentially outstanding results from PROGEDE deserved an outside and more independent follow up and evaluation supported by the donor(s) to increase the credibility of the results, capturing key lessons and for wider replication and scale up. TAG has continued to discuss this issue with the Africa program and is pleased to learn that AFTEG continues to follow up on leads, directions and approaches, suggested by this outstanding work. TAG continues to believe that more should be done to fulfil the trust fund's mandate to generate lessons, share them more widely with clients and donors, generating global public goods.

⁵⁰ See TAG Report 2005-06, annex 6. TAG went on to list the formal evaluations of ESMAP, in 1990, then in 2000, and a view from the OED evaluation of global trust funds as it pertains to ESMAP in March 2005. state

Activities in 2006-07

TAG did not receive any documents from donors on any evaluations carried out for themselves on trust funded activities. Also unfortunately, due to the late start of the work plan, TAG was unable to undertake even the limited consultations with clients that it had performed in 2005-06.

TAG noted that a wider evaluation of World Bank research performed during 1998-2005 was carried out by an eminent panel of development economists⁵¹. A brief note on the findings is provided below for the CG even though the coverage of ESMAP outputs was very limited, almost non-existent, possibly because it focused more on the outputs of the Development Economics Group.

A second document⁵² reviews the Bank performance on investments in New and Renewable Energy. This document makes extensive references to the work done by ESMAP and ASTE and the contributions of the trust funds to enabling the Bank to achieve high growth rates in investments and also maintain a comparatively high quality in the portfolio. Comments pertinent to the two trust funded programs are provided within the appropriate sections.

TAG engaged in extensive discussions with both ESMAP and ASTAE on their evolving M&E systems. **TAG is pleased with the attention being paid to the issue, and while it does NOT believe there are any pressing fiduciary issues, it is of the view that both trust funds could usefully devote more attention to strategic issues, through selected and focused outside support, given the rapid changes in their environment and the increasing demands on the trust funds.** It is the view of TAG that given the high cost of formal evaluations, both in financial terms⁵³ and staff time, there does not appear to be a need for such an evaluation of either trust fund. **Some issues have been identified by TAG for further work by consultants and they include focused studies on the quality of publications as above; and some levels of user survey of knowledge products. TAG has also suggested that the donors need to examine how important outputs supported by them such as the work on biomass reported on last year and the work of a dedicated fund such as ASTAE can be further replicated and scaled up outside the Bank.**

⁵¹ An Evaluation of World Bank Research, 1998-2005, by A. Banerjee, A. Deaton, N. Lustig and K. Rogoff, September 24, 2006. World Bank, available at <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/0,,contentMDK:21165468~pagePK:64165401~piPK:64165026~theSitePK:469372,00.html>

⁵² New and Renewable Energy: A Review of World Bank's Assistance, August 2006, OED, World Bank.

⁵³ The most recent evaluation of WSP cost over one million dollars.

ANNEX 5 Summary of Donor Consultations

Summary of CG Donor Responses to TAG questions in December 2006

<i>Donor & correspondent</i>	<i>Strategy?</i>	<i>Specific activities to strengthen cooperation with trust funds?</i>	<i>Comments on TAG work? New directions?</i>
<p>Germany</p> <p>Arno Tomowski, GTZ Simon Koppers, BMZ</p>	<p>1. BMZ's current policy on energy and development is described in the document "Energy for Sustainable Development" (Nov. 2006). An internal position paper on energy and development for German development assistance has been prepared and is currently being developed into a binding sector concept. We expect to publicize an English version in Spring 2007.</p> <p>2. BMZ has and will be rather active in energy in the future, especially with regard to poverty alleviation (incl. access), climate change and energy security. It will use its presidency of the EU and G8 to bring forward initiatives for dialogue with Africa. It will contribute to the dialogue of EU and G8 with large energy consumers like India and China. Topics that are going to be addressed are energy efficiency, access to energy (especially from local sources) and the creation of an enabling environment for energy infrastructure investment in Africa. Furthermore there will be a focus on transparency about and the development-oriented use of revenues from extractive industries in Africa as well as continued support for the follow up of the Bonn conference (incl. REN21 and implementation of the IAP).</p>	<p>In a meeting in March 2006, representatives of German development institutions and ESMAP have agreed to closely cooperate as follows:</p> <ul style="list-style-type: none"> - Representatives from the German side and from ESMAP will meet once a year and hold a phone or video conference every 6 months. - Share information about focal countries of Germany's bilateral assistance to the energy sector and individual projects. - Develop a joint but informal working document to track progress in all areas/countries where we already cooperate identify opportunities for future cooperation. - Frequent informal exchange on energy issues between staff from the World Bank Group/ESMAP and experts from German development institutions <p>In addition, GTZ and ESMAP launched a joint study on the productive use of energy in sub-Saharan Africa with case studies in Ghana, Nigeria, South Africa and Uganda.</p>	<p>An updated list of actual engagements.</p> <p>What is the strategic linkage (if any) of ESMAP and GVEP?</p> <p>Could TAG give advice if exchange of work programmes between ESMAP and EUEI PDF may prove useful?</p> <p>Would like to know if/how ESMAP took on the seven topics that were suggested by GTZ in the past and add the suggestion:</p> <p>Study analysing and comparing the costs and poverty impacts of different schemes for output-based aid in the energy sector (e.g. rural energy agencies, DGIS-funded access projects etc.) and conventional approaches and develop recommendations on funding mechanisms for the best approaches and on the organisational structure of project management.</p>

<p>Netherlands</p> <p>Ton van der Zon Ad Somers Dirk van Eijk</p>	<p>A number of policy documents are available through the web site (section Development Cooperation) of the Ministry of Foreign Affairs (www.minbuza.nl). The emphasis of Dutch Development Cooperation is on poverty alleviation with a special focus on Africa. Recently an internal memorandum has been issued addressing the roadmap to implement the 10 million energy access program and the 50 million water/sanitation program. For the implementation of these programs we are closely working together with a number of organisations including GTZ, UN and the private sector. Please refer also to “Energy for Development: Support from the Netherlands” that was published end 2004 about energy. In the strict sense our policy regarding the energy sector has not changed since then.</p>	<p>No Dutch bi-lateral energy program - so it is important that countries request embassies and that energy is in PRSPs.</p>	<p>Most of our suggestions given in response to the 2005 questionnaire have been integrated in the TAG recommendations and in the TAG work plan.</p>
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Summary of CG Donor Responses to TAG questions in August 2005 (updated 16/01/05) as recorded in 2006 TAG report

<i>Donor & correspondent</i>	<i>Strategy?</i>	<i>Specific activities to strengthen cooperation with trust funds?</i>	<i>Comments on TAG work? New directions?</i>
Canada G. Collins (now retired) Fayez Malek (contact) Paul Ragusa G. LaMontagne P. Schubert	No policy paper directing work in the energy sector.	Working with the Bank on the Nile Basin Initiative With ESMAP in Bolivia and the Andean region	1. Involvement in the Nile Basin Initiative with multiple donors and Bank – has regional cooperation and energy 2. Interested to learn if countries are placing energy in their own priorities within PRSP and if so which. 3. Interested in working with ESMAP in Bolivia and the Andean region. 4. Current priorities are poverty and MDG, environmental sustainability, private sector development and governance. Energy has to fit in within above.
Denmark Helene Bjerre Jordans	Danida Sector Policies: Energy, May 2004, Ministry of Foreign Affairs, 105 pages. This extensive policy document replaces the previous one dated 1993.	1. Danish development assistance in environment, climate & RE would benefit from ESMAP experiences. 2. Need close cooperation & coordination w/ Bank at country/project level.	1. Growing focus on business/private sector development; requirements for changes in priorities from social to productive sector, to strengthen linkage between business and energy? 2. Renewable energy primarily at operational level \$8mil. How does Bank/ESMAP follow up and implement increased target for RE, not thru a few mega projects but w/ a sincere change in perception & evaluation of RE loans?

<p>Finland</p> <p>Haanu Eerola</p>	<p>Yes we have just last year [2004] prepared an energy strategy, unfortunately it is in Finnish. The starting point is sustainable development and poverty eradication. It stresses the role of renewable energy and energy efficiency.</p>	<p>We have two main areas for bilateral cooperation: Renewable energy partnership with Central America and support to the Kenya Rural Electrification Programme including institutional development. Especially in Kenya we would welcome cooperation with ETFPs.</p>	<p>I think we had a very good discussion last time and it clarified the mandate and role of TAG.</p> <p>Our main focus is now in CSD14/15 and we hope that the energy community can bring the energy theme to the discussions in a uniform and visible way. CSD14 will coincide with Finland's EU presidency.</p> <p>We have not evaluated our support to the ETFPs. We welcome an evaluation of ESMAP we have to sell the continuation of our support to the decision makers at our ministry.</p> <p>After 2007 ESMAP will not be supported from our thematic funds and we should find a new home for ESMAP in our Global affairs department</p>
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<p>France</p> <p>Alain Henry – for future dialog pls contact Laurence Breton-Moyet</p>	<p>No, sorry, a policy paper is in preparation. Probably not before 2006.</p>	<ol style="list-style-type: none"> 1. We hope to get a closer relation w/ ESMAP but especially w/ regional staff on ESMAP-financed studies in countries where we are involved as donor, we would appreciate coordination in preparing ESMAP study ToR and also in discussing study outputs before the final version. This could be the ESMAP policy for all donors. 2. We could be interested in suggesting studies to ESMAP in some countries (thru WB staff). 3. Energy efficiency – synthetic view of what has been done & what are perspectives? Donors need policy proposals or strategy paper on specific themes like this rather than wide scope on all energy. 	
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<p>Norway</p> <p>Rolv Bjelland</p>	<p>A Task Force has assessed how Norwegian expertise best can be used in developing countries. Summary report of Nov 05 (in Norwegian) and 7 working papers (in English) on www.norad.no/power. Working paper C is specific on Norwegian competence</p>	<ul style="list-style-type: none"> - a closer communication between donors as preparation for CG meetings. A one day preparatory meeting in Europe could be wanted - better mechanisms to communicate the work and thinking of ESMAP to the Norwegian environment - better mechanisms for the Norwegian environment to communicate in ideas to ESMAP. - can a wider seminar on the ESMAP work (status, plans, strategy etc) be arranged in Europe - where interest parties (consulting companies, institutions etc) can participate? 	<p>The TAG work is very much appreciated by us.</p> <p>More interaction with TAG can be wanted from the Norwegian side – to get a deepen understanding of the ESMAP work – to be able to benefit more of the ESMAP work.</p>
<p>Sweden</p> <p>Ana-Karin Municio (Marie Bergstrom from mid-Sept.)</p>	<p>“Sustainable Energy Services for Poverty Reduction”: Policy for SIDA’s support to Energy Sector Development, 2005, 7 pages.</p>	<p>See comments to ESMAP BP 2005-2007 dated 2005-03-11: Of great value if ESMAP could support Country Energy Assessments as previously.</p>	<p>No</p>
<p>UK</p> <p>Peter Davies /Jeremy Doyle</p>	<p>An internal energy briefing paper was requested in September 2005. A more detailed issues and DFID position paper for wider publication is expected early in 2006.</p>	<p>DFID keen to follow up on DfID funded ESMAP energy enterprises programme</p>	

<p>US Griff Thompson</p>	<p>Next 2 yrs focus is UN CSD energy cycle (policy statement available). Focus is on:</p> <ol style="list-style-type: none"> 1. Governance 2. Technology mix 3. Public-private partnerships 4. Finance and expanded private sector engagements <p>US emphasis is on the ACCESS issues</p>	<p>Want to support CSD work by ESMAP</p>	<p>Main issues State is interested in TAG looking at:</p> <ol style="list-style-type: none"> 1- linkage between energy service delivery and democratization – energy delivery requires cooperation around a community initiative or other effort, more concrete than just voting in an election – USAID has done a paper on this that is a beginning 2-Local/urban/subnational levels, decentralization of energy service provision to local authorities, city mayors, e.g. slum electrification project. <p>TAG should also talk with USAID</p>
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ANNEX 6: Implementation of TAG Recommendations 2006 and New Recommendations 2007

The TAG (2006) recommends that:	Developments in 2006	TAG 2007 Recommendations
1. The new administrative arrangements be given some time to see whether their promise is fulfilled.	Regular reports have been prepared on the WSP/ESMAP streamlining.	The TAG is satisfied that the new administrative arrangements are working well.
2. CG donors re-examine the level of their trust fund allocations based on the new opportunities and their government priorities. ⁵⁴ CG donors balance their allocations between themes and regions to better enable the agreed Business Plan to be implemented ⁵⁵	CG donors have increased their untied funding, which has allowed ESMAP to support more effectively the implementation of the business plan. During CY2006, ESMAP received untied funding from: Netherlands: \$12.9 million France: Euro 2 million UK \$947K Norway \$375K (the remaining part of the contribution of \$375K for Africa) Iceland \$100K Germany's allocation of 3.6 million euros has broad thematic directions. Germany agrees that sustainable biomass is renewable energy. Germany states that energy efficiency (for which it provides funding to ESMAP) should be seen as a wide approach, i.e. the funding can be used for a large spectrum of ESMAP activities.	Donors should continue to support both ESMAP and ASTAE, and where possible continue to provide this support through largely unrestricted funds that support the agreed business plans.
3. ESMAP give greater consideration to how it can increase the services and benefits for donors):	In the view of the TAG, ESMAP has made substantial efforts to increase and improve the services and benefits it provides for donors and many of these efforts have already borne fruit, particularly in knowledge management. The	These efforts need to continue and expand. It may be useful to review mechanisms for regular exchange of information with donors and make them consistent and current, including on the web page. A question in our minds is whether increasing services and benefits for donors

⁵⁴ Denmark and Germany agree that sustainable biomass IS renewable energy.

⁵⁵ Norway: we only give unrestricted funding and others should too.

The TAG (2006) recommends that:	Developments in 2006	TAG 2007 Recommendations
	advance notice of draft regional block grant proposals offers a new potential mechanism for collaboration with donor agencies and institutions. Mechanisms for more regular exchange of information have been set up with some donors.	may be facilitated by some additional staff resources for this purpose in ESMAP.
a) Assistance to CG members to “make the case” in their development and non-development ministries for increasing energy budgets.	Preparation of analytical work in key areas of work has helped bring forward the energy challenges to the development agenda. Recent examples include ESMAP’s contribution to the preparation of the World Bank Clean Energy Investment Framework; its work in biofuels, financing strategies for energy efficiency, and oil volatility among others (see for example the reference to ESMAP report in the recently issued “Communication from the Commission to the European Council and the European Parliament – An Energy Policy for Europe”).	ESMAP and the CG need to consider how to encourage greater exchange of high quality knowledge about energy issues in the many different policy levels among donor stakeholders. The TAG believes that the CG meeting in Germany will assist ESMAP and the CG in contributing to the implementation of the Paris Accord on donor co-ordination and develop new ways of building the capacities of donors and client countries
b) Mechanisms to be developed or expanded to facilitate working together, such as staff secondment by donors to ESMAP;	Initial exploration of potential secondments through JPO program with Sweden and Austria.	The TAG continues to be convinced that it would be beneficial to both ESMAP and donors if seconded staff were provided by donors
c) Working together at country level (which may be facilitated by the new regional window plans, with country level and regional activities available in advance);	The new regional block grant structure could provide the platform for such interaction at the country level. Project summaries of the proposed 2007 regional block grant proposals will be distributed to the CG members. This could allow early warning as the full project concept notes are developed and the activities are launched, for interaction and comments from the country offices of donor agencies.	Advance knowledge of the regional block grants provided by ESMAP should be used by donors to facilitate working together at country level.

<p>d) Better knowledge management (e.g. through a communications director, continued streamlining publications, and the production of products more generally tailored to better meet the needs of different audiences);</p>	<p>A communications officer has been hired. The streamlining process of production is now fully operational in India and the speed of production has improved significantly. A new electronic newsletter has been developed to improve the dissemination of reports and other knowledge products produced by ESMAP to broader audiences. The ESMAP web page is being upgraded (it is expected to be fully operational by the 2007 CG meeting).</p>	<p>As close to real-time reporting of current engagements as possible should be provided on the donor and staff web page, together with expanded information on ongoing activities.</p>
<p>e) More effective working together with donor country agencies and institutions in identifying/carrying out global studies, in information sharing/coordination on studies and activities at country/regional level, and in joint program efforts</p>	<p>The early distribution of the 2007 regional block grant project summaries could trigger early dialogue with donor country agencies and institutions. The thematic leaders are beginning to explore with other agencies new global studies, most notably the Energy Efficiency Indicators work for the +5 countries, to be undertaken jointly with the IEA, the Interamerican Development Bank, and the Asian Development Bank. The activities supporting Pillar 1 of the Clean Energy Investment Framework at the regional level are being discussed and coordinated with regional agencies such as the African Development Bank. The holding of the 2007 CG meeting back to back with the EC and Germany-sponsored event “Towards a Europe-Africa Energy Partnership” could also strengthen further collaboration in these activities.</p>	<p>Advance knowledge of the regional block grants provided by ESMAP should be used by donors to facilitate more effective working together with donor country agencies and institutions in identifying/carrying out global studies, in information sharing/coordination on studies and activities at country/regional level, and in joint program efforts.</p>
<p>4. a) the Trust Funds report at the next CG on the concrete steps that are being taken to improve reporting of measurable and quantifiable outputs (M&E) in annual reporting according to themes that donors can relate to</p>	<p>The Annual Report is organized both along thematic and regional dimensions for donors that are particularly interested in a theme (e.g., renewable energy or energy poverty) or a region (e.g., Africa). The Annual Report also includes a summary of progress towards achievement of the measurable and quantifiable outputs defined</p>	<p>Both trust funds are working on expanded and improved M&E frameworks. and this will be followed up by TAG</p>

their own priorities (e.g. renewable energy, access);	in the 2005-2007 business plan.	
4. b) documentation of (especially poverty/access) impacts of past and present ESMAP work be given a high priority in 2006-7.*	All new project summaries of proposed activities in the 2007 regional block grants require the presentation, to the extent possible, of the linkages and expected outcomes of the work to energy poverty issues. ESMAP reports a marked increase in attention given to this topic, and that ESMAP quality review of the draft regional block grant proposals has resulted in the addition of several energy poverty components to the activities.	Work under progress
5. In future, the allocation of resources between central function of ESMAP and the regions should trend more toward the 30-70 allocation stated in the Business Plan, in line with ESMAP leadership role.*	Allocation is more balanced with the business plan estimates. With the arrival of new staffing, the ESMAP core team now has six senior technical professionals which are undertaking own-managed work programs providing leadership of the program in the sector.	The TAG welcomes the strengthened expertise and central capacity for intellectual leadership in ESMAP.
6. Concerning the regional windows, a) In the allocation of resources to the regions ESMAP management should better reflect the donor priority to the Africa region.*	The allocation to the Africa region has increased from 17% to 24% and ESMAP has provided both financial support and expertise to preparation of the Action Plan for Scale-Up of Energy Access.	The TAG commends the increased emphasis on Africa and encourages continuation of this support by ESMAP (see also Rec. #8 below).
6. b) ESMAP management demonstrates to the donors the processes by which the regional programmes will contribute to the implementation of the Business plan in terms of defined outcomes, learning, additionality, and innovation.	The experiences of implementing the regional block grants in 2006 have been incorporated in the 2007 regional block grants to improve the coherence and strategic choices of the proposed activities. One of the responsibilities of the ESMAP core team in its own-managed work program is to ensure the implementation of innovative and	TAG believes that it will be important for ESMAP to start putting in place now mechanisms to learn the global lessons from the projects undertaken in the block grants.

	<p>cutting edge work of global perspective but with direct relevance to developing countries in the local context.</p> <p>Finally, ESMAP will be making in the coming weeks a call for proposals for an innovation window to support activities outside the regional block grants that cut across regions or themes.</p>	
<p>7. Some of the planned issues for the core analytic and strategic work (the “think-tank function”) that were given priority by donors and TAG have been slow to start.</p> <p>a) These include: horizon-scanning; the examination of how to address the cooking energy crisis; gender mainstreaming; Clean Air Initiative; decentralized energy for small and medium enterprise. The TAG recommends that these issues be taken up as soon as allocations permit and that in particular:</p>	<p>The ESMAP core team is now basically complete with the arrival of an energy efficiency specialist, a climate change/energy modeller, an energy economist/security specialist, a renewable energy specialist, and an SME specialist, to complement the energy poverty specialist. ESMAP is expected to bring a specialist in household energy and is looking for ways to strengthen the capacity in energy and gender. ESMAP management reports that this capacity is allowing ESMAP to accelerate implementation in many of the issues indicated in this recommendation.</p>	<p>TAG continues to endorse these priorities.</p> <p>Given that the administrative issues are under control, the TAG recommends that ESMAP should now raise its game by implementing methods to systematically and proactively anticipate the energy agenda (horizon scanning). It can do this by expanding its high quality and independent analytical work on upcoming issues, by using a wider range of skills, being more outward looking, and by learning more quickly how to improve current policies and practice.</p> <p>Given the importance of the Energy Poverty thematic area, TAG commends its continued emphasis by ESMAP and supports ESMAP’s ongoing efforts to disseminate its best work and to increase staff capacity on biomass & household energy. TAG urges completions of envisaged work on peri-urban energy, interfuel substitution, and M&E of energy inputs to MDGs/PRSPs.</p> <p>The high quality analytical work on energy poverty should continue to be operationalised in the regional units (as already done successfully for example for rural electrification best practices), which may require special ESMAP attention.</p> <p>ESMAP should contribute to the development of an informed Bank viewpoint and niche identifying its comparative advantage on biomass and cooking energy. The TAG believes that ESMAP could usefully provide an intellectual leadership role in global debates related to household energy and biomass energy, such as the issue of non-renewable and renewable biomass under the CDM and voluntary carbon markets.</p> <p>The ESMAP review of energy access in the Bank energy portfolio should</p>

		be completed and disseminated, for use as a baseline.
b) strong measures be taken on an urgent basis to ensure effective implementation of the funded SME work; and	The implementation of the SME program has accelerated and activities are underway in 9 countries with four additional countries ready for initiation. An SME specialist was hired to undertake overall coordination of the program.	TAG continues to endorse these priorities TAG recommends strong support for the exploration of new ways of providing modern energy services to poor people through the SME sector using largely local private capital. It further recommends that this sub-programme is given considerable supportive oversight in 2007 to ensure that the SME program is now truly on course. The TAG also recommends that ESMAP put in place now the mechanisms necessary to learn the wider lessons from this project-related experience and to add value to it.
c) A gender theme be added to the existing four themes under the regional windows, to respond to the opportunities identified at Energy Week.*	Continuous improvement of its capacity in the energy gender area is being evaluated. In Sept 2006 the World Bank Board of Governors approved a 4-year Gender Action Plan that offers new opportunities for ESMAP to support gender mainstreaming in the energy sector.	TAG recommends that capacity in gender be established within ESMAP and, if requested, the regional units, to support gender mainstreaming in thematic areas and operations; that resources be made available for gender components in operational energy projects, and the development of tools and training as needed; and that innovative work on gender and energy be supported on gender equity in energy pricing, gender & energy in SME, indoor air pollution and empowerment of women in mining communities.
8. The use of trust funds to adapt and expand lessons of AFREI and RPTES in other African countries where demand exists. Following discussions with the Africa region staff, the TAG believes that two areas stand out for use of trust funds if additional resources become available, that would be of significant benefit to client countries:	The Action Plan to Scale-Up Energy Access, prepared with ESMAP assistance, incorporates lessons from AFREI and RPTES.	TAG continues to believe that more should be done to fulfil the trust fund's mandate to generate lessons, share them more widely with clients and donors, generating global public goods.
a) Modern biomass energy as a "new" renewable and important growth area to meet demand for liquid fuels as well as rural	This area is being supported in the 2007 block grant proposal from the Africa region	The TAG commends the current work and supports continued independent and intellectually rigorous analysis and empirical work to establish a sound basis for making decisions about biomass derived liquid fuels, not only in Africa but globally.

employment creation in Africa; and .		
b) Partnerships and capacity-building through multi-sectoral and multi-donor country energy assessments process, to prepare the pipeline for operational activities on energy and poverty in some countries	This area is being supported through the syndication process in several African countries as part of the 2007 block grant proposal in Africa.	The TAG supports these efforts and remains keen to note results. The TAG believes that it will be important for AFTEG to continue to draw on ESMAP resources and experience to demonstrate to other donors that the syndication approach is a genuine break from what was often perceived as the Bank's domineering approach to "partnership", to involve partners more effectively during the diagnostic phase, and to truly integrate energy with poverty reduction and environment. TAG believes that syndication will both require and lead country sector studies - suggested in the past by some members of the CG and by the TAG - that will increasingly take into account the many new dimensions to energy policy and investments.
9. A more focused evaluation of specific trust-funded work such as publications and other communications outputs is undertaken to determine user satisfaction, and the meeting of target audience needs.	With the completion of the streamlining process of the legacy publications of ESMAP, the launch of the electronic newsletter, and the upgrade of its web site, the ESMAP/WSP communications team reports that it is now ready to embark on the design and implementation of user satisfaction measures.	Now that ESMAP's publications processes are progressing well, TAG recommends that ESMAP should now turn its attention to undertaking one or more user surveys. This should include both print and electronic publications and web page.
10. a) ASTAE continue its evolution to include poverty and gender orientation in its activities.	The TAG has been informed many times about planned efforts to improve poverty and gender orientation of ASTAE activities, but thus far these do not appear to have materialized. One constraint mentioned by ASTAE is that it is difficult to do non-lending activities in the present framework. The East Asia and Pacific department informed that gender may be included in social impact analysis components in mainstream lending operations planned in Indonesia and Vietnam.	The TAG recommends, as last year, that ASTAE include poverty and gender orientation in its activities, and wishes this year to encourage ASTAE donors to monitor achievements in this area more closely.
10. b) Donors consider expanded funding directed to ASTAE given its effectiveness in priority areas.	ASTAE has received additional funds and from one new donor.	TAG welcomes and looks forward to donor views on revised ASTAE strategy document at CG

10. c) In 2006-7 the appropriate energy unit managers examine and compare the experience of the two energy trust funds in the Asia region, with a view to determining whether there is overlap or different results.	TAG reviewed issue with the respective managers and found useful complementarities.	More lesson learning and dissemination from ASTAE can be valuable as a global public good and need greater support.
11. The TAG report be put in the public domain on one of the World Bank Trust Fund web sites (possibly together with a response from Trust Fund Management).	The CG disagreed with this recommendation.	The TAG again recommends that the TAG report be put in the public domain on one of the World Bank Trust Fund web sites.
	GVEP changed during the year as the result of its new business plan, a gap in the funding of the secretariat and prospects of increased funding from Russia	TAG recommends that as part of its normal reporting processes ESMAP management provides a clear statement to the CG about its intended relationship with the management of GVEP and its secretariat, the approximate staff time it likely to be involved in 2007/8, and the mechanism by which the GVEP secretariat will be held responsible for the use of funds.