

# TOOLS TO UNDERSTAND SOCIAL ISSUES IN ENERGY TARIFF AND SUBSIDY REFORMS

IN EUROPE AND CENTRAL ASIA



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IN EUROPE AND CENTRAL ASIA**

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*A family prepares coffee on a Primus stove following a power outage in FYR Macedonia. Blackouts are a concern for many families - particularly poor ones - throughout the country.*

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## ABBREVIATIONS

CDD	community-driven development
CMU	country management unit
DH	district heating
ECA	Europe and Central Asia
EI	ethnographic interview
ESW	economic and sector work
FGD	focus group discussion
IDI	in-depth interview
PEA	political economy analysis
PSIA	poverty and social impact analysis
NGO	nongovernmental organization
TOR	Terms of Reference
TTL	task team leader

## I. WHY THIS TOOLKIT?

**This toolkit aims to help World Bank task teams working on energy subsidy and tariff reforms to develop qualitative analysis tools.** The tools that are described in this document can help task teams to better understand and address social and political challenges related to these reforms, including impacts of reforms and political economy constraints. **This toolkit shares lessons and research tools developed during analyses of energy tariff and subsidy reforms in ECA.** In FY13–FY14 alone, the World Bank has been involved in providing guidance to over fourteen countries in the Europe and Central Asia (ECA) region on these reforms. World Bank assistance to ECA countries ranges from advice on the design of energy sector policies to understanding and mitigating poverty and social impacts.

**This toolkit describes two sets of methodological approaches to understanding social issues in energy tariff and subsidy reforms:**

- qualitative assessment of household perceptions and impacts
- stakeholder analysis

**These two sets of tools are qualitative research instruments.** Qualitative assessments look into poverty and social impacts of reforms, and factors that drive acceptance/opposition to reforms, from the perspective of diverse social groups. They contribute to a better

understanding of household vulnerabilities and resilience through the reforms, and help inform the design of mitigation and communication measures (Box 1).

Qualitative research methods are exploratory, designed to offer a broader view on a topic or problem. They are not meant to be conclusive or provide quick policy answers and solutions. Rather, they add value by describing the wider context in which a policy debate occurs from the perspective of different stakeholders. In complement to other research methods, such as quantitative analysis and policy simulations, qualitative methods can provide the broader contextual framework, and/or raise new issues to consider in the reform analysis. Stakeholder analyses are usually undertaken as part of political economy analysis (PEA). They assess obstacles and bottlenecks in the implementation of reforms that arise from the power dynamics and interests of various stakeholder groups. They suggest measures to facilitate specific reform actions such as enabling stronger coalitions for reform and building the capacity of stakeholders with low power but potentially high interest in reforms' outcomes to engage in the policy dialogue. (Box 2) These two analytical tools have contributed to the cross-sectoral analysis on energy reforms produced by the ECA Community of Practice on

## BOX 1. VALUE OF QUALITATIVE ASSESSMENTS IN ENERGY SUBSIDY AND TARIFF REFORM PSIA

Qualitative assessments permit in-depth description and analysis of social processes, which complement quantitative data. For example, they:

- *Reveal underlying assumptions and beliefs of energy customers, which underlie their behaviors.* In Tajikistan, focus group discussions showed widespread reluctance to invest in certain energy efficiency improvements—plastic windows, more efficient light bulbs—out of concern for their adverse health impacts.
- *Draw attention to attitudes to and information about reforms and social assistance mechanisms, which impacts overall acceptance of reforms.* For example, respondents across all countries included in the research demonstrate limited understanding of the need for energy tariff increase. Tariff increase is often perceived as being driven by corruption or mismanagement in the sector. The majority of energy consumers are not aware of cofinancing mechanisms for energy efficiency in their countries. In some contexts, vulnerable customers do not understand the eligibility criteria for social assistance benefits to support energy payments.
- *Highlight factors of vulnerability that cannot be captured through quantitative research, but can inform the design and potential effectiveness of mitigation measures.* In Armenia qualitative research revealed the widespread use of fuels that do not have monetary value, such as collected wood, manure, cotton stalks, and other biofuels. In Tajikistan, qualitative research revealed a higher than expected energy expense burden on rural households, including contributions to heating of social buildings, suggesting the need for additional support to bolster energy security of rural communities. Research in Bulgaria pointed to an enhanced vulnerability of many rural and small town residents to electricity tariff increase due to its role in subsistence food production (electrically powered water pumps for irrigation of home plots, freezers for refrigeration). In all countries, qualitative research has confirmed the uneven patterns of energy expenses through the year, especially expenses for purchasing solid fuels, and consequently indicated consumers' preferences for aligning social assistance allowances to this pattern of expenses.

Qualitative assessment findings can also help improve the design of quantitative surveys. For example, they can highlight the need to collect energy expenditure data separately for heating and non-heating seasons to capture seasonal variations, as well as to better account for non-cash energy spending burdens, such as the time and labor involved in collecting fuels.

Energy Subsidy Reforms over the past two years.

**This toolkit presents a practical guide to applying the two sets of tools described above.**

Chapter II presents a brief overview of the types of social and political challenges in energy tariff

reforms that motivate the use of qualitative and stakeholder or political economy assessments.

Chapter III provides a step-by-step guide to conducting qualitative assessments and stakeholder analyses of energy tariff reforms

## BOX 2. VALUE OF STAKEHOLDER ANALYSIS IN ENERGY SECTOR REFORMS

Stakeholder analysis seeks to provide development actors with in-depth knowledge of stakeholders, their role and incentives in the reform process, and highlight obstacles to reform implementation. This information is valuable for identifying ways to facilitate the progress of reforms. Stakeholder analysis is but one component of a PEA that has a much broader scope, and may include such elements as historical background of the sector and reforms, institutional and governance arrangements of the sector, existing status quo and acceptability of the reforms, and so on. If time and resources allow, a task team may consider conducting a PEA. PEAs in Belarus and Romania, for example, proved critical to providing insight into the energy sector and challenges of the reforms.

In Belarus, the PEA has described an entrenched social contract, based on a paternalistic role of the state. In this context, consumers widely view the supply of affordable energy as a social entitlement, and the government and all state institutions uphold this belief. Highly centralized decision making prevents energy sector institutions such as multiservice utilities from influencing the reform process, while at the same time these institutions would be under strong pressure to adapt should reforms progress further. The analysis proposes a menu of recommendations, including more open communications of reform and capacity building for key sector institutions.

In Romania, a comprehensive PEA of electricity and gas market liberalization has identified a number of areas that have obstructed progress of reforms. These include conflict of interest in certain appointments and decision-making functions, weak capacity of key stakeholders (such as regulatory and anti-corruption institutions), and financial constraints, among others. The analysis highlights the lack of strong internal champions, with reforms being driven primarily by external actors. It has identified a set of actions that could help increase internal support for reforms.

based on the ECA experience. Annex I contains Terms of Reference (TORs) for all analytical tools described in the Toolkit. Annex II provides a

reference table to case studies of PEAs of energy subsidy and tariff reforms conducted by the World Bank.

## II. SOCIAL AND POLITICAL CHALLENGES IN ENERGY TARIFF REFORMS

**Qualitative research in energy tariff and subsidy reforms has been used to understand the following issues:** (1) household vulnerability and impact on basic needs; (2) the adequacy of mitigation policy options; (3) the prevailing social contract; (4) citizens' awareness of and attitudes toward service providers and the reforms; and (5) political economy obstacles and opportunities to the implementation of reforms. Understanding each of the areas below contributes to designing socially sustainable reforms along a more politically feasible course of action.

- Household vulnerability and impact on basic needs refers to the overall impact that rising energy costs present to households' well-being; for example, their continuous ability to access sufficient energy for their basic needs, coping mechanisms, the impacts on livelihoods, and so on. In addition, qualitative research may help identify groups that are disproportionately affected by reforms, either due to their identity, location, distinct living conditions, socioeconomic status, or other factors.
- Adequacy of mitigation policy options refers to the range and effectiveness of existing and prospective measures that can improve or help sustain

households' access to affordable energy. These measures can include government-supported actions such as social assistance, employment/income-generation activities, or support for energy efficiency measures, among others. Qualitative research can help policy makers identify positive coping mechanisms to support. It can also advise on preventing negative coping mechanisms, such as reduced school attendance or delayed visits to doctors. Qualitative research assesses awareness, experience, and perceptions of existing mitigation measures and opinions on prospective mitigation policies.

- The prevailing social contract provides the context on which social acceptability of reforms is based. It refers to a host of factors including entrenched cultural beliefs (for example, on the role of the state), trust in institutions, strength of consumer rights and accountability channels, and so on.
- Citizens' awareness of and attitudes toward service providers and the reforms helps assess the perceptions of consumers about reforms and how these contribute to consumers' behavior. Such analysis helps explain the relationship

### BOX 3. TAILORING SOCIAL ASSESSMENTS TO PENDING POLICY QUESTIONS

Qualitative assessments are often used with regard to a broader set of energy liberalization policies. However, they can also be tailored to specific policy questions related to energy reforms.

In Ukraine, qualitative research methods were used to consult with consumers on the topic of transitioning to consumption-based billing for district heating. Twenty-six focus group discussions were carried out in two cities in Western and Eastern Ukraine to discuss aspects of district heating billing and the potential installation of heating meters.

In Poland and Bulgaria, qualitative assessments explored incentives and obstacles for building-level energy efficiency investments. Conducting the studies on a concrete topic across countries also allows lessons to be shared within the region.

Given the flexible nature of qualitative research, studies conceived around a specific policy question (such as metering or energy efficiency) often generate discussion on broader issues of concern to consumers in energy services that can be examined further in the research process.

between citizens and service providers (energy sector and social assistance), and how this relationship is related to behaviors including nonpayment, payment delays, applications for social assistance, and so on.

- Political economy obstacles and opportunities to the implementation of reforms refer to the power dynamics and stakeholder incentives within the country that may hinder or help the progress of reforms.

#### QUALITATIVE ASSESSMENT OF HOUSEHOLD PERCEPTIONS AND IMPACTS

By its nature, a qualitative assessment is best poised to answer the “why” and “how” questions. Qualitative assessments can explain underlying reasons for different degrees of vulnerability and resilience to reforms across groups, which are not easily evident through quantitative analysis. These include, for example, differences in impacts based on gender, ethnicity, income

security, geography, energy sources used, or other factors. Qualitative assessments also help explore the reasons and underlying assumptions on which certain attitudes and perceptions are based. These could be cultural, historical, or reflective of the unique social and economic circumstances of households or communities.

Qualitative tools such as focus group discussions (FGDs) and in-depth interviews (IDIs) rely on open-

#### BOX 4: TAJIKISTAN—USING QUALITATIVE AND QUANTITATIVE METHODS TO PRESENT A COMPREHENSIVE PICTURE OF ENERGY DEPRIVATION AND AFFORDABILITY

Tajikistan faces a complex energy challenge. Due to its natural hydro-resource endowments and geopolitical circumstances, it relies heavily on electricity for urban heating. This is problematic in the winter, when severe electricity load-shedding occurs, leaving rural residents with only 3 to 7 hours of electricity per day. A World Bank report (Fields, Kochnakyan, Stuggins, and Besant-Jones, 2012) investigated possible solutions to tackling the challenge of electricity deprivation. The technical solutions offered to improve the situation require long-term investments and would necessitate an increase in residential tariffs—currently the lowest in the region.

A qualitative/quantitative analysis was conducted to take a broader look at the impacts of and possible shorter-term solutions to winter energy deprivation. It examined in detail energy use and spending patterns of household groups across the country and impacts on their budget and well-being in the current situation as well as in scenarios involving tariff and subsidy reforms. The analysis has helped open policy discussions on bolstering energy security for rural poor who are currently most affected by electricity rationing and the overall burden of energy costs, as well as to consider socially acceptable solutions to reallocating subsidy distribution without impacting the well-being of urban poor.

ended questions that allow subjects to articulate their own vision of the issues surrounding a reform, and to express their own concerns and priorities. By zeroing in on the situation of different social groups, this research makes it possible to identify factors of individual or household vulnerability that have previously not been considered. These can then be included in the policy discussion of mitigation measures, communications strategies, and social accountability approaches (see Boxes 5 and 6).

In the context of ECA energy reforms, qualitative assessment has been used for one or more of the following purposes:

- to frame specific energy policy debates in a broader context (see Box 4);
- to complement findings on distributional impacts of tariff reforms and possible mitigation measures;

- to understand factors that drive or constrain social acceptance of reforms;
- to design social accountability and communications interventions; and
- to tailor the design of mitigation measures.

The most common qualitative methods used include FGDs ethnographic interviews (EIs) with households, and IDIs with key informants. The range of households and key informants selected in the research is described in detail in the section on sample selection below.

### ***Steps for Designing a Qualitative Assessment***

Designing a qualitative assessment for energy subsidy and tariff reforms requires considering the following:

- What do we know about the context? Are there specific social groups that

## **BOX 5: BEYOND THE AVERAGES**

One of the greatest values of qualitative assessment is the ability to look more deeply into households', individuals' and groups' specific circumstances to better understand impacts on their lives and factors that drive their attitudes and decisions affected by energy policy decisions.

In the context of energy reforms, such circumstances may include household decisions about budget management and making energy payments; the seasonality of energy expenditure; differences in the cost of energy sources across locations; the significance of remittances or security of incomes on energy affordability; additional vulnerability of certain social groups (for example, ethnic minorities, female-headed households, distant rural residents, and so on). These factors underlie the complex reality of coping with energy payments and help identify multiple factors of vulnerability.

By taking a broader look into impacts from tariff reforms qualitative assessments have led country teams to consider better tailored mitigation measures; for example, providing community support to meet high winter energy expense burdens in rural areas in Tajikistan, or tailoring social assistance in Armenia to better reflect seasonal variations in energy expenses.

## BOX 6. GENDER IN ENERGY REFORMS

Gender-differentiated impacts of energy tariff reforms may be hard to conceive for researchers (as well as respondents), given that energy services are essential to all. Nevertheless, underlying gender dynamics at the country and household level often translate into types and intensity of impacts that men and women experience differently as a result of energy tariff reforms.

At the country level, differences in labor market participation and earnings provide for various levels of vulnerability of male and female heads of households. In cases such as Tajikistan, where households rely heavily on remittances, energy affordability is significantly less secure for households without a migrant, or those that have stopped receiving remittances (the latter are often female-headed). In other cases, these differences are more subtle but still affect energy affordability based on men and women's level of income and their role in decision making about family budget allocation. Social assistance benefits targeted at single parents may formally or informally discriminate against male-headed households; for example, benefits aimed at single mothers. Most qualitative assessments show that women are more likely to seek social assistance benefits than men, since seeking assistance is less socially acceptable for men.

At the household level, energy use and energy-related decisions may be affected by the household's gender composition. Focus group research shows that men are often more informed about and more likely to proactively employ energy efficiency measures such as insulation, whereas women tend to be more informed about and proactive in seeking social assistance measures. Women staying at home are often affected more directly by energy saving efforts of the household; they may reduce the level of heating when alone, or reduce use of appliances for various household tasks. Additionally, female-only households may incur higher costs for energy sources such as wood or coal, because they have to outsource heavier physical tasks such as transportation, storing, or cutting. Evidence from Armenia and the Kyrgyz Republic shows that due to these heavier tasks, poor female-headed households are more likely to purchase these fuels in smaller quantities, which tends to be several times more expensive than buying in bulk.

are more likely to be vulnerable to the reform? Are there geographic areas that are more vulnerable? Is there a history of conflict or ethnic/social/political division that affects how policies are perceived in the country?

Answers to such questions can help determine the location(s) for the qualitative assessment, particular social groups on which to focus, and

whether there is a need to include a sample from specific social groups that may be alternatively affected by the reform. Understanding the context can also help interpret the qualitative assessment's findings.

- What do we know about the specific reform (proposed or ongoing)? Is this one in a series of reforms? Have analyses been done on previous reforms, and if so, what have been the impacts? Are

there perception surveys on previous reforms on which analyses can be built? Do reforms affect specific groups of consumers (households, businesses, users of particular energy sources)? What is the stage of the policy dialogue?

Answers to such questions can help further determine the sample for FGDs or IDIs, identify valuable existing information on reform impacts, and help tailor questions. Understanding the stage of the policy dialogue can help focus the analysis on potential impacts, mitigation measures, or social accountability and communications.

- What are the available resources? Are firms with adequate experience carrying out research in the country? How much support will they need? What is the available funding for this analysis?

Answers to such questions can help determine the overall scope of the analysis, whether there is a need to focus the scope on a narrower question, or to design the research so it includes capacity building for the selected local firms implementing the assessment.

It must be noted that qualitative assessment takes time. Organizing the research (organizing interviews and focus groups, tailoring research questionnaires, piloting, and so on) can take between 1 and 2 months. Depending on the size of the country and sample, holding FGDs, EIs, and IDIs can take an additional 1 to 3 months. Creating summaries of FGDs, EIs, and IDIs is also time-consuming, as is the analysis of discussions and compilation of data. All in all, a qualitative assessment is unlikely to take less

than one month for a limited sample size in a small country, and can take up to six months in a larger country with a larger sample size.

### **Research Questions**

Qualitative studies on energy reforms aim to explain factors of household vulnerability and factors that shape social acceptance of reforms. In this context, research questions are generally focused in three broad areas:

- What does it mean to a household to face the cost of energy?
  - How do households judge the burden of energy expenses? Do they need to apply specific coping strategies to access energy sources within their means?
  - What coping strategies do they apply to access sufficient energy for lighting, cooking, heating water, heating the home, and other uses?
  - What, if any, are the consequences of coping strategies to the household's well-being?
  - What are the perceived consequences of potential tariff increases?
- What are the prevalent perceptions and attitudes toward energy tariff and subsidy reforms?
  - What is the level of knowledge and awareness of the need for reforms?
  - To what do households attribute tariff increases?
  - What are their primary sources of information and level of trust of different sources?

- What is the level of acceptability of the proposed reforms in the population?
- What additional challenges with energy services do households face (e.g., billing, quality of services, seeking their rights vis-à-vis providers, and so on)?
- What, if any, specific improvements in services and/or accountability would enhance acceptance of the reforms?
- What opinions exist with regard to mitigating the impacts of rising energy costs?
  - Are existing social assistance mechanisms widely known; used; and believed to be an accessible and effective means for protecting vulnerable households in the face of rising energy costs?
  - What do respondents think of having the government support energy payments for households, and to whom should such support be directed?
  - What are the preferred mechanisms for receiving support with energy payments, and why?

What are households' experiences and attitudes toward energy efficiency measures?

### **Sample Selection**

The sample for qualitative research aims to represent a diverse range of respondents to achieve a comprehensive and balanced view of the problem to be investigated. In the majority of poverty and social impact analyses (PSIAs)

conducted in the context of energy reform in ECA, country samples for qualitative work have included from 25 to 30 FGDs, 10 to 15 IDIs, and 3 to 4 EIs.

**Focus groups discussions** capture the opinions of different categories of households. They often unveil any variations (regional, seasonal, across households, across gender groups, and so on) that can be validated further with quantitative data and considered when designing mitigation measures. The focus group sample strives to represent a variety of respondents while keeping sufficient homogeneity within each group to allow for open and meaningful discussion.

Focus group categories may include:

- rural and urban respondents;
- representatives of different geographic areas (different climatic or development zones);
- respondents using different sources of energy as a primary heating source;
- beneficiaries and non-beneficiaries of social assistance/heating benefits;
- employed and unemployed/underemployed;
- low- and middle-income households;
- men and women; and
- Roma or other minority groups that could face different impacts; have different perspectives on the reforms; or have different relationships with energy sector providers or social assistance institutions.

**Ethnographic interviews** with households can be employed to provide a more detailed picture of a

particular household members' experience with managing energy expenses. These interviews are generally focused on the first set of questions above that relates to managing daily and monthly expenses and impacts on energy use. Ethnographic interviews provide a snapshot of the day-to-day energy related usage patterns, decisions, and coping mechanisms for selected households.

The respondents are chosen to represent typical but different household situations. Common criteria for selecting them may be whether they:

- live in an urban, peri-urban, small town, or rural location;
- are apartment dwellers or live in single-family housing units;
- use different primary heating sources (district heating, wood/coal, electricity or gas);
- are poor or low/middle-income households (not exceptional in terms of their vulnerability); and/or
- have children or elderly members.

Ethnographic interviews can also be used to understand the effects of policy reforms on public institutions such as maternity wards, daycare centers, or schools.

***In-depth interviews*** with key informants can validate, explain, and balance opinions expressed by households/energy consumers. They serve to provide a broader picture by gathering information from stakeholders on topics of their expertise, such as social assistance programs, electricity or heating distribution, consumer rights protection, gender-related vulnerabilities, among others.

IDI respondents include representatives of institutions that are professionally involved in

any of the aspects discussed in the FGD. These can include:

- social assistance workers and administrators
- energy company representatives
- local government
- civil society
- community leaders

### ***Conducting the Research***

The time frame for qualitative assessments varies depending on availability and the research team's capacity/training needs, the availability of respondents, and the geographical size of the area to be covered in the sample. On average, qualitative assessments can be completed in six months from the TOR preparation to final analysis.

Team leaders can follow this step-by-step checklist:

- Prepare TORs (including draft sample and guide for FGDs, EI, and IDIs).
- Select local research team.
- Agree on final sample and finalize research guide to be translated into the local language.
- Conduct piloting exercise with 2 to 3 FGDs and IDIs.
- Revise FGD, EI, and IDI guides based on the pilot.
- Have local research team conduct field work (simultaneously prepares summary write-ups of FGDs, EIs, and IDIs).
- Brainstorm messages and structure of analytical report.

- Have local research team prepare draft analytical report.
- Prepare final report jointly with local researchers.
- Task team leaders (TTLs) may choose to prepare summary reports or PPTs with key findings.

Sample TORs, FGD, EI, and IDI guides, and write-up templates can be found in Annex I.

### **Analyzing and Validating Findings**

Qualitative assessments are rich in contextual information and detail from primary accounts of consumers and other stakeholders. However, they have important limitations that should be taken into account in the analytical stage. Firstly, they are grounded in the personal opinions and perceptions of respondents in the sample. Secondly, the sample is not nationally representative, but rather aimed at representing a variety of circumstances. Thirdly, findings lack technical backing; for example, respondents' suggestions on measures to be implemented might not be technically feasible. Due to these limitations, an accurate presentation of the analysis is essential. Use of complementary data to validate and balance the findings, and consultations on the findings can enhance the analysis and make it more valuable to policy dialogue.

**Presentation.** The following tips can be used to present the analysis:

- Focus on messages about the key research questions that are widespread across the sample.
- Highlight variations across groups and messages that are specific to certain categories of respondents.

- Report external factors that may influence responses in particular groups or the comparability of findings across groups.
- Use charts, graphs, and tables for more structured questions to illustrate the number of respondents that report a specific experience or agree with a certain view.
- Use quotes to the extent that they illustrate a more widespread view.
- Present views from key informant interviews in the relevant sections to provide a balanced perspective.
- Structure conclusions around concrete policy implications of the findings, grounded in the evidence.

**Use of complementary data.** Various quantitative surveys or a quantitative component of the PSIA, projects, or government documents can be used to compare and validate findings and strengthen the background on the context of the study. For example, data on the distributional impacts of tariff reforms can help to estimate the poverty impacts on different income groups. Data on external factors that drive energy prices, such as changes in the price of imported fuels, can help to broaden the context in which household perceptions are interpreted.

Frequently used complementary sources include:

- household budget surveys
- opinion surveys
- citizen report cards
- project and sector-specific papers
- evaluations of relevant programs

**Consultations.** Internal World Bank consultations across global practices (energy, social protection, social development, poverty, external relations, country management units) are recommended to check factual information, discuss complementarity of findings across analytical products that fed into country dialogue in the energy sector, and produce a joint set of messages. External consultations can be used to present findings to governments, other donors, and/or civil society in country to collect their feedback and discuss policy priorities.

**Outputs** from the qualitative assessment consist of a background report per country, and FGD, EI, and IDI write-ups. Additional outputs should be tailored to the policy dialogue format and country management unit (CMU) needs and can also include PowerPoint presentations, stand-alone reports and report summaries, and sections of regional reports (see examples in Box 7).

## STAKEHOLDER ANALYSIS

**Stakeholder analysis** or **stakeholder mapping** is an integral part of **PEA**, which has increasingly become an important tool for understanding how the distribution and contestation of power resources affect policy decisions and the implementation of public sector reforms. PEA of a country's energy sector seeks to understand how political and institutional factors affect a sector or facilitate/challenge change in the sector. Stakeholder analysis is a common input when undertaking PEA. It allows task teams to identify (1) who are the main stakeholders in the energy sector or subsector in a given context; (2) how different stakeholders relate to each other; (3) who benefits and loses from policies that are in place; (4) who would benefit and lose from changes to policies. A more in-depth analysis may also examine: (5) how broader institutional and governance mechanisms in the sector or in the country impact the reform

### BOX 7. USING OUTPUTS FROM QUALITATIVE RESEARCH

In Belarus, findings from FGDs, IDIs, PEA, and household budget survey data were incorporated into a country-level report, "Heat Tariff Reforms and Social Impact Mitigation" to be presented to government counterparts as a joint analysis.

Similarly, Tajikistan qualitative findings were validated and integrated with quantitative survey data and information from social assistance program evaluations to form a multisectoral report, "Assessment of Household Energy Deprivation, Coping Mechanisms and Policy Options for Socially Responsible Reform in the Electricity Sector" for country consultations.

Bulgaria, Romania, and Croatia qualitative assessments have served as inputs to an ESW on "Energy Affordability in EU-11," which also incorporates evidence from quantitative analysis of fiscal and quasi-fiscal impacts of energy subsidies, household survey data, and data from evaluations of social protection programs.

## BOX 8. DEFINING POLITICAL ECONOMY

“Political economy is the study of both politics and economics, and specifically interactions between them. It focuses on power and resources, how they are distributed and contested in different country and sector contexts, and the resulting implications for development outcomes.”

Source: Poole, 2014.

Political economy analysis of energy sector reforms has been conducted in a number of countries, including Morocco, the Dominican Republic, Zambia, Senegal, Guinea-Bissau, Yemen, India, and most recently, Kyrgyzstan, Romania, Belarus, Croatia, and the Western Balkans.

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process; (6) what are the historical legacies that shape formal and informal institutional arrangements and either drive or hinder reforms. By understanding these relationships and institutional and governance arrangements, and analyzing the overall power and willingness of stakeholders to drive change, specific recommendations can be made to sequence and prioritize particular reforms.

***Stakeholder analysis can help policy makers and task teams:***

- identify opportunities to build coalitions for reform;
- determine a realistic course of action—

even if it is not a “first best” policy option—and how reforms can be sequenced;

- identify measures to enhance the acceptability of reforms;
- explain why reforms have not achieved significant results;
- explain the likely distributional aspects of reform efforts; and
- promote multi-stakeholder engagement and cooperation.

## DESIGNING A STAKEHOLDER ANALYSIS

- ***Determine the scope of the analysis and formulate a clear and specific research question (see section c below).*** Stakeholder analysis can be very broad, looking at a sector and the reforms as a whole, and identifying a wide range of stakeholders and institutions. This type of analysis, however, can also be carried out with a specific question about a single policy reform or an aspect of the policy reform. Broader analysis can serve to guide thinking on which policies or issues to prioritize, while narrower analysis can help identify specific

## BOX 9. ISSUES IN STAKEHOLDER ANALYSIS FOR ENERGY TARIFF REFORM

Energy subsidy and tariff reforms present some distinct challenges that should be considered when conducting stakeholder analysis. Energy is essential for all aspects of life. It affects citizens, businesses, and public institutions. Changes in access to or cost of energy affect closely most sectors of the economy. Unlike other policy reform actions, energy tariff reforms have overarching impacts felt by the entire population. It is likely that increasing user costs of energy will bring no short-term benefits to any stakeholder group, even if they are necessary for the long-term financial viability of the sector, and for improving quality and reliability of services.

Energy reforms are also often strongly influenced by external stakeholders and the geopolitical context. Access to energy imports at below-market price can be used as a political tool, and contribute to stalling reforms. The disruption of a regional agreement that had ensured reliable and cheaper energy supply can become a catalyst for reforms, and help win public support for them, in order to reduce dependence on the regional network. Changes in international market price for imported fuels can provide a strong push and rationale for reforms in a particular time period.

capacity-building activities, actors that have strong views on an issue, and other more specific challenges to a reform. The scope of the analysis depends on the objective of the work, how much is already known about the broader policy options and their acceptability, and on the interests and capacity of governments and sector institutions.

- **Understand the sensitivities of the issues to be addressed.** Stakeholder analysis often unveils a number of sensitive issues that may not be easy to address during the research and analysis, or publicly discussed once the analysis is complete. Awareness of such sensitivities may determine (1) the choice of researcher or research firm; (2) the sources of information (primary or secondary); and (3) the

audience and dissemination strategy. In cases where issues are particularly sensitive, it may not be possible to carry out interviews. To elicit honest answers, it is important to work with a research firm or consultants that have experience conducting focus groups and interviews. Often, respondents may provide answers that they think the researchers expect. In this situation, it is also difficult to determine the veracity of information received, and it is also more important to validate information with different sources.

- **Clarify the audience.** Depending on sensitivities of the context (and often the findings), the task team should consider whether the results can be publicly disclosed. Different reports may also be created for different audiences.

- **Decide which tools will be used (see section c below).** It is important to decide which tools will be used after the scope of the research is clear, after the audience and sensitivities are clarified, but before a research team is put in place. Certain tools are more appropriate for a broader review (desk reviews), while others are better for a more specific review (IDIs). Desk reviews and media monitoring are also more appropriate for more sensitive issues, while interviews are more appropriate when trying to understand the opinions and capacity of people who can drive change.
- Tools should be chosen based on the best way to access specific information. For example, individual interviews make it possible to discuss opinions and interests directly with key stakeholders. Media monitoring can only offer a partial account of what key stakeholders think, but it can be used to identify broader trends and opinions. Desk reviews, on the other hand, are the best way to identify information that has already been gathered and analyzed. The best analyses use a variety of tools and sources of information, since this also helps with validation.
- The sequencing of Stakeholder Analysis within a broader poverty and social impact analysis of reforms also matters when determining what data to gather and through which methods. For example, existing analysis of fiscal impacts of reforms, budgets and expenditures, data on existing monitoring or control systems within a sector can provide cues as

to the interests and motivations of stakeholders. However if such data is not collected and cannot be accessed through desk review, it could be examined in more detail in the course of Stakeholder Analysis interviews.

- **Determine the available resources for the work.** The available funding and expertise can help determine the overall scope of the analysis; whether there is a need to focus the scope on a narrower question; or to design the research so that it includes capacity building for selected local firms implementing the assessment.

## RESEARCH QUESTIONS

The following questions exemplify research questions that have guided stakeholder analysis work carried out on the energy subsidy and tariff reforms, as well as on other sector reforms:

- Who are the sector's key stakeholders?
- How do these stakeholders relate to one another? What are the most important regulation, decision-making, funding, reporting, etc. relationships in the existing institutional structure?
- What are the vested interests of different stakeholders and underlying incentives that shape power dynamics?
- What are the interactions and dependencies between different stakeholders?
- How does the sociopolitical context affect policy choices?
- What are institutional and political bottlenecks that prevent the reform agenda from moving forward?

- What coalitions can be built to facilitate the implementation of reforms?

## CONDUCTING STAKEHOLDER ANALYSIS

Stakeholder analysis employs a variety of methodological approaches—both qualitative and quantitative—and utilizes primary and secondary data sources. Some stakeholder analyses rely exclusively on secondary information while others also collect primary data through FGDs and IDIs with consumers and/or stakeholders. Table 1 describes some common tools that can be used as part of an analysis. Depending on the purpose of the analysis and the specific research question, different tools may be used.

## ANALYZING THE DATA— MAPPING STAKEHOLDERS

Stakeholder mapping may employ different models and approaches. Such an analysis commonly looks at the following aspects in greater detail:

- Identifying stakeholders in a reform process:
  - Who are the stakeholders (formal and informal; primary—directly involved or affected by the reforms; and secondary—indirectly involved or affected by the reforms)?
  - What are alliances and divisions between stakeholders?

**TABLE 1. TOOLS FOR CONDUCTING A STAKEHOLDER ANALYSIS**

TOOL	PURPOSE/SCOPE
Literature/desk review <sup>a</sup>	<ul style="list-style-type: none"> <li>■ Identify main stakeholders that can serve as key informants</li> <li>■ Document formal (de jure) institutional structures</li> <li>■ Review the budgets and expenditures</li> <li>■ Review existing quantitative data that may drive interests of different groups (e.g. how will tariff reforms affect small and large enterprises)</li> <li>■ Track main events, decisions, and turning points in the reform agenda</li> <li>■ Learn about earlier reforms, their results, and how they affect the current institutional arrangements and impede reforms' progress</li> <li>■ Highlight different stakeholders' motivations for undertaking the reform path, and how incentives and/or behaviors of certain stakeholders may have changed over time</li> <li>■ Determine reform strategy and process</li> <li>■ Understand official and public perception of the reforms</li> </ul>

<sup>a</sup> Literature or desk review may include analyzing different type of publications, including academic and policy papers, civil society communiqués, and reports.

<sup>b</sup> When undertaking media analysis, carefully select media sources. Pay attention to ownership issues, political affiliation, circulation rates, and geographical reach. In addition, identify a clear time period for publications to be analyzed.

<sup>c</sup> FGDs and IDIs may follow the format described in the qualitative approach section.

**TABLE 1. TOOLS FOR CONDUCTING A STAKEHOLDER ANALYSIS (CONT.)**

TOOL	PURPOSE/SCOPE
Media monitoring/ reviewb	<ul style="list-style-type: none"> <li>■ Follow official announcements and communication campaigns about the reform agenda</li> <li>■ Identify formal and informal stakeholders and their interests</li> <li>■ Understand official and public perception of and narrative about the reforms</li> </ul>
IDIs or workshops (with providers) <sup>c</sup>	<ul style="list-style-type: none"> <li>■ Validate main questions for research</li> <li>■ Confirm and/or refine institutional and stakeholder mapping</li> <li>■ Ascertain the information collected through secondary data review and media analysis</li> <li>■ Understand power dynamics, willingness, and capacity for reforms</li> </ul>

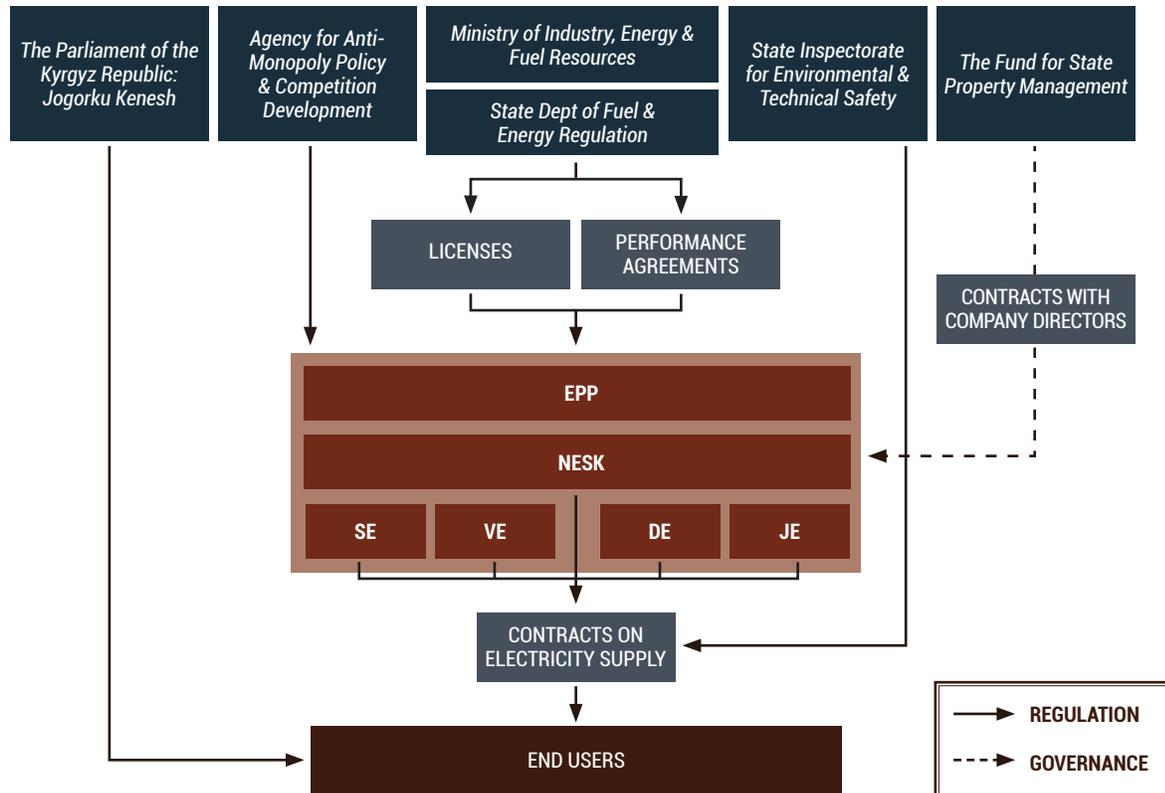
- What are different stakeholders' power dynamics, incentives, and interests?
- Are there relevant patronage networks, or are there issues with clientelism and nepotism that affect the reform process?
- Are there any external stakeholders that also influence the reform dynamic?
- Providing insights into institutional arrangements and governance of a sector (or a subsector):
  - What are key formal institutions and government agencies of the sector (or subsector)?
  - What are the informal institutional relationships between key actors?
  - What are their daily roles and responsibilities?
  - What is their involvement and role in the reform (in its design, implementation, and supervision)?
- Highlighting existing status quo and acceptability of the reforms:
  - What are incentives and bottlenecks, and the willingness and ability of stakeholders to implement reforms?
  - What are structural drivers for reforms (endogenous and exogenous factors)?
  - What are social constraints?
  - What is the extent of acceptability of the reform agenda by different groups of the population?
  - To what extent is the sector impacted by or crucial to the management of political support?
  - What is the discretionary control and distribution of state resources (are there any formal/informal economic or political rents)?
- Developing policy options (and their sequencing) that are suitable to a wide range of stakeholders, or stakeholders with the power and interest to implement reforms and ultimately move the reforms forward while minimizing potential social risks:

- What are some feasible policy options that are also suitable to a broad range of stakeholders? What sequencing of these policies might generate greater support from influential stakeholders?
- Is there a compromise between the best “technical” option and the most feasible or acceptable one?
- Is there a coalition for change?

The findings of this exercise may be presented in a narrative form or using diagrams that present hierarchical structure of the relevant institutions, or specific relationships such as decision-making, supervision, accountability, or funding (see Figure 1).

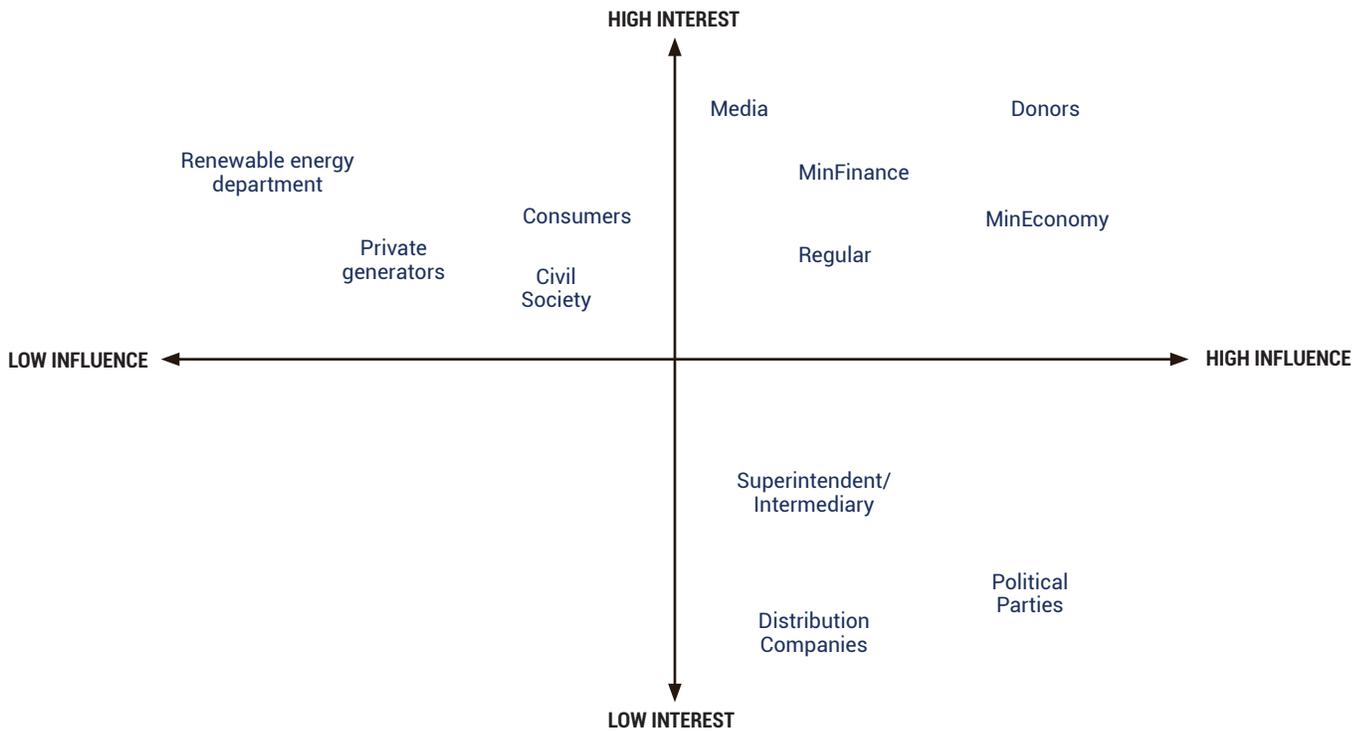
Various stakeholders can also be mapped relative to one another based on their primary characteristics, roles, or interests (see Figure 2). Depending on the objective and scope of the exercise, the axes may depict different characteristics. More commonly, influence vs. interest axes are used to position various formal and informal stakeholders and indicate their influence, support, or opposition to the reforms. Interest and capacity axes may also be used. The type of stakeholder mapped may also vary, with some questions more suitable for a map of individual stakeholders and other questions more suitable for a map of institutional stakeholders. Stakeholders may also be divided into groups depending on their interests. For example, it is possible to group the state and

FIGURE 1. REGULATION AND GOVERNANCE IN THE KYRGYZ REPUBLIC POWER SECTOR



Source: World Bank. 2014. Power Sector Policy Note for the Kyrgyz Republic. Washington DC

FIGURE 2. STAKEHOLDER MAPPING BASED ON INTERESTS AND INFLUENCE



Source: Example, authors' elaboration

service providers into a single high-powered group when they share common interests, and contrast them with multiple consumer groups who do not share interests. Stakeholders may also be organized into different categories, such as (1) primary, secondary, and tertiary; (2) formal and informal; or (3) champions and spoilers of the reforms; and so on. A table format allows information about parties/stakeholders to be concisely consolidated by different categories and functions (see Figure 3).

One process for carrying out a stakeholder analysis is described below:

- Based on the information gathered, determine the 5 to 20 most relevant stakeholders. In the energy sector, for example, these might be service providers, regulators, policy makers,

ministries, consumers, consumer advocates, and so on.

- Depending on the question, determine the axis or frame of analysis for the stakeholder map. Determine whether the map should show capacity, willingness, interest, and so on. It is also possible to develop several maps. For example, a map based on interests and influence can be compared to a map of capacity and interest. This can show when a stakeholder would want to reform but lacks the power to do so.
- Analyze the map to determine potential options for reform. This could mean understanding that one reform will be difficult to implement because of political economy considerations and selecting a “second best” reform. Or it could

FIGURE 3. STAKEHOLDER MAPPING IN TABLE FORMAT

PARTIES/STAKEHOLDERS	CHARACTERISTICS	FUNCTIONS	INFLUENCE ON POLICY/ PROJECT
<b>REPUBLICAN/STATE LEVEL</b>			
XX			
<b>REGIONAL LEVEL</b>			
<b>LOCAL LEVEL</b>			

mean designing social accountability mechanisms to improve the acceptability of reforms. The analysis could also point out institutional capacities that need to be built, or highlight the need to sequence reforms or conduct activities leading to a reform.

Once the stakeholder map is complete, and depending on the purpose of the study and the nature of the research questions, researchers may decide to investigate why stakeholders have particular interests, constraints, capacities, and so on. This could be accomplished by outlining formal and informal rules/norms of operations/structural factors; identifying key processes, perceptions, or historical events that have led to the formation of interests and opinions; or analyzing the relationship between broader contextual issues and policy stances and energy sector reforms.

### ANALYSIS OF PERCEPTIONS OF REFORMS

- Information collected through different tools is carefully studied and if needed,

categorized to identify main trends. Qualitative information gathered during individual or group discussions presents similar limitations as any other qualitative data and should be treated carefully (see earlier section on the qualitative approach). It is important to compare information collected through different sources and by different means.

- Information gathered from primary sources is used to ascertain information and draw preliminary conclusions based on analysis of secondary sources. Stakeholder maps are assessed for precision, comprehensiveness, and accuracy, before conclusions and recommendations are finalized.

### VALIDATING FINDINGS

Because opinions and perceptions are part of the data for this kind of analysis, interviewing a diverse sample of stakeholders is important to minimize the risk of biased conclusions.

Reviewing reports from different media and sources as part of media monitoring and desk review is also important for a more balanced perspective. In addition, a workshop in which different stakeholders are invited to discuss reforms can help validate findings and determine the points of disagreement or clarify nuances in the information.

## **OUTPUTS**

Outputs of a stakeholder mapping may be presented in a formal self-standing report or an informal and internal document that reviews policy recommendations and dialogues with clients. Alternatively, policy briefs or summary notes with recommendations or PowerPoint presentations may be prepared.

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### QUALITATIVE ASSESSMENT: HOUSEHOLD IMPACTS AND ACCEPTABILITY OF ENERGY REFORMS— TERMS OF REFERENCE

#### *Background*

*[Insert country and sector context here.]*

#### *Objectives and Outputs*

The **objective** of the qualitative assessment is to add depth to the information already available from quantitative sources by seeking to understand:

- the most stressful times with respect to energy payments. The impact of energy payments (and previous tariff increase) as experienced by households;
- the different types of measures households resort to in order to cope with price increases—for example, if participants have cut back on other spending to pay for electricity, and which types are cut first (luxuries, basic needs, travel, insurance premiums, etc.)
- the perception of quality of service and interaction with energy service providers (electricity, district heating) on matters such as transparency, clarity of

tariff-setting processes, accountability, arrears, and nonpayment;

- attitudes toward energy reforms and tariff reforms more broadly—areas of information that should be considered in communication efforts accompanying energy reforms; and
- the types of programs that participants use to support their basic needs (such as social assistance cash transfers, heating benefits, etc.), experience with assistance measures, such as heating allowance, and perceptions of the most effective measures for protecting poor households from the adverse impacts of energy tariff increases.

The primary **output** will be a report that includes (1) a description of the impacts of the planned reforms on the poor; and (2) recommendations on the types of support that could be provided to make energy more affordable for the poor. The report will be delivered in English.

In addition to the analytical report, outputs will include brief write-ups in English of all FGDs and IDIs in agreed upon format with the World Bank (WB) team.

Suboutputs, which will serve as a basis for disbursement, will include:

- field testing and development of a methodology and research materials, including detailed samples and a time frame for FGDs and IDIs
- draft report, FGD and IDI write-ups
- final report

### Activities

The qualitative research will include [XX FGDs] with low and middle-income households, and [XX IDIs] with local government, energy, social assistance stakeholders, and nongovernmental organizations (NGOs).

### Sample

To capture the situation of **poorer households**, the sample should focus on households that correspond to the [bottom two consumption quintiles] according to expenditure levels based on [year] data. The sample should cover both urban and rural areas. Among the low-income

FGDs sample, separate FGDs will be conducted with beneficiaries of heating allowances.

FGDs will be conducted with **middle-income households**<sup>1</sup> to compare consumption and impacts of energy payments on household activities, coping strategies with energy payments, as well as to collect attitudes regarding acceptance of energy reforms and tariff increase.

All FGDs should ensure a good gender and age balance, as well as geographically represent areas with different levels of economic development. As gender differences may be present in the description of household impacts and coping strategies for energy expenses, researchers may consider convening separate groups comprised of only men and only women.

A small subsample (of 3–4 focus groups) will be conducted with Roma (or another vulnerable/

<sup>1</sup> Corresponding approximately to the 3rd and 4th quintile.

		Poor households		Middle-income households
		Non-Roma	Roma	
		With heating allowance	Without heating benefits	
URBAN	Using district heating			
	Using gas for heating			
	Using wood/coal for heating			
	Living in blocks of flats and disconnected from DH [?]			
RURAL	Using [...] for heating			
	Using wood/coal for heating			

excluded group<sup>2</sup>) given their greater social and economic vulnerability, and often very distinct living conditions and challenges accessing utilities/social assistance services. The Roma sample will include both apartment buildings (ideally, one group that is connected and one that is disconnected from district heating (DH) and house residents; for example, in segregated neighborhoods where residents' problems accessing utilities might differ from the rest of population that lives in houses).

An example of an FGD is offered below. The precise sample and locations for FGDs will be elaborated by the local research team and agreed upon by the World Bank.

Outputs: a detailed work plan including sample, time frame, and research guide to be piloted.

### ***Piloting FGD and IDIs; Revision of Research Tool***

The research team will conduct [X] pilot FGDs in different settings to test questions and exercises for clarity, adequacy of the timing, reporting methods, and write-ups. Specifically, the pilot exercise will examine whether FGD participants understand questions and terminology; whether the suggested exercises are efficient and yield informative findings; and whether the number of questions and exercises can be completed within 1.5–2 hours. The pilot will also determine whether important topics/issues were missed in the initial set of questions and propose additional questions or exercises accordingly. Based on the pilot FGDs, the consultants will prepare brief write-ups and agree with WB team on the write-up format for the remaining FGDs.

Based on the pilot exercise, the team, in consultation with the WB, will revise the research

instrument; the WB and research team will agree on a format for FGD and IDI write-ups.

Outputs: a revised FGD research guide and IDI questionnaire. Agreed format for FGD and IDI write-ups.

### ***FGDs and IDIs***

The precise content of the FGDs will need to be developed with the research team and be subject to piloting. It is expected that discussions will last approximately two hours, with 8–10 people in each group. The FGD should consist of exercises that allow cross-group comparison (suggesting that the structure of the FGDs will be fairly standard for all the groups in the sample), with exercises possibly from the following menu. The piloting process should indicate which exercises will be most appropriate and how each section should be facilitated and recorded.

There will be four main elements to the FGDs:

- Introduction
- Exercise 1: designed to understand energy use and spending patterns
- Exercise 2: designed to capture how households cope with energy expenditures and prior increases in energy costs
- Exercise 3: designed to capture opinions on support mechanisms
- Exercise 4: designed to capture attitudes to and acceptance of energy reforms, including rising tariffs
- Wrap-up

Approximately [XX] IDIs on the same set of issues will be conducted with local government representatives, national NGO and think tank

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2 Based on the overall objective and scope of the study.

FIGURE 4. DISBURSEMENT SCHEDULE (SAMPLE SCHEDULE BELOW, CAN BE CUSTOMIZED BY TTL).

OUTPUT	DEADLINE	PAYMENT
Upon signing contract	[date]	10%
Detailed sample, time frame, and research tools		
Pilot exercise and revised research guide	[date]	20%
Draft report FGD and IDI write-ups	[date]	40 %
Final report	[date]	30%

representatives, and national and local experts on energy and social protection.

Outputs: 3–4 page FGD and IDI summary write-ups (including answers to key questions and summary tables) in English; draft and final analytical report of findings.

### **Outputs, Deadlines, and Payments Schedule**

The research will be conducted between [date] and [date].

## GUIDE FOR FOCUS GROUP DISCUSSIONS

### **Introduction (5 min)**

Explain the purpose of the group, which is to explore issues regarding energy use, energy affordability for various social groups, and how the population copes with energy tariff increases. Set the ground rules for the focus group (respect others' opinions, do not interrupt, turn off cell phones, stay for the duration of the group, and so on). Explain that

participants' anonymity will be respected and ask for permission to record the discussion. Ask participants to *briefly* introduce themselves with some basic information (first name, age, employment status, occupation, whether they work seasonally, whether they live alone or with family, in a house or an apartment, how long they have lived there, and so on). Ask a few general questions to begin the discussion, such as "What energy sources do you use in your house?"<sup>3</sup> "Is it difficult for you to pay your energy utility bills?"

These questions are for introductory purposes only. If the discussion becomes heated over a particular point, explain that these issues will be covered in more detail during the discussion to follow, and remind participants of the study's objective. Then, proceed to the first exercise. Note that some issues that are raised may

<sup>3</sup> Each FGD will begin by having participants fill out the basic data questionnaire per questions listed. The questionnaire will be developed and finalized by the contracted firm in consultation and after agreement with the WB team.

not be specifically covered in the research. Prompt respondents to discuss/elaborate in the relevant section of the FGD (for example, on issues related to costs, assistance measures, and responsiveness of the electricity/district heating company, and so on).

**Write-up**

This exercise will be summarized as shown in Table 1:<sup>4</sup>

[Urban/rural group], [location]<sup>5</sup>, [gender], [beneficiaries of any assistance program or not]<sup>6</sup>

- 4 Information about respondents participating in a focus group should be collected prior to the FGD or during recruitment in order to use the time of the FGD more efficiently.
- 5 Need to indicate the type of location (for example, capital, administrative center, village, etc.).
- 6 Beneficiaries of the Family Benefit Program or other assistance program (such as emergency benefits and heating benefits in previous years).

**EXERCISE 1: ENERGY USE AND SPENDING PATTERNS (25 MIN)**

The goal of this exercise is to understand how the different groups of consumers use energy, and in particular, when demand for energy use peaks.

The facilitator will start by asking the group which types of energy they use (gas, electricity, solid energy source, and so on). The discussion should then turn to daily, weekly, and seasonal energy consumption patterns.

The moderator/assistant will pre-prepare time lines, which will look like graphs A, B, and C on the following page. During the pilot session, the team can decide whether to use all three graphs or just the monthly one (customizing it month by month, or by trimester) depending on the information that is sought for the study.

TABLE 2. FOCUS GROUP COMPOSITION

PARTICIPANT <sup>1</sup>	AGE <sup>2</sup>	OCCUPATION <sup>3</sup>	MAIN SOURCE OF INCOME <sup>4</sup>	HOUSEHOLD SIZE (INCLUDING # OF CHILDREN AND ELDERLY)	BRIEF DESCRIPTION OF DWELLING (HOUSE/APT, AGE)	TYPE OF ENERGY SOURCE <sup>5</sup>	STATE IF RESPONDENT RECEIVED ENERGY BENEFITS IN PREVIOUS YEARS
1							
2							
3							



Ask a participant to approach the time lines. Ask him/her to show on the time lines how much they usually spend on energy, for example, in January, etc.<sup>7</sup> If there is more than one energy source, ask them which source they spend most on, and start with that one. Ask the group if they use more or less than this in February on a Tuesday mid-day, and ask them to mark this on the paper. Continue in this way for the rest of the year/day/week. If the participant uses a different type of energy source, go through the same process with a different color pen for the second energy source. Participants' answers should reflect the actual bills or money due for that month. For example, if they purchase wood twice a year, in August and October, they can record the expenses in those months.

<sup>7</sup> The variance to be determined during piloting (for example, seasonal, weekend vs. work days, day vs. night).

Ask the group whether anybody has a different consumption pattern. Ask a second and third participant to come up and record their expenditures using the same prompts. Once complete, the time line might look like Figure 1.

Based on this visual exercise, the facilitator will generate a discussion that explores the following questions:

- Why is energy consumption higher at these times? We are interested in understanding daily/weekly/seasonal patterns.
- Is energy available all the time? At the peak of demand? Do the prices/availability vary depending on the month/time of the day/week?

FIGURE 5. TRENDS IN ENERGY CONSUMPTION

ENERGY USE	XXX	XX	X									X
		X	X	XX	X						X	XX
			X	X	XX	X			X	X	XX	
						X	XX	XX	XX	XX		
						X	X	X				
	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC

- If energy is not consistently available, what other sources of energy do participants depend on?
- Where are fuels supplied from, and what determines their cost?

If respondents rely on solid energy sources, inquire when and how often they make purchases, and why. When is peak consumption? When the costs are higher/lower? On what does the price of a solid energy source depend?

**Write-up**

This exercise will be summarized in a chart for each group showing consumption patterns over different time frames. The write-up will note whether there are major variations in the consumption patterns and energy supply reported by different respondents, as well as whether other sources of energy are used.

The write-up will discuss participants' knowledge and opinions on where energy sources are supplied from, what determined the consistency of supply, and any notable

similarities and variations in opinions between different groups of respondents. It should also include respondents' views on the costs of energy and reasons for price increases.

**EXERCISE 2: COPING WITH ENERGY COST INCREASES/PAYMENTS (25 MIN)**

The purpose of this exercise is to explore how people cope with energy expenditures, in particular seasonal spikes and price increases. The facilitator can introduce the exercise by referring to the peaks of expenditures in the time line and asking, "Do people have difficulty covering energy costs?" Assuming the answer is yes, the facilitator can continue by asking, "What do you do to be able to pay your energy expenditures?"

The facilitator should initially solicit responses from the participants. If participants do not offer any answers, provide examples. If not mentioned, the facilitator should ask whether participants have to cut back on other expenditures in order to pay for electricity/natural gas or for other

heating sources. They should also ask which types of expenditures are cut first (basic needs? travel? medical expenses? child care? and so on). The notes should indicate that prompting was required. If not mentioned, the facilitator should also ask whether some people choose not or are unable to pay their energy bills during certain months.

- Link to the information gathered in Exercise 1.
- What do people do to be able to pay their energy bills?
- How much of their budget do they spend on energy (electricity and heating)?
- How often do people fall behind on their energy payments? What happens if they are unable to pay their bills? (Solicit the answers *first*, before providing examples—such as paying in installment, borrowing money, not paying, illegally connecting to power sources, and so on). What is the average period for late payments? What happens to those who are late with payments?
- When was the last time energy prices went up? Was the price increase expected or unexpected? How did they deal with cost increase? How did the increase personally affect respondents?
- Once listed, the facilitator should ask the participants to prioritize the measures using either a ranking exercise (give 3\*s to the most important measure, 2\*s to quite important measures, 1\*s to not so important measures) or a frequency exercise (asking how many people use each measure).

- Facilitate a discussion about the relative costs and benefits of each “coping measure.”<sup>8</sup> These should be documented in some detail—for example, if respondents say they “cope” by not paying, ask what happens when they do not pay and, if they are subsequently disconnected, what measures are needed to reconnect. We want to capture whether the measures that people take have only short-term implications or whether the consequences last for some time. These details should be covered in the narrative.
- For each measure, the facilitator should also ask whether certain groups or people cannot use this measure. This should be covered in the narrative.
- The facilitator should carefully follow the “gender angle” and ask the following questions, as well as discuss them in the analysis and the write-ups: “Who decides what to do with the income?” “Do men and women have the same priorities for energy use?” “If there were no men/women in the house, would energy use change?” “Would the priorities for how to spend money change?”

The facilitator will ask a follow-up question about whether certain events have a particular effect on abilities to cope with energy expenditures. If necessary, the facilitator can ask how the following situations might affect the ability to pay or cover energy expenditures and what the consequences might be:

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8 The term “coping” may require careful translation and explanation by the moderator.

- job loss
- ill health
- general inflation

The moderator will lead a discussion on incidences of nonpayment and perceptions of nonpayment. Questions should include, Do you always pay your bill (or pay for coal/wood) in full or do you have to pay in installments?" "Do you have any debt with the electricity/heating/other company or coal/wood seller?" "Have you discussed your debt with the utility company/private coal/wood seller, and if so, what solutions have been proposed?"

As a final follow-up question, the moderator will ask whether households take any measures to cope with increasing energy expenditures, and if so, what they are. The moderator will probe participants' experience with any energy efficiency measures (window replacement or insulation, walls/roof insulations, moving bedrooms to one room for all family members, and so on), and incentives to invest in such measures. Ask about knowledge of any programs or cofinancing mechanisms to invest in such measures, whether these measures can generate any substantial savings, and what are their main challenges associated with applying energy efficiency measures.

In the focus groups with respondents who use solid energy sources for heating or who have recently switched to solid energy sources, the moderator should probe for whether using wood, coal, or any other energy source has any effect on health, environment, availability of the resource, etc.

In all FGDs, the moderator should ask about the ways communities and families help each

other and those in need. For example: "Are there households that help each other? Is so, how?" "Do neighbors help each other? If so, how?" "Do people take/are they given informal employment to cope with payments?" "Do people rely on remittances?" "Do people use social networks to seek support?"

### **Write-Up**

The findings from this exercise will be summarized in a table based on the format suggested in Table 2.

The write-up will also summarize the discussion on differences among coping strategies available to different respondents, who can (or cannot) use certain strategies. What aspects of life or household budget seem to be most affected in making adjustments to cover energy expenditures? The write-up will reflect the discussion on any special measures and possibilities for reducing energy consumption.

The write-up will also summarize incidences and perceptions on nonpayment for electricity/heating or payment arrears—how common are they, to which utilities, is there a particular reason why arrears have occurred (for example, a particular time period). What suggestions do respondents offer in terms of what is the most manageable way to deal with arrears/nonpayments? (For example, give options for paying/covering costs in installments, accountability concerns, etc.)

The write-up will also describe the level of knowledge and incentives of respondents to engage in such measures, and list the most common challenges respondents perceive for applying such measures.

TABLE 3. MEASURES TO COPE WITH ENERGY EXPENDITURES

MEASURE (EXAMPLES MIGHT INCLUDE...)	FREQUENCY/ RANKING	BENEFITS AND COSTS <sup>8</sup>
Cutting other expenditures	#	
Cutting electricity consumption	#	
Switching to other energy sources	#	
Not paying the bill/not covering the costs (off-grid households)	#	
Borrowing money	#	
Etc.		

TABLE 4. EXPERIENCE, INCENTIVES, AND CHALLENGES WITH ENERGY-SAVING MEASURES

ENERGY SAVING MEASURES ADOPTED (EXAMPLES MIGHT INCLUDE...)	# RESPONDENTS WHO HAVE APPLIED THIS MEASURE	ALONE OR COLLECTIVELY	COMMENTS <sup>9</sup>
Plastic windows	#		
House/wall insulation	#		
Building wall insulation	#		
Roof insulation	#		

### EXERCISE 3: FORMAL SUPPORT MECHANISMS (35 MIN)

There are two versions of this exercise, one for the focus groups consisting of participants who are poor and benefit from these support mechanisms, and one for those who are poor but do not benefit from these support mechanisms.

#### **Option 1: For those who benefit from support mechanisms**

The purpose of this exercise is to explore the

usefulness of different approaches that might either already exist or that might be put in place to support households that have difficulty paying/covering energy expenditures.

The facilitator will start by asking participants to list the forms of assistance and support that they receive. They can include in this both cash transfers and other benefits (such as discounts on certain payments). The facilitator should write these down. The facilitator should probe to see whether people are satisfied with the social assistance they receive; whether it

comprises a major part of their income; how sufficient assistance is in covering their family costs; whether they use more of their social assistance to cover for increased energy costs; and so on.

1. *Sufficiency of social assistance.* What kind of social assistance does the individual and their family receive? What share of their family income falls on social assistance? What share of social assistance goes toward covering an increased energy tariff? Do they feel that the social assistance they receive is sufficient to cover the increase? Or to cover increased prices on other fuels? What hindrances have they encountered in regards to their assistance since the energy tariff increase?
2. *How people apply and what they have to do to receive social assistance.* The facilitator should try to understand how people go about proving their eligibility for the social assistance, and in particular what they do to *not* be excluded. The process for receiving the assistance is also important, and the facilitator should ask whether it is easy to receive it and whether there are perceptions of corruption related to social assistance. Examples of questions include: Is it easy to apply and qualify for social assistance? Why or why not? Are the application procedures clear? What is clear and what is unclear? Was it difficult to prove eligibility? If so, why? Were they required to pay for anything they think they should not be required to pay? If the application did not result in receiving benefit, was it clear why?
3. *Perception of eligibility.* Does everyone who is eligible for the benefit receive it? If not, why? What are some of the obstacles to receiving the benefit? Can both men and women apply for social assistance? Does the “head of the household” need to be the one to receive social assistance? What happens in households with many generations, or migrant households? Are there people who have easier access to state benefits? Who are they? Are there people who cannot access benefits even if they are eligible? Who are they?
4. *Gender.* Does social assistance benefit men and women equally? Who receives it? Who decides what to do with the benefit money?
5. *What do people use the additional income for, to what extent is it able to assist with energy expenses?* This question is meant to gauge how effectively the program addresses energy payments.
6. *Perception of social assistance effectiveness.* Does the program work well? What are all of the ways the state can help pay their bills? What are some things the state is doing well? What are some things that could be done better? How can the government help people manage their energy utility bills? What can individuals do to improve their ability to manage their bill payments?
7. *Experience of interacting with institutions providing social assistance.* How easy is it to get information? Do respondents know where to address any complaints or inquiries? Ask them to share their experiences dealing with the social assistance institutions.

Questions on social assistance will be posed openly. Findings may be summarized in a table that follows the format of Table 4, with an accompanying narrative to capture the detail.

We are interested in learning more about which types of assistance might form the basis for helping people with increased energy expenditures. To this end, the facilitator should introduce the exercise by saying, "We are considering different ways to help poor households with their energy expenses. One idea is to add a little extra assistance to an existing benefit scheme so that people can use this to pay their energy bills. What do you think would be the **best** scheme for helping poor people with their electricity/energy (including wood/coal/natural gas) expenditures?"

The moderator may note suggested options on a flip chart. Ask the group to comment on each of the suggested options. Generate a discussion around the following issues and topics:

- How should vulnerable customers be defined? What is the most "fair"/equitable option?
- To whom should government/social support for energy be targeted? Which one of these options is best placed to reach that group?
- If a certain measure is most preferred, why is it the best scheme and why should it be supported?
- For existing programs, what, if anything, needs to improve to make them more

TABLE 5. TYPES OF CASH AND NONCASH FORMAL ASSISTANCE RECEIVED BY RECIPIENTS OF THE GROUP

TYPE OF BENEFIT (EXAMPLES MIGHT INCLUDE...)	WHICH GROUPS OF PEOPLE RECEIVE IT?	ANYONE IN THE GROUP A RECIPIENT?	BENEFITS	HOW TO DEMONSTRATE ELIGIBILITY
Family Benefit Program	x	#		
Social pension for elderly and survivors	X	#		
Other	x	#		

accessible to vulnerable consumers? Is the application process clear? Is the process for receiving the benefit clear? What are some obstacles involved in applying? Do these programs benefit the “right” people? Who should they target, and why?

- How much money would the government need to add to this benefit to make poor people who currently do not apply feel like it is worth it to do so?
- What would be the best way to deliver the extra money/assistance—in equal amounts every month? Payments in only certain months of the year? If so, which months? One payment per year in a lump sum?
- What should happen to people who receive the allowance but still do not or cannot pay their energy bills?

Then ask the participants to evaluate social assistance schemes according to the following criteria: (1) convenience; (2) effectiveness in improving family well-being; (3) reaching the poorest and most needy people. Respondents can score out of 5 for each criteria for each option (the moderator can give each participant

cards numbered 1–5 and ask them to vote for each criteria for each option; or the group can agree on a number for each option). The results can be summarized as in Table 5.

**Option 2: For those who do not benefit from support mechanisms**

The purpose of this exercise is to understand why this group is excluded from benefits and to identify ways to mitigate the impacts of rising energy costs for this group.

The facilitator should aim to understand the following:

1. Why don't participants receive support? Is it due to
  - a. lack of need? (Are there people who need social assistance? Those who do not? What are their characteristics?)
  - b. lack of awareness?
  - c. the application process?
  - d. the exclusion criteria? (which one(s)?)
    - a. perceptions about those who receive aid?

TABLE 6. COMPARISON OF DIFFERENT OPTIONS FOR DELIVERING ENERGY SUBSIDY SUPPORT

	CONVENIENCE		IMPACT ON WELL-BEING		REACHES THE POOREST AND MOST NEEDY PEOPLE	
	Number of people scoring 1–5 (e.g., 3 people scored 2, 4 people scored 1)	Average scores	Number of people scoring 1–5	Average scores	Number of people scoring 1–5	Average scores
Option 1	Number of people scoring 1–5	Average scores	Number of people scoring 1–5	Average scores	Number of people scoring 1–5	Average scores
Option 2	Number of people scoring 1–5	Average scores	Number of people scoring 1–5	Average scores	Number of people scoring 1–5	Average scores
Option 3	Number of people scoring 1–5	Average scores	Number of people scoring 1–5	Average scores	Number of people scoring 1–5	Average scores

- b. other?
- 2. What kind of support would participants want to receive?
  - a. Which program are they most likely to apply to?
  - b. Other ideas?
- 3. What experience have participants had interacting with institutions that provide social assistance?
  - a. How easy is it to get information?
  - b. Do respondents know where to address any complaints or inquiries?

### **Write-up**

This exercise should be summarized in the provided tables (refined and agreed during the piloting). The write-ups should include comparison of responses for Option 2 between FGDs with the low-income and middle-income respondents. Summary of answers for open-ended questions should be comprehensive. When possible, verbatim statements of the respondents should be captured as well.

### **EXERCISE 4: KNOWLEDGE, ATTITUDES, AND ACCEPTANCE OF ENERGY TARIFF INCREASES (25 MIN)**

Start with an open question on how much respondents know about tariff increases in the energy sector, including electricity and gas. How much do they believe these increases have personally affected them?

In terms of tariff increases, ask participants how much they know about how the tariffs for electricity/gas are calculated. Which institution(s) do they think is/are responsible for determining/setting these? What factors

determine the tariffs as they are now, and what factors should determine them if they think there is any discrepancy? What is the reason for the most recent price increases? In their opinion, are tariff increases justified? Why or why not?

What are some of the key concerns and suggestions participants have in terms of their interaction with energy service providers/utilities? (Pose this question openly; if necessary, prompt for issues regarding reliability of services and quality of service in general, fairness, transparency, handling customer/buyer inquiries or complaints, etc.) To what extent will improvements in these challenges justify an increased price in services? This discussion should generate very specific issues and suggestions for improvement. The moderator should help group the issues mentioned (for example, regarding the electricity company, the gas company), the general complaints, and explore each of the issues in detail. Participants should also be inquired about their knowledge of, interaction with, and communication channels available regarding regulators. The participants should be asked about their knowledge of tariff-setting responsibilities and authorities, and how tariff setting affects the gas/electricity companies and solid fuel providers. The moderator should make a note of whether all participants are aware of the tariff-setting arrangements and their relationship to the gas/electricity companies. The moderator should also make a note of whether all participants agree with a certain issue or whether different respondents feel strongly about a different type of issue regarding energy providers and/or regulators.

What channels do citizens have to act on their grievances and the problems listed above? Describe the environment for seeking redress to complaints, requests for information, and

so on. Ask participants to offer details about their experience pursuing claims or complaints, or when they have sought more information/clarification on their bill/quality of service/etc. Were claims resolved? If not, what do they think is the main issue and why (for example, lack of capacity, lack of interest, and so on)?

What are some priority changes/improvements to energy services that can substantially improve the way residents interact with electricity/natural gas providers? Ask participants to rank these measures (either together as a group, or give each a score of 1–5). List them in order of priority on a board or flip chart. Discuss each of the ideas in detail; ask for concrete examples, stories, and suggestions, starting with the most

important/urgent.

Draw two charts (one for electricity, one for natural gas),<sup>9</sup> marking various hypothetical levels of tariff increase. Note that these are hypothetical. If discussing specific options for tariff increase is too controversial, skip the charts. Based on the discussion above, ask participants under what conditions would they be willing to pay (25%, 50%, 75%, etc.) more for electricity/heating, if at all. Record the number of responses and associated comments. Summarize this exercise in a table (see

<sup>9</sup> Depending on the group, the heating chart will refer to either district heating or other fuels (coal, wood, gas). If respondents primarily use electricity for heating, only one chart on electricity can be drawn. Note: The wood users may not be part of the billing system, and thus tariffs may not affect them as directly.

TABLE 7. ISSUES INTERACTING WITH ENERGY SERVICE PROVIDERS<sup>1</sup>

ISSUES/CHALLENGES (EXAMPLES MIGHT INCLUDE...)	NUMBER OF RESPONDENTS WHO MENTION	COMMENTS (EXAMPLES; ANY IMPROVEMENTS/ MEASURES THAT HAVE MADE A DIFFERENCE)
<b>ELECTRICITY</b>		
Illegal connections	#	
Unfair metering	#	
Not possible to get information on services	#	
Nontransparency on tariff setting	#	
<b>NATURAL GAS</b>		
Nontransparent or unfair tariff setting		
Not possible to get disconnected		
Not possible to regulate consumption		

<sup>1</sup> This discussion would not be valid for households that do not use the services (but instead use wood for heating).

Tables 8 and 9 below for examples). The results of this exercise will be aggregated across groups in the final analysis.

**Write-up**

This exercise will be summarized as per the following tables, with associated narrative.

The write-up will also summarize prevalent attitudes toward broader energy tariff increases (and capture any particular details that participants are aware of/feel more strongly about).

If separate suggestions are given for different providers (electricity/heating) the table can be split in two parts, similar to Table 6.

TABLE 8. PRIORITY MEASURES THAT WILL INCREASE ACCEPTABILITY OF REFORMS/TARIFF INCREASE<sup>1</sup>

MEASURE (EXAMPLES MIGHT INCLUDE...)	NUMBER OF RESPONDENTS WHO MENTION	RANK OR SCORE (STARTING WITH HIGHEST RANKED/ SCORED)	COMMENTS
More information on [XX]	#		
Better metering system	#		
Other	#		

<sup>1</sup> This discussion may not be valid for households that do not use the services (but instead use wood for heating), though they may be indirectly affected.

TABLE 9. WILLINGNESS TO PAY

ELECTRICITY				COMMENTS
How much do you pay now?	How many respondents are ready to pay +25%	How many respondents are ready to pay +50%	How many respondents are ready to pay +75%	
NATURAL GAS				COMMENTS
How much do you pay now?	How many respondents are ready to pay +25%	How many respondents are ready to pay +50%	How many respondents are ready to pay +75%	

TABLE 10. WILLINGNESS TO PAY—CONDITIONS

CONDITIONS UNDER WHICH THEY ARE WILLING TO ACCEPT HIGHER TARIFF (ELECTRICITY)	IMPORTANCE (AVERAGE SCORE)	COMMENTS
CONDITIONS UNDER WHICH THEY ARE WILLING TO ACCEPT HIGHER TARIFF (NATURAL GAS)	IMPORTANCE (AVERAGE SCORE)	COMMENTS

**Wrap-up (5 min)**

What are the top 3–5 improvements in energy services (price/quality/governance) that are the most important for, and would have the greatest positive impact on, respondents’ lives? These could be ranked in one list for the whole group, or recorded individually, with number of people mentioning each (depending on how great a consensus there is within the group). The recording method should be used across all groups so that results can be aggregated in the final analysis.

Thank FGD participants for taking time to answer the questions. Emphasize that their answers are very valuable and will be used to inform changes to the country’s energy sector. Re-emphasize that their anonymity will be respected.

**General Provisions**

A minimum of two people should facilitate focus groups. There should be a main moderator who has extensive experience conducting focus

groups, and a note taker/second facilitator. All FGDs should be recorded so it is possible to go back to responses if insufficient information is provided in the write-ups and tables. All notes and flip charts used during the FGD should be kept. Since the qualitative assessment aims to understand impact on and attitudes toward energy tariff increases among different consumer groups, it is very important to retain participants’ stories and experiences. The narrative write-ups should include vivid quotes that illustrate participants’ point of view. All quotes should include proper references (location, type of FGD, participants’ gender, age, and occupation). It should be noted which responses required prompting by the facilitator. The facilitator should keep the discussions of any given issue “on track” and remind respondents that the focus group may not cover all of the raised issues, but all concerns should be noted and if possible, ranked based on their relevance and importance to participants. The moderator should note any age or gender variations in

answers, pose follow-up question to further explore these variations, and record the noted differences carefully for the final report.

## GUIDE FOR ETHNOGRAPHIC AND IN-DEPTH INTERVIEWS

### *Ethnographic Interviews*

Ethnographic interview questions will focus on:

- energy bills
- most stressful times of year related to energy bills
- how bills and ability to pay them have changed, if at all, in the last two years
- other changes that have affected a household's ability to pay energy bills
- mechanisms for coping with energy payments
- the effectiveness of these measures in saving energy and money
- the impact of these measures on a household's budget/needs/well-being
- any support measures that have helped a household cope with payments

Implementing firms can use the following sample questionnaire as guidance and make their own questionnaires to complement/validate issues from the focus group guide, depending on the competence of the key informant interviewed:

1. Do you pay your electric bills? If not, why?
2. Who pays the electric bills in your household?
3. Do you pay your electric bills regularly?
4. During the last two years, what were the highest and the lowest amounts of your electricity bill?
5. How do the bills and rent payments affect your household budget? How much of the total income goes toward these items?
6. How important is your electricity bill as it stands today and how significant is it for your household? (not important at all, not very important, somewhat important, and very important)
7. Is your household budget affected when the prices of electricity, water, and natural gas/liquefied petroleum gas (LPG) increase?
8. If so, do you try to decrease your use of these services? If so, what kind of restrictions do you impose on your usage?
9. Is your total income sufficient to pay your bills and rent? If not, how do you meet your expenses when your income is insufficient?
10. Was there a time when you could not pay your bills? When was it? What did you do?
11. Do you know how much your neighbors' electric bills are? Are they more or less than yours and if so, what do you think accounts for the discrepancy?
12. During the last two years, what did you do when your budget did not suffice to pay your electric, fuel, water, and gas bills? When your income does not suffice do you go without water, electric, and gas services? Is it possible to cut down on these expenses?
13. When your income does not suffice, which expenses do you cut down on first? Why? Do increases in prices and expenditures related to these services cause you to

cut down on your basic needs such as food, education, and health?

14. Due to limitations imposed upon electric, water, and gas expenditures or your inability to pay, was your household members' health negatively affected? How?
15. Until now, have you ever received help from an institution or a person to pay your electric, water, or natural gas bills? If so, from whom and what kind of help did you receive? How much was the amount of support?
16. During the last two years, did you borrow money to pay your utility bills? If so, how much and from what source?

#### ***IDIs with NGOs and Associations for Consumer Protection***

These interviews will mostly complement views of households. The following questions will be covered during the interviews:

1. What are the main issues related to fairness and accountability in relations between electricity consumers and distribution companies, as well as between citizens and the state?
2. What is your main area of expertise related to the energy sector and energy consumers? What is the motivation behind your organization's or association's work?
3. Do you facilitate requests or complaints from consumers to energy companies? What type of consumers approach your organization? What type of issues do you encounter? How many cases do you receive?
4. What is your experience with such cases?

Are any issues resolved? Was the result in favor of consumers or companies? How long does it take to resolve complaints? How much does this process cost?

5. What kind of improvements should be made to increase the system's transparency and accountability?
6. How informed are consumers about their rights, and what can be improved in terms of citizens' access to information, and communication?

#### ***IDIs with Social Assistance Workers***

These interviews will explore formal support mechanisms available to the poor. Questions will include:

1. What are the eligibility criteria for heating benefits? How have they changed (this or last year)? What do you think about these changes?
2. Is the benefit accessible? What is your perception of the number of people who receive it through the recent years? Is it growing/decreasing? Why?
3. What comments do you have about eligibility and access (both regarding ease to process and ease of application)? Are there certain groups/types of people that are eligible but generally do not apply much? What are the reasons?
4. Are there any improvements you find necessary in terms of eligibility/processing/incentives for eligible people to apply?
5. Do you see much overlap in who receives heating benefits and other social benefits?

6. What about effectiveness of the benefit—has it changed in terms of the amount/generosity? Is it significant in terms of covering energy costs?
7. Can anything change to make it more effective/more significant?
8. What do you think about the three different support programs for energy bills? Are cash transfers to the poor (using income/means testing) a good way to compensate for the increase in electricity and heating prices?
9. Do you think there is much room for fraud? For example, people misrepresenting their income?
10. Do you have any general opinions about electricity and heating tariff reforms, and the role of the social assistance system in compensating impacts (is it fairly effective or insignificant)?
11. What priority improvements could make it more effective?

If the ideas revolve exclusively around more resources and staff for social assistance offices, try to prompt about improvements that would increase ease/effectiveness for beneficiaries. In the event of low capacity/low budgets, it is likely that a lot of ideas will revolve around those institutional needs. We want to record that but also go a bit deeper and gauge their professional opinion on the actual programs.

### ***IDIs with Energy Company Representatives***

These interviews will complement focus groups. They will seek understanding of energy use/patterns and attitudes toward energy tariff increases via the following questions:

1. What is your company's background? How many buildings does it serve, where, and for how long?
2. What are the average bills for heating different types of households? How do they vary through the year? Are there any major variations (by type of households, building, by month, etc.)? How are the variations determined?
3. What is the process of bill calculation (starting from meter readings)? Are there any variations in this process? Can you describe the whole chain, from consumer to provider of bills and contracts?
4. What are advantages and challenges of this billing system?
5. What are the main issues you see in terms of bill collection? Are any directly related to tariff changes?
6. What is the scale of nonpayment (for their consumers, and also if they have information on the city or national level)?
7. Which support measures can be most helpful in consumer payments?
8. Regarding issues and complaints by residents—what type of issues arise? How are they handled/resolved? Do residents have enough information about their rights and responsibilities and those of other institutions?
9. What are the key recommendations for improving clarity/communication about roles and responsibilities?
10. What key regulations or policies are missing or need to be changed?

## INSTITUTIONAL AND POLITICAL ECONOMY ASSESSMENT OF ENERGY SECTOR REFORMS—TERMS OF REFERENCE

### **Background**

*[Insert country and sector context here.]*

### **Objectives and Outputs**

The main objectives of the political economy assessment are to:

1. deepen the World Bank's understanding of key political and institutional constraints to realizing identified energy reforms in a politically feasible and socially acceptable manner. To this end, the assessment will identify all stakeholders, their interests and influence in the identified reforms, and key institutional/governance/transparency/equity issues to be taken into account for achieving desired reform outcomes.
2. explore solutions to the identified political economy constraints that would facilitate progress of reforms, contribute to more transparent transactions, and increase public trust in the reform process. To this end, the assessment will identify potential champions, opponents, or neutral stakeholders and their interests with respect to specific reform actions. It will propose some recommendations in terms of reform sequencing and priority governance measures that would facilitate reforms and increase public trust.

The outputs of the analysis will be: (1) a work plan that details methods to be used,

more detailed questions to be pursued in the analysis, and a draft list of key informants for the initial round of interviews; (2) a draft report with key findings; and (3) a final report (maximum 25 pages). The final report will follow an outline agreed upon with the TTL and will serve as background to the consolidated report.

### **Audience**

The primary audience for this research is internal World Bank entities: the economic and sector work (ESW) task team, CMU, or other WB task teams with relevant involvement in policy dialogue. Findings will be subject to internal review and edited before being included in public documents, to protect confidentiality.

### **Scope of Assignment**

The political economy assessment will use desk review and key informant interviews as primary methods of research. Given the relevance of public perceptions on transparency and accountability of energy services to the goals of the assessment, the consultant should also, to the extent possible, use as an input findings from the ongoing qualitative assessment on energy reforms.

The analysis below will be undertaken with respect to the following pending reforms. The team can choose what reforms the study should look at. Examples include:

- gas price liberalization
- electricity tariff adjustments
- elimination of certain subsidies/preferential tariffs

- strengthening governance/financial performance/transparency and accountability to consumers of SOEs

### **A. Institutional and Governance Analysis**

An analysis of each of the reform areas listed above will be conducted to understand the role and the economic and political interests of relevant institutions. This will require a brief analysis of each institution's legal mandate, formal and informal governance arrangements, incentives, power positions, and any recent changes in structure/regulation that may affect the institution's ability to function according to its mandate. The institutional analysis should include all relevant actors such as the energy regulator, district heating companies, relevant ministries and departments, local government, electricity companies, and so on. The position of other institutions toward each of these reforms (such as the General Secretariat, Office of the President, Prime Minister, etc.) should also be assessed. For each reform, the assessment should seek to answer the following broad questions:

- What are the most significant political and political economy risks to the reform?
- What are the most significant governance/equity/transparency and accountability constraints in implementing the reforms?
- Why do these variables operate in [the country's] energy sector? What is the historical policy/decision-making background on tariff setting, subsidies, etc.?
- How do these variables operate and impact energy reform processes and outcomes?
- How could these variables be addressed through effective management

of political economy risks and opportunities?

The consultant will develop specific questions based on the context and current progress of reforms. Such questions may include:

- *Tariffs.* What has been the experience of adjusting tariffs in the past 10 years? What have been the main challenges in the process, and why? Are tariffs equal to all consumers? What are the differences and how are they justified? Has government attempted to introduce new methods of tariff calculation, and with what results? Is there enough information in the public space on structure of tariffs? If not, what are the main reasons and/or institutions that can champion better public information? Are there civil society/ professional organizations that are actively involved in policy dialogue surrounding tariffs and subsidies? Have governments been open to such dialogue?
- *Subsidies.* How are subsidies distributed? What current changes/reforms are proposed and what are the expected challenges to reorganizing subsidies in a more equitable/sustainable manner?
- *Losses.* Is there a lot of theft in the system (residential? industrial?) and what do stakeholders believe is the cause? What actions are recommended for better control and what challenges would such reforms face/have faced in the past years?
- *Institutional arrangements.* Who benefits from current arrangements in regulation, contracting and payments

to generation/distribution companies, current tariff-setting system, etc.? Why has it been difficult to institute a culture of better governance, accountability, and transparency in the management of (electricity/heating) companies]? How can a low-performing cycle of inefficiency/nontransparent governance be broken? Who is in the best position to initiate such process?

- *Investments and private sector.* Are there private investments in the sector? Is there high trust in investors in government/state-owned companies? Does the involvement of private investors contribute to better governance/transparency, or not/neutral? Are there private energy generators and what is their role?

## **B. Stakeholder Analysis**

### **(i) Mapping Stakeholders; Reform-Influence Matrix**

The consultant will identify and analyze the interest and influence of all stakeholders through a mapping process (this could be done through an initial desk review and a series of interviews, for a “snowball effect”). These will include actors such as consumer associations and other civil society organizations that may have a direct or indirect interest vis-à-vis proposed reforms, including industry and commercial enterprise associations and community-based groups, end-users in subsidized areas (if geographical differences exist), heating benefit recipients, generation companies, distribution company management, and actors in the executive and legislative branch, including the roles of political

forces other than the incumbent's party. The stakeholder analysis should include the following elements:

- identify key stakeholders;
- assess stakeholder interests, power, and influence in regards to each of the proposed reform areas. The “power” of stakeholders can be analyzed as a function of their resources and political, economic, or social influence. The interests of stakeholders can be viewed as a function of the degree to which they might be affected, positively or negatively, by the reforms. Based on this analysis, stakeholders can be mapped on a Power-Interest Matrix; and
- identify existing and potential new entry points for building constituencies for each reform.

### **(ii) Identifying Causes, Links, Vested Interests**

This analysis will look into any links and vested interests that may constrain implementation of comprehensive reforms in the most accountable/transparent manner. The analysis will be clear about evidence and level of acceptance by stakeholders in the existence of such links or interests. These may be related to personal, political, or business interests; they may also be linked to capacity constraints, past policy decisions that are difficult to reverse, and so on. (For example, lack of transparency in composition of heating bills may have to do with economic interest of the company, technical/capacity issues, etc.)

The overall analysis will put forth recommended actions for advancing the sector's reform, with particular focus on the priority reform areas.

### **Outputs, Deadlines, and Payments Schedule**

The consultant will be contracted for a period between [date] and [date].

A suggested time frame for deliverables is as follows:

<b>OUTPUT</b>	<b>DEADLINE</b>	<b>PAYMENT</b>
Upon signing contract	[date]	10%
Work plan (including methodology, list of stakeholders to be interviewed and interview questions, key questions for analysis, time line)	[date]	30%
Draft report and final report	[date]	60%

## ANNEX II. CASE STUDIES OF POLITICAL ECONOMY ANALYSIS IN THE ENERGY SECTOR

NAME	COUNTRY	YEAR	TTL/ SECTOR	METHODOLOGY	SCOPE
<b>ECA</b>					
The Stakeholder Analysis of the District Heating Sector in Belarus	Belarus	2014	Nicolas Perrin/ ECSSO	<ul style="list-style-type: none"> <li>Stakeholder mapping</li> <li>Secondary data analysis</li> <li>Media monitoring</li> <li>Interview</li> </ul>	<ul style="list-style-type: none"> <li>IDIs with key stakeholders assessing their needs and interests and how these interests influence reform. An IDI with a set of questions divided within six topic blocks on the reform— (1) perceptions and positions; (2) stakes; (3) challenges and opportunities; (4) policy options and government responses; (5) process; and (6) institutions—was developed during the inception phase of this report.</li> <li>Media monitoring on the latest publications and public opinions of the energy sector and district heating.</li> </ul>
Institutional and Political Economy Assessment of Energy Sector Reforms in Romania	Romania	2014	Michelle Rebosio/ ECSSO	<ul style="list-style-type: none"> <li>Stakeholder mapping</li> <li>Secondary data analysis</li> </ul>	<ul style="list-style-type: none"> <li>Institutional and governance analysis: roles and economic and political interests of relevant institutions.</li> <li>Stakeholder analysis: (1) mapping of stakeholders, reform-influence matrix; (2) identifying causes, links, and vested interests.</li> </ul>
Institutional and Political Economy Analysis of Energy Sector Reforms in Western Balkans	Western Balkans	2014	Michelle Rebosio/ ECSSO	<ul style="list-style-type: none"> <li>Desk review</li> <li>Media sources analysis</li> <li>Interviews</li> </ul>	<ul style="list-style-type: none"> <li>The analysis focused on regional and country-specific challenges to regional power market integration. The scope of work includes (1) mapping key stakeholders, institutions, and interests that affect the reform process; (2) examining the legacies of past institutional arrangements of the energy sector, motivations for reforms, institutions structure, and financing of the energy sector, as well as its capacity to implement the reforms; and (3) discussing lessons learned regarding the progress and limitations to implementing energy reforms in a transparent and socially acceptable manner.</li> </ul>

NAME	COUNTRY	YEAR	TTL/ SECTOR	METHODOLOGY	SCOPE
Political Economy Analysis of the Energy Sector	Kyrgyzstan	2013	Ani Balabanyan and Sarosh Sattar/ ECSEG/ ECSP3	<ul style="list-style-type: none"> <li>• Desk review</li> <li>• Interviews</li> </ul>	<ul style="list-style-type: none"> <li>• Desk review provided an overview of the policy choices and prior experience with reforms.</li> <li>• Interviews helped evaluate institutional and economic aspects of the decision-making process for reforming energy subsidies.</li> </ul>
<b>LAC</b>					
Political Economy of Policy Reform Study for the Dominican Republic's Electricity Sector	DR	2012	Sarah Keener/ LCSSO	<ul style="list-style-type: none"> <li>• Stakeholder mapping</li> <li>• Secondary data analysis</li> <li>• Media monitoring</li> <li>• Interview</li> </ul>	<ul style="list-style-type: none"> <li>• Institutional and governance analysis and problem-driven framework: identify organizations and influential groups with a stake in the DR electricity sector.</li> <li>• Stakeholder analysis based on interviews and secondary information on interests, power, and influence; preferences for policy; logic they use to make choices (an influence-interest matrix for stakeholders was created).</li> <li>• Analysis of collective action dynamics.</li> <li>• Analysis of opting out strategies using household survey data.</li> <li>• Analysis of utility pricing and tolerance of nonpayment.</li> <li>• Tracking of past policy reform decisions.</li> </ul>

NAME	COUNTRY	YEAR	TTL/ SECTOR	METHODOLOGY	SCOPE
<b>MENA</b>					
Yemen: The Political Economy of Energy Subsidies	Yemen	2006	Sabine Beddies/ MNSSO	<ul style="list-style-type: none"> <li>Household survey</li> <li>Participatory assessment</li> <li>Workshop</li> <li>Stakeholder mapping</li> <li>Interviews</li> <li>FGD</li> <li>Consultations</li> </ul>	<ul style="list-style-type: none"> <li>Workshops with key experts and state representatives.</li> <li>Stakeholder analysis.</li> <li>Qualitative analysis and participatory research of energy use among poor and middle-income communities to understand patterns of use and with key informants.</li> <li>Direct consultations with community.</li> </ul>
Assessing Public Opinion in the Political Economy of Reform: the Case of Energy Subsidy Reform in Morocco	Morocco	2011	Andrea Liverani/ MNSSO	<ul style="list-style-type: none"> <li>Interviews</li> <li>FGDs</li> <li>Survey</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with stakeholders on their roles in the system; economic implications of the current system; potential impacts of compensation reductions on stakeholders; transitory measures needed to mitigate such impacts.</li> <li>FGDs with groups from the general population, including questions on imagining and rating fictitious situations; perceptions of the state; perception of the compensation system; envisaged social protection measures and options for reform; consumption habits and standards of living.</li> <li>Nationally representative opinion survey focused on issues covered in the qualitative components and also including questions on knowledge, perception, and attitudes regarding subsidy reforms. Survey findings are further analyzed for how they correspond with socioeconomic conditions of different households and whether there are variations in perception by socioeconomic status.</li> </ul>

NAME	COUNTRY	YEAR	TTL/ SECTOR	METHODOLOGY	SCOPE
<b>AFRICA</b>					
Political Economy Analysis of Reforms in the Energy Sectors in Senegal and Guinea-Bissau	Senegal and Guinea-Bissau	2011	Phillipe Durand/ AFTSW	<ul style="list-style-type: none"> <li>Stakeholder mapping</li> <li>Secondary data analysis</li> </ul>	<ul style="list-style-type: none"> <li>Review of formal institutional organization around utility, identify formal responsibilities, governance risks.</li> <li>Identification of key stakeholders, assess their concerns and expectations.</li> <li>Discussion of findings and recommendations with key stakeholders.</li> <li>Determination of electricity expenditure patterns by welfare groups.</li> <li>Analysis of tariff adjustment modalities.</li> </ul>
Using Political Economy Assessment to Reorient Sectoral Strategy: Infrastructure Reform In Zambia	Zambia	2007	Brian Levy and Patricia Palale	<ul style="list-style-type: none"> <li>Interviews</li> </ul>	<ul style="list-style-type: none"> <li>Analysis of decision-making process regarding changes in the sector, and tariff increases restructuring and pricing.</li> <li>Interviews and insider understanding.</li> </ul>

- 1 Use of their full name is optional (to preserve confidentiality).
- 2 The focus group should include respondents of different ages; at least by two participants aged 18–39, 40–63, and 63 and older.
- 3 Indicate occupation here, as well as unemployment status.
- 4 For example, wage in a formal sector, small business, pension, remittances, etc.
- 5 Respondents with electricity and gas, respondents with electricity and off-gas grid (with other energy source of heating).
- 6 To be tested during the pilot and confirm the better measurement/assessment of energy consumption.
- 7 To be tested during the pilot for a better assessment of energy use during the week/weekend.
- 8 Or effectiveness in terms of savings on energy costs—to be tested during the pilot.
- 9 Effectiveness in saving energy costs, examples.



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