

Results-Based Funding: Opportunities for SREP

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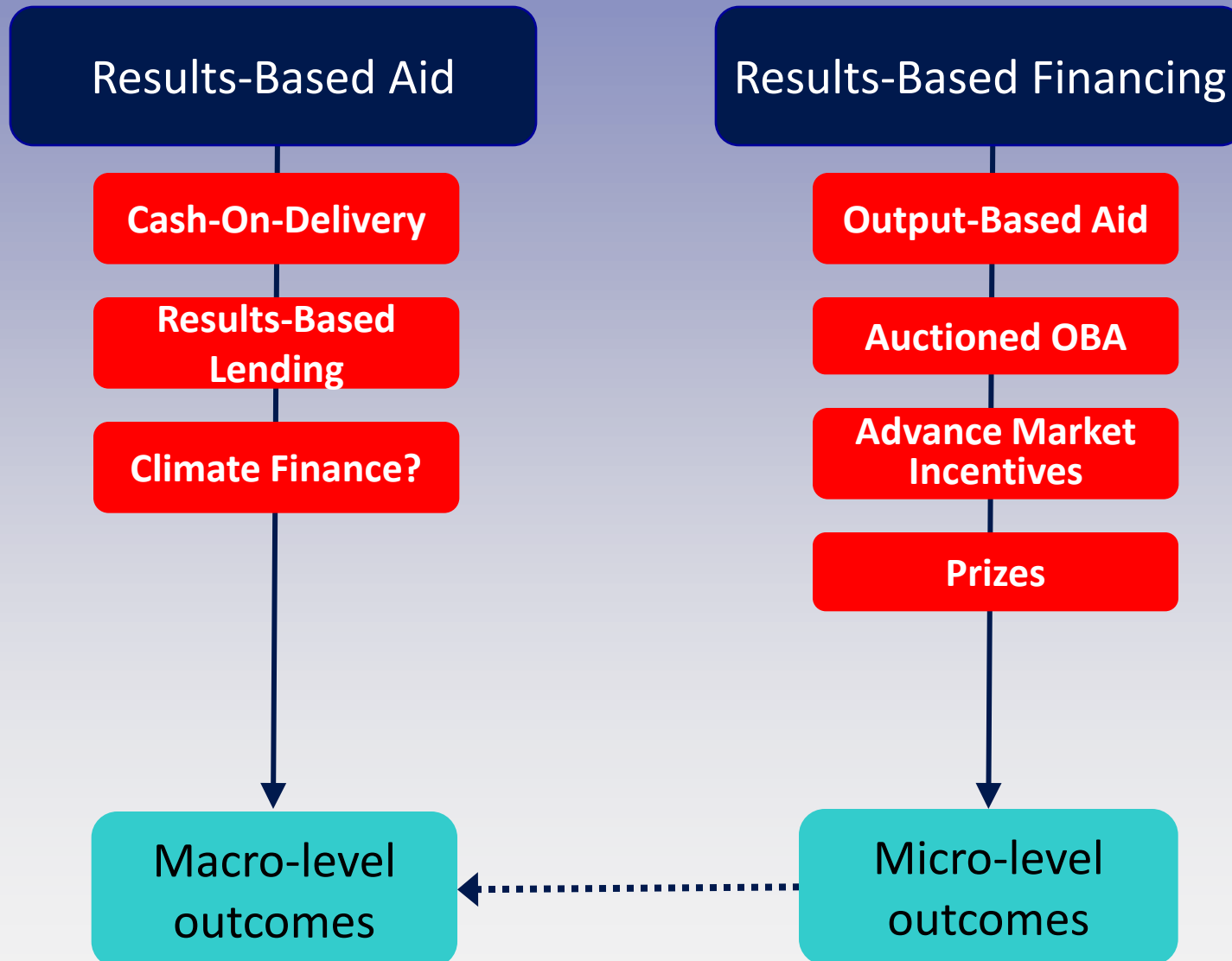


THE WORLD BANK



Energy Sector Management Assistance Program

Results-based approaches



Drivers and limitations

DRIVERS

- Public pressure in donor countries to show 'results'
- Client countries 'desire for greater autonomy
- Decoupling advice and capacity-building from aid flows
- Greater transparency and accountability
- Focuses minds on delivery and value-for-money

LIMITATIONS

- Complementary approach – not a silver bullet
- Issue of pre-financing and capacity to deliver
- Lack of reliable indicators
- Data collection and auditing
- Challenge of setting the incentive
- Possible concerns over how incentives are spent

Results-based aid: examples



Baseline	1m connections in Country X
Incentive	\$100 per connection
Achievement	Country X makes 2m new household connections in five years
Payout	Country X receives \$200m (\$40m per year if steady progress)

Flat incentive for every additional household connected to the grid (cash-on-delivery)

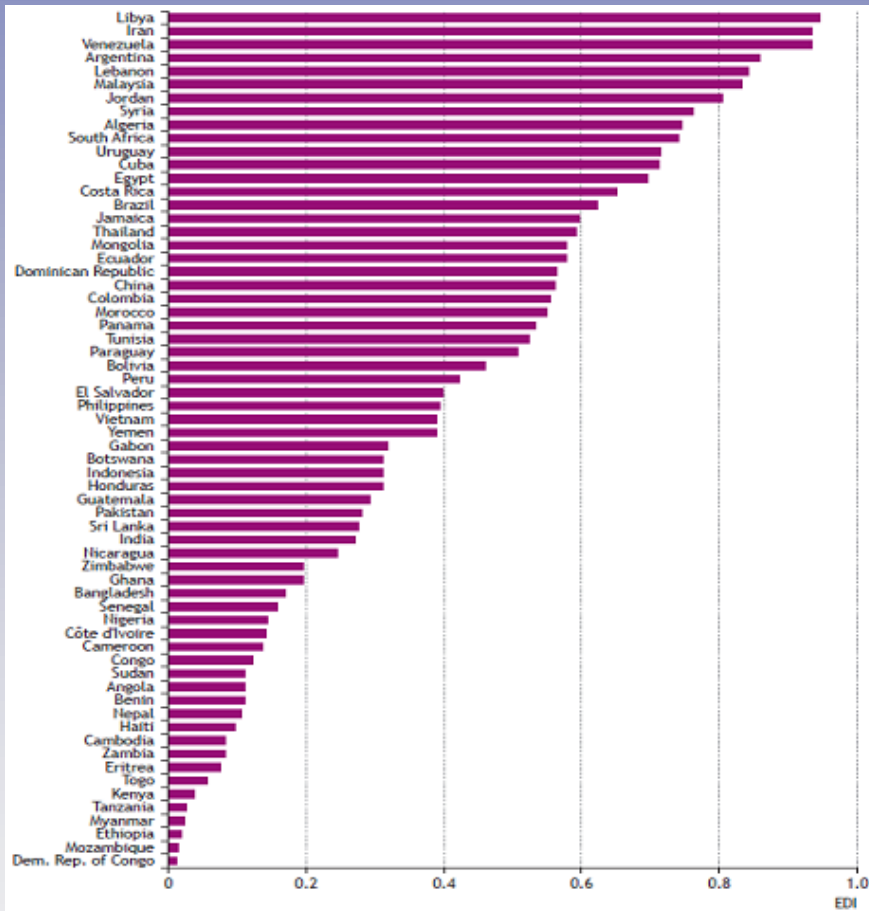
Results-based aid: examples



Baseline	75% of population in energy poverty
Incentive	\$10m for every percentage point
Achievement	Country X reduces energy poverty by 15% over five years
Payout	Country X receives \$150m (\$30m per year if steady progress)

Incentive tied to reduction in energy poverty

Results-based aid: examples



Baseline	Country X has EDI score of 0.1
Incentive	\$20m for every 0.01 improvement in EDI
Achievement	Country X increases EDI to 0.25 over five years
Payout	Country X receives \$300m (\$60m a year if steady progress)

Incentive tied to multiple indicators – e.g. IEA's Energy Development Index

Results-based aid: possible benefits

- Accelerate progress against national policy goals
- Country determines best way to meet their policy goals
- Rewards success

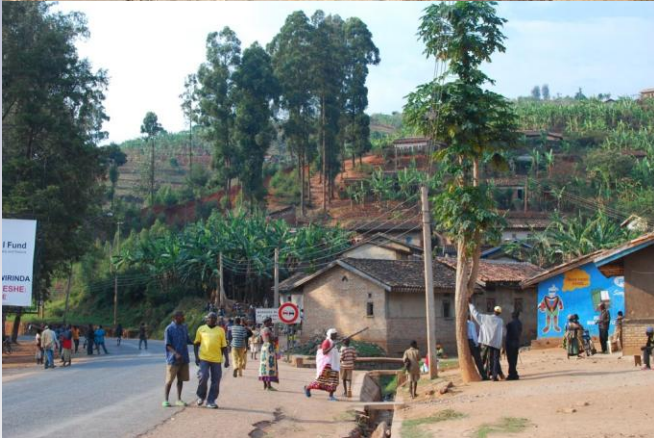
Results-based financing: examples



Policy objective	Installation of 200,000 domestic biogas units
Incentive	\$200 per successful install
Achievement	Company X installs 5,000 in one year
Payout	Company X receives \$1m

OBA: Capital payment for installation or delivery of service

Results-based financing: examples



Policy objective	Develop commercially-viable mini-grid market
Incentive	\$20 per live connection per quarter for four years
Achievement	Company X develops mini-grid serving 5000 households
Payout	Company X receives \$100,000 per quarter, or \$1.6m over four years

Advance Market Incentive: Short-term revenue support for provision of a service

Results-based financing: examples



Policy objective	Innovation program to develop new cookstoves for the local market
Incentive	\$1m for the three best products developed OR \$100,000 for each percentage improvement in efficiency above X%

Prizes: one-off reward for best new innovation or improvement in service

Results-based financing: possible benefits

- Leverage resources of non-traditional (e.g. private sector) service providers and/or make state providers more efficient
- Reduce costs and/or subsidy dependency
- Recipients procure their own advisory and capacity-building services (but continued role for market-wide support, e.g. Lighting Africa)

Results-based funding initiatives

- Lots of experience in other sectors (health)
- Norway: Energy+
- UK: Results-based financing pilots
- World Bank: Program-for-Results (P4R)
- ESMAP results-based funding program:
 - Indicators for results
 - Block grants to generate new ideas
 - Analytical support to Energy+, CIFs and P4R

Opportunities for SREP?

- SREP is already open to results-based financing – plus emphasis on private sector
- SREP could help to deliver investments needed in Energy+ countries
- With some reform, SREP could disburse results-based aid (Energy+?)
- Final option could lead to substantial additional funding for SREP

Questions? Comments?

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