

THE WORLD BANK GROUP'S ENERGY PROGRAM
POVERTY REDUCTION, SUSTAINABILITY AND SELECTIVITY



ENERGY AND MINING SECTOR BOARD



THE WORLD BANK GROUP

MISSION STATEMENT

The Energy and Mining Sector Board's mission is to support the World Bank Group's objectives of reducing poverty and increasing sustainable economic growth in developing and transition economies. The Board believes that achieving these objectives requires sustainable and affordable energy services for all, including the poor, and that these services can best be provided by creating efficient markets in energy—markets that are open to investors and enterprises both large and small, private and public, centralized and decentralized. And the Board believes that expansion of access to energy services for the poor needs to be based on markets that function on sound commercial principles and on the preservation of the environment.

SECTOR BOARD MEMBERS

as of December 2001

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FOREWORD

Efficient and clean energy supply is central to the reduction of poverty through many and varied linkages, as well as being important for economic growth. Yet many developing and transition economies suffer from poor energy services. These countries must overcome major challenges in improving the performance—social, economic, financial, institutional, and environmental—of their energy suppliers.

Energy production also plays a key part in economies. Efficient production of primary energy, particularly oil and gas, is important for fiscal stability and balance of payments, and domestic coal is important in many countries for energy security. Oil exports are the main source of export earnings and fiscal revenues in many developing and transition economies, providing enormous potential for economic and social development. But many of these countries have squandered this potential, falling behind non-oil-producing developing countries in economic growth and other development indicators. These countries urgently need to improve governance in the energy sector.

By improving supply efficiency and sectoral governance, developing and transition economies can also deal with concerns about energy security. These concerns center on the macroeconomic and fiscal consequences of volatile energy markets (for countries that are substantial energy importers or exporters), the perceived dependence on imported energy technologies, and the vulnerability of energy systems to natural disasters (storms, floods, droughts, earthquakes) and man-made calamities (conflict, corruption, poor management).

The World Bank Group has been active in the energy field for five decades. For a long time, around 25 percent of World Bank lending supported the supply of energy services. Recently, however, this share has fallen to less than 10 percent, despite the clear need for World Bank support. This change reflects a process that started in the early 1990s to bring the World Bank's policies for its energy practice in line with two major trends.

First, recognizing the failure of the public sector to deliver sustainable energy and other services, the World Bank Group's 1993 policy paper¹ oriented its activities toward liberalizing and privatizing energy markets under a sound regulatory framework, shifting support away from the traditional integrated state-owned monopolies. The policy paper oriented the International Finance Corporation and Multilateral Investment Guarantee Agency

toward promoting greater use of private investment in the energy markets of developing and transition economies. The World Bank Group's policy of support to improve sector performance in line with sound commercial practice and regulation, and with appropriate roles for competition and private participation, was further developed in 1996 through a document on the World Bank Group's approach to rural energy and in 2000 through another on its strategy for energy and the environment.²

Second, as the World Bank Group strengthened its focus on poverty reduction and sustainable development in the late 1990s³, it updated its programs for using its comparative advantages to help developing and transition countries exploit energy's many links with poverty reduction and sustainable development.

This process culminated in May 2001 with a topical briefing to the World Bank Group's Board of Executive Directors on *The World Bank Group's Energy Program: Poverty Alleviation, Sustainability, and Selectivity*. This energy program confirms that energy issues remain at the core of the World Bank Group's activities for promoting economic growth and directly reducing poverty. That is the vision to which we are committed.

On behalf of the members of the Sector Board and the Bank's energy practice, I would like to thank John Besant-Jones and Laszlo Lovei for leading the work on the World Bank Group's energy program and the World Bank Group staff who contributed as members of review committees and authors of background papers. I would also like to thank Kyran O'Sullivan and Michael Hamaide for their contributions to the preparation of the program.



Jamal Saghir
Chair, Energy and Mining Sector Board
Director, Energy and Water Department
December 2001

¹ World Bank, *The World Bank's Role in the Electric Power Sector: Policies for Effective Institutional, Regulatory, and Financial Reform* (Washington, DC, 1993). The same year saw the publication of a policy paper on energy efficiency.

² World Bank, *Rural Energy and Development: Improving Energy Supplies for Two Billion People* (Washington, DC, 1996) and *Fuel for Thought: An Environmental Strategy for the Energy Sector* (Washington, DC, 2000).

³ The Comprehensive Development Framework, first articulated in 1999, seeks a better balance in policymaking by highlighting the interdependence of all elements of development—social, structural, human, governance, environmental, economic, and financial. This initiative has led to the development of Poverty Reduction Strategy Papers (<http://www.worldbank.org/poverty/strategiesoverview.htm#intro>).



OVERVIEW

Energy is vital for social and economic development. Modern societies depend on reliable energy supply to sustain their productive capacity and social cohesion. Many newly independent developing countries recognized the strategic importance of energy for their futures. The World Bank recognized that importance early on as well, and its first lending operation included support for restoring energy supply.

Use of modern energy (electricity, natural gas, petroleum products and coal) is strongly correlated with economic growth and with human development—in health, education, and life expectancy. Countries that do not use modern forms of energy efficiently cannot realize their potential for creating wealth nor lift their populations out of poverty.

The links between energy and poverty reduction take many forms. Modern sources of energy improve living standards by helping to create jobs and by boosting productivity. For energy exporters, particularly oil producers, they provide revenues that can bring about sustainable poverty reduction. And they improve living conditions—providing better lighting of homes, cleaner fuels for cooking and heating, and cleaner emissions from energy-consuming industrial plants.

The challenge for the development community is to exploit these links to combat global poverty. The human scale of this challenge is huge. In Africa, Asia, and Latin America 1.6 billion people lack access to electricity and cannot light their homes adequately. Almost as many people use fuelwood for cooking, forgoing productive activities during the time they must gather wood and suffering the health effects of exposure to noxious fumes. Only 15 percent of large cities in developing countries have acceptable air quality.

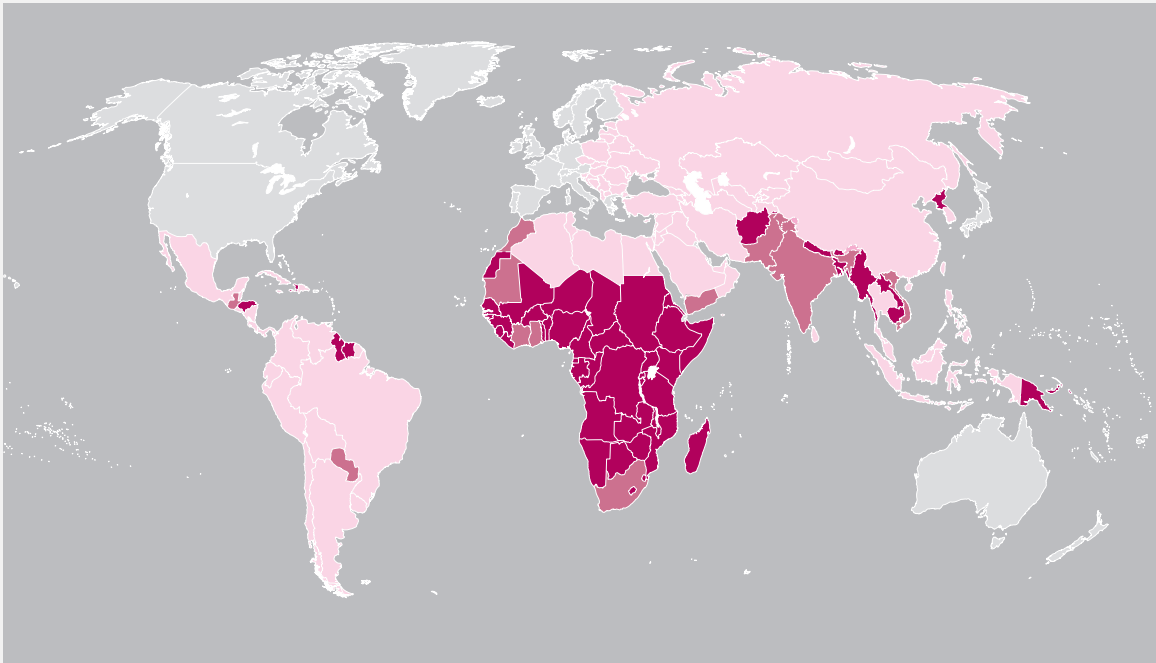
The World Bank Group's priority is to help governments design and implement policies for reducing poverty. This requires a comprehensive approach to economic development, an approach reflected in the World Bank Group's four priorities for energy supply:

- Helping the poor directly
- Improving macroeconomic and fiscal balances, including protecting budgets for social programs that help the poor
- Promoting good governance and private sector development
- Protecting the environment

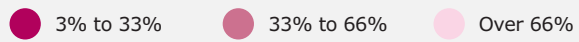
The World Bank Group will not provide financing for investments in energy supply capacity that do not contribute toward meeting at least one of these priorities.

To produce the greatest impact, the World Bank Group combines financing for energy supply reforms that meet these priorities with advice and knowledge transfer. It deploys its financing instruments following a hierarchy that is based on country creditworthiness and starts with loans, equity investments, and guarantees to catalyze private investment in the sector. Where private investment cannot be catalyzed or for investments that the private sector should not undertake, the World Bank Group provides sovereign-guaranteed loans and credits to state-owned energy suppliers for such investments. It also provides free-standing technical assistance and advice as part of its support for these priorities.

FIGURE 1
TOO MANY PEOPLE IN DEVELOPING COUNTRIES STILL LACK ACCESS TO ELECTRICITY
(PERCENTAGE OF THE POPULATION WITH ACCESS, 2000)



Source: World Bank Group staff estimates



THE ENERGY CHALLENGE FOR THE DEVELOPING WORLD

Modern energy is still beyond the reach of many people in developing countries. At least 1.6 billion people consume no modern fuels—such as coal, kerosene, electricity, natural gas, or liquefied petroleum gas—and must rely instead on low-quality fuels such as wood or animal dung. In Sub-Saharan Africa (excluding South Africa) less than 10 percent of the population had access to electricity in 2000, and in rural or peri-urban areas that share was often well below 5 percent (figure 1).

MARKET CHALLENGES—AND OPPORTUNITIES

The challenge facing developing and transition economies is to provide the energy needed for reducing poverty and supporting sustainable economic growth in today's global energy market. What does that market look like?

High-income countries are rapidly modernizing their energy systems through competition and privatization. They are creating the market rules and incentives that attract huge amounts of private investment. At the same time they are responding to public concerns by imposing tougher environmental standards on energy suppliers and on the manufacturers of energy-using equipment.

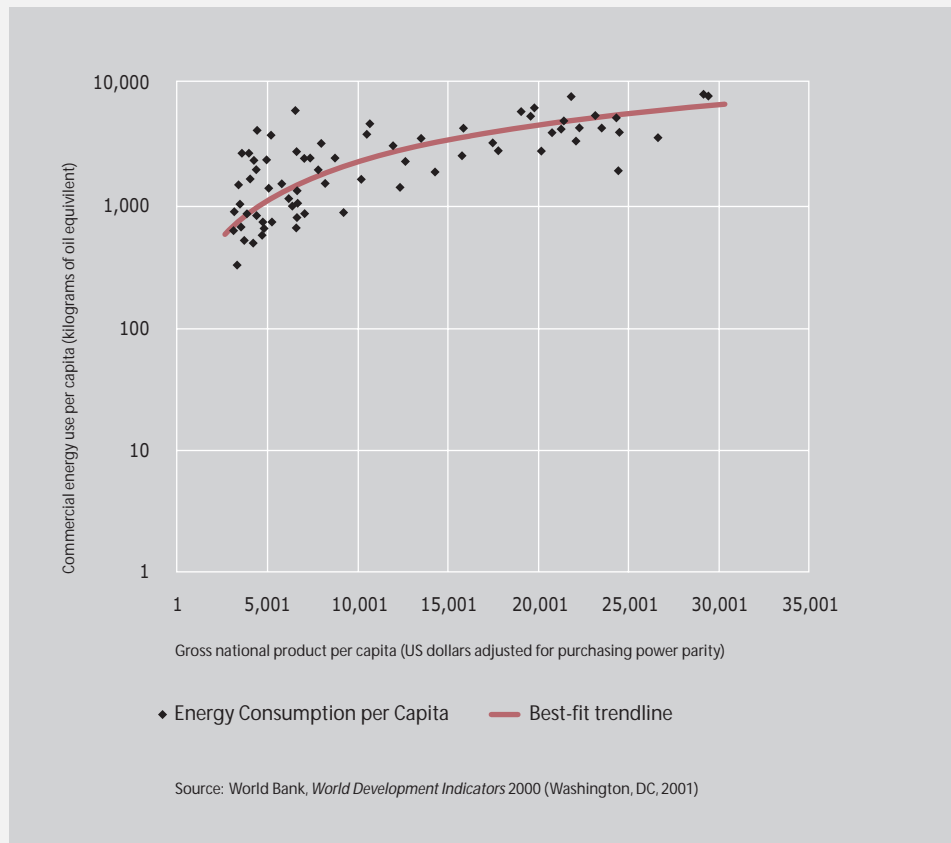
Middle-income countries—such as Argentina, Brazil, China, Indonesia, Morocco, Peru, the Philippines, Poland, and Thailand—had some success in attracting private investment in the 1990s. But better-off consumers seemed to benefit the most, while the poor benefited little.

Low-income countries, such as those in Sub-Saharan Africa, face low and stagnant growth in access to modern energy services. The share of households with access has sometimes even declined as the population has grown faster than energy supply.

The challenge faced by low-income countries is particularly daunting. Private investors perceive little market opportunity and too much risk in these countries. Moreover, the traditional energy utilities and suppliers have successfully fought attempts to reduce their monopoly privileges, and governments have continued to use them for social and political ends by holding tariffs below supply costs. As a result, governments must subsidize these utilities with resources that could go to critical social expenditures. These subsidies have benefited influential urban elites while poor households continue to suffer from high energy costs and polluting cooking fuels.

Today, technological advances in the energy sector offer new solutions for meeting this challenge in developing countries.

FIGURE 2
ENERGY CONSUMPTION HAS A STRONG LINK WITH NATIONAL INCOME
DATA REFER TO MORE THAN 160 DEVELOPED, DEVELOPING, AND TRANSITION ECONOMIES



They provide scope for improving energy efficiency, reducing pollution, cutting capital and operating costs, reducing economies of scale in energy production, and making decentralized energy supply commercially feasible. Oil and gas exploration and production are moving increasingly to the private sector, leading to greater technical and economic efficiency and new potential for investments. And the development of international trade in energy products is reducing supply costs and diversifying the risks of supply disruptions. All these advances are stimulating the growth of energy markets through new products and services, some of which will extend access to poor consumers.

ENERGY'S MANY LINKS WITH POVERTY REDUCTION

The links between energy and poverty reduction are complex and numerous. Some work through social and economic development and involve productivity, income growth, health and education, gender, and the social impact of energy extraction. Others work through macroeconomic stability, governance, and the environment.

...through social and economic development

productivity

Expanding access to modern energy services can alleviate drudgery in the lives of millions of people across developing countries, who now consume on a per capita basis a mere 5 percent of the modern energy consumed by people in high-income countries. Lack of adequate energy services means that the poor must walk or use animal power rather than travel by motorized transport. They must live in poorly lighted and badly heated homes, and toil without the benefit of powered machines. And they must cook with polluting fuels like wood and dung.

So the poor do not treat energy as a luxury. They need energy for basic services—for cooking, lighting, heating, refrigeration, communication, and other information services. And they need energy to drive productivity-boosting equipment that increase their incomes. The poor are ready to pay the full cost of a reliable supply of modern energy. In fact, they already pay more for low-quality energy services than better-off people pay for good-quality services. Moreover, the amount they pay for energy tends to represent a much larger share of their cash income—as much as a third—than it does for the better-off.

income growth

Energy consumption shows a strong correlation with national income (figure 2). Most economic activity would be impossible without energy, even the small and medium-scale enterprises that are the main source of new jobs for the poor. Thus the kind of economic growth that creates jobs and raises incomes depends on greater and more efficient use of energy.

FIGURE 3
ENERGY CONSUMPTION ALSO HAS A STRONG LINK WITH HUMAN DEVELOPMENT



health and education

Modern energy services improve the delivery of social services. In health clinics electricity makes it possible to refrigerate vaccines, operate medical equipment, and provide lighting after sunset. In homes electricity helps to improve children's educational attainment, even where its use is limited to a single lightbulb. In communities energy for pumping and treating raw water makes it possible to provide clean water. And for poor people everywhere, access to modern energy services frees time for productive pursuits, education, and leisure—time that would otherwise be spent collecting traditional fuels or in much less productive manual labor.

gender

The health, education, and productive activities of women and children are particularly sensitive to the availability of modern energy services. Modern cooking fuels free women and children from the burden of collecting and carrying large loads of fuelwood and from exposure to debilitating fumes from primitive cooking stoves. Improved lighting enables adults and children of both sexes to study after their daytime activities end. And electricity enables both women and men in poor households to engage in activities that generate income—by providing lighting that extends the workday and powering machines that increase output.

social impacts of energy extraction

The social and economic links extend to energy extraction. Properly managed, oil, gas, and coal mining operations should help reduce poverty in the host communities—by creating jobs and raising incomes, transferring skills and building local capacity, transferring a share of fiscal revenues to the local level, and increasing investment in social infrastructure. But extractive operations can also bring significant risks for affected communities: loss of traditional livelihoods, exposure to communicable diseases, resettlement or in-migration (especially for large coal mines), deterioration of governance, human rights abuse, and social unrest resulting from competition for jobs or rents. Remedies for these adverse social impacts require sound policies, adequate legislation, institutional capacity building, consultation with stakeholders, and investor sensitivity to the issues.

human development

All these links between energy and social and economic development are reflected in the strong correlation between energy consumption and a composite index of human development indicators (figure 3). The Human Development Index reflects achievements in the most basic human capabilities—leading a long life (life expectancy), being knowledgeable (educational achievement), and enjoying a decent standard of living (income, measured in purchasing power parity terms).¹

¹ United Nations Development Programme, *Human Development Report 2001* (New York: Oxford University Press, 2001; <http://www.undp.org/hdr2001/>).

...through macroeconomic stability

Government borrowing and contingent liabilities or guarantees to support investments in energy infrastructure have often been a source of macroeconomic and fiscal instability in developing countries. The shocks provoked by such instability usually affect the poor the most, because government social programs that benefit them tend to be cut back at times of fiscal stress.

Even with support from government, public resources are usually inadequate to finance the investments to meet the poor's energy needs. Reforms that transfer responsibility for financing energy investments to the private sector directly benefit the poor by reducing the strain on public finances. But the transitional costs of adjustment to private financing can be high and can bear heavily on the poor, especially when large subsidies for energy consumption are reduced or removed. In these cases safety nets may be needed to soften the impact on the poor.

Energy is especially important for macroeconomic and fiscal stability in oil exporting developing countries such as Algeria, Indonesia, the Islamic Republic of Iran, Nigeria, and República Bolivariana de Venezuela. In these countries energy accounts for a large share of gross domestic product (GDP), government revenues, and export earnings. Fluctuating world oil prices can put their macroeconomic and fiscal balances at risk—and thus their budgets for social programs that help the poor. Although diversifying the economy is the ultimate solution, domestic energy suppliers and consumers could help by giving up their large public subsidies.

...through governance

The corruption and patronage often associated with public monopoly provision of energy services raise the cost of these services. Again, poor people usually bear the greatest burden—because the additional cost takes a larger share of their income and because they are the most vulnerable to exploitation by corrupt officials. So the poor benefit from reforms that break up these monopolies, introduce competition where feasible, create transparent and independent regulation, and make management accountable to private investors rather than to politicians.

Special governance issues arise in oil producing developing countries. The revenues from petroleum can be enormous relative to revenues from other sources and in absolute terms, offering great potential for economic development. But more often than not, petroleum rents in developing economies become a burden rather than a boon. Oil exporters typically fall behind other developing countries in achieving development targets, including economic

growth and poverty reduction. They are also more likely to experience political instability and civil conflict. Weak governance appears to be closely linked to these outcomes. While weak governance may often predate the discovery of petroleum, there is strong evidence that petroleum revenues themselves erode governance and undermine development where institutions are inadequate.

...and through the environment

Indoor and urban air pollution from traditional energy sources and inefficient engines damage the health of millions in developing countries, with enormous cost to families and to the economy. At the end of the 1990s it was estimated that exposure to soot and smoke caused 4 million premature deaths and 40 million new cases of chronic bronchitis every year. Indoor air pollution causes more deaths and illnesses than tuberculosis, AIDS, or malaria. Air quality in 85 percent of the developing world's large cities—where the population is growing fastest—is a public health hazard.

Also well documented are the risks of environmental damage from oil and gas extraction and coal mining. These risks include removal of soil and forest canopies; pollution of soil, water, and the atmosphere; damage to fragile ecosystems; diminished biodiversity; and climate change as a result of gas flaring or methane seepage from coal mines. Past damage to the environment from extractive operations has been enormous, much of it leading to direct harm to the poor. As extractive operations have moved to more remote, environmentally sensitive areas, environmental concerns have become even more critical. But thanks to the attention to these concerns from stakeholders, technologies that minimize or eliminate adverse impacts have been developed and widely implemented.

The key to addressing the environmental issues that arise in energy extraction lies in policies, procedures, and frameworks to ensure that the available technologies are properly applied. The remedies require clear guidelines for operations; adequate laws, regulations, and contracts; environmental impact assessments; continuous monitoring; stakeholder consultation; capacity building in environmental institutions and affected communities; and corporate sensitivity to the issues.

THE ROLE OF GOVERNMENTS

Governments have a critical role in developing energy links in ways that support policies for reducing poverty.

...maintaining fiscal stability

A key policy concern is maintaining fiscal stability to protect budgets for social programs that help the poor directly.

Controlling the deficits of state-owned energy suppliers is a critical part of this. And that often means removing politically popular and strongly defended consumer subsidies that take the form of regulated energy prices. Such subsidies generally weaken energy suppliers' financial position, eventually burdening the government with unmet debt servicing obligations and loss of tax receipts. Moreover, the poor receive only a small share of these subsidies because they consume little of the energy being subsidized—or none at all. Governments need to find ways to remove these subsidies as quickly as is feasible.

...ensuring sound governance of energy markets

Ensuring that energy markets are fair, efficient, and uncorrupt helps the poor by supporting economic growth and expanding the availability of modern energy. Market regulation and private participation through ownership or public-private partnerships in energy supply are key elements of this policy. Governments need to support private partners in making the transition from a poorly performing state-owned sector to a commercially viable sector largely under private ownership. This support could take the form of mitigating risks beyond the control of private investors and private risk insurers, providing or arranging guarantees to mitigate exceptional political risks that deter private investors, providing guarantees for repatriation of funds by foreign investors under exchange controls, and providing performance undertakings on behalf of state-controlled enterprises for privately financed investments and concessions.

...stepping in where markets fail

Governments sometimes need to compensate for ways in which energy markets fail to act in the public interest, including the interests of the poor. They can do so by regulating pollution and protecting the public from the risks to health and safety from energy production and distribution, regulating the economic behavior of natural monopolies (such as energy transmission) through legislation or ownership, promoting competition in energy supply or for concessions to supply energy services, creating markets for private initiatives in environmental protection, subsidizing the costs of access to modern energy services that the poor want, and reducing barriers to market entry for energy service providers and promising new technologies.

...managing petroleum revenues

Governments have a central role to play in managing petroleum revenues. Without adequate governance in this area, the economy and society will suffer, especially the poor. Key elements of good governance in oil revenue management include transparency, accountability, consultation and inclusion of stakeholders, and the development of appropriate institutional capacity for governance.

The problem of managing petroleum revenues needs to be addressed at three levels:

Revenue collection: Dealing with tax design and administration and developing the procedures and institutional capacity to monitor and control the flow of funds. *Revenue management per se:* Deciding the pace of exploitation of the petroleum resource, developing the country's ability to absorb revenues, weighing the pros and cons of petroleum funds (as well as the merits of different fund objectives and structures), using hedging options to deal with revenue volatility, and maintaining discipline in the overall budget. *Revenue distribution:* Adopting mechanisms to ensure that petroleum revenues are put to appropriate use for development.



THE WORLD BANK GROUP'S VISION ENERGY FOR POVERTY REDUCTION AND ECONOMIC GROWTH

The World Bank Group envisions a transition from traditional to modern energy use for poor households that go hand in hand with efficient and environmentally sustainable supply and use of energy, greater choice of energy services for consumers, and macroeconomic and fiscal stability. In the World Bank Group's vision, each of these outcomes reinforce the benefits from each of the others. They also directly contribute to poverty reduction by generating productivity gains that expand economic opportunities for the poor—through better access to communications, education services, employment, and income-generating activities. These outcomes also markedly improve living conditions through better lighting for homes, cleaner fuels for indoor cooking and heating, and reduced emissions.

The World Bank Group also envisions efficient supply and use of energy that strengthens the economic growth of developing and transition economies by:

- Freeing consumers from frequent and prolonged power cuts and liquid fuel shortages
- Giving industrial enterprises a choice of suppliers providing reliable energy services
- Allowing private ownership and financing a dominant role in energy supply
- Ensuring that regulators operating in an objective, transparent, and nondiscriminatory manner oversee natural monopolies and promote competition in the energy sector
- Reducing the average intensity of carbon dioxide emissions from energy production
- Reducing the average energy consumption per unit of GDP

To realize its energy vision for poverty reduction, the World Bank Group has set quantitative objectives for developing and transition economies to be reached by 2010. These objectives mark significant progress from the baseline levels in 2000.

- Increasing the share of households with access to electricity from 65 percent to 75 percent
- Increasing the share of large cities with acceptable air quality from 15 percent to 30 percent



- Reducing the average intensity of carbon dioxide emissions from energy production from 2.90 tons per ton of oil equivalent to 2.75
- Reducing the average energy consumption per unit of GDP from 0.27 ton of oil equivalent per thousand dollars of output to 0.24
- Increasing the share of economies where industrial consumers have a choice of supplier from 15 percent to 40 percent
- Increasing the share of economies where the power industry is no longer a burden on the government's budget from 34 percent to 50 percent
- Increasing the share of economies where private ownership and financing play a dominant role in energy supply from 25 percent to 40 percent
- Increasing the share of economies where regulators are required to oversee natural monopolies in an objective, transparent, and nondiscriminatory manner from 35 percent to 50 percent

All stakeholders interested in improving access to energy services have an essential role to play in meeting these objectives—governments, multilateral financing institutions, aid organizations, private sector suppliers, energy consumers, nongovernmental organizations. But particularly crucial to accelerating the development of modern energy services for the poor are the decisions and actions of governments in developing and transition economies.

REALIZING THE VISION—FOUR BUSINESS LINES

To realize its vision for energy in the developing world, the World Bank Group has adopted a comprehensive approach, that focuses on the following four business lines in energy supply:

- Helping the poor directly
- Improving macroeconomic and fiscal balances
- Promoting good governance and private sector development
- Protecting the environment

The World Bank Group does not provide financing for investments in energy supply capacity that do not conform to one or more of these business lines.

The World Bank Group implements these business lines in a variety of ways:

it works with clients and partners

For example, in supporting the development of energy strategies for developing and transition economies within a comprehensive development framework and ensuring that their poverty reduction strategies deal with energy issues.

it deploys its instruments selectively

For example, by combining financing with capacity building assistance and advice or knowledge transfer. Where country and project creditworthiness is sufficient, the International Finance Corporation (IFC) can issue loans and equity, and the Multilateral Investment Guarantee Agency (MIGA) guarantees, to support private investments. Where it is not, the International Bank for Reconstruction and Development (IBRD) or the International Development Association (IDA) can issue partial risk guarantees with sovereign counter guarantees to support private investments, particularly where the key risk of a project relates to concerns about government performance or policy reversal. Similarly, IBRD or IDA partial credit guarantees with sovereign counter guarantees can help to catalyze long-term private financing for projects that improve public services. IBRD loans and IDA credits to countries with sovereign guarantees can also be used when private financing cannot be catalyzed.

These instruments can be combined to provide large amounts of financing in highly risky environments. All the instruments have similar requirements with respect to the assessment and mitigation of environmental and social impacts and other safeguard policies.

To produce the greatest impact from its assistance, the World Bank Group combines financing with advice and knowledge transfer. It also provides free-standing technical assistance and advice as part of the services under each business line, in some cases through special programs such as the Energy Sector Management Assistance Programme. Programmatic lending and cross-sectoral operations are also part of the approach, supporting projects that address the energy components of providing access to such services as health, education, and water and sanitation.

it forms partnerships with stakeholders

There are many more participants in energy markets in developing and transition economies now than in the 1980s or even the 1990s, and the community of knowledgeable practitioners has expanded enormously. Besides governments, donors, and utilities, this community includes nongovernmental organizations, project developers, and private investors in energy corporations. Forging partnerships among participants and stakeholders is not always easy, especially when they do not fully share the same objectives at the outset. But such partnerships generally result in better outcomes.

Delivering the energy business lines — the policy measures supported —

The World Bank Group implements its energy business lines by supporting a broad range of policy measures by governments.

Helping the Poor Directly

- Facilitating access to modern fuels and electricity
- Reducing the cost and improving the quality of energy supplied to low-income households
- Ensuring that energy subsidies are targeted to and reach the poor
- Promoting energy-efficient and less polluting end-use technologies for traditional fuels
- Creating energy service enterprises run by the poor
- Supporting energy needed for social services (health, education, communication)

Improving Macroeconomic and Fiscal Balances

- Rationalizing energy taxes
- Replacing public investments with private ones
- Managing risks associated with contingent public liabilities
- Closing loss-making coal mines and oil refineries and financing restructuring costs that fall on government budgets
- Enhancing effective payment by all energy users to eliminate operating subsidies to state-owned enterprises
- Improving procurement and marketing of imported and exported energy products

Promoting Good Governance and Private Sector Development

- Creating objective, transparent, and nondiscriminatory regulatory mechanisms
- Introducing and expanding competition and cross-border trade
- Divesting assets to strategic investors and regulating markets in ways that are socially responsible and corruption free
- Catalyzing private investment by liberalizing entry to energy markets
- Strengthening the voice of consumers and communities
- Strengthening local financial institutions to provide long-term financing for rural energy business

Protecting the Environment

- Promoting clean transport fuels and switching from coal to gas
- Facilitating environmentally sustainable extraction, production, processing, transport, and distribution of oil, gas, and coal
- Strengthening environmental management capacity in energy supply
- Removing market and regulatory barriers to renewable energy and energy efficiency investments for power and biomass (such as improved cooking stoves for the poor)
- Reducing gas flaring and facilitating carbon trading and joint investments to reduce greenhouse gas emissions

it exploits its comparative advantages

The World Bank Group's comparative advantages derive from its ability as a multilateral lender to offer a combination of financing instruments and a comprehensive view of economic and social development from a global and sectoral perspective. The World Bank Group also brings a track record of impartiality and expertise in advising governments, a reputation for technical competence, access to senior policymakers and decisionmakers, a diverse range of investment and risk mitigation instruments, and vast experience working at the interface of poverty, macroeconomics, governance, and environment. All this equips the World Bank Group for supporting the design and implementation of reforms and capacity building for well-regulated and competitive energy markets, facilitating the transfer of knowledge among developing and transition economies, and catalyzing private investment flows to non-investment grade countries.

Delivering the energy business lines — the instruments —

The World Bank Group has at its disposal a number of instruments and operations for implementing its energy business lines.

Helping the Poor Directly

- Analytical techniques for exploring the links between energy and poverty and developing these links in poverty reduction and country assistance strategies
- Financial and institutional intermediation to promote energy efficiency and expanded access to modern energy
- Project loans and credits for post-conflict and -disaster reconstruction
- Components focusing on energy for the poor as part of Bank- or IFC-supported programs under the Heavily Indebted Poor Countries Initiative
- Support for community-based approaches and gender issues relating to access to energy

Improving Macroeconomic and Fiscal Balances

- Program loans to support energy reform that have the flexibility to accommodate uncertainty in commitment and absorptive capacity (such as Adjustment Loans and Adaptable Program Loans)
- Analytical support to help governments manage budgets, balance of payments, debt, and fiscal issues, provided through technical assistance and economic and sector analysis on energy pricing, taxation, subsidies for the poor, and guarantees to private investors

Promoting good governance and private sector development

- IFC loans and equity, World Bank partial risk and partial credit guarantees, MIGA guarantees, and program loans
- Technical assistance and economic and sector analysis to address issues in designing competitive infrastructure markets, regulating infrastructure services, privatizing infrastructure service providers, and developing decentralized infrastructure service suppliers
- Financing to support public-private partnerships

Protecting the environment

- Programs to promote fuel switching and energy efficiency through energy service companies, energy efficiency funds, rural energy funds, and emissions trading
- Economic and sector analysis and knowledge dissemination in support of capacity building

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