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Does the World Bank Group Efficiently Promote Private Sector Investment?

The Case of Energy Transition

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Abstract

Both World Bank shareholders and the Bank's management have emphasised the need for large-scale private investment to achieve development and climate goals. For the World Bank Group, this means collaborating more closely between its different institutions, an issue that World Bank President Ajay Banga has prioritised. This paper examines the extent to which these ambitions are being translated into practice, using energy-related reforms, with a focus on renewable energy sources, as an example. Through three country case studies (Romania, Bangladesh and Cameroon), it examines how the Bank's diagnostic work is reflected in its country strategies and policy-based lending programmes. Coherence is assessed using nine questions.

The case studies show that despite many cross-references between the documents and some parallels in the analysis of key constraints, three challenges emerge. First, the diagnostic documents lack coherence. Second, the issues raised in these documents are often not translated into the Country Partnership Frameworks (CPFs). Third, in many cases there is a very weak link between the proposals in the diagnostic documents and the CPF on the one hand, and the policy-based lending programme with its prior actions (PAs) and disbursement-linked indicators (DLIs) on the other. The PAs and DLIs are often unambitious.

The paper recommends four reforms to address these shortcomings: (1) Diagnostic documents should indicate which policy reforms are considered most binding and suggest steps to address them. In addition, all CPFs should include an annex with the diagnostic documents' main operational (policy) proposals and how they are reflected in the CPF. (2) CPFs should explicitly explain how management intends to use country platforms. If their use is not considered feasible, the CPF should explain why. (3) Given that fiscal policy is a powerful tool for decarbonising the energy sector, and given the underperformance in translating reform needs into policy-based programmes and appropriate PAs/DLIs, the Bank should review its approach in this area; the new, planned energy policy would be a first opportunity. (4) As bringing together private and public sector perspectives is key to mobilising private sector investment, the Bank's management should include public sector perspectives and representatives in the Private Sector Lab, set up by the Bank's president in 2023.

The Bank's management is currently reforming both its country engagement model and its energy policy strategy. Moreover, it has introduced some organisational changes aimed at fostering a closer cooperation between its various institutions. The recommendations in this paper should be considered in this context. Implementing the recommendations would greatly increase private capital mobilisation, which was a key issue on the agenda for the Financing for Development conference in Seville in July 2025.

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Abbreviations

CCDR	Country Climate and Development Report
CPF	Country Partnership Framework
CPSD	Country Private Sector Diagnostic
DLI	disbursement-linked indicator
DPL	development policy loans
ETS	emissions trading system
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
MIGA	Multilateral Investment Guarantee Agency
PA	prior action
PBL	policy-based lending
PforR	programme for results
PPA	power purchase agreement
PPP	public-private partnership
RE	renewable energy
RES	renewable energy sources
RISE	Regulatory Indicators for Sustainable Energy
WBG	World Bank Group

1 Introduction

World Bank shareholders have emphasised the need to mobilise private investment on a large scale in order to achieve development and climate goals. President Ajay Banga has established a “Private Sector Investment Lab” to address this issue. He has also emphasised the need for the various institutions within the World Bank Group (WBG) to collaborate more closely as a unified entity, “One WBG”. These two issues are closely related. This paper examines the extent to which these ambitions are being realised in practice: whether the WBG is working as one to enable private investment.

To enable large-scale private investment, it is essential to improve the regulatory and policy environment in partner countries. This is an area where close cooperation between the sovereign arms of the WBG – the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) – and its non-sovereign arms, the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) is particularly important. All parts of the WBG need to work together to identify the regulatory, fiscal and other policy constraints that are holding back private investment, and to design operations that address these constraints, particularly through policy-based lending (PBL). The energy sector is a good example, as many countries are undertaking policy and regulatory reforms to modernise the sector. These reforms typically aim to improve energy supply and decarbonise the sector by encouraging private investment in renewable energy.

The WBG supports country partners’ policy reforms in many ways, notably through its lending programme, including its advisory services and related policy dialogue. Policy-based lending is the dedicated and main instrument for supporting policy and regulatory reforms. The Bank uses two types of policy-based lending: development policy loans (DPLs) and programmes for results (PforRs). DPLs support policy reforms through non-earmarked general budget support, subject to the borrower's own implementation procedures and systems. DPLs include prior actions (PAs). These are policy and institutional actions considered critical to achieving the objectives of a programme. They are agreed between the Bank and partner governments and must be implemented prior to the disbursement of DPL tranches. Similarly, PforRs link the disbursement of funds to the achievement of specific programme results, using disbursement-linked indicators (DLIs). The focus is on capacity building and institutional strengthening.

This paper is structured as follows. Section 2 outlines the framework and methodology of the paper, including the structure of the country studies. Section 3 summarises the main findings of the three country desk studies. (More detailed information on the country studies is provided in the Appendix.) Section 4 presents the recommendations for the World Bank Group, which are also relevant for other development banks.

2 Framework

We selected three countries with relatively new Country Partnership Frameworks (CPFs) in which energy sector reform plays an important role. For each sample country, we applied a three-step approach.

2.1 Collecting results from diagnostic documents

First, we collected results from relevant WBG country diagnostic documents for our sample countries, focusing on seven policy areas, notably fiscal policies, competition policy, regulatory energy policies and administrative reform, policies on power purchase agreements (PPAs), financial sector policies, PPP policy and law.[1] We used the following diagnostic documents: Regulatory Indicators for Sustainable Energy (RISE), Country Climate and Development Reports (CCDRs), and Country Private Sector Diagnostics (CPSDs).

The RISE, regularly published by the World Bank's Energy Sector Management Assistance Program (ESMAP) Trust Fund, managed by the Bank's Energy Global Practice, are designed to compare the policy and regulatory frameworks that countries have put in place to support the achievement of Sustainable Development Goal 7 on universal access to affordable, reliable, sustainable and modern energy (World Bank Group (WBG), 2022f). For our sample countries, we focused on the key bottlenecks identified by the RISE pillar on renewable energy – the RISE sub-indicators rated "red" in the Appendix, indicating that policy adoption is still at an early stage. The question we asked was:

→ *In which policy and regulatory areas does RISE indicate that policy adoption is still at an early stage?*

The CCDRs, prepared under the lead of the Vice Presidency for Sustainable Development, were introduced in 2021 to analyse how each country's development goals can be achieved in the context of mitigating and/or adapting to climate change (WBG, 2022a). They are specifically designed to analyse the linkages between climate and development policies and identify the most effective actions to reduce greenhouse gas emissions and build resilience. The question we asked was:

→ *What does the CCDR say about the main regulatory and policy bottlenecks and opportunities for private sector investment in renewables, and how these can be overcome?*

Launched in 2017, the CPSD aims to unlock private-sector-led growth and investment (WBG, 2021a). Co-authored by World Bank Group institutions under the lead of the IFC, each report discusses a country's overall business environment and provides in-depth analysis of specific sectors where private sector investment can accelerate growth if the right policy and regulatory issues are addressed. The question we asked here is:

→ *What does the CPSD say about the main regulatory and policy bottlenecks and opportunities for private sector investment in renewables, and how these can be overcome?*

1 The policy areas were chosen pragmatically, based on those that are most prominently highlighted in diagnostic studies and accepting that some are overlapping.

2.2 CPF priorities and policy-based lending pipeline

In a second step, we examined how the key policy and regulatory issues identified in the above diagnostic studies are reflected in the World Bank Group's country programmes (known as Country Partnership Frameworks, or CPFs), which are regularly prepared by the geographical Vice Presidencies.

The CPF is the central tool used by management and the board to review and guide the WBG's country programmes, and to measure their effectiveness. In this part of the country sheets, we summarised the information contained in each CPF regarding the regulatory and policy constraints on private-sector investment in energy supply, with a particular focus on renewable energy, and details on how these constraints are being addressed. The question we asked was:

→ *What does the CPF say about key regulatory and policy bottlenecks?*

The CPF outlines the future lending programme based on the key challenges identified. From this future lending programme we selected lending operations relevant to energy sector policy constraints.

→ *What policy-based lending programmes does the CPF propose in the area of energy sector reform, with a focus on renewable energy?*

→ *What prior actions/DLIs on policy and regulatory issues are proposed by the CPF?*

2.3 Coherence and ambition

The third step was to analyse how coherently and ambitiously the analysis is translated into implementation. We compared the main recommendations of the respective diagnostic documents, recognising that these diagnostic documents have different objectives, which may justify different reform priorities. We also examined whether, and to what extent, the policy constraints and policy reform recommendations identified in the diagnostic products are addressed in the country strategies, in particular with regard to proposals for future country engagements. The questions we asked were:

→ *Is there coherence between RISE, CCDR and CPSDs?*

→ *Does the CPF address the relevant policy and regulatory issues identified in the diagnostic documents?*

→ *In particular, do the relevant PBLs and their prior actions (or DLIs) address the policy and regulatory gaps identified in the RISE, CCDRs and CPSDs? Do they match the ambition of the challenges?*

The selection of the sample countries was based on two criteria: first, that the relevant documents, in particular the CCDR, CPSD and CPF, were available; second, that the relevant CPF was older than the diagnostic documents. (The second was necessary because the CPFs are intended to build on these documents.[2]) Romania, Bangladesh and Cameroon were selected for the country studies on the basis of these criteria.

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2 This second selection criterion was applied flexibly. In cases where the CPF was submitted to the Board a few months before the CCDR or CPSD is finalised, it can be assumed that the content of these diagnostic products was available to the staff responsible for the CPF. RISE is regularly updated for almost all Member States, so there is no problem of data availability.

Figure 1: Alignment between diagnostics, country programmes and policy-based lending operations

Source: Authors

3 Key takeaways from country studies

3.1 Romania

Overall, both the diagnostic documents and the CPF provide a comprehensive analysis of the constraints to private investment in renewable energy (RE). There are many cross-references between the CPF, the CCDR and CPSD, with many parallels in the analysis of key constraints.

In general, the analysis of challenges is strong, and the proposed priority reforms are ambitious. This may be partly explained by Romania's embeddedness in EU policies, which provides a solid framework for WBG engagement. In addition, the analysis presented in the diagnostic studies is relatively coherent. The CPF also reflects most of the reforms proposed in the diagnostic studies.

However, there are weaknesses in the operationalisation of this relatively strong analysis. In particular, the proposed pipeline of the CPF is weak, both in terms of the current loan portfolio and compared to the relatively ambitious language in the diagnostic documents, including the CPF itself.

Importantly, only a small proportion of the key regulatory and policy constraints identified in the diagnostic studies are addressed in the policy-based lending programme and its prior actions. This is most evident in the areas of "fiscal incentives" and "competition policy". As a result, it is not clear how the regulatory and fiscal reforms outlined will be supported by the IBRD.

3.2 Bangladesh

Overall, the issues raised in the diagnostic studies are poorly correlated. They are also not reflected in the CPF in a consistent way but only very selectively. Moreover, the prior actions and DLIs are relatively modest in that they do not match the ambition formulated in the diagnostic studies and in the CPF.

Some issues raised in these documents are poorly addressed in the prior actions, or completely absent, notably in the area of fiscal incentives. In some cases, the reforms proposed in the diagnostic studies and the CPF are watered down, for example in the area of competition policy. However, there are also cases where the PBLs follow up on issues raised in the diagnostic studies that are not emphasised in the CPF, such as in the area of PPP policy and law.

3.3 Cameroon

Private sector constraints, including for RE investment, are highlighted in all documents relating to Cameroon. There are also a number of cross-references between the CPF and the CCDR and CPSD, with many parallels in the analysis of key constraints.

However, at a more detailed level, the documents are poorly correlated. For example, RISE strongly criticises the lack of fiscal incentives for RE, while the other documents do not address this issue. It is also surprising that the proposed future pipeline does not include IFC involvement, despite the CPF's frequent mention of the role of the private sector. Moreover, the pipeline proposed in the CPF is weak, both in comparison with the current pipeline and with the ambitious language of the diagnostic documents and the CPF itself.

Overall, only a small proportion of the key regulatory and policy constraints identified in the diagnostic studies are addressed in the CPF pipeline. In particular, it is not clear how the regulatory and fiscal reforms outlined will be supported by IBRD. The policy-based lending programme follows up selectively and less ambitiously on the reform priorities identified in the diagnostic studies and the CPF. There is no follow-up at all in the areas of fiscal reforms and the PPP Law.

3.4 Summary of country studies

The main overarching conclusions from the country studies are as follows:

- In the analytical section of the CPFs, there are numerous cross-references to diagnostic studies. For instance, the CPF for Romania provides an extensive analysis of the obstacles to private investment in renewable energy, building largely on the analysis in the CPSD. This positive observation may be partly due to the World Bank's reform agenda, which aims to make the World Bank Group more cohesive.

- This positive picture is tainted when it comes to concrete reform proposals. The correlation is weak for all policy areas. "Fiscal policies" is the worst performing policy area, while "regulatory policy and administrative reform" is the best.

- The Country Partnership Frameworks (CPFs) are particularly problematic. Issues raised in the diagnostic documents are often not reflected in the CPFs. This may be partly due to the brevity of CPFs and the need to focus on a relatively small number of issues.

- The challenge of translating a CPF into the future lending pipeline is even greater. In most cases, the pipeline of policy-based programmes and related PAs/DLIs is weak. The ambitious recommendations in diagnostic documents and policy conclusions in CPFs often do not reflect the policy-based pipeline well, particularly the PA/DLI.

- This is most evident in fiscal policies. The question arises as to whether this negligence of fiscal policy measures in PA/DLI is limited to the three case studies, or whether it can also be found in other policy-based operations, including earlier ones. We therefore examined all World Bank Group development policy operations from 2005 to 2024. Of the total number of 11,629 prior actions, we found that only a very small fraction (six) focused on energy-related fiscal policy issues (WBG, 2024e).[3]

3 We also find that actions focusing on promoting renewable energy sources are more prevalent in more recent DPOs.

Overall, there appear to be three challenges. First, the diagnostic documents lack coherence. Second, the issues raised in these documents are often not reflected in the CPF. Third, there is often a very weak link between the proposals in the diagnostic documents and the CPF on the one hand, and the PBL lending programme with its PAs and DLIs on the other. The PAs and DLIs are often unambitious.[4]

4 Recommendations

It is recommended that the above shortcomings be addressed by four reforms:

(1) The Bank's lending pipeline needs to be better rooted in its analysis and reflect the binding constraints to private sector investment. One problem is that there are a number of (core) diagnostic products with numerous suggestions and recommendations. It is virtually impossible for the CPF to follow up on all these recommendations. Moreover, experience with policy-based lending shows that reforms should focus on the most binding constraints. Therefore, **the CCDRs and CPSDs in particular should indicate which policy reforms are considered most binding and suggest steps to address them**. This would facilitate the identification of key reforms to be addressed in the CPF. In addition, **all CPFs should include an annex with the main policy proposals from the relevant diagnostic studies indicating if/how they are reflected in the CPF**. The Bank's management is currently reforming its Country Engagement Model (CEM), including the Country Partnership Agreements (CPAs). The plan is to shorten the CPF. This will make it even more challenging to guide the Bank's policy and lending in very concrete terms for the next few years. The suggested reform would help to achieve both objectives of making the CPF shorter and more binding.

(2) To better translate the Bank's analysis into the lending programme, the incentives for both Bank staff and recipient governments should be strengthened. At present, the Bank's staff is not always keen to develop an in-depth policy dialogue on these complex and sensitive reforms, sometimes preferring to focus on traditional investment projects. Partner governments may also be reluctant to embark on such reforms. Working more closely with other development agencies, for example through country platforms, could help address these challenges. This would increase overall donor support for specific policy reforms and make strong PAs/DLIs more attractive to the partner country. **CPFs should therefore be explicit about how management intends to use country platforms (or similar coordination mechanisms). If their use is not considered feasible, the CPF should explain why.**

(3) Fiscal policy is arguably the most powerful instrument for decarbonising the energy sector. Given its poor performance in the country studies in translating reform needs into policy-based programmes and appropriate PAs/DLIs, the Bank should review its approach in this area. The new energy policy planned to be presented to the Board in June would be a first opportunity. One element of this revised strategy could be to work more hand-in-hand with other agencies, as emphasised above, and as has already been done in the context of the Just Energy Transition Partnerships. Another element is to work systematically with the IMF, which also has a mandate to help governments improve fiscal policies, albeit more at the macroeconomic level.

4 It has to be recognised that policy reforms are not only implemented through PBL. Capacity building, for example, can often help. However, PBL is the key instrument, in that it usually helps to „smooth“ reforms by creating policy space through budget allocations.

(4) World Bank President Ajay Banga launched a Private Sector Investment Lab shortly after taking office in June 2023, bringing together 15 business leaders to share and develop ideas on ways to create more jobs in developing countries. In the next phase, the lab will aim to implement proven solutions at scale, identifying five priorities – regulatory and policy certainty, political risk insurance, foreign exchange risk, junior equity and securitisation. While this focus is very welcome, it is problematic that the Lab is made up entirely of business leaders. **Bank management should review the composition of the Lab with a view to better representing the public sector perspective because for achieving private sector solutions, both perspectives, private and public, must come together.**

Implementing these recommendations would help prove that One WBG is more than just an aspiration.

Appendix: Country sheets

The following sheets provide an overview of the results of the country studies. They respond to the questions set out in Section 2 of the main text above. The main policy areas covered by the documents are listed in the right-hand column of the country tables.

The columns headed (1) summarise the results of the diagnostic reports, in particular RISE, CCDR and CPSD, in response to the following guiding questions:

→ *In which policy and regulatory areas does RISE indicate that policy adoption remains at an early stage?*

→ *What does the CCDR say about the main regulatory and policy bottlenecks and opportunities for private sector investment in renewables, and how these can be overcome?*

→ *What does the CPSD say about the main regulatory and policy bottlenecks and opportunities for private sector investment in renewables, and how these can be overcome?*

Column 2 summarises the relevant key issues and shortcomings raised in the CPF. It answers the following question:

→ *What does the CPF say about key regulatory and policy bottlenecks?*

Column 3 lists the relevant policy and regulatory reforms related to renewable energy (PAs and DLIs). It also lists (in the heading) the relevant policy-based lending instruments. This part responds to the following guiding questions:

→ *What policy-based lending programmes does the CPF propose in the area of energy sector reform, with a focus on renewable energy?*

→ *What prior actions/DLIs on policy and regulatory issues are proposed by the CPF?*

The colours in the table summarise our analysis of the documents: the extent to which they are consistent with one another, and the extent to which the main issues raised in these documents are addressed in the CPF and in policy-based lending programmes. The classification responds to the three questions below:

→ *Is there coherence between RISE, CCDR and CPSDs? See the columns under (1).*

→ *Does the CPF address the relevant policy and regulatory issues identified in the diagnostic documents? See column 2.*

→ *In particular, do the relevant PBLs and their prior actions (or DLIs) address the policy and regulatory gaps identified in the RISE, CCDR and CPSD? Do they match the ambition of the challenges? See column 3. The heading of this column also indicates the relevant PBLs on which the assessment is based.*

Green indicates a generally positive assessment of the above questions; yellow indicates that the assessment is mixed; red indicates that the assessment is negative.

Romania

Table 1: Results from diagnostic reports and CPF priorities

Policy areas	(1) Results from diagnostic reports			(2) CPF priorities	(3) Relevant PAs/DLIs (WBG, 2024b)
	RISE priorities	*CCDR priorities*	*CPSD priorities*		
Fiscal policies	Need to reform regulatory and financial incentives	Enhance fiscal incentives (carbon pricing, reducing fossil fuel subsidies, using carbon tax revenues to accelerate the green transition)	Enhance fiscal incentives (increase carbon pricing, with instruments such as ETS, and fossil fuel subsidy reduction)	Enhance fiscal incentives (increase carbon taxes on non-ETS sectors, reduce fossil fuel subsidies, increase green public investment)	The borrower has reduced the number of products and services to which the reduced value added tax (VAT) rates of 5% and 9% apply The borrower has introduced a new tax policy for vehicles in accordance with the "polluter pays" principle
Competition policy		Improve competition policy and transparency		Support the implementation of market reforms and state-aid schemes to accelerate increases in efficiency and competition	
Regulatory energy policies and administrative reform	Need to reform regulatory and financial incentives	Reform regulatory framework for RES investments Adding energy storage capacity, streamline processes for RES investments	Review energy policy and update energy strategy	Reforming administrative processes regarding approvals and authorisations pertaining to RES investments Strengthening public-sector capacity to develop strategies, legal frameworks, standards for financial instruments.	To enable and incentivise the development of offshore wind farms for the production of renewable electricity in the Romanian exclusive economic zone of the Black Sea, the Borrower has adopted the relevant legislation, including the establishment of the applicable procedures, institutional roles, and the rights and obligations of developers and stakeholders, as evidenced by the enactment of Law no. 121/2024. The borrower has developed the secondary legislation defining the governance and functioning of contracts for differences for low-carbon technologies for electricity production, as evidenced by the approval of the Government Decision no. 318/2024. The borrower has approved a state aid mechanism to support investments in electrolysers for the production of green hydrogen, as evidenced by the adoption of the Order of the Minister of Energy no. 923/2023.
PPA policies		Reform PPA laws	Strengthen PPA framework		

Policy areas	(1) Results from diagnostic reports			(2) CPF priorities	(3) Relevant PAs/DLIs (WBG, 2024b)
	RISE priorities	*CCDR priorities*	*CPSD priorities*		
Financial situation of network operators and pricing policy		Address financial situation of electricity network operators			
Financial sector			Greening the financial sector	Improve financial sector institutions	
PPP policy and law			Reform PPP law	Reform PPP law	The borrower has: (i) removed the upper limit for the amount of co-financing by public partners in public-private partnerships (PPP) co-financing structures, as evidenced by the enactment of the Law no. 7/2024; and (ii) simplified the requirements for pre-feasibility and feasibility studies for PPPs and concession arrangements, as evidenced by the approval of the Government Decision no. 1116/2023.

Sources: Column 1: WBG, 2022f; WBG, 2023a; WBG, 2023b. Column 2: WBG, 2024a. Column 3: WBG, 2024b.

The table shows in the different columns the main bottlenecks and reform priorities in the different Bank documents. This relates to the first six guiding questions. The following text summarises the main background information on coherence and implementation issues (related to the last three questions).

→ Is there coherence between RISE, CCDR and CPSD?

There is a relatively high degree of coherence between the CCDR and the CPSD. RISE is also broadly consistent.

- The recommendations on fiscal incentives, such as carbon pricing and the reduction of fossil fuel subsidies, and on the use of revenues to accelerate the green transition are consistent.
- The CCDR's recommendation to improve competition policy is not taken up by the other diagnostic documents.
- The recommendations on renewable energy regulatory policy and administrative reform are largely consistent.
- The recommendations on the PPA law are largely consistent.
- The CPSD's calls for greening the financial sector and reforming the PPP law are not taken up by the CCDR and RISE. Similarly, the CCDR's call to address the financial situation of electricity network operators is not taken up by the CPSD and RISE.

→ Does the CPF address the relevant policy and regulatory issues identified in the diagnostic documents?

It does so to a very limited extent.

- The CPF addresses issues raised in the diagnostic studies in the areas of fiscal incentives, competition policy, regulatory policy/administrative reform, financial sector and PPP policy.
- It does not follow up on issues raised in the diagnostic studies in the area of PPA law and the financial situation of network operators.

→ In particular, do the relevant PBLs and their prior actions (or DLIs) address the policy and regulatory gaps identified in the RISE, CCDR and CPSD? Do they match the ambition of the challenges?

Two key areas in the relevant documents (fiscal incentives and regulatory and administrative reforms) are also covered by the prior actions of the DPO. However, some of the reforms outlined in the prior actions are relatively flat and their relevance is questionable. For example, on fiscal reforms, where the diagnostic documents refer to very broad issues (increasing carbon taxes and reducing fossil fuel subsidies), the CPF seems to focus on very limited areas. A number of other issues highlighted in the CCDR and/or CPSD are absent from the CPF (and the previous actions of the DPO), notably the reform of the PPA law and the addressing of the financial situation of the electricity network operators, as well as the implementation of financial sector reform and competition policy.

Bangladesh

Table 2: Results from diagnostic reports and CPF priorities

Policy areas	(1) Results from diagnostic reports			(2) CPF priorities	(3) Relevant PAs/DLIs (WBG 2023d, 2024f, 2022e, 2024d[5])
	RISE priorities	*CCDR priorities*	*CPSD priorities*		
Fiscal policies	Carbon pricing and monitoring Incentives and regulatory support for renewable energy	Gradually eliminate implicit and explicit fossil fuel subsidies, including for gas. Requires related tariff reforms. Affordability and distributional impact need to be analysed and targeted support for poor households may be required. Generates air quality co-benefits, incentivises private-sector emission reductions and helps mitigate emissions in the gas value chain. Introduce an energy focused carbon tax. A carbon tax would provide price incentives for mitigation while mobilising modest additional revenues for climate investments. However, market-based energy pricing and further distributional analysis are required prior to implementation. (The distributional effects of a carbon tax are estimated to be moderately progressive.)		Enhance fiscal incentives (increase carbon taxes on non-ETS sectors, reduce fossil fuel subsidies, increase green public investment)	
Competition policy			Transition to the competitive procurement of all sources of power generation to reduce the average purchase price of power.	Support the implementation of market reforms and state-aid schemes to accelerate increases in efficiency and competition	See WBG, 2023d, PA 6. To reduce supply costs and enhance the financial sustainability of the power sector, the recipient (through the Power Division of the MoPEMR) has issued a circular prohibiting minimum capacity charge in the contract renewal of any existing rental power plant, as evidenced by BPDB Circular dated 8 January 2023.

5 This programme indicates the planned triggers for a follow-up programme. The diagram partly relies on this information.

Policy areas	(1) Results from diagnostic reports			(2) CPF priorities	(3) Relevant PAs/DLIs (WBG 2023d, 2024f, 2022e, 2024d[5])
	RISE priorities	*CCDR priorities*	*CPSD priorities*		
Regulatory energy policies and administrative reform	Attributes of financial and regulatory incentives	Increase RE generation domestically and RE imports via regional power trade. Requires RE potential assessment, improved land-use planning, and government land allocation. Power trade requires regional cooperation, regulatory and contractual frameworks, and careful consideration of energy security. Strengthen the power grid to optimise use of generation assets and integrate RE. Increase efficiency, improve flexibility, improve service, and integrate RE generation.	Develop and adopt the next-generation Power Sector Master Plan with sound demand projecttions and prioritising regional energy trade and selective RE development to address supply gap cost-effectively and green energy mix. Maintain active dialogue with neighbour countries on cross-border energy trade to further align regulations and mobilise required investment from various sources in cross-border transmission.		See WBG, 2023d; 2024d, PAs related to Policy Track 1: Embedding green growth in planning and budgeting at the national level. See WBG, 2023d; 2024d, PAs related to Policy Track 2: Enhancing local planning and financing of green priorities. See WBG, 2023d; 2024d, PAs related to Policy Track 3: Expanding access to international carbon markets.
PPA policies	–	–	–	–	See WBG 2024d, PAs related to Policy Track 8, trigger 11: To increase the share of renewables in the energy mix while ensuring financial sustainability, the MoPEMR has (a) amended the Renewable Energy Policy to promote private sector investments in renewables, and allow direct supply of electricity from renewable energy power generators to large power consumers, and (b) adopted standard PPA for RE projects with clauses to access green and carbon credits.

Policy areas	(1) Results from diagnostic reports			(2) CPF priorities	(3) Relevant PAs/DLIs (WBG 2023d, 2024f, 2022e, 2024d[5])
	RISE priorities	*CCDR priorities*	*CPSD priorities*		
Financial situation of network operators and pricing policy			Prepare to move to a cost-reflective tariff structure and gradually corporatise public utilities.		See WBG, 2023d, PA 6 See WBG, 2023d; 2024d, PAs related to Policy Track 8: Reducing the fiscal costs of the energy sector
Financial sector	–	–	–	–	–
PPP policy and law			Develop and enact a private sector power transmission policy and implement a pilot PPP in the transmission and distribution sector. Strengthen the PPP framework and the capacity for reviewing project proposals.		WBG, 2022e, P.A. 9, Trigger 11: The Ministry of Power, Energy and Mineral Resources has adopted a PPP policy for the transmission sector to allow private sector participation in power transmission projects.

Sources: Column 1: WBG, 2022f; WBG, 2022d; WBG, 2021b. Column 2: WBG, 2023c. Column 3: WBG, 2022e; WBG, 2023d; WBG, 2024d; WBG, 2024f.

The table shows the key bottlenecks and reform priorities in the different Bank documents. This relates to the first six guiding questions. The following text summarises the main background information on coherence and implementation issues (related to the last three questions).

→ Is there coherence between RISE, CCDR and CPSD?

Overall, there is little correlation between the issues raised in the different documents:

– Regarding "fiscal incentives", the picture is mixed.

– Regarding "RES regulatory policies and administrative reform", the diagnostic studies are broadly coherent.

– The diagnostic studies do not address PPA policies or financial sector policies.

– Only the CPSD raises issues related to competition policy, the financial situation of the network operators and to PPP policy and law.

→ Does the CPF address the relevant policy issues identified in the diagnostic documents?

Issues raised in the diagnostic studies are only selectively reflected in the CPF, for example:

- Fiscal policies outlined in RISE and the CCDR are partially reflected in the CPF.
- Both the CPSD and the CPF raise competition issues, albeit in different ways.
- The issues raised in the diagnostic studies regarding RES regulatory policy and administrative reform are not taken up in the CPF.
- The CPF does not address the issues raised in the CPSD on the financial situation of network operators and on PPP policy and law.
- Regarding PPP policy and legislation, the issue raised in the CPSD of developing and adopting a private sector transmission policy is not taken up in the CPF. The same applies to the issues related to the financial situation of the network operators. However, these issues are partly reflected in the PBLs.

→ In particular, do the relevant PBLs and their prior actions (or DLIs) address the policy and regulatory gaps identified in the RISE, CCDR and CPSD? Do they match the ambition of the challenges?

Overall, the prior actions and DLIs are relatively modest in that they do not match the ambitions set out in the diagnostic studies and the CPF. Some of the issues raised in these documents are poorly or not at all addressed in the prior actions, notably in the area of fiscal incentives. In the area of competition policy, the PAs/DLIs are relatively unambitious. For example, Prior Action 6 strongly dilutes the issues raised in the CPSD and the CPF. On regulatory policy and administrative reform of renewable energy sources, the relevant prior action only selectively and unambitiously addresses the many issues raised in the diagnostic studies. However, there are also cases where the PBLs follow up on issues raised in the diagnostic studies that are not emphasised in the CPF, such as in the area of PPP policy and legislation. The issue raised in the CPSD of developing and enacting a private sector electricity transmission policy is not addressed in the other diagnostic studies and the CPF, but is followed up in a PBL.

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Table 3: Results from diagnostic reports and CPF priorities

Policy areas	(1) Results from diagnostic reports			(2) CPF priorities	(3) Relevant PAs/DLIs (WBG 2025a, 2023e)
	RISE priorities	*CCDR priorities*	*CPSD priorities*		
Fiscal policies	Incentives and regulatory support for renewable energy Carbon pricing and monitoring				
Competition policy	–	–	–	–	–
Regulatory energy policy and administrative reform	Attributes of financial and regulatory incentives	Prepare a specific renewable energy law to cover renewable electricity purchase tariffs, clarify the rules around the purchase of renewable electricity, and inclusion of mandatory auction or tendering process. Enact a national law/legislation on climate outlining roles, responsibilities, and mandates of national institutions, and identifying clear mechanisms for coordination. Include provisions in the decentralisation law for role and responsibilities of climate action for local governments, including budget lines for climate action financing. Operationalise the inter-ministerial committee to help to establish a whole-of-government response to climate change across policy development, implementation and evaluation.	Complete the transfer of transmission assets from Eneo to SONATREL to allow a full operationalisation of SONATREL Empower the regulator ARSEL to carry out its function	Strengthen the governance of the energy sector, with a focus on ensuring that roles and responsibilities of various stakeholders are clearly defined and there is a clear pathway to establish its financial viability. This engagement will focus on results, institutional accountability, and payment discipline throughout the sector value chain.	See WBG, 2025a, Trigger 11: enhancing the governance of the energy utility See WBG 2023e, DLI 6: Increase in renewable electricity supply to grid-connected and off-grid consumers.

Policy areas	**(1) Results from diagnostic reports**			**(2) CPF priorities**	**(3) Relevant PAs/DLIs (WBG 2025a, 2023e)**
	RISE priorities	*CCDR priorities*	*CPSD priorities*		
PPP policies	–	–	–	–	–
Financial situation of network operators and pricing policy		Improve operational performance of electricity companies (loss reduction); adopt payment discipline for electricity bills from the state entities and SOEs; implement cost- recovery tariffs. Address absence of competitively priced, long-term financing mechanisms, lack of stakeholders' awareness in RE financing mechanisms. Enhance resources and capacity for the energy industry regulator to ensure enforcement and compliance.	Clear arrears and adopt payment discipline for electricity bills from state entities and particularly SOEs Implement cost-recovery tariffs at the end-user level or establish an efficient mechanism for the timely payment of tariff subsidies Ensure the long-term financial sustainability of the sector overall to attract private investments in generation and distribution	Strengthen the financial viability of the energy sector	See WBG, 2025a, Trigger 11: establish a regulatory framework for arrears clearance owed to the energy utility See WBG 2023e, DLI 1: Reduction of annual revenue gap between maximum allowed revenues (MAR) and tariff revenues expressed as percentage of MAR. DLI 2: Timely payments of public administration's electricity consumption and annual compensation by Ministry of Finance to ENEO, as per applicable regulatory framework. DLI 3: Public facilities with functioning smart meters and public lighting with functioning smart meters. DLI 4 Reports on regulator audits of performance of ENEO are completed and published annually.
Financial sector	–	–	–	–	–
PPP policy and law			Review the PPP framework and its implementation, including the funding of the PPP Unit (CARPA), to ensure uniform and efficient implementation based on the capacity and convening power of the national PPP structure, line ministries, and agencies		

Sources: Column 1: WBG, 2022f; WBG, 2022b; WBG, 2022c. Column 2: WBG, 2024c. Column 3: WBG, 2025; WBG, 2023e.

The table shows in the different columns the main bottlenecks and reform priorities in the different Bank documents. This relates to the first six guiding questions. The following text summarises the main background information on coherence and implementation issues (related to the last three questions).

→ Is there coherence between RISE, CCDR and CPSD?

There is a mixed picture:

- While fiscal incentives are highlighted as a key bottleneck in RISE, they are not mentioned in the CCDR and the CPSD.
- There is some coherence in the areas of RES regulatory policy and administrative reform and governance/administrative reform.
- The CCDR, the CPSD and the CPF emphasise similar points in the area of the financial situation of network operators.
- The need to reform the PPP policy and law is only emphasised in the CPSD, which may be due to the specific focus of the CPSD on private sector mobilisation.

→ Does the CPF address the relevant policy and regulatory issues identified in the diagnostic documents?

The CPF does not address the issues of PPP policy and legislation highlighted in the CPSD.

Again, the overall picture is mixed:

- Fiscal incentives highlighted in RISE are not taken up in the CPF.
- Regulatory RES policies and administrative reform play a major role in all documents, including in the CPF.
- Like the CCDR and the CPSD, the CPF emphasises the financial situation of network operators/electricity pricing policy.
- The CPF does not address the issues of PPP policy and law highlighted in the CPSD.

→ In particular, do the relevant PBLs and their prior actions (or DLIs) address the policy and regulatory gaps identified in the RISE, CCDRs and CPSDs? Do they match the ambition of the challenges?

Follow-up of reform priorities is very weak:

- In particular, fiscal reforms highlighted in RISE are not followed up by PAs or DLIs.
- The financial situation of the network operators as well as the RES regulatory policy and administrative reform are reflected in the PAs and DLIs. In the latter case, however, the PAs/DLIs are much more general than the reform proposals in the diagnostic studies and the CPF.
- The point made in the CPSD about reviewing the PPP framework is absent from the PAs/DLIs.

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