



Perspectives

RISE to the occasion? A critique of the World Bank's Regulatory Indicators for Sustainable Energy[☆]Johannes Urpelainen¹

Johns Hopkins School of Advanced International Studies, United States

ARTICLE INFO

Keywords:

Policy reform
Energy policy
Sustainable energy
Energy access
Renewable energy
Energy efficiency

ABSTRACT

The World Bank's Regulatory Indicators for Sustainable Energy (RISE) scorecard evaluates countries' sustainable energy policies against global 'best practices.' Here I demonstrate that many of these so-called best practices are inappropriate in the context of limited state capacity. Using several examples from the RISE report, I argue that the World Bank should replace the pursuit of one-size-fits-all best practices and instead focus on generating knowledge about the contextual fit of different policy approaches. Drawing inspiration from research on adaptive reform strategies in the developing country context, I argue that an adaptive and flexible strategy could help national governments to surmount obstacles to policies that over time make the dream of sustainable energy for all a global reality.

1. Introduction

In an effort to monitor progress toward the United Nations Sustainable Development Goal (SDG) on energy for all, the World Bank [1] has developed a set of Regulatory Indicators for Sustainable Energy (RISE). The RISE scorecard enables the Bank to grade the quality of sustainable energy policy in different countries, with the idea that the publishing the results encourages countries to implement more effective policies and to learn from others. According to the RISE report itself ([1]: xv), "RISE is a set of indicators to help compare national policy and regulatory frameworks for sustainable energy ... RISE provides a reference point to help policymakers benchmark their sector policy and regulatory framework against those of regional and global peers, and a powerful tool to help develop policies and regulations that advance sustainable energy goals." Ideally, the argument goes, governments would adopt 'best practices' that have proven effective elsewhere. Over time, the entire world would converge to a harmonized set of effective sustainable energy policies – and billions would benefit from access to clean energy.

The need for better sustainable energy policy around the world is easy to see. According to the International Energy Agency [2], 1.2 billion people still had no electricity at home and 2.7 billion people relied on traditional biomass for cooking. What is more, the quality of electricity supply remains a major problem in many countries, including giants like Nigeria [3] and India [4]. At the same time, concerns about climate change motivate the need for a rapid scale-up of

renewable energy. Reducing the use of coal in electricity generation is a critical precondition for mitigating climate change, and sources such as wind and solar power, along with energy conservation, offer promising opportunities for progress toward a low-carbon future [5].

Although best practices are a useful heuristic in some circumstances, they are based on a set of demanding assumptions that are not met in the case of sustainable energy policy. In what follows, I identify problems with the RISE scorecard best practices by considering their effects and feasibility in countries with limited state capacity. I demonstrate that the pursuit of best practices is often counterproductive, as best practice policies only produce desirable outcomes under specific conditions; and that even when global best practices are useful in principle, their implementation is so difficult that they do not offer a pragmatic way forward.

A better way to promote the worthy cause of sustainable energy policy is to recognize the necessity of tailoring policies to social, economic, and political conditions on the ground. The analysis of the RISE scorecard presented here concurs with scholars who embrace adaptive, iterative, and pragmatic approaches to development policy (e.g., [6]). I argue that policies should not be assessed against some uniform global benchmark, but instead evaluated for their contextual fitness. From this perspective, policies can be considered a 'good fit' if it improves over the *status quo* and is feasible against the backdrop of the country's socio-economic realities and contemporary level of state capacity.

Recognizing the limits of best practices and developing a robust,

[☆] I thank Brian Blankenship and S.P. Harish for comments.

E-mail address: JohannesU@jhu.edu.

¹ Prince Sultan bin Abdulaziz Professor of Energy, Resources and Environment.

resilient alternative contributes to ongoing efforts to promote sustainable energy for human development and climate change mitigation. A pragmatic agenda focused on tangible progress in the short run is both more efficacious and politically feasible than the pursuit of global best practices. Advocates of sustainable energy policy would benefit from a healthy dose of pragmatism and attention to lessons from the study of policy reform in general.

2. Regulatory Indicators for Sustainable Energy

Launched in 2017, RISE is a “global scorecard” to inform and assess sustainable energy policy around the world [1]. The RISE report contains information on a wide range of energy policies around the world. Specifically, the scorecard consists of three sections: energy access (8 indicators), energy efficiency (12 indicators), and renewable energy (7 indicators). Within each section, all indicators are given the same weight on a 0–100 scale. Each indicator, in turn, is based on a series of subindicators and questions. An “overall” RISE score is then calculated as the average of the three sections.

To understand this process, consider, Indicator 1 for Energy Access, “existence and monitoring of officially approved electrification plan.” This indicator has five subindicators, ranging from existence in the first place to a clear time frame for completion. Positive responses to the questions on the five subindicators each add 20 to the indicator score. Thus, a country with three positive responses would have an indicator score of 60 out of a theoretical maximum of 100.

The rankings are used by the World Bank in two primary ways. The first use is that they can be explained: why do some countries adopt sustainable energy policies that the World Bank considers good? The RISE report itself, for example, notes that there is a very high correlation between the RISE overall score and the “rule of law” or “regulatory quality” scores of the Worldwide Governance Indicators. Here the idea is that the RISE scorecard can be used to assess the socio-economic and institutional characteristics that predict the formulation and implementation of competent sustainable energy policy. Over time, annual editions of the RISE report could also be used to keep track of different countries’ policy trajectories.

The second approach is to use the RISE scores to explain sustainable energy outcomes. Here the RISE scorecard notes that Sub-Saharan Africa, which performs very poorly on energy access, has “weaker policy frameworks” than other regions, which “is a matter of concern since Africa has the largest energy access deficit and its progress historically has been slower than other regions.” Under the assumptions that the RISE scorecard accurately captures the quality of sustainable energy policy and that the policies on paper are implemented, RISE scores could be used to explain variation in energy access, renewable energy, and energy efficiency. Over time, changes in RISE scores could be linked to changes in outcomes to see how countries can best achieve their sustainable energy goals by changing their policies.

3. One size still doesn’t fit all: problems with RISE

The primary problem with the RISE approach is that it ignores a large body of systematic research on the realities of policy formulation in the developing country context. The idea of transplanting best practices into different country contexts only produces good results when two assumptions are met: (i) there are policies – best practices – that produce efficient outcomes regardless of the context and (ii) these policies can be implemented even in difficult contexts. Neither assumption is met in the case of sustainable energy policy.

The RISE scorecard ignores variation in the context in which policy is implemented. In the RISE scorecard, a large number of policies are considered either ‘good’ or ‘bad’ in an abstract sense, and countries’ sustainable energy policy scores are increased when they adopt policies that the authors of RISE consider ‘good.’ In practice, however, a policy is either good or bad – to the extent that one even wants to use such

terminology – depending on (i) how it will be implemented and (ii) how the policy fits the broader social context in which it is implemented. RISE ignores such local conditions and ranks policies based on uniform criteria that do not vary depending on country. Although RISE itself recognizes that policies must be adapted to specific countries, in practice the indicators are uniform across contexts. This uniformity is a particularly important limitation in countries with limited institutional capacity, as their own government officials may have difficulty in using the regulatory indicators to make meaningful policy decisions.

In studies of development, this problem has been recognized at least since Hirschman’s [7] seminal analysis of development projects in different countries. He found that the implementation of development projects is subject to major uncertainties and complications that often overwhelm the administrative capacities of the state. Since then, studies such as Grindle [8] have compiled evidence on the enormous difficulty of policy implementation under limited administrative capacity. In an apt metaphor, Andrews et al. [6] compare policy implementation in countries with low state capacity to planning a road trip in an uncharted territory. Even the best plans are fragile when little information is available about potential outcomes and limited administrative capacity for implementation puts severe restraints on policy options. While RISE recognizes the importance of local conditions, the actual indicators amount to counting policies that the Bank considers ideal across a wide range of conditions.

In sustainable energy policy, too, governments face a bewildering set of challenges. A policy that is a global best practice on paper might fail for many reasons. Hirschman’s [7] original contribution already warned that conflicts over the distribution of gains from development can cause major frictions and bring projects to a grinding halt. Worse, policies that are enacted based on unrealistic assumptions about bureaucratic competencies may prove impossible to implement in the first place. Studies of power sector reform, for example, frequently caution that few developing countries have managed to implement the “text-book” reforms recommended by the World Bank to privatize and liberalize electricity generation, transmission, and or distribution [9,10]. And yet, quantitative analyses show that even politically and administratively simple reforms, such as allowing independent power production, can reap substantial efficiency gains and encourage private investment in the power sector [11]. Therefore, the appropriate benchmarks may vary across countries, depending on their politics, economics, and society. RISE does not recognize the need to adjust benchmarks according to country conditions.

For a more focused example, even though smart meters to accurately measure and price electricity in rural area sound like a global best practice, their implementability is far from a forgone conclusion. Smart meters need to be installed and read, and electricity distribution companies must prevent consumers from bribing bill collectors. If a smart meter breaks down or is stolen, the electricity distribution company must quickly send a technician to replace the meter. Electricity prices and consumption must be high enough to pay for the expensive smart meters. Governments must be able to survive the possible electoral backlash that electricity pricing provokes, especially if the quality of electricity supply does not show immediate improvements. If any of these conditions – and undoubtedly many others that I have missed – is not met, then smart meters do little to improve electric utility finances or to contribute to better service quality.

RISE, unfortunately does not recognize these realities. The RISE scorecard assigns scores only based on the content of the policy, without considering the fit between the policy and the context in which it is implemented. RISE considers a policy either desirable or undesirable across all countries, as the same coding criteria are applied regardless of the country context.

Consider a simple example from rural electrification. In the RISE scorecard, the section on energy access includes the following question on consumer affordability of energy: “Is there a mechanism to support low-volume consumers such as cross-subsidization, social or lifeline

Download English Version:

<https://daneshyari.com/en/article/6557559>

Download Persian Version:

<https://daneshyari.com/article/6557559>

[Daneshyari.com](https://daneshyari.com)