
The Danish Climate Envelope

**Program to support
sustainable energy systems
via Fossil Fuel Subsidy
Reform swaps & knowledge
sharing**

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Abbreviations

APEC	Asian Pacific Economic Cooperation
COP	Conference of the Parties (to the UNFCCC)
Danida	Denmark’s Development Cooperation
DED	Development Engagement Document
EE	Energy Efficiency
ESMAP	Energy Sector Management Assistance Program (of the World Bank)
FFS	Fossil Fuel Subsidies
FFSR	Fossil Fuel Subsidy Reform
The Friends	Friends of Fossil Fuel Subsidy Reform
GSI	Global Subsidy Initiative (of the IISD)
G7	G7 group of countries (Canada, France, Germany, Italy, Japan, UK, and the US; the European Union is also represented)
G20	G20 group of countries (world’s 20 largest economies)
HUS	Housing and Utilities Services (Ukraine)
IEA	International Energy Agency
IISD	Institute for Sustainable Development
IMF	International Monetary Fund
MFA	Ministry of Foreign Affairs
MEUC	Ministry of Energy, Utilities and Climate
RE	Renewable Energy
SDG	Sustainable Development Goal
SME	Small and Medium Enterprise
S2I	Subsidy to Investment
UAH	Ukrainian Hryvnia (currency: 1 USD = 26,7 UAH)
UEEF	Ukrainian Energy Efficiency Fund

Program to support sustainable energy systems through fossil fuel subsidy reform swaps

This section serve as a united program frame for two engagements – one with the World Bank’s (WB) Energy Sector Management Assistance Program (ESMAP), and one with the International Institute for Sustainable Development’s (IISD) Global Subsidies Initiative (GSI) - and constitutes an integrated part thereof together with the documentation specified below. The Danish support to the WB-ESMP and IISD-GSI is provided as development cooperation funding under the Danish Climate Envelope within the framework of the guiding principles for the Danish Climate Envelope from February 2016.

Context and rationale

While past years’ Danish support to international fossil fuel subsidy reforms (FFSR) has contributed to increase the number of countries reforming and secured high-level political attention to subsidy reforms as part of the solution to address climate change and reach sustainable energy goals¹, there is now, post-Paris, as part of the implementation and increased ambition agenda, a need for a new initiative addressing how “brown” fossil fuel subsidies can be directly transformed to “green” in support of energy efficiency (EE) and renewable energy (RE) deployment (so-called “FFSR-swap”). The historic low oil prices, combined with the cost-effectiveness of energy efficiency and renewable energy technologies, provide for a unique opportunity to focus and sustain reforms in the context of increasing mitigation and promoting sustainable energy systems.

Fossil fuel subsidies have a multifaceted relationship to renewable energy (RE) and energy efficiency (EE). Fossil fuel subsidies distort energy markets by reducing the competitiveness of RE- and EE-technologies. Reductions in demand for fossil fuels, due to improvements in EE or increases in RE, result in falls in the cost of fossil fuel subsidies. In short, removal of fossil fuel subsidies promotes RE and EE, and increased deployment of RE and EE technologies enables reform of fossil fuel subsidies. Reform of fossil fuel subsidies and promotion of RE and EE technologies are important parts of broader efforts to promote the development of an energy system that is able to deliver reliable energy services; cover costs; invest for the future; and meet climate change and energy security goals.

The International Energy Agency (IEA) has estimated that phasing out fossil fuel subsidies can contribute to some 10% of global emission reductions needed to ensure an emission peak by 2020. Together with increased energy efficiency (EE) and deployment of renewable energy (RE), these measures could potentially make up half of the needed global emission reductions to ensure an emission peak by 2020.

¹ www.ffsr.org and <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>

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Phasing out or removing fossil fuel subsidies has in many instances been linked to compensation mechanisms outside the energy sector – like new or increased subsidies for food, education or health services. However, the link between fossil fuel subsidies, RE and EE can be enhanced through direct measures, whereby the savings from fossil fuel subsidy reforms are reallocated to RE and EE technology deployment (FFSR or FFS “swap”). Recent analysis by the IISD-GSI has shown that removing fossil fuel subsidies and reallocating a portion of the revenues to support RE and EE is a very effective way to reduce greenhouse gas (GHG) emissions. The GSI estimates that a phase out of consumer subsidies coupled with a reallocation of 20% of the savings to EE and a further 10% to RE would lead to an overall global emissions reductions of around 17%.²

Program support

Denmark wants to support the promotion of FFS-swap opportunities. The objective of this support program is – through the development of business cases – to demonstrate for policy decision makers how removal of fossil fuel subsidies directly can secure increased uptake of EE and RE at local level, while leaving the affected local community or SMEs with no net-impact in relation to costs of energy services. This would in return sustain the FFS-reform efforts, should fossil-based energy prices raise, and thus promote sustainable energy systems and increase GHG-reductions from FFS reforms. The support program will focus on identifying and analysing local pilot opportunities for FFS-swaps and promote these at national and international level.

The support is aligned with the objective of the Danish Climate Envelope to assist developing and emerging economies with the transition to a low carbon economy by supporting national and community-level climate change policies, planning frameworks and information systems and scale up climate-relevant technologies, infrastructure and markets.

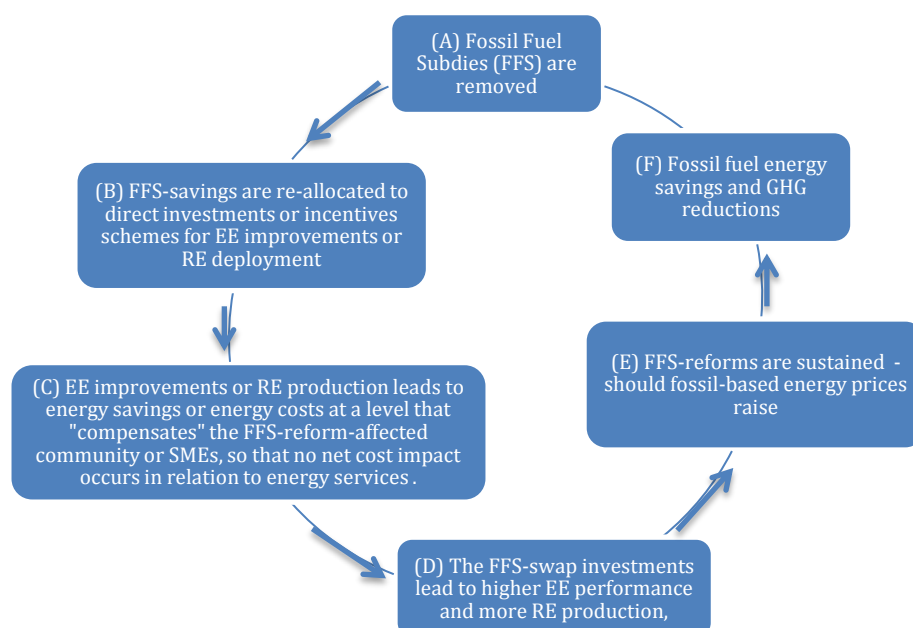
The outcome will enable policy- and decision makers and governments to add swap mechanisms to their reform toolkits and ensure that they are well-positioned to implement these mechanisms as part of the process of reforming fossil fuel subsidies.

The FFS-swap model

The FFS-swap model consists of the following components: (A) Fossil fuel subsidies are phased out or removed leading to budgetary savings. (B) Savings are re-allocated to direct investments or incentives schemes for EE improvements or RE deployment. (C) The EE improvements or RE installation will entail energy savings or compensations (from the FFS savings) for the reform affected community or SMEs, so that the net cost impact occurs in relation to energy services. (D) Higher EE performance and RE production will decrease the volatility of energy prices in relation to fossil fuel (oil) prices and thereby increase the sustainability of reforms and associated GHG reductions.

Schematically the FFSR-swap can be illustrated as below:

² <https://www.iisd.org/gsi/news/fossil-fuel-subsidy-reform-can-reduce-greenhouse-gas-emissions-globally-6-13>



Intervention structure

The support program contains two interrelated, main components of which A) will secure the development of concrete business-cases for undertaking FFS-swaps in favour of RE and EE in two concrete locations, and B) will assess the potentials for replicating and undertaking similar FFS-swap interventions internationally and conduct dissemination and outreach on these FFS-swap opportunities and the FFSR agenda in general.

Component A) comprise two pilot case-studies: One on fuel-subsidies for RE in India (kerosene subsidies to solar/wind) undertaken by the International Institute of Sustainable Development’s (IISD) Global Subsidy Initiative (GSI), and one on residential heating subsidies for EE in Ukraine (natural gas subsidies for EE investments) conducted by the World Bank’s Energy Sector Management Assistance Program (ESMP).

The pilot business cases will include analysis of potential contribution from FFS-savings to direct investments in EE and RE, analysis of the structure of the direct investment or swap compensation mechanisms, estimates of energy saving and GHG mitigation potentials, and generic guidance on how to best approach and communicate about the FFS-swap interventions. Activities on engaging key stakeholder and policy decision makers at local and national level, as well as to technology suppliers, will be part of component A, to facilitate the pilot case-studies’ uptake and implementation.

In addition, and as main component B), the IISD-GSI and WB-ESMAP will collaborate on screening and assessing the global market for “high-impact FFS-swap opportunities” and each identify 1-2 locations for undertaking FFSR-swaps on EE and RE. Similar to, and building on the pilot-case studies, the WB-ESMAP and IISD-GSI will develop overall business case analysis on the agreed locations, including generic guidance on common steps in undertaking and promoting FFS-swap reforms. Communication and outreach to relevant governments and the international community of key findings and lessons learned is part of Component B, including targeted support to the IISD-GSI in

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their ongoing capacity as Secretariat for the informal Friends of Fossil Fuel Subsidy Reform³ (The Friends).

The Friends have during the past years been very successful in promoting the FFSR agenda in various international fora, most notably the G20, G7, APEC and UNFCCC. This is a.o. reflected in the support for the FFSR Communiqué launched at COP22 and backed by nearly 60 countries and leading international organisations and companies, as well as inclusion of FFSR in the new Sustainable Development Goals. Also, more G20 countries have recently joined the peer-review process led by US and China, and the G7 adopted a timeline for phasing out inefficient fossil fuel subsidies by 2025 at its gathering in May 2016.

Previous Danish support

The program support is a continuum of Denmark’s previous support to the WB-ESMAP and IISD-GSI’s efforts in promoting and supporting in-country reform of fossil fuel subsidies and FFSR internationally. The support to WB-ESMAP’s Energy Subsidy Reform and Delivery Technical Assistance Facility and the IISD-GSI has led to some 20 developing countries addressing fossil fuel reforms and been instrumental in engaging civil society organizations as well as ministers of energy and finance on the FFSR-agenda. Beside the G20 energy ministers meetings, FFSR is now continuously on the agenda of finance and economy minister’s WB-IMF spring meetings, as well as at the annual Clean Energy Ministerial meetings. Denmark has also via the Nordic Council of Ministers supported the inclusion of FFSR in National Determined Contributions (NDCs) in the lead up to COP22 in Paris in 2015.

Lessons learned from previous support shows that reforming consumer-oriented subsidies is political sensitive and requires long-term political-economy analysis and dialogue. In some instances reforms are somewhat rolled back due to social unrest related to increasing in fossil energy prices. Compensation mechanisms for the vulnerable and poor are most commonly provided within the social sphere, e.g. for food, education or health services. Such compensation mechanisms make political sense, but do not necessarily help sustain reforms, and they do not provide for the full climate change and energy security related benefits of reforming. Further, many subsidy schemes have been introduced for “old” reasons and without post-evaluation of their impact. In many countries ministries of finance may not have the full overview of what type and magnitude of subsidies that are provided, and may hold only limited insights towards their real effect. The opportunity to link removal or phasing out of inefficient subsidies and direct the associated savings towards EE and RE investments has to a large extent been left unaddressed in most reform efforts.

Structure of the Document

To detail Denmark’s support, two development engagement documents (DEDs) are included:

³ Denmark, Norway, Finland, Sweden, Switzerland, New Zealand, Costa Rica and Uruguay – see also: www.ffsr.org

Engagement 1: WB-ESMAP – Developing and Promoting Fossil Fuel Subsidy and Energy Efficiency Investment Swaps: Ukraine National Pilot and International Promotion & Knowledge Sharing

The objective of this engagement is for governments to learn how to undertake fossil fuel subsidy swaps, using innovative policy business models to reform fossil fuel subsidies while redirecting subsidy-related public finance to renewable energy and energy efficiency development. For this to happen, policy and decision makers need to be made aware of the benefits, opportunities, models and applicability of subsidy swap mechanisms. The outcome, of this engagement will enable policy- and decision makers and governments to add swap mechanisms to their reform toolkits and ensure that they are well-positioned to implement these mechanisms as part of the process of fossil fuel subsidy reform.

Component A of the engagement will identify a pilot case in a selected Ukrainian city and analyze and develop a context-determined “business model” for implementing “subsidy to EE investment” projects. This will directly support Ukraine’s energy subsidy reform and promote EE investments in residential thermal retrofit. The intervention is conducted by the WB-ESMAP in partnership with the Ukrainian government, local authorities and the soon-to-be-established Ukrainian Energy Efficiency Fund (UEEF). The pilot-case intervention will help operationalize the UEEF and strengthen its sustainability by supporting the identification, preparation and delivery of the initial batches of EE investment projects, demonstrating the generation and capturing of subsidy savings.

Component B of the engagement will lead to the identification of FFS-swap opportunities and the development of practical modalities for implementing EE-swap business models in 1-2 country or regional contexts where key enabling conditions (technologies, markets, institutions) exist. Based on the pilot swap case and these findings, the WB-ESMAP will conduct outreach with governments and at the international level to promote swap opportunities and enhance the uptake of these findings.

Engagement 2: IISD-GSI - Developing and Promoting Fossil Fuel Subsidy and Renewable Energy Swaps: Kerosene-to-solar swap business models in India and International Promotion & Knowledge Sharing

The objective for this engagement will be for governments to undertake fossil fuel subsidy swaps, using innovative policy business models to reform fossil fuel subsidies while redirecting subsidy-related public finance to renewable energy and energy efficiency development. For this to happen, policymakers need to be made aware of the benefits, opportunities, models and applicability of subsidy swap mechanisms. The outcome of this engagement will enable policymakers and governments to add swap mechanisms to their reform toolkits and ensure that they are well-positioned to implement these mechanisms as part of the process of fossil fuel subsidy reform. In addition, targeted support to the Friends of Fossil Fuel Subsidy is provided as part of this engagement to further advance the opportunities of FFS-swaps and international action on FFSR in general.

Component A of the engagement will lead to the design of an innovative pilot program that allows poor households to use kerosene subsidy receipts for the purchase of solar (or wind) products, including the development of workable and sustainable village-level

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business models with solar providers that can channel kerosene subsidy revenues to provide small solar solutions to poor off-grid communities. The work will focus on the state of Odisha and be undertaken with local authorities, solar providers and a consortium of local and international partners.

Component B of the engagement will, similar to the WB-ESMAP, identify opportunities and practical modalities for implementing RE-swap policy business models in 1-2 country or regional contexts where key enabling conditions (technologies, markets, institutions) currently exist. Based on the pilot swap case and these findings, the IISD-GSI will conduct outreach with governments and at the international level to promote swap opportunities and enhance the uptake of these findings.

In addition, the engagement includes a Component C in which the IISD-GSI is supported in their ongoing role as Secretariat for The Friends of FFSR. The support entails analytical support, logistical support, communication support and outreach on the FFSR agenda in international forums, in particular the UNFCCC and the WB-IMF spring meetings, as well as outreach on the FFSR Communiqué; support for annual work program of The Friends and key communication lines to take, e.g. in relation to The Friends’ G20 demarches. These activities will make up 20% of the overall support budget for the IISD-GSI and will be finally agreed with The Friends in their semi-annual meetings.

Overall program budget

The total Danish contribution to the WB-ESMAP and the IISD-GSI for a three-year period is **DKK 11 million** and will be divided between two engagements:

	Over 3 years DKK ‘000	Over 3 years USD ‘000*
Engagement 1: WB-ESMAP	6,000	879
Engagement 2: IISD-GSI	5,000	733
Grand Total	11,000	1,612

Prevailing budget is DKK.

Exchange rate of November 2016: USD 1= DKK 6.82.

Sections of this document:

Engagement 1: *WB-ESMAP - Developing and Promoting Fossil Fuel Subsidy and Energy Efficiency Investment Swaps: Ukraine National Pilot and International Promotion & Knowledge Sharing*

Engagement 2: *IISD-GSI - Developing and Promoting Fossil Fuel Subsidy and Renewable Energy Swaps: Kerosene-to-solar swap business models in India and International Promotion & Knowledge Sharing*

Engagement 1: WB-ESMAP Developing and Promoting Fossil Fuel Subsidy and Energy Efficiency Investment Swaps: Ukraine National Pilot and International Promotion and Knowledge Sharing

1. Introduction

This section provides the justification for the Government of Denmark’s support to the World Bank’s Energy Sector Management and Assistance Program (WB-ESMAP) for the purposes of developing and promoting FFS-swap opportunities. The support will provide for (A) The developing of a business case for a subsidy to EE-investment swap in Ukraine; and (B) Identification of FFS-swap cases and opportunities in other countries or regions, including development of generic guidance for undertaking FFS-swaps, promotion and outreach of FFS-swap learnings towards governments and at the international level.

The Danish support is provided as development cooperation funding under the Danish Climate Envelope within the framework of the guiding principles for the Danish Climate Envelope from February 2016. The Danish support complements other Danish support to the WB-ESMAP, in particular its activities on the Crosscutting Solutions on Energy Subsidy Reform & Delivery TA Facility for 2017-2020.

2. Parties

- Danish Ministry of Energy, Utilities and Climate (MEUC);
- Danish Ministry of Foreign Affairs (MFA);
- World Bank Energy Sector Management Program (ESMAP).

3. Background and project description

The World Bank’s ESMAP is a well-known and highly competent program within the World Bank Group focusing on sustainable energy development assistance. Denmark is supporting the WB-ESMAP and has previously provided support to the WB-ESMAP’s activities on the Crosscutting Solutions on Energy Subsidy Reform & Delivery TA Facility. The Facility is recognized for having deep and broad experience of providing in-country advice on reforming fossil fuel subsidies. In addition, the WB-ESMAP holds strong competencies in providing business case analysis and structured assessments of pilot-interventions’ potential impact.

Context and rationale

For years, low prices and extensive cross-subsidies have contributed to wasteful energy use in Ukraine and caused significant fiscal strain. Residential space heating, which accounts for 50 percent of all natural gas consumption in Ukraine, has been at the center of both the problems and solutions for removing energy subsidies. Since 2014, despite a difficult political and socioeconomic environment, the government implemented substantial gas and district heating tariff increases in three steps, abolishing the multi-tier tariff structure and bringing gas tariffs for residential use and district heating companies to the level of import price parity.

In order to mitigate the social impact of the drastic increases in gas and district heating tariffs, the government also substantially scaled up the Housing and Utilities Services (HUS) subsidy program and is working with donors to improve the targeting and funding mechanism of the HUS subsidies, which has ballooned from 5 billion UAH in 2014 to 18 billion UAH in 2015 and is expected to reach 35 billion UAH in 2016, about

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two thirds of it covers space heating service. The HUS subsidy program currently covers 7 million households, about 40 percent of Ukraine’s population.

The fiscal cost of the HUS subsidy program is expected to be reduced through better targeting, and over the long-term by investment in space-heating energy efficiency, in particular, through thermal retrofit of residential buildings. The government of Ukraine, supported by international donors, is in the process of establishing the Ukraine Energy Efficiency Fund (UEEF) as a long-term financing mechanism for residential thermal retrofit. The FFS-swap pilot business case will demonstrate how the use of saved HUS-subsidies can provide for EE investments via the UEEF, leading to energy savings primarily stemming from reduced household heat consumption.

The UEEF is expected to be formally established in April 2017. The Law on Creation of UEEF is currently been reviewed by the parliament and is expected to be passed by the end of 2016. About €54 million initial capital for the UEEF is already secured, including €28 million government budget allocation for the first year and €25 million from Germany. Substantial additional donor capital contributions are expected as the Fund moves toward operation. Preparation for the first year investment program is underway. World Bank team has had multiple discussions with Ukrainian and donor counterparts of the UEEF since June 2016. The desire and need for Bank support in helping operationalize the subsidy-to-investment business model of the UEEF has been clearly expressed. The tentative agreement with the Ukrainian and donor counterparts is to begin the pilot city identification together with the on-going investment program preparation of the Fund and to finalize the pilot design in March 2017. The implementation of the pilot will begin together with the launch of the UEEF in April 2017.

Component A – Developing the pilot business case for a FFS-swap

The Ministry of Finance has indicated that continued budget support for the UEEF would be conditioned on tangible energy savings (thus subsidy savings) from the retrofit projects the Fund invest in. Thus it is imperative for the Fund to demonstrate it can cut subsidies by investing in EE early on in its operations. The proposed activity will help operationalize the UEEF and strengthen its sustainability by illustrating how phasing out of fossil fuel subsidies can directly contribute to support the identification, preparation and delivery of the initial batches of EE investment projects.

The Danish funding will be primarily spent on the design preparation and implementation of the pilot for subsidy to investment demonstration. The underlying investment for thermal retrofit of buildings will come from the UEEF, households and commercial financing. The Danish funding will also be used in critical implementation support that will help develop and disseminate best operational practices which are crucial for the replication and scale-up of the piloted business model.

The scope of proposed activities includes:

1. Working with the UEEF and its stakeholders to identify and develop a pilot for demonstrating the HUS subsidy to EE investment swap business model, including establishing model project delivery procedures and associated results monitoring and verification protocol which can be broadly adopted in subsequent investments of the UEEF;

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2. Providing technical assistance to ensure the successful implementation of the pilot and internal capacity of UEEF to scale up the broad application of the business model.
3. Developing a business case analysis of the impact of envisaged/potential associated fossil fuel subsidies savings can have on financing the implementation of the EE pilot investment project;
4. Disseminating results of the pilot, especially concrete evidence of energy savings and contributions to HUS subsidy reductions, including national workshops and outreach efforts to disseminate experiences and lessons learned from the pilot.

Component B - Promoting Feasibility and Opportunity for Fossil Fuel Subsidy Swaps & Knowledge Sharing

In addition, and building on the experiences of developing the pilot business-case for subsidy to EE-investment swap in Ukraine, efforts will be undertaken to screen and identify similar ongoing or potential business cases in other countries of the European and Central Asia region of the World Bank. This will provide basis for international knowledge sharing and global promotion of the fossil fuel subsidy to EE investment swap scheme. The level of screening and analytical approach will be led by the WB-ESMAP and coordinated with the IISD-GSI.

The scope of proposed activities includes:

1. Identifying 1-2 country or regional cases that have been previously implemented or have high-impact potentials in relation to FFS swap to EE investment, including modelling of energy savings, emissions reductions and budgetary/investment potentials associated with freed up savings towards EE investments;
2. Distillation of practical modalities, key potential policy drivers, lessons learned, enabling conditions and technical considerations regarding fossil fuel subsidy swaps into user-friendly, operational content;
3. Conducting outreach at national and the international level through 1-2 events/workshops to disseminate key findings and lessons learned, as well as media outreach to enhance influence and uptake of FFS-swap business models.

Coordination with the IISD-GSI

IISD and World Bank will coordinate throughout the project to ensure the adoption of a common format for key deliverables, including the main business case, accompanying policy briefs, pamphlets and other products. This includes alignment around presentation of data, analysis and policy recommendations.

IISD and the World Bank will also work closely together to develop a joint approach for screening and reporting on FFS-Swap opportunities for RE and EE.

In order to maximize the dissemination of these business models among policy-makers, IISD and the World Bank will jointly organize a series of peer-to-peer webinars on the issue of FFS-Swaps, highlighting key findings and opportunities identified through the project. Ukrainian and Indian officials will be invited to share information on the swap models they have developed with other governments across the region and the world. These webinars will be facilitated by ESMAP’s Energy Subsidy Reform Online Community.

IISD and the World Bank will jointly organize one stand-alone event on the issue of FFS-Swaps, highlighting key findings and opportunities identified through the project.

Finally, IISD and the World Bank will collaborate to include the issue in at least one related, high-level international events, for example the Clean Energy Ministerial or World Bank Annual or Spring Meetings. Final venues would be discussed in advance with MEUC.

Throughout the project, IISD and the World Bank will coordinate and share information on a quarterly basis and informally as required.

4. Objective of the Support and agreed results framework

The objective of the engagement is for governments to learn how to undertake fossil fuel subsidy swaps, using innovative policy business models to reform fossil fuel subsidies while redirecting subsidy-related public finance to renewable energy and energy efficiency development. For this to happen, policy and decision makers need to be made aware of the benefits, opportunities, models and applicability of subsidy swap mechanisms.

The support is aligned with the objective of the Danish Climate Envelope to assist developing and emerging economies with the transition to a low carbon economy by supporting national and community-level climate change policies, planning frameworks and information systems and scale up climate-relevant technologies, infrastructure and markets.

The outcome will enable policy- and decision makers and governments to add swap mechanisms to their reform toolkits and ensure that they are well-positioned to implement these mechanisms as part of the process of fossil fuel subsidy reform.

For monitoring and reporting purposes the following objective, outcome and outputs have been selected to document progress of the WB-ESMAP, to which Denmark’s support will contribute:

Project title		Developing and Promoting Fossil Fuel Subsidy and Energy Efficiency Investment swaps: Ukraine National Pilot and International Promotion & Knowledge Sharing	
Project objective		To raise awareness in and among governments and policy decision makers on how to undertake fossil fuel subsidy swaps, using innovative policy business models to reform fossil fuel subsidies while redirecting subsidy-related public finance to EE and RE deployment schemes.	
Impact Indicator		Improved models, enabling environments and framework conditions for FFS-swap mechanisms;	
Baseline	Year	2016	In-sufficient models, frameworks, knowledge and capacity for FFS-swap policy interventions.
Target	Year	2019	FFS-swap mechanisms are recognized as relevant and feasible policy tools in reforming fossil fuel subsidies and promoting sustainable energy systems.
Outcome		Improved business models and enabling frameworks for low-emission planning and development via implementation of FFS-swap approaches; Policy- and decision makers and governments are enabled to add swap	

			mechanisms to their reform toolkits and are well-positioned to implement these mechanisms.
Outcome indicators			Increased no. of governments and local communities are aware of benefits, opportunities, models and applicability of subsidy to EE-investment swap mechanisms; Policy-makers are considering/begin to add swap-mechanisms to their reform toolkits and are well-positioned to implement such mechanisms.
Baseline	Year	2016	Inadequate knowledge, capacity and enabling frameworks in place to undertake fossil fuel subsidy to EE or RE investments swaps
Target	Year	2019	Business cases developed for a subsidy to EE investment swap in Ukraine; identification and analysis of one to two FFS-swap case and opportunity in other countries or regions; Local and national governments in Ukraine and at the regional and international level are aware of FFS-swap opportunities and well-equipped to promote and implement FFS-swaps as part of the reform policies and promotion of sustainable energy systems.
Output - Component A			Design and implementation of the Ukraine pilot for subsidy to EE investment demonstration; Outreach, awareness raising and implementation capacity building.
Output indicator			Increased awareness, demand for and uptake of FFS-swap to EE investment business model in Ukraine; Policy decision makers are aware and have increased capacity to implement FFS-swap business model as part of increasing investment in EE improvements in Ukraine.
Baseline	Year	2016	No business case models for FFS-swap to EE investment; Limited knowledge and capacity to integrate FFS-swap opportunity as part of UEEF policy and modalities.
Annual target	Year 1	2017	Pilot design and implementation plan document; Model project delivery procedures and associated results monitoring and verification protocol established for UEEF;
Annual target	Year 2	2018	National outreach and implementation capacity building; Pilot implementation progress report
Annual target	Year 3	2019	Business case analysis report, dissemination materials, and pilot completion reports; One knowledge-sharing online event organised.
Output – Component B			Identification and analysis of 1-2 ongoing or potential business cases for FFS to EE investment swaps in other countries of the European and Central Asia region; International dissemination, knowledge sharing and capacity building on FFS-swap business models and opportunities.
Output indicator			FFS-swap business models and opportunities are well-known and debated among governments decision makers internationally; FFS-swap models and opportunities are considered feasible policy option in undertaking energy sector reform policies and promoting sustainable energy system.
Baseline	Year	2016	Limited understanding among key energy policymakers in national/regional governments on opportunities, feasibility, design and benefits of FFS swap mechanisms; Limited capacity to integrate FFS-swap models as part of implementing sustainable energy sector reforms.

Annual target	Year 1	2017	One to two case studies on national/regional FFS-swap to EE investment opportunities identified.
Annual target	Year 2	2018	One or two case studies on national/regional FFS-swap opportunities completed; International outreach, communication and engagement of key policymakers FFS-swap opportunities and potentials;
Annual target	Year 3	2019	One overview report on regional/international FFS-swap opportunities completed; Dissemination materials (policy briefs/pamphlets) produced; One international workshop conducted to disseminate key finding and lessons learned from the Ukrainian pilot and regional/international opportunities for FFS-swaps.

5. Risk Management

Risk management measures will be carried out in accordance with the overall risk assessment and mitigation described in the WB-ESMAPs risk management framework.

The following main risks are identified:

Contextual risks:

Political instability related to the status of Crimea and eastern territories of Ukraine may spur further unrest in Ukraine that in escalation may threaten the stability of the Ukrainian government. This may impact the establishment and operation of the UEEF and in general the commitment and willingness of the Ukrainian government to work with the WB-ESMAP. In escalation, the risk may stop the program in part or in full.

Mitigation: The risk pertains to regional and geo-political circumstances beyond the control and influence of the program partners. In case instability should reach a level where program operations are impossible or may be brought to a full stop, the MEUC and Danida will be informed immediately and remaining funds will be blocked and saved with the WB-ESMAP. Negotiations between the WB-ESMAP on re-opening program activities, directing the remaining funds to other WB-ESMAP programs or re-payment to the Government of Denmark will be initiated.

Institutional:

Risk pertains to potential delays and complications in the implementation of the subsidy to investment (S2I) pilot due to slower than expected legislative approval and initial capitalization of the UEEF. At present there is a strong backing for establishing the UEEF with support of other donors and is supervised by the vice-prime minister of Ukraine, indicating a strong commitment to its timely establishment.

Mitigation: This risk could be mitigated by greater donor coordination and advocacy in supporting the design and creation of the UEEF. The WB is currently engaged in the process with a just-in-time advisory service which has allowed the WB to provide timely inputs in the design and preparation process of the UEEF. The risk could be further mitigated by close synchronization of the launch of project with the formation of the first year investment program of the UEEF. The WB will be directly engaged in mitigating the risk. Denmark could assist in coordinating with donors to the UEEF.

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Risk pertains to the general level of corruption in Ukraine – including among government officials.

Mitigation: As no direct transfer or payment under the support program will be provided to Ukrainian parties, the risk is considered low and addressed in the general management relationship between the WB-ESMAP and the Government of Denmark.

Programmatic:

Potential complications during implementation could also undermine the timely and successful completion of the pilot due to low participation of households which receive heating subsidies.

Mitigation: This will be mitigated by working closely with the UEEF and its stakeholders to ensure that the first year investment program and especially that of the pilot city has a significant coverage of the heating subsidy recipients.

The WB-ESMAP is generally assessed as being capable to develop and implement the support program in terms of manpower resources, knowledge/experience and contacts in Ukraine. The WB-ESMAP and IISD-GSI have ongoing collaboration on a number of FFSR activities and have positively expressed the willingness and interest to collaborate and coordinate their respective efforts, analytical approach and reporting under the support program.

6. Inputs/budget

The total budget contribution of the Danish Ministry of Foreign Affairs to the WB-ESMAP activities is DKK 6 million over 36 months starting from 1 January 2017. The output based budget for the Danish contribution is indicated below in USD and DKK. Allocations will be conducted in DKK. Changes or reallocations to the below output level budget-lines which exceeds 10 % of the total allocation should be discussed with Denmark.

	DKK
Component A: Develop business case analysis and drive the achievement of the subsidy to energy efficiency swap in Ukraine	3.110.000
Component B: Promoting feasibility and opportunity for subsidy to EE-investment swaps	2.890.000
Total	6.000.000

7. Management arrangement

The Energy Sector Management Assistance Program (ESMAP) of the World Bank will be responsible for the management of the Crosscutting Solutions on Energy Subsidy Reform & Delivery TA Facility for 2017-2020. The Danish MoFA will be overall responsible for the Danish contribution. As part of Denmark's core contribution to ESMAP, Denmark participates in ESMAP's Donor Consultative Group (dCG), which has overall oversight of ESMAP's programs.

Coordination of program activities will also take place in the ongoing coordinating calls as set out in the ongoing Danish support program on FFSR to the WB-ESMAP.

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8. Financial Management

Financial management procedures of Denmark’s contribution will follow those of the WB-ESMAP. These funds shall be managed and accounted for as part of the WB-ESMAP multi-donor Trust Fund. However, the Danish funds are soft earmarked for the purposes described in this document. The financial report will be based on information included in the organization’s accounts, which are subject to independent audit. Copies of the WB-ESMAP annual financial statements will be provided upon request.

The WB-ESMAP shall administer the contribution in accordance with its Financial Regulations and other relevant WB-ESMAP rules, policies and procedures and guidance. WB-ESMAP will consult with the MEUC and the Danish MFA immediately if any changes, including overspending of budget lines in the project budget are foreseen or have occurred.

9. Monitoring and Evaluation

Progress will be reported in annual progress reporting on the specific Performance Framework outlined above, summarizing progress against the indicators and targets defined therein. Further, WB-ESMAP will provide Denmark with an annual financial report that includes a table showing the annual disbursements against the results-based indicators.

A final report, including pamphlets/policy briefs for a wider/international audience, will be submitted upon the completion of the project.

Mission aide memoires (as per World Bank internal requirements) may be shared upon request and regular contact/briefing will be maintained as needed.

The outcome of the coordination and decisions on proposals for the further screening of FFSR-swap opportunities with the IISD-GSI (Activity B) will be provided in the second half of 2017 and included in the first progress reporting. MEUC should be involved in decisions taking on common formats of policy briefs, pamphlets and target audiences.

Engagement 2: IISD-GSI Developing and Promoting Fossil Fuel Subsidy and Renewable Energy Swaps: Kerosene-to-solar swap business models in India and International Promotion & knowledge sharing

1. Introduction

This section provides the justification for the Government of Denmark’s support to the International Institute for Sustainable Development’s (IISD) Global Subsidy Initiative (GSI) for the purposes of developing and promoting FFS-swap opportunities to be included in policy options for key policy decision makers. The support will provide for (A) Development of a business case to drive the achievement for subsidy to RE-investment swap in India; and (B) Identification, analysis and generic guidance of FFS-swap cases and opportunities in other countries or regions, including promoting opportunities and learnings with governments and at the international level, and including (C) targeted support and outreach to The Friends of Fossil Fuel Subsidy Reform (The Friends).

The support to the IISD-GSI is provided as development cooperation funding under the Danish Climate Change Envelope within the framework of the guiding principles for the Danish Climate Envelope from February 2016. The Danish support complements previous Danish support to the IISD-GSI.

2. Parties

- Danish Ministry of Energy, Utilities and Climate (MEUC);
- Danish Ministry of Foreign Affairs (MFA);
- Institute for Sustainable Development (IISD).

3. Background and project description

The International Institute for Sustainable Development (IISD) is a leading international center of research and innovation. The Institute provides practical solutions to the growing challenges and opportunities of integrating environmental and social priorities with economic development. The IISD report on international negotiations and share knowledge gained through collaborative projects, resulting in more rigorous research, stronger global networks, and better engagement among researchers, citizens, businesses and policy-makers. The IISD’s Global Subsidy Initiative (GSI) focuses on inefficient and environmentally harmful subsidies. The GSI have been involved in in-country work on reforming and phasing out fossil fuel subsidies in developing countries and have provided key analytical tools and reporting on the issue, including as acting Secretariat for the informal Friends of Fossil Fuel Subsidy Reform (The Friends).

Context and rationale

A large-scale transition from the use of subsidized kerosene to small-scale solar for lighting in poor, rural communities has tremendous promise in India, however is currently held back by a number of policy and market barriers, chief amongst these barriers being the continued subsidization of kerosene by the Indian Government, which undermines the incentive to substitute solar for kerosene. IISD-GSI aims to simultaneously tackle these two key barriers by developing village-level business models and policy reform frameworks that seek to channel kerosene subsidy finance towards solar, building on GSI’s significant recent progress in the kerosene-solar space in India, and its strong ongoing leads and working relationships among policymakers and local authorities.

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This work program will necessarily involve interventions at both micro and macro levels. At the micro level, IISD-GSI will seek to continue to develop village-level business models which can allow local authorities to channel and leverage kerosene subsidy-related finance to promote greater solar penetration in un-electrified communities, in cooperation with local financial institutions and development banks. This work is already underway in Odisha, however business models need to be developed for varying contexts and scaled to the greatest extent possible.

At the macro level, IISD-GSI will seek to design and pilot innovative policy frameworks that give households the option to use their kerosene subsidy allocations to finance home solar systems over time, drawing on India’s newly created electronic ‘direct benefits transfer’ subsidy dispersal infrastructure. The implementation of this pilot will be based on government approval, but the design of pilot program (alongside other activities) will provide the analytical input, advice and facilitation for government agencies to implement kerosene-to-solar swap plans where possible.

Although IISD-GSI has led the development of these ideas, we are supported in our activities in this area by a large ecosystem of local, national and international partners, including civil society organizations, research institutions, solar businesses and suppliers, clean energy industry associations, government agencies and international organizations and donors.

Although the program of work has the potential to create ‘losers’ among kerosene dealers there is well-developed and understood best practice in dealing with this issue from a number of regions and cities that have become ‘kerosene-free’ in India in recent times.

Component A – Developing the pilot business case for a FFS-swap

The IISD-GSI will undertake a work program that will promote and facilitate the implementation of fossil fuel subsidy ‘swap’ mechanisms by channeling kerosene subsidy-related finance to small solar investments, working at both national and regional levels in India. As discussed, this will include the design (and expected implementation) of a pilot program in a selected Indian region that specifies a ‘policy business model’ for implementing “subsidy to RE-investment” projects, in parallel to work at the local level to define and implement with local authorities ‘village business models’ that channel kerosene subsidy finance to small solar investments.

Successful implementation of the proposed activity will support India’s energy subsidy reform and promote RE investments in residential and SME power users. The experience and lessons learned through the activity would also help other countries facing similar challenges.

The scope of the proposed activities includes:

1. Continuing and significantly expanding work at the village-level to define and implement replicable and sustainable business models by which kerosene subsidy finance leverages small solar investments, building on current work in Odisha;
2. Identifying possible districts where a kerosene-to-solar swap pilot can occur based on political buy-in (most like Odisha, owing to existing GSI links with regional government/District Collector and Member of Parliament);

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3. Designing a pilot program that allows rural poor households to use kerosene subsidy-related finance for the purchase of solar products;
4. Designing institutional and financial modalities of the pilot with the regional government;
5. Promoting the FFS swap business case for solar products to the regional government; facilitation of the up-take and wider dissemination of the business case for the FFS-swap from kerosene to solar products through consultations with regional Members of Parliament, District Collectors, local communities, technology suppliers and other relevant stakeholders.

Danish support will be targeted the development of both policy and village-level business cases and facilitation of its implementation. Policy and village-level business cases will outline the analytical background and potential benefits for undertaking the FFS swap, and outline the various steps needed to implement a well-planned FFS swap in the relevant geographical area.

It will be the responsibility of the Member of Parliament (or the regional government) with other stakeholders to secure funding for the purchase and installation of solar power technologies. The IISD-GSI will be providing advice throughout the implementation process to support relevant stakeholders in the implementation of the FFS-swap. The ISD-GSI will not as part of this program be responsible for purchasing or installing solar power technologies.

Component B - Promoting Feasibility and Opportunities for Fossil Fuel Subsidy Swaps & Knowledge Sharing

In addition, and building on the experiences and lessons learned from the pilot business case for subsidy to RE-investment swap, activities will be undertaken, in coordination with the WB-ESMAP, to screen and identify 1-2 similar ongoing or potential business cases in other countries. This will provide the basis for international knowledge sharing and global promotion of the fossil fuel subsidy to RE-investment swap schemes. The level of screening and analytical approach will led by the WB-ESMAP and coordinated with IISD-GSI.

In addition, the IISD-GSI is supported in their ongoing capacity as Secretariat for The Friends to further enhance dissemination of FFS-swap learnings and the FFSR agenda internationally.

The scope of activities includes:

1. Identifying 1-2 country or regional cases that have been previously implemented or has a high-impact potentials in relation to FFS swap to RE investment, including modelling energy savings, emissions reductions and budgetary/investment potentials associated with freed up savings towards RE investments.
2. Distillation of practical modalities, key potential policy drivers, lessons learned, enabling conditions and technical considerations regarding fossil fuel subsidy swaps into user-friendly content, including outreach with governments to promote identified swap opportunities.
3. Conducting outreach at national and the international level through 2-3 events/workshops to disseminate research and findings, as well as broad media outreach to enhance influence and uptake of findings

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4. Research, input to annual work program, support to FFSR Communiqué outreach, communication support for The Friends yearly G20 demarches, logistical support. The details of support will be specified and agreed with The Friends.

Coordination with the WB-ESMAP

IISD and World Bank will coordinate throughout the project to ensure the adoption of a common format for key deliverables, including the main business case, accompanying policy briefs, pamphlets and other products. This includes alignment around presentation of data, analysis and policy recommendations.

IISD and the World Bank will also work closely together to develop a joint approach for screening and reporting on FFS-Swap opportunities for RE and EE.

In order to maximize the dissemination of these business models among policy-makers, IISD and the World Bank will jointly organize a series of peer-to-peer webinars on the issue of FFS-Swaps, highlighting key findings and opportunities identified through the project. Ukrainian and Indian officials will be invited to share information on the swap models they have developed with other governments across the region and the world. These webinars will be facilitated by ESMAP’s Energy Subsidy Reform Online Community.

IISD and the World Bank will jointly organize one stand-alone event on the issue of FFS-Swaps, highlighting key findings and opportunities identified through the project.

Finally, IISD and the World Bank will collaborate to include the issue in at least one related, high-level international events, for example the Clean Energy Ministerial or World Bank Annual or Spring Meetings. Final venues would be discussed in advance with MEUC.

Throughout the project, IISD and the World Bank will coordinate and share information on a quarterly basis and informally as required.

4. Objective of the Support and agreed results framework

The objective of the engagement is for governments to learn how to undertake fossil fuel subsidy swaps, using innovative policy business models to reform fossil fuel subsidies while redirecting subsidy-related public finance to renewable energy and energy efficiency development. For this to happen, policy and decision makers need to be made aware of the benefits, opportunities, models and applicability of subsidy swap mechanisms.

The support is aligned with the objective of the Danish Climate Envelope to assist developing and emerging economies with the transition to a low carbon economy by supporting national and community-level climate change policies, planning frameworks and information systems and scale up climate-relevant technologies, infrastructure and markets.

The outcome will enable policy- and decision makers and governments to add swap mechanisms to their reform toolkits and ensure that they are well-positioned to implement these mechanisms as part of the process of fossil fuel subsidy reform.

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For monitoring and reporting purposes the following objective, outcome and outputs are identified to document progress of the IISD-GSI, to which Denmark’s support will contribute:

Project title		Developing and Promoting Fossil Fuel Subsidy and Renewable Energy swaps: Kerosene-to-solar swap business models in India and International Promotion & knowledge sharing.	
Project objective		To raise awareness in and among governments and policy makers on how to undertake fossil fuel subsidy swaps, using innovative policy business models to reform fossil fuel subsidies while redirecting subsidy-related public finance to EE and RE deployment schemes.	
Impact Indicator		Improved models, enabling environments and framework conditions for FFS-swap mechanisms.	
Baseline	Year	2016	In-sufficient models, knowledge, frameworks and capacity for FFS-swap policy interventions.
Target	Year	2019	FFS-swap mechanisms are recognized as feasible and relevant policy tools in reforming fossil fuel subsidies and promoting sustainable energy systems.
Outcome		Improved business models and enabling frameworks for low-emission planning and development via implementation of FFS-swap approaches; Policy-makers and governments are enabled to add swap mechanisms to their reform toolkits and are well-positioned to implement such mechanisms.	
Outcome indicator		Increased no. of governments and local communities are aware of benefits, opportunities, models and applicability of subsidy to EE-investment swap mechanisms; Policy-makers are considering/begin to add swap-mechanisms to their reform toolkits and are well-positioned to implement such mechanisms.	
Baseline	Year	2016	Inadequate knowledge, capacity and enabling frameworks in place to undertake fossil fuels subsidy to RE and EE investment swaps.
Target	Year	2019	Business cases developed for a subsidy to RE investment swap in India; identification and analysis of one to two FFS-swap case and opportunity in other countries or regions; Local and national governments in India and at the international level are aware of FFS-swap opportunities and well-equipped to promote and implement FFS-swaps as part of the reform policies and promotion of sustainable energy systems.
Output - Component A		Development and design of Indian subsidy to RE investment demonstration; Outreach, awareness raising and implementation capacity building.	
Output indicator		Increased awareness, demand for and uptake of FFS-swap to RE-investment pilot business model in India; Policy decision makers at regional and national level are aware of and have increased capacity to implement FFS-swap business models as part of promoting sustainable energy systems. Increasing demand for solar-based power systems as alternative to kerosene-based power systems in India.	
Baseline	Year	2016	No business case models for FFS-swap to RE investment; Limited knowledge and capacity to integrate FFS-swap opportunities as part of energy sector reform policies in India.
Annual target	Year 1	2017	Pilot and village business case analysis, design and implementation plan;

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Annual target	Year 2	2018	Dissemination materials and pilot report; Outreach and engagement at local, regional and national level, including pilot implementation facilitation.
Annual target	Year 3	2019	Business case analysis report, dissemination materials, and pilot completion reports. One knowledge-sharing event organised.
Output – Component B		Identification and analysis of 1-2 ongoing or potential business cases for FFS-to RE-investment swaps in other countries or regions; National governments’ engagement on these opportunities; International dissemination, knowledge sharing and capacity building on FFS-swap business models and opportunities.	
Output indicator		FFS-swap business models and opportunities are well-known and debated among governments and decision makers internationally; FFS-swap models and opportunities are considered feasible policy options in undertaking energy sector reform policies and promoting sustainable energy systems.	
Baseline	Year	2016	Limited understanding among key energy policymakers in national/regional governments on opportunities, feasibility, design and benefits of FFS swap mechanisms; Limited capacity to integrate FFS-swap models as part of implementing sustainable energy systems.
Annual target	Year 1	2017	One to two case studies on national/regional FFS-swap to RE investment opportunities identified.
Annual target	Year 2	2018	One or two case studies on national/regional FFS-swap opportunities analysed and reported; International outreach, communication and engagement of policy makers on FFS-swap opportunities and potentials.
Annual target	Year 2	2019	One overview report on regional/international FFS-swap opportunities completed; Dissemination materials (policy briefs/pamphlets) produced; One international workshops conducted to disseminate key findings and lessons learned from the Indian pilot and regional/international opportunities for FFS-swaps.

Output – Component C - The Friends		Fossil fuel subsidy reform (FFSR) is increasingly recognized as an important climate change mitigation policy with clear economic, social and environmental co-benefits	
Output indicator		FFSR is increasingly highlighted in international agreements and forums, including through the FFSR Communiqué; Subsidies to fossil fuels are reduced globally.	
Baseline	Year		
Annual target	Year 1	2017	Input to The Friends’ yearly work program provided; Communication tool-kits for G20 outreach developed; Logistical and administrative support for Friends participation in 2-3 international conferences featuring FFSR, including the UNFCCC and the WB/IMF spring meetings; Analytical work agreed with The Friends.
Annual target	Year 2		Input to The Friends’ yearly work program provided; Communication tool-kits for G20 outreach developed; Logistical and administrative support for Friends participation in 2-

			3 international conferences featuring FFSR, including the UNFCCC and the WB/IMF spring meetings; Analytical work agreed with The Friends.
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5. Risk Management

Risk management will be carried out under the IISD Research Quality Assurance policy, which is a comprehensive quality assurance framework embedded in IISD’s governance structure designed to ensure utmost professional standards within the specified timeline and budget. IISD’s quality assurance framework includes Research Quality Assurance Guidelines that ensure all research outputs meet an optimum level of substantive quality assurance. The guidelines prescribe a standardized approach to internal quality assurance for each research output including, where necessary, the establishment of an external expert review panel.

The following risks have been identified:

Programmatic risk: Despite significant outreach and lobbying, officials may be unwilling to implement the fully-designed pilot program to direct kerosene subsidy finance to off-grid solar use.

Mitigation: Based on consultation already undertaken, the IISD-GSI is convinced that there is significant appetite for policy innovation of this kind among policymakers in India. Based on work already underway in Odisha, IISD-GSI is highly confident that implementation of village-level business models for the kerosene-to-solar transition will take place, resulting in at least several hundred households installing clean solar lighting as a result of the program of work.

Contextual-institutional risk: Working in India with government and regional officials will be challenging due to unforeseen political changes in priorities and bias.

Mitigation: IISD-GSI’s very strong in-country network in India strengthens capacity to liaise with and identify officials at all levels who are willing to support the program of work and implement both village business models and the pilot program.

IISD-GSI is ongoing acting as Secretariat for The Friends; the input and facilitation from the IISD-GSI is in general evaluated very positively and additional support would be welcomed by The Friends.

6. Inputs/budget

The total budget contribution of the Danish MoFA to the IISD-GSI is DKK 5 million over 36 months. Allocations will be conducted in DKK. Changes or reallocations cannot exceed 10 % and should be discussed and approved by Denmark.

A budget for the engagement has been developed:

		DKK
Component A: Developing a kerosene-to-solar swap business models in India		2.010.000
Component B: Promoting feasibility and opportunity for subsidy		1.990.000

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swaps, including support for The Friends		
Total		4.000.000

Component C: The Friends		DKK
Research		305.000
Communication outreach		185.000
Events		258.000
Logistical support		252.000
Total		1.000.000

7. Management arrangement

The IISD will be responsible for the management of the GSI activities related to the project. The IISD shall provide reporting based on activities, outcomes and outputs as stipulated in the Results Framework

8. Financial Management.

The accounts shall be drawn up to the same level of detail as is done in the budget. The total budget cannot be exceeded and shall be used for the agreed purpose only. Unspent funds including any accrued interest that remain after the expiry of the implementation period shall be refunded to Denmark.

The IISD-GSI shall administer the contribution in accordance with its Financial Regulations and other relevant IISD rules, policies and procedures and guidance and in accordance with the General Guidelines for Accounting and Auditing of Grants channeled through National NGO's found at www.amg.um.dk

IISD has the obligation to inform the MEUC and the Danish MFA immediately if any changes, including overspending of budget lines, or if irregularities in the management of funds are foreseen or have occurred.

The administration fee is calculated as maximum 7 % of the total budget. The fee is integrated in the budget and will not appear as a separate line in the financial reporting.

9. Anti-corruption

No offer, payment, consideration or benefit of any kind, which could be regarded as an illegal or corrupt practice, shall be made, promised, sought or accepted - neither directly nor indirectly - as an inducement or reward in relation to activities funded under this agreement, incl. tendering, award, or execution of contracts. Any such practise will be grounds for the immediate cancellation of this agreement or parts of it, and for such additional action, civil and/or criminal, as may be appropriate. At the discretion of the MFA, a further consequence of any such practise can be the definite exclusion from any projects funded by the MFA

10. Reporting, Monitoring and Evaluation

Progress will be reported in annual progress reporting on the specific Performance Framework outlined above, summarizing progress against the indicators and targets defined therein. Further, IISD-GSI will provide Denmark with an annual financial report

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that includes a table showing the contribution from Denmark, the annual disbursements against the output-based indicators and any unspent balance carried forward. The Danish contribution shall be clearly identifiable in the IISD-GSI general audited accounts.

A final report, including pamphlets/policy briefs for a wider/international audience, will be submitted upon the completion of the project.

Mission aide memoires may be shared upon request and regular contact/briefing will be maintained as needed.

The outcome of the coordination and decisions on proposals for the further screening of FFSR-swap opportunities with the WB-ESMAP (Activity B) will be provided in the second half of 2017 and included in the first progress reporting. MEUC should be involved in decisions taking on common formats of policy briefs, pamphlets and target audiences.

In general, and not contradicting the reporting requirements indicated above, progress will be measured through the IISD-GSI monitoring framework supported by the organization’s finance systems, which facilitate the necessary processes for monitoring and evaluation.

The final financial report for the project shall be separately audited and will be based on information included in the IISD accounts, which are subject to independent audit. Copies of the IISD annual financial statements will be provided upon request.