



ENERGIZING FINANCE
RESEARCH SERIES



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ENERGIZING FINANCE:
MISSING THE MARK
2020

EXECUTIVE SUMMARY

Access to affordable, reliable, clean, safe and sustainable energy is critical to improving the living conditions of people around the world. Today, an estimated 789 million people still do not have access to affordable and reliable electricity sources, and 2.8 billion people¹ are without clean cooking facilities,² greatly affecting their quality of life. **International climate and development finance can help reduce energy finance deficits for both electricity and clean cooking, but what happens if the funds are pledged but never disbursed?**

This report identifies the gaps between commitments and disbursements of development finance for energy,³ as tracked in the OECD Creditor Reporting System (CRS) database. This database consists of official development finance and private development finance from philanthropies. It assesses the efficiency of disbursement, both in terms of the percentage of financial commitments that suffer disbursement delays, and the number of projects that experience delayed implementation. Through a qualitative lens, the report also identifies reasons why development finance disbursement constraints occur.

Monitoring the disbursement gap is important because, while commitments reflect ambition, only disbursements actually deliver impact on the ground. Since Sustainable Development Goal 7 (SDG7) is heavily linked to finance — specifically the disbursement of funds — it is vital to examine the efficiency with which finance is actually disbursed to achieve energy targets.

This *Energizing Finance: Missing the Mark 2020* report is a new edition of the *Energizing Finance: Missing the Mark 2017* report and focuses on 20 countries in Africa and Asia that are classified as high-impact countries⁴ (HICs) by Sustainable Energy for All (SEforALL). HICs are the countries with the most significant electricity and clean cooking access deficits and, therefore, need substantial international and national support. *Energizing Finance: Missing the Mark 2020* numbers are not directly comparable to the findings from the *Energizing Finance: Understanding the Landscape 2020* report, which tracks finance commitments to energy from a broader group of data sources, including private investment.⁵

MAIN FINDING 1



Disbursements for energy in HICs have increased much faster than overall development finance disbursements.

Disbursements for energy projects in HICs **increased by more than 61 percent between 2013 and 2018**. This is much faster than overall development finance disbursements over the same period in the same countries, which was about a 12 percent increase (see Figure 1).

¹ ESMAP's *State of Access to Modern Energy Cooking Services 2020* report, released in September 2020, finds that four billion people around the world still lack access to clean, efficient, convenient, safe, reliable and affordable cooking energy, with 1.25 billion considered in transition and the other 2.75 billion facing significantly higher barriers to access.

² "Access to affordable, reliable, sustainable and modern energy for all – Access to clean cooking", SDG7 – Data and projections, International Energy Agency (IEA), 18 May 2020, <https://www.iea.org/reports/sdg7-data-and-projections/access-to-clean-cooking>

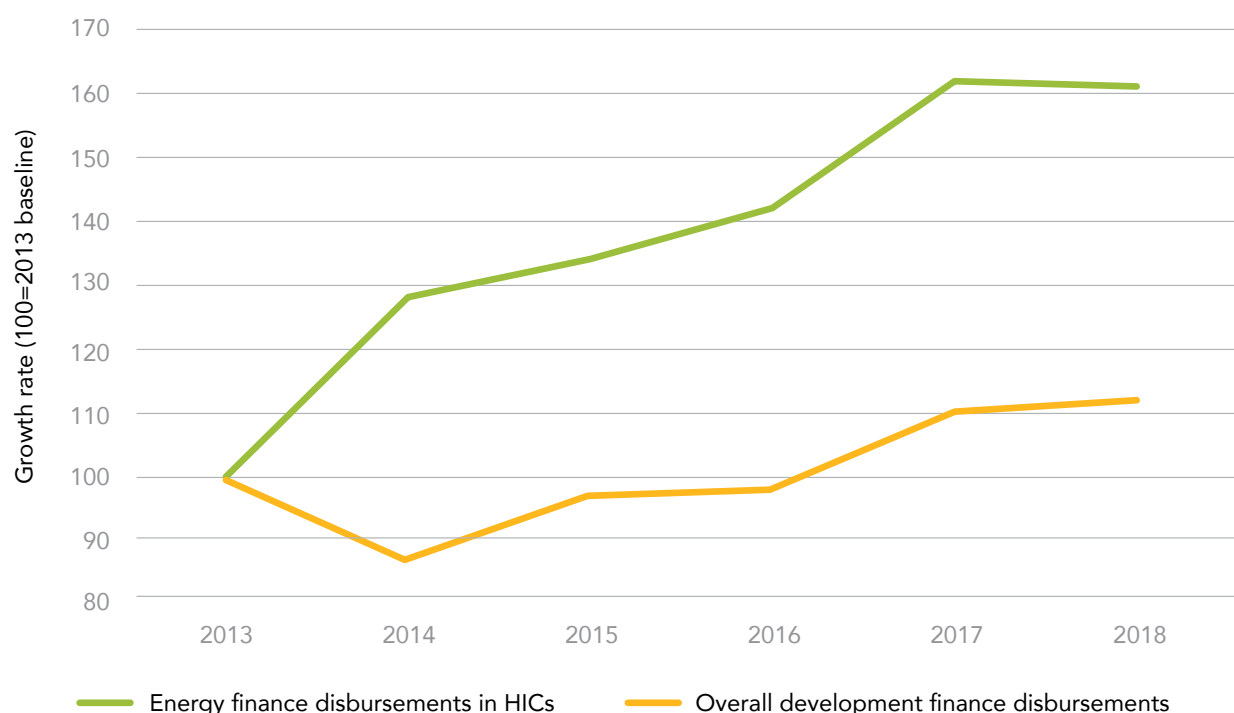
³ A clear and reliable distinction between electricity and clean cooking data was not possible due to CRS data classification constraints. As such, the report refers to energy rather than solely electricity.

⁴ For electricity, the countries are: Angola, Bangladesh, Burkina Faso, Chad, Congo (DR), Ethiopia, India, Kenya, Korea (DPR), Madagascar, Malawi, Mozambique, Myanmar, Niger, Nigeria, Pakistan, Sudan, Tanzania, Uganda and Yemen. For clean cooking, the countries are: Afghanistan, Bangladesh, China, Congo (DR), Ethiopia, Ghana, India, Indonesia, Kenya, Korea (DPR), Madagascar, Mozambique, Myanmar, Nigeria, Pakistan, Philippines, Sudan, Tanzania, Uganda and Vietnam.

⁵ *Energizing Finance: Missing the Mark 2020* includes only the OECD's CRS data due to the report's focus on disbursement numbers, which only the CRS database provides. As a result, the energy sector commitment statistics from both reports are not directly comparable.

FIGURE 1

Growth of energy finance disbursements in HICs compared to overall development finance disbursements, 2013-2018



Source: South Pole 2020, based on OECD CRS data.

MAIN FINDING 2

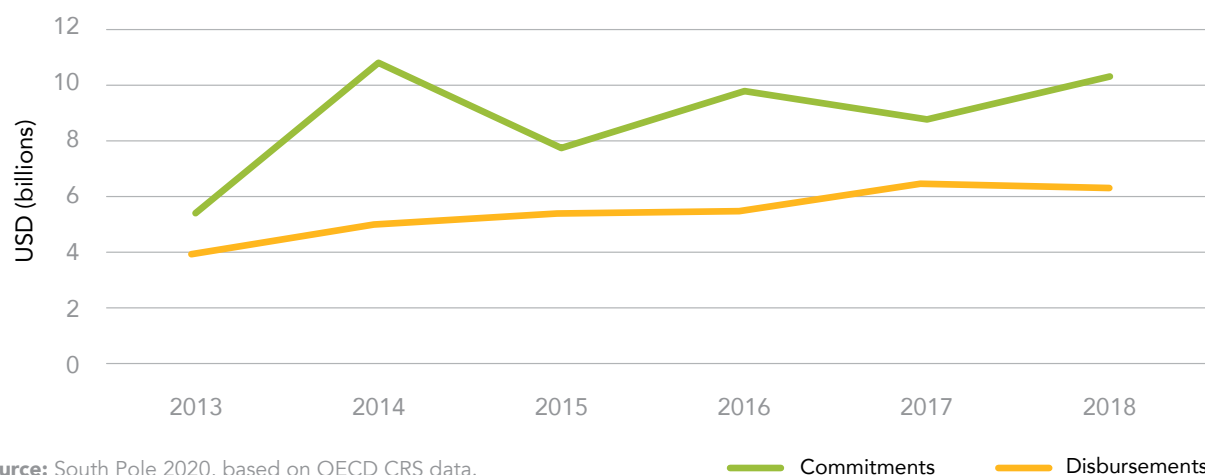


Energy finance disbursements continue to significantly lag behind commitments.

Despite a trend in growing energy finance disbursements, disbursements (USD 32 billion) still substantially lagged commitments (USD 52 billion) in the period 2013 to 2018 (see Figure 2). Given the continued low levels of commitments for energy finance, the lag in disbursements only compounds the lack of finance flowing to the sector, leaving many HICs further and further behind. The message is clear: significantly increased disbursements, at approximately USD 45 billion per year⁶ between 2020 and 2030, are urgently needed to meet SDG7 energy access targets. Aggregate disbursements from 2013-2018 (USD 32 billion) were insufficient to cover even one year of the annual investment need of USD 45 billion.

⁶ IEA, International Renewable Energy Agency, United Nations Statistics Division, World Bank, WHO (2020). *Tracking SDG 7: The Energy Progress Report*. World Bank, Washington DC.

FIGURE 2
Energy finance commitments and disbursements for HICs, 2013-2018

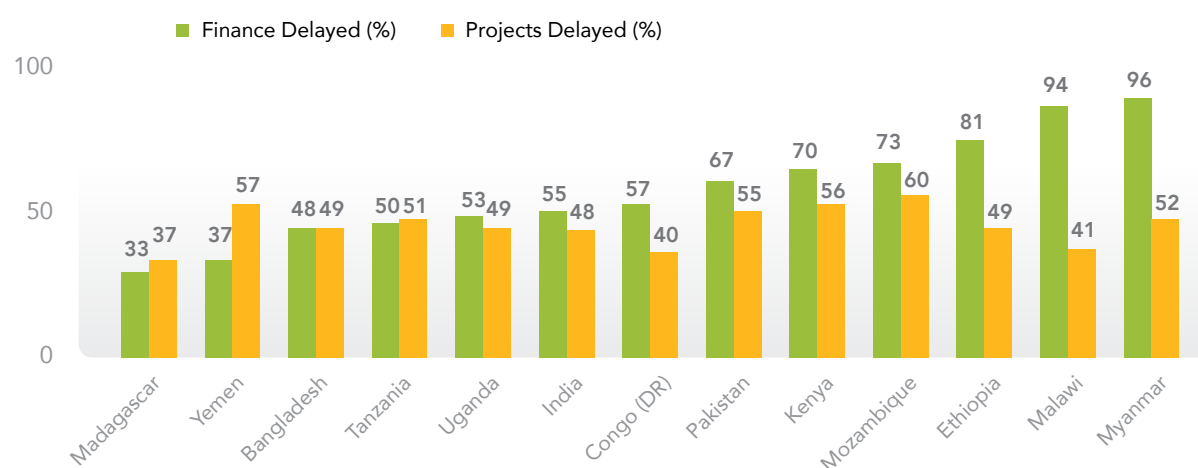


MAIN FINDING 3

On average, disbursement delays have declined since 2002.

Project delays and delayed disbursements were often seen as interlinked. While there has been a slight decline in disbursement delays, they remain substantial; 58 percent of planned disbursements to the energy sector and 49 percent of projects in HICs were delayed in the period 2002–2018. This is a slight improvement on the findings in *Energizing Finance: Missing the Mark 2017*, which reported that 69 percent of planned disbursements were delayed and 52 percent of projects were affected by disbursement delays.

FIGURE 3
Energy projects delayed and financing delayed by recipient, 2002-2018



Source: South Pole 2020, based on OECD CRS data.

Note: Six of the 20 HIC countries are not shown here as incomplete data on commitments accounted for more than 50 percent of total commitments.

These delays seem pervasive as they do not stem only from a few large projects: almost half of all energy sector projects (49 percent) in HICs since 2002 were delayed. In the 13 countries with sufficient data, Myanmar had the longest average delay and Madagascar had the shortest (see Figure 3).

MAIN FINDING 4



Project-specific factors such as sound project design, including consideration for limited local financial services and good coordination among key actors, are crucial to efficient disbursement.

To understand disbursement delays better, this study looked at evaluation reports and databases, and conducted interviews and surveys as part of deep-dives in five countries (India, Madagascar, Myanmar, Nigeria and Rwanda). These countries were selected for their geographic diversity, different stages of development, and different income and energy access levels.

Survey respondents highlighted the significance of project-related factors for low disbursements, including:

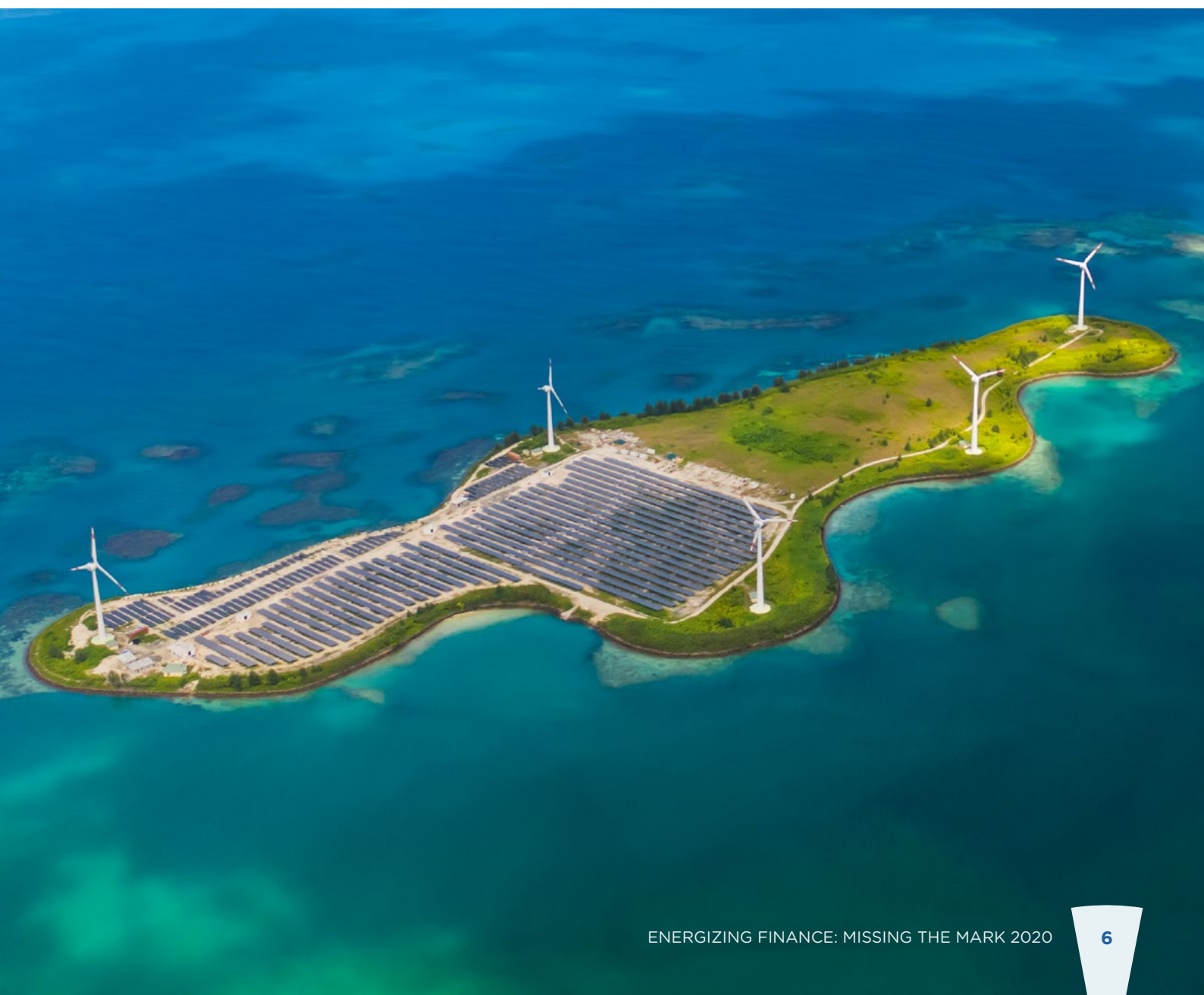
- **Cumbersome administrative processes and lack of capacity among donors and implementing entities.** For example, a Global Environment Facility (GEF)-UNDP project aimed at reducing greenhouse gas (GHG) emissions in the Indian states of Jharkhand and Manipur was not as successful as expected because of significant delays due to administrative processes (delayed clearance) at the federal level, notably from the Department of Economic Affairs.
- **Design flaws that hinder project execution.** For example, the Promoting Renewable Energy Programme (PREP) in Rwanda, and particularly its sub-project on biodigesters, faced disbursement delays because the initial project design was not adapted to local end users' capacity and consumption habits. Failing to consider potentially limited local access to financial and banking services in project design may also present disbursement and implementation constraints.

In summary, insufficient committed investment, coupled with continued disbursement delays and project-specific weaknesses jeopardize achievement of SDG7 targets and the provision of energy for the most vulnerable in society. Not only is there a pressing need to significantly increase finance commitments to the energy sector, as set out in SEforALL's report *Energizing Finance: Understanding the Landscape 2020*, **it is also imperative to increase the speed of disbursing energy finance. It bears repeating that only disbursed money can have an impact on the ground.**

POLICY RECOMMENDATIONS

This report recommends that national policymakers, bilateral and multilateral development agencies, and financial institutions take the following steps to accelerate the disbursement of energy finance:

- **It is imperative that national policymakers improve the country-level factors that can accelerate disbursements for energy projects**, including policies and programmes that improve access to local finance.
- Donors and development finance institutions (DFIs) should **combine investment programmes with technical assistance and capacity building** for recipient countries and institutions to increase the efficiency of disbursement at country level.
- **Donors and their agencies, and DFIs and recipient countries, should invest more in sound project feasibility assessment and design, and simplify administrative processes to make them more efficient.**
- **The OECD and its members, particularly multilateral development banks, should introduce more precise and standardized tracking indicators for energy access finance disbursements** to better measure progress. This will help the global community identify underlying reasons for inefficient disbursement and will inform mitigation actions.



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