



Financing Energy Access for the Poor



Energy

Poverty





OUTLINE

Introduction to OFID

The Financing Gap

Main Challenges

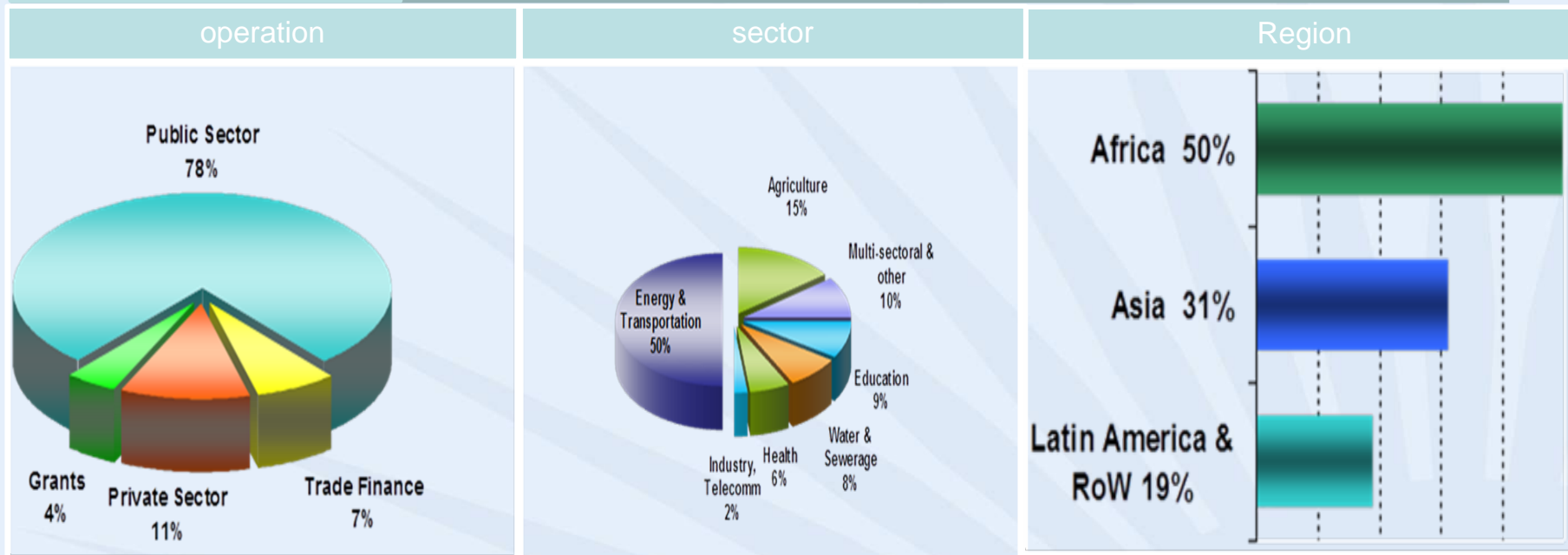
Response (OFID's experience)

Conclusion

Introduction to OFID

To foster Sustainable Development in non-OPEC developing countries and particularly lower income countries - 'Uniting against poverty'-

Mandate



Cumulative operations: US\$ 13.4 Billion (Nov. 2011)

Medium to long-term plans include substantial scaling up of OFID assistance



The Financing Gap

Current State

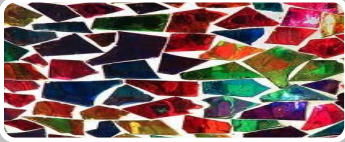
- In 2009, US\$ 9.1 Billion was spent to finance access to modern Energy world wide
- With no major changes, the number is expected to average US\$ 14 billion annually between 2010 and 2030

The Gap

- In order to reach universal access, the investment needs to average US\$ 48 billion annually
- A gap of US\$ 34 billion annually is expected, if no changes are witnessed



Main Challenges



Aid fragmentation



Diversifying the financing mix



Improve project identification



Sustainable business models



Increase the financing of energy



Response (OFID's experience)

Aid Fragmentation

- Aid fragmentation is detrimental to effectiveness (aid is less than the sum of its parts)
- Better DFI coordination: harmonization, risk mitigation, project identification and finance, synergy between technology and finance



In recent years, OFID signed several MOUs with the World Bank, IFAD, Asian Development Bank, CAF and BADEA



While OFID has its own “energy for the Poor” initiative, it is participating in other initiatives, such as the UN Secretary General’s “sustainable Energy for All”



OFID is currently working with the coordination Group and the OECD/DAC to prepare coordinated participation at Busan, Korea for the 4th High Level Forum on Aid Effectiveness.

OFID



Response (OFID's experience)

Diversifying the financing mix

- Wide spectrum of projects: from cooking stoves to power plants
- Each type of project needs a specific type of financing
- Diversified financing mix: Local, international, from grants to Market based instrument with appropriate risk sharing

Public Private Partnership

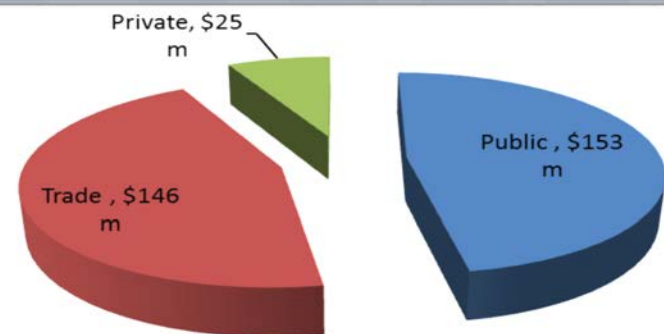


Markala Sugar (Mali):

- Agriculture: Public Sector loan (increase of crops).
- Industrial: Private Sector Loan (ethanol plant)

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Address current & Future Needs (OFID 2010)





Response (OFID's experience)

Improve Project Identification

- Lack of substantial pipeline of good projects to reach the poor
- Countries: further prioritize energy access, in national development strategies, and Increase “absorptive capacity” through appropriate reforms
- DFIs: More feasibility studies to be carried out with grants.



Created an Energy Account with UNDP, that offers grants for energy research, pilot projects, and feasibility studies.

Recently extended A grant from that account to conduct 4 feasibility studies for energy projects in the Caribbean.



Response (OFID's experience)

Sustainable Business Models

- Required energy projects to achieve universal access: 49% grid extension, 36% mini grids, 15% stand alone off-grid
- Market-based approach often ineffective for the poorest
- Prerequisite: strengthening domestic financial institutions, developing capacity building



Created the Energy Poverty Grant Account in 2011. The Account is replenished annually

Supports community, local NGOs, and Social enterprises in developing sustainable energy projects

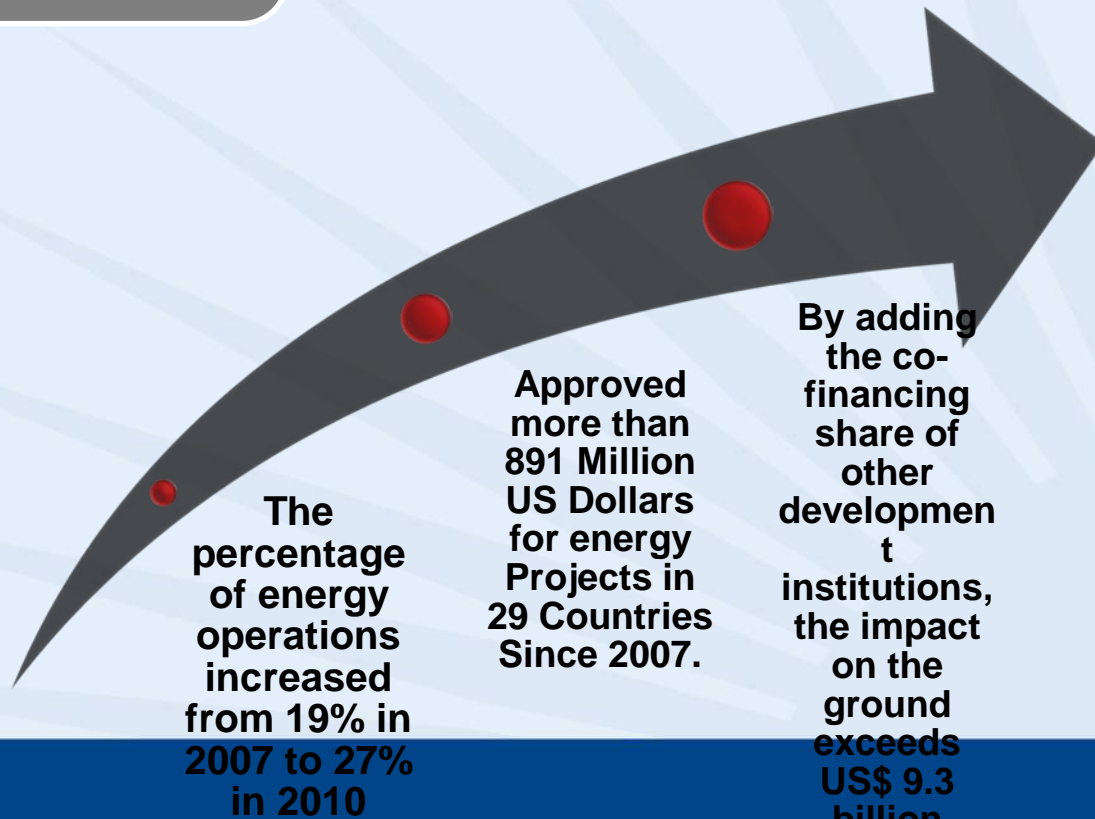




Response (OFID's experience)

Increase the financing of energy

- Energy aid represent a small fraction of the total ODA
- Focus was not on energy, as it is not a stand alone MDG
- As energy is a key enabler to all the MDGs, governments and development institutions should increase the financing available for energy projects.





Conclusion

The Financing gap
for energy projects
is huge

Development
institutions,
investors, and
governments
should find
practical solutions
to these
challenges

the five challenges
outlined are not
the only one

Less talk, more
action