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Shift Global Energy Finance to Address Energy Poverty and Climate Change

Briefing Paper on IDA 17 and the World Bank's Misguided Energy Strategy
December 12, 2013

The World Bank fails to address the challenges of energy poverty and climate change. In December 2013, governments will make their pledges to the 17th replenishment of IDA. In the past six years, two thirds of all IDA energy projects (or about 7 percent of all IDA lending) supported energy projects that were not renewable and did not expand energy access to the poor. This statement presents the case for a shift of global energy finance from the World Bank to institutions such as the Green Climate Fund. It argues for governments to reduce their pledges to IDA 17 by a total of $1.6 billion, and to increase their pledges to the GCF for decentralized renewable energy projects by the same amount.

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Multilateral development finance for the energy sector needs to meet three basic challenges: (1) it must expand access for the 1.3 billion people who still don't have access to electricity; (2) it must mitigate climate change and help poor societies adapt to a changing climate; and (3) it must do so in a way that protects critical ecosystems and the interests of poor communities.

The World Bank is the leading multilateral financier of energy projects. The record shows that it is failing on all three accounts:

1. According to analyses by Oil Change International, only 8 percent of the World Bank's energy financing in 2013 (and less than 10 percent in the preceding years) was aimed at expanding access for the poor.[1] The commercialization and privatization of energy utilities which the Bank is promoting further hinder expanded access for the poor in many countries.
2. With the Medupi and Tata Mundra coal-fired power plants in South Africa and India, the World Bank is funding some of the world's biggest point sources of greenhouse gas emissions. The Bank's energy sector directions paper of July 2013 commits to reducing lending for coal, but stipulates increased support for gas projects, and leaves the door open for coal projects under certain circumstances.[2]
3. World Bank energy projects continue to have serious social and environmental impacts, and safeguards are often not implemented. The Bank has for example ignored the findings of its internal watchdog about policy violations in the Tata Mundra project, and funds transmission lines for the devastating Gibe III Dam in Ethiopia.

[1] See Oil Change International, World Bank Group Increases Lending for Fossil Fuels and Large Hydro, October 2013
[2] Towards a Sustainable Energy Future for All: Directions for the World Bank Group's Energy Sector, July 2013

The World Bank proposes to fund new multi-billion dollar dam projects under IDA 17. The projects it is proposing in Sub-Saharan Africa and the Himalayas would generate power for export and the mining sector, not for the populations that currently lack access to electricity.

As the International Energy Agency has found, decentralized renewable energy solutions such as wind, solar and micro-hydropower projects are most effective at expanding access to electricity.[3] Such projects are climate-friendly, strengthen the climate resilience of poor societies, and in most cases have a small social and environmental footprint. The World Bank has made many rhetorical commitments to such solutions, but has neglected them in practice and continues to do so.

Civil society groups from around the world asked questions and shared concerns about the World Bank's proposed return to mega-dams in a letter to Bank President Jim Kim in May 2013. The Bank has brushed off the NGOs' concerns and refused to answer their questions. Its recent energy sector directions paper completely ignores the best-practice recommendations published by the World Commission on Dams.

The World Bank is currently mobilizing resources for the 17th replenishment of IDA. Governments will need to make their pledges for IDA 17 on December 16/17. Like the World Bank as a whole, IDA has failed to address the challenges of energy poverty and climate change. In 2008-13, only slightly more than one third of IDA lending for the energy sector supported expanded access to electricity and renewable energy projects.

IDA 17 provides an opportunity for governments to redirect global energy finance to institutions that are better suited to address energy poverty and climate change in a sustainable way. The Green Climate Fund has a mandate to support developing countries in mitigating and adapting to climate change based on new, additional, adequate and predictable financial resources. The GCF is also mandated to operate within a framework of sustainable development and with best practice social and environmental safeguards. Bilateral institutions such as the EnDev consortium are already effectively addressing energy poverty through renewable energy projects. The GCF and institutions such as EnDev are better placed than IDA to channel financial support for decentralized renewable energy projects that mitigate climate change and reduce energy poverty.

The World Bank is expecting government contributions of approximately USD 23.8 billion for IDA 17.[4] In 2008-13, 6.6 percent of all IDA lending supported energy projects that did not expand energy access or promote renewable solutions.[5] We call on governments to shift 6.6 percent of their planned pledges for IDA 17, for a total of USD 1.6 billion, to the GCF as additional contributions for the purpose of supporting decentralized renewable energy projects. At the same time, we call on governments to without further delay adopt guidelines and safeguard policies to ensure that the GCF follows its mandate and addresses climate change within a framework of sustainable development.

More information on this topic is available at www.internationalrivers.org/node/8175. For an online petition to governments on the topic, visit http://bit.ly/IDA17.

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[3] International Energy Agency, Energy for All: Financing Access for the Poor, October 2011
[4] Average of five scenarios in IDA 17 Financing Framework, June 2013
[5] Based on the database of Oil Change International, available at www.shiftthesubsidies.org/institutions