



GONGLA Industry Opinion on the Role of
Public Funding to Mobilise Investment for
Access to Energy

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Background

According to the projections of the International Energy Agency (IEA), fulfilment of the Sustainable Energy for All target of universal energy access by 2030 requires that the major part (64%) of new investments in electrification is to be provided by distributed energy projects¹. This recognizes that distributed energy is the fastest and most economically efficient route to provide energy services to the lowest-income population.

Renewable energy sources are now generally the most economic forms of distributed energy access. Coupled with the fact that distributed energy solutions are the most promising route to serve energy access needs of poor and vulnerable communities, they should therefore also be central elements of 'north-south' financing of *inclusive* climate mitigation and adaptation strategies

Following this line of reasoning, promoting off-grid and mini-grid solutions should be high on the agenda of development institutions. In practice, most donors and multilateral development banks (MDBs) (including the World Bank, Inter-American Development Bank, Asian Development Bank, and African Development Bank) are spending only a small fraction of their budgets for energy access and climate financing on the promotion of distributed energy. Besides limited spending, there are also very limited facilities and programs that enable actors in distributed energy services to access development and climate financing.

Industry Position

The members of GOGLA hold the view that public funding for energy access, including both development financing as well as international climate financing, should be used where it is most efficient and effective in reaching poverty reduction and climate objectives. Consequently, donors, development finance institutions and MDBs should vastly increase the amount of public funding for distributed energy access projects, and create the framework programs and facilities that enable this. At the same time, public funding institutions should develop strategies to encourage energy access investments by other actors, such as commercial investors. They should use their capacities to help create enabling business environments in the countries and achieve large-scale impacts.

Recommended Action

GOGLA recommends the public finance and development sector to undertake the following actions, aimed at improving the access to finance for the off-grid lighting and electricity industry, and achieving universal energy access by 2030. MDBs, donors and development agencies need to:

¹International Energy Agency (2011). World Energy Outlook 2011. Available at:

<http://www.worldenergyoutlook.org/publications/weo-2011/>

Distributed energy defined as [minigrids and decentralized off-grid electrification]



- Establish dedicated framework programs and facilities that enable significant increases of public funding into the sector, in balance with the relevance of distributed energy solutions to contribute to energy access.
- Collaborate with commercial banks and investors to mobilize financing through a wide range of financial products. Public financing (development as well as climate financing) should be allocated to leverage the available and potential commercial financing by absorbing investment preparation and transaction costs; de-risking investment; and reducing the cost of (commercial) capital.
- Support long-term capacity building for off-grid sector at national levels. In early stages of market development, the focus should be on demonstrating early successes. Where markets have evolved beyond initial stages, public funding should not be reduced but instead 'move gears' and focus on strengthening the sector capacity as a whole rather than supporting individual businesses. Aid agencies should collaborate with other actors (such industry organizations and investors) to advice governments on creating the right enabling environment to develop the sector and attract more investments.