



THE FOUNDATION FOR
DEVELOPMENT COOPERATION



ASIAN DEVELOPMENT BANK
THE FOUNDATION FOR DEVELOPMENT COOPERATION

Access to Energy for the Poor - an Asia-Pacific Regional Initiative

(working title)



CONCEPT PAPER

[Final draft for comments]

Scaling up energy access for the poor in Asia-Pacific through regional collaboration, innovative financing, private sector engagement, capacity building and technology transfer

ASIAN DEVELOPMENT BANK
THE FOUNDATION FOR DEVELOPMENT COOPERATION

Access to Energy for the Poor - an Asia-Pacific Regional Initiative

CONTENTS

Background	3
Context	3
Mission	5
Strategy	5
Activities	6
Identity and branding	7
Partners and collaborators	7
Organisational structure	8
Potential benefits	9
Performance and impact criteria	10
Timeline	10
Feedback contact details	11
Annex 1.	12
List of potential participating organisations and projects	

Background

In support of its poverty alleviation mandate, the Asian Development Bank (ADB) is committed to increasing access to clean and affordable energy for people throughout the Asia and Pacific region, particularly the poor. ADB's Energy Policy, approved in 1995, emphasizes the acceleration of the widespread application of clean/cleaner/ renewable energy and energy efficiency in its Developing Member Countries (DMCs). This focus was strengthened in ADB's current draft Energy Strategy which has increasing energy access to the poor as one of the three pillars for ADB's overall support in the energy sector.

In line with this Strategy, the ADB is now implementing the Energy for All Initiative to build on its strengths and experience, to develop new approaches and methodologies for promoting access of the poor to reliable and affordable modern energy services, and to scale up to levels that can be supported by ADB and other relevant supporters and partners.

Based on suggestions by various partners and consultations with stakeholders during workshops* on ways to move forward, **the ADB seeks to establish an Asia-Pacific Regional Initiative (or partnership) for increasing access to energy for the poor.** ADB has engaged The Foundation for Development Cooperation (FDC) to assist in designing the Regional Initiative.

* Building on the outcomes and conclusions from two significant events in the first half of 2008; a workshop on *Expanding Access to Energy* during the 2nd Asia Clean Energy Forum (ACEF), hosted by ADB in Manila in June;
see <http://www.adb.org/Documents/events/2008/ACEF/default.asp>

and a workshop on *Financing Village-Level Energy for Development in Asia and the Pacific*, hosted by FDC, ADB and GVEP International in Manila in April.
see <http://www.fdc.org.au/energy-workshop/energy-workshop.html>
see <http://www.adb.org/Documents/Events/2008/Financing-Village-Energy/>

Context

There is growing awareness of the potential for cleaner and more renewable energy to provide an environmentally sustainable and relatively cheap means of supplying off-grid access to energy for the poor, particularly in developing countries. An estimated 1.6 billion people in developing countries, around 1 billion of whom are in the Asia-Pacific region, do not have access to electricity. Many more are still dependent on biomass and traditional cooking stoves for meeting their cooking and heating needs.

Despite the absence of a specific Millennium Development Goal for energy, it is clear that the widespread lack of access to modern energy services among the poorest acts as a

severe impediment to progress in meeting most of the MDGs. Energy is often a critical factor in achieving significant improvements in infant and maternal healthcare and combating disease (refrigeration, lighting, sterilization, transport, etc), education (lighting, heating, telecommunications, information technology, etc) agriculture and the eradication of hunger (irrigation, transport, storage, processing, etc).

Furthermore, the chronic lack of access to cleaner and more sustainable energy supplies has major implications for economic growth by placing significant restraints on the productive capacity of micro-entrepreneurs and rural supply chains. It is also increasingly apparent that continued use of wood, kerosene and traditional biomass for cooking, heating and lighting is increasing the contribution of poorer communities to greenhouse gas emissions.

While major multilateral institutions are structured to provide large-scale project finance on favourable terms, these have often been focused on the extension of electricity grids, an approach that often leaves large numbers of people, especially in rural areas far from transmission lines, without access to power.

The failure of governments to achieve significant rates of rural electrification in many countries has meant that off-grid energy sources such as solar lighting systems, micro-hydro, wind and are increasing in importance and use. Likewise, fuels such as LPG gas and biogas are being employed to replace traditional biomass and inefficient cooking stoves. Despite the low operating costs of these energy sources, high initial costs have proven to be one of the main obstacles for the poor in accessing alternative energy.

Efforts to expand the provision of clean/cleaner/ more renewable energy at the village level in Asia and the Pacific now depend less on technology and more on improved financing models to make this energy accessible and affordable at the village level across the Asia-Pacific region. Emphasis on decentralized services and a demand-driven response, advocated by many NGOs and expert organisations, have focused much of the activity to the communities themselves. A number of projects funded by donors, commercial banks, microfinance institutions and the private sector are supporting this new approach.

Despite some successful examples and documented case studies, however, financing modern energy services at the village level has not been widespread and isolated projects have not been consolidated or scaled up due to a lack of effective avenues for information sharing across projects, donors, and communities involved. This constrains the growth of the sector, the development of best practices, product development and supply, consumer awareness, and partnership formation. Attracting private sector participation in the scaling up process also requires projects to demonstrate a proven business case for development and expansion.

Mission

To substantially reduce the number of people in the Asia-Pacific region without access to modern energy services, thereby improving the standard of living, quality of life, general health and health services of poor communities in both off-grid rural villages and under-served urban settlements, the Regional Initiative will:

- ❑ Scale up energy services that are safe, clean, affordable and easily accessible.
- ❑ Develop a network or alliance as a coalition of endeavour to coordinate enhanced support for the efforts of donors, NGOs and the private sector in expanding energy access for the poor.
- ❑ Advocate new approaches and methodologies to promote access to reliable and affordable modern energy services.
- ❑ Coordinate effective learning, networking, information sharing and mentoring best practices through a focus on partnership and regional cooperation.
- ❑ Stimulate sustainable and effective benefits by empowering local communities.

Strategy

- Encourage the implementation of successful existing, new and suitable approaches and financing mechanisms to increase access to clean, cleaner and more renewable forms of energy with greater level of private sector participation.
- Learn from core challenges and successes in energy lending, including reference to leading case studies that have demonstrated a business case for development.
- Provide an opportunity for the exchange of information and experiences between expert practitioners, and to develop new partnerships.
- Stimulate research to examine the role of innovative financing and to identify other measures to narrow the gap between supply and demand of energy at the village level in Asia-Pacific.

Activities

The activities of the Regional Initiative will be driven mainly through a series of working groups that will be developed (see Organisational Structure below) to support partners in their efforts to develop viable business cases for scaling up, attracting private sector support, etc.

Innovative financing	Successful models and case studies	Information exchange and practitioner activity	Partnerships
Drive information and ideas through country and regional microfinance networks, banking associations, private sector energy providers and business associations.	Produce defensible and evidence-based “business case” scenarios.	Create and maintain a coalition of stakeholders, as a vehicle for public/private sector participation, contributions, resources and sponsorship, to promote and scale up projects. Enlist a network of ‘country agents’ to engage closely with local NGOs, governments, ADB country offices, and the private sector.	Develop suitable frameworks to establish public-private partnerships to implement and finance projects on the ground.
Assist micro-entrepreneurs and communities to engage with relevant institutional/donor/private funding mechanisms, and advise on new carbon economy opportunities such as the Clean Development Mechanism.	Recommend and stimulate the establishment of specialised equity/revolving funds and/or innovative financial products with key players/partners to scale up village-level energy financing.	Develop a series of practitioner-based technical exchanges across the region, including workshops, training programmes, to capitalise on learning, sharing, networking, case studies and best practices for adaptation and transfer.	Develop a brokering process between energy companies, suppliers, project developers and MFIs.
Develop a small, ongoing research capacity, with a strong performance monitoring and evaluation element, to focus on measurement of impact on poverty as a result of improved energy access.	Publish a practitioner-based book of short case studies, and interactive web site to capture best practices and build the network.	Create a regional resource, display and information centre, and convene an annual seminar on financing village-level energy during the ADB annual Clean Energy Forum.	Further develop the Regional Initiative as a sustainable partnership with a strong roles for the private sector, public agencies, financial institutions and NGOs.

Identity and branding

It is desirable to establish the Regional Initiative with a clear, independent identity to encourage support and participation by a broad constituency of public and private sector stakeholders. A suitable 'brand name' for the Regional Initiative is therefore necessary to add visibility, marketing potential, and reflect its regional role and multi-stakeholder engagement.

Temporary working title:

Asia-Pacific Regional Initiative – Access to Energy for the Poor



Partners and collaborators

The Regional Initiative will be open to all individuals and organisations that are active in implementing, financing, developing and scaling up access to energy projects in the region. Others can still benefit from the partnership as general members and will receive regular updates, networking opportunities, the possibility to participate in partnership events and activities, etc.

Participation will be encouraged from a range of experienced existing project developers, funders, practitioners, networks and institutions, plus a strong private sector contribution.

The organisational structure will be streamlined to maximise efficiency and ensure partner contributions are focused most directly towards project level activity.

Criteria for selection of partners and projects for recommendation to donors and financiers will be developed and applied as experience is pooled and aggregated.

Organisational Structure

Steering Committee

Comprising representatives of key partners, donors, leading financial institutions, foundations and other resource contributors - to provide leadership, mandate and overall direction.

Facilitator and Secretariat

Institutional leadership and 'incubator' support provided during the initial phase by ADB at its Manila HQ, supplemented in later phases with a physical presence, including engagement of interns and partner organisations, in other key centres such as Singapore, Fiji, Indonesia, India, etc.

As and when the Regional Initiative demonstrates its effectiveness, additional resources can be mobilised from other development partners and the private sector to sustain it in the longer term.

Working groups

Practitioners and stakeholders with on-the-ground experience will be invited to advise on specific requirements, implementation, research, monitoring and evaluation, and potentially to lead a working group relevant to their expertise and commitment. The working groups will catalyse engagement with suitable supporters, projects, institutions and agencies to contribute intelligence, credibility and regional cooperation, including both public and private sectors. Examples of working groups that are being considered include:

Financing & technology

Identify appropriate technologies, explore innovative investment models and supplier credit schemes. Ensure viable project business cases and promote the role of the private sector.

Carbon financing

Seek opportunities for attracting suitable carbon-related investments, such as through the Clean Development Mechanism.

Energy and microfinance

Examine the potential for applying microfinance models to the scaling up of village level energy access solutions

Networks and information exchange

Develop alignment with national/ regional/donor energy policies, ADB country office needs and operational lending departments, and develop strong links for local community and institutional capacity building, etc. Scale up successful examples to levels that can be supported by national level action.

Potential benefits derived from a regional approach

- Leadership role of recognised regional organisations critical.
- A regional platform will assist donors with coordination and collaboration.
- The regional initiative can steer expert-led initiatives and raise funding potential of leading models.
- Scaling up successful models will yield enormous untapped potential – with expertise pooled to bring region-wide benefits and visibility, particularly through a stakeholder advisory panel.
- Intra-regional technical exchanges between practitioner organisations are very effective.
- Feedback loop of information and experience to assist multi-lateral agencies like ADB, IFC, etc.
- Innovation, product development, added funding, clarified business cases, insurance, etc, are all necessary to achieve the overall objective.
- The challenge is mainly in rural areas, but there is a need to collect reliable information on the needs and supplies at village level.
- Weak R&D and training is a barrier to implementation, and project funding typically neglects the ongoing costs of maintenance.
- The regional initiative can provide a brokerage role, seeking finance, technology and development partners.
- Climbing the energy ladder leads to immediate impacts on poverty, income, gender, health, nutrition, environment, enterprise development and economic growth.
- Technology needs assessments are required plus data on impact of energy access at the village level.
- Energy connection and energy efficiency are as important as energy access.
- Added stakeholder orientation to local networks, NGOs, private sector.
- Local communities will benefit from the support of a continuous presence and knowledge resource.
- There is a continuous need to define access to energy – technology choices, rural/urban needs, neutral of special interests.
- It is critical to develop a systematic regional approach for monitoring and evaluation of the impact of grass roots initiatives.
- A regional approach can track progress against national, regional, global goals such as the Human Development Index.
- Communities require more systematic links to capacity-building services.
- The regional initiative will provide synergy, flexibility, status for partners, and will stimulate economies of scale.
- Regional expansion can lead to lower production and implementation costs.
- All stakeholders will benefit from a renewed focus on facilitating national-level action throughout the region.
- Public-private partnerships of all varieties remain critical to scaling up across the region.

Performance and impact criteria

Some of the criteria which can be applied to determine the performance and impact of projects and initiatives in the region include:

- Are there effective mechanisms for information sharing?
- Can collaboration and partnerships between private/public stakeholders be demonstrated?
- Are energy loans aggregated and demand driven?
- Does a convincing business case exist to attract investment?
- Is there potential access to the microfinance market?
- Are specific and targeted micro and innovative finance products available?
- Are opportunities to capitalise on new carbon market investments being identified?

Timeline

Timeframe	Output	Comments
22 September 2008	Concept Paper circulated	Concept Paper circulated to all interested parties as open for consultation and comment
6 October 2008	Concept Paper comments	Comments received from stakeholders for consideration and inclusion in final Regional Initiative structure
17 October 2008	Feedback assimilated	Comments reviewed, consolidated and integrated.
20 October 2008	Regional Initiative Final Draft Report	Final report on the organizational structure and key activities of the regional initiative.
November 2008	Set up phase	Assemble secretariat/facilitator functions
November 2008	'Soft' Launch	During BAQ 2008 in BKK
December 2008	Working Groups	Nominate Working Groups, including core partners, chairs, etc, and identify options for meetings/conference calls
Dec/January	Steering Committee meeting	Options for first Steering Committee meeting in regional centre, potentially Singapore.
June 2009	<ul style="list-style-type: none"> • Formal launch of the partnership • Working Groups and Steering Committee meeting' 	ADB Asian Clean Energy Forum, Manila

Feedback invited to:

Jack Whelan
Head, Private Sector Engagement
Foundation for Development Cooperation
jackwhelan@fdc.org.au

Jiwan Acharya
Regional and Sustainable Development Department
Asian Development Bank
jacharya@adb.org

Further details are available from:

Jack Whelan
Head, Private Sector Engagement
Foundation for Development Cooperation
jackwhelan@fdc.org.au

Jamie Bedson
Asia Regional Representative
Foundation for Development Cooperation
(Singapore)
jamiebedson@fdc.org.au

Shawn Hunter
Project Officer
Foundation for Development Cooperation
shawnhunter@fdc.org.au

Craig Wilson
Executive Director
Foundation for Development Cooperation
craigwilson@fdc.org.au

Annex 1.

List of potential participating organisations and projects

Alliance for Mindanao Off-Grid Renewable Energy (AMORE), Philippines
Alternative Energy Promotion Centre
APPROTECH ASIA
ARC
Asian Development Bank
AusAID
Bank of Philippine Islands
Barefoot Power
BP
Citi Foundation
Development Bank of the Philippines
Distributed Generation and Rural Electrification
E&Co Asia
Foundation for Sustainable Technologies (FoST)
Fuel for Poor Communities, Nepal
GE Energy Financial Services
Global Environment Facility
Green Microfinance
Groupe Energies Renouvelables Environment et Solidarites
GTZ, German Organization for Technical Cooperation
GVEP International
International Finance Corporation
International Resources Group-Philippines
JICA
Khaula Karya & Depot Teknologi Khaula, Indonesia
MicroEnergy International
Mindanao Microfinance
Pacific Islands Applied Geoscience Commission (SOPAC)
Pacific Islands Renewable Energy Project Appropriate Technology and Community
Development Institute (ATCDI), PNG
Peace and Equity Foundation
People's Credit and Finance Corporation
PlaNet Finance
Preferred Energy Inc
Private Financing Advisory Network (PFAN) of the Climate Technology Initiative (CTI)
Project ACCESS, Solar Electric Co., Philippines.
RENDEV, Sri Lanka and Bangladesh.
Renewable Energy Asia Partnership
REEEP – Renewable Energy & Energy Efficiency Partnership
ReEx Capital Asia

Sardovaya Economic Enterprise Development Services (SEEDS) Ltd, Sri Lanka
Shell Foundation
Sibol ng Agham at Teknolohiya (SIBAT), Philippines
SNV
Solar Electric Company Inc
SPREP - Secretariat of the Pacific Regional Environment Programme
Standard Chartered Bank
Sunlabob Renewable Energy Systems Ltd
TERI, India, Lighting a Billion Lives Campaign
Triodos Bank
University of the Philippines
University of the South Pacific
USAID, Office of Energy and Environment
Winrock International
World Bank
World Business Council for Sustainable Development (WBCSD)
World LP Gas Association (WLPGA)
YAMOG Renewable Energy Devt. Group