

# **Assessing the World Bank's contributions to Climate Goals and Energy Access: Nigeria, Mozambique and Myanmar**



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**T**he world is faced with an accelerating climate crisis. People who live in poverty in low- and middle-income countries have contributed the least to climate change, yet they are the most vulnerable to its impacts. They are often directly dependent on natural resources to sustain their livelihoods. The impact of change is already putting a stress on these resources. Food shortages, increased food prices and lack of access to water are just some of the consequences of extreme weather events, such as drought and flooding.

On March 10, 2020, the UN released its State of the Global Climate in 2019 report demonstrating extreme weather events, some of which were unprecedented in scale, including:

- Above-average monsoon season rainfall and flooding in India, Nepal, Bangladesh and Myanmar, leading to the loss of some 2,200 lives in the region.
- Above-average number of tropical cyclones, including notably destructive cyclone, Idai, which caused widespread devastation in Mozambique and the east coast of Africa.
- Australia had its driest year on record and the 2018-2019 summer was the hottest ever recorded. The country experienced devastating bush fires that also spiked carbon dioxide emissions.

The World Bank Group (WBG)<sup>1</sup> has pledged to assist countries to meet the goals of the United Nations (UN) Paris Climate Agreement (2015), which include limiting global average warming to well below 2°C; and making financial flows consistent with a pathway towards low greenhouse gas (GHG) development. Unfortunately, global GHG emissions continued to increase in 2019 and the UN chief, Antonio Guterres, warns that the world is currently "way off track meeting either the 1.5°C or 2°C targets of the Paris Agreement."<sup>2</sup> Moreover, the World Bank's warning for the world's poor is stark:

**"Without urgent action, climate change impacts could push an additional 100 million people into poverty by 2030."<sup>3</sup>**

The core of the climate crisis is the energy sector's burning of fossil fuels, since it is the largest contributor to GHG emissions. A rapid transformation of the energy sector, from fossil fuels to renewable energy, is needed to combat climate change. At the same time, the transformation must meet the needs of **nearly one billion people – mostly concentrated in Sub-Saharan Africa and South Asia – that still live without access to electricity and hundreds of millions more living with unreliable or expensive, unaffordable electricity.**<sup>4</sup>

Both the UN and the WBG emphasize that access to energy is essential to reducing poverty. Correspondingly, the UN's Sustainable Development Goal 7 aims for universal access to affordable, reliable and sustainable energy by 2030. Likewise, in 2013 the WBG pledged that its energy practice would be centered on the achievement of the UN's universal energy access goals.<sup>5</sup>

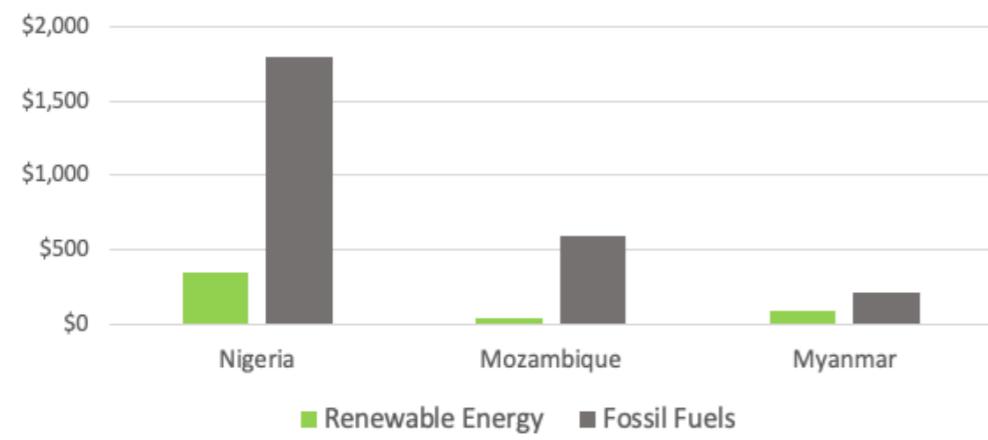
Poverty reduction, energy access goals and climate goals are inextricably linked and require urgent and bold action. Given the WBG mandate to eradicate extreme poverty, it is important to assess how the development institution approaches energy access and climate goals and whether it is taking the urgent actions needed to address both. The following paper provides a summary of assessments done on WBG energy sector assistance to three high energy deficit countries facing significant climate change threats: **Nigeria, Mozambique, and Myanmar.**<sup>6</sup>

Nigeria has over 87 million people living without access to electricity; Mozambique has over 22 million; and Myanmar has more than 35 million. The country assessments reviewed WBG energy sector project finance (excluding financial intermediaries) and policy-based operations<sup>7</sup> from 2014 to 2019 with a focus on WBG contributions to: new household electricity connections (rate of electrification); types of power generation (e.g., fossil fuels, renewable energy, grid, and off-grid); and affordability for the poor. The main findings include:

### **WBG contribution to Goals of the Paris Climate Agreement**

**WBG prioritizes fossil fuels over renewable energy.** Nigeria, Mozambique and Myanmar all have significant, undeveloped solar and wind resources. Furthermore, renewable technologies are already available and cost competitive with fossil fuels. However, as shown in Figure 1, instead of prioritizing finance for renewable energy, the WBG's assistance firmly places fossil fuels as the priority. In Nigeria, WBG finance was 5 times higher for fossil fuels than for renewable energy. Most alarming is the WBG's insignificant support for renewable energy in Mozambique, where fossil fuels receive 16 times more funding. Furthermore, World Bank technical assistance in Myanmar advised the government to prioritize the creation of a master gas development plan ahead of solar or wind development plans. In Mozambique, WBG policy assistance supported tax breaks for coal and gas.

**Figure 1. WBG Energy Finance 2014-2019**  
(million US\$)



Note: Does not include WBG finance through financial intermediaries.

**WBG focus on gas expansion – misguided and GHG-intensive:** The production, transport and burning of gas emits significant GHG emissions and is one of the largest global sources of methane emissions. The WBG's focus on significantly expanding gas operations in all three countries neglects climate risks and problems of affordability, especially for the poor. Moreover, in Myanmar and Mozambique the WBG is providing significant assistance to liquefied natural gas (LNG). Converting gas into LNG is a highly energy-intensive and thus GHG-intensive process. This conversion process also increases the costs of electricity, which only further burdens the poor.

**WBG facilitating high-GHG development path, non-alignment with Paris Agreement.** The three country assessments clearly demonstrate the WBG's untethered support for fossil fuels, while significant renewable energy solutions remain under-developed and under-funded. In this time of climate crisis, WBG public finance should not be used to subsidize fossil fuels. In

effect, the WBG's public assistance for fossil fuels undermines the WBG's support for carbon taxes by providing carbon incentives. As a result, the WBG is not in alignment with the Paris Climate Agreement's goal of making financial flows consistent with a pathway towards low-GHG development.

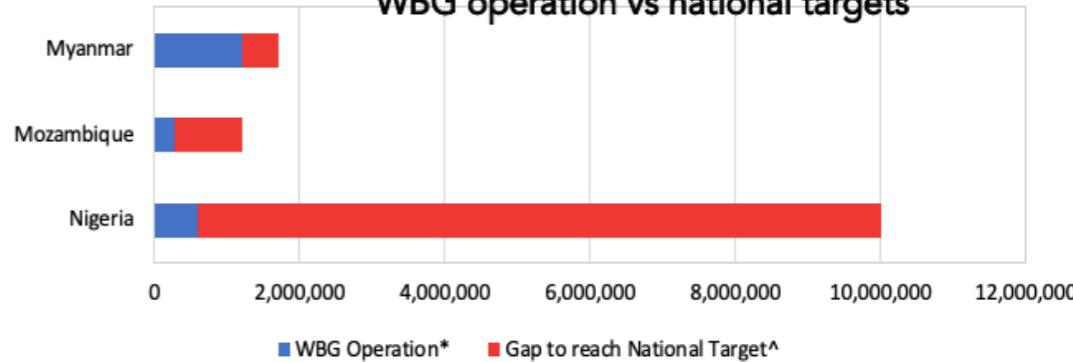
### **WBG contribution to Universal Energy Access by 2030<sup>8</sup>**

**Increase in WBG assistance for energy access.** Since 2015, the WBG has increased assistance directed at energy access in these three countries. Prior to 2016, WBG assistance in the energy sector in these countries largely did not contribute directly to new energy connections. In Nigeria and Myanmar, the WBG has directed \$350 million and \$400 million, respectively, to support the national electrification strategies in these countries with specified outcomes for new household connections. For Mozambique, such WBG energy access-directed assistance has been much less at \$82 million.

**Uneven assistance for mini- and off-grid renewable energy solutions.** In all three countries, the majority of people without access to electricity live in rural communities, where mini- and off-grid renewable solutions are the most cost-effective and climate-safe options. The WBG's Nigeria Electrification Project rightly focuses the \$350 million project largely on mini- and off-grid solar solutions. In Myanmar, the WBG is providing \$90 million towards the off-grid program, but expects rural communities to cover roughly \$107 million in installation costs.<sup>9</sup> However, these costs are proving to be unaffordable for many rural communities in Myanmar. In Mozambique, where only 6% of the rural population has access, the WBG is only providing \$13 million for off-grid renewable solutions or only 1.5% of WBG energy sector project finance.

**Rate of electrification is inadequate to reach universal access by 2030.** As a gage on where the countries stand in reaching universal energy access by 2030, Figure 2 shows the number of new household connections the WBG operations plan to achieve compared to the national electrification targets to be reached by 2020-23. Figure 2 indicates, through the red portion of the bar, that each country does not achieve their initial electrification targets. Nigeria comes up way short of its goal – 9.4 million households short. While, Mozambique is over 925,000 short and Myanmar is approximately 500,000 households short.

**Figure 2. New Household Connections needed by 2020-23:**  
**WBG operation vs national targets**



\*New connections attributed to WBG operations are also jointly funded by other actors (e.g., national government, bi-lateral donors).^The national targets represent the number of new household connections deemed necessary by the 2020-23 timeframe to reach universal access by 2030 as provided in national electrification strategies. Nigeria only represents the rural connections needed.

**Re-direct funding for energy access.** Given the WBG energy access operations, i.e., the new connections, are already jointly funded by the home-country government and/or bi-lateral funders, it is unclear how the gaps in connections will be closed. Even more concerning is the fact that for the next ten years, the electrification rate for all three countries must significantly ramp up to reach universal access by 2030. However, the WBG should be able to re-direct more of its energy sector finance towards new connections. From 2014 to 2019, the portion directed at new connections was relatively small: 13% in Nigeria; and 10% in Mozambique. Myanmar was the exception with over 50% of total energy sector finance directed at grid-extension and off-grid solutions (although connection costs remain unaffordable for many urban and rural poor households).

It is important to note that this document represents a common summary, please see the individual country assessments for Nigeria, Mozambique and Myanmar for more details, country-specific findings and country-specific recommendations.

## Recommendations

The WBG has committed to assist countries to meet the goals of the Paris Climate Agreement, and to center their energy practice on achieving universal access to energy by 2030. In order to help Nigeria, Mozambique and Myanmar reach these goals, the WBG should:

- **End all WBG public assistance for fossil fuels:** Given the WBG's warning that without urgent action, climate change impacts could push an additional 100 million people into poverty by 2030, no WBG public assistance should be used to develop fossil fuels. This includes assistance for associated facilities; financial intermediaries; policy-based finance (e.g., fossil fuels excluded from all forms of tax breaks and investment incentives); guarantees; general budget support (i.e., fossil fuels must be added to excluded expenditures); technical assistance and advisory services.
- **Provide more and sustained funding for new household connections:** Given the WBG's finance directed at new household connections represents a relatively small percentage of overall energy sector finance in a given country (10% in Mozambique), the WBG can and should direct more finance to connections. To reduce uncertainty in funding for national electrification programs, the WBG should commit to long-term (e.g., 10-year) sustained funding for new household electricity connections. The 10-year WBG funding commitment needs to be reflected in updated Country Partnership Frameworks for each country. Correspondingly, the WBG needs to transparently report direct WBG contributions to new household connections within the context of other sources of energy access funding
- **Scale up funding for mini- and off-grid renewable energy solutions:** With the vast majority of people without energy access living in rural communities, the WBG needs to exponentially scale up funding for mini- and off-grid renewable energy solutions across all high energy deficit countries. Even the substantial WBG funding for off-grid solutions in Nigeria needs to be increased and sustained for Nigeria to reach universal access by 2030.
- **Perform a gap analysis on universal access by 2030:** Given that the electrification rate is inadequate, the WBG should assist the government to identify where gaps exist and how the gaps will be addressed in order for them to achieve annual electrification targets necessary to reach universal access by 2030.

## Endnotes

- 1 The World Bank Group includes: International Development Association (IDA), International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Multilateral Investment Guarantee Agency (MIGA).
- 2 <https://news.un.org/en/story/2020/03/1059061>
- 3 <https://www.worldbank.org/en/topic/climatechange/overview> as viewed on February 28, 2020.
- 4 <https://www.worldbank.org/en/news/feature/2018/04/18/access-energy-sustainable-development-goal-7>
- 5 World Bank Group, 2013. Toward a Sustainable Energy Future for All: Directions for the World Bank Group's Energy Sector. July 2013. <http://documents.worldbank.org/curat-ed/en/745601468160524040/Toward-a-sustainable-energy-future-for-all-directions-for-the-World-Bank-Group-8217-s-energy-sector>
- 6 [Myanmar Report: https://www.re-course.org/wp-content/uploads/2019/10/Too-high-a-price-for-the-poor-and-climate.pdf](https://www.re-course.org/wp-content/uploads/2019/10/Too-high-a-price-for-the-poor-and-climate.pdf)  
[Nigeria Report: https://www.re-course.org/wp-content/uploads/2020/06/The-World-Bank-Failing-Nigeria-on-Climate-Goals-and-Energy-Access\\_Final.pdf](https://www.re-course.org/wp-content/uploads/2020/06/The-World-Bank-Failing-Nigeria-on-Climate-Goals-and-Energy-Access_Final.pdf)  
[Mozambique Report: https://www.re-course.org/wp-content/uploads/2020/09/World-Bank-prioritizes-Fossil-Fuels-and-Energy-Exports-instead-of-Renewables-and-Energy-Access-in-Mozambique-3.pdf](https://www.re-course.org/wp-content/uploads/2020/09/World-Bank-prioritizes-Fossil-Fuels-and-Energy-Exports-instead-of-Renewables-and-Energy-Access-in-Mozambique-3.pdf)
- 7 WBG policy-based operations include Development Policy Finance, Technical Assistance, and Advisory Services.
- 8 This assessment reviews access to electricity and does not cover access to clean cooking solutions, which is also of great importance.

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