UN-OHRLLS

UNITED NATIONS OFFICE OF THE HIGH REPRESENTATIVE FOR THE LEAST DEVELOPED COUNTRIES, LANDLOCKED DEVELOPING COUNTRIES AND SMALL ISLAND DEVELOPING STATES

Draft Terms of Reference

“Country study on increasing investment in LDCs to achieve SDG7 by 2030”

1. Context

Least developed countries (LDCs) have made considerable progress in increasing access to electricity. Yet, about half of the people in the world without electricity live in LDCs. While the average global electrification rate reached 87.4% in 2016, the proportion of the population in LDCs with access to electricity was 44.8%. This data hides disparities between countries and regions, as well as urban and rural areas. In 2016, on average, 75% of the urban population in LDCs had electricity access, compared with only 31% of rural populations. These gaps are not only limited to electricity, since access to modern fuels for cooking and heating are yet further restricted in these countries.

The acute energy gap faced by the least developed countries is a binding constraint on their structural transformation. Reliable and affordable access to energy is a key development multiplier with large transformative power. It is essential for private sector development, productive capacity building and expansion of trade and it also has strong linkages to climate action, health, education, water and food security. Considering the potential that sustainable energy has for the development of the least developed countries, accelerated action is needed in LDCs if Sustainable Development Goal 7 is to be reached by 2030 globally.

Reaching universal access to modern energy in LDCs by 2030 will require massive investment and a rapid change in action within the next years. Technological advances continue to generate new solutions and clean, green energy is more affordable and competitive than ever. If these advancements are combined with increased investments, least developed countries can have a real opportunity to achieve SDG7 by 2030 and contribute to climate change action.

A recent estimate puts the cost of achieving universal access to modern energy in LDCs, from US$12 billion to US$40 billion per year. Yet, financing remains limited. A 2017 UN-OHRLLS report on promoting investment for energy access in LDCs found that between 2010 and 2015, investment in sustainable energy, including from development finance institution programme support, was markedly uneven.

This country study will zoom in at country level and analyse how well-coordinated and strategically planned action could spur investment in the sustainably energy sector and put the country on track for achieving SDG7 by 2030. The best practises and lessons learnt from this study will be shared with other LDCs and their development partners at the global high-level meeting on financing for sustainable and modern energy in LDCs, taking place in China in 2019.

2. Objectives of the report

The primary objective of this study is to contribute to the achievement of SDG 7 in least developed countries. The specific purpose of the assignment is to prepare a country specific study on increasing investment in sustainable energy to accelerate energy transition. The report will lay out how the pilot country could attract and generate the required investment to achieve SDG7, and leapfrog to clean energy, with a view to contributing to the objectives of the Paris Agreement and holding the increase in the global average temperature to “well below 2°C”.

The investment study will be designed to provide an approach for operationalizing national sustainable energy plans and strategies towards achieving SDG 7, by identifying a set of implementable programmes and projects, including their investment requirements, that can then be presented to potential private and public investors. Its purpose is to crowd-in investments, to accelerate sustainable energy transition by combining different investment opportunities in one package, as well as enhancing an enabling environment.

The study must provide a comprehensive, systematic and well-prioritized overview of concrete investment opportunities in pilot country’s energy sector. It must be tailored to the information needs of potential investors and aimed at accelerating the process of getting projects financed and implemented.

As the study will be presented to other LDCs, the possibility of expediting the achievement of SDG7 in other LDCs using the same approach will be examined together with preparing similar type of report for other LDCs.

3. Selection of the pilot country

The study will focus on countries left behind in terms of access to sustainable energy and it will be conducted in Malawi.

Malawi was selected from among those countries that have electricity access rates below 20 %.[1] Further, the country selection was based on criteria such as current level of development of the sustainable energy sector, national adaptation programme of action (NAPA), progress made in preparing rapid assessment and action agendas, and other related factors. Also, the Ministry of the Ministry of Natural Resources, Energy and Environment of Malawi and other relevant partners were consulted. The country analysis will be the stepping-stone for identifying opportunities and challenges at country level, and for breaking down the activities needed for transition to sustainable and modern energy, as well as outlining the required financing scheme.

4. Detailed tasks and deliverables

The study will cover the following aspects:

a) Review of energy sector and needs in the selected pilot country, analyse progress made since the adoption of the Istanbul Programme of Action, power demand (current and future), and

[1] Burkina Faso, Burundi, Central African Republic, Chad, Democratic Republic of Congo, Guinea-Bissau, Liberia, Malawi, Niger, Sierra Leone and South Sudan (based on 2016 Global Tracking Framework data)

future plans for access to energy. The report shall be based on the latest available data, to analyse progress in access, efficiency, renewable energy and total primary energy supply per capita. The review should also underline the energy supply potential of the country.

b) Analyse the main challenges in access to sustainable energy and describe the future energy mix, with a view to contributing to the objectives of the Paris Agreement.

c) Present the investment needs required to reach 100% access to sustainable energy by 2030. Analyse the current financing flows to sustainable energy projects and the main impediments blocking new investments.

d) Identify and present a set of implementable programmes and projects for grid, mini-grid and off-grid sectors in the pilot country and the financing required, ensuring the climate change resilience of the proposed programmes and projects. Estimate (wherever applicable) the climate change mitigation potential of each project (tons of CO2 equivalent emission reduction potential based on UNFCCC methodologies) with a view to mobilize climate finance at later stages.

e) Present financing routes and offer recommendations on how to unlock private sector finance, and tap into business opportunities, including through public-private partnerships.

f) Facilitate focused discussions with key stakeholders including Government, private sector, CSOs, projects developers, development partners and project developers and technology providers, and liaise with other similar and relevant projects to ensure alignment and exchange of best practices. Provide recommendations for the government, development partners in the North and South, IFIs, MDBs, regional banks and the private sector, in taking next steps.

g) Consider how to increase funds for project preparation through regional and multilateral mechanisms.

h) As the report will be presented in a meeting for all LDCs for lessons learned and best practices, the report has to precisely describe the methodology used in the study, including justifications and explanations behind the selection of financial and other indicators and databases from which these were derived.

5. Timeline

The drafting of the study will commence in September/October 2018, and will have to finish in the 1st quarter of 2019. The report will be presented at a global meeting on financing for sustainable and modern energy in LDCs, to be organised in China, during the 2nd quarter of 2019.

The study will be drafted partly from the place of residence of the consultant/consultants, as well as through visits to the pilot country. Regular consultations via video conference, audio conference or other remote business practices, will be required.

Background

The Least Developed Countries (LDCs) are the poorest and most vulnerable countries in the world, facing severe risks and uncertainties in their development. They account for less than 2 per cent of world GDP, while at the same time comprise more than 954 million people (or about 13 per cent of the world population). The population in LDCs is expected to double between 2015 and 2050 (UN-DESA 2015), with the highest population growth in Africa, which entails increasing challenges for the all 47 LDCs (including 33 African LDCs). The LDCs face severe gaps in socioeconomic development, weak human and institutional capacities, low and unequally distributed income and scarce domestic financial resources. These countries often suffer from internal or external crises and high vulnerability to external shocks, which are reflected in the economic vulnerability index.

About half of the people in the world without electricity live in LDCs and in 2016, the proportion of the population in LDCs with access to electricity was 44.8%. On average, 75% of the urban population in LDCs had electricity access, compared with only 31% of rural populations.

The acute energy gap faced by the least developed countries is a binding constraint on their structural transformation. Reliable and affordable access to energy is a key development multiplier with large transformative power. It is essential for private sector development, productive capacity building and expansion of trade and it also has strong linkages to climate action, health, education, water and food security. Despite the potential that sustainable energy has for the development of the least developed countries, accelerated action is needed if Sustainable Development Goal 7 is to be reached by 2030 in least developed countries.

The Istanbul Programme of Action for the Least Developed Countries for the decade 2011-2020 (IPoA) recognizes that access to affordable, reliable and renewable energy and related technologies, as well as the efficient use and distribution of energy will be critically important for accelerating growth, improving livelihoods and advancing sustainable development. Therefore, access to energy is one of the priority areas for action in the IPoA, which includes 3 goals and targets related to energy:

- Strive to increase total primary energy supply per capita to the same level as other developing countries;
- Significantly increase the share of electricity generation through renewable energy sources by 2020;
- Enhance capacities in energy production, trade and distribution with the aim of ensuring access to energy for all by 2030.

The Sustainable Development Goals adopted in 2015 included for the first time an internationally accepted goal on sustainable energy. The Goal 7 targets to ensure access to affordable, reliable, sustainable and modern energy for all by 2030. It also makes a special reference to expanding infrastructure and upgrading technology for supplying modern and sustainable energy services, in particular in the least developed countries and other vulnerable countries. The SDG 7 is closely linked with the United Nations Decade of Sustainable Energy for All (2014-2024).

Pursuant to resolution A/RES/69/231, and the Political declaration of the Comprehensive High-level Midterm Review of the Implementation of the Istanbul Programme of Action for the Least Developed Countries for the Decade 2011-2020, special attention should be given to the least developed countries throughout **the United Nations Decade of Sustainable Energy for All (2014-2024)**.

Considering the ambitious global policy objectives and acute energy gap in LDCs, rapid energy transition will require a strong push from all stakeholders, massive investments and deployment of new technologies. Building on the lessons learnt and best practices, the least developed countries will need further support in achieving this transition and the global goals on energy.

LDCs face special challenges in mobilizing long-term financing for sustainable energy. LDCs can rarely benefit from larger financing schemes in a same way as other developing countries because of the scale, lack of substantial local investment and institutional capacity constraints. The main obstacles regarding financing for sustainable energy in LDCs include high costs inherent to the energy sector (starting from project preparation to high initial investment costs), limited access to funding due to poor or non-existent credit ratings and lack of domestic and foreign private sector partners understanding of the business case that exists in LDC energy sector. These factors, combined with challenges in the regulatory framework and capacity restrictions, make it difficult for the LDCs to tackle their energy challenges. Therefore, a key question to consider is what it will take to attract significant private sector financing in the energy sector with catalytic contribution of public and development financing.

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