ADB Energy Policy and Program, 2009–2019

KEY FEATURE OF THE PROGRAM

ADB approved $42.5 billion for the energy sector during the period, the second largest sector allocation after transport.

Sovereign loans and grants accounted for three-quarters of ADB’s total support. Nonsovereign operations accounted for the remaining one-quarter and increased in volume by one-third during the second half of the period.

Electricity transmission and distribution was the dominant subsector overall with 39% of the total, followed by conventional energy and renewable energy generation.

India was the largest borrower in the sector with 18% of the total, followed by Pakistan (13%), People’s Republic of China (11%), Indonesia (10%), and Bangladesh (9%).

KEY EVALUATION FINDINGS

Performance and Results

Energy sector projects performance during 2009–2019 averaged 81% success rates, outperforming the ADB average of 65%.

The performance of sovereign operations was driven by high relevance ratings but suffered from lower efficiency due to implementation delays. Nonsovereign operations performance was driven by good development results and investment profitability.

The energy program was critical to supporting expanded and enhanced access to electricity, the second pillar of the policy, as well as to increasing the share of renewable energy.

The energy program fell short in supporting “last mile” electrification, off-grid systems, clean cooking, demand-side energy efficiency, energy sector reforms and governance, policy development for regional integration, and climate resilience.

RECOMMENDATIONS

Policy and Strategy

1. Revisit and update the Energy Policy by emphasizing climate change mitigation and adaptation as a core priority; formally withdrawing from financing new added capacity of coal-fired power and heat generation plants, while helping developing member countries (DMCs) to phase out coal-based energy and mitigate the environmental and health impacts of the existing coal fleet; introducing a sound screening criteria for other fossil fuels, and aligning the policy with Strategy 2030 and the ongoing sector transformation, complemented with a detailed implementation guidance document.

2. Place more emphasis on promoting a more active high-level engagement with DMCs in their energy sectors to help countries prepare their long-term sector plans, support DMC climate commitments and priorities especially in the aftermath of the coronavirus disease (COVID-19) pandemic crisis, promote the establishment of adequate institutional arrangements to build financially viable energy systems and expand regional integration.

Operations and Organization

3. Increase support to address gaps in ADB energy operations in key areas, including sector reforms, demand-side energy efficiency projects, distribution network enhancement, and renewable energy integration to improve the long-term sustainability of DMC energy systems.

4. Expand energy operations beyond the power sector into cross-sectoral applications to meet new energy needs in DMCs and incentivize staff to work across sectors and divisions.

5. Increase the attention paid to knowledge creation and dissemination, innovation, cross-sectoral work, and quality at entry, by revisiting incentive structures of staff, and by strengthening internal and external collaboration channels.
Assessment of the Energy Policy 2009

The Energy Policy 2009 was relevant to the program as its three objectives aligned at the time of approval with the needs of energy sectors within DMCs, Strategy 2020, policies of other multilateral development banks, and climate change priorities.

The policy addressed DMC energy requirements, such as the provision of energy efficiency and renewable energy, access to energy for all, and an efficient and viable energy sector. However, its guidance was general and of limited usefulness as a framework for the prioritization and selection of specific operations.

With respect to financing coal-fired power plants—a contentious issue in the past few years—there is a disconnect between what the policy formally allows and what ADB finances in practice.

The current policy is no longer adequately aligned with the global consensus on climate change, recent changes in the energy sector of DMCs, the ongoing transformation of the energy sector globally, and ADB’s new Strategy 2030.

Organization for Delivery

The number of ADB energy staff increased by almost half between 2009 and 2019, with a significant increase in the share of female staff.

Staff technical skills are adequate, as ADB relies to a significant extent on consultants. Internal collaboration and the “One ADB” approach have not yet been fully operationalized in the energy sector, although there have been recent improvements.

ADB’s transition to a knowledge solutions bank remains a work in progress in the energy and other sectors. ADB creates substantial knowledge through technical assistance activities, but this is not well disseminated outside project teams.

There is a lack of continuity in implementation, ADB projects are rarely designed and completed by the same project officer contributing to unrealistic implementation schedules and inflated cost estimates.

ISSUES

The Energy Policy 2009 is not well aligned with the current Strategy 2030 and has provided only limited guidance for the formulation of country partnership strategies.

ADB’s stance on financing coal-fired generation is not consistent, as the Energy Policy 2009 allows such financing but ADB refrains in practice from investing in these projects, which confuses counterparts and other stakeholders.

ADB and DMCs have paid limited attention to providing modern energy access to remote communities and the poorest populations, although there have been a few successes in supporting renewable and hybrid stand-alone and mini-grid systems in islands and remote areas.

ADB’s limited high-level engagement and support to integrated energy planning reduced its impact in addressing DMCs energy needs.

While well-adapted to large infrastructure projects, ADB’s financing and operational structure is inefficient in supporting development programs that involve small and widely-dispersed subprojects, as in the case of demand-side energy efficiency and off-grid energy access projects.

Excessive focus on approvals continues to prevail at ADB. Budgeting and staff performance are tied to the volume of lending in the course of a fiscal year, driving staff to favor large projects processed quickly, particularly toward the last quarter of the year. Nonetheless, ADB has recently recognized this issue and is taking actions to address it.

ADB produces knowledge through technical assistance and other resources, but this knowledge is not effectively disseminated across or outside the organization. Few staff in operations produce knowledge products, because of limited time and incentives. Lessons learned from projects are rarely shared outside the division, therefore, issues recur in other projects in different regions.