Economic and Social Commission for Western Asia

مشروع "بناء القدرات العربية في مجال تغيّر المناخ"، تنفيذ لجنة الأمم المتحدة الاقتصادية والاجتماعية لغرب آسيا (الإسكوا) بالشراكة مع الصندوق العربي للإنماء الاقتصادي والاجتماعي

Session#3: Unlocking Investment – Financing Opportunities and Challenges and for Renewable Energy

Sustainable Energy Transition Across Sectors in Arab LDCs
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UNITED NATIONS
الاسكوا
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Shared Prosperity Dignified Life

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Agenda (Detailed)

<> What funding mechanisms and donor programs are available to support sustainable energy projects at Arab LDCs, and how can these be effectively accessed or leveraged?

<> What are the most significant (perceived) financial risks that prevent large-scale/small scale investment in renewable energy projects, and what financial instruments are most effective in mitigating these risks to unlock new investment?

<> How can public-private partnerships be leveraged to upscale financing for small-scale renewable energy projects in rural areas, and what roles should local governments, private sector investors, and international development banks play in making these partnerships financially viable?

<> What role for entrepreneurs in driving the energy transition. Example: successful small-scale energy enterprises in Arab LDCs (e.g., Pay-As-You-Go solar solutions, community-based microgrids).

<> How can governments create more attractive policy environments to unlock greater financing from the private sector and development banks

Agenda (Top Level)

- 💰 Funding Mechanisms
- ⚠️ Financial Risks & Mitigation
- 🤝 Public-Private Partnerships
- 💡 Entrepreneurs’ Role
- 🏛️ Government Actions

Funding Mechanisms and Donor Programs for Sustainable Energy in Arab LDCs

Overview of Funding Mechanisms

1. **Multilateral Funds** 🌍
    - Green Climate Fund (GCF) – Grants & concessional finance
    - Global Environment Facility (GEF) – Innovation & capacity building
    - Climate Investment Funds (CIF) – Scaling renewables
2. **Development Banks** 🏦
    - AFESD, IsDB, AfDB (SEFA), World Bank (IDA)
3. **Bilateral Donors** 🤲
    - FCDO, AFD, JICA
4. **Private & Impact Investors** 💼
    - ElectriFI, InfraCo Africa, Acumen Fund

Strategies to Access Fund

- **Policy Alignment:** National energy strategies matching donor priorities
- **Project Readiness:** Feasibility studies, impact assessments, bankable proposals
- **Engage NDAs:** Work with GCF/GEF National Designated Authorities
- **Technical Assistance:** Use programs like World Bank, United Nations
- **PPPs & Blended Finance:** De-risk projects to attract private capital

Shared Prosperity Dignified Life

Financial Risks and Instruments in Renewable Energy Investment

Significant Financial Risks

1. **Capital Intensity** – High upfront costs & long payback
2. **Revenue Uncertainty** – Price/demand fluctuations
3. **Policy Risks** – Subsidy/tariff instability
4. **Currency/Interest Risks** – Forex and rising rates
5. **Counterparty Risk** – Off-taker defaults (PPAs)
6. **Technology Risk** – Performance/maintenance concerns
7. **Grid Integration** – Curtailment/net metering limits

Financial Mitigation Instruments

1. **PPAs** – Stabilize revenue
2. **Government Guarantees** – Subsidies/tax credits
3. **Green Bonds** – Lower-cost capital
4. **Insurance** – Covers disasters/tech failures
5. **Blended Finance** – Public-private risk-sharing
6. **Currency Hedging** – Manages forex risk
7. **Yieldcos** – Attract institutional investors
8. **Carbon Credits/RECs** – Additional revenue

Leveraging Public-Private Partnerships (PPPs) to Finance Small-Scale Renewable Energy in Rural Areas Investment

Strategic Role of Public-Private Partnerships

- Blend capital from public, private, and international sources
- Mitigate risks via public guarantees/subsidies
- Leverage private sector innovation (e.g., pay-as-you-go models)
- Ensure sustainability through shared responsibilities

Key Stakeholders Roles

1. **Local Governments**
   Set clear policies, offer tax incentives, facilitate land access

2. **Private Sector**
   Invest capital, provide tech expertise, drive scalability

3. **Development Banks**
   Offer concessional finance, risk guarantees, technical assistance

How PPPs Align Stakeholders to Bridge the Rural Energy Gap

Government Support:

1. **Risk Mitigation:** Public entities provide guarantees, subsidies, or policy frameworks (e.g., feed-in tariffs) to reduce perceived risks for private investors

2. **Regulatory Enablement:** Streamline permitting, land acquisition, and community engagement to accelerate project rollout

3. **Local Capacity Building:** Fund training for communities to operate/maintain projects, ensuring long-term sustainability

How PPPs Align Stakeholders to Bridge the Rural Energy Gap

Private Investment

1. **Capital & Innovation:** Private firms invest upfront capital and deploy efficient business models (e.g., pay-as-you-go solar) tailored to rural users
2. **Technical Expertise:** Deliver cutting-edge renewable tech (mini-grids, biomass) and operational efficiency
3. **Scalability:** Replicate successful pilots across regions, leveraging economies of scale

How PPPs Align Stakeholders to Bridge the Rural Energy Gap

International Funding

1. **Concessional Finance:** Development finance institutions (DFIs), international financial institutions (IFIs), and climate funds (e.g., Green Climate Fund, GEF),Development banks (e.g., World Bank) offer low-interest loans or grants to lower project costs

2. **Risk-Sharing Tools:** Provide insurance/guarantees (e.g., partial credit guarantees) to attract private capital

3. **Ecosystem Support:** Fund feasibility studies, financial literacy programs, and local lender partnerships

How PPPs Align Stakeholders to Bridge the Rural Energy Gap

Synergy Example:
A solar mini-grid project in rural Kenya:

- The **government** simplifies permits and offers tax breaks
- A **private company** designs, installs, and manages the system with a pay-as-you-go model
- An **international donor** covers 30% of costs via a grant and guarantees the lender against defaults

Result: Risks/costs are shared, projects become bankable, and energy access expands sustainably

Practical Recommendation

1. Standardize bankable project pipelines
2. Improve data transparency for investor confidence
3. Adopt community ownership models
4. Link payments to results (e.g., energy output)
5. Foster stakeholder coordination platforms

What Role for Entrepreneurs in Driving the Energy Transition?

Why Entrepreneurs Matter

- **Key Point:** Entrepreneurs deliver clean, affordable, decentralized solutions where traditional utilities fall short.

- **Arab LDCs' Challenge:** Lack of centralized infrastructure; underserved communities.

  - **Speaker Notes:**

- Stress how entrepreneurs adapt to local needs faster than large-scale projects.

Key Roles of Entrepreneurs

How Entrepreneurs Drive Change

1. **Innovation & Agility** (💡): PAYG models, mobile money
2. **Decentralization** (🏘️): Off-grid/mini-grid solutions
3. **Employment** (👷): Local jobs and training
4. **Finance Mobilization** (💰): Microloans, PAYG
5. **Policy Catalysts** (📜): Proof-of-concept for governments

Real World Examples

1. **PAYG Solar (Sudan/Mauritania):**
   a) Mobile money + solar home systems
   b) *Impact:* School performance, women’s empowerment
2. **Yemeni Microgrids:**
   a) Solar hubs in conflict zones
   b) *Impact:* Vaccines, water pumps
3. **Women in Comoros:**
   a) Solar lanterns + cooperatives
   b) *Impact:* Safety, income

How Can Governments Unlock Private & Development Bank Financing?

Clear & Predictable Regulatory Frameworks

Key Actions:

- Ensure **transparency & consistency** in policies to build investor confidence

- **Streamline approvals** (permits, licenses) to reduce delays and costs

Why?

Private capital requires long-term stability to commit to large-scale projects

De-risking & Public-Private Partnerships (PPPs)

De-risk Investments:

- Use **guarantees, insurance, blended finance** to attract private capital

Strengthen PPPs:

- Standardized contracts & dispute resolution mechanisms
- Government **capacity-building units** to structure viable projects

Project Pipeline & Institutional Strength

Enhance Market Access:

- Develop **bankable project pipelines** with clear ROI.
- Improve **data transparency** on risks and opportunities.
- **Governance Matters:**
- Strong institutions, anti-corruption measures, and accountability boost investor trust.

Aligning Incentives & Financial Market Growth

Sustainability Alignment:

- Adopt **green finance frameworks** (e.g., green bonds, ESG standards)
- Align policies with **climate/SDGs** to attract impact investors.

Domestic Market Development:

- Deepen **local capital markets** (e.g., pension funds, sovereign wealth funds).

ESG under spotlight

ESG under spotlight

ESG = Environmental, Social, and Governance
A framework for sustainable and responsible investing

🌍 **Environmental**

- Climate action, carbon footprint
- Resource efficiency (energy/water)
- Pollution & waste management

👥 **Social**

- Labor standards & human rights
- Community impact & inclusivity
- Health & safety practices

ESG under spot light

⚖️ **Governance**

- Ethical leadership & transparency
- Anti-corruption & shareholder rights
- Board diversity & executive accountability

ESG under spotlight

Why ESG Matters:

Investors, companies, and governments use ESG to:

- **Mitigate risks** (e.g., climate, reputational)
- **Drive long-term value** & align with global goals (SDGs, Paris Agreement)
- **Meet stakeholder demands** (consumers, regulators, investors)

Paris Agreement under spotlight

🌍 **Global Climate Accord (2015)**

Signed by 196 countries to combat climate change

Key Goals:

1. **Limit global warming** to "well below 2°C" (ideally 1.5°C) vs. pre-industrial levels
2. **Achieve net-zero emissions** by 2050 (balance emissions with removals)
3. **Strengthen resilience** to climate impacts (e.g., droughts, rising seas)

Paris Agreement under spotlight

How?

- **Nationally Determined Contributions (NDCs):** Each country sets emission-reduction targets
- **Financial support:** Wealthier nations fund climate action in developing countries ($100B/year goal)
- **Transparency:** Regular reporting and global progress reviews

Conclusion

Arab LDCs have diverse funding options but need:

- Bankable projects
- Policy stability
- Public-private collaboration

- Risks are manageable with **financial innovation** and **collaboration**.
- Supportive policies + instruments = Unlock investment.
- PPPs bridge the rural energy gap by aligning government support, private investment, and international funding.
- Collaborative action is essential for inclusive, climate-friendly energy access.
- Entrepreneurs reshape energy access and equity.
- Engaging stakeholders in policy design builds trust and scales financing for development.

Thank you

Q&A