

Economic and Social Commission for Western Asia

# Regional Multi-stakeholder Forum on Scaling Up Investment on Small-Scale Renewable Energy in Rural Areas; A Cross Sectoral Approach

## Derisking Small-Scale Renewable Energy in Rural Areas



UNITED NATIONS

الشرق  
ESCWA

Shared Prosperity **Dignified Life**



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Tunis, 16-17 October 2024

# ESCWA launches its paper: Derisking Small-Scale Renewable Energy in Rural Areas of the Arab Region



**De-risking small-scale renewable energy  
in rural areas of the Arab region**



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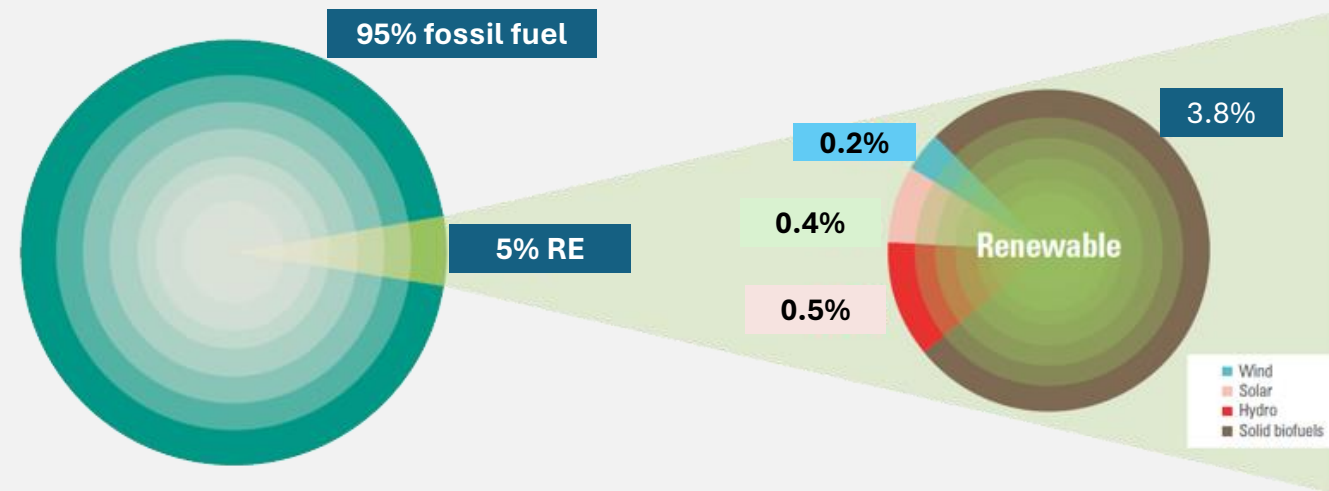


<https://www.unescwa.org/publications/derisking-small-scale-renewable-energy-rural-areas-arab-region>

# Renewable energy penetration rates in the Arab region continue to lag behind those of other regions

- Share of RE in TFEC remains small at 5%, weighed heavily by traditional sources such as biomass and in least developed countries (LDCs)
- Arab region's renewable energy capacity constituted a modest 0.84% of the world's installed capacity

Total final energy consumption (TFEC) breakdown by source in the Arab region, 2021 (Percentage)



**Access to electricity 2022**  
91% access – almost same as 2021



**Urban**  
98%



**Rural**  
82%



**Access to CFTs 2022**  
87% access – almost same as 2021

- 43 million are still without access to electricity of which 29 million are in rural areas
- 58 million are still without access to clean cooking

# Challenges to de-risking investments in the Arab region

## Demand side / end users

Poverty and affordability

Suitable finance

Willingness to pay

Social norms

Knowledge and awareness

Isolation

## Supply side / producers

Absence of private sector / dedicated finance

Price mechanisms

Uncertain regulatory frameworks

Internal capacity building

Currency risks

Last mile distribution

## Ecosystems and enabling actors

Governance structure and decision making

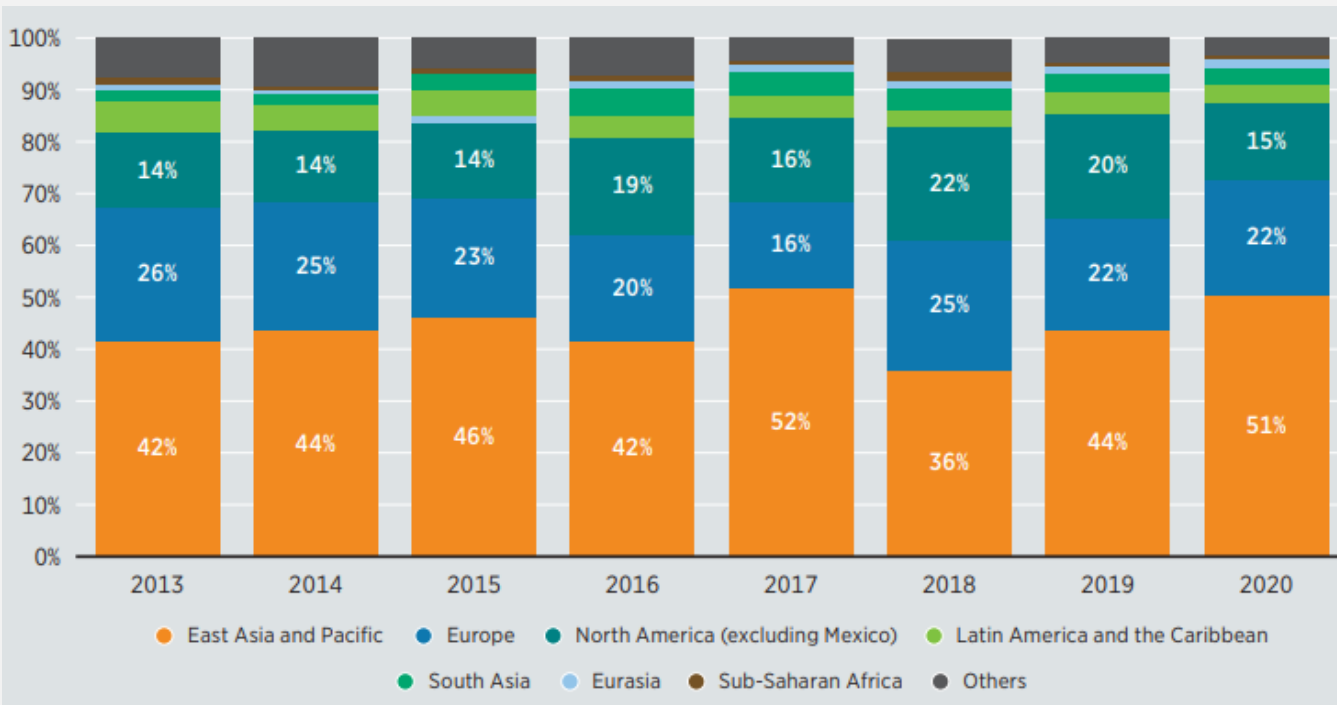
Energy market structure

Project size and transaction costs

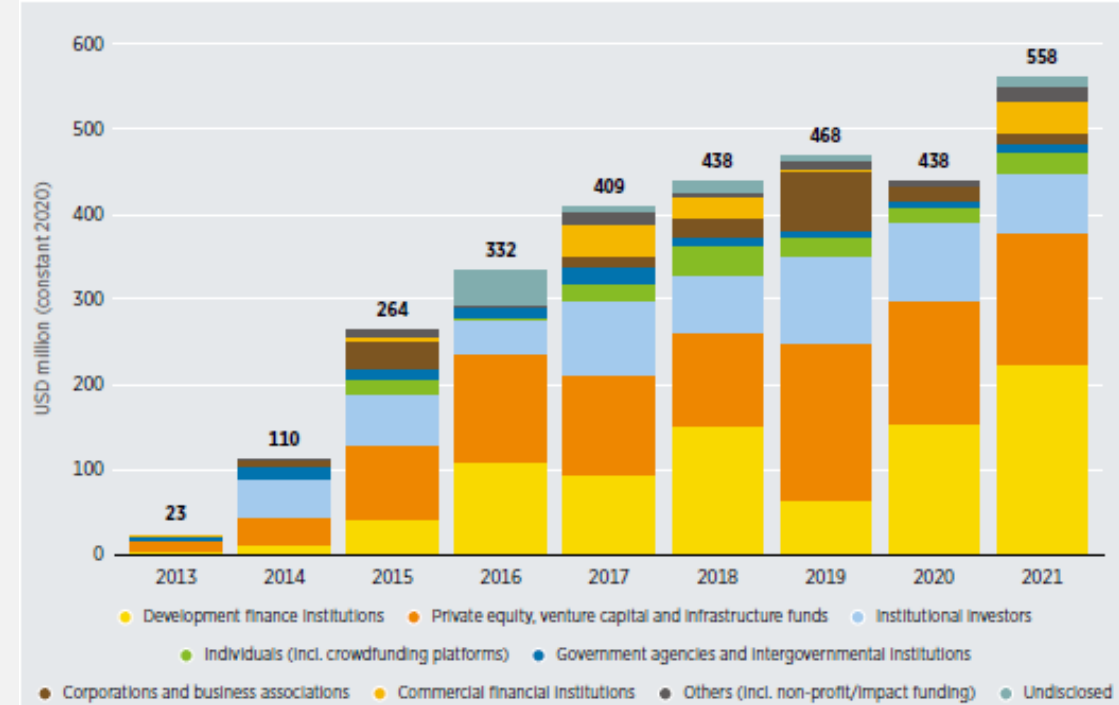
Conflict and instability

# The Arab region attracts one of the lowest shares of investments in RE compared to other regions globally

Shares of annual investment in renewables by region of destination



Annual commitments to off-grid RE by type of investor



\*"Others" include the Middle East and North Africa, Other Oceania, Transregional, Other Asia and Unknown.

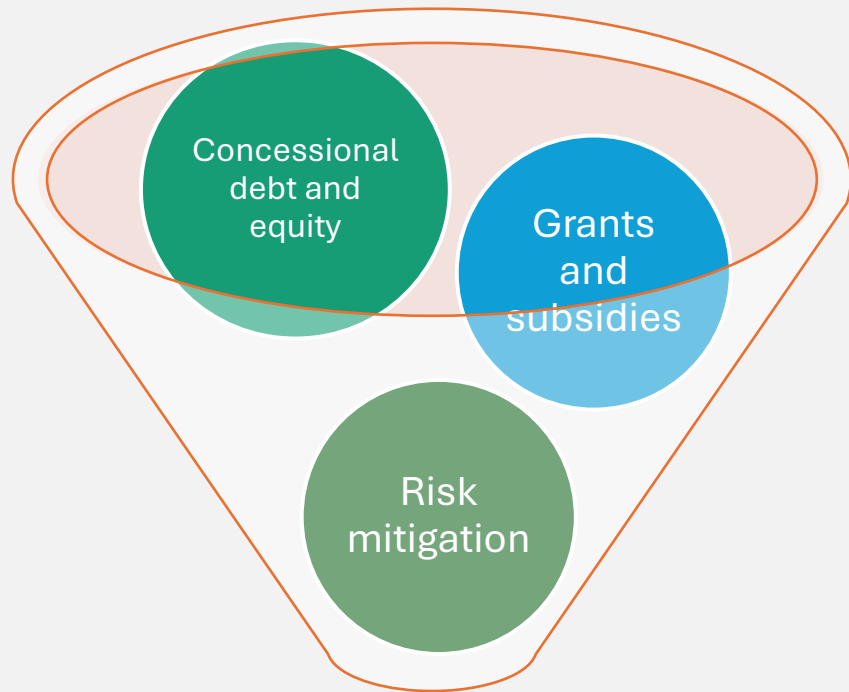


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# De-risking Investments

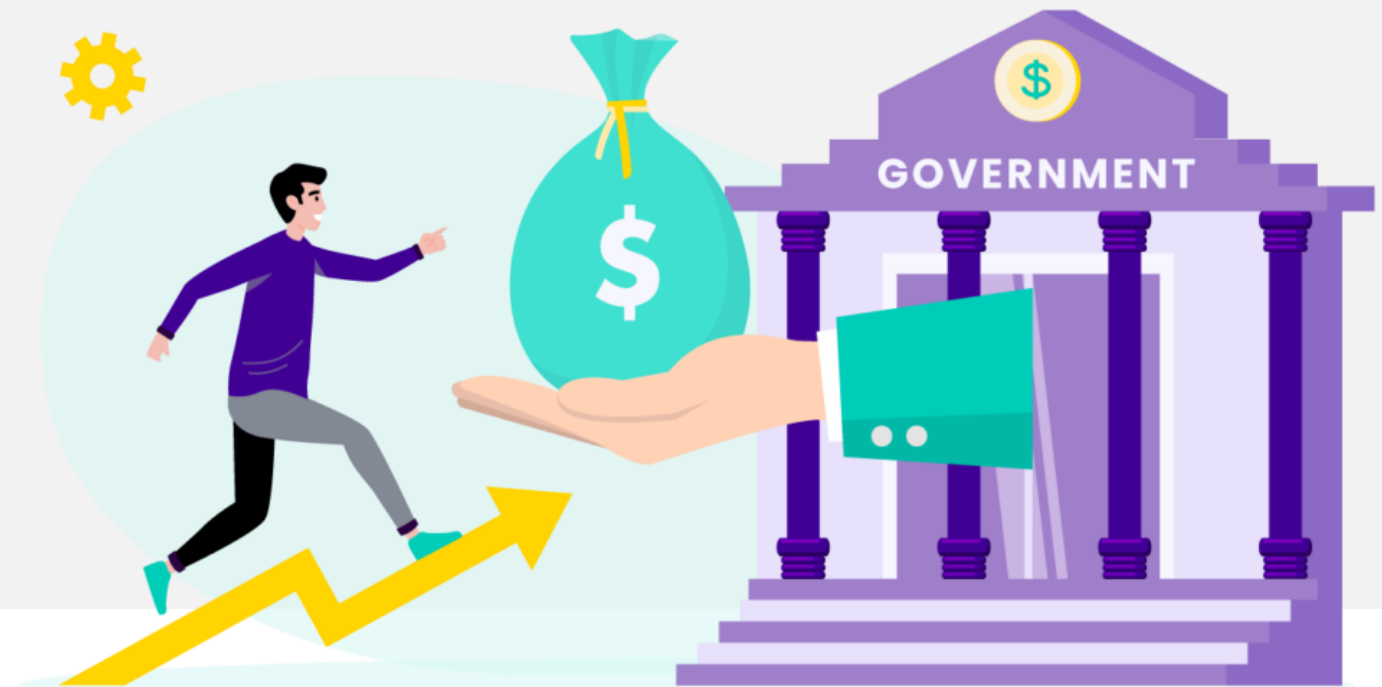
# Sources of finance and financial instruments



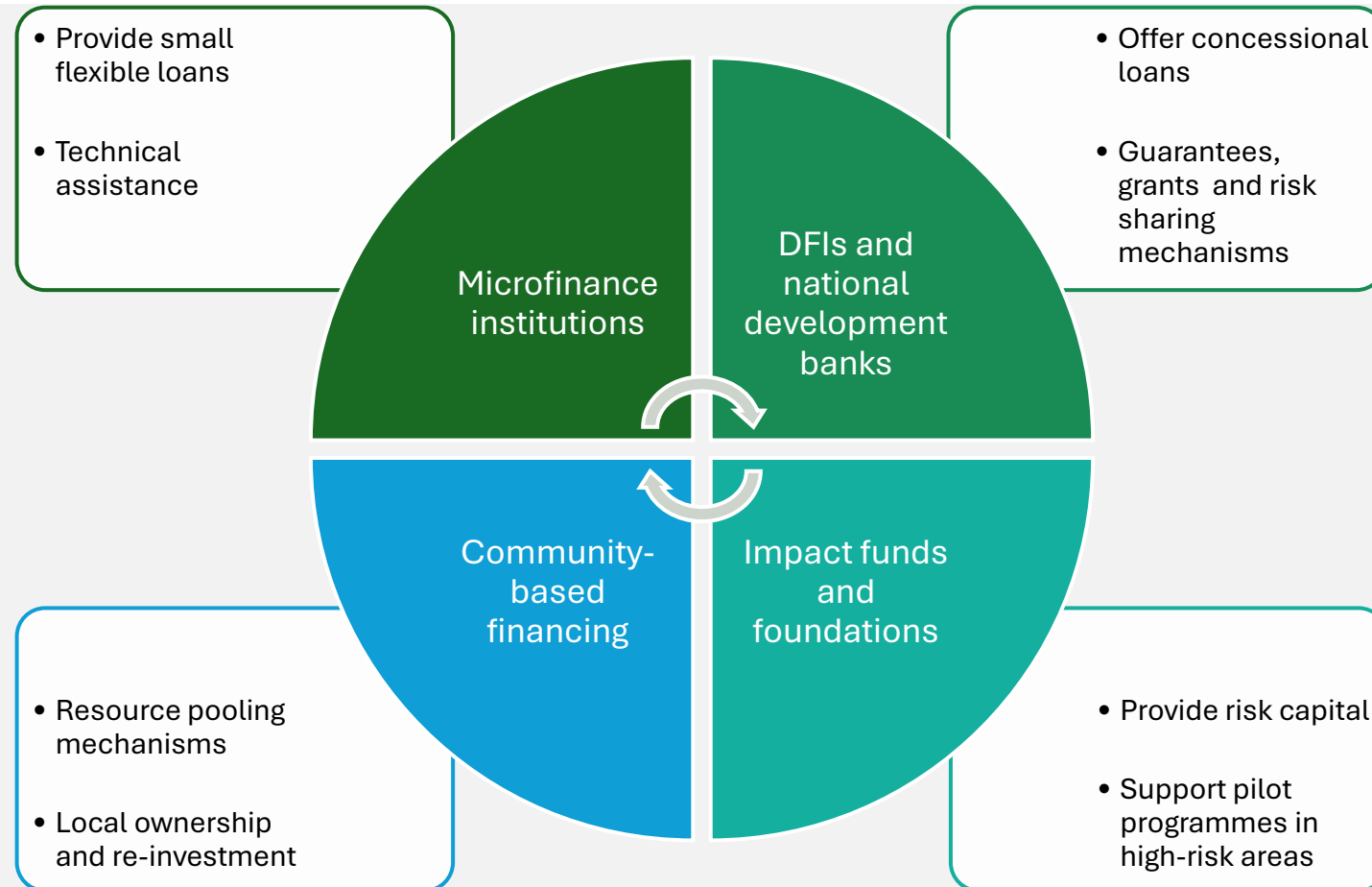
Financial instruments

*De-risking relies on the use of various sources of financing – MDBs/IFIs, intermediaries such as microfinance, climate finance*

*This will ensure that a range of financial instruments can be unlocked – Grants and subsidies, RBF, credit lines*

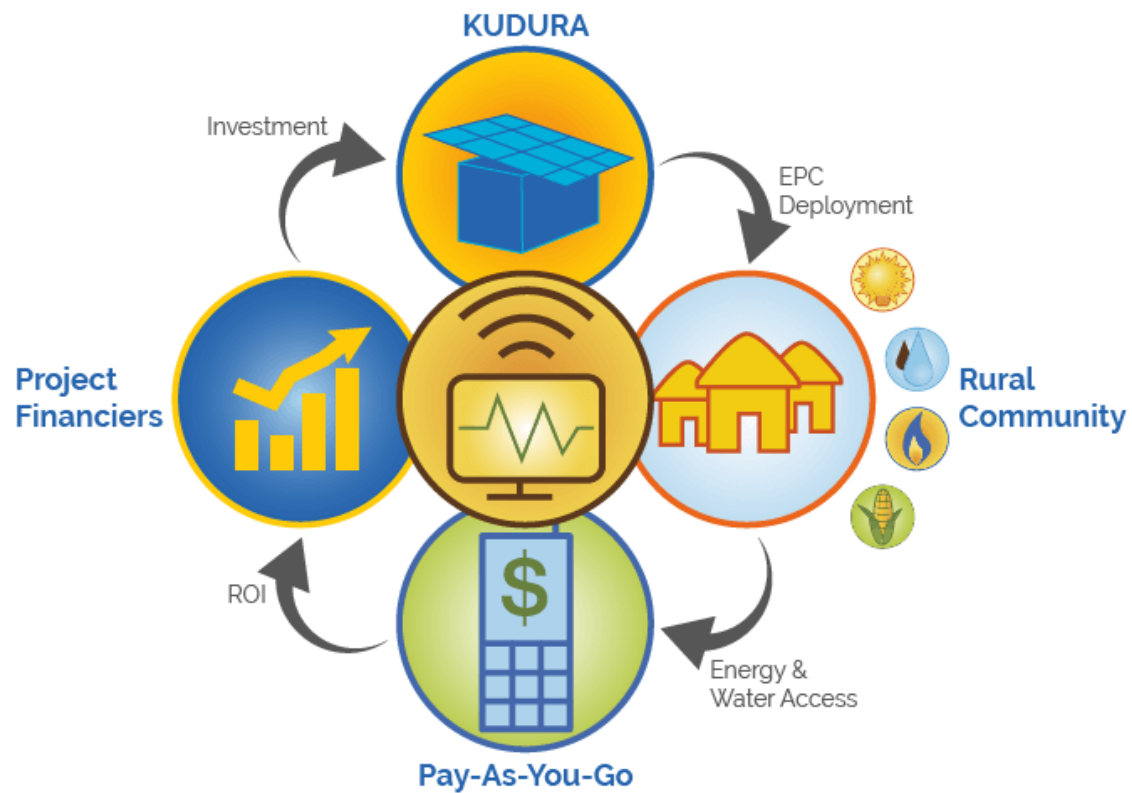


# Role of financial institutions and intermediaries





# Innovative business models for renewable energy



**Pay-As-You-Go (PAYG) to spread payments over time**

**Leasing model to reduce the burden of upfront capital**

**Anchor-Business-Consumer to address the demand risk**

**Crowdfunding to leverage smaller private lenders**

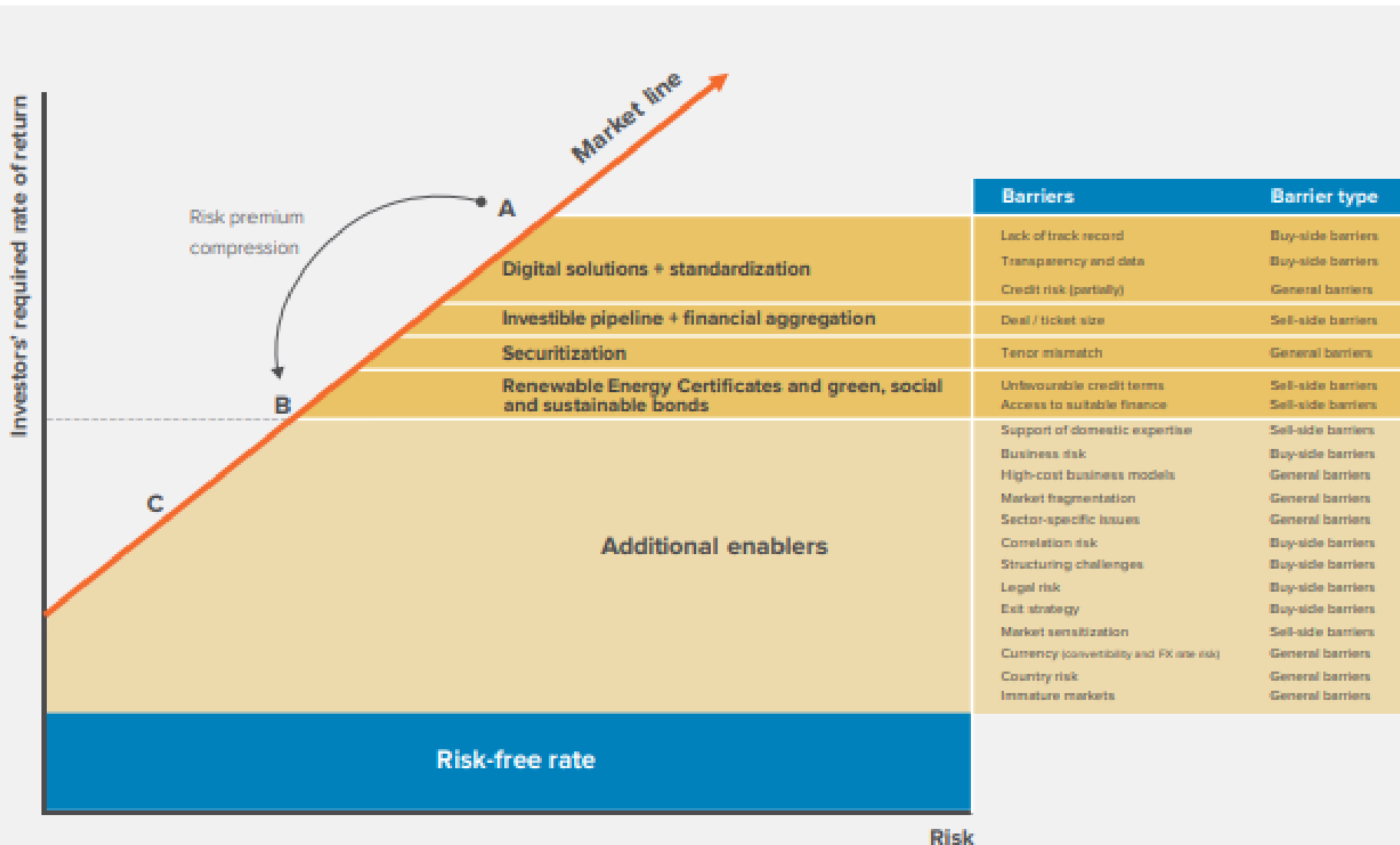
**Village savings and loan associations to mobilise community resources and provide access to finance without collateral**

# A case study on crowdfunding



- Kiva enables individuals and institutions to provide crowdfunded microloans to small businesses and entrepreneurs
- Offers more flexible loan terms
- Works with local MFIs to vet borrowers and manage loans
- Platform allows lenders to relend the repayments they receive to other projects,
- Minimises borrowing costs and supports community-based projects

# Novel models to reduce the risk premium



- *Aggregation pools smaller renewable energy projects into a single investment vehicle, reducing costs and risks through diversification.*
- *Aggregation can be combined with risk-mitigation tools*
- *Aggregated projects can be more appealing for impact investors and development banks – therefore unlocking concessional finance*

# Policy and non-financial instruments



**Development of comprehensive national renewable energy strategies**

**Enhancing legal and regulatory frameworks**

**Fostering regional and global collaboration**

**Strengthening local ecosystems and streamlining coordination**

**Developing and providing technical assistance and capacity programmes across the value chain**



**Regional Initiative to Promote Small-Scale Renewable Energy Applications in Rural Areas of the Arab Region (REGEND)**

Policy toolkit



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# Thank you



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# Introducing the panellists

- **Mr. Hussein Mogaibel**, Manager, Economic Infrastructure, Islamic Development Bank (IsDB)
- **Ms. Bdour Alhyari**, Director of Strategic Planning and Business Development, Microfund for Women, Jordan
- **Ms. Kawthar Kouki**, Principal Engineer, APIA, Tunisia
- **Ms. Faten Lassoued**, Conseil Bancaire et Financier (CBF), Tunisia
- **Ms. Yara Katami**, Local Consultant, Green Finance in Jordan, MSMEs (Virtual)
- **Mr. Carlos Salgado**, Senior Energy Finance Policy Expert, Sustainable Energy Hub UNDP (virtual)
- **Ms. Katharine Baragona**, MENA Energy, World Bank (virtual)