

Country / Region Office or HQ Unit	UNDP Regional Hub for Arab States, Amman
Title of Initiative	Green Finance Innovation Platform: Derisking Renewable Energy Investments in the Arab Region
Amount	\$80,000
Initiative Contact Person	Kishan Khoday, Team Leader in the Arab Region - Climate Change, DRR, Energy and the Environment
Is this initiative part of an existing project / programme?	Yes. UNDPs new <i>SDG Climate Facility</i> regional project (\$7m; 2018-2022) which will launch in Fall 2018 (ATLAS ID to come)
Funding Window	Development Impact: Scale
Stage of Initiative	<i>Transition to Scale</i> : the initiative has demonstrated small scale successes; it has developed a model and attracts partners to help fill gaps in their capacity to scale.
Will further/other funding be available?	Yes. Parallel funding of \$150,000 (2018-2022) under UNDPs new <i>SDG Climate Facility</i> regional project (SIDA funded)
Which SDGs will this initiative help to meet? [select up to 3]	SDG 7 Sustainable Energy SDG 13 Climate Action SDG 17 Partnerships and Finance
What is the expected impact?	New ways of financing unlocked

1. What problem does your innovation respond to? Please share evidence and/or data to support the problem statement (up to 400 words)

Climate change has risen to the top of the development agenda in recent years, with action supported by the passage of the SDGs and entry into force of the Paris Agreement on climate change. As countries move to achieve local results, a key focus has turned to the need for expanded access to finance. It has been estimated that achieving the goals set in the countries' Nationally Determined Contributions (NDCs) under the Paris Agreement will require over \$53 trillion of new investments by 2030. Mobilizing this magnitude of capital in turn requires new and innovative solutions that lower the risk investors face in scaling up climate investments in developing countries.

UNDP is the UN's largest provider of grant assistance in the area of climate change, with over \$3 billion of projects today. Under UNDP's Strategic Plan (2018-2021), a key focus of technical assistance will be support for promoting innovative solutions that scale up finance from a diversity of public and private sources and accelerate results towards climate targets. Today's momentum remains inadequate in delivering the needed transformation. Financial flows for low carbon, climate resilient development remain marginal to the deployment of capital, while the financial system remains disconnected from the long-term needs.

This is particularly important for the Arab region, already the world most water insecure, food import dependent region, and with temperatures rising faster than the global average. Climate impacts are converging with broader drivers of social instability, generating new forms of poverty and displacement with regional and global consequences. Furthermore, while hosting the world's highest levels of solar radiation, solar makes up just 7% of the region's power mix.

The region hosts some of the world's largest solar farms, in Morocco, UAE and Egypt, examples of how blended finance can achieve scale. But beyond large projects in stable MIC/HIC markets, a major challenge exists to reduce investor risks and scale up finance for more challenging contexts in the region, and in a way that generates SDG benefits for poverty reduction, women's empowerment, water security, etc. This is a core challenge for NDC achievement across the region, with USD hundreds of billions of new investments foreseen to accelerate a shift to a climate resilience future.

2. Describe your current solution to address the problem? (up to 400 words)

UNDPs Regional Hub for Arab States has led development of a new flagship regional initiative – the SDG-Climate Facility - to generate new solutions to the above climate challenge. Through a partnership between the League of Arab States, the Arab Water Council, and leading UN system partners active on climate actions in the region, including UNDP, UNEP Finance Initiative, UN-Habitat, UNISDR, WFP and other partners in the region, the SDG-Climate Facility project (2018-2022; \$7 million) will enhance the capacity of institutions across the Arab region to take climate action in a way that brings benefits across the SDGs – for poverty reduction, women's empowerment, water security and other development

priorities in the region. While commercial investments are on the rise for large scale sustainable energy projects, innovative approaches are needed to achieve scale of results for sustainable energy investments that achieve co-benefits across SDGs – poverty reduction, women’s empowerment, water security and other development priorities in the region.

One activity under the regional SDG Climate Facility project entails \$150,000 to generate innovative solutions to de-risk sustainable energy investments, led by UNDPs Regional Hub in concert with the International Renewable Energy Agency (IRENA) and the Regional Center for Renewable Energy and Energy Efficiency (RCREEE). Activities will support emergence of the embryonic Pan-Arab Clean Energy (PACE) platform, a network of public and private partners across 18 countries in the Arab region (Middle East, North Africa, Arab Peninsula and Horn of Africa) being established by IRENA and RCREEE. It aims to serve four platform functions: generation of analytics and information for decision-making, convening policy dialogues on challenges and solutions, brokering partnerships for action, and supporting the project development and investment cycle.

Through the \$80,000 Innovation Grant, technical assistance will be provided to get the new platform off the ground, de-risk low carbon investments, generate innovative solutions for nexus results across SDGs, and bring together public-private partnerships to finance bankable initiatives. Activities in 2018 will commence with the initial generation of analytics and information on challenges and solutions for de-risking scaled up investment into low carbon solutions, across the various country typologies that exist in the Arab region: LDCs, MICs and crisis contexts. In concert with IRENA and RCREEE, this will help identify finance gaps in implementing NDCs and means by which innovative de-risking policies and approaches can help unlock new investments. Following this, 2019 will see Grant activities focused on jointly establishing with IRENA and RCREEE a sustainable energy marketplace among Arab member countries of PACE to support project ideation, development and financing of low-carbon investments; mobilizing private finance, impact investors, Islamic finance, crowd funding and other forms of innovative finance.

3. What is your vision of scale? (up to 400 words)

At the moment, less than 10% of the climate investment called for by national NDC climate plans have been met. Even where large scale finance exists it is for large mega projects which often bring little direct benefit for broader development goals, such as those identified by the SDGs. Scaling up climate finance would entail closing this large gap, through reducing barriers for private and public investment into climate solutions that reach all country typologies in the region (LDC, MIC and crisis contexts) and putting in place an enabling environment of policies and partnerships that can also help accelerate SDG results.

Through support to the emergence of the PACE platform with IRENA, RCREEE and country partners across the region, new pathways of acceleration would be identified, new investment projects would be generated and new public-private partnerships would be established to significantly expand the ability of countries to attract and deploy climate finance under NDCs. Beyond conventional commercial

investments for large scale projects, innovative approaches will be generated to achieve scale of results for sustainable energy investments with benefits across SDGs – poverty reduction, women’s empowerment, water security and other development priorities in the region.

4. What is the evidence of your innovation’s initial success and scalability potential?

Share data that demonstrates the initial success of your solution (up to 400 words)

UNDP has local pilot projects in the Arab region focused on putting in place innovative models for scaling up climate finance in a way that achieved development benefits. These have generated initial levels of success in bringing together public and private partners through new finance mechanisms, on which the above noted activities build on. In Lebanon and Tunisia for example, UNDPs has helped design national frameworks on de-risking renewable energy investments through new policy and fiscal instruments, with greater levels of private investment registered for solar expansion. These lessons and models can be scaled up and replicated to other PACE member countries. In Egypt, UNDP has brought together local municipal authorities with large multinational corporations across various sectors to scale up low carbon, sustainable energy solutions, with tangible results in higher private investment into climate action and reduced carbon emissions. Lastly in the Arab Gulf economies such as Bahrain, Saudi Arabia and the UAE, UNDP has helped establish new centers of excellence for innovation on low carbon solutions that bring together public and private partners and sources of finance for achieving national climate targets.

Towards scaling up these and other innovative approaches to climate finance expansion, the project brings together a coalition of actors from across the UN system and regional institutions. IRENA brings its strong network of public and private partners on renewable energy and its global reach to world leading expertise on renewable energy, while RCREEE brings its convening power in the region as the leading inter-governmental mechanism for sustainable energy solutions. These and other partners like UNEP-FI serve as a strong basis for expanding the types of partnerships needed to scale-up climate finance results in the region.

5. Describe the primary scaling pathway(s) and the enablers for moving your project forward through these (up to 400 words)

A key focus will be on engaging members of the embryonic PACE platform to mobilize banks, institutional investors and other actors from the private sector and close the climate finance gap to achieve PACE goals and country NDCs. While commercial investments are on the rise for large scale renewable energy projects, innovative approaches are needed to achieve scale of results for sustainable energy investments that can achieve co-benefits across SDGs – poverty reduction, women’s empowerment, water security and other development priorities in the region. The grant will help partners mobilize private finance, IFIs, impact investors, Islamic finance, philanthropists, crowd funding, and innovative forms of blended finance to this end. A main focus will be on innovative de-risking policies that help reduce investor risk and lead to market transformation.

Technical assistance will be provided to help partners assess climate-finance gaps and NDC implementation opportunities using a forward-looking, scenario-based approach and consideration of

strategic positioning in the transition to a low-carbon economy. The programme will help national partners design new de-risking approaches to scaling up clean energy investments including mechanisms such as blended finance, loan guarantees, risk pooling and sovereign risk solutions. It will help identify specific needs across the variety of country contexts in the region – situations of extreme poverty in LDCs, of transformational change in MICs and the unique and growing challenges in crisis contexts in the region. Each context requires tailored approaches and solutions to de-risking low-carbon solutions, and specific means to ensure that such solutions help address development and crisis prevention/recovery needs. The grant will generate new partnerships with public and private partners to better understand, prevent, reduce and transfer investment risks.

This will include mobilization of green finance (lending, insurance, investment), accelerating instruments such as green sukuk, green bonds and green insurance, engaging the financial sector in opportunities such as green Islamic finance, mapping emerging financing opportunities, and supporting innovations in these sectors. All activities will be supported by regional dialogues under the PACE platform of partners, to develop local capacity for innovation, south-south knowledge transfer among countries on success stories in de-risking low-carbon solutions.

6. What is your proposed strategy to implement the scaling pathways that will expand your solutions' reach? (up to 300 words)

The \$80,000 Innovation Grant will achieve two Outputs in concert with IRENA and RCREEE.

Output 1) Derisking Low-Carbon Solutions: technical assistance to enhance the analytic and information base for decision-making and investments under the Pan-Arab Clean Energy (PACE) platform, including a review policy and fiscal barriers to scaled up investment, and identification of policy and institutional innovations countries can enact to reduce investor risk. A report on innovative solutions for de-risking low-carbon investment will be completed and launched, identifying tailored solutions for the three key country typologies in the Arab region – combatting poverty in LDCs, supporting transformational change in MICs, and building resilience in crisis contexts – each of which has its unique barriers to climate investment and innovations that can help accelerate results.

Output 2) Sustainable Energy Marketplace and Investment Navigator: building on the data and analytic base above, the Grant will support policy dialogue, brokering and project generation roles of the PACE platform, as a means of scaling up climate finance towards targets under countries' NDC. This will include generation of a sustainable energy marketplace as a mechanism to mobilize partners from banks, IFIs, impact investors, Islamic finance, philanthropists, crowd-funding and other sources. It would be enabled by a project navigator tool to support emergence of a pipeline of bankable investments projects that achieve low carbon goals, with co-benefits across the SDGs.

The Outputs achieved from the Innovation Grant will be taken forward in 2019-2020 through follow-up \$150,000 allocation under UNDPs SDG-Climate Facility regional project which would help achieve the vision of the PACE platform as a basis for expanding private partnerships and climate finance flows in the region.

7. How will you ensure sustainability and manage potential risks? (up to 300 words)

Regards sustainability, the Innovation Grant will help scale-up finance and galvanize partners from the private sector and IFIs for results beyond the life of the Grant. Sustainability of results would be achieved through measures including i) capturing of lessons learned to enhance knowledge management related to nexus approaches and good practices; ii) drawing on evidence based results from project implementation iii) extensive stakeholder ownership and participation in all activities iv) building on the existing network of climate service providers in the region and global centres; and v) participation of leaders from private sector including financing institutions with tailored capacity building and networking support will be fostered to ensure continuity of finance beyond this initial phase of support.

Regards risks, a number have been identified including: 1) Insufficient commitment from regional entities and country partners to achieving climate goals under the Paris Agreement and SDGs. This was mitigated during the project design process through consultations and joint design of activities with partners, prioritization of regional challenges, feasibility review of project goals and strong commitment for joint achievement of results – all of which would help mitigate the risk. 2) Inadequate level of funding for effective implementation is another major risk that might threaten results. The Innovation Grant would be followed up by \$150,000 from UNDPs SDG Climate regional project to ensure effective results. 3) Political instability, conflict, and unfavorable operational circumstances might also affect and alter the intended outcomes of the project. Strong UNDP country office presence across the Arab region, including in crisis contexts, helps mitigate such risks, with an expanding level of UNDP technical assistance across all country typologies in the region, including crisis contexts.

8. How will you measure impact and monitor the progress of scaling? (up to 400 words)

To ensure effectiveness of project delivery, a dedicated monitoring and evaluation plan will be developed upon project inception, with specific baselines and indicators to gauge progress. This will include periodic reporting capturing results under the grant to extract lessons learned and good practices. Inception report will be developed by designated focal point to manage the grant at UNDPs Regional Hub for Arab States, to measure progress on initiation steps to launch the project during the first three months. Quarterly reports would also be developed on progress data to be collected and analyzed against results indicators to assess the progress in achieving agreed outputs.

9. Introduce the team! (up to 200 words)

The project will be led by UNDPs Climate Change, DRR, Energy and Environment Team at UNDP's Regional Hub for Arab States in Amman. This includes Kishan Khoday, UNDPs Regional Team Leader for Climate Change, DRR, Energy and the Environment with 18 years experience leading results on these issues through assignments in Egypt, China, India, Indonesia and Saudi Arabia; Stephen Gitonga, UNDPs Regional Energy Specialist with 20 years experience leading energy cooperation globally, in Africa and

the Arab region; and Walid Ali, UNDPs Regional Climate Change Specialist with 8 years experience supporting local action on climate change and the environment in the Arab region. The project also involves close partnership with sister agencies, in particular the International Renewable Energy Agency (IRENA) and the Regional Center for Renewable Energy and Energy Efficiency (RCREEE), including Zoheir Hamed, Regional Coordinator for Middle East and North Africa at IRENA with 10 years experience supporting sustainable energy innovation and finance in the region with a network of private sector leaders from various sectors, and Dr. Ahmad Badr, Executive Director of RCREEE who would convene public and private partners from member countries across the region under the PACE network.

10. Propose a budget

Below is proposed budget breakdown for \$80,000 Innovation Grant (2018-2019), and \$150,000 co-financing (2019-2020). The former would be utilized for international consultancies, workshops and travel costs.

Outputs	2018	2019	2020	Budget (US\$)
Output 1) De-Risking Low Carbon Solutions	15,000	22,000		37,000
Output 2) Sustainable Energy Marketplace and Investment Navigator		36,600		36,600
Subtotal	15,000	58,600		73,600
Project Support Cost (GMS 8%)	1,200	5,200		6,400
Total	16,200	63,800		80,000
<i>Co-Financing - UNDP SDG Climate Facility project</i>		50,000	100,000	150,000
<i>Grand Total</i>	<i>16,200</i>	<i>113,800</i>	<i>100,000</i>	<i>230,000</i>