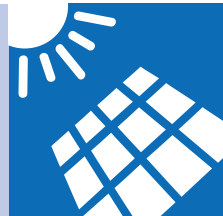


KNOWLEDGE NOTE



Enabling Renewable Energy Investment in Low-Income Countries

CREATING AN ENABLING ENVIRONMENT:

Regulatory Frameworks and Financing:

- Increase transparency and accountability around decision making processes to build stakeholder/investor confidence
- Develop supportive financial regulations and mechanisms
 - Cost-competitiveness for renewable energy in country
 - Trade incentives for renewable energy technology and infrastructure

Institutional Capacity:

- Identify clear management roles and responsibilities across institutions and agencies
 - Renewable energy data and information
 - Management guidelines and processes
- Ensure sufficient investment in human capacity and local skills development in country
 - Dedicated budget and staff to renewable energy development
 - Develop technical and vocational training opportunities

Creating an environment conducive to investment in renewable energy requires the right mix of institutional capacity, regulatory frameworks, financial incentives, and other factors. Even where the investment climate for renewables is already strong, there is often scope for additional enabling activities. Given the multiple benefits renewable energy can bring, including emissions reductions, energy security, and environmental sustainability, countries worldwide are focusing on how to create the right conditions to catalyze markets for renewable energy.

The Climate Investment Funds' (CIF) **Scaling Up Renewable Energy in Low Income Countries Program (SREP)** is supporting the expansion of energy access and stimulating economic growth through renewable energy in eight pilot countries: Ethiopia, Honduras, Kenya, Liberia,

Maldives, Mali, Nepal and Tanzania¹. The grants and highly concessional loans that pilot countries access through the SREP are helping to unlock investment in nascent renewable energy sectors and building the capacity needed to develop and sustain viable renewable energy markets.

LESSONS LEARNED

Through the SREP, pilot countries are defining what is necessary to create or creating an enabling environment in their country contexts. They are achieving this through project planning and implementation, and through the "Readiness for Investment in Sustainable Energy (RISE)" initiative.

¹ The number of countries supported by SREP funding is expected to increase in the future based on a new call for expressions of interest from eligible countries.



Solar PV System Installations, Muhyiddeen School, Villi-Male, Maldives. Photo: Renata Lukasiewicz/CIF AU

LEARNING THROUGH SREP AND RISE

The pilot phase of Readiness for Investment in Sustainable Energy (RISE) is being financed by the SREP. Representatives from SREP countries provided input to the development of the RISE indicators during the SREP pilot countries meeting in the Maldives in May 2013.

SREP countries were tasked with selecting indicators that would best assess the enabling environment for grid-connected renewable energy, off-grid/mini-grid renewable energy, and energy efficiency in their countries.

This led to lively discussions on the most and least desirable indicators to be used as part of RISE.

While approaches may vary, practitioners agree that monitoring and evaluation is essential to assessing and creating an enabling environment. In light of this, the SREP is supporting the development of the RISE indicators to assess the enabling environment for sustainable energy in SREP pilot countries.

Indicators will assess countries' success in creating legal, regulatory, and policy environments that support private sector investments to achieve the objectives of the Sustainable Energy for All (SE4ALL)² initiative, which include expanding access to energy, increasing energy efficiency, and increasing the penetration of renewable energy. This work is being led by the World

² The United Nations created the Sustainable Energy for All initiative (of which the World Bank President is the co-chair on the Advisory Board).

Bank in collaboration with the regional development banks and other partners.

In addition to the work being conducted under RISE, during the May 2013 meeting of SREP pilot countries, several countries shared the following examples of how they are tapping SREP resources to build capacity and strengthen policies aimed at bolstering investment in renewable energy development.

Regulatory Frameworks and Financing

The Solomon Islands underscored that they have little experience around the legal and financial implications of power purchase agreements, and that work under the SREP can help build experience between government and private sector actors. Building experience on how to define and implement the legal and financial aspects of government and private sector agreements is an essential component of creating an enabling environment. Enhanced experience coupled with a transparent decision-making process around new regulations and frameworks can help to build investor and stakeholder confidence.

Institutional Capacity

Tanzania shared that much of its SREP funds will support capacity building to strengthen institutions that are responsible for clean energy investments and technologies, especially in the geothermal sector. The Maldives stressed that SREP activities will increase capacity for data collection and management initiatives in the country related to its 2020 carbon neutrality goals. Building institutional capacity in terms of 1) technical know-how and 2) the efficient management of and access to crucial energy data and information is also essential to creating an enabling environment. This requires budgeting for sufficient human

capacity and technical systems, as well as promoting skills development by offering vocational training opportunities.

LOOKING FORWARD

Creating an enabling environment for investment in renewable energy requires establishing the necessary policy, legal, and regulatory frameworks to reduce barriers to investment, increase knowledge on best practice, and strengthen institutional capacity. The policies, approaches, and activities for enabling environments being developed and tested across SREP countries have the potential to go beyond the CIF. The lessons learned in SREP will be vital for identifying the barriers that impede the development of renewables and energy access projects, and hopefully shed light on the enabling environment for renewable energy investments more broadly.



SREP Pilot Country representatives prioritizing indicators for measuring the enabling environment for renewable energy development. Photo: CIF AU

THE \$551 MILLION SCALING UP RENEWABLE ENERGY IN LOW INCOME COUNTRIES PROGRAM (SREP) STIMULATES ENERGY ACCESS AND ECONOMIC GROWTH BY WORKING WITH GOVERNMENTS TO BUILD RENEWABLE ENERGY MARKETS, ATTRACT PRIVATE INVESTMENT, AND TARGET RENEWABLE ENERGY TECHNOLOGIES THAT ALLOW FOR THE GENERATION AND PRODUCTIVE USE OF ENERGY IN HOUSEHOLDS, BUSINESSES, AND COMMUNITY SERVICES.