

Joint SDG Fund – Component 2 – SDG Financing

Template for the Joint Programme Final Progress Report (preparatory funding)

Cover page

Reporting period: June 30 – December 30, 2020

Country: Zimbabwe

Joint Programme (JP) title: Catalysing Investments in Climate and Renewable Energy for productive use and the Achievement of the SDGs in Zimbabwe

Short title:

List of PUNOs: UNESCO (Lead), UNDP UNWOMEN

RC: Mrs Maria Gomes do Valle Ribeiro

Representative of Lead PUNO: Prof Hubert Gijzen, Regional Director and Representative for Southern Africa, UNESCO

Government JP Focal Point (name and ministry/agency): Mr G.T. Guvamatanga, Permanent Secretary, Ministry of Finance and Economic Development

RCO JP Focal Point (name): Mickelle Hughes; E-mail: mickelle.hughes@un.org

Lead Agency JP Focal Point (name): Prof Hubert Gijzen E-mail: h.gijzen@unesco.org

Budget (Joint SDG Fund contribution): **\$200,000** (Inception phase); Full Project SDG Contribution: \$9.9Million

Budget Expenditures: \$120,000

Delivery Rate: 60% - Prep Funding Rate (%) = $\frac{\text{Expeditures PUNO}}{\text{Total transferred funds Jan 2020 to December 2020}}$:

Short Description of the Joint Programme

At present, Zimbabwe is facing an acute energy crisis with an overall electrification rate reported as low as 41% in 2018. Not only is the energy crisis more prominent in rural areas, but also women and youth are vulnerable and disproportionately affected by this energy poverty. Thus, there is a need to promote an increase in the uptake of renewable energy in Zimbabwe, while also bringing women and youth to the forefront as both consumers and key players in renewable energy enterprises. The major challenges are the lack of financing and conducive investment terms for RE and climate change projects in the country and also the lack of the critical mass of experts in the RE fields. The JP aims to address these barriers by catalyzing investments in climate and RE-based projects through channeling concessional finance towards such projects to help them establish their bankability and leverage commercial finance in the medium to long term. Additionally, given the prevalent urban-rural divide in energy access, gender disparity and lack of youth participation in the sector, the JP emphasizes gender and youth responsiveness in the RE investments with a focus on rural communities. To address gaps in awareness and skillsets, the JP encompasses interventions that demonstrate the spirit of the SDGs by sensitizing citizens to sustainably utilize science and understand the imperative of environmental responsibility through needs oriented capacity building initiatives. The JP also represents a strategic entry point to a green recovery pathway post-COVID-19, with its strong contribution towards some key levers of sustainable development, such as energy security, gender mainstreaming and youth empowerment

Financial leverage (estimated target in US\$): **\$47.3 Million (Leverage ratio of 4.77)**

Challenge:

The overarching issue of lack of financing and conducive investment terms for RE and climate change projects, in particular, green-field initiatives, is a major challenge in Zimbabwe. In addition to the general economic risks associated with the Zimbabwean economy such as high inflation, low international reserves and now the adverse impact of the COVID-19 crisis, commercial banks are also reluctant to relax loan terms (longer tenor, lower interest rates, relaxations on collateral, etc.) which is needed to meet the capital needs of RE and green infrastructure projects with high upfront investment requirement. The reluctance of commercial investors can be attributed to the risks associated with RE technologies that are relatively new in the country due to which bankability of such projects has not been adequately demonstrated. Further, Zimbabwe's access to international capital markets and concessional loans from international financial institutions (IFIs) has also been limited.

Innovation (financial instrument/mechanism/approach):

The JP considers innovation as a key dimension in both the design and implementation stages. The overall approach for the JP is based on the innovative model of Accelerated Local SDG Achievement (ALSA), where the JP interventions are designed to use renewable energy uptake and capacity building initiatives to create an economic spinoff which will have catalytic effects inducing growth in other related sectors through increased energy access. Since it would be one of the first large-scale demonstrations in the SADC region, insights from such demonstration and dissemination will be

shared with the SADC Secretariat and SADC Member states to further enable adoption of the ALSA Model in the region.

One of the primary JP interventions, the Climate Financing Facility (CFF), is the first dedicated facility of its kind in Zimbabwe which makes for a unique proposition in the country context. Even in the Southern African region, there are very few dedicated funds on climate finance and clean energy. An innovative aspect of the CFF that distinguishes it from the existing donor-led funds in the country is that the facility does not simply rely on providing grants or concessional support for the inception stages of the project, but incorporates a blended finance model where concessional finance will be provided along with incubation support to help in enabling the RE entrepreneurs gain leverage to access commercial financing. The selection criteria for RE investments from CFF are designed to select a mix of projects with high commercial feasibility as well as those with limited commercial attractiveness and high impact potential, to channel positive returns towards lowering the risks associated with smaller projects that find it difficult to demonstrate bankability. Another innovative and unique aspect of the CFF is that the investment criteria will be linked to gender-based parameters such as the representation of women in leadership positions of the financed project, representation of women in the value chain, and proportion of women beneficiaries, which is not a common practice in the country. Further, the concept of technological innovation has also been integrated into the investment criteria of the CFF. Projects to be funded through CFF would be expected to innovate in terms of the technology of the solution or the model adopted for implementation.

By providing incubation support, capacity building and trainings to women and youth, the JP also aims to promote progressive thinking amongst citizens towards sustainable development pathways. The Sustainable Energy Investment Platform shall provide a medium for connecting budding entrepreneurs with innovative RE and climate change project ideas to seek the right exposure from investors, thus, promoting a culture of innovation.

[SDG Impact:](#)

The Joint Programme aims to catalyze investments for the clean energy sector in Zimbabwe to contribute towards increased uptake of renewable energy, which will have further catalytic effects in various sectors. Throughout the duration of JP implementation and in the immediate aftermath of JP conclusion, the results of the JP would be relatively direct, namely, a number of projects receiving financing for piloting or scale-up of RE initiatives; creation of new jobs in RE enterprises; increased number of teachers and TVET instructors equipped with knowledge of the RE sector; a number of schools with improved energy access due to new RE installations; specialized courses in RE for technicians and engineers at the university level; and increased opportunities to develop public-private partnerships to further the RE and sustainable development agendas in the country. In the long term, the results of the JP are likely to be seen in terms of a greater level of financing and investment directed towards RE projects; increased uptake of RE installations across the country; reduced energy access barriers; a greater role of women and youth in the RE workforce as well as leadership positions; a relative change in perception about gender-based social norms around the involvement of women in the energy sector; and greater overall awareness about the RE sector amongst children, women and youth in the country, fueling ideas for a bright and low-carbon future; and long term partnerships established to support innovations and business ventures in the RE and climate change domain.

The end beneficiaries of the Joint Programme are underserved communities that will be provided with energy access through the RE projects funded through the CFF, women and youth that are recipients of trainings on RE sector and entrepreneurial skills, as well as women and youth who gain new jobs in RE enterprises funded through the CFF. Additionally, the beneficiaries also include school

teachers who would be better equipped to disseminate knowledge on RE and children who would gain from competence-based learning methods and improved energy access in schools.

Partners:

- i. Infrastructure Development Bank of Zimbabwe (IDBZ): IDBZ is providing the initial infrastructure and expertise for CFF operations, the secretarial services to the CFF Steering Committee, and the capital to co-finance the CFF mandate. IDBZ is also collaborating with the PUNOs in the development of operational guidelines and investment criteria.
- ii. ARCH Africa Renewable Power Fund LP and Roanda Capital Partners are investors interested in co-financing RE Projects and have already submitted letters of Intent to this effect.
- iii. Renewable Energy Companies who have already submitted letters of Intent (Distributed Power Africa (DPA), Oxygen Africa, AEC South Africa and Soventix, Mobility for Africa (MfA) and Energyneering) for implementing and co-financing their RE projects in form of equity or capital raised through other sources.
- iv. International Labour Organisation (ILO): ILO is providing technical and financial support to the education and capacity building initiatives of the JP through the Green Enterprize initiative.

Final Progress Report

1.1. Progress achieved

Several preparatory activities have either been completed or are currently ongoing with financial and technical support from PUNOs. The JP interventions have been studied in detail and carefully selected through a consultative process. The JP has received support from the Infrastructure Development Bank of Zimbabwe (IDBZ), a government-owned bank focused on infrastructure projects, for hosting the Climate Finance Facility. A Feasibility Study and a Business Case for the CFF has been developed by IDBZ with support from the World Bank. IDBZ is also at an advanced stage of the process of obtaining GCF accreditation in order to mobilise climate finance support in the future. Progress is being made towards the establishment of the CFF by setting up the legal and operational framework. It has been jointly agreed between PUNOs and IDBZ that the CFF will be set up as an independent Trust, without time bound restrictions and with an independent Board of Trustees reporting to the funders/investors. Investment criteria, along with a formal Application Template have also been developed to guide the selection procedure for projects to be funded through the CFF. An organizational structure of managing and operating the CFF has been agreed upon. Further, it has been determined that CFF will initially be able to leverage existing IDBZ infrastructure and expertise to carry out its operations, under specific guidelines and procedures.

In terms of RE projects to be financed through the CFF, progress has been made in the development of a possible pipeline of RE projects to be considered for funding once the CFF is established. MoUs have been established with two RE companies, Distributed Power for Africa (DPA) and Ugesi, to collaborate on 10 units of 50kWp micro-grid projects by means of co-investment agreements. Five utility-scale 5 MW Solar Power Plants have shared technical reports (detailing BOQ, plant designs and yield reports), Environmental and Social Impact Assessment (ESIA) conducted and prospectus produced, and financial models as a gesture of interest in CFF co-financing. Proposals and Expression of Interest have also been received from Oxygen Energy, AEC Energy, Energyneering, and Mobility for Africa. Oxygen Energy has also committed a Prescribed Asset Status of USD 21 million which can be utilized by the CFF to raise additional funding from private and public sector. Oxygen Energy has also committed through its MoU with ARCH Renewable Energy a sum of USD 20 million towards co-investment into pipeline projects that receive partial CFF funding. Roanda Capital Partners, through AEC, has also shown interest in co-investment for pipeline projects.

A comprehensive gender analysis has been conducted for the JP, underscoring the importance of RE projects in terms of job creation for women and youth, especially in the fields of solar maintenance and repairs; solar dealership; waste management (recycling of plastics); solar-powered irrigation schemes; and solar-powered ICT infrastructure. It highlights that the JP must address information and awareness barriers, technical and capacity barriers, institutional and regulatory barriers, market barriers and financial barriers in order to reduce inequalities in the energy sector. A gender and human rights plan has been developed keeping the recommendations of this analysis in consideration.

Under the education and capacity building interventions, activities to be undertaken have been identified and efforts to collaborate with existing initiatives have been made. UNESCO, ILO, University of Zimbabwe, Stanbic Bank and Digital Smart have declared their intent towards alignment of objectives and formalization of the collaboration for the implementation of the JP. The JP will be supported by UNESCO's Change Project under the Education for Sustainable Development (ESD) initiative, ILO's Green Enterprise Program and Stanbic Bank's Incubation Hub initiative. UNESCO and the University of Zimbabwe's standing MoU on ESD initiatives is also being leveraged under the JP. A civil society organization (CSO) working for women empowerment – Zimbabwe Women's Resource Center and Network (ZWRCN) - has also provided a letter of intent for

implementing specialized training activities planned for women under the JP. The initiatives will be combined to promote capacity building through bringing RE topics in the school and university level curriculum as well as through specific training programmes for entrepreneurship development.

1.2. Challenges faced

The major challenge the UNCT faced during the preparatory phase was the impossibility of conducting face-to-face consultations and the difficulties in conducting sites visits due to COVID-19 restrictions. To overcome the above challenge, almost all the consultations and meeting were virtual with the exception of a few field trips.

1.3 Partnerships leveraged

Did you leverage new partnerships during the preparatory phase (e.g. government, private investors, IFIs, bilateral/multilateral banks, etc.)?

- Yes
 No

- Infrastructure Development Bank of Zimbabwe (IDBZ): IDBZ is providing initial infrastructure and expertise for CFF operations, secretarial services to the CFF Steering Committee, and capital to co-finance the CFF mandate. IDBZ is also collaborating with PUNOs in the development of operational guidelines and investment criteria
- International Labour Organisation (ILO) : ILO is providing technical and financial support to the education and capacity building initiatives of the JP through the Green Enterprise initiative
- ARCH Africa Renewable Power Fund LP and Roanda Capital Partners are investors in RE Projects and have already submitted letter of Intent
- Renewable Energy Companies who have already submitted letters of Intent (Distributed Power Africa (DPA), Oxygen Africa, AEC South Africa and Soventix, Mobility for Africa (MfA) and Energyneering)

1.4. Co-funding mobilized

- Yes
 No

Source of funding	Yes	No	Type? (\$ or in kind support)	Name of organization	Amount (USD)	Comments
Government	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<i>In-kind</i>		<i>\$700,000</i>	<i>Establishment cost for the CFF at IDBZ</i>
Donors/IFIs	<input checked="" type="checkbox"/>	<input type="checkbox"/>				
Private sector*	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$	<i>Soventix</i>	<i>\$500,000</i>	<i>commitment towards the deployment of 5MW power RE plant</i>
			\$	<i>Distributed Power of Africa</i>	<i>\$301,000</i>	<i>commitment towards the deployment of micro-grids</i>
			\$		<i>\$2,680</i>	<i>Setting up incubation hub by Stanbic Bank for budding RE Entrepreneurs</i>
UN/PUNOs	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$	<i>UNESCO</i>	<i>\$1,818,000</i>	<i>Parallel Funding</i>
				<i>UNDDP</i>	<i>\$1,700,000</i>	<i>Parallel Funding</i>
				<i>UN WOMEN</i>	<i>\$224,000</i>	<i>Parallel Funding</i>
				<i>ILO</i>	<i>\$100,000</i>	<i>ILO's commitment for conducting trainings on RE for school educators and TVET institutions, and support for development of university courses on RE</i>
Other partners	<input type="checkbox"/>	<input checked="" type="checkbox"/>				

* Two private sector investors in Zimbabwe, ARCH Africa Renewable Power Fund LP and Roanda Capital Partners have expressed an interest in providing co-finance for some of the pipeline projects to be partially funded by the CFF contingent on a satisfactory project due diligence, with ARCH Africa indicating a commitment of up to **USD 20 million**. One of the RE developers with projects in the CFF pipeline has also obtained a Prescribed Asset Status which can be utilized to raise capital of up to **USD 21 million** through pension funds and insurance companies

1.5. Budget changes (if relevant)

While preparing the initial budget, in the course of developing the full proposal, we have anticipated conducting field trips, carrying out the full environmental and Social impact assessment for the selected large scale Renewable Energy plants, having face-to-face meetings and multistekholder workshops. However, due to the pandemic, the face-to-face meetings were carried out virtually and only the critical field trips were conducted. This explains why only 60% of the fund disbursed was spent.