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Strengthening UNIDO programmes through unutilized balances of appropriations

Trust fund on renewable energy

Report by the Director-General

In compliance with General Conference decision GC.13/Dec.15 and Board decision IDB.38/Dec.5, the present report provides information on the trust fund on renewable energy, thereby updating the information presented in a previous report to the Board (document IDB.39/11).

I. Introduction

1. The trust fund on renewable energy for productive activities was established in compliance with decision GC.13/Dec.15 with part of the amount of unutilized balances of appropriations of technical cooperation programmes due to Member States in 2010.
2. The main objective of the trust fund is to support the formulation, design and subsequent implementation of a concrete portfolio of projects and programmes to scale up the use of renewable energy for productive uses in developing countries and economies in transition.
3. The establishment of the trust fund rests on the premise that energy is a critical input for economic growth and sustainable development. It is acknowledged that access to reliable, secure, and cost-effective energy supply and services based on renewable energy and other clean energy sources is essential for sustainable industrial development and poverty reduction.
4. It was partly with this in mind that the United Nations General Assembly declared 2012 as the “International Year of Sustainable Energy for All”. This initiative involves three interlinked global targets to be reached by 2030 (with 2010

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as the baseline year), namely: universal access to modern energy services; doubling energy efficiency; and doubling the share of renewable energy in the global energy mix. These are ambitious but achievable targets that require dedicated action in promoting the sustainable energy agenda. The trust fund plays a direct role in the achievement of these goals.

5. Many developing countries and countries with economies in transition are endowed with substantial renewable energy resources in terms of hydropower, wind, solar, geothermal, biomass (particularly in the agro-processing sector) including agro-waste and biofuels. These resources are variably distributed across continents, with some regions blessed with all forms of energy potential. There are therefore major untapped opportunities for scaling up the application of renewable energy for productive uses and industrial applications. Yet, despite an increased interest in harnessing the vast potential of renewable energy to meet growing energy needs, business-as-usual scenarios depict an energy future largely dominated by fossil fuels, with many countries continuing to suffer from inadequate energy generation capacity, limited electrification, low power consumption, unreliable services and high energy costs. This situation is attributable to numerous challenges and barriers, which must be addressed in a timely and comprehensive fashion.

6. To date, the trust fund comprises funds to the value of about €500,000. In the first instance, this funding is being used to develop project proposals with an overarching objective to mainstream social and economic impacts including gender dimensions, and incorporate effective monitoring of results and impacts of the renewable energy projects. Successful implementation of these projects will result in the promotion of renewable energy technologies and markets in the beneficiary countries. This would greatly help in moving forward with enhanced access to modern energy services based on renewable technologies in selected countries, which in turn will promote economic growth and wealth creation, thus supporting the achievement of the Millennium Development Goals (MDGs).

7. Specifically, the trust fund is being used to primarily support the formulation of projects at the national level to promote activities aimed at (a) addressing key barriers such as policy, technical, financial and capacity to scale up renewable energy for productive uses; (b) augmenting rural energy to promote income generation activities; (c) promoting private sector investment in renewable energy; (d) leveraging funding from the Global Environment Facility (GEF), European Union (EU) and other funding mechanisms; and (e) strengthening energy and climate security.

II. Current project activities

8. To date, four project concepts (PIFs¹) developed with the support from the trust fund, have been approved by GEF for grant funding to the tune of \$11 million, as well as an additional \$59 million to be leveraged as co-financing. These project concepts (PIFs) will be developed into full size projects following the GEF project preparatory cycle. Details of these approved project concepts are outlined in the following paragraphs.

¹ PIF: Project Identification Form. It formulates the first step of the GEF project cycle.

9. **Cameroon.** The project aims to reduce greenhouse gas emissions through investment promotion, and scaling up and replication of integrated biomass and small hydro solutions for productive uses in Cameroon. The project will seek to develop a favourable policy and regulatory environment for renewable energy investments in Cameroon and establish a viable renewable energy generation market with financial instruments, technical and financial capacities, and support tools.

10. The project also aims to make renewable energy systems and mini-grids an integral part of Cameroon's electrification programme. At least two technically and financially viable integrated renewable energy generation mini-grid systems of two megawatt (MW) capacity will be designed, installed and commissioned.

11. GEF has approved grant funding to the tune of \$2 million under the project and an additional \$10 million will be leveraged as co-financing.

12. **Dominican Republic.** The project aims at stimulating industrial competitiveness through biomass energy generation and to reduce greenhouse gas emissions from industrial free zones in the Dominican Republic. The project will improve and strengthen the institutional framework for renewable energy technologies in industrial free zones and involve a technology demonstration of a biomass plant with an estimated capacity of 2.5 megawatt at the Santiago Industrial Free Zone.

13. The project will also seek to establish a renewable energy market based on sustainable use of biomass for power generation in the Dominican Republic and will support the National Energy Commission (CNE) in its efforts to improve electricity supply for manufacturing companies located at industrial free zone areas.

14. GEF has approved grant funding to the tune of \$1.3 million under the project and an additional \$7.5 million will be leveraged as co-financing.

15. **India.** The project aims to promote business models for increasing penetration and scaling up of solar energy-based heating and cooling applications in selected industrial sectors in India. The project will also demonstrate the technical and financial viability of industrial solar projects and assist in formulating a detailed set of recommendations and guidelines for policymakers to catalyse deployment of solar technology in industrial thermal and cooling applications in India.

16. The project will generate new ventures for entrepreneurs, inter alia, in consulting, designing, project implementation, and manufacturing. The project will also focus on enhancing social impacts for the local communities.

17. GEF has approved grant funding to the tune of \$4.4 million under the project and an additional \$21.8 million will be leveraged as co-financing.

18. **Uruguay.** The project aims at stimulating sustainable production practices and low-emission technologies in prioritized sectors and improving the local technology capacity to transform different kinds of waste generated in the agriculture and agro-industry production chains into various types of energy and/or other by-products, in order to develop a low-carbon sustainable production model in Uruguay.

19. The project will seek to strengthen the policy framework to promote sustainable production schemes and implement low-emission technologies in prioritized sectors (agricultural and farming, processing industries, and small

communities). The project will also seek to enhance technological capacities to design and implement processes that convert waste to energy.

20. GEF has approved grant funding to the tune of \$3.4 million under the project and an additional \$19.8 million will be leveraged as co-financing.

III. Conclusion and outlook

21. The trust fund on renewable energy is now fully operational and has achieved a number of significant milestones in a remarkably short space of time. Among other achievements, the trust fund has enabled the development of a number of concrete renewable energy projects with wide geographical coverage, including countries from the regions of Africa, Asia and Latin America and the Caribbean.

22. From a relatively small funding base, the trust fund has been able to leverage funding from GEF and others sources, including the private sector, in order to scale up the potential size and scope of proposed projects. The total funding of \$70 million includes \$11 million in GEF grants and \$59 million targeted to be mobilized as co-financing.

23. The trust fund is fulfilling its conceived purpose by funding projects in line with the UNIDO thematic priorities in poverty reduction through productive activities, capacity-building and energy and the environment. Moreover, current projects are in accordance with the goals of the United Nations Secretary-General's Sustainable Energy for All initiative.

24. The trust fund on renewable energy carries a strategic outlook that helps to promote programmatic approaches and partnerships through renewable energy projects with a focus on technology demonstration, policy frameworks and capacity-building, leading to positive and measurable outcomes.

25. As mentioned in paragraph 6 above, funding from the trust fund is in the first instance being used to develop specific project concepts/proposals that will be developed into full size projects in countries as cited in the examples above in paragraphs 9 to 20. It is anticipated that with the existing funding in the trust fund a number of additional projects will be developed in the near future following consultations with GEF and other relevant stakeholders, including government ministries and the private sector in Member States.

IV. Action required of the Committee

26. The Committee may wish to take note of the information provided in the present document.
