High-Level Dialogue: Energy Transition Financing in LDCs

Date: Tuesday, 29 April 2025 | Time: 4:00 p.m. – 6:00 p.m. (TBC)| New York |

Background and rationale

Structural challenges, including limited fiscal space, small or landlocked markets, high vulnerabilities to external shocks, a high dependency on fossil fuels combined with low access rates to sustainable energy remain important development barriers for Least Developed Countries (LDCs). Their ability to pursue structural transformation such as through a just energy transition is hindered by barriers to attracting investment, both general and sector-specific, including underdeveloped regulatory frameworks, limited capacity and resources to prepare bankable projects, and low access to affordable financing.

At the same time, international public financial flows in support of clean energy in LDCs have shown a rebound after a declining trend over the past years. Public financial flows grew in 2022, from USD 2.1 billion in 2021 to USD 2.3 billion. However, between 2010 and 2022, their share of total international public financial flows fell from 17 to 15 per cent, trailing behind the historical average of 21 per cent. Similarly, foreign direct investment (FDI) inflows to LDCs increased to USD 31 billion in 2023, yet their share of global FDI remains modest at just 2.4 per cent.

LDCs are nevertheless committed to advancing sustainable energy systems and transitioning to low-carbon economies, recognizing that access to affordable, reliable, sustainable, and modern energy (SDG 7) is fundamental to achieving structural transformation and serves as a catalyst for progress across multiple Sustainable Development Goals (SDGs). Achieving SDG 7 directly contributes to eradicating poverty (SDG 1), combating climate change (SDG 13), fostering decent work and economic growth (SDG 8), and improving health outcomes (SDG 3), thereby driving transformative progress across the 2030 Agenda.

Specifically, regarding SDG 8, the energy transition is projected to create significant employment opportunities globally—approximately 24 to 25 million new jobs, substantially surpassing the estimated 6 to 7 million jobs that might be lost due to shifting away from fossil fuels. Recognizing this potential, the UN Secretary-General's Acceleration Agenda emphasizes immediate actions to scale renewable energy adoption (including hydro, solar, wind, and green hydrogen). In LDCs realizing these employment opportunities necessitates substantial investment in clean energy infrastructure, alongside concerted efforts to enhance education and build institutional capacity.

Expanding energy access in LDCs is not only essential for achieving universal electrification but also for fostering local value addition through industrialization, agro-processing, and the development of productive capacities. Access to affordable and reliable electricity enables value-chain development in key sectors such as agriculture and manufacturing, contributing to job creation and economic diversification.

Moreover, LDCs are poised to be pivotal actors in the energy transition globally, possessing abundant natural resources and reserves of critical minerals such as cobalt, copper, nickel, lithium, essential to cleaner energy technologies. Many also have the potential to be significant exporters of low-carbon electricity by virtue of their hydropower, solar, and wind energy generation potential due to their favorable geological and climatic conditions.

In this context, the Financing for Development (FfD) process, the Doha Programme of Action 2022–2031 (DPoA), the UN-Energy Plan of Action Towards 2025, all underscore the urgency of mobilizing resources, strengthening partnerships, and building enabling environments and institutional capacities that can attract long-term investment. Other prominent global partnerships such as the Mission 300 Initiative and and Just Energy Transition Partnerships further point to the critical issue of unblocking investment flows.

In addition to global policy drivers, several LDCs and other developing countries facing similar structural challenges are already taking bold steps through domestic policies and regulations to expand energy access and advance local climate goals in line with the 2030 Agenda.

- **Ethiopia**: the government is committed to scaling up investments in renewable energy, leveraging its hydropower, solar, and wind potential. Through the recently established Ethiopian Investment Holdings (EIH), the government aims to manage state-owned assets and attract private sector investments in the energy sector, including for productive uses in the agriculture sector and the development of eco-industrial parks. The Ethiopian Investment Commission (EIC) has identified energy as a key sector for investors and is developing a tailored approach to attract investment and finance in energy transition, including through the promotion of tailored incentives, enhancing bankability of projects (at least $1.5 billion in current pipeline), and providing active support to international investors. Ethiopia co-chairs the “Group of Friends for Sustainable Energy”.
- **Malawi**: Malawi is actively addressing energy poverty and frequent blackouts by investing in large-scale solar energy projects to diversify its energy mix and improve access. A notable example is the Salima Solar Plant, the country's first utility-scale solar photovoltaic facility, which adds up to 60 MW of clean energy to the national grid. This initiative aligns with Malawi's National Energy Policy, which aims to increase access to affordable, reliable, sustainable, efficient, and modern energy for all citizens. Additionally, the government is expanding off-grid solar solutions to reach rural areas, enhancing energy access nationwide. According to the 2017 Integrated Resource Plan, $3.6 billion in investment is needed to achieve universal electrification through least-cost generation options (grid and off-grid).
- **Nepal**: through a combination of initiatives, including public-private partnerships (PPPs), Nepal has aimed to attract more private sector investment to support its energy transition. The government has set an ambitious target to increase clean energy generation from approximately 1,400 MW to 15,000 MW by 2030, with 5-10% coming from mini and micro-hydro power, solar, wind, and bio-energy sources. Notably, the Investment Board Nepal (IBN) is overseeing development two major PPP initiatives: the 900 MW Arun-3 Hydropower Project and the 900 MW Upper Karnali Hydropower Project. These would significantly enhance energy access and security, and serve as a key driver for other SDG areas.
- **Tanzania**: Tanzania is accelerating renewable energy investment through ambitious targets and supportive reforms. With over 60% of its 3.4 GW power capacity already coming from renewables (mostly hydropower) , the country aims to raise this to 75% by 2030 by adding about 1,800 MW of

new solar, wind, geothermal, and hydro capacity. The government plans to mobilize roughly US$12.9 billion in investments (including about US$4 billion in private capital) by 2030 while strengthening local capacities and data systems for energy planning. To attract long-term private investment, Tanzania is improving its enabling environment – for example, launching competitive procurement for independent power producers (with a Renewable Energy IPP program by 2026) and strengthening the legal and regulatory frameworks for PPPs. These efforts align with Tanzania's Vision 2025 goal of energy security and SDG7 commitment to sustainable energy access.

- **The Gambia:** the country is rapidly scaling up renewable energy investments to create an investor-ready, climate-friendly power sector. Under its National Development Plan, the government aims to increase renewables from 2% to 40% in the near term—with an ultimate target of 50% by 2030—backed by enabling frameworks such as the Renewable Energy Act 2013, which introduced feed-in tariffs and net metering, and the establishment of the Gambia Renewable Energy Center (GREC) to boost R&D and local expertise. To attract long-term investment, the government is reforming tariffs and reducing losses to encourage independent power producers, while advancing major projects with international support. A flagship example is the Gambia Electricity Restoration and Modernization Project (GERMP) —a $121.5 million program co-financed by the World Bank, EIB, and EU—which is deploying utility-scale solar (including a new 23 MW plant with storage), upgrading transmission/distribution infrastructure, and strengthening the national utility. A further two-phase project is under development to establish a solar park with a capacity of around 100 MW. Through these initiatives, The Gambia has mobilized significant resources—over US$200 million from the World Bank alone—to finance generation, grid expansion, and utility reforms. The launch of the 2021–2030 NDC Implementation Plan is strengthening institutional capacities and enhancing climate finance mobilization.

The progress achieved by these countries showcases the potential of ambitious energy strategies, while also highlighting the urgency of ensuring that similar opportunities are extended to other LDCs. Building on the outcomes of LDC5, there is a pressing need for discussions on how to scale these efforts. The emphasis must be on strengthening domestic and international partnerships, aligning energy transition strategies with national development priorities, and leveraging innovative and risk financing mechanisms to unlock investment opportunities to advance the energy transitions in LDCs[1].

[1] This event is organized to facilitate this process through ongoing collaboration with key United Nations entities, including the United Nations Department of Economic and Social Affairs (UN DESA) and its Economic Analysis and Policy Division (EAPD), the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Capital Development Fund (UNCDF), and the United Nations Regional Commissions. This collaboration aligns with ongoing efforts under the Development Account (DA) Project, "Attracting Finance and Investment for the Energy Transition in Africa," an initiative led by UNCTAD and DESA. Focused on Ethiopia, Malawi, Namibia, Seychelles, and Tanzania, the project strengthens national capacities to attract private financing for renewable energy by promoting strategies that include the development of bankable projects, digital platforms, and partnerships, thereby advancing energy transitions and contributing to broader SDG achievements.

Objectives

The proposed High-Level Side Event at the upcoming FfD4 preparatory meetings from 30 April to 1 May 2025 in New York will focus on these critical issues. More specifically, the event will aim to:

1. Highlight efforts by LDCs to implement energy transition policies, attract financing, and create enabling environments to realize value-chain development and synergies in the agriculture-water-energy nexus through the mobilization of energy transition investments.

2. Showcase innovative financing mechanisms and policy solutions, including relevant national and regional frameworks as well as examples of successful partnerships to integrate private and public resources within robust accountability frameworks.

3. Foster dialogue among stakeholders to align efforts and showcase how international cooperation can connect local investment projects to available financing from global and local institutions.

By facilitating this exchange, the event aims to promote concrete solutions to bridge financing gaps and accelerate progress on sustainable energy goals in LDCs.

Panels

Panel 1: Roundtable Discussion - Country Experiences in Advancing Energy Transition
<u>Focus</u>: Highlighting the challenges and opportunities faced by LDCs in mobilizing finance for the energy transition.

Speakers (TBD):

- Representative from the Ministry of Energy/Finance/Ethiopian Investment Holdings, Ethiopia
- Representative from the Ministry of Energy/Finance, Malawi
- H.E. Mr. Seedy Keita, Minister of Finance and Economic Affairs, Ministry of Finance and Economic Affairs, The Gambia
- Mr. Songelael Shilla, Assistant Director of Multilateral Cooperation, Ministry of Foreign Affairs and East African Cooperation, Tanzania
- Mr. Dhani Ram Sharma, Joint Secretary, Head of International Economic Cooperation Coordination Division, Ministry of Finance, Nepal

Moderator: Mr. Aniket Ghai, Senior Economic Affairs Officer, UN-OHRLLS

Panel 2: Innovative Financing Solutions for Energy Transition
<u>Focus</u>: Exploring financial instruments and policy solutions to unlock private and public investments in LDCs.

Speakers (TBD):

- Mr. Pradeep Kurukulasuriya, Executive Secretary of the United Nations Capital Development Fund (UNCDF)

- Mr. Marco Serena, Chief Sustainable Impact Officer, Private Infrastructure Development Group (PIDG)
- Mr. Dan Klink, CEO of East African Power (EAP)
- Mr. João Sarmento Cunha, Division Manager, Renewable Energy Funds & SEFA Head, African Development Bank (AfDB)
- Mrs. Helen Brume, Director, Projects & Asset Based Finance, Afreximbank
- Mr. Opuiyo Oforiokuma, Senior Partner, Africa50 Infrastructure Acceleration Fund

Moderator: Ms. Nan Li Collins, Director of the Division on Investment and Enterprise, UNCTAD