

Energy transition for income and employment

RECONOMY is a regional inclusive and green economic development program of the Swedish International Development Cooperation Agency (Sida), implemented by HELVETAS Swiss Intercooperation in the Eastern Partnership and the Western Balkan countries.



Sector:
Renewable energy



Target group
Young people, small and medium enterprises (SMEs)



Location:
3 Eastern Partnership countries (Armenia, Azerbaijan, & Georgia)



Start:
June 2021



Co-facilitation partner:
Energy Efficiency Center Georgia (EECG)

FOCUS

This pilot intervention focuses on responding to the problem by stimulating additional deployment and investment in the renewable energy sector leading to increased employment. This is based on extended opportunities for SMEs in the renewable energy sector by testing better business models (access to finance and skilled workforce) and facilitating policy instruments.



VISION

The pilot utilises the growing green economy opportunities for income and employment associated with the regional energy transition and decarbonisation of economies of the countries of the South Caucasus region. An expanding and innovative renewable energy sector in Georgia, Armenia, and Azerbaijan creates better economic (income and employment) and environmental (cleaner, healthier, and more resource-efficient communities) values for SMEs as well as women and youth through improved supporting policy environment, available skilled workforce and accessible/adequate financial instruments.



PROBLEM

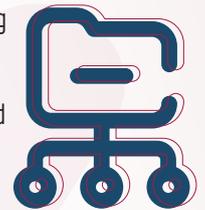
Private sector enterprises face constraints in creating economic and environmental values and hence the generation of better income and employment. One key constraint is the level of existing areas of expertise in the design of local content requirements and linking them to a skilled workforce. On top of the skills gap is also the inadequate financing of innovation in alternative energy which requires a better understanding of the relationship between different types of finance and their willingness to invest in a business model. Renewable energy solution development in the region is primarily shaped at the national and subnational levels. Policy is typically distributed across multiple stakeholders with diverse interests and policy options.



BUSINESS MODEL

Driving the business model requires that private sector enterprises overcome enduring market barriers and perceptions of a high risk that discourages investors and financiers. Four areas will be necessary for this to work: data, risk, product, and awareness and capacity. The pilot supports the availability of robust data on the green financing needs of SMEs. This in practice means putting in place evaluation procedures/credit scoring system for clear standards. On risk, the pilot facilitates the integration of environmental performance into the assessment of risks facing SME funding decisions. Different SMEs have different needs, different data footprints, and need different solutions, making it difficult to rate these small businesses among banks and other financial institutions.

On products, the pilot assesses the relevance and feasibility of a hybrid financial instrument dimension (e.g. development finance like green lending; banking like increasing sustainability commitments across loan books; debt markets like green bonds aggregating SME loans; impact like investing such as targeting SMEs delivering social, environmental and financial returns; venture capital financing models; and fintech such as improving the efficiency of capital intermediation, with the potential for significant impacts). Awareness and capacity is about facilitating for improved awareness of cost-saving potential of green investments, lacking technical capacity, and financial literacy.



The skills component of the business model also brings a mix of both traditional and new skills. But these skills need to be adapted to a very distinctive specialization set of new skills within an existing occupation (e.g. alternative energy such as installation, operation, and maintenance), as well as skills for supporting functions (e.g. energy efficiency consulting – designing and planning, marketing). For some, new skills will be required, for others upgrading existing skills will be needed. The key is availability of related labor market information and actual provision of relevant training.

At the level of policy framework, the business modes works around making operational and investmentrelate support accessible while ensuring clarity and consistency of the policy instruments. Relevant and feasible operational support includes Tradable Green Certificates (TGCs) schemes to foster market-driven penetration of renewables by ensuring that a specific volume of electricity is generated from an alternative energy source. Another is feed-in tariff as a mechanism to accelerate investment in renewable energy technologies by offering long-term contracts to renewable energy producers. Investment-based support focuses on the possibility in which public capital can best be deployed to crowd in private funds for green finance.

EXPECTED RESULTS



1500 people improved their skills and knowledge, and increased their employability as well as start their own economic/income-generating initiatives

60% of people expressed satisfaction with the relevance of skills, knowledge, and information services

40% of private sector enterprises reported higher turnover and/or profit as a result of changes stimulated

Additional **20%** investment made by private sector enterprises as a result of changes stimulated