Facility for Energy Inclusion

Overview

The **Facility for Energy Inclusion** (FEI) is debt financing facility for small-scale energy access projects - off-grid solar, small IPPs, captive installations and mini-grids. FEI is **a $500m initiative** capitalised by the African Development Bank, other development finance institutions and commercial investors. FEI will structure transactions, engage local capital markets, finance projects and companies, and accelerate access to clean energy across Africa.

Strategy

Access to debt financing was identified as on of the major barriers to implementation and expansions in the off-grid, small scale RE and mini-grids segments of the energy markets. FEI was established to provide debt financing through two distinct windows:

FEI OGEF

FEI OGEF: Off-Grid Energy Access Fund providing consumer and corporate financing solutions to solar off-grid companies and the related ecosystem

FEI On-Grid

FEI On-grid: On-Grid Fund offering flexible project and corporate finance solutions to RE projects of less than 25MW and mini-grids

In a sector supported by donors, private investors and African governments alike, the design of FEI will provide **complementary and catalytic financing**. FEI intends to target segments of the sector that remains underserved by both international investors and domestic lenders – small-scale projects and products that fall below traditional minimum investment thresholds and are unfamiliar to investors. In so doing, FEI will adopt a **flexible debt investment approach** that integrates international best practice into the local market financial and regulatory environment. Above all, FEI will:

- Operate with a **clear mandate** to maintain **focus on underserved markets**;
- Promote **innovative and robust transactions** that create **long term market value**;
- Provide **flexible capital** on a commercial basis, including in **local currency**; and
- Be **managed from across Africa** to maximise local engagement and understanding.

Sponsors

In 2016, the Board of the **African Development Bank** approved a **$100 million** investment as the anchor investor to establish FEI under the New Deal on Energy for Africa. The New Deal targets 75m new off-grid and 130m on-grid connections.

FEI's development was supported by the AFDB's **Sustainable Energy Fund for Africa** and the **Nordic Development Fund,** and refined in collaboration with a range of donors, DFIs and private investors, notably the **Global Environment Facility**, **All On**, **Calvert Impact Capital**, **DFID, USAID,** and the **Shell Foundation.**

Management

The AfDB conducted a structured international public procurement process to select fund managers for both FEI windows. LHGP Asset Management will manage OGEF and a joint venture between LHGP AM and Fieldstone Africa will manage FEI On-Grid.

Facility for Energy Inclusion

Fund Windows

FEI On-Grid

Fund size: $400m

Fund launch: Q 2018

Fund Structure: Mauritius Partnership, 35% equity and 65% debt

Investment Instruments

- Focus on asset financing:
  - 40-60% project financing
  - 25-40% corporate lending
  - 10-20% tailored financing such as construction/bridge finance, take-out/tenor extension
- Ability to provide local currency financing
- Objective is to catalyse local banks but can act as sole investor

Eligible investees:

- Across Africa
- Focus on small scale (<25MW) renewable energy projects
- Range of counterpart legal entities and strategies including:
  - Independent Power Projects (IPPs)
  - Captive, Commercial & Industrial projects
  - Mini-Grids and equivalent

Development Impact:

- Financing to 750MW additional capacity
- 9.6m tCO2e avoided
- Benefits 6m households / 30m individuals
- 18,000 jobs created

Technical Assistance: $10 million reimbursable grants for late stage project development.

Committed Investors:

- AFDB: $40m (equity)/ $30m (debt)
- Expressions of Interest from GEF, FMO, Norfund, OeEB, EU AfIF

Ongoing fund raising from public and private sector investors throughout 2018

FEI OGEF

Fund size: $100m

First Close: August 2018, $58m

Fund Structure: Mauritius Partnership, 40% equity and 60% debt

Investment Instruments:

- Focus on consumer debt financing
  - 40-50% medium term (2-5 year) secured and securitized receivables financing
  - 20-30% shorter tenor financing (12-24 month) secured by inventory or equivalent
  - 20-30% early stage & corporate financing
- 50Both local and hard currency lending
- Objective is to catalyze local banks but can act as sole investor

Eligible investees:

- Across sub-Saharan Africa
- Range of borrower types, including:
  - SHS providers and operators;
  - Distributed energy equipment manufacturers and equivalent;
  - MFIs offering energy credit products;
  - Other companies operating in the sector with a clear link to credit/energy access.

Development Impact:

- Financing 40MW equivalent capacity
- 2.5m tCO2e avoided
- Benefits 4.5m households / 20m individuals
- 1000 jobs created

Technical Assistance: $2m grants for market dev't, deal structuring (ratings, legal docs).

First Close Investors:

- AFDB: $10m (equity)/ $20m (debt)
- NDF: $7m (equity)
- GEF: $8.5m (equity)
- All On: $2m (equity and debt)
- Calvert Impact Capital: $10m (debt)

Also supported by Shell Fdtn, DfID & USAID

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