

ELECTRIFICATION FINANCING INITIATIVE - ELECTRIFI

Addressing the lack of access to clean, reliable and affordable electricity and energy services is a major development challenge and a key pillar of Climate Change policy.

Cost-efficient access is central to inclusive and equitable economic growth in all sectors and a precondition for the poorest of the planet to be able to escape the worst impacts of poverty. Reaching the goal of global access through sustainable solutions is fundamental for mitigating the worst impacts of climate change, which most affect the poor.

What is ElectriFI?

The Electrification Financing Initiative (ElectriFI), elaborated in close cooperation with representatives of the private sector and development financiers, is a flexible tool aiming to support investments providing access to reliable, affordable and sustainable electricity and energy services in developing countries.

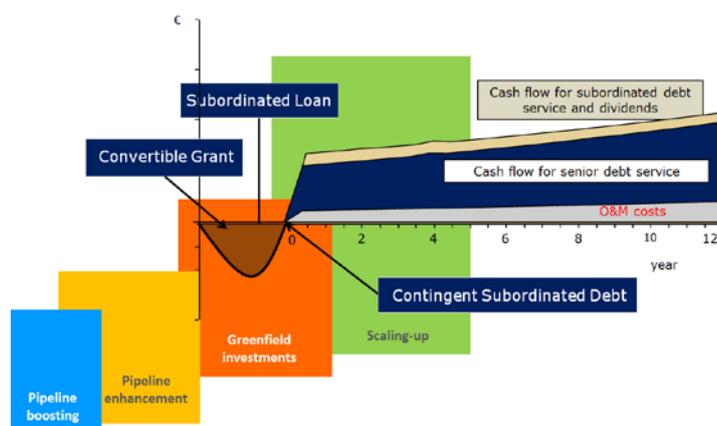
The Concept behind

A major barrier to investments in access to energy in developing countries is the lack of access to seed, mid- and long-term capital. In immature market conditions this is aggravated by the reluctance of commercial banks to provide suitable lending that respond to the needs of investors and by the existing capacity limitations in terms of structuring and bringing projects to financial close.

A support scheme that bridges the gaps in structuring and financing is therefore necessary to stimulate the private sector, to mobilise financiers and to have a catalytic impact on economic growth.

ElectriFI can play this role and boost investments by making support available throughout the entire project cycle, from the project idea to its successful implementation and scaling up. ElectriFI will constitute a comprehensive and inclusive platform for investment support services, rendering due attention to bankability at very early stages, whilst facilitating access to senior debt at later stages.

More precisely, appropriate financing will be made available in the following stages:



Pipeline boosting Building a pool of mature quality project proposals through mobilising actors and partnerships with financiers, industry and established networks.

Pipeline enhancement Supporting projects at very early stage by structuring feasible and bankable project profiles. At this stage support would be made available in the form of grants, which will convert into subordinated debt upon reaching certain milestones;

Project implementation Supporting pilot phase implementation / growth phase. At this

stage support would be made available in the form of subordinated debt. At a later stage contingent risk capital could be made available to cover delays, damages, cost overruns, etc.

Project scaling up Bridging financial gap and securing senior (development and/or commercial) debt. At this stage support would be made available in the form of subordinated debt.

To best address the variety of funding needs of the market, support in alternative forms, such as guarantees, local banks credit lines, currency risk mitigation, etc. can be also considered.

Whom does ElectriFI address?

The main target actor is the private sector. Public institutions may benefit under market based conditions, considering the needs and opportunities in each targeted country/region. The involvement of partners from

local private sector and Civil Society Organisations will be instrumental to enhancing effectiveness and ownership of the actions deployed.

Who are the ElectriFI Partners?

ElectriFI is a flexible and inclusive initiative, allowing for the participation of different partners who, depending on their objectives and priorities, may join the initiative at different levels and under different roles, with the aim of maximising the benefit of their contribution to the objectives of ElectriFI.

ElectriFI is therefore open to contributions by partners from all over the world, including International Organisations, donors and financiers, foundations or CSR funds acting in line with the principles of transparency and equal treatment. The US Government has already confirmed, through Power Africa, the intention to contribute to ElectriFI an amount of USD 10 million.

What are the targeted operations?

The aim of ElectriFI is to support renewable energy investments of a total budget above EUR 0.5 million. At early stages or during the pilot phase, own capital is expected to be in the scale of 50%. At later project stages and in view of scaling up, own capital is expected to be in the scale of 15-25% with a senior debt financing at the scale of 50-60%. The total amount contributed by ElectriFI will not exceed EUR 10 million per project. The debt repayment period would typically be 5-10 years. [NB the above figures are indicative only]

ElectriFI support will focus on investments increasing and/or improving access to modern, affordable and sustainable energy services for populations living principally in rural, underserved areas as well as areas affected by unreliable power supply. The emphasis will be on decentralised sustainable energy solutions, but grid-connected projects will not be excluded.

Operations will be assessed against a set of criteria including: aid effectiveness and coherence with country ownership principles, development impact (new or improved access to electricity and energy services, jobs creation etc.), additionality (meaning the need of the support requested), neutrality (meaning avoidance of market distortion), replicability and scaling-up potential and compliance with environmental, social and fiscal standards.

Furthermore, investments having an important impact and added value in the following areas will be prioritised: (i) improving the life of women and girls; (ii) productive uses of energy; (iii) provision of social services to the bottom of the pyramid (health, education, security, etc.); (iv) actions in the energy-water-food nexus; (v) clean mini-grids with a provision to be connected to the main grid in the future; (vi) green hybridisation of existing systems; (vii) establishment of local mini-utilities; (viii) innovative solutions in terms of organisation, financing or delivery of energy services.

ElectriFI State of Play

ElectriFI was launched by the Commission in 2015 (during COP21 in Paris), to unlock, accelerate, and leverage investments that can increase or improve access to affordable, reliable, sustainable, and modern energy and promote the rational use of energy in Africa. ElectriFI is an effective means of channeling public support into the private sector. ElectriFI was elaborated in close cooperation with representatives of the private sector and development financiers as a flexible and inclusive initiative and a unique platform for gathering and leveraging global efforts and resources from partners committed to the electrification agenda. The G7 Leaders' Summit in Germany explicitly acknowledged ElectriFI in the Declaration of 8 July 2015. The US Government has contributed, through Power Africa, an amount of USD 10 million to ElectriFI. The US contribution is targeted at Sub-Saharan Africa projects alone.

The initiative is being implemented under the EU blending framework with an initial EUR 75 million delegation agreement concluded with the Dutch Development Bank (FMO) acting on behalf of all European Development Finance Institutions (www.edfi.eu) and several other financial institutions / EU partners under blending. The first invitation for applications under ElectriFI generated 290 project proposals requesting EUR 800 million of financial support to leverage for a total investment amount of EUR 8.5 billion for installing 3.7 Gigawatts new renewable energy generation capacity in 55 countries (35 countries being in Africa). The participation of the private sector and the financiers to this first invitation under ElectriFI proves that this initiative can be a game changer in responding to the challenge of universal access to energy. In response to the success of the first invitation for proposals and considering the needs of partner countries for access to energy, financial support to ElectriFI has been scaled up and the second invitation for applications under ElectriFI has been launched and will be open till 08.03.2017. **The online application form is accessible via www.electrifi.eu**