



# DESCOs Financing Programme

Proposed Investment Programme for the  
European Fund for Sustainable Development

African Development Bank

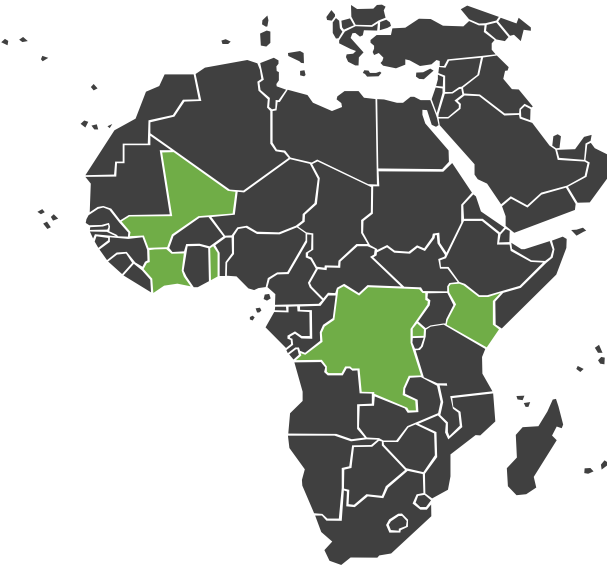
# DESCOs\* Financing Programme – Objectives:

- Scaling up DESCOs
- Crowding in Local FIs
- Mobilizing Local Currency
- Developing Securitization

## *EIP proposal*

- **EUR 50 million EFSD second loss cover**
- **EUR 6 million Technical Assistance grant**

\*Distributed Energy Service Companies



## *Partnership*

- Securitization: **CACIB** and **others**
- Affordability: **CGAP**
- Consumer Protection standard: **GONGLA**

## *Pipeline*

- **100% in LDC countries**
- **60% in fragile countries**  
exp: Togo, Mali, DRC, Cote d'Ivoire
- **Open for business in Nigeria**



# Policy Context: Alignment with EU Objectives

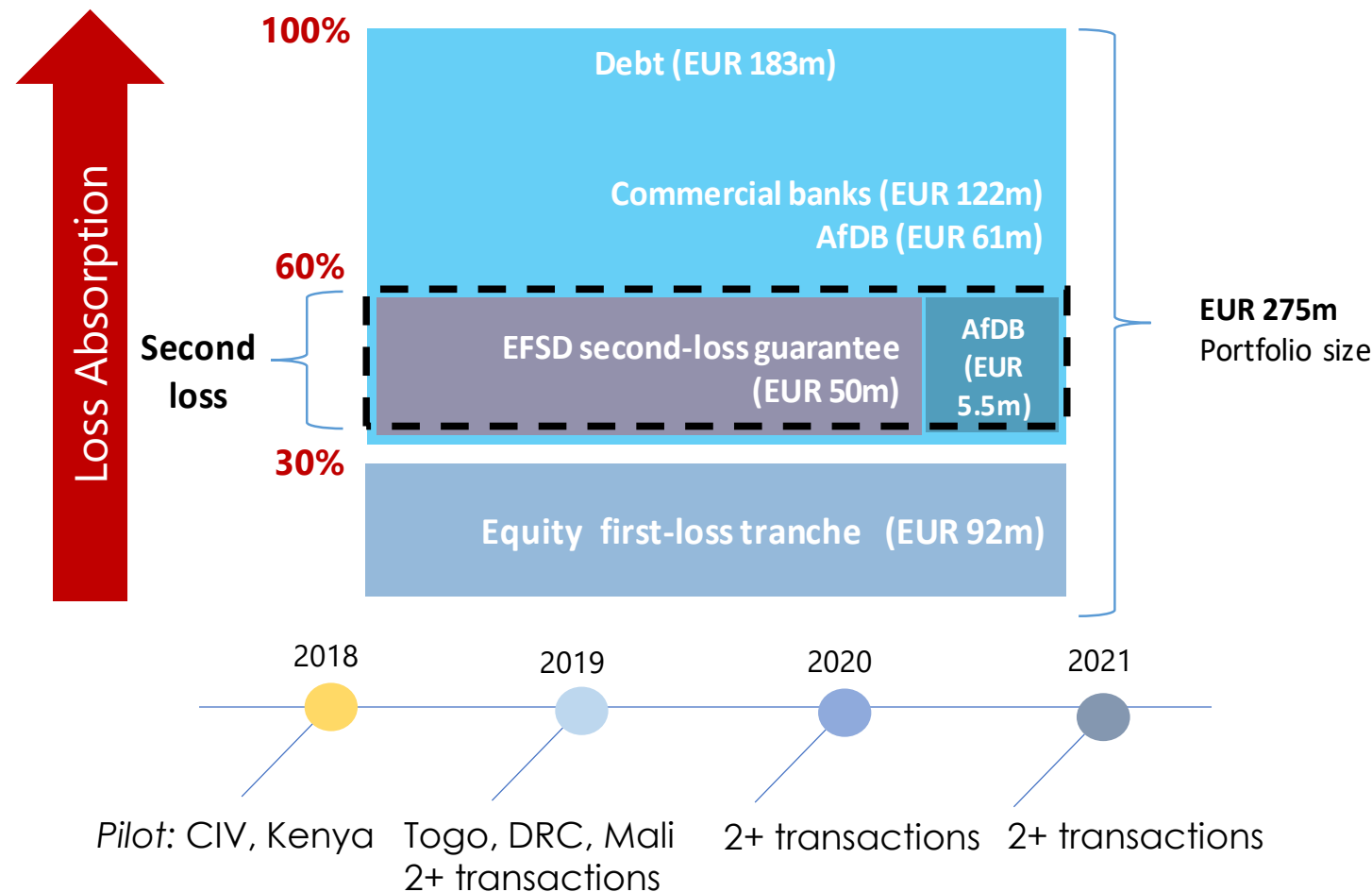


- **Energy Access and Renewable Energy Production**
  - Nearly **4,5 million people**
  - equivalent of a **60 MW** PV power plant
- **Support investment and Access to financing**
  - Increase **access to finance** to DESCOs
  - Crowding in **8-10 local commercial Banks**
  - Structuring about **6-9 New Receivables-backed (securitization)** facilities
- **Job Creation**
  - Creation of about **6000 new Jobs** in rural areas
- **Climate Change Mitigation and Adaptation**
  - **Mitigation:** Nearly **92 tCO<sub>2</sub>eq/year** of direct carbon emissions reductions
  - **Adaptation:** Solar powered irrigation kits to improve **farmers' climate resiliency**

# Summary of the program



- **Total portfolio size:** c. **EUR 275 million**
- **EC second loss** EUR 50 m to **crowd-in private sector investment**
- **AfDB Aligned Interest:**
  - In the **EC** second loss Tranche
  - And in the senior Tranche with **local commercial Banks**



# Sustainability and Risks



Risk	Mitigation
Currency risk	Local currency financing in priority
Credit risk and portfolio quality	<ul style="list-style-type: none"><li>• Adoption of various mechanisms including the adoption of locking down electricity in case of late payments, repayments made in advance</li><li>• Credit policy</li><li>• Conservative credit enhancement</li><li>• Strict eligibility criteria and allocation of payments</li></ul>
Structure risk	Bankruptcy remoteness of SPV
Environmental risk	Ensure that DESCOS implement an Environmental and Social Management System which will require the inclusion of E&S considerations in the decision-making process

# Results and Reporting



## Core Indicators by 2022

900,000 New Off-grid Connections

54 MW capacity

900,000 Households / 4,5 million people

100 GWh/year solar power production

## PIP Indicators by 2022

6-9 Receivables-backed Transactions

900,000 Lease to Own Contracts / EUR 275 m

EUR 183,000,000 Debt Financing raised

8-10 local Banks participating

675,000 people below poverty line

92 CO2 ktons eq/yr avoided

5,880-6,000 FTE jobs

## Visibility

- **Press Releases**
- Country-level Coordination with **EU delegation**
- **Road-Shows** to mobilize local commercial banks
- Highlighting in **AfDB events** (Africa Energy Market Place in Abidjan in July 2018) and **AfDB Knowledge Products**
- DESCO **industry events** such as GOGLA and Solar Plaza “**unlock solar capital**” event (Kigali in 2018)
- **Project videos** about the impact

# EU's Added Value



## EFSD guarantee

- EFSD guarantee amount requested - **EUR 50 million** to provide **second loss cover** in order to:
  - ✓ Enable AfDB to **significantly increase** its DESCOs financing portfolio
  - ✓ **Crowd in** local FIs at **competitive pricing** for DESCOs
  - ✓ Allow **additional risk buffer** to give comfort on the commercial viability of this **new asset class** due to nascent sector and lack of historical data on target customers
- EFSD guarantee **leverage**
  - ✓ Investment leverage **5.5x**
  - ✓ AfDB leverage **1.2x**
  - ✓ Private sector leverage **2.4x**

## EU technical assistance grant

- **EUR 1 million** for client support/advisory TA
  - ✓ FIs: Capacity building for securitization structures and improved knowledge about the sector
  - ✓ DESCOs: capacity building in responsible sales, credit check and gender inclusion
- **EUR 5 million** for policy and regulatory reform, and portfolio management
  - ✓ Countries strategy: Implementation and update of rural electrification plans by 2030 considering the 3 technologies: On-grid, mini-grid and offgrid
  - ✓ Investment climate: support the Energy regulator to open the market for private sector and develop measures to attract DESCOs
  - ✓ Portfolio management



# Thank You





# Annex – Transaction structure

