

# ECREEE REGIONAL OFF GRID ELECTRIFICATION PROJECT - ROGEP

COMPONENT 2 - ACCESS TO FINANCE

COMPONENT 1C – RISK MITIGATION FACILITY

Funded by



**WORLD BANK GROUP**

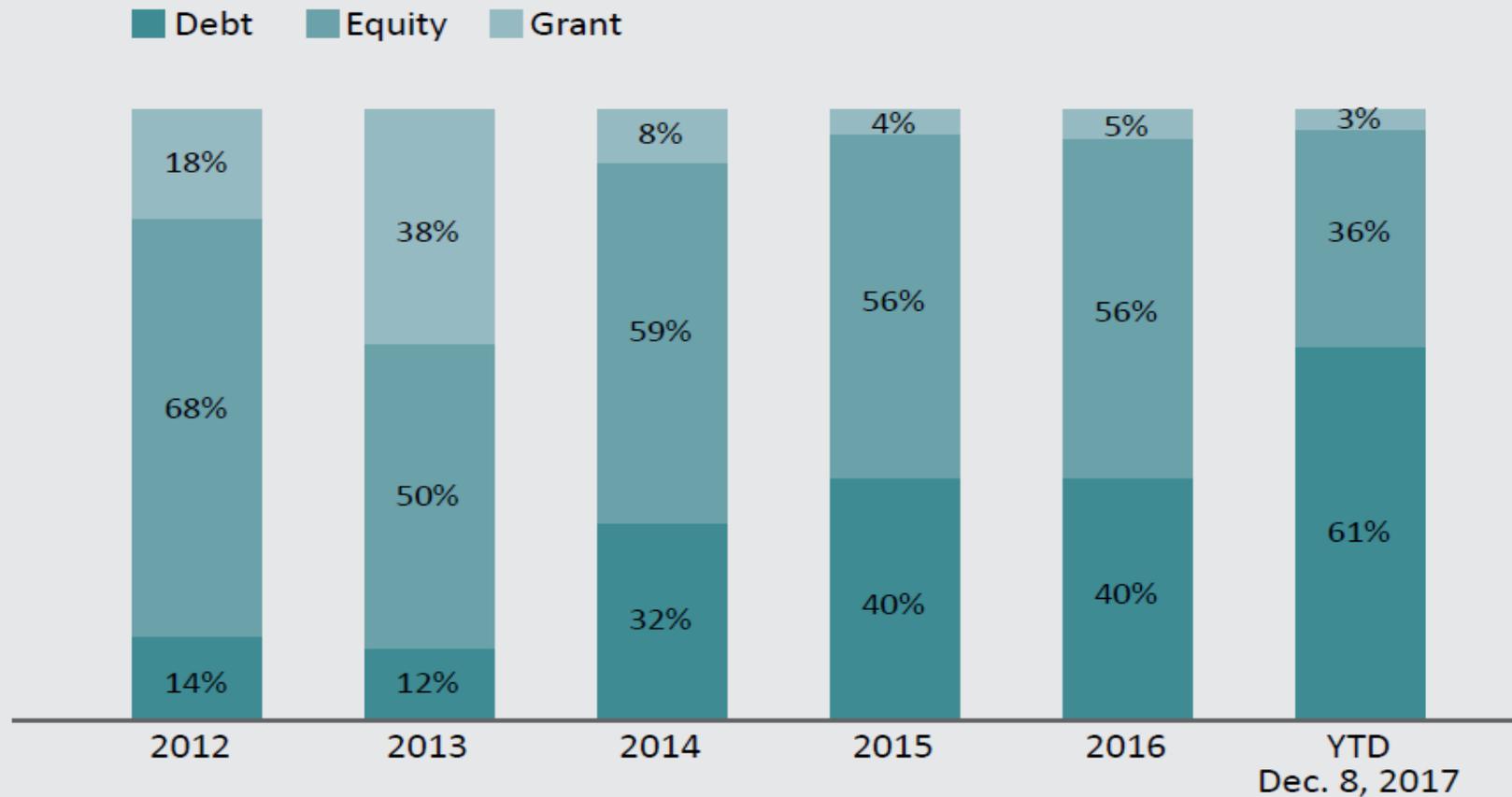
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# CAPITAL FLOWS TO THE SECTOR

Breakdown of total funding by type - % of total funds raised (2012-17)



Source: Off-Grid Solar Market Trends Report 2018 [WWW.ECREEE.ORG](http://www.ecreee.org)

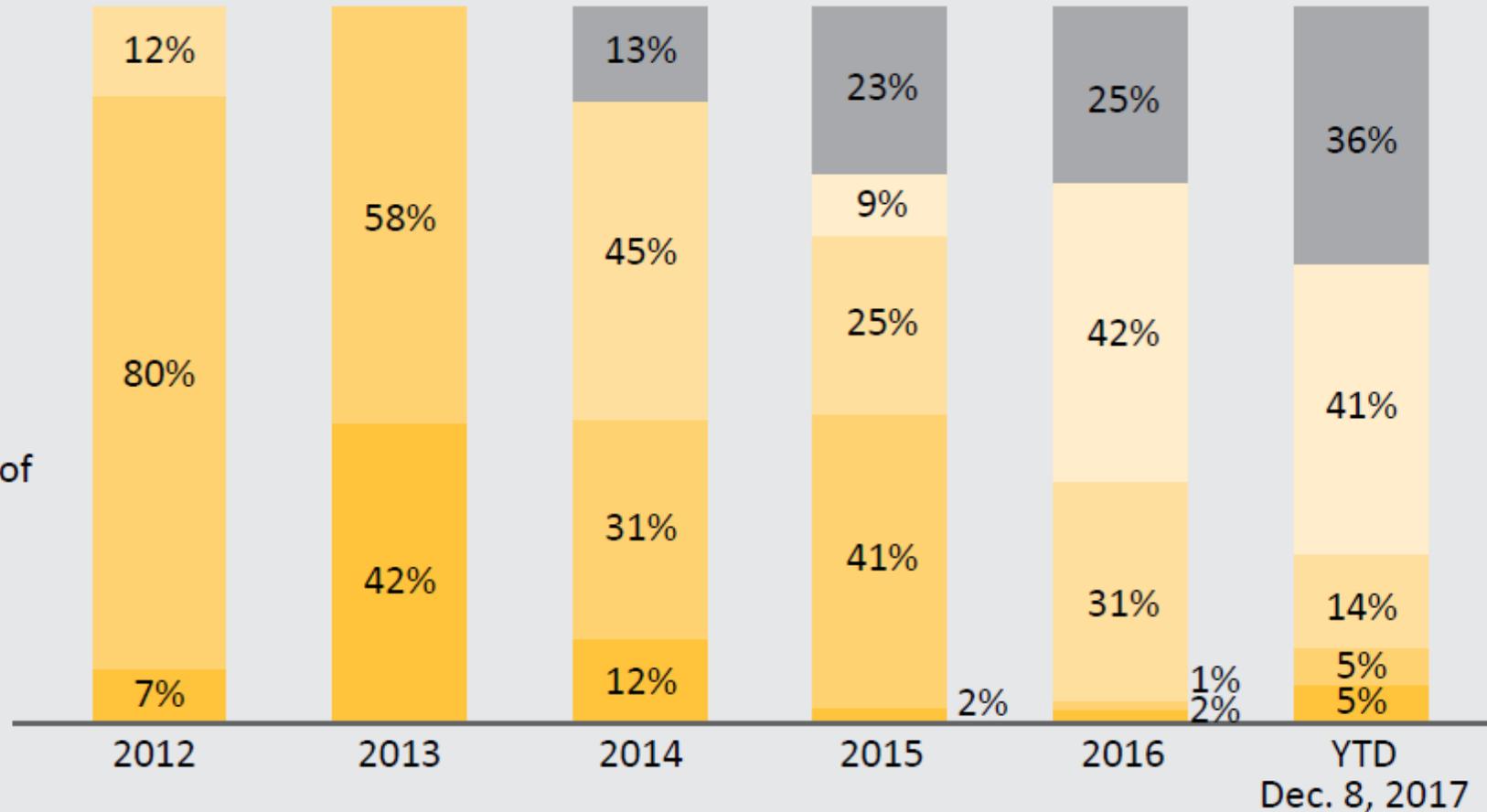
# COMPONENT 2 – ACCESS TO FINANCE

## TARGETED CATEGORIES

- Stand alone Solar equipment distributors supplying products to households and productive end-users of solar equipment. Solar Equipment Distributors must sell products that meet standards set by Lighting Africa.
- Households and Productive end users of solar equipment
  - Productive end users are also a key focus for commercial lenders as they may offer a superior established track record, and have capability to provide collateral as security for loans.
- Energy Service Companies electrifying public institutions with Solar - Schools and Health centers. This could be through a Concession arrangement or PPP

# Use of funds by OGS Companies

- Working capital incl. financing receivables
- Further business (new geography, product, acquisition etc.) + refinancing and ops
- Scale up business
- Market entry & product refinement
- Business set up & proof of concept



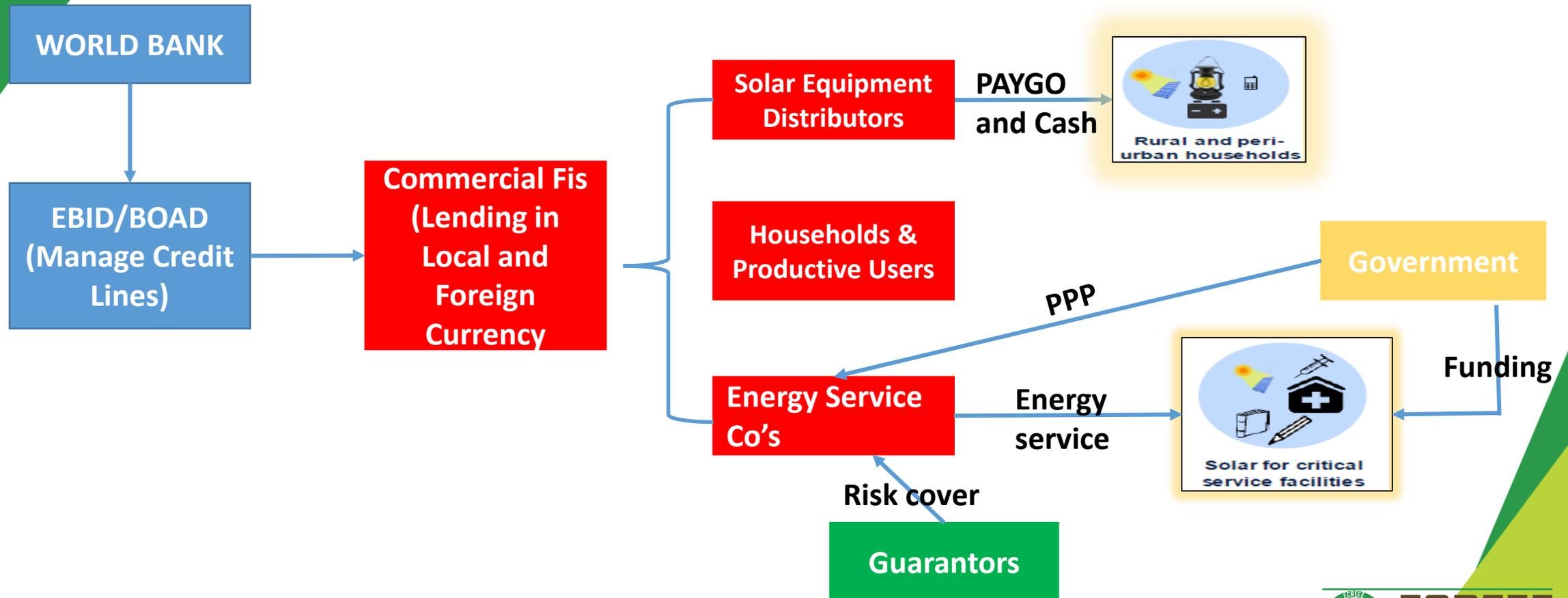
# COMPONENT 2 – ACCESS TO FINANCE

**There are two components under the Access to Finance**

- Sub-Component 2.A. - Credit Line through West African Development Bank (BOAD)
- Sub-Component 2.B. - Credit Line through ECOWAS Bank for Investment and Development (EBID) EBID

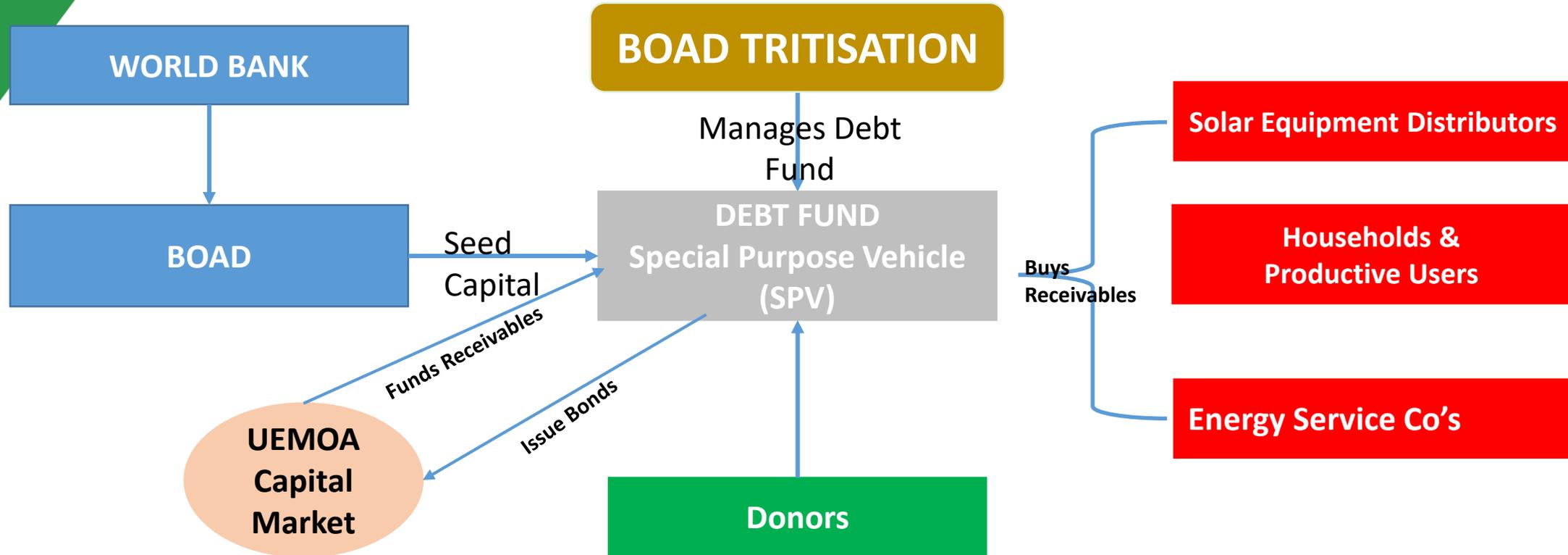
# COMPONENT 2 – ACCESS TO FINANCE

## DEBT CHANNEL THROUGH EBID AND BOAD



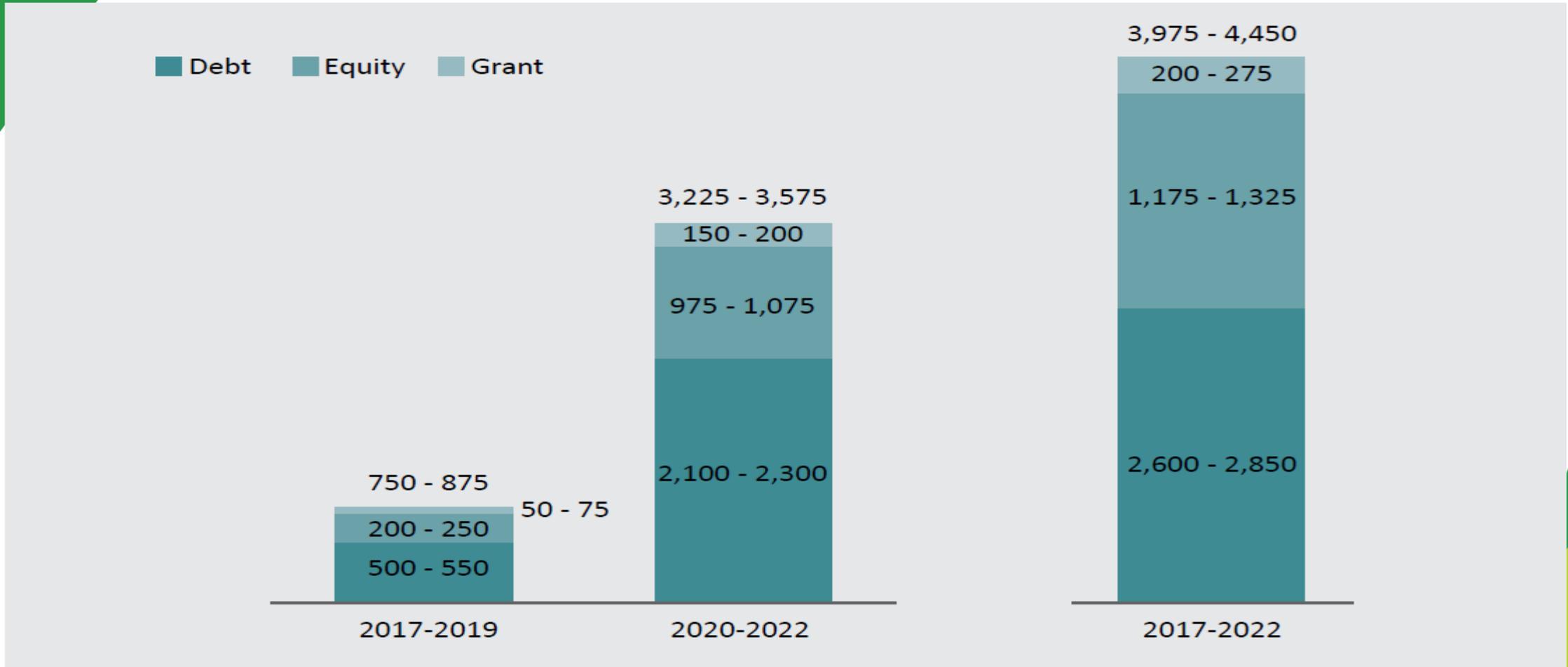
# COMPONENT 2 – ACCESS TO FINANCE

## DEBT FUND CHANNEL WITH CAPITAL MARKET FUNDING



# FUTURE NEEDS AND FUNDING GAPS FOR 2017-22

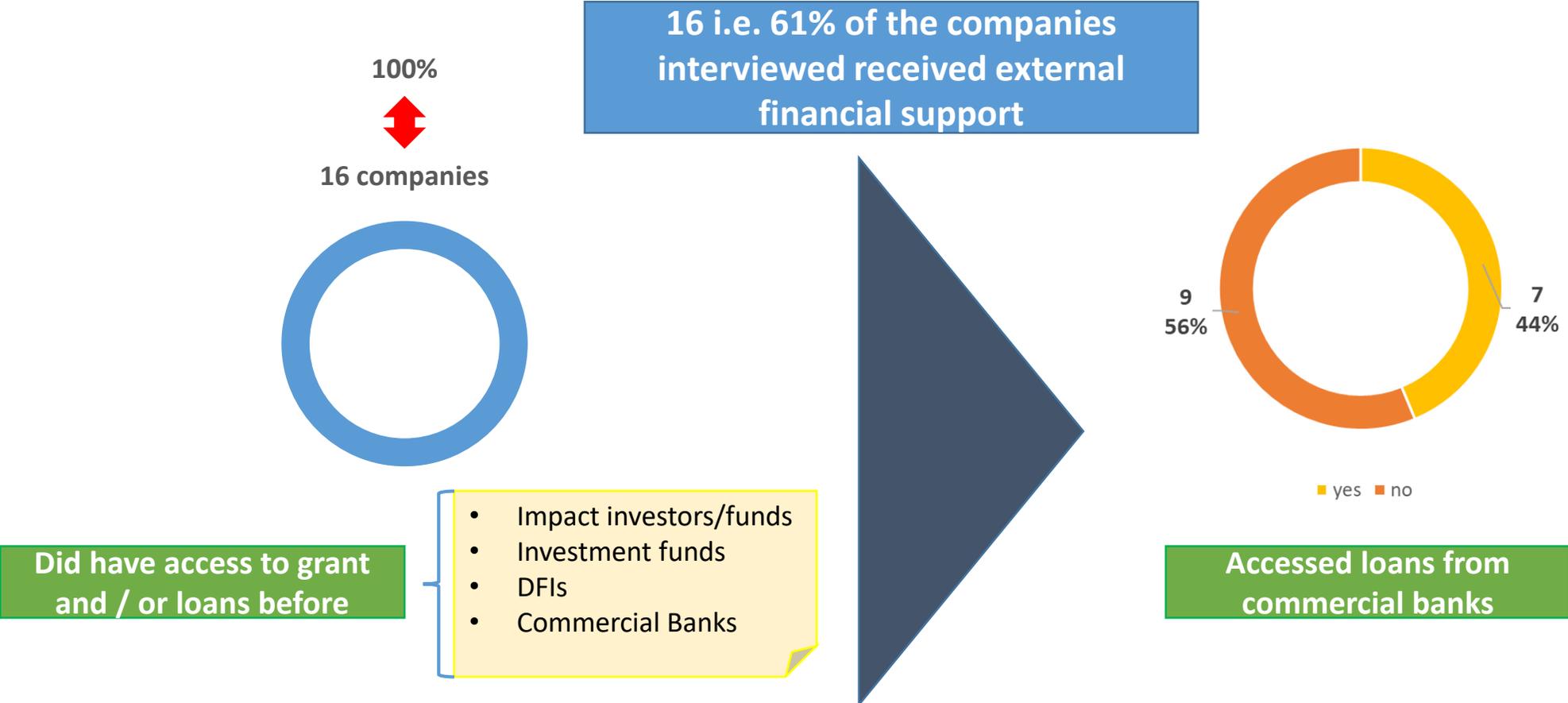
Forecasted external financing need by top OGS affiliate companies (USD millions)



Source: Off-Grid Solar Market Trends Report 2018 [WWW.ECREEE.ORG](http://WWW.ECREEE.ORG)

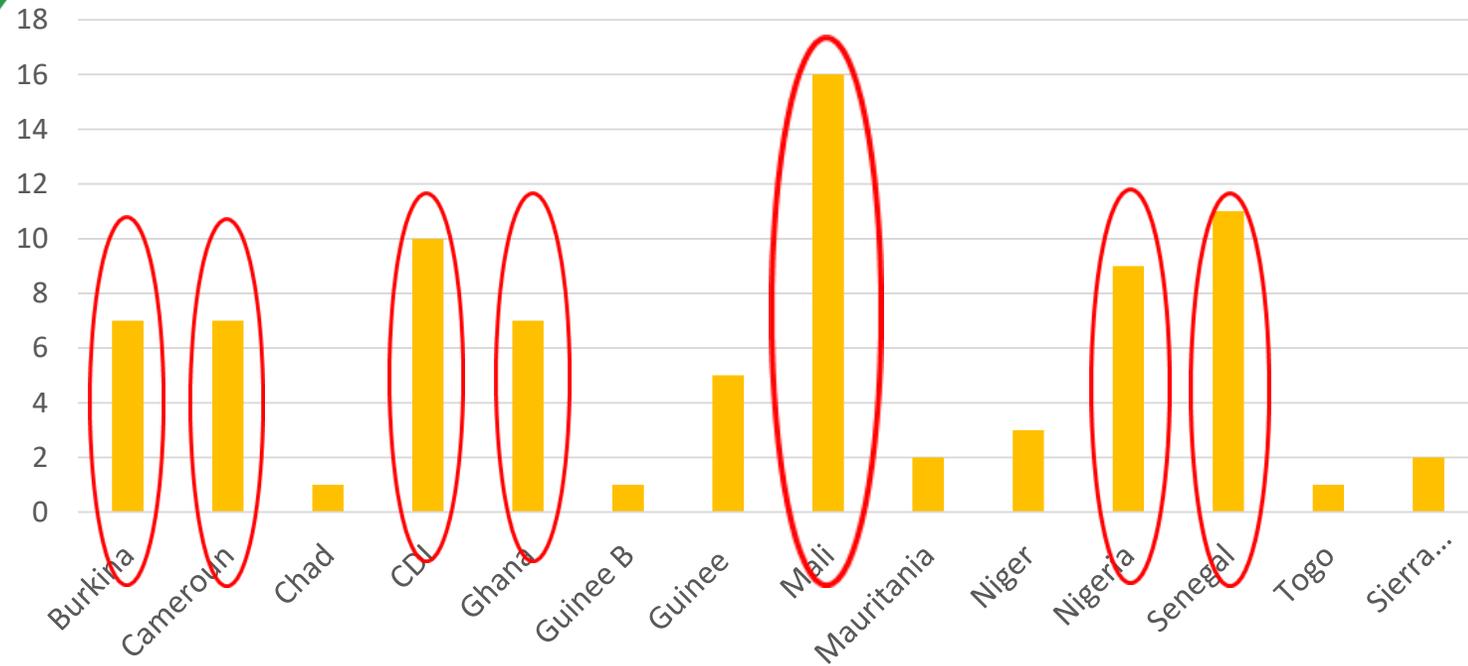
# LEARNINGS FROM COMPANIES' EXPERIENCE WITH FIS

Out of the 26 companies respondents, 16 received external financial support, of which 44% were loans from commercial banks



# CURRENT MARKET INSIGHTS

Concentration of existing T3 companies  
& potential local T3 companies (i.e. those already operating  
in off-grid solar)



High concentration of T3 companies in 7 countries yet:

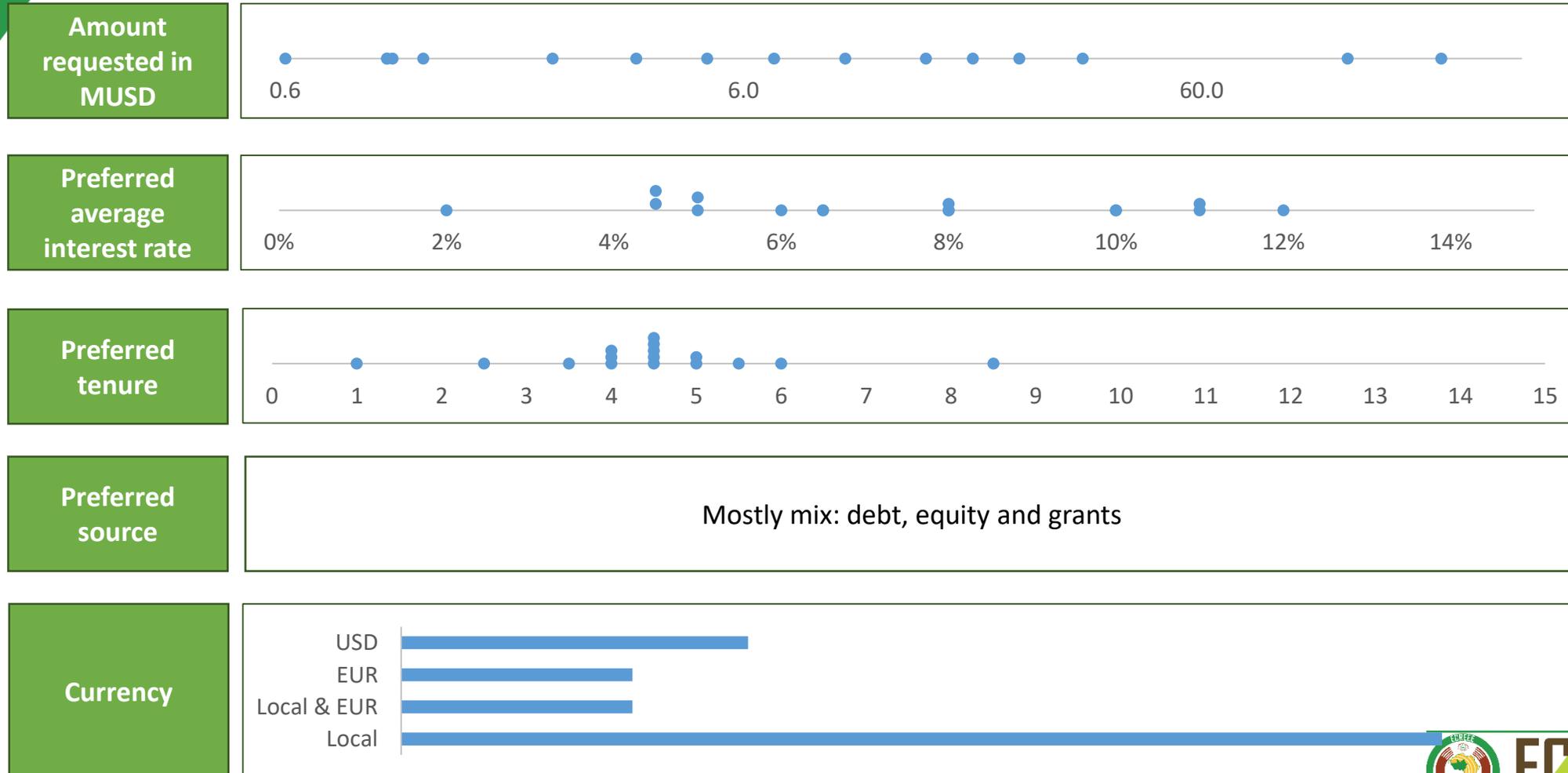
- Different profiles (international vs local)
- Different expansion strategies
- Different financial needs

As of now no T3 companies were identified to date in: Benin; Capo Verde; Gambia; Liberia; and RCA.

*The preliminary insights collected from our team show a higher concentration of off-grid solar actors in Burkina, Cameroun, CDI, Ghana, Mali, Nigeria, and Senegal*

# LEARNINGS FROM COMPANIES' EXPERIENCE WITH FIS

All 16 selected companies are looking for additional financial support to grow & expand – with different conditions



# LEARNINGS FROM COMPANIES' EXPERIENCE WITH FIS

All 16 respondents companies are looking for additional financial support to grow & expand – with different conditions

Amount requested in MUSD

- USD 0.6M – 200M
- 50% < USD 10M
- 2 companies > USD 100M

- Multi-countries & multi-products companies request > USD 10M

Preferred average interest rate

- Range 0-14%
- Mostly 4-8%

- < 8% mostly for companies in / targeting Nigeria
- < 8% mostly for Senegal, Mali, Côte d'Ivoire

Preferred average tenure

- Range 1-10 years
- Mostly 3-5 years

Preferred source

- 13 companies out of 16 want a mix of debt/debt funds, equity and grants

Preferred currency

- > 50% want financial support in local currency (and an additional 2 companies want a mix of local & EUR)

# PRELIMINARY FINANCIAL NEEDS AND CONDITIONS BY COMPANIES IN THE REGION

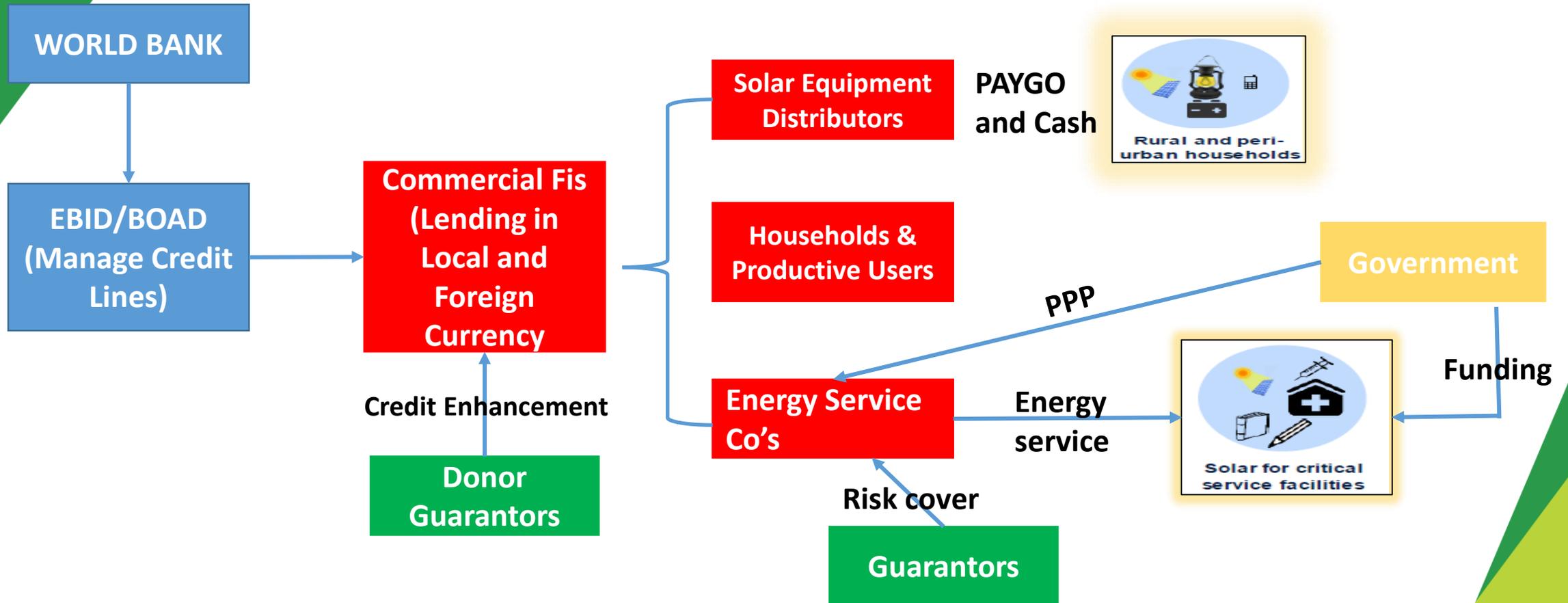
Geographical Scope	Amount requested	Preferred Interest Rate	Currency	Tenure	Preferred Source
CIV, Ghana, Niger, Senegal	\$ 125.000.000	5%	Local	5	Debt & investment funds
Niger	\$ 1.028.000	8-12%	Local	5 to 6	Debt, Equity, Grants
Mali	\$ 3.500.000	4 - 5%	local	4 to 5	Debt funds, Equity, Grants
Senegal	\$ 1.000.000	4- 6%	local	3 to 5	Debt, Equity, Grants
Senegal	\$ 600.000	6 - 7%	Euros	4 to 5	Debt, Equity, Grants
Senegal, Mali, BF, Nigeria	\$ 10.000.000	10 - 12%	local & Euro	2 to 3	Debt funds, Equity, Grants
Senegal	\$ 1.000.000	5 - 7%	Local and Euros	4 to 5	Debt funds, Equity, Grants
Togo, Nigeria	\$ 24.000.000	10%	local	4	Debt funds, Equity, Grants
Sierra Leone	\$ 19.000.000	8%	USD	4 to 5	Debt, Equity, Grants
Nigeria	\$ 2.300.000	8 - 14%%	Local	7 to 10	Debt funds, Equity, Grants
Nigeria	\$ 7.000.000	12%%	Local	5	Debt funds, Equity, Grants
Ghana, Côte d'Ivoire	\$ 15.000.000	5 - 8%	Local	4 to 5	No preference. Just needs to be simple
Togo	\$ 33.000.000	0 - 4%	Euro	4	Debt, Equity, Grants
Nigeria	\$ 5.000.000	0 - 9%	Local	5 to 7	Debt, Equity, Grants
Nigeria	\$ 1.200.000	8%	USD	1	Debt, Equity, Grants
5 ECOWAS countries	\$ 200.000.000	8%	USD	2 to 5	Debt, Equity

# COMPONENT 1C – RISK MITIGATION FACILITY

- Grants and concessionary capital will continue to be required from historical sources to fund uncertain projects, as well as to reach the last mile.
- Multinational organizations, DFIs, family and corporate foundations, and government bodies can play an important role in the following ways:
  - **Funding start-up ventures**
  - **Driving industry innovation**
  - **Making investments targeted toward last-mile segments**

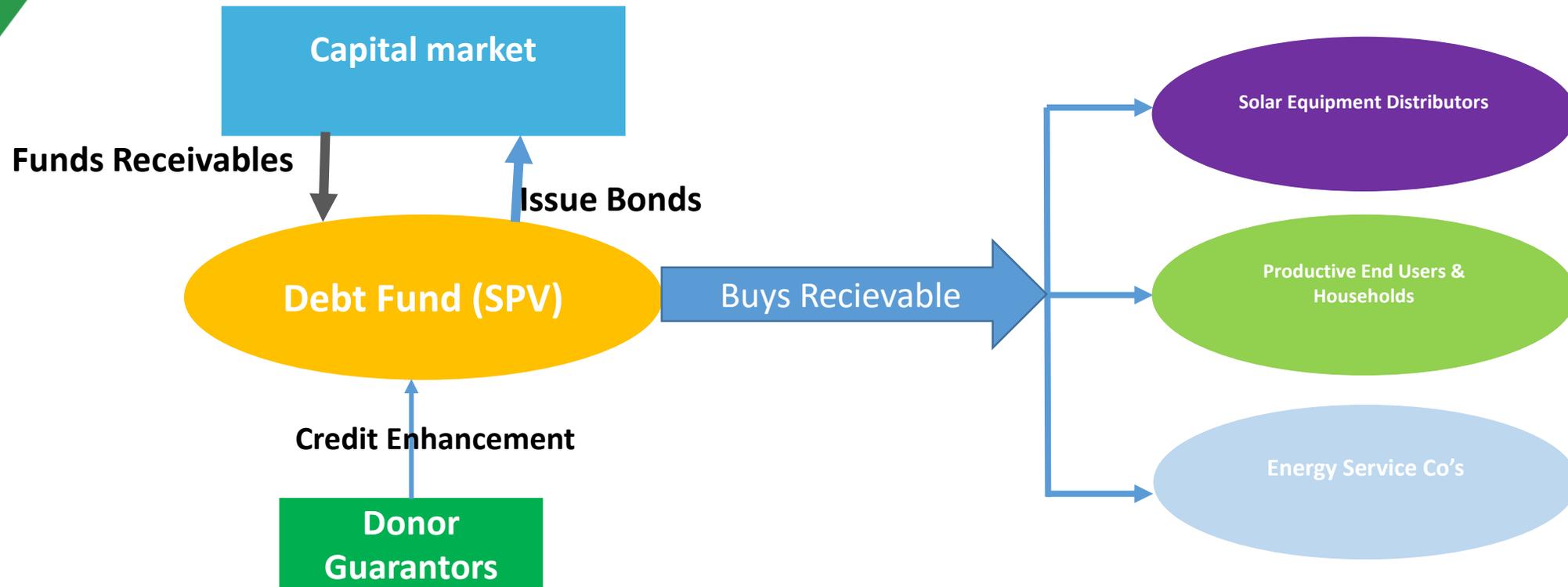
# COMPONENT 1C – RISK MITIGATION FACILITY

## Commercial Finance Institutions (FIs) Channel



# COMPONENT 1C – RISK MITIGATION FACILITY

## Debt Fund Channel with Capital Market Funding



# PRINCIPLES OF THE RISK MITIGATION FACILITY

This risk mitigation facility would operate on the following principles:

- The facility would be structured so that multiple development partners can contribute to the risk mitigation fund, to share risks and increase the available amount of risk cover.
- The relatively large size of the credit line (USD 140 m), the large geographical area covered and diversity of borrowers all suggest the need for a collaborative approach. The facility structure must be sufficiently flexible to allow each donor to utilize the financial instruments it can offer, for example, grants, equity, or guarantees.
- The facility would offer risk sharing to the commercial lenders that require it. This would also indirectly benefit the regional or national development banks in the chain who will be exposed to the credit risk of the commercial lenders.
- Owing to the small size of loans, the cover would probably be extended on a loan portfolio basis and depend on overall portfolio performance.
- To reduce the additional risk exposure of the solar companies serving the public institutions, there might be a need for governments to provide specific “payment guarantees” to cover the risk of non-payment by such public institutions.

# COMPONENT 1C – Risk mitigation facility

## COMPONENT 2 – Access to finance

### Main goals of gender intervention:

- Ensure that women entrepreneurs and other under-represented stakeholders in the energy sector have equal access to finance from commercial banks and MFIs
- CFIs will provide a line of credit to women in energy business that aim to improve women's income
- Include women-led business in the communication and outreach actions about the credit line

# COMPONENT 1C – Risk mitigation facility

## COMPONENT 2 – Access to finance

- Conduct trainings and awareness-raising for FI;
- Ensure companies are sensitized about gender mainstreaming;
- Women-led companies should be on same footing as their male counterparts;

# COMPONENT 1C – Risk mitigation facility

## COMPONENT 2 – Access to finance

- Increase women access to finance through microcredit, local cooperatives, and self-help groups, for example;
- Facilitation of distribution chains to bring energy access to remote locations (public facilities).

**Suggestions, questions, comments????**

**Thanks for your attention!**