

COVID-19 Off-Grid Recovery Platform

Part I: Project Information

GEF ID
10667

Project Type
FSP

Type of Trust Fund
GET

CBIT/NGI
☐ CBIT
☒ NGI

Project Title
COVID-19 Off-Grid Recovery Platform

Countries
Regional

Agency(ies)
AfDB

Other Executing Partner(s)
Partner Funds

Executing Partner Type
Private Sector

GEF Focal Area

Climate Change

Taxonomy

Focal Areas, Sustainable Development Goals, Climate Change, United Nations Framework Convention on Climate Change, Nationally Determined Contribution, Climate Change Mitigation, Renewable Energy, Energy Efficiency, Financing, Influencing models, Deploy innovative financial instruments, Stakeholders, Private Sector, Project Reflow, Capital providers, Non-Grant Pilot, Gender Equality

Rio Markers**Climate Change Mitigation**

Climate Change Mitigation 2

Climate Change Adaptation

Climate Change Adaptation 0

Duration

72 In Months

Agency Fee(\$)

1,170,000.00

Submission Date

9/1/2020

A. Indicative Focal/Non-Focal Area Elements

Programming Directions	Trust Fund	GEF Amount(\$)	Co-Fin Amount(\$)
CCM-1-1	GET	13,000,000.00	77,000,000.00
	Total Project Cost (\$)	13,000,000.00	77,000,000.00

B. Indicative Project description summary

Project Objective

Unlock and catalyze private capital to mitigate the negative impacts of the COVID-19 pandemic on the energy access industry in Africa

Project Component	Financing Type	Project Outcomes	Project Outputs	Trust Fund	GEF Amount(\$)	Co-Fin Amount(\$)
Concessional capital to enable blended finance loans for energy access companies affected by COVID-19	Investment	27 MW Increased renewable energy capacity installed 2.5 million people provided with access to clean and modern energy services 2.5 million tCO2eq reduction in greenhouse gas emissions USD 57 million private sector funding for energy access companies catalysed	45 Energy access companies financed	GET	13,000,000.00	77,000,000.00
Sub Total (\$)					13,000,000.00	77,000,000.00
Project Management Cost (PMC)						
Sub Total(\$)					0.00	0.00
Total Project Cost(\$)					13,000,000.00	77,000,000.00

C. Indicative sources of Co-financing for the Project by name and by type

Sources of Co-financing	Name of Co-financier	Type of Co-financing	Investment Mobilized	Amount(\$)
GEF Agency	AfDB - Sustainable Energy Fund for Africa (SEFA)	Loans	Investment mobilized	20,000,000.00
Private Sector	CRP Partner Funds currently under due diligence by AfDB (more information in Section 2)	Loans	Investment mobilized	57,000,000.00
Total Project Cost(\$)				77,000,000.00

Describe how any "Investment Mobilized" was identified

In response to the COVID-19 pandemic and impact on the energy access sector, the African Development Bank and SEFA developed the COVID-19 Off-Grid Recovery Platform, designed to avail flexible and concessional capital to energy access companies affected by the pandemic. As part of SEFA's COVID-19 Strategy, approved by its Governing Council, SEFA will provide USD 20 million of concessional funding to the platform, pending AfDB Board approval in Q4 2020. USD 57 million of commercial capital will be cofinanced by specialized energy access debt funds (CRP Partner Funds). USD 30 million has been committed by three pre-selected Partner Funds following a competitive bidding process. Co-investments will be sourced from capital under management by the Partner Funds. Once GEF funding is approved, the additional USD 27 million will be financed through existing Partner Funds and/or new Partners as part of expansion of the platform. Although this is not included here as sources of co-financing (amounts remain unconfirmed at this time), additional commercial finance will be catalyzed from the private sector. This includes additional capital raised at the same time as CRP's investment (beyond the Partner Funds' capital) such as equity, as well as additional investments that are anticipated to occur during the project period.

D. Indicative Trust Fund Resources Requested by Agency(ies), Country(ies), Focal Area and the Programming of Funds

Agency	Trust Fund	Country	Focal Area	Programming of Funds	Amount(\$)	Fee(\$)	Total(\$)
AfDB	GET	Regional	Climate Change	NGI	13,000,000	1,170,000	14,170,000.00
Total GEF Resources(\$)					13,000,000.00	1,170,000.00	14,170,000.00

E. Project Preparation Grant (PPG)
PPG Required



PPG Amount (\$)				PPG Agency Fee (\$)			
200,000				18,000			
Agency	Trust Fund	Country	Focal Area	Programming of Funds	Amount(\$)	Fee(\$)	Total(\$)
AfDB	GET	Regional	Climate Change	NGI	200,000	18,000	218,000.00
Total Project Costs(\$)					200,000.00	18,000.00	218,000.00

Core Indicators

Indicator 6 Greenhouse Gas Emissions Mitigated

Total Target Benefit	(At PIF)	(At CEO Endorsement)	(Achieved at MTR)	(Achieved at TE)
Expected metric tons of CO ₂ e (direct)	2500000	0	0	0
Expected metric tons of CO ₂ e (indirect)	0	0	0	0

Indicator 6.1 Carbon Sequestered or Emissions Avoided in the AFOLU (Agriculture, Forestry and Other Land Use) sector

Total Target Benefit	(At PIF)	(At CEO Endorsement)	(Achieved at MTR)	(Achieved at TE)
Expected metric tons of CO ₂ e (direct)				
Expected metric tons of CO ₂ e (indirect)				
Anticipated start year of accounting				
Duration of accounting				

Indicator 6.2 Emissions Avoided Outside AFOLU (Agriculture, Forestry and Other Land Use) Sector

Total Target Benefit	(At PIF)	(At CEO Endorsement)	(Achieved at MTR)	(Achieved at TE)
Expected metric tons of CO ₂ e (direct)	2,500,000			
Expected metric tons of CO ₂ e (indirect)				
Anticipated start year of accounting				
Duration of accounting				

Indicator 6.3 Energy Saved (Use this sub-indicator in addition to the sub-indicator 6.2 if applicable)

Total Target Benefit	Energy (MJ) (At PIF)	Energy (MJ) (At CEO Endorsement)	Energy (MJ) (Achieved at MTR)	Energy (MJ) (Achieved at TE)
Target Energy Saved (MJ)				

Indicator 6.4 Increase in Installed Renewable Energy Capacity per Technology (Use this sub-indicator in addition to the sub-indicator 6.2 if applicable)

Technology	Capacity (MW) (Expected at PIF)	Capacity (MW) (Expected at CEO Endorsement)	Capacity (MW) (Achieved at MTR)	Capacity (MW) (Achieved at TE)
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Indicator 11 Number of direct beneficiaries disaggregated by gender as co-benefit of GEF investment

	Number (Expected at PIF)	Number (Expected at CEO Endorsement)	Number (Achieved at MTR)	Number (Achieved at TE)
Female	1,250,000			
Male	1,250,000			
Total	2500000	0	0	0

Provide additional explanation on targets, other methodologies used, and other focal area specifics (i.e., Aichi targets in BD) including justification where core indicator targets are not provided

Based on data received by potential CRP Partner Funds, approximately 650,000 existing connections would remain in service as a result of CRP funding, including GEF funding. Therefore these systems continue to create GHG emission reductions, during the remaining life-time estimated at 3 years. In addition, 500,000 solar PV-based new clean energy connections will be added by energy access companies financed, benefitting 2.5 million beneficiaries with increased access to clean energy. Each solar home system yields approximately 0.37 tCO₂eq of GHG emission reductions per year with a system lifetime of 7-years (aligned to the LiFePO₄ batteries). This is 0,72 tCO₂eq of GHG emission reductions per year for mini-grid connections with a system lifetime of 20-years This provides for a total of 1 million connections, when discounted for loss and defaults, delivering approximately 2,500,000 tCO₂eq GHG emission reductions as a result of the project. The reduction in greenhouse gas emissions mitigated is estimated based on GOGLA's standard impact metrics . The calculation includes: i) the continuation of energy access services to existing customers which already have energy access solutions installed (i.e. as CRP prevents energy access businesses from falling into bankruptcy, and customers reverting to fossil fuel-based energy solutions), and; ii) the deployment of new and additional energy access solutions financed through direct co-investment and additional investments catalyzed during the project period. The modelling of GHG emission reductions, is based on an allocation of 80% of funding towards off-grid solar home system products and 20% towards green mini-grids, based on indicative pipelines received by potential Partner Funds. Furthermore, the estimates are based on an average SHS of 50 watt at a cost price of USD 150, and a cost price of USD 6.2 million per MW minigrid capacity installed .

Part II. Project Justification

1a. Project Description

Nearly 600 million climate vulnerable people in Africa live without access to modern electricity and rely on a variety of stop-gap and environmentally polluting household energy solutions. About two-thirds of the population in Sub-Saharan Africa lives in energy poverty^[1] and depend on a range of traditional energy solutions - such as kerosene lamps, diesel generators, lead acid batteries, and paraffin candles - to meet daily energy needs. These traditional energy sources are unsustainable, expensive and damaging to the environment, and may be cost efficiently displaced by modern clean energy access solutions which reduce greenhouse gas emissions. Such energy access solutions include off-grid Solar Home Systems (SHS), Mini-Grids (MGs), Commercial and Industrial (C&I), Clean Cooking (CC) and other decentralised energy solutions. Moreover, energy poor households that rely on traditional energy solutions are also highly vulnerable to the physical impacts of climate change. These are generally low-income and rural farming households that are highly dependent on climate and weather patterns for subsistence agriculture. Often, these off-grid and energy poor communities do not have access to information services, education, and other critical social services needed for climate and economic resilience. In addition to providing households with increased access to a higher quality of energy services, modern energy solutions provide households with better access to information and communications technologies, digital financial services, and social services such as education and health. Increasing access to modern energy services is thus critical to increasing the climate resilience of vulnerable, rural populations that are most acutely impacted by the physical impacts of climate change. Given that the majority of the electricity access deficit in Africa is concentrated in rural regions in Sub-Saharan Africa - where grid access is limited and expansion is costly and operationally untenable - off-grid energy access solutions offer a compelling solution to achieve ambitions of both carbon mitigation and enhanced climate resilience.

Over the past ten years, innovative companies have driven dramatic progress in the energy access sector in Africa. Companies commercializing small-scale renewable energy access solutions - such as SHS, MG, C&I and CC solutions - and other decentralized energy solutions, have significantly increased access to modern, sustainable and reliable energy with nearly 200 million off-grid solar products sold over the last 10 years. While this progress is promising, as mentioned above, nearly 600 million people in Africa continue to lack access to electricity. Barring a transformative change in energy access deployments, this number is projected to increase as a result of population growth and the limited potential for grid expansion. As such, the continued growth of energy access companies and healthy development of the broader energy access industry is critical to the achievement of the Sustainable Development Goal 7 (SDG7), other SDGs on the continent and the Paris Agreement.

Over USD 1.1 billion has been invested in Sub-Saharan Africa in the rapidly emerging energy access industry in the last decade. Energy access companies are capital intensive companies that require substantial grant, equity, and debt investments. Energy access companies typically acquire anywhere between USD 100k to USD 5 million in grants over the life of their operations. Grants remain an important source of early stage capital allowing for early technology research and development, business model testing, and market validation. Grants are typically secured from public facilities through call for proposal processes, although private grant-making (i.e. foundations) is also common in the sector. Equity investments are usually secured from US- and EU-based impact investment funds. These funds increasingly have offices in Africa. Companies typically travel to raise capital (i.e. roadshows) as well as host equity investors to visit operations during due diligence missions. Equity investment terms (i.e. valuations) and methodologies are proprietary and vary widely across the

industry. Equity tickets start small (i.e. around USD 100k to USD 500k) and increase over time into the 8-figure range. Debt financing is secured by DFIs, specialty providers, crowd platforms, and local financial institutions alike. Energy access companies require substantial debt to grow and maintain operations. While some early stage investors may achieve modestly attractive returns, the majority of specialized lenders in the market operate on thin lending margins. Benchmark debt pricing in the sector ranges between 6% and 16% (on a USD-equivalent basis). Energy access lenders take substantial risk considering the nascence of the sector (in terms of market penetration, complex business models and challenging geographies – leading to longer journeys towards profitability) and the instability of energy access market environments. This investment risk is only exacerbated during crises such as the pandemic, with unusually large uncertainties and weakened financial positions of energy access companies.

The COVID-19 pandemic severely threatens the commercial viability of energy access companies, the progress of the energy access industry, and the achievement of low carbon development and green growth ambitions. The unprecedented COVID-19 pandemic has created supply chain disruptions, reduced mobility due to travel and health restrictions, increased currency risk, and decreased investor appetite due to heightened financial and economic uncertainty. The reduction in revenues experienced by energy access companies, in combination with tight cashflows, exposure to foreign exchange fluctuations, and limited ability to service existing debt obligations (i.e. as energy access companies are often highly leveraged) leave these companies and the broader industry extremely vulnerable. This threatens the significant sustainable energy progress that has been made by energy access companies to date and the ability for the sector meet its ambitions of universal energy access by 2030. Economically, there is a tangible threat to widespread job losses in low carbon and green growth sectors. Crucially, from a climate perspective, the uncertainty introduced by COVID-19 creates a potential for rural households to revert to fossil fuel-based energy solutions such as kerosene and diesel, jeopardizing the significant climate mitigation benefits that have been delivered by the industry.

Several surveys^[2] conducted by industry bodies confirm coherent and severe impacts of the pandemic on the sector and EA companies. The most recent industry survey^[3] conducted by EnDev in a strategic cooperation with several industry associations and including 465 EA companies across Africa, confirms that over 70% of energy access companies are experiencing significant disruption of operations, with almost 30% having to cease operations. Sales volumes are substantially down with almost 50% of companies reporting a reduction of over 50% in the last quarter compared to the same quarter in 2019. 85% of surveyed companies have only a few months of operating cost coverage remaining and more than 65% have reduced hours and pay of their staff, or dismissed staff altogether. The financing needs of companies range widely, with a large number of smaller companies seeking amounts of (grant) funding up to USD 100,000 and more advanced companies seeking loans in the range of USD 100,000 to >5 million. The estimated need for concessional relief and recovery financing in the energy access sector is approximately USD 200 million, however the impact of the crisis is subject to unusually large uncertainties and depends on many factors that are hard to predict, making it extremely difficult to accurately estimate the overall relief capital needed or the associated risks of these investments.

The pandemic has led to delays and reduced investments and the energy access sector is vulnerable to a massive shortfall in liquidity. 80% of energy access companies have not been able to access any type of funding during the crisis^[4]. Investors' inability to conduct due diligence and grow pipelines, in combination with decreasing portfolio quality, and the emerging risks and uncertainties described above, has led to delays and reduced investments into the sector as well as an increased risk-adjusted cost of capital. The majority of funds invest on commercial terms with a moderate risk profile, this challenges them to provide high risk relief capital. As a result, a drop of 20% in energy investments is expected during 2020^[5]. Furthermore, due to reduced budgets and increased debt, country governments are refocusing priorities and resources towards their COVID-19 response and the emerging realities of strained economies, threatening their ability to reach renewable energy financing targets and ambitious national low carbon energy transition goals.

A market sounding exercise conducted by the Bank whereby seven key energy access debt funds were consulted, confirmed the increased risks of the energy access investment sector. These conversations testified to (i) energy access companies' weakened balance sheets, liquidity shortfalls and reduced ability to service debt, (ii) the need for restructuring of loans or adjusting loan terms of portfolio companies, and (iii) pipeline investments being challenged by limited ability to conduct on-site due diligence for new transactions, high level of uncertainty, and increased cost of risk-adjusted lending. Risk adjusted interest rates are anticipated to increase by 1-4% as a result of:

- Increased Credit Risk
- Supply chain uncertainty (can companies get products to clients given global and national disruptions in logistics)
- Demand uncertainty (will customers be able to commit to purchases given the impact of COVID-19 on incomes and inability to travel)
- Repayment uncertainty (will long term customer credit performance be affected by reduced income and other impacts)
- Operational challenges (limits on movement of staff and stock throughout the country and team members working from home)
- Financing challenges (weakened balance sheets, liquidity shortfalls, reduced ability to service debt)
- Increased Financial Market Risk
- Increase of local interest rates (risk free pricing)
- Tightening/paralysis of local lending markets as banks and asset managers look to protect assets and focus on de-risking portfolios
- Devaluation of local currency reducing companies' ability to service hard currency investor payments and purchases of stock and other service

There is a need for tailored financial solutions to support energy access companies and facilitate their continued strong progress in Africa. In the context of the COVID-19 pandemic, concessional capital is required to support viable energy access businesses, ensure business continuity and the delivery of essential energy services, and to enable eventual economic recovery. Without additional concessional capital, the energy access industry may suffer a dramatic setback. A tailored financial instrument must take into consideration the need for affordable liquidity in the sector, while ensuring to maintain its commercial integrity and market fundamentals, by limiting the potential perverse incentives and market distortion. In this context, the African Development Bank has developed the COVID-19 Off-Grid Recovery Platform (CRP), further described in the following section.

2) The baseline scenario and any associated baseline projects

Approximately 84 million off-grid solar units are in use today, providing clean energy solutions and benefiting more than 420 million people.^[6] These solutions collectively create 31 million tCO₂eq GHG emission reductions per year. Based on COVID-19 industry surveys, we believe that the continued operations of 70% of the clean energy businesses providing these clean energy solutions in Africa^[7] may be in jeopardy due to the business challenges faced as a result of the pandemic, as described in the previous section. 370,000 green jobs are at risk^[7] and if these companies fall into bankruptcy, households may lose access to modern energy solutions. A "reverse energy transition" could affect an increase in GHG emission due to households returning to fossil fuel-based energy solutions. While this in itself is problematic, the effect of energy access companies being unable to weather the downturn may be dramatically more severe. Due to the nascence and relative fragility of the industry, the industry may require several years before it could recover to its level of operational scale in Africa, of close to 500,000 units sold/month across the continent.^[8] This would cause an extended increase in carbon emissions and almost certainly preclude the achievement of SDG 7 in Africa.

AfDB energy access initiatives

In its ambition to achieve universal energy access for all in Africa by 2025, the AfDB launched in 2016 its New Deal on Energy for Africa (NDEA). Among other aspirational goals of the NDEA, the AfDB aims to increase off-grid generation to add 75 million connections by 2025. To achieve this ambitious target, the AfDB has spearheaded several initiatives to bring affordable energy to communities living off the grid, such as:

- The **Facility for Energy Inclusion (FEI)**, a USD 500 million debt financing platform for small-scale renewable energy projects, including small independent power producers (IPPs), mini-grid and captive power projects, as well as off-grid solar homes systems companies. Since its approval in 2016, FEI has been dedicated to increasing access through renewable energy technologies by aggregating capital from concessional and commercial investors; structuring bankable projects and demonstrating commercial viability; accelerating delivery through flexible instruments to increase access to clean energy; and supporting the transition to low-carbon and climate resilient development. FEI comprises two windows functioning as separate funds: the Off-Grid Energy Access Fund (OGEF), a targeted USD 100 million debt fund, to support innovative off-grid energy access companies through corporate loans, secured loans and securitized receivables transactions, and FEI On-Grid, a targeted USD 400 million debt fund to provide flexible, sustainable, and efficient financing to support the expansion of energy access through the development of small-scale renewable energy generation and mini-grids across Africa. Both FEI On-Grid and OGEF are managed by Lions Head Global Partners (LHGP),t.
- The **Distributed Energy Service Companies (DESCOs) Financing Program**, approved in July 2019, which aims to contribute to the ‘energy access for all’ goal by crowding-in local financial intermediaries into the scale-up of DESCOs in their respective regions/countries. This is achieved through the promotion of securitization financing techniques that sufficiently collateralize the receivables earned by DESCOs whilst simultaneously de-risking the underlying transactions for relevant financiers. The program also facilitates local currency financing for DESCOs and provides local lenders with risk mitigation instruments. The main goal of the program is to unlock local capital in the off-grid sector and contribute to scaling up the deployment of SHS in Sub-Saharan Africa.
- The **Desert to Power (DtP) initiative**, which aims to accelerate economic development in the Sahel region through the deployment of solar technologies at scale. Specifically, DtP proposes to deliver electricity to 250 million people (160 million people on-grid and 90 million people off-grid) and to add solar energy generation capacity of up to 10 GW through a combination of public and private interventions. The initiative covers 11 countries (Burkina Faso, Chad, Djibouti, Eritrea, Ethiopia, Mali, Mauritania, Niger, Nigeria, Senegal and Sudan).

In the pursuit of achieving electricity access goals of the continent and catalyzing substantial levels of private sector engagement and investment, the AfDB established the **Sustainable Energy Fund for Africa (SEFA)** in 2011. SEFA is a multi-donor Special Fund managed and administered by the AfDB providing catalytic finance to unlock private sector investments in renewable energy and energy efficiency. SEFA’s overarching goal is to contribute to universal access to affordable, reliable, sustainable, and modern energy services for all in Africa, in line with the NDEA and SDG 7, and to promote renewable energy and energy efficiency in the African continent. SEFA was established in partnership with the Government of Denmark and has since received contributions from the Governments of United States, United Kingdom, Italy, Norway, Spain, and Sweden. SEFA’s overarching goal is to contribute to universal access to affordable, reliable, sustainable, and modern energy services for all in Africa, in line with the NDEA and SDG 7, and to promote renewable energy and energy efficiency in the African continent.

Housed in the Renewable Energy and Energy Efficiency Department (PERN) of the AfDB, SEFA avails different instruments to remove market barriers, build a more robust pipeline of projects and improve the risk-return profile of individual investments, through:

- **Technical Assistance** availed through grants and reimbursable grants for project preparation and enabling environment strengthening to public and private sector entities with a strong focus on activities that will directly unlock investments, and;
- **Concessional Investments** providing catalytic risk capital and viability gap financing, primarily to private entities, by deploying Results-Based Financing, loans, and equity instruments often blended with AfDB and other commercial investments.

SEFA is administered in accordance with AfDB procedures, rules and policy guidelines. The Resource Mobilization and Partnerships Department (FIRM) provides fiduciary oversight and is responsible for formal communications with existing and potential donors to the trust fund. Day-to-day operations and management are entrusted to the SEFA Technical Unit, which acts as the delivery unit and administrative secretariat, responsible for screening, implementing,

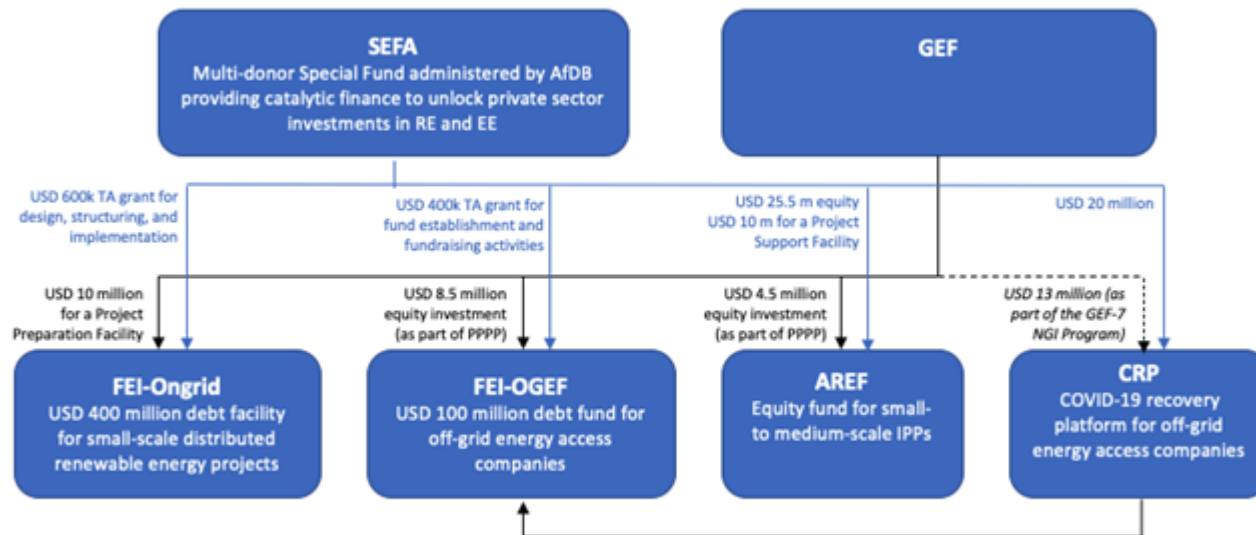
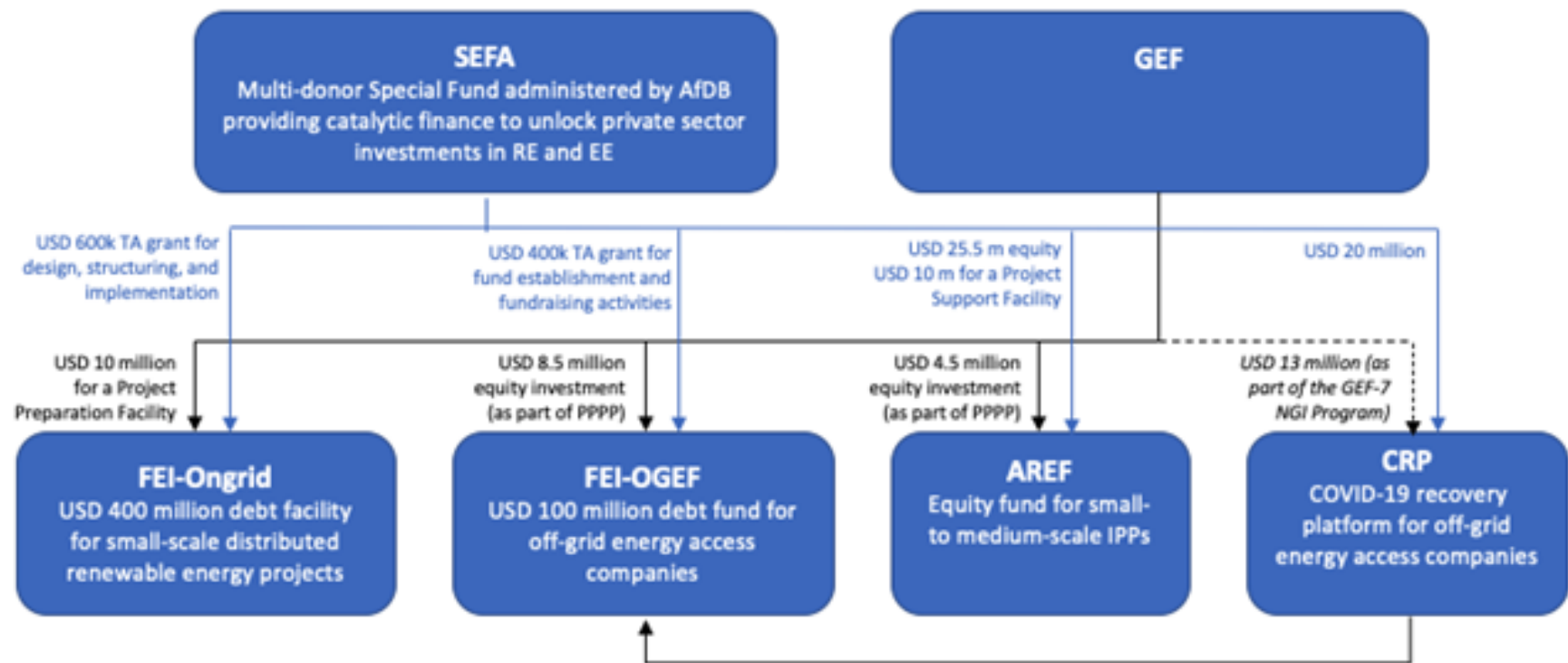
reporting, monitoring and evaluating SEFA's activities and projects, under the guidance of the PERN department. All projects are subject to the approval of a cross-departmental Technical Review Committee, responsible for technical and financial soundness as well as alignment with applicable AfDB policies, rules, procedures, strategies and priorities. A Governing Council (GC), composed of representatives of AfDB and SEFA Donors representatives, is responsible for the implementation oversight and strategic guidance of SEFA.

Since its inception, SEFA has grown rapidly and has become one of the leading actors of the renewable energy sector in Sub-Saharan. At the end of 2019, SEFA ended its first cycle as a technical assistance facility (SEFA 1.0) with a total capital base of USD 118 million which helped various developers to bring their projects to fruition. Additionally, the facility helped to design innovative renewable energy and energy access programmes in Sub-Saharan Africa, including fragile states. Finally, SEFA pioneered three important initiatives in the region which are the Africa Renewable Energy Fund (AREF), the Facility for Energy Inclusion (FEI), and the Green Mini-Grid Market Development Programme (GMG MDP). As of the end of 2019, SEFA's portfolio included 60 active projects, representing an estimated 699 MW of new sustainable energy capacity to be installed and over USD 1.7 billion of total investment to be deployed for project preparation and equity investment. More information can be found in SEFA's annual report ^[9].

GEF investments in energy access through AfDB

1. As part of the AfDB Public-Private Partnership Program, the GEF became an investor into FEI OGEF, providing a USD 8.5 million equity contribution into FEI OGEF. FEI OGEF was the first sector-specific debt fund providing local currency solutions for the off-grid solar industry in Africa. FEI OGEF reached a final equity close in November 2019 with USD 59 million in committed equity capital (including capital from the GEF) and USD 36 million debt facilities, to support innovative, off-grid energy access companies. The fund was instrumental in demonstrating the need and viability of local currency lending. To date, FEI has made three investments of in total of USD 20.25 million, in high quality and credible energy access companies: BBOX, a SHS the company received a loan worth USD 8 million in local currency to roll-out new solar home systems in Rwanda; SunCulture, a solar irrigation company and Kenya-based developer and distributor of solar water pumps and irrigation solutions for smallholder farmers received USD 2.25 million in inventory financing, and; d.light, received USD 10 million debt to scale up its operations in underserved markets such as Nigeria, Tanzania, Zambia and Ethiopia. These debt investments are estimated to leverage USD 61 million of co-finance, provide 280,000 beneficiaries with approximately 60,000 energy access systems, and create 2,000 jobs.
2. The On-Grid window of FEI has been granted a USD 10 million contribution from the GEF to establish a Project Preparation Facility aiming at financing late stage preparatory activities leading to financial close. The FEI On-Grid facility is similarly a pioneering debt facility for small-scale distributed renewable energy projects in Africa – i.e. small IPPs, captive installations and mini-grids – targeting to mobilize USD 300 million debt financing. FEI On-Grid has achieved a first close with USD 180 million with contributions from AfDB; Norfund; European Union; the Clean Technology Fund, KfW and OeEB. FEI is currently in the process of fundraising for a final close by Q1 2021. The USD 10 million from the GEF for a Project Preparation Facility will support late-stage feasibility and transaction advisory activities prior to fund investments has been mobilized. Due to other activities carried out to ensure the financial closure of the fund, the structuring and negotiation of the corresponding agreements of the Project Preparation Facility started in Q2 2020, but has experienced some delays. It is expected that the PPF becomes operational during Q4 2020.

The chart below confirms the funding relationship between GEF and energy access initiatives invested in through AfDB and proposed to be invested in through this proposal.



Despite the fact that these innovative financing initiatives were established to increase clean energy access in Sub-Saharan Africa, they are not designed to provide the rapid COVID-19 response and affordable, tailored financial solutions the sector needs to address the liquidity gap and need for concessional finance resulting from the pandemic. Realizing that the impact of the COVID-19 pandemic on Africa will likely be unprecedented in nature and scale, the AfDB established in April 2020 its Bank-wide, **COVID-19 Rapid Response Facility (CRF)**, to provide fast, flexible and effective responses to mitigate the severe economic and social impact of the COVID-19 on its regional member countries including the private sector. The majority of the Bank's CRF, encompassing a USD 10 billion envelope, will be channeled through sovereign operations in the form of emergency budget support. The private sector CRF envelope, comprising USD 1.4 billion, will be availed to support existing clients of the Bank only, of which a small fraction will be availed to energy sector stakeholders in the utility-scale space. Given that the Bank's existing energy financing initiatives are not well-suited to respond to the needs of the energy access sector, and that the Bank's CRF is limited to existing clients only, SEFA prepared a COVID-19 Strategy (May 2020) which comprised financial support for the energy access sector as a key operational pillar.

- In March, sector-wide discussions sparked the Energy Access Relief Fund (EARF), a USD 100 million concessional debt fund to support energy access businesses to maintain existing off-grid energy services and human capital infrastructure. AfDB actively engaged with stakeholders involved to explore the possibility of funding the initiative. With EARF being a new and to be established fund and the coordinated response being work in progress, challenges around lack of clarity on the capital structure, legal set-up and implementation, in addition to concerns to be addressed around bandwidth and potential for market distortion, challenged the assessment required for commitment from the Bank.

In addition, a USD 35 million sector-wide grant initiative was initiated in June, to provide emergency grant funding to smaller decentralized renewable energy companies to retain staff and support smaller businesses through the crisis. Like EARF, this initiative has been unable to launch yet, remaining work in progress and pending funding support. There are additional ongoing efforts in the sector, focused on increasing access to energy for hospitals and health care facilities and utilities impacted by the pandemic, including an initiative launched by Power Africa.

The discussions with EARF, the large number of companies at risk, the limited availability of affordable recovery capital to energy access businesses, and recognizing the opportunity of leveraging existing infrastructure and capital in the market, triggered the design of the COVID-19 Off-Grid Recovery Platform (CRP), which could support EARF as well (EARF was included in the call for proposals for CRP, however a proposal was not submitted).

CRP is designed to leverage multiple commercial debt funds (selected on a competitive basis), ensuring diversification of the portfolio and a lower risk on the dependency on a single fund (as opposed to an investment in EARF). It builds upon complementarity of the instruments and approaches of the funds to provide sustainable funding and ensuring to maintain commercial integrity and market fundamentals, limiting the potential of conflict of interests and market distortion. AfDB received the endorsement from industry bodies, including the global association for the off-grid solar energy industry GOGA and the Alliance for Rural Electrification (ARE) on AfDB's efforts in mobilizing finance for the EA sector and its innovative blended finance platform approach.

CRP is complementary to existing energy access financing programs at the Bank and sector-wide COVID-19 response efforts:

- The financial services offered under the Bank-wide CRF are entirely different from those offered by CRP. CRF's private sector windows targets mainly line of credit facilities for commercial banks, whilst CRP is targeting energy access funds. As such, there is no overlapping services nor need for coordination.
- FEI is a stand-alone, debt investment facility. The two windows, FEI On-Grid (mini-grid, IPP's, captive power) and OGEF (off-grid), each make debt investments as well as provide TA to investees. These debt funds are differentiated from CRP in terms of the cost of lending. The FEI facilities lend at commercial rates (i.e. 6-15%) depending on the risk of the transaction. In addition, CRP's relief and recovery funding is restricted to energy access companies negatively impacted by the pandemic. Due to the crisis, the risk adjusted pricing of FEI loans is likely to increase, CRP would allow for OGEF to lend at more affordable terms to end borrowers (i.e. <10%) and reducing the Funds' exposure risk, providing the additional level of comfort required to enter deals the Fund would otherwise not be able to do and on affordable terms.

- EARF is a targeted \$100 million concessional debt fund to finance energy access businesses to maintain existing off-grid energy services and human capital infrastructure. Whereas CRP provides concessional capital to energy access debt funds, leveraging commercial capital, allowing for lending on below-market terms through diverse financing instruments, and offering the level of de-risking required for these funds to continue lending during the crisis to companies impacted by the pandemic.

COVID-19 Off-Grid Recovery Platform

The COVID-19 Off-Grid Recovery Platform (CRP) is AfDB's flagship COVID-19 response operation for the energy access sector and forms the baseline project for this proposal. CRP is a 6-year program designed to avail flexible and concessional capital to energy access companies affected by the pandemic. SEFA has committed USD 20 million of concessional funding to the platform.

Because of its unique position and nature, SEFA is well-suited to support Africa's sustainable energy sector during the COVID-19 pandemic. SEFA's flexible, concessional, and catalytic financing instruments enact both immediate and longer-term responses to safeguard the sustainable energy sector in Africa from the financing risks of the pandemic. SEFA's COVID-19 Strategy, approved by its Governing Council, includes a provisional envelope of up to USD 40 million to be deployed under two components: (i) Relief Funding for the Energy Access Sector, and (ii) the Electrification of Health Infrastructure. CRP will be funded under the first component of the SEFA COVID-19 strategy. Given the urgency of the project, AfDB and SEFA have committed to a fast-track project approval process of the CRP allowing for streamlined and efficient institutional processing and quicker deployment of COVID-19 recourses in the market.

Objectives of the CRP. The overarching objective of CRP is to unlock commercial financing to mitigate the negative impacts of the COVID-19 pandemic on the energy access industry in Africa. The specific objectives are to: (i) safeguard the operations and progress of energy access companies; (ii) ensure a robust commercial recovery for the energy access industry following the pandemic, and; (iii) enable a green economic recovery and low carbon development for countries across the continent. CRP will provide much needed liquidity and working capital to companies affected by the crisis, ensuring the continuation of energy access services to existing customers and enabling expansion of operations into new clean electricity connections to reach long-term climate and development goals.

Rationale. The majority of eligible borrowers under the CRP operate under conditions that make them extra vulnerable to the impact of the pandemic, such as: (i) capital intensive business models; (ii) limited (yet improving) profitability; (iii) highly leveraged operations to fuel rapid sales growth and consumer financing plans; (iv) FX risk as a result of purchasing imports in USD or EUR, while revenues are collected in local currencies; and (v) operating in volatile markets that often see strong economic fluctuations. Moreover, the risks introduced by the pandemic are anticipated to increase the risk-adjusted pricing of commercial loans in and reduce the appetite of lenders to transact under prevailing market circumstances. This has the impact of either lenders not executing deals and companies not receiving finance, or companies receiving expensive debt that may be detrimental to longer-term growth and operational sustainability. These factors make lending relief and recovery capital to energy access companies, especially during the pandemic, a specialized financing niche. This requires the expertise and experience of sector-specific energy access investment funds. Such funds not only have access to potential deals and the critical benchmark data required to accurately assess and price investments in the sector; they are also well positioned to gauge and mitigate against the risks imposed by the pandemic on energy access businesses.

Platform approach. CRP is a co-financing platform that provides concessional capital to experienced energy access debt funds (Partner Funds). This capital is then blended with the commercial capital managed by each Partner Fund on a *per transaction basis* to enable low-cost loans to be provided to energy access companies. The blended sub-investments are structured on pari-passu terms for the principal amount of the investment and ensures proportionality and pro-rata with a minimum co-financing of 1:1 at transaction level. CRP has been designed as a financing platform to (i) leverage the expertise and ingenuity of specialist energy access investment teams (fund managers), (ii) provide a template for aggregating concessional capital from energy and climate financiers, and (iii) provide a mechanism to unlock commercial capital of existing energy access lenders (investment funds) for a specific purpose. CRP's blended finance strategy and pari-passu requirement aligns interests between financiers, safeguarding the quality of transaction structuring and portfolio management, while ensuring that lending remains affordable for underlying companies.

This platform approach – which convenes the power of several investment funds - thus enables a large volume of transactions in a relatively short amount of time, a broad geographic coverage, and a wide range of financial solutions in support of the diverse business needs across the energy access industry. Working with multiple partners on a co-financing basis provides additional benefits in terms of portfolio diversification, investment discipline and reduced market distortion. As the approach requires several funds in the marketplace to deploy their own commercial capital alongside CRP funds, the competitive tension between Partners ensures that pricing remains fair and affordable for the sector. Partner Funds act in an agent capacity to source, appraise, transact, and manage investments on behalf of the Bank.

Blended finance approach. CRP's deployment of concessional funding for blending with commercial capital enables Partners to continue lending to the sector at risk-adjusted rates and keeps capital flowing to energy access companies. It additionally does so while ensuring that lending remains affordable for energy access companies providing immediate relief and supporting strong recovery efforts on terms that do not endanger company nor market growth. Whereas benchmark debt pricing in the sector ranges between 6% and 16%, the blended co-investment approach of the CRP may enable pricing at nearly half these figures. CRP's pari-passu for the principal amount of the investment requirement aligns interests between financiers, ensuring the quality of transaction structuring and portfolio management.

In addition to leveraging commercial capital from Partner Funds that is directly co-invested alongside CRP funding, additional commercial finance will be catalyzed from the private sector. This includes additional capital raised at the same time as CRP's investment (beyond the Partner Funds' capital) such as equity, as well as additional investments that are anticipated to occur during the project period. The experienced Partner Funds are well positioned to provide tailored finance towards the specific situation of energy access companies, considering crisis response, recovery plans and adjusted business plans. Bridging the urgent funding gap of energy access businesses and supporting strong recovery plans on below market-terms amidst the crisis, enables businesses and Partner Funds to attract additional patient capital contributing to the sustainable long-term growth of the companies.

The following indicative terms apply for CRP funding extended to Partner Funds

Funding amount	USD 5-10 million per Partner Fund
Instrument	Concessional Loan
Recipient	Partner Funds - Specialised energy access debt investment funds
Pricing	0% – to be effectively blended with commercial lending and financial debt instruments provided by the Partner Funds
Fees	Up to 1% per annum may be charged on CRP funds deployed at transaction level to support additional costs incurred in managing CRP funds. 1% refers to the principal amount executed in each underlying transaction and will be charged to the end borrower.
Term	6 years; CRP funds will be deployed in up to 24 months subject to market conditions, and an amortization period of up to 48 months.
Co-investment	CRP funds will be co-invested alongside the commercial capital of each Partner Fund. CRP transactions require a minimum 1:1 co-investment at transaction level, provided as new capital from the Partner Funds
Use of Proceeds	Working capital and liquidity at affordable rates to enable continued operations
Eligible end borrowers	Early to growth stage energy access businesses i) operating in Africa ii) commercializing solar home systems, green mini-grid, or clean cooking solutions, iii) robust business models affected by COVID-19. For GEF financing, clean cooking solutions will be excluded.
Credit Risk	The credit risk of CRP funding on-lent to end-borrowers is carried by CRP. Risk is shared on a pari-passu and pro rata basis.
Implementation	Partner Funds will be responsible for identifying, appraising, structuring, and managing investments

Partner Funds. Three Partner Funds have been pre-selected following a competitive bidding process. Annex E provides more information on the preselected Partner Funds and Annex F provides an overview of the strategic coherence of the selected Partner Fund investment strategies. The fund management teams of these Partner Funds have extensive track records of lending in Africa and other emerging and frontier markets, demonstrating their ability to deliver on commercially sound principles. The experienced fund managers are specialized in the energy access sector in Africa, operating some of the largest and most established specialized debt investment funds in the sector, and are licensed and regulated by the financial regulatory authorities in their countries of domicile. The Partners have established fiduciary duties, investment processes, and governance frameworks. Due to their expertise in lending in the energy access sector and market knowledge, these experienced Partner Funds are well placed to structure recovery facilities for energy access companies affected by the COVID-19 pandemic.

The selection process started with a market sounding exercise where seven fund managers specialized in lending to the energy access sector and currently managing closed-end debt investment funds were pre-selected and invited to respond to a first call for proposals. These include Triple Jump, Lion's Head Global Partners, responsAbility, SunFunder, Social Investment Managers and Advisors, TRINE and Lendahand. Investment proposals have been assessed based on the fund manager's experience and track record, as well as the fund's COVID-19 recovery investment strategy, terms and pipeline readiness – see table below. Three of the seven funds have been shortlisted and are undergoing due diligence by the AfDB transaction team. A second call for proposals to on-board additional Fund Managers may be considered subject to effective deployment, strong market demand and additional donor commitments.

The following table summarizes the selection criteria. A minimum score of 70 out of 100 was required as a pre-condition for continuation to the appraisal stage.

Fund Manager Experience and Capacity	50%
• Deploying energy access debt investments (demonstrated energy access transactions executed by the Fund)	10%
• Advising, structuring, closing and workouts of debt products (demonstrated experience + defined investment processes and portfolio management procedures in place, incl. loan workout)	10%
• Track record in financing businesses in Africa (including portfolio performance to date)	10%
• Experience with donor initiatives, concessional finance and blended investments	10%
• COVID-19 Portfolio and pipeline readiness	10%
Proposed COVID-19 Strategy and Operations	50%
• COVID-19 Approach and scope of intervention, reflecting a robust understanding of the challenge, risks and mitigants	10%
• Proposed structure and resources availed (financial and human)	10%
• Indicative investment terms (including pricing) to be applied to target companies	10%
• Transaction pipeline, including geographic focus and expected impact from intervention	10%
• Risk assessment and mitigants, including conflicts of interest	10%
Total	100%

Bank's due diligence policies including Know-Your-Customer (KYC), Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) procedures and operational safeguards applicable to any other Bank's non-sovereign operations are also applicable to Partners Funds. Partners will be responsible for ensuring the compliance of end borrowers to Bank policies, including environmental and social compliance and monitoring. The need for Partners to ensure the compliance of end borrowers will be articulated and agreed within the Agreement between the Bank and Partner Funds.

End Borrowers. CRP supports energy access companies commercializing small-scale renewable energy solutions to households, micro-enterprises, and other end-customers in underserved communities in Africa and affected by the pandemic. The following technologies are included under CRP: solar home systems, green-mini grids, clean cooking and small scale commercial and industrial use solar solutions (off-grid decentralized captive renewable energy systems and appliances for productive use). Given the nascent stage of the sector, many companies supported are early-to-growth stage businesses with annual revenues between USD 200,000 to 5 million, in addition to a few more mature companies with annual revenues between USD 5-20 million. As described above, these companies operate under conditions that make them extra vulnerable to the impact of the pandemic, including capital intensive business models and highly leveraged operations to fuel rapid sales growth and consumer financing plans.

Partner Funds are required to assess companies on the following additional eligibility criteria:

- § Evidence of the negative impacts of the pandemic on business operations and a well-justified need for recovery finance. Evidence may include but is not limited to regulatory challenges limiting operations (i.e. lockdowns), evidence of portfolio deterioration, evidence of a decrease in sales growth, evidence of heightened FX risks, evidence of operational disruptions and delays, inability to raise capital on affordable terms;
- § Commercially viable operations and financial performance prior to the pandemic. The Bank requires a track record of good operational and financial performance demonstrated through at least 3 years audited financial statements with unqualified audit opinions or good prospects for meeting all its financial obligations and generate adequate surpluses to sustain its long-term viability, in the case of startups. Further indicators may include unit economics (the company had/has positive unit economics or visibility on reaching positive unit economics within a certain period since CRP's investment) and cash flow (company has/had positive cash flow or projected to reaching this stage within a defined period following investment by CRP);
- § Sound management, accounting and corporate governance systems that provide effective protection of the interests of all investors;
- § Demonstrable developmental impact through activities.

The following documentation, amongst others, will be obtained by Partner Funds to assess the justification for concessional CRP funding:

- Financial accounts (prior the pandemic and current);
- Operational data highlighting portfolio deterioration (for example defaults, churn, repossessions of solar home systems), delays in supply chain, challenges in operations, decreases in unit sales and revenue, challenges in fundraising;
- A clarification of how COVID-19 has affected the business' performance.

Detailed eligibility criteria and key performance indicators including on the impact of the pandemic and justification for concessional funding, as well as technologies, business viability, and other criteria, will be discussed with each Partner Funds and is part of the Agreement governing the concessional loan.

Annex E provides more information on the preselected Partner Funds and Annex F provides an overview of the strategic coherence of the selected Partner Fund investment strategies.

Implementation arrangements with Partner Funds

Delegation of investment decision-making. As the sector requires a rapid response to the crisis, investment decision-making shall be fully delegated to the Partner Funds as per their established origination, appraisal, governance, and implementation processes. Partner Funds will carry out a range of activities – including originating, appraising, structuring, executing, managing, monitoring, and reporting – for investments that fit within investment parameters outlined by CRP. All investments will be monitored for compliance by the Bank through: (i) rolling work programme with a concrete deal pipeline to inform tranching disbursement requests (ii) investment notification forms with information on underlying borrowers and transaction terms, including a justification for the blending approach utilized; (iii) quarterly fund reports; (iv) semi-annual CRP-focused progress reports on market conditions, pipeline and portfolio; (v) annual reports documenting operational and financial status, lessons learnt from portfolio and expected development impacts; (vi) annual supervision missions by technical experts; (vii) annual external audits All transactions will be governed by Agreements between the Bank and each Partner Fund and monitored for compliance by the Bank. At the end of the funding period, Partner Funds will be requested to prepare and submit a completion report summarizing the use of CRP funds.

Agreements between the Bank and Partner Funds. The AfDB, as Implementing Agency for both SEFA and GEF, will sign an Agreement with each Partner confirming specific terms, conditions, implementation arrangements and investment criteria governing the concessional loan, including investment eligibility criteria (e.g. technologies, geographies, business viability, and other criteria) and terms of the sub-investments to be supported by CRP funds (e.g. tenor, blended structuring, pricing, repayment triggers, currency risk, security, fees, and other terms). The Agreements between the Bank and Partner Fund will include clauses on performance and on non-compliance. External legal counsel is required by the Bank to support the drafting and negotiation of the Agreements with Partners.

Disbursement Modalities. Disbursements from CRP funding to the Partners Funds will be performed in line with AfDB's rules and procedures. Partners will be required to open a dedicated bank account ("special account") in a commercial bank to exclusively receive the CRP funds, thereby avoiding commingling risk with other resources. Capital will be disbursed to Partners in tranches based on indicative investments plans. The Bank will ensure alignment of the potential transactions with Agreements. Subsequent disbursements take place provided that the immediately preceding advance has been justified up to at least 50 percent and contingent on compliance with agreements and relevant policies of the Bank.

Repayments. CRP capital will be repaid contingent on repayment of end-borrowers to the Partner Fund. The credit risk of CRP funding on-lent to end-borrowers is carried by CRP. The Partner Funds will be responsible for ensuring timely collection under the loan agreements as well as for the timely repayment of such amounts to the Bank. Repayments of CRP funds match the repayment profiles of the underlying transactions. Lenders (i.e. Partner Funds, CRP SEFA and CRP GEF) share payments made by the borrower on a pro rata basis. The Funds ability to recover loans, as well as established and strong workout processes and policies, are verified and assessed as part of the due diligence process by the Bank. Furthermore, the required co-investment and risk sharing, incentivizes Partners to apply best efforts to recover unpaid amounts.

CRP intends to provide Partner Funds priority on interest payments. Principal payments will be shared proportionally. AfDB will negotiate repayments modalities with each fund individually, with the support of external legal counsel, however will ensure to harmonize repayment modalities across the platform. In the event of default, unpaid interest will be foregone and any remaining repayments will be shared between CRP and Partner Funds proportionally to their respective capital contributions.

Write-off Procedure. If despite all efforts by the Fund and the Bank to recover the loans and amounts due have failed– including restructuring or rescheduling of the loans, or executing security arrangements to recover losses in part or in full – the concessional loan or part thereof will be written-off, following the Banks write-off policy:

- Projects will have already been watch-listed
- AfDB Loan Accounting team automatically notifies the SEFA Technical Unit (TU) of a missed reimbursement, per the terms of the agreement with the client
- SEFA TU Unit informs the Special Operations Unit that shall determine, in consultation with Risk Management Unit, whether a write-off action can be deferred or accelerated, depending on the individual situation
- The Special Operations Unit undertakes the preparation of a write-off request to the Credit Risk Committee
- The write-off request should be submitted to the Credit Risk Committee and other affected parties for review, clearance and information
- Subsequent to the Credit Risk Committee clearance, the Head of the Special Operations Unit should submit a write-off memorandum for the consideration of and formal approval by the President.
- Following authorization by the President, the Financial Management Unit will process the write-off in accordance with applicable accounting rules for converting the loan to a grant.
- Subsequent to the President's clearance, the Special Operations Unit should notify the Board of Directors by submitting an explanatory note which explains the decision and the rationale for the write-off

Expected Development Outcomes. The following development outcomes have been estimated for CRP:

Household benefits and job creation. CRP enables the continuation of energy access services to 360,000 existing customers and the provision of off-grid solutions to 280,000 additional households or approximately 1.4 million beneficiaries with increased access to clean energy. The positions of over 1,600 employees will be protected, and over 2,700 new full-time positions will be created during the project period, of which 30% is expected to be filled by women.

Infrastructure. 280,000 new energy access connections will be deployed, totaling 15 MW of additional solar capacity to be installed. These energy access solutions will generate modern energy for households and micro-enterprises.

Private sector development. 20-25 energy access companies will be financed and supported through the crisis by the blended investments of CRP strengthening the business ecosystems through supply chain operations and the need for professional services.

Leverage. SEFA funding will leverage 30 million of commercial finance from Partner Funds to be directly co-invested along SEFA funding providing affordable financing otherwise unable to be deployed. Furthermore, USD 110 million additional commercial finance will be catalyzed from the private sector, including additional capital raised at the same time as CRP's investment and beyond the 'Partner Funds' capital, as well as additional investments that are anticipated to occur during the project period, contributing to the sustainable long-term growth of the companies. Additional capital catalyzed during the project term will be monitored and reported on by Partner Funds. This results in a total leverage of private sector commercial capital by SEFA funding of 1:7.

Environmental effects and contributions to green growth. CRP will have a positive environmental effect by promoting the adoption of off-grid solar products that provide households with basic, emissions-free access to energy, displacing fossil fuel energy solutions. It contributes to climate change mitigation by financing activities that reduce approximately 1.4 million metric tons of carbon dioxide equivalent (tCO₂eq), primarily through displacing the use of small-scale diesel generators and kerosene by clean energy solutions and enabling the continuation of energy access services to existing customers. The operation will ensure the sustainability of green renewable energy enterprises, protect and expand green jobs, and contribute to green growth in the target countries.

3) The proposed alternative scenario with a brief description of expected outcomes and components of the project

Based on the latest market insights and industry surveys, the estimated need for COVID-19 relief and recovery financing in the energy access sector is approximately USD 200 million^[10]. As currently envisaged – i.e. under the baseline scenario described in Section 2 above – the USD 50 million of direct COVID-19 recovery funding facilitated by the CRP only provides a fraction of what is required by the market. While there are ongoing efforts to provide affordable finance to the energy access sector, these remain work in progress and at an early stage of project design and incubation. As such, a gap of approximately USD 150 million in relief and recovery funding still hampers the sector.

The energy access sector and its progress towards achieving energy access for all are at a critical junction. GEF's contribution will unlock private sector capital and enhance much needed relief and recovery funding required to avoid the insolvency of energy access companies and a collapse of momentum in the industry, while preserving market development and transition to low carbon development pathways. Safeguarding the operations and progress of energy access companies is also critical to achieving GEF's goal of mitigating climate change by reducing greenhouse gas emissions through the deployment of renewable energy solutions.

Funding request

In this context, this proposal seeks a USD 13 million concessional loan from the GEF-7 Non-Grant Instrument window to support energy access businesses through the COVID-19 Off-Grid Recovery Platform. A contribution from the GEF will address the critical gap in relief and recovery finance, providing risk-tolerant capital on flexible/concessional terms, which will be catalytic and unlock additional financing.

The platform approach provides a mechanism for GEF funding to unlock commercial private capital of existing energy access lenders for a specific purpose and enables large volumes of transactions in a relatively short amount of time, adding geographic coverage and supporting additional energy access companies across a wide range of business models. Towards these ends, investment decisions are delegated to partner funds to efficiently deploy blended finance rapidly and at scale, to meet the needs of the sector as a result of the pandemic. The platform seeks a concessional loan from the GEF to invest on pari-passu terms alongside Partner Fund capital in order to ensure strong alignment of interest of Partner Funds and deployment on sound investment principles.

Implementation arrangements:

GEF funding will be deployed in accordance with the applicable AfDB's policies, rules and procedures and will be subject to the same implementing arrangements and processes under CRP with respect to pricing, fees, risk sharing, delegation of investment decision-making, disbursement, repayment, and other terms and conditions, except for:

- Increased leverage of GEF funding: GEF funding, through CRP, will be co-invested along Partner Fund capital on an at least 1:2 basis at portfolio level (and min 1:1 at transaction level).
- GEF funding will be limited to decentralized renewable energy solutions including SHS, GMG and C&I (small-scale C&I including decentralized captive renewable energy systems and appliances for productive use). Large scale grid connected renewable energy systems are not eligible under the scope of CRP. Given clean cooking is not included in the GEF programming directions, GEF funding will be limited to decentralized renewable energy solutions including SHS, GMG and small-scale, off-grid C&I only. This will be done by applying eligibility criteria specific for GEF co-financing.
- FEI OGEF is one of the pre-selected Partner Funds for CRP, currently in appraisal stage and pending AfDB Board approval. GEF is a financier of the OGEF and to avoid GEF double counting of environmental benefits generated by OGEF and other potential risks, GEF funding to the CRP will be excluded from Partner Funds that have received GEF financial support. As such GEF funding will not be extended to OGEF or any other previously funded initiative by GEF under the CRP, and thus will not be co-invested in underlying transactions alongside OGEF capital. For additional partners that may be added as part of the expansion of the platform, this exclusion will hold.

The urgency of the operation calls for streamlined and efficient institutional processing. AfDB has committed to fast-tracking the processing of CRP. As such, approval for SEFA funding is targeted in Q4 2020, with deployment of first CRP funds to Partner Funds and subsequently to energy access businesses in Q1/Q2 2020. Once approved, GEF Funds will expand CRP's relief and recovery funding closer to a level that is currently required, addressing a critical gap in concessional finance. GEF's capital injection will allow additional energy access companies to continue their operations throughout the pandemic, as opposed to dramatically scaling back or even shutting down operations.

The additional concessional funding from GEF may be deployed through existing Partner Funds and/or new legal agreements as part of expansion of the platform to new partners; this is to be determined and subject to effective deployment, market demand and complementarity of investment strategies to reach a broad range of needs in the market. The long-term impact of the current pandemic outbreak is difficult to estimate; however, it is expected that the impact on energy access companies will last for a substantial period of time, not just a couple of months, hence why the facility is planned for a deployment period of up to 2 years. This will give Partner Funds enough time to finance ca. 45 companies and ensure the industry does not experience widespread deterioration. At the same time, AfDB will mobilize additional resources to expand recovery capital.

Underlying transactions and credit risk. To allow for rapid deployment of CRP funds and to accommodate limitations on the use of proceeds of GEF funding as described above, the origin of the funds from the CRP at project level will be exclusively composed of either: i) GEF and Partner Fund capital, or ii) SEFA and Partner Fund capital. There will be no co-financing at transaction level from both sources of CRP financing, i.e. SEFA and GEF will not co-finance the same

underlying transactions together. This separation of funding allows for CRP to exclude GEF funding from financing FEI OGEF as well as clean cooking operations and enhances the administration, monitoring, and reporting of the CRP.

The credit risk is determined on a transaction basis. Each financier (i.e. SEFA, GEF and the Partner Funds) will only take carry the risk on its contribution to each underlying transaction. This means the GEF will only be exposed to losses in the transactions that it is participating in. In the case of defaults, write offs will only affect the Partner Funds and donors that have co-financed the specific transaction, and following the pari passu for principal amounts and pro rata risk sharing principles of the CRP.

To summarize:

- The credit risk of CRP funding provided to end-borrowers is carried by the respective CRP financiers (SEFA and GEF) exclusively. SEFA is only exposed to losses made on the transactions it has a direct participation in, and the same for GEF. SEFA and GEF funds are never co-invested in the same transactions.
- Because of this separation, SEFA and GEF can thus never be subordinated to each other.
- The risk on non-CRP portion of funding in each underlying, blended transaction remains with the Partner Funds.
- In the event of default of an underlying transaction, only the parties involved in the transactions – i.e. the Partner Fund and the respective donor that is financing the project (i.e. from SEFA or the GEF) – will share losses proportionally to their respective capital contributions.
- The default of a project by a given partner fund will never be repaid by another partner fund.
- The above will be operationalized in the monitoring and reporting requirements to be outlined during contracting.
- The CRP will maintain as a rule, the same level of seniority of the principal amount of the GEF and the Partner Fund. It will also always maintain at least a pro-rata exposure (Co financing of 1:1 at underlying transaction level).

Credit risk is anticipated to be comparable across different batches of investments under CRP, as a result of the demand for relief funding outstripping supply, the required co-investment (“skin in the game”) from the partners enforcing sound investment principals are followed for all transactions and given the same policies, procedures and eligibility criteria apply for CRP investments **with the exception of financing clean cookstoves or Partner Funds that have already received GEF financing support**. Furthermore, there might be lessons drawn from the first tranches that could potentially benefit the platform and additional transactions.

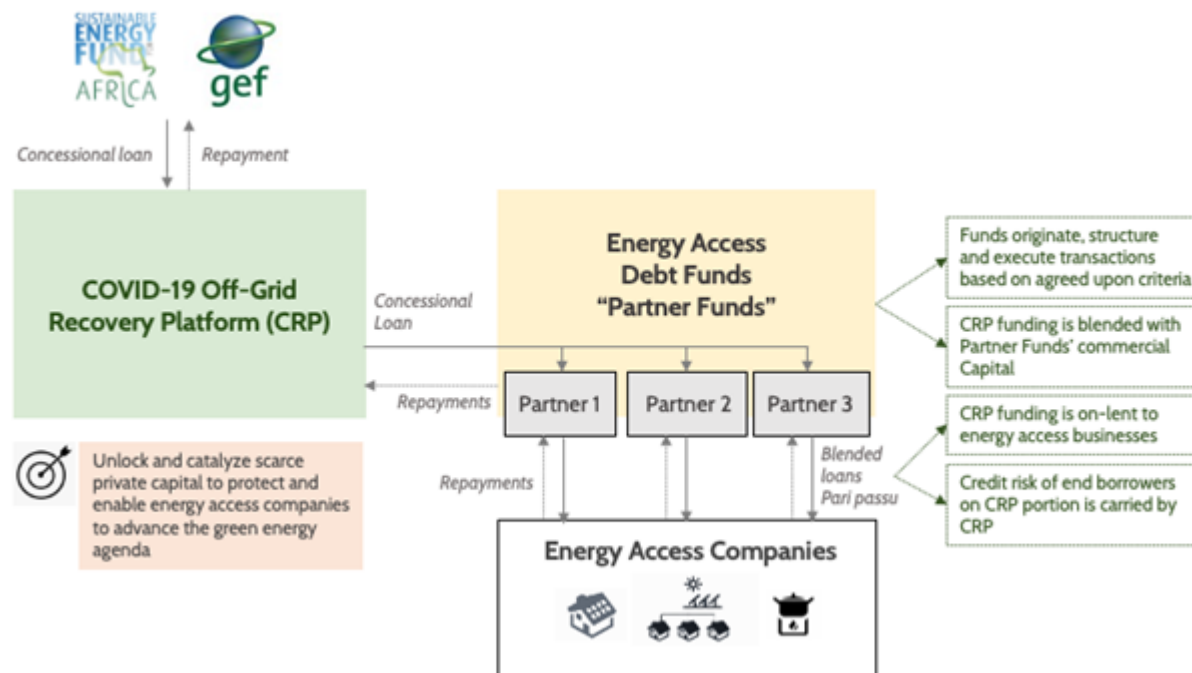


Figure 1. CRP and GEF financing structure.

Indicative terms of GEF funding

Instrument	Concessional loan
Interest	0%
Currency	USD
Maturity	Up to 6 years. GEF funds will be deployed in 12 months, with a possible extension of 12 months subject to market conditions, and an amortization period of up to 48 months. This length will enable AfDB SEFA to close the program and ensure delivery, in the case of any extensions, to the GEF.
Repayment	Up to year 6 years depending on principal repayment of the underlying projects as defined in the reflow table.
Use of Proceeds	Decentralized renewable energy solutions including SHS, GMG and C&I (small-scale C&I including decentralized captive renewable energy systems and appliances for productive use) only with the exclusion of clean cooking and Partner Funds that have already received GEF financial support (to avoid double counting of GEBs). This will be done by applying eligibility criteria specific for GEF co-financing.

Project Preparation Grant. The Project Preparation Grant requested is required for external legal advice to support the deployment of GEF funding through already selected and new partners. The additional funding from GEF will require the extension of legal agreements with existing partners and/or new legal agreements as part of expansion of the platform to new partners.

Expected Development Outcomes. USD 13 million concessional funding from the GEF will substantially increase the impact of the CRP. GEF’s incremental contribution would yield the following development outcomes above and beyond the baseline scenario:

Household benefits and job creation. GEF’s funding and the commercial finance it leverages safeguard energy access services for over 1.1 million people and provides off-grid solutions to 220,000 new households, increasing energy access for 1.1 million people. 1,400 green job positions will be protected and 2,200 created during the project period, of which 30% are expected to be filled by women.

Infrastructure. 220,000 new energy access connections will be deployed, totaling 12 MW of additional solar capacity to be installed. These energy access solutions will generate modern energy for households and micro-enterprises.

Private sector development. 20 additional energy access companies will be financed and supported through the crisis by the blended investments of CRP.

Leverage.

- GEF’s USD 13 million contribution will leverage USD 27 million of direct co-investments of commercial finance from Partner Funds. Direct co-investments will be sourced from capital under management by the Partners.
- GEF’s contribution will additionally unlock USD 90 million of indirect co-investments during the project period. This includes additional capital raised by investee companies, at the same time or after CRP investments are made, and separate to funds deployed under the CRP.

Environmental effects and contributions to green growth. GEF funding will expand the positive environmental impact of the CRP. An additional 1.1 million metric tons of carbon dioxide equivalent (tCO2eq) will be created as a result of GEF’s financial contribution.

Table 1 summarizes the impact of GEF funding on the CRP Baseline Scenario, as well as the total development impacts that may be anticipated under the “CRP Alternative Scenario”, which includes GEF Funding.

Table 1. Summary of Baseline and Alternative Scenarios, and Incremental Impact of GEF Funding.

Indicator	CRP Baseline Scenario	Incremental Impact of GEF Funding	CRP Alternative Scenario (incl. GEF Funding)
Concessional finance provided (USD, million)	20	13	33
Commercial capital co-invested by Partner Funds (USD, million)	30	27	57
Commercial capital catalyzed by additional energy access financiers (USD, million)	110	90	200
Total financing enabled (USD, million)	160	130	290
Number of energy access businesses financed	25	20	45
Number of households with increased access to clean energy (million)	280,000	220,000	500,000
Number of beneficiaries with increased access to clean energy	1.4 million	1.1 million	2.5 million
MW installed	15	12	27
Green jobs preserved and created, of which 30% is expected to be filled by women	9,800	8,200	18,000
tCO ₂ e reduced or avoided	1.4 million	1.1 million	2.5 million

4) Alignment with GEF focal area and/or Impact Program strategies

This proposal is well aligned with the GEF-7 programming directions for the climate change focal area - build on the GEF-6 focal area strategy in alignment with the UNFCCC's COP guidance - focusing on supporting developing countries embark on a more sustainable and clean energy consumption pathway to meet the increasing energy demand driven by economic and population growth. This shift towards low-emission and climate-resilient economies is supported by the African Development Bank Group through the rolling out of a range of energy related initiatives to power and light up the continent. This objective is even more crucial to attain under the current economic constraints faced by African countries hit by the COVID-19 related restrictions and measures. Through this GEF project, the Bank seeks to help countries preserve, maintain and spur further low-carbon growth through the COVID-19 Off-Grid Recovery Platform (CRP) in response to the pandemic.

This GEF investment aligns with Objective 1 of the climate change focal area by supporting the continued and expanded use and uptake of low-emitting technologies as promoted by the UNFCCC and in Article 10 of the Paris Agreement. It is recognized that partnering with the private sector can strengthen and expand markets for certain products and services with development related outcomes such as economic growth and increased employment. This GEF investment shall be channeled through the AfDB's CRP to unlock private capital for energy access companies in sub-sectors such as solar home systems,

green mini-grids and C&I. To achieve this, the GEF investments will participate in this new and innovative co-financing platform to leverage existing financial intermediaries' ability to quickly and cost-effectively provide liquidity and blended finance at scale in risky environments and increase the viability and attractiveness of the combined financial arrangement for additional investments to be mobilized from other financial institutions, the private sector and/or domestic sources to replicate it and scale it up during and post COVID-19.

Moreover, and in line with Objective 2 of the climate change focal area, this GEF investment will participate in increasing and expanding access to mitigation options with systemic impacts. Given the COVID-19 related challenges faced by African countries, the GEF investment will be crucial in helping the CRP safeguard the operations and standing of energy access companies, ensuring strong commercial recovery to preserve the energy access industry and enabling green economic recovery of African countries. This will ensure the continued supply of energy services to existing customers and further increase the access coverage through new clean electricity connections in line with long-term climate and sustainable development goals. It will help African countries hosting benefiting commercial companies reach their objectives under their nationally determined contributions (NDCs), such as through the deployment of solar, C&I and mini-grid solutions.

5) Incremental/additional cost reasoning and expected contributions from the baseline, the GEFTF, LDCF, SCCF, and co-financing

GEF's concessional capital will contribute to safeguarding the sustainable energy sector and preclude a reversal of the "energy transition". CRP without GEF only reaches a fraction of the estimated relief and recovery funding gap of USD 200 million. Both the energy access sector, and progress towards the achievement of SDG 7, are at a critical juncture and a GEF contribution would expand relief and recovery funding closer to a level that is currently required. GEF's capital will be additional and catalytic in ensuring other segments, countries, and companies of the energy access market are supported. Beyond quantum, the flexibility and concessional pricing of GEF financing is critical. GEF is able to match SEFA's concessional terms and enable the blended loans deployed under the initiative. These blended loans, priced at sub-market rates and structured with flexible profiles, allow companies to manage cash flows through and beyond the pandemic. Without access to affordable finance, energy access companies may default on existing loans and be forced to close or scale back operations. Widespread defaults in the energy access industry would trigger a return to traditional, fossil fuel-based energy solutions - such as candles, kerosene, diesel generators, and lead acid batteries - which are expensive, inefficient, polluting, and hazardous to use. CRP's concessional capital provided on a blended co-investment basis is required to avoid the insolvency of energy access companies and a collapse of momentum in the industry, while preserving market development and transitions to low carbon development pathways on sound, commercial lending principles which mitigates against market distortion.

Unlocking commercial capital, deploying blended finance at scale. CRP provides countercyclical funding to companies facing liquidity constraints. GEF's concessional capital enables financiers to continue lending commercial capital to the sector during this unprecedented time when the sector is critically in need for capital and with existing - rather than increased - pricing to better absorb the market uncertainty created by the pandemic. The blended finance mitigates Funds' exposure risk and provides the additional level of comfort required for them to enter deals they would otherwise not be able to do. A USD 13 million contribution from GEF will complement USD 20 million provided by SEFA and leverage USD 57 million commercial capital from Partner Funds that would otherwise not have been available on affordable terms. Furthermore, it catalyzes additional USD 200 million from other investors during the lifetime of the project.

CRP contributes to providing immediate relief as well as laying the foundations for a green and inclusive recovery after the crisis. CRP will safeguard the operations and progress of energy access companies in Africa, ensuring a robust commercial recovery for the energy access sector following the pandemic and long-term climate and development goals. The support allows businesses to preserve permanent jobs in the sector, human capital necessary to scale and

supporting growth plans past the COVID-19 recovery. The platform catalyzes private investment in low carbon infrastructure to create green jobs, diversify national energy sectors, accelerate green growth, and increase the climate resilience of rural communities.

6) Global environmental benefits (GEFTF) and/or adaptation benefits (LDCF/SCCF)

CRP contributes to climate change mitigation and carbon intensity reduction by replacing non-renewable energy sources with renewable sources. Energy access solutions reduce the reliance on and use of fossil fuel-based energy solutions such as kerosene and diesel. GEF funding through this recovery Platform, will not only allow the continuation of business operations through the COVID-19 recovery period, it enables them to expand their operations allowing investments in new clean electricity connections. GEF funding will i) safeguard the continuation of energy access services to existing customers preventing businesses from severe cost cutting measures or bankruptcy, and ii) support the deployment of additional off-grid solar products. It is estimated that CRP will enable the reduction of 2,500,000 metric tons of carbon dioxide equivalent (tCO₂eq), by providing households and small businesses with emissions-free access to energy and displacing fossil fuel energy solutions.

CRP will deliver climate change adaptation co-benefits while increasing access to electricity of rural households, potentially advancing opportunities, efficiencies and welfare benefits that strengthen resilience of these communities. Access to electricity forms the foundation of economic and social advancement. Even the most basic tier of electricity access – with solutions capable of powering only indoor lighting and/or small electronic devices – would represent a significant improvement over the status quo. Improved lighting provides the opportunity for longer study hours, enhances productivity during evening hours, which can be dedicated to further education or professional pursuits, and improves perceptions of personal and communal safety. Furthermore, access to information sources – i.e. such as radios, TVs, and mobile devices – encourages more active engagement in society and serves as a medium for education. Lighting provided by solar home systems also displaces harmful kerosene lighting solutions, thereby eliminating indoor pollution (related to lighting) and improving the health of relevant household members. Therefore, access to modern energy services enabled by mini-grid and off-grid technologies will unlock more income generating activities, new businesses and economic diversification, improving “socio-economic” resilience of people affected by the project. The project will also contribute to reducing deforestation and ecosystem degradation, thus enhancing resilience to adverse weather events such as floods and droughts.

7) Innovation, sustainability and potential for scaling up

CRP's blended co-financing platform presents a novel approach for deploying blended finance for low carbon and sustainable energy investments at scale. Partnering with specialized energy access debt funds allows for concessional capital to rapidly crowd-in commercial capital and leverage existing capacity and expertise to deploy blended finance for low carbon and sustainable energy solutions at scale. An additional strength of the platform approach is its flexibility for the amount of concessional capital deployed to be expanded pending market needs and additional concessional funding partners.

The following elements contribute to the sustainability of the program:

- **Quality of Fund Management.** The selected Partners are experienced fund managers specialized in the energy access sector and licensed by the financial regulatory authorities in their countries of domicile. The Partners have established fiduciary duties, investment processes, and governance frameworks. The co-investment requirement of the CRP aligns interests between the selected Partner Funds and CRP and ensures a quality pipeline of transactions. The core investment teams of each selected Partner Fund will be assessed on demonstrated track records in deal origination, due diligence, structuring, and portfolio

management. The Partner Funds are expert lenders in the energy access industry and beyond and bring considerable experience to debt investing in the African SME context. Due to their market knowledge and understanding of the cash flows of the underlying assets, the experienced Partner Funds are well placed to structure relief facilities for energy access companies. (Annex E provides more information on the preselected Partner Funds and Annex F provides an overview of the strategic coherence of the selected Partner Fund investment strategies).

- **Risk Sharing.** The requirement of a minimum matching co-investment on pari passu terms for the principle of the investment ensures the alignment of interests between the CRP and its Partners as well as the quality of transactions structured under the CRP.

- **The financial sustainability of CRP co-investments.** The financial sustainability of CRP co-investments will be assured as a result of i) the alignment of interests between target investees, Partners, and the CRP; ii) the required co-investment from commercial funds ensuring sound credit risk and commercial viability by Partners during the appraisal of each sub-investment encouraging high quality deal selection; iii) the straightforward nature of the debt transactions to be structured under the CRP – i.e. loans to ease liquidity and working capital constraints; and iv) projects being priced in accordance with the borrowing and repayment capacity of the borrowers.

- **CRP's approach limits the risk of market distortion.** A large infusion of subsidized capital into the private sector risks market distortion. CRP's blended finance approach allows for the continuation of deployment of capital by energy access lenders that aligns interests and enables them to structure effective business recovery loans that are pragmatic for end borrowers, which also meet the needs of limited partners and upstream sector investors. The blending of concessional capital ensures the affordability of finance while minimizing market distortion.

The platform approach offers the opportunity to engage additional financing providers and expand the pool of capital available. Considering the (growing) demand for relief and recovery capital, the African Development Bank considers mobilizing additional resources from donors and climate financiers to increase the support to companies in mitigating the short-term impact of COVID-19 and safeguard a viable energy access sector past COVID-19 recovery. The CRP platform provides a mechanism that may be easily expanded in line with market demand, appetite from Partner Funds, and the interest of potential donors and financiers.

[1] <https://www.lightingafrica.org>

[2] GOGLA (2020), Impact of COVID-19 on off-grid energy sector; SEforALL (2020), Identifying options for supporting the Off-Grid sector during COVID-19 crisis; Endev (2020), Energising Development COVID-19 impacts on markets; <https://app.60decibels.com/covid-19#explore>; AMDA Odyssey (2020), COVID-19 survey results; Endev (2020), COVID-19: Energy Access Industry Barometer - Results and observations

[3] Endev (2020), COVID-19: Energy Access Industry Barometer - Results and observations

[4] Idem

[5] RES4Africa (2020), The impact of Covid-19 on Africa's energy sector

[6] GOGLA (2020). Off-Grid Solar Market Trends Report 2020

[7] <https://www.energyaccessrelief.org/>

[8] GOGLA (2020). Global Off-Grid Solar Market Report Semi-Annual Sales and Impact Data

[9] https://www.afdb.org/sites/default/files/2020/08/19/ra_sefa_2018_final_16-04-2020.pdf (SEFA's 2019 annual report is expected in October 2020.)

[10] Endev (August 2020), COVID-19: Energy Access Industry Barometer - Results and observations

1b. Project Map and Coordinates

Please provide geo-referenced information and map where the project interventions will take place.

CRP targets a portfolio of energy access companies supporting operations across Africa. Proposals received by potential Partner Funds include an indicative pipeline with a wide coverage of countries across the continent, including a significant portion (almost 25%) of targeted investees in transition states such as Sierra Leone, Liberia, and DRC, as well as Mali and Niger. Around 20% of potential deals according this indicative pipeline is in East Africa, and particularly in Kenya, the most mature energy access market. See Annex C for an indicative pipeline with number of transactions and potential investments per country or region.



CRP pipeline countries

- CRP pipeline - countries
- CRP pipeline - fragile countries

ST HELENA



2. Stakeholders

Select the stakeholders that have participated in consultations during the project identification phase:

Indigenous Peoples and Local Communities Yes

Civil Society Organizations Yes

Private Sector Entities Yes

If none of the above, please explain why:

The African Development Bank has participated in sector wide coordination calls on the impact of COVID-19 on the energy access sector and industry needs. These calls included private sector entities and civil society organizations, many of whom have strong linkages to local communities and indigenous peoples served by energy access solutions. Several energy access industry surveys^[1] have estimated the impact of the pandemic and to what extent energy access companies and rural households are affected by the crisis. The large number of companies and rural households at risk and the limited availability of affordable recovery capital, triggered the design of CRP.

To understand the impact of COVID-19 on the portfolio and pipeline of debt providers, and in preparation of CRP, a market sounding exercise was conducted, whereby even energy access debt funds were consulted. These conversations confirmed the unprecedented market uncertainty created by the pandemic, increasing risks of the existing energy investment climate. Key takeaways from this market sounding exercise include: i) liquidity shortfalls of portfolio companies and their reduced ability to service debt; ii) need for restructuring of loans or adjusting loan terms; and iii) pipeline investments being challenged by high level of uncertainty, increased cost of risk-adjusted lending and limited ability to conduct on-site due diligence for new transactions. Given the high level of uncertainties in an already nascent and risky market, financing to energy access companies has been delayed or available on terms not affordable for energy access companies affected by the pandemic.

Based on the sector needs, market insights and consultations, CRP has been designed with the following considerations:

- § Provide relief and recovery capital to diverse energy access companies on below-market terms;
- § Enable large volumes of transactions in a relatively short amount of time;
- § Build on existing infrastructure, processes and expertise;
 - § Crowd-in commercial capital;
 - § Ensure high quality deal selection; and
 - § Limit market distortion resulting from availing highly concessional capital to the private sector.

[1] GOGLA (2020), Impact of COVID-19 on off-grid energy sector; SEforALL (2020), Identifying options for supporting the Off-Grid sector during COVID-19 crisis; Clean Cooking Alliance (2020), COVID-19 Impacts on Clean Cooking: Results from a Sector Survey; Endev (2020), Energising Development COVID-19 impacts on markets and EnDev response options; <https://app.60decibels.com/covid-19#explore>
AMDA Odyssey (2020), COVID-19 survey results

In addition, provide indicative information on how stakeholders, including civil society and indigenous peoples, will be engaged in the project preparation, and their respective roles and means of engagement.

The AfDB recognizes the critical role of civil society and indigenous peoples, including NGOs and representatives from local associations. The CRP will seek to leverage technical knowledge and know-how already gathered by a variety of governmental, regulatory and non-governmental bodies and will continue these consultations as the Platform is operationalized. As the Platform establishes itself in the longer run, consultations are expected with relevant NGOs and civil

societies, which will be able to offer further guidance on potentially available technologies.

[1] GOGLA (2020), Impact of COVID-19 on off-grid energy sector; SEforALL (2020), Identifying options for supporting the Off-Grid sector during COVID-19 crisis; Clean Cooking Alliance (2020), COVID-19 Impacts on Clean Cooking: Results from a Sector Survey; Endev (2020), Energising Development COVID-19 impacts on markets and EnDev response options; <https://app.60decibels.com/covid-19#explore>
AMDA Odyssey (2020), COVID-19 survey results

3. Gender Equality and Women's Empowerment

Briefly include below any gender dimensions relevant to the project, and any plans to address gender in project design (e.g. gender analysis).

Substantial benefits are expected promoting gender equality and women empowerment including healthier living conditions (polluting energy sources are replaced by clean solutions), safer living environments (longer hours of light in and around the house) and increased education and business opportunities (such as allowing women and girls to study longer or run a small business). Women and girls are especially exposed to energy poverty in Africa owing to the fact that they spend more time on average at home and in many cases face greater limitations than men in terms of economic opportunity and empowerment. There are close to 4 million premature deaths^[1] every year attributable to household air pollution from inefficient and polluting energy sources. Solar solutions provide clean household lighting and displace kerosene lamps which will have an immediate and positive effect on the health of female members of the households and will provide school-age girls with more hours in the day to complete homework and study. Systems powering electric appliances such as mobile phones, radios and TV will provide female household members access to information (i.e. news, job adverts, weather and agriculture information etc.) and small business opportunities. Reduced time spent on collecting traditional energy sources such as fire-wood, allows women to spend more time on other (income generating) activities as well.

The African Development Bank's Gender Strategy 2021-2025 recognizes that projects seeking to expand energy access through off-grid solutions can enhance women and girls' quality of life, hence the need to incorporate gender issues at the project design stage for greater end-user acceptability. In alignment with this commitment, the GEF CRP proposal will also incorporate gender dimensions and diagnostics, and will be categorized using the Gender Marker System (GMS), thereby improving outcomes for women as part of its preparation. The project plans to address gender dimensions during project implementation, along with targeting beneficiaries disaggregated by gender. It is expected that the GEF funding will contribute to retaining and creating new full-time employment opportunities for approximately 5,400 women as a result of the CRP. More up-to-date information will be shared with the GEF Secretariat ahead of CEO endorsement.

The logical framework will include gender-sensitive indicators, to measure the impact on women, including job creation. Potential Partner Funds will be assessed on their ability to monitor and report on the agreed upon development impact indicators. CRP is also expected to comply with do-no-harm principles such as adherence to applied Environmental and Social safeguard practices (E&S) to be managed through the implementation of Environmental and Social Management Systems (ESMS) of the Partner Funds. The key E&S risk aspects relate to waste management and labor conditions for workers in the implementation and operation of the beneficiary subprojects. Potential Partner Funds will be assessed on the compliance of their ESMS to the requirements of the Bank's Integrated Safeguards Systems to ensure they meet the requirements in terms of policy requirements, procedures and organizational structure for the selection, preparation, implementation and monitoring of the co-investments.

^[1] WHO (2018). Household air pollution and health.

Does the project expect to include any gender-responsive measures to address gender gaps or promote gender equality and women empowerment? Yes

closing gender gaps in access to and control over natural resources;

improving women's participation and decision-making; and/or

generating socio-economic benefits or services for women. Yes

Will the project's results framework or logical framework include gender-sensitive indicators?

Yes

4. Private sector engagement

Will there be private sector engagement in the project?

Yes

Please briefly explain the rationale behind your answer.

For-profit, private sector energy access businesses are key to deliver universal access to energy. Solar home systems, green mini-grids and other energy access solutions present a commercially viable, climate resilient, and modern solution to providing clean energy access to off-grid, primarily rural populations in Sub-Saharan Africa with limited spending power. Companies deploying these products have seen extensive growth in Africa, however the impact of the COVID-19 pandemic severely threatens the commercial viability of these companies. GEF funding will support energy access businesses by providing liquidity relief and working capital to safeguard the operations and progress of energy access companies and ensure a robust commercial recovery for the energy access industry and low carbon development for countries across the continent.

Crowding in private sector investment funds and commercial finance. Private sector funds have been vital in establishing the renewable sector and progress made so far. While the sector is in need additional investment and liquidity, investors are constrained by the inability to conduct due diligence and grow pipelines, decreasing portfolio quality and the emerging risks and uncertainties. CRP's deployment of concessional capital on a blended, co-investment basis enables commercial financiers to continue lending to the sector at risk-adjusted rates, while ensuring that lending remains affordable for energy access companies. CRP utilises the opportunity to leverage existing funds and capital relationships to increase the financing available to businesses and allow for a more comprehensive response.

5. Risks to Achieving Project Objectives

Indicate risks, including climate change, potential social and environmental risks that might prevent the Project objectives from being achieved, and, if possible, propose measures that address these risks to be further developed during the Project design (table format acceptable)

In alignment with its 2nd Climate Change Action Plan (CCAP2), the African Development Bank (AfDB) seeks to reduce vulnerability to climate variability in its Regional Member Countries (RMCs) and increase the climate resilience of Bank-financed development investments.

Similarly to the STAP's guidance on climate risk assessment, the Climate Safeguards System (CSS) was used to assess potential risks impacting the GEF CRP proposal by integrating a set of decision-making tools and guides used by the Bank for climate proofing. The GEF project proposal was screened through the CSS and was classified as a category 3 project. The report is to be attached as an annex to the PIF. The project is not vulnerable to climate risks nevertheless a voluntary consideration of low-cost risk management and adaptation measures is recommended ahead of CEO Endorsement. It is foreseen that, under an alternative scenario of the CRP including funding from both SEFA and GEF, 480,000 new energy access connections will be deployed, totalling 27 MW of additional solar capacity to be installed which are projected to be located neither in flood nor cyclone prone zones.

Climate risks in the energy access space can include physical impacts of climate change such as drought (e.g. which would constrain potential ability to pay across PAYGO portfolios), flooding (e.g. which can damage installed min-grid infrastructure), excessive dust in arid areas affected by desertification (i.e. which can reduce power output or increase O&M costs of mini-grids), and additional physical risks. Socio-economic risks of climate change, i.e. for energy access investments, include climate migration as well as limited ability to pay as a result of variability in agricultural production.

The Partner Funds to the CRP have each been assessed by the Bank's Environmental and Social Safeguards team. Specifically, the Environmental and Social Management System (ESMS) frameworks of each fund have been evaluated and assessed to meet the lending requirements of the AfDB. These requirements are contained within the Bank's Integrated Safeguards System (ISS)^[1]. Notably, within the area of climate change risk, the ISS specifies that the "borrower or client screens the project for environmental and social impacts—including climate change impacts, potential adaptation and mitigation measures, and the vulnerability of populations and their livelihoods—to determine the specific type and level of environmental and social assessment."

The selected Partner Funds are experienced in assessing potential energy access investments from commercial as well as social and environmental dimensions. The ESMSs of each Partner Fund have been reviewed to ensure that climate risks are appropriately addressed including during the due diligence of potential sub-investments under the CRP. Each ESMS provided by the Partner Funds explicitly mentions climate change as a key area of investment decision-making and reporting. The results of these assessments may be included in the investment notification forms that are already required by the CRP, as described in implementation arrangements above.

The CRP (and its Partner Funds) have been assessed by the Bank's Environmental and Social Safeguards team as category FI-B, which suggests that "the financial intermediaries' portfolios are deemed to be medium risk, and may include subprojects that have potential limited adverse environmental, climate change, or social impacts and that are equivalent to Category 2 projects." The environmental and social risks identified for CRP activities include: i) environmental pollution risks typical of the medium to small scale solar power projects, and ii) health and safety risks and working conditions for

workers involved in the installation of equipment. The environmental and social safeguards risks identified can be managed by the Partner Funds through the implementation of their environmental and social management systems and plans, and policies, procedures and organizational structure for the selection, preparation, implementation and monitoring of subprojects.

The table below highlights the risks and mitigation strategies that have been identified in relation to the implementation of CRP.

Risk	Description	Mitigation Strategy
Currency de preciation	Energy access companies are exposed to currency risk, especially in fragile states where volatility can be particularly high.	CRP funds will be subject to the currency risk hedging strategies proposed by Partner Funds on a per transaction basis, e.g. local currency hedges, cross currency swaps, or back to back financing structures with local commercial banks.
End user ability to pay	Energy access companies serve customers with low and irregular incomes in remote regions.	Energy access companies have developed credit assessment frameworks based on ten years of industry experience. Partner Funds selected to implement CRP are experienced in appraising the portfolios and credit risk policies of potential investors.
Reduced revenue and deterioration of portfolios	Energy access companies are seeing signs of deteriorating portfolio quality due to the economic slowdown induced by the pandemic.	The Partner Funds are expert lenders in the energy access industry and beyond and bring considerable experience to debt investing in the African energy access context. Due to their expertise in lending and market knowledge, the experienced Partner Funds are well placed to structure relief facilities for energy access companies. A reduction in revenue caused by a shock such as the pandemic would negatively impact the ability of energy access companies to service debt. The use of concessional capital to provide working capital and liquidity solutions enables companies to improve cash flow management.
Over-pricing on partner funds	Partners may artificially increase pricing on commercial loans given the concessionality provided by the CRP.	Blended pricing will be justified for each transaction and subject to monitoring by the Bank. Funds that are identified as acting inappropriately may have funds clawed back or be disqualified from future phases of CRP.
Moral hazard	Risk that the Partners will not apply a similarly rigorous credit procedure when deploying CRP funds	Partners will at least match CRP's investment in each transaction. Risk sharing in terms of seniority, quantum, and pro rata disbursement ensures quality deal selection. Moral hazard from previously funded initiatives by GEF is not possible since GEF financing excludes the possibility of financing through the CRP Partner Funds that have already received GEF financial support (to avoid double counting of GEBs).
Market distortion	Due to the use of concessionality	The required co-investment on pari-passu terms ensures high

Market distortion	Due to the use of concessional finance, there is a risk of a vailing highly subsidized capital which could lead to adverse effects of high-risk transactions reducing the quality of credit portfolios.	The required co-investment on pari passu terms ensures high quality deal selection on sound investment principles.
Duplication of CRP resources / "double-dipping"	There is a risk that multiple Partner Funds provide funding to the same borrower.	Potential borrowers will be informed about CRP as the source of funds and limitations to CRP lending. It will be the borrowers' obligation to disclose whether they have received, or are in the process of receiving, CRP funding. It is the Partners' responsibility to assess this during due diligence.
Slow deployment of CRP resources	Partner Fund fails to use its full CRP investment facility for various reasons: limited liquidity, bandwidth, pipeline etc.	Partner Funds selected will have to demonstrate a strong indicative pipeline. In addition, CRP will make capital available for a limited time (12 months). Beyond this period, uncommitted capital may be reassigned to Funds that can deploy the funding.
Conflict of Interests	There is a risk that Partner Funds may use CRP funds to enhance the performance of previously executed loans that are under- or non-performing.	The pari-passu and pro rata risk sharing requirements serve to ensure the quality of transaction structuring. We believe that the pari passu requirement for principal amounts is enough to avoid this unintended and undesirable consequence and is a key reason for including the risk sharing requirement in the design of the CRP.
Over-indebtedness of the underlying borrower	Some of the projects that will be invested in could result in over-indebtedness of the borrower.	<p>Partner Funds have their own underwriting criteria. CRP requires the funds to abide by these principles in deploying CRP funds. This includes among several other criteria and with respect to indebtedness leverage ratios.</p> <p>Furthermore, CRP eligibility criteria will include viability of the business including its ability to service debt. This may be reflected in i) projected growth to increase overall revenues; ii) positive unit economics or visibility on reaching positive unit economics within a certain period of time; iii) company had positive cash flow or projected to reaching this stage within a defined period following investment by CRP.</p>
Physical risks of climate change (i.e. drought, floods)	There is a risk that a large-scale climate event may wipe out household incomes and thus limit their ability to pay for	Partner investment funds and energy access companies are well aware of this risk and use a range of portfolio diversification strategies (i.e. geographical diversification) to mitigate the threat of physical climate risks. This helps to limit geographical

oding) affecting customer ability to pay	energy access solutions.	ical concentration risks.
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Additional Climate Change risk screening is provided in the additional project supporting documents as “ Preliminary Climate Risk Report”.

[1] AfDB Integrated Safeguard System: https://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/December_2013_-_AfDB%E2%80%99S_Integrated_Safeguards_System_-_Policy_Statement_and_Operational_Safeguards.pdf

6. Coordination

Outline the institutional structure of the project including monitoring and evaluation coordination at the project level. Describe possible coordination with other relevant GEF-financed projects and other initiatives.

The African Development Bank and SEFA are playing a sponsor role in the design, structuring, capitalization, co-financing and overall implementation of CRP with Partner Funds. The GEF investment through CRP will play a central role for the objective of contributing to the achievement of SDG7, by supporting the energy access sector through one of the largest crises in history.

The GEF funds through the CRP will be deployed to Partner Funds with the specific purpose of being on-lent to energy access companies blended with the Funds commercial capital. As per the Bank's Operational Guidelines, the specific implementation arrangements, investment eligibility criteria (incl. technologies, geographies, business viability) and terms (incl. tenor, blended structuring, pricing, repayments, currency risk, security, and fees) governing the concessional loan will be negotiated and agreed in an Agreement with each Partner. The Agreements will also define the compliance and reporting requirements of the CRP funding. The Bank will require external legal advice to draft the agreements and support negotiations with the Partners.

AfDB will ensure adequate oversight of the implementation of CRP, these responsibilities include:

- § Selection of Partner Funds.
- § Defining pre-eligibility criteria for investments.
- § Monitoring of included investments against eligibility criteria.
- § Validating and processing disbursement requests related to these investments.
- § Portfolio management of the Platform's investments.
- § Knowledge management and dissemination of lessons learnt.

Partner Funds' responsibilities include:

- Identifying prospective borrowers and transaction structures.
- Full due diligence and approval of investments, in compliance with eligibility criteria and principles of blended finance, in particular on minimum concessionality.
- Administering CRP funds, including disbursement and collection of repayments, regular supervision and monitoring of the borrowers.
- Submitting semi-annual and annual reporting on the utilization of the Platform funds, including impact reporting and documentation of market insights.
- Commissioning external audits and sharing of audited financial statements.

AfDB is responsible for and will undertake monitoring and reporting activities of the investments following Bank policies and procedures, and ensuring that it monitors and reports on development, climate change, and other relevant indicators/outcomes. All investments will be monitored for compliance by the Bank. The Bank approves disbursements of the concessional loan into a dedicated account based on indicative investment plans submitted by Partner Funds that will be verified for compliance with eligibility criteria outlined in the Agreement. Partner Funds are required to share investment notification forms with the Bank for newly closed deals with information on underlying borrowers and transaction terms, including a justification for the blending approach utilized and

including the minutes and materials of the Fund's Investment Committee in which the investment decisions was made. Implications of any deviation from AfDB policies or terms and implementing arrangements will be outlined in the Agreements, consequences include CRP funds being frozen or an end of the financing agreement with the fund.

Finally, the bank will monitor the portfolio and progress through semi-annual and annual progress reports on market conditions, pipeline and portfolio, operational and financial status, lessons learnt from portfolio and expected development impacts.

The reports required from the Funds shall contain:

- (i) market analysis, demand and indicative pipeline;
- (ii) financial summary on the use of the funds ;
- (iii) portfolio summary and status ;
- (iv) adjusted forecasts for use and repayment of funds;
- (v) summary and evidence of commercial finance leverage;
- (vi) development outcomes (climate, gender, job creation, RE capacity, etc.);
- (vii) any notifications, disbursement requests;
- (viii) problems encountered, solutions envisaged, lessons learned;
- (ix) updated work plan and budget for subsequent quarters.

Other relevant GEF financed projects and complementarity. The GEF Private Sector Engagement Strategy encourages a collaboration between the GEF and the private sector in activities that provide strong incentives for the transformation of sectors, markets and economic systems in a way that either reduces environmental degradation or extend positive environmental externalities. The GEF investment in CRP is strongly aligned to this strategy by unlocking commercial capital to finance energy access companies in Africa and enabling the continuation of their operations and securing further growth in the future. Likewise, as a co-investor in the CRP platform, SEFA's technical assistance and concessional finance to remove market barriers, has proven to be an effective tool to unlock private sector investments in renewable energy, building a robust pipeline of projects and improving the risk-return profile of renewable energy investments.

For instance, SEFA's role has been instrumental in the establishment of the Africa Renewable Energy Fund (AREF), a pan-African equity funds for renewable energy established in 2013. The fund raised about USD 200 millions in commitments from other development finance institutions and commercial investors and manages a portfolio of geothermal, hydro, biomass, solar and wind projects totaling 274 MW of capacity, spread out in 6 African countries, namely, Ethiopia, Uganda, Tanzania, Ghana, Cameroon and Madagascar. SEFA also spearheaded the establishment of the Facility for Energy Inclusion (FEI), a pan-African debt financing platform for small-scale renewables, which mobilized, as at December 2019, about USD 250 million in commitments from other development finance institutions and commercial investors. Using various debt instruments such as corporate, project finance and mezzanine finance, the fund supports small scale Independent Power producers sponsoring grid connected power projects, mini-grids and captive power projects of capacity below 25 MW.

The Public Private Platform (PPP) for Renewable Energy, another initiative supported by the GEF, leverages USD 240 million of financing from the AfDB private sector arm to support the scaling up of renewable energy projects in Africa. This GEF investment through the CRP will complement the Public Private Platform (PPP) for Renewable Energy in its efforts to facilitate access to energy for low-income and rural households. Along the same lines, the GEF funded pilot Africa

Climate Technology Finance Center and Network (ACTFCN) has been supporting African countries in scaling-up the deployment of low-carbon and climate resilient technologies for climate change mitigation and adaptation, thereby catalyzing CRP's endeavors in disseminating renewable energy products.

7. Consistency with National Priorities

Is the Project consistent with the National Strategies and plans or reports and assessments under relevant conventions

Yes

If yes, which ones and how: NAPAs, NAPs, ASGM NAPs, MIAs, NBSAPs, NCs, TNAs, NCSAs, NIPs, PRSPs, NPFE, BURs, INDCs, etc

The Covid-19 Off-Grid Recovery Platform, through partner funds, will channel concessional capital to energy access companies with an indicative pipeline of transactions in Western Africa (*Sierra Leone, Liberia, Senegal, Mali, Burkina Faso, Nigeria, Niger, Cote d'Ivoire, Gambia and Ghana*), Central Africa (*Cameroon*), Eastern Africa (*Ethiopia, Rwanda, Kenya and Uganda*) and Southern Africa (*Mozambique, Malawi, Zimbabwe, Zambia, DRC and Mauritius*) sub-regions.

The GEF investment in the CRP platform will contribute to achieving Nationally Determined Contribution (NDC) targets in these countries. Energy access solutions proposed by the CRP platform will add 27 MW of solar capacity, representing about 2.5 million metric tons of CO₂ emissions avoided over the lifetime of the project. In the same vein, the CRP platform complements efforts undertaken under the Africa NDC Hub, hosted at the Climate Change and Green Growth Department of the African Development Bank, to engage national, sub-national, non-state actors and private sector representatives on appropriate policies, strategies and actions tailored to suit individual needs of African countries to enable them deliver their climate change commitments under the Paris Agreement.

The GEF investment through the CRP platform will support the development of renewable energy solutions on the continent, thereby contributing to the international efforts on mitigation. Even though, African countries have not committed to reducing their GHG emissions under the Kyoto Protocol, they do recognize the importance of engaging in mitigation measures for socio-economic development objectives. Notwithstanding the lack of National Appropriate Mitigation Actions (NAMAs), most of the countries do support the Copenhagen Accord and specified some mitigation actions to be implemented within their national frameworks.

CRP pipeline countries in the Western Africa sub-region are all member countries of the Economic Community of West African States (ECOWAS). This latter has developed a renewable energy policy^[1] that was adopted by the 43rd Ordinary Session of the ECOWAS Authority of Heads of State and Government, held in Abuja on July 2013. The renewable energy policy, which is aligned with the broader strategic goals of ECOWAS Vision 2020, aims to assist the ECOWAS Member States to develop appropriate regulatory frameworks for the promotion of renewable energy technologies and services, thus reinforcing regional integration in the renewable energy sector. In terms of objectives, the regional energy policy intends, amongst others, i) to increase the share of renewable energy in the overall electricity mix, including large hydro, to 35% by 2020 and 48% by 2030 and ii) increase the share of the rural population served by decentralized renewable electricity services to 22% by 2020 and 25% by 2030.

As for countries covered in the Eastern African sub-region, they are all member countries of the East African Community (EAC), with the exception of Ethiopia. EAC has adopted a renewable energy policy^[2] which aims, amongst other objectives, to increase i) access to modern cooking practices for 50% of traditional biomass users; ii) access to reliable electricity for all urban and peri-urban poor and iii) access to modern energy services for all schools, clinics, hospitals and community centres.

In the Southern African region, indicative pipeline countries under the CRP platform are all member states of the Southern Africa Development Community (SADC)^[3]. The organization recognizes the importance of renewable energy and energy efficiency as a cost-effective way to ensure energy security and reduce greenhouse gas emissions. The Regional Energy Access Strategy and Action Plan designed to the renewable energy policy, has set targets which

include 7.5% of off-grid share of renewable energy as per total grid electricity capacity and 15% of cooking/heating efficient devices penetration by 2030.

Cameroon being the only country in the indicative CRP pipeline in Central Africa sub-region, has an ambitious renewable energy policy. The country intends to increase the share of its renewable energy capacity to 25% of its total energy capacity by 2030^[4].

In addition to these ongoing efforts, the African Development Bank, building on its long experience and strategic position in the continent, helps its regional member countries to i) increase the sustainable use of renewable energy sources where the potential exists, (ii) foster energy efficiency and (iii) adopt cleaner technologies^[5]. Furthermore, the African development Bank plays a catalytical role in the adoption of governance and regulatory reforms in regional member countries by helping them create an enabling environment that would attract private capital in the sector. In the broader context of “Light up and Power Up Africa” strategy, the African Development Bank has set-up a New Deal on Energy for Africa, which lies on the following principles: (i) raising aspirations to solve Africa’s energy challenges; ii) establishing a Transformative Partnership on Energy for Africa; (iii) mobilizing domestic and international capital for innovative financing in Africa’s energy sector; (iv) supporting African governments in strengthening energy policy, regulation and sector governance; and (v) increasing African Development Bank’s investments in energy and climate financing.

In view of the above, the CRP platform fits very well in the renewable energy policies of the pipeline countries in which it will be deployed, but more importantly, it will contribute to the renewable energy agenda of these countries and ensure that progress achieved will not be jeopardized by the COVID-19 pandemic.

[1] ECOWAS Renewable Energy Policy (EREP) (http://www.ecreee.org/sites/default/files/documents/ecowas_renewable_energy_policy.pdf)

[2] Regional Strategy on Scaling-up Access to Modern Energy Services in the East African Community (<https://rise.esmap.org/data/files/library/kenya/Renewable%20Energy/RE%203.5%20-%205%20year%20Action%20Plan%20for%20the%20Regional%20Strategy%20on%20Scaling%20Up%20Access%20to%20Modern%20Energy%20Services%20in%20the%20EAC.pdf>)

[3] SADC Renewable Energy and Energy Efficiency Status Report 2018 (https://www.sacreee.org/sites/default/files/documents/files/SADC_EN_%28web%29.pdf)

[4] Djouedjom, T. F. G and Zhao, X (2018). Current Status of Renewable Energy in Cameroon, North American Academic Research, volume 1, issue 2, 2018, 1 (2), 71 – 80

[5] Energy Sector Policy of the AfDB Group (https://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/Energy_Sector_Policy_of_the_AfDB_Group.pdf)

8. Knowledge Management

Outline the Knowledge management approach for the Project, including, if any, plans for the Project to learn from other relevant Projects and initiatives, to assess and document in a user-friendly form, and share these experiences and expertise with relevant stakeholders.

The implementation of the CRP will generate unique insights into the impacts of COVID-19 on energy access companies and the most appropriate responses in terms of technical support and financial products. As such, market knowledge on COVID-19 impacts and mitigation strategies can feed into the design of future financial products for these and other crises. CRP's knowledge management plan includes the following items:

- Participation of AfDB and/or Partner Funds in renewable energy investors' fora at the international, pan-African and regional level, especially related to COVID-19 pandemic relief and recovery activities. AfDB and OGEF have already participated in sectorwide online events (see below) on the impact of the pandemic on the energy sector and these efforts will continue.
 - o Joao Duarte Cunha, Head of AfDB's Renewable Energy Division, participated in the Energy Access COVID-19 Relief Summit organized by ARE and GOGLA, and
 - o Harry Guinness, Managing Director of Lion's Head Global Partner's OGEF team participated in a panel discussion on relief, recovery, and resilience at the GOGLA annual member conference 2020;
- Close interaction with the AfDB's hosted energy access initiatives and network of partners/financiers to access, share and document best practices on financing energy access projects, especially on the lessons learned and unique insights from providing financial support to energy access businesses during the COVID-19 pandemic;
- Convene CRP Partner Funds to discuss projects, gauge views on the market, promote collaboration and develop summary notes with key lessons and stories from the ground;
- Publication of an end of project report detailing the utilization of the CRP funds including aggregate impact, environmental and development reporting and documentation of market insights and lessons learned.

9. Environmental and Social Safeguard (ESS) Risks

Provide information on the identified environmental and social risks and potential impacts associated with the project/program based on your organization's ESS systems and procedures

Overall Project/Program Risk Classification*

PIF

CEO Endorsement/Approval MTR

TE

Medium/Moderate

Measures to address identified risks and impacts

Provide preliminary information on the types and levels of risk classifications/ratings of any identified environmental and social risks and potential impacts associated with the project (considering the GEF ESS Minimum Standards) and describe measures to address these risks during the project design.

The Environmental and Social Management System (ESMS) frameworks of each fund have been evaluated by the African Development Bank and were assessed that they meet the lending requirements of the AfDB. These requirements are contained within the Bank's Integrated Safeguards System (ISS)^[1]. Notably, within the area of environmental, social and climate change risks, the ISS specifies that the "borrower or client screens the project for environmental and social impacts—including climate change impacts, potential adaptation and mitigation measures, and the vulnerability of populations and their livelihoods—to determine the specific type and level of environmental and social assessment."

The CRP (and its Partner Funds) have been assessed by the Bank's Environmental and Social Safeguards team as category FI-B, which suggests that "the financial intermediaries' portfolios are deemed to be medium risk, and may include subprojects that have potential limited adverse environmental, climate change, or social impacts and that are equivalent to Category 2 projects." The environmental and social risks identified for CRP activities include: i) environmental pollution risks typical of the medium to small scale solar power projects, and ii) health and safety risks and working conditions for workers involved in the installation of equipment. The environmental and social safeguards risks identified will be managed by the Partner Funds through the implementation of their environmental and social management systems and plans, and policies, procedures and organizational structure for the selection, preparation, implementation and monitoring of subprojects in accordance with the AfDB's overall ESS policy.

The selected Partner Funds are experienced in assessing potential energy access investments based on commercial as well as social and environmental dimensions. The ESMSs of each Partner Fund have been reviewed to ensure that environmental, social and climate risks are appropriately addressed including during the due diligence of potential sub-investments under the CRP. Each ESMS provided by the Partner Funds explicitly mentions environmental, social and climate change aspects as a key areas of investment decision-making and reporting. The results of these assessments may be included in the investment notification forms that are already required by the CRP, as described in the implementation arrangements section (Part II, Section 6. Coordination) of the PIF.

All in all, Partner Funds will be required to screen underlying transactions of the CRP project for environmental and social impacts including climate change impacts, potential adaptation and mitigation measures, and the vulnerability of populations and their livelihoods. This will be confirmed in the agreement between the Bank and the Partner Funds. Since the CRP project has not yet started, additional ESS related information and documentation would only be provided once agreements between the AfDB and partner funds are signed ahead of CEO Endorsement.

[1] AfDB Integrated Safeguard System: https://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/December_2013_-_AfDB%E2%80%99S_Integrated_Safeguards_System_-_Policy_Statement_and_Operational_Safeguards.pdf

Supporting Documents

Upload available ESS supporting documents.

Title

Submitted

Part III: Approval/Endorsement By GEF Operational Focal Point(S) And Gef Agency(ies)

A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S): (Please attach the Operational Focal Point endorsement letter with this template).

Name	Position	Ministry	Date
Description of Pre Selected Partners (CRP)			10/15/2020
Indicative Pipeline (CRP)			10/15/2020
Impact Calculations (CRP)			10/15/2020
Endorsement Letters Industry Associations			10/15/2020
Preliminary Climate Risk Report			10/15/2020

ANNEX A:

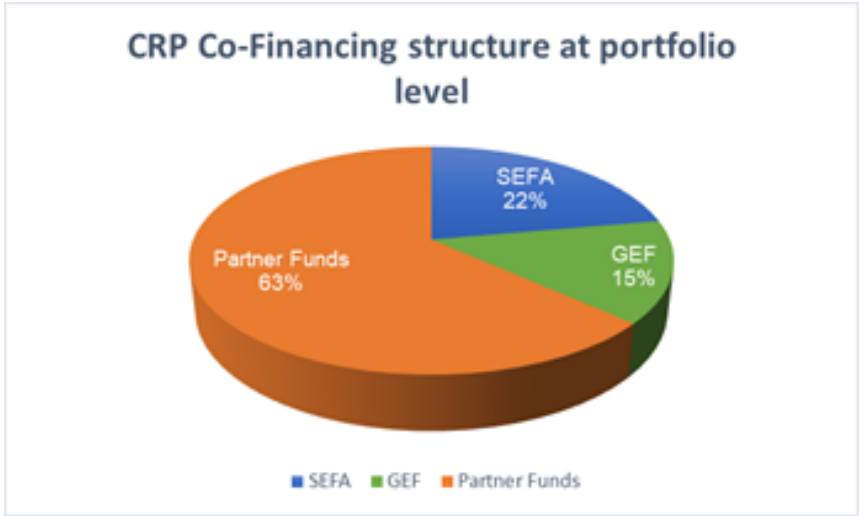
Instructions. Please submit an indicative termsheet in this section. The NGI Program Call for Proposals provided a template in Annex A that can be used by the Agency. Agencies can use their own termsheets but must add sections on Currency Risk, Co-financing Ratio and Financial Additionality as defined in the template provided in Annex A. Termsheets submitted should include sufficient details to allow a financial expert to understand and judge the financial viability of the proposed investments. Indicative terms and conditions should be used when specific details are not yet available. Please ensure that by copying the termsheet in the section of the PIF/PFD, the format allows reviewers to read the content.

Project/Program Title	COVID-19 Off-Grid Recovery Platform
Project/Program Number	10667
Project/Program Objective	Unlock and catalyse private capital to mitigate the negative impacts of the COVID-19 pandemic on the energy access industry in Africa
Country [ies]	Multinational
Agency presenting the Project	AfDB
Project Financing	<p><i>A. Sources of Co-financing:</i></p> <ul style="list-style-type: none"> – GEF Agency, AfDB/SEFA, loan, USD 20,000,000 – Private Sector, Partner Funds, loan, USD 57,000,000 <p><i>B. Indicative Trust Fund Resources</i></p> <ul style="list-style-type: none"> – GEF Project Financing, loan, USD 13,000,000 <p>Total Project Financing: USD 90,000,000</p>
Currency of the Financing	USD
Currency risk	If the currency of the financing is other than USD, please note if GEF resources are exposed to currency risk; describe how the currency risk is mitigated in this transaction and the maximum amount of GEF resources at risk.
Co-financing ratio	<p>Every GEF 1 USD mobilizes 6.35 USD</p> <p>Every GEF 1 USD mobilizes 4.04 USD of private sector financing</p>
Financial additionality of GEF resources	<p>Financing barriers addressed with the GEF blended finance resources and financial additionality.</p> <p>The coronavirus outbreak has posed immediate and severe impacts on the energy access sector. The reduction in revenues, in combination with tight cashflows, exposure to foreign exchange fluctuations, and limited ability to service existing debt obligations leave energy access companies and the broader industry extremely vulnerable. There is a need for tailored financial solutions to support energy access companies and facilitate their continued strong progress in Africa. Without additional concessional capital, the energy access industry may suffer a dramatic setback, risking years of</p>

	<p>the energy access industry may suffer a dramatic setback risking years of progress made in the space.</p> <p>The risks and constraints introduced by the pandemic adversely impacted investors' ability to conduct due diligence and grow pipelines. Investors are also experiencing decreasing portfolio quality, and increased cost of capital resulting from the emerging pandemic-related risks and uncertainties. As a result, either lenders are not executing deals and companies do not receive finance, or companies receive expensive debt that may be detrimental to longer-term growth. This, at a time when the sector is critically in need of additional investment and capital.</p> <p>GEF's concessional funding, to be effectively blended with commercial capital, reduces the cost of capital for energy access businesses and enables commercial energy access debt funds (Partner Funds) to continue lending to the sector at risk-adjusted rates, keeping capital flowing to energy access companies through the crisis. The blended finance mitigates Partner Funds' risk exposure and provides the additional level of comfort required for them to enter deals they would otherwise not be able to do and on affordable terms.</p> <p>Under the baseline scenario (i.e. without GEF co-financing), CRP would avail USD 50 million (including USD 20 million from SEFA and USD 30 million) from the Partner Funds. This direct COVID-19 recovery funding provides a fraction of what is required by the market. GEF's contribution will almost double the size of the facility by unlocking additional private sector capital and enhance much needed relief and recovery funding.</p>
Use of proceeds (for GEF financing)	<p>Decentralized renewable energy solutions including SHS, GMG and C&I (small-scale C&I including decentralized captive renewable energy systems and appliances for productive use) only with the exclusion of clean cooking and Partner Funds that have already received GEF financial support (to avoid double counting of GEBs). This will be done by applying eligibility criteria specific for GEF co-financing.</p> <p>Provide a description of the use of the resources and their alignment with GEF Focal areas/Investment Programs</p> <p>CRP is an innovative co-financing platform designed to mobilize commercial private capital to mitigate the impacts of the COVID-19 pandemic on energy access companies and ensure a green recovery in Africa. CRP will ac</p>

hieve these objectives by providing a concessional loan to 3-5 qualified financial intermediaries (Partners Funds). Partner Funds will blend CRP funding with their own commercial capital to provide loans to energy access companies at sub-commercial rates.

GEF funding, through CRP, will be co-invested along Partner Fund capital on an at least 1:2 basis at portfolio level (and min 1:1 at transaction level). It will be pari-passu for the principal amount of the investment and pro-rata risk sharing terms at transaction level (except for the interest rate, with CRP pricing set at 0%). CRP funding can be used for a variety of blended loan offerings between the Partner Fund and end-borrower in terms of loan size, financing instrument, and repayment schedule and will avail (i) working capital to ensure a minimum level of service provision and the protection of jobs; and (ii) liquidity support for viable and robust business recovery plans.



These blended co-investments will ensure the continuation of energy access services to existing customers and enabling expansion of operations into new clean electricity connections to reach long-term climate and development goals. The continued growth of energy access companies and healthy development of the broader energy access industry is well aligned to GEF's focal area CCM-1,1 promoting innovation and technology for sustainable energy breakthroughs for decentralized power with energy usage.

Financing instruments

Partner Funds can use debt instruments (including loans, credit lines, stru

ctured finance or bonds).

The financing instrument used with GEF resources: demonstrate the appropriate degree of concessionally and most efficient structures to mobilize private capital.

AfDB seeks a USD 13 million unsecured concessional loan from the GEF-7 Non-Grant Instrument window to support energy access businesses through the COVID-19 Off-Grid Recovery Platform (CRP).

Considering the urgent need for financing, the platform approach provides a mechanism to unlock commercial private capital of existing energy access lenders (investment funds) for a specific purpose and enables:

- i) large number of transactions in a relatively short amount of time,
- ii) broad geographic coverage, and
- iii) a wide range of financial solutions supporting diverse business needs across the energy access industry.

Towards these ends, investment decisions are delegated to partner funds to efficiently deploying blended finance at scale. The platform deliberately seeks to invest pro-rata and on pari-passu terms for the principal amount of each underlying transaction in order to ensure alignment on interest and funding to be deployed using sound investment principles. Working with multiple partners on a co-financing basis provides additional benefits in terms of portfolio diversification, investment discipline and reduced market distortion.

CRP capital will be repaid contingent on repayment of end-borrowers to the Partner Fund. The credit risk of CRP funding on-lent to end-borrowers is carried by CRP, and consequently by GEF/SEFA and Partner Funds.

The Partner Funds will be responsible for ensuring timely collection under the loan agreements as well as for the timely repayment of such amounts to the Bank. As CRP funds will rank on pari-passu terms with Partner Funds terms, in the event of default, Partners and the Donors will share losses in pari-passu terms for the principal amount of the investment and proportionally to their respective capital contributions, incentivizing Partner Funds to apply best efforts to recover unpaid amounts. If despite all efforts by the Fund Managers and the Bank to recover the loans and amounts due to

	the Fund Managers and the Bank to recover the loans and amounts due. If they have failed, the concessional loan or part thereof will be written off, following the Bank's write-off policy described in the section.
Terms and conditions for the financing instruments	<p>For the debt instruments (including loans, credit lines, structured finance or bonds):</p> <p>(a) Amount of the loan: USD 13,000,000</p> <p>(b) Maturity: 6 years</p> <p>(c) Interest rate: 0%</p> <p>(d) Interest payment dates: n/a</p> <p>(e) Principal repayment: up to year 6 years depending on principal repayment of the underlying projects as defined in the reflow table.</p>

ANNEX B:

Instructions. Please submit a reflows table as provided in Annex B of the NGI Program Call for Proposals. Any financial returns/gains/interests earned on non-grant instruments, will be transferred to the GEF Trust Fund as noted in the Guidelines on the Project and Program Cycle Policy. Partner Agencies will be required to comply with the reflows procedures established in their respective Financial Procedures Agreement with the GEF Trustee.

Item Data	Item Data
GEF Project Number	10667
Estimated Agency Board approval date	Q1 2021
Investment type description (financial product : debt, equity, guarantee, other)	Debt
Expected date for start of investment	Q2 2021
Amount of investment (USD GEF funds)	USD 13,000,000
Amount of investment (USD co-financing)	USD 77,000,000
Estimated interest rate/return/ premium	0% (to be effectively blended with commercial lending and financial instruments provided by the Partner Funds)
Maturity	6 years

Estimated reflow schedule	Principal payments match repayment schedule of underlying projects. This is subject to the structure of the underlying transactions (i.e. some transactions may be amortized, others repaid on a bullet basis) as well as to the timing required to process the payments between the Partner Funds and AfDB. AfDB will define schedules with Partner Funds to ensure that reflows are processed efficiently and with minimal transaction and administrative cost.
Repayment method description	See above.
Frequency of reflow payments	See above.
First repayment date	First repayment date corresponds to the GEF Portfolio's first principal payment date plus reasonable time required to process the payments between the parties. <i>GEF Portfolio</i> reflects the underlying projects that GEF will be co-financing with Partner Funds under the CRP Platform
First repayment amount	First repayment corresponds to the GEF Portfolio's first repayment amount. This is to be determined following further definition with the Partner Funds.
Final repayment date	Q2 2027
Final repayment amount	GEF Portfolio final repayment amount – to be determined
Total principal amount to be paid- reflowed to the GEF Trust Fund	13,000,000
Total interest/earnings/premiums amount to be paid-reflowed to the GEF Trust Fund	N/A

ANNEX C:

The GEF Agency submitting the PIF or PFD is required to respond to the questions in Annex C of the NGI Program Call for proposals in order to demonstrate its capacity and eligibility to administer NGI resources as established in the Guidelines on the Project and Program Cycle Policy, GEF/C.52/Inf.06/Rev.01, June 9, 2017 (Annex 5).

a) Ability to accept financial returns and transfer from the GEF Agency to the GEF Trust Fund;

As a multilateral development finance institution, the African Development Bank (AfDB) Group seeks to further the social and economic well-being of its regional member countries. To attain this objective, the Bank uses the leverage afforded by its AAA rating to on-lend to its borrower countries, at favorable terms, resources raised in international capital markets. Beyond the provision of affordable capital, the AfDB offers an attractive, diversified menu of options that allows borrowers to tailor financing to their circumstances. The Bank's financial products comprise of loans (including synthetic local currency, and syndicated loans), guarantees, equity and quasi-equity, and risk management products.

The overall financial performance of the Bank Group in 2019 remained strong. The Bank maintained its triple-A rating with a stable outlook from all four global rating agencies. Income revenues for two of the Group's three lending windows—the African Development Bank (ADB) and the Nigeria Trust Fund (NTF)— were higher than in 2018. For instance, ADB revenue increased to \$1.3 billion in 2019, from \$1.2 billion in 2018, driven largely by increased lending and investment returns.

In addition, section 7.1 of the financial procedures agreement between the African Development Bank, the African Development Fund and the International Bank for Reconstruction and Development as Trustee of the Global Environment Facility Trust Fund, dated June 30, 2010 as amended on 19 June 2017, describes the commitment of the Bank to return reflows to the GEF trust fund. As per section 7.1:

"If any GEF Trust Fund funds transferred to the Agency for GEF Projects are used to provide financing, which generates any reflow of funds, and such reflow of funds are required to be returned to the GEF Trust Fund pursuant to the applicable policies and procedures of the GEF, the Agency shall credit and hold the funds in the GEF/AfDB Sub-Account or the GEF-AfDF Sub-Account, as applicable (following their receipt by the Agency), until the Trustee requests the Agency to return them to such account as the Trustee may designate. The Agency will maintain a record of any such reflow of funds and report them to the Trustee pursuant to Section 12.2.(e) below."

b) Ability to monitor compliance with non-grant instrument repayment terms;

The Financial Control Department is responsible for accounting for the financial consequences of the Bank Group's transactions and decisions, and for the preparation, fair presentation and overall integrity of the internal financial reports and published financial statements. It is also responsible for loan administration and accounting and related fiduciary responsibilities, including disbursement of funds to projects and programs financed by the Bank Group.

c) Capacity to track financial returns (semester billing and receiving) not only within its normal lending operations, but also for transactions across trust funds;

As noted above, the African Development Bank Group provides for a strong fiduciary control framework for both its lending and non-lending operations. The African Development Bank maintains separate records and ledger accounts for the administration of GEF Funds.

d) Commitment to transfer reflows twice a year to the GEF Trust Fund;

As per section 12.2 para (e) of the financial procedures agreement, the African Development Bank Group currently reports within thirty 30 days after the end of each quarter of the GEF Fiscal Year (or such other frequency agreed with the Trustee), the dates and amounts of reflows of funds received by the Bank from GEF Projects, for the period reported, broken down by each GEF Project. This supports the commitment of the Bank to transfer reflows to the GEF Trust Fund.

And, in case of NGI for private sector beneficiaries:

e) Track-record of repaid principal and financial returns from private sector beneficiaries to the GEF Agency.

The Bank's experience in administering NGI investments from the GEF is also exemplified by current active GEF projects in its portfolio. A series of GEF NGI projects were approved by the GEF for the channeling of private sector investments through the African Development Bank including:

- - Moringa Agro-forestry Fund for Africa (non-grant) (ID 9051), \$12,000,000
- - AfDB-PPP Public-Private Partnership Program (ID 4929), \$20,000,000 sub-divided into the following three investments:
 - o African Renewable Energy Fund (AREF), Junior Equity, \$4,500,000
 - o Egypt Shapoorji Solar PV 50MW, Senior Loan, \$7,000,000
 - o Off Grid Fund (FEI OGEF), Equity, \$8,500,000
- - Investing in Renewable Energy Project Preparation under the Fund for Energy Inclusion (FEI) (ID 9043), \$10,000,000

And, in case of concessional finance for public sector recipients:

f) Track-record of lending or financing arrangements with public sector recipients;

Since its founding in 1964, the African Development Bank Group has been helping its regional member countries through both lending and non-lending operations to support their socioeconomic development. For FY 2019, the African Development Group has committed more than \$7.7 billion to operations led by public sector recipients.