GLOBAL ENVIRONMENT FACILITY
INVESTING IN OUR PLANET

COVID-19 Off-Grid Recovery Platform

Review PIF and Make a recommendation

Basic project information

GEF ID

10667

Countries

Regional

Project Name

COVID-19 Off-Grid Recovery Platform

Agencies

AfDB

Date received by PM

9/15/2020

Review completed by PM

10/18/2020

Program Manager

Avril Benchimol Dominguez

Focal Area

Climate Change

Project Type

FSP

PIF

Part I – Project Information

Focal area elements

1. Is the project/program aligned with the relevant GEF focal area elements in Table A, as defined by the GEF 7 Programming Directions?

Secretariat Comment at PIF/Work Program Inclusion

The project is broadly eligible vis a vis the CCM strategy in GEF7. However, clean cooking is not included in the GEF programming directions, which focus on decentralized energy systems, including storage. Please elaborate on possible arrangements to exclude clean cooking investments from the eligibility criteria of transactions for which GEF funding would be considered.

Additional Comments 10/05/2020:

OK to responses received to previous comments (exclusion of cookstoves included PIF page 17). Commercial & Industrial, we understand this is decentralized captive clean energy systems for productive uses. Please confirm. We do not support large scale grid connected renewable energy systems.

Agency Response

AfDB (28 September 2020)

In the indicative pipeline received from potential Partner Funds, less than 5% of the transactions involve clean cooking solutions. We suggest limiting GEF funding for decentralised renewable energy solutions only such as SHS, GMG and C&I. This can be done by applying eligibility criteria specific for GEF co-financing. For example, transactions that involve clean cooking would be eligible for SEFA co-financing but wouldn't be eligible for GEF investment.

Additional Answer 15/10/2020

C&I indeed refers to decentralized captive renewable energy systems and appliances for productive use. Grid-connected IPPs are **not** eligible under the scope of the CRP. This will be explicitly stated/confirmed in the PIF.

Indicative project/program description summary

2. Are the components in Table B and as described in the PIF sound, appropriate, and sufficiently clear to achieve the project/program objectives and the core indicators?

Secretariat Comment at PIF/Work Program Inclusion

Agency Response

Co-financing

3. Are the indicative expected amounts, sources and types of co-financing adequately documented and consistent with the requirements of the Co-Financing Policy and Guidelines, with a description on how the breakdown of co-financing was identified and meets the definition of investment mobilized?

Secretariat Comment at PIF/Work Program Inclusion

a. What is the rationale/logic for the GEF contribution to leverage or attract the high level of financing described in the PIF?
b. Given the significant amount of co-financing expected to be brought in by private sector debt/equity providers, please clarify the typical structure of a pre-crisis transaction by one of the selected CRP funds: what are the typical Fund's exposure limits in the transactions they generally participate into (% of equity requested by project proponent, % of commercial debt, etc). This would be important to assess whether the expected cofinancing of 200M from "Commercial capital catalyzed by additional energy access financiers" is reasonable.
c. Unclear why GEF funding would be expected to have an increased co-financing ratio (1:2) compared to the SEFA funds (i.e. SEFA:CRP Funds = 20:30 vs GEF:CRP Funds = 13:27).

GEF SEC:
a.OK to clarifications received as answer.
b. additional comments below
c. OK to clarifications received as answer.

Additional Comments as of 10/05/2020
In response to urgent needs of financing, SEFA funds are likely to be disbursed first. Please provide a mechanism to ensure co-financing and proportionality of financing between SEFA and GEF funds (after GEF funding is made available).
Additional Comments as of 10/05/2020

According to the selection criteria of the Partner Funds, you are evaluating them on their experience with Debt Instruments only. Since you are being more flexible in the use of the financing (ie they can provide a range of financing instruments) please explain how you evaluate the expertise of the funds in those additional financial products.

Also, since the structure is dependent on Partner Funds experience in debt structuring and recovery, how would these new products fit into that expertise? The AfDB can write off loans that have defaulted; what about additional financial products that are not classified as debt?

Agency Response

AfDB (28 September 2020)

a. GEF and SEFA's capital are each provided on catalytic and concessional terms. These capital injections will allow energy access companies to continue their operations throughout the pandemic, as opposed to dramatically scaling back or potentially dissolving. We view CRP as a bridge financing solution that will provide companies with a path to return to relative normalcy following the pandemic, and continue to raise funds needed to grow their operations.

The *indirect* co-financing amounts were estimated based on data provided by each selected fund manager, including additional capital raised at the same time as CRP's investment (beyond the Partner Funds' capital), as well as additional investments that are anticipated to occur during the project period. Bridging the urgent funding gap of energy access businesses and supporting strong recovery plans on below market-terms amid the crisis, enables businesses and Partner Funds to attract additional patient capital contributing to the sustainable long-term growth of the companies.

b. CRP Partner Funds will provide a range of financing instruments including senior debt and mezzanine instruments.

The leverage ratios required by each fund depend on the transaction, maturity of entities, and use of funds. A 12-month inventory finance loan is appraised differently than a 48-month investment into a receivables financing SPV. Lenders in small, earlier stage companies may only lend to leverage ratios of 2-3x, while lenders may be comfortable with 5x for more established companies.

In this context, the USD 200M of commercial capital leveraged over the period of the platform as a result of CRP financing can roughly be considered as USD 50-75 M equity investments anticipated, and USD 125-150 M debt. We consider this reasonable given that ca 45 companies will be financed.

c. At the outset, GEF funding is expected to have same co-financing ratio of SEFA (1:1.5 across the portfolio). However, we are also assuming there will be a learning curve on the first batch and possibly an improvement of conditions on the ground, allowing the GEF contribution to reach a slightly higher co-financing ratio of 1:2, as an average across the GEF-funded portfolio. Noteworthy that all Partners have indicated they could stretch the impact of CRP funds by going beyond the 1:1 minimum requirement at project level, in some cases up to 1:3.

Additional Answer 15/10/2020

CRP funds will be co-invested in a range of blended debt investments only. CRP does not support equity investments made into energy access companies. Not all loans look the same, the range of financing instruments refers to a variety of debt products that differ in terms of seniority (subordinated debt, mezzanine, senior debt), tenors, pricing, and ticket sizes, and exist because of the complementary investment strategies of the target Partner Funds. This complementarity of investment strategies will enable CRP to support the diverse needs of businesses.

With this clarification we consider the second comment not applicable given that CRP funds are only to be co-invested along debt products.

GEF Resource Availability

4. Is the proposed GEF financing in Table D (including the Agency fee) in line with GEF policies and guidelines? Are they within the resources available from (mark all that apply):

Secretariat Comment at PIF/Work Program Inclusion

Agency Response

The STAR allocation?

Secretariat Comment at PIF/Work Program Inclusion

Agency Response

The focal area allocation?

Secretariat Comment at PIF/Work Program Inclusion

Agency Response

The LDCF under the principle of equitable access

Secretariat Comment at PIF/Work Program Inclusion

Agency Response

The SCCF (Adaptation or Technology Transfer)?

Secretariat Comment at PIF/Work Program Inclusion

Agency Response

Focal area set-aside?

Secretariat Comment at PIF/Work Program Inclusion

Agency Response

Impact Program Incentive?

Secretariat Comment at PIF/Work Program Inclusion

Agency Response

Project Preparation Grant

5. Is PPG requested in Table E within the allowable cap? Has an exception (e.g. for regional projects) been sufficiently substantiated? (not applicable to PFD)

Secretariat Comment at PIF/Work Program Inclusion

Why is the PPG needed, since the platform has already been designed?

Additional comments as of 10/05/2020

Additional comments 10/05/2020

Since the platform is already in place and would take place without GEF financing, we need additional details on why GEF should support PPG. As also mentioned above AfDB SEFA will develop additional legal documents without GEF support. We would like to understand what specifically is needed from us.

Agency Response

AfDB (28 September 2020)

200,000 USD PPG will be used for external legal advice to negotiate and draft the required agreements.

Additional Answer 15/10/2020

The PPG is required for additional legal support for 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 the expansion of the platform to new partners and instruments.

Core indicators

6. Are the identified core indicators in Table F calculated using the methodology included in the correspondent Guidelines? (GEF/C.54/11/Rev.01)

Secretariat Comment at PIF/Work Program Inclusion

A more detailed breakdown of the calculations that were used to estimate the emission reductions is needed.

a. CCM benefits calculation should be informed by GEF's incremental reasoning, not taking credit for anything created – or that would have represented the baseline - prior to new GEF funding.

GEF SEC: OK to Agency answer

b. The expected amount of emission reductions should be calculated over the lifetime of the equipment installed, and not over the implementation timeline of the project

GEF SEC: OK to Agency answer

c. Carbon saved by a connection to a minigrid may be higher than that saved by the installation of a SHS, this should be factored in the calculation of emission reductions, which seems to have been carried out assuming that SHS are the main product supported by the CRP.

GEF SEC: OK to Agency answer

d. Please clarify how ERs to be expected from preventing a "reverse transition" back to fossil fuels, as highlighted in the PIF, have been factored into the calculation.

GEF SEC: OK to Agency answer

e. The claimed development of 53 MWof solar installation needs clarification. What is the typical investment cost for energy access solar existing companies, and how does this claimed estimated compare?

GEF SEC: OK to Agency answer

f. The benefits noted in the front of the proposal differ from those on page 11 under the CRP discussion, and page 14-15. Please reconcile.

GEF SEC: OK to Agency answer

Additional Comments as of 10/05/2020

While the logic is acceptable and seems ok for PIF stage, we request to send us the calculation sheet to arrive to the 2.5 million tons, making explicit all the assumptions and differentiating minigrids from SHS.

Agency Response

AfDB (28 September 2020)

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 and 500,000 new clean energy connections will be added. 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). GMG connections yield 0,72 tCO2eq of emission reductions per year 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.

a. The impact calculations only include results directly related to the CRP co-investments.

b. The emission reductions are estimated over the lifetime of the equipment installed; 7-year lifetime of SHS and 20-year of mini-grids.

c. Based on indicative pipelines received, 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.

d. 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. Therefor these systems continue to create GHG emission reductions, during the remaining life-time estimated at 3 years.

e. The model is 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[1], as per market average.

f. done

Additional Answer 15/10/2020

The calculation sheet has been added as an annex to the PIF, confirming the calculations and underlying assumptions.

[1] AMDA (2020), Benchmarking Africa's Minigrids

Project/Program taxonomy

7. Is the project/ program properly tagged with the appropriate keywords as requested in Table G?

Secretariat Comment at PIF/Work Program Inclusion

Agency Response

Part II – Project Justification

1. Has the project/program described the global environmental / adaptation problems, including the root causes and barriers that need to be addressed?

Secretariat Comment at PIF/Work Program Inclusion

A clear description of other ongoing efforts in the field should be provided.

a. For instance, GOOGLA is one of the partners in the EnDev industry survey mentioned in the proposal. Googla is also part of "COVID-19 Energy Access Relief Response", which is looking to raise funding to capitalize a USD 100 million concessionary debt facility. Information are here: https://www.energyaccessrelief.org/#response-link and here https://drive.google.com/file/d/1m3tY3rnbtTecXCw1ToUDimt9qhfMIYSD/view. Acumen, Sunfunder, IFC and Shall Foundations are some of the names listed in the Steering Group. What is the relation of CRP with this initiative? Have there been any discussions with the Googla team or any of the other stakeholders involved in the COVID-19 Energy Access Relief Response?

GEF SEC response: OK This part is now much clearer in the PIF.

b. Are there other ongoing efforts from other energy access investors (IFC? Power Africa?) and how is CRP positioning itself in this context?

GEF SEC is OK to responses provided by Agency

Agency Response

AfDB (28 September 2020)

(section on ongoing similar activities has been added in the revised PIF)

The AfDB team has been engagING with GOGLA as well as the EARF team since the early design stages of the EARF. AfDB welcomes this complementary initiative and also notes that the EARF substantially changed its structure following feedback provided by AfDB. In fact, one of the CRP Partner Funds may be mandated to manage EARF, meaning that coordination and synergies with EARF will be even stronger.

Whilst EARF is geared towards a specific fund, AfDB's approach to address the funding gap is to extend financing to multiple funds selected on a competitive basis. This ensures: (i) diversification of the portfolio and a lower risk on the dependency on a single fund; (ii) complementarity of the instruments and approaches of the funds to provide sustainable funding; (iii) developing knowledge and lessons learnt platform on recovery funding. It is our understanding that CRP is the most advanced relief and recovery financing initiative in terms of program definition and implementation readiness.

It is important to note that GOGLA, ARE, and AMDA (forthcoming) have each provided letters of support for the CRP.

2. Is the baseline scenario or any associated baseline projects appropriately described?

Secretariat Comment at PIF/Work Program Inclusion

Metrics to assess distress of potential borrowers: the key element at the basis of this proposal is the support to an industry in distress to prevent reverse energy transition and re-launch sector growth. Although some elements to assess eligibility of borrowers based on the negative impacts of the pandemic on their businesses are listed, this is a key area and it should be further developed to strengthen the theory of change of the proposed project.

a. The success and current duress of energy access companies is not fully described. How was financing obtained prior to the pandemic? What were the terms of those investments? What were the scale of those investments?

GEF SEC OK with additional information provided. Please add indicative pipeline as proposed.

b. What are the names of the energy access companies that are struggling, listed by company name, headquarters, and country of operation? What documentation has been obtained or would be required to show that these companies are in need of emergency funding?

GEF SEC OK with additional information provided

c. How can we document that the risk-adjusted pricing for commercial finance is increasing and/or there is a reduced appetite of commercial "lenders to transact under prevailing market circumstances"? Can such delta be quantified?

GEF SEC OK with additional information provided

d. A draft eligibility checklist and of the main KPIs that would be considered should be elaborated to ensure that only businesses that really need crisis-response financing can get it.

GEF SEC OK with additional information provided

e. Given the timeline required for the approval process of AfDB and GEF – please elaborate on how the timing of the financing will still meet the needs of the potential end-borrowers (survey indicates risk of survival within 3-6 months).

Additional comments below

Previous GEF investments in energy access through AfDB: The PIF mentions the previous investments of the GEF in the AfDB's FEI. This section should be expanded significantly, to include:

a. a clear description of the previous GEF investments in FEI and its relation with SEFA. It was our understanding that the first SEFA tranche was for utility scale renewable projects, not energy access.

b. a clear description of the results to date from the previous two GEF investments in FEI.

GEF SEC OK with updated information, thank you

c. clear report on progress of SEFA, comparison of investment strategies, and documentation of executing partner performance.
GEF SEC OK with updated information, thank you
d. clear delineation between types of renewable energy investments under first SEFA tranche and the proposed project.
See additional comments below
e. The very short description of FEI OGEF investment is not sufficient. How much GEF funding was committed to OGEF? What are the results? How many systems? As noted in footnote 8 of the proposal, the conflict of interest potential is a problem and options to deal with the risk to receive funding from the GEF twice, including potentially ringfencing GEF resources from OGEF, should be presented.
See additional comments below
f. a clear disaggregation of claimed co-financing and CCM benefits--anything already created to the prior GEF investment would have to be excluded.
This was not answered. See additional comments below.
g. Please clarify the overlap/distinctions between the FEI program, the CRF, and the SEFA/CRP program. They all seem to be delivering similar financial services. How will overlapping services be coordinated?
See additional comments below.

Additional comments10/05/2020
1- Please add indicative pipeline as proposed in a.
2- Since SEFA funds may be disbursed as early as possible to attend the urgent need for financing, please elaborate the mechanism that would separate potential write offs of a portfolio of projects financed by SEFA only and portfolio of projects financed by GEF/SEFA. In that respect, please provide the proportionality mechanism that will be used in the SEFA/GEF co-financing and confirm that in the proposed proportionality we will always keep pari passu status with SEFA and other Partner Funds.
3- On previous GEF investments, Please create a chart showing the relationship of all GEF NGI investments including AREF, SEFA, etc. and the new proposal.
4- Please exclude any possibility of GEF co-financing through CRP of any GEF previously financed initiatives through AFDB to avoid double dipping (including but not limited to OGEF).Please confirm these will be excluded.
As an example, if we invested GEF funds through both OGEF and GEF-CRP in the same underlying transaction we will have to discount the emission reductions estimates at PIF level, as to avoid doublecounting.
Excluding co-financing from previously funded GEF finitiatves would be another limitation similar to cookstoves, which would be excluded from GEF-CRP financing.

Agency Response

AfDB (28 September 2020)

Metrics to assess distress of potential borrowers

The proposal is supporting companies that are encountering issues due to the pandemic. As such companies that demonstrate the following are eligible for the CRP:

- Evidence of 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.

The PIF includes a high-level list of eligibility criteria, additional criteria will be further discussed during negotiations and be applicable to all partners without exception.

a. Energy access companies, led by solar home systems companies, are scaling rapidly across the continent. These 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 R&D, 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. Typical hard currency rates in the industry are between 6 and 15% depending on the company, use of funds, markets, etc. Local currency rates can be as high as 30%. Debt similarly can range into the 8-figure range.

To provide an indication of capital raising for market leaders: Zola Electric (formerly Off Grid Electric) has raised over $250 million; M-Kopa Solar nearly $200 million; D.Light over $200 million; Lumos over $108 million; Greenlight Planet over $100 million.
b. The company names and details are subject to confidentiality agreements between the Bank and the funds. We can send the indicative pipeline without the company names.

As mentioned above, The Partner Funds will assess the justification for emergency funding. The requested documentation for the companies will include:

- Financial accounts, prior and post the pandemic
- 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 the COVID-19 has affected their performance
c. Considering the macro-economic conditions as a result of the pandemic, access to finance for the off-grid sector is becoming even more limited than before. The survey and other studies confirm this trend in Africa.

e. The urgency of the operation is clear, hence the need for streamlined and efficient institutional processing. AfDB has committed to fast-tracking the CRP. As such, SEFA funding will be approved in Q4 2020 and start flowing to the first batch of transactions (Q1-Q4 2021). With a GEF CEO Endorsement expected in Q2 2021 and availability of GEF funds by Q3/Q4 2021, these will likely be deployed for the second batch of transactions with either existing partners and/or new Partners that may on-boarded in 2021.

While industry surveys indicated an urgent need for the first 3-6 months of covid onset, these were estimates likely built on pessimistic assumptions provided by the worst affected companies. We anticipate that many are laying off workers, cutting operational costs, slowing business expansion plans, and raising “bridge financing”– i.e. through shareholder loans, crowdfunding, personal loans, or potentially using equity to service debt. Many companies struggled for years to achieve a level of operation and scale and have some built-in resilience
A market sounding exercise conducted by the Bank whereby energy access debt funds were consulted, confirmed the increased risks of the energy 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 have increase by 1-4% as a result of: increased Credit Risk (uncertainty around supply chain, customer demand uncertainty and repayments, operational and financial challenges) and increased Financial Market Risk (increase of local interest rates , tightening/paralysis of local lending markets as banks and asset managers look to protect assets and focus on de-risking portfolios, and devaluation of local currency reducing companies ability to service hard currency investor payments, make stock and other service purchases).

Last but not least, the primary objective of CRP is that of supporting “recovery” efforts of the viable businesses and make them more resilient to future shocks. Covid impact will last for years, not months, hence why the facility is planned for a deployment period of up to 2 years. This should allow ample time to finance ca 45 companies and strengthen the industry as a whole.

Previous GEF investments in energy access through AfDB

a. The GEF investment in FEI OGEF has no relation to SEFA. The USD 8.5 million from the GEF funded program “AfDB Public-Private Partnership Platform” was invested as equity on concessional terms to FEI OGEF alongside the African Development Bank and other climate finance investors (SEFA not being one of them, SEFA only supported the fund development phase with grant capital). GEF was structured in a way to maximize the financial additionality by: (i) capitalizing the “risk capital” tranche with a view to attracting more commercially-oriented investors into the senior debt tranches, seeking impact but with a low risk appetite; (ii) lower the overall cost of capital of the Fund and allow the provision of competitive, market-oriented debt instruments to EA companies, in particular in local currency.

b. 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 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 in high quality and credible energy access companies: an SHS company (USD 8m); a solar irrigation company (USD 2.25m), and; an SHS company (USD 10m).These debt investments are estimated to leverage USD 61m of co-finance, provide 280,000 beneficiaries with approximately 60,000 energy access systems, and create 2,000 jobsOver its 10-year life, OGEF is expected to enable deployment of 4.5 million solar systems and provide modern energy access to ca 20 million Africans.

The FEI On-Grid facility is similarly a pioneering debt facility for small-scale distributed renewable energy projects in Africa. FEI On-Grid has achieved a 1st close with $180 million with contributions from AfDB; Norfund; European Union; the Clean Technology Fund, KfW and OeEB. USD 10 million from the Global Environment Facility (GEF) for a Project Preparation Facility to support late-stage feasibility and transaction advisory activities prior to fund investments has also been mobilized. The PPF legal documents are being executed and a first disbursement is expected in coming weeks, to finance first projects before end of 2020. FEI is currently in the process of fundraising for a final close by Q1 2021.

c. Report attached

d. There is no delineation between SEFA and GEF investments. Apart from clean cooking projects, SEFA and GEF will invest in the same types of projects. As mentioned above, the difference is in the timing; SEFA funding will be deployed first. This will give us market insights and lessons learnt that could improve the way we deploy GEF and further SEFA funding.

e. The pari-passu arrangement aligns interests and should mitigate conflicts in structuring blended products.

For OGEF, we could reduce the GEF CRP contribution so that the aggregate of GEF equity and CRP loan does not exceed the 50% max exposure for each project.

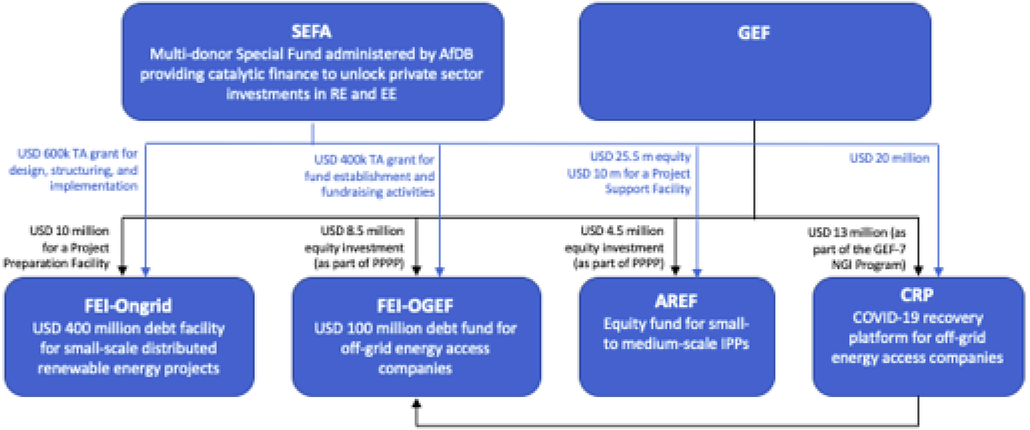
g. CRF NO OVERLAP: The CRF is a USD 10 billion initiative implemented Bank-wide. The majority of support is provided in the form of general budget support to regional member countries of the AfDB in support of heath care investments and social safety nets. As such, there is no overlapping services nor need for coordination.

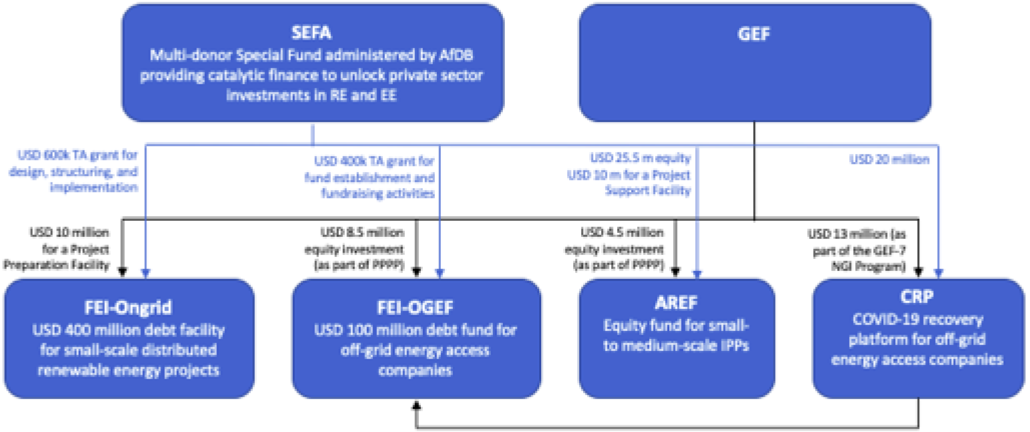
FEI PARTIAL OVERLAP: FEI is a commercial debt investment facility delivered through two independent windows/funds (on-grid and off-grid) each providing loans (mostly senior and secured) as well as provide TA to investees. Both funds are managed by the same Fund Manager, Lions Head Global Partners Asset Management.

The FEI Off-Grid (aka. FEI OGEF) is the partner fund of the CRP as the more closely aligned with the CRP objectives (i.e. core focus on solar home systems and micro-grids). FEI OGEF lends at commercial rates only per its policies agreed with investor base. Due to the pandemic, the risk adjusted pricing of these loans is likely to increase. CRP shall allow for FEI to lend at more affordable terms to end borrowers.

Additional Answer 15/10/2020

See chart below confirming the funding relationships between GEF, SEFA and the different programs.





3. Does the proposed alternative scenario describe the expected outcomes and components of the project/program?

Secretariat Comment at PIF/Work Program Inclusion

Agency Response

4. Is the project/program aligned with focal area and/or Impact Program strategies?

Secretariat Comment at PIF/Work Program Inclusion

Agency Response

5. Is the incremental / additional cost reasoning properly described as per the Guidelines provided in GEF/C.31/12?

Secretariat Comment at PIF/Work Program Inclusion

Agency Response

6. Are the project's/program's indicative targeted contributions to global environmental benefits (measured through core indicators) reasonable and achievable? Or for adaptation benefits?

Secretariat Comment at PIF/Work Program Inclusion

Agency Response

7. Is there potential for innovation, sustainability and scaling up in this project?

Secretariat Comment at PIF/Work Program Inclusion

Agency Response

Project/Program Map and Coordinates

Is there a preliminary geo-reference to the project's/program's intended location?

Secretariat Comment at PIF/Work Program Inclusion

Agency Response

Stakeholders

Does the PIF/PFD include indicative information on Stakeholders engagement to date? If not, is the justification provided appropriate? Does the PIF/PFD include information about the proposed means of future engagement?

Secretariat Comment at PIF/Work Program Inclusion

Additional comments as of 10/05/2020

On indigenous populations, since it seems that a large number of the 2.5 million could be indigenous, could you please explain how that consultation would work?

Agency Response

Additional Answer 15/10/2020

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.

Gender Equality and Women's Empowerment

Is the articulation of gender context and indicative information on the importance and need to promote gender equality and the empowerment of women, adequate?

Secretariat Comment at PIF/Work Program Inclusion

New comments as of 10/05/2020:

The number of direct beneficiaries disaggregated by gender in table F does not match the paragraph on Gender where it states that 5400 will have jobs but does not make an effort in quantifying the beneficiaries of the access to energy. Explain how the 2.5 million will be disaggregated by gender and make an estimate of # women benefiting of all the qualities you describe in wording in that paragraph.

Please also make consistent with Table F: taxonomy (section on Gender).

Agency Response

Additional Answer 15/10/2020

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.

Private Sector Engagement

Is the case made for private sector engagement consistent with the proposed approach?

Secretariat Comment at PIF/Work Program Inclusion

Agency Response

Risks to Achieving Project Objectives

Does the project/program consider potential major risks, including the consequences of climate change, that might prevent the project objectives from being achieved or may be resulting from project/program implementation, and propose measures that address these risks to be further developed during the project design?

Secretariat Comment at PIF/Work Program Inclusion

Additional comments as of 10/05/2020

1. On the Risks section of the Document:

(I) Reduced revenues and deterioration of portfolios: concessional finance and liquidity made available by CRP can up to a point improve the situation. Again, the expertise with distress debt seems to be more and more important.

(II) Moral Hazard: risk that the Partner Funds will not apply similar rigorous credit procedure[ ]. As the project reads now-the CRP could be co-financing FEI on grid and OGEF that Lions Head Global Partners is managing. If this same manager is selected as manager of the CRP. Chances of moral hazard are high. Same applies to other funds that may be working in other facilities.

(III) The Market Distortion: the description is confusing: on the one hand is the market distortion and other hand the low quality of the portfolio. These should be treated separately.

(IV) Double-dipping: is a twofold concept: (i) between GEF and OGEF/other funds and (ii) between borrowers of CRP. The former is a concern to GEF and needs to be addressed. For the latter we suggest this is part of the eligibility criteria of the underlying projects as well as a provision in the Agreement between Partner funds and the AfDB.

(V) Slow Deployment: the document mentions that all disbursement would need to be done quickly" and if not, uncommitted capital will be reassigned to a higher performing fund". Please elaborate on that,we do not quite understand what " performing fund" means.

(VI) Conflict of interest: using the CRP funding to repay other loans to the CRP Partner funds. That paragraph needs more elaboration: perhaps mentioning that only x% of the CRP would go to existing borrowers and others to new projects? Do you believe the pari passu is enough to avoid it?

(VII) The climate change risk section is insufficient. Please see https://www.thegef.org/events/gef-and-world-bank-training-climate-risk-screening-climate-change-knowledge-portal

We need the sensitivity to climate change, and its impacts to be assessed ahead of Council review.

Agency Response

Additional Answer 15/10/2020

(i) Kindly see answer to question 46

(ii) OGEF will be excluded from GEF funding. For the avoidance of doubt, FEI On-Grid is not within the scope of CRP and is not being considered for CRP financing.

(iii) Update wording. Due to the use of concessional finance, there is a risk of availing highly subsidized capital which could lead to adverse effects of high-risk transactions reducing quality of portfolios.

(iv) I) OGEF is excluded from GEF funding. Ii) Underlying borrowers cannot receive CRP funding twice. This will be part of and included in the Agreement between the Bank and Funds.

(v) 'Performing' in this paragraph refers to funds successful implementation of CRP and the deployment of funds within the expected and agreed upon timeline. In case a fund is 'not performing', meaning not deploying the CRP funds, CRP may consider reassigning the CRP funds to another Partner Fund that can deploy the funding. Wording in the PIF will be changed to clarify this.

(vi) We believe that the pari passu requirement is enough to avoid this unintended and undesirable consequence and is indeed a key reason for including this risk sharing requirement in the design of the CRP.

(vii) Thank you for the comment. 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 preliminarily 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 220,000 new energy access connections will be deployed, totalling 12 MW of additional solar capacity to be installed which are projected to be located neither in flood nor cyclone prone zones.

Additional information will be collected at CEO Endorsement stage with regards to climate risks which could impact the project, including adaptation measures as relevant.

Coordination

Is the institutional arrangement for project/program coordination including management, monitoring and evaluation outlined? Is there a description of possible coordination with relevant GEF-financed projects/programs and other bilateral/multilateral initiatives in the project/program area?

Secretariat Comment at PIF/Work Program Inclusion

Agency Response

Consistency with National Priorities

Has the project/program cited alignment with any of the recipient country's national strategies and plans or reports and assessments under relevant conventions?

Secretariat Comment at PIF/Work Program Inclusion

Agency Response

Knowledge Management

Is the proposed "knowledge management (KM) approach" in line with GEF requirements to foster learning and sharing from relevant projects/programs, initiatives and evaluations; and contribute to the project's/program's overall impact and sustainability?

Secretariat Comment at PIF/Work Program Inclusion

Agency Response

Environmental and Social Safeguard (ESS)

Are environmental and social risks, impacts and management measures adequately documented at this stage and consistent with requirements set out in SD/PL/03?

Secretariat Comment at PIF/Work Program Inclusion

Agency Response

Part III – Country Endorsements

Has the project/program been endorsed by the country's GEF Operational Focal Point and has the name and position been checked against the GEF data base?

Secretariat Comment at PIF/Work Program Inclusion

Agency Response

Termsheet, reflow table and agency capacity in NGI Projects

Does the project provide sufficient detail in Annex A (indicative termsheet) to take a decision on the following selection criteria: co-financing ratios, financial terms and conditions, and financial additionality? If not, please provide comments. Does the project provide a detailed reflow table in Annex B to assess the project capacity of generating reflows? If not, please provide comments. After reading the questionnaire in Annex C, is the Partner Agency eligible to administer concessional finance? If not, please provide comments.

Secretariat Comment at PIF/Work Program Inclusion

Additionality: The additionality of the GEF tranche in this project needs to be better explained and justified.

a. The baseline situation as presented in the PIF is that the project is going ahead even without the GEF financing, although smaller in size. How is the GEF additionality to be intended in this context? Minimum/critical mass of funding required to operationalize the CRP? Or?

GEF SEC OK with additional information provided.

b. The successful fund-raising and partner solicitation (as noted on page 9) by AfDB for its initiatives calls into question whether GEF funding would be catalytic. If the platforms are already established and the funds are raised, would the need for GEF funding still be justified?

GEF SEC OK with additional information provided.

c. Given the length of time usually taken to develop GEF projects, please clarify if the CRP partners will have already launched most major investments before the GEF funding is available.
See additional comments below

Financial Structure
The Partner Funds will enter into "Agency Agreements" with AfDB. Please confirm that the counterparty of these Agreement is the AfDB since there is no co-financing from your institution.
b. Although the AfDB does not provide funding, Partner Funds would be required to follow all Bank Policies namely on AML, CFT and other relevant policies. Please describe the policies are part of the Agency Agreements and what provisions are included in these legal arrangements in case of non-compliance? Remedies/ Acceleration of debt/ Other?
c. Since the Partner Fund is so central to the success of the investments, please elaborate on the selection criteria for fund managers, that have been screened and selected following call for proposals from the AfDB. What are the criteria that the AfDB will screen to accept additional Partner Funds to the platform?
d. Disbursements to partner funds are based on indicative TS/investment plan; shouldn't all disbursement also be contingent to compliance with AfDB policies? Could we have disbursements in tranches/milestones?
e. Partner agencies will be responsible for all activities from credit analysis, to loan disbursement, portfolio management including delinquency management and default. How would the AfDB monitor good business practice throughout the life of the loans? Are there any supervision functions from AfDB?
f. In case of delinquency and default, would there be cross-default to all investments held by the same Partner Fund? Please explain financial covenants and events of default that will apply to loans. Would those be the agencies' or the AfDBs?
g. All terms and conditions of the loan are pari passu and pro-rata with other providers. The GEF suggested in preliminary conversations to offer subordination or even lenghthening the maturity of the loans to attract additional financing, could you please explain why the proposal does not include that suggestion?
h. The project is confusing when it states that GEF funding will be pari passu with partner funds, and later that GEF offers a concessional loan with 0% interest. Please clarify and provide a waterfall of payments (for example what would happen in case of default of a loan on the GEF investment. How will losses be shared among the investment partners?)
i. What are the expected terms offered by the CRP partners, and what would they be without the GEF funding. In other words, discuss the affordability gap for energy access providers and how the GEF funding would close that gap.
j. The successful fund-raising and partner solicitation by AfDB for its initiatives calls into question on the need for GEF funding: since the terms and conditions of GEF financing are the same as the other financiers.

Additional comments as of 10/05/2020

- Since SEFA funds may be disbursed as early as possible to attend the urgent need for financing, please elaborate the mechanism that would separate potential write offs of a portfolio of projects financed by SEFA only and portfolio of projects financed by GEF/SEFA. In that respect, please provide the proportionality mechanism that will be used in the SEFA/GEF co-financing and confirm that in the proposed proportionality we will always keep pari passu status with SEFA and other Partner Funds.

- If the CRP was to offer additional financial products (not only senior debt but more subordinated structures) please confirm the proportionality mechanism that will be used in the SEFA/GEF co-financing. How the selection of partner funds would be affected by this new type of products?

-GEF’s funds will “mobilize” AfDB is not correct: AfDB’s program is already there and will disburse anyway. The only way that argument works is if AfDB doubles down on the size of its own commitment. What is probably being mobilized is the funding by the Partners, ie Sunfunder, ResponsAbility, et al. Please correct throughout the document

- Please provide relevant track record and team members (bios) of the Partner Funds.

- Since the principal is what is pari-passu and not interest payment; please make that clarification throughout the document (only once it is mentioned that is pari passu for principal only).

- The Reflow table mentions that” bullet repayment allowing for flexible repayment schedules and recycling the funds during project period. How would you ensure GEF financed projects would all mature on year 6?

- Longer tenor can be a GEF instrument benefit, perhaps it could be longer than 6 years and/or an incentive for early repayment?
-On the question of Banks' procedure for converting concessional loan to grant: please add a brief reference/description in the termsheet.

- Since the principal is what is pari-passu and not interest payment; please make that clarification throughout the document (only once it is mentioned that is pari passu for principal only).

- The Reflow table mentions that” bullet repayment allowing for flexible repayment schedules and recycling the funds during project period. How would you ensure GEF financed projects would all mature on year 6?

- In the termsheet: Eligible End borrowers: please exclude clean cooking solutions as these are not part of the strategic directions of the GEF.

2. - Partner Funds eligibility Criteria page 14: could you please define what you mean by commercially viable operations? Perhaps include some financial ratios that indicate the financial viability. We would welcome a timeframe: ie the Fund has solid financial track record for at least [3-5] years prior to their selection

3. - Since the credit analysis and portfolio management is so crucial to this proposal, we would like to understand if there will homogenised rules for underlying financed projects on (i) definition of delinquencies (for interest and principal_; (ii) default -ie how many days will a delinquency be considered a default; (iii) how does the AfDB evaluate that the Partner Funds have done all under their control to recover the loans. In these definitions when would the project be put under watch list?

4. - Does a write off happen as soon as there is 1 single missed reimbursement (here please clarify if of principal or interest)?

5. - Would the CRP still disburse to a fund that is experiencing high volumes of defaults or at least before the Special Operations Unit determines what each situation entails. I am referring here to the revolving aspect of GEF funds and partner funds as described in page 18. Please explain how that would work; would these cases be part of the Agreement between AFDB and Partner Funds?

6. - Please include wording on separation of funds (as opposed to commingling) at platform level: ie the default of a project by a given partner fund can not and must not be repaid by another partner fund.

7. - Some of the projects that will be invested in could result on over-indebtedness of the borrower. Is there any consideration on how to avoid that?

8. - Also, we see as different types of underlying projects: distress/emergency cases, longer term restructuring and new projects. These require different types of expertise from Partner Funds: do all PF have this knowledge?

Agency Response

AfDB (28 September 2020)

a. & b. CRP is a platform concept anchored by USD 20m from SEFA to mobilize an immediate envelope of USD 30 m from Partner Funds. This is only fraction of the estimated relief and recovery funding gap in excess of USD 200 m. Sustaining growth in an emerging yet fragile EA sector, and maintaining progress towards the achievement of SDG 7, will require vast amounts of soft capital that only a few global institutions can provide. GEF’s additionality is therefore based on a case of financial additionality, by (i) addressing a critical gap in recovery/relief finance with a sizeable contribution; (ii) providing risk-tolerant capital on flexible/concessional terms, which can be very catalytic.
c. See answer to questions 6 and 7.

The initial deployments of CRP capital (i.e. CRP without GEF funding) only reach a fraction of the market need. GEF's capital will be additional and catalytic in ensuring countries and companies of the energy access market are supported, across the full range of business models. GEF funds will be deployed to new businesses that have not received any CRP support.

d. Disbursements are in tranches based on indicative investment plans. Follow-up disbursements only occur after at least 50% of previous disbursements have been committed, and contingent to compliance with AfDB policies.

e. All investments will be monitored for compliance by the Bank through (i) work plan submissions with pipeline information; (ii) investment notification forms with information on underlying borrowers and transaction terms, including a justification for the blending approach utilized; (iii) quarterly progress reports at fund level, submitted to all Partner Fund investors (iv) semi-annual CRP-specific 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 audit reports carried out by external auditors on the facility account; (vii) annual supervision missions, with support from local offices and debt portfolio team; (viii) tranched disbursement contingent on satisfactory deployment of previous tranches. Last but not least, a regular interaction by the Bank CRP team with Partners.

Investment decisions will be aligned to criteria agreed and documented in Agreements with each Partner.

f. CRP is exposed to the credit risk of CRP funding on-lent to end-borrowers. As such, Partner Funds are not liable for the Bank's portion in the underlying transactions. There won't be a cross-default to all investments in the case of a transaction default. The rationale behind this arrangement is that the facility finances a risky portfolio resulting from the pandemic.

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. Partner Funds have established policies and processes on workout and collection of repayments that will apply for CRP funding as well. As CRP funds will rank on par with Partner Funds, in the event of default, Partners and CRP will share losses pari-passu and proportionally to their respective capital contributions, incentivizing Partners to apply best efforts to recover unpaid amounts.

Additional Answer 15/10/2020

1.

· Indeed, the correct statement is that SEFA+GEF will mobilize commercial capital. The baseline scenario includes CRP with USD 20m concessional funding from SEFA and USD 30m commercial capital from Partner Funds. GEF's concessional capital will expand CRP and therefore bring the relief and recovery funding closer to a level that is currently required. The USD 13 million concessional funding from the GEF will leverage USD 27 million commercial capital from Partner Funds and therefore substantially increase the impact of the CRP. GEF's incremental contribution would yield development outcomes above and beyond the baseline scenario, as is described in the PIF.

· Repayment schedules will be tailored to the needs of underlying borrowers, with a maximum amortization period of 4 years. In case funds are deployed with shorter tenor and funds are recycled, the amortization period will never exceed the remaining lifetime of the CRP. GEF financed projects can be assured of maturity as the repayment period of the funds deployed under CRP will be clearly stipulated in Funding Agreements. As the Partners are experienced fund managers, we are confident in their ability to originate and structure transactions within the required time frames.

· The majority of loans offered by Partner Funds include repayment periods of up to 5 years. The 4-year repayment period of CRP aligns therefore with the Funds investment strategies and avoids having concessional capital in the market for too long and when no longer required (i.e. post pandemic). Our view is that this tenor enables sufficient flexibility to the fund managers to structure recovery and relief transactions that allows for enhanced cash management at recipient companies, while precluding/minimizing risks for 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. 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 par with Partner Funds, in the event of default, Partners and CRP will share losses pari-passu and proportionally to their respective capital contributions, incentivizing Partners to apply best efforts to recover unpaid amounts.

· Market distortion is also reduced by working through multiple partners. This ensures the following: (i) a level playing field and no single player in a dominant position given ability to lend below market terms; (ii) some competitive tension and the incentives to optimize deal structures, despite having access to concessional capital; (iii) one-year investment period, restricting capital availability to the pandemic timeframe.

· Clean cooking solutions are included under CRP, however, clean cooking solutions will not be eligible for GEF funding. GEF funding will be limited to decentralized renewable energy transactions including SHS, GMG and C&I (small decentralized, off-grid, renewable energy systems and appliances for productive use). This will be done by applying eligibility criteria specific for GEF co-financing.

2. Eligibility criteria will be negotiated and agreed upon with Partner Funds and be part of the Agreement between the Bank and the Funds.

· 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.

· With regard to viability of operations, criteria 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 had positive cash flow or projected to reaching this stage within a defined period following investment by CRP.

If despite all efforts by the Fund and the Bank to recover the loans and amounts due have failed, 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

3. Applicable Bank policies and procedures apply to all Partners and underlying transactions. Rules will be standardized where possible and apply to the different Partner Funds and underlying investments, confirmed in the Agreement between the Bank and the Partner Funds.

·   For the Bank, a loan is non-performing when payments of interest and/or principal are past due by 90 days.

·   A loan (wholly or part thereof) can be written off when all efforts by the Fund and the Bank to recover the loans and amounts due have failed or the Bank establishes the underlying borrower’s insolvency or inability to repay. The Bank’s write off procedures need to be followed for any loan to be written off.

· The ability of Fund Managers to recover loans and as well as established workout procedures and policies, are part of the due diligence process. Funds are required to report semi-annually on portfolio, repayment of funds, and in case of non-performing loans: workout procedures applied and status thereof.

· AfDB's Loan Accounting team automatically notifies the SEFA Technical Unit (TU) of a missed repayment, per the terms of the agreement with the client. (confirm when a transaction or project is on the watchlist)

4. Not really, a late payment may not translate into default and write-off, the loan would be restructured or rescheduled before any more drastic action. Security package can also be activated to recover loan losses.
Partner Funds can structure the repayments of loans on bullet or amortizing, repayment schedules can be flexible and will be tailored to the needs of the underlying borrowers. Repayments from the Partners to the Bank will follow an agreed schedule based on repayments of the underlying loans or the lapse of the 6 year term as part of agreement. If ultimately the funds are not able to recover fully/partly the losses, the funds have to notify Bank so a write off procedure can be initiated. See answer to question 38 on the write off process.

5. There will not likely be enough "lead time" to assess performance before all CRP funds are deployed. However, the Partner Funds are selected based on strong track records and experience in the market, they reputable energy access funds backed by seasoned investors (mostly DFIs) and have skin in the game in underlying transactions, encouraging CRP funds to be deployed following sound investment principles.

The Bank will closely monitor performance of the investments and portfolio through i) tranched disbursements of CRP funds to Partners based on a 6 month investment plans, ii) investment notification forms with details of and justification for the underlying transaction; and iii) funds are required to provide bi-annual reports on the CRP portfolio; (iv) sharing of quarterly fund reports; (v) supervision missions, at least once a year; (vi) annual external audits The Agreement between the Bank and Partner Fund will include clauses and repercussions on non-compliance and high volumes of default – to be advised upon by the external legal counsel.

6. The credit risk is determined on a deal-by-deal basis and is not pooled at platform level. Each financier will only take risk on its contribution to a given project. This means the GEF will only be exposed to those deals it actually participates and any losses shall not exceed its ticket/contribution.

More generally note the following:
· The credit risk of CRP funding provided to end-borrowers is carried by the CRP financiers (SEFA and GEF). The risk on non-CRF portion is on the Partners.

- In the event of default of an underlying transaction, only the parties involved in the transactions (the Partner Fund and 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.

- As SEFA and GEF funds are not invested in the same underlying transactions, the GEF is only carrying the risk of default and losses up to its own portion of the loan in the underlying transaction.

- The above will be operationalized in the MRV requirements to be outlined during contracting.

7. Eligibility criteria will include viability of the business including its ability to service debt. This may be reflected in

- Projected growth to increase overall revenues.

- Unit economics: positive unit economics or visibility on reaching positive unit economics within a certain period of time

- Cash flow: company had positive cash flow or projected to reaching this stage within a defined period following investment by CRP.

In addition, the funds each 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.

8. 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 expertise in lending in the energy access sector and market knowledge, we believe the experienced Partner Funds are well placed to structure relief facilities for energy access companies. The Principals of the partners funds have, beyond their work in energy access, additional investment and finance experience from a range of relevant sectors (i.e. MFIs in emerging markets, health sector lending in emerging markets). They are among the most qualified investment managers in the landscape.

GEFSEC DECISION

RECOMMENDATION

Is the PIF/PFD recommended for technical clearance? Is the PPG (if requested) being recommended for clearance?

Secretariat Comment at PIF/Work Program Inclusion

ADDITIONAL COMMENTS

Additional recommendations to be considered by Agency at the time of CEO endorsement/approval.

Secretariat Comment at PIF/Work Program Inclusion

Review Dates

	PIF Review	Agency Response
First Review	9/14/2020	9/28/2020
Additional Review (as necessary)	10/5/2020	10/15/2020
Additional Review (as necessary)		
Additional Review (as necessary)		
Additional Review (as necessary)		

PIF Recommendation to CEO

Brief reasoning for recommendations to CEO for PIF Approval