



SUSTAINABLE  
ENERGY FOR ALL

ENERGY ACCESS  
PRACTITIONER NETWORK

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## Energy Access Practitioner Network – ElectriFI call summary

*The European Commission has recently announced the launch of a new **Electrification Financing Initiative (ElectriFI)**. With initial funding of €75 million, ElectriFI aims to accelerate access to energy in rural areas of developing countries by providing financial tools, predominantly convertible grants, to help de-risk investments and boost private sector engagement in energy access.*

*During this special call held with Energy Access Practitioner Network members, **Dr. Roberto Ridolfi, Director for Sustainable Growth and Development in the Directorate-General "Development and Cooperation - EuropeAid" of the European Commission** introduced the new fund and answered questions about how the initiative is currently being structured. These notes represent a summary of comments and questions about the initiative, to serve as further input into the development process of the initiative.*

### Introduction to ElectriFI, Dr. Roberto Ridolfi

- The working document outlining the likely structure of the initiative was initially presented at a workshop in Brussels in September 2014. It was circulated to the Practitioner Network membership prior to this call, is still being edited, and remains open to comments.
- Dr. Ridolfi commented that the nearly 2,000 members of the Energy Access Practitioner Network are a valuable asset for ElectriFI's goals, as access to energy will be delivered by the work of many different players, and not by a small number of large projects. While there is always a need for large infrastructural projects, ElectriFI recognizes that it would take a long time for such projects to reach the world's poorest.
- A number of players in the industry, as well as pertinent banks, such as the European development finance institutions, are pushing for financing the private sector for medium-sized transactions, considered to be from \$500,000 - \$20 million. Above this range, traditional banks provide financing more easily, and below this range, the Bottom of the Pyramid benefits more from action from NGOs.
- ElectriFI is trying to overcome problems that have been encountered in the past in the rural electrification sector, namely that calls for proposals had very high grant content (up to 80-85%) which led to a lack of financial sustainability in the projects, because eventually the projects lost the push for profit that is necessary for sustained efforts.

- The World Bank, the African Development Bank, and various large European banks have joined the initiative, and ElectriFI is hoping that more similar entities will also join moving forward.
- The European Union's strategy is the deployment of € 4 billion (approximately \$5 billion) appropriately in order to leverage about € 30 billion in the next few years. Dr. Ridolfi believes that a key missing element is the rural electrification component, hence the development of this initiative.
- Currently, the ElectriFI team are working to improve the working document, and will be sharing a revised version by early January. ElectriFI will be formally launched by the Sustainable Energy for All initiative mid-year.

### **Q&A and Comments**

- **Stewart Crane, Village Infrastructure (submitted electronically to the UNF team):** Under the ElectriFI initiative, can the 30% limit on the share of all funds for a project be increased to 35%? The reasoning behind this request being that if other investors do not want to invest a bigger share than ElectriFI in a project, one would need a minimum of four investors rather than three to obtain the funding needed. A lift to 35% would therefore be a helpful modification to get deals done significantly faster and possibly require less board seats.
  - **Dr. Ridolfi:** ElectriFI will cover 30-45% of the investment needed by a subordinated loan (which is no-guarantee, high-risk capital), so as to cover the requirements of senior investors and fill the investment gap.
- **Aaron Leopold, Practical Action:** Rural communities are in general not able to attract private companies. One of the listed requirements for funding is for reliable and experienced operators, while many if not most of the businesses in the rural electrification sector are fairly young, with many of them with small operations. As a requirement for ElectriFI, this could pose a significant barrier – please consider requiring that companies be advised by reliable and experienced operators instead.
  - **Dr. Ridolfi:** This is correct, and the reason why rural electrification is not advancing fast enough right now. ElectriFI aims to cover the risk associated with younger, less experienced operators to make them more attractive for the banks. Requirements for those operators are: 1. They are investing a small amount of their own money and 2. A bank that is willing to give a loan.
- **Aaron Leopold, Practical Action:** Having an anchor client would be ideal, but can also restrict funding only to locations that already have existing decent economic activity, which for the poorest of the poor is not often the case.
  - **Dr. Ridolfi:** An anchor client can also be a hospital that is running on diesel generators. The anchor client does not necessarily have to be an industrial entity, but can be a social installation. In the case of a hospital, the idea is that by replacing the diesel generator with a solar system, then not only would you serve the hospital but can also use the

electricity generated to serve the community around the hospital. Even if ElectriFI will start with anchor clients, it will by no means stop there – its coverage will have to be wide to make a difference. ElectriFI is seeking other foundations and financiers to help with that and join forces.

- **Morriset St. Preux, ITCS Technical Institute:** In order for this kind of initiative to take root and be sustainable, it needs to be connected to the educational system within a particular community setting. Unfortunately there is still some reluctance to establish a partnership with local technical schools in order to train local youths so that they can do the job in a few years.
  - **Dr. Ridolfi:** ElectriFI currently prioritizes vocational training through regional centers to focus on skills that are related to energy efficiency and renewables. One success case is in Cape Verde where the regional center for renewable energy (which is under the leadership of ECOWAS) delivers training targeting the skills needed by the investors in order to run installations. Independent from ElectriFI, there is work fostering such skill formation throughout all regional centers in Africa.
  
- **Tristan Kochoyan, Power: On:** There is indeed a lack of equity for rural electrification projects, and it is good that ElectriFI wants to foster the for-profit model to boost the impact of these projects. However, the target referred to in the ElectriFI initiative may be too high, and projects being considered may not be the right ones. Many funds are looking to fund scale-ups and struggling to find feasible projects to fund; on the other hand there are start-ups looking for a much smaller amount of money to fund their pilot projects. Such startups cannot get funding from banks, for the most part, and equity is scarce. To see more promising start-ups that will contribute to bringing electricity to those in most need, then the fund should target those projects.
  - **Dr. Ridolfi:** ElectriFI does not foresee all the project applications to be perfect – some will not be investment-ready in the eyes of traditional banks. For those that are not ready, ElectriFI would provide technical, financial and marketing assistance and any other resources needed to start up. The term “pilot project” is not accurate because what is key is the entrepreneur risking his/her own capital – it is the project of a person’s life, not a pilot. Ideally, the entrepreneur would put up 10-20% equity with a 40% senior loan and 40% from ElectriFI. Considering that ElectriFI might provide technical assistance followed by financing after the proposal is more mature, a significant pipeline of projects can stem from ElectriFI. Within the context of ElectriFI, an essential part of a successful business model is a strong partnership between NGOs, local authorities and private operators. ElectriFI is also looking at grouping projects – banks prefer such aggregated options in the same region as it significantly reduces transaction costs.
  
- **Michelle Klassen, Zero Base Energy:** Zero Base Energy manufactures goods in the U.S. that turn into products rather than projects – the business approach is to support local partners on the

ground and invest in their training and education. Zero Base Energy has been in talks with USAID and [Power Africa](#) – does ElectriFI have a vision for coordinating with USAID and Power Africa and how will that be leveraged going forward?

- **Dr. Ridolfi:** ElectriFI has been talking with USAID and Power Africa for 13 months and offered a collaborative partnership, as well as requesting them to join in policy declarations to modify relevant regulations in Africa. In Côte d'Ivoire for example, there is no law that legally allows one to produce or sell electricity, so there is no means for ElectriFI to make investments in rural areas if it is not legal.
- **Follow-up comments from Dr. Ridolfi:** The almost 2,000-strong membership of the Energy Access Practitioner Network will be vital for ElectriFI to gauge the sector's interest as well as determine what kind of role they can play in the fund, be it for technical assistance, as an investor, a partnership. It would also be beneficial to agglomerate private investors and foundations to generate a return – ElectriFI is open to asymmetric relationships in order to increase the capital available through this initiative.
  - **Richenda Van Leeuwen, UN Foundation:** We will continue to work with Dr. Ridolfi's office to provide our members' input and suggestions for contacts for ElectriFI. We also have a [member directory](#) that highlights all our current members. About 30% of our members are non-profits, and the majority of the rest represent some type of commercial enterprise, ranging from social enterprises to fully commercial companies and larger corporations. Most of our members have expressed an ongoing need for some type of commercial capital.
- **Ellen Morris, Embark Energy (submitted electronically to the UNF team):** The “floor” amount in terms of the size of support provided by ElectriFI to the company or project should be lowered, specifically to make it more accessible to national companies and national entrepreneurs who struggle more than those with international backing to access the capital needed.
  - **Dr. Ridolfi:** The initiative will be widely publicized by the 160 delegations, partner countries and various communication channels, which will help ElectriFI solicit local SMEs and ensure they have simple rules of engagement for young, local operators, which ElectriFI will be targeting specifically.
- **Richenda Van Leeuwen, UN Foundation:** So far the discussion has focused on projects, but when looking at the different levels of access within the [Sustainable Energy for All initiative's Global Tracking Framework](#), some of the levels are most appropriately delivered via an enterprise rather than a project. Some enterprises are looking for resources to fund projects, but many of them are looking for enterprise financing rather than project debt. Is ElectriFI going to provide working capital as subordinated debt to the enterprise itself, or only on a project basis?

- **Dr. Ridolfi:** ElectriFI is financing subordinated equity loans – there is no project if there is no company. However, the focus of ElectriFI is financing new electricity connections, so the link between projects and electricity access needs to be clear.
- **Femi Adeyamo, Arnergy:** Local banks in some parts of Africa have interest rates of approximately 27%, which makes it difficult to borrow money once factored into the overall costs of a company, especially in West African countries that have very low electrification rates. What is ElectriFI doing regarding this issue?
  - **Dr. Ridolfi:** This problem is exactly why ElectriFI is being established – to support potentially profitable ideas that are currently not bankable. ElectriFI hopes that by adding to the capital available, their funding will lower the threshold so that banks can be more comfortable investing in such companies due to the reduced risk.
- **Mark Kissel, US Department of State:** The Sustainable Energy for All initiative and Power Africa have a cooperation understanding. Within the US government, the Department of State is leading the contributions on SE4ALL, so they will continue to work with the EU in-country as well. Regarding financing, what the project and/or company implements in the field must be sustainable and profitable, and private sector must be involved to reach the goals of SE4ALL.

*Dr. Ridolfi and the ElectriFI team have graciously agreed to accept further comments and suggestions on the initiative. Those who were unable to participate in the call directly can e-mail Yasemin Erboy Ruff at [yErboy@unfoundation.org](mailto:yErboy@unfoundation.org) with their contributions. Please refer to the ElectriFI working document for further details, and send us any comments, questions, or suggestions you may have.*

*Additionally, please help us maintain up-to-date information on our members by visiting our [website](#) and making sure that the information we have on your organization is accurate. If you would like to request any changes to your profile in our [Member Directory](#), please e-mail Yasemin.*