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A new Debt Fund for small-scale renewable energy in Africa is launched: the Facility for Energy Inclusion

Abidjan, Côte d’Ivoire, 26 February 2020 – The Facility for Energy Inclusion (FEI) reached its first close on 3 December 2019. Nearly US\$ 160 million was committed from the African Development Bank, the European Commission, KfW, the Clean Technology Fund and Norfund, among other partners.

FEI is a financing platform spearheaded by the African Development Bank to catalyze financial support for innovative energy access solutions. The Facility will contribute to the electrification of Africa by focusing on small-scale renewable energy. It is designed to support small-scale Independent Power Producers (IPPs) delivering power to the grid, mini-grids and captive power projects. Priority will be given to projects in Sub-Saharan countries with lower electricity access rates.

The Facility provides various debt products including corporate and project loans, construction/bridge loans and mezzanine finance, in both hard and local currencies. Eligible investments are projects using renewable energy technology with capital expenditures of less than US\$ 30 million and a capacity below 25MW.

“After three years of hard work, we are pleased to see the second and larger piece of our energy access debt funding platform - FEI - up and running on the back of very significant commitments from our partners. We look forward to seeing FEI catalyze financing for new energy sector business models and accelerate our efforts to electrify Africa!”, says Wale Shonibare, Acting Vice-President of the Power, Energy, Climate & Green Growth Complex at the African Development Bank.

Initial pipeline projects have been identified in many Sub-Saharan countries, most of which have low energy access rates (i.e. Burundi, Cape Verde, Madagascar, Malawi and Mozambique).

The African Development Bank is the anchor sponsor of the Facility, with a financing contribution of \$90 million, including \$20 million from the Clean Technology Fund as implementing agency. The additional investors have committed to the following investments:

- The European Commission has committed EUR 25 million into the junior equity tranche. Supporting FEI is a concrete example of the EU effort to promote access to modern, reliable and sustainable energy in Africa and contribute towards the global efforts to achieve the SDG7. As reflected in the Africa-Europe Alliance launched by the European Commission in September 2018, the EU supports the involvement of the private sector in the sustainable energy sector Africa by de-risking and crowding-in private investments through catalytic capital contributions.
- On behalf of the German Federal Ministry of Economic Cooperation and Development KfW has committed EUR 25 million to the junior equity tranche of the FEI fund. “With our investment in

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this flagship fund KfW on behalf of the German Government emphasizes its commitment to work with other development finance institutions to improve access to clean energy in Africa. Our junior equity investment aims at mobilizing public equity and private debt investors to scale up the financial means available for innovative renewable energy projects like new mini-grids to electrify Africa” says Babette Stein von Kamienski, Head of Division Infrastructure, Southern Africa at KfW.

- Norfund has committed USD 23 million in FEI, of which USD 20 million as ordinary equity and USD 3 million as a junior equity tranche. *“Norfund is pleased to participate in this new facility which makes debt financing available to smaller scale renewable power projects in Africa. We anticipate that the facility will be successful in attracting private capital to this segment of the market”*, says Mark Davis, Executive Vice President Clean Energy, Norfund

FEI will also include a USD 10 million Project Preparation Facility (PPF) from the Global Environment Fund. This will provide reimbursable grants primarily for independent transaction advisory at the late stage of preparatory activities to facilitate financial close.

FEI is managed by LHGP Asset Management, part of Lion’s Head Group, a fund manager focused on bringing innovative financial solutions to emerging markets and selected through an international competitive process. *“The renewable energy market is experiencing a surge of entrepreneurialism and innovative business models. As Fund Manager, we are excited that the limited partners have given us a flexible mandate to provide tailored financing solutions to this exciting industry which has the potential to make green growth a reality in Africa. By focusing on smaller renewable energy producers, FEI will contribute to the electrification of Africa, in particular in more remote and traditionally neglected parts of the continent”*, says Clemens Calice, Co-CEO of LHGP Asset Management, the Fund Manager of FEI.

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