

## Electrification Financing Initiative

The Electrification Financing Initiative (ElectriFI) is an innovative enabling facility to unlock, accelerate and leverage private sector investment to increase or improve access to affordable, reliable, sustainable and modern energy in developing countries.

ElectriFI seeks to support electrification investments that will lead to new and improved connections, with a focus on addressing the needs of populations living principally in rural, underserved areas as well as areas affected by unreliable power supply. In addition, ElectriFI seeks to encourage the adoption of renewable energy, with a particular emphasis on decentralized energy solutions. ElectriFI can provide funding and support to developers/investors across a range of business models.

- ElectriFI funding is designed to provide **interim financing solutions** to help projects overcome obstacles or otherwise reach a sufficiently mature stage where the private sector can take over.
- ElectriFI will not compete with other funders but seeks to **collaborate with** and complement others.
- Funding must lead to **increased or improved end-user access** to affordable, reliable, sustainable, and modern energy.
- Funding will only be directed towards those projects capable of achieving **financial viability**.
- Applicants must have the necessary **skills and capacity** to deliver the results outlined in their respective project proposals while meeting commitments with all key project stakeholders, including ElectriFI.

ElectriFI launched a first call for proposals in April of 2016 and a second call in February of 2017. A third call is expected towards the end of 2017.

## What makes ElectriFI different?

A major barrier to investments in access to energy in developing countries is the lack of access to seed, mid- and long-term capital. In immature market conditions this is aggravated by (1) the reluctance of commercial banks to provide suitable lending terms that respond to the needs of investors and (2) the existing capacity limitations in terms of structuring and bringing projects to financial close.

A support scheme that bridges the gaps in structuring and financing is therefore necessary to stimulate the private sector, mobilize financiers and have a catalytic impact on economic growth.

## Eligibility Criteria

- **Geographical Coverage** – The project host country must be included in a list of emerging markets, which can be found on [www.electrifi.eu](http://www.electrifi.eu), with a particular focus on countries in Sub-Saharan Africa.
- **Sector** – The ElectriFI mandate covers projects offering both on-grid and off-grid solutions. All renewable technologies (excluding first generation biofuels) are eligible. Combining renewable with conventional generation can be considered if indispensable for the stability of the energy produced.
- **Sustainability** – Funding will only be directed to those projects undertaken by entities deemed capable of attaining financial sustainability (i.e. ultimately able to generate sufficient revenues to support debt service and provide adequate returns to investors under reasonably adverse variations in underlying assumptions).

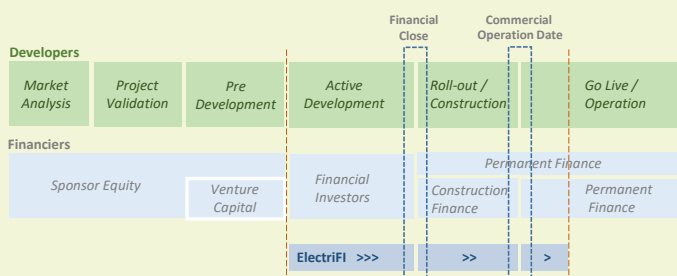


## Types of Projects Supported

ElectriFI can provide funding and support to developers/investors across a range of business models. This includes not only projects operating on the Independent Power Producer (IPP) model benefiting from contractually-based revenue streams, but also those businesses that are exposed to full market forces of supply and demand. Where innovative business models are proposed, **replicability** and **scalability** will be important considerations.

Project development usually follows a well-defined path beginning with market analysis and validation, and then moving into a pre-development stage during which sponsors may *inter alia* secure land, acquire resource data, complete a pre-feasibility study and environmental impact assessment, and reach a formal understanding with authorities. This generally marks the end of pre-development and the beginning of the “active development” stage of the project lifecycle.

As shown in the following diagram, for Round 1 ElectriFI only considered projects or businesses that had at least entered the **active development stage**.



## Funding

ElectriFI will support renewable energy investments, with a focus on rural electrification, with a total budget above EUR 0.5 million. At early project stages or during the pilot phase, the developer will be expected to provide part of the equity. The total amount contributed by ElectriFI will not exceed EUR 10 million per project.

ElectriFI will be able to provide financial support primarily through risk capital, either to corporate entities or alternatively to project special purpose vehicles.

ElectriFI will remain additional to other funders. Given the characteristics of the facility, it will be able to assume a significant level of risk, but will nevertheless seek **alignment with other investors** and expect a commensurate return.

In addition to providing flexible funding, the ElectriFI finance team will also be able to provide structuring advice to clients and/or provide funding for more specialised external advisory services. ElectriFI works closely with other programmes sponsored by the European Commission that have mandates to provide technical advisory support to renewable energy projects.

## Management

ElectriFI is a joint project between the European Commission (EC) and the European Development Finance Institutions (EDFIs). The amounts contributed by the EC and the American presidential initiative Power Africa to ElectriFI will be implemented by FMO ([www.fmo.nl](http://www.fmo.nl)) jointly with the EDFI Association of 15 European Development Banks ([www.edfi.eu](http://www.edfi.eu)), through the newly established EDFI Management Company in Brussels. ElectriFI initially has a timeframe of 10 years, which could be extended if additional funding is secured. The current ElectriFI envelope is over EUR 116 mln. For more information, please consult [www.electrifi.eu](http://www.electrifi.eu)

