



Green 4 Access First Loss Facility

A funding and risk sharing mechanism to accelerate off-grid solar financing in Sub Saharan Africa



A P4G funded start-up

Partners



Green 4 Access (G4A) Overview

Overview

In sub-Saharan Africa, only 40% of people have dependable energy access. The G4A partnership aims to increase widespread access to renewable, sustainable energy in the region by offering the risk mitigation provided by first loss cushions for lending to the off-grid sector. Greater energy access is crucial for dependable education, reliable hours for small business owners and customers, regular internet access and broad and sustained economic growth.

The Problem

Local lending for Energy in Sub Saharan Africa is not scaling up quickly enough due to the perception of significant credit risks (consumer credit, forex risks, wariness of business models/collateral values). This is particularly true for expansion of off grid finance outside of asset based lending for PAYG portfolios in East Africa. Increased application of First Loss Facilities could help mitigate these perceptions but to date only a limited amount of philanthropic and donor funds have been deployed in this way and these have been placed largely on an ad hoc basis. In order to better leverage concessional funding and “crowd in” other sources of capital to fund first loss instruments, there needs to be a common understanding among lenders and investors **about what risks first loss facilities should cover and is it possible to reach a level of pricing to allow the facilities to be more widely used and sustainable.**

G4A's Solution

The Green 4 Access First Loss Facility partnership will establish a common, blended finance platform for First Loss Facilities to support Energy Access lending. Through methodical, industry-wide data collection and analysis, the partnership will design and offer first loss products that help local and international lenders to perceive off grid lending as sufficiently de-risked, while also aiming to allow the fund's investors to achieve commensurate returns that make the products sustainable. To be initially capitalized at up to \$50 MM, G4A will seek to create a tiered fund structure in order to blend existing philanthropic and donor sources with capital from impact investors, DFIs and others.



1. Cash Deposit Facility for FIs

A Cash Deposit may be placed with a qualified lender to provide credit support in favor of the lender's origination of a portfolio of energy access loans. A maximum cover of portfolio loans will be established.

2. Mezzanine or Subordinated Debt for SOGDFs

G4A may provide quasi equity or junior debt to a qualified lender in tranches up to a to-be-determined percentage of a portfolio of energy access loans.

2. Mezzanine Debt for PAYG SPVs

G4A may provide quasi equity to an SPV formed by a PAYG provider to launch an asset based loan program for a large portfolio of solar home system receivables. G4A may provide an instrument providing 50% of the equity required by lenders to the SPV with the PAYG provider contributing the other 50%.

G4A intends to offer three first loss instruments to enhance the credit of portfolios of off grid loans which are originated by qualified lenders including Financial Institutions (FIs), Micro Finance Institutions (MFIs) and Specialized Off Grid Debt Funds (SOGDFs).



Each product may also be originated with an off-grid enterprise who will then “shop” for an accredited lender. As our facility matures, we will seek to enlarge its asset base to allow for First Loss guarantees on a levered basis, i.e. cashless.

Targeted Geography: Key countries of Sub Saharan Africa. Emphasis on underserved markets, with a handful of countries to be selected as main targets for start-up period

Targeted Sectors: All stand-alone solar sectors:

- Solar Home Systems – all tiers
- Mini-Grids
- Agricultural Productive Use
- Commercial & Industrial

G4A may also accommodate solar hybrid, small hydropower, biomass and perhaps clean cook stoves.

Targeted Customers:

- Financial Institutions (FIs)
- Micro Finance Institutions (MFIs)
- Specialized Off Grid Debt Funds (SOGDFs)
- Specialized Productive Use Debt Funds (PUDFs) that may emerge



Risks to Address with G4A's
Targeted Customer Base:

- Lack of understanding of off grid sector business models and risks
- Concern over the credit quality of end use customers
- Undercapitalization or over-leveraging of off grid enterprises
- Grid extension risks
- Agricultural sector/weather risks for rural populations
- Risk averse culture at African Financial Institutions
- High collateral requirements
- Foreign exchange risks
- Regulatory and Political risks
- Short loan tenors that don't match with project payback periods



The G4A Team will be determining the precise coverages for the facility's products during G4A's current development period.

Collaboration with Existing Guarantors



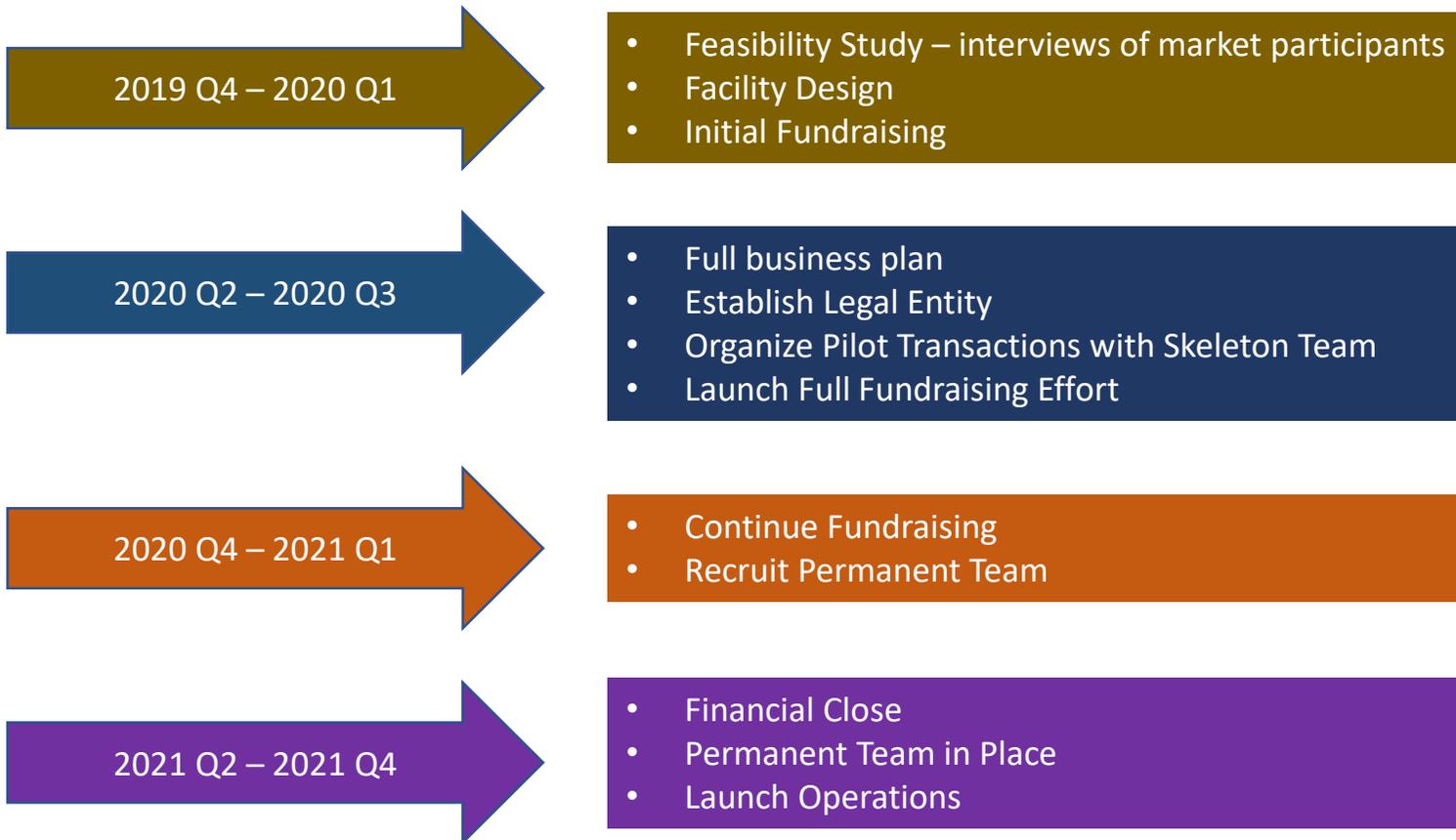
There are many guarantee products already existing on the market which provide a modicum of risk mitigation for lending to SME's in Africa and which may be deployed in off grid lending transactions. Some of these, such as Africa Guarantee Fund and Proparco even offer specific products to support "green lending". However, these guarantors typically provide credit enhancement products on a pari passu basis and shy away from the first loss cover the G4A team believes to be necessary to scale up energy access lending..

G4A will seek collaborations with these guarantors both systematically and on specific transactions



G4A Development Plan

G4A is a start-up venture which is in its development phase. We have obtained initial grant funding as a start-up project from Partnerships 4 Green Growth and the Global Goals” (“P4G”) to support our feasibility study and are seeking further funding to launch operations. We hope to be able to organize a few pilot transactions before end of 2020. We will be seeking full donor and investment commitments and be fully up and running during second half of 2021.



Sponsoring Partners



GreenMax Capital Advisors (“GreenMax”) is part of the GreenMax Capital Group, a group of international clean energy investment advisory and management consulting firms established in 1994. GreenMax supports project developers, investors, financial institutions, donors and governments in the analysis, preparation and implementation of a broad range of clean energy investments, policies and regulations. GreenMax has assisted many of the most recognized private investors to establish and execute their sustainable energy investment strategies, including market assessments, strategic planning and mergers/acquisitions. Our recent assignments include completing the market assessment for the Regional Electrification Program (ROGEP) being launched by the World Bank and ECREEE in 19 countries of West Africa. Much of the impetus for the G4A comes from intelligence gained through this work. GreenMax presently has operational offices throughout Africa: in Lagos, Kigali, Nairobi, and Lusaka.

GreenMax has also supported regional commercial lenders to develop and roll out new lending products targeting renewable energy and energy efficiency investments and has helped many development financial institutions (“DFIs”) plan and launch market-transforming sustainable energy finance initiatives. GreenMax’s DFI clients include the World Bank, IFC, IADB, EBRD, EIB, UNDP, USTDA, US OPIC, AfDB, USAID and the European Commission. During the 2000s GreenMax was at the forefront of developing risk mitigation mechanisms and loan programs which helped create a market for commercial lending for energy efficiency improvements to blockhouse housing cooperatives in Eastern Europe. GreenMax designed and launched loan guarantee programs for IFC and managed a First Loss Facility established with funding from the Dutch International Guarantees on Housing (DIGH) in Hungary and Romania.



Energy 4 Impact (“E4I”), previously known as GVEP International, evolved from a partnership between the World Bank, UNDP and other bi-lateral donors, and was launched at the World Summit for Sustainable Development in Johannesburg in 2002 to promote innovative approaches for increased Energy Access. To mark its 10th birthday, GVEP International rebranded as Energy 4 Impact, a new identity which more accurately reflects who we are and what our aims are for the next 10 years and beyond. Registered as a non-profit in the UK in 2007, E4I is now on its 13th year of operation.

Our key services include: (1) entrepreneurship and advisory services to off-grid businesses which includes micro-enterprise development, advisory services for SMEs and advisory services for project developers; (2) access to finance: matching energy entrepreneurs with financing which includes transaction advice and investor introduction, loss mitigation and grant support; and (3) working on innovation, research and energy competitions which includes incubating climate technology start-ups and experimenting with innovative financing and market approaches. Key themes of our work include innovation and commercial sustainability. The point of our work is to have an impact on quality of life, on economic opportunity, on the environment and on gender equity.

E4I comprises about 80 staff with offices in four countries in east and west Africa, plus a small head office in London. Over the last seven years, we have supported over 5,000 enterprises, and their growth has resulted in improved energy access for over 17 million people, and the creation of 10,000 jobs.

In Africa, GreenMax and E4I have been collaborating on several GreenMax client off grid enterprises which have qualified for assistance delivered by E4I through the Green Mini Grids Help Desk, which E4I manages for AfDB and SE4ALL.



G4A was selected as a 2019 Start-Up Partnership by the Partnership for Green Growth (P4G).

P4G is a new initiative, commenced in 2018, with the ambition of becoming the world's leading forum for developing concrete public-private partnerships at scale to deliver on the Sustainable Development Goals (SDGs) and the Paris Climate Agreement. With initial funding by the government of Denmark, P4G is a network of leaders from government, business and civil society working to accelerate green growth in many of the 150 developing countries across the world. They are working in partnership with leaders in 9 countries – Chile, Colombia, Denmark, Ethiopia, Kenya, Mexico, The Netherlands, South Korea and Vietnam – who see public-private partnerships as key to meeting their Sustainable Development Goals. P4G also benefits from the active support of partner organizations, including C40, IFC, Global Green Growth Institute, UN Global Compact, World Economic Forum and World Resources Institute, which also hosts P4G's Global Hub in Washington, DC.

P4G's focus is on five key SDG areas: Food and Agriculture, Water, Energy, Cities, Circular Economy

Most importantly, P4G serves as an innovation hub for partnerships, providing facilitation, funding and recognition to innovative start-up and scale-up projects and companies. Through these levels of support, it incubates and accelerates the best ideas for sustainable growth in developing nations.

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