3 MUST-HAVES FOR ENERGY PROJECTS TO ATTRACT INVESTMENT IN AFRICA

HOW TO GUARANTEE YOUR PROJECT SECURES BOTH FOREIGN AND DOMESTIC PRIVATE FINANCE EVEN IN TOUGH BUSINESS ENVIRONMENTS

PUTTRU

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STRATEGIC FINANCIAL PARTNERS

BANQUE D'INVESTISSEMENT ET DE DEVELOPPEMENT DE LA CEDEAO
ECOWAS BANK FOR INVESTMENT AND DEVELOPMENT
BANCO DE INVESTIMENTO E DE DESENVOLVIMENTO DA CEDEAO

FCMB

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FOREWORD

Monica Maduekwe,
Founder, PUTTRU Technologies Limited

We are delighted to present this report on *3 Must Haves for Energy Projects to Attract Investment in Africa*. The report is a synthesis of our one-on-one conversations with people that are right in the middle of the subject matter.

Therefore, although brief, you will find the quality of information in this report to be profound and insightful, rich with actual examples from these people's experiences on what works.

Furthermore, rather than leaving you with theories, we have presented in this report a pipeline of projects, which is by no means an exhaustive list of projects currently under development in Africa. However, the relevance of sharing this list with you is to let you know that you can, unquestionably, put into practice our 3 Must Haves almost immediately, if you decide to.

In line with what PUTTRU stands for, this report demonstrates our commitment to removing the barriers holding Africa's energy market back from meeting the current and future energy demands of African countries.

Hence, in line with what PUTTRU stands for, this report demonstrates our commitment to removing the barriers holding Africa's energy market back from meeting the current and future energy demands of African countries.

I would like to conclude by expressing our deepest gratitude to the DFIs partnering with PUTTRU. They have truly demonstrated their openness to technological innovation and their determination to improve the investment landscape in Africa. We are also immensely grateful to the experts who freely shared their valuable knowledge with us in this report.

Monica Maduekwe
Founder, PUTTRU Technologies Limited

STRUCTURE OF THE REPORT

This report is divided into three parts.

1 Why **invest in Africa's energy sector?**

Part One sets the stage by presenting the premise on which the relevance and timeliness of this report is based. Using the predictions of the United Nations World Investment Report 2020, we would like to inform our readers that the time to invest in Africa is now.

2 How **to ensure investability of energy projects in Africa?**

Part Two is the core of this report. And this is why it has the same title as the report. Having presented the basis for our conviction in Part One, we provide a strategy to enable the stakeholders the report is intended for – foreign and domestic investors, energy developers and governments – to take advantage of the opportunities present in Africa's energy sector.

3 What **projects to get into in Africa?**

Part Three is an essential component of this Three-Part report as we provide proof that these opportunities already exist by presenting a list of real projects ready for investment – amounting to more than US$ 38 billion. Our readers can consider this section as the hands-on section of the information we have shared, allowing these key stakeholders, including African SMEs, to put into practice what we have shared in Part Two of this report, for those seeking out investment or project development opportunities in Africa's energy sector.

1 The time to invest in Africa is now

Africa has a stronger post-Covid recovery potential, says UN World Investment Report 2020

In January 2020, although not impressive, the continent's gross domestic product (GDP) was projected to grow positively from 2.9% in 2019 to 3.2% in 2020 and 3.5% in 2021 (UN, 2020).

According to the report with the commencement of AfCFTA in 2021, the negative impacts of the pandemic and low oil prices on investment on the continent will be mitigated, increasing FDI inflows from 2021 and onwards (UNCTAD, 2020).

Since the pandemic, however, this projected figure, for 2020, has been revised from 3.2% to -2.8% and it is expected that investment will reflect the same trend, with a projected contraction of 25% to 40% in foreign direct investment (FDI) inflows (UNCTAD, 2020a)[1]. Still, the United Nations (UN) World Investment Report 2020, stresses that "recent macroeconomic indicators show a relatively more solid growth path than in other regions" (UNCTAD, 2020, p.8).

In addition to the investment interests being shown by top global economies[2], the UN World Investment Report is referring to the implementation of the African Continental Free Trade Area Agreement (AfCFTA); according to the report with the commencement of AfCFTA in 2021, the negative impacts of the pandemic and low oil prices on investment on the continent will be mitigated, increasing FDI inflows from 2021 and onwards (UNCTAD, 2020).

The level of optimism demonstrated in this report is good news for Africa.

However, Africa's recovery cannot be expected to be at the same pace as the continent's 2019 GDP growth rate, i.e., at less than 3%, especially considering that the last time the entire continent was in a recession was more than 25 years ago (World Bank, 2020)[3].

Thus, while it is positive to see a significant increase in FDI for green-field energy sector projects in the past years, stronger numbers are needed if Africa is to recover and grow post-Covid-19.

1 The projection for the World is 30% to 40%.

2 These include investment initiatives developed for Africa by the United States, China, the United Kingdom, France and Russia.

3 The pandemic-led recession has impacted negatively on businesses, especially small businesses and state-owned enterprises in SSA – see IMF (2020)- that, prior to the pandemic, were facing tight working capital margins. Slimmer customer base and revenue volumes resulting from the global health crisis has pushed over the edge businesses that were already on the edge. Many will need support, through government stimulus packages, among others, to stay open (UNCTAD, 2020b). Therefore, for the continent, an ideal economic recovery would be one where economic activities are significantly strong and steady, enough to re-instil confidence for businesses to invest again and consumers to spend – perhaps something reminiscent of growth rates experienced in 2012, above 6%, see AfDB (2012).

This report is a guidebook for investors as well as energy project developers on designing projects that reach financial close. Also, the report serves to inform African governments on conditions needed for them to pull investors in, especially with other regions in the world vying for this same capital.

FIGURE1: Announced Greenfield FDI projects by sector/industry, 2018–2019 (Millions of dollars) – Services

AFRICA AS DESTINATION

	2018	2019	% change
Construction	4,779	9,575	100%
Electricity, gas, steam and air conditioning supply	**5,712**	**10,228**	**79%**
Information and communication	3,923	4,639	18%
Transportation & storage	5,203	5,402	4%

Source: World Investment Report 2020

2 Political halo effect, your project framework and DD: the 3 game-changers in financing energy projects in Africa

Investing in Africa is not for all kinds of investors. With the unique business conditions playing out in African countries, investors need to be aware of what they are getting into and why they are choosing to invest in Africa.

If you are an investor (or project developer) looking for high returns on your investment then investing in Africa is for you.

With the continent facing more informational frictions compared to other continents in the world not knowing how your investment will turn out is indeed a concern. However, this can be considered as accommodated by the high levels of return obtainable on the continent. As they say, with high risk comes high reward. So, if you are an investor (or project developer) looking for high returns on your investment then investing in Africa is for you.

Use these 3-Must-Haves, political halo effect, project framework and due diligence, as a scale to assess how protected are your interests in a project.

Political halo effect concerns having certain kinds of stakeholders or super partners on your project team.

Another consideration is the environment – either the external or internal project environment- in which your project will be operating. In cases where the external environment i.e., the country in which the project is being implemented, is considered unbankable the presence of certain kinds of conditions or quasi-governmental entities in your project could mitigate or transfer these risks – the Birth of the Nigeria Bulk Electricity Trading Plc is the example cited in this report.

Investing in infrastructure in Africa is not like the stock market. It is long term investment."

Ope Onibokun, Head of Project Finance, ARISE

The last item on our list is Due Diligence. You have secured the support of influential partners whose presence in your project discourage certain kinds of behaviours from the host countries and your project environment ensures that whatever issues faced by the external environment remains external. This final step concerns doting your "Is and crossing your *Ts*".

By ensuring that your project fulfils these three conditions there is a higher probability of investment success that will generate higher risk adju sted returns compared to developed market.

2.1. Political Halo Effect

Political halo effect comes from having certain kinds of project partners that buffer your project's interests against undesirable political risks. According to Onibokun (2020), if anything goes wrong politically these are the stakeholders that will be involved to help smoothen things out. Citing the award winning Albatros Energy Mali project[4], the country's first large-scale independent power producer project (IPP), Onibokun (2020) notes that having development finance institutions (DFI) as project stakeholders helps ameliorate political/ country risks. Moreover, by engaging with governments, DFIs are able to create a conducive business environment for the project and, ultimately, for the country itself. In the case of this project in Mali, the DFIs who financed the project include West African Development Bank (BOAD), Islamic Development Bank (IsDB), Islamic Corporation for the Development of the Private Sector (ICD) and OPEC Fund for International Development (OFID)[5].

Political halo effect comes from having certain kinds of project partners that buffer your project's interests against undesirable political risks.

4 Albatros Energy Mali was awarded 'Deal of the Year' in 2018 under the Industry Award category of the African Utility Week (AUW). See Press Release: https://aem-sa.com/pr-african-utility-award-doy/

5 Albatros Energy Mali: The Lenders: https://aem-sa.com/partners/

BOX 1

Why DFIs matter: IFC's A Loan/ B Loan financing

A Loan/B Loan Financing, although originally developed by the International Finance Corporation (IFC), may be used by DFIs in cases where Export Credit Agencies (ECA) may consider the host countries as unbankable. In an A Loan/B Loan financing structure the DFI may take an equity position in the project SPV. Also, on the side of debt, the DFI signs a loan agreement with the SPV. However, the DFI keeps a part of the loan for itself (A Loan) and sells participation in the remaining part of the debt to other lenders (B Loan). While the DFI remains the lender of record in the transaction, loan repayment to all participating lenders is on a pro-rata basis.

Although the DFI does not provide guarantees of repayment, the political weight of the DFI's participation in the project is a strong deterrent to defaults.

Read More: B Loans

BOX 2

ECOWAS Bank for Investment and Development (EBID)'s backing to West African energy projects

On 24 November 2020, the ECOWAS Bank for Investment and Development (EBID) and PUTTRU Technologies Limited signed a memorandum of understanding (MoU) to jointly implement the "Closing the Investment Gap in West Africa's Energy Sector" project. Under this MoU, EBID and PUTTRU Technologies Limited will cooperate and collaborate to increase private sector financing towards accelerating the development of energy sector projects in West Africa.

EBID, as a strategic partner in the regional energy project, will bring on board the Bank's extensive experience in financing projects, facilitating syndications and regional knowledge and presence. EBID will provide financing for the energy projects created on the digital platforms, which align with their funding requirements, in addition to advisory support that would enable PUTTRU Technologies Limited achieve their objectives set out in the MoU.

Press Release: PUTTRU Technologies Limited and ECOWAS Bank for Investment and Development Sign Partnership Deal to Promote Growth and Development of Energy Sector Projects in West Africa

The ECOWAS Regional Electricity Regulatory Authority (ERERA) is unique in the sense that it is a first of its kind, being a regional regulator with full powers and mandate to make rules and regulations binding on Member States with respect to cross-border electricity trading."

Ifey Ikeonu, former Chairperson, ERERA, CEO Ecosolar

2.2. Project Framework

By *Project Framework* we mean the (business) environment, regulatory framework, the project financing structure, etc. It is simply the *vehicle* within which the project is designed and executed, with the ultimate goal of ensuring that your interests, as an investor or project developer, are not affected.

Explaining the importance of the environment where investment takes place, Dr. Andrew Nevin, Chief Economist & Partner at PwC Nigeria, notes that Nigeria, because of its demographics, will always get investors' attention (Nevin, 2020). However, to move from attention to action, Nigeria needs to make her investment environment more investor friendly.

While African countries and governments work on their institutional quality rating, it is possible for the conditions that encourage investment to still exist. The Nigerian Bulk Electricity Trading (NBET) is an example of how frameworks are setup to address a weakness in a business environment in order to attract investment.

By **Project Framework** we mean the (business) environment, regulatory framework, the project financing structure, etc. It is simply the vehicle within which the project is designed and executed, with the ultimate goal of ensuring that your interests, as an investor or project developer, are not affected.

Besides institutional quality, another barrier to investment is the small size of economies in Africa. But this does not need to be considered a barrier as countries have taken the initiative to put in place frameworks (regulatory included) that create big- ticket projects by bundling projects across countries (even across sub-regions- see section 3), such as the interconnection electricity projects promoted by regional economic communities (RECs), e.g. the Economic Community of West African States (ECOWAS) and the agencies developed by the Heads of States of Member States to regulate these markets.

BOX 3

The birth of the Nigerian Bulk Electricity Trading Plc

As part of the electricity market reform Nigeria needed to give confidence to private sector to invest in generation by removing the risk that the distribution companies may not be perceived as viable enough to purchase the electricity produced, a requirement needed to attract investors into the generation part of the market.

To mitigate this risk, it was conceived that a bulk trader/central buyer who will be supported by the instrument of government, the country's treasury, was needed, with the ministry of finance providing a guarantee that electricity generated will be paid for. An SPV (NBET) was created to present a liquid/credit worthy option to attract investors.

***Rumundaka Wonodi**, pioneering MD/CEO, Nigerian Bulk Electricity Trading (NBET) Plc, CEO ZKJ Energy Partners*

During the Angola Civil War, the country continued producing oil.

Why?

The project framework guaranteed investors their money, regardless of whatever was happening in the country.

Lastly, limited technical capacity locally. The only way you can make progress, at the end of the day, is to ensure that the cost of electricity is affordable for the population, for businesses. Right now we have one of the highest tariffs in the world. How can we make this more affordable? Right now it is about 35 cents/kWh."

Augustus Goanue, Managing Director, Liberia Electricity Regulatory Commission (LERC), on the main 'challenges holding the private sector back from entering Liberia's electricity market'.

2.3. Due Diligence (DD)

A well-performed DD is to *put the bow* on your hard work. At this stage, it helps to have one final look at your checklist for what a high performing investment would have to meet and if concerns raised prior to getting to that stage have been addressed.

For example, to ensure that the power produced by your project can be evacuated, you may wish to know if there are transmission lines in place or will be in place before your project's expected going online date, says Onibokun (2020).

A well-performed DD is to **put the bow** on your hard work. At this stage, it helps to have one final look at your checklist for what a high performing investment would have to meet and if concerns raised prior to getting to that stage have been addressed.

Certainly, your project's performance could be vulnerable to less obvious issues like how the use of a primarily non-local workforce could affect the affordability of your project's output and, thus, impact on sales.

3 Africa's shortlist of continental priority energy projects – financing needed and stages of project development

A borderless Africa is the foundation of a competitive continental market that could serve as a global business center. It would ... offer economies of scale to investors, while creating much bigger markets and providing new opportunities for small firms and large"

African Economic Outlook (2019)

These projects create an opportunity for investors to come in early and take advantage of this continental initiatives.

Launched in February 2021 at the Africa Union Heads of State and Government Summit, the African Single Electricity Market (AfSEM) is expected to begin operation of its 1st phase in 2023 and becoming fully operational by 2040 (STC- TTIIET, 2020). This was discussed at the First Extra-Ordinary Session of the African Union Specialized Technical Committee on Transport, Transcontinental and Interregional Infrastructure, Energy and Tourism (STC-TTIIET), 14–15 December 2020[6].

Even more immediate than AfSEM are the priority projects identified by Member States for development under the African Union (AU) PIDA PAP 2, i.e., Programme for Infrastructure Development in Africa (PIDA) Priority action plan (PAP).

These projects create an opportunity for investors to come in early and take advantage of this continental initiatives.

6 The African Union Specialized Technical Committee on Transport, Transcontinental and Interregional Infrastructure, Energy and Tourism (STC-TTIIET) is comprised of sectoral ministers in the 55 countries of the AU, sectoral technical experts in the relevant ministries of AU member states and the Regional Economic Communities (RECs), such as ECOWAS, EAC, SADC, COMESA, IGAD, etc.; as well as key donors and development partner organizations. Sessions of the STC-TTIIET are open only to committee members.

TABLE 1: AU Priority Energy Projects[7]

PROJECT STAGES OF DEVELOPMENT	PROJECT NAME	PROJECT COSTS (MILLION US$)
Enabling Environment and Needs Assessment	Inga 3 Transmission Interconnector	**3,564.00**
Project Definition	Egypt and Sudan electrical grid as the first stage of the continental electrical interconnection using the right way of Cairo - Cape Town Road	**2,200.00**
Pre-feasibility	1) Construction of 287 MW Rusizi IV Hydropower project. 2) Egypt and Libya regional electrical interconnection as the first stage of the completion of the regional electrical interconnection of the North African Region.	**1,012.00**
Feasibility	1) Baynes Hydropower Project. 2) Luapula Hydropower Project. 3) Louga Hydroelectric Power Station 1 and 2 (246 MW). 4) Masaka - Mwanza Transmission Line Project. 5) Development of the Chollet hydroelectric site and associated Transmission lines. 6) Eastern Africa Green Power transmission Network Project 6 - Guba (Ethiopia)-Khartoum (Sudan)	**5,457.76**
Project structuring	1) Zizabona Transmission Power Interconnector. 3) Lapsset Crude Oil Pipeline: Lamu to South Sudan 2) 3,050 MW Mambilla Hydroelectric Power Project.	**9,104.00**
Transaction Support & Financial Close	1) WAPP Regional Solar Power Park Project 2) Development of the BAC and LOTEMO hydroelectric sites on the Lobaye river, and related works in the CAR 3) Electrical network interconnection between: INGA - CABINDA and POINTE-NOIRE 4) Grand INGA Phase 1	**16,694.00**
TOTAL		**38,031.76**

Source: First Extra-Ordinary Session of the African Union Specialized Technical Committee on Transport, Transcontinental and Interregional Infrastructure, Energy and Tourism, 14–15 December 2020.

7 Projects from North Africa have not been included.

Increasing the number of project finance deals in Africa:

What conditions would make this possible?

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- ***Existence of solid and stable regulatory framework to support PPP transactions***
- *Developing capacity within the government to negotiate and manage PPP projects*
- *Crowding in investors by providing credit enhancement supports*
- *Attracting long term private sector funding such as local pension funds with long term investment horizon*
- *Increasing share of local funding in projects to mitigate FX currency risk*
- *Enhancing the risk profile of off-takers and concessionary authorities*
- *Structuring bankable project pipelines by performing proper feasibility studies*
- *Developing efficient judiciary that could adjudicate disputes promptly*
- *Creating environments to enforce contracts and ensuring decisions are binding for all parties*
- *Introducing trade policies that offer incentives to invest in infrastructure e.g., tax exemptions, subsidized lending etc."*

OPE ONIBOKUN
Head of Project Finance, ARISE

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▷ *I would say three factors are key to this in Africa;*

a) Sponsors / Developers must have funds for developmental costs or be able to access financing for such costs,

b) adequate appetite by Insurers to provide coverage for projects in Africa and

c) transparent regulatory environment."

BUNMI OTOKI
Head of Loans & Syndication, BMCE

//

▷ *There are certain conditions that lend themselves to attracting investments. Critical among them include,* ***sound regulatory and legal framework;*** *implementation of transparent and objective procurement processes to engender confidence in international investors and financiers; introduction of project framework where necessary to assure revenue stream, and adherence to internationally recognized esg standards."*

TIMOTHY ONONIWU
CFO, Axeela

3.1 How SMEs can lead big-ticket sized projects too

Small and medium sized enterprises (SMEs) represent about 90% of companies in Africa (IFC, n.d). This class of companies therefore represent a key component in Africa's development ambitions and, for the energy sector, the continent's capacity to leapfrog to a sustainable energy future.

SMEs, drawing from the lessons of African markets integrating to create larger and more attractive markets, would have to move from small-sized silos to partnerships that create larger sized deals for investment, bringing together actors best suited to manage the different risks associated with the project.

Achieving these, however, would depend on how much SMEs are engaged in energy project development and implementation in Africa. Precondition 1.

For this to happen, SMEs would have to address the typical challenges that limit their capacity to drive energy projects. These include: limited technical capacity, lack of access to technology and lack of access to finance. Precondition 2.

These two preconditions play out in a vicious cycle, as precondition 2 affects precondition 1 and vice versa.

In order to break this cycle, SMEs, drawing from the lessons of African markets integrating to create larger and more attractive markets, would have to move from small-sized silos to partnerships that create larger sized deals for investment, bringing together actors best suited to manage the different risks associated with the project.

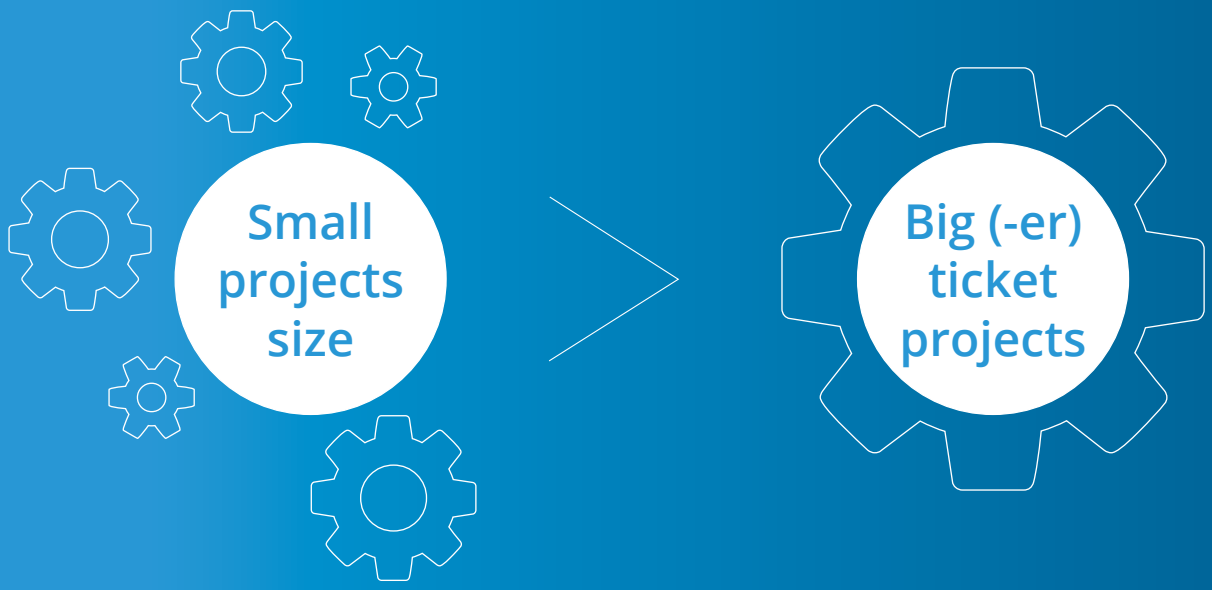
Results from the Market Sounding of an ECOWAS project to promote investment for SMEs in the energy sector[8] revealed the following:

- **Small sized projects (less than US$1M and less than US$ 5M) are not attractive to local financial institutions.**
- **However, entrepreneurs need to have financial results not significantly less than the amount being requested from financial institutions, especially in the absence of collateral.**
- **For SMEs to scale up innovative project structuring is needed – e.g., project bundling, entrepreneurs' participation in SPVs.**
- **Presence of credit enhancements and lines of credit facilitate commercial banks' willingness to lend to SMEs.**

8 With financing from the African Development Bank (AfDB) and the New Partnership for Africa's Development (NEPAD) Infrastructure Project Preparatory Facility (IPPF) the regional project, implemented by the ECOWAS Centre for Renewable Energy and Energy Efficiency (ECREEE), produced financing plans to enable entrepreneurs in LPG, off-grid and smart technology businesses to raise debt finance.

Project Bundling:

A new strategy for SMEs



Small projects, single implementers

Bundled projects, local SME participation in SPVs

SMEs stand a lot to gain by adopting a project bundling strategy to increase the entire investment size and, thus, get financiers' attention, especially as the market for modular technologies is on a growth path. **Due to the ongoing energy transition in Africa, we are seeing the industry becoming more decentralized (with energy being produced closer to where it will be consumed), digitalized (with smart solutions aiding distribution), and decarbonized (with modular renewables increasing in deployment) and the market players being smaller companies rather than the traditional large utilities.** Moreover, the very attributes of these of projects may mean that they are less likely to face long gestation periods compared to cross-border infrastructure projects.

Finally, the policy signals all point to more growth. In the ECOWAS region, for example, countries like Burkina Faso, Gambia (the), Guinea Bissau, Mali, Niger, Nigeria and Sierra Leone have targets for decentralized

To fully realise the massive potential of Africa's energy industry, we need to connect supply and demand. This is to say that the industry must more efficiently connect high quality local projects to the diverse stakeholders in the energy value chain: energy companies, international financial institutions (IFIs), African development banks, local commercial banks, impact investors, private equity funds, credit enhancement actors, and energy-sector capacity development players. The PUTTRU's Platform was the missing middle in this ecosystem."

FRANCK ADJAGBA,
PUTTRU Co-founder

systems ranging from 20% to more than 40% of their countries' population by 2030 (ECREEE, 2017).

In the EAC region, for example, Kenya's National Electrification Strategy (2018) aims to supply 250,000 Solar Home Systems (SHS) by 2030 to households, health centers, schools and agricultural businesses; in Ethiopia, the country's Electrification Program (2017) aims to cover 35% of its population using decentralized systems by 2025; and in Rwanda, the Energy Sector Strategic Plan and Rural Electrification Strategy of Rwanda aims to connect 48% of the country's population to decentralised systems by 2024 (IEA, 2019).

The process of identifying projects and sponsors, bundling, structuring and reaching financing close may seem like a tall order given the depth of coordination required, especially in the face of information frictions, among others.

PARTNER SPOTLIGHT

FCMB is financing Nigeria's sustainable future

Climate change and the need for clean energy sources is shifting the global energy landscape from predominately fossil fuel to renewables like wind, biomass, geothermal energy, liquid biofuel, and solar energy.

BP Statistics Review of World Energy states that over 10% of global energy consumption is generated from renewable energy sources while the International Renewable Energy Agency estimates the investments in renewable sources as $300 billion with about 50% directed at solar energy. This is over 3 times the size of investments made over the last 15 years.

The opportunities to bring dreams to reality and support the growth of businesses in emerging sectors, partly by providing access to finance, are reasons why **First City Monument Bank (FCMB)** has taken a lead role in the renewable energy sector.

The energy supply deficit in Nigeria is enormous. In 2020, the International Finance Corporation (IFC) conducted an extensive market study to determine the potential for solar solutions to energy access and cost issues facing commercial, industrial, and residential customers in Nigeria. The findings estimates that there are about 3 million generators from small petrol to large diesel units, supplying 15-20 GW of energy demand to supplement the grid deficiencies. Petrol and diesel were found to represent about 60% of the energy costs across the segments surveyed, at a generator levelized cost (LCOE) is approximately $0.30-0.60 / kWh versus the grid at approximately $0.11 / kWh, and solar PV ~$0.10-0.20 / kWp. Therefore, efficiency in energy generation and affordability should be critical in determining the nation's energy sources.

Over the past three years, there has been more than $100 million worth of investment in off-grid manufacturing and distribution. The Federal Government through the Rural Electrification Agency (REA) working in partnership with international partners have introduced several schemes and programmes to mobilize funds. These include $280 million from Solar Power Naija, $150 million from Nigeria Electrification Project (Mini-Grid), $70 million Nigeria Electrification Project (Solar Home System). While these investments may have started a gradual acceleration towards providing clean energy to the 70% of Nigerian households and businesses who are either underserved or unserved by the national grid, a lot more investments and collaborations are required if more businesses and households are to realize their dreams. The opportunities to bring dreams to reality and support the growth of businesses in emerging sectors, partly by providing access to finance, are reasons why First City Monument Bank (FCMB) has taken a lead role in the renewable energy sector.

FCMB's vision is to empower her customers to have confidence in realizing their dreams. One of the strategic paths chosen by the bank to achieve this is by expanding access to emerging sectors and those previously unserved and / or underserved. This strategic theme is behind the bank's growing loan portfolio to mini-grid developers, commercial and industrial energy

Paul is the Head of Emerging Segment at FCMB. He has a BSc in Applied Physics, MBA (Wales) and Post Graduate Certificate in Business Research Methods (Edinburgh Business School). He holds a Certificate in Renewable Energy Management and Finance from European Energy Commission and RENAC.

efficiency providers, and solar home system (SHS) distributors. The bank is on track to finance projects that would deliver over 10,000 new connections to households and businesses by the end of 2021. Our knowledge of the renewable energy sector and experience working with SMEs has helped the development of loan products and services for businesses in the sector. For example, a product for Mini-Grid developers under the World Bank (WB) / Rural Electrification Agency (REA) scheme can access loans of up to 70% of the project cost without collateral.

We understand that solar projects depend on solar economic factors like economics of scale, the interest rates at which providers get finance, ease of logistics, land affordability or community participation, quality of systems and nature of systems configuration. These factors largely determine the payback period. We further understand that the size of investment required, and the accompanying security coverage could be daunting for businesses who are already struggling with fitting a contemporary loan request into a traditional risk criterion. For these reasons, we developed tailored products and services that meet the needs of businesses across the sector. In developing these products and services, we observed a holistic view of the market so that unique market challenges that impede emerging businesses from scaling, such as limited knowledge and experience and perceived poor quality of solar equipment, are addressed.

Registered and profiled businesses under any of the REA schemes may qualify for a loan to implement their projects. The conditions are largely guided by the scheme they qualify for. This does not exclude businesses with bankable plans outside these schemes from accessing a loan. As debt finance is not the silver bullet to all businesses, medium to large businesses within the sector can benefit from advisory services, private equity investment and other fundraising services.

Registered and profiled businesses under any of the REA schemes may qualify for a loan to implement their projects. The conditions are largely guided by the scheme they qualify for.

FCMB has taken bold steps to improve access to energy in Nigeria and build a sustainable future for businesses and households. The bank has taken a lead role in the renewable energy sector through capacity building, access to funding and opportunity to connect developers and end-users. The bank has executed credit enhancement agreements worth N20.9 Billion to support renewable and energy efficient projects. This is meant to improve the supply of energy, enhance cost efficiency access to clean energy.

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PUTTRU Technologies Limited
29 Mambilla St, Three Arms Zone, Abuja, Nigeria
info@puttru.com / **www.puttru.com**