

End-user Finance for Access to Clean Energy Technologies in Africa (FACET- Africa)



- scaling up commercial end-user financing of small-scale clean energy technologies

- financing mechanisms to support the operations of local financial institutions

- mainstreaming of lending products for small-scale clean energy appliances

In Sub-Saharan Africa (SSA), there is a huge potential market for clean energy technologies such as biogas digesters, energy efficient appliances, micro-hydro applications, solar power generators, solar water heaters and small wind generators. However, only a small percentage of potential end-users (including households, businesses and community organisations) can afford to purchase such technologies by direct cash payment. The need to pay up-front is a significant barrier to the long-term, low-carbon and low-maintenance energy supply, or efficient energy use, which such systems can provide. In short, despite the associated benefits and longer-term savings, most clean energy technologies are too capital-intensive to be affordable to end-users on a cash-only basis.

The main goal of the proposed project is to scale-up commercial end-user financing of small-scale clean energy technologies by local financial institutions in Sub-Saharan Africa. Linked to this ultimate objective, the project will also aim to:

- strengthen the overall technical capacity of local financial institutions in the field of clean energy finance;
- create an enabling environment for the financial sector to grow its clean energy related lending portfolio in a sustainable fashion;
- establish links between the key stakeholders in the local clean energy technology market by raising awareness of the market potential

amongst suppliers, the financial sector and end-users;

- provide evidence for policy-makers of the benefit from market-oriented policy reforms to encourage the take-up of clean energy technologies.

The project will aim to develop appropriate financing mechanisms to support the operations

of carefully-targeted local financial institutions with sufficiently large business networks, including local public and commercial banks, local development finance institutions and local micro-finance institutions. It is intended that the financing programmes developed will cater for a wide range of the population in the target countries, addressing a variety of needs.

The supported schemes are expected to have strong replication potential within the selected financial institutions, and to other institutions in the region.



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Planned Measures & Activities

The project will promote the mainstreaming and commercialization of lending products for the local purchase of small-scale low-carbon energy appliances. The main steps for project implementation will be:

1. Broad Assessment of upto 12 countries in SSA
2. Detailed assessment of 6 countries in SSA
3. Identification of key partners in 3 target countries for FACET-Africa
4. Programme frameworks developed, including partners, technology(s) and financial mechanism(s)
5. Programme implementation in the 3 target countries
6. Monitoring of programme implementation and promotion of results

The support offered will include technical assistance, financial incentives and risk mitigation mechanisms tailored to the local context.

Technical Assistance

- (i) Market research
- (ii) Training and business planning at local financial institutions
- (iii) Support for local equipment vendors
- (iv) Marketing support for new lending products
- (v) Technical support for creation of linkages to carbon markets



Financial Incentives

- (i) Transaction cost sharing/output-based grants to structure lending programmes
- (ii) Financial support to demonstrate appropriate financial mechanisms

Support for Risk Mitigation

- (i) Capacity building of lenders and potential guarantors
- (ii) Establishment of credit insurance and/or guarantee funds

Proposed Budget (US\$):

Personnel	1,400,000
External services	1,200,000
Financial mechanism (funds for local FIs)	4,800,000
Other (travel, printing/communication, equipment, steering committee meetings, monitoring/evaluation)	200,000
TOTAL BUDGET	7,600,000



Project Timing:

Sep 2013 – Dec 2016