



# Nigeria Economic Sustainability Plan

## Solar Power Naija

Enabling 5 Million Solar Connections  
Downstream Participants Workshop

11 March 2021



Enabling 5 Million New Connections Under The Economic Sustainability Plan (ESP)

**SOLAR POWER**  
**NAIJA**



**RURAL ELECTRIFICATION AGENCY**

ENERGY = EMPOWERMENT = EFFICIENCY

# Agenda



Solar Power Naija (SPN)  
Overview

Debt Funding Structure

Application Process

Program Update





# Solar Power Naija (SPN) Overview

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**BOUNCING BACK:**  
**NIGERIA ECONOMIC SUSTAINABILITY PLAN**



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 the project will also draw  
 economies' project through  
 and were provided with  
 basis by private sector

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 NASENI and others.

on households by 2023.  
 willingness of citizens to

- Facilitate the participation of private sector solar providers including SMEs in the deployment of solar power to 5 million households.
- Encourage private sector financing for off-grid solar energy projects with a minimum Tier 2 (80W – 150W) system.
- Attract investment of solar panel manufacturers into Nigeria, building on the work already done by NASENI and others.

**Implementing Structure**

Federal Ministry of Power, Rural Electrification Agency, Niger Delta Power Holding Company

FGN has adopted a solar strategy for the electrification of 5 million households, serving about 25 million Nigerians, in the Economic Sustainability Plan

The Programme seeks to achieve the following:



Increase energy access through 5 million new solar connections serving about 25 million individual Nigerians who are currently not connected to the National Grid



Increase local content in the off-grid solar value chain in the assembly or manufacturing of components of off-grid solutions to facilitate growth of the local manufacturing industry,



Solar equipment manufacturers/assembler will be incentivized to set up facilities in Nigeria, thereby Creating **250,000** new jobs in the energy sector

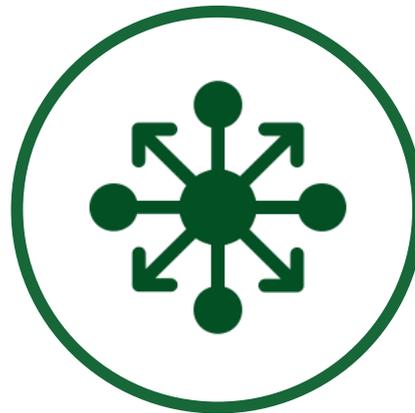
# There are three key categories of eligible participants in the off-grid sector that will enable achievement of program goals and objectives

The program will serve as an anchor for job creation and local content integration in the rapidly expanding off-grid sector by incentivizing local manufacturing/assembly and distribution of components and off-grid solutions



## **Manufacturers/Assemblers**

These are companies with local manufacturing and/or assembly operations centered around off-grid components such as solar PV panels, batteries, appliances, packaging, etc.



## **Distributors/Developers**

These companies are involved in the distribution of SHS units and/or constructions and management of mini grid sites



## **Vertically Integrated Distributors**

These are companies involved in both manufacturing/assembly operations as well as SHS distribution and mini grid site construction and management



# Debt Funding Structure

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Focus on **concessionary debt funding**

The Solar Connection Intervention Facility from the Central Bank of Nigeria (CBN) will make two forms of low-cost local currency debt available to eligible participants



**Working Capital Loans**



**Term Loans**

**Description**

All participants are eligible for low-cost shorter-term loans capped at N500M to cover the cost of recurring operational expenses and inventory (for solar home system companies).

Mini-grid companies and upstream companies (assemblers and manufacturers) are eligible for longer-term loans to covers CAPEX and high-cost investments for business expansion e.g., purchase of expensive plant and machinery, etc.

**Eligibility**

**Downstream**  
Solar Home System & Mini-Grid Companies  
**Upstream**  
Assemblers & Manufacturers

**Downstream**  
Mini-Grid Companies only  
**Upstream**  
Assemblers & Manufacturers

Note: Total loan amount for a single downstream obligor will be capped at N2B. Interest rates are concessionary ranging from 5-10% per annum all-in

# Low-cost debt funding will be disbursed through three channels for upstream and downstream participants

## Downstream participants

Distributors and developers

## Upstream participants

Assemblers/Manufacturers

### Primary focus



### Fund disbursement through CBN-SPV

Distributors will be able to access loans through a CBN-SPV, NESI-SS Ltd, following technical and commercial due diligence conducted by REA and a selected fund administrator



### Direct lending through Commercial Banks

Distributors will be able to access larger ticket sizes (above NGN500m) through Commercial Banks, who will be allowed to drawdown on their minimum cash reserves with CBN to provide loans



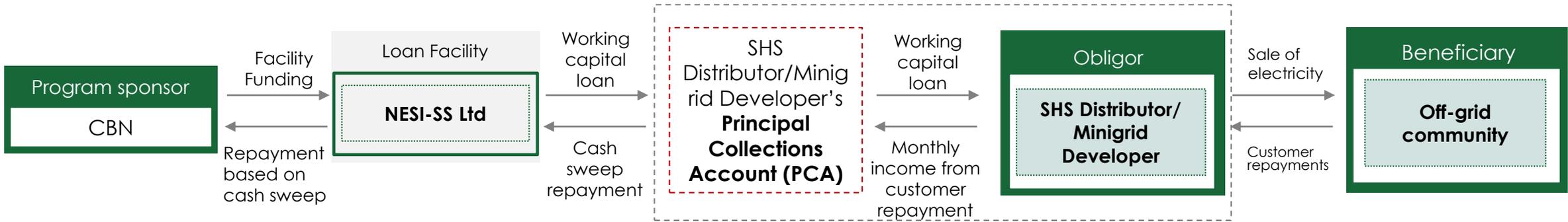
### Direct lending through Commercial Banks

Assemblers and Manufacturers will be able to access loans from Commercial Banks, who will be allowed to draw down on their minimum cash reserves with CBN to provide loans

1

# DOWNSTREAM | CBN-SPV SHS distributors and Mini-grid developers can access funding through an existing CBN SPV

## The CBN disburses the loan facility through the NESI-SS SPV managed by Meristem



- NESI SSL makes direct disbursement to SHS Distributor/Minigrid Developer
- Lien placed on company's Principal Collections Account (PCA)
- SPN Loan repayment is first line charge on cashflow into PCA
- PCA funded by proceeds from project cashflow

## Companies can access one or more of 3 types of loans

A

### Working Capital (Minigrids)

Max. Loan Amount  
**Capped at N500M**  
 Tenor  
**Maximum of 3 years**  
 Interest rate  
**10% (all-in)**  
 Moratorium  
**N/A**

B

### Term Loan (Minigrids)

Max. Loan Amount  
**Capped at 70% of project cost (N2b)**  
 Tenor  
**Maximum of 7 years**  
 Interest rate  
**10% (all-in)**  
 Moratorium  
**2 years**

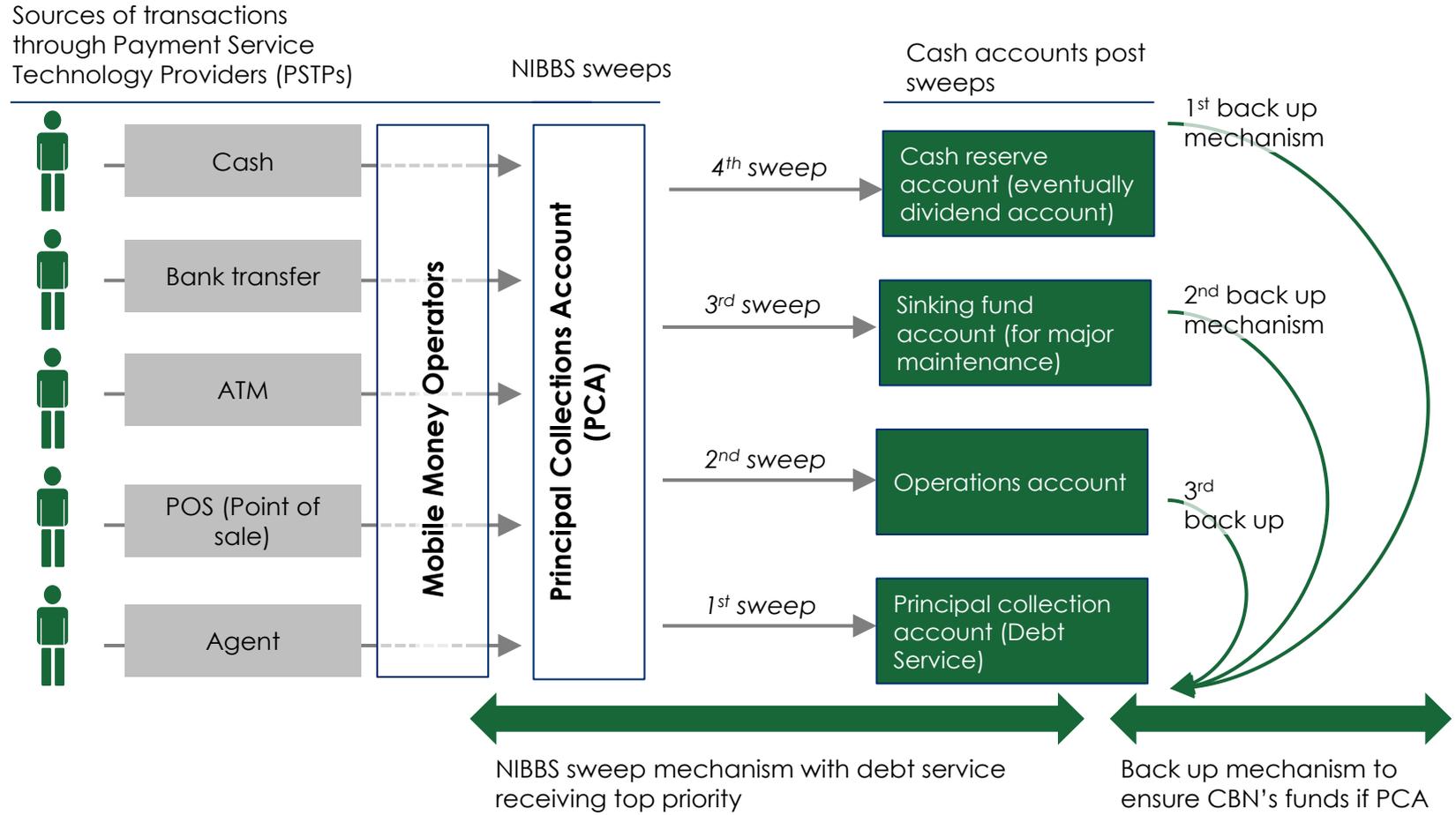
C

### Working Capital (SHS)

Max. Loan Amount  
**Capped at N500M**  
 Tenor  
**Maximum of 5 years**  
 Interest rate  
**10% (all-in)**  
 Moratorium  
**6 months**

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# DOWNSTREAM | CBN-SPV: The pledged revenue account structure will be leveraged as collateral to de-risk the program exposure



## Mechanics

- Pledged Revenue Collateral**  
 Under the revenue pledge, future revenues/cash inflows of off-grid companies serve as collateral to secure a loan from the participating commercial banks as cash sweeps occur on revenues to facilitate loan repayments
- Role of NIBBS**  
 NIBSS handles all inter-bank payments in Nigeria and as such, is essential to facilitating the cash sweeps from the off-grid company's escrow account for principal repayment to the commercial bank
- De-risking**  
 Under this structure, the commercial bank is therefore first in line to receive payments which reduces risk of default and allows it to absorb revenue shortfalls

# Downstream: Security requirements and documentation

## Payment Security Measures



Lien on pledged financial assets

-  
**Operating Cashflows**



Lien on pledged financial assets

-  
**NEP grant funds**



Lien on pledged financial assets

-  
**Other projects where debt covenants allow**



Personal undertaking (guarantee) of project promoters

-  
**Agreement to cover 30% of full loan amount and accrued interest in the event of default**



For mini-grid developers only

-  
**Legal mortgage on mini-grid assets**

Note:

**Cash sweep mechanism** will involve

- Utilization of **CBN's Global Standing Instruction [GSI]** for cash sweep
- Charge on the collection account(s) of the project for the monthly repayment of the loan amount
- Direct debit into project account

## Documentation

- i. KYC Documentations including BVN
- ii. Information memorandum on the company
- iii. Evidence of NEP pre-qualification approval and documentation
- iv. Evidence of local content/backward integration
- v. Receipt of board resolution to enter into the transaction
- vi. Loan application letter detailing the proposed utilization funds
- vii. Financial model
- viii. Business Plan including:
  - i. 5-year projected cashflow
  - ii. Organizational chart
  - iii. Completed Environmental and Social Management System (ESMS) template
  - iv. Health and safety guidelines
- ix. Credit report on the principal promoters of the company/and or companies owned by the principal promoters from a credit bureau.
- x. Corporate documentation on the project and corporate search on the principal promoters of the project.
- xi. Details of the project company/principal promoters banking relationship as well as credit facilities and securities pledged.
- xii. Articles of incorporation
- xiii. Three-year audited financial statements and latest management accounts.
- xiv. 3-year tax clearance certificate.
- xv. Declaration of primary collections account

## 2 DOWNSTREAM | Commercial Banks

### A Working Capital (Minigrids)

Max. Loan Amount

**Varies by Commercial Bank**

Tenor

**3 years**

Interest rate

**10% (all-in)**

Moratorium

**N/A**

### B Term Loan (Minigrids)

Max. Loan Amount

**Varies by Commercial Bank**

Tenor

**7 years**

Interest rate

**10% (all-in)**

Moratorium

**2 years**

### C Working Capital (SHS)

Max. Loan Amount

**Varies by Commercial Bank**

Tenor

**5 years**

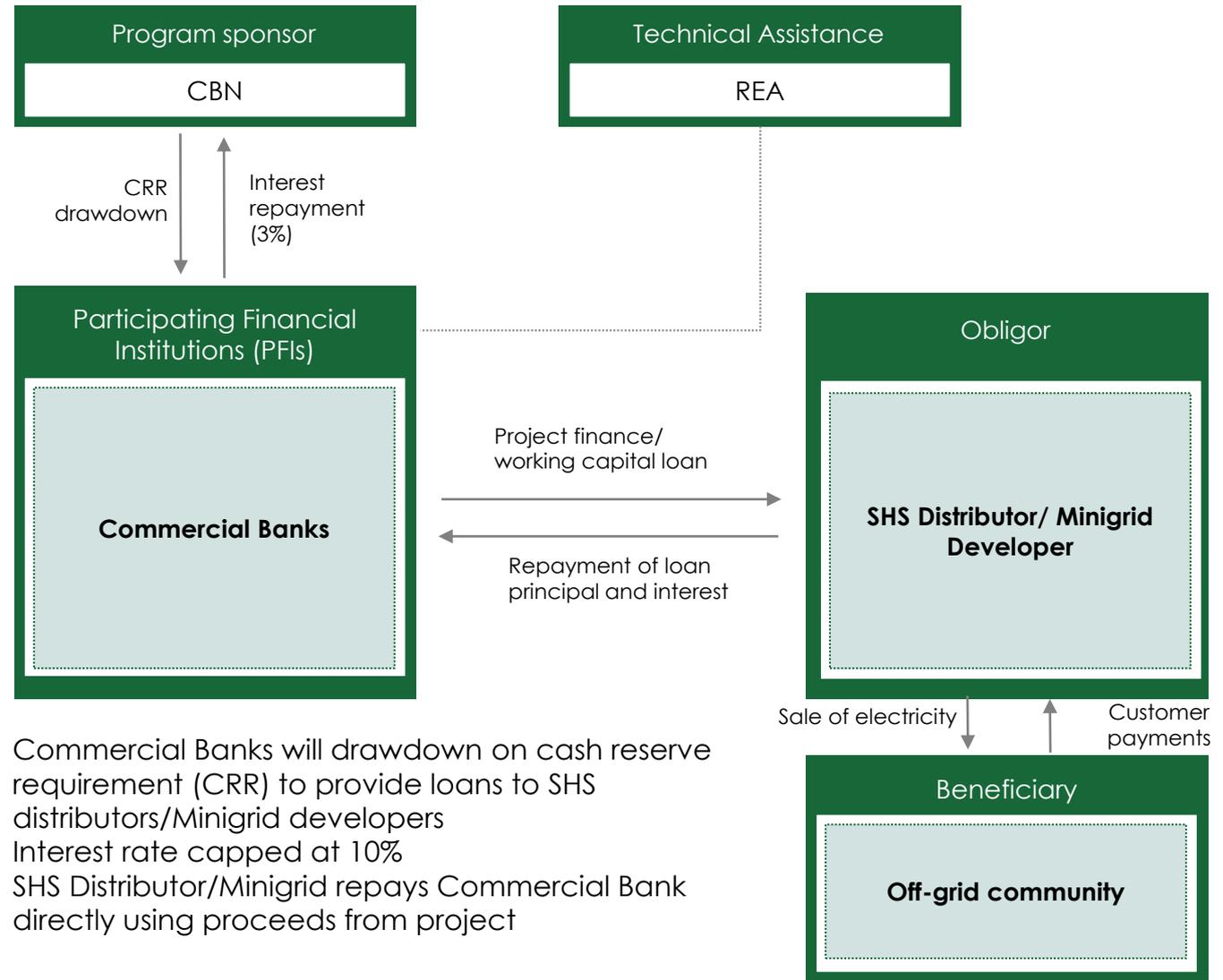
Interest rate

**10% (all-in)**

Moratorium

**6 months**

Distributors and Developers can also access program funding through Commercial Banks



- Commercial Banks will drawdown on cash reserve requirement (CRR) to provide loans to SHS distributors/Minigrid developers
- Interest rate capped at 10%
- SHS Distributor/Minigrid repays Commercial Bank directly using proceeds from project

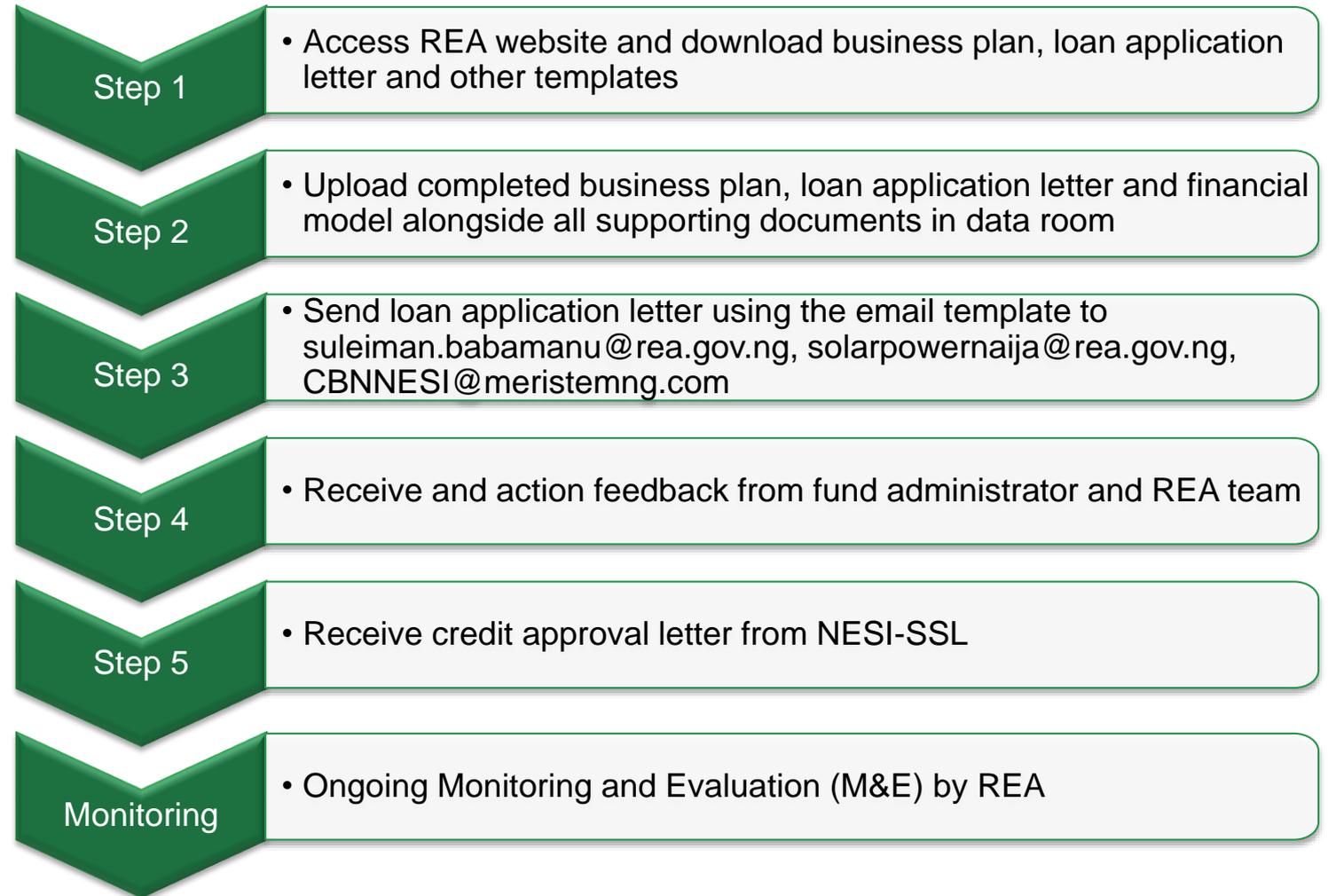


# Application Process

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# 1 DOWNSTREAM | CBN-SPV: Application Process

Application window currently open to SHS Distributors and Minigrid developers



1. Applicants will be required to secure NEP pre-approval prior to evaluation by the Fund Administrator for the CBN-SPV

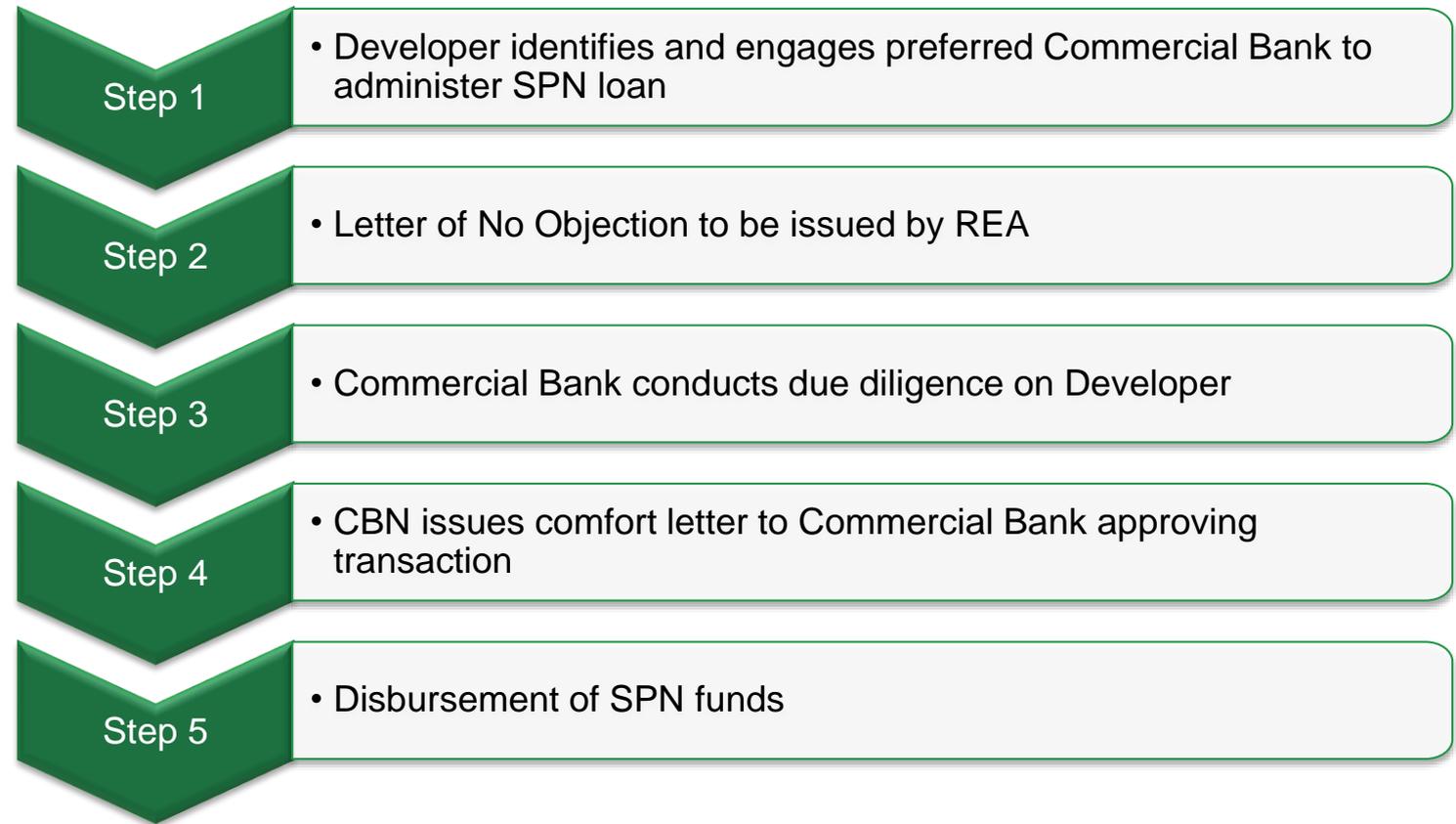
Source: <https://rea.gov.ng/5million-solar-application-guidelines/>

NEP pre-qualified<sup>1</sup> companies can apply online at <https://rea.gov.ng/5million-solar-application-guidelines/>

## 2 DOWNSTREAM | Commercial Banks: Application Process

To secure program funding from Commercial Banks, applicants will be required to secure NEP pre-approval and a Letter of No Objection from REA

Companies can apply for the Solar Power Naija loan directly through their preferred Commercial Bank



Program applications will be tracked by Commercial Bank and REA



# Program Update

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The program is currently in the implementation phase with two companies having achieved financial close



**Six** applications in progress including **four** SHS Distributors and **two** Minigrad Developers



Submitted applications have the potential to unlock **N10B** in funding and **178,000** connections under the program



**Three** applications currently in advanced stages while **two** companies have reached financial close

**Note to applicants:** Applicants should ensure key documents are prepared in advance of submission



Companies should ensure that completed and audited **Financial Statements** are submitted



Key assumptions in the **Financial Model** should accurately reflect the company's business model



A **Credit Report** will be required for the company as well as the company's Board of Directors

## Next Steps

- Submit SPN application (via REA portal or through Commercial Bank)

# Appendix

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# 3 UPSTREAM | Commercial Banks

## 1 Working Capital

Max. Loan Amount  
**Capped at N500M**

Tenor  
**Maximum of 3 years**

Interest rate  
**5% until Feb 2021. 9% subsequently (all-in)**

Moratorium  
**N/A**

## 2 Term Loan

Max. Loan Amount  
**Capped at 70% of project cost**

Tenor  
**Maximum of 10 years**

Interest rate  
**5% until Feb 2021, 9% subsequently (all-in)**

Moratorium  
**Maximum of 2 years**

Banks will be able to provide concessional funding to eligible participants with REA support

