

## PRIVATE SECTOR PEER LEARNING: MECHANISM PROFILES

### Access to Energy Fund (AEF), Netherlands Development Finance Company (FMO)

**Description:** The [Access to Energy Fund](#) (AEF) is a fund managed by the Netherlands Development Finance Company (FMO) on behalf of the Dutch government that supports private sector projects aimed at providing long-term access to energy services. The fund supports energy generation, transmission and distribution projects in developing countries and focuses on sustainable energy solutions.

**Objectives:** The AEF seeks to provide 3.2 million people in developing countries with access to energy services by 2018. By expanding access to energy, the fund aims to boost economic development and alleviate poverty.

**Partners:** Funding from the AEF is open to small and medium-sized enterprises and commercial banks. Proposed projects must meet technical, financial and institutional requirements and comply with FMO's environmental, social and corporate governance guidelines.

**How it works:** Financing by the AEF is additional to that of other investors or catalyses investment in a project by taking a risk position. Funding possibilities include equities, subordinated debt and senior loans. The fund can also provide grants that are normally linked to debt or equity financing in a project. For equities, the AEF finances up to EUR 10 million per project and generally takes an investment position of less than 20% instead of a majority equity stake. Subordinated debt and senior loans are offered when debt financing is not readily available, to contribute to the bankability of a project and to help fill a risk capital funding gap. In this case, the AEF can offer long tenors, but size is limited to a maximum of 37.5% of the total project cost or 25% for large projects. The AEF also finances public-private partnerships under certain circumstances.

Successful project proposals aim to provide new or improved long-term access to energy. Priority is given to renewable energy projects in sub-Saharan Africa and rural electrification projects. Prospective applicants must submit an application to FMO, which reviews project proposals in terms of: project sustainability from financial, social and environmental points of view, compliance with local laws and international guidelines (e.g. the World Bank Environmental, Health and Safety Guidelines and International Finance Corporation Performance Standards), commercial viability, investment plans, market analyses, due diligence studies, expected returns and owner, manager and co-financier commitments.

**Monitoring and evaluation:** No evaluation document was found. The Dutch Policy and Operations Evaluation Department document *Access to Energy in Rwanda: Impact Evaluation of Activities by the Dutch Promoting Renewable Energy Programme* evaluates the larger Promoting Renewable Energy Programme of the Dutch Directorate General for International Cooperation, which finances the AEF.

**Results:** None were found. The AEF had an older objective of providing 2.1 million people in developing countries with access to energy services by 2015, but no results are available on the AEF website.

**Insights:** Innovative elements include financial additionality and private sector finance leveraging – the AEF states that its financing must be additional to that of other investors or catalyse investment by taking a risk position.

#### SOURCES:

FMO (n.d.), "Access to Energy Fund", [www.fmo.nl/accesstoenergy](http://www.fmo.nl/accesstoenergy) (accessed 1 July 2016); IOB (2014).

"Access to energy in Rwanda: Impact evaluation of activities supported by the Dutch Promoting Renewable Energy Programme", *IOB Evaluation*, No. 396, Ministry of Foreign Affairs of the Netherlands, The Hague, [www.government.nl/documents/reports/2015/04/28/iob-access-to-energy-in-rwanda-impact-evaluation-of-activities-supported-by-the-dutch-promoting-renewable-energy-programme](http://www.government.nl/documents/reports/2015/04/28/iob-access-to-energy-in-rwanda-impact-evaluation-of-activities-supported-by-the-dutch-promoting-renewable-energy-programme).

**Development Assistance Committee member:** Netherlands

**Duration:** Ongoing since 2003

**Budget:** EUR 102 million

**Geographic focus:** Open, but sub-Saharan Africa is preferred

**Sectoral focus:** Energy

**Offered:** Equities, subordinated debt, senior loans, grants and public-private partnerships