

# Highly Commended Winner

## Best ESG Solution

d.light  
Josphat Rotich, Regional (Africa) Financial Controller



### One billion to benefit from Scaling Enterprise partnership to eliminate energy poverty

#### The challenge

The 2020 Off-Grid Solar (OGS) Market Trends Report suggests more than 840 million people live without electricity and over one billion are connected to an unreliable grid. According to the IEA Africa Outlook Report (2019), in sub-Saharan Africa alone, more than 600 million currently live without electricity and spend over US\$17bn a year on inefficient and often unsafe energy. Today, the OGS industry is recognised as a critical component in the fight to eliminate energy poverty. The industry, however, remains nascent and dynamic, populated by small and start-up companies which face similar challenges in developing scale and raising debt financing at sustainable terms. The World Bank Group has estimated the funding gap of the OGS market in Africa to be US\$2.5bn.

One of the main challenges d.light faced was fundraising. Many investors do not understand the OGS business and are hesitant to invest. Pay-as-you-go (PAYG) companies such as d.light are young and often fail to meet the track record and collateral requirements set by lenders. Banks may also perceive a significant risk that consumers will default on payment to the PAYG provider if the grid is extended to a household during the primary lease period.

Where capital is available, it is almost exclusively from international investors (often in the form of debt, impact equity capital, or grants) and this makes it particularly difficult for smaller companies who may lack the networks, and/or resources needed to raise capital in international markets, particularly if complex financial structures have to be developed.

#### The solution

In 2019, Citi Inclusive Finance, the US International Development Finance Corporation (DFC) and the Ford Foundation launched Scaling Enterprise, a US\$100m loan guarantee facility, which enables Citi to provide earlier-stage financing in local currency to companies that expand access to products and services for low-income communities in emerging markets.

Aware of the financing challenges d.light faced, Citi Kenya, through the Scaling Enterprises programme, extended a US\$5m (local currency equivalent) working capital facility to d.light. This working capital facility eliminates currency volatility costs and reduces the transaction complexity associated with raising an international working capital facility. Also, there was no requirement for d.light to provide local assets as security. The guarantee/support by DFC and Ford Foundation enabled Citi to offer competitive pricing to d.light.

#### Best practice and innovation

This facility supports d.light's goal of positively impacting the lives of up to one billion people across the world by providing sustainable energy solutions by 2030. This goal is aligned with the UN's Sustainable Development Goal 7 to 'ensure access to affordable, reliable, sustainable and modern energy for all and the target of achieving universal electricity access by 2030.

d.light was the first entity in Sub-Sahara Africa and one of the first two globally to qualify and benefit from the Scaling Enterprise programme after its launch in 2019.

#### Key benefits

- Supports d.light's timely importing of inventory and payment to suppliers.
- Allows for the expansion of the PayGo business into other markets in Africa.
- Multi-sector partnership. In addition to enabling companies to scale and expand their impact, the partnership will help these ventures gain a wider array of mainstream financing options in the future.
- Directly contributes to d.light's plan to provide one billion people across the world with sustainable energy solutions by 2030.



A key challenge for companies such as d.Light is raising finance. With no track record, funding is almost exclusively provided by international investors which poses complex structures and introduces tangible risks because of currency volatility against the dollar. We made use of our existing partnership with the US International Development Finance Corporation (DFC) and the Ford Foundation to structure a local currency facility which supports d.Light's goal of positively impacting the lives of up to one billion people across the world by providing sustainable energy solutions by 2030.

**Mwende Muvea, Relationship Manager, Portfolio Lead – Digital Solutions, Digital Disruptors & Inclusive Finance, Kenya, Citi**

in partnership with



d.light is a global leader and pioneer in off-grid solar solutions for low-income households that do not have access to energy. Founded in 2006 at Stanford University (USA), d.light now has its main hubs in Nairobi (Kenya), Gurgaon (India) and Shenzhen (China).