



# Project Information Document/ Identification/Concept Stage (PID)

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Concept Stage | Date Prepared/Updated: 22-Feb-2021 | Report No: PIDC236769



**BASIC INFORMATION**

**A. Basic Project Data**

Project ID	Parent Project ID (if any)	Environmental and Social Risk Classification	Project Name
P175657		Moderate	COVID-19 ENERGY ACCESS RELIEF FUND
Region	Country	Date PID Prepared	Estimated Date of Approval
OTHER	World	22-Feb-2021	
Financing Instrument	Borrower(s)	Implementing Agency	
Investment Project Financing	SIMA – Social Investment Managers and Advisors, LLC	SIMA	

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**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

<b>Total Project Cost</b>	2.20
<b>Total Financing</b>	2.20
<b>Financing Gap</b>	0.00

**DETAILS**

**Non-World Bank Group Financing**

Trust Funds	2.20
Energy Sector Management Assistance Program	2.20

**B. Introduction and Context**

Country Context

The Project will support the COVID-19 Energy Access Relief Fund, which is a global, multi-stakeholder initiative to provide concessional and accessible financing to energy access companies, serving low-income households and micro-businesses in peri-urban and rural areas in developing countries. The focus is on countries with large energy access deficit and sizable populations served by off-grid solutions, particularly in Sub-Saharan Africa (SSA), followed by South Asia, and low access countries in East Asia/ Pacific and the Caribbean.



COVID-19 has delivered an enormous global economic shock, leading to a steep recession. According to the World Bank's Global Economic Prospects (January 2021), the global economy experienced a 4.3% contraction in 2020, with severe disruptions to economic activity in the majority of emerging market and developing economies. In SSA, in particular, per capita income shrank by 6.1% in 2020, setting average living standards back by at least a decade in a quarter of Sub-Saharan African economies. Hardest hit were countries with large domestic outbreaks, those heavily dependent on travel and tourism, and commodity exporters. Equally, in South Asia the COVID-19 pandemic has caused deep output losses and contributed to a sharp rise in poverty and unemployment. Output in the region contracted by an estimated 6.7% in 2020, reflecting the effects of the pandemic and nationwide lockdowns, particularly in Bangladesh and India.

Per capita incomes in most emerging and developing economies have shrunk, causing many millions to fall back into poverty, reversing successful trend of poverty reduction of the last decades. According to the World Bank Group's Poverty and Shared Prosperity Report (2020), 150 million people could be pushed back to extreme poverty by 2021, i.e. below USD 1.90/day, due to the pandemic. The regions hit hardest are South Asia and Sub Saharan Africa.

#### Sectoral and Institutional Context

The Sustainable Development Goal (SDG)7 calls for universal access to sustainable, affordable and reliable energy by 2030. According to the SDG7 Tracking Report, 789 million people still lack access to electricity and \$2.8 billion lack access to clean cooking. The majority of people without access to energy services are in Sub-Saharan Africa and South Asia regions.

Access to electricity has been registering steady improvements in the past decade. The number of people without electricity access dropped from 1.2 billion to 789 million between 2010 and 2018. Distributed renewable energy technologies, such as mini grids and off-grid solar solutions have played a critical role in the acceleration of electrification efforts of the past decade. This vibrant, but still developing mini grid and off-grid solar industry is already serving nearly half billion people world-wide, in particular in Sub-Saharan Africa. The available geospatial electrification models demonstrate that mini grid and off-grid solutions are indispensable for achieving the SDG7 goal of universal electricity access, as the majority of new connections will need to be achieved with these distributed renewable energy technologies. The household survey data also show that mini grid and off-grid electrification tend to be more pro-poor (serving a higher percentage of low income households compared to the grid).

COVID-19 is now threatening to disrupt the promising trends brought forward by the innovative energy access industry, with a significant risk that the energy access gains achieved in the past decade may be reversed, and the hope for universal energy access abandoned. The International Energy Agency (IEA) warns that the pandemic has already put the energy access progress into reverse, with the worst impacts in SSA, where the number of people without electricity is now rising again. The IEA estimates that at least 30 million people have been pushed back to energy poverty in SSA, as they no longer can afford basic energy



services they used to have access to. This also applies to access to clean cooking, with millions of households now at risk of slipping back from modern fuels to charcoal, kerosene or fuelwood. This would further increase the number of people who still rely on traditional fuels for preparing their daily meals, with negative impacts on health, gender and socio-economic development.

Large-scale virtual household survey carried out during COVID-19 pandemic has revealed that the off-grid households are struggling to make regular energy service payments, even though they highly value the continued access to electricity. Many off-grid customers are using electricity for income-generating activities and cannot afford to lose this lifeline. Energy access companies have generally adopted more liberal electricity payment policies, allowing households more flexible payment plans, but these companies themselves are facing increasing liquidity constraints, and are unable to raise new funding in the current conditions, which is forcing them to reduce staff and eventually stop serving their customers. This innovative but young and nascent industry, consisting mostly of start-up and SME businesses, is therefore seriously threatened by the COVID-19 crisis, and may not recover unless financial support is urgently made available. A market survey of 621 energy access companies from 44 countries, conducted in July 2020 by EnDev in collaboration with ESMAP, has shown that 85% companies were unlikely to survive the crisis under the current conditions. From this total, 27% have had a severe disruption, forcing them to significantly curtail operations. 44% of companies reported that sales have more than halved, 53% of companies that offer finance to their customers have seen repayment rates drop by more than a quarter.

The demise of the energy access industry would significantly damage prospects of universal electricity access, forcing households to switch back to traditional polluting and hazardous fuels, with detrimental economic, health and climate impacts. This in turn would make it more difficult to support economic recovery and meet other development goals, such as poverty reduction, human capital development, food security, and to improve resilience to climate and other shocks.

#### Relationship to CPF

The proposed Project will contribute to the implementation of the WBG COVID-19 Response Approach Paper “Saving Lives, Scaling-up Impact and Getting Back on Track”. Specifically, the Project will contribute to Pillar 2 – “protecting poor and vulnerable people from the impact of the economic and social crisis triggered by the pandemic”, by preventing the loss of electricity access for the poor rural households, and to Pillar 3 – “saving livelihoods, preserving jobs, and ensuring more sustainable business growth and job creation by helping firms



and financial institutions survive the initial crisis shock, restructure and recapitalize to build resilience in recovery”.

### C. Project Development Objective(s)

#### Proposed Development Objective(s)

The proposed Development Objective is to protect and maintain energy access and jobs during the COVID-19 pandemic by providing relief funds to energy access companies delivering off-grid solar, mini grid and clean cooking energy services in developing countries.

#### Key Results

- Number of energy access companies supported through the COVID-19 Relief Fund
- Number of jobs at risk retained in the companies supported by the COVID-19 Relief Fund
- Number of households and small/microbusinesses serviced by the energy access companies, supported by the COVID-19 Relief Fund

### D. Preliminary Description

#### Activities/Components

The COVID-19 Energy Access Relief Fund (EARF) is a global fund established by multiple public and private financiers as a unified response to COVID-19’s threat to the survival of the nascent energy access industry, and preservation of energy access gains achieved in the past decade. EARF will offer concessional financing to energy access companies in exchange for their commitment to maintain jobs and continue serving their customers, in particular the poor and vulnerable households.

EARF will provide concessional loans to energy access companies, with specific focus on SMEs, to address the severe credit squeeze and reduction of market demand that they face because of the pandemic. The principal financial performance target of the fund is to preserve the capital but not to make commercial returns; the target return on investment is zero percent. Consequently, EARF is designed to be capitalized by a mixture of grants, loans, and guarantees in order to achieve the desired concessional terms of financing, in line with the EARF’s relief objectives, and reflecting the severe economic impacts of the pandemic.

The EARF borrowers will be companies that distribute clean energy products and services such as solar lanterns, solar home systems, microgrid electricity or clean cookstoves to end-user customers. The end-users are typically low-income households and small or micro-businesses in rural and peri-urban areas with no or unreliable access to an electricity grid or other sources of clean energy or electricity. The borrowers will need to demonstrate that they are creditworthy, have sound business models that in absence of COVID-19 would make their businesses viable, that they do not have alternative access to relief funding, and that the



EARF support would fill in their liquidity gap to withstand the crisis. The companies will use proceeds from the loans to finance their operating costs (primarily staff costs), and in the case of smaller companies also working capital and inventories. EARF will be managed by a professional fund manager with a demonstrated competency and track record in debt financing in the energy access, in particular off-grid solar, sector. *Social Investment Managers and Advisors, LLC (SIMA)*, a US-based fund manager established in 2015 – was competitively selected for this task.

The Project will contribute with a recipient executed grant from ESMAP of US\$2.2 million to SIMA for the capitalization of EARF (US\$ 1.96 million, Component 1) and to incremental operating expenses incurred by SIMA as the fund manager of EARF, which are related mostly to SIMA's environmental, social and other due diligence in the first year of EARF's operations (US\$0.24 million, Component 2).

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**Environmental and Social Standards Relevance**

**E. Relevant Standards**

ESS Standards		Relevance
ESS 1	Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10	Stakeholder Engagement and Information Disclosure	Relevant
ESS 2	Labor and Working Conditions	Relevant
ESS 3	Resource Efficiency and Pollution Prevention and Management	Relevant
ESS 4	Community Health and Safety	Relevant
ESS 5	Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
ESS 6	Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
ESS 7	Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
ESS 8	Cultural Heritage	Not Currently Relevant
ESS 9	Financial Intermediaries	Relevant

**Legal Operational Policies**

Safeguard Policies	Triggered	Explanation (Optional)
Projects on International Waterways OP 7.50	No	
Projects in Disputed Areas OP 7.60	No	



Summary of Screening of Environmental and Social Risks and Impacts

Funding will be used to support companies providing and installing individual off-grid solar systems and clean cooking appliances, and small solar PV mini grids, with a focus on maintaining access of the existing customers, rather than supporting new investments. Under the project, no construction of physical infrastructure is envisaged at this stage. The environmental and social risks are rated as moderate. SIMA is developing an Environmental and Social Management System (ESMS), for the EARF, in close coordination with all participating DFIs, including the World Bank. The ESMS outlines the requirements for E&S risk management in the fund. The environmental and social (E&S) risks will be managed by SIMA's careful evaluation of E&S risk management systems of the applicant companies and agreeing on mitigation measures as required. The companies will be expected to have in place an adequate ESMS to be able to manage multiple small subprojects and integrate overall E&S sustainability into their operations. The companies will also be expected to provide regular E&S reports to SIMA. SIMA has trained analysts to carry out E&S due diligence and an E&S consultant on call for complex E&S issues. Furthermore, the EARF will not support companies and subprojects categorized as A and B in line with the IFC PSs. This requirement will be included in the Financing Agreements signed between the Bank and SIMA as well as in the EARF specific ESMS. The potential environmental risks are expected to be moderate as EARF will support investment types with limited potential environmental impacts. The waste stream of subprojects will comprise battery waste (Li-ion and lead-acid batteries) and used batteries and e-waste such as panels, printed circuit boards, wires, etc. Some equipment used in off grid solar products and mini-grids may have some hazardous elements including lead, polymers and cadmium. These require special handling and management. These hazardous materials, if not collected, handled and disposed of well, would pollute soil and groundwater sources that may cause significant community health risks. The main environmental risks are primarily related to used batteries and e-waste and safe disposal of equipment, especially batteries, relevant aspects of labor issues including OHS, water use, and gender. Used batteries and e-waste contain materials that are considered toxic, which are harmful to the environment and human health if not properly managed. These risks assume greater significance in the absence of national regulations on used batteries and e-waste management in developing countries and service providers in many countries. As a result, SIMA will provide specific guidance to its borrowers on used batteries and e-waste management. The social risk rating is considered to be moderate as the project will be financing activities which have a limited capacity to result in significant social impacts. As outlined above, funding will focus on maintaining access of the existing customers, rather than supporting new investments which will further limit the potential for any impacts. Social risks that may occur include exclusion from project benefits of vulnerable groups including women, indigenous people and those in remote rural areas. Significant impacts associated with land acquisition are not expected as the EARF will mainly finance existing operations which will not require civil works. However, the ESMS will include provisions for land acquisition as well as a reputational risk assessment regarding approaches to historical land acquisition, such that companies that have been involved in forced evictions are excluded including on land under the traditional ownership of indigenous peoples. To further minimize these risks Projects classified as substantial or high risk (Category A or B) will not be supported by the EARF as per the financing agreements. Despite the aim of the EARF to provide relief funding to save jobs, labor risks including reduced pay and retrenchment are a risk given challenges with the flow of funds in many companies which will be addressed through the ESMS. Stakeholder engagement, including with consumers, may also be challenging given the nature of the project and due to Covid -19. Companies will be expected to have in place adequate

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social management measures to address these risks including Covid-19 secure methods to engage with relevant stakeholders as relevant.

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