MORE PROJECTS DEVELOPED, MORE INVESTMENT, LESS CARBON

SEED CAPITAL ASSISTANCE FACILITY

Working through private equity funds and development companies to mobilise early-stage investment for low-carbon projects in Asia and Africa

Seed Capital Assistance Facility

Implemented by:

UN environment programme

Frankfurt School FS-UNEP Collaborating Centre for Climate & Sustainable Energy Finance

Supported by:

UKaid from the British people

Federal Ministry for the Environment, Nature Conservation and Nuclear Safety

SCAF AT A GLANCE

Phase I of the Seed Capital Assistance Facility (SCAF) was incepted in 2009. Supported by contributions from the UK Department for International Development and the German Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety, SCAF Phase II started in 2014 and will phase out in 2026. The Facility seeks eligible partners active in low and lower-middle income countries of Africa and Asia.

Frontier Markets:

SCAF's Frontier Market and Sector requirement limits partners to no more than two of the same technology applications in the same country, helping to build their viability and prepare the markets for future scaling and acceleration.

As a true public-private partnership facility, SCAF implementation features are continuously amended to reflect rapidly changing renewable energy market conditions in its target geographies.

The support instruments:

SCAF Phase II provides support through three instruments. The partners enter into an agreement for either Support Line 0 for a duration of up to 24 months, or a framework agreement covering both Support Line 1 and 2, usually for a duration of between two and four years. SL0 and SL2 are reimbursable in case of successful financial close of the fund (for SL0) or the project (for SL2). SCAF provides co-financing of eligible activities of up to 50% given matching funds of the partner are in place.

Lessons learned:

A lesson learned from the first partners under SCAF II is that some partners are progressing much quicker than others. To allocate the funding more efficiently and align it more closely with the progress of the respective SCAF Partner, the Cooperating Partner Agreements (CPAs) for SL1+2 are not reaching the maximum amount initially. Accordingly, the initial size of CPAs is typically between USD 500,000 to 1,000,000 and is then increased when the partners show progress and respective spending.

SCAF IN AFRICA

KOUGA WIND FARM I South Africa

AKIIRA GEOTHERMAL POWER PLANT I Kenya

LUBILIA HYDROPOWER PROJECT I Uganda

SCAF IN ASIA

DAI PHONG WIND FARM I Vietnam

GREEN INDIA BUILDING SYSTEMS AND SERVICES (GIBBS) I India

LAKE MAINIT PROJECT I The Philippines

SUPPORT LINE	DESCRIPTION	AMOUNT AND TYPE OF SUPPORT	EXAMPLES OF CO-FINANCED ACTIVITIES
Support Line 0	supports first time equity investment entities in achieving the first financial close of the equity investment window.	**Conditional grant** of between USD 200,000 to USD 500,000 (over 18 – 24 month)	• Fundraising support (e.g. travel expenses) • Support for fund legal set up costs
Support Line 1	supports PE/VC funds and DevCos in increasing their project pipeline while at the same time delivering capacity building at local developer level.	**Grant (SL1) and conditional grant (SL2)** of between USD 500,000 to USD 2,500,000 (over 2-4 years)	• Training, coaching and workshops for local project developers • Conference participation • Pre-investment feasibility studies
Support Line 2	co-finances alongside PE/VC funds and DevCos the development costs of getting seeded projects to full financial close.		• Independent technical and project assessments • Feasibility studies • Financial risk analysis • Regulatory compliance and framework reviews • Independent valuation of projects • Environmental, social and governance risk analysis

Eligibility

In general fund managers and DevCos are eligible for SCAF support if they are active (or intend to be active) in low carbon frontier markets in Asia or Africa, having at least 70% of their activities in eligible sectors and regions.

Under SL 0, SCAF only supports first-time equity investment entity managers, which are defined as independent equity investment managers that have not raised nor managed any kind of low carbon related investment entity in the target region.

SL 1 and 2 are available to PE and VC funds as well as project development companies. In addition to the geographic and sectoral focus, eligible partners have to demonstrate that they are sufficiently funded. Interested parties have to demonstrate a track record of successfully having developed small to medium scale renewable energy or other low carbon projects to financial close and having a viable deal pipeline of projects in their target regions. Finally, all potential SCAF partners have to show at the time of signing the agreement, that they can match the support received under respective Support Line.

The engagement process

The engagement process is divided into four steps:

1. Introduction:

Interested partners are encouraged to contact the SCAF Agent for an initial call to clarify whether a potential partner is eligible in principle.

2. Proposal:

As a next step, the potential partner, - in cooperation with the SCAF Agent – prepares a SCAF proposal, which will be submitted to the Recommendation Committee (RC).

3. Due Diligence:

After the RC has endorsed the proposal, the SCAF Agent together with the Programme Management Unit (PMU) proceeds to an on-site due diligence.

4. Cooperating agreement:

If the due diligence is completed successfully, the PMU asks the SCAF Agent to complete a cooperating partner agreement.

The entire process from first discussion to final decision is expected to last 5-7 months.

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