

TF071518

ANNEX A

Supplement dated March 26, 2019

TO THE ADMINISTRATION AGREEMENT

dated July 20, 2010

BETWEEN

**THE GOVERNMENT OF ITALY AS REPRESENTED BY
THE MINISTER FOR ENVIRONMENT LAND AND SEA**

AND

INTERNATIONAL FINANCE CORPORATION

FOR

THE FINANCIAL SUPPORT OF

**ADVISORY SERVICES IN GLOBAL ENERGY ACCESS THROUGH
SOLAR MARKET DEVELOPMENT IN OFF-GRID AND BAD GRID
SECTORS**

UNDER THE CLEAN ENERGY ACCESS PROGRAM

Building on the work to date, the expanded Italy-IFC Partnership will work with companies with disruptive new solar-based technologies and innovative business models in order to catalyze the next stage of market development. Using the Lighting Global toolkit of programmatic support, as well as new approaches more appropriate to address the challenges of the emerging frontier market opportunities, IFC will seek to catalyze market development for solar energy services that will accelerate the transition to low carbon, climate resilient economic development. Within this wide geography, the regional and country level focus of the work will be determined by market conditions that enable appropriate testing and replication, and which provide a reasonable chance

of achieving success. Thus, the Partnership will focus in markets where conditions will be adequate to attract needed private sector participation and investment. IFC's capacity to operate in the market will also be an important determinant of geography. In undertaking this work, IFC will actively seek opportunities to leverage Italian strategic partnerships and bilateral agreements but will not be limited to work in those countries.

The scope of activities under Annex A, undertaken as programmatic efforts to support the development of the off-grid and bad grid distributed solar markets, have been supported with a total of \$26 million contribution to date, reflected in Amendments 1-4. With this amendment 6, this work will continue. IFC will continue to manage those funds to maximize impact under Annex A activities. In addition, Amendment 6 expands the resources available for Annex A activities by an additional \$4 million, enabling IFC to take that work to the next level in order to push the frontier of off-grid and emerging "bad grid" distributed solar market development. These activities are intended to:

- 1) *Extend the reach of solar energy services to more people* (including those living off the grid and those connected to a dysfunctional grid), *with a larger range of services* (to enable productive uses of energy and support economic development), and
- 2) *Underpin all of that work by protecting the market against poor quality products.*

While the use of those funds, consistent with the operating principles of the Trust Fund management, will depend upon the leverage opportunities that emerge downstream, the notional allocation below will guide the Trust Fund management (with the understanding that these are only targets and will be deployed flexibly).

Component 1: Expanded off-grid energy services delivery based on solar energy (Estimated deployment of additional funds: \$1 million)

The general focus of this work is to achieve higher level energy access (Tier 2-5 on the SE4All Energy Access scale) in off grid markets to enable access to higher levels of energy service, and productive use applications to generate income and promote livelihoods.

- a. Increased household energy services (moving households up the energy ladder) through adoption of super-efficient DC appliances, including cooling, refrigeration, information technologies (computers), internet connectivity;
- b. Increased modern energy access for productive uses; driving green growth through solar motors, dryers, and cold chain refrigeration; and,
- c. Increased productivity in the agriculture sector through adoption of solar irrigation and related improved agri practices;

Component 2: Addressing the needs of the “Poorly electrified population” – (Estimated deployment of additional funds: \$3 million)

The primary objective is to reduce the loss in economic productivity, the large energy expenditures on diesel and gas, and the huge emissions of greenhouse gas related to diesel/gas generators which are currently the standard solution in countries where the existing grid is highly unreliable.

- a. IFC will work with companies with advanced battery storage technology and smart inverters coupled with solar, as well as local service providers able to deliver and service these systems in markets with a dysfunctional electric grid to develop the market for advanced battery storage and solar to replace diesel generators and increase the availability of reliable, affordable, clean energy services. Pilot programs will provide initial learning. The Partnership will seek to build on those pilots through replication in multiple markets. The ultimate long-term objective of the Partnership is to build scale through market mechanisms and replication by others;
- b. The Partnership will engage development partners, investors, and private companies in collaborative efforts to build the market. Initially, the Partnership will play a key thought leadership role in bringing attention to the problem of fossil fuel based back up generators (BUGS), the potential of solar + storage technology to replace those BUGS, and build collaborations to accelerate the transformation of the market; and
- c. The Partnership will support global, regional and country level programs and projects. These will be designed to address the key barriers impeding adoption of new technology which is economically cost effective and provides quality energy services while reducing environmental, health, and economic costs associated with the fossil fuel-based privately-operated generators that currently proliferate. Through testing, replication, and scale up, the Partnership will seek to accelerate adoption of solar + storage solutions.

Program Budget

The table below provides a breakdown of the estimated budget and prospective potential estimated uses of the additional IMELS funds (provided in 2019) for the activities under Annex A of the Agreement.

Program Activities (off-grid solar)	
- Market scoping and project development – global, Asia, Africa, new markets	235,000
- Country level program implementation – incl. staff, consultants, travel	235,000
- Lighting Global program implementation activities – incl. staff, consultants, travel, publications	480,000
- Administration Fee 5%	50,000
Subtotal – Off grid solar market development	1,000,000
Program Activities (bad grid/solar + storage distributed generation)	
- Market scoping and project development – global, Asia, Africa, new markets	760,000
- Country level program implementation	1,615,000
- Publications and global knowledge products and convenings	475,000
- Administration Fee 5%	150,000
Subtotal – Bad grid / distributed storage + solar market development	3,000,000
TOTAL	US\$4,000,000