

CASE STUDY

**Blended finance
in fragile settings:
P-RECs and the P-REC
Aggregation Facility**

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What works in using blended finance to de-risk investments in distributed renewable energy in fragile and conflict-affected situations? This case study explores the experience of Energy Peace Partners in their establishment of the Peace Renewable Energy Credit (P-REC) and the P-REC Aggregation Facility, an innovative blended finance fund focused on impactful energy ventures in fragile settings.

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ABBREVIATIONS

EAC	Energy Attributable Certificate
EPP	Energy Peace Partners
ESG	Environmental, social, and governance
FCS	Fragile and conflict-affected situations
DFI	Development finance institution
DRC	Democratic Republic of the Congo
IMS	Impact Management System
M&E	Monitoring and evaluation
P-REC	Peace Renewable Energy Credit
REC	Renewable Energy Credit
SDG	Sustainable Development Goal

Introduction

A key barrier to progressing distributed renewable energy (DRE) in fragile and conflict-affected situations (FCS) is a lack of financing, which primarily stems from the higher risks and uncertainty associated with FCS, including macroeconomic instability, security concerns, and transfer and convertibility risk, among other factors. To facilitate investment into impactful DRE projects and expansion of clean energy access in fragile settings, **innovative financing mechanisms** and **de-risking tools and approaches** need to be deployed to improve the bankability and sustainability of projects.

This case study focuses on **blended finance**, which uses grants and/or concessional funding (from, for example, bilateral donors and development finance institutions (DFIs)) to de-risk investments that have potential developmental or social impact, thereby improving the risk-return proposition for private investors and potentially crowding-in additional private finance. It brings public and private financing together to work in a joint manner, thereby harnessing private finance as an agent for the global public good in instances where private solutions alone would not suffice.¹ Blended finance has three key characteristics:²

- **Leverage** – the use of humanitarian or development finance and philanthropic funds to attract commercial finance into projects.
- **Impact** – investments are intended to drive development, social, environmental, or humanitarian progress.
- **Returns** – financial returns for private investors are in line with market expectations, based on real and perceived risks.

Blended finance holds significant potential to crowd-in private finance to DRE projects in FCS. However, rhetoric around leveraging a relatively small amount of concessional funding to successfully mobilise a relatively large amount of private funding is not yet reflective of reality in FCS. Although progress on using blended finance to mobilise private finance in FCS has been relatively limited to date, there is an emergence of initiatives using existing and emerging financing sources and de-risking tools and approaches and we anticipate gains to be made in coming years.

Learning from prior experiences on what works (and what does not work) in using blended finance to de-risk investments in DRE in FCS is essential and it's in this context that we explore the experience of **Energy Peace Partners** in their establishment of the **Peace Renewable Energy Credit (P-REC)** and the **P-REC Aggregation Facility**, an innovative blended finance fund focused on impactful energy ventures in fragile settings.

¹ Lankes, 2021.

² NRC, 2022.

1. Creation of the Peace Renewable Energy Credit

Energy Peace Partners (EPP) leverages innovative climate and finance solutions to promote peace in the world's most fragile settings. Their work focuses on roughly two dozen fragile countries, primarily in Africa, which are affected by the **triple challenge of energy poverty, conflict risk, and climate vulnerability**. To address this intersection, EPP develops and utilises innovative **climate-sensitive financial tools** that extend the renewable energy revolution to some of the world's most vulnerable populations to achieve the peace dividends of clean energy.

EPP pioneered the **Peace Renewable Energy Credit (P-REC)**, which is a unique financing solution designed to accelerate the transition to renewables and extend clean energy access to vulnerable populations in FCS. The P-REC is a type of Energy Attribute Certificate (EAC), an internationally traded virtual commodity that represents 1 MWh of renewable energy generated (see **Box 1**).

Box 1: Determining the value of a single P-REC

The P-REC represents the environmental attributes of 1 megawatt hour (MWh), thereby offering a way to monetise renewable energy projects in FCS. A single MWh is a measure of energy that shows the amount of power generated, with usage equivalent to 1,000 kilowatts or 1 million watts if continuously used in a single given hour.

Rather than linking the value of a single P-REC to the tariff equivalent or cost of generation, in transactions to date the P-REC price has been a function of the **specific cost of the social impact project that the purchase is funding**. For example, in the Democratic Republic of the Congo (DRC), Microsoft purchased 1,000 P-RECs from Nuru (a solar mini grid project developer operating in DRC), which funded the purchase and installation of streetlights in a recently electrified neighbourhood in Goma.³

To determine the value of the P-REC, EPP works backwards from the costing the overall project to determine the value of a single P-REC. For example, if the overall project costed Y, the price per P-REC is Y/1,000. To date, the average purchase price has been between USD 40 and USD 50 per P-REC. This approach allows the value to be context and impact specific, which is important in fragile settings.

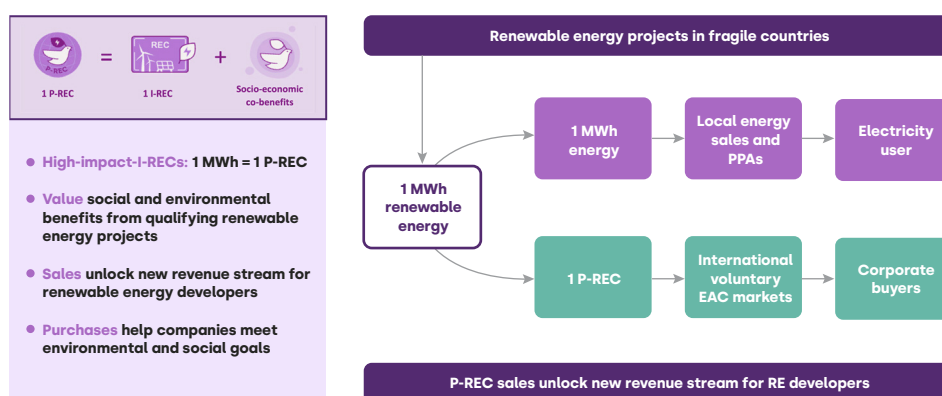
P-RECs were designed as a type of EAC, which **monetises renewable energy generated in fragile settings** and connects to corporate renewable energy markets, thus tapping into commitments to sustainability and social responsibility. This has brought FCS into mature multi-billion USD renewable energy credit markets. Governments,

³ EPP, n.d.

utilities, companies, and individuals can purchase EACs, which are a contractual instrument that enables them to meet mandatory or voluntary sustainability goals while providing renewable energy developers with a facility to monetise the impact they create through renewable energy generation.

Figure 1 illustrates how P-RECs work. A P-REC transaction involves (i) a **seller**, which is a renewable energy developer working in a fragile setting, (ii) a **buyer**, which is most often a corporate entity, and (iii) **local communities** that benefit from the impact of the DRE projects and/or additional P-REC funded social impact projects. Essentially, renewable energy developers in P-REC eligible fragile settings can sell P-RECs to corporate buyers, who can use these to advance their sustainability and social responsibility goals through their purchases. Revenue generated from P-REC sales is used by project developers to construct the renewable energy project or, in cases where the renewable energy project is already fully financed, the revenue can be used for an additional community benefit project such as powering a health clinic or installing streetlights.

Figure 1: How P-RECs Work⁴



An example of the P-REC working in practice can be seen in the experience of the Ndoshoh solar project below.

1.1 Ndoshoh solar project

In 2020, Microsoft purchased the first ever P-RECs from DRC-based solar developer, Nuru. These were issued by EPP and facilitated by the carbon trading company 3Degrees. The P-RECs were generated from Nuru's 1.3MW ground-mounted solar installation connected to a 520KW/2.2 MWh battery energy storage system that brought new electrification to the community of Ndoshoh in Goma, DRC, where less than 3% of residents had access to electricity and no previous grid infrastructure existed.

The P-RECs created a new revenue stream for Nuru, which it used to install and power **public streetlights** in Ndoshoh. From Microsoft's

⁴ EPP, n.d.

perspective, the P-REC provided them with an opportunity to invest in geographies and communities that are most impacted by climate change and deprived of modern energy, thereby offering higher impact from a climate equity perspective. It gave Nuru a new way to monetise the renewable energy from their core solar project, allowing them to unlock the necessary funding to extend community impact. Nuru's core 1.3MW solar project expanded renewable energy capacity and energy access in DRC, while the P-REC funded streetlights improved night-time safety and security in the community, allowed businesses to stay open later, and reduced reliance on diesel generators.

The relationship between Nuru and Microsoft has since developed further and has raised confidence in the impact and financial sustainability of the project. In May 2022, Microsoft made the first ever repeat P-REC purchase from Nuru, with the support of EPP and 3Degrees. This was also the largest P-REC deal transacted at that time and included the 2022-2024 P-RECs from Nuru's 1.3MW solar mini-grid in Goma, as well future P-RECs from a 3.7MW solar mini-grid that Nuru is building in Goma.⁵

The revenue from this second purchase supported first-time electricity connections for households, businesses, and social institutions, thereby directly supporting progress of SDG 7. Nuru is using the funding from this new P-REC sale to help finance its new 3.7MW solar mini-grid, which would serve approximately 20,000 direct beneficiaries in Goma.

Box 2: The Nuru-Microsoft transaction created additionality

Additionality is an important principle of blended finance. The measure of impact and additionality is important in blended finance to ensure a balance in the risks borne by each party in a transaction and to benchmark effectiveness.⁶ Impact refers to the measurable change in development, such as measuring the number of connections for a mini-grid project. Additionality relates to the role that blended finance plays in enabling this impact.

Microsoft's purchase of P-RECs positioned the project to attract further private investment and enabled the project to create impact. Testing additionality is best done through data and transparency, however, in a fragile setting, measuring additionality is often not conclusive and requires layers of judgement and guided expectations to support the credibility and legitimacy of the approach.⁷

Together, Nuru's projects are estimated to constitute one of the largest off-grid mini-grids operating in sub-Saharan Africa and they will eventually serve approximately 125,000 people and increase the average electrification rate in affected areas from 3% to around 20%. Nuru sees this project as catalytic to install an additional 14MW in

⁵ Mthembu-Salter et al., 2019.

⁶ Lankes, 2021.

⁷ Ibid.

renewable energy infrastructure in DRC in 2023. The success of these projects is due in large part to the deep local contextual understanding that Nuru brings and that EPP further contributes regarding localities where projects are developed, as outlined in **Box 3**.

Box 3: Understanding the electrification contexts in FCS

One of the benefits of DRE as a feasible electricity source in fragile settings is that its decentralised nature makes it less prone to national-level political risks and less likely to be targeted in conflict. However, each fragile setting is different and, consequently, this requires an understanding of electrification challenges at both the national and sub-national levels. EPP approaches managing this dynamic by building strong in-country partnerships and working closely with project developers who have a thorough understanding of the sub-national context that the project is designed to serve.

For the Nuru-Microsoft project in Ndoshoh, Nuru undertook a specific study to explore the electrification rates in Goma. It included indicators that helped to build understanding and credibility at a sub-national level such as an understanding of the environment, political authority of national and local government, a mapping of who the local state actors are, information on customer demand and willingness to pay, existing renewable energy infrastructure, assessments of local energy capacity, peacebuilding and humanitarian efforts, mapping of potential partner organisations, and understanding who wins and who loses at the sub-national level as a result of the project and implications it could lead to.

Being able to build this understanding at not only the national level, but also the sub-national, quasi state, and local state actor levels was important to ensure the project had a good foundation to be successful and partners could make informed decisions around the viability and financing of the project.

1.2 Key challenges of the P-RECs

Developing and implementing P-RECs has not been without challenges, however. Organising and facilitating involvement of different stakeholders along the three characteristics of blended finance – leverage, impact, and returns – has been necessary to ensure P-REC transaction are successful, and this process of alignment can be challenging. It came with an array of challenges around being a first mover or pioneer and managing and facilitating distribution of risk among different actors. Some of the main challenges EPP encountered include:

- **Economic viability.** Even where feasibility studies have been done, the economic viability of mini-grid projects can be challenging due to limits on what local customers can afford, currency fluctuations, and other economic challenges. Limited access to information makes it even harder to measure commercial feasibility, as well as the impact potential from the project.

- **Risk perception.** There is limited capital available in fragile settings due to country level risks, including political, security, social, and macroeconomic instability. Investors may be risk averse and their limited local contextual knowledge may mean perceived risks exceed actual risks for them.
- **Local understanding and networks.** Political instability in fragile settings can escalate conflict and unrest. This requires building relationships, including with e.g., local government, as well as understanding of the political economy to minimise exposure to political risks.
- **ESG standards.** In many FCS, ESG standards are not prioritised or enforced, meaning there is limited accountability for projects meeting ESG standards.

Additionally, through the evolution of the P-REC, the EPP team identified barriers that potentially limited the sustainability of impact achieved through P-REC transactions. Notably, most corporate buyers of P-RECs would purchase the certificates based on **previously** generated renewable energy (i.e., backwards looking) or up to one year of forecasted renewable energy. This limited project developers' revenue stream to only one year from existing projects, constraining their ability to use P-REC revenues for planning more than one year in the future or to help finance new projects.

To address this barrier and open up financing for developers in a forward-looking, multi-year manner, EPP has developed the **P-REC Aggregation Facility**, which provides a solution for eligible developers for up to 10 years of forward P-REC financing. This innovative blended finance approach supports developers to scale their projects and help bring new projects to life. It also helps address some of the fragility-related challenges outlined above.

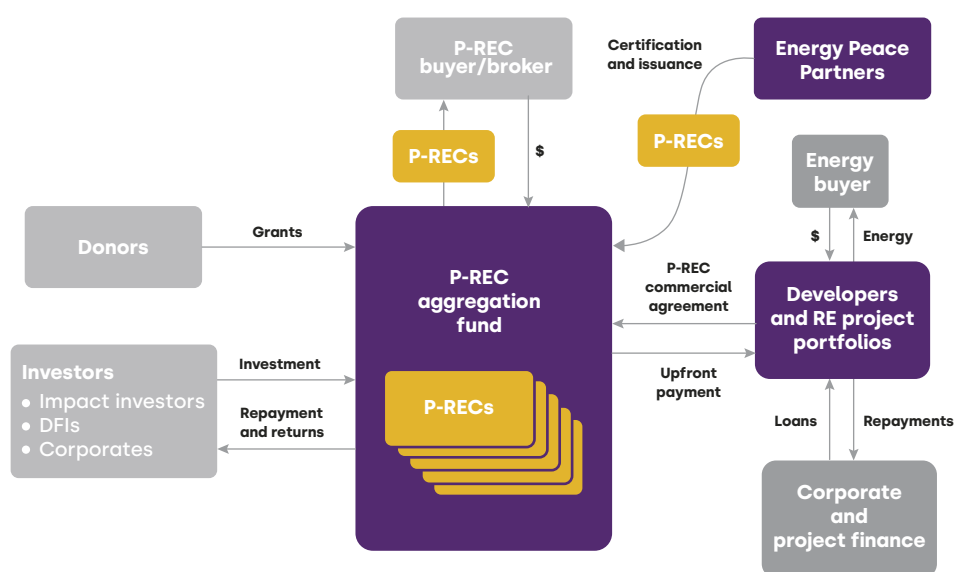
2. The P-REC Aggregation Facility

The P-REC Aggregation Facility's design and development was intended to address the limited one-year horizon of P-REC purchases, restrictions of payment upon delivery, and an increasing demand and supply for P-RECs. The Aggregation Facility aims to increase access to finance by monetising and paying renewable energy developers (as the standard P-REC transactions did), but now in a **forward-looking manner** that considers **future** generation and forecasted P-RECs and pays for this upfront. The facility provides opportunities for 10 years' forward purchase agreements with renewable energy developers in FCS. It functions by paying developers upon or prior to commercial operation for future P-RECs, based on forecasted and expected renewable energy generation.

The Aggregation Facility essentially combines blended finance with the P-REC instrument to deliver investment solutions at scale for

DRE projects in very challenging contexts. It aims to receive grant funding from donors and investment from DFIs, impact investors, and commercial investors, who receive a return on their investment (see **Figure 2**). This financing will allow it to aggregate and own a portfolio of P-RECs that captures the value of expected renewable energy generation and, as power is generated, the Facility sells the P-RECs to corporate buyers at a premium value, based on current renewable generation. This innovation monetises future P-RECs to provide eligible developers with long-term capital upfront in hard currency to enable more development and scale renewable projects in some of the hardest to reach communities.

Figure 2 P-REC Aggregation Facility mechanism⁸



The Aggregation Facility is expected to come online in 2024, and will focus on 11 fragile, energy-poor countries in sub-Saharan Africa with initial attention on the DRC, South Sudan, Chad, Somalia, and Uganda. The USD 10.25 million Facility aims to unlock the full potential of P-RECS to generate new revenue streams for renewable energy developers in fragile settings. It has blended finance at the heart of its design and implementation and anticipates leveraging an additional USD 90 million for new renewable energy projects in fragile, energy-poor countries in sub-Saharan Africa.⁹ The capital structure consists of a concessional equity facility (USD 5.125 million), a first loss tranche (USD 5.125 million) and a facility preparation grant (USD 0.5 million) (see **Box 4**).

⁸ EPP, n.d.

⁹ The Aggregation Facility targets projects in 11 African countries: Central African Republic, Sudan, Liberia, Mali, Nigeria, South Sudan, Somalia, Chad, DRC, Ethiopia, Uganda

Box 4: Capital structure: The importance of first loss tranches in fragile settings

A first loss tranche is designed to bear losses incurred through exposure to high risk. It is an insurance mechanism that is used to absorb losses and protect other tranches in the capital structure. Arguably, the exposure to risks in FCS are high, resulting in first loss tranches tending to be larger in these contexts relative to other settings.

By virtue of its up-front forward payments for further P-RECs, the Aggregation Facility takes on risks that are mitigated with the 50% first loss capital structure. These risks are categorised into four broad groups:

- risks to the renewable energy projects themselves
- political instability risks
- conflict risk
- regulatory risks.

P-RECs are also being used to create a new market entirely for renewable energy credits from conflict-affected regions. Therefore, although Renewable Energy Credits (RECs) are commonplace globally and there are many established REC markets in, e.g., the United States and Europe, RECs from the African continent, from fragile settings, and from off-grid renewable energy systems are new and pose a unique set of risks that have to be accounted for in the capital structure.

EPP is essentially forging a new market and plans to utilise the 50% first loss as a mechanism to account for and to systematically absorb exposure to risk. As the market is built over time, EPP anticipates decreasing the relative amount of first loss capital required. However, in the FCS EPP operates in, the first loss tranche will generally remain relatively higher than non-FCS until other risk mitigation measures can be put in place.

The sales revenue generated for developers from the Facility's forward purchase of P-RECs supports the finance and construction of projects as the P-REC sales agreements will enable the developers to use the revenue generated as **equity** in the project as well as to **unlock additional capital**. In practice, this means that projects such as Nuru's have a credible revenue stream that helps to de-risk the project and adjust the risk-return profile for renewable energy investors who may not have considered the project as viable prior to the P-REC financing (see **Box 5**).

Box 5: Tracking project-level impact in Goma, DRC

Energy access has been shown to have multiple socio-economic benefits at individual, household, and community levels. EPP is focused on using investments in renewable energy to achieve positive long-term peace benefits, such as the absence of violence and conflict.

In 2022, EPP undertook a project-level data collection effort looking at the peace benefits of the P-REC-funded, Nuru-implemented, street light project in Ndosho, Goma. These P-RECs were generated and issued from Nuru's 1.3MW solar mini-grid in the area. To measure the impact the project achieved, EPP used a **comparative assessment** of two neighbourhoods: Ndosho (the beneficiaries of the P-REC-funded project) and the adjacent neighbourhood of Mugunga, which had close matching socio-economic and demographic indicators but did not receive energy from the Ndosho project or public streetlights.

EPP deployed a team of enumerators to collect primary (survey) data and focus group discussion data from both neighbourhoods, with the aim of building an understanding of and measuring the socio-economic and peace effects of the project. A total of 194 households surveys were undertaken and two focus group discussions conducted across the two neighbourhoods. Results showed that:

- There was a heightened sense of security in Ndosho compared to Mugunga.
- Street lighting has especially benefitted women and girls, allowing them to continue business activities at night and reducing the risk of sexual assault.
- Overall levels of peace in Ndosho were higher than in Mugunga, by approximately 9%, with Ndosho scoring higher on six out of the eight pillars of the Positive Peace Framework.¹⁰

Although EPP does not ascribe any causality between the P-REC project and peace prevalence at this stage due to limitations on measurement and short-term horizon, the findings gave the EPP team optimism about the contribution that P-REC financing is making to support peace outcomes and confidence in renewable energy access as a peacebuilding tool.

EPP also has ambitions to **expand the Facility** to include commercial capital and introduce lending facilities, providing comprehensive financial support, in turn demonstrating how different financing sources are combined to work together to progress impactful renewable energy projects, while achieving impact and returns for the different parties.

Technical assistance to accompany concessional funding is often an important component of effective blended finance. The technical assistance must be project specific and it should support the productivity of the investment to generate sustainable project growth. The Aggregation Facility is informed by the need to tailor blended

¹⁰ EPP, 2022b.

finance solutions to the local context, which applies to technical assistance packages as well as financing structures.

EPP is planning to have a fully integrated technical assistance facility within the Aggregation Facility. In the meantime, the Facility plans to work with projects and developers that have already received a level of credible technical assistance or where a third-party technical assistance agreement is in place. Over time, the fully integrated technical assistance facility to the Facility will be funded by direct profits above a certain threshold and will be ringfenced and reinvested specifically into technical assistance. The intention is for the Facility's profits to enable less financially sophisticated developers to participate in the Facility, in turn raising developers' capabilities and ability to absorb and utilise the investment better and potentially to also leverage additional financing. Ultimately, this will make expansion of the renewable energy sector more sustainable and inclusive.

3. Creating and measuring impact

A fundamental characteristic of blended finance is that the transaction has to lead to **developmental impact**. The Aggregation Facility aligns impact targets to the SDGs. The creation and measurement of impact through the Facility is anchored by a theory of change that operationalises the vision being pursued, namely, to **use renewable energy to create sustainable peace and resilience**. **Figure 3** summarises the Aggregation Facility's theory of change.

Figure 3 Summary of Aggregation Facility's theory of change¹¹



¹¹ Energy Peace Partners, Aggregation Facility (slides).

P-RECs are contributing to multiple SDGs, including SDG 7 (clean energy for all) and SDG 13 (climate action) in the short term. These transactions lead to further socio-economic benefits and impact across a range of SDGs, such as job creation, increasing livelihood opportunities, and enhancing night-time safety and security. Through the achievement of these development impacts, P-RECs aim to contribute to a decrease in conflict and to support long-term peace (SDG 16). In addition to this, the Facility is designed to drive community impact, advance the SDGs, generate 82 MW in new renewable energy capacity, connect over 500,000 households to reliable renewable electricity, create 1,877 direct jobs, and avoid over 149,000 tons of CO₂ emissions annually.

To measure impact along these indicators, EPP has built out an impact management system (IMS) that allows it to track and measure the impact indicators and peace benefits of P-REC-funded projects, including those funded through the Aggregation Facility. The IMS includes both standardised indicators based on the relevant SDGs in the theory of change, as well as project-level outputs, outcomes, and peace impacts that P-REC-funded projects have contributed to. In FCS, data collection is often difficult, which requires EPP to work closely with partners on the ground and local authorities to gather the necessary data and information. In addition to this, EPP collects data and insights directly through the funded projects, which track project outputs, outcomes, and impact. EPP also works directly with in-country enumerators to collect data outside of the project's core impact indicators, particularly around social impact measurement.

The impact of renewable energy investments on peace takes time to materialise and, therefore, measurement of these impacts must be done over the medium- to long-term. EPP uses the **Peace Positive Framework**, which measures indicators along the eight pillars of peace: sound business environment, well functioning government, equitable distribution of resources, free-flow of information, good relations with neighbours, high levels of human capital, acceptance of the rights of others, and low levels of corruption.¹²

4. Qualification requirements for investments

In fragile settings and frontier markets, there is a need for blended finance approaches to be informed by the local context rather than attempting to apply a one-size-fits-all approach.¹³ This is the case not only for the design of the Aggregation Facility and subsequent transactions, but also the qualification and due diligence processes adopted by EPP. These include in-country presence and local knowledge, which are necessary to provide a robust assessment of the feasibility

¹² Positive Peace Index.

¹³ Lankes, 2021.

and potential peace and developmental impacts of a project. **Table 1** summarises the main requirements EPP apply when conducting due diligence and qualification for investments – the information from these assessments helps them make informed decisions and estimate the returns and impact of a Facility investment.

Table 1 EPP's qualification requirements

Qualification requirements	Aggregation Facility
Location	The project will be based in a fragile country affected by conflict risk, climate vulnerability, and energy poverty, especially in an Aggregation Facility priority country.
Technical capabilities	The project should be able to generate new renewable energy that provides access to clean energy in the hardest to reach communities. The project must have a team that has the capabilities to deal with technical and performance issues, such as construction delays, equipment failures, or operational and maintenance issues.
Project feasibility	The project will be supported by existing community engagement and assessment of the market, including the expected level of revenue and willingness to pay of the expected energy buyers.
Traction	The project will have some tangible traction that helps to minimise delays in delivery, such as interactions with officials, agencies, and partners, obtaining necessary permits and understanding and navigating the regulatory environment.
Impact	The project plan should have quantifiable targets for the expected beneficiaries and mechanisms to track progress to achieving the impact.
Risks	An understanding of the real risks facing the project and ways to manage these risks.

As well as the above qualification considerations, the Aggregation Facility is committed to **transparency and disclosure**. Environmental, social and governance (ESG) standards are an important part of this, especially in FCS where very limited regulatory standards exist to ensure ESG standards are being complied with. Although most settings have some ESG standards in place, the policy and regulatory environment to ensure transparency and reporting may be limited or non-existent. The Facility makes it an integral part of their own operations to ensure ESG standards are adhered to by both the Facility and investees. CAMCO, who acts as the Fund Manager, has an extensive track record of deploying capital in FCS.¹⁴ This partnership allows EPP and CAMCO to combine their extensive expertise, policies, and processes to integrate ESG assessment into the Facility's investment approach and ensure close monitoring and management of ESG-related risks. In addition to this, the Facility only supports renewable energy projects that meet applicable ESG standards and have limited adverse site-specific environmental and social risks and comprehensive mitigative measures.

¹⁴ CAMCO, n.d.

Conclusion

As the P-REC issuer, EPP plays an important role providing a market mechanism that allows project developers to benefit financially from P-RECs while providing corporate buyers with an entry point to support impactful projects. P-RECs support both public and private sector actors to fund clean energy solutions that deliver tangible benefits to communities affected by conflict, and therefore offer practical lessons that could inform other blended finance initiatives on progressing mini-grid projects in fragile settings.

These lessons include:

- 1. Collecting and making effective use of data.** This is a key component of how EPP measures impact, returns, and leverage. It also enables EPP to provide insight on additionality and attribution and supports learning and sharing of findings with other organisations. EPP undertakes its own data collection and works closely with developers to collect data around their impact indicators. This often results in data collection in areas where little previous data collection has been done, making available a valuable resource for other initiatives and organisations too.
- 2. Understanding and managing risks.** EPP faced an array of risks associated with investing in FCS and had to develop appropriate mitigation measures. Some of these risks were factored into design of the capital structure of the Aggregation Facility, which takes account of higher risks in the short run through the first loss tranche, along with a strategy to regularly understand risks and adjust the capital structure in the long run.
- 3. Grappling with aggregation versus attribution challenges.** Original P-REC transactions had clearer additionality and attribution as corporate buyers knew the exact impact the transaction had achieved and could measure and account for it. The evolution of the Aggregation Facility will mean there are more buyers investing in the same projects, making it more difficult to tie impact stories back to a single purchase commitment, which complicates estimates of attribution and leverage. It highlights a trade-off between aggregating a solution and understanding project-level additionality and attribution. EPP is still working through the best mechanisms to address this.
- 4. Technical assistance is a valuable complementary service.** The Aggregation Facility plans to provide technical assistance with a context-specific approach that could support early stage and patient investment to enable DRE solutions to be more commercially viable. Improved technical capabilities increase opportunities for long-term leverage and buy-in from other parties by teeing up investments to be ready for critical contributions from other initiatives and investors.

5. Improving market understanding and investment decision-making.

Lessons learned through the deals that EPP facilitates increase market knowledge and improve our understanding of actual versus perceived risks and what is needed for success, therefore enabling existing developers and new market entrants to make more informed decisions around investing in DRE projects in fragile settings. EPP's experience has also led to other groups seeking to cooperate with EPP in less fragile settings to implement RECs more broadly as a financing tool for DRE projects in Africa, as well as around developing REC markets from off-grids and distributed renewables.

6. Building partnerships with local partners. Partnerships have been fundamental for EPP in developing a deep understanding of the local context and how to navigate and assess risks at the sub-national level. Managing risks in fragile settings is a continual and dynamic process. Being able to distinguish real risks from perceived risks is essential to enable blended finance to operate effectively in fragile contexts.

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The **State Fragility initiative** (SFi) is an International Growth Centre (IGC) initiative that aims to work with national, regional, and international actors to catalyse new thinking, develop more effective approaches to addressing state fragility, and support collaborative efforts to take emerging consensus into practice. SFi brings together robust evidence and practical insight to produce and promote actionable, policy-focused guidance in the following areas: state legitimacy, state effectiveness, private sector development, and conflict and security. SFi also serves as the Secretariat for the Council on State Fragility.

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