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Emerging Africa Infrastructure Fund backs US\$76 million 40MW solar farm in Mozambique

Project is key to development strategy for SMEs in rural Mocuba region

The Emerging Africa Infrastructure Fund (EAIF / the Fund), which is part of the Private Infrastructure Development Group, has signed a Participation Agreement with the International Finance Corporation (IFC) to provide a US\$16.9 million B Loan, with a +16-year term, to Central Solar de Mocuba (CESOM), the private sector developer of the Mocuba solar farm in Northern Mozambique. In addition, EAIF is directly providing a US\$7m Viability Gap Funding Grant for the Project raised from the Technical Assistance Facility (TAF) of the PIDG. The US\$76 million plant is due to be completed in mid-2018. It will be a core element in the Mozambique government's strategy of incentivising the creation of small and medium-sized businesses in the mainly rural Mocuba area.

EAIF's umbrella organisation is the Private Infrastructure Development Group (PIDG). Seven governments (and The World Bank) currently contribute funds to PIDG. In the case of EAIF, support comes from the governments of the UK, The Netherlands, Sweden and Switzerland, as well as private sector banks, the German development finance institution, KfW and its Dutch equivalent, FMO.

CESOM has been created to build and operate the Mocuba plant. Its owners are Scatec Solar, an established independent power producer with a portfolio of 322 MW in Africa, Europe and the Central America; Electricidade de Mozambique (EDM), the national electricity utility and Norfund, the Norwegian Investment Fund. EAIF has previously supported a SCATEC/Norfund solar development in Rwanda. CESOM has agreed a long-term supply arrangement with EDM.

CESOM's Mocuba facility will be the largest solar farm and the first utility scale solar plant yet built in sub-Saharan Africa (outside South Africa). In total, some 175,000 households in the immediate region and other parts of the country will be supplied with electricity from the plant, via Mozambique's national grid. Output is estimated to be c.80,000 megawatt hours per year. Mocuba will account for c.4.8% of Mozambique's currently available electricity capacity, but c.40% of the capacity of its Northern grid. 335 locally engaged people are to build the plant and further 13 people will have jobs when it is operational.

Accelerating economic development is central to meeting the needs and unlocking Mozambique's potential, especially the 45% of its people under the age of 15. The country's total population is estimated at c.26 million.

"Mozambique is a country of abundant natural resources, vast areas of unused agricultural land and millions of young people who, given the right opportunities, can transform the country into an African powerhouse. Increasing energy production and availability is fundamental to faster economic development, building business confidence, fostering skills and encouraging social and political stability," says EAIF Executive Director, Emilio Cattaneo.

By locating the Mocuba facility at the centre of the grid serving Northern Mozambique, the daytime electricity system will be more stable and security of supply improved. Introducing solar power also reduces the country's high dependence on hydro power. The price of power from the Mocuba plant is forecast to be at reasonable levels for the Mozambique market.

Mikkel Tørud, Scatec Solar's CFO says, "Working with EAIF and Investec Asset Management brought us high levels of expertise, commitment and engagement with a project that has the potential to help many people out of long-term poverty. Their raising of the Viability Gap Funding Grant from the Technical Assistance Facility of the PIDG, also directly helps reduce the tariff to be paid by EDM as off-taker and thus the end user."

EAIF is managed by Investec Asset Management (IAM), one of the largest third-party investors in private equity, credit, public equity and sovereign debt across the African continent. "Loans from conventional commercial lenders to projects in fragile states like Mozambique are infrequent and often simply unavailable. Without support from highly specialist and focused funds like EAIF, catalytic progress in difficult investment climates would be often impossible. In this case, we are working with an established and experienced client and a government focused on creating a stronger electricity sector to facilitate jobs, business creation and greater social cohesion," says Nazmeera Moola, head of EAIF at Investec Asset Management.

ENDS

The Emerging Africa Infrastructure Fund is funded by:



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Notes to Editors

The Emerging Africa Infrastructure Fund

The Emerging Africa Infrastructure Fund provides a variety of debt products to infrastructure projects promoted mainly by private sector businesses in sub-Saharan Africa. Established and substantially funded by the governments of The Netherlands, Switzerland, Sweden and the United Kingdom, and with debt provided by the German development finance institution, KfW and its Dutch equivalent, FMO, the Fund works with private sector businesses, African and European banks and other development funds and agencies. It helps create the infrastructure framework that is essential to sustained economic stability, business confidence, job creation and poverty reduction. It has to date supported nearly 60 infrastructure projects across eight sectors in 20 sub-Saharan African countries.

www.eaif.com

The Private Infrastructure Development Group

The Private Infrastructure Development Group (PIDG) encourages and mobilises private investment in infrastructure in the frontier markets of sub-Saharan Africa, south and south-east Asia, to help promote economic development and combat poverty. Since 2002, PIDG has supported 133 infrastructure projects to financial close and provided 265 million people with access to new or improved infrastructure. PIDG is funded by donors from seven countries (UK, Switzerland, Australia, Norway, Sweden, Netherlands, Germany) and the World Bank Group.

www.pidg.org

About Investec Asset Management

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www.investecassetmanagement.com

*As at end March 2017

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