

Fast facts

ESTABLISHED: 2007
FACILITY SIZE: Target: \$400m
First close: \$199.4m; Second close: \$23.25m
TARGET COUNTRIES:
Sub-Saharan Africa, and select North African countries

SDG



AFRICA2026



CORE OFFERING
The mandate of Evolution III Fund aims to catalyse climate impact through strategic energy transition investments in clean renewable energy infrastructure, energy access, and resource efficiency (climate tech) in Africa. It aims to leverage its expertise and track record to drive positive environmental and social change while delivering returns for investors.

GOALS
The fund prioritises scaling clean energy, through acceleration of the deployment of renewable energy sources, contributing to the reduction of carbon emissions and mitigating climate change. Simultaneously, the fund supports energy access in underserved regions – by financing projects that provide reliable and sustainable energy solutions – thereby improving livelihoods and fostering sustainable economic development.

IMPACT INVESTING INSTRUMENT
Private equity investment, blended finance (including the strategic use of concessional finance from public or philanthropic sources) and other financial instruments such as green bonds and syndicated loans.

About
Founded in 2007, Inspired Evolution is one of Africa's trusted specialised clean energy, energy access and resource efficiency fund managers. As a first mover investing on the African continent for almost two decades, Inspired Evolution has financed more than 10 GWs of renewable energy projects and currently manages over 500 million US dollars across three funds.

The fund's mandate is to maximise its impact across various sectors and geographies, ensuring that its investments not only deliver environmental benefits but also address social and economic challenges faced by communities in Africa.

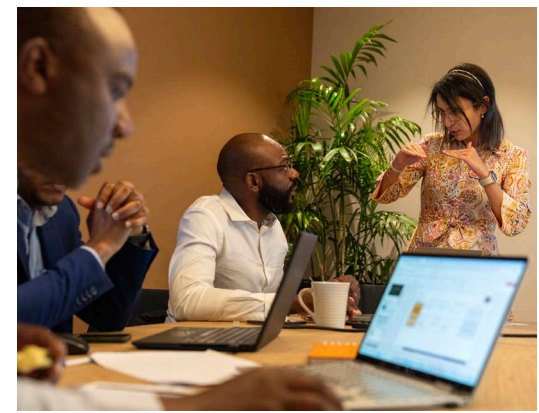
IE's mission is to drive positive climate impact while generating sustainable financial returns, necessitating an integrated, systemic approach to investing in the transition to a low-carbon economy in Africa.

The fund's holistic approach to Africa's just energy transition to more sustainable and inclusive economies is unique. By focusing on the interconnected nature of environmental and socioeconomic issues, Evolution III invests in solutions that are integrated in nature and more likely to deliver on impact outcomes over time.

Further, the fund's uniquely African perspective allows for nuanced approaches to opportunity identification, risk mitigation, partnership building and impact measurement.

The problem

To address the pressing need for sustainable energy access and climate mitigation in Africa, Evolution III aims to tackle the interconnected challenges of energy poverty, climate change, economic development and public health in Africa, to create a more sustainable and equitable future for the continent.



ENERGY ACCESS:
Many regions in Africa still lack reliable and affordable access to electricity, hindering economic development and limiting opportunities for education, healthcare and entrepreneurship. By investing in clean energy projects, Evolution III seeks to expand energy access to underserved communities, thereby improving livelihoods and fostering social inclusion.



CLIMATE MITIGATION:
Africa is particularly vulnerable to the impacts of climate change, including extreme weather events, water scarcity and agricultural disruptions. Investing in renewable energy infrastructure helps reduce reliance on fossil fuels, mitigating greenhouse gas emissions and contributing to global efforts to combat climate change.



ECONOMIC DEVELOPMENT:
Access to clean energy can catalyse economic growth by powering industries, stimulating job creation and attracting investment. Evolution III's investments in clean energy development platforms not only contribute to environmental sustainability but also support local economies, creating opportunities for employment and entrepreneurship.



HEALTH AND WELL-BEING:
Traditional energy sources such as biomass and kerosene are often used for cooking and lighting in communities without access to electricity, leading to indoor air pollution and respiratory diseases. Transitioning to clean energy sources improves air quality and reduces health risks, particularly benefiting women and children who are most affected by household air pollution.

Addressing challenges

The IE team has had to address two key challenges with respect to Evolution III:

- 1: Balancing financial returns with impact objectives without compromising one or the other.** IE recognises that its impact strategy may present the potential for lower financial returns compared to traditional investment approaches, especially in cases where social or environmental outcomes are prioritised over maximising financial returns. To combat this, IE implements robust processes and strategies with respect to due diligence, risk diversification, financial structuring, exit strategies, monitoring and evaluation, stakeholder engagement and communication and collaboration.
- 2: Measuring and quantifying impact in a way that is meaningful and comparable across different investments.** Impact metrics can be complex and context-specific, making it challenging to assess and compare the social or environmental outcomes of different investments accurately. To ensure impact data relevance, Evolution III tracks over 100 impact metrics, aligned with methodologies used by the Global Impact Investing Network (GIIN), Impact Reporting and Investment Standards (IRIS+), Harmonised Indicators for Private Sector Operations (HIPSO), and respective investors' reporting requirements.

"One lesson we've learned is the importance of clear communication and alignment among stakeholders regarding impact expectations. Ensuring that investors, investees and other stakeholders have a shared understanding of impact objectives and how they will be measured helps mitigate potential conflicts and fosters collaboration towards common goals. Additionally, we've learned the value of flexibility and adaptation in our approach to balancing financial returns with impact objectives. As circumstances change and new opportunities or challenges arise, we must be willing to adjust our strategies and priorities to optimise both financial and impact outcomes. Overall, finding the right balance between financial returns and impact objectives requires ongoing learning, collaboration, and adaptation, but the potential for positive social and environmental change makes it a worthwhile endeavour."



What makes this fund unique?

IE is a private equity investor and Evolution III is a private equity investment fund.

The use of low-cost leverage and blended finance increases the fund's ability to attract private investment by mitigating risks through the strategic use of concessional finance from public or philanthropic sources.

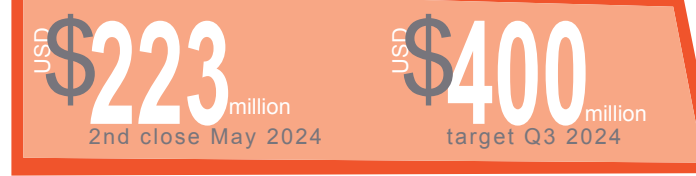
Financial instruments such as green bonds or syndicated loans are utilised to scale up investment capabilities as needed, adapting to the funding requirements of different projects and regions. IE's investment strategy identifies and targets areas where traditional investment approaches have fallen short, including:

- A focus on clean energy in Africa:** IE specifically targets clean energy projects in Africa, recognising the region's immense renewable energy potential and the urgent need for sustainable energy solutions.
- Multi-sector expertise:** Evolution III leverages 17 years of deep, specialised multi-sector knowledge in Africa. This extensive experience enables IE to identify investment opportunities that may be overlooked by traditional investors who lack a nuanced understanding of the African market landscape and its unique challenges.
- Risk mitigation strategies:** Traditional investors may perceive investments in clean energy projects in Africa as high risk due to factors such as political instability, regulatory uncertainties and inadequate infrastructure. Evolution III employs risk mitigation strategies, such as investing in diversified clean energy platforms and partnering with seasoned developers, to minimise risk and enhance the attractiveness of these investments.
- Alignment with impact objectives:** Evolution III's investment strategy is explicitly aligned with impact objectives. By targeting investments that address pressing social and environmental needs, IE aims to generate both financial returns and positive outcomes for communities and the environment.
- Long-term Perspective:** Evolution III takes a long-term perspective on investment, recognising that sustainable development

Scalability

Evolution III's model is highly scalable, for several reasons:

- Adaptability:** The fund's investment strategy is adaptable to different market conditions and regulatory environments. This flexibility enables it to accommodate projects of varying sizes and subsector focus across multiple jurisdictions.
- Collaboration:** IE collaborates with a range of financial partners to leverage additional funding and share investment risks, making use of blended finance structures, which makes larger and more ambitious projects feasible. Partnerships with technology providers, local businesses and international investors enhance project execution capabilities and provide access to additional capital and markets.
- Track record:** A strong record of financial and impact return makes the fund attractive to impact investors.



requires patient capital and a commitment to enduring impact. This contrasts with traditional investment approaches that may prioritise short-term financial gains over long-term sustainability. By addressing these gaps and challenges in traditional investment approaches, Evolution III aims to unlock opportunities for impactful investment across the continent.

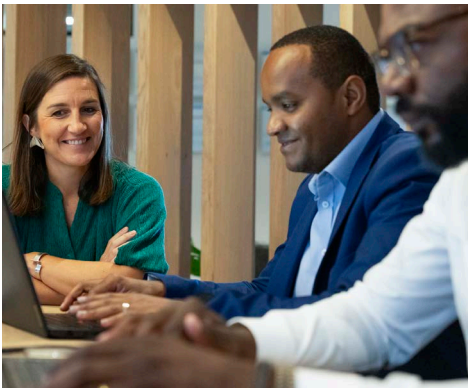
Impact

Investing in clean energy sources aligns with several Sustainable Development Goals, as does investing in companies that prioritise equal employment opportunities and safe working environments. These investments promote social justice, empower women, and ensure safe and equal working opportunities while fostering sustainable economic development.

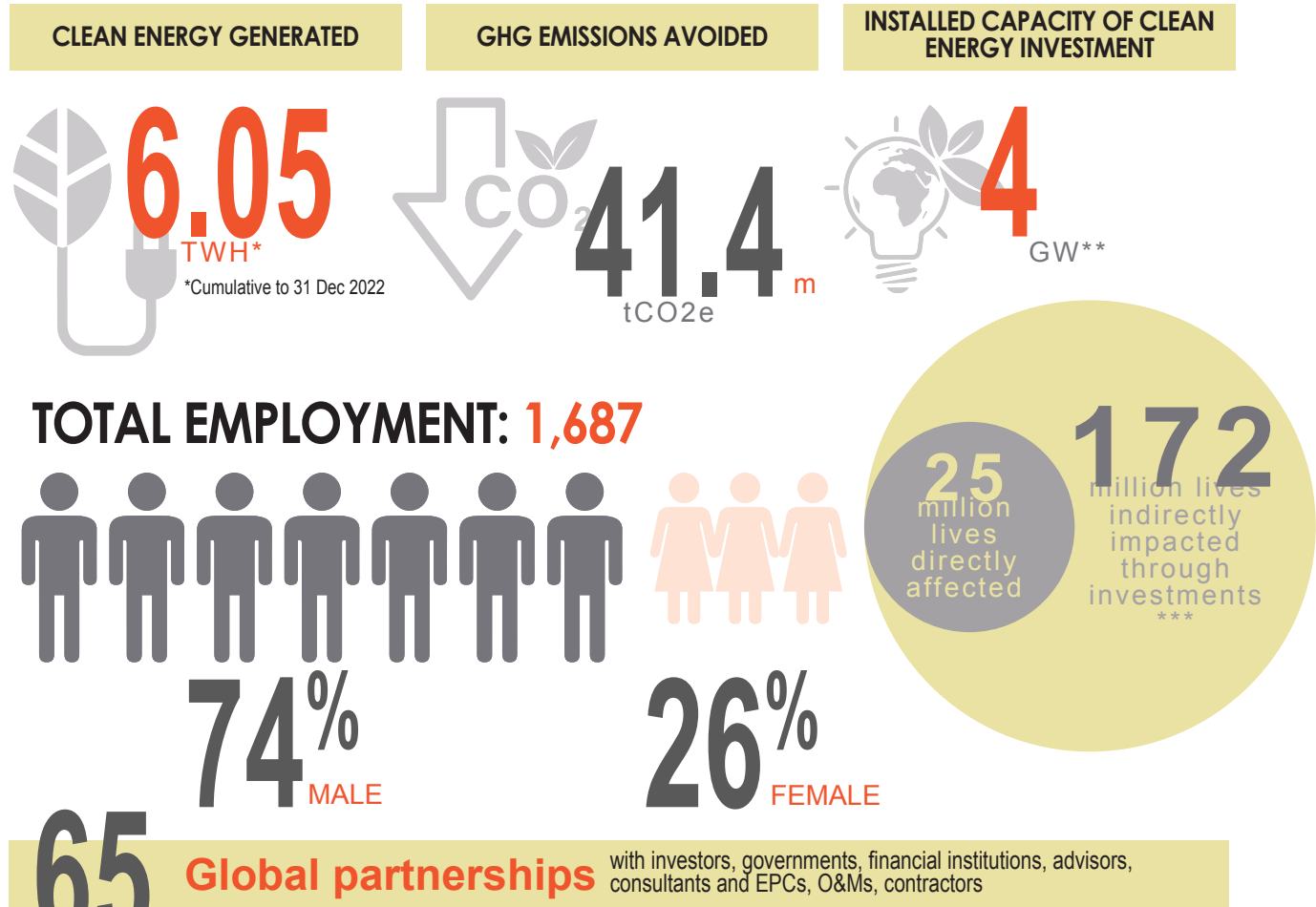
By facilitating a just energy transition and promoting resource efficiency, Evolution III works to reduce greenhouse gas emissions, mitigate climate change and build climate resilient and sustainable energy sectors across Africa.

Additionally, investing in innovative business models and collaborative partnerships contributes to SDG 17 (Partnerships for the goals), as it fosters the development of resilient and sustainable economies and communities.

Evolution III has yet to reach its final close, but is aiming to maintain the track record of Evolution I and II with respect to delivering impact in the form of energy access, skills development, job creation, gender equality and emissions reduction.



Over the past 17 years, IE has contributed to the development of **numerous renewable energy generation projects** with multiple successes under utility scale, competitive public-private procurement environments as well as financing private-to-private **commercial and industrial installations**. In addition, IE's funds have utilised 65 global partnerships to produce almost **500 full-time jobs for women**, **over 42,000 hours of training** and roughly 32m tCO2e of avoided emissions



* Cumulative to 31 Dec 2023

** 10 GW+ of energy projects under development, including 1.4 GW nearing FC, 480 MW in construction and 1.761 GW of energy projects in operation

*** <https://www.dlight.com/social-impact/>