



The African Development Bank's response to Sustainable Energy for All

ECOWAS-GFSE-UNIDO High Level Energy Forum:

**“Paving the Way for Sustainable Energy for All in West Africa through
Renewable Energy and Energy Efficiency”**

Accra, Ghana

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1. Introduction

SE4All of particular relevance for Africa

- With more than one out of two Africans not having access to modern energy and nine out of ten in rural regions, energy access is crucial for Africa's future in terms of economic development, health, education and better opportunities particularly for women and children.
- Africa contributes only 4% of global greenhouse gases, but paradoxically, climate change will affect Africa disproportionately to other areas of the world.
 - ➔ SE4All addresses both challenges by realizing the synergies that can be harnessed by pursuing energy access and cleaner energy as a part of an integrated strategy
- The International Energy Agency (IEA) calculates that \$ 1 trillion would be required between 2010 and 2030 in order to reach Universal Access to Modern Energy (lighting and cooking/heating) in all developing regions.





2. Snapshot of AfDB's SE4All engagement

The Bank is closely involved at both global and country action level





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- The triple SE4All objectives are fully aligned with the overarching objectives of the AfDB's Energy Policy. For this reason the Bank has fully endorsed the Initiative and has set-up a dedicated SE4All Task Force.
 - Since the launch of the SE4All Initiative, the Bank has actively participated and contributed to the discussions in the HLG meetings and has engaged with various international stakeholders on SE4All high-impact opportunities. The Bank is also actively engaged in developing the SE4All work program 2012-15.
 - The Bank has also been closely involved on country actions:
 1. Participation in African SE4All country missions and encouragement of additional African countries to join the initiative: AEEW and CEMA statutory meeting in November another occasion to mobilize additional opt-ins
 2. Provision of expert comments on draft gap analysis reports and envisaged support to a number of African countries with the gap analysis report and action plan preparations
 3. Key partner for implementation and financing of identified priority actions.





3. The Bank's commitment made in Rio

Scaling up access to energy and renewables in Africa




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- The AfDB will be investing \$20 billion in energy by 2030 and, in doing so will mobilize \$80 billion in additional resources by partnering with private and public enterprises.
 - As a matter of priority, AfDB will finance regional scale energy projects that benefit more than one country. The Bank will also invest in small- and medium-scale energy projects--in particular initiatives that increase access to electricity in rural regions.
 - As an African institution, AfDB is committed to engaging with African energy sector stakeholders to work towards the SE4All objectives. In doing so, it will assist African countries in establishing the policy frameworks they need to harness the continent's vast energy potential and equip countries with the regulatory and institutional framework to attract private sector investments.





3. The Bank's commitment made in Rio

The AfDB is a lead partner in the PIDA process





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- PIDA was elaborated in a joint effort by the African Union Commission, the NEPAD Planning and Coordinating Agency (NPCA) and the African Development Bank.
 - The Bank's future contribution to the PIDA process will comprise four avenues: (1) Input to the PIDA implementation strategy and roll-out process; (2) Financing: project funding through all financing windows, project preparation and mobilization; (3) Resource mobilization and capacity building; and (4) Knowledge products, reflecting on the Bank's experience in implementing cross-border infrastructure projects and energy sector reforms.

➔ The realization of PIDA will be a significant contribution to the realization of the SE4All objectives in Africa.



3. The Bank's commitment made in Rio

The Sustainable Energy Fund for Africa is a prime example of how the Bank will deliver on SE4All

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- The Sustainable Energy Fund for Africa (SEFA) is one of AfDB's key instruments for mobilizing resources towards the SE4All objectives .
 - SEFA is an operational vehicle for unlocking private sector investments in small and medium-scale projects around the continent.
 - SEFA, initially funded by the Government of Denmark, has been structured in two components:
 1. providing grants for the preparation of meso-scale renewable energy and energy efficiency projects (USD 30-75 million in size) ;
 2. channeling seed and growth capital to SMEs in the clean energy value chains (projects < USD 30 million) .
 - SEFA is currently developing into a multi-donor multi-component platform and is ready to accommodate new partners.





4. Sustainable Energy Fund for Africa

SEFA is positioned in a "Sweet Spot"



Increasingly Bigger... ← *Increasingly smaller...*

INVEST. SIZE	USD > 75 million	USD 75-30 million	USD 30-10 million	USD 10 - 1 million	USD < 1 million
SCALE	Large	Medium	Medium / small	Small	Micro
FINANCIAL REQUIREMENTS	Mainly debt	Seed/ preparation Finance	Seed / growth capital	Debt+ growth equity	Debt (small and microloans)
TECH. ASSIT. REQUIREMENTS	Financial structuring	Advisory on structuring & technology	Preparation and business development	Business Development	Business Development
AfDB ROLE	Debt Finance		Enabling environment / Capacity development / Lines of Credit		

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4. Sustainable Energy Fund for Africa

SEFA scope of activities covers currently two components



SEFA net resources USD 50 million

Component	Project Preparation	Equity Investment
Budget (approx)	USD 14 million	USD 36 million
Instruments	Grants < USD 1 M	Direct equity investment and in-kind Technical Assistance
Management	AfDB	Private Fund Manager
Project Size	USD 30-75 million	USD 10-30 million

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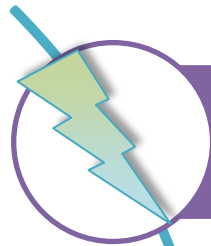
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4. Sustainable Energy Fund for Africa

SEFA eligibility criteria

Component 1



LOCATION: Domiciled in AfDB regional member country



SIZE: Total Capital Needs (est.) USD 30-75 M



STATUS: Yet to be fully financed



COST-SHARING: Sponsor pays at least 30%

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4. Sustainable Energy Fund for Africa

Project objectives and results

Component 1



The “ideal” projects will demonstrate:

- High direct & indirect employment impacts
- Innovative use of technology, financing structure, “first in country” etc.
- Strong potential to reach financial close; good relationships with potential lenders/investors
- Connecting previously unconnected business & households to productive energy/energy savings
- Positive gender impacts

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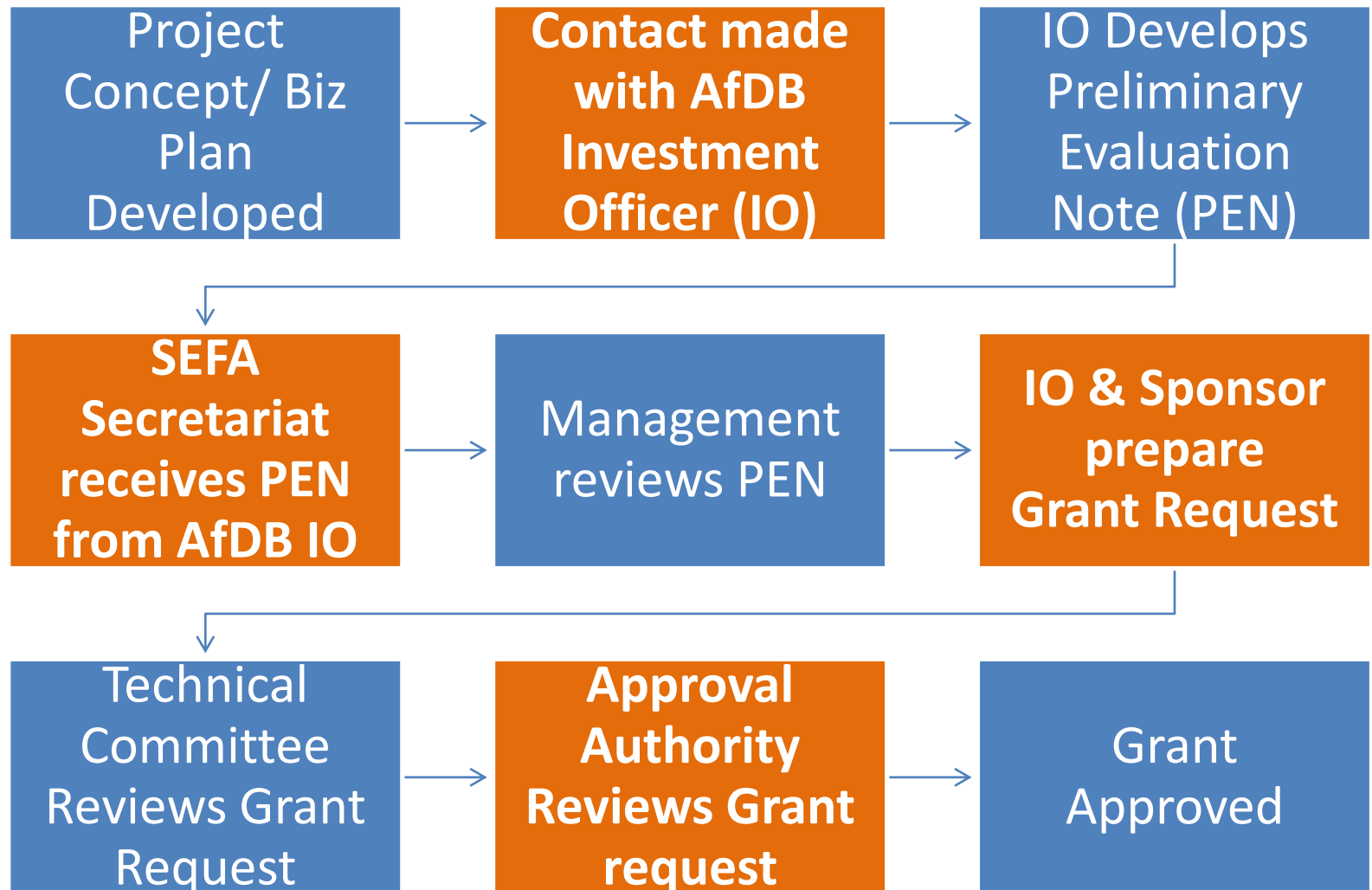
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SEFA application/approval process

Component 1





4. Sustainable Energy Fund for Africa

Examples of projects under due diligence

Component 1



Country	Technology	Capacity	Cost (USD m)	Grant (USD m)	Activities
Ghana	Waste to Energy	30 MW	68	0.60	Negotiation of PPA (legal), detailed design (technical)
Madagascar	Hybrid Solar/Hydro (off grid)	8 MW	36	0.90	Feasibility study (technical)
Burkina Faso	Solar PV	20 MW	75	0.95	Lender's advisors (legal)
Mozambique	Bioenergy	n/a	50	0.9	Feasibility for scale-up /expansion from pilot phase



4. Sustainable Energy Fund for Africa

Investment focus/thesis

Component 2



- SMEs in the RE/EE value chain across Africa, across different technologies
- Project in the USD 10 to 30 million range (below AfDB's investment threshold)
- Focus on the “missing-middle”/ trade-offs between commercial viability and social impact
- Provision of seed/growth capital as well as managerial know-how

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4. Sustainable Energy Fund for Africa

Structure and Management

Component 2

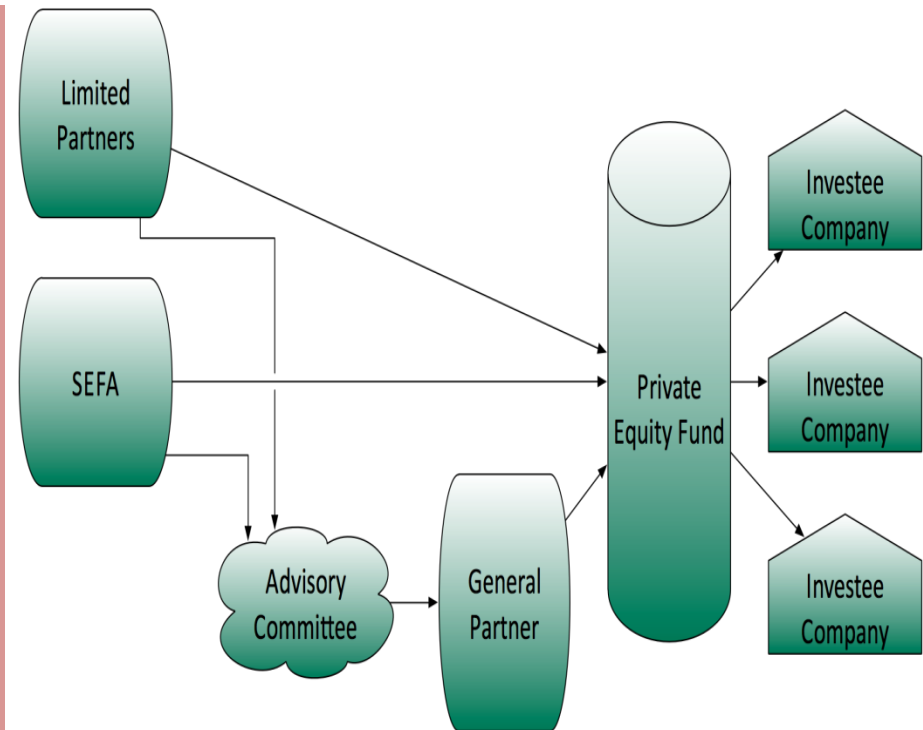


Outsourcing implementation to Fund Manager through a Private Equity type vehicle



Advantages

- Access specialist expertise in RE/EE
- Leverage AfDB resources / Know-how
- Crowding-in institutional investors
- Facilitating access to debt finance



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4. Sustainable Energy Fund for Africa

Status of implementation

Component 2



Component II being developed in partnership with AfDB's Private Sector Department



- SEFA approved a grant for preparation of the “*Green Tech Financial Facility*”, including:
 - Market scoping and positioning
 - Structuring of financial vehicle and TA Facility
 - Fund manager selection
- Pooling resources and know-how across the Bank to arrive at an innovative new vehicle in *cleantech* space



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4. Sustainable Energy Fund for Africa

Next steps/way forward



- **Deepen cooperation** with partners such as ECREE for project identification and knowledge sharing
- Developing SEFA into a **multi-donor platform** for **operationalizing SE4All** in Africa
- **Revision / expansion of scope:** Programmatic interventions? Enabling environment?
- Dialogue on-going with **new development partners** for additional financial contributions

5. Conclusions



- Africa is well positioned to embark on a clean energy growth path & climate-compatible development.
- The AfDB is firmly committed to making Sustainable Energy for All a reality in Africa and eager to cooperate closely with ECOWAS and other African stakeholders on this endeavor.
- The implementation of the PIDA Energy PAP is a priority for the Bank and an important contribution to SE4All. SEFA is intended to become a key vehicle for delivering on SE4All.
- Necessity to build on the momentum generated and the need to develop a joint African approach to SE4All - the AfDB has expressed its readiness to be a key partner in the future implementation structures for SE4All