



GROUPE DE LA BANQUE AFRICAINE DE DÉVELOPPEMENT  
AFRICAN DEVELOPMENT BANK GROUP

MINISTRY OF FOREIGN AFFAIRS OF DENMARK

**DANIDA** | INTERNATIONAL  
DEVELOPMENT COOPERATION

SUSTAINABLE  
**ENERGY**  
FUNDS FOR  
AFRICA

*Unlocking Africa's Clean Energy Potential  
for Employment & Economic Growth*

**ECOWAS RENEWABLE ENERGY INVESTMENT FORUM  
DAKAR – 27-28 SEPTEMBER 2012**

# Outline

1. Background
2. Overall Summary of Program
3. Project Preparation Support (component 1)
4. Equity Investment window (component 2)
5. Next Steps / Way forward



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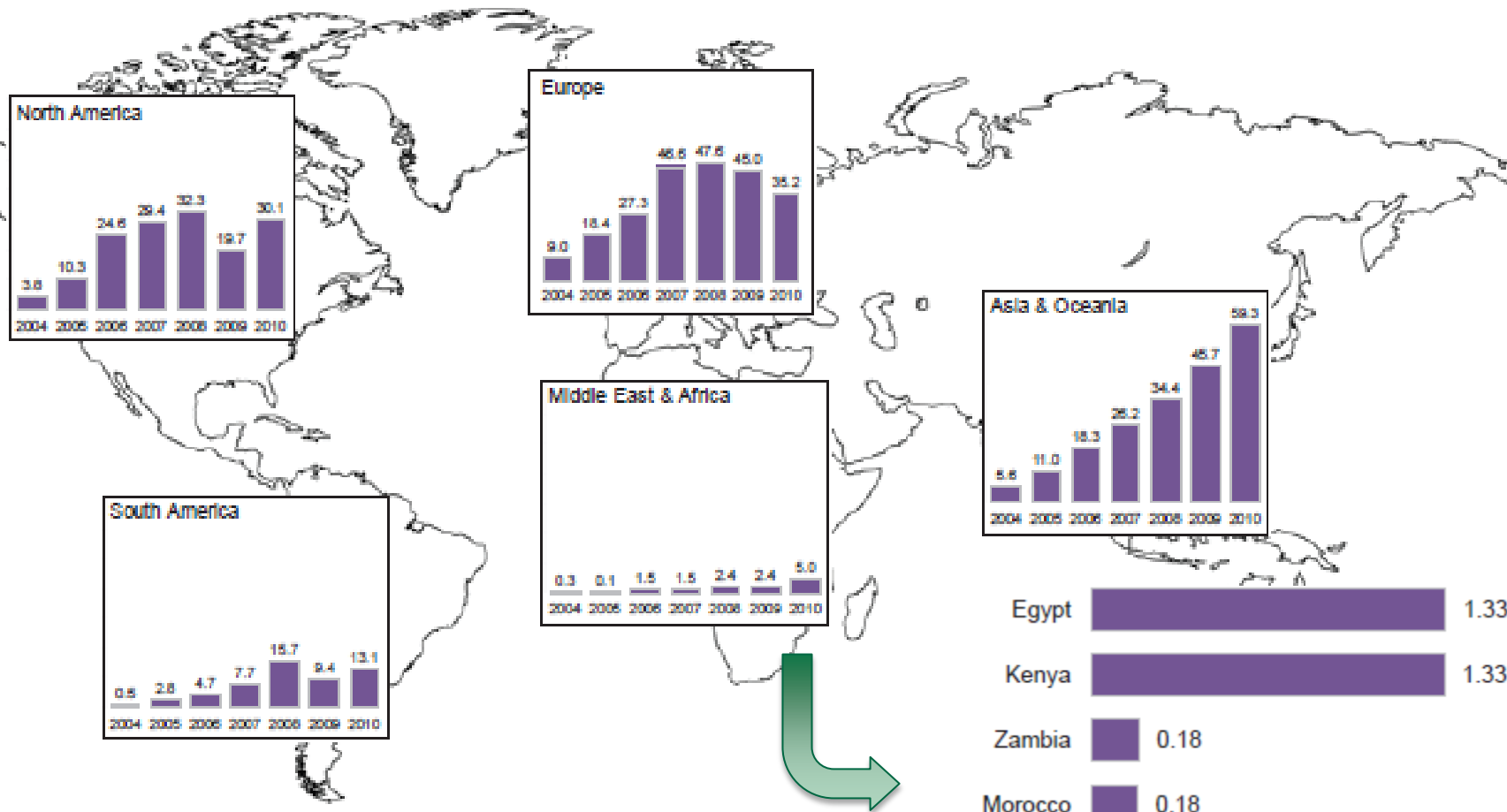
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# 1- Background



# Global trends in energy financing



**Financial new investment in RE by region 2004-2010 \$BN**

Source: BNEF / UNEP

# Mobilizing resources for RE/EE

USD 30 - 40 bio/year needed in power sector investments in Africa, but ODA and public funding limited to meet this challenge.

*→ Need for a stronger role of private sector investments in energy infrastructure!*

## BUT Constraints...

Regulatory

Financial

Capacity

- High preparation costs (up to 4% of total costs)
- Limited access to LT financing (debt and equity)
- Limited know-how / capacity of project sponsors
- Capacity of gov't in negotiating PPPs

## And the origins of SEFA...

- “*Sustainable Energy Initiative*” one of five initiatives of 2009 Africa Commission (GoDK) to address the challenge of youth employment and more “inclusive” growth.
- SEFA established as a DKK 300 million (USD 55 million) bilateral Trust Fund between GoDK and AfDB
- SEFA Programme designed to involve the Bank in increasingly smaller private-sector driven RE/EE projects
- SEFA operationalized in January 2012 and currently being developed into a multi-donor platform for SE4All



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# 2- Summary of Program



# SEFA “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	<b>Seed/ preparation Finance</b>	<b>Seed / growth capital</b>	Debt+ growth equity	Debt (small and microloans)
TECH. ASSIT. REQUIREMENTS	Financial structuring	<b>Advisory on structuring &amp; technology</b>	<b>Preparation and business development</b>	Business Development	Business Development
AfDB ROLE	Debt Finance		Enabling environment / Capacity development / Lines of Credit		



# Scope of Activities

**SEFA net resources USD 50 million**

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



# 3- Project Preparation Support (Component I)

*“Crowding-in finance to medium-sized RE projects through pre-investment support (financial and technical)”*



# Eligibility Criteria

**LOCATION:** Domiciled in AfDB regional member

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

**STATUS:** Yet to be fully financed

**COST-SHARING:** Sponsor pays at least 30%

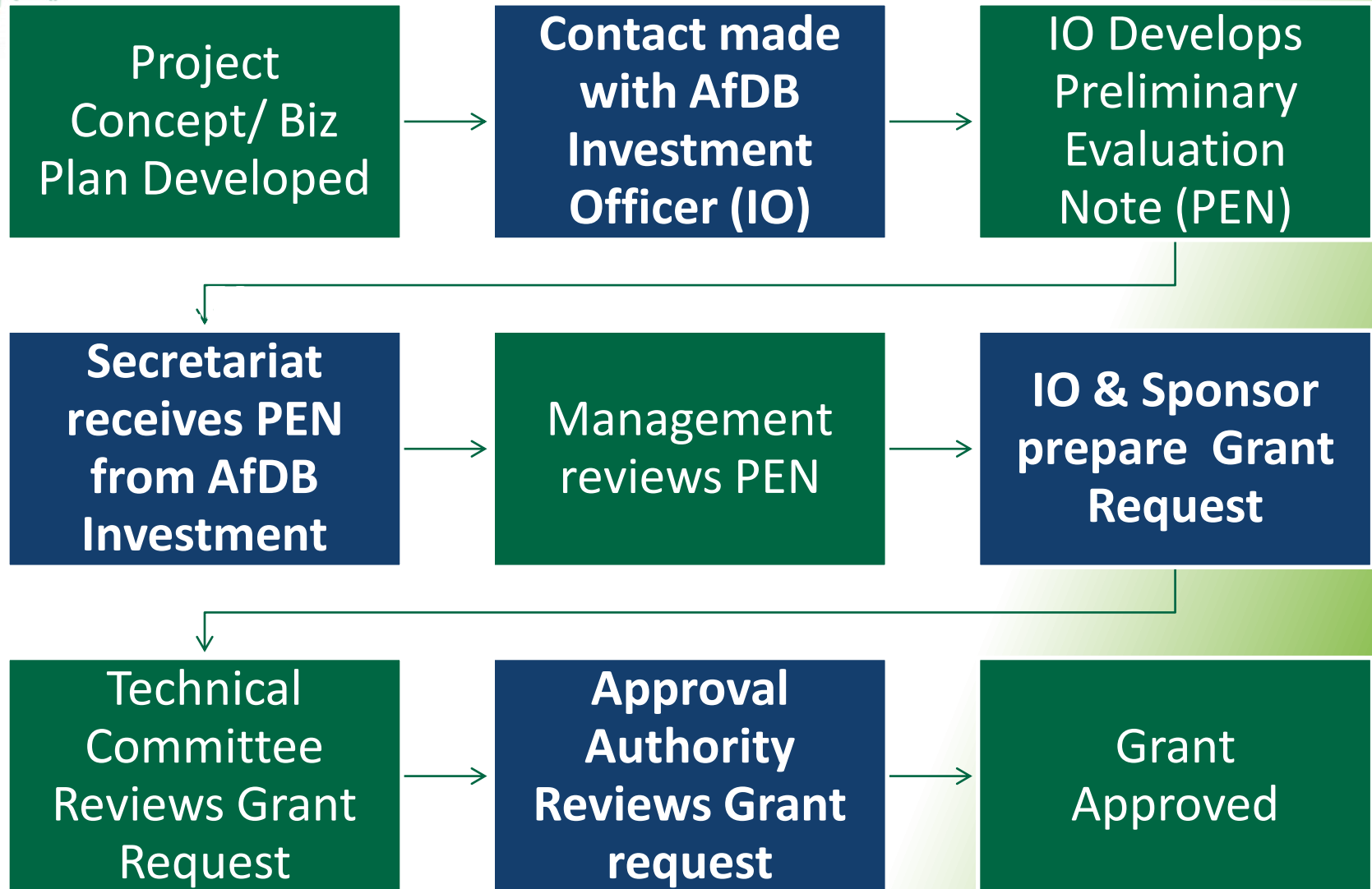
**ACTIVITIES:** feasibility, detailed design, ESIA, legal, etc...

# Project Objectives & Results

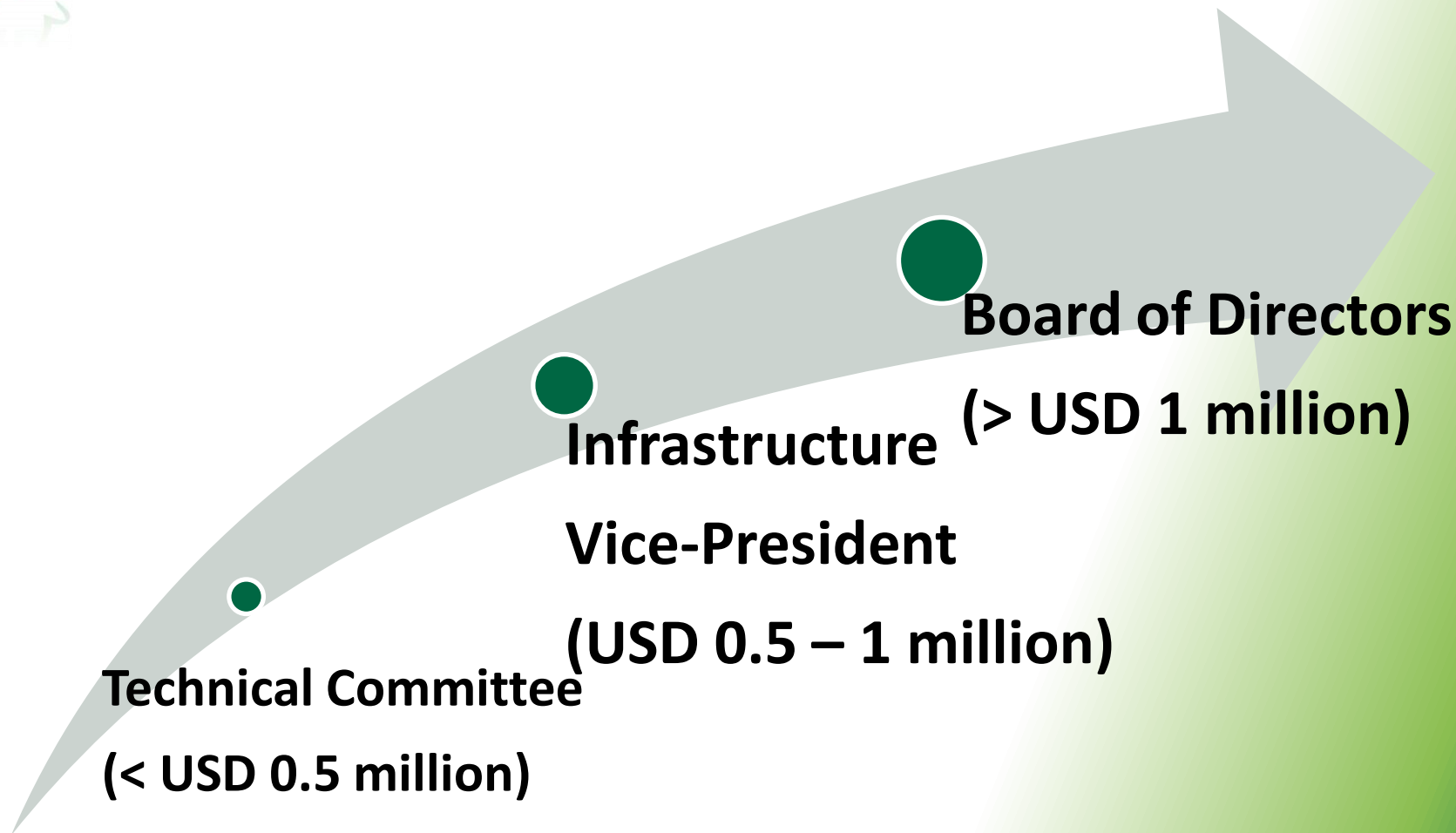
## **The “ideal” projects will demonstrate:**

- 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

# Application / Approval Process



# Approval Authority for Grants



# External Solicitation System

*Gathering enough necessary information from sponsors to write the PEN automatically... almost*

**Summary**  
Requests

**Variables**  
24 Project Size (USD mil)

**SEFA Pipeline Consideration Form**

Thank you for your interest in the Sustainable Energy Fund for Africa (SEFA). In order to better provide feedback on the eligibility of potential projects, the SEFA secretariat requests that you take a few minutes to fill out the following form.

Please only describe ONE project per form submission. Multiple projects entered in a single form submission will not be considered.

It is advisable that project sponsors understand the guidelines that govern project preparation support available through SEFA. The guidelines can be accessed at the following link:  
<https://docs.google.com/open?id=0B3Jsafoxp0JVEMTQ5NjlkYmUtNmZiOS00YjdkLThlYTItOWIxZmI2Nzc5OTgw>

\* Required

**This page logs the necessary profile and contact information**

Enter your name \*

Enter the name of your project \*

Enter the name of your institution/business \*

Technology	Eligible Requests	Ineligible Requests
Biofuel	2	0
Biogas/Wast...	2	4
Cogeneration	1	1
Efficient Tran...	0	0
Geothermal	1	0
Hydropower	1	1
Other	1	2
Solar	3	3
Tidal	0	0
Wind	2	1

**Volume of Eligible Grants by Technology (USD million)**

Technology	Volume (USD million)
Biogas/Waste to Energy	10.2%
Cogeneration	3.7%
Other	30.7%

total Requests: 24  
 all SEFA Potential: 24

# Projects under due diligence

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- Equity Investment Window (Component II)

*“To provide direct investment and business development support to SMEs in the renewable energy and energy efficiency value chain”*



## Investment focus / thesis

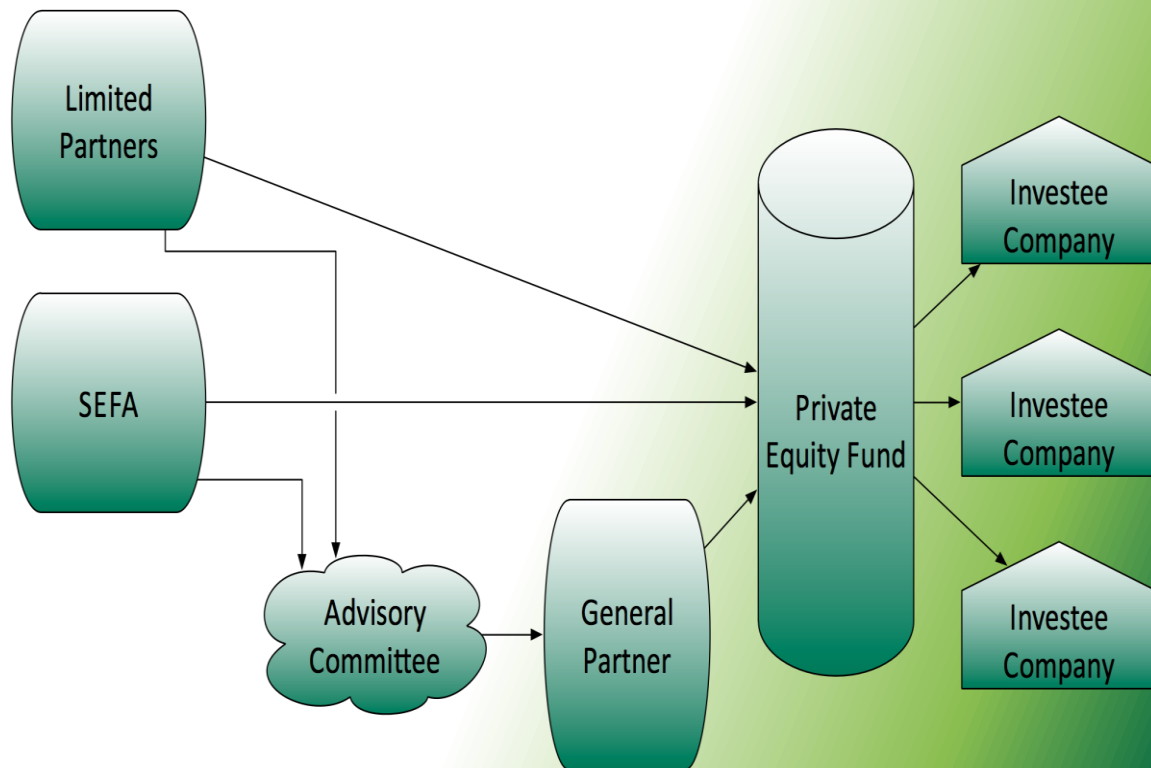
- SMEs in the RE/EE value chain across Africa, across different technologies
- Project in the USD 10 to 30 million range (below AfDB's investment threshold)
- Focus on the “missing-middle”/ trade-offs bw commercial viability and social impact
- Provision of seed/growth capital as well as managerial know-how

# Structure and Management

## 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



# Status of implementation

## 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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# 5- Way forward



## Next steps / Way forward

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



# Thank you!

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Energy, Environment and Climate Change Dept  
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