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
1- Background
Global trends in energy financing

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

Source: BNEF / UNEP
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
2- Summary of Program
### SEFA “Sweet Spot”

**Increasingly Bigger...**

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

SEFA net resources USD 50 million

<table>
<thead>
<tr>
<th>Component</th>
<th>Project Preparation</th>
<th>Equity Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget (approx)</td>
<td>USD 14 million</td>
<td>USD 36 million</td>
</tr>
<tr>
<td>Instruments</td>
<td>Grants &lt; USD 1 M</td>
<td>Direct equity investment and in-kind Technical Assistance</td>
</tr>
<tr>
<td>Management</td>
<td>AfDB</td>
<td>Private Fund Manager</td>
</tr>
<tr>
<td>Project Size</td>
<td>USD 30-75 million</td>
<td>USD 10-30 million</td>
</tr>
</tbody>
</table>
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...
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

1. Project Concept/ Biz Plan Developed
2. Contact made with AfDB Investment Officer (IO)
3. IO Develops Preliminary Evaluation Note (PEN)
4. Secretariat receives PEN from AfDB Investment Officer
5. Management reviews PEN
6. IO & Sponsor prepare Grant Request
7. Technical Committee Reviews Grant Request
8. Approval Authority Reviews Grant Request
9. Grant Approved
Approval Authority for Grants

- Technical Committee (< USD 0.5 million)
- Infrastructure (USD 0.5 – 1 million)
- Vice-President (> USD 1 million)
- Board of Directors ( > USD 1 million)
External Solicitation System

Gathering enough necessary information from sponsors to write the PEN automatically... almost
## Projects under due diligence

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