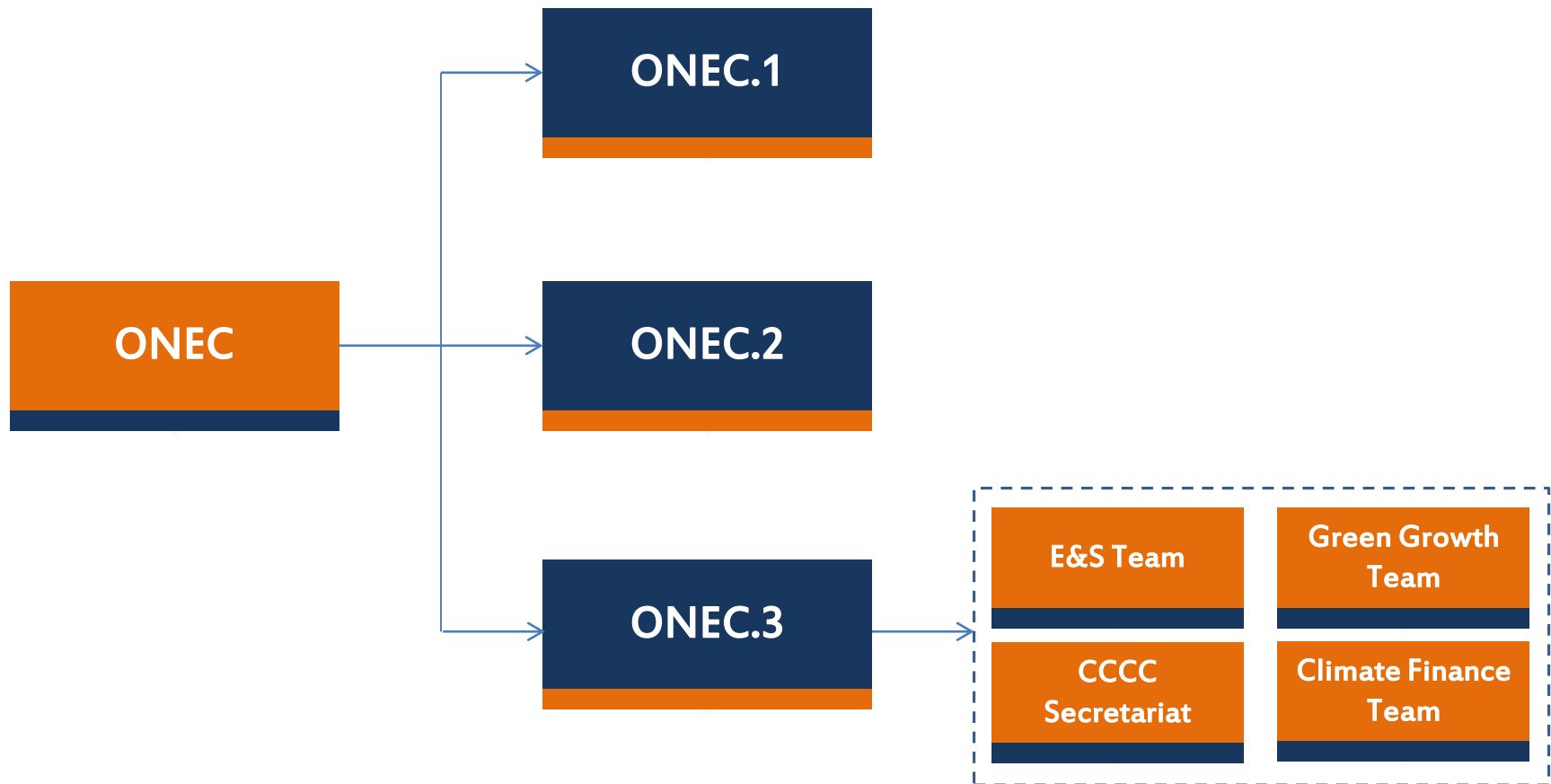




# AfDB's Climate Finance Instruments

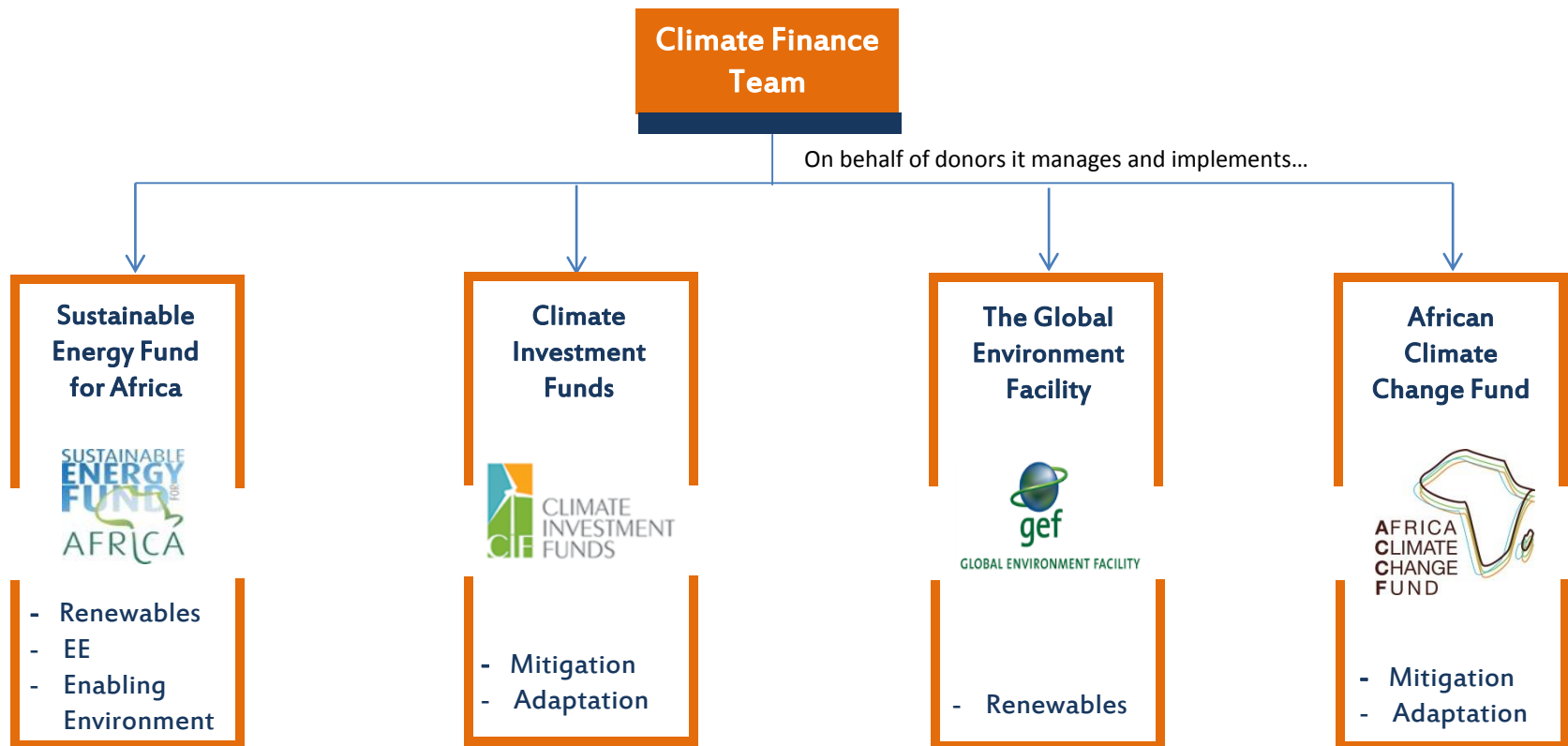
# ONEC Structure

The Environment and Climate Change Division (ONEC.3) has a multi-disciplinary team working closely with several operational departments within the Bank



# Climate Finance for Private Sector Operations

The Climate Finance Team coordinates and leads the implementation of different Facilities that provide concessional finance which ultimately enhance project bankability



Public Sector  
Preparation and  
Enabling Environment

Project  
Development Phase

Project Finance  
Phase

Grants



Concessional  
Debt

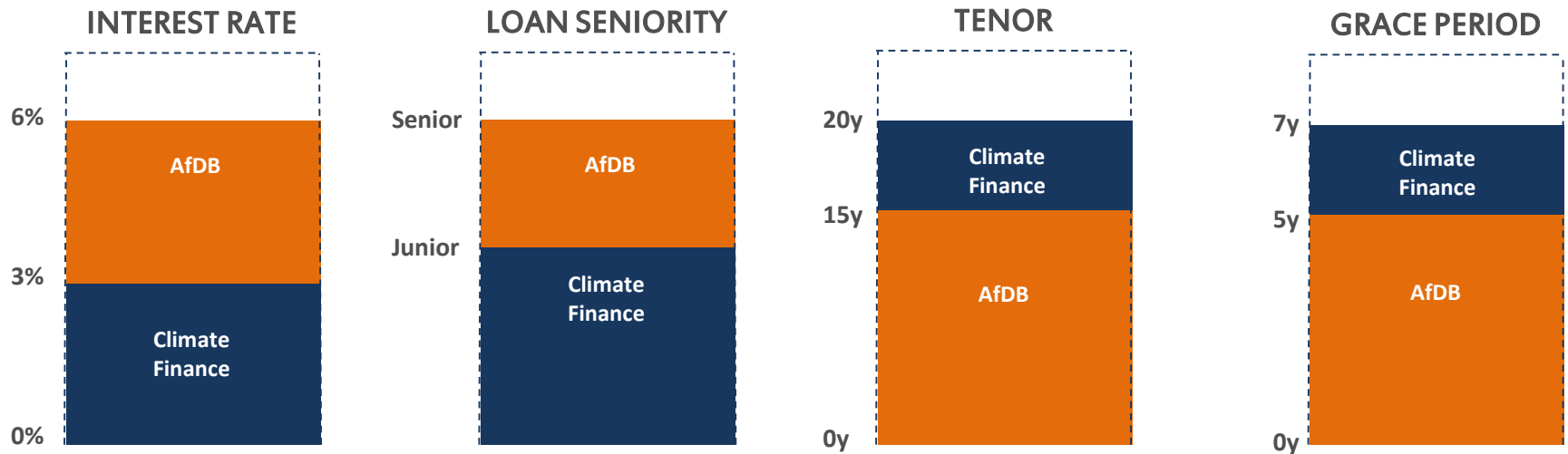


Quasi-Equity  
and Junior  
Equity



# Why is concessionality important

Climate Finance is about blending financial instruments at terms below market rates and beyond.



The **Principle of Minimum Concessionality** needs to be applied to avoid market distortions and crowding-out other financiers.

# Sustainable Energy Fund for Africa

SEFA is a USD 60 million Multi-Donor Trust Fund designed to provide technical assistance, capacity building and investment capital to support the provision of sustainable energy in Africa. The Bank charges a USD 5 million management fee to SEFA Donors.

## Project Preparation Window

### Component I

- Technical Assistance
- Non-Reimbursable Grants up to USD 1 million (may increase in the future)
- Eligibility: Project Size between USD 30 and USD 200 million
- Implementing Entities: Private Enterprises, AfDB Operational Departments /Units or Public Sector Entities that pave the way for private sector engagement downstream
- Activities: Project Preparation Activities from Origination up to Financial Close (e.g. technical feasibility studies, ESIA, Lenders and Sponsor's Advisory Services)
- Renewable Energy and Energy Efficiency Projects
- All African Countries with a focus on SSA

## Enabling Environment Window

### Component III

- Technical Assistance and Capacity Building
- Non-Reimbursable Grants up to USD 1 million (or higher on a case-by-case basis)
- Eligibility: Mainly Public Sector but also FIs and CSOs where role is complementary to Public Sector
- Implementing Entities: (i) Governments, (ii) Sub-National Entities, (iii) Parastatals, (iv) FIs and CSOs (v) AfDB Operational Departments and Units
- Coordination between ONEC.1 & ONEC.2 and OPSM is advisable.
- Activities: Institutional, Policy and Regulatory Planning, (ii) Public Sector Capacity Building, and SE4All Readiness Activities
- All African Countries with a focus on SSA

# Sustainable Energy Fund for Africa

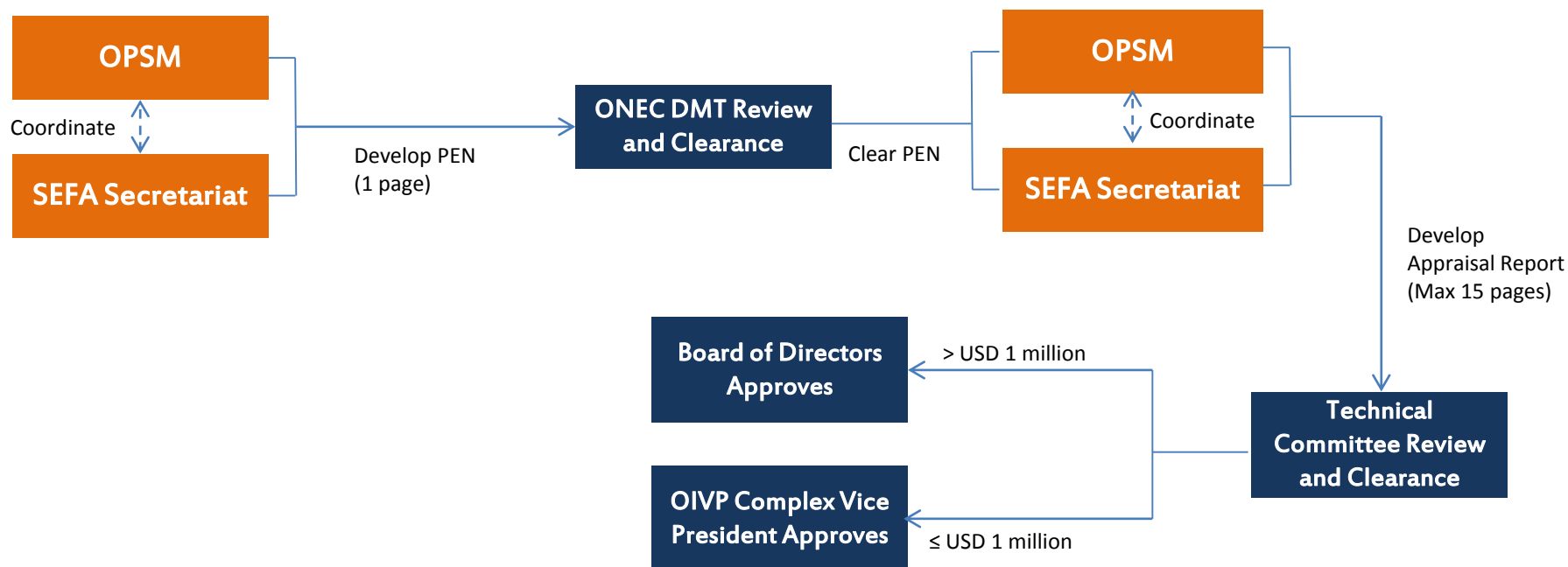
As part of its second component, SEFA has invested USD 25 million in Junior Equity in the Africa Renewable Energy Fund (AREF). A USD 10 million repayable grant for Technical Assistance was provided in parallel to the Fund.

## Equity Investment Window

### Component II

- Region Focus: Sub-Saharan Africa
- Project Type: USD 10 – USD 80 million Small to Medium-scale Renewable Energy Independent Power Producers
- Equity Tranches: Three different types of shares.
- Fund Manager: Berkeley Energy ([www.berkeley-energy.com](http://www.berkeley-energy.com))
- First Close: March 2014
- Total Size: USD 100 million
- Investment Period: 5 years

# Internal Review and Approval Process



## NOTES

- Internal Processing time of 3 to 5 months
- If implemented by the Bank no Grant Agreement is signed



# The Global Environment Facility



GLOBAL ENVIRONMENT FACILITY

Even though GEF has historically supported Public Sector projects, the fund is increasingly dedicating more attention to Private Sector Operations

## AfDB Public-Private Partnership Program

- AfDB has become a GEF Implementing Agency in 2007 following signature of Financial Procedures Agreement
- The pilot *AfDB PPP Program* was approved in 2013 for an amount of USD 20 million
- Co-financing/co-investment long-term facility
- Target: Renewable Energy
- Financial Intermediation to support SMEs is possible
- Instruments: Senior Debt, Junior Debt, Mezzanine and Equity and Junior Equity
- Advantage: Flexibility in defining tenors above 15-years, grace periods above 5-years, and below market interest rates
- Implementation Status: As of April 2014, ONEC.3 has earmarked USD 20 million. Windiga Solar (USD 9m), Khalladi Wind (USD 6.5m), and AREF (USD 4.5m).
- Bank's Management Fee: In connection with this program, GEF Trustee has paid AfDB USD 1.6 million in agency fees
- OPSM may in cooperation with ONEC.3, and in due time, request a top-up to this program or structure and submit a new proposal to the GEF Council

# Internal Review and Approval Process

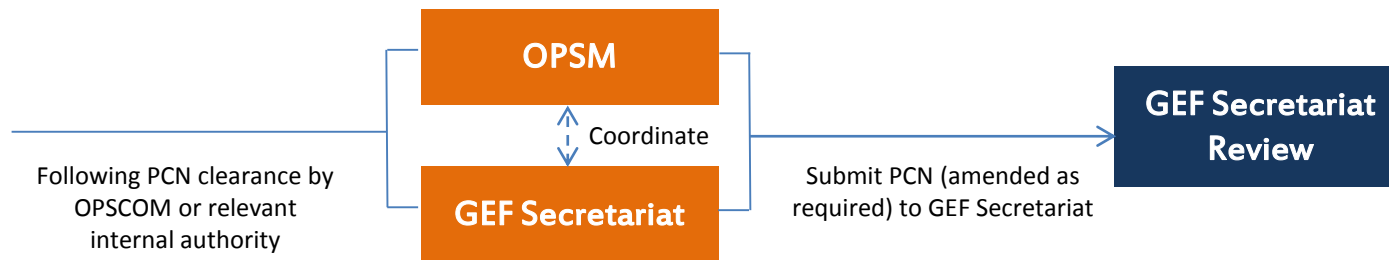


GLOBAL ENVIRONMENT FACILITY

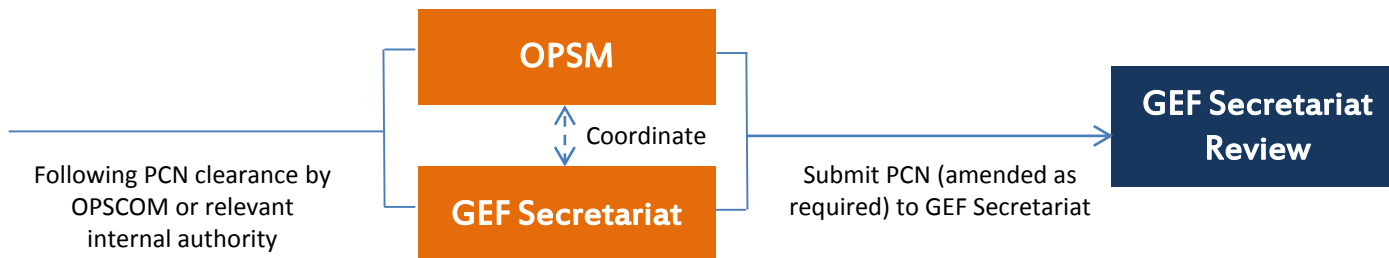
## Important

Bank's internal review and process applies but further steps are required

### Step I: GEF Concept Review and Approval



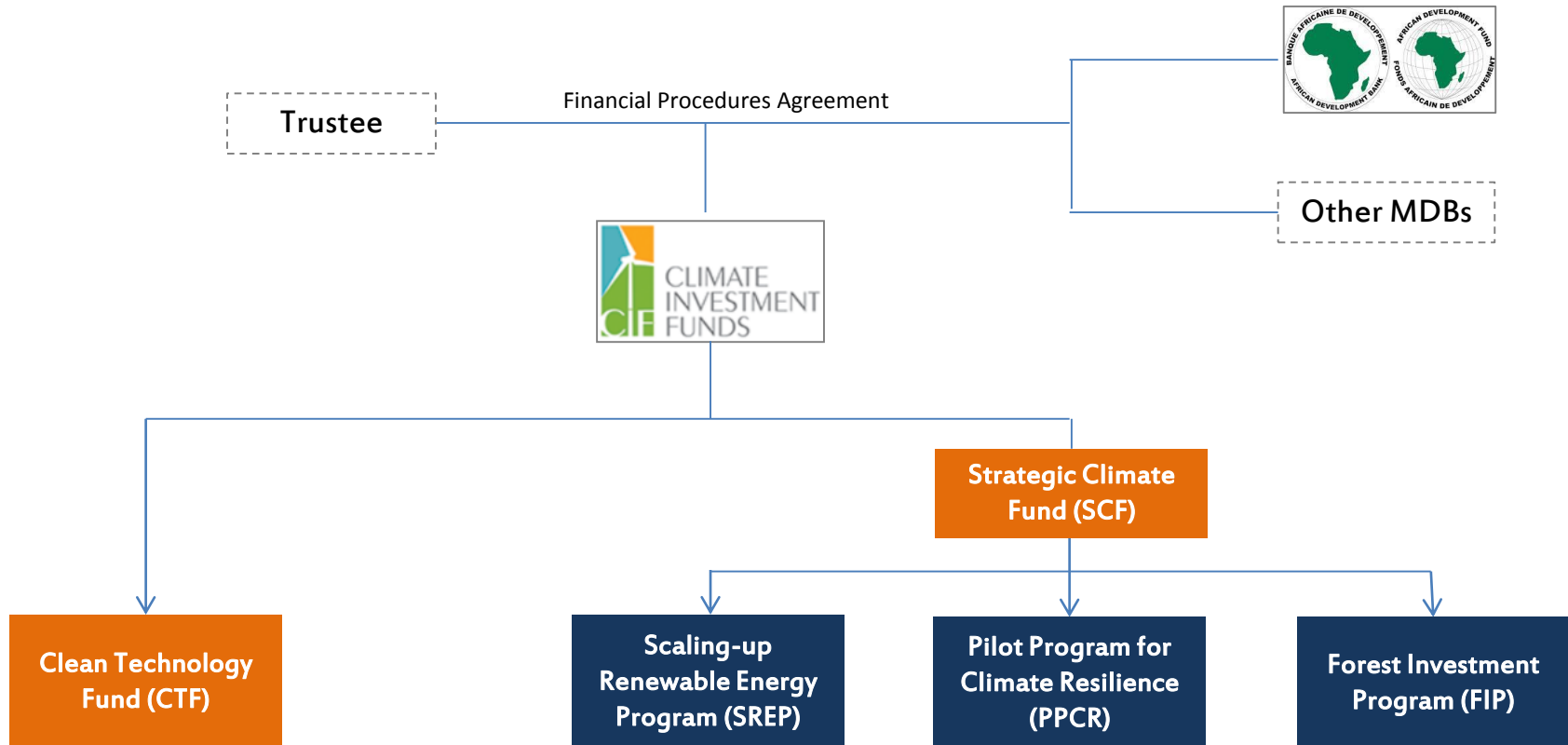
### Step II: GEF Project Final Review and Approval (1 to 2 months before AfDB Board Approval)



# The Climate Investment Funds (CIF)



The CIF are a USD 7.6 billion pair of funds to help developing countries pilot low-emissions and climate-resilient development.



# The Climate Investment Funds (CIF)



As of 2014, ONEC.3 has committed USD 550 million of CIF resources. These were blend with Bank's own resources in the amount of USD 1.1 billion

## CIF Project Financing

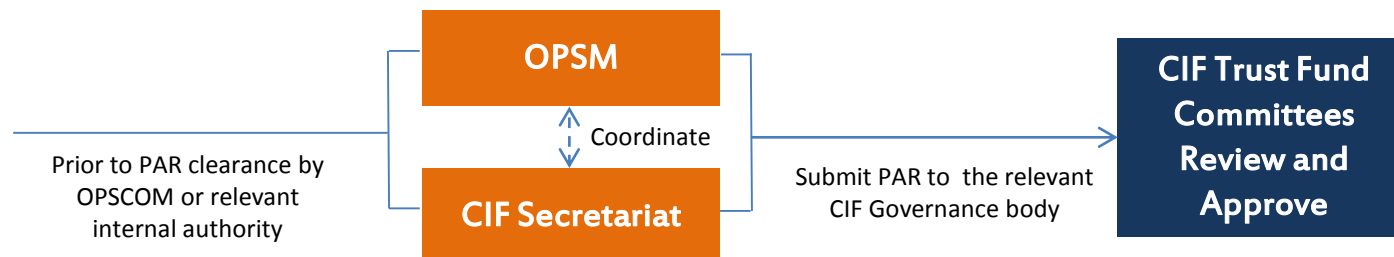
- AfDB has become an Implementing Agency in 2010 following signature of Financial Procedures Agreement
- Co-Financing / Co-Investment Long-Term
- Project Preparation Grants: USD 1 million for CTF and no cap for the SCF
- Technology: Low-Carbon Technologies and Climate Resilience Interventions (very broad concept)
- Financial Instruments: Senior Debt, Junior Debt, Mezzanine and Equity and Junior Equity
- Financial Intermediation is possible
- Advantage: Flexibility in defining tenors above 15-years, grace periods above 5-years, below market interest rates.
- Bank's Management Fee: AfDB has already received **USD 5 million** in management fees (in excess of Annual Administrative budget)

# Internal Review and Approval Process

## Important

Bank's internal review and process applies but further steps are required

## CIF Project Final Review and Approval (1 to 2 months before AfDB Board Approval)



# The Climate Investment Funds (CIF)



Private Sector Opportunities may arise from three distinct processes as outlined hereunder.

## Investment Plan

- The preparation of Investment Plans is long process undertaken in cooperation with Local Governments, MDBs and Stakeholders

- Investment Plans are been finalized for all CIF countries, except for 8 new countries joining the SREP (June 2014)

**Opportunity!**

- Every 2-years, if delays are occurring in the implementation of projects embedded in the Investment Plans, MDBs may, in coordination with the concerned governments, submit a revised version of the Investment Plan

**Opportunity!**

## *Ad hoc I - SCF*

- SREP, PPCR and FIP Private Sector Set-Aside Competitions

- PPCR Set-Aside Competition (USD 30 million)

**Opportunity!**

## *Ad hoc II - CTF*

- CTF Dedicated Private Sector Programs (June 2014)

**Opportunity!**

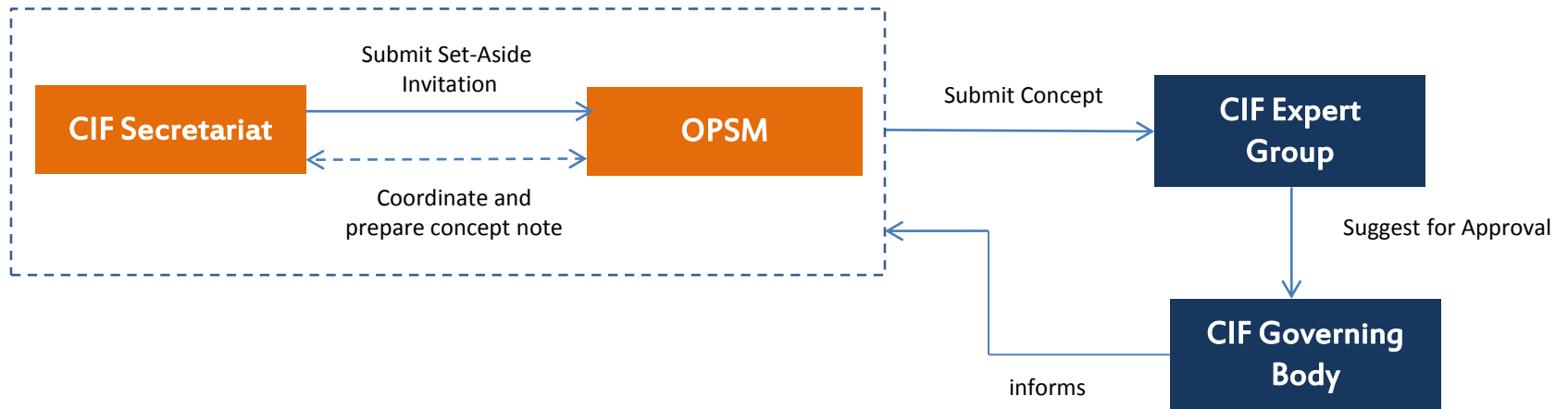
- Utility-scale Renewable Energy: Geothermal (USD 50 million) all African Countries

- Utility-scale Renewable Energy: Solar PV (USD 245 million) for Kenya, Nigeria, Chad, Senegal and Burkina Faso

# Internal Review and Approval Process

Following approval from the Relevant CIF Governing Body of any project under *Ad hoc I – SCF Programs*, the review and approval process mentioned in Slide 13 applies

## *Ad hoc I - SCF Programs*



## *Ad hoc II - CTF*

- Approval by the CTF Trust Fund Committee of the CTF Dedicated Private Sector Program is expected for June 2014
- The internal review and approval process for any project under this program is similar to the one outlined in Slide 13

# Examples

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## Africa Renewable Energy Fund (AREF)

- ONEC.3 and OPSM.2
- SEFA Grant of USD 10 million for Technical Assistance
- SEFA and GEF Junior Equity Investment of USD 25 million and USD 4 million respectively
- AfDB Equity Investment up to USD 20 million
- SEFA and GEF junior equity tranches are improving the risk-return profile of the fund and playing a catalytic role in raising further equity into the Fund.

## Stanbic LOC

- ONEC.3 and OPSM.4
- CTF USD 25 million loan with an interest rate of 190 basis points
- AfDB USD 75 million loan
- As a consequence of CTF concessional terms, Stanbic has agreed to extend its debt exposure and will provide concessional loans to Nigerian SMEs involved in RE and EE projects.

## Concentrated Solar Power in South Africa (on-going)

- ONEC.3 and OPSM.3
- CTF USD 45 million concessional loan
- AfDB USD 150 million loan (local currency)
- CTF concessional loan will buy-down project costs (via a decrease in financial costs) contributing to the bankability of the project at acceptable prices per kWh for the off-taker and enhance the economic viability of the project.





A photograph of a two-story building with a gabled roof. The building's facade is light-colored with a rough, textured finish. The words "HELLVILLE" and "CENTRALE THERMIQUE" are written in large, raised, light-colored letters across the upper part of the facade. There are three sets of blue horizontal slats, possibly for ventilation, on the upper floor. A blue car is parked in front of the building. The sky is blue with some clouds. There are some plants and bushes in the foreground.

# HELLVILLE CENTRALE THERMIQUE

## Contacts

Manager, ONEC.3

[k.lonsway@afdb.org](mailto:k.lonsway@afdb.org)

Climate Investment Funds:

[l.azevedo@afdb.org](mailto:l.azevedo@afdb.org)

Sustainable Energy Fund for Africa:

[j.cunha@afdb.org](mailto:j.cunha@afdb.org)

Global Environment Facility

[m.assouyouiti@afdb.org](mailto:m.assouyouiti@afdb.org)

Thank You