

SUSTAINABLE
ENERGY
FUND FOR
AFRICA

“UNLOCKING PRIVATE SECTOR POTENTIAL TO PROMOTE ENERGY ACCESS AND INCLUSIVE AND GREEN GROWTH”



AFRICAN DEVELOPMENT BANK GROUP

MINISTRY OF FOREIGN AFFAIRS OF DENMARK
DANIDA | INTERNATIONAL DEVELOPMENT COOPERATION



USAID
FROM THE AMERICAN PEOPLE



SUSTAINABLE ENERGY FOR AFRICA

In many African countries, small-to medium-scale clean energy projects are potentially viable from both technical and commercial perspectives, but initial development costs; the lack of start-up capital, or equity; limited know-how of project financing; and an inadequate enabling environment, often prevent these projects from becoming a reality.

The Sustainable Energy Fund for Africa (SEFA)

is a multi-donor trust fund which promotes renewable energy and energy efficiency through private sector driven small- to medium-sized projects necessary to stimulate the continent's transition to more inclusive and green growth. SEFA is funded by the governments of Denmark, the United States and the United Kingdom and administered by the African Development Bank (AfDB).

Assisting projects as early as inception and at various stages throughout the project lifecycle, SEFA plays a catalytic role by addressing barriers associated with deployment of renewable energy and energy efficient technologies and improving risk-adjusted returns for the private sector. As a result, SEFA involvement is expected to contribute to the bankability of projects and enable sponsors to leverage the required equity and/or debt financing for successful implementation.

ACTIVITIES and STRUCTURE

SEFA is aligned with AfDB corporate priorities which support the transition to inclusive and green growth in particular by promoting access to cleaner, modern, affordable and reliable energy services. SEFA is also aligned with the Sustainable Energy for All Initiative (SE4All) and its AfDB-coordinated "Africa Hub" which supports preparatory, sector planning and capacity building activities.

The SEFA Secretariat is hosted and managed by AfDB's Energy, Environment and Climate Change (ONEC) Department, and its operations are implemented in close partnership with the Bank's Private Sector (OPSD) Department.

SEFA provides resources through three financing components: **1/Project Preparation Grants, 2/ Equity Investments, and 3/Enabling Environment Grants.**



SEFA is at the core of the Bank's corporate priorities of green and inclusive growth enshrined in its 2013-2022 Strategy, by unlocking private investments that expand access to clean energy and stimulate job creation.

Alex Rugamba, AfDB Director, Energy, Environment and Climate Change Department



SEFA Financing Components

	I-PROJECT PREPARATION GRANTS	II-EQUITY INVESTMENTS	III-ENABLING ENVIRONMENT GRANTS
SCOPE	Activities from feasibility to financial close	Seed or growth capital for renewable energy projects	Technical assistance and capacity building
BENEFICIARIES	Private sector entities, renewable energy and energy efficiency projects	Private sector entities, renewable energy projects	Government agencies, sub-national and regional entities
ELIGIBLE PROJECTS	Private and PPP projects in Africa sized between USD 30-200 million across all types of clean technologies	Private projects in Sub-Saharan Africa sized between USD 10-80 million across mature technologies only *	Public sector enabling environment projects in the on-grid and mini-grid spaces
ELIGIBLE ACTIVITIES	Including, but not limited to: feasibility studies, E&S impact assessments, engineering studies, transaction advisors	N/A	Strategy, legal, policy and regulatory activities; advisory and training; market development; knowledge generation
FINANCING INSTRUMENT	Grants of up to USD 1 million to project developers or sponsors; co-financing at least 30%	Equity capital tickets between USD 10-30 million in project companies	Grants of up to USD 1 million to public sector institutions; co-financing at least 5%
MANAGEMENT	SEFA Secretariat	Berkeley Energy LLC (African Renewable Energy Fund- AREF)	SEFA Secretariat

1/ Project Preparation Grants

The project preparation grant component provides financial and technical assistance to facilitate the preparation and pre-investment activities of commercially viable private sector small- to medium-scale renewable energy and energy efficiency projects, with the goal of attracting the necessary investment and reaching financial close so project implementation may begin.

Scope: Grants are provided on a cost-sharing basis to fund specific preparation activities, from feasibility studies to financing agreements to ensure financial close. This support is expected to enhance project bankability and enable sponsors to leverage the required equity and debt financing for successful implementation.

Eligibility Criteria:

Geography: Projects must be implemented in an AfDB regional member country.

Project Size: Total project size must be between USD 30 million and USD 200 million.

Funding Limit: Grant co-funding varies up to USD 1 million, a minimum co-financing requirement of 30%.

Beneficiaries: Private enterprises or public sector agencies with the goal of becoming either an independent power producer (IPP) or entering into a public-private partnership (PPP).

Examples of Eligible Activities: Activities required for the project to reach financial close, such as feasibility studies, environmental and social impact assessments (ESIA), or engineering studies.

Approval Process: Projects that meet eligibility criteria for grant funding are referred to AfDB Investment Officers who develop a Preliminary Evaluation Note (PEN) describing key project parameters, which is then reviewed and endorsed by management. Investment Officers then develop a full project proposal, which is reviewed and endorsed by the SEFA Technical Committee. Proposals up to USD 1 million are approved at the Infrastructure Operations Vice President level. Proposals for grants over USD 1 million are referred to the SEFA Oversight Committee and AfDB Board for final approval.

Project Highlight

JCM GREENQUEST SOLAR CORPORATION: CAMEROON

Despite the country's abundant renewable resources, in 2013, only 18% of the Cameroonian population had access to a reliable energy source. Sixty percent of the country's current installed capacity of 1,400 MW is largely based on hydropower, which fluctuates greatly during the dry season forcing the country to rely on expensive emergency thermal units.

In 2014, SEFA approved a preparation grant of USD 777,000 to JCM Greenquest Solar Corporation to support the development of a 72 MW Solar Photovoltaic independent power plant—the first renewable energy IPP in Cameroon. The grant will finance environmental and social impact assessments for the Mbalmayo plant and the cost related to the lender's technical, legal and financial advisory services.

Implementation of this project is expected to increase the installed capacity by 7% and provide reliable power to address power shortages. It will also help diversify the country's energy mix through the addition of a clean energy source and promote technology transfer expected to stimulate skilled and semi-skilled job creation. Success of this project will have significant demonstration effects in the country's power sector and is likely to result in additional private investment.

2/ Equity Investments

The equity investment financing component provides start-up or growth capital and managerial know-how for renewable energy and energy efficiency projects administered by small- and medium-sized entrepreneurs and developers. This component acts as a finance enabler, in addition to providing the developer equity; supplying technical capacity building in relation to project design, structuring and execution; and optimizing capital structures to ensure sustainability and financial viability of underlying projects. SEFA equity capital and dedicated technical assistance resources are deployed by the Africa Renewable Energy Fund (AREF), a pan-African Private Equity Fund solely focused on small- and medium-sized independent power projects co-sponsored by SEFA.

Scope: Independent power renewable energy projects in the 5 to 50 MW range specializing in solar, wind, biomass, hydro, as well as some geothermal and stranded gas technologies.

Eligibility Criteria and Approval Process: Investment decisions are the sole responsibility of AREF's Fund Manager - Berkeley Energy LLC - subject to the terms of the AREF fund agreements. The SEFA Secretariat provides general oversight to fund implementation as well as collaboration on project identification.

Project Highlight

ETHIOPIA CORBETTI GEOTHERMAL 20 MW

In October 2014, the SEFA-sponsored Africa Renewable Energy Fund, AREF, signed an agreement to invest USD 20 million into the first 20 MW phase of the Corbetti Geothermal Project in central Ethiopia. The project aims to diversify Ethiopia's dependence on drought-susceptible hydropower and is likely to lead to the development of other similar private sector projects.

Following a successful phase one expected to generate at least 20 MW of power, an additional 50 MW of future production is expected from each subsequent phase to be supported by Iceland Drilling, an experienced international geothermal drilling contractor.

In the short time since it became a majority shareholder, AREF has assisted with the: establishment of a project team based in Addis Ababa; formation of the project company, Corbetti Geothermal Plc; and finalization of the drilling and related civil works contracts. Working in partnership with the Ethiopian government, AREF also helped lead discussions which culminated in the signing of a power purchase agreement and the country's first independent power producer.



3/ Enabling Environment Grant

The enabling environment grant component supports public sector activities, especially those that create an enabling environment for private sector investments in sustainable energy in Africa. It also aligns with the SE4All Initiative by supporting preparatory, sector planning, and capacity building activities of the AfDB-hosted SE4All Africa Hub.

Scope: Advisory and implementation of regulatory and policy regimes that provide clear and predictable rules for project development and operation, capacity building activities to allow the public sector to act as a reliable and creditworthy counterparty in energy projects and programs. For grants over USD 1 million are referred to the SEFA Oversight Committee and AfDB Board for final approval.

Eligibility Criteria:

Geography: Project must be implemented in an AfDB RMC. This component is not bound by project size limits, with interventions spanning the off-grid, mini-grid, and grid-connected segments.

Funding Limit: Grant co-funding varies up to USD 1 million, a minimum co-financing requirement of 5%.

Beneficiaries: Public institutions such as RMC governments, sector agencies, parastatals and regional entities (economic blocks, power pools, power utility and regulator associations).

Examples of Eligible Activities: Sector strategy, policy, legal, regulatory and planning activities; institutional support and capacity development; market development and preparation; knowledge generation and data production; and social and gender analyses and assessments.

Approval Process: A Preliminary Evaluation Note (PEN) is developed for eligible public sector activities describing key project parameters, which is then reviewed and endorsed by management. AfDB policy and sector experts develop a full project proposal with the client, which is reviewed and endorsed by the SEFA Technical Committee. Proposals up to USD 1 million are approved by the Infrastructure Operations Vice-President. Proposals for grants over USD 1 million are referred to the SEFA Oversight Committee and AfDB Board for final approval.

Project Highlight

GOVERNMENT OF MALI

In spite of tremendous possibilities for additional power generation from the country's solar, hydro and wind resources, only about 30% of the population has access to a reliable power source in Mali.

In 2014, in an effort to attract a viable private sector focused on developing the country's renewable energy potential, SEFA approved a USD 530,000 grant to the government of Mali to strengthen the enabling environment for private sector involvement in renewable energy. SEFA will finance activities related to revision of the country's national energy policy; the capacity building and skill enhancement program; and guidelines for private investors and standardized documentation that will pave the way for private sector companies to deliver sustainable energy projects.

To be implemented by the Directorate of Energy, the project is a component of a wider USD 2.6 million technical assistance project under the country's Scaling-Up Renewable Energy Program.

SEFA KEY PRIORITIES

Moving ahead, SEFA will continue to unlock private sector potential in the clean energy sector through:

- **Project Implementation:** With a growing portfolio of approved grants, SEFA will continue to ensure that it meets its ambitious targets in providing early stage advisory, project preparation and enabling environment support to unlock investments in renewable energy and energy efficiency projects across the continent.
- **Project Development:** Relationship building and coaching project sponsors to help develop and finance the best renewable energy and energy efficient project opportunities in the continent will continue to be a focus of SEFA activities. Particular attention will be given to geographic expansion and diversification of the technology mix within the SEFA portfolio.
- **Resource Mobilization:** SEFA will continue to actively mobilize additional resources from donors to strengthen its mandate for project preparation and delivery of bankable deal-flow. Specifically, SEFA will explore opportunities to pilot new approaches to deploying grants, particularly ones generating reflows. The ultimate objective is to develop a sustainable facility in which future projects are financed with proceeds from successful projects.
- **Enabling Environment Support:** Moving forward, interventions in the green mini-grid space will be included within the scope of SEFA's enabling environment support. In partnership with the SE4All Africa Hub, financial intermediation and policy and regulatory support in the clean mini-grid and off-grid segments will be developed.
- **Gender and Energy Access:** In recognition of the importance of addressing the gender dimension in improving access to energy services, and in line with the AfDB 2014-2018 Gender Strategy, SEFA will strive to mainstream gender in its work to better promote equal access and opportunities for both men and women.





Contact Information

To find out more about SEFA activities, contact the **SEFA Secretariat**

SEFA Secretariat
sefa@afdb.org

African Development Bank Statutory Headquarters

Immeuble du Centre de commerce
International d'Abidjan CCIA
Avenue Jean-Paul II
01 BP 1387
Abidjan 01, Côte d'Ivoire

www.afdb.org



2015



AFRICAN DEVELOPMENT BANK GROUP