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LIST OF ACRONYMS

ABREC    African Biofuels and Renewable Energy Company
AfDB     African Development Bank
AREF     African Renewable Energy Fund
BIO      Belgian Investment Company for Developing Countries
BOAD     Banque ouest-africaine de développement (West African Development Bank)
DANIDA   Danish International Development Agency
DFID     Department for International Development of the United Kingdom
DMT      Department Management Team
EBID     ECOWAS Bank for Investment and Development
ECOWAS   Economic Community of West African States
ECREEE   ECOWAS Regional Centre for Renewable Energy and Energy Efficiency
EE       Energy Efficiency
EPC      Engineering, Procurement and Construction
ESIA     Environmental and Social Impact Assessment
FMO      Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V (Dutch Development Bank)
GEB      Green Energy and Biofuels
GEF      Global Environmental Facility
GETFiT   Global Energy Transfer Feed in Tariff
HIO      High-Impact Opportunities
ICA      Infrastructure Consortium of Africa
IPP      Independent Power Producer
IPPF     Infrastructure Project Preparation Facility
MW       Megawatt
ONEC     Energy, Environment and Climate Change Department
PFAN     Private Financing Advisory Network
PPA      Power Purchase Agreement
PPDU     Project Preparation Development Unit
PPIAF    Public-Private Infrastructure Advisory Facility
PPIU     Project Preparation and Implementation Unit
PV       Solar Photovoltaic
RE       Renewable Energy
SEFA     Sustainable Energy Fund for Africa
SE4ALL   Sustainable Energy for All
SPV      Special Purpose Vehicle
TRC      Technical Review Committee
UNEP     United Nations Environment Program
USAID    United States Agency for International Development
WAFCEF   West Africa Forum for Clean Energy Financing
MESSAGE FROM THE DIRECTOR

Alex RUGAMBA
Director
Energy, Environment and Climate Change Department
The African Development Bank Group

The Sustainable Energy Fund for Africa, also known as SEFA, is poised to transform the landscape of renewable energy in Africa. It is therefore a key component of the AfDB's mandate to deliver clean, modern and affordable energy to power economic growth on the continent.

In its third year of operations, SEFA more than doubled its grant portfolio. This followed the roll out of a third financing component which will help our public sector partners improve their country's enabling environments to support private sector investments in clean energy. In parallel, the SEFA-sponsored and partially funded Africa Renewable Energy Fund, which supports small-to medium-scale independent power producers, completed its first year of operations out of Nairobi with a sizeable capitalization of USD 132 million. SEFA further strengthened its funding base and expanded its scope into the green mini-grid space with the welcoming of its newest financing partner—the UK's Department for International Development.

The need for scaling-up investments in small- to medium- sized renewable energy and energy efficiency projects in Africa remains urgent. In spite of the continent’s endowment of vast renewable energy resources, much of the population still suffers from limited access to affordable and reliable modern energy services. SEFA will therefore continue to play a critical and lead role in delivering seed financing and advisory services, while leveraging the AfDB’s experience and convening power to enable the materialization of more sustainable energy investments on the continent.
INTRODUCTION

ABOUT THE SUSTAINABLE ENERGY FUND FOR AFRICA

Unlocking Private Investments in Sustainable Energy

In many African countries, clean energy projects are potentially viable from both technical and commercial perspectives, but initial development costs, lack of start-up capital, 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 hosted by the African Development Bank to address these challenges and unlock private investments small-to medium-sized projects renewable energy and energy efficiency projects across the continent. The fund is seeded by the governments of Denmark, the United States and the United Kingdom, with a total pledged amount of USD 87 million.

Through the provision of early-stage and upstream support, SEFA plays a catalytic role by addressing a number of the barriers associated with deployment of renewable energy (RE) and energy efficiency (EE) technologies and improving risk-adjusted returns for the private sector. This is expected to contribute to the bankability of projects and enable sponsors to leverage the required financing (both equity and debt) for successful implementation.

The following financing options are available through SEFA:

(i) Project preparation grants to bring medium-scale renewable energy generation and energy efficiency projects to bankability;
(ii) Equity investments to bridge the financing gap for small-and medium-scale renewable energy generation projects; and
(iii) Enabling environment grants for creating and improving the environment for private investments in on-grid and mini-grid projects, as well as upstream Sustainable Energy for All initiative activities.

SEFA is fully aligned with the AfDB Strategy for 2013-2022, whose primary objectives include the promotion of inclusive and green growth in Africa, as well as the Bank’s Energy Policy which postulates the promotion of energy access and increased penetration of renewable energy sources. SEFA is aligned with the Sustainable Energy for All initiative (SE4All) and works closely with the SE4All Africa Hub hosted by AfDB.
PROGRAM OPERATIONS AND GUIDELINES

SEFA is housed and managed at the Energy, Environment and Climate Change Department and governed by an Oversight Committee and administered in accordance with the AfDB’s procedures, rules and policy guidelines. The Resource Mobilization and External Finance Department provides fiduciary oversight. Project origination, review and approval processes are managed through various steps in accordance with approved operational guidelines (Annex I).

SEFA Financing Components

<table>
<thead>
<tr>
<th>SCOPE</th>
<th>I-PROJECT PREPARATION GRANTS</th>
<th>II-EQUITY INVESTMENTS</th>
<th>III-ENABLING ENVIRONMENT GRANTS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Activities from feasibility to financial close</td>
<td>Seed/growth capital for RE projects</td>
<td>Technical assistance and capacity building</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ELIGIBLE PROJECTS</th>
<th>Private and PPP projects in Africa sized between USD 30-200 million across all types of clean technologies</th>
<th>Private projects in Sub-Saharan Africa sized between USD 10-80 million across mature technologies* only</th>
<th>Public sector enabling environment projects in the on-grid and mini-grid spaces</th>
</tr>
</thead>
<tbody>
<tr>
<td>ELIGIBLE ACTIVITIES</td>
<td>Including, but not limited to: feasibility studies, E&amp;S impact assessments, engineering studies, transaction advisors</td>
<td>N/A</td>
<td>Strategy, legal, policy and regulatory activities; advisory and training; market development; knowledge generation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FINANCING INSTRUMENT</th>
<th>Grants of up to USD 1 million to project developers/sponsors</th>
<th>Equity Capital tickets between USD 10-30 million in project companies</th>
<th>Grants and technical assistance of up to USD 1 million to help public sector institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>MANAGEMENT</td>
<td>SEFA Secretariat</td>
<td>Berkeley Energy LLC (AREF)</td>
<td>SEFA Secretariat</td>
</tr>
<tr>
<td>RESOURCE ENVELOPE</td>
<td>USD 15 million</td>
<td>USD 35 million**</td>
<td>USD 20 million</td>
</tr>
</tbody>
</table>

*Includes solar, wind, hydro, geothermal and stranded gas
** As part of a total envelope of USD 132 million provided by other investors in AREF

For more information on AfDB’s policies and procedures, please visit: http://www.afdb.org/en/projects-and-operations/procurement/resources-for-borrowers/policies-procedures/.
2 PROGRAM HIGHLIGHTS FOR 2014

Component I: Project Preparation Grants

SEFA approved preparation grants in Burkina Faso (Solar Photovoltaic (PV)), Cameroon (Solar PV), Ethiopia (Energy Efficiency), Nigeria (Bio-Energy) and Tanzania (hybrid mini-grid) for a total amount of USD 3.56 million, expected to result in over 142 MW of additional capacity and USD 386 million in total capital investment.

The SEFA Secretariat reviewed and screened over 100 preparation grant requests during a year-long application process. In addition, several sponsors benefited from coaching by SEFA experts, while projects with the greatest pipeline potential were introduced to AfDB investment officers.

Through its component I activities, SEFA actively played a key role in origination and early stage advisory services for renewable energy and energy efficiency projects sponsored by private sector actors and government-led Public Private Partnerships (PPP).

Component II: Equity Investments

The African Renewable Energy Fund (AREF) was formally launched by SEFA and its partners on 14 March 2014 in Nairobi, Kenya. AREF is managed by Berkeley Energy LLC and reached a first close of USD 100 million at launch with investments from the West African Development Bank (BOAD), Economic Community of West African States (ECOWAS) Bank for Investment and Development (EBID), Dutch Development Bank (FMO) and Calvert Investments. Other investors including CDC Group plc, Belgian Investment Company for Developing Countries (BIO) and Wallace Global Fund joined as second close investors by end 2014 raising the total capital to USD 132 million.

In 2014, AREF approved two investments: a 20 MW geothermal plant in Ethiopia (Corbetti Geothermal) and a 42 MW hydropower plant in Uganda (Achwa HPP). This is part of a wider pipeline expected to generate over 300 MW of additional capacity covering a range of RE technologies including wind and solar.

Component III: Enabling Environment Grants

SEFA approved USD 1.27 million through grants to the governments of the Republic of Mali and the Union of Comoros to support the enabling environment for private sector participation in developing renewable energy and to the Infrastructure Consortium of Africa (ICA) and United Nations Environment Program (UNEP) partnership for the development of the Atlas of Africa’s Energy Resources.
Component III’s advisory and financing mandate were also expanded to support market development interventions for clean energy (green) mini-grid projects to be developed in close partnership with the SE4All Africa Hub hosted by AfDB and the SE4All HIO group.

Additional highlights:

SEFA welcomed a new donor following the UK’s Department for International Development (DFID) pledge of GBP 10 million to the Green Mini-Grid Regional Facility for Africa. These funds will be used to support SEFA’s enabling environment activities expected to catalyze investments in commercially viable clean energy mini-grids across the continent.

In 2014, SEFA co-sponsored the second West Africa Forum for Clean Energy Financing (WAFCEF-2) business plan competition. Following the review of 60 applications, 20 were shortlisted to receive free mentoring to help refine their business plans and develop convincing investment pitches. Among these, up to 10 qualified projects will have the opportunity to present their revamped business plans and make pitches for financing to investors at the final event scheduled for September 2015 in Abidjan.

SEFA also helped co-organize the “Opportunity Africa: Sustainable Energy Investments” seminar in Copenhagen, Denmark, together with the Danish International Development Agency (DANIDA), the UNEP Risoe Centre and the AfDB. Participants from the Nordic private sector, African project developers, and the AfDB convened to discuss new investment opportunities in sustainable energy in Africa.
3 SUMMARY OF FINANCIAL AND OPERATIONAL PERFORMANCE

SEFA was established in 2011 as a bilateral trust fund with an initial **DK 300 million** contribution from the Government of Denmark and converted in September 2013 into a multi-donor facility with a **USD 20 million** pledge from the United States Agency for International Development through President Obama’s Power Africa Initiative. In December 2014, SEFA enlisted an additional partner and donor, the United Kingdom, with a **GBP 10 million** pledge under the Green Mini-Grid Regional Facility for Africa.

In its 3 years of operation, SEFA has committed **USD 49,236,155** of its available **cash resources**, corresponding to an **86% implementation rate**. Of this commitment, **USD 7,126,826** has been disbursed, which corresponds to **13%** of available cash. There is an outstanding cash balance of **USD 7,736,842** for new commitments.

### Financial Summary (2012 - 2014)

<table>
<thead>
<tr>
<th>I. Sources of funds</th>
<th>Pledged</th>
<th>Transferred</th>
<th>% Transferred</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor pledged contributions</td>
<td>$87,333,100</td>
<td>$56,972,997</td>
<td>65%</td>
</tr>
<tr>
<td>DANIDA (DK 300 million)</td>
<td>$51,933,100</td>
<td>$51,933,100</td>
<td>100%</td>
</tr>
<tr>
<td>USAID (USD 20 million)</td>
<td>$20,000,000</td>
<td>$5,000,000</td>
<td>25%</td>
</tr>
<tr>
<td>DFID (GBP 10 million)</td>
<td>$15,400,000</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td>+ Interest accrued</td>
<td>$39,897</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>II. Use of funds</th>
<th>Committed</th>
<th>Disbursed</th>
<th>% Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project commitments</td>
<td>$45,590,000</td>
<td>$5,982,589</td>
<td>13%</td>
</tr>
<tr>
<td>Approvals component I</td>
<td>$9,315,000</td>
<td>$1,044,006</td>
<td>11%</td>
</tr>
<tr>
<td>Commitment component II</td>
<td>$35,000,000</td>
<td>$4,938,583</td>
<td>14%</td>
</tr>
<tr>
<td>Approvals component III</td>
<td>$1,275,000</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td>Overhead</td>
<td>$3,646,155</td>
<td>$1,144,238</td>
<td>31%</td>
</tr>
<tr>
<td>Admin &amp; Secretariat costs</td>
<td>$782,000</td>
<td>$567,688</td>
<td>73%</td>
</tr>
<tr>
<td>Bank management fee</td>
<td>$2,864,155</td>
<td>$576,551</td>
<td>20%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>III. Financial Key Performance Indicators</th>
<th>Amount</th>
<th>% of cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative commitments</td>
<td>$49,236,155</td>
<td>86%</td>
</tr>
<tr>
<td>Cumulative disbursements</td>
<td>$7,126,827</td>
<td>13%</td>
</tr>
<tr>
<td>Cash available for new commitments</td>
<td>$7,736,842</td>
<td>14%</td>
</tr>
</tbody>
</table>

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3 http://www.usaid.gov/powerafrica
4 For more information on the Green Mini-Grid Regional Facility for Africa, please visit: http://devtracker.dfid.gov.uk/projects/GB-1-204784/
5 USD amount corresponds to what was received in Danish Krone equivalent between 2011 and 2014
6 USD equivalent calculated at market exchange rate of May 1st 2015
7 Corresponds to the total approved funding envelope to the African Renewable Energy Fund (AREF).
8 Committed amount corresponds to budget to be drawn down annually to 2018
In terms of funding allocated to actual projects across the three components, in 2014 ten projects were approved for a combined total of over USD 6.5 million - USD 3.56 million for five preparation grants, USD 1.27 million for three enabling environment grants, and a USD 1.67 million equity investments through AREF for two projects. This is double the number of approvals for projects in the two previous years (see table below and Annex III for project details). This boost in project allocations is mainly due to approvals in components II and III, as both became operational in 2014.

In 2014 SEFA had an active portfolio of 15 projects in 13 countries, including two multinational projects, totaling USD 12.27 million in commitments across its three components. The project preparation and equity components currently represent a total of USD 913 million in investments and 313 MW of installed capacity.
### Project portfolio across the three components

<table>
<thead>
<tr>
<th>#</th>
<th>Project Title</th>
<th>Country</th>
<th>Technology</th>
<th>SEFA ($)</th>
<th>MW</th>
<th>CAPEX ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ABREF</td>
<td>Multi</td>
<td>Multi</td>
<td>999,000</td>
<td>8</td>
<td>35.00</td>
</tr>
<tr>
<td>2</td>
<td>Nosy Be</td>
<td>Madagascar</td>
<td>Hybrid</td>
<td>987,000</td>
<td>20</td>
<td>75.00</td>
</tr>
<tr>
<td>3</td>
<td>Lake Assal</td>
<td>Djibouti</td>
<td>Geothermal</td>
<td>1,800,000</td>
<td>120</td>
<td>187.00</td>
</tr>
<tr>
<td>4</td>
<td>Khalladi</td>
<td>Morocco</td>
<td>Wind</td>
<td>960,000</td>
<td>26</td>
<td>107.00</td>
</tr>
<tr>
<td>5</td>
<td>Deep Ocean Water Applications</td>
<td>Mauritius</td>
<td>Efficiency</td>
<td>1,000,000</td>
<td>20</td>
<td>48.00</td>
</tr>
<tr>
<td>6</td>
<td>Windiga</td>
<td>Burkina Faso</td>
<td>Solar PV</td>
<td>950,000</td>
<td>20</td>
<td>67.00</td>
</tr>
<tr>
<td>7</td>
<td>Green Energy &amp; Biofuels</td>
<td>Nigeria</td>
<td>Bio-Energy</td>
<td>580,000</td>
<td>0</td>
<td>22.00</td>
</tr>
<tr>
<td>8</td>
<td>dVentus Technologies</td>
<td>Ethiopia</td>
<td>Industrial</td>
<td>842,000</td>
<td>5</td>
<td>21.00</td>
</tr>
<tr>
<td>9</td>
<td>Jumeme Rural Energy Supply</td>
<td>Tanzania</td>
<td>Hybrid</td>
<td>420,000</td>
<td>0</td>
<td>170.00</td>
</tr>
<tr>
<td>10</td>
<td>JCM Greenquest Solar Corporation</td>
<td>Cameroon</td>
<td>Solar PV</td>
<td>777,000</td>
<td>72</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Corbetti / AREF</td>
<td>Ethiopia</td>
<td>Geothermal</td>
<td>849,742</td>
<td>20</td>
<td>80.00</td>
</tr>
<tr>
<td>12</td>
<td>Achwa Hydropower Plant / AREF</td>
<td>Uganda</td>
<td>Hydro</td>
<td>829,065</td>
<td>42</td>
<td>101.00</td>
</tr>
<tr>
<td>13</td>
<td>Renewable Energy Policy</td>
<td>Mali</td>
<td></td>
<td>530,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Atlas of Africa Energy Resources</td>
<td>Multinational</td>
<td></td>
<td>265,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Promotion of Renewable Energy</td>
<td>Comoros</td>
<td></td>
<td>480,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL**  
12,268,807   333   913
4 PROJECT ACTIVITIES AND APPROVALS

COMPONENT I: PROJECT PREPARATION GRANTS

The project preparation grant request component provides financial and technical assistance to facilitate pre-investment activities of commercially viable private sector medium-scale projects. Grants are awarded on a cost-sharing basis to fund specific project preparation activities, from feasibility up to financial close. During 2014, SEFA approved five preparation grants valued at USD 3.56 million to projects in Burkina Faso, Cameroon, Ethiopia, Nigeria and Tanzania.

By the end of 2014, the SEFA Secretariat had screened over 100 project preparation funding requests for a combined total of over 2400 MW proposed installed capacity across the African continent. The majority of the requests came from West Africa (38 requests), East Africa (27) and Southern Africa (25). In terms of the technology appearing most often within the grant requests, 41 applications focused on solar PV development, 20 focused on bio-energy, and 8 focused on both hydro-power and energy efficiency. (See Annex II).

The SEFA team additionally reviewed 15 projects under the West African Forum for Clean Energy Financing (WAFCEF-2) business plan competition. Out of these proposals, five were selected for additional support to improve their investment plans and pitches to increase the likelihood of receiving future funding.

Burkina Faso: Windiga 20 MW Solar PV Power Plant

Grant of USD 950,000 for the development of the WINDIGA 20 MW Solar PV Power Plant. This project is a private sector-led Independent Power Producer (IPP) scheme to design, construct and operate a solar power plant to be located in the Boucle du Mouhoun area in the Western part of the country. The project preparation grant will support outstanding advisory activities required for financial close, including support for the structuring of the Power Purchase Agreement (PPA) for a period of 25 years with Sonabel, the national public utility.

As of 2013, the energy demand in Burkina Faso had increased at an annual rate of over 10% during the previous five years and resulted in a widening supply gap across the country. This project will contribute to the Government’s ambition to significantly develop the country’s solar energy potential to reduce its dependence on fossil fuels for electricity generation and help address the country’s projected energy shortfall. In addition, it is expected to contribute to lowering the average price of electricity generated in the country.
Cameroon: JCM Greenquest Solar Corporation 72 MW Solar PV Power Plant

Grant of USD 777,000 to JCM Greenquest Solar Corporation to support the development of a 72 MW Solar Photovoltaic power plant in Cameroon. The Mbalmayo plant will be the first renewable energy IPP in Cameroon. The grant will finance environmental and social impact assessments and the cost related to the lender’s technical, legal and financial advisory services.

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. 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.


Grant of USD 580,000 to SMEFunds for the expansion of Green Energy & Biofuels (GEB) Bio-refinery project in Nigeria. GEB is a pilot of Lagos-based SMEFunds, an international NGO and the first bio-energy cooking fuel production facility and distribution network in Nigeria. The project was also winner of the first WAFCEF business plan competition co-sponsored by SEFA. The grant will finance technical studies, business advisory services and a full environmental and social impact assessment to assist in the scaling-up of SMEFunds’ GEB operations.

This support will enable the expansion of the first commercial waste-to-ethanol and cookstoves operation in Africa with the construction of (i) a large bio-refinery plant in Lagos capable of producing up to 22 million liters of ethanol per year at maximum capacity and (ii) ten biogel micro-plants in strategic locations across the country to carry out gel production and packaging over the next three years. By offering a modern low-carbon cooking solution, SMEFunds through GEB will also contribute to improving women’s and children’s health, creating employment opportunities and reducing deforestation associated with charcoal production.

Ethiopia: dVentus Technologies Corporate Expansion into Manufacturing of Smart Meters

Grant of USD 842,000 to dVentus Technologies to support its corporate expansion in the manufacturing of smart meters. dVentus Technologies is an Ethiopian-based technology and knowledge-driven company focused on the development of innovative and energy efficient products for the energy sector. The grant will finance a market and bankability study, as well as product validation and certification with the aim of mitigating certain technical development risks and catalysing the required finance for the transition and expansion plans. The grant will also be instrumental in crowding-in investments in the RE and EE sectors.
Aligned with the country’s green and growth strategies, the project will help demonstrate the viability of indigenous high-tech suppliers for the growing clean energy sector in Africa. Smart electric meters will have a direct impact in efficient billing, load management, tariff management, and theft control resulting in smaller power losses, fewer power outages and better customer service. It is estimated that savings up to USD 66 million per year and a 50% reduction in distribution losses could be achieved if Ethiopia’s two million connected clients were to use this technology. The project is also expected to contribute to technology transfer of high-tech engineering and the creation of up to 150 jobs during construction of the manufacturing facility and another 150 jobs during operations, out of which 80% are expected to be highly-skilled jobs.

**Tanzania: Jumeme Rural Power Supply (JRPS) Solar Hybrid Mini-Grids**

Grant of USD 420,000 to Jumeme Rural Power Supply Ltd (JRPS) to support the development of a portfolio of independent solar-hybrid mini-grids in rural growth centers in Tanzania. JRPS is a local joint venture comprised of three partners: Inensus Gmbh, specialists in mini-grid development and operation; Terra Projects, a renewable energy project developer; and St. Augustine University of Tanzania in Mwanza. The grant will finance the costs related to technical studies, lenders due diligence support, and legal and financial advisory services.

The Jumeme project will contribute to expanding rural electrification and increase access to energy services – using mainly clean solar energy – in some targeted 16 villages in the first phase, which includes 82,000 people, 11,000 households, 2,600 businesses, 42 public offices, 32 schools, 12 health centres and 77 religious buildings. It is also expected that a minimum of 500 new businesses will be created following the implementation of the first phase of the project.

**COMPONENT II: EQUITY INVESTMENTS**

The equity investment financing component seeks to address the lack of access to early stage capital for small- and medium-sized projects, as well as the limited managerial and technical capability of small-scale entrepreneurs and developers. The SEFA equity capital combined with a dedicated technical assistance envelope is deployed by the SEFA co-sponsored Africa Renewable Energy Fund (AREF), a pan-African private equity fund solely focused on small- and medium-sized (5-50 MW) independent power projects utilizing solar, wind, biomass, hydro, as well as geothermal and stranded gas technologies.

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 AREF implementation and collaborates on project identification.
At its March 2014 launch, AREF reached a first closing of USD 100 million following investments from BOAD, EBID, FMO, and Calvert Investments. CDC Group plc, BIO, and Wallace Global Fund joined as second close investors by the end of 2014 raising AREF’s total capital to USD 132 million.

Since the beginning of operations, AREF has approved two investments: a 20 MW geothermal plant in Ethiopia (Corbetti Geothermal) and a 42 MW hydropower plant in Uganda (Achwa HPP). These investments form part of a wider pipeline worth over 300 MW of new capacity covering a range of renewable energy technologies including wind and solar.

**Ethiopia Corbetti Geothermal 20 MW**

In October 2014, AREF signed an agreement to invest USD 20 million into the first 20 MW phase of the Corbetti Geothermal Project. Located in central Ethiopia, the project has an estimated potential production of at least 500 MW. Subsequent phases of 50 MW each are envisioned under future project expansion pending success of phase one. Various project development activities have also been carried out by shareholder Reykjavik Geothermal since 2009, including geothermal surface studies, a baseline study, an environmental and social impact assessment, project permitting, and the signing of a Heads of Terms PPA. In addition, the project will be further 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 finalisation 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 the PPA and the country’s first IPP. The project is expected to diversify Ethiopia’s dependence on hydro generation which has been susceptible to droughts in the past. Given the potential geothermal resource, it is likely that this project will have a catalytic effect and lead to the development of other private sector-driven geothermal projects on the market.

**Uganda Achwa Hydropower Plant 42 MW**

AREF signed an agreement to invest USD 15.9 million as majority shareholder into the Achwa hydropower project in Northern Uganda in October 2014. The project consists of a cascade of 5 run-of-river hydro power projects with a combined installed capacity of 106.5 MW. The early stage project development was undertaken by PAC spa, an Italian engineering, procurement and construction (EPC) contractor with significant experience in the delivery and operation of hydro power projects. For the last four years, PAC spa has been actively developing similar projects having signed a PPA for Uganda’s HPP1 (41MW) and HPP2 (42MW); finalised the generation license; secured all major permitting; and prepared detailed engineering designs and tender documents.
Since investing, AREF has been working in partnership with PAC spa building on its ongoing development activities and has begun to establish a project team in Uganda. AREF has also assisted with the launch of the EPC tendering for the HPP2 project, for which a selection is expected to be made by the first quarter of 2015. The other three projects: HPP3 (10 MW), HPP4 (10MW) and HPP5 (5 MW), for a total portfolio of 67MW, are also being developed with feasibility permit applications currently pending regulatory approval, environmental and social impact assessment’s completed and initial design studies drafted. These projects are being implemented in Northern Uganda, a previously conflict-affected part of the country that has seen little development in recent decades. It is likely that the significant investment required to deliver these projects will provide a much needed economic boost to the region, while completion of the projects will improve power reliability and availability.

COMPONENT III: ENABLING ENVIRONMENT GRANTS

Launched in the first quarter of 2014, the enabling environment grant component supports activities, especially those of the public sector, that work toward the creation of an enabling environment for private investments in sustainable energy in Africa. This includes advisory and implementation of regulatory and policy regimes that provide clear and predictable rules for RE project development and operation and capacity building activities which allow the public sector to act as a reliable and creditworthy counterpart to such projects. Component III also allows SEFA to better align with the SE4All initiative by supporting preparatory, sector planning and capacity-building activities arising from the AfDB-hosted SE4All Africa Hub.

During 2014, SEFA approved enabling environment grants to the governments of Mali (USD 0.53 million) and the Comoros (USD 0.48 million) to finance the development of policy, legal, regulatory and institutional frameworks, as well as capacity building for various audiences involved in developing, financing, and operating RE projects. A grant of USD 0.265 million to the ICA and UNEP partnership was also approved for the co-financing of the Atlas of Africa’s Energy Resources.

Comoros: Promotion of Renewable Energy

USD 480,000 grant to the government of the Union of Comoros for a project to facilitate private sector participation in developing the country’s significant renewable energy potential. The technical assistance project will help improve access to reliable and cost-effective modern energy services for households, businesses and industries in Comoros. It will do this by assisting the government to develop: an appropriate feed-in tariff structure for small- to medium-sized RE projects; standard legal documents (i.e., PPAs, Steam Supply Agreements) for renewable energy projects; and a capacity building and skills enhancement program on key technical, economic, financial and legal aspects of RE for the dedicated Renewable Energy Unit. The project is linked to the ongoing AfDB-led Energy Sector Support Project (ESSP), which underscores the objective of transitioning the country to a complete clean energy economy.
The Comoros is highly dependent on fossil fuels and biomass (wood and charcoal) for power generation and only 8% of the population is being serviced in the three main islands (Grande Comore, Moheli and Anjouan). This project therefore works to increase private sector participation in the country’s clean energy sector by creating a favorable environment for investment. In the long term, it is hoped that the private sector will become an active investor and supplier of electricity in Comoros by harnessing the potential of the country’s RE resources, from geothermal and hydro to solar and wind power.

**Mali: Renewable Energy Policy**

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. The project is to be implemented by the Directorate of Energy and is a component of a wider USD 2.6 million technical assistance project under the country’s [Scaling-Up Renewable Energy Program (SREP)](https://www.sefa.org/). The SREP also includes activities linked to: capacity building; knowledge management; communications and advocacy; and strengthening the monitoring and evaluation processes of the sector and the programmatic approach.

In spite of tremendous possibilities for additional power generation from the country’s solar, hydro and wind resources, only around 30% of the population has access to a reliable power source. This project is therefore working to attract a viable private sector focused on developing the country’s renewable energy potential.

**Multinational: Atlas of Africa’s Energy Resources**

USD 265,000 grant to the Infrastructure Consortium for Africa (ICA) and United Nations Environment Program (UNEP) partnership for the development of the Atlas of Africa’s Energy Resources. The project will strengthen the availability of data on energy and energy-related issues and provide up-to-date information on country-specific energy resource development and related environmental challenges, which will be used to attract private investment in the sector.

The Africa Energy Atlas will feature illustrative maps, charts and comparative images that will provide important information on renewable energy resources across the continent and their possible impacts on the environment. It will also provide visual information on the challenges faced and opportunities available to increase access to reliable, affordable and modern energy services on the continent.
The Atlas will target a potential spectrum of end-users including: policy-makers and state-owned enterprises (for preliminary evaluation of the technical and economic potential of renewable energy sources); private investors and developers (as a synthetic overview of market potential before engaging in detailed studies); and academics and interested public (for basic information).

5 NON LENDING ACTIVITIES

The Second West Africa Clean Energy Finance Forum (WAFCEF-2), Abidjan, Côte d’Ivoire, 4 September 2014

In September 2014, SEFA co-organized the second West Africa Clean Energy Finance Forum (WAFCEF-2) and business plan competition for clean energy entrepreneurs. The purpose of the forum was to reach out and attract potential start-ups and existing companies with promising clean energy projects to enter into the business plan competition. Proposals were therefore invited for clean energy projects in ECOWAS countries valued below USD 50 million. Following the review of 60 applications, 20 were shortlisted to receive free mentoring to help refine their business plans and develop convincing investment pitches. Among these, up to 10 qualified projects will have the opportunity to present their revamped business plans and make pitches for financing to investors at the final event scheduled for September 2015 in Abidjan. The initiative brought together entrepreneurs, companies, investors and venture capital funds, among other relevant stakeholders, to facilitate investment mobilization across the sector in the ECOWAS region. The first WAFCEF was formally launched in March 2013.

Sustainable Energy Investment in Africa Seminar and AREF European launch, Copenhagen, Denmark, 24-25 June 2014

SEFA participated in a joint seminar to promote sustainable energy investments in June 2014. Held in Copenhagen, Denmark, the gathering was jointly organized by DANIDA, the UNEP Risoe Centre and the AfDB. Participants at the forum acknowledged the need for increased investment in the sector; discussed new investment opportunities and practical guidance; and learned about opportunities offered by specific AfDB-sponsored funds and concrete projects under development. The seminar brought together a broad group of relevant actors with a common interest in sustainable energy, including financial investors, projects developers, industry and country stakeholders and donors. AREF, the aforementioned dedicated renewable energy fund with anchor investments from AfDB and SEFA, which achieved its first and second financial close totaling USD 132 million in 2014, was also officially launched during the seminar.

*Partners include the Climate Technology Initiative Private Financing Advisory Network (CTI PFAN), Regional Clean Energy Investment Initiative (RCEII) together with the United States Agency for International Development (USAID), the ECOWAS Regional Centre for Renewable Energy and Energy Efficiency (ECREEE), Banque ouest africaine de développement (BOAD), and the African Biofuels and Renewable Energy Company (ABREC), which is affiliated with the ECOWAS Bank for Investment and Development (EBID).*
SEFA participated in the PPFN meeting held on the sidelines of the 10th ICA Annual Meeting in November 2014. Inaugurated in June 2014 in Tunis, the PPFN is a network of funding facilities dedicated to sustainable infrastructure in Africa that has agreed to function as an alliance. They include: the European Union-Africa Infrastructure Trust Fund, IFC InfraVentures, the Development Bank of South Africa (which hosts three facilities), NEPAD Business Foundation, COMESA-PPIU, ECOWAS-PPDU, NEPAD-IPPF, Public-Private Infrastructure Advisory Facility (PPIAF), Sustainable Energy for All, the African Water Facility, the Fund for African Private Sector Assistance and the AfDB. The meeting provided an opportunity to discuss collaboration opportunities with other PPFs active in SEFA's space and comment on the operating procedures for the PPFN, work plan for 2015, and template of project pipeline information to be shared among the Project Preparation Facilities.
OUTLOOK FOR 2015 AND BEYOND

The year 2014 was not only a successful year of growth for SEFA, but also one in which valuable lessons were learned which underscore the need to align resources to meet the urgent requirement for investments and capacity development in the clean energy space. Looking ahead to 2015 and beyond, SEFA is well positioned with a team of experts and partners to deliver on its commitments as it scales-up its interventions in project origination, seed financing and advisory services.

Key objectives for 2015:

- 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 RE and EE projects across the continent.

- Project development: Relationship building and coaching project sponsors to help develop and finance the best RE and EE 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 in order to better promote equal access and opportunities for both men and women.
Annex I: Governance and Project Approval Process

The SEFA Secretariat is hosted in AfDB’s Energy, Environment and Climate Change Department (ONEC). The Environment and Climate Change Division (ONEC.3) monitors and ensures the implementation progress of all approved projects and coordinates the assessment of impact and results of each project funded thereunder. The Secretariat is composed of a coordinator (ONEC staff member) and technical advisors in finance, policy, green mini-grids and operations.

The ONEC Department Management Team (DMT) reviews all requests for funding against eligibility and selection criteria to make a formal decision on grant request clearance before projects are added to SEFA’s pipeline and move forward in the internal review and approval process. The DMT is chaired by the ONEC Director and includes the division managers of ONEC.1 (Energy Operations, East and Southern Africa), ONEC.2 (Energy Operations, West, Central and North Africa) and ONEC.3

The Technical Review Committee (TRC), established under the multi-donor arrangement, examines and reviews all proposals for funding and ensures they are technically and financially sound, fully aligned with the AfDB’s strategies and policies, and comply with applicable rules and procedures. The TRC is chaired by the Director of the Resource Mobilization and External Finance Department (FRMB) and includes representatives from the General Counsel & Legal Services Department (GECL), Procurement & Fiduciary Services Department (ORPF), Financial Control Department (FFCO), Strategy & Policy Department (COSP) and sector operations departments including Energy, Environment and Climate Change (ONEC), Regional Integration (ONRI) and Private Sector (OPSM) Departments. Other Bank operational departments and/or units can also be called upon to provide technical inputs, as necessary.

An Oversight Committee (OC) composed of representatives of donors to the trust fund and representatives of Bank management is responsible for the overall governance of SEFA. The OC is chaired by the Vice President of Operations, Infrastructure, Private Sector and Regional Integration (OIVP) Complex, or the VP’s representative. The OC (i) provides general policy and guidance, (ii) reviews and approves the operational focus of SEFA, (iii) undertakes annual reviews of the progress made during the year and examines and approves the annual work program and objectives of SEFA for the subsequent year, and (iv) approves Component I and Component III proposals over USD 1 million prior to presentation to the Bank’s Board of Directors. The decision making methods and procedures of the OC will be determined by the committee members.

The Board of Directors (BOD) oversees all grant requests exceeding USD 1 million for final review and approval in line with standard operating procedures.
SEFA and Gender Mainstreaming

SEFA is founded on the premise that reliable, clean and affordable energy can contribute to strong African economies and can have a positive impact in creating employment opportunities for both men and women across the continent. SEFA grants are implemented in accordance with the AfDB policies, rules, and procedures as articulated in the Bank’s Gender Strategy 2014-2018. It is therefore committed to gender equality and efforts toward mainstreaming gender dimensions in the energy sector and beyond. SEFA will integrate a gender sensitive and gender responsive focus in the planning and interventions undertaken through its grant activities. Thus, mainstreaming gender and energy access will focus on addressing inclusive growth, social progress and the wellbeing of communities.

Project Origination, Review and Approval Process

SEFA preparation grant requests are accepted both internally as well as externally from private, sector agencies, following the completion of an application screening questionnaire available on the SEFA website. Internal Bank departments seeking SEFA support may liaise directly with the SEFA Secretariat for guidance and support on the application process. The Secretariat is responsible for completing a Preliminary Assessment of preparation grant requests and subsequent processing for all questionnaires received.

Once a project has been identified, a responsible Task Manager is assigned and prepares a Preliminary Evaluation Note (PEN) which is a single page project summary submitted to the SEFA Secretariat for initial review. The PEN is then presented to the ONEC DMT for a formal review and clearance for the SEFA pipeline.

The next stage entails the preparation of a SEFA Grant Request (SGR), a multi-page project appraisal report prepared by the designated Task Manager in cooperation with the SEFA Secretariat. The SGR is submitted for Peer Review by at least two Bank experts. All issues raised are addressed through a Project Issues List, which is then submitted to the TRC together with the updated SGR for final clearance. The SGR replaces the approved PEN and becomes the document to be subject to final approval by the relevant authority.
# Project Approval Process

<table>
<thead>
<tr>
<th>STEP 1</th>
<th>Application</th>
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<tbody>
<tr>
<td></td>
<td>Application is submitted to the SEFA Secretariat by private project sponsors, government agencies, or internal departments. It then undergoes a preliminary assessment.</td>
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<thead>
<tr>
<th>STEP 2</th>
<th>Project Evaluation Note (PEN)</th>
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<tr>
<td></td>
<td>A PEN is developed in collaboration with the sponsor, originating department and the SEFA Secretariat.</td>
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<tr>
<th>STEP 3</th>
<th>ONEC Department Management Team (ONEC DMT)</th>
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<tbody>
<tr>
<td></td>
<td>ONEC DMT reviews and clears the PEN for further processing. If additional information is required, the ONEC DMT may request further clarification prior to clearance.</td>
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<tr>
<th>STEP 4</th>
<th>SEFA Grant Request (SGR)</th>
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<tbody>
<tr>
<td></td>
<td>In cooperation with the sponsor and the SEFA Secretariat, the originating department takes the lead in developing the SGR.</td>
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<tr>
<th>STEP 5</th>
<th>Peer Review</th>
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<tbody>
<tr>
<td></td>
<td>Once completed, the originating department, in cooperation with the SEFA Secretariat, submits the SGR for peer review. During peer review, a Project Issues List (PIL) is created to note any outstanding issues to be resolved before further review. Once these issues are addressed, the SEFA Secretariat reviews the updated SGR against the PIL. If all issues have been adequately addressed, the PIL, along with the updated SGR is then submitted to the Technical Review Committee.</td>
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<tr>
<th>STEP 6</th>
<th>Technical Review Committee (TRC)</th>
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<tbody>
<tr>
<td></td>
<td>The TRC reviews the SGR. The TRC will either request further clarification requiring the team to amend the SGR prior to final clearance, or approve the final SGR.</td>
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<tr>
<th>STEP 7</th>
<th>Final Approval</th>
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<tbody>
<tr>
<td></td>
<td>Board of Directors approves grants equal to or greater than USD 1 million. OIVP approves grants between USD 500,001 and USD 999,999. TRC approves grants up to USD 500,000.</td>
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</tbody>
</table>
Annex II: Breakdown of Received SEFA Project Preparation Grant Requests 2014

**Number of Requests Received by Region**

- Western
- Southern
- Northern
- Multinational
- Eastern
- Central

**Number of Requests Received by Technology**

- Other
- Energy Efficiency
- Wind
- Waste to Energy
- Thermal Energy
- Solar
- Hydro Power
- Geothermal
- Bio-Energy

**Proposed Installed MW Capacity per Technology**

- Other
- Energy Efficiency
- Wind
- Waste to Energy
- Thermal Energy
- Solar
- Hydro Power
- Geothermal
- Bio-Energy
### COMPONENT I

<table>
<thead>
<tr>
<th>#</th>
<th>PROJECT TITLE</th>
<th>COUNTRY</th>
<th>PROJECT DESCRIPTION</th>
<th>AMOUNT (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Windiga 20 MW Solar PV Power Plant</td>
<td>Burkina Faso</td>
<td>Development and construction of a 20 MW solar PV IPP located in the west of the country</td>
<td>950,000</td>
</tr>
<tr>
<td>2</td>
<td>Green Energy &amp; Biofuels (GEB) Waste-to-Ethanol and Cookstoves business expansion</td>
<td>Nigeria</td>
<td>Scale-up of production and distribution of bio-ethanol (cooking gel) and cookstoves</td>
<td>580,000</td>
</tr>
<tr>
<td>3</td>
<td>dVentus Technologies corporate expansion into smart meters</td>
<td>Ethiopia</td>
<td>Scale-up of product design and development facility into a local manufacturing facility focusing on energy efficient products</td>
<td>842,000</td>
</tr>
<tr>
<td>4</td>
<td>JCM Greenquest 72 MW Solar PV Power Plant</td>
<td>Cameroon</td>
<td>Development and operation of a 72 MWp solar PV IPP Plant in Mbalmayo, located 55 km from Yaounde</td>
<td>777,000</td>
</tr>
<tr>
<td>5</td>
<td>Jumeme Rural Power Supply Hybrid Mini-Grid</td>
<td>Tanzania</td>
<td>Electrification of 16 rural communities with mini-grids powered by solar-diesel hybrid systems</td>
<td>420,000</td>
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### COMPONENT II

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<thead>
<tr>
<th>#</th>
<th>PROJECT TITLE</th>
<th>COUNTRY</th>
<th>PROJECT DESCRIPTION</th>
<th>AMOUNT (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Corbetti Geothermal</td>
<td>Ethiopia</td>
<td>20 MW geothermal IPP, with subsequent 50 MW phases of potential expansion</td>
<td>849,742</td>
</tr>
<tr>
<td>7</td>
<td>Achwa Hydro Power</td>
<td>Uganda</td>
<td>42 MW run-of-river hydro in advanced development, with portfolio of further 67MW</td>
<td>829,065</td>
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### COMPONENT III

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<tr>
<th>#</th>
<th>PROJECT TITLE</th>
<th>COUNTRY</th>
<th>PROJECT DESCRIPTION</th>
<th>AMOUNT (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>Renewable Energy Promotion</td>
<td>Mali</td>
<td>Improvement of the policy, legal and regulatory frameworks for RE development</td>
<td>530,000</td>
</tr>
<tr>
<td>9</td>
<td>UNEP/ICA Atlas of Africa’s Energy Resources</td>
<td>Multinational</td>
<td>Production of an Africa Energy Atlas that will improve availability of data on country specific energy sources</td>
<td>265,000</td>
</tr>
<tr>
<td>10</td>
<td>Energy Sector Support</td>
<td>Comoros</td>
<td>Support the enabling environment for private sector participation through (i) improved tariff structure (ii) standard PPAs (iii) a capacity building program</td>
<td>480,000</td>
</tr>
</tbody>
</table>

TOTAL SEFA RESOURCES COMMITTED IN 2014: 6,522,807
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Immeuble du centre de commerce International d’Abidjan-CCIA
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SEFA at the AfDB:
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2014