HIGH-LEVEL SIDE EVENT ON SUSTAINABLE ENERGY FOR ALL:
HOW TO FINANCE ENERGY INVESTMENT IN TOUGH TIMES

RIO +20 SIDE EVENT BRIEF

LEAD ORGANIZER: THE WORLD BANK

Date: 19 June 2012  Time: 10:55 - 11:50  Venue: RIO CENTRO (PAVILION 3, P3-3)

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1. Context / Background

The Sustainable Energy for All (SE4All) Initiative was launched by the United Nations Secretary General in September 2011 to achieve three main objectives by 2030: (1) Ensuring universal access to modern energy services; (2) Doubling the global rate of improvement in energy efficiency; (3) Doubling the share of renewable energy in the global energy mix.

The SE4All Initiative will help to catalyze major new investment opportunities to speed the transformation of the world’s energy systems, pursue the elimination of energy poverty, and enhance prosperity. The Initiative brings together the global convening power of the United Nations, the ability to mobilize bold commitments and leverage large-scale investment, and a rapidly expanding knowledge network. The SE4All Initiative is being driven by the Secretary General’s High-level Group, which is co-chaired by Mr Yumkella, Director General UNIDO, and Mr Holliday, Chairman of the Board of Directors of the Bank of America.

The SE4All Initiative has identified eleven action areas, grouped into two categories – sectorial (modern cooking appliances, distributed electricity solutions, grid infrastructure, large scale renewable energy, industrial and agricultural processes, transportation, and buildings and appliances) and enabling (energy planning and policies, business model and technology innovation, finance and risk management, and capacity building and knowledge sharing), which provide a framework for setting concrete steps that further the objectives. Each Action Area contains a set of high-impact opportunities that will drive transformational change. These high-impact opportunities will be addressed by actions already under way that align with the objectives of SE4All, as well as by actions that arise from new commitments. In addition, the UN has initiated a process of inviting countries to opt-in to the Initiative. Several country missions took place this far, including missions to Ghana, Kenya, Uganda, and Mozambique. The process is as follows: a country opt-in is followed by a short stock-taking and gap analysis, the development of a National Implementation Plan, and finally implementation and reporting on the Plan.

Since the launch of the SE4All Initiative, in September 2011, the Bank has participated in various meetings/workshops and pilot country missions, and High-level Group meetings in New York and London. Furthermore the Ag VP OIVP spoke at the high-level panel of the EU SE4All summit associating the Bank with the SE4All Initiative. At the end of March 2012 ONEC set-up a dedicated SE4All Task Force to better coordinate and follow-up on the Bank’s involvement in the SE4All Initiative.

2. AfDB’s Participation

Access to energy (reliable, affordable, clean) is paramount for powering economic activity and growth: energy access in Africa is still lowest in the world, with at least 625 million people in sub-Saharan Africa without access to modern energy services and still relying exclusively on traditional biomass for cooking, heating and lighting. Moreover, important synergies can be realized by pursuing energy access and cleaner energy as a part of an integrated strategy. Promoting affordable and clean energy access is therefore a critical development theme for Africa and for the AfDB.

The objectives of the SE4All Initiative are fully aligned with the overarching objectives of the AfDB’s Energy Strategy that is expected to be formally adopted later this year.

The Bank’s participation will send a strong signal of African ownership and commitment to SE4All.
3. **Key Issues/Questions under Discussion**

- **How can additional stakeholders be mobilized to address high-impact opportunities and how can current initiatives be scaled-up?**
  - A further outreach to actors not yet committed, particularly those from the private sector will be needed; the media, especially social media can play an important role in this regard.

- **How can additional countries be mobilized to opt-in; and what assistance needs to be provided to those that have decided to opt-in?**
  - It will be important to involve the regional organizations, such as the African Union Commission and the Regional Economic communities to firmly integrate SE4All into their work.

- **Reaching the triple objectives of SE4All by 2030 will require substantial amounts of capital from the public sector, the private sector and the donor community. How can this financing be mobilized?**
  - In particular the private sector will have to play a more prominent role in addressing the funding gap. However, a stronger private sector engagement requires a conducive enabling environment, notably in terms of a predictable legal and regulatory framework.
  - The International Financial Institutions for their part will have a key role to play in mobilizing financing for a range of energy projects, in providing risk coverage and in acting as a catalyst for more private sector involvement and energy sector reforms.

- **How can the momentum of SE4All after Rio be sustained and even be accelerated?**
  - A reference to the SE4All overall objectives in the conclusions of the Rio+20 Conference would send a strong signal to the world. The monitoring and tracking of the state of implementation of the objectives similar to the MDGs, will be critical.
  - There will be a need for the set-up of an institutional structure (Secretariat or similar) that will drive the process post Rio. It will be important that this reflects the importance of the SE4All agenda for Africa.

4. **AfDB’s key priorities**

- The AfDB has wholeheartedly endorsed the UN Secretary General’s Sustainable Energy for All (SE4All) Initiative; and has become a partner of the Initiative. As the only multilateral development bank dedicated to Africa, the AfDB is ready to play a lead role in both mobilizing African member country participation in and the necessary financing for SE4All.

- The AfDB will present its activities in support of the SE4All objectives, including its emerging strategic focus on Green Growth. In particular, the AfDB will underline that it is financing both the required backbone energy infrastructure (large-scale generation and transmission projects, such as those identified in the PIDA energy priority action plan), and rural electrification projects, employing a variety of financial instruments, including innovative schemes such as the Sustainable Energy Fund for Africa (SEFA).
Specifically, the Bank will present its overarching commitments to SE4All until 2020 (see separate commitment paper)\textsuperscript{1}:

- $10 billion in investments in projects aimed at enhancing energy access, the share of renewable energy and energy efficiency savings.
- Provision of access to 20 million people as a result of Bank interventions.
- Support to the generation of 10,000 MW of clean energy.
- Mobilization of African support for SE4All.

\textsuperscript{1} The concrete numbers mentioned are still to be confirmed.
1. **Introduction**

The African Development Bank (AfDB) has endorsed the UN Secretary General’s Sustainable Energy for All (SE4All) Initiative and has become a partner of the Initiative. In view of the alignment of the Bank’s new Energy Strategy with the Initiative’s objectives and as the only multilateral development bank dedicated to Africa where the challenges are most daunting, the AfDB intends to mobilize its resources to contribute towards meeting the SE4All objectives.

2. **Overall commitments**

The African Development Bank makes four major commitments in support of SE4All until 2020:

- **$10 billion in investments**
  - The AfDB will invest $10 billion on projects aimed at enhancing energy access, the share of renewable energy and energy efficiency savings.

- **20 million people to gain energy access**
  - Through its assistance the Bank will contribute to the provision of modern and sustainable energy services for 20 million people.

- **10.000 MW of clean energy**
  - The AfDB commits to support the generation of 10.000 MW of clean energy.

- **Mobilisation of African support to SE4All**
  - The AfDB commits to build consensus among energy actors in Africa, to support the development of a conducive enabling environment for private sector engagement, and to provide project preparation and capacity building assistance.

The Bank will use diverse financing instruments to realize these commitments: Grant-schemes, loans at concessionary and market-based rates, equity, lines of credit for on-lending, carbon financing, partial risk guarantees, political risk coverage, and technical assistance. The African Development Bank will endeavor to significantly increase its commitments for the following period 2020-2030.

3. **Avenues of Bank engagement**

In meeting its overall commitments, the Bank will in particular address the following high-impact opportunities:
A few concrete examples of the Bank’s assistance towards addressing above listed high-impact opportunities and thereby contributing to the achievement of the SE4All overall objectives are listed below:

The **Programme for Infrastructure Development in Africa (PIDA)** was adopted by the African Union Member States in early 2012. PIDA was elaborated in a joint effort by the African Union Commission, the NEPAD Planning and Coordinating Agency (NPCA) and the African Development Bank. PIDA provides a common framework for African stakeholders to build the infrastructure necessary for integrated transport, energy, ICT and transboundary water networks to boost trade, spark growth and create jobs. The Priority Action Plan (PAP) for 2012-2020 contains as a first set of immediate priorities 51 projects and programs. Energy is at the core of the PIDA and the PAP, with investment costs amounting to 40.3 billion US$ or 59% of the total PAP investments. The 15 energy projects contained in the PAP will have the highest possible visibility and will create the required backbone energy infrastructure necessary for achieving universal energy access in Africa. The African Development Bank plays a leading role in developing the roll-out of the PIDA PAP and in the financing of the identified priority projects.

The **Sustainable Energy Fund for Africa (SEFA)** provides direct support to medium and small clean energy and energy efficiency projects in Africa. SEFA has two components. The first component provides grant resources to help sponsors prepare medium and small-scale renewable energy and energy efficiency projects. Clean energy projects of this size often struggle to have the capital to satisfy the appraisal requirements for financing. To bridge that gap, this component will provide cost sharing grants to offset the high costs associated with project preparation. The second component of SEFA is an innovative use of trust fund resources at the AfDB. African entrepreneurs identified access to early-stage development capital as a major stumbling block. SEFA will provide seed and growth capital directly to SMEs in the renewable energy and energy efficiency value chains. SEFA will meet the needs of these SMEs through investments in private equity and similar funds that are oriented towards the renewable energy sub-sector. In tandem, SEFA will provide additional resources for fund managers to offer SMEs business development services and technical assistance.

4. **Monitoring of commitments**

In line with the agreed monitoring structure of the SE4All initiative, the Bank will monitor its commitments and also invites external partners to verify and hold the Bank accountable and thereby contribute to the achievement of the ambitious plans.