The African Development Bank Group (AfDB) has been a major force in private and public sector Clean Development Mechanism (CDM) development in Africa through the provision of financial and technical resources. Infrastructure development, with emphasis on Carbon Credits, is among the priority sectors outlined in the Bank’s Private Sector Development Strategy along with creating an enabling environment, strengthening financing systems and promoting trade.

The Clean Technology Fund (CTF) is a distinct part of the Climate Investment Funds (CIFs) officially launched at the G8 Summit in Hokkaido, 8 July 2008 with an initial commitment of $6 billion from G8 donors. It is a collaborative effort between the African Development Bank and other sister Institutions to mobilize additional resources at significant scale to help fill the gaps in funding and know-how, for projects that deserve to be implemented between now and the envisaged 2012 global climate change agreement.

The African Development Bank promotes CDM development with special attention to cogeneration, geothermal, hydro, solar and wind investments by providing: financial support through direct equity investment and loans, advice to enterprises on the structuring of such projects. The Bank also gives advice to governments to introduce a conducive legal and regulatory framework and technical assistance thereby enhancing their capacity to structure and handle CDM programs.
The key objective of the Bank’s private sector strategy is to boost confidence in other lenders and investors to mitigate the risks resulting from the relative long-term maturity of such investments. Bank interventions include investing directly in such transactions; upgrading the technical and managerial capacities of governments; helping in the creation of appropriate institutional, legal and regulatory frameworks for CDMs; assisting governments in developing and implementing strategies including designing a sound regulatory framework; and creating Clean Technology Investments from the Climate Investment Funds, focusing on clean energy in the maintenance and management of these projects.

In fulfilling this mandate, the private sector department plays a triple role of financier, advisor and partner. Special attention is given to the Clean Investment Technology within the Infrastructure Finance Division of the Private Sector Department. The principal lending and investment activities in this sector entail the identification, preparation and appraisal of programs and projects in order to: (i) provide financial support to promote private sector infrastructure development on a regional, national or sub-national basis in Regional Member Countries (RMCs); and (ii) promote the development of competitive private enterprises, through the development of efficient and affordable services.

Achievements

The Bank’s private sector operations in the CDM sector started in 2004 resulting in 4 approved projects amounting to about USD 800 million to finance CDM projects in various forms and countries. The Bank’s private sector activities in the Clean Technology Investments are multidimensional as they embrace various aspects including corporate finance, project finance, PPPs and renewable energy.

The Bank is involved in PPP operations, having contributed from the private sector arm USD 110 million and USD 29 million from the public sector window to the Bujagali Hydropower project in Uganda.

Renewable energy is of vital interest to the Bank. The Bank’s private sector department contributed USD 6 million to the SahaniVotry hydroelectric power project in Madagascar and USD 9 million to the Buseruka hydroelectric project in Uganda. These renewable energy projects will generate clean energy reducing CO2 emissions and will in fact also produce a CDM carbon credit for the project sponsor. Moreover, the regular supply of electricity to the surrounding area will boost small and medium-sized industries such as hulling and milling.

Ms Hela Cheikhrouhou, Manager, Infrastructure Finance Division at the Private Sector Department of the Bank underscored the importance of CDM in the Bank’s operations and stated that “the need for scaling up renewable energy and energy efficiency is obvious and a more systematic access of African projects to climate financing mechanisms is necessary, to make such shift affordable to low income countries”.

The Bank offers a wide range of technical assistance and advisory services, including: policy advice and technical assistance to governments in order to facilitate the creation of an enabling environment, promote privatization schemes, revise and rationalize investment codes and fiscal regimes, promote foreign direct investments, develop the financial sector and capital markets, etc. In this regard, and in terms of carbon credit scheme the Bank provided Technical Assistance to both SahaniVotry and Buseruka hydroelectric projects.

For the private sector to become the engine of growth and a partner in combating poverty, it is indispensable to ensure macro-economic stability, skilled manpower through appropriate training, efficiency of physical infrastructure, improvement of the judicial system, availability of financing and, above all, control of the cost of factors of production.

Future Orientation:

Wind Energy: The Bank’s private sector department commissioned a report on the “strategic study of wind energy deployment in Africa". This study is in connection with the Bank’s strategy for promoting Renewable Energy project implementation on the African Continent. The main objectives of the study are to (i) evaluate the wind energy potential of Africa; (ii) analyze the main technical, environmental and economic features of countries with a high wind potential; (iii) analyze the legislative, regulatory and institutional framework of those countries with a view to determine their enabling policy/regulatory environment for wind project development; and (iv) elaborate a strategic plan for the development of wind energy investments in Africa within 2004-2012.

As a result of the study, a series of high level meetings have been held with the aim to promote widespread dissemination of renewable energy and energy efficiency technologies in Africa. The role of the financial institutions, such as the African Development Bank is to provide adequate lending facilities to private developers in order to encourage and speed-up the implementation of wind technology in Africa. In the coming years, the Bank will be more and more approached for investments in the renewable energy projects in Africa. For many African countries, renewable energy presents a substantial advantage compared to other forms of energy.

The Turkana Wind Farm Power Plant:

Lake Turkana Wind Power Project (LTWP) involves the construction and operation of a 300 MW wind power in Marsabit District, near Lake Turkana in the north-western part of Kenya. The African Development Bank will facilitate the entire Euros 300 million loan for Kenya’s Lake Turkana Wind Power Project, out of which, the Bank will provide Euros 100 million.

The loan, which represents 70% of the project cost, will be sourced from Development Finance Institutions (DFIs) and commercial sources. The Bank is the Mandated Lead Arranger (MLA) for the loan, which has a DFI loan tenor of up to 12 years and 9 years from commercial sources.

The Bank is involved in PPP operations, having contributed from the private sector arm USD 110 million and USD 29 million from the public sector window to the Bujagali Hydropower project in Uganda.