



PROJECT SUMMARY NOTE

ARCH Africa Renewable Power Fund L.P.

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PROJECT SUMMARY NOTE

ARCH Africa Renewable Power Fund L.P.	
Country	Multinational-Pan African
Sector/Topic	Energy
Program Description	The proposal consists of an equity investment in the first close of the ARCH Africa renewable Power Fund L.P. (“ARPF” or “the Fund”), a USD 250 million private equity fund. The Fund will provide primarily ordinary equity for the development and construction of around 15 greenfield renewable energy projects in Sub-Saharan Africa. ARPF will focus on mature technologies including wind, solar PV, small to medium hydro (run-of-river), geothermal and biomass. The fund scope encompasses both grid-connected as well as decentralized energy projects (commercial & industrial solar, mini-grids and solar home systems companies).
Client/Sponsor	The anchor investing entity is ARCH Emerging Market Partners Ltd. (“ARCH”), a London-based emerging market investment joint venture established in 2018 between the US impact investor JCH & Partners and the African Rainbow Capital (ARC) from South Africa.
Cost structure and Financing Plan	The Fund is targeting a USD 250 million capitalization and is expected to reach first close in Q1 2019. Second close is planned no later than 18 months thereafter. Other co-investors at first close include European Investment Bank and Sentinel Retirement Fund.
Bank’s Role	The Bank is considering an equity investment of up to USD 25 million in ARPF. The Bank will be represented in the Fund’s LP Advisory Committee.
Implementation arrangements	The Fund will be domiciled in Mauritius as limited partnership (GP/LP structure). The Fund’s Investment Committee will comprise of experienced investment professionals. ARPF will recruit in-house staffs, mostly based in two offices in Africa.
Market	Over half of the world’s population growth between 2018 and 2050 is expected to occur in Africa, where total population is forecast to double by 2050. Africa remains the world’s second fastest growing region facing significant demand for power infrastructure to sustain growth, foster industrialization and agricultural transformation. On the supply side, the declining cost of renewables together with improving enabling/regulatory environments is creating a massive opportunity for greenfield private investments and leapfrogging fossil fuels based technologies. The African continent possesses one of the best renewable energy potential globally, in particular in solar, wind and hydro. As such, private-driven renewable power projects are in rising demand however the supply is constrained by limited availability of risk capital. ARPF bridges this critical gap in the market by offering equity to early-stage renewable IPP projects, bringing them to full bankability. Additionally, the Fund will look into the growing opportunities within the off-grid space, particularly in relation to mini-grids and captive generation for commercial and industrial consumers.

Justification for the Bank's involvement	
Strategic Alignment	The Project is in line with the Bank's Ten Year Strategy and High-Five priorities, specifically with the New Deal on Energy for Africa and its objective to increase generation and new connections to achieve universal access by 2025. ARPF will also assist governments in meeting their renewable energy objectives through the investment and development of both on- and off-grid renewable energy technologies.
Development Outcomes	The Fund is expected to add up to 533MW of installed energy generation capacity from renewable sources in Sub-Saharan Africa, thereby removing one of the major obstacles to economic growth and fostering transition to low carbon energy mix. This will provide both base load and peak load power in underserved markets. The construction and operation will result in direct creation of at least 534 full time equivalent jobs.
Additionality and Complementarity	The Bank is expected to fill a financial gap for the Fund to achieve first close. In addition, its presence is expected to provide comfort to other investors, thereby catalyzing further equity from non-DFI sources, in particular African institutional investors. ARPF will directly contribute to expanding the pipeline of bankable energy projects in Africa through its hands-on development approach, complementing and deepening the work of the Bank in this critical area. The Bank will also ensure that the highest environmental and social standards - including climate change and gender considerations - are applied in the ARPF's projects.