Green Energy Credit Lines
in
EAST AFRICA

AFRICA - EU Energy Partnership
Vienna - September 14th, 2010
### Financing of renewable energy & energy efficiency projects in East Africa

<table>
<thead>
<tr>
<th>Setting &amp; Project</th>
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<tbody>
<tr>
<td><strong>Setting:</strong></td>
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<tr>
<td>- growing reliance on fossil fuels;</td>
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<tr>
<td>- poor reliability of power service;</td>
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<tr>
<td>- limited technical capacity to implement RE &amp; EE projects;</td>
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<td>- absence of bank involvement so far</td>
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<td><strong>Project:</strong></td>
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<td>Engage banks in financing RE &amp; EE projects through an adequate technical assistance scheme and appropriate financing</td>
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<td><strong>AFD Group portfolio in the energy sector in East Africa:</strong></td>
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<td>Total commitments: 470 M. EUR, split between generation (hydro &amp; geothermal), transport, distribution and cross border connecting lines</td>
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Financing of renewable energy & energy efficiency projects in East Africa

Impacts

- Energy transition facilitation and reduction of CO2 emissions; development of 100 MW of installed RE capacity per country over the next 5 years
- Implementation of new IPP projects capitalizing on Gvts’ policies and sector frameworks (feed in tariffs, PPAs, …)
- Energy saving for key economic sectors (agribusiness & hospitality) and improved power supply (eradicate effects of black outs and browning)
- Development of banking sector’s capacity to finance the new EE & RE markets with a view to mainstreaming environmental finance
- Foster regional integration policies through strengthening of energy supply
- Support to banks’ regional strategy in the energy sector
**Financing of renewable energy & energy efficiency projects in East Africa**

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<th>AFD’s role</th>
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<tr>
<td>▪ Provide a financial package to partner banks &amp; sponsors in Kenya, Uganda and Tanzania comprising:</td>
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<td>✓ LT finance (12 years, 2 year grace) at soft conditions</td>
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<td>✓ in USD, of an amount equivalent to 30 m EUR per country</td>
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<td>✓ optional risk sharing mechanism for the banks</td>
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<td>▪ Targeting small and medium size projects (maximum capex of 10 m EUR) to bring private enterprises and smaller IPP sponsors into the sector</td>
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<td>▪ Finance and set up a regional TA program aiming at overcoming investment barriers and risks (technology), and at building up capacity within banks; financed with a 2.0 m EUR grant from ITF and 0.6 m EUR from AFD</td>
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<td>▪ Fostering cooperation between stakeholders from the 3 countries</td>
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AFD Green lending programs and policies

AFD’s “Green Lending Programs”: long term credit facility provided to Financial Institutions and transferred ultimately to sponsors of green projects:
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Technical Assistance scheme for Kenya, Uganda and Tanzania

Context:
- Technology risk viewed by sponsors and banks as the main obstacle to investment and financing decision making
- Lack of local skills, both technical and financial
- Few projects up and running, developed only by the largest players

TA programme:
- Regional platform based in Nairobi for 2 years at least
- Operated by an international consultancy specializing in RE & EE technologies and projects
- Bringing together international and local expertise in EE & RE and Project Finance
- Providing assistance and training:
  - to partner banks for the assessment of projects’ feasibility and follow up
  - to projects’ sponsors for the assessment and first implementation stages
- Developing the pipeline of projects through pre-financing of feasibility studies
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Selection of Local Partner Banks

- Having a strategic interest in developing a portfolio of EE & RE projects
- Implementing a regional approach of their activity through a network of subsidiaries
- Able to reach out to small and medium size sponsors (ie cooperatives, medium size estates, …)
- Ready to set up a dedicated task force for EE&RE projects
- Presenting a fair financial status and track record
### Sector:
Small and medium size renewable energy investments (IPPs) and energy efficiency investments made by private companies

### Partners:
CO-OPERATIVE Bank of Kenya, CfC Stanbic as AFD’s borrowers + on lending mechanism

### Country:
Kenya

### Year:
2010

### AFD line of credit:
EUR 30 m

### Financing Plan:
- AFD 12 year, 2 year grace, soft loan
- EU - ITF and AFD TA grants

### Context & Project

- **Context**: growing reliance on fossil fuels; poor reliability of power service; limited technical capacity to implement projects; absence of bank involvement so far
- **Project**: engage banks in financing RE & EE projects through an adequate technical assistance scheme and appropriate financing

### Impacts

- Energy transition facilitation and reduction of CO2 emissions
- Implementation of new IPP projects in line with Gvt’s policy
- Energy saving for key economic sectors (agribusiness & hospitality) and improved power supply
- Development of banking sector’s capacity to develop the fledgling EE & RE markets with a view to mainstreaming environmental finance
- Foster regional policies through strengthening of energy supply

### AFD’s role

- Provide a financial and technical package to sponsors & partner banks (LT finance at soft conditions)
- Finance TA program aimed at overcoming investment barriers and risks (technology) and at building up capacity at banks