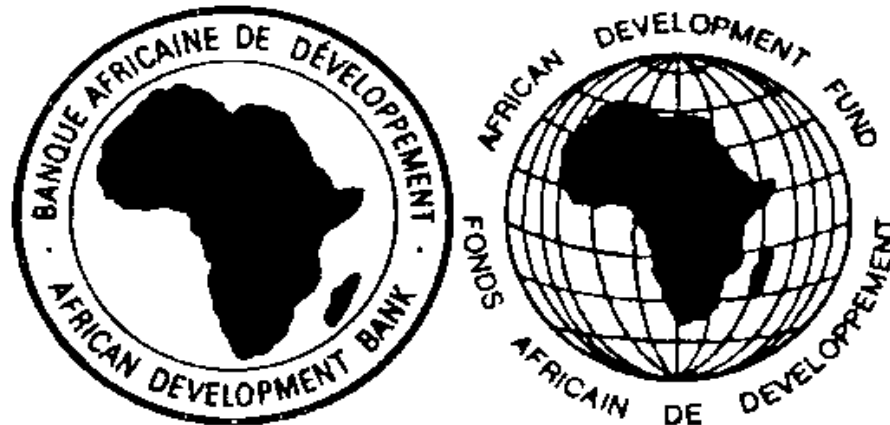


SADC REGIONAL ELECTRICITY INVESTMENT CONFERENCE

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**African Development Bank Group-Experience in Financing the Energy
Sector Projects**

**Nono MATONDO-FUNDANI
Public Utilities Division (NES Region)**

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1. Bank's Vision

The African Development Bank Group strives to be leading financing institution in Africa, dedicated to provide quality assistance to Africa Regional Member Countries to promote sustainable economic growth and help them in their poverty alleviation efforts. (AFDB, 1999)

Link between the Bank Vision and Energy Sector Funding

- **Energy is a vital input for economic growth. Modern energy can directly reduce poverty by raising a poor country's productivity and extending the quality and range of its products – thereby putting more wages into the pockets of the deprived.**
- **Modern energy services enhance the quality of life of the poor in countless ways. Electricity extends the light of the day, providing extra hours for reading and working. Modern cook stoves save women and children from daily exposure to noxious cooking fumes. Refrigeration allows local clinics to keep needed medicines on hand.**

2. Energy and Electricity Issues

- Two thirds of the African population rely on fuelwood for cooking. Wood is burnt at efficiencies of 5% with emission of noxious fumes.**
- Rate of use of trees for fuel exceeds the rate at which trees are being grown.**
- Energy consumption per capita (470 ton oil equivalent) is one third of the World average.**
- With 13% of the World population, Africa consumes 3% of commercial energy. It contributes to 7% of the production of commercial energy.**

2. Energy and Electricity Issues

- Except South Africa and North African countries, less than 10% of the population have access to electricity in the other countries;**
- In many Sub-Saharan countries: About 25% of the population have access to electricity in the Urban areas; and**
- Only 5% of population in rural areas have access to electricity.**

2. Energy and Electricity Issues

- An integrated nationwide transmission and distribution grid will only be able to economically electrify part of the rural areas.**
- Lack of interconnections in between national grids resulting in small markets and inefficient management of power stations.**

3. Implications

- Encourage institutional changes with the objective of involving Private Sector Investment in the sector which the State has traditionally owned.**
- Need to have decentralized grids preferably powered by new and renewable energy sources.**
- Need to establish the interconnected grids and to promote power trade.**

4. Experience of the Bank Group in Funding the Energy Sector Projects

- The Bank has more than 35 years of experience in funding Infrastructure Sector projects, which accounted for more than 35% of the total Bank's commitments, of which the energy sector was about 10%.**
- The specific instruments the Bank has for funding multinational project are: multinational window of the ADF for projects and NEPAD Infrastructure Project Preparation Facility.**

4. Experience of the Bank Group in Funding the Energy Sector Projects

Cumulative Loans and Grants Approved Between 1967-2002 (In MUC)

Sectors	Total Bank Group	% of the total
Transport	5 032,2	16,0%
Water Supply & San	2 209,5	7,0%
Énergy	2 986,4	9,5%
Communications	911,3	2,9%
Total Infrastructures	11 139,3	35,4%
Other Sectors	20 311,4	64,6%
Total approuved	31 450,7	100,0%

4. Experience of the Bank Group in Funding Energy Sector Projects

The cumulative funding for 180 energy sector projects approved between 1967 to 2003 is UA 3,134.21 million (about US\$ 4.20 billion) distributed as follows:

- National Projects : UA 3,006.14 million (96.0%)**
- Multinational Projects : UA 128.07 million (4.0%)**

These are mainly electricity projects.

Bank Funded Projects in SADC Countries

The Bank approved 40 Electricity Sector projects providing funds in the amount of UA 520 Million (about US\$ 800 Million) as under:

- Angola-1 project –UA 47.25 M
- Botswana-1 project-UA 20.00 M
- DRC- 5 projects-UA 145.33 M
- Lesotho-5 projects (incl. Multinationals) -UA 50.32 M
- Malawi-4 projects-UA 18.32 M
- Mozambique-5 projects-UA 40.56 M

Bank Funded Projects in SADC Countries

- Namibia-1 project-UA 28.11 M
- Swaziland-1 project-UA 33.50 M
- Tanzania-6 projects-UA 46.75 M
- Zambia-2 Projects- UA 11.45 M
- Zimbabwe-5 projects-UA 77.56 M

Bank Funded Projects in SADC Countries

From its Private Sector Window, the Bank funded Mozambique/South Africa Sasol Natural Gas Project (US\$ 80 Million).

5. Operations Approved in 2003 and 2004

Country Energy Operations:

- Mozambique: Energy Sector Reform & Access Program (ERAP) (US\$ 85.00 million)
- Tunisia: Electricity Distribution Networks Rehabilitation Project (US\$ 110.00 million)
- Mali: Rural Electrification Study (US\$ 2.00 million)
- Benin: 2nd Rural Electrification Project (US\$ 25.00 million)
- Senegal: Rural Electrification Project (US\$ 28.00 million)

5. Operations Approved in 2003 and 2004

Regional Economic Integration Operations:

- Equatorial Nile Countries (Burundi/Kenya/ Uganda/DR Congo/Rwanda/Tanzania) Power Interconnection Study (US\$ 3.00 million)
- Eastern Nile Countries (Egypt/ Ethiopia/Sudan) Power Trade Program Study (US\$ 4.50 million)
- Central African Countries Power Interconnection Study (US\$ 4.00 million)
- Multinational: Ethiopia-Djibouti Power Interconnection Project (US\$ 62.00 million)

6. Short Term Operations

(2005 – 2008)

Country Energy Operations:

- Morocco: Ain Beni Mathar Solar Thermal Power Project (250 MW, 30 MW Solar) (US\$ 260.00 million)
- Egypt: El Kureimat Thermal Power Project (US\$ 295.00 million)-approved in July 2005
- Egypt: Solar Thermal Power Project (120 to 150 MW)
- Ethiopia: Chemoga-Yeda HydroPower Project (around 250 MW) (US\$ 405 million)

6. Short-Term Operations

(2005 – 2008)

- Mozambique: Electricity IV Project (Transmission and Distribution)
- Madagascar: Small Hydro Power & Rural Electrification Project
- Tunisia: Rural Electrification Project
- Nigeria: Small Hydropower and Rural Electrification Study (US\$ 2.5 million)
- Nigeria: New Haven- Jos Power Transmission Project (US\$ 187 million)
- Nigeria: Afam – New Haven Power Transmission Project (US\$ 68 million)

6. Short-Term Operations

(2005 – 2008)

- DR Congo: Rehabilitation of Electricity Network Project
- Cape Verde: Electricity Project (2x8 MW Diesel Power Station and 30 km Transmission Line)
- Gambia: Renewable Energy Project (US\$ 18.50 million)

6. Short-Term Operations (2005 – 2008)

Regional Economic Integration Operations:

- OMVG (Guinea/Guinea Bissau/Gambia/Senegal):
Hydroelectric Power Stations and Transmission Lines
Study (US\$ 5.40 million)
- Multinational: Inga HydroPower Integrator Study
- Zambia/Tanzania/Kenya Power Interconnection Project
- Mozambique/Malawi Power Interconnection Project
- Tunisia-Libya Gaz Pipeline Project

6. Short-Term Operations

(2005 – 2008)

- DR Congo/Angola/Namibia Power Interconnection Project
- Nile Lake Countries Power Interconnection Project
- Nigeria/Niger Power Interconnection Project
- Nigeria/Benin/Togo/Ghana West African Gas Pipeline Project
- OMVG (Guinea/Guinea Bissau/Gambia/Senegal) Hydroelectric Power Station Projects
- Benin/Togo/Ghana: Power Interconnection Project

6. Short-Term Operations

(2005 – 2008)

- 10 Sub-Saharan African Countries: Capacity Building and Small Hydropower Projects (Institutional Strengthening, Feasibility, Pilot Projects)
- Mali/Mauritania/Senegal: Gourbassy Hydroelectric Power Station Feasibility Study
- Cote d'Ivoire/Mali Power Interconnection Project
- Kenya/Uganda Oil Pipeline Project
- Mepanda Uncua Hydropower project

6. Short-Term Operations (2005 – 2008)

The Bank's pipeline will be expanded after this conference and after discussing with SADC and countries.

7. Financial Products Offered by the ADB Group

The Bank Group offers three windows of resources and guarantee:

- **ADB Resources**
- **ADB Guarantee**
- **ADF Resources**
- **Nigeria Trust Fund (NTF)**

ADB Resources

- mainly for Middle Income Countries (13 countries including five SADC countries: Botswana, Mauritius, Namibia, South Africa and Swaziland)

7. Financial Products Offered by the ADB Group

ADF & NTF Resources

- Low Income Countries (40 African countries including 9 SADC countries)

ADB Resources

- Loan for Public Sector Investments can be with Sovereign Guarantee or with Non-Sovereign Guarantee
- MIC Grant for preparation of the projects
- Loan for Private Sector Investment

7. Financial Products Offered by the ADB Group

- ADF Resources

- Loans for financing only public sector investments are allocated separately for National & Multinational projects.

- Grants for preparation of projects, consultancy services and TA

- NEPAD Facility: For preparation of the multinational projects to build the NEPAD Program.

ADB Financial Products for Public Sector Sovereign Guaranteed Loans

- **All ADB Borrowers**
- **Currencies- Any Currency from USD, Euro, JPY, ZAR and any other Currency if there is sufficient demand**
- **Disbursements are denominated in the selected currency (ies) and contingent on the fulfilment of the disbursement conditions specified in the loan agreement.**

ADB Financial Products -Public

Sector Sovereign Guaranteed Loans

- **Maturity & Grace Period: Loans may have a maximum maturity of up to 20 years, inclusive of the grace period of up to five years. Grace period longer than five years can be considered subject to justification by the Borrower.**
- **Interest rate can be floating, fixed and variable; the choice is made by the Borrower.**
- **Interest Rate Terms=Base Rate+ Funding Margin (Applicable to Floating and fixed rate) +Lending spread**
- **Repayment Terms: Repayments are in the currencies disbursed. Equal instalments of the principal**

ADB Financial Products for Public Sector Non-Sovereign Guarantee Borrowers and Private Sector Borrowers

- Currencies: Any Currency from USD, Euro, JPY, ZAR and any other Currency if there is sufficient demand.**
- Disbursements are denominated in the selected currency (ies) and contingent on the fulfilment of the disbursement conditions specified in the loan agreement.**
- Maturity & Grace Period: Loans may have a maximum maturity of up to 15 years, inclusive of the grace period of up to five years. Final maturity and grace period longer than five years can be considered subject to justification by the Borrower.**

ADB Financial Products for Public Sector Non-Sovereign Guarantee Borrowers and Private Sector Borrowers

- Interest Rate Terms=Base Rate+ Lending spread
- Interest rate can be floating, fixed, and variable. The choice is of the Borrower.
- Repayment Terms: Repayments are in the currency (ies) disbursed. Equal instalments of the principal. Other principal repayment terms such as annuities, bullet repayment and step-up or step-down amortization of the principal may be considered subject to satisfactory justification of the project requirements.

ADF Financial Products

- **Applicability: Loans Negotiated after 23 June 2005
(Not applicable to Grants)**
- **Currency Choice: Single disbursement currency during loan negotiations, from USD, EUR, GBP & JPY.**
- **Fund will select the Currency if the Borrower fails to do so**

Other

- **Loan remains denominated in UA; Repayment in currency of disbursement.**

ADF Financial Products

- Maturity and Grace Period: Loans may have a maturity of 50 years inclusive of a grace period of 10 years.
- Interest rate: 0%
- Commitment Fee: 0.75%

How to Obtain Information on Bank Financial Products and Interest Rate

Bank's website: www.afdb.org

Thank you