

IDEV

Independent Development Evaluation
African Development Bank



Unlocking Opportunities for Private Sector Participation in Renewable Energy
(RE) Integration

Towards a Sustainable Energy Future: Evaluation of the AfDB's Support for RE (2012-2021)

Key Findings, Lessons & Recommendations

Presenter

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idev.afdb.org



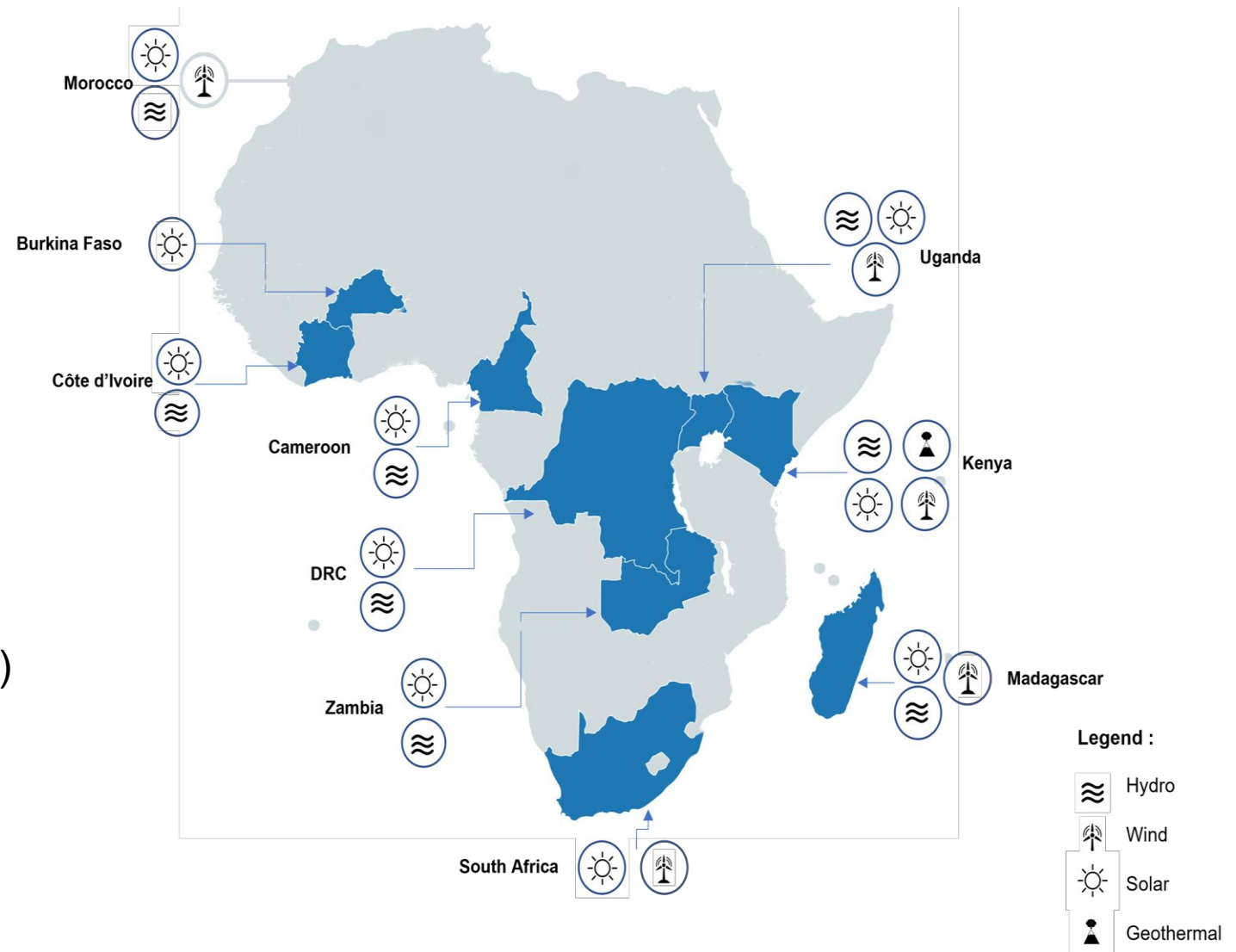
What did IDEV evaluate?

Scope, purpose, approach and methodology

- ➔ Objective of the Evaluation
- ➔ Focus of the Evaluation
- ➔ Approach and Methodology

Multiple lines of evidence

- ➔ Literature and policy Review
- ➔ Portfolio Review (156 interventions)
- ➔ Key Informants Interviews (250 people)
- ➔ Countries case studies (10)
- ➔ Project level evaluations (35)

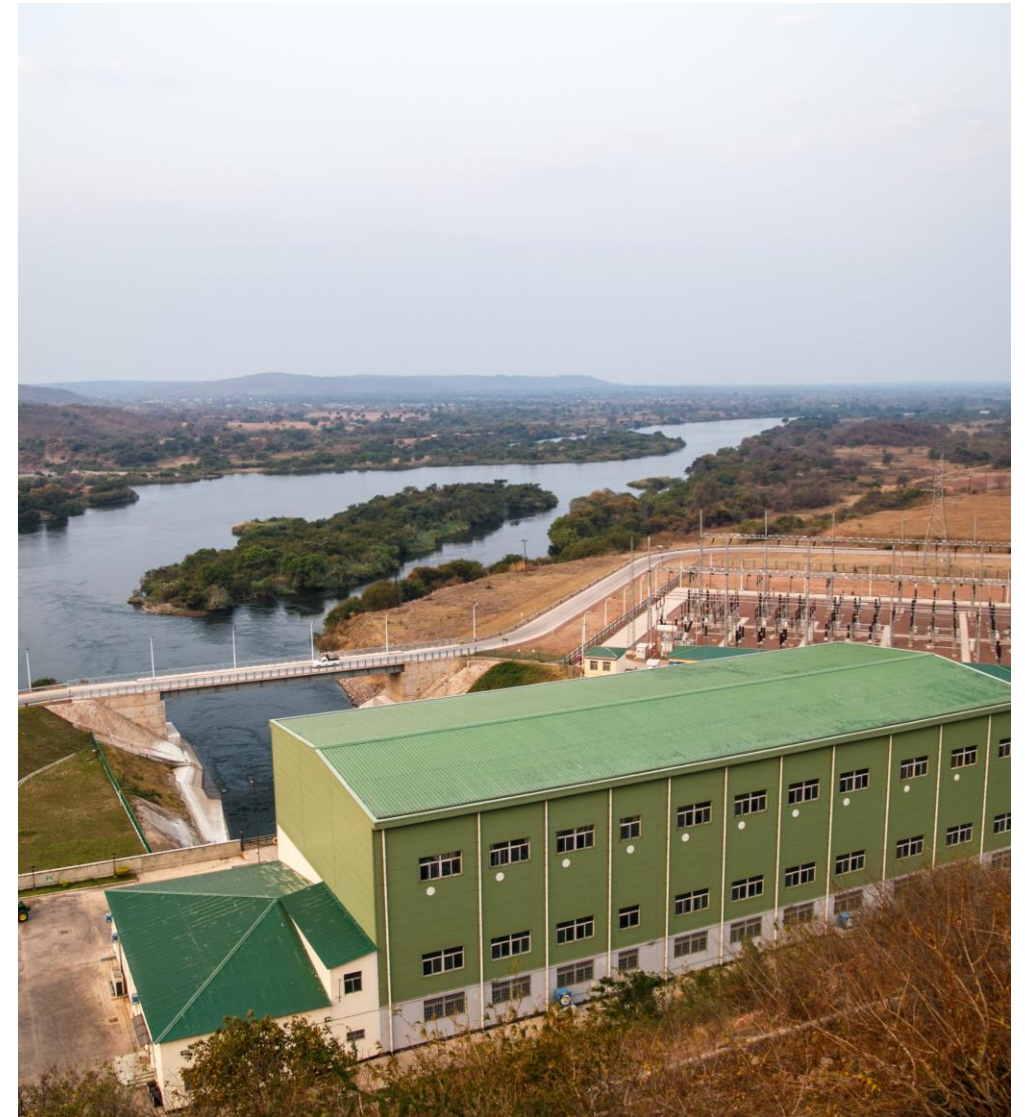


Overview of the 10 selected case study countries and RE technologies

What did IDEV find?

Evaluative Knowledge Relevant for Unlocking Private Sector Participation in RE integration.

- 1) Bridging the gap between RE high level vision and implementation on the ground.
- 2) Creating enabling environment to foster private sector participation;
- 3) Using blending concessional finance to scale private investment for RE grid infrastructure, adaptation, and integration.
- 4) Deploying innovative risk instruments to attract private sector investment.
- 5) Scaling up partnerships and collaboration for RE.
- 6) Ensuring long-term sustainability.



Bridging the gap between RE high level vision and implementation on the ground

Findings:

- AfDB played a key role in developing various energy sector strategic documents, showcasing its dedication to RE.
- However, stakeholders pointed to a lack of action plans to complement the AfDB's strategic documents on RE: this hindered the effective deployment of RE.
- To invest in RE in emerging markets, private sector investors require predictability and clarity on the procurement front. The South Africa Renewable Energy IPP Procurement Program is a good example.

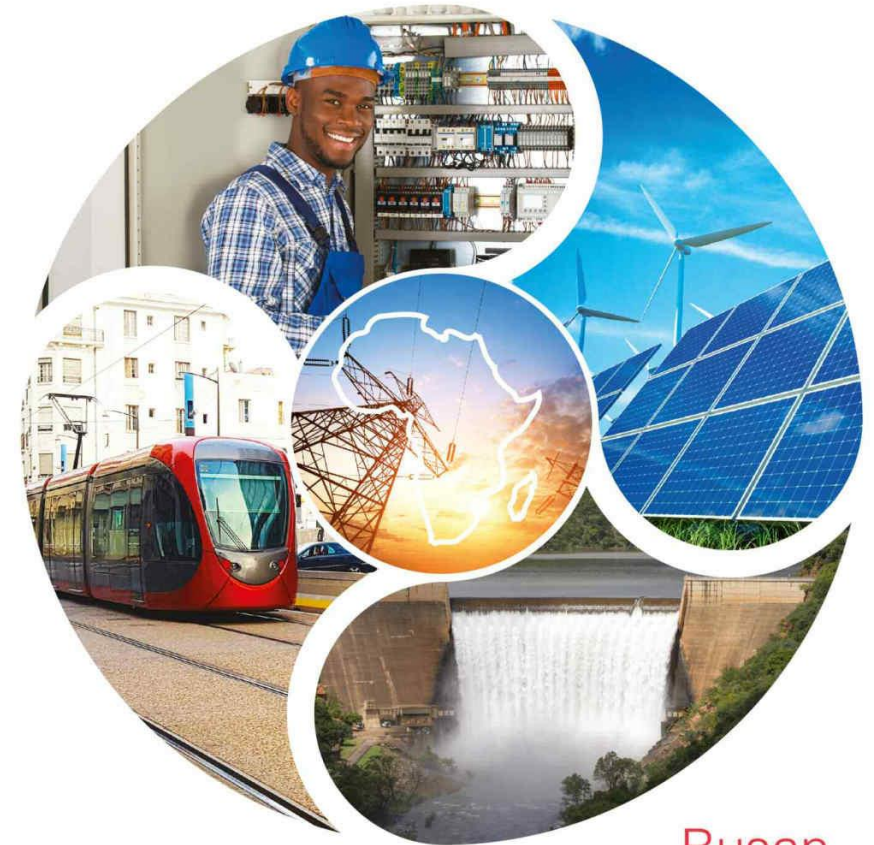
Lesson:

- ➔ Complementing strategies with action plans strengthens stakeholders' participation in RE.



The New Deal on Energy for Africa

A transformative partnership to light up and power Africa by 2025



Busan
2018

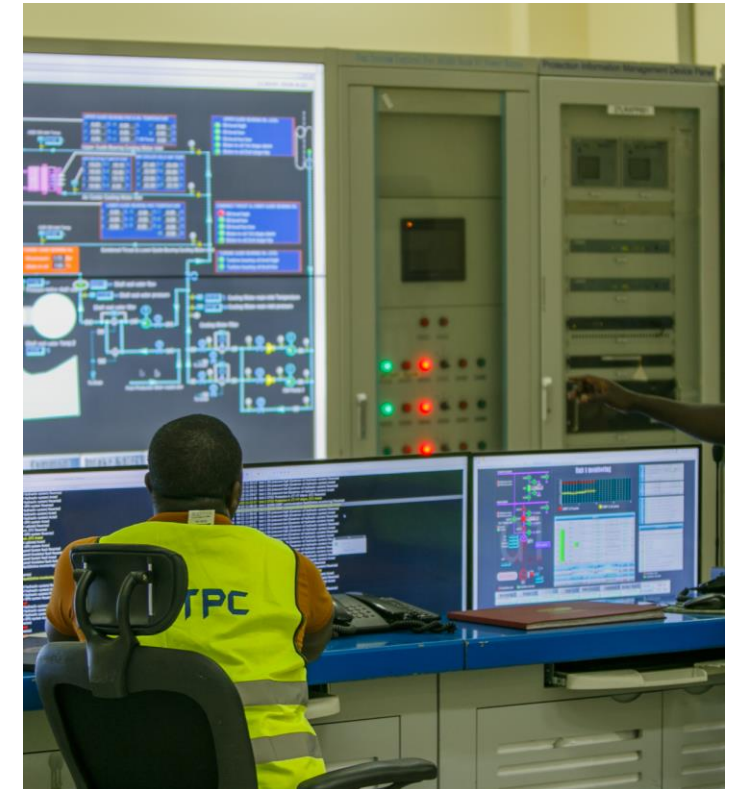
Creating enabling environment to foster private sector participation

Findings:

- AfDB is expanding its investments to address the enabling environment.
- AfDB is driving initiatives at the corporate level to support policy dialogue, knowledge management, and investment platforms in the energy sector.
- Through its SEFA, the AfDB has provided technical assistance and capacity building to policymakers and regulators in countries such as Kenya, Tanzania, and Senegal.
- However, the Bank's contribution to shaping the RE policy and institutional framework in member countries was limited.

Lessons:

- ➔ Providing a conducive enabling environment for increased private investment supports RE deployment.
- ➔ Strengthening policy dialogue facilitate shaping RE strategic documents at regional and country level.



Using blending concessional finance to scale private investment for RE grid infrastructure, adaptation, and integration

Findings:

- Good contribution to SDG7 and the 2063 Agenda, through increased RE-based generation capacity.
- Low pace of RE deployment in Africa - Insufficient Financing.
- Track record in mobilizing concessional resources. SEFA is a notable example.
- Difficulties in using the electricity produced due to lack of T&D lines, insufficient storage equipment, and power system instability.

Lessons:

- ➔ Financing grid infrastructure (T&D lines, storage) and adaptation makes it possible to achieve outcomes for on-grid RE projects.
- ➔ Ensuring that RE investments with intermittent production integrate smoothly into a country's energy grid makes RE interventions more effective



Build on the Success of RE Investment Programs: Sustainable Energy Fund for Africa (SEFA)

A multi-donor Special Fund managed by AfDB, which provides TA and concessional finance

- ➔ SEFA's conversion to a special fund in 2019 has paved the way for blend of TA and concessional investment projects.
- ➔ Green mini-grids and RE integration
 - Green Mini-Grid Market Development Programme (2015-2021).
 - GMG Programme to Burkina, Gambia, Niger, Rwanda, Guinea.
- ➔ Green baseload: Nigeria Electrification Project.
- ➔ Blended finance initiatives:
 - Africa Renewable Energy Fund– one of the first pan-African equity funds
 - Facility for Energy Inclusion–a debt financing platform for small-scale RE



Sustainable Energy
Fund for Africa



Deploying innovative risk instruments to attract private sector investment

Findings:

- Some interventions design shortcomings in terms of integrating climate change and in technical design of wind interventions.
- Ability to adapt to the increasing role of the private sector in RE and the evolution of its instruments. Increasing use of Guarantees.
- Critical role of de-risking mechanisms and its potential negative impact: Morocco and Kenya.
- Risk sharing under PPAs – Support of the Africa Legal Support Facility.

Lesson:

- ➔ Prioritizing origination and sharing risks enables the scale up finance for RE infrastructure.
- ➔ Adapting the use of different financial instruments to country contexts enhances relevance.
- ➔ Sub-optimal risk-sharing can impose long-term financial burdens on governments, adding to sovereign debt stress.



Scaling up partnerships and collaboration for RE

Findings:

- At intervention level, effective coordination and interaction between the Bank and other DPs.
- Exemplary leadership and coordination with other partners at the HQ level.
- Good examples include the Africa Energy Marketplace, the Desert to Power Initiative, and the AfDB-IRENA partnership

Lesson:

- ➔ Building effective partnerships in RE creates synergies , helps mobilize additional financing, and fosters impact.



Ensuring long-term sustainability

Findings:

- ➔ Technical soundness: state-of-the-art technologies adapted to the country context and appropriately deployed in the field, despite some shortcomings in the maintenance mechanisms.
- ➔ Financial sustainability threatened by financial stress of power utilities.
- ➔ The tariffs of the electricity markets in 36 of 54 RMCs (67%) do not reflect the true cost of providing electricity.
- ➔ Weak institutional environment is recurring theme in RMCs.
- ➔ The AfDB's contribution to strengthening institutional capacity in countries' RE sector was found to be limited.

Lesson:

- ➔ Addressing the financial sustainability of power utilities makes large-scale deployment of renewable energies possible.
- ➔ Strengthening institutional capacity enhances governance of RE sector.



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Thank you



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