

April 4, 2014

Comments from Canada on the Approval by Mail: CTF Nigeria: Line of Credit for Renewable Energy and Energy Efficiency Project (AfDB)

Dear Patricia,

Thank you for the opportunity to review and comment on the request for USD\$25 million in CTF concessional lending for the project proposal entitled, *Nigeria: Line of Credit for Renewable Energy and Energy Efficiency Projects*, submitted by the African Development Bank (AfDB). We are pleased to see this proposal that supports the development of renewable energy and energy efficiency investments in Nigeria, with a particular emphasis on mobilizing private sector financing.

At the outset, we support the questions raised by Germany, particularly the request for specific information on the individual projects to be financed under the line of credit with Stanbic IBTC. In addition, we have the following comments about the proposal:

- We note the proposed intervention is expected to be amongst one of the first attempts to use the financial intermediation approach to support the development of renewable energy (RE) and energy efficiency (EE) investments. We would appreciate learning more about what other attempts have been made or are in the process of being made under this approach. If they have involved the AfDB, what has been its experience?
- We would appreciate an explanation of why the proposed maximum size of the projects funded by the line of credit is USD\$20 million, which does not seem consistent with the overall USD\$50 million size of the AfDB-CTF line of credit. We note that the indicative pipeline includes two projects, the Utility scale solar farm and the electricity distribution grid, that, if approved, would account for 80 percent, or USD\$40 million, of the line of credit. We would appreciate further background from the AfDB on the proposal to on-lend USD\$20 million per project, via Stanbic IBTC, rather than to directly fund and monitor the projects within the AfDB. Relatedly, we reiterate our proposal that for programmatic approaches, projects above a certain material threshold (e.g., ranging between USD\$5-10 million) or breaching certain risk/policy criteria should be reviewed and approved by the Trust Fund Committee on a no-objection basis, consistent with the delegated authority approval processes used by the MDBs.
- We are pleased to hear that Stanbic IBTC's engagement with RE/EE projects will be facilitated by the fact that it is part of the Standard Bank Group. We would appreciate an elaboration of how Standard Bank Group will be assisting Stanbic IBTC to develop its own technical capacity and expertise in this area. In addition, we would also request clarification about the statement on page 8, which indicates that the AfDB will be providing a backstop to Stanbic on monitoring and evaluation.
- We note that the estimated CTF investment is USD\$22.5 million (pg 9); please clarify how the remainder of the CTF funds (USD\$2.5 million) would be allocated.

- Finally, to ensure the sustainability of the projects funded and the CTF's impact, we note that, as the line of credit is negotiated, it will be important to ensure that the costs related to the upkeep and maintenance of the funded projects be addressed.

We look forward to receiving a response from the AfDB to inform our views on this project approval for Nigeria. We would also request an extension of the deadline by two business days, upon receipt of a response from the AfDB.

Best regards,

Jennifer Purves

Senior Analyst | Analyste principal

Global Environment and Climate Finance | Programmes de financement climatique et environnemental mondial