

44th AADFI Ordinary General Assembly Workshop



Theme:

“Climate Finance – Key Roles for DFIs and Relevance for Africa’s Industrialization”

Summary Report of the AADFI 2018 Annual Workshop



**Busan Exhibition & Convention Center (BEXCO)
Busan, Republic of Korea
May 21st, 2018**

Sponsored by:



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Summary Report

AADFI 2018 Annual Workshop on the theme: “Climate Finance - Key Roles for DFIs and Relevance for Africa’s Industrialisation”

*Busan Exhibition & Convention Center (BEXCO),
Venue: Conference Room 5, Glass Hall 2F (213), Busan Exhibition & Convention Center (BEXCO),
Busan, Republic of Korea, Monday May 21, 2018. 15:00-19:00*

A. Introduction

1. The 2018 Annual Workshop of the 44th Ordinary General Assembly of the Association of African Development Finance Institutions (AADFI) was held on the theme: “**Climate Finance - Key Roles for DFIs and Relevance for Africa’s Industrialisation**” at the *Busan Exhibition & Convention Center (BEXCO), Busan, Korea*. The workshop was sponsored by the African Development Bank (AfDB) and ABSA Bank.

2. The workshop brought together a variety of stakeholders including Chief Executive Officers and Senior Management Executives of national DFIs, Multilateral Development Finance Institutions, Officials of African Government Agencies responsible for promoting low carbon emission and green economy, as well as MSMEs, Entrepreneurs, Officials of Central Banks, and Ministries of Finance to explore the role that African regional and national DFIs can play in crowding in private investment into climate financing activities in Africa and facilitating the implementation of the Nationally Determined Contributions (NDCs). The participants came from the following countries: Angola, Algeria, Benin, Botswana, Burundi, Cote d’Ivoire, Dem. Rep. of Congo, France, Ghana, Gabon, Kenya, Liberia, Mali, Morocco, Mozambique, Mali, Namibia, Nigeria, Rwanda, Republic of Congo, Republic of Equatorial Guinea, Republic of Korea, Republic of South Africa, Swaziland, United States, Tunisia, Uganda, Zambia and Zimbabwe.

3. The workshop provided practical information on opportunities for financing and how African national DFIs can advance their role in climate finance to meet their country NDC objectives. African DFIs have affirmed their commitment and their pivotal role in meeting their country’s NDC objectives by providing financial and technical support to mobilize climate investments.

B. Opening Ceremony

4. The workshop was declared open by Mr. Pierre Guislain, Vice President (Private Sector, Infrastructure & Industrialization of AfDB). Mr. Patrick Dlamini (Chairman of AADFI & Chief Executive Officer, Development Bank of Southern Africa), presented a welcome address, while an introductory address was made by Mr. Joseph A. Amihere (Secretary General of AADFI).



Mr. Pierre Guislain, Vice President
(Private Sector, Infrastructure & Industrialization of AfDB)

5. Mr. Pierre Guislain, the Vice President, Private Sector, Infrastructure and Industrialization of AfDB, in his remarks recalled the Paris commitments and the global commitment to do more to address climate change. He discussed how the implementation of these commitments requires significant financing and how DFIs in Africa can work more purposefully in climate finance. Reviewing the diversity of financing instruments,

which often bear concessional dimension, Mr. Guislain asserted the need to marry concessional

funds with commercial funds in what we refer to as "blended finance." He remarked on the need to design climate friendly initiatives and look at means of attracting financing, particularly in terms of how DFIs can play a key role in financing green development. Finally, he emphasized the importance of working together, as African DFIs, to have a greater impact in addressing climate finance and other development challenges.

6. Mr. Patrick K. Dlamini, the Chairman of AADFI and the CEO of Development Bank of Southern Africa spoke on the importance of looking at sustainable development and climate hand-in hand. Mr. Dlamini reminded that "we are responsible for the impact of our development," and that "we must keep in mind the needs of future generations." He reiterated the importance of working together, promoting "smart cooperation and smart access to the smart money available," towards the catalyzing of private investment into the public space. He encouraged the group that "our time has come" and we must "rise to the challenge," emphasizing that the answers lie with leadership and commitment.



C. Keynote Address and Plenary Sessions

Session 1 – Keynote Addresses

Co-Sponsor’s Message:

Mr. Anand Naidoo, Head of Client, Managing Principal Corporate & Investment Banking, ABSA

Moderator:

Mr. Davies Pwele, the Head of Business Development Africa at Development Bank of Southern Africa

Speakers:

Mr. Anthony Nyong, the Director of Climate Change and Green Growth at the African Development Bank, Ms. Diana Smallridge, President and CEO, International Financial Consulting Ltd.

7. The Keynote addresses highlighted the tremendous opportunities that African national DFIs have in contributing to their countries climate commitments and the catalytic role they play in leveraging private sector financing. Ms. Anthony Nyong (Director of Climate Change and Green Growth, AfDB) spoke on “Nationally Determined Contributions and Financing Opportunities within Africa’s NDCs”, and Ms. Diana Smallridge (President and CEO of International Financial Consulting Ltd.) shared about the “Role of National DFIs in intermediating Climate Finance.”

8. Furthermore, a variety of CEOs from national DFIs, executives of commercial financial institutions and climate finance agencies formed several spirited panels discussing the global sources of climate finance, special challenges in financing climate-related projects, and the role for national DFIs including success stories and how DFIs (and other funds) can finance NDCs in Africa.

9. The moderator, Mr. Davies Pwele, the Head of Business Development Africa at Development Bank of Southern Africa provided a brief introduction on DBSA, a fully government-owned financial institution, focused on infrastructure development. He shared on DBSA's advances in the climate finance space, accreditation with the GCF and other green funds, and partnership strategies and corporate responsibility when it comes to climate finance.

10. Mr. Anand Naidoo, the Head of Client, Managing Principal Corporate & Investment Banking, ABSA, as a co-sponsor to the workshop, shared briefly on the divestment of shareholding and deconsolidation of ABSA from Barclay's Bank and the new long-term investment shareholders coming on board. He shared about the vision of ABSA to serve as a pan-African regional bank, digitally-led, and a leader in the sphere of climate finance.

11. The first keynote speaker, Mr. Anthony Nyong, the Director of Climate Change and Green Growth at the African Development Bank, opened the discussion with a look at Africa's vulnerability to climate change and noted that the high emitters are not the ones suffering the highest consequences. According to him, Africa has demonstrated its commitment through 45 of the 54 countries ratifying the Paris Agreement. Mr. Nyong reviewed the priority areas in the African NDCs and the importance of energy as one of the two major priority sectors – the other being agriculture. He spoke on the energy paradox, looking at the current situation and lack of access and money spent on non-renewables, compared to the high potential and opportunities for renewables. Nyong highlighted the extent of renewable energy opportunities all across Africa and the market demand for energy – 225 USD billion will be needed by 2030 to meet the renewable energy targets in Africa's NDCs. With this in mind, he gave an overview of the AfDB's initiatives in supporting renewable energy, including the New Deal on Energy. Turning to agriculture, Mr. Nyong discussed the need to intensify agriculture adapted to Africa, and added value products, and tremendous investment opportunities in risk management through irrigation. He shared about the AfDB's initiative in supporting Africa's NDCs through the launch of the Africa NDC Support Hub which provides support to countries in terms of aligning their NDCs with national development plans, financing, building coherence and resiliency and getting the private sector involved. He concluded by encouraging the financial institutions in Africa not to be so risk averse.

12. Ms. Diana Smallridge, President and CEO of International Financial Consulting Ltd, in her keynote spoke on the role of national DFIs in intermediating climate finance. She laid the foundation for the discussion with an overview of the key features of national DFIs that gives them the natural alignment, positioning, mandate, connections, capacity and capabilities to be leaders in intermediating climate finance. Ms. Smallridge demonstrated how the position of national DFIs, sitting at nexus of all players in climate finance, empower and enable them as crucial players in deploying funds within local economies and promoting domestic economic development. She discussed obstacles to investments in climate change mitigation projects, including some of the enabling challenges as well as project challenges. In order for national DFIs to be catalysts in climate finance, Ms. Smallridge provided practical steps forward in the form of a “to-do” list, encouraging DFIs to move into the climate finance space, such as:

1. have a high level and **regular interaction with relevant policymakers** (NDA, Ministries responsible for key sectors) in the country to be able to provide direct input into the formulation of the relevant regulatory regimes and incentive framework for climate change investment projects.
2. understand **the needs of the local financial institutions** in order to develop adequate products and services to stimulate investments in this area



3. develop new initiatives and instruments to foster demand for finance by supporting **early-stage project development efforts and the provision of seed capital** to project developers.
4. have **dedicated tools to catalyze other private sector players** to be involved as financiers or risk takers in the projects.
5. have the capacity to develop innovative mechanisms in response to **well-defined and analyzed market gaps**, monitoring and adjusting them as changing market conditions warrant it.
6. consider **best practices from other National DFIs within the worldwide development banking community**.
7. identify and **focus on the specific sectors and market segments with the best potential** to have a demonstration effect and work systemically on it.
8. try to **learn about the available technologies** suitable to the range of climate change mitigation possibilities within its country.
9. seek **budgetary allocations from the government and access to donor funds** for specific initiatives that require grant funding.
10. make efforts to **develop the market of specialized service providers**.
11. look for **wholesaling opportunities for aggregation of multiple small-scale projects** which can be clustered into a single program to help reduce the costs of LFI.s.
12. consider establishing a **dedicated climate change unit** within the bank.

Session 2 - The Climate Finance Architecture: Public and private sources of climate finance

Moderator:

Ms. Diana Smallridge, President & CEO, International Financial Consulting Ltd.

Speakers:

Ms. Ayaan Adam, Director, Private Sector Facility, Green Climate Fund, Anthony Nyong, the Director of Climate Change and Green Growth at the African Development Bank

13. Ms. Ayaan Adam, the Director of the Private Sector Facility at the Green Climate Fund, discussed the key trends underpinning industrialization and the importance of industrializing in a climate sensitive way. She reviewed some of the figures that highlight the opportunities in Africa – with 35 USD billion spent annually on food imports and 65% of the uncultivated arable land left in the world, Africa has huge potential and opportunities for climate-smart agriculture. Key investment opportunities can be seen in green infrastructure, sustainable utility services, and energy efficiency technology for industry. She gave an overview of the Green Climate Fund’s country-drive approach and climate impact focus, as well as interest and movement towards de-risking for the private sector to come in and create demand. GCF looks at what will be the most transformational in terms of sectors/projects (e.g. solar). She discussed how the GCF partners with countries, DFIs, and IFIs – in both the public and private institutions. She emphasized the need for concessionality and provided a brief overview on the various instruments for concessionality within the GCF.

14. Mr. Anthony Nyong gave an overview of the public and private sources of climate finance and intermediaries of climate finance. He discussed the need to identify and attract project developers that will bring capital which the DFIs will just need to top up, encouraging African national DFIs to go after the resources more pro-actively. He asserted the importance of making projects climate resilient and bring the impact that development banks seek. He discussed the climate finance instruments at AfDB and updates on climate funds. He explained how AfDB can support African DFIs on climate finance and encouraged DFIs to get accredited, offering AfDB support as needed.



Session 3 - Risks & Challenges in Climate Finance and Africa's Industrialization

Moderator:

Ms. Diana Smallridge, President & CEO, International Financial Consulting Ltd.

Speakers:

Mr. Anand Naidoo, Head of Client, Managing Principal Corporate & Investment Banking, ABSA

Mr. Cyprien Sakubu, General Counsel and Corporate Secretary, Africa Trade Insurance

Ms. Ayaan Adam, Director, Private Sector Facility, Green Climate Fund

15. Mr. Anand Naidoo discussed the increase in urbanization and demand for power, energy and infrastructure. He overviewed the various country and project issues and risks in financing energy projects including sovereign risk, government support, foreign currency, technology risk and construction risks, among others. He shared how ABSA is currently working in climate finance and their dedication to performance of the Environmental and Social Impact Assessment.

16. Mr. Cyprien Sakubu, the General Counsel and Corporate Secretary at Africa Trade Insurance, discussed the role of DFIs and MFIs, and highlighted the importance of including the private sector in climate finance opportunities with the creation of an enabling environment. This would include a review of laws on access to land, bankability of PPAs, and capacity-building national institutions that manage power. He gave an overview of the role of ATI and the products it offers such as political risk insurance, commercial risk insurance and bonds, as well as highlighting some of the new products they offer including the Regional Liquidity Support Facility and African Energy Guarantee Facility.

17. Ms. Ayaan Adam, raised several important questions to reflect on in terms of what is considered a climate project, and a development project. She emphasized the importance of developing projects with a climate angle, not just from a development angle. According to her, from the perspective of the GCF, the lack of focus on specifically the climate angle is one of the main challenges in unlocking funds.



Cross Session of Delegates at the workshop

Session 4 - Engaging with Climate Finance Sources: Opportunities for National DFIs and Africa's Industrialisation

Moderator:

Mr. Mduduzi Dlamini, Head of Banks and Global DFIs, Development Bank of Southern Africa (DBSA)

Speakers:

Mr. Olukayode A. Pitan, MD/CEO, Bank of Industry, Nigeria

Mr. Hubert Ruzibiza, Chief Executive Officer, Rwanda's Green Fund (FONERWA)

Ms. Patricia Ojangole, CEO, Uganda Development Bank Limited

Ms. Millicent Omukaga, General Manager Operations, Agriculture Finance Corporation

18. Mr. Mduduzi Dlamini, the Head of Banks and Global DFIs for the Development Bank of Southern Africa, opened the final session, serving as moderator.

19. Mr. Olukayode A. Pitan gave an overview of the climate finance landscape and Bank of Industry's perspective and understanding of climate finance and Nigeria's NDCs as well as its financial and non-financial interventions in climate finance. He also shared briefly on some of the success stories in climate finance in Nigeria.

20. Mr. Hubert Ruzibiza, the CEO of Rwanda's Green Fund (FONERWA) gave a background to FONERWA's vision, mandate, evolution and current operations, addressing the key national climate-related challenges in Rwanda and mainstreaming climate finance. He provided an overview of the capitalization model and portfolio of various projects underway in FONERWA, ending his presentation with a look at future opportunities for FONERWA. These include mainstreaming climate finance at the SME level, issuing green bonds, supporting the set-up of a green investment bank, upgrading the accreditation level and striking a balance between non-revenue projects versus private sector led projects.

21. Ms. Patricia Ojangole, the CEO of Uganda Development Bank Limited (UDBL) presented an overview of the Nationally Determined Contributions in Uganda and opportunity for UDBL and other DFIs to support Uganda's NDCs. She shared more about the Ugandan government's National Policy of Climate Change, policy priorities, framework, objectives, sector plans, expected GHG impacts and funding requirements. Highlighting the funding gap, Ms. Ojangole emphasized the opportunity for DFIs to step in and the importance of leaning into their natural alignment with government mandated priorities. She shared the various ways in which UDBL is already promoting innovation and climate-resilient development and potential strategies in which they might continue to finance Uganda's NDCs. Ms. Ojangole concluded by emphasising that leadership is key and at the centre to unlocking climate finance.

22. Ms. Millicent Omukaga, the General Manager Operations, Agriculture Finance Corporation, shared on the importance of acknowledging success stories as well as the failures, learning not only from the best, but also from the worst practices. With this in mind, she shared some projects and initiatives towards climate-resilient development within her institution that have gone well and other projects in which they learned and adapted.



Outcomes

High interest and engagement by AADFI members in playing a greater role in intermediating climate finance: While African national DFIs are at different levels of maturity and readiness to begin the climate finance journey, participants in the workshop showed remarkably high interest and engagement in playing a greater role in intermediating climate finance. Despite the workshop running over schedule, the room remain filled until late into the evening with insightful questions and engaging dialogue.

Differing levels of familiarity and readiness: For some DFIs, it is a completely new topic of consideration while others have varying degrees of familiarity and readiness to move further in intermediating climate finance. A significant representation of AADFI members have expressed high interest in further awareness-building, training, and internal capacity-building towards achieving accreditation and mainstreaming climate finance within their institutions and across their portfolios.

AADFI has the support of its members to build on the momentum generated: The importance of African national DFIs working together and learning from one another, in terms of both best and worst practices, was underscored. As a unifying association, there exists a tremendous opportunity for AADFI to build on the momentum generated by this workshop and high expression of interest from its members and lead the movement of African national DFIs role engaging further in climate finance.

Pursuing partnerships with Accredited Entities on the continent, global climate funds, and capacity building institutions, as well as with DNAs: It will be valuable for AADFI to pursue the development of partnerships with the global climate funds and sources of climate finance, accredited entities in Africa (such as AfDB), and institutions providing training and capacity-building to national DFIs. It will be important to ensure that the Designated National Authorities (DNAs) and relevant government ministries in each country are also brought into the dialogue, recognize the role and potential for their national DFIs in intermediating climate finance, and commit their support to the national DFIs to become accredited entities and step up to the plate as key players in terms of the development, implementation, and fulfillment of the country nationally determined contributions (NDCs).

Awareness-building activities should be the next steps: Regional conversations with African national DFIs, DNAs, and relevant government ministries will help AADFI in identifying countries to focus on for further awareness-building, readiness assessment, and capacity-building.

D. Closing Remarks and Appreciation

21. Mr. Patrick Dlamini, the Chairman of AADFI and the CEO of Development Bank of Southern Africa, in his closing remarks thanked all the speakers. He shared his excitement for the excellent initiatives and interest from the national DFIs in stepping up and leading the financial sector in playing a key role in meeting Africa's climate change commitments and NDC targets. He expressed appreciation to the AfDB and ABSA for their sponsorship of the workshop.

Dated in Busan, Korea. May 21st, 2018
The AADFI Secretariat

