

# GREEN BOND IMPACT REPORT 2022



# 01. About AFC

## 01

Founded in 2007 by an agreement between African sovereign states as a multilateral financial institution

## 02

Structured as a partnership between public and private investors in line with the increasing role of public-private sector partnerships in infrastructure investment

## 03

Private sector majority shareholders include leading African multilateral and financial institutions

## 04

Total Equity of US\$2.7 billion and total assets of US\$10.5 billion<sup>1</sup>

## 05

Priority sectors include Power, Transport, Natural Resources, Heavy Industries, Telecommunications & Technology

## 06

Leading debt, equity and mezzanine financing franchise combined with unrivalled leadership in public sector advice and project development expertise in Africa

## 07

Investment grade rating of A3 (Long-term Issuer) and P-2 (Short-term Issuer) from Moody's Investor Services

## 08

More than 155 highly specialised employees, from 23 countries, operating on a pan-African basis

## 09

Broad investment footprint with over US\$11.5B cumulatively disbursed across 36 African countries

# 02.

## Sustainability Strategy

AFC prioritises sustainability by focusing on two key areas: development and climate challenges, which are critical to the African continent's future. The implementation of this strategy can be seen through four lenses:



Mainstreaming climate finance thinking in all our activities through a dedicated cross-divisional team



Driving thought leadership and conducting research



Environmental and social governance in the context of investment opportunities and risk management



Strengthening strategic partnerships to provide continued access to competitive financing solutions

Examples of the implementation include:

### A. Sustainable Investing Principles

AFC's **Sustainable Investing Principles ("SIPs")** provide an initial framework highlighting the Corporation's dedication to developing infrastructure solutions that effectively address significant development and climate challenges throughout Africa.

The SIPs encompass seven primary areas, aligning with the following Sustainable Development Goals (SDGs):



Access to clean water and sanitation



Availability of decent work and facilitation of economic growth



Facilitation of industrial innovation and infrastructure



Climate action



Access to affordable and clean energy



Gender equality



Development of sustainable cities and communities



## B. Climate Finance

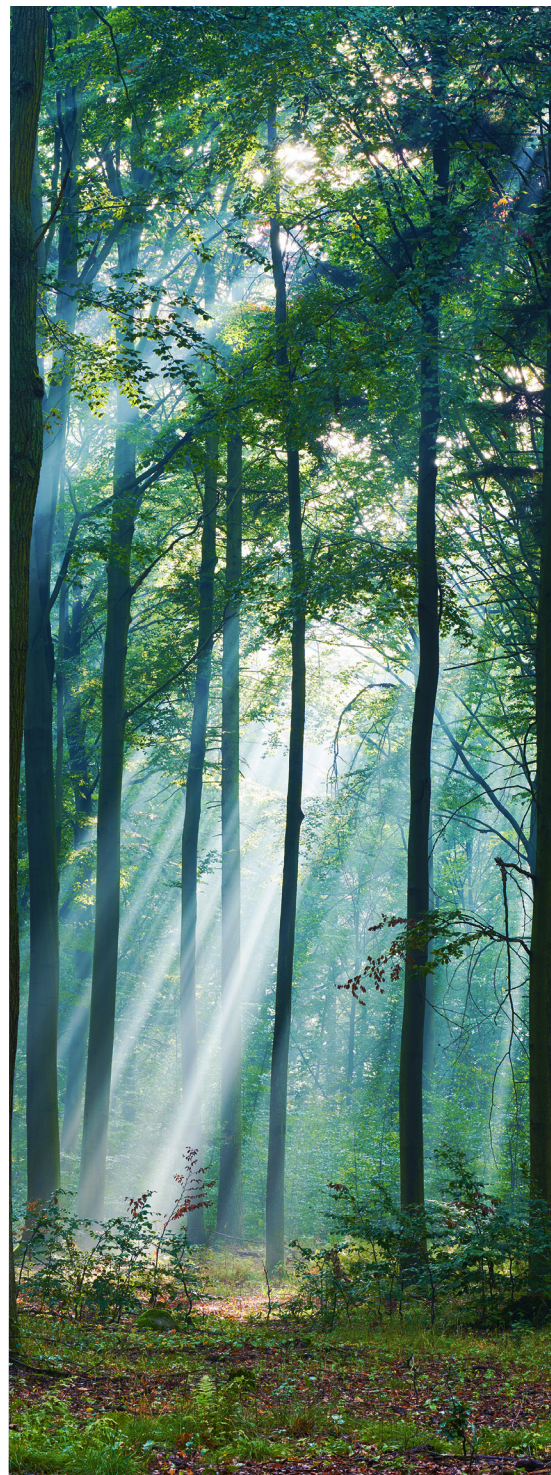
AFC boasts an investment portfolio of approximately US\$2 billion and an established track record of investing in climate change combating projects that promote sustainable living through renewable energy sources, such as wind and hydropower, eco-friendly transportation, and low-emission initiatives. One notable investment is the partnership with Infinity Group to acquire [Lekela Power](#), an African energy company that owns wind assets in Senegal, South Africa, and Egypt, with a combined capacity of over 1 GW and 1.8 GW, making it one of the largest independent power portfolios in the continent. AFC's position as a top investor in renewable energy has been further strengthened by this acquisition. Additionally, AFC's Arise IIP, a pan-African industrial park developer and operator, was awarded an ISO 14064-1 certification for being carbon neutral in the Gabon Special Economic Zone (GSEZ) in September 2021. This achievement demonstrates its commitment to assessing and offsetting carbon footprints and its transparency.

## C. Infrastructure Climate Resilience Fund (ICRF)

AFC Capital Partners (ACP) is a division of AFC focused on asset management. The company is raising its first fund, the Infrastructure Climate Resilience Fund (ICRF), which aims to invest in profitable and low-risk climate-resilient infrastructure assets across all AFC sectors. The ICRF plans to raise \$2 billion in the next three years and has already secured a \$253 million investment from the [Green Climate Fund](#) (GCF). This is the GCF's largest equity investment in Africa and the largest for an Africa-wide multi-country program. ACP will use the ICRF to finance greenfield and brownfield infrastructure designed and operated to anticipate and adapt to changing climate conditions in Africa.

## D. Regional Policy Development

AFC is resolute in its determination to push forward its sustainability objectives and strongly influence sustainable investment policies across Africa. In pursuance of this objective, the corporation published a white paper in 2022 entitled "[Roadmap to Africa's COP: A Pragmatic Path to Net Zero](#)". This compelling document lays out a practical and highly effective strategy for achieving net-zero emissions on the continent.





## 03. Green Bond

AFC's Green Bond is valued at CHF 150 million (equivalent to USD 163.5M). This document presents the use and environmental benefits of the bond proceeds. The Bond was issued in accordance with AFC's **Green Bond Framework**, which is consistent with the **Green Bond Principles** (GBP) established by the International Capital Market Association (ICMA). AFC follows the GBP and provides transparency, accuracy and integrity in the information that is disclosed and reported to stakeholders. The Green Bond Framework was reviewed by an independent third party, who issued a positive **Second-party opinion**.



## 04. Use of Proceeds

AFC is a strong supporter of transformative initiatives towards the socio-economic and environmental development nexus of Africa. Following the issuance of its inaugural Green Bond in 2020, the Corporation invested the proceeds on projects that:

01

are environmentally friendly and socially acceptable, in line with best governance practices

02

balance commercial viability with the fight against poverty and the protection of our planet, while charting forward our corporate sustainability stewardship

03

prioritize the welfare and development of the communities in which our projects are located

# 05. Project Evaluation and Selection Criteria

AFC defines green projects as any mitigation or adaptation project that focuses on reducing carbon emissions or increasing resilience. Examples of the types of projects AFC considers eligible include the following:



Energy Generation and Access through renewable energy sources (solar, hydro and wind)



New transport technologies, including the use of alternative fuels, more efficient engines, and electric and hybrid technologies. More sustainable approaches to urban transport and infrastructure planning can have a huge impact on future emissions trajectories.



Reducing emissions from deforestation and forest degradation



Energy efficiency and the adoption of lower emission sources of energy for industries



Efforts to reduce emissions from energy, transport, and cities and the creation of resilient infrastructure systems such as integrated water supply systems.

Before being considered for green bond financing, all projects undergo an assessment process based on the AFC Investment Policy. This policy takes into account three main factors:

- Efficiency and effectiveness, which refer to the economic potential and bankability of the project.
- Impact potential, which measures the level of impact the project will have in terms of reducing emissions or increasing resilience.
- Sustainable development potential, which evaluates the project's potential for sustainable development.

The assessment process ensures that only projects with significant potential for positive environmental and social impact are considered for green bond financing.







## 06. Management Of Proceeds

Under the Green Bond Program, AFC monitors its projects to ensure that disbursements are properly used and that contractual compliance, credit risk, and operation status are controlled. AFC allocates green debt financing instruments to eligible projects within a year and matches the balance of net proceeds to the eligible green project portfolio. Unallocated proceeds will be held as cash or in the Treasury Liquidity Portfolio until invested in eligible projects. As every project selected for the program has different characteristics, such as tenor, disbursement period, grace period, and amortization schedule, cash flow mismatches with the bond characteristics are common.

## 07. Reporting

AFC will provide investors with reporting on the allocation of proceeds until proceeds have been fully allocated and the impact of eligible green projects on an annual basis for the duration of the Green Bonds. Each report will be prepared and reviewed by the Investments and E&S teams and approved by the Chief Investment Officer and the Chief Risk Officer (or their designates). The reports will be available to view on our website [www.africafc.org](http://www.africafc.org).



# 08. Total Portfolio Impact

PROJECT NAME		CABEOLICA WIND POWER	SAMBANGALOU HYDRO <sup>2</sup>	SINGROBO HEP		
Sector		Wind	Hydro	Hydro		
Country		Cape Verde	Gambia, Guinea, Guinea-Bissau, Senegal	Cote d'Ivoire		
Financing Type		Equity/Debt	Debt	Debt		
Project description		Financing of the construction, operation and decommissioning of four wind farms on the islands of Santiago, Sao Vicente, Sal and Boa Vista in Cape Verde.	Construction of a 91 meters high dam, with a reservoir covering 181 square kilometres, located on the Senegal-Guinea border	A HEP project over the Bandama River in Ivory Coast with a generating capacity of 44MW		
Committed/ Disbursed/ Allocated Finance	US\$'M	21.2	24.5	117.7		
Annual energy produced	MWh	72,294	Under construction	Under construction		
Installed Capacity	MW	25.5	128.0	44.0		
Expected annual GHG reduction	tCO2 eq/yr	Source: Cabeolica 2022 Annual report 47,261(a)	Source: Singrobo Project Document. 260,000(e)	Source: Sambangelou Project Document. 109,000(e)		
SDG goals		<div><div>7</div><div>AFFORDABLE AND CLEAN ENERGY</div><div></div></div>	<div><div>8</div><div>DECENT WORK AND ECONOMIC GROWTH</div><div></div></div>	<div><div>9</div><div>INDUSTRY, INNOVATION AND INFRASTRUCTURE</div><div></div></div>	<div><div>11</div><div>SUSTAINABLE CITIES AND COMMUNITIES</div><div></div></div>	<div><div>13</div><div>CLIMATE ACTION</div><div></div></div>

Notes: (a): Achieved; (e) – Expected

# 09. Development Impact



AFC has calculated its impact results using the Joint Impact Model (JIM). The JIM is a web-based tool for impact-oriented investors in developing markets. The JIM is jointly developed by Steward Redqueen, CDC, FMO, BIO, Proparco, AfDB, and FinDev Canada. The results are calculated using econometric modelling (input-output methodology) based on input data collected from projects. They do not completely represent actual figures but also include modelled estimates and should be interpreted as such.

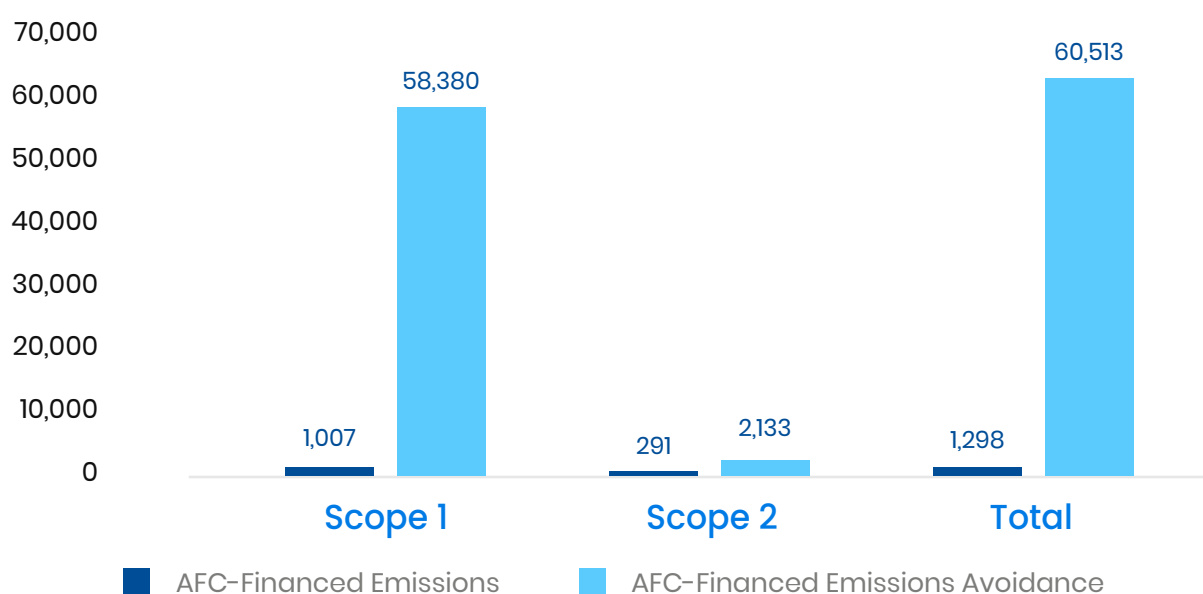
The results indicate the direct and indirect impact of the three projects in AFC's green bond portfolio.

AFC invests alongside other investors. In such cases, AFC is not the sole contributor to job and income creation. JIM-modelled attribution has been applied to measure AFC's contribution as reported. Attribution is used to determine which portion of the results of the portfolio of 3 projects is due to AFC's investment in the projects, taking into account other investors and additional factors that may have influenced the achievement of the results.

## Emissions and Avoidance

AFC-Financed Emissions (tCO <sub>2</sub> e)	Scope 1	Scope 2	Total
Absolute emissions Scope 1 - CO <sub>2</sub>	1,007		1,007
Absolute emissions Scope 1 - Non-CO <sub>2</sub>	0		0
Absolute emissions Scope 2 - CO <sub>2</sub>		290	290
Absolute emissions Scope 2 - Non-CO <sub>2</sub>		1	1
<b>Total Emissions</b>	<b>1,007</b>	<b>291</b>	<b>1,298</b>

Emissions versus Avoidance (tCO <sub>2</sub> e)	Scope 1	Scope 2	Total
AFC-Financed Emissions	1,007	291	1,298
AFC-Financed Emission Avoidance	58,380	2,133	60,513

Financed Emission versus Removal (tCO<sub>2</sub>e)

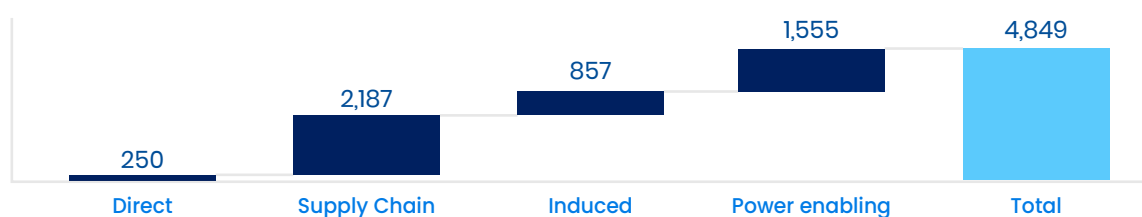


## Employment

Investments in AFC's green bond portfolio supported an estimated 250 direct jobs across the three projects in 2022. Similarly, supply chain and induced jobs supported is estimated at 2,187, of which females accounted for 1,400.

Jobs Supported	Direct	Supply Chain	Induced	Power enabling	Total
<b>Total</b>	<b>250</b>	<b>2,187</b>	<b>857</b>	<b>1,555</b>	<b>4,849</b>
of which:					
Female	8	992	400		
Male	243	1,195	457	1,555	
Formal*		652	227	270	
Informal*		1,534	630	1,285	

### Jobs Supported



## Value Added

The projects in AFC's green bond portfolio supported an estimated US\$ 27.2 million of direct and supply chain value added across Africa in 2022.

Value Added (USD'000)	Direct	Supply Chain	Power enabling	Total
Earnings due to Shareholders	776	3,085	2,140	<b>6,001</b>
Payments to Governments	721	3,984	1,883	<b>6,588</b>
Wages	368	9,559	4,670	<b>14,598</b>
<b>Total</b>	<b>1,865</b>	<b>16,629</b>	<b>8,693</b>	<b>27,187</b>

# 10. Case Studies

## Project: Cabeolica Wind Farm Project

**Country:**  
Cape Verde

**Sector:**  
Renewable Energy

**Technology:**  
Wind Turbine

**Status:**  
Operational

### Description of the project:

The Cabeolica Wind Farm Project includes the construction, operation and decommissioning of four wind farms on the islands of Santiago, Sao Vicente, Sal and Boa Vista in Cape Verde. It has an installed generating capacity of 25.5MW, and consists of 30 turbines, with capacity of 850kw each. The project company is owned by Africa Finance Corporation, Finnfund and the Government of Cape Verde.



### Benefits/impacts:

- Generation of 14% of the energy demand in Cape Verde
- 44, 400 tonnes in reduced CO<sub>2</sub> emissions annually, providing significant environmental benefits through clean energy
- 8% reduction in the electricity generating costs by adding cheaper renewable energy to the grid
- Stabilization of energy tariff due to volatile prices associated with the importing of crude oil for the thermal plants, resulting in a 22% reduction in crude oil importation, valued at US\$12.55 million (equal to 2% of Cape Verde's trade deficit)
- Guarantees a more stable grid system and a 60% reduction in frequency of electricity outage, leading to 0.8% increase in production time and overall, 0.25% in national business production
- 535 jobs, generating US\$3.20 million in income
- Diversification of the country's energy mix by shifting from thermal to wind power. This move is estimated to have displaced 12% (17million litres) of Cape Verde's fuel imports, equivalent to US\$12.55 million
- Improving access to clean electricity for 360,000 people

## Project: Sambangalou Hydroelectric Dam

**Country:**  
Senegal

**Sector:**  
Renewable Energy

**Technology:**  
Hydroelectric Power

**Status:**  
Under construction

### Description of the project:

The Sambangalou Hydroelectric Dam will be 91 meters high, with a reservoir covering 181 square kilometers, located on the Senegal-Guinea border, about 930 kilometers upstream from the mouth of the Gambia river and approximately 25 kilometers south of Kédougou. The dam lake is expected to contain 4 billion m<sup>3</sup> of water. The appointed EPC contractor is SAMVA, a joint venture formed by Vinci Construction Grands Projets ("VCGP"), Vinci Terrassement and Andritz Hydro.



### Development Impact:

- Generation of electricity through a power station equipped with turbines capable of delivering 128 MW, i.e. an estimated annual capacity of 402 GWh.
- Enabling electricity trading between Senegal, Gambia, Guinea-Bissau and Guinea, interconnected through the electricity network of the sub-region, the West African Power Pool (WAPP).
- Irrigation from the dam will lead to the development of 90,000 hectares of agricultural land downstream, including 50,000 hectares in Senegal and 40,000 hectares in the Gambia. This will also provide drinking water for the surrounding districts.
- At its peak, the project will employ 1,200 people recruited and trained locally. The implementation of the project is expected to have a significant impact on the community's economic viability. It is projected to create a multiplier effect, leading to the creation of a sustainable community with thousands of opportunities for economic growth and development.
- After completion of the project, the drinking water treatment station will continue to operate and the worksite buildings will be donated to schools.



## Project: Singrobo Hydro Electric Power (HEP) Project

### Country:

Cote d'Ivoire

### Sector:

Renewable Energy

### Technology:

Hydro Electric Power

### Status:

Under construction

### Description of the project:

A HEP project over the Bandama River in Ivory Coast with generating capacity of 44MW. The project is co-financed and jointly owned by a consortium including the Thermis Group, the Government of Cote d'Ivoire, Africa Finance Corporation and IHE Holding.



### Development Impact:

- Supply of electricity to 100,000 households
- Reduction of CO<sub>2</sub> emissions by 109,000 tons annually
- Impoundment hydropower will create reservoirs for recreation, fishing, irrigation and drinking water while preventing floods.
- Construction of a 4-kilometer access road connecting the dam site to the village of Ahouaty, thus reducing travel time for the inhabitants
- The supply of drinking water to two nearby villages and the construction of a market and a sports/cultural center
- Construction and rehabilitation of health centers
- Expected to create 500 jobs, including 150 skilled jobs and 28 jobs during the operational phase
- Diversification of Côte d'Ivoire's energy mix to achieve the government's goal of generating 42% of its electricity from renewable sources by 2030