

PRESS RELEASE

ATI & KfW unveil the Transparency Tool – an energy solution designed to quicken the pace of electrification in Africa

- To ensure the sustainability of Africa's record-setting growth, governments need to increase access to clean, affordable and reliable energy
- On average, two out of three households, or close to 600 million people, have no access to electricity across sub-Saharan Africa
- According to a 2016 World Bank report, there were 126 Independent Power Producers present in 18 countries in sub-Saharan Africa, providing more than 13% of total installed generation capacity. This number and percentage has since increased
- ATI and KfW created the Transparency Tool as a solution to the lack of financial transparency of the power utilities in Africa. By tracking and making public the payment behavior of utilities, the Tool is expected to help reduce the cost of financing for IPPs and improve investor sentiment toward the energy sector

LISBON, 12 June 2019 – The African Trade Insurance Agency (ATI) through its partnership with KfW, launched a new renewable energy solution, the Transparency Tool on the sidelines of the premier global energy event for Africa, The African Energy Forum (AEF). The Transparency Tool is an on-line platform that works in tandem with another innovation created by the duo, the Regional Liquidity Support Facility (RLSF). Both solutions support Independent Power Producers (IPPs), one of the important providers of energy, who are key to unlocking the renewable energy potential in Africa.

IPPs are an important link to increasing electrification in Africa because they can implement small-scale green projects that generate more affordable energy with less social and environmental impact. As a result, governments and national utilities in developing countries are increasingly relying on IPPs for power generation.

Despite the demand, IPPs still face steep hurdles, particularly the lack of access to reliable financial information on the national utilities, which are often the agencies that purchase their power. This gap in financial information, along with ambiguities in the utilities' payment record hinders investments to the sector from new investors, project developers and lenders. More importantly for the IPPs, it also increases the perceived risk of non-payment by IPPs and their lenders, thus increasing the cost of financing.

The Transparency Tool provides an innovative solution to these challenges. It is an online platform that will record the effective payment behavior of African utilities and periodically, make the records public. Over time, the objective is to align the perceived risk with the real liquidity risk that could help energy sector stakeholders better assess the credit worthiness of off-takers.

Specifically, the Transparency Tool aims to achieve three primary objectives:

1. To improve the transparency related to payments under Power Purchase Agreements (PPAs) and to demonstrate over time that the off-takers are reliable paymasters;
2. To demonstrate to IPPs that the off-taker is paying all IPPs at the same time and thus respects the cash flow waterfall to which it has committed; and
3. To enable ATI to monitor the risks it takes through the RLSF.

The roll out of The Transparency Tool is linked to signed Memorandums of Understanding (MoUs) that make RLSF, alongside The Transparency Tool, available to countries, which currently include



Benin, Burundi, Madagascar, Malawi, Uganda and Zambia. Ethiopia and Ghana are likely to follow in the coming months.

The Transparency Tool is designed to work in tandem with the RLSF, an initiative that insures small-scale renewable projects against the liquidity risk of non-payment by an off-taker. The Transparency Tool and the RLSF, are joint initiatives of ATI and KfW, with funding from the German Federal Ministry for Economic Cooperation and Development (BMZ).

Quote by Tusekile Kibonde, Regional Underwriter, ATI

Energy access is key to Africa's continued growth. This is primarily why we have chosen to focus on growing the energy sector in Africa by increasing available insurance capacity. Thanks to our partners at KfW and EIB, ATI is developing a strong reputation for its underwriting capacity in the energy sector across Africa.

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Note to editors:

About The African Trade Insurance Agency

ATI was founded in 2001 by African States to cover the trade and investment risks of companies doing business in Africa. ATI provides Political Risk, Surety Bonds, Credit Insurance and Political Violence and Terrorism & Sabotage cover. As of YE 2018, ATI has supported USD45.5 billion in trade and investments across Africa in sectors such as agribusiness, energy, exports, housing, infrastructure manufacturing, mining and telecommunications. Since 2008, ATI has maintained an 'A/Stable' rating for Financial Strength and Counterparty Credit by Standard & Poor's and recently attained an A3/Stable rating from Moody's.

www.ati-aca.org

About KfW

KfW is one of the world's leading and most experienced promotional banks. Established in 1948 as a public law institution, KfW is 80 per cent owned by the Federal Republic of Germany and 20 per cent by the federal states ("Länder").

KfW Development Bank is Germany's leading development bank and an integral part of KfW. It carries out Germany's Financial Cooperation (FC) with developing countries on behalf of the Federal Government. The 600 personnel at headquarters and 370 specialists in its 68 local offices cooperate with partners all over the world. Its goal is to combat poverty, secure the peace, protect the environment and the climate and make globalisation fair. KfW is a competent and strategic advisor on current development issues.

www.kfw-entwicklungsbank.de
