STILL BANKING ON FOSSIL FUELS

How the African Development Bank (AfDB) continues to invest in fossil fuels at a cost to all Africans
ACKNOWLEDGEMENTS

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1.0 INTRODUCTION

Africa stands at a crossroads in its development. Two possible futures lay ahead for the continent and its people. One where African governments and institutions pursue a fossil fuelled development pathway defined by the Global North, guided by the extractive industries and colonial powers that have pulled wealth out of the continent for centuries, centralised power and fuelled corruption, and failed to bring energy access and sustainable development to large parts of the continent. Unfortunately, this is the pathway that many African governments currently find themselves on.

There is, however, a different pathway. One where Africa leapfrogs fossil fuel-based energy systems and creates thriving industrial economies built around energy access, energy independence and nurturing both the industries of tomorrow and the natural environment. This pathway would not only provide access to those who have been denied it by an exclusionary system, but would also enable African-led solutions, and improve the socioeconomic circumstances of all Africans.

This second pathway is currently uncharted, but it is one that can be written by Africans, for Africans - those alive today and those yet to be born. This pathway would enable Africans to lead their own development trajectory, in contrast to the (neo)colonial structures which upheld Global North development and maintain its wealth today.

Successfully pursuing this second pathway will not be straightforward nor simple - and requires a renewed strategic vision for African governments and institutions, that honours the huge diversity of African traditions and ways of organising. This vision must:

- Challenge dominant approaches to development, energy and economics that continue to prioritise fossil fuel production and exacerbate structural challenges for Africa;
- Uproot the financial and technological dependencies between Africa and the Global North that perpetuate underdevelopment, extractivism and the restrictive demands of servicing sovereign debt;
- Reimagine and reorient African institutions towards delivering a rapid and just energy transition throughout the continent and building the industrial capacity to meet Africa’s shifting socio-economic needs for generations to come.

“Without a coherent and comprehensive strategic development vision for itself, Africa will remain subordinate to the strategic vision of others”

Independent Expert Group on Just Transition and Development ¹

This briefing from Power Shift Africa argues that at the heart of this new strategic vision is a renewed role for the African Development Bank (AfDB) as a financier and a reformed approach to fossil fuel-based energy systems. Energy threads together multiple strands of development and is a foundational element for social well-being and green industrialisation.² The choices that the AfDB makes in regards to energy systems, how they are funded, who owns them, who shoulders the costs and risks, and how the benefits are accrued and distributed will undoubtedly shape other aspects of development and determine the progress made.³

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² Ibid.
³ Ibid.
While the AfDB has a mandate to “contribute to the sustainable economic development and social progress of its regional members individually and jointly,” its continued funding of fossil fuels undermines these aims. The multilateral development bank (MDB) has a number of systemic and operational shortcomings that explicitly and implicitly prioritise a fossil fuelled development pathway, heightening the economic and climatic risks posed to African communities today as well as future generations. These include:

**An incomplete Fossil Fuel Exclusion Policy that allows continued investment into fossil fuels, in particular, the expansion of fossil gas under the guise of a ‘transition fuel’**: Although the bank claims it has partially aligned its financing with the Paris Agreement, the AfDB continues to invest tens of millions of dollars into fossil fuels directly and indirectly through financial intermediaries and technical assistance. This public money should be used to stimulate a rapid scaling up of renewable energy generation instead of locking in fossil fuel infrastructures and guaranteeing further climate impacts. The AfDB should also fully implement the MDB Paris Alignment Framework and use this as a platform to push for greater ambition amongst other MDBs.

**Financial intermediary (FI) investments can bypass climate commitments**: The AfDB invests in financial intermediaries such as commercial banks and private equity funds, which then lend to subprojects at regional and national levels (see Section 4.2). Through this process, the AfDB effectively delegates the responsibility of managing the social and environmental impacts of sub-projects to the FIs which are often secondary concerns after profit. The opaqueness and lack of thorough reporting and disclosures on FI subprojects make it possible for FIs to fund fossil fuels, and make it difficult for CSOs to monitor where FI investments are used on the other hand. Moreover, this lack of transparency also makes it difficult for communities around FI-funded fossil fuel projects to seek remedy.

**A lack of transparency over deal structures and an accountability deficit between national parliaments and the AfDB**: There is a severe lack of transparency over how the AfDB approaches its investments and portfolio, whether it integrates assessments of gender impacts, how financial deals are structured, and who ultimately signs them off. The lack of consistent and thorough disclosures has created an accountability deficit between the AfDB and the governments of its regional members, where in some cases national parliamentarians are unaware of loan conditions despite the fiscal impacts (and risks) they shoulder. Due to this lack of transparency, it is difficult to accurately estimate the scale of the AfDB’s continued investment into fossil fuels. There was an independent evaluation of AfDB energy financing between 2012 and 2019, but it only reviewed 10 countries.

**Limited consultation with civil society and affected communities to date**: More thorough engagement with civil society and the communities affected by AfDB’s policies could help foster greater transparency and a more inclusive approach to energy and infrastructure investments. There is an opportunity that the upcoming AfDB Annual Meetings 2024 in Nairobi, Kenya, could provide a springboard for greater collaboration and coordination between African civil society and the AfDB on key issues such as energy and sovereign debt.

**A focus on export-oriented industries to serve current and future markets in Europe**: Prioritising the development of export-oriented industries, such as fossil gas and liquified natural gas (LNG), is a risky bet on future demand and commodity prices. In the case of LNG, such a capital-intensive sector will not create the jobs or aggregate demand within the African economy to stimulate wider industrialisation, drawing financial and human capital away from more pressing developmental needs. As such, it is another form of extraction that entrenches dependencies on the Global North.

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A heavy reliance on private finance and a commitment to protecting private profit at the cost of African governments and citizens: Necessities for African development and industrialisation - clean energy generation, health, water and education - are being turned into investible asset classes, rather than the vital building blocks for a thriving continental economy. Private finance is in the driving seat, determining the shape and pace of African energy access, industrialisation and development, through arrangements such as Public-Private Partnerships (PPPs), where powerful investors and countries in the Global North often define the conditions for investment which can exacerbate debt and technological dependencies.\(^8\) AfDB finance, and the funds of African governments, is often used to derisk investments for private finance across all types of energy investments.\(^9\)

This Power Shift Africa briefing seeks to first contextualise the current failings of international development finance and the global economic architecture to deliver sustainable development for Africa, before briefly exploring the risks posed to all Africans by their governments and institutions pursuing a development pathway reliant on the continued expansion of fossil fuel production. The report then turns its attention to the current role of the AfDB and how its finance mechanisms continue to invest in fossil fuel projects throughout Africa, locking-in fossil fuel energy systems for decades to come. The report concludes with a series of recommendations on how the AfDB could accelerate the end of the fossil fuel era and become a vital institution within the African-wide governance network, stimulating new and continent-specific approaches to development that prioritises accessible clean energy systems, thriving green industries, and prosperity within planetary boundaries.

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Power Shift Africa, alongside African Civil Society, is calling upon the African Development Bank (AfDB) and its shareholders to:

- **Implement a full and thorough Fossil Fuel Finance Exclusion Policy** that does not enable continued investment in certain segments of the fossil fuel industry’s value chain and that covers all financing mechanisms and vehicles, including financial intermediaries and technical assistance.

- **Full alignment with the Paris Agreement** that begins with the implementation of the MDB Paris Alignment Framework of 2018. Despite claiming to be aligned, the AfDB is yet to implement this framework. Although the current Paris Alignment methodologies are very weak and contain loopholes and flaws, there is huge scope for greater ambition and could provide a shared platform for all MDBs to accelerate the phase-out of fossil fuels.

- **Show where the AfDB money goes:** No public funds or technical assistance should be used to fund fossil fuels in Africa. The AfDB must introduce a mandate for full public disclosure of all transactions and foster greater transparency across all its operations and portfolio.

- **Deeper and more inclusive civil society consultation** must be included in the development of the review of the AfDB 10-Year Business Strategy as well as the bank’s other climate and energy frameworks. The AfDB must recognise civil society as a pivotal stakeholder in the operationalisation of its objectives, including energy access, climate mitigation and adaptation.

- **Fund solutions, not the problems:** It is essential that the AfDB shifts finance from fossil fuels and invests in sustainable renewable energy generation and a just transition that centres economic and development benefits for communities and ensures energy access in line with Sustainable Development Goal 7 (SDG7). The AfDB must work with regional partners to reform fossil fuel subsidies and redirect support to marginalised communities, which could be done through Policy-Based Loans (PBLs) with a Fossil Fuel Finance Exclusion.

- **Thread the principles of democracy, accountability, and the upholding of rights across all projects and governance structures:** Develop and fund safeguards and democratic governance reforms to ensure transparency and accountability across AfDB’s investments and portfolio, as well as throughout its internal governance. Integrate gender, climate and local impact assessments across all energy and infrastructure investments to prevent exacerbating the many issues faced by communities affected by fossil fuel production.

- **Prioritise people, not profits:** The AfDB must move away from derisking investments (and profits) for private finance and towards stewarding finance into strategically important sectors for Africa’s development and industrialisation. The AfDB could pioneer new forms of ownership where communities benefit from renewable generation, rather than asset managers and private equity firms based in the Global North.

- **Use its convening power to bring together African governments and civil society to create a strategic vision for Africa:** The AfDB has vast potential in convening African governments and civil society to co-create a long-term strategic vision for the continent that prioritises industrialisation and energy sovereignty based on the rapid deployment of wind, solar, and geothermal generation technologies.

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2.0 BROKEN PROMISES

Despite its scale and scope, international development finance and the global architecture of economic governance that enables it has proven woefully insufficient at addressing the greatest threats facing Africa. From global pandemics and a deepening climate crisis, to the mounting sovereign debt crisis and food insecurity, dominant approaches to development have failed to deliver the basic necessities for life to hundreds of millions of Africans. As a result, achieving the United Nations’ Sustainable Development Goals (SDGs) by 2030 is severely off-track, with some SDGs experiencing significant reversals in recent years, undoing the progress made.\footnote{UN, 2023, ‘The Sustainable Development Goals Report: Special Edition’, https://unstats.un.org/sdgs/report/2023/The-Sustainable-Development-Goals-Report-2023.pdf}

According to the Report of the Independent Expert Group (IEG) on Strengthening Multilateral Development Banks (MDBs), there is a widening gap in development finance.\footnote{Report of Independent Experts Group (IEG), ‘Strengthening Multilateral Development Banks: The Triple Agenda’, https://www.cgdev.org/sites/default/files/The_Triple_Agenda_G20-IEG_Report_Volume1_2023.pdf} The authors estimate that an additional “$3 trillion per year is needed by 2030, of which $1.8 trillion represents additional investments in climate action (a four-fold increase in adaptation, resilience and mitigation compared to 2019), mostly in sustainable infrastructure, and $1.2 trillion in additional spending to attain other SDGs (a 75% increase in health and education).”\footnote{Ibid.} Bridging this gap would not only enable African countries and other developing nations to meet their climate and development targets, but it would also bring ample benefits to the entire international community by substantially reducing the costs of inaction and insecurity.\footnote{DRGR Report, 2024, https://eprints.soas.ac.uk/41719/1/DRGR_Report_2024_FIN.pdf}

More stark, however, is that the authors report that in 2023 there were huge outflows of capital from developing countries, whereby low-income countries are paying out more in the form of interest and principal repayments than they received in the form of development finance (see Figure 1).\footnote{Summers and Singh, 2024, ‘The World Is Still on Fire’, https://www.project-syndicate.org/commentary/imf-world-bank-spring-meetings-need-to-get-four-things-right-by-lawrence-h-summers-and-n-k-singh-2024-04} In an op-ed accompanying the IEG report, the authors note that “Billions to trillions,” the catchphrase for the World Bank’s plan to mobilise private-sector money for development, has become “millions in, billions out.”\footnote{Ibid.} The dysfunction and injustice of the current system is captured by Mackenzie and Sahay, who highlight that: “In 2023, the private sector collected $68 billion more in interest and principal repayments than it lent to the developing world. International financial institutions and assistance agencies extracted another $40 billion, while net concessional assistance from international financial institutions was only $2 billion—even as famine spread.”\footnote{Kate Mackenzie & Tim Sahay, 2024, ‘New World Order?’, Phenomenal World, https://www.phenomenalworld.org/analysis/new-world-order/}
The rising costs of servicing interest and debt repayments have created “the worst debt crisis since global records began”\textsuperscript{18} - and nowhere is this being felt more acutely than throughout Africa. According to a report by Development Finance International and colleagues, the burden of servicing debt is, on average, absorbing 54\% of government revenues and 40\% of public spending in Africa.\textsuperscript{19} The same report shows that debt servicing by African governments exceeds the total combined spending on education, health, social protection and climate by 50\%.\textsuperscript{20}

These figures add weight to what African leaders and civil society have been saying for decades: that the mounting sovereign debt crisis and the prioritisation of profit for private finance are restricting African governments from meeting the basic needs of their citizens, let alone tackling challenges such as the climate crisis, industrialisation and food security. According to a report from Debt Relief for Green and Inclusive Recovery (DRGR) Project, external Public and Publicly Guaranteed (PPG) debt levels have more than doubled since 2008, with 2024 set to be the costliest debt servicing year of this century.\textsuperscript{21} Due to these mounting pressures, nearly half of the world’s population lives in a country that spends more on external debt service than on investments in health or education.\textsuperscript{22} As a result, around half of the world’s poorest nations are now poorer than they were before the global pandemic struck.\textsuperscript{23}

<table>
<thead>
<tr>
<th>African Country</th>
<th>Total Debt Servicing as a % of government revenue</th>
<th>Total Debt Servicing as a % of government expenditure</th>
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<tbody>
<tr>
<td>Angola</td>
<td>75.54</td>
<td>70.25</td>
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<tr>
<td>Egypt</td>
<td>196.43</td>
<td>133.74</td>
</tr>
<tr>
<td>Ghana</td>
<td>118.71</td>
<td>89.92</td>
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<tr>
<td>Malawi</td>
<td>132.83</td>
<td>79.18</td>
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<tr>
<td>Sierra Leone</td>
<td>169.41</td>
<td>118.54</td>
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<tr>
<td>Zambia</td>
<td>104.78</td>
<td>76.30</td>
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\textsuperscript{19} Ibid.
\textsuperscript{20} Ibid.
\textsuperscript{21} DRGR Report, 2024, https://eprints.soas.ac.uk/41719/1/DRGR_Report_2024_FIN.pdf
\textsuperscript{22} Ibid.
Alongside prohibitive debt repayments that are crowding out African governments’ ability to invest in sustainable development sits a growing list of broken promises on climate finance. The annual $100 billion of climate finance promised by rich industrialised nations failed to materialise by 2020 and a new target is set in 2025. Despite facing the most severe impacts of the climate crisis, Africa continues to receive a meagre portion of clean energy finance. Although global cumulative flows of clean energy finance are increasing, it is not flowing to where it is needed most. According to Oil Change International (OCI), just 3% of all clean energy finance between 2020 and 2022 went to low-income countries.

Africa’s share of this meagre portion has been decreasing over the past decade. Between 2014 and 2016, Africa received 14% of global clean energy finance, but between 2020 and 2022 received just 12%. At the same time, African countries are receiving an increasing share of global fossil fuel finance, from 14% between 2017 to 2019 to 18% between 2020 and 2022. What’s more, the uneven allocation of clean energy finance is reflected within Africa. Between 2020 and 2022, half of the clean energy finance allocated to Africa went to just three states: South Africa, Egypt and Angola.

Africa ends “up in a vicious circle with investment shortfalls increasing exposure risk and worsening impact, further eroding fiscal space and raising finance costs”

Hanan Morsy, Africa chief economist, United Nations Economic Commission.

Even the much-celebrated Just Energy Transition Partnerships (JET-P) have faltered in delivering climate finance for African states. Despite its designers and advocates describing the advent of JET-Ps as a “new financing paradigm” that provides “a template on how to support just transition around the world”, the $8.5 billion of finance for South Africa as part of the JET-P was composed of commercial loans that would increase debt burdens and also contingent on significant reform to the energy sector through a process of privatisation (or ‘unbundling’). Reflecting on the experience of the JET-P, South African experts close to the negotiations noted that “they could not rely on foreign aid and would need to do the energy transition “for themselves”.”

Furthermore, technical assistance was provisioned as part of the JET-P in South Africa. While a necessary component, there is a lack of transparency on what and, perhaps more importantly, who this involves. For example, technical assistance for transmission lines in Kenya included setting up a PPP unit, and putting private actors in the driving seat.

Given the systemic flaws in development finance and the faltering progress of climate finance mechanisms such as the JET-Ps, there is a need for greater leadership from the AfDB to demand reform at the global level and create Africa-specific policies to address the myriad challenges facing the continent.

24 Carbon Brief, 2022, ‘Explainer: How can climate finance be increased from ‘billions to trillions’?’, https://www.carbonbrief.org/explainer-how-can-climate-finance-be-increased-from-billions-to-trillions/
26 Ibid.
27 Ibid.
28 Ibid.
32 African Arguments, 2024, ‘When is a policy not a policy? The curious case of the hollow JET-P’, https://africanarguments.org/2024/03/when-is-a-policy-not-a-policy-the-curious-case-of-the-hollow-jet-p/
33 AfDB, 2024, https://projectsportal.afdb.org/dataportal/VProject/show/P-KE-F00-013?lang=en
3.0 A FOSSIL FUELLED DEVELOPMENT FALLACY

Many African governments, the AfDB, other MDBs, as well as donor governments in the Global North, are adamant that fossil fuelled development is the only feasible route to prosperity for Africa and its peoples. In particular, there has been a concerted push to develop new gas infrastructures and expand existing oil and gas production, in which the AfDB has been instrumental (see section 4.2).

However, pursuing this approach and expanding fossil fuel production and infrastructures poses several dangers for the continent, its communities and its development:

1. Worsening the climate crisis, which is already reaping havoc of African lives and livelihoods

By locking-in emissions-intensive energy systems and infrastructures, African governments and institutions are guaranteeing emissions for decades to come. As much of Africa is characterised by arid and semi-arid climates, communities are highly susceptible to changes in temperature and precipitation patterns.

Advances in attribution studies are showing how climate change is super-charging impacts throughout Africa. The extreme heat that swept through West Africa in early 2024 which saw temperatures exceed 40°C was, according to the World Weather Attribution service, ten times more likely and 4°C hotter due to climate change. The same study warns that under a global average temperature rise of 2°C, “similar events will occur about once every two years and will become a further 1.2-3.4°C hotter”. The impact of such extreme heat on communities is currently understudied and unknown.

34 Pinto et al., 2024, ‘Dangerous humid heat in southern West Africa about 4°C hotter due to climate change’, Imperial College London, https://doi.org/10.25561/110082
35 Ibid.
36 Ibid.
Climate change is also leading to prolonged droughts and frequent heavy flooding\(^37\) with devastating consequences for ecosystems and livelihoods. The 2022 Climate Vulnerability Index\(^38\) showed that Sub-Saharan Africa contains nine out of the 10 most climate-vulnerable countries, namely Chad, Central African Republic, Eritrea, Guinea Bissau, Democratic Republic of Congo, Sudan, Niger, Liberia, and Somalia.

Agriculture remains a substantial source of livelihoods in Africa\(^39\) and in sub-Saharan Africa, about 97% of crop production is rain-fed\(^40\). This means that the climate change-induced dramatic variations in rainfall\(^41\) and temperature will certainly lead to crop failures\(^42\) and increased food insecurity\(^43\). Furthermore, increased humidity leads to larger distributions of vector-borne diseases such as malaria and dengue fever, which already disproportionately impact young people across Africa.\(^44\) These impacts will only become more severe as global temperatures increase.

Alongside the suffering unleashed by climate impacts across Africa, there are also enormous economic implications for the continent. In one study exploring the committed economic damages of cumulative emissions to date, Africa is predicted to be the most strongly affected.\(^45\) The authors find that by the middle of the century, the continent could experience median permanent income reductions of approximately 22\%.\(^46\) A 2022 study from Christian Aid found that eight African countries - Sudan, Mauritania, Mali, Niger, Burkina Faso, Chad, Djibouti and Nigeria - face the prospect of seeing economic growth curtailed by at least 25% by 2050 under 2.7°C of warming.\(^47\)

Already today, and for decades to come, the impacts of climate change are impeding economic development and African governments attempts to achieve other social goals. A fossil fuelled development pathway will not protect African economies from these impacts - it will only guarantee they become more frequent and severe. The AfDB must use public funds and its ability to steer markets to stimulate a rapid transition away from the fossil fuel energy systems driving deadly climate impacts.

2. **Aggravating governments attempts to achieve universal energy access**

Fossil fuel production and consumption have been ongoing in Africa for many decades. Yet it has failed to deliver universal and affordable energy access for Africans that dominant approaches to development promised. While states in North Africa have near universal energy access, the countries of sub-Saharan Africa continue to live without adequate access to electricity and clean cooking - especially those living in rural communities. According to the International Energy Agency (IEA), there were approximately 600 million people without access to energy in 2022.\(^48\) When it comes to clean cooking, there are an estimated

\(^{39}\) World Economic Forum, 2016, ‘70% of Africans make a living through agriculture, and technology could transform their world’, https://www.weforum.org/agenda/2016/05/70-of-africans-make-a-living-through-agriculture-and-technology-could-transform-their-world/
\(^{43}\) Connelly-Boutin, L., Smit, B., 2016, ‘Climate change, food security, and livelihoods in sub-Saharan Africa’, Reg Environ Change, https://doi.org/10.1007/s10113-015-0761-x
\(^{44}\) de Souza, W.M., Weaver, S.C., 2024, ‘Effects of climate change and human activities on vector-borne diseases’, Nat Rev Microbiol, https://doi.org/10.1038/d41579-024-01026-0
\(^{45}\) Kotz et al., 2024, ‘The economic commitment of climate change’, Nature, https://doi.org/10.1038/s41586-024-07219-0
\(^{46}\) Ibid
billion Africans that lack access to clean cooking and rely on highly polluting cooking fuels. A lack of clean cooking technologies disproportionately impacts African women, who are most likely responsible for collecting cooking fuels, such as wood, and are exposed to adverse health impacts of polluting cooking fuels. The global pandemic and energy crisis has exacerbated these issues further, with the number of Africans without energy access and clean cooking capabilities on the rise.

It is unlikely that expanding fossil fuel production will deliver energy access to this large section of African citizens at the scale and speed required to meet governments’ targets under SDG7. The concerted push in the past five years to invest and scale up fossil fuel infrastructure is overwhelmingly designed to supply overseas markets rather than addressing energy access throughout Africa. Even if these new infrastructures were to be overhauled to improve domestic energy access, substantial investments would be required to build out existing grid infrastructures and new transmission networks, as well as processing plants to generate electricity. As Africa lacks these supporting infrastructures for fossil fuel generation, building them out would incur significant costs and require time to build - further delaying progress in achieving energy access. What’s more, it is highly unlikely that fossil fuel based energy systems will deliver long-term employment. According to OCI, Africa’s fossil fuel industry as a whole employs less than 1% of Africa’s workforce, with few permanent and high-paying jobs going to local populations, with multinationals often importing both labour and component parts. Dollar-for-dollar investments into renewables would create 2 to 5 times more jobs than investments in fossil fuels.

The lack of existing energy infrastructure across the continent presents an opportunity: to leapfrog fossil fuel energy systems more advanced, affordable and safer renewable energy technologies that are accustomed to more decentralised deployment and ownership to address energy poverty in rural communities. What’s more, Africa have substantial untapped renewable generation potential with the IEA suggesting that “Africa is home to 60% of the best solar resources globally, yet only 1% of installed solar PV capacity”. Similarly, Africa currently exploits 0.01% of its potential wind generation capacity. An IFC study estimated the potential for wind power in Africa at almost 180,000 terawatt hours (TWh) per year, which is enough to satisfy the entire continent’s current electricity demand 250 times over. There is a growing evidence base that Africa can chart a course towards fully renewable energy systems that are accessible and affordable, with the investments required to deliver these systems paying for themselves many times over due to the savings on removing fossil fuels. Detailed energy analyses on Kenya, Rwanda, and Tanzania shows the potential of 100% renewable systems to deliver energy access and other SDGs.

Given the limited contribution that expanding fossil fuel production can make to accelerating energy access, and the overwhelming evidence of the benefits that can be unlocked rapidly from shifting to renewables, the AfDB must shift its financing away from fossil fuels towards renewable energy generation projects.

52 Ibid.
53 Ibid.
54 Ibid.
58 Power Shift Africa, 2024, ‘Kenya: Energy Development plan to decarbonize the economy’, https://www.powershiftafrica.org/publications/56f02f77c8a2b1238f55af99f09
3. Accelerating pollution and environmental degradation

Pursuing a development pathway that locks-in fossil fuel infrastructures will ensure further pollution and environmental degradation, which threatens the health, wellbeing and livelihoods of Africans.

The localised impacts of fossil fuel production are well documented throughout the entire value chain. For instance, there are multiple instances where fossil fuel production has destroyed biodiversity hotspots or where the chemicals used in the extraction process or spillages of fossil fuels, such as oil, have contaminated groundwater supplies\(^{61,62}\) or key crops and fisheries.\(^{63}\) Researchers observing the construction of two oil and gas pipelines in the Niger Delta noted the clearance of 495 hectares of dense forest and the felling of nearly ten million trees.\(^{64}\) Reflecting on their research, the authors concluded that the area “had witnessed colossal loss of biodiversity due to habitat displacement, forest fragmentation and deforestation, and escalated exploitation of species”.\(^{65}\)

In the seas off Africa's coast, offshore fossil fuel production poses risks to biodiversity hotspots. The construction of LNG terminals in Mozambique threatens a number of mangrove forests and coral reefs, which are both vital breeding and feeding grounds for a rich variety of species. The proposed Renaissance gas pipeline in Mozambique will run through the Zambezi wetland - one of the most biodiverse ecosystems in the world and a crucial wetland on Africa's east coast. It is estimated that 300,000 people rely on this ecosystem for their livelihoods and sustenance.

Off the coast of Mauritania, British Petroleum (BP) recently began extraction fossil fuels from the Greater Tortue Ahmeyim (GTA) project - a gas field so large it stretches all the way to Senegal and, if the gas is burnt, will be the equivalent of up to 1% of the remaining carbon budget.\(^{66}\) The GTA gas field is located next to the largest known cold-water reef in the world, which acts as a key foothold in global migration corridors for endangered or vulnerable species of shark, whale, turtles, and various seabirds. The drilling will take place 2.7 kilometres below the surface, a depth that has never been attempted before in Africa, which incurs significant risks.\(^{67}\)

Air pollution from the production and combustion of fossil fuels is now acknowledged as a major health issue in Africa, as decades of poor monitoring allow the issue to remain hidden. According to a report from Greenpeace Africa and Greenpeace MENA, as many as 1.1 million premature deaths occur every year in Africa due to air pollution.\(^{68}\) The same report found that Egypt, Nigeria, and South Africa consistently exhibit large disease burdens, with the highest mortality linked to fossil fuel air pollution in these nations.\(^{69}\)

This is merely a snapshot of how fossil fuel production, from exploration to combustion, is driving environmental degradation and pollution across Africa, threatening to undermine life-supporting systems and sustainable development goals. The AfDB continuing to encourage and support such projects, directly and indirectly, through their financing mechanisms is a clear dereliction of the bank's mandate.

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64 Agbagwa & Ndukwo, 2014, ‘Oil and Gas Pipeline ConstructionInduced Forest Fragmentation and Biodiversity Loss in the Niger Delta, Nigeria’, Natural Resources, DOI:10.4236/nr.2014.512061
65 Ibid.
68 Greenpeace Africa & Greenpeace MENA, 2024, ‘Major Air Polluters in Africa Unmasked’, https://drive.google.com/file/d/1HZj4AbS06x6vMV3V2VSNaUZjYoRbDOB/view
69 Ibid.
4. Growing stranded asset risk for African governments

By pushing ahead with fossil fuel production and overestimating future demand scenarios for fossil fuels, African governments and institutions are heightening the risk of stranded assets. Once assets become stranded, it will be African governments and citizens that shoulder the cost through plummeting government revenues, defaulted loans and clean-up costs.

The threat of assets becoming stranded is particularly high given the current ‘dash for gas’ across Africa. In the wake of Russia’s invasion of Ukraine and the global energy crisis, Europe and other high-consumption countries were frantically trying to reduce their dependence on Russian gas. Many European governments and banks were quick to look to Africa to fill this void in their gas supply. While some African states are currently producing and exporting gas, many of the new investment frontiers are within ‘newcomer’ producers where there are no legacy infrastructures, which means the gas facilities and export terminals are being built from the ground up, where challenging geologies and a lack of complementary infrastructures and regulatory frameworks increases project costs. According to Oil Change International (OCI), one third of forecast fossil fuel production is set to take place in ‘newcomer’ countries, like Mozambique and Senegal.

This creates a perfect storm of stranded risk for African governments convinced that gas is a ‘transition’ or ‘bridge’ fuel. Firstly, much of the new fossil fuel infrastructure coming online, especially gas infrastructures, have relatively higher production costs. According to OCI, around 68% of planned oil and gas production in Africa up to 2050 involves relatively costly hydraulic fracking, deepwater drilling, ultra deepwater drilling, or heavy extraction - all of which push up production costs. In fact, when compared to global averages in production costs, African oil and gas assets are between 15% and 20% more expensive to develop and operate, as well as up to 80% more carbon intensive.

Secondly, the future global demand for gas and the price it commands on commodity markets is not guaranteed. The dash for gas has been a global phenomenon with the likes of Qatar and the United States of America also ramping up supply to meet global demand. However, the glut of supply coming to the market and the prospect of shrinking demand in the near future may threaten the long-term feasibility of African gas production and export - especially amongst newcomer producers whose reserves will not come online for five to ten years. For instance, according to the European Union Agency for the Cooperation of Energy Regulators (ACER), European demand for Liquified Natural Gas (LNG) peaked in 2023 and that the EU will be over-contracted, where long-term contracts exceed demand, for LNG as soon as 2027. Other large gas importers, such as China and India, have also reduced their gas demand.

Pushing ahead with the expansion of fossil fuel production - especially those oriented towards export markets - poses severe economic risks to African governments and citizens. The AfDB must recognise the risk of assets becoming stranded and debt burdens increasing further as a result of decisions made today. Instead of prioritising the export of fossil fuels, AfDB should encourage and facilitate African governments to prioritise energy sovereignty through the rapid deployment of renewable energy technologies.

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73 Ibid.
75 Ibid.
4.0 THE AFRICAN DEVELOPMENT BANK (AfBD)

4.1 AfDB finance - forms & functions

Founded in 1964, the African Development Bank Group is composed of three core entities: the African Development Bank (AfDB), the African Development Fund (AfDF), and the Nigeria Trust Fund (NTF). The primary institution within the Group is the AfDB, a multilateral development bank which is owned and overseen by its 79 members, with 55 regional members within African who own 60% of the bank and 27 non-regional members from the Americas, Europe and Asia, that hold 40% of the bank. The organisational structure of the AfDB is made up of (i) the board of governors; (ii) the board of directors, (iii) the president, and (iv) specific departments, each led by a vice president (see figure # below). The AfDB has a mandate to “contribute to the sustainable economic development and social progress of its regional members individually and jointly.”

The Board of Governors is composed of one Governor and one Alternate Governor appointed by each Member Country. Each Governor represents their country and their voting power is proportionate to their country’s capital subscription, making it a tool to influence and shape energy and industrial policy, especially for non-borrowing members. Governors and Alternate Governors are often high-ranking officials, such as Ministers of Finance or Central Bank Governors. Their term is five years, subject to termination and reappointment by the member country. The AfDB President is elected on a five-year cycle with a maximum of one renewal. As current President Dr Akinwumi Adesina 2020 election win was for his second term, he will have to hand over the presidency in 2025.

Having struggled to raise sufficient finance in international capital markets, the AfDB opened its membership in the 1970s to states and institutions outside of the African continent. Through this process, the AfDB gave these non-regional members the ability to shape AfDB policy and priorities through permanent seats on the AfDB Board of Directors, as well as up to 50% of veto power over key decisions and policy changes. The non-regional members of the AfDB include the United States of America (the second largest shareholder after Nigeria), Japan, Germany and Canada (the fourth largest non-African shareholder).

77 Ibid.
81 Ibid.
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## Figure 2

The AfDB's funds are derived from a variety of sources. Member countries pay a subscription into the central funds controlled by the AfDB. The AfDB also raises funds through borrowing on international capital markets and loan arrangements. It draws in funds from the ADF and the NTF. As of April 30th 2023, the AfDB has authorised capital of $243 billion. They have a total asset size of $50.9 billion. The Bank Group funding approvals have nearly recovered to pre-pandemic levels, with $8.2 billion in 2022.

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### Bank Group approvals, by source and financing instrument, 2022 (UA millions)

<table>
<thead>
<tr>
<th>Ordinary Resources</th>
<th>Special Resources</th>
<th>Bank Group</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AFDB</strong></td>
<td><strong>Nigeria</strong></td>
<td><strong>Private Sector Credit Enhancement Facility</strong></td>
</tr>
<tr>
<td>Total loans and grants</td>
<td>3,322.02</td>
<td>1,661.81</td>
</tr>
<tr>
<td>Other approvals</td>
<td>396.79</td>
<td>156.00</td>
</tr>
<tr>
<td>of which</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity participation</td>
<td>40.11</td>
<td>—</td>
</tr>
<tr>
<td>Guarantee</td>
<td>356.68</td>
<td>156.00</td>
</tr>
<tr>
<td>Other</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total approvals</td>
<td>3,718.81</td>
<td>1,817.81</td>
</tr>
</tbody>
</table>

*Excluding special resources

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To meet its mandate, the AfDB offers an array of financial mechanisms and instruments to both African countries (‘sovereign clients’) and private enterprise (‘non-sovereign clients’). Some of the most prominent financial instruments in the funding of energy projects and supporting infrastructures include:

- **Loans**: the AfDB provides loans to its member countries to finance projects and programmes aligned with the Group’s overarching aims. These loans typically include concessional interest rates and long repayment periods to make them more accessible and manageable for African governments, but for the most part these loans are debt-inducing financial instruments. The AfDB has, however, used Policy Based Loans (PBLs) that pursue sectoral or institutional reforms and can indirectly promote negative impacts on communities.

- **Equity Investments**: The AfDB may make equity investments in private sector projects and enterprises, thereby sharing in risks and rewards of these investments in an effort to stimulate the private sector.

- **Guarantees**: The AfDB offers guarantees to investors and lenders involved in projects in Africa to mitigate political risk, credit risk or other forms of risk. These guarantees essentially ‘de-risk’ investments from private capital.

- **Lines of Credit**: The AfDB can open and maintain lines of credit to financial institutions in Africa to support lending to small and medium-sized enterprises (SMEs), agriculture, infrastructure, and other priority sectors.

- **Intermediary Financing**: The AfDB can provide financial investments through financial intermediaries (FI), such as commercial banks, private equity funds, or non-bank financial institutions such as insurance firms or microfinance organisations.

### SUMMARY FINANCIAL STATEMENTS

<table>
<thead>
<tr>
<th>(in USD million)</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>46,968</td>
<td>48,736</td>
<td>50,912</td>
<td>50,840</td>
<td>50,866</td>
</tr>
<tr>
<td>Loans</td>
<td>26,274</td>
<td>27,409</td>
<td>30,740</td>
<td>28,135</td>
<td>27,542</td>
</tr>
<tr>
<td>Investments</td>
<td>14,574</td>
<td>14,274</td>
<td>21,958</td>
<td>13,707</td>
<td>15,588</td>
</tr>
<tr>
<td>Cash</td>
<td>2,870</td>
<td>2,949</td>
<td>3,359</td>
<td>4,623</td>
<td>3,767</td>
</tr>
<tr>
<td>Borrowings</td>
<td>33,365</td>
<td>33,365</td>
<td>36,137</td>
<td>35,151</td>
<td>32,278</td>
</tr>
<tr>
<td>Equity</td>
<td>9,994</td>
<td>10,197</td>
<td>11,221</td>
<td>12,185</td>
<td>13,152</td>
</tr>
<tr>
<td>Paid-in Capital*</td>
<td>6,090</td>
<td>6,329</td>
<td>7,318</td>
<td>7,774</td>
<td>8,267</td>
</tr>
<tr>
<td>Reserves</td>
<td>3,903</td>
<td>3,868</td>
<td>4,116</td>
<td>4,410</td>
<td>4,885</td>
</tr>
<tr>
<td>Income before distributions</td>
<td>173</td>
<td>174</td>
<td>286</td>
<td>135</td>
<td>318</td>
</tr>
<tr>
<td>Subscribed Capital</td>
<td>90,551</td>
<td>91,469</td>
<td>145,246</td>
<td>207,801</td>
<td>197,987</td>
</tr>
</tbody>
</table>

Note: Reporting currency is Special Drawing Rights (SDR) of the IMF. Data converted to USD at period-end exchange rates SDR/USD: 1.39079 (2018); 1.38283 (2019); 1.44027 (2020); 1.39958 (2021); 1.33084 (2022)

*net of Cumulative Exchange Adjustment on Subscriptions*

*Figure 4*
Each of these financial instruments can serve diverse functions with varying practical impacts on energy access and other goals of sustainable development. For example, the AfDB has highlighted the importance of “derisking” capital in order to scale up development finance, primarily through private sector financing. Derisking is an approach that broadly refers to the use of public finance to create ‘investible conditions’ for private capital. The financial mechanisms used to derisk projects can vary from loans, guarantees to the creation of PPPs. In theory, it is believed that through derisking, public funds can be deployed in a targeted manner to unlock larger amounts of private investment into sectors that were not previously seen as profitable.

However, in practice, derisking often involves public finance being used to subsidise private capital through investment vehicles or instruments such as PPPs, power purchase agreements, or green bonds. The functions of derisking vehicles and instruments is manifold and can be an effective way of leveraging public money to create public goods, such as energy access. But, in a lot of cases, it allows private capital to define the shape and speed of the energy transition while simultaneously legitimising the privatisation of strategic industries and public goods for the purpose of extracting profit.

4.2 AfDB’s approach to fossil fuels

The AfDB considers climate breakdown and its associated impacts as a major risk to Africans and Africa's sustainable development. As such, mitigating both the causes of climate change and adapting to the growing impacts are critical priorities within the AfDB’s development agenda.

“African countries, which suffer disproportionately from the impacts of climate change, are simply choking financially to cope with fiscal costs from deluges of shocks, from droughts, floods and cyclones.”

Dr. Akinwumi A. Adesina, the President of the African Development Bank Group speaking ahead of the 2023's Conference of the Parties in the United Arab Emirates (COP28).

In response to the need to address climate breakdown, the AfDB has sought to integrate climate mitigation and adaptation into the financial mechanisms and instruments it offers, as well as its frameworks and Climate Change Action Plans. The AfDB is also committed to supporting its members in the development and implementation of national climate policies, including through countries’ Nationally Determined Contributions (NDCs), long-term low greenhouse gas (GHG) emission development strategies (LT-LEDS), and National Adaptation Plans (NAPs).

In its Climate Change and Green Growth Strategic Framework 2021-2025, the AfDB has made several commitments in the areas of finance, support for regional members, and alignment with the Paris Agreement. For instance, the AfDB has committed to mobilising $25 billion in climate change finance between 2020 and 2025, while ensuring that at least 40% of its annual finance can be identified and reported as climate finance according to the bank’s own methodology. Alongside this, the AfDB has also committed to stimulate further private sector finance for adaptation and mitigation projects, targeting $5.3 billion by

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89 Ibid, pg. 23.
2025. Moreover, the AfDB claims it will align its financing flows with the objectives of the Paris Agreement, committing to full alignment on new operations with ‘Paris Alignment Building Blocks’ 1 (alignment with mitigation goals), 2 (adaptation and climate-resilient operations) and 3 (accelerated contribution to the transition through climate finance) by 2023, and then reaching full alignment with Building Blocks 4, 5 and 6 by 2025. For context, the building blocks are 1) alignment with mitigation goals, 2) adaptation and climate-resilient operations, 3) accelerated contribution to the transition through climate finance, 4) engagement and policy development support, 5) reporting, and 6) alignment of internal activities. Note that the MDB’s Paris Alignment Method only rules out the extraction and burning of coal and peat, but still allows for gas, LNG and other false solutions in a variety of circumstances. The full list can be found here.

Despite these stated aims and commitments, the AfDB’s current approach to energy policy and its use of specific financial instruments and vehicles is, at times, working against its climate ambitions by expanding fossil fuel production. According to OCI, the AfDB has provided at least $9 million of annual funding to oil and gas between 2020 and 2022 through official channels, although reporting is inconsistent and severely lacking in transparency. For instance, the exact amount provided to fossil fuel industries via financial intermediaries, associated facilities, technical assistance or policy-based lending is unknown. While the total sum may pale in comparison to the hundreds of millions of investments into fossil fuels made by the MDBs based within the G20, the function of AfDB finance is pivotal in determining the type and trajectory of energy infrastructures across Africa. For instance, the loans provided by the AfDB to fossil fuel projects effectively derisks further investments from private capital, which can, in practice, drive higher volumes of investment into fossil fuel production and lock-in infrastructures.

The AfDB also makes extensive use of financial intermediaries (FI), much like other MDBs, to facilitate the lending of funds to its various projects. While sometimes necessary, this practice can reduce transparency, and the AfDB has not taken the additional steps to prevent this. As such, AfDB does not compare favourably to some other development finance institutions (DFIs). The 2023 DFI Transparency Index, by Publish What You Fund (PWYF), notes the AfDB database for a lack of detailed sub-investment disclosures and incomplete environmental and social risk categorizations. This is important due to the AfDB’s Incomplete Fossil Fuel Exclusion Policy, whereby the AfDB can continue to lend to and invest in certain parts in the value chains of the coal sector, oil sector and gas sector - particularly within the upstream segments. The current policy does not exclude ‘indirect’ fossil fuel lending via FIs or through technical assistance.

There are indications that the AfDB’s use of FI is indirectly supporting fossil gas projects across the continent. For instance, the AfDB has provided a line of credit worth €70 million “to Support Private Sector Enterprises in West African Economic and Monetary Union (WAEMU) Member Countries” as well as made an equity investment worth $24 million in the West African Development Bank (BOAD)’s General Capital Increase.

90 Ibid, pg. 23.  
91 Ibid, pg. 23.  
92 African Development Bank (AfDB), the Asian Development Bank (ADB), the Asian Infrastructure Investment Bank (AIIB), the Council of Europe Development Bank (CEB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Inter-American Development Bank Group (IDB), the Islamic Development Bank (IsDB), the New Development Bank (NDB) and the World Bank Group (WBG), 2023, Joint MDB Methodological Principles for Assessment of Paris Agreement Alignment of New operations, p. 4 https://documents1.worldbank.org/curated/en/099146306162392732/pdf/IDU0562589c907eef047980b1b50e63bf0f19447.pdf  
93 African Development Bank (AfDB), the Asian Development Bank (ADB), the Asian Infrastructure Investment Bank (AIIB), the Council of Europe Development Bank (CEB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Inter-American Development Bank Group (IDB), the Islamic Development Bank (IsDB), the New Development Bank (NDB) and the World Bank Group (WBG), 2023, ‘List of Activities Considered Universally Aligned with the Paris Agreement’s Mitigation Goals or Not Aligned with the Mitigation Goals’ Joint MDB Methodological Principles for Assessment of Paris Agreement Alignment of New operations https://www.ndb.int/wp-content/uploads/2023/06/joint-MDB-Methodological-Principles-List-of-Activities.pdf  
96 Ibid  
97 AfDB, 2024. ‘Multinational - Project to Support the Private Sector in WAEMU Zone through the Provision of Long-Term Resources (LOCs Equity Participation) to the West African Development Bank (BOAD)’, https://projectsportal.afdb.org/dataportal/VPProject/show/P-Z1-H00-083
These funds will provide finance for the oil and gas operations of Pétrolières de Côte d’Ivoire (PETROCI) who are developing oil and gas pipelines, gas storage facilities and gas distribution networks across Côte d’Ivoire, Benin, and Togo.98 Another example of the AfDB using FIs to continue financing fossil fuels is the subordinated loan worth $15 million provided to Infrastructure Credit Guarantee Company Limited, a company that provides local currency guarantees for debt instruments issued to finance creditworthy infrastructure assets overseen by Infracredit in Nigeria.99 The objective of the loan is to “facilitate the financing of infrastructure assets, with a focus on the financing of eligible green projects in Nigeria under InfraCredit’s Green Finance Framework and Clean Energy Transition Strategy & Roadmap 2022-2040”.100 However, on the Infracredit website,101 it lists “gas pipelines, storage/logistical facilities, downstream gas processing and development” as the first eligible sector under its Green Finance Framework.

The AfDB is also continuing to fund fossil fuels through Africa50, a pan-African multilateral institution created and capitalised by the AfDB alongside 31 African governments and two African central banks. In particular, Africa50’s Infrastructure Acceleration Fund I (IAF I), which is a private equity fund managed by the Africa50 Infrastructure Investment Partners I Manager Ltd., has made investments in the construction of an LNG terminal.102 Despite the investment vehicle carrying a categorisation of ‘high risk’, the AfDB owns a $20 million equity stake in the equity fund alongside the International Finance Corporation (IFC) and private investors.

As part of this report, we draw on case studies from regional researchers to explore the experiences of the Kudorkorpe community located in Krachi East of the Oti Region of Ghana on the solar mini-grid installed by the AfDB, and the experience of the local community near the Sendou Goal Plant in Senegal, also funded by the AfDB. The following are extracts from the larger case studies, paraphrased only for context:
CASE STUDY

AfDB financing for renewable energy generation in Ghana

In Dambai, Oti Region’s capital, residents have access to electricity via the national grid. However, the Kudorkorpe community (located a 30-minute drive from the regional capital), is powered by a renewable energy mini-grid, which is supported by the AfDB alongside other MDBs. This intervention is part of the Scaling-up Renewable Energy Programme (SREP) which is a major multi-donor initiative to leverage financial resources and catalyse private investment in renewable energy solutions.

Renewable energy and smart grids are increasingly important in the global energy transition, providing long-term solutions to combat climate change and ensure energy security. Decentralisation through the proliferation of distributed energy resources, such as rooftop solar and community-owned wind farms, is reshaping the energy landscape, necessitating the use of new technologies for efficient management and resilience. The vulnerability of centralised power systems is driving investments in resilient infrastructure, including smart grids that can withstand extreme weather.

The deployment of renewable energy mini-grids can have significant implications for the livelihoods and well-being of community members. While these interventions offer opportunities for economic development, improved health, and community empowerment, they may also pose challenges related to economic disruption, technological dependency, and social inequities.

The community gladly accepted the news of the renewable mini-grid as they were going to have access to electricity and shift away from the mass use of batteries for their touch lights, which according to many was a major expense. The chief willfully offered the land for the construction of the mini-grid in 2008. The community mini-grid currently provides electricity to about fifty households. However, this case study has revealed some clear shortcomings from the process of delivering the mini-grid and its operation.

The Community’s Voices:

The unreliable nature of the mini grid powered by renewable energy affects my access to electricity, leading to financial losses and reduced sales in my fresh fish business due to power fluctuation.

Name: Akwetey Elizabeth,
Age: 42
Occupation: Trader
This case study highlights six key shortcomings of the project;

1. There was no proper consultation with the community;
2. There was an absence of women in decision-making processes;
3. The community had no knowledge on the cost of the project and where the funds are coming from;
4. The size or capacity of the mini-grid installed was based on the estimated size of the community at the time of construction. No provision or consideration was made should the population increase. For instance, after the installation of the mini-grid, many people from the adjoining Fantikorpe community under the leadership of the same chief, moved across to access the electricity. This led to power outages.
5. The community are losing interest in the mini-grid and prefer being connected to the national grid due to the unreliability of electricity supply;
6. There are frequent power fluctuations and/or outages during the rainy season.

This case study emphasises how it is essential to adopt inclusive and participatory approaches that consider the diverse needs, priorities, and aspirations of community members to maximise the positive impacts and minimise potential harms associated with renewable energy mini-grid projects. All AfDB projects must include these principles into their approaches to ensure the energy transition in Africa is not only successful, but also just.

Source: Strategic Youth Network for Development (SYND) and Recourse
CASE STUDY

AfDB funding fossil gas in Senegal: Sendou Goal Plant

Since 1960, the AfDB has financed ten energy projects in Senegal. These funds mainly focused on rural and urban electrification projects through fossil fuels and renewable energy generation to strengthen the production capacity of the National Electricity Company of Senegal (SENELEC). The full list of projects can be found [here](#).

In recent years, the AfDB has supported five infrastructure projects for the country, with a combined total investment of €1.2 billion. The AfDB has committed €193 million and helped mobilise an additional €326 million from other financial institutions. In addition, it supports the financing of SMEs through financial intermediaries (FIs).

However, the Senegalese state has initiated the strategy of ‘Gas to Power’ which is focused on the development of electricity production from fossil gas. The production capacity convertible to gas is estimated to be between 400 MW and 530 MW with an estimated investment need of 40.9 billion FCFA (West African CFA Francs). The Sendou Coal Plant is one project where efforts are underway to convert the plant to burning gas - and the AfDB is the largest backer of the project.

It is in this context that the project of construction of the coal plant of Sendou, near Bargny, was initiated to support the policy of development of the energy sector to improve the supply of electricity in terms of reliability and cost, using coal as a substitute for oil to enable the country to reduce its energy bill.

For the power plant, SENELEC has signed a “Build, Own and Operate (BOO)” contract with the Nykomb Synergetics Development AB (NSD) group, based in Sweden, acting on behalf of the Electricity Company of Senegal S.A. (CES) for the construction of the Sendou coal plant. The Sendou I project is co-financed by the African Development Bank (AfDB), the West African Development Bank (BOAD), the Dutch Development Finance Corporation (FMO) and the West African Banking Company (CBAO). The AfDB mobilized nearly €55 million (36 billion FCFA).
However, this coal plant will switch to gas following a decision by the government authorities and the project’s financial partners. Furthermore, the power plant is classified as a Category A project according to the donors, that is to say a Project with significant, heterogeneous, irreversible or unprecedented potential negative social or environmental impacts (WSP Parsons Brinckerhoff, 2016).

Exchangement with communities in Minam

Today this project has been the subject of widespread concerns amongst the local population. Their concerns are both environmental, concerning the management of natural resources (soil water, landscapes), and social, namely health and safety.

The environmental problem is underpinned by pollution, contamination and depletion of groundwater, and disruption of other economic activities in the area. Furthermore, the project has disproportionately impacted women. Specifically, dust from the plan has disrupted a nearby women-led fish processing organisation, which has been in operation for decades.

According to the head of the Departmental Fisheries Service, the spilled chemical derivatives can decimate local biodiversity. In addition, noise pollution and vibration related to plant activity can induce stress in many of the species not yet eradicated.

This case study raises the question of why the AfDB, who mobilised nearly €55 million for this plant alone, continue to focus on fossil fuel energy infrastructure, despite the clear risks to local communities and the global climate. It is strongly recommended that banks do not commit to financing these new gas projects in Senegal that generate negative impacts for communities. The investments made by banks to support Senegal’s energy transition must be fair and equitable, and oriented towards the promotion of clean renewable energies.

Source: Action Solidaire Internationale, Senegal
5.0 DELIVERING A FOSSIL-FREE FUTURE FOR AFRICA

This briefing has made the case for a renewed and reformed role for the AfDB at this crucial juncture for African development that ends its current pursuit of fossil fuelled development. Using public funds to lock in fossil fuel infrastructures will only exacerbate the ecological and developmental challenges Africans currently face, and may ultimately worsen the mounting debt African governments are currently shouldering. Alongside this, further fossil fuel production will intensify the climate impacts that are already devastating communities across the continent. To secure a future where Africans and Africa thrive within planetary boundaries, the AfDB must cut ties with the fossil fuelled fallacy of development.

In order to stimulate a just transition to renewable energy across Africa and foster a new strategic vision that prioritises industrialisation for Africans, Power Shift Africa and African Civil Society are calling on the AfDB to:

- Implement a full and thorough Fossil Fuel Finance Exclusion Policy that does not enable continued investment in certain segments of the fossil fuel industry’s value chain and that covers all financing mechanisms and vehicles, including financial intermediaries and technical assistance.

- Full alignment with the Paris Agreement that begins with the implementation of the MDB Paris Alignment Framework of 2018. Despite claiming to be aligned, the AfDB is yet to implement this framework. Although the current Paris Alignment methodologies are very weak and contain loopholes and flaws, there is huge scope for greater ambition and could provide a shared platform for all MDBs to accelerate the phase-out of fossil fuels.

- Show where the AfDB money goes: No public funds or technical assistance should be used to fund fossil fuels in Africa. The AfDB must introduce a mandate for full public disclosure of all transactions and foster greater transparency across all its operations and portfolio.

- Deeper and more inclusive civil society consultation must be included in the development of the review of the AfDB 10-Year Business Strategy as well as the bank’s other climate and energy frameworks. The AfDB must recognise civil society as a pivotal stakeholder in the operationalisation of its objectives, including energy access, climate mitigation and adaptation.

- Fund solutions, not the problems: It is essential that the AfDB shifts finance from fossil fuels and invests in sustainable renewable energy generation and a just transition that centres economic and development benefits for communities and ensures energy access in line with Sustainable Development Goal 7 (SDG7). The AfDB must work with regional partners to reform fossil fuel subsidies and redirect support to marginalised communities, which could be done through Policy-Based Loans (PBLs) with a Fossil Fuel Finance Exclusion.

- Thread the principles of democracy, accountability, and the upholding of rights across all projects and governance structures: Develop and fund safeguards and democratic governance reforms to ensure transparency and accountability across AfDB’s investments and portfolio, as well as throughout its internal governance. Integrate gender, climate and local impact assessments across all energy and infrastructure investments to prevent exacerbating the many issues faced by communities affected by fossil fuel production.

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▪ **Prioritise people, not profits:** The AfDB must move away from derisking investments (and profits) for private finance and towards stewarding finance into strategically important sectors for Africa’s development and industrialisation. The AfDB could pioneer new forms of ownership where communities benefit from renewable generation, rather than asset managers and private equity firms based in the Global North.

▪ **Use its convening power to bring together African governments and civil society to create a strategic vision for Africa:** The AfDB has vast potential in convening African governments and civil society to co-create a long-term strategic vision for the continent that prioritises industrialisation and energy sovereignty based on the rapid deployment of wind, solar, and geothermal generation technologies.
ENDORSEMENTS

1. AbibiNsroma Foundation
2. Accountability Project Gambia
3. Activista Nigeria
4. African Climate Reality Project
5. African Coalition on Green Growth (ACGG)
6. African Women’s Development and Communication Network - FEMNET
7. Afrolinks International Frontiers Ltd
8. Agency for Community Development and Environmental Conservation Association
9. Alpha and Omega Reconciliation and Peace Building (AREPEB)
10. APAD-SAHEL
11. Arab Center for Cyberspace Research -ACCR
13. Association of Young People for Environmental Protection in Guinea-Bissau
14. Association zumuci (solidarité)
15. ATTAC CADTM Burkina
16. AURAB COSMETICS
17. Bank Climate Advocates
18. Bargny Coast Waterkeeper
20. Barwaqa relief organization
21. Big Shift Global
22. BISO PEUPLE
23. Black Girls Rising
24. Cabinet Bénin Service et Développement
25. Center for Conservation and Ecoenergy Initiative (CCEI)
26. Centre for Citizens Conserving Environment & Management (CECIC)
27. Centre for Human Rights and Civic Education (CHRCE)
28. Centre for Learning and Development
29. CEPRODE
30. Chadal International Charity Foundation
31. Christian Aid
32. Climate Action Network Zimbabwe
33. Community Development Initiative Inc.
34. Community Transformation Foundation Network (COTFONE)
35. Consortium of Indigenous Peoples and Local Community Organizations Inc.
36. Construisons Ensemble le Monde
37. Deduce
38. DION (NGO Network of Small Island Developing States)
39. Dunia Salama Foundation
40. Emmaus International
41. Emonyo Yefwe International
42. Forum des Engagés pour le Développement Durable (FORED)
43. Foundation for Environmental Management and Campaign Against Poverty - FEMAPO
44. Foundation For Environmental Rights, Advocacy & Development (FENRADI - NIGERIA)
45. Gatharaini Water Resource Users Association
46. Gbolekekro Women Empowerment and Development Organization (GWEDO)
47. Good Health Community Programmes
48. Green leaf Advocacy and Empowerment Center
49. Hope for Street Children and Vulnerable People Foundation
50. Human Rights Education for Schools (HURIES)
51. Human Rights Reporters Ghana
52. Indus Consortium
53. Initiative pour le Développement Communautaire (IDC)
54. Jamaa Resource Initiatives
55. JIFAFRIK
56. JPIC, Franciscans Africa
57. Kebetkache Women Development & Resource Centre
58. Kenya Quarry and Mine Workers Union
59. Koibatek Ogiek Women and Youth Network (KOWYN)
60. Lamu Rural Women for Social Justice Initiative
61. Laudato Si’ Movement
62. Light Bearers Youth Initiative Trust
63. M.A.Africa Cameroon
64. MDC HOLDINGS
65. Mt. Kenya Network Forum
66. NATURELCD
67. Network Movement for Youth and Children’s Welfare (NMYCW)
68. NGO: ADET
69. Ogwedhi Maasai sjc
70. Oil Change International
71. One More Percent
72. Organization for Women Empowerment (OWE)
73. Pastoralists Alliance for Resilience and Adaptation Across Nations (PARAAN)
74. Peace Point Development Foundation - PPDF
75. Peoples Federation for National Peace and Development (PEFENAP)
76. Population and Development Initiative
77. Quest For Growth and Development Foundation
78. RECODEF Sénégal AACJ
79. Réseau CADTM Afrique (Comité pour l’abolition des dettes illégitimes)
80. Réseau des jeunes pour le développement communautaire
81. Resilient40
82. Sinatsisa Lubombo Women and Girls Empowerment organization
83. Society for Women and Youths Affairs (SWAYA)
84. Southern Africa Region Climate Action Network
85. Surge Africa Organisation
86. SYNA Organization
87. Thondor Foundation
88. Tijjaniya Senior High School
89. Tude & Fuwa International Ventures
90. Union for Poverty Alleviation Management Organization (UPAMO)
91. Wote Youth Development Projects CBO
92. Youth Advocacy for Good Governance
93. Youth Alliance for Sustainable Development
94. Youth Concern on Environment and Development
95. Youth Ambassadors for Democracy
96. Youths and Environmental Advocacy Centre (YEAC-Nigeria)
97. Zimbabwe Climate Change Coalition (ZCCC)