



PRESS RELEASE

Madagascar Signs the RLSF Memorandum of Understanding – a Renewable Energy Facility aimed at supporting the government’s renewable energy objectives

- The Government of Madagascar is aiming to double the country’s electricity production by the year 2030 and to increase the electrification rate from the current 15% to 50%. The additional power should come mainly from renewable energy sources
- The RLSF will play a vital role by bringing the public and private sectors together to boost the success rate of more renewable energy projects in Madagascar
- The RLSF will not only protect Independent Power Producers (IPPs) in Madagascar against the risk of delayed payments by the public off-taker, the National Water and Electricity Company of Madagascar - JIRAMA, but will also increase the success rate of renewable energy projects as it will help reduce the cost of project financing

ANTANANARIVO, 15 April 2019 – At a signing ceremony held today, the Government of Madagascar and the African Trade Insurance Agency (ATI) signed an agreement that allows Independent Power Producers (IPPs) in the country to now access the Regional Liquidity Support Facility (RLSF). With the help of the Facility, the Government of Madagascar is hoping to develop its renewable energy sector.

RLSF is a joint initiative of ATI, and KfW with funding from the German Federal Ministry for Economic Cooperation and Development (BMZ) with initial capacity of USD 63.2 million. Under the program, RLSF provides insurance protection to new small and mid-sized renewable energy projects (up to 50 MW and possibly 100 MW under exceptional circumstances) in Sub-Saharan Africa. RLSF focuses on small and mid-sized projects because they are widely seen as a more efficient way to rapidly increase energy access across Africa due to their ease of implementation and cost effectiveness.

RLSF will protect the IPPs in Madagascar against the risk of delayed payments by the public off-taker, the National Water and Electricity Company of Madagascar - JIRAMA. This type of guarantee is a common requirement from lenders that fund projects. Many renewable energy projects have failed to access funding and in turn reach financial close because this type of guarantee was not available. RLSF hopes to change this by providing the required guarantee in cooperation with the Letter of Credit issuing bank, ABSA Bank Ltd for an amount equivalent of 3 to 6 months’ worth of the IPP’s revenue generated from the power plant. This arrangement removes the financial burden from national utilities, such as JIRAMA, that are often asked to provide such liquidity protection.

Madagascar becomes the 6th country to sign onto RLSF joining Benin, Burundi, Malawi, Uganda and Zambia. RLSF was launched in 2017 as part of a global push, led by the UN’s Sustainable Energy for All initiative, to create viable green energy solutions in order to reduce harmful carbon emissions.

QUOTE from Hon. Vonjy Andriamanga, Minister of Water, Energy and Petroleum, Madagascar

“Specifically, the government plans to increase access rates and to fully exploit its renewable energy potential by targeting hydro, solar, wind and biomass resources. For instance, the northern and southern regions of the country have a potential renewable energy capacity of about 7,800 MW for electricity production of which only 2% of it is currently utilized. RLSF is an important tool in supporting the development of energy projects that will help the government achieve its strategic objectives in line with the Energy Performance Contract. Under this Contract, the government aims to increase the national electrification rate to 50% by 2030 largely thanks to renewable energy sources.”

QUOTE from His Excellency, Herald Gehrig, German Ambassador to Madagascar

“In line with the development cooperation program “Sustainable Power Supply”, GIZ and KfW are working together to reduce such challenges. The Technical Cooperation focuses on the improvement of framework conditions for investments in renewable energy so as to attract investors while the Financial Cooperation compliments the private sector capital with grant funding. This hedging of investment risks through RLSF, thanks to our partnership with ATI, offers a valuable solution for Malagasy IPPs. Further, through the PERER Project (Promotion of Rural Electrification through Renewable Energy), GIZ will support the Ministry of Finance with a financing contract of 3.9 million Euros to supplement the funds raised. This is an additional solution to help mitigate risks of renewable energy projects.”

QUOTE from Toavina Ramamonjarisoa, Chief Financial Officer, ATI

“We are hopeful of opening up great opportunities for the private sector by offering such instruments to circumvent financing hurdles and thus mobilize capital in the renewable energy sector. This partnership with the Government of Madagascar through the RLSF perfectly illustrates our mandate – to help our member countries create an enabling environment for investors by supporting their strategic development objectives. In this specific case, these government objectives include among other things, the increase of the national electrification rate, the energy transition towards renewable energy sources and the strengthening of the public-private partnership. We also hope that this important step is only the beginning of cooperation between Madagascar and ATI that we wish to extend to other strategic sectors of the country.”

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Note to editors:

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 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.

<https://www.kfw-entwicklungsbank.de>

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.

www.ati-aca.org
