



Third meeting of the Board of Directors Minutes of the meeting held on 2 July 2017, Addis Ababa, Ethiopia

Present:

The third meeting of the Board of Directors was held in Addis Ababa, Ethiopia on 2th July 2017. It was chaired by H.E. Prof. Alpha Condé, President of Guinea representing the West African Region, with the participation of Foreign Minister Amina Mohammed, representing President Uhuru Kenyatta of Kenya and the East African Region; Ambassador Shérif Mahamat, representing President Idriss Déby Itno of Chad and the Central Africa Region; Minister of Environment Khalil Fahmy, representing President Abdel Fattah el-Sisi of Egypt and the North African Region; the Ambassador to Ethiopia, representing President Hage Geingob of Namibia and the Southern African Region; Amani Abou-Zeid, Commissioner for Energy and Infrastructure, African Union Commission, representing the Chair Person of African Union Commission; and Mr. Akinwumi Adesina, President of the African Development Bank. Non-African partners were represented by Ambassador Brigitte Collet, representing the Minister of Environment, France, and by Karine Genty, representing the Commissioner for International Development, European Union.

1. Opening of the meeting

The Chair opened the third meeting of the Board of Directors of the Africa Renewable Energy Initiative (AREI) by welcoming all participants to Addis Ababa.

2. Report from meeting of the Committee of Technical Experts on AREI governance matters, 30 June-1 July, 2017

At the second meeting of the Board of Directors, held in Conakry on 4 March 2017, it was decided that a technical experts meeting would be convened with each board member represented by two technical experts to prepare the AREI governance documents ahead of the third meeting of the Board. This meeting was held in Addis Ababa, Ethiopia on the 30 June – 1 July, 2017, immediately before the third Board meeting.

Mr Rashid Abdullah reported from the technical expert meeting and explained that the meeting had been conducted in informal mode with the aim of exchanging views and enabling each party to become more familiar with the concerns of other parties, and that another meeting of the technical experts would be needed ahead of next meeting of the Board of Directors to finalize the governance documents for adoption by the Board.

The Chair expressed his concern on progress by the technical meeting as the Board were expecting to take decisions on governance at the present meeting. It was necessary to ensure all governance documents be approved at the fourth meeting of the Board of Directors, to be held in the week of the UN General Assembly opening in New York 18-22 September, 2017.

The Board agreed that an additional meeting of the group of technical experts would be held in Conakry, Guinea prior to the next Board meeting.

3. Appointment of Acting Head of the Independent Delivery Unit

The Chair noted that a new, Acting Head of the AREI Independent Delivery Unit (IDU) needed to be appointed as a matter of urgency.

The representative of AUC proposed that Mr Rashid Abdallah, Head of the Energy Division at AUC, be appointed as acting head of the Independent Delivery Unit. The representative of Egypt raised concerns with the appointment of an acting head of what was to be an independent IDU from one of the Board member institutions. He recalled a prior communication from the Chair suggesting Ambassador Seyni Nafo as Acting Head. The Chair explained that he had put forward Ambassador Nafo as a suitable candidate given his work on the initiative since its origins. Since no responses had been received he was open to any suitable candidate the Board may suggest. The Representative of Kenya, offered Kenya's support to the nomination of Ambassador Nafo. The representative of Egypt also clarified that President el-Sisi of Egypt had indeed expressed full confidence in President Condé's proposal, with the representatives of Chad and Namibia also supporting the nomination of Ambassador Nafo.

It was decided that Ambassador Nafo be appointed Acting Head of the AREI Independent Delivery Unit with the immediate tasks of preparing a 12-month work plan and budget, and an organizational structure for the IDU.

4. Report by the Trustee on AREI Financial status

The African Development Bank, in its capacity as Trustee of the AREI, was asked to present a report on the financial status of AREI.

The President of AfDB gave a brief report of the Bank's work on renewable energy and its impact. He reported that the Bank had been pre-financing AREI activities even though there was currently € 7 million in the AREI accounts for the IDU (€ 1 million from Germany and € 6 million from France). A more detailed report would be forthcoming.

The President of AfDB also shared a number of perspectives and concerns in relation to AREI. He stated that the Bank had fulfilled all its obligations stemming from the African Union Assembly Decision Assembly/AU/Dec.609 (xxvii). Yet he was concerned with the initiative being troubled by constant revisions and disagreements on the Governing Instrument. The Bank had agreed to host the IDU on certain conditions to which it could make no exceptions. Some proposals being made by Board members were not acceptable to the Bank, and there was an increasing reputational risk associated with the Initiative.

He said the AU Decision 609 had given the AUC, the AfDB and President Condé as co-leaders the mandate to operationalize AREI. The Bank had taken the version of the Governing Instrument they had produced in a drafting process involving the three co-leaders to their Board of Governors as the basis for the approval of hosting and serving as the Trustee of the IDU. The Bank was therefore not in position to go back to its Board with a revised governing instrument. He suggested that the AREI go forward with the earlier version.

The Chair responded that it was the responsibility of the representative of the Bank to go to his Board of Governors with the correct documents. It had been made clear that AREI, its Board and IDU would be independent even though the Bank would host the initiative. There should be no constraints imposed on the AREI board to develop of its own governance framework. He reminded the Bank that some member states did not even want the Bank to host the initiative.

5. Update on status and implications of projects and financial pledges

The Chair asked for clarification on the status of the 19 projects that had been approved on an exceptional basis in the previous meeting, and on general progress towards the USD 10 billion commitment by international partners.

A representative of the AfDB clarified that in actual fact, four of the 19 projects had been submitted by the AfDB, and that all the 19 projects involved several financiers and not the EU alone.

A representative of the EC reported that the projects were being handled in the EU blending facility with an aim to have all soon come to financial closure through financial engineering. A more detailed report would be provided at the next Board meeting.

The representative of AfDB requested that EU declare how much they were actually contributing to the projects, considering the development banks were generally lead financiers of the projects, providing the bulk of financing through loans.

The representative of EC clarified that the grant contribution of the EC for the 19 projects was € 300 million, which he claimed would leverage further investments of in total € 4,7 billion.

The representative of the AfDB clarified that the € 4,7 billion was the combined contributions by many financiers of which € 4,3 billion were in fact loans. Furthermore, he said that only grants could be counted as actual contributions towards the USD 10 billion – donors could not take credit for loans and money mobilized by financial markets.

The President of AfDB added that there must be clarity on what is counted. If one were to count as AREI all that's being funded for renewables there would be nothing special about the Initiative. AREI should be about added efforts.

The Chair said this information was not what he had initially assumed. His understanding was that the EU would contribute close to € 5 billion. There would now need to be clarification from each contributor on what were grants and what were different kinds of loans.

The representative of France agreed there was need for clarity on grants, loans and how funds would be additional. She said France had first promised € 2 billion by 2020 and then committed to raise this to € 3 billion, but said these might include concessional loans. It would be important to establish rules to ensure clarity.

The Chair reiterated the need for clarification and precise understanding of how much had actually been committed as grants, and how much were loans.

The representative of Namibia suggested donors be invited to provide precise information about their pledges.

The representative of Chad also stressed the importance of knowing who is providing what and proposed that the Acting Head of the IDU contact each contributor for clarity on pledges and prepare a technical report for the consideration of the Board at the next Board meeting. All confusion and ambiguity must be avoided.

The representative of AfDB added that initially USD 10 billion had been committed in the context of climate change at the Paris Summit in December 2015. Yet contributors were now counting some commitments made prior to the Summit as part of the USD 10 billion pledged, and commitments in

the framework of classical ODA he said. It was important for Board members to understand this and what to expect from the promises made in Paris.

The Chair summarised the agenda item by concluding that the Acting Head of the IDU should engage with each contributor so there be clarity on what are grants, loans and guarantees, and on how to fill the gap to the USD 10 billion commitment.

6. AREI governance and Board representation.

On the issue of Board representation and voting rights, the Chair said that the EU had informed him they would not be able to participate in the Board as full voting members, but could only take part as observers. He added that there would be a need for international partners from developing countries to be accorded observer status.

The representative of EC confirmed their position, and explained that it would not be appropriate or legally possible for their representative to formally vote and decide on e.g. project attribution and funding. The representative of France clarified that EC and France had been selected by the ten partners behind the USD 10 billion pledge to represent them in the Board meetings and that they would do so as observers.

The Chair furthermore made clear that only member states representing the five African regions should have voting rights in the Board. Ex officio members such as AUC and AfDB should not have the right to vote.

The President of AfDB objected to this, and said the bank as 'co-leader' and in order to fulfil its fiduciary role needed to have voting rights.

The Chair said their role as co-leaders had been to get the initiative off the ground. Their role was now of a technical nature. Only member states should have the right to vote.

A representative of the AfDB said the AfDB would have serious problems if they would not have voting rights. President Adesina reminded the Board that they had already gone to their Board using an earlier version of the governing instrument to convince it to approve the trusteeship and hosting of the AREI. He furthermore argued that it was essential that they have voting rights to enable them to exercise their fiduciary responsibilities.

The Chair concluded that Heads of State would formally need to resolve this and other pending governance issues at the next Board meeting.

The representative of Egypt associated Egypt with all that President Condé had said in terms of governance, AREI independence and on voting rights.

7. Closing of the meeting

The Chair thanked all the Members of the Board of Directors for their participation and declared the meeting closed.