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PRO ALLY

Risk Insight for Oil &Gas Service Companies

THE EXPOSED BUSINESS

Is your Project DFI Ready?

Africa is not short of green capital.
It is short of projects structured to receive it.
This week we explain what DFIs actually require.

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Africa Does Not Have a Shortage of Green Capital..

Development finance institutions across Africa are concentrating capital on energy transition and renewable energy assets simultaneously, with clean energy now the dominant pull factor for concessional and blended finance moving into this year. Nearly 46 percent of the Africa DFI portfolio is currently directed toward climate action and environmental sustainability, spanning renewable energy, water infrastructure, transport, and health. That is not a marginal allocation. It is close to half of all DFI capital deployed on the continent.

Yet DFI investment in African energy is increasingly driven by market selectivity, where capital flows to projects that meet both a development mandate and commercial bankability criteria at once. The binding constraint is not a shortage of investment appetite. It is a shortage of projects architected to meet international standards for technical completeness and financial rigor. Structuring failures, not capital scarcity, are what keep African energy deals from closing.

What DFIs Actually Require Before They Will Fund a Renewable Project

Most development finance institutions apply one of two closely related environmental and social risk frameworks. The International Finance Corporation's Performance Standards are the reference point most widely used across private project finance globally. The African Development Bank applies its own Integrated Safeguards System across the facilities it backs directly. Thirty-five development finance institutions have also adopted a shared Corporate Governance Development Framework built on the IFC's Corporate Governance Methodology, meaning governance expectations are converging across the DFI landscape even where individual mandates differ. In practice, a sponsor's project is assessed against these frameworks, and any gap identified, whether in community consultation, biodiversity management,labour standards, or grievance mechanisms,must be

closed through a documented Environmental and Social (E&S) Action Plan before financial close. The Facility for Energy Inclusion, active across African clean energy markets, is explicit that projects must demonstrate compliance with the AfDB Integrated Safeguards System and IFC Performance Standards, with any gaps addressed through exactly this kind of E&S Action Plan, as the mechanism that helps a project become genuinely bankable.

The Regional Layer Nigerian Sponsors Should Not Overlook

Alongside the global DFIs, regional institutions are building their own ESG financing frameworks that apply directly to Nigerian sponsors. The ECOWAS Bank for Investment and Development (EBID) adopted an ESG financing framework in early 2023 that defines the criteria it applies when evaluating and structuring projects across the fifteen ECOWAS member states, a bloc of roughly 450 million people that includes Nigeria. For an integrated energy company with a renewable vertical operating regionally, EBID represents a financing channel with its own distinct ESG evaluation criteria, separate from but complementary to the IFC and AfDB frameworks.

Three Commercial Consequences for African Renewable Developers

First, the gap between wanting financing and being financeable is almost always an ESG structuring gap, not a technical or commercial one.

Sponsors who assume their project will qualify because the underlying technology and offtake economics are sound are frequently surprised to learn that the environmental and social documentation is what is actually holding up the term sheet.

Second: an Environmental and Social Action Plan built after a DFI raises concerns is always more expensive than one built before applying.

Sponsors who commission an ESG gap assessment against IFC Performance Standards or AfDB safeguards before approaching a DFI can close gaps on their own timeline, rather than under the pressure of a stalled term sheet.

Third: governance convergence across DFIs means one well built framework travels further than sponsors expect.

With thirty five DFIs now sharing a common corporate governance methodology, a renewable energy sponsor that builds its governance framework properly for one DFI relationship is largely, though not entirely, prepared for others.

THREE KEY RECOMMENDATIONS

- Commission an ESG gap assessment against IFC Performance Standards and the AfDB Integrated Safeguards System before approaching any development finance institution, not after a term sheet stalls.
- Build your Environmental and Social Action Plan as a living project document with named owners, not a one time submission, so it can evolve as due diligence progresses.
- Map regional financing channels alongside global DFIs, including institutions such as EBID, whose ESG financing framework applies directly to projects across Nigeria and the wider ECOWAS region.

RISK RADAR: THREE THINGS TO KNOW THIS WEEK

- Nearly half of all Africa DFI capital is already targeting climate and environmental sustainability projects, meaning the capital pool for renewable energy is large, but selectivity within that pool is rising, not falling.
- Structuring failures, not capital scarcity, are the proximate constraint on African renewable energy deals closing, according to recent analysis of DFI financing strategies across the continent.
- Governance standards are converging across DFIs. Thirty five institutions now share a common corporate governance methodology, raising the baseline expectation for every sponsor seeking DFI capital, regardless of which institution they approach first.

TTHE STANDARD: ONE ACTION THIS WEEK

Run Your Renewable Project Against the IFC Performance Standards Checklist.

Before your next investor conversation, map your renewable vertical against the core areas DFIs assess: community consultation, labour standards, biodiversity management, and grievance mechanisms. Wherever you cannot point to documented evidence, that gap, not your technology or your offtake agreement, is what a DFI's own risk team will flag first.

“Development finance institutions are not waiting for better projects to appear. They are actively looking for them, with capital already allocated and waiting. The sponsors who close that gap first will be the ones who get funded first.”

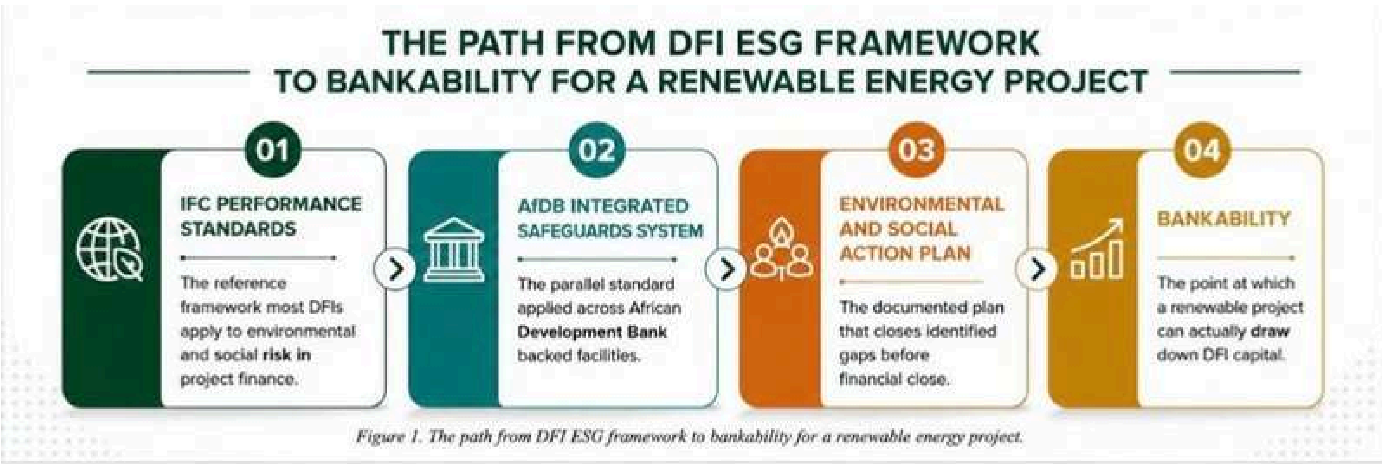

Figure 1. The path from DFI ESG framework to bankability for a renewable energy project.

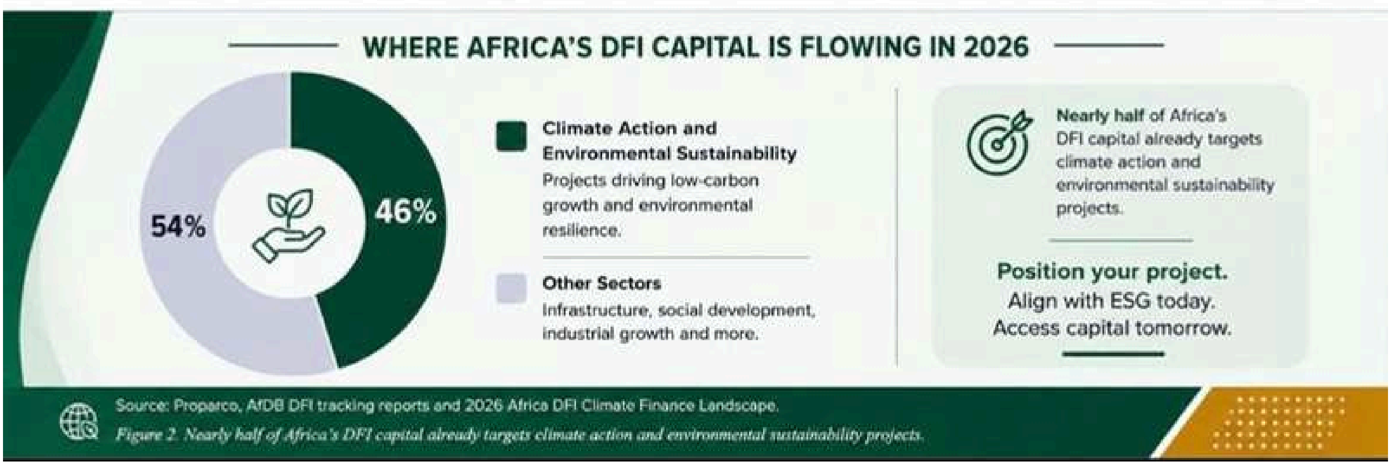

Figure 2. Nearly half of Africa's DFI capital already targets climate action and environmental sustainability projects.

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