Early Warning System

AFDB-P-TD-FA0-007

Chad - Djermaya PV Project – Partial Risk Guarantee

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Quick Facts

Countries	Chad
Financial Institutions	African Development Bank (AFDB)
Status	Approved
Bank Risk Rating	U
Voting Date	2019-09-26
Borrower	Société Nationale d#Electricité (SNE)
Sectors	Energy

Project Description

The proposed operation concerns an African Development Fund (ADF) Partial Risk Guarantee (PRG) of approximately [UA 8.065.231,59 (EUR 10,000,000 equivalent)] to the Republic of Chad in line of the Djermaya Solar PV Independent Power Producer (IPP) project implementation. The Djermaya 28 MWe Solar PV Independent Power Producer project involves the purchase by the Societe Nationale de l'Electricite (SNE) of the power generated by a solar PV power plant in Djermaya, under a 25-year Power Purchase Agreement (PPA), 30km north of N'Djamena. This PV power plant is designed, constructed, operated and transfered on a build-own-operate-transfer basis (BOOT) by the independent power producer Djermaya CDEN Energy (DCE). The electricity will be sold to the grid at an initial tariff of XAF 79 per Kwh. The Partial Risk Guarantee (PRG) offered by the African Development Fund (ADF) which this document describes will mitigate for the IPP and for the providers of debt financing to the IPP the risk of non-payment of electricity bills by SNE's under the PPA. Specifically, the PRG will provide credit enhancement to SNE on their payment obligations. The provision of an ADF PRG will facilitate the SNE to procure from a commercial bank that is acceptable to project parties a standby letter of credit at sustainable conditions. The letter of credit will provide liquidity in support of SNE's electricity bill payment obligations under the PPA and will enable financial closure of the project, by reducing project risk and improving the bankability of the overall financing structure of the investment. The proposal concerns bills for power generated, as well as issued bills during the testing period and bills issued in the case of no intervention from the date of electricity delivery to the target date due to a failure of the Government or of the SNE or in case of political force majeure.

The main objective of the Project is to diversify the energy mix, provide clean, reliable, low-cost power and to strengthen Chad's national grid by increasing national installed renewable power by approximately 15%.

The Independent Power Producer (IPP) will increase the supply of electricity to households benefitting 60,000 households, which will largely benefit women and children; enterprises and industries, which will create employment opportunities for youth and women; social services such as schools and hospitals; as well as government facilities in Chad, which will enhance service delivery. The project will add 28 MWe to the installed capacity in Chad, which is equivalent to 15% of installed capacity. Access to affordable and reliable renewable energy will contribute to overall economic growth in Chad through among other things increased firm productivity and creation of small and medium sized businesses and as such contribute to poverty reduction and tax revenue generation. PRG will also allow SNE, an institution of relatively recent origin, to build a solid track record in the sector which will benefit future Independent Power Producers in the future.

Investment Description

- African Development Bank (AFDB)

Contact Information

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ACCOUNTABILITY MECHANISM OF AfDB

The Independent Review Mechanism (IRM), which is administered by the Compliance Review and Mediation Unit (CRMU), is the independent complaint mechanism and fact-finding body for people who have been or are likely to be adversely affected by an African Development Bank (AfDB)-financed project. If you submit a complaint to the IRM, it may assist you by either seeking to address your problems by facilitating a dispute resolution dialogue between you and those implementing the project and/or investigating whether the AfDB complied with its policies to prevent environmental and social harms. You can submit a complaint electronically by emailing crmuinfo@afdb.org, b.kargougou@afdb.org, b.fall@afdb.org, and/or s.toure@afdb.org. You can learn more about the IRM and how to file a complaint at https://www.afdb.org/en/independent-review-mechanism/.

Bank Documents

- TCHAD - PROJET DE CENTRALE SOLAIRE PHOTOVOLTAIQUE DE DJERMAYA ETUDE D'IMPACT ENVIRONNEMENTAL ET SOCI [Original Source]
- TCHAD - PROJET DE CENTRALE SOLAIRE PHOTOVOLTAIQUE DE DJERMAYA NOTICE D'IMPACT ENVIRONNEMENTAL ET SOC [Original Source]