Keynote Address

Whose Money, Whose Terms? Financing Africa's Energy Transition

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To the founding fellows of Energy Transition Africa – Congratulations – what an incredible journey and I sincerely wish each of you well as you build on your experiences. My deep admiration and congratulations to Vincent Egoro and his team for their vision in conceptualizing and implementing this Colloquium. Penny Herbst and I from Rabia Transitions are honored to have contributed. We remain committed to the future with you.

Moving from transition to transformation requires money. Money determines the justice, dignity and prosperity of Africa's energy evolution. And here lies the contradiction: *Money gives hope. But money also can be weaponized – deliver unjust, and undignified outcomes – making progress difficult.*

A few weeks ago, I sat with fellow African colleagues at the foothills of the Union Buildings in Pretoria – the seat of South African government. Along the corridors of those buildings is a room where, in 2022, the JET Partnership was teased out between the South African government and the International Partner Group. Two issues arose during that period of negotiating the JETP as a sovereign that still haunts me. The first is the underlying assumption by funders that a cheque is sufficient to demonstrate support. The second is how our right as a sovereign to question the terms and conditions under which finance is provided to us was not upheld.

The Institutional Insurgency

We are gathered here as policy and implementation minds, yet we spend much of our time participating in a curated global finance negotiating setting. We go to air-conditioned summits, we look at pristine slides, and we are told a comfortable lie: that Africa's energy transition is a technical puzzle. Is this true? From whose perspective is it true?

We have all worked on national plans (JETP, Mitigation, Adaptation, Transition et al) believing the narrative for many years that if we simply draft increasingly granular, hyper-detailed national plans, international capital will naturally and benevolently flow as per our articulation, matched like for like to our African needs. The narrative does not hold out in practice. It certainly has not been my experience.

The narrative is not failing because our policies are weak. The narrative is failing because the global financial architecture is working exactly as it was designed to work—to extract value, concentrate wealth, and outsource risk. Africa requires at least $217 billion every single year to fund renewable generation, distribution infrastructure, and universal energy access. Yet, less than a quarter—just 21% of that necessary capital—touches our soil. We hold 20% of the world's population, but we receive a staggering, insultingly low 3% of global energy investment. We have a wealth of strategic minerals needed for global clean energy transition, and an awesome youth endowment with a 20-year average age.

Africa comprises 55 sovereign nations, each with a distinct relationship to fossil fuels. Can we envision African countries defining how to manage their relationship and dependence on fossil fuels, balanced by the value of their resource endowments- in ways that are just, equitable, and protective of economic and social prosperity? Any investment proposition involving an African nation's energy transition and transformation should also reflect the trade-offs such nation must make - and the alternatives available to ensure African nations prosper with dignity.

While we are told repeatedly that there is a lack of bankable African projects. Our counter narrative could be, there is a surplus of predatory global financing terms and conditions that African governments and borrowers face.

The Structural Penalty

While we are structurally starved of finance flows to support the transition, transformation or trade-offs - our national budgets are being actively dismantled by physical risks. Droughts in the Horn of Africa, cyclones destroying grids in Mozambique, and floods in West Africa are tearing apart infrastructure that we funded through heavily conditioned debt. The imminent Super El Nino is likely to cost the continent a $10-$20bn in economic and social damage – likely over a period of 18 months, with some lag effect.

The international financial architecture responds to our climate vulnerability not with solidarity, but with financial penalties. The traditional 'Big Three' international credit rating agencies look at our climate exposure, artificially inflate our sovereign risk profiles, and slap a premium on our heads. This structural bias quietly drains up to $74.5 billion annually from African nations in excess interest payments alone.

When we look closely at who is financing our infrastructure, it is a highly concentrated pool of ten primary external financiers—led by China, the World Bank Group, Italy, France, and the United States—who control over 82% of external energy finance on this continent. And where does their money go? Historically, 64% of all energy investments flowing into Africa have been directed to secure fossil fuel extraction to serve their external global markets, not to build our public grids.

Confronting the Holy Cows of Capital

This is not a technical 'transition' or nebulous transformation. For most African countries, the energy transition narrative is an intense, daily conflict between the sovereign natural resources our countries possess on one hand, and an absolute dependency on 'the other' to provide both the funding and the technology for clean energy sources. We are being forced to trade our resource independence for unequal dependencies on foreign hardware, foreign capital, and foreign intellectual property.

Why? Because as implementers, we have been conditioned to accept the 'holy cows' of global finance as unchangeable laws of nature.

Today, we are here to dismantle them:

The First Holy Cow is the dogma that the state must de-risk the private sector. We are told to use our scarce public funds to shield international commercial lenders from risk, while they extract the returns. Whose terms are these? They are terms that socialize the risk for African citizens while privatizing the profits for foreign corporations.

The Second Holy Cow is the obsession with isolated, bankable individual projects. This approach completely forgets that an energy system cannot be piecemeal. You cannot build a just system by cherry-picking high-yield solar farms while ignoring the wider grid. These terms are designed for foreign portfolio managers who want a quick, ring-fenced return, not for nations trying to build integrated, resilient industrial economies.

The Third Holy Cow is the absolute myth that the state must finance the social costs alone. Global finance wants the commercial assets for itself, leaving already broken state balance sheets to carry the heavy financial burden of social protection, retrenched workers, and community survival. It treats human dignity as a liability to be left with the state, while the commercial assets are stripped out for foreign balance sheets.

The Insurgent Protocol: The Just Term Sheet

If we want to answer the question of 'Whose terms?', we must fundamentally disrupt the power assymetries in how finance is negotiated by African governments, as these manifest in the terms and conditions of finance offered to our governments, and our projects.

The mainstream formula demands infrastructure first and utility deregulation second, treating social protection as an afterthought—a developmental or corporate social responsibility box to outsource not the responsibility of mainstream funders. That sequence is a structural failure. Social protection underpins must be established first. Social protection is the non-negotiable foundation of the sequence; you cannot build an energy transition on top of structural human insecurity and societal vulnerability.

When we dictate our terms, we deploy the Just Term Sheet framework. This is our operational tool to move from an extractive financial paradigm to what we call the Dignity of Finance—a philosophy where capital serves the human, ecological, and economic transitions of our societies with dignity, rather than forcing societies to warp themselves to meet the metrics of commercial lenders.

As policy and implementation fellows, your mandate at the negotiating table can shift to enforcing three disruptive, non-negotiable structural levers:

1. ***Enforce Mandatory Frontloading***: Rebuilding an energy system creates massive, immediate human shocks. If international capital cannot adapt to this sequence, if it refuses to fund massive, frontloaded grants and concessionary resources to absorb these early human shocks before commercial returns materialize, then the term sheet is predatory. It protects the dignity of foreign commercial capital while denying the dignity of our rights holders. If they don't frontload the grants, we walk.

2. ***Weaponise Regional Portfolio Aggregation***: Stop going to international capital markets as isolated, single-project beggars. We counter the acute power asymmetry at the negotiation table by bringing regional, interdependent portfolios that refuse to separate the commercial asset from the social underpin. If a foreign DFI wants to fund a high-yield, ring-fenced solar project, they must legally and contractually co-fund the public grid expansion and localized manufacturing supply chains up front. No cherry-picking.

3. ***Institutionalize a New Sovereign Baseline***: We must aggressively back and operationalize defensive infrastructure like the newly launched Africa Credit Rating Agency (AfCRA) to break the $74.5 billion sovereign risk penalty loop. We must use our own collective institutional frameworks to define risk, and legally bar state agencies from signing contracts tied to credit ratings dictated by biased external agencies.

Operational Power

As Africans, we do not have the luxury to simply stand up, throw our hands in the air, and walk away from global capital theatre. Despite all of the pressures that countries must focus on domestic resource mobilisation. Yes we will, but we cannot do so exclusively as our own finance institutions also need this direction setting of how to write terms and conditions that meet the needs of the transition process.

As Africans, we do not have our own uninhibited ambitions because we are currently dependent – to varying degrees depending on the country - on external financial resources. Aside from the operating frameworks that most ministries of finance have, the underlying discomfort is that money will continue to come under conditions that weigh heavily upon our sovereignty.

Acknowledging dependency is not an admission of weakness; it is the starting point for strategic, collective power.

My parting encouragement to these founding fellows of Energy Transition Africa - I gently ask you to hold the torch in your daily work, no matter the level you are working at:

01. **Take courage in the ownership of our position as a strong continent** means we guide the view that foreign direct investment and concessional funding is not a gift to be accepted on terms and conditions that do not align with African needs or realities. We can and should revamp how we negotiate and what we negotiate for.

02. **Encourage development finance institutions and external funders to adjust to a new African benchmark**—one that mandates frontloaded risk-sharing and respects the legal standing of our rights holders.

03. **Africanise the global finance reform agenda in the details of your work**. We use our collective frameworks to enforce terms and conditions that work for us. If foreign capital wants to participate in the extraordinary future of Africa's energy development, it must adapt to our needs, sequenced so it prioritises the social impacts and livelihoods, it must frontload its commitments – in real finance flows, and it must meet us on terms that respect and honor our dignity.

While the money may be largely global. We have the power at the negotiating table to make the terms and conditions, increasingly ours. The present moment is ours to lead. Thank you.

Selected resources for "tools" to support implementation, please reach out for practical applications

Needs based approach to finance https://www.rabiatransitions.org/insights/reframing-needs-based-finance-through-mutual-commitment-and-dialogue/

The Dignity of Finance https://www.rabiatransitions.org/insights/dignity-of-finance-towards-a-just-term-sheet-in-financing-climate-and-transition-related-outcomes/

Perspectives on Africa's Just Transition (see Chapter 6 for implications of finance, written by Rabia) https://uneca.org/sites/default/files/ACPC/2024/African_perspectives_of_a_just_transition_to_Low_Carbon_economies.pdf

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