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FROM THE AMERICAN PEOPLE

USAID's Africa Infrastructure Program (AIP)

USAID EGAT Infrastructure Training Program

December 14-18, 2009

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Washington, DC

USAID's Africa Infrastructure Program (AIP)

AIP Was Created Because:

- **Africa is Electricity Poor**
- **SSA Electricity Supplies are Insufficient, Undependable and Significant Shortages are Common; resulting in:**
 - The use of costly, more polluting, smaller generating sets
 - Insufficient electricity being available to support SSA growth
 - Africa lagging other regions/continents in economic growth and electricity production
- **Most SSA Governments Lack Sufficient Funds to Finance All of Their Electricity Investment Needs.**
 - Private sector investment is necessary to fill funding gaps
- **Significant Barriers Constrain Increased Access to Private Sector (PS) Investment**

Barriers to Project Development in Africa

- **Barriers to PS Investment Vary from Country to Country**
- **Typical Barriers Often Include:**
 - Unsupportive regulatory, policy, and legal environments
 - Sub-investment grade distribution company offtakers
 - Non cost-recovering electricity tariffs, poor collections
 - Lack of transmission capacity to deliver to end-users
 - Lack of international finance and viable local finance markets
 - PS electricity projects are costly and complex
 - Complexity of project finance, and lack of capacity within Governments to evaluate, negotiate, and close projects
 - Et al.

Barriers to Project Development in Africa

- **Major Barrier: Complexity of Project Finance (PF)**
 - Private electric projects require use of Non-Recourse PF
 - PF deals are extremely complex and lender-driven
 - PF due diligence and negotiations require use of specialized PF Experts
 - Typically private IPPs can fund expert advisors, more often SSA Governments can not
 - This results in an inequity of discussions at the negotiating table
 - Without confidence in their decisions, government decisions on projects often are slower and/or delayed
- **When Decisions Aren't Made, Projects Are Delayed, and Sponsors Incur Substantial Additional Development Costs**

USAID's Africa Infrastructure Program (AIP)

- **Despite Barriers, PS Investors Still are Proposing Projects**
 - AIP and other donors currently monitoring 35-40 PS projects in SSA
- **AIP Was Established to Address These Barriers**
- **It Funds the Hiring of Expert Electricity and Project Finance Advisors to Support Government Officials on:**
 - Accepted practices and terms of international project development and finance projects
 - The terms (legal, policy, regulatory, financial, etc) used in closing PS generation and transmission projects
 - The evaluation and negotiation of deals being presented to them
 - Resolving problems, increasing understanding, ensuring fair deals are negotiated, and bringing projects to financial closure
 - Capacity building and modifications to the enabling environment which are necessary for projects to be financed and closed₅

AIP Program Objectives

AIP's Mandate is to:

- Work to Remove Almost ANY Barrier Preventing SSA Generation and Transmission Projects from Being Financed and Constructed ASAP – to Support ST Economic Growth
- Emphasize the Development of Clean and Renewable Energy
- Leverage Closure of Over \$1 Billion in New SSA Electricity Sector Investments Within 1-2 years
- Ensure that Fair and Equitable Deals are Negotiated
- Ensure ST Electricity Sector Project Success Stories and
- **Focus Specifically on Late-stage/ Advanced Projects**

Types of AIP Assistance

- **CAPACITY BUILDING**

- Legal, Policy/Investment Framework
- Regulatory Reform
- Tariff Formulation
- Sample Contract Terms
- RE Intermittence/Integration Analysis
- Related to Immediate Development of Current Projects
- Stakeholder Concerns

- **PROJECT SUPPORT**

- Project Structuring
- Risk Mitigation
- Financial Engineering
- Contract Negotiation Support
- Stakeholder Mobilization
- Funds Mobilization
- Environmental issues
- Transmission, Other Technical

Focus of AIP Assistance

- Sub-Saharan Africa
- Generation and Transmission
- **Advanced Stage Projects**
- 25MW / \$50M Minimum
- MOE / Government Agency / Local Developer
- Transaction-Orientation

AIP SSA Country Commitments

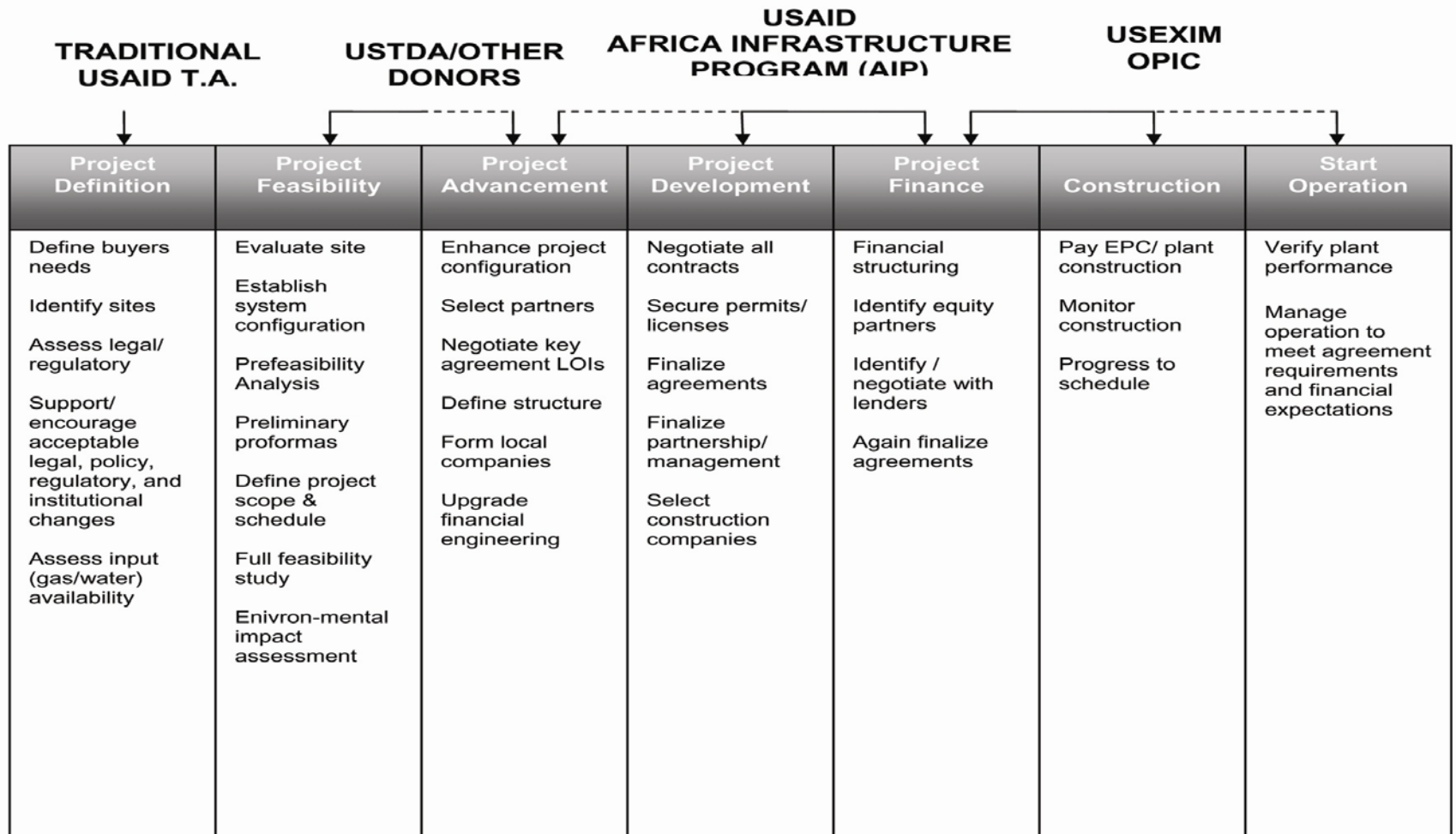
Project Name	Country	Type	Size	Cost (\$M)	Description
1. Lake Turkana Wind Project (LTWP)	Kenya	IPP Wind	300 MW	\$ 684	Capacity building and transactional support to Kenya's KETRACO in discussions with LTWP on 400 Km line linking LTWP to grid. Line is key to other renewable energy and geothermal projects in region.
2. Mozambique Wind Energy	Mozambique	IPP Wind	Est. 200+ MW	\$ 700+	Capacity building and transactional support to Ministry of Energy establishing regulatory framework, tariff structure, solicitation procedures, integration processes in analysis and negotiation of wind projects.
3. Namibia Wind Energy	Namibia	IPP Wind	Est. 50-100 MW	\$ 300+	Support Electricity Control Board develop regulatory and tariff framework , understand best practices, and evaluate and negotiate IPPs and renewable energy projects.
4. Geometric Power	Nigeria	IPP Gas	250 MW	\$ 435	Financial and regulatory experts to Geometric in completing negotiations and re-structuring financial agreements.
5. Gas Flaring Reduction	Nigeria	IPP Gas	Est. 1000 MW	\$1,500	Experts for IPP Association of Nigeria to design/ implement plan to close projects and utilize previously flared gas. Providing other gas and renewable energy sector assistance.

AIP SSA Country Commitments (2)

Project Name	Country	Type	Size	Cost (\$M)	Description
6. Mmamabula Power Project	Botswana	IPP Coal	1200 MW	\$ 2,300	Legal, financial, EPC, market, and environmental experts to support GoB negotiations with CIC Energy on Mmamabula
7. Nigerian Gas Sector Analysis	Nigeria	Gas Sector/ Gas Flaring	750+ MW	\$ 1,000	Gas experts providing gas sector analyses supporting World Bank in provision of Partial Risk Guarantees on gas and power contracts. Three recipient Nigerian IPP Projects will consume previously flared gas.
8. GECAD and CenPower Projects	Ghana	IPP Gas/ Gas Flaring	520 MW	\$ 650	Transmission and gas experts supporting GRIDCO and GoG electric companies negotiate Transmission Service, Wheeling, Grid Connection and Gas Sales Agreements.
9. Gas Sector Development	Ghana	IPP Gas/ Gas Flaring	Est. 750+ MW	\$ 1,200	Gas, regulatory, and technical advisors supporting GoG Ministry of Energy efforts to develop gas development framework, regulations, and commercial IPP utilization strategies for potentially flared gas associated with development of its oil fields.
10. Renewable Energy Workshop	Kenya	RE	N/A	N/A	Prepared 2 day workshop for KenGen, KPLC, and MOE mgt. discussing unique characteristics/ considerations of renewable technologies relating to the development, financing, and operation of RE IPP projects.

Where Does AIP Fit into Project Development Process?

PROJECT DEVELOPMENT CYCLE



AIP -- Project Selection Criteria

- **Government Support:** Host Country Support and Commitment
- **Advanced Stage Projects:** Full Feasibility, EIS, Draft Agreements, 12-18 Months to Financial Close
- **Viability:** Technical, Financial, Commercial, Legal, etc.
- **Environmental:** Meets USAID and World Bank Environmental Criteria
- **Private Sector Participation:** Includes or Facilitates Private Sector Investment
- **Efficiency:** Priority to Efficiency, Emission Reduction, Renewables
- **Leverage:** \$250K-\$1M per project to Mobilize \$50M-\$1B
- **Additionality:** Play Catalytic Honest Broker Role / No Displacement
- **Replicability:** Set up Models, Create Snowball Effect for other SSA governments and Developers

AIP Expert Support

- **USAID's Implementing Partner for AIP is Nexant Inc.**
 - Nexant has many years of energy sector experience in SSA including advisory work on WAPP, WAGP, SAPP, Kenya-Uganda Pipeline etc.
 - www.nexant.com



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Thank You!

For Further Information:

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Why Advanced Transactions?

- **Traditionally USAID has Provided Enabling Environment Support** (policies, regulations, legal etc.) **with Great Success**
 - Get it right and sustainable private investment will follow
- **USAID is Focusing on Late-stage Projects because:**
 - Africa needs more electricity to fuel its growth NOW
 - Private sector entrepreneurs are already on the ground NOW trying to develop projects in an imperfect SSA environment
 - Few other donors provide advanced transaction support services
 - Advanced Projects can be closed within 1-2 years, constructed/producing electricity in 4-5 years, while:
 - Early stage projects can take 3-5 years to close and have a high risk of failure
 - **The “Success Story” effect**
 - Africa needs **immediate** electricity for growth and to catch up