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FROM THE AMERICAN PEOPLE

USAID's Africa Infrastructure Program (AIP)

Jeffrey L. Humber

Program Director

USAID Africa Bureau, Office of Sustainable Development (AFR/SD)
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The Africa Electricity Sector Today

- SSA Electrification Rate about 24% and Per Capita Consumption at 124 kWh/ year
 - Means more than 520 million people must do without electricity
- Africa is Experiencing Shortages of Dependable Electricity
 - Insufficient new generation is getting financed and being constructed
 - Insufficient public funding available to build new plants; and countries need to look to the private sector to help finance new projects
 - Countries are increasingly resorting to use of “emergency” generation
- Many Electric Projects Proposed, but Few Financed or Constructed
 - Thus, few private sector project financings have been structured and closed in SSA -- Many reasons: market uncertainties, project and country risks
 - A consequence: limited capacity exists within African governments and financial institutions in structuring and negotiating these deals

Africa Infrastructure Program (AIP) Background

In response to African Electricity Sector Needs, USAID's Africa Bureau has established the AIP

- AIP seeks to facilitate the closure of late stage electricity projects in the ST to thereby provide a foundation for African SME and trade growth

AIP is funded by a 2006 U.S. Presidential Initiative, the African Global Competitiveness Initiative (AGCI)

- AGCI is a \$200 U.S. commitment million to support finance, small and medium enterprises (SMEs), regional trade, and expanded African infrastructure through 2010
- A significant portion of this Initiative is targeted to support infrastructure
- AGCI's infrastructure mandate requires that AGCI funds leverage several billion dollars of new, ST electricity investments in the SSA

AIP African Electricity Sector Objectives

AIP Seeks to:

- **Achieve AGCI's Objective of Leveraging Well Over \$1 Billion in New ST Investments** within 1-2 years
 - Through the construction of new generation and transmission facilities
- **Support SSA Governments and SMEs in Closing Private Sector PPP Projects**, increase electricity sector investments, and support the regional power pools
- **Ensure ST Electricity Project Success Stories which:**
 - Attract other project developers and investors trying to replicate project success stories elsewhere
 - Support ST economic growth and additional investment in country
 - Encourage other countries to enact similar regulations/ policies allowing them to close similar projects in their country
- **Support ST SSA Regional Economic Growth and Development**

What AIP Seeks to Address:

- **Private Sector Electricity Project Finance Deals are Highly Complex and Require Complex Commercial and Financial Structuring:**
 - Project development process, commercial/ financial structures
 - Complex "Security Package" of project agreements (e.g. PPA, IA, FSA, EPC, O&M, etc.) are driven by lender demands
- **SSA Government Officials are Asked to Review and Decide on Costly and Legally/ Technically Complex PPP Transactions**
 - Government officials often with limited experience with internationally accepted standards associated with meeting conditions of finance
 - Terms of finance drive the structure, allocation of risks, and success of large cross-border infrastructure projects
 - Projects have major economic, budgetary, political, and social implications for host country
- **While PPP Teams Have Experienced Legal, Financial, and Technical Advisors, SSA Country Advisors Have Less Experience and Skills**
 - Stakes are high both for their country and their careers
- **Officials often for good reason delay making decisions until they understand terms of deals presented to them**

AIP – What Does It Actually Do?

- **AIP Will Fund the Hiring of Expert Advisors** who have experience in international PPP electricity sector deals
 - The majority of these advisors will come from AIP's supporting contractor, Nexant Consulting and their team of expert subcontractors
 - These advisors are knowledgeable of international standards (legal, policy, regulatory, financial, technical, environmental, stakeholder) necessary to close PPP generation and transmission projects
 - These advisors have typically worked on similar transactions elsewhere.
- **Depending Upon Situation, AIP May Support as Many as 4-8 Projects/ Year**, ranging from \$250K -1 million per project
 - Whenever possible, AIP support will be matched by host country co-funding

Example of Resources Available to AIP's Contractor – Nexant LLC

Legal	Financial	Technical	Environmental	Markets/ Pricing	Social/ Stakeholder
Chadbourne & Parke	Standard Chartered Bank (UK)	Louis Berger Group	Louis Berger Group	Econergy International (UK)	MACTEC
Nixon Peabody	HSBC Bank (UK)	SNC Lavelin (CAN)	MACTEC	CARANA	Southern Africa Inst for Environ Assessment Environmental (SA)
Dewey & LeBoeuf	Nedbank (South Africa)	Enertech	Southern Africa Inst for Environ Assessment Environmental	Louis Berger Group	GEO Environmental Consulting (SA)
Norton Rose (UK)	Investec (South Africa)	AECOM	GEO Environmental Consulting		CARANA
White & Case	Crimson Capital (US)	Auriga Corporation 8			
REX Attorneys (Tanzania)	Arthur Advisors (UK)	Trans-Africa Projects (SA)			
ACAs Law (UK)	Taylor DeJongh	EM Consultants (East Africa)			

Examples of Types of Late-stage AIP Assistance

- **Support the Contract Negotiation Process** (e.g. Mmamabula)
 - Address host country's lack of familiarity with the deal terms, details of project contracts, or international transaction practices
 - Improve understanding the specific terms of finance and legal and regulatory issues raised by lenders
 - Address major stakeholder group concerns
- **Help Address Concerns/Issues Raised by Equity or Debt Holders**
 - E.g. legal, regulatory, environmental issues preventing a project from going to closure
- **Address Environmental Issues** to ensure conformance with international standards

Examples of Types of Late-stage AIP Assistance (2)

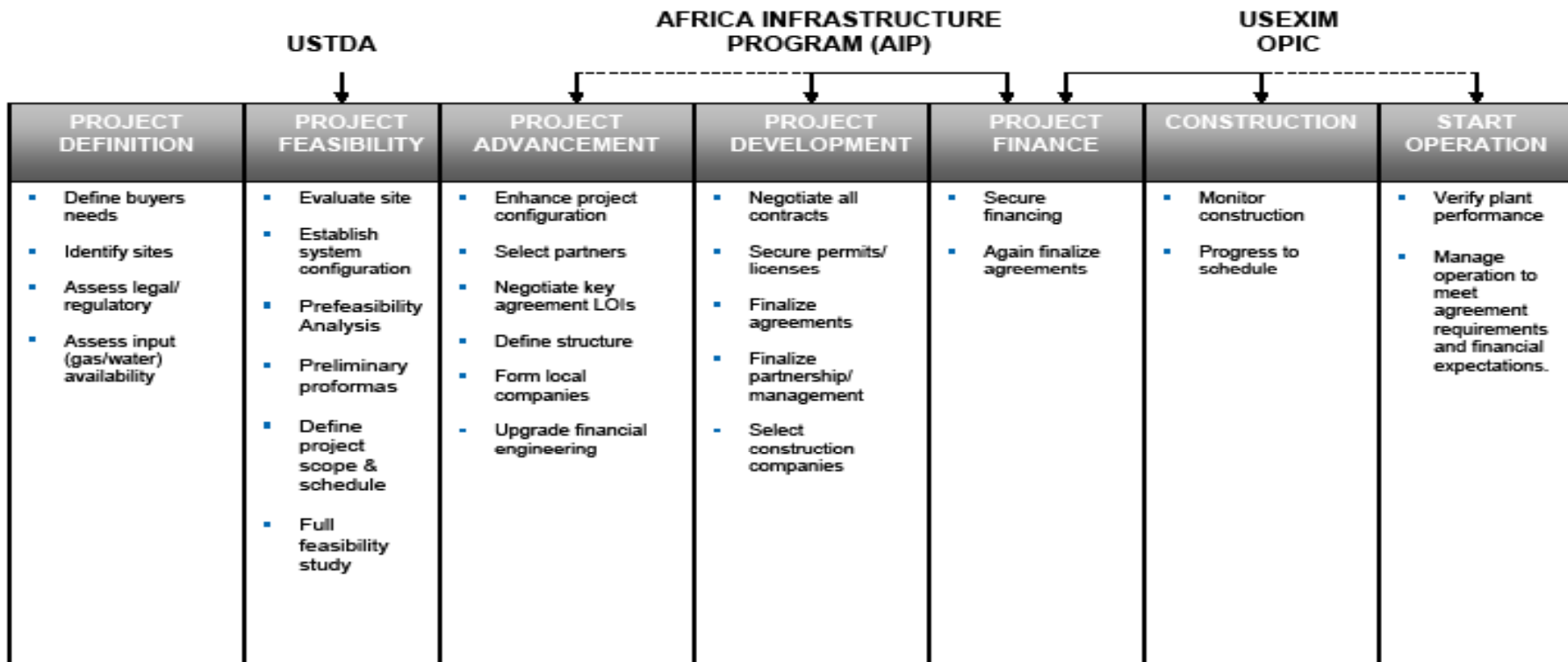
- **Help Revise National Electricity Laws and Policies** to address transaction-related concerns of lenders/ equity holders
- **Address/ Incorporate Concerns of Key Stakeholder Groups**
- In short, **Address ANY Issue Preventing an Otherwise Bankable Project From Going to Financial Closure** and construction
- **Note: USAID can support either the government or project developers, depending upon what is needed to close project**

AIP -- Types of Program Support

- **Support of Late-stage Transactions (years 1-2):**
 - **What is Late-Stage Transaction?** Generally in the advanced stages of development, post-feasibility study, major agreements drafted and/or under discussion, estimated financial closure date of 1-2 years from the start of assistance
 - Medium-sized projects, in range of \$50-\$500 million, or less?
 - Electricity generation and transmission projects
 - Clean energy, renewable, gas, coal projects
- **Enabling Environment Activities (years (2+):**
 - Support of 4 regional Africa power pools
 - Synchronization of policy, legal, regulatory, and investment frameworks
 - Capacity building in project finance and increasing access to finance

What is an AIP Late-stage Transaction?

PROJECT DEVELOPMENT CYCLE



AIP -- Project Selection Criteria

Primary Project Selection Criteria:

- Assistance facilitates achieving **ST financial closure/ leveraging investment within 1-2 years**
- Supported by host country and participants
- **Commercially and financially viable** project
- **Private sector component** (PPP) or facilitates PS investment
- Project has a regional impact
- **Project is in post-feasibility study stage** of development
- **Lessons learned** from project are replicable and facilitate development of other similar projects
- Project meets **USAID and WB environmental criteria**

AIP – Project Selection Criteria (2)

Secondary Criteria:

- Supports US companies and trade to the region
- Significant efforts made to encourage stakeholder involvement
- Promotes local capacity building and in-country skills able to be used in similar future projects in country
- Without USAID assistance, project may not go forward
- Removes trade and investment barriers, encourages PPPs
- Partnership with/ use of local SME and business capabilities

USAID/AIP Intends to be Flexible and Will Judge Candidate Projects on a Case-By-Case Basis



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Thank You!

For Further Information:

Jeffrey Humber
USAID Africa Bureau
Washington, DC
202 712-1153
Jhumber@USAID.gov

Alain Rosier
Nexant Consulting
Abuja, Nigeria
234 9 314 0392
arrosier@nexant.com

Richard Smith
Nexant Consulting
Washington, DC
202 974-0611
rpsmith@nexant.com