



U.S. Treasury – USAID – DOE – Infrastructure Consortium for Africa Collaboration

Tackling the Problems of Private Investment in African Power

U.S. Treasury – ICA – USAID – DOE

- ▶ Collaboration goals:
 - Identifying problems in attracting private sector investment in the power sector.
 - Engaging both private and public sector in dialogue.
 - Finding targeted solutions to specific problems.
 - Finding sustainable solutions that can be used by other partners.



U.S. Treasury – ICA – USAID – DOE

- ▶ “Virtual Working Group”
 - Treasury, USAID's Africa Infrastructure Program and ICA teamed up to hold series of video-conferences – the “Virtual Working Group.”
 - ICA, USAID, and DOE have sponsored the DVCs.
 - Large group of participants representing all facets of public-private partnerships in the African power sector.



U.S. Treasury – ICA – USAID – DOE Virtual Working Group

- ▶ Have had some very useful conversations, starting with a general discussion about the challenges of IPPs in Africa and moving on to a more specific set of case studies:
 - ContourGlobal's Togo plant
 - Aldwych's Rabai plant in Kenya
 - Kenya's IPP track record
 - Nigerian reform program to attract IPPs



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- ▶ Based on participation and feedback from the most recent session, the sponsors have agreed on the need to re-orient the VWG.
- ▶ Moving forward, looking at renewable energy and focused sessions on specific technologies.
 - Changing technologies and the evolving business model
 - Engaging private sector in renewable energy



ICA – Knowledge–Building

As part of its knowledge–building role in the energy sector, ICA commissioned two reports by Anton Eberhard and Katharine Nawaal Gratwick,

- Mr. Eberhard is the Director of the Management Programme in Infrastructure Reform and Regulation (MIR), at the University of Cape Town’s Graduate School of Business.
- Ms. Nawaal Gratwick is a former MIR researcher and independent consultant.

The two reports focused on the electricity environment across Sub–Saharan Africa, with a focus on Independent Power Projects (IPPs) in the past, present and future. The second paper paid specific attention to IPP developments in Nigeria.

- How have the IPPs come into the power mix and what impact have they had to date?
- What new IPPs are in the pipeline?
- What is the interface between current and future IPPs and the reform agenda?
- Finally, how may the IPP experience to date come to represent a lesson–learned for other countries, facing similar electricity challenges?

ICA – Knowledge-Building

- ▶ Eberhard and Gratwick examined the role of IPPs so far:
 - Supply–demand imbalances, DFI advice, and Western experience led shift to IPPs.
 - Around 23 IPPs in 11 SSA countries
 - Fraction of total supply but important role in countries such as Togo and Uganda.
 - Majority of projects delivered results, and contracts have been largely upheld.
 - Not all IPPs have been without problem: Nigeria, Tanzania, Senegal examples.



ICA – Knowledge-Building

- ▶ Eberhard and Gratwick identify elements of success as well as two key take-away items:
 - The perception of imbalance between development and investment outcomes can contribute to contract unravelling, but this does not necessarily signal the end of a project's operation.
 - This argues for more sustainable agreements continued efforts to close the gap between investors and host country governments' perceptions and treatment of risks.



ICA – Knowledge-Building

- ▶ Eberhard and Gratwick: “Light inside: the experience of independent power projects in Nigeria”
- ▶ Complicated mix of power sources:
 - Legacy’ IPPs
 - The divestiture program: ramifications for the generation mix
 - National Integrated Power Projects (NIPPs)
 - Captive plants providing limited power to the grid
 - The next wave of IPPs



ICA Knowledge-Building

- ▶ Eberhard and Gratwick identified potential delays and challenges to reform:
 - Delayed divestiture
 - Tariff reform
 - PPA
 - Human resource capacity
 - Leadership
- ▶ Recommendations
 - Balance development and investment outcomes
 - Do not rush the process
 - Demonstrate commitment to learning & improving



Thank you.

