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Expanding the Private Financing Advisory Network (PFAN) in West Africa: *An Overview and Introduction*

Presented at the:
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1st Edition of the RE Investment and Business Forum*

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Topics Covered

1. Overview of PFAN
2. Regional Expansion of PFAN
3. Main Findings From the West African Region
4. Next Steps for PFAN in West Africa



- **Origin of PFAN**

- Initiated by Climate Technology Initiative in cooperation with the UN Framework Convention on Climate Change's (UNFCCC) Expert Group on Technology Transfer
- Supported by USAID and other international donors

- **Objectives**

- broaden access to private financing for clean energy projects in developing countries
- increase the rate at which clean energy projects are financed
- actively pursue strategies to create an investment climate that supports scale up of clean energy investment.

- ***PFAN bridges gap between clean energy entrepreneurs and investors***



Barriers

- Political and institutional risks
- Access to finance
- Poor infrastructure
- Lack of project developer experience
- Lack of government policies to promote clean energy
- Financial institutions lack experience with non-recourse project finance
- Project sponsors are financially weak
- Lack of community awareness
- Cost of clean energy generation

Drivers

- Entrepreneurial benefits
- Renewable portfolio standard (RPS)
- Feed-in-tariffs (FITs)
- Tax incentives
- Currency exchange funds
- International risk mitigation instruments
- Energy security
- Climate change mitigation
- Coaching and mentoring networks



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PFAN is a Multilateral Initiative



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renewable
energy
& energy
efficiency
partnership



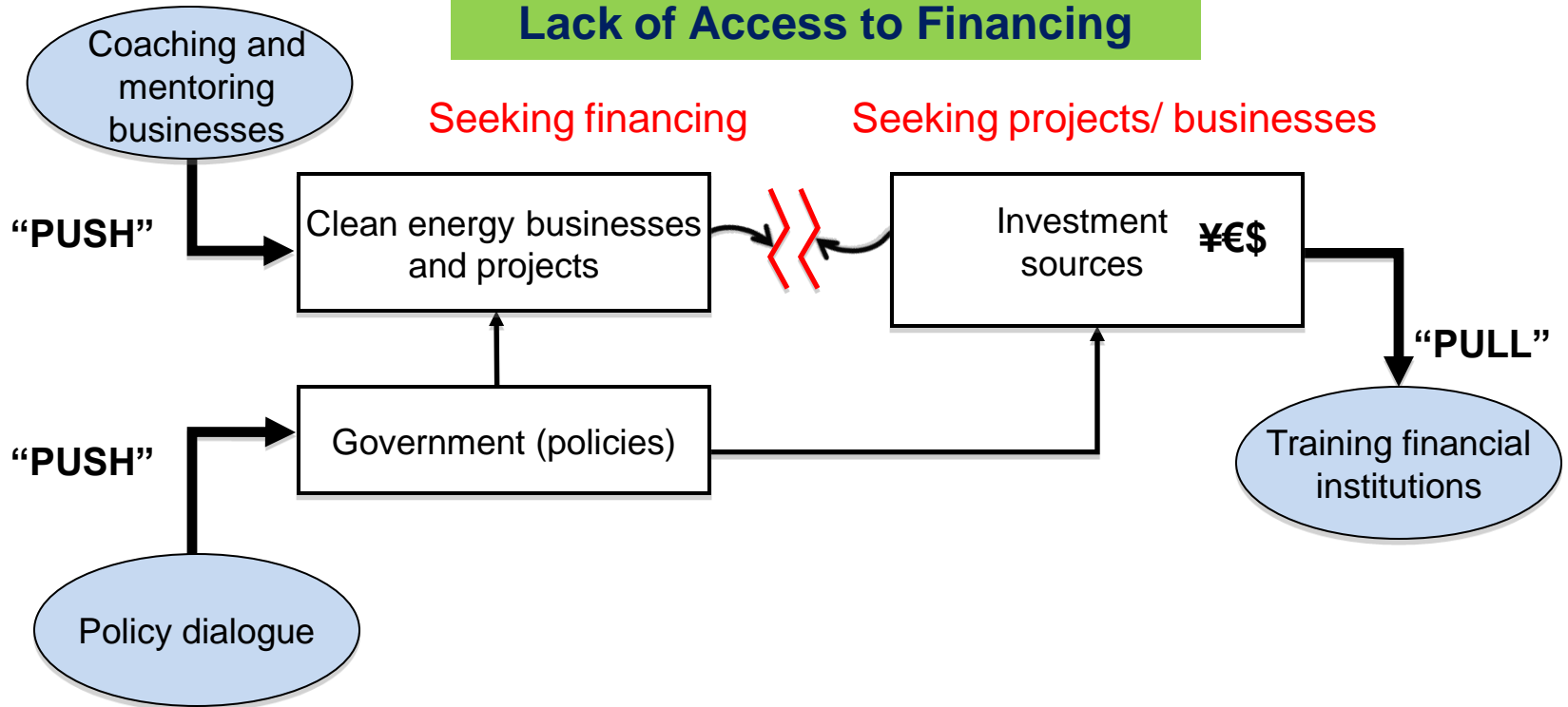
PFAN funding partners



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What PFAN Does

The Missing Middle: Lack of Access to Financing





- **Concrete success to date**
 - Helped to facilitate *33 project closures*,
 - Raised *\$412 million in investment* in projects
 - Have a total capacity of *319 MW* and the potential to *mitigate 1.83 million metric tons of CO₂e* per year.
- **High leverage ratio**
 - Approximately a *100:1 ratio* of public funding to leveraged private investment.



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Rationale for PFAN

- **Lack of sufficient public funds**
 - Public funds can make limited impact on technology transfer for climate change
 - Need for greater engagement of the private sector
- **Missing middle**
 - Lots of projects / lots of investment
 - Little and insufficient interaction and communication between the project developers and financing community
- **PFAN seeks to bridge investment gap**
 - Acts as a broker between the money and the projects
 - Strengthens the capacity of the project developers build strong business plans.



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PFAN Services

Services

Identify promising clean energy projects

- Assist them develop bankable proposals

Free coaching and mentoring

- Improvement of business plans and proposals
- Advice on commercial and financial structuring

Matchmaking services

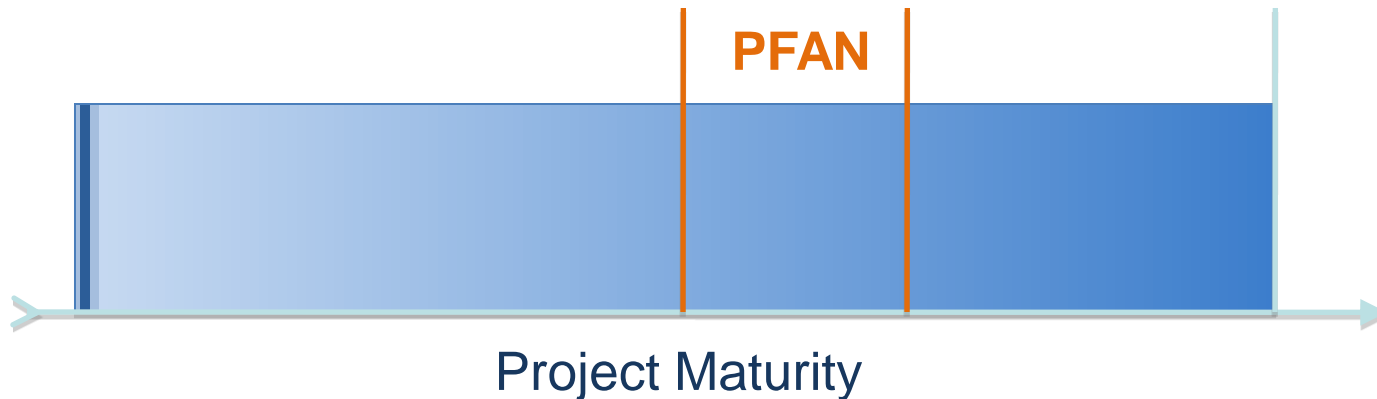
- Develop regional network of investors (public/private)
- Link CE projects to investors



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How does PFAN operate?

- **Position in market is catalyst**
 - Focus on transaction
 - PFAN does not displace the private sector





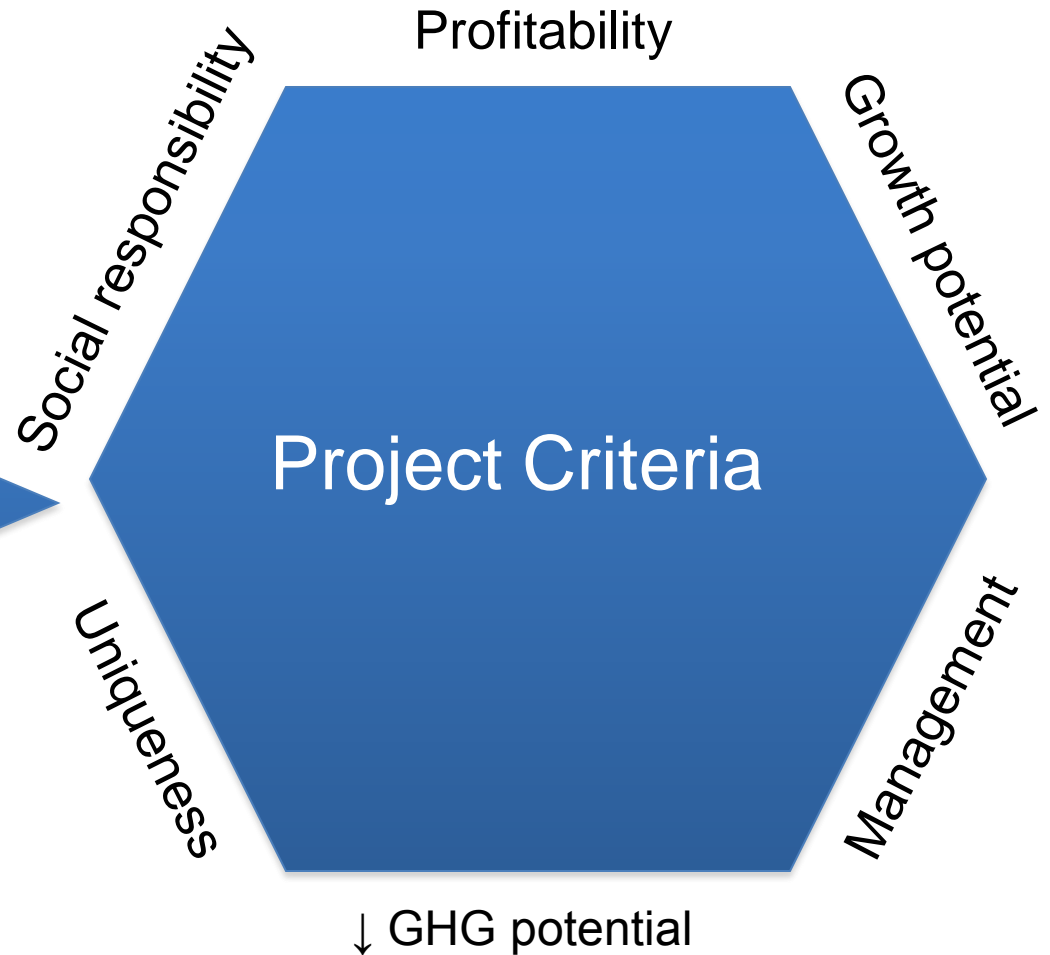
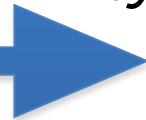
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Project Selection Criteria

Typical project target

Type: wind, solar, geothermal, biomass, biofuels, small hydro

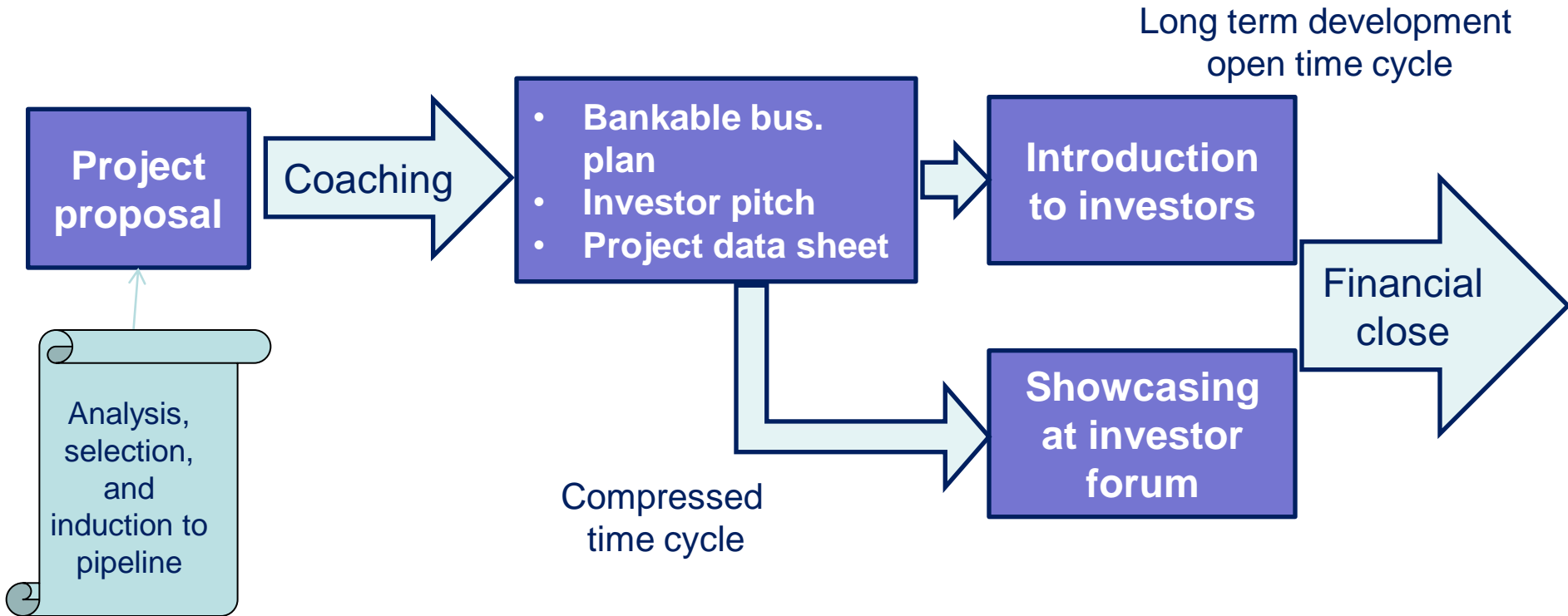
Value: US\$ 1 – 50 million total





- **Two entry points**

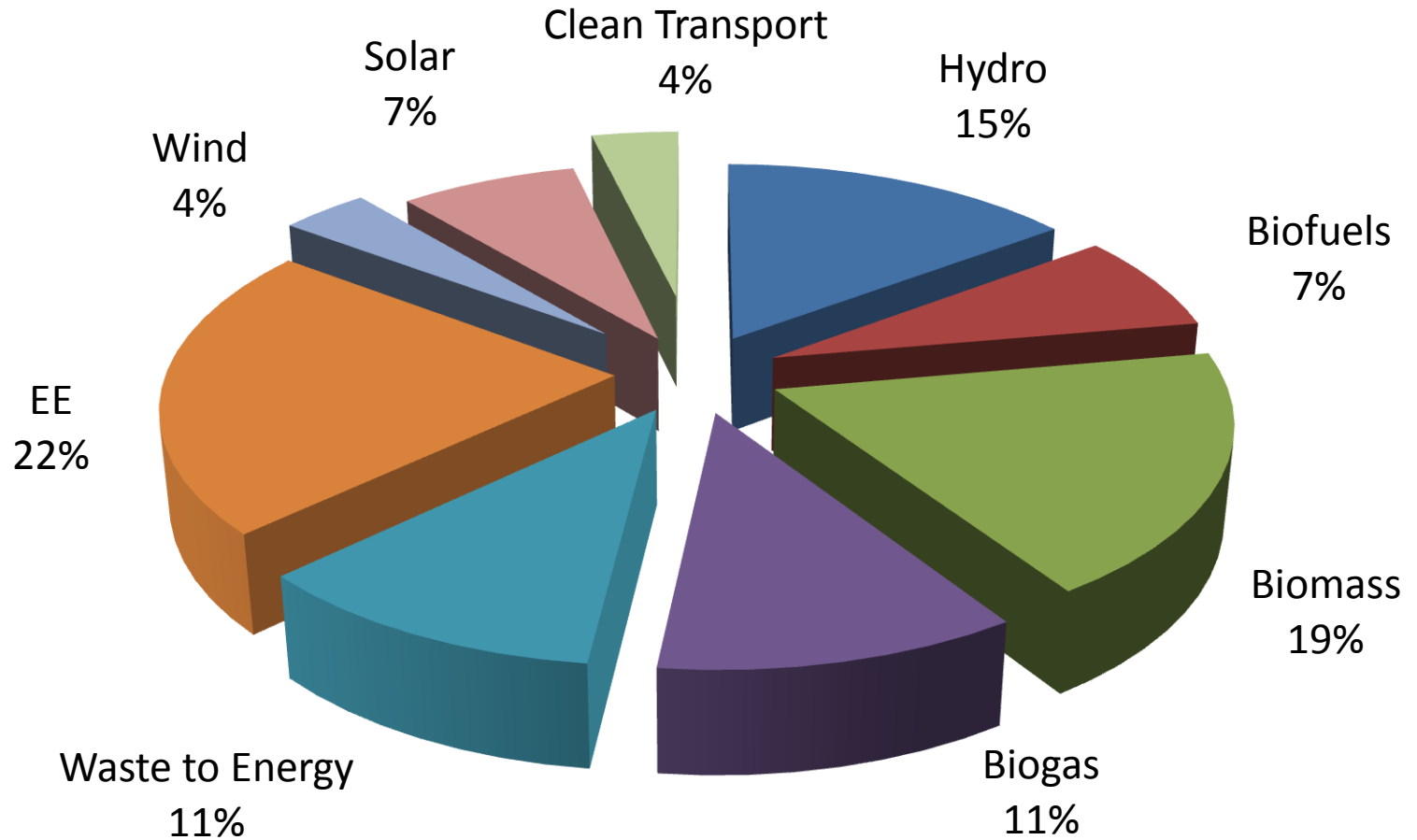
1. Unsolicited proposal or identification of project from any source
2. Regional and country based Clean Energy Investor Forums





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Financed Projects* -- by Technology



* Projects that have achieved financial closure with PFAN assistance



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A Global Network of Partners





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- **USAID desires to expand PFAN**
 - Build on the success of previous PFAN regionally based models
 - Develop strengthened regional networks
- **Regional consultation process (May-July 2012)**
 - Consultation mission to four regions
 - Review and stakeholder assessment survey
 - Analyze programmatic opportunities
- **Two priority regions selected for strengthening**
 - West Africa
 - Central America



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Main Findings for West Africa





Key Clean Energy Indicators: West Africa

Indicator	West Africa
Population 2010 (millions)	Total: 324.5
% of GDP Growth 2010/11	4.40%
GDP/capita (current \$)	980
Electricity Installed Capacity 2009 (000 MW)	Total: 12.6 Average: 0.74
Electricity Net Consumption 2009 (billion kWh)	Total: 39.84 Average: 2.34
Electricity kWh/ Capita 2009	180
CO ₂ Emissions from energy consumption 2010 (mmt)	Total: 126.8 Average: 6.7
CO ₂ /capita emission 2008 (mt)	0.28
Average ease of doing business 2011 (rank out of 183 countries)	152

West Africa: Benin, Burkina Faso, Cameroon, Cape Verde, Chad, Cote d' Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo



- **PFAN relatively new to region**
 - PFAN will initiate a limited activity in Nigeria
- **Clean energy project development – early stages**
 - Limited with a number of projects identified
 - PFAN has closed deals in Ghana (Jatropha and biodiesel)
- **Leverage potential for PFAN**
 - Leverage ECREEE resources and initiatives (EREF and EREIF)
- **Regional networking potential**
 - PFAN can work with numerous donors and regional institutions
 - Many are developing programs to support clean energy projects

- **Strong regional potential**
 - Strong interest by the USAID regional mission and complementary regional programming
 - PFAN interest and emerging activities in clean energy project finance in the region
- **Stakeholder support**
 - Strong support for the idea of PFAN among stakeholders in the West African region
- **Unique matchmaking niche**
 - PFAN provides a proven example and unique matchmaking niche



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1. Support ECREEE in regional outreach

- Follow-up to the *ECOWAS RE Investment and Business Forum*
- Identify candidate companies for mentoring and capacity building

2. Regional network building

- Identify regional and national partners
- Combine resources where possible to maximize impact

3. Plan investor forum for mid-2013

- Plan *CTI PFAN Regional Investor Forum* in mid-2013 with ECREEE and other regional partners



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Visit PFAN at:
www.cti-pfan.org