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

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ECOWAS Renewable Energy Investment and Business Initiative
1st Edition of the RE Investment and Business Forum

Edward Hoyt and Peter du Pont
Nexant, USAID Contractors
Regional Clean Energy Investment Initiative

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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**
<table>
<thead>
<tr>
<th><strong>Barriers</strong></th>
<th><strong>Drivers</strong></th>
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<tbody>
<tr>
<td>Political and institutional risks</td>
<td>Entrepreneurial benefits</td>
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<tr>
<td>Access to finance</td>
<td>Renewable portfolio standard (RPS)</td>
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<td>Poor infrastructure</td>
<td>Feed-in-tariffs (FITs)</td>
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<td>Lack of project developer experience</td>
<td>Tax incentives</td>
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<td>Lack of government policies to promote clean energy</td>
<td>Currency exchange funds</td>
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<td>Financial institutions lack experience with non-recourse project finance</td>
<td>International risk mitigation instruments</td>
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<td>Project sponsors are financially weak</td>
<td>Energy security</td>
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<tr>
<td>Lack of community awareness</td>
<td>Climate change mitigation</td>
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<td>Cost of clean energy generation</td>
<td>Coaching and mentoring networks</td>
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</table>
PFAN is a Multilateral Initiative

PFAN funding partners
Seeking financing

Seeking projects/ businesses

The Missing Middle: Lack of Access to Financing

Coaching and mentoring businesses

“PUSH”

Clean energy businesses and projects

“PUSH”

Government (policies)

Investment sources

Training financial institutions

“PULL”

“What PFAN Does”
What Has PFAN Accomplished?

• 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.
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.
PFAN 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
How does PFAN operate?

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

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

Value: US$ 1 – 50 million total
PFAN Process

• **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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- Project proposal
- Coaching
- Bankable bus. plan
- Investor pitch
- Project data sheet
- Introduction to investors
- Showcasing at investor forum
- Analysis, selection, and induction to pipeline
- Financial close
- Compressed time cycle
- Long term development open time cycle
Financed Projects* -- by Technology

*Projects that have achieved financial closure with PFAN assistance.
A Global Network of Partners
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Regional Expansion of PFAN

• 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

- Ghana
- Togo
- Benin
- Burkina Faso
## Key Clean Energy Indicators: West Africa

<table>
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<tr>
<th>Indicator</th>
<th>West Africa</th>
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<tbody>
<tr>
<td>Population 2010 (millions)</td>
<td>Total: 324.5</td>
</tr>
<tr>
<td>% of GDP Growth 2010/11</td>
<td>4.40%</td>
</tr>
<tr>
<td>GDP/capita (current $)</td>
<td>980</td>
</tr>
<tr>
<td>Electricity Installed Capacity 2009 (000 MW)</td>
<td>Total: 12.6</td>
</tr>
<tr>
<td></td>
<td>Average: 0.74</td>
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<tr>
<td>Electricity Net Consumption 2009 (billion kWh)</td>
<td>Total: 39.84</td>
</tr>
<tr>
<td></td>
<td>Average: 2.34</td>
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<tr>
<td>Electricity kWh/ Capita 2009</td>
<td>180</td>
</tr>
<tr>
<td>CO₂ Emissions from energy consumption 2010 (mmt)</td>
<td>Total: 126.8</td>
</tr>
<tr>
<td></td>
<td>Average: 6.7</td>
</tr>
<tr>
<td>CO₂ /capita emission 2008 (mt)</td>
<td>0.28</td>
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<tr>
<td>Average ease of doing business 2011 (rank out of 183 countries)</td>
<td>152</td>
</tr>
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*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
Main Drivers/Benefits for PFAN Expansion in West Africa

• **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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Next Steps for PFAN in West Africa

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
Visit PFAN at:

www.cti-pfan.org