

# Powering Africa forward



## Barack Obama's Power Africa initiative is making progress in lining up the financial deals needed to double access to electricity in sub-Saharan Africa

By Andrew M Herscovitz, coordinator, Power Africa and Trade Africa

**S**atellite television is not the first thing that comes to mind when one thinks of energy poverty issues. However, throughout some of the world's most remote villages and poorest urban areas, satellite dishes are a common sight – even atop makeshift homes with dirt floors. Residents use these satellite dishes sporadically, most often during key sporting events. They seem to cover the cost

of this luxury from time to time. Electricity is not a luxury. Even the poorest people find ways to pay for it when it is available, just as they pay for the one billion mobile phones in Africa, for which they often have to walk miles to find an outlet to recharge.

Around 600 million sub-Saharan Africans, or 70 per cent, live with no or limited access to reliable electricity. In rural areas, that figure rises to above 85 per cent. Sub-Saharan

Africa generates 91 megawatts (MW) of power per million people. Comparatively, the United States has more than 3,300 MW per million people – 37 times more electricity to power homes, businesses and communities. However, despite Africa's dearth of available power, seven of the world's 10 fastest growing countries are projected to be on the continent.

Energy poverty remains a direct obstacle to sub-Saharan Africa's economic growth and development. Electricity is integral to all development sectors, including education, agriculture and health. Governments and the private sector should partner to facilitate and finance the generation, transmission and distribution of power, which would result in significant improvements in development indicators. Allowing a student to study at night, a farmer to collect market prices via a mobile phone or a healthcare practitioner to operate life-saving equipment are the

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backbone of US president Barack Obama's Power Africa initiative. Power Africa is a partnership between the US, the governments of Ethiopia, Kenya, Tanzania, Ghana, Liberia and Nigeria, the private sector, and other bilateral and multilateral development partners, and works to double access to electricity in sub-Saharan Africa.

Since Power Africa was launched in late June 2013, 12 US Government agencies have worked in concert to provide legal, policy and financial assistance to close financial deals that will introduce or increase power to people and communities on the continent. Power Africa's founding private sector partners have continued to work to meet commitments to mobilise more than \$14.5 billion to support these efforts. To date, 2,800 MW have been financially closed, and more than 5,000 MW are planned to come online in the near term, demonstrating that

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notable progress has been made towards the goals of adding 10,000 MW and 20 million connections in the six focus countries.

The Organisation for Economic Co-operation and Development estimates that the financing need for sub-Saharan Africa's power sector is nearly \$41 billion per annum. At current spending levels from government, donors and the private sector, the financing gap for the energy sector stands at roughly \$23 billion annually. These figures prove that no one can go at it alone. Power Africa continues to expand its engagement with a variety of partners, including G7 members.

Already, several G7 members work within sub-Saharan Africa to develop new technologies and financing products, and to support projects in gas, geothermal, hydro, solar and wind. G7 members have committed to expanding access to energy across Africa, utilising clean and renewable methods.

### **Maximising reach and impact**

A recent Power Africa partnership with the United Kingdom's Department for International Development (DFID) and the Multilateral Investment Fund is funding a global investment index called Climatescope that measures and ranks the investment climate for clean energy in developing countries. Power Africa is also partnering with DFID to support Big Results Now! – a 'delivery unit' that pushes focused energy reforms at the presidential and ministerial levels in Tanzania, with the potential to replicate the model across several countries.

The Japanese International Cooperation Agency, the European Union and other partners are currently in dialogue with Power Africa to align their off-grid, geothermal and other renewable energy efforts. This type of collaboration helps avoid duplication of efforts and maximises reach and impact.

Power Africa's transactional approach of working out why particular transactions might derail and identifying targeted solutions is what will propel the initiative. Power Africa is taking note of what the private sector highlights as necessary policy reforms, and ensuring that there is sustainable financing and strong governance for energy projects.

Power Africa has already had a significant impact in its focus countries, specifically in Ethiopia, Kenya and Tanzania. Its collaboration with the Government of Ethiopia and other partners will provide millions of people with access to clean electricity when new, privately owned geothermal plants come online in the country, an achievement made possible by Power Africa's assistance in crafting the framework for the first power purchase agreement in Ethiopia. The 1,000 MW Corbetti geothermal project is a first step towards tapping into the estimated 15,000 MW of clean geothermal energy available in East Africa's Rift Valley.

### **Need for coordinated effort**

In Kenya, many partners have teamed up to turn the high, consistent winds blowing across the country's plains into clean, sustainable energy. The 300 MW Lake Turkana Wind Project was shepherded through the rigorous financial agreement phase, and will increase Kenya's electricity generation capacity by approximately 25 per cent at the lowest energy price currently available.

In Tanzania, a 5 MW solar project had been long delayed due to obstacles in concluding a power purchase agreement at an appropriate tenor. As a result of Power Africa's involvement, the Government of Tanzania extended the standard power purchase agreement from 15-25 years, which enabled the private sector partner and other developers to become eligible for financing and to finalise terms.

Power Africa recognises the need for coordinated efforts to drive progress, including the provision of patient capital, technical expertise and access to credit. As USAID administrator Rajiv Shah said: "Power Africa encourages countries to make energy sector reforms, while connecting entrepreneurs to investment opportunities that are created by those reforms themselves."

We challenge all partners to continue to address energy poverty, furthering our efforts to Power Africa forward. ■