



Rethinking US Development Policy

Grading Power Africa: A Preliminary Report Card on President Obama's Signature Electrification Initiative

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Report Card

Relevance: **A+**

Political Balance: **A-**

Ambition: **B+**

Results So Far: **Preliminary B**

Clarity of USG Role: **B**

Structure: **C+**

Transparency: **A-**

Legacy: **Incomplete**

Overall: A-

Policy Recommendations Summary

1. Pledge early and clearly that the United States is committed to boosting electrification in Africa and achieving the Power Africa targets.
2. Institutionalize the authorities and leadership of Power Africa.
3. Launch a modern full-service development finance institution.

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Introduction

Power Africa has the potential to be transformative for millions of poor people and be the single biggest legacy in Africa for President Barack Obama. Launched in June 2013 by the President while he was in Tanzania, observers now have roughly three years to reflect on the initiative: on what's progressing well, what's not, and where future risks may lie. The Center for Global Development, an independent think tank, has been closely watching *Power Africa* along multiple dimensions. While it is still too early to provide a complete analysis of outcomes, this report card provides a timely assessment at the close of this administration and an input to the next one. While the judgments of *Power Africa* are largely positive, the coming months will be crucial to keeping the effort on a positive trajectory.

Relevance to US Development and Foreign Policy Objectives: A+

- ✓ All African countries currently face energy gaps and nearly all have prioritized power sector development.
- ✓ Lack of energy access has harmful effects that cut across all aspects of development, including education, health, women's rights, and job creation.
- ✓ Cost and reliability of electricity is among the very top constraints to business growth in Africa.
- ✓ African partners specifically request US investment and assistance in the power sector, both for economic and national security reasons.
- ✓ The US has significant technological, commercial, and financial capabilities that can be deployed to expand energy generation and access.
- ✓ Public policy to promote electrification has been a foundation of poverty reduction and economic growth in the US and other now-rich nations.

Ambition Relative to the Possible: B+

- ✓ *Power Africa* has clear and specific targets with an explicit deadline for both new generation and new connections. Each are stretch goals from the current trajectory.
- ✓ The target of 30,000 MW of new power generation by 2030 would represent a one-third increase over the continent's 90,000 MW of installed capacity [at the time of *Power Africa*'s launch](#). The target is trackable, achievable with resources and effort, and would make a major contribution to unmet demand.
- The goal of 60 million new connections by 2030 is more difficult to track as measurement is inherently complicated. This target may also be unrealistically high. If most new connections are to households (and an average household has five people), this would imply reaching 300 million people for the first time, or nearly half of the total number of Africans living without energy access.

Clarity of US Government Role: B

- ✓ *Power Africa* is deploying an array of [public policy tools](#) across twelve agencies: debt finance, targeted grants, risk guarantees, insurance, analytical capacity, diplomatic effort, convening power, and technical, legal, and transaction assistance.
- ✓ With over 100 private sector partners, the effort is focused most strongly on leveraging private capital and ensuring that power sector investments are commercially sustainable. These are both appropriate. *Power Africa* has successfully encouraged other public and private actors to engage in the power sector, both through direct exhortation and through demonstration effects. Several other donors have followed suit with some kind of power sector initiative, a trend that the White House can take substantial credit for inciting.
- Claims of \$40 billion in new private sector commitments and \$12 billion in other non-US public partners are impressive headline figures. Much of this capital was, of course, planned or under late stage consideration prior to the instigation of *Power Africa*, so the true amount of new leverage is likely far less. Actual investments will also have to be closely watched.
- ✗ There is risk of confusion around attributing projects as *Power Africa* transactions, especially where the assistance of one or more US agencies is relatively minor and, arguably, not clearly decisive. To date, the *Power Africa* team has been laudably transparent about this, largely balancing the competing demands for clarity and quick results with a humility of what the US Government brings to the table.

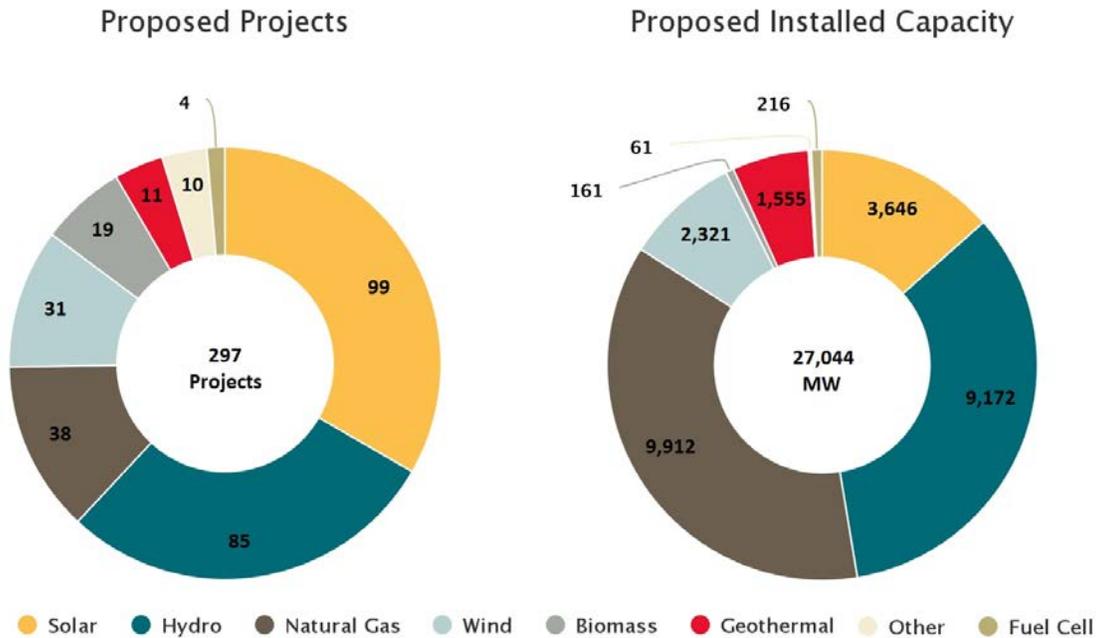
Transparency: A-

- ✓ *Power Africa* has shown an extraordinary level of transparency in its activities and a refreshing candor over some of the methodological issues it faces in tracking and measuring progress.
- ✓ The [Roadmap](#), released in May 2016, is a model of [clarity and comprehensiveness](#).
- ✓ The online [Power Africa Tracking Tool \(PATT\)](#) is a mobile app and web portal that allows the public to access regularly-updated data on qualified power transactions, including a summary of project stages, location, fuel type, total project cost, installed capacity, and agencies involved.
 - The PATT data still provides an incomplete picture of *Power Africa*'s progress. More precise data on project stage, US financial contributions, and information on the specific activities of different agencies would all be useful. The data could be much clearer in explaining where US Government support is minimal (i.e., a single advisor assessing a potential transaction) versus a major role in making a power project reach completion.
 - New household and business connections data are not yet available.

Political Balance: A-

- ✓ The initiative has broad bipartisan support, as evidenced by unanimous passage of the [Electrify Africa Act](#) in February 2016.
 - The Administration could have done a better job in gaining Congressional support early on, but now seems to have secured a large and diverse, if likely thin, support base for the effort.
- ✓ *Power Africa* has found a pragmatic and appropriate balance between the fossil fuel lobby and the renewables lobby. The actual portfolio of transactions supports a country- and demand-driven mix of project sizes, fuel types, on- versus off-grid, and experimental versus proven models (See Figure 1).

Figure 1: Power Africa Tracked Transactions



Source: Author calculations from the PATT, accessed September 2016

Results So Far: Preliminary B

- Press coverage of *Power Africa* has occasionally and prematurely [complained of slow progress](#) in bringing new generation online. New large-scale power plants, especially in high-risk markets like those targeted in this initiative, are never quick or uncomplicated. *Power Africa*'s early initiatives provided late stage support to a few large complex projects that have since faced delays, such as [Azura-Edo in Nigeria](#). Investment climate downturns, like the [foreign exchange crisis](#) in Nigeria or [parliamentary wrangling](#) in Ghana, have also severely affected the power sector. Blaming *Power Africa* for these holdups is misplaced and simplistic at this stage.
- ✓ Instead, the portfolio pipeline appears diverse and promising. According to the latest data in the PATT, *Power Africa* is tracking 297 projects in 28 countries with a potential total of 27,044 MW of new installed capacity. There are still 14 years to reach the 30,000 MW goal. So at first glance, this appears to be a healthy and diverse pipeline, already approaching 90% of the goal.
- Only about 400 MW of new greenfield projects are online so far and only about 4,600 MW of this portfolio have reached financial close. Many tracked projects, such as high-risk hydroelectric dams in places like Guinea (3,843 MW in 35 separate projects), may never reach completion. In that sense, the 27,044 MW portfolio could be interpreted as an overly optimistic upper bound

- ✓ The PATT data is almost certainly *undercounting* the true pipeline. The PATT lists only one Millennium Challenge Corporation project, an 88 MW hydro project in Liberia. However, the MCC has over \$1 billion in investments in the power sectors of Malawi, Ghana, Sierra Leone, and Benin. Similarly, the PATT lists Treasury as providing support for just one project, and Commerce as providing support for two projects.
- ✗ The US Export Import Bank was initially supposed to provide \$5 billion in total financing for Power Africa, the vast bulk of the public sector pledge. To date, however, Ex-Im has supported just one 100 MW solar project in South Africa. While the original Ex-Im target was [always unrealistic](#), the agency’s tools (trade finance strictly tied to US exporters) and mandate (boost US jobs) are not ideally suited for *Power Africa*. Moreover, the agency was non-operational for part of the period in question after Congress allowed the bank’s authorization to expire in June 2015. The uncertainty over Ex-Im created a huge incentive for power developers to seek suppliers in Asia and Europe. While the hold [has been formally lifted](#), Ex-Im still does not have a board quorum that is required to allow it to approve any transactions above \$10 million.
- ✓ More importantly than the list of specific early projects, power sector growth is not expected to be linear and there is plenty of time to develop new projects ahead of the 2030 deadline. The *Power Africa* team has deliberately chosen to take a longer view of sector transformation, which implies a slower initial start. The team, commendably, has *not* opted to only prioritize quick, low-cost, low-impact projects that require a minimal lift, like solar lamp distribution.

Table 1: Top Five Countries in Power Africa

	Proposed Transactions		Proposed Installed Capacity (MW)		
		% Total		% Total	
Nigeria	44	15%	Nigeria	6577	24%
Guinea	36	12%	Ethiopia	3920	14%
Tanzania	30	10%	Guinea	3893	14%
Kenya	29	10%	Ghana	2736	10%
South Africa	25	8%	Tanzania	1917	7%

Source: Author calculations from the PATT, accessed September 2016

Structure: C+

- ✘ The downside of ad hoc collaboration involving twelve federal agencies is a high risk of confusion, incoherence, and infighting over time. Other White House efforts have suffered from these maladies, such as the [Global Health Initiative](#), which was launched as a \$63 billion multi-agency initiative and was then [abandoned before the end of the first Obama term](#).
- ✓ Reports from multiple agencies suggest that *Power Africa* is functioning far better than might be expected given the complex nature of the effort and the competing bureaucratic interests. White House staff played a strong coordinating role in the early days of the initiative. The *Power Africa* team at USAID is considered highly capable and has, at least so far, managed to avoid the worst dynamics of interagency non-cooperation.
- ✓ The Overseas Private Investment Corporation (OPIC) has done much of the heavy financial lifting. According to the PATT and CGD's [OPIC scraped portfolio database](#), OPIC has invested at least \$1.7 billion in 17 *Power Africa* projects (see Annex), and provided additional financial assistance to more projects through the [US Africa Clean Energy Finance \(ACEF\) initiative](#) and other initiatives. Despite these successes, OPIC could be doing significantly more if it were given additional flexibilities and capabilities worthy of the United States' development finance institution, such as being able to work with local African companies or investing via equity.
- ✘ Leadership transitions at all the relevant agencies remain a significant risk for future cooperation.

Table 2: Power Africa by US Agency, 2013-16

	Transactions	Potential Installed Capacity (MW)
USAID	167	21,816
OPIC	29	1,776
USTDA	15	788
EXIM	1	100
MCC	1	88
Treasury	1	310
Commerce	2	175
USADF	44	5

Source: Author calculations from the PATT, accessed September 2016

Notes: This is based solely on data in the PATT and may differ with data collected by each agency of its own activities. The PATT is a work in progress and data quality is expected to improve over time. As noted above in the Transparency section, USAID transactions counted here may include projects where support is minimal or at a very preliminary stage. The \$30m US-ACEF is [funded by the Department of State](#) but implemented by USTDA and OPIC so counted here in those agency totals. Capacity figures involve some double counting where projects involve multiple agencies.

Legacy: Incomplete

- ✓ *Power Africa* has the potential to be President Obama's Africa policy legacy if it lives beyond his administration and achieves its stated goals. Among the reasons that President George W. Bush's PEPFAR has endured and is today viewed as a tremendous success are: (a) strong bipartisan support; (b) clear and measurable objectives; (c) a powerful champion to centralize budget authority and enforce the President's wishes within the interagency; and (d) a high-profile commitment from the White House that fighting AIDS is a US policy priority. As argued above, *Power Africa* has established the first two conditions.
- ✗ So far, *Power Africa* falls short on securing a sustained senior-level White House champion. Its original West Wing architects have all moved to new positions. USAID's *Power Africa* team is highly capable as coordinator and aggregator, but still lacks the formalized levers to force other agencies to act. *Power Africa*'s chosen structure, deliberately designed without an institutional home and a coordinator housed within USAID, is currently working but poses significant vulnerabilities for the future. Without a strong advocate with direct access to the President, much of the momentum could be lost in a new administration with a new leadership team and new heads of every federal agency.
- ✗ The priorities of the next President are also a major question. Every White House will set its own agenda, and history suggests that continuing a predecessor's initiatives is highly unattractive. Will *Power Africa*, and its 2030 goals, survive through the next administration?

Conclusion: Overall Power Africa: A-

Power Africa has the potential to be the most transformational and significant Africa-focused initiative of President Obama's tenure. Unlike many of the administration's other signature development efforts, *Power Africa* has clear and achievable goals, alongside a reasonable roadmap for reaching its targets. It is off to a promising start. To reach its objectives, however, will require continued US commitment over a sustained period of time. To fulfill its potential, the next administration should:

1. **Pledge early and clearly that the United States is committed to boosting electrification in Africa and achieving the Power Africa targets.** This would include a clear public statement within the first 100 days and full funding in the new administration's first budget.
2. **Institutionalize the authorities and leadership of Power Africa.** The new President should quickly staff the senior leadership positions at OPIC and USAID and task a senior National Security Council staff member to rally the interagency and ensure no momentum is lost during the transition. Ideally, a new structure and lines of authority would (a) appoint a politically-empowered White House official (at least at the Deputy National Security Advisor level) to carry the mission forward and engage with external partners, (b) continue the vital role of USAID as the lead on technical assistance and data collection, and (c) designate OPIC as the lead agency on financing for power.
3. **Launch a modern full-service development finance institution.** At a minimum, OPIC should be bolstered with new authorities and staff, especially deal teams and field staff beyond the current three based on the continent. Even better, the administration should work with Congress to relaunch OPIC as a modern full-service self-financing [US Development Finance Corporation](#).

Annex

Commitment by OPIC-led Power Africa Projects

Country	Project	Agency Contribution (2014 USD)
Ghana	Amandi Energy Limited	250,000,000
Kenya	Cloverfield Project	6,832,485
Kenya	Kipeto Wind Power Project	232,560,000
Kenya	Lake Turkana	173,908,601
Nigeria	Nova Lumos Home Solar Kits (Txtlight)	15,000,000
Nigeria	Azura Edo Power Project	58,382,778
Regional	Africa Finance Corporation	74,968,372
Senegal	Senergy 1	2,025,124
Senegal	Cap Des Biches Expansion (Contour Global)	71,200,000
Senegal	Cap des Biches (Contour Global)	100,000,000
South Africa	Firefly Investments Proprietary Limited	33,985,662
South Africa	Redstone Thermal Power Project	400,000,000
South Africa	The Standard Bank of South Africa Limited	250,000,000
Tanzania	Kilombero Hybrid Project	4,000,000
Tanzania	KMR Infrastructure LLC	13,561,692
Tanzania	NextGen Solawazi Limited	9,894,448
Uganda	Sindila/Butama mini HPP	13,400,000

Source: Compiled from PATT and the OPIC Scraped Portfolio database