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U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

ANNOUNCEMENT

CALL FOR PARTNERSHIP CONCEPT PAPERS

IN SUPPORT OF

POWER AFRICA INITIATIVE

UNDER EXISTING

GLOBAL DEVELOPMENT ALLIANCE ANNUAL PROGRAM STATEMENT

APS No.: APS-OAA-14-000001

PLEASE NOTE: This is an addendum to an existing announcement. All interested organizations should carefully review both this addendum AND the full announcement, which can be found here: <http://www.usaid.gov/work-usaid/get-grant-or-contract/opportunities-funding/global-development-alliance-annual-program>. Important information contained in the full worldwide announcement is not repeated in this specific addendum. Any concept paper submitted against this addendum must satisfy the requirements and abide by the guidance set forth in the 2014 GDA APS.

This program is authorized in accordance with Part 1 of the Foreign Assistance act of 1961, as amended.

Through this Addendum to the FY2014 Global Development Alliance (GDA) Annual Program Statement (APS) No. APS-OAA- 14-000001 (the GDA APS), USAID is making a special call for the submission of Concept Papers focused on advancing the success and achieving the goals of the Power Africa Initiative. More specifically, USAID's Power Africa Initiative, USAID's Bureau for Africa, and other offices within USAID/Washington, and USAID Missions in priority Power Africa countries, are seeking to engage with interested parties to develop activities or projects that can pool funds, talent, and resources from USAID, other government agencies, and private sector partners to support the Power Africa Initiative.

Priority will be given to alliance building in six priority countries (Liberia, Ghana, Nigeria, Ethiopia, Kenya and Tanzania) and select host government and regional institutions in Sub-Saharan Africa (SSA) which include, the Economic Community Of West African States (ECOWAS), the East African Commission (EAC), the African Union Commission (AUC), the



East and West Africa Power Pools, the African Development Bank, and the World Bank Group, as well as other donors.

It is envisioned that alliances formed under this Power Africa Addendum to the GDA APS will focus primarily on the following programmatic areas in the priority countries and/or with select regional institutions:

1. Financing Strategies for Power Production
2. Late Stage Power Sector Transaction Support
3. Small Scale Power Projects and Rural Electrification/Mini-Grids Support
4. Power Sector Regulatory and Institutional Strengthening and Policy Reform
5. Power Sector Training, Mentoring, Networking and Internships
6. Power Sector Risk Mitigation Strategies
7. Development or Piloting of Innovative Energy Technologies

This Power Africa APS Addendum is designed to catalyze, facilitate and support such collaboration with the private sector and other key development partners which will further Power Africa's goals. The GDAs formed as a result of this Addendum are envisioned to be inclusive of multiple partners, *i.e.*, businesses, universities, NGOs, government institutions, foundations, who are working within the subject area. The GDAs are also envisioned to serve as a way to enable programmatic coordination across many organizations that are involved in facilitating the generation of new power sources.

Unless otherwise stated herein, all terms and conditions of the GDA APS FY14 apply (<http://www.usaid.gov/work-usaid/get-grant-or-contract/opportunities-funding/global-development-alliance-annual-program>).¹

¹ As stated in APS No. APS-OAA-14-000001, the partnerships and alliances proposed in any Concept Paper should mobilize and leverage private sector resources at a minimum of 1:1. Proposed alliances that do not mobilize and leverage private sector resources at a value that equals or exceeds the level of funding being requested from USAID will not be considered under this announcement.

SECTION I – BACKGROUND AND FUNDING OPPORTUNITY DESCRIPTION

Overview

The African continent stands at a moment of unprecedented opportunity and has the potential to become one of the world's next great economic success stories. African exports continue to increase, particularly within the continent, while foreign direct investment (FDI) has been growing at a compound rate of about 20 percent since 2007. However, a major constraint to continued economic growth and investment – as well as improvements in agriculture, education, health, and other public services – is an insufficient supply of, and access to, reliable, sustainable, and affordable electricity.

The Power Africa Presidential Initiative

During his 2013 mid-year trip to Sub-Saharan Africa (SSA), President Obama launched the Power Africa and Trade Africa Initiatives as a new U.S. government (USG) effort to support economic growth and development in SSA. Power Africa is a whole-of-government effort – involving the U.S. Agency for International Development (USAID), the Overseas Private Investment Corporation (OPIC), the U.S. Export-Import Bank (Ex-Im), the Millennium Challenge Corporation (MCC), the U.S. Trade and Development Agency (USTDA), the U.S. African Development Foundation, the Department of State, the Department of Agriculture, the Department of Commerce, the Department of Energy, the Department of Defense, the Department of Treasury, and other USG entities, to increase the supply of, and access to, reliable, affordable, and, when possible, lower carbon emissions, power in SSA. Power Africa will focus on an initial set of six priority partner countries, comprising Ethiopia, Ghana, Kenya, Liberia, Nigeria, and Tanzania, but may expand to other countries at a later date.

SSA faces the following barriers to private sector project development and investment

- Poor system planning and project development
- Weak regulatory, policy, and legal environments (including corrupt and non-transparent bidding and contractual procedures)
- Sub-investment grade distribution companies (off-takers)
- Non-cost-recovering electricity tariffs, poor tariff collections
- Lack of transmission capacity to end-users
- International finance changing context and lack of viable local finance markets
- High cost of projects and investments, with long pay back periods and high risk
- Underfunded and understaffed government bodies and regulatory agencies
- Lack of available capacity within governments to evaluate, negotiate, and close projects
- History of state-owned utilities; fear of change and competition
- Political instability
- Unethical business practices and undue pressure from influential groups



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- Legal and regulatory barriers
- Disregard for the rule of law

Power Africa Approach

To support the achievement of appropriate results, USAID will adopt the following approach:

- **Transaction Focus:**² Power Africa will focus its efforts on an initial set of power projects and will aim to bring these projects to financial close³ and into construction
- **Committing to reforms:** Power Africa will build upon existing reform agendas. It will include countries that have committed to, or are likely to commit to, key power sector reforms necessary to attract private sector investment and accelerate project development and implementation. In order to undergird reform commitments, the Initiative may appoint an independent highly experienced senior-level public and private sector leaders to serve as resources to acting heads-of-state and their senior officials in focus countries
- **Delivering Results and Effective Implementation:** Power Africa will work directly with governments to help them improve their systems and capacity to deliver basic energy services, use data and analytical tools for decision-making, accelerate power sector regulatory and enabling environment reforms and advance priority power generation and transmission projects through the deployment of “Delivery Units” which may take different forms based on the context of each focus country
- **Mobilizing Finance and the Private Sector:** Power Africa, working with international partners, will address constraints to private sector participation and investment. The Initiative will expedite processes for due diligence, approvals, and procurement, to accelerate energy and power projects to financial close.
- **Increasing Cross-Border Electricity and Energy Trade:** Power Africa will work with the East and West Power Pools, among others in the region, to increase connectivity and cross-border trade in electricity to increase security of electricity supply and lower overall

² For the purposes of Power Africa, a transaction is a defined generation, transmission, or distribution project. It also includes gas production concessions, gas pipelines and associated infrastructure, capturing of associated gas and reduction of gas flaring and access projects including mini-grids.

³ The term “financial close” as used herein refers to an event in a project at which each of the conditions precedent to the initial drawdown of funds under the credit agreement are either satisfied by the project company, as borrower, or waived by the project lender(s). See *The Law and Business of International Project Finance*, Scott L. Hoffman (1998) at 702. Further, the financial close event implies that the project company has concluded with project lenders a complete package of permanent financing on a nonrecourse or limited recourse basis. The availability of permanent financing (i.e. debt with a grace period equal to the construction period plus a repayment period of at least 10 years) on reasonable terms and conditions is a key pre-requisite to attract long-term investment from the private sector into the power sector in SSA.



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energy costs. Special attention will be centered on the operations of the Power Pools, their cost structures and sustainability. In addition, Power Africa will support improved regional planning and help build national capacity to engage in spot trading and eventually a real time electricity market.

- **Enhancing Capacity for Low Emission Development Strategies.** Power Africa will help plan and implement country-led Low Emission Development Strategies, including by increasing transparent data collection and analytical decision making for those sectors key to long term economic planning. These frameworks will help to guide the investments of Power Africa; ensuring activities align with country priorities and lead to lowering GHG emissions trajectories in the long-term.
- **Clean Energy Focus:** Power Africa, when appropriate, will focus its efforts on cleaner energy technologies, providing low carbon options that reduce GHG emissions, and also provide regional energy security and increased energy access to rural populations.

Power Africa will accelerate power generation, transmission, and expand distribution in focus countries in SSA by aligning commitments of those countries with the commitments made by private sector partners of the Initiative to increase investments in the power sector. USAID, together with the Multilateral Development Banks (MDBs) such as the African Development Bank (AfDB) and the World Bank (WB), as well as other donors, will facilitate and support investments and reform efforts that together will expand the availability of power for sustainable economic growth.

This Addendum to the GDA APS seeks private sector partners that wish to collaborate with USAID on programs that realize the Power Africa goals while pursuing their own business or philanthropic interests.



SECTION II- AWARD INFORMATION

Based on this Addendum to the 2014 GDA APS, USAID anticipates entering into 2 or 3 partnerships over the course of a 3-5 year period. USAID also anticipates investing \$2.0 to \$7.5 million over the life of the project. Prospective USAID contributions to partnerships awarded under this addendum could range from \$100,000 to \$3 million. The number of awards and amount of available funding is subject to change.

USAID will be substantially involved in the program and management performance of any Cooperative Agreement awarded under this Addendum, including technical collaboration on specified program interventions. Examples of USAID's involvement are as follows:

- a) Collaboration in establishing annual work objectives and approval of an annual work plan.
- b) Collaboration in assessing progress and identifying issues that arise, which may impact the success of the program.
- c) Collaboration in determining corrective actions, where necessary.
- d) Approval of key personnel and any subsequent changes in the positions during the life of the award.
- e) Establishment of a monitoring and evaluation system.

SECTION III- INSTRUCTIONS, EVALUATION FACTORS, REVIEW PROCESS

INSTRUCTIONS

Applicants are required to follow the Concept Paper instructions set forth in the GDA APS and submit Concept Papers using the [Concept Paper Template](#). Information provided in Section I.E of that Template should address the objectives and goals of Power Africa. In addition to satisfying the requirements of the 2014 GDA APS, Concept Papers submitted under this Power Africa Addendum must propose and describe GDAs that advance at least one of the following priorities:

1) Financing Strategies for Power Production

In SSA, public funding still provides the lion's share of capital for energy development, with official development assistance also playing a critical role. However, for the region to reach its increased generation targets, far greater private sector participation and financing are required. The financing need for SSA's power sector is currently estimated at \$41 billion annually. At current spending levels from government, donors, and the private sector, the financing gap for the energy sector stands at roughly \$23 billion annually for Sub-Saharan Africa countries.



Building on existing USG efforts focused on clean energy financing, USAID will work with private sector partners, pension funds, other institutional investors, MDBs, IFIs, and donors to support mobilization of greater capital investments in viable power projects, conditioned on agreed partner country reform implementation. Through the Power Africa Initiative, it is anticipated that the USG will provide technical assistance to identify and advance energy transactions, support expanded investments in the power sector by African pension funds and insurance companies, and assist investors and lenders to address the risks of financing energy sector projects. Alliances created through this Power Africa Addendum could be an important part of this effort.

2) Late Stage Transaction Support

Power Africa seeks to shift the typical development paradigm to a transaction-centered approach that provides host-country governments in the focus countries, the private sector, and donors with a focal point to galvanize collaboration around priority electricity generation, transmission and distribution transactions. Emphasis will be placed on transactions that involve private sector participation and finance, that can be brought to close in a relatively rapid manner, and that will bring power online in an expedited time frame. In the process, Power Africa will simultaneously help governments to drive systemic change and fundamental power sector reforms that will facilitate even greater private sector involvement and investment over the long term.

The approach seeks to accelerate the pace of project development by identifying key milestones, risks, challenges and constraints and those USG interventions, including the formation of alliances, which can effectively help project stakeholders address and overcome such challenges and barriers in the short to medium term. By helping advance projects and creating the conditions precedent necessary for them to reach financial close⁴ as quickly as possible, the USG seeks to not only increase availability of power in the near-term, but to create models and an overall enabling environment that will facilitate future private sector investment. Alliances could support the acceleration of this process.

⁴ The term “financial close” as used herein refers to an event in a project at which each of the conditions precedent to the initial drawdown of funds under the credit agreement are either satisfied by the project company, as borrower, or waived by the project lender(s). See *The Law and Business of International Project Finance*, Scott L. Hoffman (1998) at 702. Further, the financial close event implies that the project company has concluded with project lenders a complete package of permanent financing on a nonrecourse or limited recourse basis. The availability of permanent financing (i.e. debt with a grace period equal to the construction period plus a repayment period of at least 10 years) on reasonable terms and conditions is a key pre-requisite to attract long-term investment from the private sector into the power sector in SSA.



3) Small Scale Projects and Rural Electrification/Mini-Grids Support

In addition to focusing on large-scale projects, Power Africa also seeks to bring electricity to those tens of millions of Africans who are currently without access. Low population density outside major urban and peri-urban areas seriously complicates grid expansion given the high per capita grid connecting costs. The International Energy Agency (IEA) expects the number of people lacking access in SSA to rise from 41% (2009) to 54% by 2030. Under Power Africa, USAID will promote alliance building, where feasible and appropriate, to foster private investment and participation in the small scale projects, and mini-grid investments and operations, leading to increased economic development through expanded access to clean, reliable, and affordable electricity. The Power Africa goals in this area are to:

- Increase access to electricity by 500,000 households and businesses in the six priority countries, with a focus on productive use and other activities fostering sustainable development
- Increase off-grid clean generation for mini-grids by 50MW
- Catalyze investment of up to \$500 million in small scale projects
- Reduce emissions from and use of diesel by switching to renewable energy technologies and hybrid systems

Early-stage project developers often lack key skills and capacity to move projects forward, the financial resources needed to close technical gaps, the management resources needed to negotiate PPAs, and the legal resources to complete project documentation. Partnerships and alliances formed under this APS Addendum may be one way to address this problem.

Working in collaboration with other donors⁵ and other USG agencies and programs⁶, alliance building will be one possible way to develop and bring small-scale projects to closure.

4) Regulatory and Institutional Strengthening and Policy Reform

Countries in sub-Saharan Africa face a number of lingering regulatory, institutional and enabling environmental barriers that impede private sector participation and investment. Time has shown that private power project proposals in sub-Saharan

⁵ Such as KfW GET FIT program in Uganda, DFID's new Green Mini-Grids program in Kenya and Tanzania or the World Bank's Climate Investment Fund in Tanzania, for example.

⁶ Such as Development Innovation Ventures (DIV), the Private Financing Advisory Network (PFAN), US-Africa Clean Energy Finance Facility (ACEF), the USAID Powering African Agriculture program working on geothermal direct use in Kenya, Development Credit Authority (DCA) in Nigeria, among others.



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Africa S often fail to materialize due to a lack of government ability to support necessary legal and regulatory frameworks and enabling environment reforms vital to the long-term sustainability of the sector.

Experience has shown that key factors in achieving a high level of access to electricity are the adoption of a national strategy followed by the development of a detailed access plan, and the systematic execution of that plan. While Power Africa seeks to advance power generation, transmission and distribution projects and bring them to closure, it also seeks to strengthen the government's capacity and practical experience on such issues as tariff modeling, project selection, competitive procurement, contracting and post-award monitoring. Alliances and partnerships may be a vital tool in this area. Equally important to closing projects is ensuring that they are viable over the long term. Another overarching Power Africa goal is to build project development approaches that are standardized, transparent and replicable over time.

5) Power Sector Training, Mentoring, Networking and Internships

There is a need for power sector skills training at all levels throughout Power Africa's priority countries. USAID has long supported the work of universities and organizations, such as the U.S. Energy Association (USEA), to build relationships between utilities ("twinning" the utilities), to organize study tours for African power sector officials and to provide mentors for specific utilities. Though effective, these and other similar programs have been limited due to budgetary and programmatic constraints. Power Africa alliances in this area might also have a broader scope to include several additional priorities, such as business, finance and management; corporate governance, environmental management and public administration; social entrepreneurship and community relations. Alliances might include the "training of trainers" to enable talented young African leaders with strong training skills to have an opportunity to conduct power sector trainings in other priority countries. In addition, a networking platform could be established to connect power sector participants with other young African leaders from the business, government, media and civil society sectors.

6) Power Sector Risk Mitigation Strategies

The development of effective financial risk mitigation strategies will be critical to the achievement of Power Africa's goal of attracting private investment to the power sector. The poor performance and creditworthiness of utilities along with the lack of cost reflective tariffs remain two of the top constraints faced by the region. New partnerships and alliances may be able to convince decision-makers to adopt new, more cost-reflective approaches to the power sector. USAID has long been a leader with risk mitigation programs and the Private Capital Group for Africa has advocated the use of "patient capital" as a way to reduce risk to the private sector investor. Innovative alliances may prove of significant value in this area.



7) Development of Innovative Energy Technologies

The costs of solar and wind energy production have dropped precipitously over the last few years, making these renewable technologies, and others, viable options for both on-grid and off-grid energy solutions. Power Africa seeks to encourage the development of new and innovative technologies, as well as the piloting of existing innovative technologies in the Power Africa priority countries. Such technologies might include but are not limited to, those that involve rechargeable batteries and other grid-level energy storage, geothermal drilling and surveying technology, and lower cost/higher efficiency equipment.

The completed Concept Paper Template (including the Concept Paper and required Supporting Information) should be submitted to:

Morgan McClain-McKinney, USAID/AFR/AA/PCGA: mmcclainmckinney@usaid.gov

Steve Shira, USAID/AFR/AA: sshira@usaid.gov

Hannah Jung, USAID/PATA: hjung@usaid.gov

Francinah Hlatshwayo, USAID/Southern Africa/ROAA: fhlatshwayo@usaid.gov

With a copy to: gda@usaid.gov

All Concept Papers must be in English. All correspondence must include the relevant APS number and title.

For information regarding guidelines and procedures to submit a concept paper, please refer to the GDA APS which can be found at the following website: <http://www.usaid.gov/work-usaid/get-grant-or-contract/opportunities-funding/global-development-alliance-annual-program>. Additional information on alliances can be found at <http://www.usaid.gov/work-usaid/get-grant-or-contract/opportunities-funding/global-development-alliance-annual-program-0>.

Before submitting a Concept Paper, prospective applicants should contact Power Africa via powerafrica@usaid.gov. The assigned USAID Point of Contact can discuss the extent to which a proposed idea is appropriate and aligns with USAID's goals.

In addition, prospective applicants must also connect the prospective applicant's private sector partners to AFR/PCGA via Morgan McClain-McKinney: mmcclainmckinney@usaid.gov. Under the GDA APS, USAID can have robust and extensive discussions with prospective private sector partners with regard to potential alliance ideas and activities, so long as that private sector partner is not seeking to receive and manage award funding from USAID.⁷ Applicants should

⁷ Note: If the private sector partner is seeking to receive and manage USAID funding, the discussions will need to be more limited. Questions regarding the nature and scope of partner discussions prior to the submission of a concept paper, as well as any questions regarding the terms of the Global Development Alliance Annual Program Statement, can be directed to gda@usaid.gov or Ken Lee at kenlee@usaid.gov.



connect the private sector partners to USAID as soon as possible and well in advance of submitting a concept paper.

CONCEPT PAPER DUE DATES:

Concept papers are due no later than November 18, 2015, at 5:00 PM, Pretoria, South Africa Local Time.

Concept papers will be accepted on a rolling basis.

Note: Full applications should not be submitted until the authorized USAID personnel, specifically request such an application through a formal Request for Application (RFA).

EVALUATION FACTORS

All Concept Papers will be reviewed against the criteria and considerations set forth on Pages 9-11 of the 2014 GDA APS.

REVIEW PROCESS

USAID will review submitted concept papers based on the above evaluation factors and will contact applicants on whether or not to provide full applications. USAID will give additional instructions to those invited to prepare full applications. During this entire process, USAID and resource partners (including private sector partners and others not seeking to receive competitively awarded funding from USAID) may discuss ideas or engage in conversation in order to vet mutual interests and potential working relationships. In addition, once a concept paper has been submitted, USAID can include the prospective implementing partners in these robust and expansive conversations with the private sector and other resource partners.

QUESTIONS AND ANSWERS:

Questions before the submission of concept papers are due no later than November 13, 2015, at 5:00 PM, Pretoria, South Africa Local Time.

Questions regarding the Power Africa Initiative should be submitted to Power Africa: powerafrica@usaid.gov.

Questions regarding the substance and content of this amendment should be submitted to AFR/PCGA Morgan McClain-McKinney: mmcclainmckinney@usaid.gov and OAA/USAID/Southern Africa/ROAA, Francinah Hlatshwayo: fhlatshwayo@usaid.gov

Questions regarding the terms of the GDA APS can be submitted to IDEA/GP Ken Lee: kenlee@usaid.gov, with copy to gda@usaid.gov .



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Responses/Answers are anticipated within a week of submission of questions.

SECTION VI - OTHER INFORMATION

Issuance of this addendum to the GDA APS does not constitute an award or commitment on the part of the U.S. Government, nor does it commit the U.S. Government to pay for costs incurred in the preparation and submission of an application.

USAID reserves the right to fund any or none of the applications submitted. Further, USAID reserves the right to make no awards as a result of this addendum to the GDA APS.



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CLEARANCE PAGE FOR Power and Trade Africa APS Addendum

Clearances:

AFR/PATA: AHerscowitz	_____	Date: _____
AFR/PATA: CDrost	_____	Date: _____
USAID/EA: MWillis	_____	Date: _____
AFR/PCGA: ADasewicz	_____	Date: _____
IDEA/GP: KLee	_____	Date: _____

Drafter:

AFR/PCGA: Jeremy Hagger: 781-373-3050
November 04, 2013: Power and Trade Africa_APS_Addendum_Feb 2014_FINAL