SUBJECT: Call for Expressions of Interest to partner with USAID/Power Africa through the Development Credit Authority (DCA)

Ladies/Gentlemen:

Power Africa is seeking Expressions of Interest from private financial institutions engaged in power-related lending in Cote d'Ivoire, Ethiopia, Nigeria, Uganda, and/or Zambia (the “Qualifying Countries”) to partner with Power Africa and USAID through the DCA. Power Africa and USAID anticipate signing a partial credit guarantee agreement(s) with one or more successful partner(s), subject to alignment with Power Africa and USAID’s priorities, due diligence, and agreement on terms.

DCA Background

The Development Credit Authority, or DCA, is USAID’s partial credit guarantee program. DCA allows USAID to partner with financial institutions to mobilize local financing in developing countries. USAID typically guarantees 50% of the total debt capital mobilized in each transaction, pari passu to the lender. USAID DCA guarantees are backed by the full faith and credit of the U.S. Government.

DCA guarantees are designed to drive financial market growth by assisting financial institutions to expand in underserved sectors and segments, in this case power. DCA’s goal is to encourage financial institutions to lend to a new type of borrower, develop a new product, lend to a new geography, or lend at improved terms.

The Development Credit Authority offers three main products for financial institutions that are interested in lending to underserved borrowers:

- Loan Guarantee: This guarantee is for loans made to a single identified borrower. The financial institution signs a Legal Agreement with USAID to cover a specific percentage, usually 50%, of outstanding principal in a loan to a specific borrower. The borrower can be a financial institution raising funding for on-lending or a non-financial firm utilizing the proceeds for a USAID priority sector (power, in the case of this Call).

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1 Financial Institutions will be defined as: private for-profit entities that provide loans, leases or other debt instruments. These include but are not limited to banks, non-bank financial institutions, SACCOs, debt funds, impact investment funds, private investment firms, and private investors (individuals or groups). Commercially-oriented non-profit institutions are also eligible to participate. An institution is considered “private” if no more than 20% of its capital is held by a government entity.
● Loan Portfolio Guarantee: This guarantee is for loans made to a predefined borrower segment. The financial institution signs a guarantee agreement with USAID that defines qualifying borrowers. USAID then covers a specific percentage, usually 50%, of outstanding principal of loans made to each of these qualifying borrowers. The specific loans to be covered by the guarantee are determined by the financial institution after the guarantee is issued.

● Bond Guarantee: The bond guarantee is used for bond issuances, whether listed or privately placed. The legal agreement is typically signed by USAID, the Trustee (or similar representative of bondholders) and the Issuer. USAID then covers a specific percentage, usually 50%, of outstanding principal due to bondholders.

**Power Africa and DCA Nexus**

Expressions of Interest for new DCA guarantees must align with one or more priorities under the Power Africa initiative: (a) increase installed capacity by supporting 30,000 MW of new generation; (b) double energy access by supporting 60,000,000 new home and business (on- or off-grid) connections, in sub-Saharan Africa by 2030; (c) improve the enabling environment in the power sector in sub-Saharan Africa, including by offering power solutions, such as energy storage, metering, smart grids, transmission, and other power technologies, and supporting utilities.

This Expression of Interest focuses on opportunities to support the power sector(s) in one or more of the Qualifying Countries as part of Power Africa’s partnership with the African Development Bank, which selected certain of the Qualifying Countries as focus countries for its Africa Energy Marketplace initiative.

In connection with the DCA guarantee, Power Africa and USAID may provide technical assistance to expand opportunities for and strengthen the capacity of partner financial institutions. This may include financial sector advisory services, which are critical for building awareness of power sector opportunities, and the institutional capacities of banks and the local private sector. Power Africa and USAID may also assist financial institutions in pipeline development, through existing power sector technical assistance activities, including the Nigeria Power Sector Program (NPSP), the Power Africa Uganda Energy Supply Accelerator (PAUESA), and the Southern Africa Energy Program (SAEP), among others.

**Submission of Expression of Interest Instructions and Review Process**

Through this announcement, we invite financial institutions to submit an Expression of Interest in accordance with the instructions provided here below:

1. Brief profile of the applicant (including a point of contact)
2. Applicant’s Power Sector Lending Strategy
3. Explanation of how the applicant intends to utilize the DCA, focusing on the additionality of the guarantee (i.e. unlocking specific borrowers, products, impacts) and potential transactions that could be placed under guarantee;
4. Demonstration of how the Applicant’s goals tie in with Power Africa priorities, including, MWs of new generation supported and number of new connections to be facilitated, where applicable.

Please do not exceed three pages in your submission.
Expressions of Interest will be evaluated based on (a) the extent to which the financial institution’s concept aligns with Power Africa’s priorities; and (b) expected developmental impact, including an assessment of the strength and quality of the indicative transactions or projects to be guaranteed.

Following selection of short-listed candidates, Power Africa and USAID will conduct a screening process, which may include an in-person meeting. Following successful final selection, the institution will be required to provide a list of documents, similar to the attached due diligence checklist (Appendix 1). USAID will then conduct in-person due diligence in parallel with legal negotiations on the guarantee agreement. Due diligence will be conducted at no financial cost expense to the institution.
Questions and Further Assistance

Power Africa and USAID/DCA will hold two teleconference calls to discuss the extent to which a proposed idea is appropriate and aligns with USAID’s goals and/or respond to specific questions financial institutions may have regarding this request for Expressions of Interest. These teleconferences will be held on Thursday November 15 and Tuesday November 20 from 8 AM EDT - 9 AM EDT.

Conference line details are:
   From the U.S.  +1 855 753 2232 or +1 646 722 4941
   From South Africa: +27 21 300 2861 or 0800 11 1784
   From the U.K.: 800 376 6165 or +44 203 194 0578
   From Uganda +256 79 497 8912
   From Nigeria +234 12 775 750

Pin: 81086179

POINT OF CONTACT

Please submit your application to Andrew Gisselquist, DCA Investment Officer for Power Africa, agisselquist@usaid.gov; Vibhuti Jain, Power Africa, vjain@usaid.gov

Applications must be received no later than 11:59 p.m. on Friday December 14, 2018. Please note that Power Africa and USAID do not accept responsibility for delays with transmission or receipt of application. Applications received after that date and/or time specified may not be considered.

Power Africa and USAID reserve the right to partner, or not partner as a result of this request for proposals. This request does not represent a commitment on behalf of either Power Africa or USAID. Additionally, the U.S. Government is not obligated to pay any costs associated with the preparation of a proposal in response to this request.

Only shortlisted applicants will be contacted.
Appendix 1: Due Diligence Checklist for Selected Partners

This list is provided for information purposes. Only short-listed applicants will be requested to submit a due diligence packet.

1. A completed USAID-DCA Information Request
2. Annual report for the most recent four (4) years (audited financial statements with footnotes, management discussion and analysis of financial condition and results of operations (MD&A) disclosure, auditor’s opinion and auditor’s management letter)
3. Latest un-audited interim financial statements
4. Organizational chart
5. CVs of key managers / decision makers (including president, CEO, Treasurer, chief credit officer, chief risk officer and director of internal audit)
6. CVs of Board members
7. International or local rating agency reports (if applicable)
8. Certificate of incorporation (or local equivalent)
9. Articles and Memorandum of Association (or local equivalent)
10. Financial/banking industry report provided by the Central Bank, regulator, or industry association that shows Lender’s market position compared to other financial institutions
11. Credit policy and procedures
12. Safety & Soundness Examination report conducted by the Central Bank (if applicable)
13. Three (3) to five (5) year business plan. If available, include cash flow projections with detailed assumptions and SWOT (Strengths, Weaknesses, Opportunities, Threats) or similar analysis
14. Environmental compliance policy
15. Any other presentations or documents, as deemed relevant (such as presentations for donors or investors, sector strategies, etc.)