



Benchmarking best practice

An Africa Infrastructure Development Association (AfIDA) Workshop at the AIX conference in London in mid-November explored a series of issues critical to the project development sector in Africa, including financing, standardisation and how the industry might work collectively to move things forward.

The well-attended workshop took place on the sidelines of the fourth annual Africa Investment Exchange: Power & Renewables meeting in London on 15 November and was moderated by David Donaldson, head of IFC IntraVentures. A series of topics were tackled during the three-hour meeting, held under the Chatham House rule to encourage free-flowing discussion.

The debate opened with some thought-provoking remarks from one presenter who argued that if the project development industry is to cope with the longer tenors needed for renewable energy deals it needs to tap into new sources of financing, such as the Green Climate Fund. “If we agree the future for Africa is renewable energy then we must find appropriate financing,” they said.

They went on to question why

developers focus so much of their attention on power and energy – to the exclusion of other important sectors such as transport, logistics and special economic zones – and noted the need for funding approaches, such as bridging finance and refinancing, so more projects can move ahead. “Despite the billions of dollars that have been spent in Africa, the infrastructure is worse now than 20 years ago,” they told the audience. “The mechanisms that have been used to deliver infrastructure haven’t worked.”

The idea of new financing methods was welcomed by delegates. One pointed out that a critical element to that is getting development finance institutions (DFIs) to agree to refinancing. “The issue is which DFI is going to break first,” they said. “We just need to get one or two DFIs and I

suspect a lot more will come after that.”

Others pointed out it was not merely a matter of financing. Being nimble is also essential. “Your biggest enemy, particularly in smaller projects, is time,” said another delegate.

Of course one aspect that can slow down a project is the lack of standardisation. As one attendee said, “One of the big problems in Africa is people keep reinventing the wheel, project by project.”

As many in the room remarked, one thing that makes it harder to set standards is the diversity of political and economic conditions around the continent. There are no easy answers to this, given that different countries vary in their stages of development. “Even as we strive to standardise the

documents, let's try to do it at the national level and not at the continental level because of the many differences," said one.

Even so, there was a widely accepted view that there should be more effort to create standards for the industry. "Standardisation is a good thing," said one of those present. "Over the past 10 years the standardisation process has become far more sophisticated over time. It is something that everyone's been striving for; it's become much more prevalent now."

Unfortunately, this isn't a one-way process and they went on to say there had been a move away from standardisation in some areas. "Joint development agreements on the face of it would seem to be relatively simple documents," they added. "But rather than becoming simpler and more standardised, they've actually become a lot more complex."

A number of people made reference to the Global Energy Transfer Feed-in-Tariff (Get FiT) programme in East Africa as a framework that provides some certainty for developers. According to one commentator, "It addresses a lot of the questions. It addresses the



capacity of governments to run clean and transparent procurement processes, there's an upfront investment in bankable documents [and] it also addresses the problem of tariffs. It's not going to work for everything [but] what's important for us is some sort of policy certainty."

"The issue is more around scale," noted another delegate. "If you're looking for developers of scale, is the Get Fit process appropriate? The answer is probably no."

There may not be any simple answers to the issues thrown up by

this debate, but it was evident at the workshop there was broad agreement on what some of the main challenges are the industry needs to tackle, and that is where AfIDA can perhaps make a difference. As one panellist said to the audience of project developers during the workshop, "I would like to invite you to contribute to an organised response to African governments to pursue best practice energy sector."

For more about AfIDA visit:

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