



UNITED NATIONS
ECONOMIC COMMISSION FOR AFRICA

High-level Workshop on “Public-Private Partnerships’ implementation in the Energy Sector in Africa: Challenges, Best Practices and New Trends”

United Nations Conference Centre, Addis Ababa, Ethiopia
30 June – 1 July 2011

Concept Note

1. Background

Energy is central to sustainable development and poverty reduction efforts in Africa. Energy services enable basic human needs, such as food and shelter, to be met. They also contribute to social development by improving education and public health. Without substantial increased investment in energy, the MDGs will be difficult to achieve. Further, vulnerability to climate change impacts will reduce the social, environmental, and economic consequences of climate change, and improve the effectiveness and sustainability of ongoing development efforts. The global shift in to greener energy source is providing more opportunities for investment in Africa's own clean technology industry.

Africa is endowed with numerous energy potentials and primary resource deposits. Even amid the financial crisis that hit the global markets, ongoing exploration efforts in Africa have resulted in a wave of discoveries and new hope for unexplored and under-explored energy resources. However, efficiency and per capita consumption remain very low compared to other continents. Although 14.1 percent of the world's total population lives in Africa, the continent consumes only 4.2 percent of world delivered energy for industrial uses. Also, there is a very high dependency on biomass and traditional fuels, especially in Sub-Saharan Africa. Further, the distribution of the conventional sources of energy in Africa provides a strong case for regional and continent-wide programmes of energy development. Oil and gas are concentrated in north and west Africa, hydroelectric potential in central and east Africa and coal in southern Africa.

The AICD conclusions regarding the power sector are alarming as 62% of the infrastructure investment needs in SSA are in the power sector. If total current private sector investment in all infrastructure sectors is increased by 300% and it is all to the power sector every year, Africa could close the power sector investment gap in about ten years. But currently only about 10% of total private sector investment goes to power. At this current rate of spending, SSA we will not reach modest service delivery levels in the power sector even after 30 years.

African leaders have drawn attention to Africa's low access to modern energy and have backed the NEPAD's Short-Term Action Plan (STAP, 2002) target that at least 35% of the population has access to electricity by 2020. More recently, the 12th African Union Assembly (2009) undertook to institute reforms conducive for private sector investment in infrastructure development and develop major

regional and continental hydroelectric power projects to ensure energy security in Africa.

To date, there have been various initiatives aimed at stimulating the development of energy markets in Africa. African countries have witnessed a number of energy sector restructuring Programs, which focused on enhancing competition and private sector participation and the financing of the privatization of corporatized entities. However, these reforms are often beset by weak governance systems, weak business practice and persistent capacity shortfalls, which resulted in inefficient utility operations, power theft, reduced billing and collection, and nonpayment of arrears.

The fiscal crunch that has put pressure on new public investment, the difficulty of finding international support for large commercial projects, and the need to enhance the quality of public service provisions highlight the importance of finding innovative solutions to private sector participation. PPPs are increasingly seen as a favourite to close the gap between the infrastructure investments required for the future and the capacity of the public sector to meet those requirements from traditional sources. The decision by governments to pursue public service delivery via PPPs is often based on the assumption that the PPP approach will deliver value to the public through one or more of the following: lower cost; higher levels of service; and reduced risk. However, the skills required to undertake PPPs are complex and there is a need for training and capacity building within governments if PPP programmes are to be successful.

A major barrier in formulating PPPs as an effective tool for public sector delivery is the lack of skills and knowledge within governments to identify projects and make them bankable and feasible. It is therefore critical in order to attract private sector investment to undertake a concerted and comprehensive programme of capacity building of government officials, including at local level as well as private sector to develop partnerships for effective service delivery.

Against this background, the United Nations Economic Commission for Africa (UNECA), in conjunction with the Korea Energy Economic Institute, is organizing a workshop on the PPPs implementation in the Energy Sector in Africa, to be held in Addis Ababa, Ethiopia on 30 June- 1 July 2011. The workshop will mark the beginning of a series of workshops on the PPPs implementation frameworks in the major infrastructure sectors and public services in Africa.

2. Objectives

The workshop responds to a number of African governments' requests for assistance in the drafting of guidelines on establishing and managing PPP projects through the whole life cycle that includes preparation, implementation and service delivery in addition to the structuring of appropriate institutions and regulatory frameworks.

The main objective of the workshop is to examine the main challenges and prospects to scale up private sector investment in the Energy sector in Africa, with a special focus on the main components of the PPP implementation framework. Through the analysis of African and international best practices, the workshop will examine the set of main principles for the PPP implementation framework in terms of processes and institutions, project structures, and recommended legislative and regulatory arrangements that would result in optimal risk allocation and improvements in financing and deal structuring arrangements.

Specific objectives of this workshop include the following:

- Enhance member countries' capacity to mobilize increased financial, technical and human resources in support of Africa's clean energy development
- Provide the opportunity for participants from both public and private sectors to exchange experiences and new ideas and discuss practical strategies for PPP implementations that would improve service delivery in the energy sector.
- Present key lessons for a workable PPP implementation guide/framework, which is consistent with good governance principles in order to encourage greater private sector participation in the energy sector.
- Provide energy/infrastructure agencies with the necessary skills and competencies needed to realize sustainable and bankable PPP projects.

3. Themes

The workshop will focus on the following themes:

I. PPPs in Service Delivery in African

- PPPs and service delivery in Africa..

- Role of PPPs in Public Service Delivery in Africa.

II . Africa’s Energy Sector: status analysis and main challenges

- Main challenges and modalities to increase power capacity.
- Funding for PPP project preparation.
- Management contract for power distribution.
- Policy and planning issues: allocating sector responsibilities to public and private actors.
- IPPs: structuring power purchase agreements and lessons learned..

III. Service Delivery in the Energy Sector: best practices and lessons learned

- Power generation and transmission.
- Local service delivery and rural electrification.
- Synergy and linkages with other sectors.

IV. Green Economy: opportunities, challenges and the way forward

- Challenges of green energy and carbon market development.
- New and Renewable energy: new technologies and business cases.
- Investment and financing mechanisms.
- Sourcing cleaner energy projects to add to the energy mix without increasing the cost of a new build project.

V. Regional and sub-regional Issues

- Main challenges to regional and cross-boarder PPP projects in Africa.
- Measures and mechanisms to address key challenges to regional and cross-boarder PPP projects.
- Role for regional entities (RECs, Power Pools, etc) in regional power projects.

V1. Implementation Framework to Enhance Private Sector Investment and Participation in the Energy Sector

- Policy measures, regulatory framework and promoting good governance practices for PPP.
- Finance and resource mobilization.
- Role/ engagement of Key Stakeholders.
- Capacity building.

VII. Co-operation with Emerging Partners: the challenges and opportunities for PPP co-operation between Africa and Korea

- Korea's investment and its role in building electric power infrastructure and interconnections in Africa.
- Comprehensive scheme on the Africa-Korea Partnership to ensure resources accompanying infrastructure development (package deal).

VIII. Vision and action plan for enhancing PPPs in the Energy Sector

4. Participants

The workshop is organized for decision and policy makers, private sector as well as high level officials from various governmental entities, including the following:

1. Ministries of Public Services, Finance, Trade and Industry, Planning etc.
2. Chambers of commerce.
3. Country representatives of business, commerce and trade organizations.
4. Public-private consultation groups.
5. Representatives of donor agencies funding development programmes in Africa;
6. Representatives of RECs
7. African Forum for Utility Regulators.

5. Collaboration and Partnerships

Leading international, regional and domestic experts and practitioners will share and present their insights. National and international PPP initiatives related to the energy sector will be presented. In addition to the following SROs (SA, EA and WA) , invitations will be extended to the following partners:

1. UN Organizations: UNDP, UNCTAD, ESCAP. UNCTAD.
2. .AUC, AfDB, bi-lateral and multi-lateral Institutions.

3. Development Financial Institutions.
4. Sub regional organizations including SADC, EAC, SAAPP and EAPP.

Venue: Addis Ababa, Ethiopia.

Date: 30th June-1st July 2011