



# NIGERIA POWER SECTOR PROGRAM (NPSP)

TECHNICAL ASSISTANCE SUPPORT FOR OFF-GRID ELECTRIFICATION PROJECTS IN NIGERIA

January 2019

# NPSP SUPPORT TO THE GIZ MINI-GRID ACCELERATION SCHEME

**Objective:** Promote the success of the GiZ Mini-Grid Acceleration Scheme by identifying potential capital sources and standardizing transaction processes and documentation requirements to **decrease transaction timelines and transaction costs**

**3** Primary activities will support the achievement of these objectives under NPSP's collaborative support to GiZ:

- 1. Identifying potential appropriate domestic and international capital sources** for the off-grid market in Nigeria through strategic investor engagement (market sounding)
- 2. Work with capital seekers** (e.g. project developers) to determine financing needs
- 3. Streamline the transaction process** through the development and deployment of standardized technical, legal, and financial due diligence processes and standardized transaction contractual templates

# IDENTIFYING POTENTIAL APPROPRIATE CAPITAL SOURCES

*NPSP will engage investors across different parts of the capital stack (i.e. grant, DFI, debt, equity, etc.) with the objective of mobilizing upfront capital in order to reduce transaction cost and time for execution of the NEP program*

**This will include the following key elements:**

1. **Prioritization of investors** based on likelihood to deploy capital as reflected through prior investment in the space and ongoing discussions
2. General **publication of investment opportunity** through existing forums and publications
3. **Initial outreach** to existing and potential investors through circulation of **investment teasers**
4. Leveraging **key conferences** to have one-on-one conversations with target investors
5. More in-depth conversations using **detailed investment pitches** tailored to investor type, particularly targeted at Tier I investors

# NPSP TECHNICAL ASSISTANCE AVAILABLE FOR PROJECT DEVELOPERS

## Fundraising Support & Due Diligence

- Advise on development of investment memorandum
- Advise on pros and cons of various funding structures
- Assist project developer in preparing for or responding to investor's due diligence requests

## Market Intelligence

- Share general market research and advise on commercial feasibility studies

## Financial Analysis & Deal Structuring

- Review financial and tariff models
- Advise on approaches and methodologies that can be used for financial forecasts
- Advise on the pros and cons of the integration of various credit enhancements including loan guarantees, political risk insurance, and grants
- Advise on high level environmental, social, and governance issues

## Deal Negotiation

- Provide access to materials on commercial negotiation support
- Provide support for equity and/or debt investments including review of existing investor materials

## Policy and Regulatory Support

- Advise on navigating the policy and regulatory landscape in Nigeria

***Note: Although NPSP can provide a variety of services to support developers, NPSP support to GIZ developers will focus on standardizing the project development process, reducing the transaction times and costs thereby attracting additional investors***

# STREAMLINING THE PROJECT DEVELOPMENT PROCESS

*NPSP will support the development and deployment of strategies to reduce transaction times and transaction costs for off-grid market development*

## **This will include the following key elements:**

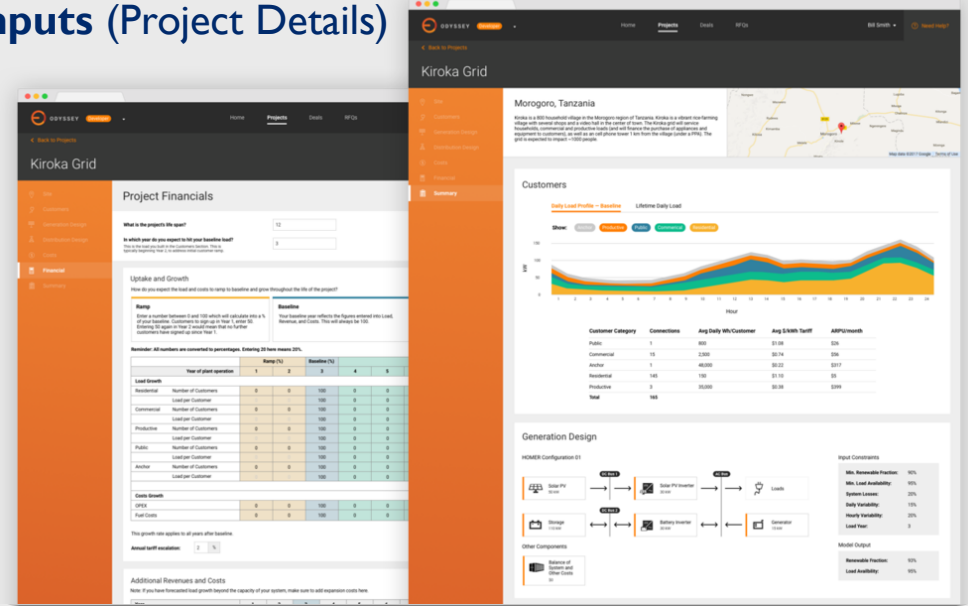
1. Comprehensive **project development roadmap** to codify key steps, including technical, legal, and financial due diligence processes
2. Common **project development platform – Odyssey** – to standardize process inputs and outputs for developer-investor engagement
3. **Standardized transaction templates**

# PURPOSE OF USING THE ODYSSEY PLATFORM

## Inputs (Project Details)

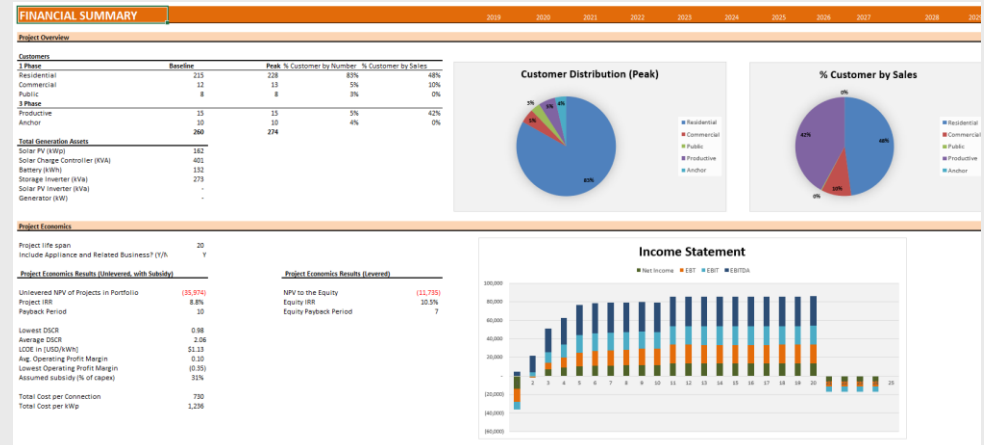
All developers will have to provide the same information and outputs for investor diligence will be consistent

Provides a common interface for pre-qualified investors and developers for introductions, interaction, and sharing information



## Outputs (Financial Model)

Reduces time and resources (\$) required to facilitate the typical project development and financing process

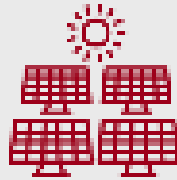


# RISK ASSESSMENT FRAMEWORK

*Comprehensive risk description and suggested mitigation approaches increases developer awareness, improving project technical and commercial viability*

## Risk Categories

Segmentation by workstream expertise and project stage



Technical



Regulatory



Operational



Financing

## Risk Severity

Magnitude of risk impact on profitability and feasibility

High

Medium

Low

## Economic Assumptions

Outlines factors affected by risk manifestation

### Project Specific

Revenue,  
CAPEX,  
OPEX



### Portfolio Wide

Cost of Capital,  
Solvency Risk,  
Project IRR



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