NIGERIA POWER SECTOR PROGRAM (NPSP)
OFF-GRID SUMMARY
April 2019
The USAID Nigeria Power Sector Program’s main objective is to increase electricity availability and access in Nigeria by assisting in the development of generation, transmission, and distribution infrastructure while promoting private sector investment in the energy sector.

**Overall Goals**
- 10,000 MW new generation capacity
- 3 million new connections

**Activity Duration**
April 2018 – April 2023

**Implemented By**
Deloitte, with support from McKinsey, WorleyParsons, Cliffe Dekker Hofmeyr (CDH), Manitoba Hydro (MHI), and CrossBoundary

**Target Outcomes**
1. Private Sector Investment
2. Off-grid Connections
3. Improved Enabling Environment
4. Energy Sector Liquidity

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**Program Funding**
NPSP is funded by the United States Agency for International Development (USAID), in support of the US Government’s Power Africa Initiative. To date, Power Africa’s more than 130 private and public sector partners have committed more than $52 billion to mobilize and organize international efforts to electrify Africa.

USAID supports Power Africa through programs that bring together technical and legal experts, the private sector, and governments from around the world to work in partnership to increase the number of people with access to power.
NPSP PROGRAM OVERVIEW

OBJECTIVE

Increase electricity availability and access by strengthening the enabling environment for private sector investment in the power sector, facilitating the financial closure of new power sector transactions, and enhancing the liquidity of power market operators.

GOALS

Assist in the development of:
1. Generation capacity – 10,000 MW
2. New connections – 3 million

PROGRAM OUTCOMES / TASK AREAS

Outcome 1: Increase Private Sector Investment in Gas Supply, Power Generation, and Transmission

Outcome 2: Facilitate New Off-grid Connections to Cleaner Power Supply

Outcome 3: Improve the Enabling Environment for Private Sector Participation in Power Sector

Outcome 4: Promote Improved Liquidity throughout the Energy Sector

Targeted Areas of Support

Sector Assessments
Support to the Rural Electrification Agency (REA)
Support to the Private Sector
Donor Coordination Activities
SECTOR ASSESSMENTS

NPSP has developed a series of sector assessments to both develop NPSP’s viewpoint of the sector and inform partner organizations and companies.

A number of these are leading to creation of tools for general use by the sector.

<table>
<thead>
<tr>
<th>Assessment</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Off-Grid Capital Map &amp; Gap Analysis</td>
<td>Identify landscape of potential investors and where capital is currently deployed</td>
</tr>
<tr>
<td>Baseline Report</td>
<td>Provide a baseline on market actors active in the sector, demand for services, and market growth trends</td>
</tr>
<tr>
<td>Strategies for Expansion</td>
<td>Provide an overview of successful approaches to entering the Nigerian market</td>
</tr>
<tr>
<td>Value Chain Mapping</td>
<td>Identify areas for cost reduction in the SHS value chain using case studies from five SHS companies</td>
</tr>
<tr>
<td>Risk Assessment Framework</td>
<td>Identify key risks in mini-grid projects, categorize them by severity, suggest mitigation measure, guidance for investors in terms of impact on the financials</td>
</tr>
<tr>
<td>Market Intelligence Report</td>
<td>Provide high-level market information for international and local companies familiarizing themselves with the Nigerian off-grid marketplace</td>
</tr>
<tr>
<td>Payments Landscape</td>
<td>Provide and overview of payment options, roadblocks, and case studies for SHS companies</td>
</tr>
</tbody>
</table>
REsupported

1. Project Implementation Unit Support

2. Funding Support (See Revenue Pledge Account)

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**REA’s Support for World Bank’s Nigeria Electrification Project (NEP)**

**Rural Electrification Fund Grant Platform**

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**Revenue Pledge Account**

1. **Fund Raising Standardization Efforts**
   - Identifying Sources of Funding
   - Templatization of due diligence processes

**Odyssey Snapshot**

1. **Odyssey Energy Solutions Grant Administration Platform**
PRIVATE SECTOR SUPPORT

NPSP is providing transaction advisory support to private mini-grid developers and SHS Companies

Support Pipeline Snapshot

POTENTIAL PIPELINE CONNECTIONS

<table>
<thead>
<tr>
<th>Connection Type</th>
<th>Estimated Potential Connections</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHS connections</td>
<td>290,430</td>
</tr>
<tr>
<td>Mini-grid connections</td>
<td>151,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>441,930</strong></td>
</tr>
</tbody>
</table>

INVESTMENT FACILITATION

- **100** ($MM) approximate funding required by transactions in Pipeline

TRANSACTION SUPPORT

<table>
<thead>
<tr>
<th>Support Type</th>
<th>Active Engagements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Facilitation - Business Plan Support</td>
<td>0</td>
</tr>
<tr>
<td>Investment Facilitation - Pitch Deck Support</td>
<td>5</td>
</tr>
<tr>
<td>Investment Facilitation - Financial Model Capacity Building</td>
<td>5</td>
</tr>
<tr>
<td>Investment Facilitation - Sourcing Funds</td>
<td>8</td>
</tr>
<tr>
<td>Investment Facilitation - Other</td>
<td>1</td>
</tr>
<tr>
<td>Investor Support - Provision of Market Intelligence</td>
<td>0</td>
</tr>
<tr>
<td>Strategy - Operational Improvements Support</td>
<td>0</td>
</tr>
<tr>
<td>Strategy - Support in Scaling Operations</td>
<td>0</td>
</tr>
<tr>
<td>Strategy - Distribution Network Support</td>
<td>4</td>
</tr>
<tr>
<td>Strategy - Other</td>
<td>3</td>
</tr>
<tr>
<td>Research - Off-The-Shelf Data Request</td>
<td>0</td>
</tr>
<tr>
<td>Research - Customized Data Request</td>
<td>0</td>
</tr>
<tr>
<td>Research - Industry Benchmarking Support</td>
<td>0</td>
</tr>
<tr>
<td>Research - Other</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>49</strong></td>
</tr>
</tbody>
</table>

- **18** completed engagements, **34** active engagements, **9** projects under review, **22** preliminary outreach

Primary Types of Support

- **Investment Facilitation** (Sourcing Funds, Financial Modeling, Pitch Deck Support, Due Diligence, etc.)
- **Strategy** (Operational Improvements, Distribution Network Support, Scaling, etc.)
## FINANCING NEEDS IN NIGERIA’S OFF-GRID SECTOR

<table>
<thead>
<tr>
<th>Program</th>
<th>Estimated Public Sector Funding</th>
<th>Estimated Private Sector Financing Catalyzed</th>
<th>Estimated Combined Funding Available</th>
</tr>
</thead>
<tbody>
<tr>
<td>NEP phases I and II</td>
<td>$225 M</td>
<td>$410 M</td>
<td>$635 M</td>
</tr>
<tr>
<td>AfDB</td>
<td>200 M</td>
<td>200 M</td>
<td>400 M</td>
</tr>
<tr>
<td>GiZ</td>
<td>14 M</td>
<td>32 M</td>
<td>46 M</td>
</tr>
<tr>
<td>REA EEI phases II and III</td>
<td>-</td>
<td>750 M</td>
<td>750 M</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$439 M</strong></td>
<td><strong>$1,392 M</strong></td>
<td><strong>$1,831 M</strong></td>
</tr>
</tbody>
</table>
SCOPE OF NPSP SUPPORT – ON FINANCIAL MOBILIZATION

**Objective:** Promote the success of the NEP, NESP (MAS, IMAS) EEI and other initiatives by identifying potential capital sources and standardizing transaction processes and documentation requirements to decrease transaction timelines and transaction costs and drive scale for off-grid investment in Nigeria.

3 Primary activities will support the achievement of these objectives under NPSP’s collaborative support to NEP, EEI, and related parallel initiatives:

1. **Identifying potential appropriate domestic and international capital sources** for the off-grid market in Nigeria through strategic investor engagement, leveraging the NPSP Team’s existing *NPSP Capital Map and Donor Gap Analysis*.

2. **Work with capital seekers** (e.g. project developers) to determine financing needs.

3. **Streamline the transaction development process** through the development and deployment of standardized technical, legal, and financial due diligence processes and standardized transaction contractual templates.

*Support will include the World Bank’s NEP, phases II and II of EEI, and other parallel programs seeking funding (GiZ NESP grant program, AfDB’s portion of NEP, etc.)*

4/29/2019
GENERAL SUPPORT APPROACH

Timeline

Dec 2018

Dec’ 18 - Feb’ 19

January 2019 – April 2019

April’ 19 – June ’19

June 2019

Stage 1
Develop Financial Templates and Transaction Materials

Stage 2
Financier Engagement

Stage 3
Identification of Legal, Financial, and Technical Transaction Documentation

Key Activities

a) Development of financial templates
b) Development of transaction materials for presentation to potential financiers
c) Obtain sign off and roll out transaction documents
d) Identification of existing processes leading to financial drawdown from various facilities

a) Development of financier engagement plan
b) Schedule meetings with financiers
c) Identify and address concerns and queries raised by the financiers
d) Discuss and develop standardized processes to reduce transaction times and costs

a) Determine term sheet and loan financing conditions and compile requirements across financiers
b) Facilitate development of draft contractual agreements, technical due diligence templates, and financial due diligence templates
c) Catalogue and codify the standardized processes and disseminate amongst financial institutions/stakeholders
NPSP is coordinating with multiple donor organizations in the following areas:

1. **World Bank**: Fundraising identification and process streamlining
2. **AfDB**: Fundraising identification and process streamlining
3. **GIZ**: Capacity building
4. **USAID**: Sustainable Business Model Development – Cross Sector Programs
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