ENERGY FOR GROWTH HUB

Todd Moss & Jacob Kincer
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Power Africa's Top Obstacles in Each Market

Context: Power Africa is a multi-agency US government initiative that aims to increase generation capacity and expand access to energy in Africa. The USAID-coordinated program aligns its support and activities by tackling the most pressing obstacles to power projects and private investment in each market.

Top Issues Identified in Partner Countries

For each partner country, Power Africa identifies the biggest bottlenecks or barriers. In Table 1, we aggregate them for all 29 countries and classify each into the following categories:

1. **Macroeconomic forces or foreign exchange risks:** Low forex reserves, economic volatility, or exchange rate instability affect investments.
2. **Problems with the national utility:** Nearly all African utilities are burdened with poor infrastructure, high rates of theft, high debt, and structural tariffs below cost-recovery.
3. **Legal or regulatory gaps:** Ambiguous oversight can raise investor risk, while some guidelines, such as for developing mini-grids, are often non-existent.
4. **Governance and capacity:** Governments often lack the capability to implement long-term fixes. Contract negotiations and enforcement can suffer break-downs.
5. **Inadequate transmission & distribution infrastructure:** Several countries have added generation but without the other necessary infrastructure to deliver power to customers.
6. **Generation and/or fuel infrastructure:** Many African countries suffer from insufficient generating assets given demand. For those producing gas (or hoping to import gas), they often lack the infrastructure to deliver gas to power plants.
7. **Access to long-term capital:** Availability of financing is a constant struggle in emerging markets. Power sector financing is particularly challenging for all of the reasons listed above, and because of the long horizons, sometimes decades, for ROI for power projects.

95% of national utilities on the continent are chronically indebted

Conclusion: The Most Frequently Cited Obstacle is National Utilities

Utilities are the top problem, cited in 21 of 29 markets. Next most common is governance (17) and regulatory constraints (15). The utility finding is important because typically these companies are state-owned and operate monopolies on transmission and distribution infrastructure. All utilities are under pressure to keep electricity pricing low as a social benefit, which often leads to tariffs set without reflecting true costs. While almost no utilities in Africa recover full costs, around half fail to even cover *operating* costs. This leads to chronic indebtedness and compromises the financial integrity of the entire power sector value chain. In turn, this can dissuade private capital, leading to further degraded service and under-investment.

TABLE 1: Biggest constraints to the power sector

	Macroeconomic forces/FX	National utility	Legal or regulatory	Governance or capacity	T&D infrastructure	Generation & fuel infra	Long term capital
Angola	X	X					
Benin		X				X	
Botswana		X	X	X			
Burkina Faso		X					
Chad		X		X			X
Côte d'Ivoire			X	X	X		
Congo, DR	X	X	X	X			
Djibouti			X		X	X	
Eswatini			X	X			X
Ethiopia	X	X				X	
Ghana		X	X	X		X	X
Kenya			X	X			X
Liberia		X		X	X		
Madagascar	X	X					X
Malawi	X	X		X			
Mali		X		X	X		
Mauritania		X	X				
Mozambique	X	X	X				X
Namibia	X	X	X				
Niger		X		X			
Nigeria	X	X	X				
Rwanda					X	X	X
Senegal		X		X			
Somalia		X	X	X	X	X	X
South Africa	X		X	X		X	
Tanzania		X		X			
Togo			X	X	X		
Uganda				X			X
Zambia	X	X	X		X		
Total	**10**	**21**	**15**	**17**	**8**	**7**	**9**