AFREPREN/FWD COGEN for Africa 5th Project Steering Committee (PSC) Meeting

**Date:** 29th September 2008

**Participants:**
1. Mr. Youssef Arfaoui (AfDB)
2. Mr. Peerke De Bakker (UNEP) - Chairman
3. Mr. Stephen Karekezi (AFREPREN/FWD)

In Attendance:
Mr. Lugard Majoro (AFREPREN/FWD)
Ms. Maryanne Kamoche (AFREPREN/FWD)
Mr. John Kimani (AFREPREN/FWD)
Ms. Waeni Kithyoma (AFREPREN/FWD)
Mr. Tej Rai (West Kenya Sugar Co.) by teleconference joined PSC to discuss the West Kenya and Kinyara (Uganda) cogeneration investments opportunities

**Venue:** AFREPREN/FWD Regional Office

**Date:** 29th September 2008 from 10:30 am Nairobi time

**Agenda Items:** (in order of priority)

- Review and Approval of Agenda
  1. Review and approval of Previous PSC Minutes
  2. Procurement of Feasibility Consultants for Approved Projects
     - West Kenya Sugar Company
     - Kinyara Sugar Company, Uganda
     - Sotik Tea Factories Ltd, Kenya
  3. Update on other Investment Opportunities
  4. Sustainability of AFREPREN/FWD Cogen Project
  5. Review of listing of proposed experts for the technical panel on cogeneration
  6. Update on recruitment of additional staff for Cogen project
  7. Half year technical report
  8. Procurement of major equipment
  9. Update on status of project implementation and work plan
  10. Financial reports (annual and mid-year)
  11. Project Budget Review
  12. A.O.B
     - CDM
     - Update on PACEAA
     - Partners for Euro-African Green Energy (PANGEA) subscription
     - PSC Membership
  13. Next Steering Committee meeting
Draft Minutes:

Review and Approval of Agenda

The agenda was reviewed and approved by all members present. As Youssef Arfaoui of AfDB chaired the previous Project Steering Committee (PSC) meeting, Peerke de Bakker of UNEP/DGEF was selected to chair the meeting.

Due to large amount of background documentation needed for the Steering Committee, Meeting, it was agreed that, in the future, background documents for future PSC meetings will be uploaded to the project website so that members can access the documentation before the meeting while keeping print copies to the minimum.

Agenda item number 1: Review and Approval of Previous Meetings

The 4th PSC minutes were reviewed. The following paragraphs present various matters arising from the previous minutes.

The PSC discussed the need for new members. It was agreed that the increase of number of the PSC will be bring a news flesh by the added value of the new members and will be guided by the agreed approach of keeping the project management structure light which will allow the Project team to focus pursuing new cogeneration investments.

With the new cogeneration investments that have been identified in Kenya is likely to require PPAs negotiation, the meeting agreed that the participation of the Permanent Secretary of the Ministry of Energy in Kenya would add value to the PSC. It was, however, agreed that other representatives at the Ministry of Energy would not be invited to participate in the PSC because of their limited influence on securing important documents such as PPAs. Should the Permanent Secretary be too busy to attend the Steering Committee Meeting, the venue can be moved to his premises or meeting dates may be adjusted to fit the Permanent Secretary's schedule or his participation can be referred to a future Steering Committee meeting.

The PSC agreed in principle of keeping the PSC small and expanding it only if it results in bringing additional members who can add tangible and substantial value to the project such as providing attractive inputs to feed-in tariffs. Identification of future PSC members to be guided by international practice such as that used for identifying Board members of international institutions such as the international agricultural research agencies. This principle would be applied to any future PSC expansion involving other countries.

Regarding additional source of finance, it was agreed that banks providing investment finance should be approached and informed of potential cogen investments with the understanding that Youssef of AfDB will take the lead in mobilizing financing for cogeneration investments as well as play a lead role in coordinating any co-financing that might be available from interested bankers such as PTA Bank, EADB, IDB, DEG and E&Co.

On the idea of undertaking a Cogen project in South Africa, the PSC was informed that DTIE/UNEP/Paris Office indicated ESKOM was more interesting in working with UNEP on a SWERA/Solar/Wind Resource Assessment-type initiative as it has its own ongoing cogeneration initiative.

The minutes of the 4th PSC meeting were formally approved by the PSC.
Agenda Item Number 2: Procurement of Feasibility Consultants for ApprovedCogeneration Investment Opportunities; West Kenya, Kinyara and Sotik Tea

The PSC approved the selection criteria that was used to evaluate the quotations received for the approved cogeneration investment opportunities. However, the PSC requested clarification on some of the criteria and recommended that in future review of investment opportunities, the criterion on innovativeness can be deleted as quotations and proposals from consulting firms need only be appropriate and do not have to be innovative. The members also agreed that after the first 2-3 sets of pre-feasibility and full feasibility studies, the criterion on training and transfer of knowledge can, in addition to AFREPREN/FWD, include other institutions and companies. An option that was approved by the PSC, is for AFREPREN/FWD to sub-contract its contribution to pre-feasibility and full feasibility studies to other entities and companies in the region thus contributing to building capacity and strengthening skills in the region.

With regard to selection of consultants for West Kenya Sugar Co. Feasibility study, the proposal of using Avant Garde to carry out the feasibility studies for both West Kenya Sugar Co1 and Kinyara Sugar Co. feasibility studies was, in principle, approved by the PSC. However, the selected consultant, Avant Garde would be requested to send a "professionally" laid out proposal that includes a detailed work plan of the various tasks and a detailed cost breakdown of these tasks to facilitate follow-up and monitoring by AFREPREN/FWD and the project sponsor. In addition, Avant Garde's audited financials for the previous year are to be submitted to ensure that it is indeed a going concern that would not abandon the assignment in the midst of the study.

The PSC was informed that the Rai Group (owners of the West Kenya Sugar Factory and represented by Tej Rai, the Managing Director of West Kenya Sugar Factory) plans to pursue both cogen investments opportunities at their West Kenya and Kinyara2 sugar factories in parallel and would like to secure co-financing from the AFREPREN/FWD Cogen for Africa project for simultaneous feasibilities studies for both cogen investments at the 2 sugar factories.

The Rai Group was advised by the PSC to bundle the two cogeneration investment opportunities as this would facilitate negotiation of attractive and lower interest rates as realize economies of scale benefits. To increase chances of securing financing from AfDB for the cogen investment as well as start the investment review process early. The PSC advised, Tej the Managing Director of West Kenya sugar company to send:

a. An email to AfDB confirming their availability of equity finance from the project sponsors
b. Audited financial reports for the last 3 years, for both companies,
c. The companies’ structures (the shareholders, management structure, etc) and;
d. The CVs of senior management
e. Eventually PPAs.

The evaluation of quotations from interested feasibility consultants for the cogeneration investment at Sotik Tea Companies was presented to the PSC and Biomass Technology Group (BTG) was approved to carry out the feasibility study. The PSC underlined the need for Environmental Impact Assessments (ESIAs) for all cogeneration investments. The PSC was informed that ESIAs are a statutory requirement in all major investment projects in Kenya as well as a requirement in other eastern African countries. The PSC recommended that the ESIA Sotik cogeneration investment opportunities should check the sustainability and reliability of the wood supply to the proposed cogeneration plant and ensure that the project does not contribute to deforestation or land degradation. The PSC was informed that Sotik Tea Companies have their dedicated wood plantations to run on a sustainable basis and that would provide the required wood for the proposed cogeneration plant. This would, however, need to be confirmed and validated by the ESIA and the feasibility study (security of Feed stock).

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1 West Kenya Cogen project has a capacity of 30MW  
2 Kinyara Cogen project has a capacity of 20MW
The PSC concurred with the suggestion that additional short-term experts with wide experience can be hired to validate and review feasibility studies, pre-feasibility studies and scoping studies co-financed or fully financed by the AFREPEN/FWD Cogen for Africa project.

**Agenda item number 3: Update on other Investment Opportunities**

The list of cogeneration investment opportunities that have been approved and those in the pipeline were presented to the PSC. The meeting was briefed on the efforts of the Cogen team in pursuing the identified investment opportunities as well as efforts to further expand the pipeline. The PSC approved the approach of the Cogen team and concurred with the need to increase resources allocated to missions, site visits, participation in relevant workshops and conferences that can assist in identified new cogeneration investment opportunities or facilitate follow-up of identified opportunities.

The PSC was informed that AfDB continues to be interested in the Metahara cogeneration investment opportunity but would like to see greater progress in bringing it to a more mature level which would then lay the groundwork for more active AfDB participation in bringing the cogen investment to a bankable level. The PSC also recommended that the AFREPEN/FWD Cogen Project team re-examines cogeneration investment opportunities in Swaziland that is now facing higher tariffs and insecurity of electricity supply arising from the power generation capacity and supply problems facing ESKOM.

**Agenda item number 4: Sustainability of AFREPEN/FWD Cogen Project**

Suggestions on how to kick start the sustainability of the AFREPEN/FWD Cogen project by building up the capacity of the project team were approved by the Steering Committee for further development. AFREPEN/FWD was advised to:

- Register in the expert databases of AfDB, EU and UNEP, so that it can bid for consultancy opportunities that could be used to raise funds for sustainability of the AFREPEN/FWD Cogen for Africa project team.
- Propose modalities for managing funds raised from charging fees for feasibility studies and pre-feasibility studies. The modalities should be in line with prevailing GEF guidelines. For example, additional finances raised can be used to:
  a. Support a larger number of pre-feasibility and full feasibility studies than what was originally planned
  b. Finance studies beyond the end of the AFREPEN/FWD Cogen for Africa project.

These options as well as any other suggestions are to be discussed further by the PSC for final approval.

- Include members from other countries covered by the project in order to ensure balance. The included members would also be involved in the training and sustainability efforts of AFREPEN/FWD as well as participate in other activities of AFREPEN/FWD as envisaged in the ProDoc and budget.

**Agenda item number 5: Review and Listing of Proposed Experts for the Technical Panel on Cogeneration**

The PSC approved the proposed experts and the draft TOR for experts. Additional suggestions provided were:

- Inclusion of additional experts involved in preparation of the FSP document and experts from Mauritius Cogen such as Dr. Deepchand.
- Inclusion of environment experts. Potential experts to consider are; AfDB experts involved in environmental assessments (Youssef to provide names) and Peerke suggested that the UNEP lead environmental expert Matthias, who reviewed the Sesam Waste to Energy cogeneration investment opportunity in Uganda could also be invited. Peerke would first check with Mathias before AFREPEN/FWD sends him an invitation to join the panel of experts.

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3 Full Size Project
Agenda item number 6: Recruitment of Additional Cogen Staff

The PSC approved the short listed candidates as well as the proposed process of selecting the best applicant. The PSC proposed that the recruited financial expert could be hired on need basis should an appropriate full time candidate not be identified. However if he or she is hired on permanent basis, he can develop the financial model, help out with the feasibility studies as well as be aware of the legal contracting requirements.

The members agreed that the selected applicants have the ability to enhance the sustainability of the project and should, therefore, contribute to other AFREPREN/FWD projects as envisaged in the project budget and ProDoc.

Agenda item number 7: Half Year Technical Report

The PSC approved the PIR4 and half-technical report. It was also agreed that the PIR should replace the half year technical progress report to minimize duplication of progress reports. It was suggested that a one page summary write-up should be added highlighting any new developments. Peerke to provide the final PIR that was submitted to UNEP/DGEF and GEF/SEC for future reference as well as for any future evaluations.

Agenda item number 8: Procurement of Major Equipment

The members of the committee approved the pilot procurement process being undertaken to purchase major equipment such as computers and projectors - it involves use of an external consultant to scout for lower cost options for equipment procurement. The PSC also approved use of this procurement process for the remaining set of major equipment that needs to be purchased which will ensure that the project gains from economies of scale. It was also suggested that AFREPREN/FWD considers acquiring a local in-house network with dedicated server.

The PSC approved the suggestion of purchasing equipment from outside Kenya and from duty free shops should that prove to be of significant lower cost than local purchase.

Agenda item number 9: Update on Status of Project Implementation and Work plan

The status of project implementation and work plan were presented to the PSC which expressed its satisfaction with progress to date. The PSC also approved the dovetailing of the PIR, work plan; monitoring & evaluation material and LFA 5 to ensure consistency. The new work plan which more closely reflects the PIR and LFA would now be the main platform for tracking progress.

The final PIR version from UNEP/DGEF, updated LFA, updated work plan and updated M&E material to be uploaded to the project website to facilitate follow-up by PSC members.

Agenda item number 10: Financial Reports (Annual and Mid-Year)

The PSC approved the latest financial report of the project ending mid 2008 as well as the audited financial report ending December, 2007. The financial reports to be added to the project website.

Agenda item number 11: Project Budget Review

The meeting approved the proposed budget changes. It was agreed that the proposed budget changes are presented as per specific budget line items and officially submitted to UNEP/DGEF for review and, if found satisfactory, approval by the Fund Manager of UNEP/DGEF.

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4 Project Implementation Review
5 Logical Framework
The meeting also discussed the DSA system that will be adopted by the Cogen for African project. Members agreed that a system that combines both the UNEP and AfDB systems is adopted. The DSA system will be based on the AfDB rates and approach. The AfDB system does not fix hotel costs but simply pays for hotel bills which will allow AFREPREN/FWD Cogen for Africa project team members to stay in comfortable hotels that facilitate interaction with potential cogen project sponsors, investors and financiers. An additional stipend is provided to cover meals, transport and other incidentals which do not require to be receipted. The additional AfDB stipend differs from country to country but will be adjusted on a pro-rata basis in line with UNEP rates that are more frequently updated.

**Agenda item number 12: A.O.B**

**Update on PACEAA:** PSC was informed of latest developments with the PACEAA. The PSC also underlined that no funds are transferred from the Cogen for Africa project to PACEAA and that accounting and technical reporting be through the UNEP/DGEF office and fund manager based on the agreed percentages (not exceeding 5%). The PSC was also informed of the understanding with PACEAA that an explicit agreement from PACEAA and COOPENER/EC will be sought approving that all financial reporting and technical reporting will be through the good offices of UNEP/DGEF and its respective fund manager with the financial reports being extracts of existing financial reports to UNEP/DGEF indicating the previously agreed percentage contributions from the Cogen for Africa project (not exceeding 5%). Peerke will follow-up with the UNEP/DGEF fund manager to secure this explicit and written understanding from PACEAA and COOPENER/EC.

**Partners for Euro-African Green Energy (PANGEA) subscription:** The PSC agreed that the AFREPREN/FWD Cogen for Africa project should not register with PANGEA.

**PSC Membership:** As mentioned earlier, the PSC agreed that the participation of the Permanent Secretary of the Ministry of Energy in Kenya would add value to the PSC. It was, however, agreed that other representatives at the Ministry of Energy would not be invited to participate in the PSC because of their limited influence on securing important documents such as PPAs. Should the Permanent Secretary be too busy to attend the Steering Committee Meeting, the venue can be moved to his premises or meeting dates may be adjusted to fit the Permanent Secretary’s schedule or his participation can be deferred to a future Steering Committee meeting.

As mentioned earlier, the PSC agreed to the principle of keeping the PSC small and expanding it only if it results in bringing additional members who can add tangible and substantial value to the project such as providing attractive feed-in tariffs. Identification of future PSC members to be guided by international practice such as that used for identifying Board members of international institutions such as the international agricultural research agencies. This principle would be applied to any future PSC expansion.

**Agenda item number 13: Next Steering Committee Meeting**

The next face-to-face PSC meeting will be held in March 2009, with the exact date to be agreed later after consultations with all concerned. The members also requested the AfDB representative, Youssef Arfaoui, to inform the PSC when he is next in Nairobi so that a brief meeting can be arranged. In addition and as per past practice, teleconference based PSC meetings can be organized before the next face to face meeting in March 2009 if there important issues that require PSC inputs.

The meeting was adjourned at 4:30pm Nairobi time