Minutes of the 17th Project Steering Committee (PSC) Meeting of the AFREPREN/FWD Cogen for Africa Project

Date: 4th September 2012

Start Time: 10.45hrs Nairobi Time

Venue: AFREPREN/FWD Office

Agenda:

1. **Review and Approval of Agenda**
2. **Review and Approval of 16th PSC Meeting Minutes**
3. **Project Implementation Review**
   - Review of PIR: Restructuring/scaling down PIR?
   - Project Outcomes Summary
   - Small scale kW-scale cogen demonstration & training plant
   - Training in Operation and Maintenance
   - PSC & PMC composition
4. **Priorities for 2012-2013 Phase of Cogen Project**
   - Priorities: Investments, policy, training/capacity building, finance
   - Policy: Feedstock security
   - Small scale vs. large-scale cogen investment
   - Rural electrification
5. **Feedstock Security**
   - Approach (Energy, Agriculture and Industry)
   - Uganda Consultative Workshop on Cogen and feedstock security
6. Follow-up on approved cogen co-finance grants
- West Kenya & Kinyara (Uganda) cogen investment opportunities

7. Update on Commissioned Feasibility Studies
- Mpanga Growers Tea Company (Uganda) planned cogen investment

8. Update on Requests for Co-finance Grants & Pipeline
- Kakira Sugar Ltd (Uganda) cogen investment
- Kenya Nut Company planned cogen investment
- Hiber Sugar Share Company (Ethiopia) planned cogen investment
- EFFORT Group of companies (Ethiopia) planned cogen investments
- SaoHill Energy/Green Resources (Tanzania) planned cogen investment

9. Detailed review of CIPs (Cogen Investment Packages)

10. Financial Reports

11. Tentative Date & Venue for Next Steering Committee Meeting

12. A.O.B
- Project Staff & Local Consultants
- Cooperation with Conrado Heruela of UNEP Bangkok office on training for new GEF project as well as study tour
Agenda Item 1: Review and Approval of Agenda

The Agenda was reviewed and approved for discussion.

Agenda Item 2: Review and Approval of 16th PSC (Project Steering Committee) Meeting Minutes

The 17th PSC meeting reviewed and formally approved the minutes of the 16th PSC meeting held on 6th June 2012. Both Geordie Colville, the UNEP representative and Youssef Arfaoui, the AfDB representative had already provided email approvals of the minutes of the 16th PSC meeting.

Agenda Item 3: Project Implementation Review

Review of PIR: Restructuring/scaling down PIR?

The PSC meeting discussed the current PIR (Project Implementation Review) format and recommended that it is simplified for ease of quick review. The Project Steering Committee (PSC) recommended the following:

a) Prepare a 2-3 pages summary

b) The 2-3 pages summary should provide project ratings, cumulative status of project activities up to the reporting period as well as highlight the key challenges faced.

c) The meeting recommended that reference to support documents and detailed footnotes are removed to reduce the size of the PIR in the summary. However, the documents should be retained in the detailed report and on the project website. Reference to be made to PIR of GTIEA (Greening Tea in East Africa) project as well as template to be provided by AfDB representative.

Following tables were proposed as a guide/draft template for preparation of PIR Summary.

3.1 Project Performance

<table>
<thead>
<tr>
<th>Project Objectives &amp; Outcomes</th>
<th>Indicators</th>
<th>Target</th>
<th>Achievement to-date</th>
<th>Progress Rating</th>
</tr>
</thead>
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3.2 Project Implementation Process

<table>
<thead>
<tr>
<th>Outputs</th>
<th>Expected Completion Date</th>
<th>Implementation Status as of ......</th>
<th>Progress Rating</th>
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To further rationalize the PIR, the UNEP Representative recommended that the following should be a couple of paragraphs, at the most:
- Project Summary
- Project Status FY
- Planned contributions to strategic objectives
- Narrative of progress made to objectives

The project objective to be largely cut from the logframe and reduced to one or two sentences.

To be more succinct in reporting against targets in section 3.1 (Project Performance) and section 3.2 (Project Implementation Process). For example, section 3.1 to focus on progress to targets and not on activities.

UNEP representative to investigate the possibility of dropping repetitive boxes before section 3.1, which address the following:
- **GEF strategic priority CC-2**: Power sector policy frameworks supportive of renewable energy and energy efficiency
- **GEF strategic objective SP-2**: Increased Access to Local Resources of Financing for Renewable Energy and Energy Efficiency
- **GEF strategic priority SP-4**: Productive uses of renewable energy
- **GEF-4 SP-2**: Promoting Industrial Energy Efficiency
- **GEF 4 SP-3**: Promoting On-grid Renewables

**Project Outcomes Summary**

Hard-copies and soft-copies of Cogen Project Outcome summary from the PIR provided to PSC members.

**Small scale kW-scale Cogen Demonstration & Training Plant**

The PSC meeting was briefed on the rationale of setting up a small-scale cogen demonstration unit as per discussions of the 15th PSC meeting which is to provide hands-on practical experience to cogen project trainees - which cannot be realized in a commercial setting where turbines and boilers are rarely dismantled. The rationale was broadly accepted as long as the cost of the proposed installation is a few thousand dollars (e.g. to purchase disused turbine(s)/boiler(s) installed on a mobile platform for use in training course demonstration) and certainly not more than US$20,000. The PSC meeting recommended developing a training course package with the requisite demonstration unit(s) in collaboration with key contacts at Universities in target
countries - preferably in country(ies) with active cogen investment pipeline. The course could be modular and address the whole scope from feedstock assessment to installation and sale of excess electricity to the grid with emphasis placed on the most challenging issue/components of a typical cogen plant.

Training in Operation and Maintenance

The PSC meeting was informed of the decision of the 14th PSC meeting and mid-term review recommendation that the Cogen Project focuses on in-depth training in operations and maintenance.

The meeting proposed that this could be undertaken in collaboration with universities or other institutions of higher learning. The collaboration could be preceded by an assessment of the shortfalls of existing curricular of higher education/tertiary institutions undertaken jointly with university lecturers/professors. A regional sectoral assessment could also be undertaken to establish willingness of Governments/Universities to adjust existing education curricula/policies to ensure better support for cogen investments.

Project Steering Committee (PSC) & Project Management Committee (PMC) Composition

The meeting was briefed on the roles of the executive PSC, non-executive/advisory PSC as well as the PMC which were understood and accepted by the 17th PSC Meeting which, in turn, recommended that non-executive PSC meetings are organized regularly and should bring in technical advisers/policy makers/experts as needed. It was proposed that, whenever possible, non-executive PSC meetings should be held in countries with identified and prospective cogen investments to maximize synergy.

Agenda Item 4: Priorities for 2012-2013 Phase of Cogen Project

Priorities: Investments, Policy, Training/Capacity building, Finance

Investments: As the Cogen Project is close to realizing its 40MWe+th target of cogen investments, the PSC meeting recommended that the Project concentrates its efforts in identifying additional cogen investments to meet its longer-term diversification/scale-up objectives (within project duration as well as post-project). All other project activities should be designed to complement and support the primary objective of identifying new prospective cogen investments. Any new cogen investment that is supported by the Cogen Project should meet one or more of the following diversification/scale-up criteria:

- New financial institution: Introducing a cogen investment to a portfolio of a financial institution in one or more Cogen project target countries is expected to facilitate additional cogen investments in the future in the target country as the financial institution would have a proven
model in its country investment portfolio thus reducing risk perceptions within the financial institution. In addition, the financial institution would need to show it was a vehicle for broad scale up in the sector (e.g. a strategy for investment in the sector).

- New sectors: Successfully introducing a cogen investment to a new sector (e.g. tea sector outside Kenya or cement sector in Kenya or Uganda, etc) in one or more project target countries is expected to lead to replication in the sector of one of the target countries. For example, should Mpanga Tea company interest in cogeneration lead to a successful cogen investment, it is likely to stimulate other tea companies’ interest in cogen investment.

- Business size (e.g. SMEs): Important diversification/scale-up criteria that demonstrates added value. For example, introducing cogen to an SME in one of the Cogen target countries is likely to encourage other SMEs in the target country to invest in cogeneration.

- New technology: Successfully introducing a more advanced cogen technology configuration (cogen/heat recovery) or higher performance technology options (e.g. higher pressure) is expected to lead to future replication of the technology configuration/option.

- New countries: Successfully introducing a cogen investment in a country with no previous cogen plants supported by the Cogen Project is expected to stimulate increased country investment in cogeneration in the future.

Policy: Because of complex institutional and policy complications that are unlikely to be resolved within the lifetime of the project, the PSC meeting recommended that the cogen project sidesteps the feedstock security issue and focus on identifying viable cogen investment opportunities in sectors that do not face complex and deep-seated feedstock security challenges.

Finance: The 17th PSC Meeting supported use of African Development Bank (AfDB) as a platform for scale-up of cogen investment in Africa but underlined the need for the Cogen for Africa project to ensure that other development financial institutions are also given equal opportunity in financing cogen investments that have reached maturity and are ready for financing. In addition, it was proposed that, once the Cogen Project identifies suitable SME cogen investments, a study is carried out to identify financial barriers to small-scale cogen investments, how to overcome them as well as find out the key requirements/needs of potential investors in small-scale cogeneration.

Small scale vs. large-scale cogen investment

The PSC meeting recommended that the Cogen Project equally emphasizes the identification of both large- and small-scale potential cogen investments.

Rural Electrification

The PSC meeting observed that rural electrification is not a central deliverable of the Cogen Project and should, therefore, not be given priority consideration or be a pre-requisite for provision of support from the Cogen Project.
Agenda Item 5: Feedstock security

As mentioned above, the 17th PSC meeting recommended that the Cogen Project sidesteps the feedstock security issue to avoid embroiling the Project in endless wrangles over access of feedstock that bedevils agro-sectors in some Cogen Project target countries.

Uganda Consultative Workshop on Cogen and Feedstock Security

The PSC was briefed on the Uganda Consultative Meeting that focused on the cogeneration in Uganda and the feedstock security issue, and informed the 17th PSC Meeting that the meeting report had been uploaded to the project website.

Agenda Item 6: Follow-up on approved cogen co-finance grants

West Kenya Sugar Co. Cogen Investment Opportunities

The 17th PSC meeting was briefed on the status of the cogen investment at West Kenya Sugar Co. The PSC recommended that the investment opportunity is placed on hold until the feedstock wrangles and challenges in West Kenya sugar belt are clarified and satisfactory resolved.

Kinyara Sugar Co. (Uganda) Cogen Investment Opportunities

The 17th PSC meeting was briefed on the Kinyara Sugar cogeneration plans, a sugar factory owned by the Rai family group who also own West Kenya Sugar Company (which has benefited from a Cogen Project grant), and the power transmission challenge faced by the company. The new transmission would enable the company to evacuate the cogenerated electricity to the national grid.

The PSC meeting recommended that the cogen investment opportunity is followed up after establishing contact with the Rai group. The AfDB PSC representative kindly agreed to discuss with the Chairman of Rai family group of companies the support that can be provided by the Cogen Project as well as the possibility of obtaining AfDB support in the financing of the required transmission line.

The PSC also observed that the Kinyara cogen investment could be a potential opportunity for diversifying financing institutions that are funding cogen investments in the region.

Agenda Item 7: Update on Commissioned Feasibility Studies

Mpanga Growers Tea Company (Uganda) Planned Cogen Investment

The PSC was updated on the Mpanga Growers Tea cogen investment. The full draft feasibility study was circulated to all PSC members. One of the PSC members provided comments on the feasibility study and the other PSC member plans to submit his comments before the end of September 2012.
Agenda Item 8: Update on Requests for Co-finance Grants & Pipeline
Kakira Sugar Ltd (Uganda) Cogen Investment

The PSC Meeting was briefed on the Kakira cogen investment and request for co-financing of US$300,000 that would be disbursed over a 4-years period (2012 to 2015). The draft grant agreement, incorporating comments raised by the PSC, was circulated to the PSC and Kakira Sugar for review. An updated grant agreement will be circulated to the PSC for review after incorporating comments from Kakira (comments have not yet been received) and those of the contract lawyer before proceeding to the signing and implementation of the grant agreement.

Kenya Nut Company Planned Cogen Investment

The Cogen Project Steering Committee (PSC) meeting was briefed on a co-financing request received from Kenya Nut Company. The PSC reviewed the Kenya Nut cogen investment and found that the consultancy firm selected did not have the skills and experience to prepare the quality of feasibility study that meets international standards. The PSC recommended that a more suitable consultancy firm (not one specialized in the sugar sector) with a broader set of expertise as well as past proven ability to write well-written bankable feasibility studies is sought. The PSC also recommended that Kenya Nut Company raise their contribution to 50% of the cost of feasibility study to ensure that there is equitable commitment.

If the above conditions are met, the Cogen Project could commence the process of negotiating and drafting a grant agreement with Kenya Nut Company. However, if Kenya Nut is unwilling to increase its contribution to a minimum of 50% and/or the selected consultant is found to be below PSC's quality expectations, Kenya Nut to be informed that they proceed with the feasibility study using their own resources and should the study confirm that the cogen investment is sound and can be financed, the Cogen Project could be in a position to support the follow-up detailed engineering study subject to PSC review and approval of the feasibility study and requisite application for a grant to cover the cost of an engineering study.

Hiber Sugar Share Company (Ethiopia) Planned Cogen Investment

The meeting was updated on the Hiber Sugar cogeneration plans as well as a request for co-financing.

The PSC recommended that a decision on support for Hiber Sugar awaits an update from Mr. Ewan Wheeler of the African Development Bank Nairobi Office. The AfDB PSC representative kindly agreed to also contact the African Development Bank Office in Addis Ababa, if Mr. Wheeler is not available.
EFFORT Group of Companies (Ethiopia) Planned Cogen Investments

The meeting was updated on the request for co-financing and study tour/training from the Effort Group (Messebo Cement Factory, Maichew Particle Board and Abergelle Slaughter House). Processing of the request had been placed on hold at the request of Effort Group's management awaiting the finalization of Effort's Group re-organization.

The PSC recommended that a decision on support for Effort Group awaits an update from Mr. Ewan Wheeler of the African Development Bank Nairobi Office who had communicated directly with the Effort Group's senior management.

SaoHill Energy/Green Resources (Tanzania) Planned Cogen Investment

The 17th PSC meeting was informed that Saohill Energy had not yet responded to the PSC recommendation and deadline pertaining to providing an independent verification of feedstock security. Consequently, the PSC recommended that the provisional approval of grant financing for Saohill is discontinued and resources allocated to other deserving cogen investment opportunities that are approved by the PSC.

Agenda Item 9. Detailed review of CIPs (Cogen Investment Packages)

The PSC meeting was taken through a summary of the nine (9) Cogen Investement Packages (CIPs) as well as informed that they were available in hardcopy, on CD as well as on the project website under the ‘Members Area. Softcopies of CIPs also provided to PSC members for future reference.

Agenda Item 10 Financial Reports

The last expenditure report covering the period April to June 2012 was presented to the PSC meeting and approved as no questions have been raised to date by the UNEP Fund Management Office.

Agenda Item 11 Tentative Date & Venue for Next Steering Committee Meeting

The next face-to-face PSC meeting was tentatively set for 1st week of December 2012 in Nairobi, Kenya subject to confirmation by the PSC members.

Agenda Item 12. A.O.B

Project Staff & Local Consultants

The PSC was briefed on the project staff, their responsibilities, areas of specialization and qualifications as well as local consultants that assist the project team. The PSC was also taken
around the AFREPREN/FWD office to meet the project team as well as other AFREPREN/FWD staffers.

**Cooperation with Conrado Heruela of UNEP Bangkok office**

The PSC was informed that Cogen project was invited by Conrado Heruela of UNEP Bangkok Office (former representative of UNEP on the Cogen PSC) to attend a training on preparation of new GEF projects and requested Stephen Karekezi to be a resource person.

There being no other issues, the meeting was adjourned at 16.50hrs Nairobi time.