Final Minutes of the 16th Project Steering Committee (PSC) Meeting of the AFREPREN/FWD Cogen for Africa Project

Date: 6th June 2012
Start Time: 19.00hrs Nairobi Time
Venue: Intercontinental Hotel, Nairobi, Kenya

Agenda Items:

1. Review and Approval of Agenda
2. Review of previous meeting documentation
3. Follow-up to approved cogen co-finance grants
   a. West Kenya & Kinyara, Uganda cogen investment opportunities
   b. James Finlays (Kenya) cogen investment opportunities & recent request for additional co-financed grant support
4. Update on Commissioned Feasibility Studies
   a. Mpanga Growers Tea Company (Uganda) planned cogen investment
5. Additional Requests for Co-finance Grants
   a. Kakira Sugar Ltd cogen investment, Uganda
   b. Kenya Nut Company (Kenya) planned cogen investment
   c. Ethiopia planned cogen investments
   d. Zimbabwe planned cogen/heat recovery investment in cement company
6. Update on Other Investment Opportunities
   a. SaoHill Energy/Green Resources (Tanzania) planned cogen investment
7. Uganda Consultative Meeting on Cogen and Feedstock Security
8. Pending Administrative Issues
   a. Project extension
9. Project Implementation Review and Workplan
10. Financial Reports
11. Tentative Date & Venue for Next Steering Committee Meeting
12. A.O.B
Agenda Item 1: Review and Approval of Agenda

The Agenda was reviewed and approved for discussion.

Agenda Item 2: Review of previous meeting documentation

This 16th PSC Meeting reviewed and approved the minutes of the last 15th PSC Meeting held on 1st September 2011. In the 15th PSC meeting, the Implementing Agencies were represented by Youssef Arfaoui, AfDB and Conrado Heruela, UNEP and the Executing Agency was represented by Stephen Karekezi. Both Conrado Heruela, in his capacity as UNEP representative and Youssef Arfaoui as AfDB representative had already provided email approvals of the minutes of the 15th PSC meeting.

The meeting reviewed and approved the minutes of previous normal meetings held on 28th February 2012 (participants: Youssef Arfaoui - AfDB, Ewan Wheeler - AfDB, Geordie Colville - UNEP, Stephen Karekezi - AFREPREN/FWD) and 17th March 2012 (participants: Geordie Colville - UNEP, Stephen Karekezi - AFREPREN/FWD, Farhan Nakhooda - Kakira).

Agenda Item 3: Follow-up to approved cogen co-finance grants

West Kenya Sugar Company Ltd, Kenya
The 16th PSC Meeting was briefed on the status of the cogen investment at West Kenya Sugar Co. The PSC was informed that the feedstock shortage in the West Kenya sugar belt continues to be a source of uncertainty and a major barrier to promoting cogeneration investments in the region. The AfDB PSC representative kindly agreed to raise the issue at a scheduled meeting with the Permanent Secretary in the Ministry of Energy and seek his intervention in addressing the feedstock challenge that is constraining cogeneration development in Kenya.

West Kenya Sugar Co. cogen investment to be revisited in the next PSC Meeting after the discussion with the Rai Group Chairman and Permanent Secretary in the Ministry of Energy by AfDB PSC representative.

Kinyara Sugar Cogeneration Plans
Although no Cogen grant has been approved for the Kinyara (Uganda) sugar cogeneration plans, the RAI family group of associated companies own both Kinyara sugar company and West Kenya sugar company (which has benefitted from a Cogen Project grant). The 16th PSC Meeting was briefed on the Kinyara Sugar (Uganda) cogeneration plans and the power transmission challenge faced by the company. It needs a new transmission to allow the evacuation of cogenerated electricity into the national grid. The PSC meeting was informed that the required transmission line could be considered for financing by the AfDB (assuming that it meets AfDB’s standard pre-requisites). AfDB representative to inform the Chairman of Rai family group of companies of the possibility of obtaining AfDB support in the financing of the required transmission line.

James Finlays, Kenya
The 16th PSC Meeting was updated on the status of the James Finlays cogen investment, and a recent request for co-financing to set-up a gasifier plant. Given the failure of past gasifier plants
in the region, the PSC recommended that James Finlays is informed that the Cogen for Africa cannot finance gasifiers at the moment.

However, the Cogen for Africa project could indicate the possibility of securing support to assist James Finlay benefit from a planned power wheeling initiative by the Kenya national regulator, which was in part, driven by the findings of a major national study on power wheeling by GTIEA. The PSC recommended that a recent study on power wheeling by GTIEA could be shared with James Finlays as well as Chairman of RAI group of companies that own both West Kenya and Kinyara once communication is re-established via the AfDB representative.

The PSC also recommended that the Cogen for Africa project contacts the flowers and vegetables business units of James Finlays to find out if there are cogeneration opportunities. UNEP to circulate the contacts of the Director of the flowers and vegetable business units of James Finlays.

**Agenda Item 4: Update on Commissioned Feasibility Studies**

Mpanga Growers Tea Company, Uganda

The PSC was updated on the Mpanga (Uganda) Growers Tea cogen investment. The Meeting was informed that the draft feasibility study had been submitted by the consultants. The Meeting recommended that the final payment is released after review of the feasibility study report by the PSC. The full draft feasibility study to be circulated to all PSC members.

**Agenda Item 5: Additional Requests for Co-finance Grants**

Kakira Sugar Ltd cogen investment, Uganda

The PSC Meeting was briefed on the co-financing request from Kakira Sugar Ltd of US$300,000 that would be disbursed over 4 years period (2012 to 2015) to co-finance a US$949,940 engineering/project management contract for Kakira's US$65 million cogeneration expansion investment. Once this investment is completed, the Cogen Project would effectively have realized its targeted installed cogeneration of 40MW and 204,000 MWh end-of-project targets.

As this co-finance grant will, once signed, effectively be the largest grant ever considered by the Cogen project, the PSC approved the grant, on the condition, that the PSC carefully reviews the contract between Kakira Sugar Ltd and J.P. Mukherji and provides detailed guidance on how best to track the co-financing and ensure that all the stipulated and expected deliverables are realized in a verifiable fashion. PSC guidance to be fully incorporated in the co-financed grant agreement (draft grant agreement to be circulated to PSC before signature) between Kakira and the Cogen for Africa project and should include a requirement for the submission of a feedstock security study used to justify the investment and that the disbursements will only be effected after receipt of payment requests from the service provider and confirmation that the procurement followed international procurement procedures as well as a provision, should the need arise, to institute an independent audit of the Cogen for Africa co-financed grant utilization and documentation.

Kenya Nut Company, Kenya
The PSC meeting was briefed on a co-financing request received from Kenya Nut Company. It was observed by the meeting that the 10% co-financing from Kenya Nut Company was very low. The PSC recommended that Kenya Nut be requested to send complete profiles of selected and competing consultants that submitted quotations as well as the selection criteria used to select the winning consultant. Should the selected consultant meet the PSC quality expectations, Kenya Nut to be requested to increase its contribution to 50% to be able to secure a co-financed grant from the Cogen for Africa project.

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 the Cogen for Africa project would await the results of the feasibility study and should Kenya Nut cogen investment prove to be viable, would be open to consider a request to provide a co-financed grant for a follow-up engineering study that leads to financing of the cogen plant.

**Ethiopia - Planned Cogen Investments**

The meeting was updated on the request for co-financing from the Effort Group (Messebo Cement Factory, Maichew Particle Board and Abergelle Slaughter House) and Hiber Sugar.

The PSC recommended that a decision on the cogen investments is undertaken after receiving an update from Mr. Ewan Wheeler of the African Development Bank Nairobi Office who had communicated directly with the Effort Group’s senior management.

**Zimbabwe – Pretoria Portland Cement**

The PSC was briefed on a cogen investment co-financing request received from a cement factory in Zimbabwe interested in developing a cogeneration/heat recovery investment. The PSC meeting recommended that as Zimbabwe is currently not one of the seven (7) core Cogen Project target countries and not all 7 target countries have active cogen investments promoted by the project, the cement factory be informed that requests for Zimbabwe can only be considered in the next post 2015 phase of the Cogen Project.

**Agenda Item 6: Update on Other Investment Opportunities**

**SaoHill Energy/Green Resources, Tanzania**

The PSC meeting was updated on the co-financing request from Sao Hill Energy was on hold due to the insistence by the company refusal to use an independent consultant to undertake a feedstock security verification study that is central to the viability of the planned cogen investment. It wants to use an affiliated sister company to undertake the study. The meeting was informed that planned UNEP/AFDB support channeled via a different program had also been suspended for the same reason. The PSC recommended that Sao Hill Energy is given deadline to agree to an independent verification of feedstock security. Should Sao Hill fail to meet the deadline, its co-financing request is to be dropped from the list.

**Agenda Item 7: Uganda Consultative Meeting on Cogen and Feedstock Security**

The PSC was briefed on the recently held Uganda Consultative Meeting that focused on the
cogeneration in Uganda and the feedstock security issue. It attracted participants from all the 3 main sugar factories in Uganda (Kinyara, Kakira and SCOUL) as well as key policy and regulatory agencies (Ministries in charge of energy, agriculture and industrial sectors), electricity regulatory and rural electrification agencies as well as representatives of civil society and academia. Report of the meeting to be circulated to all PSC members and uploaded to the relevant webpages.

**Agenda Item 8: Pending Administrative Issues**

**Project Extension Request**
The meeting was informed that the project extension to December 2015 had been reviewed within UNEP and all requisite paperwork compiled and was awaiting final approval from the Director. The approval was expected in 2 weeks time (20th June, 2012).

**Agenda Item 9: Project Implementation Review and Workplan**
The meeting was informed that the UNEP has updated its Project Implementation Review (PIR) template and would circulate a new PIR format for the 2012/2013 period. It was also agreed that the PIR could be submitted by 6th August instead of the usual 31st July deadline. PIR to address implementation of recommendations of Medium Term Review (MTR).

The new workplan submitted to UNEP and covering the project extension period (up to December 2015) was being reviewed.

**Agenda Item 10: Financial Reports**
The last expenditure report covering the period January to March 2012 was presented to the PSC meeting and approved as no questions have been raised to date by the UNEP Fund Management Office.

The PSC Meeting was informed that Patricia Mwenya and Martin Okun of UNEP's Fund Management Office will be given other responsibilities and the person who will be in overseeing the finance aspects of the Cogen Project will be communicated by UNEP, in due course.

**Agenda Item 11: Tentative Date & Venue for Next Steering Committee Meeting**
The next face-to-face PSC meeting was tentatively set for 27th August 2012 in Nairobi, Kenya subject to confirmation of the PSC members. To keep open the option of organizing a follow-up visit to Kinyara (Uganda) and Kakira (Uganda).

**Agenda Item 12: A.O.B**
The meeting was informed of a planned 7th June, 2012 meeting to discuss with a leading Le Monde/TV5 journalist/lead environmental expert, the Cogen Project and its impact on cogeneration investments. AfDB and AFREPREN/FWD representatives to participate in meeting. UNEP representative invited to meeting and received background slides for the meeting. To keep open option of organizing future visit to West Kenya and Kakira (Uganda) for Le Monde/TV 5 journalist.

There being no other issues, the meeting was adjourned at 21.50hrs Nairobi time.