Creamer Media's ENGINEERING NEWS Online

Private investors say still keen on African power

By: Reuters
Published: 22 May 09

Private investors are still keen to invest in Africa's power sector as long as projects are realistic, well structured, have government backing and their risk credentials are sound, a power conference heard this week.

Africa needs to invest $500-billion in power infrastructure by 2030, with one-third required for power generation and the balance for transmission and distribution, said **Alasdair Maclay**, director at British investment group Actis.

A big portion of that funding will come from private investors, known to boost the ventures' efficiency and speed, but only as long as the public partner does its fair share.

"We like to see a reliable sector, sustainable and credit-worthy counterparties, long-term planning, cohesive policy, environmental objectives and a regulatory body that is truly empowered and independent," he told the conference which ends on Friday.

Paul Eardley-Tayler, head of energy at Standard Bank SA, said liquidity was scarce and project timelines have lengthened, but the rationale for investing in the sector was still there.

"If we spend in infrastructure, the country's GDP (gross domestic product) benefits. That leads to increased demand for financial services .. therefore it's a very important sector for us," he said.

Maclay said the African power sector has reformed greatly over the past few years, with Tanzania, Kenya and Uganda showing how well coordinated public-private partnerships can flourish.

But the situation on the continent is still far from perfect, with no cost-reflective tariffs anywhere in Sub-Saharan Africa, he said.

Scarce liquidity has forced financiers to focus more on the government efficiency, said Andrew Johnstone, chief executive officer at Africa Infrastructure Investment Managers (AIIM).

"The risk horizon has shrunk significantly, the lack of debt is putting challenges on balance sheets and there is a greater focus on the lower hanging fruits, pushing marginal deals off the radar screen," he said.

Transactions drag as the number of players involved in a project can reach 15, and the need to finance projects in local currencies instead of dollars in turn caps their scale.

Johnstone said governments and development funding institutions (DFIs) need to play a greater role than ever before, especially as they seek to sustain power investments in the face of competing pressures.

But being realistic was most important, all agreed.

"Small is beautiful... downscale the megawatts targets, set realistic projects ... only doable deals will get done these days and that will remain the case for at least the next two years," Standard Bank's Eardley-Taylor said.

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