

**Testimony of Paul Hinks, CEO of Symbion Power LLC and Chairman of the Corporate Council on Africa, to the Senate Foreign Relations Sub-Committee on Africa
27th March 2014**



Villagers in rural Tanzania celebrate their first electricity connection funded by the United States Government's Millennium Challenge Corporation in 2013.

Chairman Coons, Ranking Member Flake, and distinguished members of the sub-committee:

Thank you for the opportunity to appear before you today to discuss the Power Africa Initiative. I hope I can provide the sub-committee some useful insights into this important program.

Introduction.

By way of introduction, I will provide some brief comments about the Power Africa Initiative and describe a bit of my background, including my experiences with electrification projects in Africa.

When we talk about the lack of access to electricity in sub Saharan Africa, the hard reality of what it means to the African people often goes over our heads. In some countries, large swathes of the rural population have never had power and, quite frankly, they do not believe they will ever get it.

Without electricity, they have no lights, and their children must do their homework under dangerous paraffin lamps. Using a computer for schoolwork or anything else is impossible, and while there has been an African cell phone revolution, many still have to travel a long way to find someone who has a communal charger.

They cannot get water in their villages because they don't have electric pumps to transport it. Instead, the women — not the men — must walk for miles and miles, carry plastic paint buckets of water on their heads with babies strapped to their backs.. They cannot refrigerate or freeze food, and they cook on biomass-burning stoves, the fuel for which — wood, dung, and charcoal — has to be manually collected —again by women, and by children — causing deforestation, indoor air pollution, and taking children from school. The World Health Organization estimates that those biomass-burning stoves cause two million premature deaths from pneumonia and other illnesses every year worldwide. Most of the victims are women and children. See World Health Organization, Fact Sheet No. 292, *Indoor Air Pollution and Health* (September 2011), found at <http://www.who.int/mediacentre/factsheets/fs292/en/> (last visited March 24, 2014).

No electricity means no development. Over the last three decades I have seen what happens when a village gets electricity for the first time. Within months the villagers start to use milling machines to grind maize into flour and new industry is born. When you return to that same village five years later it is thriving, and life has changed forever for its inhabitants.

I was in Africa when the Power Africa Initiative was launched, and I can tell you that it has given hope to hundreds of millions of people. These are rural people with simple lives, and when they hear that the United States is going to help them they believe it. Recently, I was in a village in rural Tanzania for a project inauguration with the Millennium Challenge Corporation, a U.S. government agency that has electrified hundreds of villages in Tanzania in the past three years. The Sub-Committee would have been touched to see thousands of smiling men, women and children all waving the U.S. and Tanzania flags. It is nice that we are appreciated in Africa.

This Initiative deserves full bipartisan support. It will be a long-term game-changer for the people of Africa, and it is an area where U.S. expertise, U.S. technology, U.S. experience, and U.S.-manufactured products are highly desirable and greatly valued. Many jobs will be created in America, and new U.S. technologies will be deployed. It is a win-win partnership.

My Background.

I am the founder and Chief Executive Officer of Symbion Power, a Washington, D.C.-based Independent Power Producer and electricity infrastructure engineering contractor that has invested in the energy sector in Africa. We own three thermal power plants in Tanzania which generate 217 total megawatts (“MW”) of power, and we are a partner in a consortium that owns a 972 MW power plant in Delta State, Nigeria. We also are in the final stages of negotiations for the right to build, own, and operate a geothermal power plant in Kenya, and we are developing a new 450 MW gas facility in Ghana. In addition, we are developing a new 600 MW power facility in southern Tanzania as a public-private partnership with the government-owned power utility TANESCO.

I was trained by the U.K.’s state-owned utility which, at that time, was called the Central Electricity Generating Board. I first went to work in Africa as a young man in 1980 when I worked for the electricity utility of Zimbabwe. After that I worked in Tanzania building electricity infrastructure projects. I lived in Africa, working in the electricity sector, for 10 years, and when I returned to London I continued to work on electrification projects in Africa. At the last count, I have worked on projects in 16 African countries, many of which were facing economic ruin at the time.

From 2003 until 2010 I was heavily involved with the U.S. reconstruction efforts in Iraq and Afghanistan. Working hand-in-hand with the U.S. military and with the U.S. government, Symbion Power undertook some of the most difficult and dangerous electrification projects in Iraq, including the 400 kilovolt (“kV”) transmission line from Baiji through Haiditha to Al Qaim at the Syrian border. We also built substations in Fallujah, Ramadi and Sadr City. We were the only U.S. company that worked in those areas between 2005 and 2008 at the height of the insurgency.

In addition to my position at Symbion Power, I have another role here in Washington: I am the Chairman of the Corporate Council on Africa (“CCA”). The CCA is the largest private-sector organization in the United States promoting trade and investment in Africa. Some of America’s largest corporations are members of the CCA, and CCA member firms represent 85% of all U.S. investment in Africa.

What is Power Africa All About ?

As the Chairman of CCA, and as someone with extensive experience in the African power sector, I have been privileged to have been consulted as a representative of the private sector during the development of the Power Africa Initiative. The White House, the State Department, the Department of Commerce, the Department of Energy, USAID and various other government agencies have sought my input from the outset, and I am pleased to say that they have always welcomed, and have carefully considered, my views, which are representative of those of private sector firms who have an interest in power investments and contracting work in Africa.

Dealing with the myriad rules and regulations of multiple bureaucracies in Africa and in the United States is one of the biggest challenges for private-sector firms who want to invest in the electricity sector. In his first major speech about the Power Africa Initiative in Dar es Salaam, President

Obama, speaking to President Kikwete of Tanzania, emphasized the need to cut through this “red tape”:

Now, in order for this to work, then we all have to feel a sense of urgency. One of the things, Mr. President, that I learned around the business roundtable is if we are going to electrify Africa, we've got to do it with more speed. We can't have projects that take, seven, eight, nine years to be approved and to get online. If we're going to make this happen, we've got to cut through the red tape, and that can only happen with leadership like the leadership that President Kikwete has shown.

Remarks by President Obama at Symbion Ubungo Power Plant, July 2, 2013, (“Pres. Obama Remarks”) found at <http://www.whitehouse.gov/the-press-office/2013/07/02/remarks-president-obama-ubungo-symbion-power-plant> (last visited March 23, 2014).

Achieving President Obama’s stated aim of “doubling access to electricity,” starting with “bring[ing] electricity to 20 million new homes and businesses” (*id.*) is not going to be easy, but it is possible if the stakeholders can find a new way of working together. The Power Africa Initiative is that new way of working together, with the U.S. government providing a “whole-of-government approach” to host nations and to the private sector. But these three partners are pretty strange bedfellows.

In Africa, the host governments and the civil servants in ministries are accustomed to a steady flow of development loans and grants from the World Bank, the African Development Bank, and other Development Finance Institutions (“DFIs”), which the governments use to build power-generating facilities. Power Africa is a different model. There are no large pots of money being distributed to the host governments. Rather, the private sector is being asked to step up and invest in electricity infrastructure in Africa, while in parallel USG agencies such as USAID and MCC seek to improve the policy environment and create an enabling environment for U.S. private sector investment in Africa. It will take time for the host governments to become familiar with this new model and to working with the private sector.

Indeed, private-sector independent power facilities are still quite rare in Africa. The exception is Nigeria, which has embarked on an aggressive power privatization program in the past two years. Privatization is not without controversy; some African politicians and government officials contend that electricity should remain a public-sector service provided by the State, citing concerns that because the private sector is required to make a profit there will be pressure to increase retail tariffs, with no consideration for the spending power of their people.

Early Successes

USAID has made a great start on the Power Africa Initiative by putting teams into place in the six Power Africa countries: Liberia, Tanzania, Kenya, Ethiopia, Ghana and Nigeria. These teams, who collaborate with other U.S. government agencies, are coordinated out of the Embassy in Nairobi. From what I have seen, they are comprised of experienced, knowledgeable people who can be of great help to the various African governments, their energy ministries, and the respective power utilities. But whilst there are huge power deficits in each of these countries, we don’t yet see the

sense of “urgency” on the part of the host governments that President Obama emphasized is necessary to achieve Power Africa’s goals.

Nonetheless, in East Africa, the Power Africa team at USAID has achieved a significant milestone by helping the Ethiopian government and a project developer execute what might be the first-ever power development agreement with a private-sector company in that country. The developer, a New York-based investment firm, has projected that this renewable energy geothermal power plant eventually will deliver 1000 MW of power to the East African grid. And in Kenya, the Power Africa team has assisted a U.S. generator manufacturer who is one of the members at CCA, to execute an agreement with the Kenya government.

Adjusting to the New Way of Working will Take Time.

These are early victories that represent real progress for the Power Africa Initiative. But I have always believed that it will take over a year before we see tangible results in the form of new megawatts — that is, megawatts that were not previously under development — coming on-stream in Africa. Power Africa is ground-breaking, and it will take time for the three new bedfellows — the U.S. government, African host nations, and the private sector — to adjust to working together in a new way. The focus in 2014 should be on addressing some of the significant challenges facing the Power Africa Initiative, in order to pave the way for more private-sector investment in the future.

I have already mentioned one of those challenges: the fear that private-sector power generators will levy higher costs to increase profits. Addressing this concern is already on the Power Africa agenda: one of the clear messages of Power Africa, the DFIs and the private sector is that tariffs must be cost-reflective — electricity cannot be sold for less than it costs to produce. But private-sector providers can bring to bear their experience and advances in technology to ensure that power production costs, and therefore tariffs, are kept as low as possible. Through Power Africa, the United States must work at political and administrative levels on the continent to better explain the role of the private sector and the benefits that can be achieved in terms of efficiency if privatization programs are properly implemented.

Security of Payment and Creditworthiness is a Critical Issue

Another serious challenge to the success of power investments in Africa is the creditworthiness, or lack thereof, of the “off-takers” which are usually the government-owned utilities that purchase the electricity from the power producers and distribute it to the consumers. In most instances, the state-owned utility cannot demonstrate a sufficient level of assurance that it will be in a position to pay the private-sector producers or that it will pay promptly and in accordance with the terms of the contract. In practice, if the producers are not paid, they will in turn default on their payments to banks and other financial institutions who help fund the investments that have very little tolerance for non-payment.

For more than two years, my company, Symbion Power, has been battling in one of the Power Africa countries to get paid fully and regularly, to the point where, as of February, 2014, we are owed \$70 million USD. The debt will be even greater at the end of March when more invoices are submitted. This level of debt is simply unsustainable for a company of our size. Whilst we have

confidence that the host government eventually will pay us, the cash-flow problems that the situation has created cause considerable disruption to our operations.

Our experience will have a negative effect on lenders' willingness to fund power projects in that country, and if lenders will not fund large-scale — or even small-scale — private-sector development, the aims of Power Africa in that country will not be met. It is therefore imperative and urgent that the Power Africa Initiative and all agencies of the U.S. government address at the highest levels the issue of off-taker creditworthiness so that the economic environment facilitates new investments. Not being paid on time or at all is at the top of the fear list for the private sector.

Urgency and Speed.

To achieve the speed of development that the President has emphasized is necessary to meet the ever-growing need for electricity in Africa, the various U.S. government agencies involved in the Power Africa Initiative should examine how they can expedite their processes. The normal lead times for project funding approvals can be in the range of six months to one year, but it is often much longer. These agencies are bound by rules and regulations that do not necessarily foster alacrity, and if some dispensations are made we will see faster results and more power, quickly, in Africa.

Some in the private sector have also raised the question whether the U.S. agencies will have sufficient human resources to deal with a large influx of project evaluations. This issue obviously must be addressed by the agencies themselves; I note only that the private sector is concerned that it may not get the attention and speed needed when projects are submitted for consideration and funding approval.

Finally, I want to emphasize that Congress's role is absolutely essential to the success of Power Africa. The Electrify Africa Act — which is being championed by Representative Ed Royce, Chairman of the House Committee on Foreign Affairs, and by Representative Karen Bass, Ranking Member of the Sub-Committee on Africa — coupled with the Power Africa Initiative itself, will literally light up the lives of those hundreds of millions of people in Africa. Those of us who spend our time working in the power sector on the African continent do so because we know that reliable power is essential to the economic development of Africa and because we know just how much it will improve the lives of the African people. I hope that this Sub-Committee and Congress as a whole will agree that the electrification of Africa is an important goal, and that the Power Africa Initiative is an important step in achieving that goal.