

**Testimony of**  
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**Committee on Foreign Relations**  
**United States Senate**  
  
**Hearing on the Power Africa Initiative**  
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Thank you Chairman Coons and Ranking Member Flake, for inviting OPIC to participate in this important hearing to discuss the President's Power Africa Initiative. OPIC's global development mission, its private sector focus and its proven finance and risk mitigation tools are well-suited to this initiative.

About two-thirds of Africa's people -- 600 million in all -- live without electricity. That's nearly twice the size of the U.S. population. To put that in perspective, only about 30% of South Asia's population lacks electricity, and only about 10% of those living in the Middle East, in North Africa, and in Latin America and the Caribbean lack it. So this is a particularly African problem.

Solving the problem will unlock tremendous African social and economic potential across multiple sectors.

- African hospitals and clinics will be able to offer medicines that require refrigeration, as well as advanced medical diagnostic and treatment equipment. Health care providers will be able to treat people at more times of the day and night.
- Food can be refrigerated, reducing spoilage, improving health, and strengthening the livelihoods of farmers and grocers.
- Children will be able to study after dark and families will be able to read.
- More businesses will be able to start-up and grow.
- Cellphones and laptops can remain charged, and Africa can become increasingly plugged into a global grid of information and communication.

The President's Power Africa initiative, which is already taking shape, and is backed by increasingly broad and bipartisan support in Congress, within the business and nonprofit development communities, and in Africa itself, represents an extraordinary opportunity to change all this.

As an Ethiopian-American, this work is very personal to me. My grandmother spent her whole life in southern Ethiopia and passed away a few years ago without ever having switched on an electric light. I also spent much

of my early life in Africa, where I saw firsthand the obstacles faced by families and whole communities without ready access to electricity.

### **Background: OPIC in Africa**

OPIC has been supporting projects in sub-Saharan Africa for more than 40 years, using structured finance, business loans, political risk insurance and private equity investment funds. Annual transaction value in the region is up over four-fold since FY08. Today, the agency has more than 120 projects totaling \$3.9 billion across the continent. Today, African projects represent about 25% of OPIC's total portfolio, up from 6% a decade ago. Several factors have converged to make this the fastest growing region in OPIC's portfolio:

- Enormous African demand and increasing investor interest in the continent
- An abundance of natural resources
- A growing middle class with disposable income
- New U.S. investors, particularly diaspora investors, entering the market
- Host-country investment climates that are improving by the day.

Over \$1.3 billion of OPIC's sub-Saharan Africa portfolio is devoted to financial services like microfinance lending, and loans to small and medium-sized enterprises. Other investments span sectors like agriculture and food security, healthcare, education, housing and technology.

Recent OPIC energy projects in sub-Saharan Africa have included:

- Three combined heat and power (CHP) plants in Nigeria that have energy efficiency as high as 90% and carbon capture technology sufficiently advanced to trap 95% of CO<sub>2</sub> emissions.
- The expansion of a geothermal power plant in Kenya that has added 52 MW to its previously installed capacity of 48 MW.
- \$250 million in financing that is helping two American companies construct a 60 MW solar power plant in South Africa, a plant that will help South Africa avoid 140,000 tons of CO<sub>2</sub> emissions in its first year alone.

Currently, OPIC's energy portfolio in sub-Saharan Africa totals about \$1 billion, generating 500MW of power. Globally, the energy portfolio totals \$4.1 billion across 46 projects. OPIC renewable resource projects in the portfolio have seen more than a forty-fold increase since 2008.

### **Power Africa**

To support the Power Africa initiative, OPIC will commit \$1.5 billion in financing and insurance to power projects across sub-Saharan Africa. It will also deploy its four decades of sub-Saharan Africa and power project experience to help achieve the President's goals in the region.

In just the nine months since Power Africa got underway, OPIC has made major strides in participating in a framework for interagency cooperation and in committing financing to bankable, highly developmental power projects.

I am proud to report that OPIC already has a pipeline of African electricity projects that, if fully committed, would surpass our \$1.5 billion dollar commitment.

This is a testament to OPIC's expertise in power projects, growing interagency collaboration, and the sheer demand for investment support in African power from the U.S. private sector. Our pipeline includes a diverse mix of thermal, renewable, on-grid, and off-grid projects in both rural and urban centers throughout sub-Saharan Africa. Large and small, from \$250 million down to \$500,000, OPIC is working across sectors and regions to provide access to energy.

In Togo, which never had its own sources of power, OPIC and a U.S. company financed a 100 MW facility that can switch between three kinds of fuel: light fuel, heavy fuel, and gas when available. When the facility is online in Togo, not only will most of Togo become completely self-sufficient in power, but the country shifts from being an energy importer to an energy exporter, selling power to its neighbors, the first country in the region to do so.

Using the new U.S.-Africa Clean Energy Finance initiative, better known as ACEF, OPIC and its interagency partners are preparing new renewable energy projects in a collaborative way. ACEF is funded primarily by \$20 million of State Department funds, of which \$15 million is managed by OPIC directly and \$5 million by USTDA. Through ACEF, relatively small project preparation costs are identified that impede the readiness of renewable energy projects for financing – costs like surveys, preliminary engineering work, social and environmental impact assessments, and third-party consulting fees. In just over a year, OPIC has committed nearly a third of its allotted ACEF funds, which have covered a variety of projects across seven countries.

Here are two examples:

In Tanzania, ACEF is supporting Off-Grid Electric's plans to market solar power from the mobile phone distribution platforms that are flourishing across Africa. Through ACEF, OPIC is providing \$200,000 for software and analytics, hardware design, and supply chain optimization to finalize the design of Off-Grid Electric's solar home systems. Customers are able to pre-pay for energy via mobile phone, adjusting their usage according to their specific needs. Beneficiaries are low-income, remotely located households in Tanzania, where annual electricity usage is 92 kWh/person compared to over 13,000 kWh/person in the U.S. These solar home solutions will be affordable for 80% of Tanzanians, as well as more reliable and less dangerous than traditional energy sources, such as kerosene and diesel generators.

In Rwanda, only eight percent of all households have access to grid electricity. ACEF support for Gigawatt Global, a multi-national power generation project developer, with \$400,000 of project development funds, has accelerated the construction of an 8.5 MW grid-connected solar power plant in the Eastern Province of Rwanda. This will be Rwanda's first grid-connected solar PV project, introducing a replicable renewable energy model to the country and increasing total energy output in Rwanda by 9.3 percent. The plant will be installed on land leased from a residential community home for youth who were orphaned during and after the 1994 genocide. The Gigawatt Global project shows how a small investment on the front-end of a project can be incredibly catalytic. Because of the ACEF facility and OPIC's support, Gigawatt Global was able to reach financial close in February and expects the solar installation to be on-line by mid-2014. For those not familiar with the renewable energy development timeline, this is exceptionally fast.

The good news is that over the next five years, seven of the world's ten fastest-growing economies are expected to be in sub-Saharan Africa. The bad news is that energy isn't keeping up. While Africa's annual economic growth is averaging 4.5 percent or better, power generation is growing at only about 1.2 percent annually.

So OPIC is also trying to address some of the obstacles that are holding back power generation growth. Since OPIC works to facilitate transactions between the private sector in the U.S. and the private sectors in emerging markets, rather than working government to government, we can often identify government policies that stand in the way of transparent and competitive electric power generation solutions. Working with our colleagues at USAID, MCC, Treasury, Commerce, and State, we have moved these open market policy measures forward. For example, we have developed a best practices guide for Power Africa host countries and private sector investors regarding key elements of power purchase agreements.

OPIC also participates in another multi-agency collaboration, called the Power Africa Working Group, that has established a wide range of private sector engagement tools and host country best practices. Importantly, it simplifies access for the U.S private sector by creating a unified one-stop shop. Power Africa has united its working group in a focused and transaction-driven approach, providing more access to electricity as part of a broader poverty reduction goal.

Thanks to this ACEF collaboration, we've seen the establishment of the U.S. government's South Africa Energy Trade Hub, which combines the tools and expertise of OPIC, alongside our colleagues from USTDA and USAID, and the U.S. State Department.

OPIC brings to the Power Africa table its background in managing large projects and its development finance knowledge. Over the past 40 years, OPIC has committed nearly \$24 billion to infrastructure projects in developing countries. Bringing these projects to completion frequently has meant working on highly complicated transactions that are time-consuming and that require the structuring of complex partnerships. Protection of U. S. taxpayers is also needed: through careful risk mitigation strategies, OPIC has kept its losses, net of recoveries, below one percent of portfolio value. This has allowed OPIC to return money to the Treasury for 36 consecutive years, helping reduce the federal deficit. Since FY 2008, OPIC has returned more than \$1 billion to the Treasury.

While development is the primary focus of OPIC's work, we also seek to level the competitive 'emerging markets playing field' for U.S. investors. In doing so, we help generate both U.S. exports and U.S. jobs.

To date, OPIC has supported more than \$200 billion of investment in over 4,000 projects globally, generated an estimated \$76 billion in U.S. exports and supported more than 278,000 American jobs. Over three-fourths of OPIC's 2012 projects were with American small and medium-sized businesses. And every OPIC project is empirically assessed for its development impact before funds are committed.

Based on its experience in the region and the power generation sector, OPIC believes that providing affordable, reliable energy to millions of Africans is within Power Africa's reach. Thanks to the support of Congress, the U.S. private sector and the advocacy community, we and our partner agencies are aligned in our passion to solve this global challenge.

To best utilize OPIC's ability to advance these Power Africa goals, a few key authorities are crucial including:

- Providing a multi-year reauthorization. As the U.S. government's development finance institution, OPIC partners with the private sector in loans of up to \$250 million dollars for as long as 20 years. OPIC provides political risk insurance in some of the most dangerous parts of the world. Investors who are depending on OPIC for these long time spans want some reassurance from Congress that OPIC will continue to be there with them for the long haul.
- Supporting the President's FY 2015 budget for OPIC.

I am happy to see that Africa's electricity needs have galvanized bipartisan and bicameral support, including the recent approval of legislation in the House Committee on Foreign Affairs, on a virtually unanimous vote. I'm especially glad to see that both chambers are thinking deeply about how to provide OPIC with the backing and tools it needs to do the job in Africa. Many of the above authorities just described, are included in the House legislation and I know this Committee is also considering them.

Looking ahead, OPIC will continue to increase U.S. investors' ability to access Africa's growing power sector, as well as finance and insure developmental projects across the developing world. OPIC can be nimble in taking advantage of such opportunities in part because it operates on a self-sustaining basis, at no net cost to taxpayers. In closing, I will conclude with some of my own thoughts about Power Africa.

Earlier in my testimony, I referred to my grandmother's experience of a lifetime without electricity. As an Ethiopian-American, helping to ensure Power Africa's success is more than just my job, it's an obligation to my family, friends and birthplace. I understand how lack of electricity affects almost every aspect of life and work. The rapid advances in development that come from access to power are life-changing. I still have scores of family members and friends in both of these countries. I visit Africa often, so I associate faces and names with the task of bringing power to the continent. It's not an esoteric goal for me, but one that carries memories and real-life implications.

I feel privileged to be able to contribute something back to the place that I came from, and to the culture of which I am still a part. OPIC remains committed to investing with impact and welcomes Congress' partnership and support in the coming years.

Thank you to this Subcommittee and Committee for your interest in and support for this crucially important initiative. I would be happy to take any questions at this time.