The Initiative for Global Development (IGD) has identified the lengthy negotiations around Power Purchase Agreements (PPAs) as a bottleneck in the process of developing independent power projects (IPPs) throughout Africa. The typical time required to develop a power project in most of Africa, from inception to commercial operation start up, can be 5-10 years, or roughly twice to three times as long as it takes in many other parts of the world. As a result, fewer projects are successful and those that are can be more expensive due to lengthy – and costly – delays.

IGD’S SOLUTION

As a business-oriented nonprofit organization, IGD is uniquely qualified to consolidate support around the adoption of country-specific standardized PPAs designed to reduce transaction costs, speed up project development time, and - eventually - produce a greater number of bankable power projects in Africa.

During the first stage of the project, IGD is engaging stakeholders to develop a preliminary list of countries where the development and adoption of a Standardized PPA will have the greatest value. We will focus on the following factors:

- **Deal flow** – Is there significant potential for IPP development, both renewable and thermal?
- **Interest** – Have local and foreign stakeholders expressed interest in encouraging IPPs in the country?
- **Difficulty** – How complex will it be to navigate the country’s bureaucracy and regulatory system to gain traction for establishing a Standardized PPA?

IGD will narrow its preliminary list down to a small number of countries with whom to begin the process of creating a standardized PPA, tailored specifically to that country’s situation. IGD will also support partner governments’ efforts to obtain funding for experienced counsel – both for purposes of developing the Standardized PPA and for negotiating with project developers going forward, using the document as a baseline.

IGD’s goal is to facilitate the adoption of a model that will lead to more bankable PPAs being negotiated in Africa. Transaction costs and time to financial close will be reduced substantially, in some instances shaving over 2 years off project development time. Ultimately, we hope this project will both facilitate investment in Africa’s power sector and accelerate efforts to electrify the continent.