Benin Power Compact & the Private Sector

In September 2015 the U.S. Government’s Millennium Challenge Corporation and the Government of Benin signed a $375 million agreement, or compact, focused on Benin’s electric power sector. The Government of Benin will contribute an additional $28 million in furtherance of the compact. The compact seeks to unlock private investment by supporting policy reforms and investing in electricity generation, distribution and off-grid electrification. The Benin Compact is MCC’s latest contribution to Power Africa. Companies can explore opportunities presented by the compact through:

- Public-private partnerships for six utility-scale greenfield photovoltaic generation plants totaling 82 MW.
- Public-private partnerships for the rehabilitation and operation of three thermal generation plants totaling 32 MW.
- Co-investment in off-grid electrification.
- Procurement opportunities for the Compact’s projects.

Why Invest in Benin’s Power Sector?
Benin is a gateway to West Africa and offers a location for investment at the doorstep of Nigeria.

- Growing demand for power, together with regulatory, utility, and tariff reforms, enhanced distribution network, and an IPP framework resulting from the MCC compact, set the stage for power investment.
- The compact will remove barriers to solar IPP investment by supporting and enabling policies, viability gap financing, grid integration, and distributed generation.
- The European Union, Agence Française de Développement, and World Bank are making significant investments in Benin’s electricity sector and supporting key policy reforms in coordination with MCC.
- Benin is a model of democratic stability in Africa celebrating 25 years of rule by the ballot box in 2015.

Benin is Primed for Power Investments
According to the draft Master Plan for Benin’s electricity sector, the country’s demand has doubled in the past decade (to 1,000 GWh), and is expected to more than double again by 2024 with annual growth projected at 6 to 9 percent. Because of a longstanding strategy to pursue generation on a regional basis, Benin relies almost exclusively on power imports to meet its electricity demand. Because of persistent shortfalls, the Government of Benin has committed to generate 70 percent of its electricity needs domestically by 2025, a significant shift from its current energy dependence on neighboring countries. In addition...
to reconsidering its approach to generation, the Government of Benin has adopted a far-reaching policy reform agenda in anticipation of the compact. The government has already established an independent electricity regulator with the authority to regulate tariffs. Other planned reforms include strengthening the independence and management of Benin’s national utility (la Société Béninoise d’Énergie Électrique or SBEE), reforming tariffs, developing an IPP framework, and creating enabling policies for off-grid electrification. Finally, Benin has a banking network and an investment code to facilitate infrastructure projects, and a new law encouraging PPPs is pending before the National Assembly.

Investment Opportunities
Benin’s five year, $375 million Compact contains four projects to catalyze and engage private investment in Benin’s power sector.

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<th>Project</th>
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<th>PPPs/IPPs</th>
<th>Co-investment</th>
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<td>Policy Reform &amp; Institutional Strengthening $41 million</td>
<td>Will support updating the electrical code of Benin, tariff and regulatory reforms, introduce frameworks for IPPs; enable the operational independence and financial viability of the national utility; support energy efficiency; and educate the public on energy sector issues.</td>
<td>Through the Compact Benin will release competitive solicitations seeking IPPs to invest in power production. Compact funding could be used for viability gap financing to assist with the costs of design and construction.</td>
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<td>Benin Compact solicitations will be internationally competitive bids managed by MCA-Benin II and overseen by an independent Procurement Agent. Payments under most contracts awarded by MCA-Benin II will be made directly by MCC to contractors. Opportunities will be posted on MCC’s website <a href="https://www.mcc.gov/work-with-us/compact-procurements">https://www.mcc.gov/work-with-us/compact-procurements</a></td>
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<td>Electricity Generation $136 million</td>
<td>Feasibility studies are completed and funding is available for the construction or rehabilitation of the following generation assets: Photovoltaic Plants Yéripao – 5 MW Djougou – 10 MW Parakou – 15 MW Bohicon – 15 MW (funding is available for the design but not construction of additional 37 MW plants at Onigbolo and Bembérèkè). Thermal Plants Rehabilitation of 32 MW thermal plants in Porto Novo, Natitingou, and Parakou. Hydroelectric Plants Rehabilitation and installation of a 1 MW micro-hydro plant at Yéripao.</td>
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<td>Electricity Distribution $110 million</td>
<td>Will modernize Benin’s electricity distribution infrastructure to expand capacity, improve reliability, and reduce losses and outages, including (i) Cotonou’s grid; (ii) distribution around planned solar generation sites; (iii) a modern distribution control center.</td>
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<td>Off-grid Electricity Access $46 million</td>
<td>Will establish a national framework and enabling environment for off-grid electrification and a grant facility to support off-grid services for (i) critical public infrastructure (e.g., water supply, clinics); (ii) mini-grids; (iii) household devices; and (iv) energy efficiency measures.</td>
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