“Smart Development” Initiative

QUARTERLY PERFORMANCE REPORT
April-June 2008

Prepared for:
Energy Division—Energy Sector Governance Program
Office of Infrastructure & Engineering
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For the reporting period of April-June 2008, CEE-UT can report substantive impacts from work plan activities completed during this time frame. All impacts are based on USAID strategic objectives upon which SDI was built; these objectives and how SDI meets them are discussed further later in this report in the Objectives section.

The main activities were held in Abuja, Nigeria and targeted elected officials and journalists who are crucial to the success of critical West African energy sector initiatives (West Africa Gas Pipeline and West African Power Pool). Key activities were the inauguration of the Nigerian Association for Energy Economics, April 29-30, 2008, in which we held a special session on energy investment conditions in the region; a partners’ workshop held May 1-2, 2008 (CEE, Kumasi Institute of Technology & Environment (KITE)/Resource Center for Energy Economics and Regulation (RCEER) and National Association of Regulatory Utility Commissioners or NARUC); and supporting research for the current work plan, in particular to prepare and test an energy security newsletter to enhance transparency and governance. More information is included in the Output section below.

**IMPACT**

As a result of extensive inclusion of elected officials and journalists in the Abuja workshop, and the frank discussions that have taken place, the event was an eye-opener for most participants from Ghana, Benin and Togo.

- By their own admission, for the first time, they were fully exposed to the nature and extent of issues causing delays in gas delivery through WAGP and limiting the amount of gas that is available for WAGP.

- There were several articles written by journalists who participated in the workshop (both in Nigeria and Ghana) that demonstrated a higher level of understanding of the problems. For example,
  - on gas delivery delays, Joy FM in Ghana reported “…resistance by producers in Nigeria to sell the product at low prices...the cost of production is high...Apart from the issue of cost, equipment that is supposed to compress the gas and make it useful has not been installed yet.”
  - The Tribune in Nigeria reported “The supply of wet gas has been identified as a fresh challenge facing the completion of the West African Gas Pipeline (WAGP) project.”
  - Ghana’s Daily Graphic asks “Where is the money needed for investment in West Africa’s energy sector going to come from, since most governments in the sub-region face national budgetary constraints which make if difficult for them to invest adequately in energy generation?” and then provides a list of constraints based on workshops organized CEE-UT and his local partners: “Inadequate energy tariffs, weak energy sector institutions and insufficient government attention and investment...the conflicting roles of some West African governments as producers of energy and regulators in its pricing and distribution, the lack of adequate resources for regulatory institutions, energy sector regulators’ limited accountability to energy consumers and limited consumer education on the issue of tariffs.”
This improved reporting should enhance the quality of policy debate in the region. The journalists themselves shared these expectations with us. Similar coverage was generated in Benin and Togo; we are trying to obtain copies.

There is now an effort to form an energy journalists' network in Ghana, which we are encouraging to include other countries. This network can be modeled after the Institute of Financial and Economic Journalists in Ghana, and can provide a valuable service with accurate and timely reporting of issues for development and implementation of meaningful energy policies. We are working with the journalist who would lead this effort to host him in Houston for a short internship.

There seems to be more activity in the Ghanaian parliament as well. We received several inquiries from parliamentary staffers and others seeking information that can be useful to discussing a new energy bill (two of the staffers are seeking internships with CEE in Houston). This new bill appears to be under discussion mostly in reaction to oil discovery in Ghana but it will likely address natural gas and electric power issues facing the country. We suspect that members of the parliament who attended our workshop in Abuja and have been involved in energy committees in the Ghanaian parliament are instrumental in these discussions.

We have also received several inquiries from potential investors in Ghana, who want to participate in our future activities in the region. Bringing together interested investors and local stakeholders could be useful in establishing a common ground on which commercial frameworks can be built to realize the necessary investment flows.

We continue to attract an increasing number of participants from the region to our Houston capacity building programs in May and October. They are mostly from Nigeria but also from Ghana and Côte D’Ivoire. These delegates come mostly from the public sector but an increasing number of entrepreneurs (especially from Nigeria) also attend. We witness the emergence of the private sector who demands legal and regulatory frameworks from their governments that will allow them to invest.

We had excellent U.S. Government participation in the Abuja events and hope to sustain USG participation in the next activity in Accra.

Our Local Education Partner (LEP) reports that they observe increased activity and interest around our SDI activities, from both individuals and key institutions that we have involved in our efforts this year. Preparations are underway for the next workshop September 8-9 in Accra, Ghana. The upcoming workshop is designed to solidify gains from Abuja, especially with regard to generating increased transparency and political support for critical energy sector policies and implementation. Particularly in Ghana, there is growing interest in ensuring best practices in transparency possibly following EITI guidelines as the country gets ready for new oil & gas legislation to manage expected revenues once production starts from recent oil discoveries.

**OUTPUT**

During this quarter, in collaboration with NARUC and partners from the region, two activities were held in Abuja with participation of members of parliaments, state energy companies, regulators, and journalists from Nigeria, Ghana, Benin and Togo. As before, the programs are designed to build support for regional initiatives, WAGP and WAPP.

- As part of the first international conference of the Nigerian Association for Energy Economics (NAEE), which CEE-UT helped to organize, we held a half-day leadership session on April 30, focusing on investment implementation issues such as facilitating
frameworks, political leadership for energy reforms, regulatory management, and the like. The conference had the backing of highest officials in Nigeria, with participation of the Secretary to the Government of the Federation, representing President Yar’adua, and several special energy advisors to the President. Close to 200 professionals, journalists and others attended the conference and our leadership session.

- We organized a by invitation only workshop on May 1-2. About 40 delegates participated and discussed energy sector issues in West Africa (completion of WAGP, availability of gas, investment constraints such as subsidized pricing, generation technology options, demands of project financing, etc.) with international and local resources.

- 13 participants from Nigeria (NNPC, NPDC, Oceanic Bank, Department of Petroleum Resources, small service and production companies), Ghana (Tamale Metropolitan Authority), and Kenya (Electricity Regulatory Commission) attended New Era program in May 2008.

- With colleagues in the region, we have been working on several documents, which will form the basis of problem solving (policy development) exercise that will be carried out in our future activities in the region. These materials are for use in our workshops and to support our key delegates in their policy development and implementation.
  - An energy security report on West Africa to bring together the data on the energy sector and highlight issues surrounding WAGP and WAPP that prevent realization of full benefits of these projects. This report is based on the Energy Security Quarterly concept created by the PA Consulting and produced by CEE-UT for the South Asia Regional Initiative for Energy (SARI/E) funded by the USAID; two issues are published so far (www.sari-energy.org). Similarly, the West African report can be repeated as relevant new topics are identified and/or important updates are needed.
  - Case studies on investment promotion strategies, development of domestic financial sectors and the role of professional staffing at parliaments to provide rigorously researched information on energy sector issues for policy development.

- We are updating the Guide to Natural Gas in Ghana to incorporate the greater WA region. Due to problems associated with the software used for publishing hard copies, the Ghana guide has not been posted for internet access. Rather than resolve the issues with our current guide, we have elected to expand the book with invited authors and will announce and post the new Guide to Natural Gas in West Africa.

**General**

CEE-UT houses a page for the initiative within its web site to publicly disseminate developments: [http://www.beg.utexas.edu/energyecon/IDA/Smart_Development/](http://www.beg.utexas.edu/energyecon/IDA/Smart_Development/). Activity reports are available at this web site. Website statistics in the past quarter are provided below.
environmentally sound energy and improving environmental management. And the intermediate result is increased production and use of environmentally sustainable energy.

Areas of special interest include:

- Improving policy, legal, and regulatory frameworks to establish necessary conditions of energy service delivery;
- Increasing institutional ability to provide or deliver energy management services; and
- Increasing public understanding of, and participation in, decisions regarding delivery of energy services.

**CEE-UT Smart Development Initiative**

The CEE-UT Smart Development Initiative fits well with the USAID objectives. We believe that enhanced public education on the basic principles inherent in the energy value chains and associated economics and technologies can contribute greatly to improved energy sector performance worldwide. We have been working with various stakeholders in West Africa (primarily Ghana, Nigeria, Benin and Togo), including energy companies (state-owned and private), regulators, ministries, universities, NGOs and journalists both to improve general understanding of energy industry economics and technology and to assist with specific problem solving and project evaluation.

Under the previous Energy Sector Governance grant, we worked with energy sector stakeholders in Ghana and established the Resource Center for Energy Economics and Regulation (RCEER) housed within the Institute of Statistical, Social and Economic Research (ISSER) at the University of Ghana – Legon. CEE-UT worked with RCEER to improve its capability to address public education and participation, as well as transparency needs for effective energy sector governance while also contributing to development industry analysis and regulations.

Shortly after its launch, the RCEER was hired by the Ministry of Energy to study the effects of deregulating petroleum product prices on the consumers. The RCEER followed a very successful model of combining its academic resources with outside experts and delivered the study in two months. The Ministry has used it and also shared it, as we understand, with the IMF among others. The Ministry organized a workshop on petroleum deregulation where RCEER presented material developed together with CEE-UT. Although not scheduled activities under our grant, this study and the workshop helped the RCEER gain visibility and respect within the Ghanaian energy community as well as the public. Ghana is one of the few countries where petroleum product price deregulation has been implemented successfully, helping the country limit the costs associated with current escalation in crude oil and product prices.

As part of the grant, the RCEER wrote a report on natural gas with two parts, a primer on fundamentals and a detailed guide to natural gas in Ghana; published a *Guide to Electric Power in Ghana*; held educational outreach activities associated with both of these products; developed university and professional course syllabi; initiated a database for the Ghanaian energy sector; and developed a sustainability plan. Much of what has been produced by the RCEER achieves goals established in our proposal for development of a “tool kit” that could launch and encourage the “smart development” process in Ghana.

The current cooperative agreement allows us to provide additional technical assistance to RCEER until it fully establishes itself and to work with RCEER and other partners in the region to enhance capacity to address energy sector problems facing the region. The most immediate topic of interest for the West Africa Mission remains the establishment of a natural gas market in Ghana, Benin, Togo and Nigeria associated with the West Africa Gas
Pipeline. The pipeline’s completion was originally scheduled for December 2006 but has been postponed until late 2007 and again until the first quarter of 2008. At this point, only free flow gas is available due to an accidental rapture offshore Benin, delays in production in Nigeria, inappropriate quality of gas and delays in compression station.

During the second half of 2005, the USAID Mission in Ghana used the TIPCEE project to develop a legal and regulatory framework for creating a natural gas market in Ghana. Dr. Asante, coordinator of RCEER, participated in the TIPCEE team. In the spring of 2006, the West Africa region started experiencing serious electricity shortages; the low level of water at Volta Dam in Ghana has been a main culprit. The completion of the WAGP and delivery of gas gained further importance and urgency to provide opportunity to bring in gas-fired power generation to supply the grid. However, officials have been slow to finalize frameworks for maximizing the benefits of gas once it arrives. Accordingly, our focus for FY06-FY07 has been on natural gas and gas-power linkages. In 2007, we started working more directly and extensively with an RCEER Advisory Board member and an NGO, Kumasi Institute for Technology and Environment (KITE) as the regional programs needed more detailed logistical support and new content on communication with different audiences, community relations and public participation, and energy and environment interactions. In FY08, natural gas and gas-power linkages across the region remain central to our activities that are designed to build critical support for energy infrastructure investment and regulatory oversight. In particular, we have been working with elected officials, professional staff assisting them, key news media, and leaders and long-term professional staff of the regional bodies (such as ECOWAS, WAPP, and others). We have seen some results in increased awareness among members of the parliament and some journalists as indicated by news coverage identifying real problems for the first time and increased inquiries we and our colleagues in Ghana have been receiving for more information and for more programs from elected officials, potential investors and professional staffs at various agencies. The discovery of oil in Ghana within the last six months and the realization of the potential for similar discoveries of gas are also helping to increase demand for our programs as Ghanaians are trying to develop professional capacity at their ministries, regulators and national oil company, GNPC. A particular emerging concern is ensuring the transparency of oil revenue management along the lines of EITI.

**Project Specific Activities**

Overall, there are five tasks in our cooperative agreement.

1. Continue work in Ghana with RCEER
2. Replicate the Ghana model elsewhere in Africa
3. Extend the Smart Development Initiative to Latin America
4. Conceptual and applied work to further define “Smart Development” variables and metrics
5. Capacity building for USAID

Tasks are not meant for simultaneous and continuous effort; guidance from USAID and Missions determine our focus. Accordingly, our work plan for FY06-FY07 focused primarily on Task 1, but had significant overlaps across other Tasks, in particular Tasks 2 and 4. We continue with a similar focus in FY08.

Since late 2005, the regional considerations gained further support as mentioned before. In 2006, we focused on getting stakeholders in Ghana ready for natural gas and increased interactions with Nigeria. In 2007, we included delegates from Benin and Togo in our activities, which led to more interaction among sector professionals across the region to discuss issues associated with the WAGP. We also attracted participants from Côte D’Ivoire.
as the gas needs of the country raised their interest in the WAGP and associated developments in the region. In 2008, we continue with the same regional focus, expanding our target audiences to elected officials, their professional staff, key media and regional organizations. The next section of this report will address the key activities implemented during the 11th quarter of our cooperative agreement to achieve our original objectives listed above with an increased emphasis on development of a natural gas marketplace and the resolution of the electric power crisis in West Africa.
### Internet Statistics

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