

PIIL

**Power Investment
Incubation Limited**

Strategic Energy Guidance.
Legal Precision. Market Insights.

The Integrated IPP Development Wheel

*A Practical Framework for Delivering Bankable Power
Projects*

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***The Integrated IPP Development Wheel:
A Practical Framework for Delivering Bankable Power Projects***

ABSTRACT

Independent power projects (IPPs) are inherently complex, yet many fail not because of weak fundamentals, but due to fragmented execution and misalignment across critical components.

The Integrated IPP Development Wheel reframes project development as a system of interdependent elements rather than a linear process. It identifies nine core “dials”—including contracts, financing, permits, stakeholders, and risk allocation—that must progress in parallel for a project to become bankable.

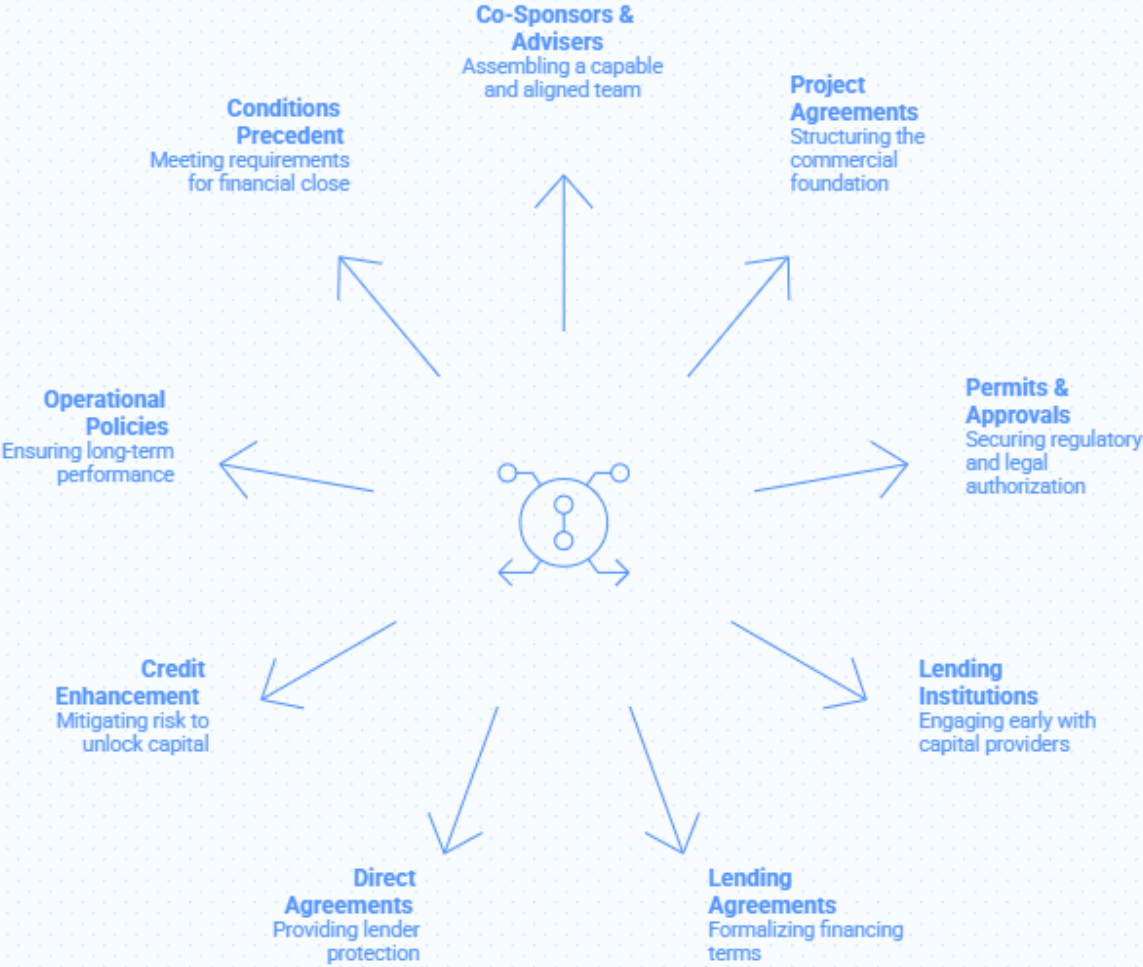
Designed as both a diagnostic and execution tool, the framework helps developers, investors, and advisers identify gaps, manage complexity, and improve delivery outcomes.

At its core, the framework emphasizes a single principle: bankability is achieved through disciplined alignment across the entire development system.



**Dr. Nnaemeka Ewelukwa
Founding Principal**

IPP Development Dials



Introduction

Power projects rarely fail because of weak fundamentals. They fail because development is treated as a sequence of tasks rather than a system of interdependent components.

The Integrated IPP Development Wheel reframes project development as a dynamic, multi-dimensional process.

A project becomes bankable only when all critical components progress in alignment.

At the center of the wheel is bankability - the point at which a project is credible, financeable, and executable.

How to Use This Framework

- Each “dial” represents a critical development component
- All dials must progress in parallel, not sequentially
- Weakness in any one dial affects the entire project

This framework is both:

- A diagnostic tool (to identify gaps)
 - A management tool (to guide execution)
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The 9 Development Dials

1. Co-Sponsors & Advisers

Capability, credibility, and alignment

Objective

Assemble a team with the expertise, financial capacity, and alignment required to deliver a complex project.

Key Participants

- Equity sponsors
- Legal advisers
- Financial advisers
- Technical advisers
- Environmental and social experts

Key Questions

- Do partners bring capital, capability, or credibility?
- Do advisers have direct project finance experience?
- Is there alignment on risk, timeline, and strategy?

Common Risk

Misalignment among sponsors or reliance on advisers without relevant transaction experience.

2. Project Agreements

Structuring the commercial foundation

Objective

Establish a coherent and bankable contractual structure.

Core Agreements

- Power Purchase Agreement (PPA)
- Fuel Supply Agreement (e.g., GSPA)
- Transportation Agreement (e.g., GTA)
- EPC Contract

- Operations & Maintenance (O&M) Agreement

Key Questions

- Is revenue predictable and enforceable?
- Are inputs secured on a long-term basis?
- Are risks clearly allocated to capable parties?

Key Insight

Contracts define the economic and risk structure of the project.

3. Permits & Approvals

Regulatory and legal authorization

Objective

Secure all required regulatory, legal, and social approvals.

Typical Categories

- Generation and operating licenses
- Environmental approvals (EIA/ESIA)
- Land acquisition and rights
- Tax and import approvals
- Grid interconnection approvals

Key Questions

- Are all regulators identified early?
- Are approvals sequenced and tracked effectively?
- Is stakeholder engagement proactive?

Common Risk

Underestimating timelines and complexity of regulatory processes.

4. Lending Institutions

Early engagement with capital providers

Objective

Identify and engage lenders whose requirements will shape project structure.

Participants

- Commercial banks
- Development finance institutions (DFIs)
- Export credit agencies (ECAs)

Key Questions

- Are lenders engaged early enough to influence structuring?
- Does the project align with lender risk appetite?
- Is there clarity on financing strategy?

Key Insight

Bankability is driven as much by lender expectations as by project fundamentals.

5. Lending Agreements

Translating structure into financeable terms

Objective

Formalize financing terms consistent with project risk and cash flow profile.

Core Documents

- Facility agreements
- Security documents
- Intercreditor agreements

Key Questions

- Are repayment terms aligned with projected cash flows?
 - Are covenants achievable under realistic scenarios?
 - Is the security package acceptable to lenders?
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6. Direct Agreements

Lender protection and continuity mechanisms

Objective

Provide lenders with contractual protection in case of project distress.

Typical Features

- Step-in rights
- Cure periods
- Assignment rights
- Consent rights

Key Questions

- Can lenders intervene if key contracts are at risk?
 - Are termination provisions appropriately managed?
 - Are counterparties bound to lender consent?
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7. Credit Enhancement

Mitigating risk to unlock capital

Objective

Reduce perceived and actual risks to make the project financeable.

Common Instruments

- Partial Risk Guarantees (PRG)
- Political risk insurance (e.g., MIGA)
- Letters of credit
- Sovereign support agreements

Key Questions

- Are key risks adequately mitigated?
- Is payment risk addressed?
- Are guarantees aligned with lender requirements?

Key Insight

In higher-risk markets, credit enhancement is often a prerequisite—not an option.

8. Operational Policies

Ensuring long-term performance and compliance

Objective

Establish systems and processes for sustainable operations over the life of the project.

Key Areas

- Governance frameworks
- Financial controls

- Compliance systems
- Health, Safety, and Environment (HSE)
- Reporting and audit processes

Key Questions

- Are operational systems investor-grade?
 - Are compliance obligations tracked and managed?
 - Are governance structures clearly defined?
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9. Conditions Precedent (CPs)

Readiness for financial close

Objective

Satisfy all requirements before funding can be disbursed.

Typical Categories

- Legal conditions
- Technical conditions
- Financial conditions
- Regulatory approvals
- Execution of key agreements

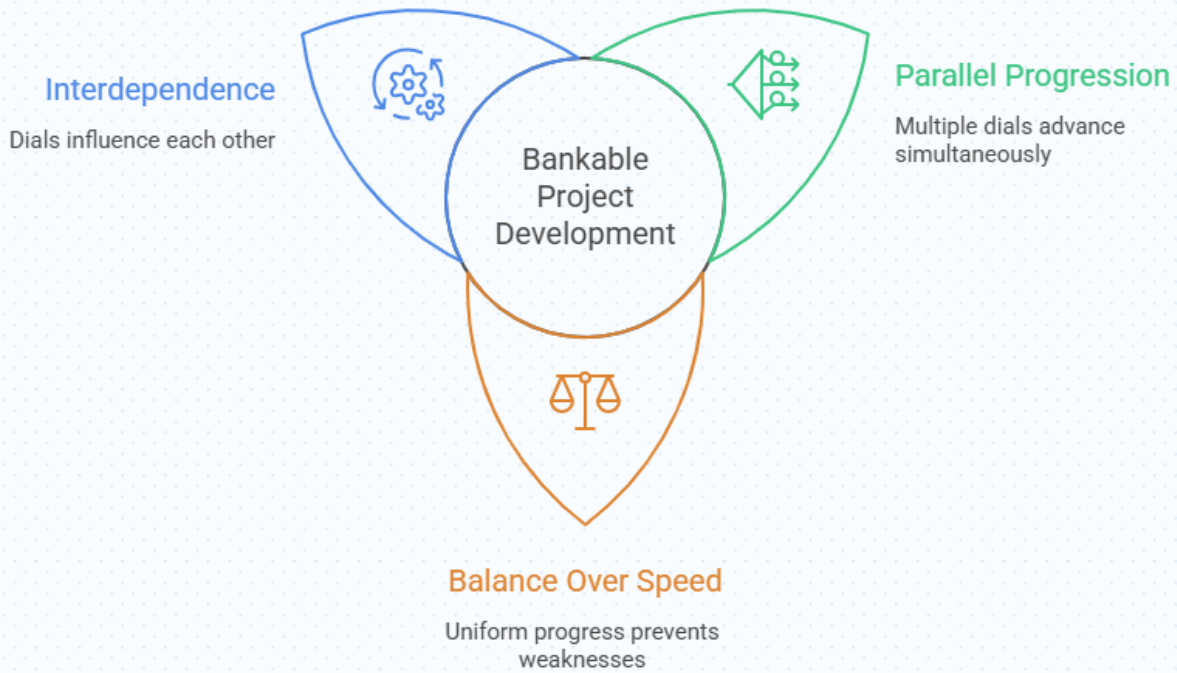
Key Questions

- Are all project agreements executed?
 - Are all approvals secured?
 - Are equity contributions committed and available?
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Integrating the Wheel

Three Core Principles

The Synergy of IPP Development Principles



1. Interdependence

Each dial influences others. For example:

- Contracts drive financing
- Permits affect timelines
- Credit enhancement influences lender participation

2. Parallel Progression

Effective projects advance multiple dials simultaneously. Sequential execution introduces delays and misalignment.

3. Balance Over Speed

Accelerating one area while others lag creates structural weaknesses that can delay or derail financial close.

Practical Application: Development Dashboard

Use a simple scoring system (1–5) for each dial:

- **1** – Not started
- **3** – In progress
- **5** – Fully developed and aligned

Weekly Review Questions

- Which dial is weakest?
 - What dependencies are affecting progress?
 - What actions are required to restore balance?
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Final Perspective

A power project reaches financial close when:

- Risks are clearly understood and allocated
- Revenues are predictable
- Inputs are secured
- Stakeholders are aligned
- Capital providers are confident

The Integrated IPP Development Wheel provides a structured way to achieve that outcome.

Bankability is not a milestone. It is the result of disciplined alignment across all nine development dials.

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