



COTE D'IVOIRE

FINANCIAL ALTERNATIVES FOR THE PEPT CONNECTION FUND

From March to August 2017, SRUC advised the Government of Cote d'Ivoire on how to leverage private sector finance to improve the viability of the Programme Electricite Pour Tous (PEPT), a social program that lowers the upfront grid connection fee. SRUC provided recommendations for financial structures to leverage Power Africa funds, crowd-in private financial institutions, and sustainably expand the number of connected households.

WORK ASSIGNMENT SUMMARY

The Sector Reform and Utility Commercialization (SRUC) Task Order (TO) supported the Government of Cote d'Ivoire's government-sponsored connection program, "Electricity for All" (or "Programme Electricité Pour Tous," PEPT, in French) by advising on financial structures that would facilitate private sector participation through a detailed financial analysis and a survey of initial private sector appetite. Rather than directly fund new connections, the USAID-led Power Africa Initiative wanted to explore alternatives to leverage its funding in Cote d'Ivoire by expanding private sector participation in the PEPT Fund for an even broader reach. SRUC presented options on how USAID could reach that goal in Cote d'Ivoire.

CHALLENGE

The goal of PEPT is to facilitate access to electricity service primarily through a subsidy that lowers the upfront cost of connection and allows customers to pay back that fee over time. The five-year PEPT program aims to electrify one million customers by 2020 by targeting low-income rural households who need financial assistance to connect to the nearby electricity grid, and ultimately, raise the electricity penetration rate from the estimated rate of 29 percent (in 2015) to more than 50 percent by in 2020.

To ensure this ambitious plan was financially viable at scale, USAID/Cote d'Ivoire sought recommendations on financial structures and private sector participation that could expand the ongoing PEPT pilot into a formalized PEPT Fund. The goal of the Fund would be to allow the PEPT to sustainably expand to new customers across the country.. In parallel, the USAID-led Power Africa Initiative sought to increase the number of on-grid connections in Cote d'Ivoire and hoped to maximize its impact in the country by participating in the Fund.

The Fund, however, faced several challenges in terms of how the sector was structured and how the program's initial characteristics related to the size of the principal payment, the payback with pre-paid meters, the ability to pay of the target customer groups, and institutional ownership and governance.

APPROACH

SRUC worked with USAID/Cote d'Ivoire and Power Africa to:

- (i) lay out the underlying financial components and factors of the PEPT Fund;
- (ii) recommend different potential financial structures for the near and long term; and
- (iii) help USAID effectively leverage \$3.5M in Power Africa funding to crowd-in the private sector. To do so, SRUC undertook the following:



- Collected financial, customer, and operational data on the current and projected status of PEPT and developed scenarios under which Power Africa could maximize its support for connections to low-income households in urban and rural Cote d'Ivoire.
- Facilitated discussions with the private utility concessionaire, Compagnie Ivoirienne d'Electricite (CIE), which was responsible for the initial implementation of the PEPT.
- Met with government, private, and international stakeholders to further understand the status of the PEPT, its growth and envisioned expansions, its legal and institutional structure, the private sector's appetite to invest in the program, and the hurdles related to its deployment.
- Discussed potential investments in and support to the PEPT Fund with 10 development finance institutions, 11 bilateral and multilateral aid institutions, and several U.S. government (USG) agencies, including the Overseas Private Investment Corporation, USAID's Development Credit Authority, and grant specialists.
- Queried multiple private sector financial institutions on potential investment in the Fund and circumstances under which they would invest or support this type of Fund.
- Prepared a set of long-term financing scenarios designed to maximize Power Africa's support to the PEPT under the current financial and political circumstances, along with short-term and interim solutions aimed at mobilizing Power Africa's available funds in the near future.
- Conducted in-country presentations to discuss conclusions and receive feedback from high-level government stakeholders as well as USG and Power Africa representatives.

- Per request of the Minister of Energy, evaluated and delivered the findings of a proposed solution that included deployment of a full connection cost subsidy for rural households before the end of the year, which would mobilize the current funding available from USAID and allow approximately 12,000 household to receive electricity access.

KEY RESULTS

SRUC's analysis of the PEPT Fund resulted in the following:

- Several specific and operational **short- and long-term solutions to mobilize USAID Power Africa's available \$3.5M funding**, along with \$85M of other interested international donor funds, under the current financial and political circumstances.
- The development of several short and long-term financial structures, which could improve **electricity service for 12,000 to 60,000 households** depending on the structure
- Presentation of the potential structures to high-level USG and Ivorian stakeholders, including the **Ivorian Minister of Energy**.
- **Renewed donor focus on the financial sustainability** of the PEPT and interest in innovative financial mechanisms to solve problems related to the PEPT.

M&E INDICATORS

No official SRUC M&E Indicators aligned with this Work Assignment.

COOPERATING PARTNERS

SRUC worked in close partnership with the Power Africa Pillar 2 On-Grid Connections Team and USAID/Cote d'Ivoire, which funded this work through a buy-in to the Task Order contract. The idea of the PEPT Fund originated from groundwork laid by World Bank pilot projects that lowered the cost of connection and allowed households to pay back over time with very high levels of pay back success. SRUC worked closely with various Bureaus within USAID, including the Development Credit Authority, to understand potential financing mechanism for the Fund.

FOLLOW ON WORK

SRUC's work unearthed an issue related to the pricing strategy of the PEPT Fund as well as a desire to better understand affordability, customer perceptions, and attitudes toward the price of electricity across the population. Following the delivery of these findings, USAID/Cote d'Ivoire requested follow on work from SRUC to design and implement a nationally representative Willingness to Pay survey on the costs of electricity.