

Financial Alternatives For PEPT Connection Fund in Cote d'Ivoire

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 on financial structures to leverage Power Africa funds, crowd-in private financial institutions, and sustainably expand the number of connected households.

Quantitative Impact

The goals of the financial analysis were to (i) lay out the underlying financial components and factors of the Fund, (ii) recommend potential financial structures, and (iii) help USAID leverage private sector participation.

- ✔ Engaged with 10 DFIs, 11 Bi/Multi-laterals, 8 private sector financial institutions
- ✔ Advised government on opportunities that would improve energy services for over 60,000 households
- ✔ Created a strategy to mobilize investment in the amount of \$85,000,000 (between USAID, AfDB, and World Bank)

Cooperating Partners

- USAID Cote d'Ivoire provided a \$196,000 buy-in for the work
- Collaborated with **Power Africa's** Pillar 2 On-Grid Connections Team for knowledge share



THE CHALLENGE

The goal of the 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. USAID Cote d'Ivoire sought recommendations that could help establish a more formal PEPT Fund, to sustainably expand to new customers. The Fund, however, faced several challenges in terms of:

- Sector structure dominated by a concessionaire;
- Institutional ownership and governance of potential fund; and
- Size of the principal payment, the payback with pre-paid meters, and the ability to target customers ability to pay.



APPROACH

The SRUC team identified a range of effective financial structures to assist electrification efforts in Côte d'Ivoire by designing options for how to best leverage USAID's \$3.5M in funding:

- Collected data on the current and projected status of PEPT program
- Interviewed government stakeholders, bilateral and multilaterals, and utility staff
- Queried multiple private sector financial institutions on potential investment
- Discussed and analyzed a set of short and long-term financing scenarios designed to maximize Power Africa's support to the PEPT program under current financial and political circumstances



RESULTS & FOLLOW-ON

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
- The development of several short and long-term financial structures, which could improve electricity service for up to 60,000 households
- 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 program and interest in innovative financial mechanisms



OUR WORK

Sector Reform and Utility Commercialization | SRUC

Willingness to Pay Study in Cote d'Ivoire

From July 2017 to October 2018, SRUC supported national electricity regulator in Cote d'Ivoire, Anare, to undertake a Willingness to Pay (WTP) study to gain an understanding of 1) the current and projected energy consumption and related expenses for Ivorian households and businesses and 2) their willingness and ability to pay for electricity services.

M&E Indicators

- EG.7.3-1 Number of regulations formally proposed – **1 regulation**
- EG.7.3-2 Number of people trained in technical energy fields: **121 (76 Female, 45 Males)**

Goal was to perform a statistically representative study to elicit information on the willingness to pay for electricity as well as information on household and small business electricity consumption.

✓ 4,800 households, with access and no access to national grid, surveyed

✓ 560 small and medium sized businesses surveyed

Cooperating Partners

- **USAID Cote d'Ivoire** provided a \$300,000 buy-in for this work
- Coordinated with **Power Africa's** Pillar 2 On-Grid Connections team



THE CHALLENGE

Anare required a better understanding of willingness-to-pay as the national regulator was experiencing difficulty implementing effective electricity tariff reviews and adjustments required to carry out its missions of regulating the electricity sector:

- **Lack of reliable willingness to pay information** driven by insufficient investigations into the purchasing power of targeted consumer groups, their average monthly electricity consumption, and their ability to pay for new electricity services
- **Absence of current national information** on commercial and residential electricity consumption, granular demographic data, and how both evolve over time
- **Newly independent regulator** still developing capacity and understanding of regulatory priorities



APPROACH

In collaboration with local survey subcontractor, Axes Marketing, SRUC developed and conducted a **national study to understand willingness to pay**:

- Developed the survey methodology and conducted training sessions and pilot surveys
- Surveyed nationwide representative sample of consumers' willingness to pay
- Produced analysis of survey findings to understand the main drivers behind Ivorians' willingness to pay
- Delivered training and capacity building workshop for Anare, USAID, and CI-Energies



RESULTS & FOLLOW-ON

The Willingness-to-Pay Study captured a nationwide representative sample of consumers' willingness-to-pay for dependable, high-quality electricity services:

- Surveyed **4,800 households and 560 businesses in 5,000 localities**
- Provided **capacity building workshop** to Anare, USAID, and CI-Energies representatives
- **Developed a "toolbox"** for Anare which provides a broad understanding of factors influencing tariff setting and the skills needed to enable its broader mission as a regulator
- **Produced takeaways and analysis** that Anare will use to inform new tariff proposals



OUR WORK