

## IMPACT STORIES



# PPIAF Supports Rural Electrification in Senegal by Helping to Reform the Enabling Environment for Public-Private Partnerships

PPIAF's support to Senegal's policy-enabling environment in the power sector led to the structuring of rural electrification concessions with private sector participation. The recommendations of a Country Framework Report that PPIAF supported in 2000 were incorporated into the design of a rural electrification program, the objective of which was to increase electrification coverage from 14% of rural households in 2005 to 50% by 2012.

The Public-Private Infrastructure Advisory Facility (PPIAF) has provided technical assistance to the government of Senegal since 2000 in support of its objectives to foster the effective development of private sector participation in infrastructure, including the electricity sector, and strengthen the capacity of its Electricity Sector Regulatory Commission. PPIAF's first such intervention in the country was grant funding for a Country Framework Report prepared at the request of the government.

### PPIAF SUPPORT AND RESULTING OUTCOMES

The Country Framework Report made recommendations that were followed by the government as it developed a Rural Electrification Program (REP). The REP was initiated in 2003 with the assistance of the World Bank as a priority program for the efficient scale-up of rural electrification through public-private partnerships structured as privately-operated concessions. Among the REP's recommendations were the following:

- *Recommendation:* Direct concessional financing of components targeting poverty alleviation.
- *Result:* The REP aimed to bring electricity to poor rural areas and was structured with subsidies from international donors to reduce up-front costs of construction, installation, and concession structuring.
- *Recommendation:* Introduce more competition in the infrastructure sector.
- *Result:* The REP concessions were competitively awarded. Under the REP, the country was divided into 11 concessions awarded pursuant to an international bidding process. Prior to each process, all bidders received notification regarding a pre-determined amount of output-based aid (OBA) subsidy funding available for the project. Awards were made based on the highest number of new connections proposed for the pre-determined subsidy amount.
- *Recommendation:* Define pricing systems for cost recovery, which reconcile economic and social objectives.
- *Result:* Tariffs for rural concessions in the REP were set at levels consistent with the socioeconomic conditions of the target customers, their consumption patterns, and their ability to pay.
- *Recommendation:* Achieve universal coverage of electricity services.
- *Result:* The REP prioritized this objective.

## DONOR COORDINATION

Several donors are providing subsidies for the Rural Electrification Program. These include the World Bank, the African Development Bank, the Agence Française de Développement, Germany's KfW, and the Global Environment Facility (GEF), which have partnered to support the rural electrification concessions in the country.

## IMPACTS

In May 2008 the first concession, the Saint-Louis-Dagana-Podor project in the northern part of the country, was awarded to the Office National de l'Electricité (ONE), Morocco's electricity utility. It has attracted foreign direct investment totaling \$24 million, funded with a mix of equity, debt and subsidies. The World Bank is providing subsidies representing approximately 30% of the financing, and the GEF is providing a \$1.1 million grant to support solar technology in 5,719 new connections (29% of the total).

This first concession is also expected to bring 19,574 new electricity connections to 298 villages over three years (2010–13), supplying electricity to approximately 130,000 people. Furthermore, it is expected that the 11 concessions, when completed, will make possible 200,000 new connections that will benefit over one million people. These new connections in turn are expected to improve education and health, among the other benefits that arise from access to electricity.

In January 2010, the International Finance Corporation partnered as a shareholder with the utility in this venture and will contribute 19.9% of the total capital required by the project.

Since 1999 PPIAF, a multidonor technical assistance facility, has helped developing countries use public-private partnerships to improve their infrastructure. A key focus has been upstream technical assistance to support the development of an enabling environment for such partnerships.

This series highlights how PPIAF's support has made an impact on the ground.



## RELATED PPIAF ACTIVITIES IN SENEGAL

### Infrastructure Development Strategies:

- 2000: Country Framework Report, **\$410,000**
- 2005: Assessment of the Infrastructure Asset Base and Alternative Sources of Capital Investment, **\$15,000**
- 2008: Market Survey and Pre-Feasibility Study for the Matam-Bakel-Kanel-Ranérou Rural Electrification Concession, **\$350,000**

### Capacity Building:

- 2000: Co-Sponsor the Creation of the African Forum for Utility Regulation (AFUR), **\$196,000**
- 2001: Sponsor a High-Level Meeting of AFUR in Dakar, **\$75,000**
- 2008: Review the Institutional Challenges of Regulatory Agencies in Five Countries, Including Senegal's Electricity Sector Regulatory Commission, **\$75,000**