



Energy SME Program

Project Title: Capacity Building among Small-Scale Off-Grid Energy Suppliers

Region/Country:	Cameroon
Task Manager:	Koffi Ekouevi
Implementation Partner (if applicable):	Agence d'Electrification Rurale
Expected Dates for Start:	January 2005
Expected Dates for Completion:	December 2007

A brief summary of the project:

The objective of this project is to support the development by the Cameroon government of a Program aimed at providing development support to SMEs engaged in the delivery of energy services in remote and under-served regions of the country. The Program involves in part the provision of technical assistance (TA) aimed at improving the institutional, policy, legal, regulatory and business environments within which energy SMEs operate, with the objective of facilitating the growth and proliferation of SMEs in the energy sector. The Program will also ultimately provide financing support to pilot projects to test the effectiveness of these TA activities and any resulting regulatory revisions.

I. Context

Lack of access to affordable and reliable electricity remains a core obstacle to economic growth, private sector development and poverty reduction in Cameroon. Based on 2005 figures, electricity access rates are about 31% for urban households and 11% for rural households. Limited access to reliable electricity increases the private sector's costs of doing business, thereby reducing investment in productive activities. For households, access to electricity is highly correlated with income levels, with reported access rates at about 40% in the top two quintiles compared to less than 3% in the bottom two income quintiles. The Government of Cameroon (GOC) has initiated in 1998 a series of policy and structural reforms to promote the efficient operations of the energy sector and increase the role of the private sector in its future development. An Electricity Law was adopted in 1998, the passage of a complementary Electricity Decree in 2000 and the establishment of a sector regulator (ARSEL) and a rural electrification agency (AER). The vertically integrated, formerly state-owned electricity company was privatized through a 20-year concession in 2001. While access rates have improved since privatization, AES Sonel fell significantly short of meeting its initial connection targets. Despite the GOC's commitment to privatization, a number of structural issues need to be addressed to secure sustainable and affordable electricity development in the long run.

There is a growing recognition that small-scale and distributed power systems, in a strong business enabling environment, could serve to substantially increase rates of access, which would in turn add improve living standards through contributions to improvements in health, education, productivity and access to information. However, in Cameroon, small-scale systems are not well incentivised or encouraged, and in some cases not



ESMAP Energy SME Program

permitted, to establish, operate and grow. It is understood that the national institutional and regulatory frameworks in the power sector are designed to address the requirements of big projects, and that these are not ideally suited to small scale providers. It is important to undertake an in-depth analysis of the institutional and regulatory environment, at both the national and provincial levels, for small scale providers. Further, more understanding is needed on how energy services are being provided via SMEs in the informal sector across the country.

II. Objectives and Activities

Objective	Activities	Deliverables	Impact indicators
Task 1: to prepare a diagnostic on the institutional and regulatory framework within which small and medium sized enterprises in the power sector are allowed and/or required to operate	<ul style="list-style-type: none"> • an analysis of specific regulatory procedures relevant to registration and operation of energy SMEs, • an assessment of the regulatory structures, that existing small-sized energy enterprises are currently operating within, and • an assessment of the level of compliance of existing energy SMEs with regulations and procedures currently in place. • the formulation of recommendations for the government of Cameroon on legal and regulatory measures to promote the development of energy services SMEs 	<ul style="list-style-type: none"> • Diagnostic on institutional framework applicable to energy SMEs in cameroun • Draft action plan to address identified weaknesses through institutional changes • Draft of sub-decrees and other legal instruments under the action plan. .. • Workshop presentation of findings, conclusions and sub-decrees. 	<ul style="list-style-type: none"> • Adoption by the GOC of legal and regulatory decrees and sub-decrees to promote the development of energy services SMEs • Increase in the number of energy services SMEs
Task 2: to develop	<ul style="list-style-type: none"> • Prepare a document 	<ul style="list-style-type: none"> • an inception 	<ul style="list-style-type: none"> • Decision of the



ESMAP Energy SME Program

<p>a Framework for Accessing Finance for Energy Sector SMEs</p>	<p>detailing the procedures and rules applicable for securing budgetary HIPC counterpart funds for RE financing</p> <ul style="list-style-type: none"> • Provide support to AER for formatting the Energy Action Plan under preparation in a manner accessible to potential donors and NGOs to engage in a dialogue susceptible to lead to securing public sector/NGO financing. • Identify the Camerounian commercial institutions potentially interested in financing energy SMEs through loans or through equity participations. 	<p>report three weeks after beginning of the assignment</p> <ul style="list-style-type: none"> • three separate reports on budgetary funding, public sector/NGO funding and commercial funding • a report on recommended actions to mobilize funding 	<p>GOC to commit budgetary resources assessible to energy sector SMEs for rural electrification</p> <ul style="list-style-type: none"> • Facilitated procedures available at the level of commercial institutions in financing energy sector SMEs • Increase in the level of financing for rural electrification at the level of commercial institutions
<p>Task 3: M&E and Dissemination</p>	<ul style="list-style-type: none"> • Integrate M&E activities into AER activities and at the level of the Ministry of Energy 	<ul style="list-style-type: none"> • Training activities • Design of computerized M&E systems • Workshops • Selected publications 	<ul style="list-style-type: none"> • M&E effective means for providing feedback and expansion • M&E results and lessons have been disseminated
<p>Task 4: Supervision</p>	<ul style="list-style-type: none"> • WB supervision of Tasks 1-3 	<p>Final report with results and lessons</p>	<ul style="list-style-type: none"> • ESMAP-Section in Mission Aide Memoires, • Semi-annual reporting to ESMAP

III. Implementation Arrangement

The project will be implemented by the Agence d'Electrification Rurale (AER). The AER has successfully completed the Energy and Poverty Reduction Action Plan (*Plan d'Action National Energie pour la Réduction de la Pauvreté - PANERP*) adopted by the GOC in 2005. In this position the AER collaborates with both multilateral and bilateral donors interested in the energy access provision agenda.



Energy SME Program

Through this Program, the AER would be strengthened in monitoring and evaluation capabilities to conduct its mission.

IV. Sustainability & Risks

The main risks are: (i) level of political commitment; (ii) financial; (iii) affordability level of rural population of energy services; and (iv) generic offgrid risks (see list ESMAP publication Brazil 2005). The GOC has indicated so far strong signals of its interest for the development of energy services in rural areas. However, an increasing level of public budgetary funds would be a key milestone. It is expected that with clarity of the roles and responsibilities of actors in the sector, a sound diagnosis of bottlenecks preventing the development of energy sector SMEs and corrective measures improving the legal and regulatory environment for their operations, the GOC will be encouraged to earmark resources accessible to them. A continuing support of the Bank to the sector through an upcoming project on energy access would further leverage GOC resources directed to energy sector SMEs.

Sustainability of results is guaranteed to the extend possible: (i) a joint implementation with the AER will allow for results to be endorsed by GOC as part of its adopted Energy and Poverty Reduction Action Plan (ii) implementation of the Action Plan with the involvement of other multilateral and bilateral donors will secure the medium-term and long-term funding needed for scale-up of results; (iii) focusing on technologies and solutions adapted to the local markets have high potential for national replication.

V. Team Composition

Task Team World Bank

- Koffi Ekouevi (TTL)
- Emmanuel Noubissie (Sr Operations Officer)
- Astrid Manroth (Yaoundé -based Energy/Infrastructure Specialist)

Task Team AER

- Justin Ntsama
- Calvin Gouet (Local Consultant)

VI. Performance Monitoring Indicators

As described above, the proposed project will directly and significantly contribute to the following Objectives/Verifiable Indicators (OVIs) of the DFID/ESMAP Energy SME Program:

- Increased % of poor people, communities and enterprises with sustainable access to affordable modern energy services **in Cameroon**
- Increased number of viable SMEs in energy service delivery **in Cameroon**
- **No significant measurable impact is expected in the first 2 years of Program towards** “Volume of private sector financing in energy rises above historical trends in countries of focused activity”, as time



Energy SME Program

is needed for private sector to be familiar with new regulatory procedures and to overcome market risks attached to the activity .

- Number of proposals by local **MSMEs** increases **for targeted off-grid technologies in Cameroon**
- Delivery of one yearly workshop involving users **in Cameroon**
- Organizing a virtual group with donors active in the country to coordinate action for SME development in the energy and infrastructure sector
- Several OVIs of Components 1-3