Top-down Concessions for Private Operators in Mali and Senegal

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Central electricity utilities showed their limits in leading access expansion programs

Legacy of under-investment

Utilities mostly in disarray with poor technical and financial performance

Energy sector reform prompted a delink of potentially viable urban concessions from non-commercial rural concessions

Expectations were to develop a set of enabling features to attract private operators in rural areas to stimulate the electricity access agenda
Key Design Features to Support RE Concessions

- Setting up of a Rural Electrification Fund to provide financing to RE Concessions

- Creation of a Rural Electrification Agency as a one stop shop for RE initiatives

- Design of a specific and often light-handed regulatory regime to oversee performance
The Case of Mali

- 10 concessions areas, *Zones d’Electrification Multisectorielle* (ZEM)
- ZEM based on socio–economic criteria to allow operators to adjust operating modalities to local conditions (cotton, mining, emigration, etc…)
- A potential of 460,000 connections to reach about 7,000,000 people
- A minimum of 5,000 connections per ZEM
- Availability of an investment subsidy up to 80 percent of initial capital costs.
DECOUPAGE DES ZONES D'ÉLECTRIFICATION MULTISECTORIELLES AU MALI (ZEM)
Ministry of Energy and Water / National Energy Directorate

AMADER
(Roles: (I) identify, catalyze, supervise dev. of first RE projects; (ii) assist RE service providers; (iii) disseminate program information to potential beneficiaries)

FER
Rural Electrification Fund

Trustee/Paying Agent (Local Commercial Bank)

Rural Electrification Service Provider [Mini-grid]

Energy Regulatory Commission CREE

Micro-finance institution\[Solar PV kits]\n
Grant payment

Loan disbursement

Micro-loan

Productive Activities + Residential Customers + Social Services
The Case of Senegal

- 18 concessions reduced to 12 based on regional administrative border lines
- An exclusive right to generate and distribute electricity within a concession for 25 years
- Each concession with a potential of at least 30,000 connections
- Different tariff from one concession to the next
- Availability of an investment subsidy up to 80 percent.
RE Concession Zones in Senegal
DIFFERENT STEPS ON SUBSIDY PAYMENT - MALI

Operator

1. 20% equity payment

2. Verification and mandating of 30% of subsidy

4. 30% subsidy cashed in

5. 50% subsidy payment request

6. Verification and mandating of 50% of subsidy payment

8. 50% subsidy cashed in

9. Final reception at

AMADER

3. Payment

7. Payment

10. Connection audit. Subsidy adjustment. Mandating payment of subsidy balance

11. Payment

REF – Commercial Bank

12. 20% subsidy cashed in
Senegal

- Two stage international competitive bidding; winner is the firm that offers the highest number of connections in the first three years given a specified subsidy.
- The objective is to maximize private investment and efficiency.
- Technology neutral approach to allow bidders to explore all efficiency options.

Bidding

Subsidy payment schedule
Barriers to early take-off

- Risk adversity to long term deals
- Questions on fairness of the bidding process
- Political instability
- Uncertainty on the firmness of the contractual arrangements

Two opposing forces

Unreliable Context

Attractive Financing
Some Important Pre-requisites

- A strong government commitment
- A functional institutional setup
- A reliable financial mechanism
- A fair business environment
- Evidence of successful PPP
In the meantime ...

- Promotion of small size RE concessions
- Demonstration of the viability of RE schemes
- Sharpening of regulatory and financing mechanisms
- Testing of different delivery models
- Extending of RE schemes to develop social programs and productive uses
- Setting adequate technical standards
- Training local operators
- Simplifying and improving transparency of the bidding process
Small scale RE Concessions in Mali paving the way to Top-Down RE concessions?
Top-Down vs Bottom-Up: Pros

- Large areas covered
- Potential mobilization of foreign capital (and investment)
- Import of critical expertise and capacity
- Potential of covering large areas quickly

- Locally tailored solutions
- Ownership
- Capacity building at local level
- Capital formation at local level
Top-Down vs Bottom-Up: Cons

- Difficulties to mobilize private capital abroad for RE
- Limited transfer of capacity/know-how?
- Difficulty in ensuring sustainability of RE schemes
- Potential capacity gap at local level
- Administrative burden for REA (many small applications that entail support activities)
- Difficulty in sustaining interest of local operators
Obrigado ...