

**PROJECT INFORMATION DOCUMENT (PID)
IDENTIFICATION/CONCEPT STAGE**

Report No.: PIDC20556

Project Name	Second Energy Small and Medium Enterprises (ESME) Support Project
Region	AFRICA
Country	Africa
Sector(s)	SME Finance (25%), Health (25%), Other Renewable Energy (25%), General energy sector (25%)
Theme(s)	Micro, Small and Medium Enterprise support (30%), Other social development (20%), Other human development (15%), Rural services and infrastructure (25%), Other environment and natural resources management (10%)
Lending Instrument	Lending Instrument
Project ID	P154495
Borrower Name	GVEP International
Implementing Agency	GVEP International
Environment Category	C - Not Required
Date PID Prepared	02-Nov-2015
Estimated Date of Approval	30-Nov-2015
Initiation Note Review Decision	The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Sub-Saharan Africa --with a population of close to 1 billion-- has experienced improved outcomes across a variety of indicators. The number of people living in extreme poverty has declined, under five mortality and maternal mortality have both fallen, primary school completion rates have risen faster than anywhere else in the world, and the rate of HIV infection has stabilized. The business climate is improving, attracting investment in telecommunications, real estate, and retail.

Enormous development challenges remain in Africa, however, where about half the population lives at the extreme poverty level, \$1.25 a day, and governance and transparency remain weak.

Sectoral and Institutional Context

Access to energy and economic development go hand in hand. Improving electricity supply and distribution boosts economic growth, creates jobs, and expands the reach of educational and health services. It can also empower women, providing income-generating opportunities and enabling them to spend their time more productively. Unfortunately, more than 589 million people in Sub-Saharan Africa (SSA) live without access to electricity: only 35 percent of the population in SSA has access, compared with 96 and 78 percent in East Asia Pacific and South Asia, respectively. For

most Africans, electricity is inaccessible, unaffordable, or unreliable. The lack of both quality energy services and access to modern sources of fuel—such as natural gas, liquefied petroleum gas (LPG), diesel, and biofuels—traps them in a world of poverty.

This lack of access to modern energy in SSA touches all sectors of society—health clinics cannot refrigerate vaccines, students find it difficult to read after dark, and businesses have shorter operating hours. Even Africans with modern energy face unreliable and unpredictable supplies for which they must pay high prices.

Currently, the energy sector of SSA meets neither the needs nor the aspirations of its citizens. Africa's development challenges will become even more daunting as population growth in many SSA countries is projected to outpace electrification efforts. If current trends continue, electrification rates will grow from 35 to 51 percent, but the absolute deficit of people without electricity will also grow from its 2012 level of 589 million to over 645 million by 2030. Clearly, action is needed to accelerate electrification. The UN General Assembly declared the decade 2014-2024 as the Decade of Sustainable Energy for All (SE4ALL), underscoring the importance of energy issues for sustainable development, with the objective to achieve universal access by 2030.

Governments increasingly recognize that their fiscal resources and public sector borrowings are insufficient to meet all of the large investments needed in the energy sector and that large centralized energy services suppliers (whether public or private), may not be best placed to serve isolated areas and to develop alternative energy resources, including renewable energy. They also recognize that energy services in isolated areas are more effectively provided by micro, small and medium enterprises (MSMEs) including community based organizations (CBOs), which are closer to the end-users and more efficient commercially.

If the target of universal access by 2030 is to be achieved, the proportion of the electricity access gap that would be fixed by developing electricity grids will only be around 40 percent (SE4ALL, 2012). The remaining access would have to be achieved through development of mini-grids or off-grid energy solutions. These off-grid energy markets are the natural preserve of small businesses and private capital. It is these actors who are the target beneficiaries of this proposed activity. This grant will continue efforts initiated under the first phase of the ESME grant, to increase access to clean and renewable energy in selected countries in Sub-Saharan Africa.

This grant continues efforts initiated under the first phase of the ESME grant, to increase access to clean and renewable energy in selected countries in Sub-Saharan Africa. The first grant also focused on provision of advisory services to benefit SMEs and project developers in selected SSA countries. It supported the extension of basic energy services to un-served and under-served areas of SSA, and assisted official agencies to establish programs to support SMEs in providing energy services for individuals and local communities that have limited to no energy access. In addition, it helped SMEs in developing technical and business plans to help attract public sector and private sector financing. The overall outcome was rated satisfactory, with most targets surpassed.

Relationship to CAS/CPS/CPF

The World Bank's engagement in the energy sector is designed to help client countries secure the affordable, reliable, and sustainable energy supply needed to end extreme poverty and promote shared prosperity. The Bank's approach mirrors the objectives of the SE4All initiative and

recognizes that each country determines its own path for achieving its energy aspirations. Each country's sustainable energy transition involves a unique mix of opportunities and challenges, prompting different emphases on access, efficiency and renewable. Support under this grant will be targeted to selected countries where activities were successfully implemented under the first ESME grant, implemented by GVEP International. The World Bank country strategies for each of these target countries include objectives on increasing access to clean and renewable energy promoted through Micro, Small and Medium Enterprises.

Kenya: As part of the Country Partnership Strategy (CPS) FY14-FY18, the first domain of engagement will be on improving the infrastructure and business environment, while being responsive to environmental pressures, which is the backbone of long-term growth. The second domain of engagement is to protect the vulnerable and help them develop their potential, which is critical to shared prosperity. The proposed 2nd ESME grant to GVEP international addresses both of these domains.

Tanzania: Objective 2 of the Country Assistance Strategy (CAS) FY12-FY15 is to "Build Infrastructure and Deliver Services," and under this, Outcome 2.1 is "Improved access, quality, and sustainability of electricity." SME's are also an important focus in the CAS, both for the Bank and the IFC, as is gender, which will both be a focus under the proposed GVEP support. In addition, CAS Outcome 1.3 focuses on enhanced sustainability and improved management of natural resources, under which promotion of new rural energy solutions will be one of the priorities.

Senegal: Senegal's CPS FY13-FY17 Pillar I "Accelerating Growth and Employment" includes objectives 1 and 9b to improve the investment climate and access to financial and non-financial services for SME's; and improve rural access to electricity. These objectives will be an integral part of the support the ESME Grant will provide through GVEP International.

Uganda: Among the essential challenges identified in the Uganda CAS for 2010-2015 is the high level of deforestation caused by a demand for charcoal and fuelwood. Household expenditures for this charcoal and fuelwood -- the principal sources of energy-- have doubled during the last 15 years, even despite efforts to improve institutions for environmental management and sustainable use of natural resources. This depletion of Uganda's natural resources and degradation of the environment is constraining growth significantly. The proposed cookstove activities by GVEP International under this ESME Grant will address this issue.

II. Project Development Objective(s)

Proposed Development Objective(s)

The Project Development Objective is to strengthen the capacity of Micro, Small and Medium enterprises to provide access to clean and renewable energy services to rural communities in selected countries in Sub-Saharan Africa.

Key Results

Key results include.

- a) Growth of micro, small and medium energy enterprises;
- b) Increased number of successful female headed energy enterprises;
- c) Rise in the number of viable (small renewable) energy projects;

III. Preliminary Description

Concept Description

In order to reach the goal of universal access, a private sector approach to development by helping to strengthen micro, small and medium enterprises (MSME's) and fostering their growth is key. Small businesses collectively shape markets that are able to deliver products and services to a large number of Base of Pyramid (BoP) consumers.

This activity is a second phase of a cooperation with GVEP international financed by the ESME trustfund. Under the Phase 1 ESME Grant, GVEP International demonstrated that MSMEs can be mobilized to cost-effectively implement energy access programs to serve hard-to-reach customers. Targeted TA proved to be a crucial success factor to support MSME development in the energy sector.

Based on the experience and lessons learned, this second phase will be a continuation of the activities to support MSMEs but will be more focused. The current proposed grant will focus on selected countries in sub-Saharan Africa, where GVEP international has ongoing successful engagements. The countries of focus will be Kenya, Tanzania, Senegal, and Uganda.

The project will have the following three components:

Component 1: Advisory services and capacity building support for micro, small and medium enterprises (MSME's) in the Off-Grid sector (US\$2,270,000)

This component will finance:

- a) Advisory services to early stage MSMEs serving the off-grid energy market (Kenya/Tanzania)
- b) Empower women to become energy entrepreneurs in rural areas (Senegal)
- c) Technical Assistance to the project developers to support and accelerate the development and growth of small renewable energy projects (Kenya/ Tanzania).
- d) Engagement with the Senegalese Rural Electrification Agency (ASER) to provide technical assistance: i) for productive use of energy in newly electrified villages; and ii) to PREMs (Projets Energetiques Multi-Sectoriels) that require business and technical support to develop and implement their projects (Senegal).
- e) Productive use activities in (potential) newly electrified villages (Kenya, Tanzania).

Component 2: Support for clean cooking (US\$567,000)

This component will finance:

- a) Support to the Senegal National Biogas Program (PNB) to deploy 10,000 units of biogas systems for rural households by providing business advice and technical assistance to selected biogas activities (Senegal).
- b) Engagement with cookstove manufacturers, schools and financial institutions to reduce market and financial barriers to increase adoption of improved cookstoves (Uganda).

Component 3: Project Management (US\$327,000)

This component will cover the coordination of the proposed program in the selected countries, including aspects related to monitoring and evaluation (M&E), financial management, procurement, environmental and social management, and general administration and logistics.

IV. Safeguard Policies that Might Apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
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Environmental Assessment OP/BP 4.01		x	
Natural Habitats OP/BP 4.04		x	
Forests OP/BP 4.36		x	
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11		x	
Indigenous Peoples OP/BP 4.10		x	
Involuntary Resettlement OP/BP 4.12		x	
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

V. Financing (in USD Million)

Total Project Cost:	3.163	Total Bank Financing:	0
Financing Gap:	0		
Financing Source			Amount
Energy SME Support to SSA			3.163

VI. Contact point

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