

Cameroon –IDA Guarantee and IFC Loan for the Kribi Gas Power Project

November 8, 2011

U.S. Position

The United States welcomes this proposal to increase electricity generation in Cameroon and improve access to private finance (including local currency financing) for the development of Cameroon's natural gas resources. The United States appreciates the fact that this project will allow for much needed diversification in the country's power sector. In this context, the United States is encouraged as well by the potential of using renewable energy in Cameroon. Inadequate infrastructure development, particularly electricity generation, has been a drag on Cameroon's economic performance and has hampered its ability to meet key development goals. Therefore, the United States welcomes the Bank and IFC's collaboration on this project through an \$82 million IDA loan guarantee and an \$86 million IFC A Loan. The United States would like to record its support for both proposals.

The United States recognizes the role that the non-standard IDA guarantee will play in facilitating the participation of local lenders in the financing of the project. Therefore, the United States supports the waiver for the IDA guarantee and appreciates the Bank's flexibility in supporting an innovative financing arrangement for the project. However, the United States urges the Bank to monitor the effectiveness of this guarantee scheme over the life of the project, as this approach is still untested and may be replicated in other Bank projects. Also, the United States asks the Bank to work with the Government of Cameroon (GoC) in order to ensure that the project does not suffer extended financing gaps in the future.

The United States commends the GoC's inclusion of the private sector in the development of Cameroon's domestic energy resources, particularly through a public private partnership (PPP) model. The United States welcomes AES Africa Power Company's substantial equity contribution in the Kribi Gas Power project through its investment in Kribi Power Development Company (KPDC) and AES SONEL. The United States believes that appropriate risk sharing between the government and the private sector is critical to the sustainability of PPPs and more importantly the development of Cameroon's power sector. The United States asks that the Bank play a constructive role in ensuring that AES SONEL and the GoC follow through on their commitments to broaden the supply of electricity in Cameroon to include an even greater number of small and rural end users, especially since the GoC has committed to a long-term development strategy (Vision 2035) that focuses on improving access to and the reliability of clean energy for both enterprises and households.

In spite of the clear development benefits of the Kribi Gas project, the United States has concerns about Cameroon's still unsettled regulatory framework for its power sector. The United States understands that the GoC received input from the World Bank and AES Sonel in drafting its electricity bill and may introduce the legislation in the November session of parliament. The United States hopes to see progress on this legislation and firm commitments from the GoC to implement a more equitable pricing structure in the power sector, particularly for Alucam, the country's largest electricity consumer. The United States urges the Bank to remain engaged in order to ensure that key regulatory issues have been addressed and the project achieves long-term viability.