

SOCIAL ENTREPRENEURSHIP PROGRAM

PROJECT SYNTHESIS

1. **Country:** Perú
2. **Project Number:** PE-S1008
3. **Project Name:** Electrification of Isolated Rural Communities Using Renewable Energy
4. **Executing Agency:** Acciona Microenergía Perú (AMP)
5. **IDB Unit:** Multilateral Investment Fund (MIF)

6. Financing Amount and Source:

	<u>IDB US\$</u>	<u>Local US\$</u>	<u>Total US\$</u>
Reimbursable financing :	900,000	300,000	1,200,000
Technical cooperation funds (MIF):	<u>330,586</u>	<u>200,000</u>	<u>530,586</u>
Total:	1,230,586	500,000	1,730,586

7. Goal and Purpose:

The goal of the project is to help improve the population's quality of life through access to basic electricity service in the Cajamarca region. The purpose is to facilitate access to basic electricity service for the population in isolated rural communities of the Cajamarca region, by consolidating a sustainable management model for the installation, operation, and maintenance of RPSs.

8. Description:

Two components will be financed to achieve the objectives: a reimbursable financing component of US\$1,200,000 (IDB: US\$900,000 and AMP US\$300,000) and a nonreimbursable technical-cooperation component of US\$530,586 (MIF: US\$330,586 and AMP US\$200,000). The loan will be financed using funds from the Spanish Trust Fund for the Social Entrepreneurship Program, under the Bank's Social Entrepreneurship Program, and the technical cooperation component will be financed with a parallel operation accompanying the SEP loan, using nonreimbursable MIF funds.

- ***Reimbursable financing component***

This component's resources will be used to purchase 1,700 RPSs to be installed and placed in service in the homes of an equal number of rural families in isolated areas of the Cajamarca region who currently have no electricity. AMP plans to purchase the equipment in the first half of 2013 and install all the RPSs between July and September 2013.

- ***Non-reimbursable Technical Cooperation component***

The technical cooperation component will support AMP in several areas related to the following activities: (i) community development among the beneficiary communities regarding their identification, selection, awareness-building, and organization; (ii) instruction and training of beneficiaries, community committees, and new company installation technicians; (iii) strengthening of AMP institutional capacities so that it can effectively manage this major expansion of its business; and (iv) systematization and dissemination of the AMP model, promoting its replicability and scalability. Details on the activities to be financed under the technical cooperation component and its itemized budget are found in MIF project PE-M1087, which will be considered and approved by the MIF Donors Committee and executed by AMP in parallel with this loan. For the parallel execution of the two operations, MIF staff at the Country Office in Peru will supervise them closely in coordination with AMP.

9. Beneficiaries:

The project's direct beneficiaries will be about 1,700 very low-income rural families (approximately 7,000 people) who will have access to a simple renewable energy system (the RPS) in their homes, allowing them to have electricity for the first time. The RPS will have three bulbs and an additional outlet for charging cellular telephone batteries or for using a low-voltage radio or television (12 volt). The characteristics of the families in the project intervention area include the following: (i) they live at altitudes between 3,000 and 4,000 meters above sea level; (ii) the average age of the head of household is 38 (78.3% men and 21.7% women); (iii) an average of 4.2 family members; (iv) educational level: none: 31%; primary: 60%; and secondary: 9%; (v) average monthly family income: about US\$110; (vi) energy expenses per family: light: US\$3.46/month; radio: US\$1.30/month, and cellular phone: US\$0.31/month; for a total of US\$5.07/month; and (vii) families living in extreme poverty: 91%; poverty 4%; and not poor: 5%. Based on their living conditions, these isolated communities live in extreme poverty and are not included in the Peruvian government's plans for expanding the rural electrification network. The population's primary activity is agriculture, followed by livestock. Both activities are carried out using rudimentary technical methods and produce low yields. The development of other activities such as small-scale handcrafts is incipient and intended basically for the family's own use and for barter.

10. Expected results and benefits:

The project's principal outcome will be the benefit obtained by 1,700 rural families (more than 7,000 people) with very low incomes who will have electricity in their homes for the first time at a very low cost (about US\$3.74/month). These families will have enough electricity for the basic needs of a rural family, providing basic electricity service for three energy saving light bulbs and possible use of television and radio for four hours each day, plus the ability to recharge their cellular phones. Service will be guaranteed for a minimum of 20 years. As a result of having this service in their homes, the following improvements are expected to be evident in the families' living conditions: (i) an average 36% reduction in family spending on alternative lighting (increased disposable income); (ii) a 20% reduction in the frequency of respiratory illnesses caused by the use of candles and other fuels in the home; (iii) a 30% reduction in the incidence of fire caused by the use of candles and fuels for lighting; and (iv) a 40% increase in the number of hours when new information media (TV) are used and cellular phones are charged. In addition, AMP will benefit from having demonstrated the technical and financial

viability of its innovative model for supplying electrical power service to isolated rural populations.