

COVID-19 Response: Ongoing Activities and Gaps to Sustain Energy Access Enterprises

As COVID-19 continues to challenge recent universal energy access progress, those companies providing access to electricity and clean cooking solutions across Africa and Asia are at a real risk of collapsing from not being able to access the financial relief they need to survive the pandemic. A number of organizations have stepped up and are leading the way in structuring relief for the sector. These commendable initiatives need further support to deepen their impact. At the same time, the breadth of these responses is not enough. Significant gaps remain that need to be closed, particularly for local, small enterprises.

This briefing note seeks to present an overview of what activities (or initiatives) are in design or implementation that funders may consider to maintain an important sector in an unprecedented crisis. Contact details are provided for all initiatives and interested parties are encouraged to get in touch directly.



ACCESS TO FINANCE

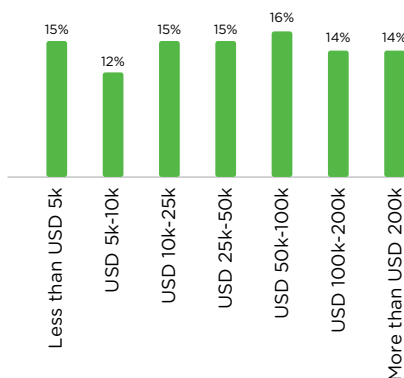
For operating off-grid energy companies¹, the health crisis quickly turned into a liquidity crisis; with income reducing but fixed costs remaining, their ability to continue operations and to retain their staff is limited. Regardless of their size, the companies need finance to overcome liquidity constraints. As detailed in Figure 1, companies have prioritized the need for such financing through short tenor bridge loans for larger companies, concessionally priced loans for mid-sized companies, and grants for small companies.

SMALL AMOUNTS WOULD HELP THE SECTOR TREMENDOUSLY

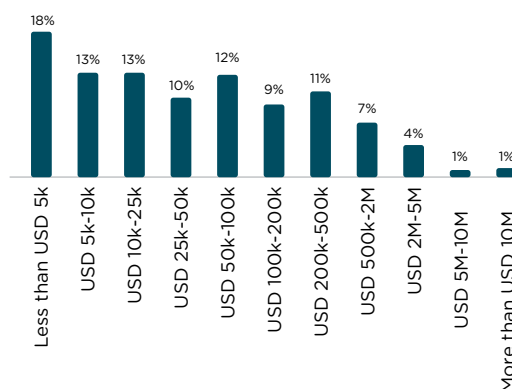
- Half of the companies need **less than 50,000 USD** to survive the next 6 months (grants/loans)
- Close to a third would only need 10,000 USD = **2M USD to save 200 companies**
- **Grant instruments** are needed to complement the concessional loan relief funds in the pipeline

FIGURE 1

Grant funding: What is your overall short-term (6 months) funding requirement?



Bridging loans / concessionary loans: What is your overall short-term (6 months) funding requirement?



Source: *EnDev Survey*

¹ Off-grid energy companies includes those companies involved in stand-alone solar distribution, mini-grid development and operations, and the manufacturing and distribution of clean cooking solutions, including clean fuels.

The list below identifies initiatives in development and underway. These are the known initiatives that may offer opportunities for additional funding to flow into the sector.

ENERGY ACCESS RELIEF FUND (EARF)

Concessional loans for 70-100 mid-sized companies, with loans in the range of USD 100,000 – 2.5 million. First close is expected in November at USD 70 million. ESMAP offers to channel funding on behalf of bilateral donors that would like to contribute to the first loss tranche of the fund but are facing constraints. Contact: **Sarah Bieber**, Associate Director of Acumen SBieber@acumen.org

AFDB OFF-GRID RECOVERY PLATFORM (CRP)

A USD 20 million liquidity and working capital facility that will co-invest and de-risk private sector debt; Approval expected 3rd quarter 2020. Contact: **Daniel Schroth** d.schroth@afdb.org

REACT AECF KENYA WINDOW

A USD 2 million fund that is providing emergency grants in the range of USD 50,000 – USD 200,000 to companies to cover short-term working capital needs (3-12 months) and technical assistance for business continuity. Contact: <http://www.aecfafrica.org/covid-19>

ENDEV

An effort to adapt and expand existing Results-Based Financing (RBF) facilities; EUR 4.2 million committed for Mozambique and Uganda; Will support up to 35 companies. Contact: **Alexander Haack**, EnDev Team Lead alexander.haack@giz.de

AFRICAN RESILIENCE INITIATIVE FOR ENTREPRENEURS (ARIE)

A multi-sector SME fund from Entrepreneurial Solutions Partners (ESP), in partnership with U.S. African Development Foundation (USADF) in close collaboration with EcoBank that will provide up to USD 150,000 interest free loans to entrepreneurs. Contact: arie@espartners.co

COVID-19 RECOVERY FUND GRANT

Launched by The Shine Campaign, the fund is raising capital to provide USD 10,000 grants to last-mile energy access entrepreneurs, cooperatives and agencies, and community leaders., contact: **Emira Woods**; emira@shineinvest.org

SMALL ENTERPRISE GRANT FUND

In partnership, GOGLA, the Africa Mini-grid Developers Association (AMDA) and Global Distributors Collective (GDC) are working with the Opes-LCEF Restart Fund to establish a carve out fund for energy access SMES, providing recoverable grants to mitigate short-term liquidity constraints due to Covid-19. Contact: **Emma Colenbrander**, emma.colenbrander@Practicalaction.org.uk; **Drew Corbyn**, d.corbyn@gogla.org

These initiatives will provide needed capital to a portion of the operating energy access companies. However, additional funding is required to address remaining gaps including addressing the shortage of grant funding that is critical for smaller and local companies.



CONSUMER RELIEF

Consumers of off-grid energy access solutions are among the most vulnerable. The economic impact of the pandemic and COVID-19 induced poverty is hitting them hardest. Paying for the services companies are offering becomes increasingly difficult and many households are under severe financial stress.

Examples of initiatives addressing the consumer include:

SHELL CORP

Provided grants to seven off-grid companies to support 6-months of customer payments (USD 1.7 million)

SMART POWER INDIA

Provided digital vouchers for customers to pay for electricity from Smart Power India's mini-grid partners.

The energy affordability gap is only going to widen; 230 million people were estimated to fall into this gap before COVID-19 and estimates are that an additional 70-100 million more will fall into poverty as a result of the pandemic. As this affordability gap widens, more end user subsidies will be needed.

For more information on demand side subsidies as a tool for achieving universal energy access, the [Africa Clean Energy \(ACE\) Technical Assistance Facility \(TAF\) recently published a paper](#) with critical design principles and case study analyses, and a call to action for donors and national governments to support demand side subsidy integration into national recovery strategies.



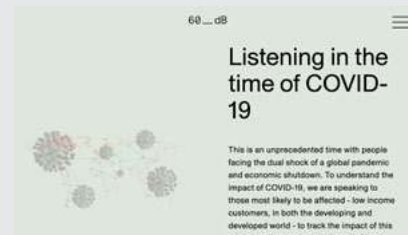
KNOWLEDGE EXCHANGE & MARKET INTELLIGENCE

In an environment where companies need to rapidly adapt to new realities, everyone is looking for guiding data or lessons learnt. Existing resources include:

ENDEV: COVID-19 Energy Access Industry Barometer



60_DECIBELS: Listening in the time of COVID-19





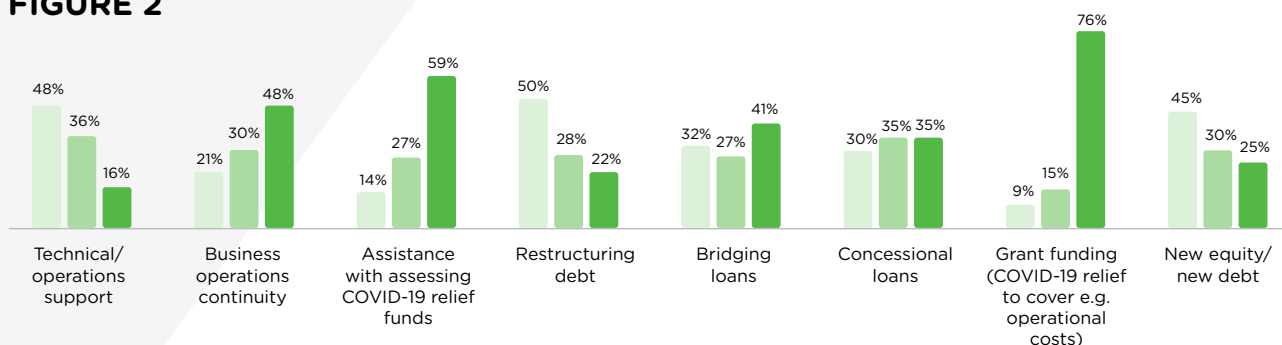
TECHNICAL ASSISTANCE

Companies need support in managing their cash-flows, consumer engagement, and keeping staff save. Technical Assistance is offered by organizations including **Get.Invest**, the Private Financing Advisory Network (PFAN), **Triple Jump**, **GOGLA**, **Power Africa**, and **VentureBuilder**.

Technical assistance needs are mostly covered but a gap remains for small, local companies.

COMPANIES NEED GRANTS

FIGURE 2



Source: *EnDev Survey*

Continued and expanded support for these key intermediaries are also important lifelines for the energy access sector.

- **Grant funding** is the highest priority to meet the financial needs with regards to financial needs of the energy access industry
- On the operational side, **Assistance with assessing COVID-19 relief funds** and **Business Operations Continuity** are the most important areas where support is needed

Further information regarding the response of the energy access sector to the COVID-19 pandemic can be found at:

- <https://www.energyaccessrelief.org/>
- <https://www.gogla.org/covid-19-resource-center-0>
- <https://www.seforall.org/covid-19-response>
- <https://africamda.org/index.php/covid-19-response-2/opportunities-database/>
- <https://globaldistributorscollective.org/covid-19-resources>
- <https://ashden.org/news/emergency-support-for-climate-enterprises/>