

Improving market access and affordable financing for off-grid renewable energy solutions

A Private-Public Partnership Model for Off-Grid RE Market Development

SEED Practitioner Labs Policy Prototyping – Malawi 2019



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Background

Malawi has one of the lowest electricity access rates in the southern African region. Currently only 11% of the population have access to electricity, with a strong divide between urban (42%) and rural areas (4%) where most of the population live¹. Also, only 13% of households use solar products and generally the uptake of renewable energy sources remains low². This is due to solar and other renewable energy products being largely unaffordable for households, despite the growth of enterprises offering local (off-grid) renewable energy solutions to address some of these major challenges.

Especially rural communities, where electrification levels are particularly low and markets for energy solutions are often undeveloped, could benefit from policy measures to improve the affordability and accessibility of last mile renewable energy solutions offered by small and growing eco-inclusive enterprises³.

Prototype Overview

Sustainable energy for Malawi's rural communities can only be achieved through the mobilisation of the private sector on a significant scale. Public Private Partnerships (PPPs) which support eco-inclusive entrepreneurship in the energy sector combine the corporate and financial sector's capital and its technological and financial know-how with community-based knowledge and policy expertise of the public sector. The electrification of (rural) Malawi will be supported through engaging technology suppliers, financiers and insurers around eco-inclusive enterprises offering off-grid renewable energy solutions. This multiple stakeholder coordination is central to improving marketing and distribution of off-grid energy products in Malawi through combined:

Capacity building trainings for greater coordination between private and public sector actors around improving market reach and access to off-grid solar solutions and the capacity of eco-inclusive enterprises to access financing and markets for their activities.

Clean energy financing supported by pay-as-you-go models and leveraging existing public funds for off-grid renewable energy investments.

Focus:	Climate Change Mitigation
Ecosystem Impact:	Access to Finance, Access to Markets
Policy instrument development hosted by:	Community Energy Malawi

Policy Implications

The PPP model for developing off-grid renewable energy markets will engage policy-makers in:

Improving national energy policy implementation by translating existing commitments and targets into public and private sector initiatives (enlisting local governments in particular) for the development of off-grid renewable energy markets as a viable rural electrification solution.

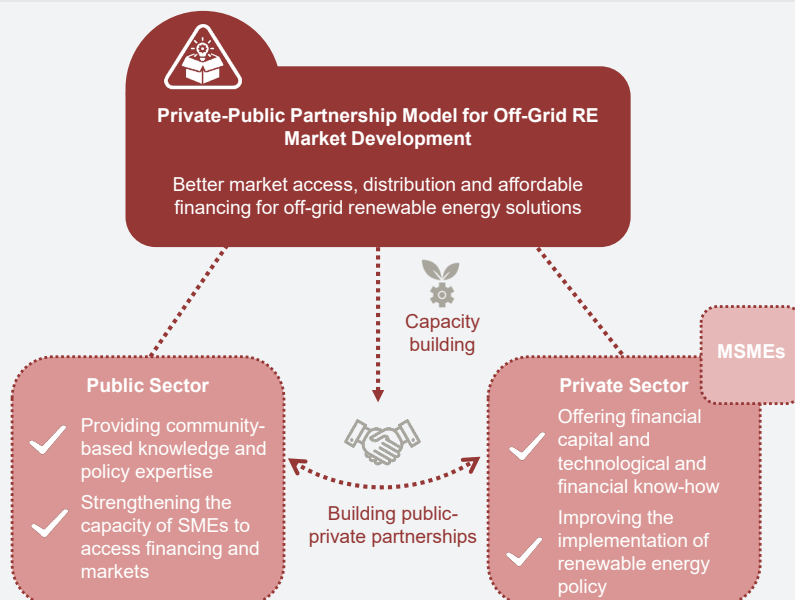
Drafting policy and realigning existing policy to realise the potential of off-grid renewable solutions driven by eco-inclusive enterprises.

Integrated distribution networks for streamlined product delivery and ongoing servicing by eco-inclusive enterprises located directly in rural communities.

Key Features

This PPP model for off-grid renewable energy solutions offers a platform for the public sector, eco-inclusive enterprises from the renewable energy and off-grid sector, RE product retailers and finance institutions. The specific activities proposed include:

- 1. Developing decentralised markets backed by government support** for off-grid renewable energy solutions by, for example, facilitating regular dialogue forums with key technology providers, distributors, local governments and financiers to better understand the main challenges facing the growth of markets for climate-smart and socially inclusive business models in the energy sector.



2. De-risking investment in off-grid renewable energy markets by lowering barriers to entry into the sector, such as through reducing licensing and administrative barriers and discriminatory taxes, for example VAT on off-grid solar lighting solutions. This could involve leveraging clean energy financing through public funds, including the Rural Electrification Fund⁴ which focuses on grid-based solutions and tends to overlook the potential of off-grid solutions to reach rural communities.

- Direct engagement of public sector actors as key stakeholders alongside private sector (particularly eco-inclusive enterprises) and financial actors within PPP.
- Integrating local governments and communities in the implementation process of the national energy strategies to improve the implementation of the existing policy frameworks.
- Sharing learnings about benefits and available financing and product servicing support for off-grid solar solutions.

Benefits to Eco-Inclusive Entrepreneurship

PPP mechanisms aim to deliver benefits to rural communities across Malawi which are in need of electrification solutions through the close coordination of public and financial sector actors. This model delivers capacity building opportunities for:

Local governments to learn about the benefits and available financing and product servicing support for off-grid solar solutions offered by smaller enterprises that deliver combined environmental, social and economic benefits across their value chains.

Local banks to better develop financing mechanisms that are responsive to technology providers' and eco-inclusive enterprises' needs and constraints for long-term financing in order for these enterprises to invest in off-grid technology leasing (or purchase) and business development measures.

Role of Government

Public sector support is required to ensure that off-grid RE enterprises are able to access and expand markets for effective rural electrification. Among other potential measures, the following recommendations enlist the role of the government in improving market access and affordable financing for off-grid renewable energy solutions:

Key Contributor



Community Energy Malawi offers various capacity building and awareness raising activities while also bringing together policy makers, energy suppliers, installers and users as a way of finding new innovative ways of developing community energy.

SEED Practitioner Labs Policy Prototyping work with policymakers, eco-inclusive enterprises and intermediaries over a multi-step collaborative process to design policy instruments which increase access to and improve the quality of support mechanisms for socially inclusive and environmentally sustainable enterprises looking to scale their environmental, social and economic impacts

1. SEforAll Africa Hub (2018). Malawi. Retrieved from: www.seforall-in-africa.org/seforall-in-africa/country-data/malawi/.

2. Business Innovation Facility (2016). Off-grid lighting and phone charging study. Retrieved from: www.bifprogramme.org/sites/default/files/attachments/malawi_off_grid_and_phone_charging_survey.pdf

3. Eco-inclusive enterprises are micro-, small- and medium-sized enterprises (MSMEs) that deliver combined environmental, social and economic benefits.

4. Department of Energy Affairs (2018). Malawi Rural Electrification Programme. Retrieved from: www.energy.gov.mw/index.php/projects/rural-electrification-projects/malawi-rural-electrification-programme.