



Energising Development

Market-based approaches for the protection and economic recovery of energy access markets affected by the COVID-19 pandemic

Context

So far, official infection rates for COVID-19 are still relatively low in developing countries in Sub-Saharan Africa, Latin America, and Asia in comparison to developed nations. Regardless of this, SMEs in the decentralized energy sector are already significantly affected by the consequences of the pandemic: customers are no longer spending their money on solar systems, access to communities is restricted, supply chains are interrupted, staff numbers are cut, and investors are less inclined to become involved. The effects of COVID-19 are already heavily felt by energy entrepreneurs who are increasingly coming under financial distress, no matter the company size, the technology promoted, or geographical focus.

With energy SMEs facing dramatic slowdown and struggling for survival, there is significant danger of eroding and undoing years of gains made towards SDG7 and setting countries back in their development tracks. The harsh economic consequences resulting from the pandemic will have detrimental effects on energy access markets and vulnerable populations for years to come; and would require substantial efforts to build back to old levels. There is need for immediate and comprehensive responses from national governments and global development partners to protect decentralized energy markets and create conditions for an

effective recovery that ensure that energy SMEs emerge from this crisis able to continue and grow their service provision.

EnDev experience in working in markets during challenging times

While numerous development players are launching urgent response mechanisms, an initial review conducted by EnDev indicates only few financial assistance programs can be directly accessed by energy companies and technical assistance responses are yet limited. Moreover, smaller artisanal and family-run energy SMEs in the informal sector, embedded in their communities and not yet organized in associations would “fall through the cracks” of such programs.

EnDev builds on 15 years of experience and continuous presence in 25 countries where it has supported the development of rural markets and strengthening of private sector actors across the entrepreneurial spectrum for delivering energy services to households, social institutions and MSMEs. Staying close to its strengths and mandate as a facilitator of energy access market development, EnDev can contribute to protection and recovery of energy access markets affected by the COVID-19 pandemic by delivering practical technical support combined with smart financial support in line with current local market development needs.



What EnDev can deliver

To prevent energy access market deterioration and create conditions for an effective green recovery, EnDev can draw on an extensive menu of intervention options consisting of technical and financial support instruments that sustain markets and enterprises during the crisis and support their resuming of activities and growth afterwards. With its market-based approach, EnDev is able to engage in the development of energy markets systematically and comprehensively through interventions at the supply and demand side, and the enabling environment and policy levels:

- **Results-based bridging grants**

Energy SMEs have been quick to respond to COVID-19 in creative ways, adopting crisis mitigation measures and defensive strategies to ensure their business continuity and survival, and prepare for post-crisis growth. Some companies continue delivering critical products and services to their customers where this is possible, or provide active support for their communities in the COVID-19 crisis.¹ Despite their efforts, enterprises have short cash runways and limited working capital reserves to continue for long. Recognizing their efforts with results-based grants for such activities and/or community-level outcomes (see insert box) would provide much needed financial liquidity for enterprises during the survival phase. Once enterprises boot their operations back up and start adapting to the “new normal”, results-

based grants defined in a meaningful but pragmatic way would offer a form of financial stimulus for quick economic recovery.

- **Leveraging bridge loans in combination with business coaching**

Providing results-based bridge grants to enterprises also serves as a de-risking mechanism that increases energy SMEs’ ability to obtain bridge loans from investors or local banks. Through technical support, EnDev can increase the SMEs’ bankability and actively facilitate access-to-energy finance. With business coaching and guidance, and access to learning resources, enterprises would be supported in navigating the COVID-19 crisis, in the development of crisis survival strategies, and in planning for a range of scenarios. This would include financial projections, cash flow plans and adaptation plans for interaction with banks and investors.

Innovative business approaches in times of lockdown

To provide active support for their communities, companies use their distribution channels to deliver sanitation and hygiene products to at-risk communities; use their communication channels for COVID-19 awareness raising; provide reliable information on the health of communities to local authorities; distribute solar systems to health centers; or protect staff and their families by keeping them on payroll. To prepare for post-crisis growth, energy SMEs have created training opportunities and other ways to keep their front-line staff learning; started digitizing company operations and pivoting to online sales models; prioritize marketing and customer relations to create awareness and build brand recognition; re-organized payment terms for customers experiencing hardship; or built up stock levels where possible for quick post-crisis reboot.

¹ See for example: <https://www.seforall.org/sites/default/files/2020-04/SEforALL-survey-findings-20200417.pdf>

- **Smart subsidies for vulnerable communities**

Through smart subsidy instruments, EnDev can work with off-grid service providers to avoid shut-offs due to customer non-payment and develop flexible payment plans for vulnerable communities. External financial support could include waivers and funds for payment holidays to mitigate service disruption for vulnerable households while simultaneously allowing energy SMEs business continuity.

- **Policy measures, social protection schemes, and public procurements**

By engaging with government officials, EnDev can advocate for essential service designation for off-grid energy to allow for SMEs' continued service provision; temporary tax reductions on energy services; prioritization of energy equipment imports; and long-term vision for post-crisis sustainable and green energy market development. For customers, social protection schemes could be expanded to provide safety nets for poorer households; deferred payment options; and government-supported preferential loans for households for investment in energy technology. ; Moreover, EnDev can advocate for and facilitate public procurements of essential energy products from Energy SMEs and distribution to vulnerable communities affected by COVID-19 to provide basic access to electricity for light, phone charging and access to information.

COVID-PAY in Mozambique

EnDev Mozambique, with co-financing from Norad, is launching 'COVID-PAY', an urgent relief scheme for energy companies vulnerable to increased defaults of customer payments. The objective is to ensure that off-grid households continue to have access to electricity and to avoid bankruptcy of PAYGO solar suppliers by allowing companies to offer special subsidized price promotions that reduce customers' electricity expenses. The structure of the support fund will be results-based, with companies needing to present verifiable proof for the benefits that have been passed on to customers. The results-based grant funds – limited to a period of 6 months – deliver the double-benefit of maintaining energy access for economically vulnerable populations while simultaneously ensuring that off-grid suppliers are not being put out of business.

Where EnDev can deliver

Building on current activities and presence, EnDev can engage in 25 countries in Sub-Saharan Africa, Latin America, and Asia (see EnDev's country list at https://endev.info/content/Main_Page). In line with EnDev's strategic orientation, interventions could be prioritized on SE4ALL high-impact countries in sub-Saharan Africa, specifically in contexts in which loss of market structures would be most detrimental to local communities.

How EnDev could partner up

EnDev is well-positioned to align and facilitate linkages with a wide range of partners, including national governments, DFI finance facilities (WB, AfDB) as well as business associations (GOGLA, AMDA).



Energising Development

EnDev provides access to energy in Africa, Asia and Latin America. Improving the lives of the most vulnerable people, ensuring no one is left behind, and creating economic opportunities and green jobs by building markets for modern, renewable energy is at the core of EnDev. EnDev contributes to reducing greenhouse gas emissions to protect our planet's climate.

At a glance

Around 4 billion people have no access to electricity or modern cooking technologies. This has a dramatic impact on quality of life, environment, health, education and income opportunities. EnDev's involvement focuses on providing access to modern, renewable energy. This is a pivotal factor in strengthening socio-economic development and combatting climate change.

EnDev's drive is to improve the lives of the most vulnerable people, ensuring no one is left behind. Economic opportunities and green jobs are created by building markets for modern, renewable energy. EnDev contributes to reducing greenhouse gas emissions to protect our planet's climate. Its approach is to empower structural, self-sustaining change; kickstarting a market and sector development that evolves further without support by EnDev.

EnDev's work is about people. Results are monitored and reported rigorously. By 2019, EnDev has helped 22.9 million people gain access to electricity or improved cooking technologies. EnDev has reached 27,390 SIs and 53,860 SMEs and reduced carbon emissions by more than 2.3 million tonnes of CO₂ per year.

EnDev is a strategic partnership. Dedicated donors, partners and individuals work together to support social development and economic growth by providing access to modern, renewable energy in more than 20 countries around the globe. The driving force behind EnDev is the partnership of Germany, the Netherlands, Norway, Switzerland, and the United Kingdom; donors who are committed to accelerating energy access and socio-economic development.