



Stakeholder Consultation Workshop



Main findings and wrap-up

28 March 2017

African Development Bank



Session 1 – Enabling environment

- Government to ensure consistency in policies and regulations
- AfDB to support long-term integrated planning of off-grid and on-grid
- Tariff consistency between off-grid solar home system, mini-grid, and utility
- Strengthen quality control, consumer protection, and capacity building
- Develop the local ecosystem including manufacturing
- Independent authority to support multi-stakeholder dialogue

Session 2 - Financing

EQUITY

- Patient capital with reasonable expected returns
- Use complex structures (e.g. mezz, convertibles)
- Build local project developers
- DFIs to seed local equity funds

DEBT

- Local banks need volume and capacity building (technical assistance)
- Teach local lenders the use of mobile credit scoring methods from providers assisted by DFI loan guarantees in the beginning
- No magic bullet to cover FX risk – build local manufacturing

Session 2 - Financing

INSTITUTIONAL INVESTORS

- Deepen local financial markets, slice risk to investors' needs
- Develop local equity fund managers
- Improve policy and regulatory framework to facilitate investment

SECURITIZATION

- Creation of an African asset company to bundle receivables and sell to investors
- Possibly grow into a clearing platform for secondary trading

Session 2 - Financing

OTHERS

- Third party verification of company level access data
- Develop integrated and country-led Public Private Partnership approach (including blended finance mechanisms, working with local structures)
- Provide complete finance packages for entire value chain
- Leverage Green Climate Fund et al.

Session 3 – Risk mitigation

- A huge gap between perceived risk and real risk : the answer lies in data gathered by Distributed Energy Service Companies over the last five years, which **will enable financial institutions to properly assess consumer risks**;
- **Local banks are the natural hedging for FX risks** but do not necessarily offer the maturity expected; and local financing institutions are not used to receivable collateralization and mobile money;
- **The supply of hedging tools for FX risks is available**, but entrepreneurs often choose to carry foreign exchange risks;
- The central Bank can reduce the cost of hedging significantly **through predictable policy actions**;
- **Subordinated, first loss, guarantee instruments, capacity building to credit risk officers and senior management are key to incentivizing local finance institutions** to invest and gain capacity in assessing risk, but local supply of finance may become insufficient;
- **Blended finance and first loss layers** have shown to be key to reduce the cost of local capital

Session 3 – Risk mitigation

- **Technology and operational risks** are usually well managed by PAYG companies;
- Governments and MDB have to work together to mitigate policy and regulatory risks : **need to open up markets for off-grid entrepreneurs to grow**. Some disasters risks over the long term could also be absorbed;
- Having a national strategy to decide about an efficient distribution mix of grid expansion, mini grids and off-grid solutions;
- Need to work with governments to set up guidelines Customer protection;
- **Accreditation of providers upfront from AfDB** according to credit, governance criteria could speed up access to finance to better serve the needs of off-grid entrepreneurs;
- City Challenge : Big pilots where we blend the funding available and where companies bid for expansion in certain geographical areas;

Session 4 – Business models

- Industry self-regulation: to assure high-quality products / customer services for attraction and retention of costumers
- Cross-sector partnership: TELCOs help entering new markets and solve distribution problems
- Data on credit scoring needs to be transparent and visible
- Platform approach: aggregation across companies and sectors
- Consumer campaign, awareness and training
- Access to local human resources