



AFRICAN FORUM FOR UTILITY REGULATORS (AFUR)

ERRA WEBINAR

MINI-GRID MARKETS DEVELOPMENT AND REGULATORY CONSIDERATIONS ON ALLOWANCE FOR THE RECOVERY OF FINANCING COSTS

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MINI-GRIDS IN AFRICA

Mini-grids are the key to making sure there's Universal Access to Energy on the Continent.

As of 2021 – Over 4000 mini-grid projects planned on the continent

RATIONALE FOR MINI-GRIDS

- Easy access to the remote areas on the continent
- Easy to integrate domestic and industrial uses

ROLE OF PRIVATE AND PUBLIC SECTOR

Private Sector – investors and donors

- Finance the mini-grid grid projects
- Operate the mini-grid projects

Public Sector – ministries and regulators

- Finance the mini-grid projects (where possible)
- Plan for the electrification of their countries
- Regulate the mini-grid sector in an equitable way



FINANCING OF MINI-GRIDS

TYPES OF FINANCE

- Grants and Subsidies;
 - Grants for Feasibility Studies
 - Grants for CAPEX
- Equity
 - Seed Capital
 - Expansion Capital
 - Investment in Operating Assets
- Debt
 - Consensual or Commercial Loans
 - Loan Refinancing facilities
 - Green credit lines

SOURCES OF DIFFERENT TYPES OF FINANCE

Grants and Subsidies

- Governments
- Development Finance Institutions (DFIs)
- Trusts
- Foundations
- Philanthropists

Equity

- Angel Investors
- Venture Capitalists
- Trusts
- Foundations
- Private Equity
- Global Utilities

Debt

- Commercial Banks
- Family Businesses
- Foundations
- DFIs



DEVELOPER'S COUNTRIES OF OPERATION AND FACTORS CONSIDERED IN GOING TO A COUNTRY

Examples of Countries	Factors considered in entering a country
<ul style="list-style-type: none">• Tanzania• Kenya• Uganda• Zambia• Nigeria• Sierra Leone• Benin, and• Cameroon	<ul style="list-style-type: none">• the existence of a mini grid regulatory framework• electrification status wherein government is willing to use mini grid as a driver of rural electrification• market size• availability of funding support• Political environment/ease of doing business

- To decide to invest, some of the investors look at regulatory framework (e.g., energy strategy/ master plans) even if it is not perfect, so long as it shows goodwill by government to make the mini grid sector work.

Examples of Countries	Types of financing
<ul style="list-style-type: none">• Kenya, Tanzania, Sierra Leone, Somalia, Nigeria, Benin, Madagascar, Lesotho, Rwanda, Uganda, Zambia, Rwanda, Ethiopia, and Ghana	<ul style="list-style-type: none">• Equity• Project Finance/Debt• Results Based Financing

TARIFFS BECOME IMPORTANT FOR DEVELOPERS BECAUSE OF ALL THIS

MAINSTREAMING MINI-GRID TARIFF SETTLEMENT TOOLS AND METHODOLOGIES ACROSS AFRICAN REGULATORS

MAJOR OBJECTIVES

- i. Review of existing tariff settlement methodologies i.e. Nigeria, Sierra Leone, Kenya, Tanzania, Zambia and Mozambique
- ii. Development of an enhanced standardised tariff settlement Tariff Tool based on the review of the existing tools.
- iii. Create a platform for dialogue between the private sector and the public sector
 - Stakeholder Workshops (Regulators, ministries, funders, mini-grid developers, industry experts).
 - PSC Meetings (Mini-grid Developers and Energy Regulators)



THANK YOU FOR YOUR ATTENTION

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