



AFRICAN DEVELOPMENT BANK GROUP
GROUPE DE LA BANQUE AFRICAINE
DE DEVELOPPEMENT

ERI Assessment of the regulatory framework for electricity access in Africa

PESR1, June 2022

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Background

01

What is the ERI

02

ERI results on electricity access framework

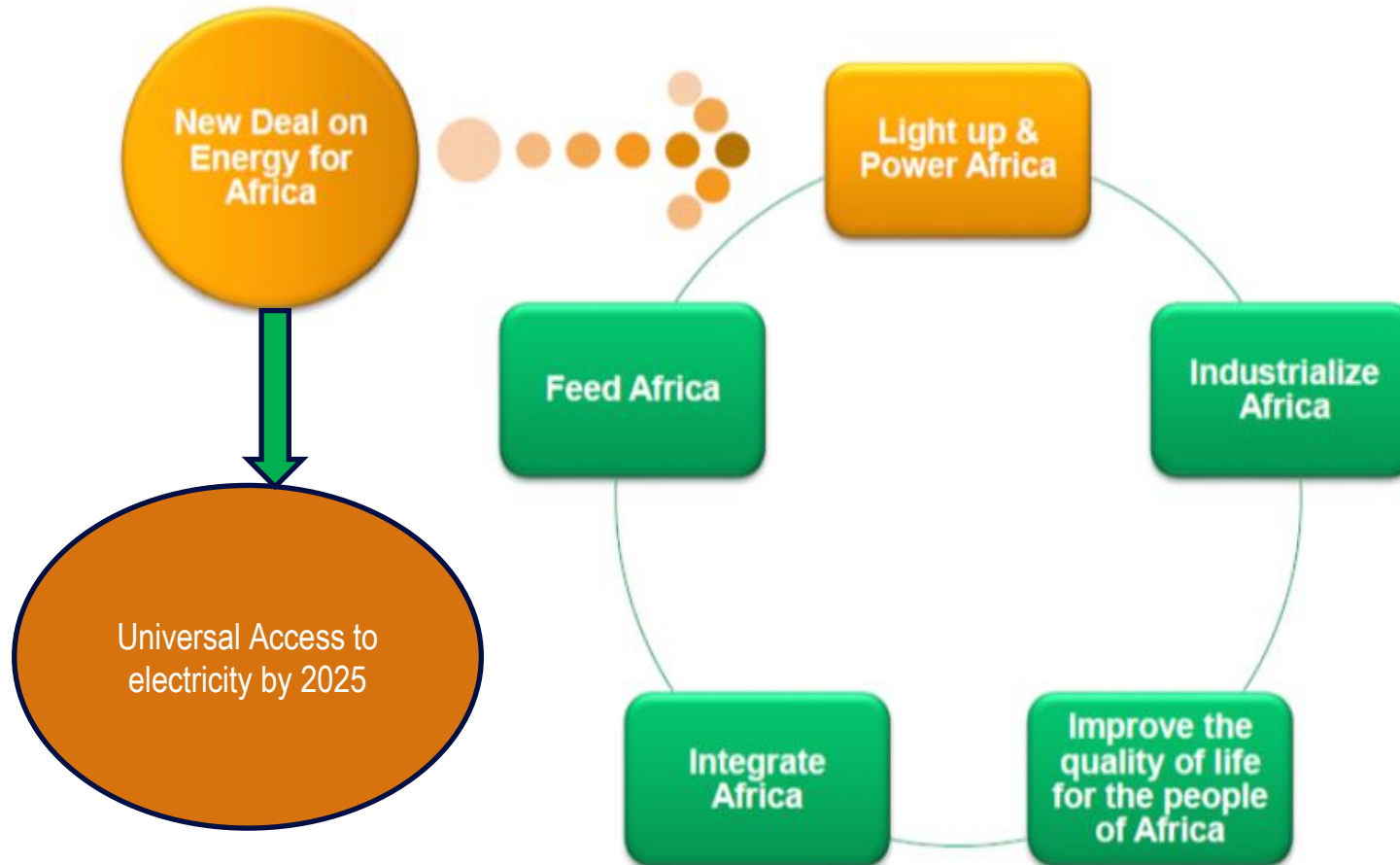
03

ERI findings on electricity access framework

04

Conclusion

THE BANK'S HIGH 5's (Priority Areas)



Under the NDEA, the AfDB provides support to African Governments in establishing relevant energy policy and transparent regulatory frameworks to attract private investment

The Bank supports the creation of enabling environment along 3 Pillars

Policy

- Policy Dialogues and Engagements, Country and Regional Strategy Papers, Support for policy initiatives and programmes,
- The IPP procurement programme has been a key programme on policy

Regulatory

- Regulatory Assessment, Diagnosis, Benchmarking and Advisory, Technical Assistance for Regulatory Initiatives
- The Electricity Regulatory Index for Africa (ERI) has been the flagship initiative of the Bank

Statistics

- Data Consolidation, Analysis and harmonization, Knowledge Sharing, Capacity building
- The Flagship initiative here is the Africa Energy Portal (AEP) – One-stop shop for information and data on energy sector of Africa



Achievements and partnerships

ERI is an empirical assessment of the Regulatory Environment and Performance of Electricity Regulators in Africa

4 EDITIONS COVERING 43 COUNTRIES SINCE 2018

- The ERI instrument includes **benchmarks based on a continuously growing, proprietary database of utilities and regulators across the African continent.** It also tests the actual impact of the regulator's actions on the power sector to:
 - Assess underlying regulatory **factors that impact performance**
 - Understand regulatory shortcomings to **identify a set of interventions for success**
 - **Prioritize the intervention programs needed** to improve regulatory performance
 - **Regularly track ongoing progress** and catch potential issues early on



ERI data collection is through bespoke surveys completed by electricity regulators and power utilities from participating countries



ERI is a composite index made of 3 sub-indexes or regulatory Pillars

1 Regulatory Governance Index (RGI)

“Institutional and legal design of the regulatory system and framework within which decisions are made”

This is the **“how”** of regulation and is generally work done by policy makers in the design of the regulatory framework

2 Regulatory Substance Index (RSI)

“Actual decisions, whether explicit or implicit, made by the regulatory entity or other entities within the government, along with the rationale for the decisions”

This is the **“what”** of regulation and is the regulatory actions towards achieving sector policy objectives

3 Regulatory Outcome Index (ROI)

“Assesses the impact of regulator’s actions and decisions on the performance of the power utility and consumers” It is a measure of the extent of achieving sector objectives

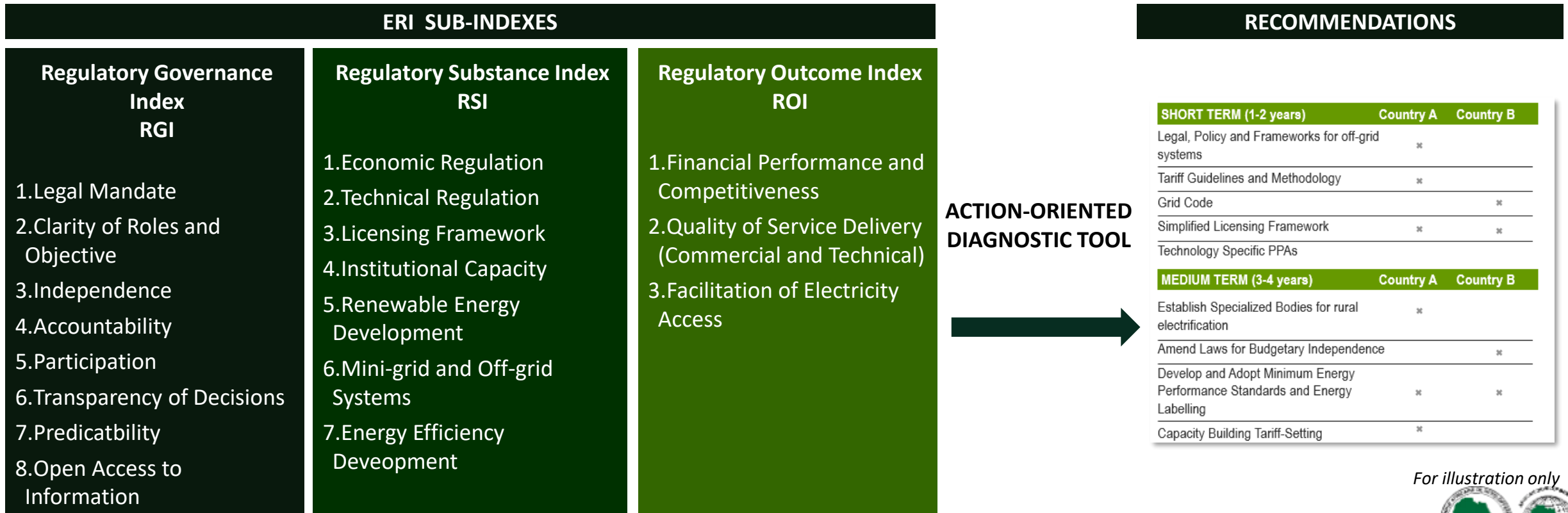
The **“so what”** of regulation

Each Pillar has indicators and sub-indicators that are aggregated to form the composite score for that pillar



REGULATORY ASSESSMENT INDICATORS

The ERI highlights the performance of a designated regulatory system based on 18 indicators spread across the 3 regulatory pillars and makes appropriate recommendations



For illustration only



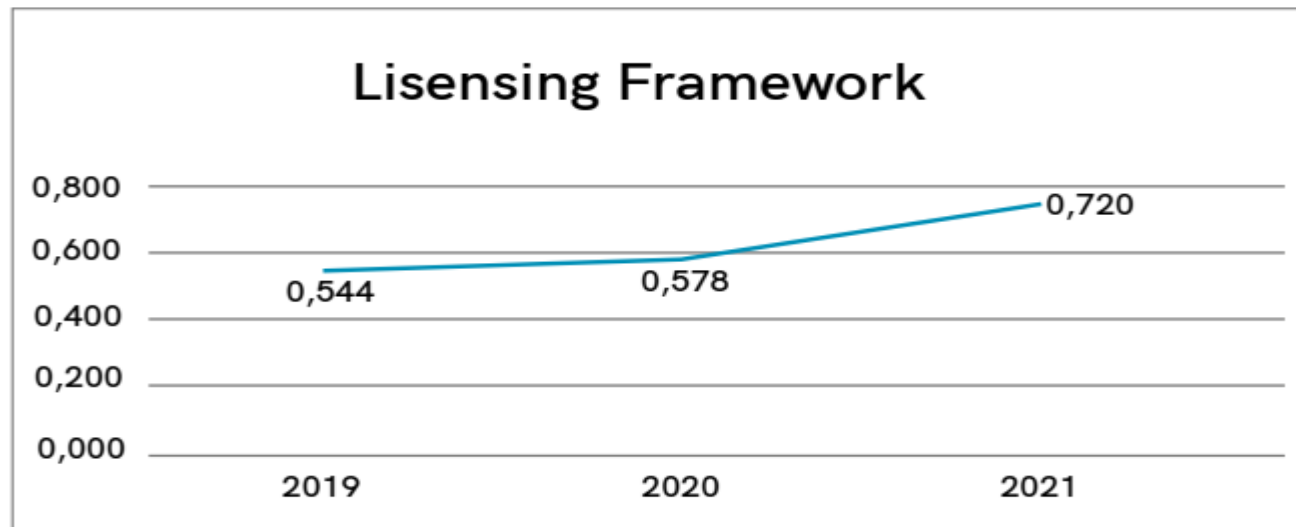
- Licensing framework
- Mini-grid and off-grid system regulations
- Access to electricity themselves

❖ Licensing Framework

Licensing Framework sub-indicators was on of the lowest under RSI.

In 40% (24 countries) of the countries surveyed, the absence of simplified or light-handed frameworks for licensing procedures for off-grid and small-size systems does not facilitate the development of renewable energy and the supply of electrical energy to localities with a small population.

However, more countries are developing and publishing transparent procedures to guide investors in the acquisition of requisite licenses to enter the power sector.



❖ Licensing Framework

What lags is the development of separate light-handed licensing frameworks for off-grid and small sized systems to facilitate their deployment, although such systems could support rural electrification.

Between 2019 and 2021, eleven countries (Togo, Niger, Mozambique, Madagascar, Liberia, Botswana, Morocco, Guinea, Gambia, Burkina Faso, Angola) have developed licensing frameworks.

❖ Mini-grid and Off-grid Systems

This indicator assesses the regulation of mini grids, the development and implementation of regulatory frameworks, as well as the expertise and experience of the regulators' staff in these areas.

The average score was 0.627 in the yellow band. There are mini-grid regulations in 26 countries and national programs in 28 countries to promote mini-grids. Twenty-two countries have national electrification plans that set out leastcost electrification pathways, but 15 countries do not have them. Twenty-two countries have regulatory policies that allow private mini grids to sell mini-grid electricity to the grid.

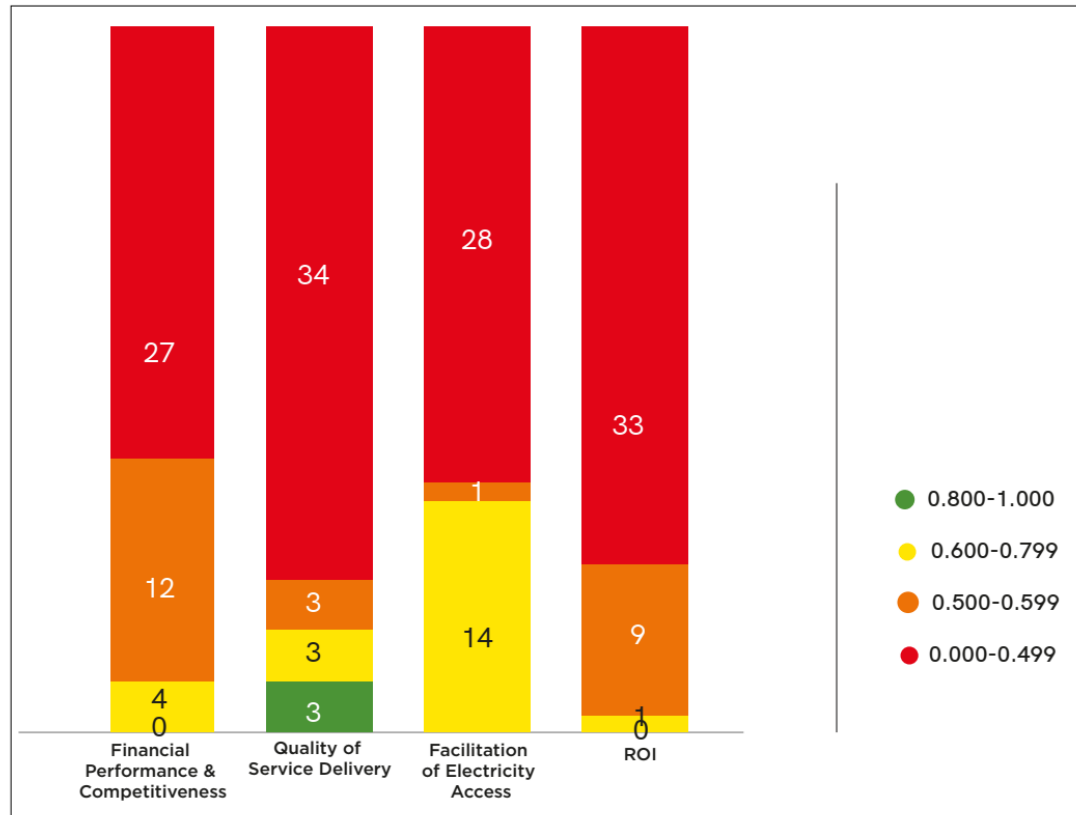
❖ Mini-grid and Off-grid Systems

Incentives available include duty exemptions to support mini-grid development in 28 countries, capital subsidies in 18 countries, and grants in 21 countries. Standards have been developed for mini grids in 23 countries and there are connection codes in 24 countries. Mini grid specific licensing regimes are available in 21 countries.

There are national programs to support standalone systems in 24 countries. Incentives on offer include duty exemption for stand-alone systems in 21 countries, capital subsidies in 12 countries, and grants in 13 countries. There are quality standards for stand-alone systems in 22 countries. Installer certification is a requirement in 22 countries to ensure a high standard and safety of installations.

❖ Facilitation of electricity access

- ❖ The average score for this indicator is the highest of the three ROI indicators, at 0.363.
- ❖ Fifteen utilities achieved a special place aimed at providing access to electricity.
- ❖ Thirty utilities report that the regulator provides electricity connectivity and makes provision in the tariff.



There are regulatory mechanisms in place to regulate the number of days to provide electricity connectivity as reported that the regulator provides electricity connectivity, governments, and customers.

Figure 19: Country Performance by ROI Indicators and Number of Countries



- ❖ Most of the electricity companies in the region are insolvent and cannot expand access without budgetary support provided by their respective governments. This is often unavailable. Consequently, expanding access to electricity in Sub-Saharan Africa will require as a priority, strengthened regulation and commitment from governments. This includes setting cost-reflective tariffs first and determining the impact of cross-subsidization between cities and rural areas. Following these, support can be solicited from international development partners and institutions, as well as the private sector
- ❖ Regulatory reforms should therefore be designed to reduce barriers to investment and to attract both the foreign and domestic private sectors to provide electricity access to rural and isolated communities. This could be through mini grids and stand-alone systems. Examples of incentives could be mechanisms to buy out investments in mini grids, when grids are extended to off-grid areas before affected mini grid developers/investors have recouped their investments.

The ERI assesses the advancement of the electricity to access of framework through the lenses of the ERI following sub-indicators: licensing framework, mini-grid and off-grid system and facilitation of access to electricity

The report has found tremendous challenges as well as numerous breakthrough in the different endeavours that will elaborated further in the future webinars of this serie.

THANK YOU



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