Summary Report


Over 350 participants came together in Nairobi last week for the first edition of Unlocking Solar Capital: Africa. GOGLA and Solarplaza joined forces to bring together off-grid, mini-grid, and on-grid solar industry representatives, investors, development finance institutions, and other stakeholders to discuss key themes on investing into the African solar markets, and to network and form partnerships.

This summary report provides a snap shot of the central themes and insights from the off-grid track of the conference.

Presentations: Presentations from the conference can be found in the Member Resource Hub of the GOGLA website. Please note that you must first be registered with the GOGLA website to access the Member Resource Hub.

Program & Speakers: Further information on the conference program and speakers can be found on the official Unlocking Solar Capital: Africa conference website.

Have your say: If you have questions, comments, or suggestions for future events on finance and investment, please contact Laura Sundblad, Program Adviser, Facilitating Access to Finance at l.sundblad@gogla.org.
Unlocking Solar Capital: Off-Grid Track

The off-grid track of the conference was built around four distinct sessions, each looking at the different financing needs and experiences of the sector.

Unlocking Mainstream Capital for the Off-Grid Sector
The first session assessed the overall status of investment in the sector, followed by a panel discussion on unlocking mainstream capital for the off-grid sector. The panel discussed ways of overcoming both internal and external barriers in accessing mainstream capital. The lack of track record, lack of acceptable collateral, lack of awareness of funding streams, and the small ticket size required by most off-grid companies were identified by participants as the most important internal barriers. To combat these barriers, a need was expressed for grant providers, angel investors, and seed funders to work closely with the companies they are funding to help them build the required track record to eventually access commercial funding. For external barriers, currency risk (a recurring theme throughout the conference) was highlighted by the panelists as a common challenge to local banks and companies alike. The lack of awareness of the off-grid solar sector among local and commercial banks was also highlighted as a challenge. GOGLA will address the topic of increasing collaboration by local banks and the off-grid sector at a dedicated meeting in 2017 (details to follow).

Building a Pipeline of Fundable Companies in the Off-Grid Solar Sector Across the Continent
In the second session, we turned our attention to the financing needs of early-stage companies. We heard from four dynamic companies: Paysolar, 3EPower, Simusolar, and Arnergy, who are making their mark in Rwanda, Tanzania, and Nigeria. One notable feature of these companies was the distinct backgrounds that served as the entrepreneurs’ entry points into the SHS market: 3EPower entered the space from a utility-scale solar project development background; Simusolar off-grid interest arose out of their experience in the US solar sector; Paysolar was borne out of the founders existing distribution and software companies; whilst Arnergy started out with the “traditional” Pay-As-You-Go (PAYGO) solar model. The panel discussion that followed the presentations focused on ways to support similar companies. Panelists agreed that grant funding continues to play a key role in supporting off-grid solar enterprises, but can lock companies into business models that may not make business sense. They also highlighted the need to build more local venture capital activity in African markets, as sourcing VC funds in Silicon Valley for activity in East Africa and beyond does not yield optimal results.
Innovative Financing for the PAYGO/DESCO Sector and the Role of Structured Finance

On the second day of the conference, discussions started on the topic of Distributed Energy Service Company (DESCO) and PAYGO financing, including an assessment of the appropriate role for structured finance and securitization in increasing the amount of available funding for DESCOs. GOGLA members SolarNow and BBOXX both presented their recent structured finance deals, with their investor counterparts SunFunder and Oikocredit also contributing to the discussion. Both companies communicated that increased transparency is both a facilitator and an outcome of these deals, and is critical in a new sector to build trust. Whilst building off-balance sheet deals now is challenging—with a heavy workload related to taxation and legal issues—panelists were confident that supporting innovation now will ultimately lead to replicable, viable solutions for commercial investors.

From Manufacturing to the End Consumer - How to meet the Working Capital Needs of the Off-Grid Solar Sector

In the final session of the off-grid track, industry representatives and funders turned their attention to the question of working capital. Audrey Desiderato of SunFunder presented an overview of the working capital needs of the sector and how these are currently being addressed. Yemenzwork Girefie of the Ethiopian Development Bank presented a summary of the World Bank / International Development Association credit line that has resulted in over half a million solar lanterns being sold in Ethiopia (and which was recently extended/restocked). In the following panel discussion, the importance of local currency financing surfaced again, as did the ability of smaller companies to purchase products in-country. Specialized intermediaries including SunFunder and responsAbility have played a key role in building the sector and continue to play an important role in financing for both new and established companies in the sector.
Across the four sessions, several common themes emerged:

1) **Data is instrumental in unlocking capital**: Both high-tech approaches and traditional methods to record financial data, customer profiles, and other key information are enabling the building of a track record for the sector that will help unlock capital. To build effectively, the sector needs to agree on common language and definitions to ensure that the common narrative that emerges is coherent and easy for investors to understand.

2) **Local and global financing must work together**: There is a clear, urgent need for local currency financing for existing companies and to provide support to emerging local entrepreneurs. At the same time, there is a continued need for smartly-deployed international capital and international companies. To achieve best results, Development Finance Institutions (DFIs) and other international funders need to recognize and define their comparative advantage, and ensure that international and concessional capital is crowding in and catalyzing private, commercial finance.

3) **Financial innovation and replication are critical**: Whilst there is a need for new types of funding vehicles, products, business models, and entrepreneurs, there is also a need for scaling up and replication. The market is not saturated anywhere, even in the biggest markets, and the message from industry is that the most intense competition is for funding rather than for customers. Therefore, investment is needed both for the pioneers of the space to further scale their operations, as well as for the next generation of companies. There is a risk that by highlighting the successes and progress of the sector, DFIs, donors, and investors misinterpret the sector as being already “covered”. It is crucial that as an industry, we communicate about the many opportunities that remain.

4) **Partnerships and collaboration will strengthen the sector**: This was the first investor conference to bring the off-grid industry together with on-grid and mini-grid segments of the solar sector. Whilst the needs and demands of the three sectors are diverse, it is
important to have open channels of communication to effectively advocate for beneficial policy environments and work together towards the shared goal of increased electricity access. Additionally, within the off-grid sector, there is a clear need for greater communication between industry, investors, donors, and policymakers, as the number of stakeholders in the sector continues to grow. Unlocking Solar Capital: Africa helped meet this demand, facilitate new partnerships, and deepen existing ones. GOGLA will continue to provide opportunities for focused interaction between industry stakeholders.
Side events

GOGLA hosted several side events immediately following the conference:

The Off-Grid Solar Investment Academy

The pilot session of the Off-Grid Solar Investment Academy, supported by RECP and responsAbility, was a great success, with about 80 participants learning about cash flow projections, term sheet negotiations, PAYGO investing, and the range of financial instruments available for the off-grid sector. The recordings of the sessions will be released later this year. Presentations from the academy are available on the resources section of the GOGLA website.

Next Steps for Facilitating Off-Grid Pay-As-You-Go Financing

This event served as an opportunity for industry representatives and investors to receive updates on various initiatives focusing on PAYGO financing, including the World Bank/GOGLA collaboration on developing key performance indicators for the PAYGO sector; the World Resource Institute’s research on tapping local banks for PAYGO finance; Village Power’s initiative to develop open-source data collection tools for PAYGO; and the Finance for Resilience white paper on how to finance PAYG solar. The presentations from this event are available on the Business Development Working Group page. Please note that you must first be registered with the GOGLA website to access the Member Resource Hub.

GSMA Event: Off-Grid Energy - Partnering with Mobile Operators

GSMA hosted a session focused on best practices on engaging with mobile operators. For more information about this session, please contact Ilana Cohen at icohen@gsma.com. The presentations from this event are available on the Business Development Working Group page. Please note that you must first be registered with the GOGLA website to access the Member Resource Hub.

Socioeconomic Impact of Solar Home Systems - Leveraging Pay-As-You-Go Data

GOGLA presented an opportunity for PAYGO solar companies to engage with a new socioeconomic research project funded by the UK Department for International Development. For more information, please contact Susie Wheeldon. A two-page overview about the research and short presentation is available on the Social Impact Working Group page.