



EAST AFRICAN POSITION PAPER ON INCREASING ENERGY ACCESS THROUGH OFF-GRID SOLAR SOLUTIONS



This study was carried out by NREAs of East Africa namely; UNREEEA, KEREA, BUREA, EPD, USEA, in collaboration with GOGLA & GOLDSTONE funded by Transforming Energy Access for Households and Improved Livelihoods Programme (TEA) by the UK Foreign, Commonwealth and Development Office (FCDO)

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1.0 BACKGROUND

This position paper is a result of a consultative process among the East African (EA) countries of Burundi, Kenya, Rwanda and Uganda and the National Renewable Energy Associations (NREAs) of E.A namely; BUREA, KEREA, EPD, UNREEEA and USEA. Data was collected, analyzed and organized into a coherent report on strengthening the off-grid electrification market through improved policy and advocacy in East Africa. The report was premised on the

realization that, despite several countries in the EA region having developed renewable energy (RE) policies to meet national energy targets, very little has been achieved due to limited budgets, competing priorities, weak follow-up, and uncoordinated execution of activities by stakeholders in the RE industry. The findings of the report informed the priority areas and advocacy issues that NREAs should focus on, which are explored in this paper:



2.0 PRIORITY AREAS:

The NREAs recognize their priority areas as follows:

Uneven tax regime

The tax regime varies across the EA region. Import duty is levied on all solar accessories, tax exemption (zero rating for VAT) is applied on Solar PV panels in Uganda, Rwanda, Burundi, Tanzania. Kenya has reinstated VAT exemption on solar equipment as of the Finance Act 2021, repealed however import duty at 25% will remain active.

Availability and communication of tax information.

Regionally, there is generally weak understanding of the solar tax regime among stakeholders, making tax clearances irregular. In cases where tax information is available, it is not effectively disseminated to the parties who would need to use it the most. As a result, solar companies are taxed differently, making it difficult for them to predict the cost. Companies experience inconsistent taxation from one consignment to the other which adds to the uncertainty of predicting the cost implications.

Incoherent regulations on standards and quality

There is prevalence of low-quality off-grid solar solutions and counterfeits in the East African market. The existing regulations on standards and quality are not comprehensive enough in fighting counterfeits. Consumer protection is weak, coupled with poor enforcement across the region and among stakeholders. Some countries like Burundi have no standards at all while most of the countries are reviewing or developing and adopting such regulations. Kenya and Uganda have made efforts in adopting the International Electrotechnical Commission (IEC) standards, while Rwanda has own standards.

Limited access to finance for off-grid solar businesses

Whereas there are government initiatives especially on rural electrification projects that have attracted funding and investments, the solar companies that are critical in supporting penetration of OGS products in

rural areas have had limited options for credit and flexible financing to meet their capital needs. Investments in OGS across the region is skewed towards international companies. There is a need for dedicated financing facilities, accessible to local investors but also targeted technical assistance to help them

merge and compete with international companies.

Weak RE institutional framework

There are several stakeholders in the RE sector and yet co-ordination among them is weak. There is no mechanism for coordination amongst government agencies

implementing off-grid strategies and the private sector. The off-grid solar sector is not prioritized and is often regarded as a sub-sector within the overall renewable energy sector. Critical partners like the NREAs lack technical and financial capacity to deliver on their mandate.



3.0 POLICY ACTIONS:

In line with the aforementioned priority areas, NREAs recognize the need to improve the off-grid solar electrification policy environment through the following actions:

01	Clarify and harmonize the solar tax regime, including sensitizing and building the capacity of revenue bodies and stakeholders in solar tax assessment and clearance. The NREAs have taken the first step with the EA regional solar tax handbook, making the EA region more foresighted than other regional blocks.
02	New national standards have been adopted across all EA countries except Burundi. Burundi is also now getting support from collaborative labeling and appliance standards program (CLASP) and the World Bank (WB) to start the standards adoption process. Focus should now be on strong and consistent enforcement of the approved standards. In addition, there is need to empower the national solar laboratories with modern equipment to test products according to the newly adopted standards.
03	Establish vehicles that would coordinate funding from government, international development sector and private sector to invest in off-grid solar with emphasis to support the local solar companies with long term credit, guarantees and incentives.
04	There is a need to strengthen the existing investment policies and strategies by ensuring that the right human resources with the required technical skills such as market analysis, contract financing, investment structuring, negotiating contracts among others to ensure proper implementation of investment deals and utilization of available opportunities.
05	Strengthen RE institutional coordination through establishing an off-grid solar steering committee both at regional and national level involving the different stakeholders in the sector. This should also include various ministry representatives to avoid a scenario where ministries operate in silos and do not communicate to one another on policy matters related to the off-grid sector. Government should consider technical and financial support to NREAs and country's energy committees to deliver on their mandate.

4.0 ADVOCACY PLAN

The overall objective of the advocacy plan is to influence the different stakeholders within the EA region that include government, development partners, private sector and industry players in policy review and implementation to support the scale up of off-grid solar electrification across the region. The NREAs shall collaboratively advocate for the following in the short term and medium to long term:



Short Term goals

1. Through the existing relationships with government, development partners and private sector, NREAs will **advocate for suitable guarantee programs** (for local market conditions) that provide a substitute for collateral to local solar firms especially association members de-risking their finance
2. Constant **monitoring and reporting of the tax regimes** in East African Region as a foundation for the pursuit of harmonization where there are disparities.
3. NREAs will **participate in various forums** like steering committees, working groups and other initiatives to drive inclusive energy finance to support faster delivery of off-grid solar electrification.
4. NREAs will **support collaborations** with researchers and developers in industrialized and other developing nations to promote appropriate R&D and local manufacturing capabilities, in off grid solar electrification.
5. NREAs in collaboration with vocational training and tertiary institutions that are well equipped to **undertake RE trainings** will advocate to develop local expertise in the OGS sector to scale up of solar electrification.
6. NREAs will engage various stakeholders in **creating awareness of off-grid solar products**, regulations and standards, funding and training opportunities. NREAs will sensitize local solar companies to streamline their efforts, merge to grow their businesses to form larger corporation with higher investment and managerial capacities, to tap into existing financing streams and facilities.
7. NREAs will lobby for government **subsidies of OGS** products to enable access in underserved markets or communities that cannot afford them. This will include a review of the EA region's solar tax scheme.
9. NREAs will advocate for financial vehicles coordinated by government, international development sector and private sector to invest in off-grid solar with emphasis on supporting local solar companies to form an umbrella company with higher equity that will access existing funding.
10. NREAs will advocate for strengthening existing investment policies and strategies with emphasis on building internal technical capacity in critical areas such as innovative finance instruments, investment structuring, and contract negotiating. This will result in better policy and laws that are sensitive to renewable energy finance.
11. NREAs will advocate for the establishment of an off-grid solar steering committee at EA regional and national level to ensure better coordination of stakeholders in the sector. One of the key roles of the committee, will be policy monitoring, to ensure that lessons learnt are captured during policy implementation. In addition, NREAs will seek for technical and financial support from their respective governments in order to deliver on their mandate.

Medium to Long Terms

8. NREAs will advocate for national and regional enforcement mechanisms of the approved standards. Also, lobby for empowering the National Solar Laboratory with modern equipment to test products according to the newly adopted standards.

4.1 Target Audience and Engagement Strategies

Advocacy Issue	Target Audience (broad categories)		Strategies	Spaces	Tools
	Regional	National			
Short Term Goals					
<p>Guarantee programs that provide a substitute for collateral to local solar companies.</p> <p>Energy finance fora, working groups and initiatives</p> <p>Collaborations for R&D</p> <p>Standardizing Regulations on OGS products</p> <p>Creating awareness of OGS products and standards</p>	EAC secretariat (EACREE)	National Parliaments (committee on natural resources, committee on economy)	Data driven action research	Buy in meetings	Position papers (concept notes)
			Lobbying	Workshops	
			Dialogues	Seminars	Publication and reports
		Tax Agencies	Advocacy champions	Conferences	
				Ministry of Finance	
		Ministry of Energy	Trade exhibitions		
		Rural Electrification Agencies	Energy Forums		
		Private Sector Apex bodies			
		Standards Agencies			
		Development Finance Institutions			
Mid - Long Term Goals					
<p>Coherent Standards and regional enforcement</p> <p>Financial Vehicles to support local solar companies</p> <p>Investment policies and building internal technical capacities</p> <p>Regional and National off-grid solar steering committees</p>		Renewable Energy Funds			
		Investment Agencies			
		Development Partners (Donors)			
		Civil Society Organizations (CSO's)			

4.2 Key messages

Effective advocacy engagement requires clear targeted message to the duty bearer. This advocacy plan provides for clear asks as shown below:

Target	Organization (broad categories)	What do we want them to do	Tools
Regional	EAC secretariat (EACREEE)	Legislate and amend all EA policies related to off-grid electrification that include tax regime, standards, investment and financing	Position Paper Action Paper
National	National Parliaments (committee on natural resources, committee on economy)	Legislate and amend existing solar tax regime	
		Adopt and approve regulations on standards and quality for off-grid electrification	
		Adopt and approve financing structures and options for off-grid investors and solar companies	
	Tax agencies	Adopt and enforce new solar tax regime	
		Clarify solar tax regime to stakeholders and put in place transparent tax clearance processes	
		Adopt and implement incentives for off-grid investors	
		Train tax agents	
	Ministry of Finance	Prioritize tax regime for off-grid electrification	
		Prioritize investment in off-grid electrification	
		Collaborate with financial institutions to create more financing options to solar companies	
		Increase budget allocation for off-grid electrification	
	Ministry of Energy	Prioritize off-grid electrification, and lead the tax amendment process	
		Collaborate with standards agencies in developing regulations on standards and quality for off-grid	
		Collaborate with ministry of finance in developing financing structures and options for investors in the off-grid electrification sector	
		Increase budget allocation for off-grid electrification	
		Recognize NREAs and support their operational and advocacy activities	

	Rural Electrification Agencies	Prioritize off-grid solar products in their rural electrification efforts
	Private Sector Apex Bodies	Prioritize off-grid solar products in their rural electrification efforts
	Private Sector Apex Bodies	Collaborate with NREAs in lobbying and advocating to government on behalf of solar business and investors
	Standards Agencies	Develop comprehensive regulations and standards for off-grid solar products
		Lead efforts in enforcing the regulations to curb counterfeit
	Development Finance Institutions	Develop financing facilities that support off-grid businesses and investors
	Renewable Energy Funds	Prioritize off-grid solar financing and investment options
	Investment Agencies	Support a new solar tax regime
		Develop investment code and incentives for off-grid solar business and investors
	Development Partners (Donors)	Prioritize advocacy and funding to the off-grid electrification sector
		Support institutional strengthening of NREAs through technical and financial assistance
	Civil Society Organizations (CSOs)	Collaborate with NREAs to jointly advocate for the off-grid electrification sector (taxes, standards, financing, investment and institutional strengthening)
		Create awareness and run mass campaigns
		Identify lobbyists and advocacy champions for the OGS sector
Off-grid Solar Companies	Collaborate with NREAs to build internal human and financial capacity through merging towards large companies	

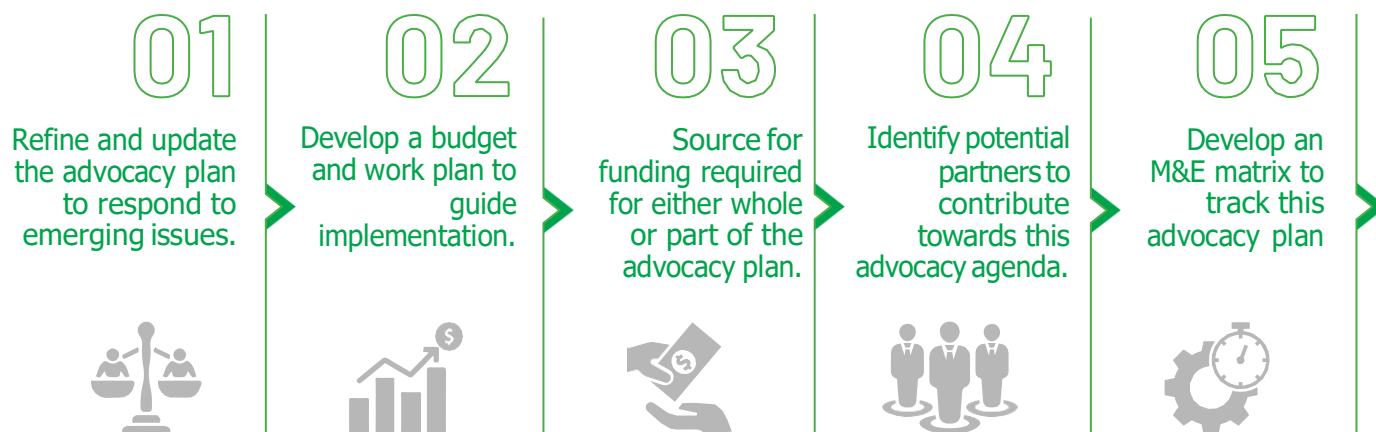
4.3 Partners

Advocacy is more effective when undertaken in collaboration with other entities. The NREAs will develop formal partnerships with regional and national level organizations as indicated in 4.2 and 4.3 above. The NREAs will enter into different forms of partnerships as described below:

Level	Partner (broad category)	Nature of Partnership
Regional	EAC secretariat (EACREEE)	Collaboration
National	Parliamentary Committees	Networking
	Ministries (Finance & Energy)	Collaboration
	Gov't Departments and Agencies	Networking/Collaboration
	Development Partners (Donors)	Collaboration and Funding
	CSOs	Networking /Collaboration

4.4 Implementation and Funding:

The NREAs shall constitute a regional off-grid electrification task team comprising representatives of all NREAs and from REAs to coordinate implementation of this advocacy plan. The task team shall be responsible for the following:



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