

Powering Renewable Energy Opportunities (PREO) Programme

Partnership Services in Sub-Saharan Africa (excluding South Africa)

*A Transforming Energy Access Programme, co-funded by UK Aid and the IKEA
Foundation and implement by Carbon Trust and Energy 4 Impact*

BACKGROUND INFORMATION DOCUMENT

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1. Introduction

Promotion of the productive use of energy (PUE) is widely seen as critical to ensuring that improved energy access delivers on its potential to improve livelihoods and boost economic growth in developing economies. The Powering Renewable Energy Opportunities (PREO) Programme is designed to achieve this by promoting direct collaboration between energy users and power suppliers, brokering partnerships between organisations along the PUE value chain and implementing innovative, locally-relevant PUE projects.

Recognizing that past development measures and initiatives have proven that no single organisation or sector can solve the development challenges, the PREO Programme aims to extend activities of value chains (corporate or other) and cross-sector partnerships between development actors and rural businesses, enterprises, and entrepreneurs to end poverty through sustainable and scalable development. This is to be done by leveraging the combined skills, assets, technologies and resources of the private, public, and non-profit sectors that are currently active in the productive use of energy (PUE) space.

By developing a platform to direct and communicate market and project learnings, PREO will promote a shift in approach to PUE development, as demonstrated in the PREO Theory of Change (overleaf).

The inputs in the Theory of Change are manifested in the three key service offerings of the PREO Programme:

1. Action Learning Projects
- 2. Partnership Services**
3. Technical Assistance Facility and Knowledge Hub

Partnership Services will aim to build, fund and support 3 corporate organisations for the purpose of developing mutually beneficial partnerships in their sub-Saharan African (SSA), excluding South Africa, value chains that result in PUE with social and economic benefits such as improved earnings potential, job creation and female empowerment for rural actors, localisation of value-chains and more profitable and reliable supply chains for these corporate actors. These social and economic benefits form the key impacts identified in the PREO Theory of Change overleaf. The evidence base developed through this process will be made available to the private and public sectors in order to inform value chain development and government policy, thereby scaling impact.

PREO has allocated a total of €580,000 for funding Partnership Services projects, and we anticipated funding approximately three projects to the value of €190,000 each.

2. Problem Statement and Theory of Change

There are high levels of interest and support from the development sector for SDG7 and rural electrification in particular as a means to eradicate poverty. Unfortunately, our experience shows that the **growth in small business activity following electrification to a rural area frequently fails to meet expectations**. Most rural electrification efforts, including national grid extensions, mini-grids and standalone systems, are faced with supply/demand imbalances meaning that supply far exceeds initial demand.

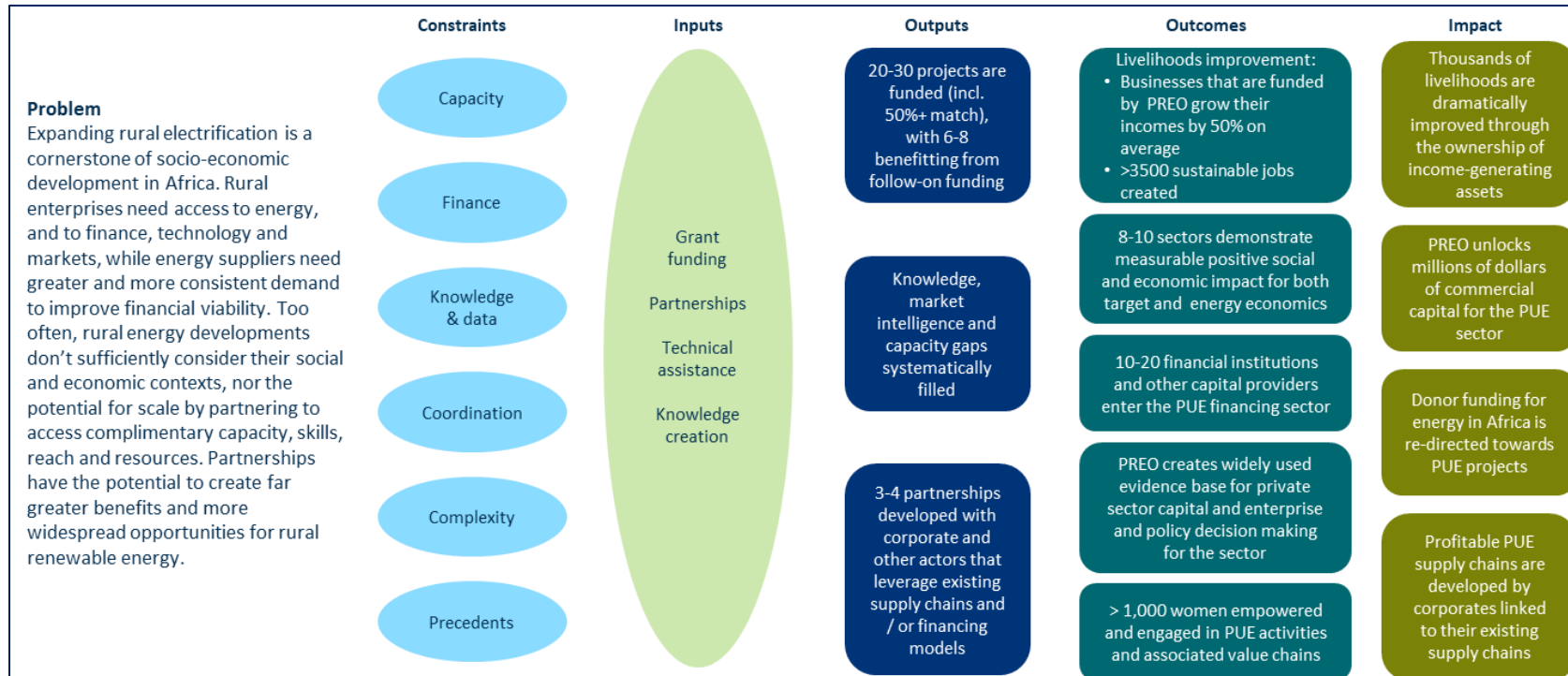
Further, demand stimulation remains outside the scope of electrification programmes and projects. Practically, **demand is often over-estimated in the planning phase leading to an underutilisation of capacity in the operational phase, resulting in high production costs of kWh consumed**. This impacts the financial attractiveness, and hence scalability, of any investments to provide rural areas with levels of power supply that are consistent with “business-levels” of consumption. This is exacerbated by energy access organisations often working independently of electricity users, thereby being unable to ensure that there is sufficient demand at the times when there is abundant electricity generation (throughout the day).

This well-known challenge is driving an increased interest amongst development actors in targeting the provision of energy for productive uses, not least for the multiple development challenges that can be targeted. Though a growing topic of engagement by many decision makers in governments, donors and others, actual funding and investment in PUE applications accounts for only a fraction of investment in energy access. Arguably though, the issue of an energy supply-focused development approach is not the resulting power supply vs. demand imbalance, nor the detrimental implications for the economics of the electrification projects, but rather that it means the intended impacts are not being realised and the expected boost to local economic development fails to materialise, as evidenced by lower than anticipated growth of small business activity in newly electrified areas.

Energy access activities are often fragmented and village-focused, and therefore very contextual. Hence, developing better collaboration and coordination by bringing together various actors can advance the sector at a wider level, faster and at scale.

Electrification is supposed to be a means to an end, the end being an improvement in the productivity and livelihoods of the electricity users; however, if that end is not being realised there is still work to be done for the outcomes and benefits of electrification to be achieved. Energy access is the catalyst and driver of inclusive and sustainable growth, innovation, and job creation but requires scalable, market-led solutions to deliver these impacts. Where there is a lack of productive electricity demand for power it means there is a lack of small business activity, which in turn means there is a huge missed livelihoods opportunity which needs to be tackled.

The PREO Theory of Change



3. PREO Partnership Services Objectives and Scope

The core PREO Partnership Services objective is:

To nurture PUE-focused partnerships within corporate and other value chains that assist in stimulating sub-Saharan African economies (excluding South Africa) and electricity demand through improved access to markets, enhanced revenues and employment opportunities.

PREO will proactively target the establishment, extension and scaling of corporates' activity in these value chains, and between diverse development actors, to align action and activities in the PUE sectors. **The target organisations for Partnership Services include corporates active within the off-grid energy sector and organisations outside the off-grid energy sector with an interest in sub-Saharan African value chains that could benefit from productive use of electricity to improve productivity, earnings potential and value-addition.** Value chains that could benefit from productive use of electricity applications include (but are not limited to) agriculture (including inputs such as seeds and fertilisers) and agro-processing; finance and fintech; logistics and distribution; equipment manufacturing; healthcare, pharmaceuticals and medication provision; education and edtech; retail (specifically supermarkets, food and beverage retailers); telecommunications; and tourism.

We particularly welcome submissions from organisations in the above sectors seeking:

- Partnerships with other donor programmes and local development agencies (NGOs or other institutions focused on rural economic development) that engage in PUE to generate economies of scale, improve productivity and potential for replication;
- To expand or localise their operations in SSA supply chains through PUE activities being supplied by off-grid, renewable energy;
- Investment and entry opportunities in the sub-Saharan African PUE sectors; and
- To reduce/avoid Scope 3 emissions from upstream diesel/gas usage (for electricity generation) in SSA through PUE activities being supplied by off-grid, renewable energy.

PREO Partner organisations are expected to be large corporates that have or are seeking involvement in SSA markets. Involvement could take many forms but is envisaged to include importing products from these markets (e.g. agricultural produce, raw materials, textiles), owning companies/subsidiaries in these markets, providing services to these markets, and exporting products or services to these markets.

4. Concept Development

PREO will work alongside prospective PREO Partners to develop project concepts that will detail how PUE could be incorporated into their value chains (if not incorporated already), and how the activities could be scaled-up, replicated and/or localised to these SSA geographies. When developing these concepts, the impacts sought by PREO as a result of these Partnerships will be central, with these being to:

- Increase incomes through profits from local businesses, enhanced local employment and skills building facilitated through partnerships;
- Improve rural economic resilience through higher incomes, local employment, enhanced income-generating assets and an improved skills-base;
- Unlock donor and commercial capital for the PUE sectors through donors, financial institutions and other capital providers by establishing sustainable partnerships and bankable partnership agreements;
- Create sustainable, scalable and profitable PUE supply chains with stronger vertical integration of partners.

The ability to conclusively support the above objectives and the collection of associated evidence base data will form a key part of selecting the PREO Partner organisations.

We encourage interested organisations to send an inquiry to contact@preo.org to register your interest in the PREO Partnership Services with a brief description of your organisation, its current or potential involvement in SSA (excluding South Africa), and a rationale for partnering with PREO to begin, expand, replicate or further localise your PUE activities.

Our objective is to support 3 Partnership Services projects that run for 18 to 24 months. As such, we do not propose to confine prospective PREO Partners to pre-defined conditions and procedures, rather we seek to formulate a tailored Partnership Service that addresses the needs and risks particular to each prospective PREO Partner and identifies opportunities that the Partnership can capture to best deliver on the PREO Programme impacts.