

Powering Renewable Energy Opportunities (PREO) Programme

Support for productive use of energy (PUE) Action Learning Projects in
sub-Saharan 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, by implementing innovative, locally-relevant PUE projects, and by creating a knowledge and technical assistance resource for companies seeking to serve PUE markets in sub-Saharan Africa (SSA). PREO also aims to create a globally significant centre of expertise in the sector, and its design philosophy is market driven: PUE increases fastest when the economic prospects of the businesses consuming power are optimised. It's a user-driven, rather than a supplier-driven approach.

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

The inputs in the Theory of Change manifest in the three key service offerings of PREO:

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

For Action Learning Projects, PREO provides grants to projects that drive productive electricity demand in off-grid areas leading to improved incomes. The grants are administered through user-led competitions directed at specific, identified challenges in the PUE value chain across numerous countries in SSA (excluding South Africa). Integral to the design of these projects is a focus on partnerships, local value creation and demonstrable development impact. Projects are also evaluated for selection on their potential for scale and replication; successful funded projects showing substantial potential for scale and replication may be considered for further scaling support from PREO.

In 2019, the first Action Learning Projects Challenge was launched through the UK Department for International Development (DfID) Transforming Energy Access Programme, supporting 13 innovative partnership projects to the value of £1.9 million, looking to stimulate productive use and economic activities in four sub-Saharan African countries.

Now co-funded by the IKEA Foundation, PREO will seek to fund a series of additional Action Learning Projects in sub-Saharan Africa (excluding South Africa) between 2020 and 2023. **The total value on offer under the second Call for Applications is €1,200,000.**

We plan to have 3 to 4 funding rounds until 2023 with the objective to fund up to 30 projects. We expect project proposals to be in the range of €150,000-€200,000 but will consider project proposals between €100,000-€300,000. The project implementation period should be 12 – 24 months and applicants should be able to contribute co-funding, either cash or in-kind, to these Action Learning Projects.

2. Problem statement and Theory of Change

Detailed problem statement:

One of the main drivers of rural electrification in SSA is local economic development. However, in many cases the growth of small business activity in newly electrified areas is lower than expected.

Most rural electrification efforts, are faced with supply/demand imbalances meaning that supply far exceeds initial demand (“supply-push” over “demand-pull”). Further, demand stimulation often remains outside the scope of electrification programmes and projects, and outside of the core competence of the programmes’/projects’ implementers.

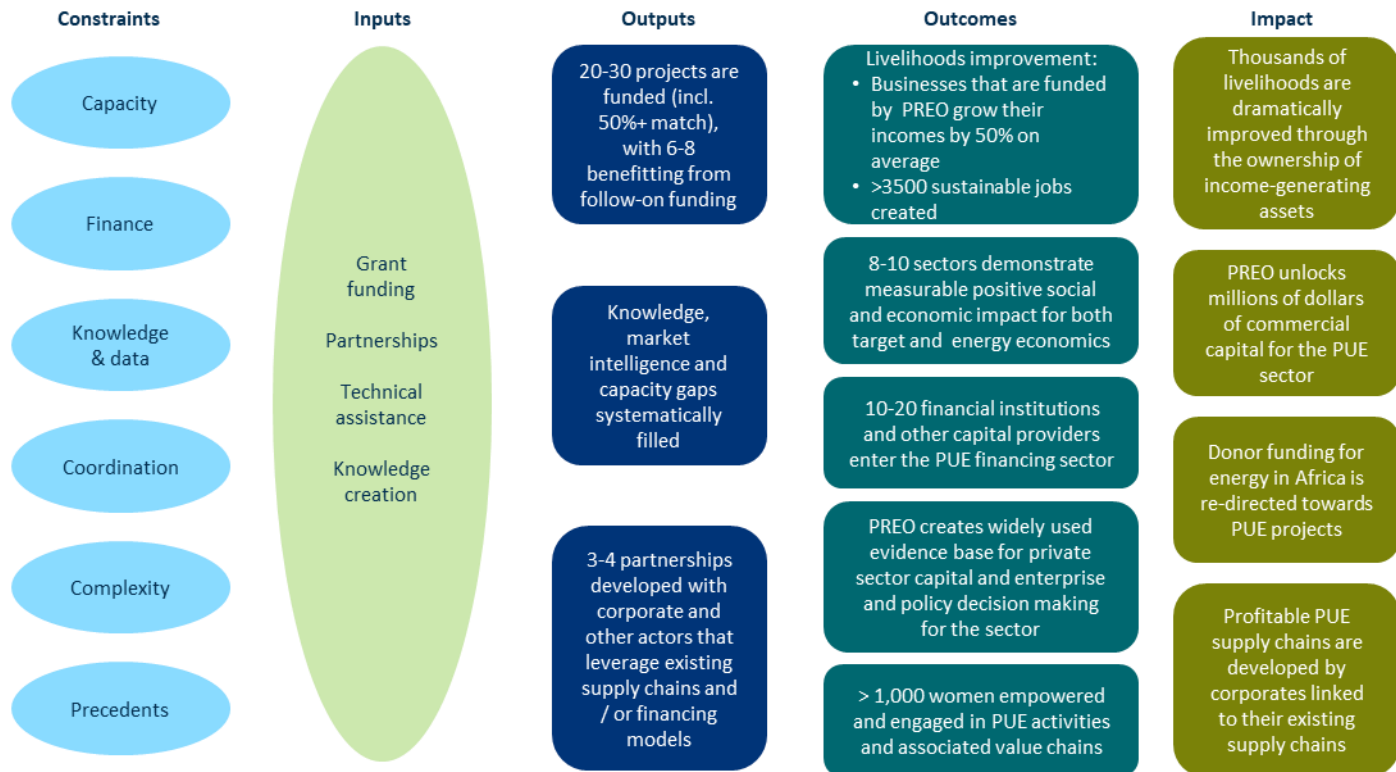
PREO is designed to be more demand-pull than supply push. It offers grants to organisations developing projects that create economic and social value in local economies and communities, through activities which include and rely on the consumption of clean, modern energy. It particularly welcomes applications from organisations outside the off-grid energy (OGE) sector and encourages innovative partnerships between the OGE and non-OGE sectors. Such sectors may be, but not limited to, agriculture, agri-processing, finance, transport, health, water, education, retail, tourism and other services.

The financial and socio-economic development value of additional employment and income offered by establishing off-grid energy can be substantial and might well significantly outstrip the costs. For instance, in a PUE promotion project associated with Tanzania Rural Energy Agency’s Rural Electrification Densification Programme (REDP), businesses who were helped to take advantage of electrification and grow their PUE consumption saw an average increase of 87% in profit, and about 0.6 permanent new jobs were created per enterprise. Local value creation can better support the costs of establishing and operating off-grid energy and stimulate further local enterprise.

PREO Theory of Change:

Problem

Expanding rural electrification is a cornerstone of socio-economic development in Africa. Rural enterprises need access to energy, and to finance, technology and markets, while energy suppliers need greater and more consistent demand to improve financial viability. Too often, rural energy developments don't sufficiently consider their social and economic contexts, nor the potential for scale by partnering to access complimentary capacity, skills, reach and resources. Partnerships have the potential to create far greater benefits and more widespread opportunities for rural renewable energy.



3. Action Learning Projects, objectives and eligibility criteria

Action Learning Projects objectives and impacts

The core objective of Action Learning Projects is:

To support the development of innovative off-grid PUE business models in sub-Saharan African regions (excluding South Africa) that are likely to be scalable and replicable and support economic growth and job creation in local value chains.

To build an evidence base for monitoring progress made towards realising of this objective, and in order to support the overall programme outcomes and impact identified in the Theory of Change, PREO will:

- 1) Document and quantify the impact of energy providers' business models, in terms of unit economics (increase business revenues and increased number of customers, etc.) and social value to the local business and community e.g. increase in incomes, job creation, prolonged hours of operations for health clinics, etc.;
- 2) Measure the performance metrics and potential impact of these projects if deployed at scale for private capital providers (enabling business environment, viable business models with adequate risk mitigation, payback periods and ROI and other indicators);
- 3) For the purpose of demonstrating the clear social value of supporting productive energy projects to governments and donors, we will measure new sustainable jobs created, changes to earnings and other project-specific productive social benefits (e.g. improvement to quality of healthcare services, social value of access to education or access to financial systems, etc.). Depending on the project, it may also be possible to qualitatively determine changes to local skills levels;
- 4) Publish findings for the benefit of the off-grid sector and others interested in rural economic development.

PREO Action Learning Projects are judged against a number of criteria including: the potential contribution to socio-economic development in the form of livelihoods improvement, local employment, income and value creation and creating equitable opportunities for women (based on a broad evidence-base); replicability and scalability considering the potential value to the private sector (e.g. significance of demand contribution to energy supply and the potential impacts on energy production feasibility, unlocking value for investments in rural electricity supply through new business models and technologies); and the public sector and communities themselves (e.g. qualitative social value contribution, and the direct and indirect financial and non-financial contribution to local economies).

In addition to stimulating productive use of energy and economic activity, successful applicants are expected to undertake action research, gather and evaluate socio-economic impact data, and share learnings. Proposals to PREO should articulate the overarching results-chain of the proposed project, that illustrates the intervention in response to the described current situation and outlines the logical relationships among the resources that are invested, the activities that take place, and the sequence of

changes that result (impact), such as increased local incomes, local jobs creation and create social and economic value through activities which include and rely on consumption of clean, modern off-grid energy.



The PREO Action Learning Projects are thus expected to create the following impacts:

- Increase rural incomes through profits from local businesses, enhanced local employment and skills building;
- Improved rural economic resilience through higher incomes, local employment, enhanced income-generating assets and an improved skills-base;
- Unlock donor and commercial capital for the OGE and PUE sector through donors, financial institutions and other capital providers;
- Create sustainable and profitable PUE supply chains with stronger vertical integration of partners.

The ability to conclusively support the above objective, collect associated data and evidence, and assist in realising the above impacts, as well as the overarching Theory of Change, will form a key part of determining project and applicant suitability for PREO support.

4. Grant applications

Details on the application procedure, Terms of Reference, frequently asked questions and submission instructions will be outlined on the PREO Programme website which will be made available to interested parties when the second Call for Applications officially opens in early June 2020.

If you have additional queries prior to the launch of the second Call for Applications, please contact our programme coordinator at contact@preo.org.