

Regional Off-Grid Electrification Project (ROGEP)

Component 1B: Entrepreneurship Support

Due to the strategic importance of energy in achieving sustainable development, ECREEE is implementing the proposed Regional Off-Grid Electrification Project (ROGEP), with support from the World Bank and their Lighting Africa Program. ROGEP aims to enhance electricity access in West Africa and Sahel region, through standalone solar systems (solar lanterns, solar home systems, solar water pumps, solar mills, solar sewing machines, etc.). The World Bank has provided ECREEE a Project Preparation Advance to prepare the project. ECREEE has set up a Project Implementation Unit, discussing with stakeholder and identifying the major challenges and mitigation measures towards creating the off-grid market in West Africa.

The project, with an estimated overall budget of USD 200 million, includes 19 countries: Benin, Burkina Faso, Cabo Verde, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Sierra Leone, Senegal, Togo, Cameroon, CAR, Chad, and Mauritania.

ROGEP is comprised by 2 major components, divided by their respective sub-components:

Component 1 - Supporting the acceleration of the Regional Market

Subcomponent 1 A: The Enabling Environment

Subcomponent 1 B: Entrepreneurship Support

Subcomponent 1 C: Risk Mitigation Facility

Component 2 - Access to Finance

Subcomponent 2 A: Support the supply side of market development.

Subcomponent 2 B: Support the demand side of market development.

Component 1B will provide differentiated support to entrepreneurial businesses across the enterprise development lifecycle (startup, early stage, growth, and maturity). This support will be targeted based on the following general categories of businesses:

Table. Categorization of Businesses

Tiers	Growth Stage	General Description
Tier 1	Startup	<3 Full time employees (FTE) <300 SHS or <1500 lanterns sold <\$100K annual revenues Has not accessed outside finance (except personal loans), may have a business bank account
Tier 2	Early Stage	3-25 Full time employees (FTE) 300-30,000 SHS or 1,500-50,000 lanterns sold \$100K-\$3M annual revenues Has a business bank account, maybe some outside funding (e.g. crowdfunding)
Tier 3	Growth/ Mature	>25 Full time employees (FTE) >30,000 SHS or >50,000 lanterns sold >\$3M annual revenues Has a credit line at a bank and financial statements (possibly audited), likely raising equity or other outside financing

Note: Existing businesses operating in sectors other than solar would be categorized based on FTE employees and revenues, rather than on solar products sold.

Entrepreneurship support will include both technical and financing assistance to the businesses as follows:

Business Type (Stage)	Technical Assistance Intervention	Financing Intervention
Tier 1 (Startup)	Entrepreneurship and Business Training	Matching Grants
Tier 2 (Early Stage)	Customized Business Acceleration Support	Repayable grants Co-Investment Grants
Tier 3 (Growth/ Mature)	Facilitation for non-solar businesses to expand into the solar industry	N/A (Covered under components 1C and 2)

The technical assistance interventions supported under the Component 1B aim at enhancing the capacity, skills and expertise of the businesses while the financing interventions have the objective to contribute to the businesses' growth and facilitate the creation of their track record of access to financing services thus increasing their bankability and eventually sustainability.

The entrepreneurship support facility will be coordinated with the ECOWAS certification scheme for PV installers/technicians and will be framed within the ECOWAS RE and EE private sector support facility that ECREEE has successfully operated since 2015.

ROGEP support will be designed to remove market barriers and attracting new players in the standalone solar system market. The project design will avoid subsidization of what large businesses can do on their

own. The objective of the Component 1B Entrepreneurship Facility, would be to attract reputable solar companies in the West African market, attract existing and established businesses operating in non-solar space to engage in providing electricity service through standalone solar systems and support local entrepreneurs to set up energy service companies to provide electricity services to provide universal electricity access in ROGEP countries.

TECHNICAL ASSISTANCE INTERVENTION

Entrepreneurship and Business Training

Entrepreneurship and business training will be offered to startup and early stage (“Tier 1” and “Tier 2”) standalone solar businesses across the ROGEP countries. This will build off the existing training programs that have been provided by ECREEE to over 100 such businesses across the region from 2015-2018. The training program under ROGEP is expected to support already operational national service providers to enhance their portfolio by including the delivery of training programs on standalone solar businesses. Additionally, an annual regional business plan competition and workshop will be carried out.

The activities at national level will begin with identification of a network of organizations with existing capacity to support entrepreneurs and deliver managerial training programs. This network will include existing business incubators, accelerators, and entrepreneurial support organizations, such as 2iE in Burkina Faso, CTIC Dakar in Senegal, and the Ghana Climate Innovation Center. ECREEE will oversee a focused training of trainers programs for the partner organizations to be able to deliver the solar industry specific content, the establishment of a regional network of organizations to promote continuous knowledge and experience exchange, development of training materials needed to deliver the courses, as well as ongoing TA and capacity building support for the organizations throughout the ROGEP implementation period. An expert firm(s) is likely to be hired to deliver this support. Given that existing capacity in the national level incubators and training providers is mixed, in some cases financial support could be required to supplement the partners’ own resources.

The entrepreneurship and business training activities are as follows:

- Training courses
- National level incubation
- Annual regional business plan competition and workshop.

Each national training partner will deliver trainings on a regular (e.g. semi-annual) basis over a period of 2-3 days and will be open to the broad community of entrepreneurs and businesses in each country that are interested in the trainings. National level training will cover topics such as: doing business in the solar industry, technical aspects of household and productive use solar products and marketing, financing of solar businesses, and legal and regulatory aspects of the solar industry.

In addition, the trainings may incorporate personal initiative training that focuses on the soft skills necessary for entrepreneurs to succeed in challenging frontier and developing markets. This type of training has shown success in a recently evaluated program in Togo.¹

Each national training partner will maintain an ongoing outreach campaign to build the community of solar entrepreneurs and businesses in each country that would make up the participants in the training programs. It is expected that each national partner would deliver training to approximately 25 businesses each year.

Further, national partners will be encouraged to take on some of the most promising entrepreneurs and early stage businesses as incubation clients. ROGEP would provide some partial financing to the national partners to provide incubation support, that would be supplemented by the partner's own resources. Each national partner would work to grow these clients into viable businesses and assist the businesses to eventually access financing – from ROGEP and/or other sources. It is expected that each national partner would incubate approximately 10 businesses each year providing legal, entrepreneurial and business advice while the provision of support on technical issues will be coordinated with the ECOWAS certification scheme for PV installers/technicians.

ROGEP's approach of partnering with already operational national service providers to include solar industry specific content in their portfolio should result in a cost-effective way to reach a significant number of firms while also promoting the sustainability of the intervention even after ROGEP's implementation phase.

The component will also support an annual regional standalone solar business plan competition and workshop. This will include the following elements: regional outreach and awareness campaign, call for applications and selection process, 1 week regional workshop and boot camp for 60 selected businesses (broken up into 3 sub-regional workshops to facilitate the interaction and discussion), follow up technical support for 20 of the top boot camp participating businesses, and a pitch event for the Top 10 at the ECOWAS Sustainable Energy (ESEF) regional forum with small (sub \$5K) awards for the Top 3 businesses.

The eligibility for the different entrepreneurship and business training activities are as follows:

- Training courses: open to all, free for all, covered costs for some rural/poor participants.
- National level incubation: locally registered, application/review process managed by the incubators with the support of the ROGEP PIU.
- Annual regional business plan competition and workshop: selection based on a business or project plan, each entrepreneur/business owner must be a citizen of a ROGEP country or have a locally registered business.

Customized Business Acceleration Support

Early stage ("Tier 2") businesses – those that have advanced beyond startup stage but are still developing and iterating their business model, adapting technology, and finalizing product marketing strategies – will be offered customized business acceleration support under ROGEP. This will be highly specialized and customized support provided through a network of business incubators and accelerators in the ROGEP

¹ <https://blogs.worldbank.org/african/a-better-way-to-train-small-business-owners-using-psychology-to-teach-personal-initiative>

countries. Content will include “high-touch” assistance to refine business strategies and business models, mentoring from seasoned entrepreneurs and investors, transaction advice and investment facilitation, and technology and product development support. Support is envisioned to last about 9-12 months for each participating business. Businesses will apply for this support on a rolling basis through an online application managed by ECREEE, which will then identify the partner organization capable of delivering the appropriate support.

A scout will be hired to find and attract such Tier 2 business and Tier 3 businesses in select cases where ROGEP can offer them some additionality.

Businesses that receive the acceleration support will be invited to an investment forum organized during the annual ECOWAS Sustainable Energy Forum (ESEF). This will include a B2B activity that introduces businesses from different countries to each other. The participating businesses will be invited to pitch their businesses to potential investors and make B2B connections.

ROGEP will finance the costs of providing this customized business acceleration support.

Eligibility for customized business acceleration is as follows:

- Business Acceleration: Locally registered business, “Tier 2” stage of development

Facilitation of Entry to the Solar Industry

Successful local businesses that are operating in non-solar industries represent important potential new entrants into the standalone solar industry. These businesses might be operating in industries such as agricultural supply, agribusiness, retailing, or other areas that require strong, local distribution chains and similar operational capabilities that might be transferred to the solar industry. In most cases, these will be larger existing businesses (Tier 2 or Tier 3) that can access financing but may not have the know-how or awareness of the opportunity to expand into standalone solar products.

ROGEP will undertake awareness raising and provision of specialized TA for such firms on how to undertake expansion into the solar industry. ECREEE will take a proactive approach to attracting such firms. A scout will be hired to find and attract such Tier 2 business and Tier 3 businesses in select cases where ROGEP can offer them some additionality (i.e. not subsidization of what large businesses can do on their own).

Eligibility for facilitation of entry to the solar industry is as follows:

- Facilitation of solar industry entry: Tier 2 local business (e.g. wholesalers); or Tier 3 (e.g. multinational, large incumbent) only if ROGEP can offer additionality.

FINANCING INTERVENTION

Matching Grants

To support the entry of new solar businesses and the product and business model development needed by startups, matching grants will be offered to startup (“Tier 1”) businesses. This funding would be up to USD 25K to assist these entrepreneurs to develop their ideas into viable businesses or develop and test market their products. Each business receiving a grant would be required to provide some level of matching cash contribution to demonstrate their own commitment to the business. Grants would be

provided on a milestone basis to eligible, competitively selected businesses and would be limited to use on specific eligible activities defined during project implementation.

“Tier 2” businesses operational in the region that are interested in expanding their activities to another ROGEP country might receive matching grant support as well.

Repayable grants

Repayable grants will target early stage (“Tier 2”) businesses that need up to USD 250K to market their product, expand operations, or undertake similar early stage business activities. Repayable grants would be provided at low-interest rates to the businesses that successfully apply and would not require collateral as many early stage solar businesses do not have significant collateral. Businesses would be required to repay these grants over a number of years defined during implementation. Businesses that remain in business would therefore pay back their loans. Businesses that go out of business would not be required to repay. Other programs that offer such repayable grants, such as those executed by the Africa Enterprise Challenge Fund, will be used as models during the detailed design and implementation of the repayable grants program. ROGEP will also seek to coordinate with such programs when they are offering similar financing for solar in ROGEP countries.²

Co-Investment Grants

Co-investment grants will target early stage (“Tier 2”) businesses that are raising capital for the expansion of their businesses within ROGEP markets. ROGEP would provide from USD 250K to 500K of grant financing to these businesses as part of a larger capital raise. These grants would be provided at the same time as the third-party investment (generally equity or quasi-equity). Providing such co-investment can attract businesses and investors to expand into ROGEP markets that might otherwise be deemed too risky. It also allows ROGEP to rely on the detailed due diligence carried out by private investors during their deal evaluation process. This program would be modeled off a successful World Bank project in the Caribbean providing similar co-investment grants.³ It will also take lessons from similar co-investment grant programs such as the GSMA Ecosystem Accelerator Innovation Fund.⁴

Table below provides additional detail on the expected design of the various grants supported under Component 1B, including targeting, eligibility, and required matching criteria.

² See, for instance, “SIDA signs a five year agreement with the AECF to fund SMEs in the Renewable Energy sub-sector in Seven African Countries” at <https://www.aecfafrica.org/node/139> and “USADF to Fund U.S.\$3 Million Access to Energy in Nigeria” at http://allafrica.com/stories/201712130566.html?aa_source=nwsltr-energy-en

³ See page 42 for the Caribbean Angel Investment Program description:
<https://openknowledge.worldbank.org/bitstream/handle/10986/26324/113906-WhatsHappeningintheMissingMiddleLessonsinSMEFinancing-29-3-2017-14-20-24.pdf>

⁴ See <https://www.gsma.com/mobilefordevelopment/programmes/ecosystem-accelerator/eainnovationfund>

Table. Implementation Guidelines for Various ROGEP Entrepreneurship Support Grants

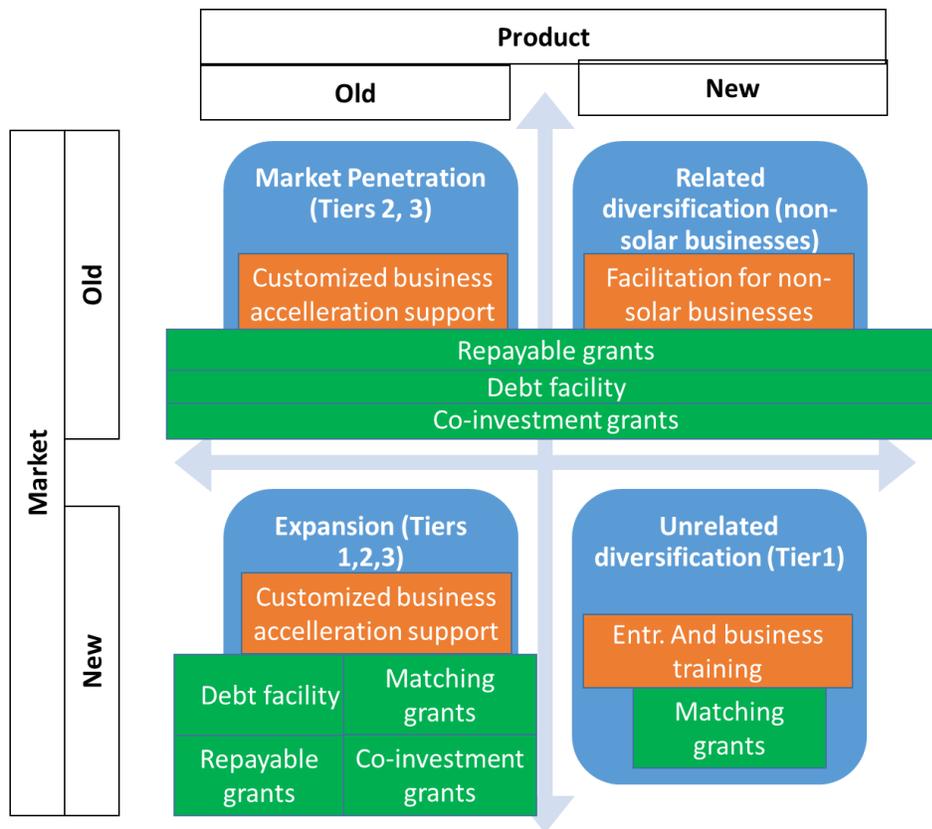
	Matching Grants	Repayable Grants	Co-investment Grants
Objective	Support business model development and product-market fit Facilitate access to follow-on investment	Demonstrate viability of business model Capitalize the business Facilitate access to follow-on investment	Reduce risk of private investors in ROGEP markets Facilitate access to follow-on investment
Eligibility Criteria	Locally registered Tier 1 or Tier 2	Locally registered Tier 2	Tier 2 with local registration
Selection filters	Intra country (Tier 1) or inter country (Tier 1 or 2) expansion, business expansion Additionality (requires ROGEP funding to happen)	Scaling up Additionality (requires ROGEP funding to happen)	Entering a new region or country for the business or scaling up operations (Tier 2) Must match new funding being raised (not prior) Additionality (requires ROGEP funding to happen)
Eligible Use of funds	Milestone based on agreed budget and agreed expenses (not just inventory), paid directly by PIU Certified Products and Installers (where applicable)	Milestone based on agreed budget and agreed expenses, paid directly by PIU Certified Products and Installers (where applicable)	Must be spent on any eligible items, paid out as grant and reported on with receipts Certified Products and Installers (where applicable)
Size of grant	Up to \$25K	Up to \$250K	\$250K to \$500K
Matching ratio	25% cash match (1 business:4 ROGEP) required from the business	None (repayable)	3 equity:1 ROGEP (75%:25%), revised based on demand Must come from a qualified institutional investor (registered fund or investment business), qualification starting in preparation phase
Selection of service providers	Beneficiary selects, with assistance from grants manager	Beneficiary selects, with assistance from grants manager	Beneficiary selects
Connection with provision of TA	Assistance with refining application, budget, milestones and reaching the milestones	Assistance with refining application, budget, milestones and reaching the milestones	Investment readiness grants up to \$20K available following initial diligence by the investor, comes out of the co-investment grant

How to promote a sustainable impact?	Combined with TA support and enabling environment	Combined with TA support and enabling environment	Combined with TA support and enabling environment
	Facilitate access to follow on investment	Facilitate access to follow on investment	Crowds in investors to ROGEP markets
Application and disbursement procedures	Rolling basis (FIFO)	Rolling basis (FIFO)	Rolling basis (until fully disbursed) Joint application from business and investor Disbursed to the business directly
Marketing and communication campaign	Proactive outreach campaign	Proactive outreach campaign and scouting for relevant businesses	Proactive scouting for relevant businesses, engagement with investors to pre-qualify, and matchmaking by ECREEE
Flexibility of scheme	Allow the grants manager to iterate and improve the offering based on demand analysis	Allow the grants manager to iterate and improve the offering based on demand analysis	Allow iteration particularly on the matching ratio, but not so much to confuse investors and delay deals
Synergies with the rest of ROGEP	Facilitate interaction across ROGEP through implementation arrangements	Facilitate interaction across ROGEP through implementation arrangements	Liaise with the debt facility FIs
M&E indicators	<ul style="list-style-type: none"> • Revenue growth • Unit sales • Affordability of product offerings • Access to follow on financing • Household impacts (e.g. access to energy) • Jobs created • Increased market competition 	<ul style="list-style-type: none"> • Revenue growth • Unit sales • Affordability of product offerings • Access to follow on financing / bankability • Household impacts (e.g. access to energy) • Jobs created • Increased market competition 	<ul style="list-style-type: none"> • Additional investment leveraged in ROGEP countries • Access to follow on financing/ bankability for firms • Revenue growth • Unit sales • Affordability of product offerings • Household impacts (e.g. access to energy) • Jobs created • Increased market competition
Multiple awards possible?	Yes, but clear additionality or lack of	Yes, but clear additionality or lack of	Yes, but clear additionality or lack of

	follow-on financing options	follow-on financing options	follow-on financing options
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The foreseen technical assistance and financing services cover the full spectrum of businesses working on standalone solar system either as an old or a new product and working in the region either as an old or new market as shown in the Figure A below.

Figure A.



Additionally, they cover the full spectrum of the growth of firms, from Tier 1 to Tier 3 as shown in Figure B.

Figure B.

