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ECREEE

TOWARDS SUSTAINABLE ENERGY

REGIONAL OFF-GRID ELECTRIFICATION PROJECT

Off-Grid Solar Market Assessment & Private Sector Support Facility Design

SENEGAL REPORT

JULY 2019

GreenMax Capital Advisors

Energio Verda
Renewable Energy for Development

ASD

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ABBREVIATIONS AND ACRONYMS

AEME	Agence pour L' Economie Et La Maitrise De l'Énergie (National Agency for Energy Efficiency)
AFD	Agence Française de Développement (French Development Agency)
AfDB	African Development Bank
ANER	Agence National pour les Energies renouvelables (National Agency for Renewable Energies)
ASD	African Solar Designs
ASER	Agence Sénégalaise d'Electrification Rurale (National Rural Electrification Agency)
ASN	Association Sénégalaise de Normalisation (Senegalese Standards Association)
BCEAO	Banque Centrale des États de l'Afrique de l'Ouest (Central Bank of West African States)
BIC	Bureaux d'Information sur le Crédit, (Credit Information Bureaus)
BOAD	Banque Ouest Africaine de Développement (West African Development Bank)
C&I	Commercial and Industrial
CAPEX	Capital Expenditure
CEADIR	Climate Economic Analysis for Development, Investment, and Resilience
CCGT	Combined-Cycle Gas Turbine
CFA	Communauté Financière Africaine (African Financial Community)
Ci-Dev.	Carbon Initiative for Development
COD	Cash-on-Delivery
COPERES	Conseil Patronal des Energies Renouvelables du Senegal (Senegalese Renewable Energy Business Council)
CRSE	Commission de Régulation au Secteur de l'Electricité (Electricity Regulatory Board)
DFI	Development Finance Institution
DfID	Department for International Development
EBID	ECOWAS Bank for Investment and Development
ECA	Export Credit Agency
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
ECOWREX	ECOWAS Observatory for Renewable Energy and Energy Efficiency
ECREEE	ECOWAS Center for Renewable Energy and Energy Efficiency
EIB	European Investment Bank
ESCO	Energy Service Company
ESMAP	Energy Sector Management Assistance Program
ESP	Emerging Senegal Plan
En-Dev	Energizing Development
ERILS	Electrification Rurale par des Initiatives Locales (Local Initiatives for Rural Electrification)
ERSEN	Électrification Rurale au Sénégal (Senegal Rural Electrification)
EU	European Union
EUR	Euro
EVA	Energio Verda Africa
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
FEI	Facility for Energy Inclusion
FER	Fond d'Electrification Rurale (Rural Electrification Fund)
FGD	Focus Group Discussion
FI	Financial Institution
FX	Foreign Exchange

GDP	Gross Domestic Product
GEF	Global Environment Facility
GIIN	Global Impact Investing Network
GIS	Geographic Information Systems
GIZ	German Society for International Cooperation
GNI	Gross National Income
GOGLA	Global Off-Grid Lighting Association
GoS	Government of Senegal
GSMA	Groupe Spéciale Mobile Association (Global System for Mobile Communications)
HC	Health Center
HDI	Human Development Index
HFO	Heavy Fuel Oil
HH	Household
ICT	Information and Communications Technology
IEA	International Energy Agency
IEC	International Electrotechnical Commission
IFC	International Finance Corporation
IMF	International Monetary Fund
IPP	Independent Power Producer
IRENA	International Renewable Energy Agency
kW	Kilowatt
kWh	Kilowatt-hour
LNG	Liquefied Natural Gas
LTO	Lease-to-Own
MCC	Millennium Challenge Corporation
MFI	Microfinance Institution
MPE	Ministry of Petroleum and Energy (Ministère du Pétrole et des Énergies)
MTF	Multi-Tier Energy Access Framework
NAMA	Nationally Appropriate Mitigation Action
NDC	Nationally Determined Contribution
NGO	Non-Governmental Organization
NPL	Non-Performing Loan
O&M	Operations and Maintenance
OGS	Off-Grid Solar
OHADA	L'Organisation pour l'Harmonisation en Afrique du Droit des Affaires (Organization for the Harmonization of Business Law in Africa)
OMVS	Organization pour la Mise en Valeur du fleuve Sénégal (Senegal River Basin Development Organization)
PANER	Plan d'Action National des Énergies Renouvelables (National Renewable Energy Action Plan)
PASER	Plan d'Action Sénégalais d'Électrification Rurale (Rural Electrification Action Plan)
PAYG	Pay-As-You-Go
PNER	Programme National d'Électrification Rurale (National Rural Electrification Program)
PNUER	Programme National d'Urgence d'Électrification Rurale (National Urgency Plan for Rural Electrification)
PPA	Power Purchase Agreement
PPP	Public Private Partnership
PPER	Programmes Prioritaires d'Electrification Rurale (Priority Program for Rural Electrification)

PREM	Programme Energétique Multisectoriel (Multi-Sector Energy Program)
PSE	Plan Sénégal Emergent (Emerging Senegal Plan)
PUE	Productive Use of Energy
PUDC	Programme d'Urgence de Développement Communautaire (Emergency Community Development Program)
PV	Photovoltaic
RE	Renewable Energy
RISE	Regulatory Indicators for Sustainable Energy
ROA	Return on Assets
ROE	Return on Equity
ROGEP	Regional Off-Grid Electrification Project
SEFA	Sustainable Energy Fund for Africa
SEforALL	Sustainable Energy for All
SHS	Solar Home System
SENELEC	Societe Nationale d'Electricite (National Electric Company)
SME	Small and Medium Enterprise
SNEEG	Stratégie Nationale pour l'Egalité et l'Equité du Senegal (National Strategy for Gender Equality and Equity)
SPV	Special Purpose Vehicle
SSA	Sub-Saharan Africa
SUNREF	Sustainable Use of Natural Resources and Energy Finance
TA	Technical Assistance
UEMOA/WAEMU	Union Économique et Monétaire Ouest Africaine / West African Economic and Monetary Union
UN	United Nations
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
USD	United States Dollars
VAT	Value Added Tax
WAPP	West African Power Pool
WB	World Bank
Wh	Watt-hour
Wp	Watt peak

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NOTE: The findings, analysis, conclusions and recommendations expressed in this report are those of the authors – they do not necessarily represent the views of ECREEE, the World Bank, or any of the individuals and organizations that contributed to this study.

KEY DEFINITIONS

ELECTRICITY ACCESS

For the purpose of this analysis, figures on national, urban and rural electrification rates are from the International Energy Agency (IEA) Energy Access Outlook Report, 2017.[1] Although local government authorities (energy ministries, rural electrification agencies, utilities etc.) may have different or more up-to-date electrification data, one single, uniformly-accepted source was necessary as a baseline to assess electricity access figures across all 19 of the countries analyzed under this regional market assessment.

There is no single internationally-accepted and internationally-adopted definition of modern energy access. The IEA defines energy access as "a household having reliable and affordable access to both clean cooking facilities and to electricity, which is enough to supply a basic bundle of energy services initially, and then an increasing level of electricity over time to reach the regional average."[2] A "basic bundle of energy services" means, at a minimum, several lightbulbs, task lighting (such as a flashlight or lantern), phone charging and a radio. This definition of energy access serves as a benchmark to measure progress towards UN Sustainable Development Goal 7.[3] The IEA electricity access statistics presented in this report include household connections, either from a grid connection or from a renewable energy-based off-grid source; the approach excludes illegal connections. The data is sourced wherever possible from governments, supplemented by data from multilateral development banks, various international organizations and other publicly available statistics.

The Multi-Tier Energy Access Framework (MTF) is also used as a key reference throughout this report. Rather than measuring electricity access as a household connection to an electricity grid, the MTF views electricity access along a continuum of service levels (tiers) and according to a series of indicators, including capacity, availability/duration of supply, reliability, quality, affordability, legality and health/safety.[4]

OFF-GRID / STAND-ALONE SOLAR

The term "off-grid" as it is widely used throughout this report (e.g. "off-grid sector") refers to both mini-grids and stand-alone systems. When "off-grid solar" or its acronym "OGS" are used, this refers *only* to stand-alone solar systems and does not include mini-grids. The main focus of this market assessment is the stand-alone solar sector. While micro/mini-grids typically provide a small community with electricity, stand-alone solar systems are not connected to an electricity distribution system and typically include a battery, but may also be used in conjunction with a diesel generator, wind turbine etc. Stand-alone solar technology broadly includes the following:

- Pico solar/solar lanterns[5]
- Single module solar systems (DC)[6]
- Multiple module solar systems (AC)[7]
- Large solar systems (AC)[8]

In addition to providing electricity access, stand-alone solar products/systems also support a wide range of productive applications (e.g. solar water pumping, agricultural processing, milling equipment, refrigeration etc.).

[1] https://www.iea.org/publications/freepublications/publication/WEO2017SpecialReport_EnergyAccessOutlook.pdf
[2] https://www.iea.org/energyaccess/methodology/
[3] https://sustainabledevelopment.un.org/sdg7
[4] "Multi-Tier Framework for Measuring Energy Access," World Bank ESMAP: https://www.esmap.org/node/55526
[5] Typically less than 10 Wp; all-in-one lighting and/or phone charging; enables partial or full Tier 1 electricity access
[6] Typically 11-100 Wp; capable of powering a few appliances (lights, mobile phone charging, TV, radio, fan etc.); often referred to as a "plug-and-play" solar home system when components are sold as a set; enables full Tier 1 or higher electricity access
[7] Typically 101-500 Wp; capable of powering multiple appliances; requires small inverter
[8] Typically greater than 500 Wp; most often used to power a large home; requires large inverter

Multi-tier Matrix for Measuring Access to Household Electricity Supply

ATTRIBUTES			TIER 0	TIER 1	TIER 2	TIER 3	TIER 4	TIER 5
	1. Peak Capacity	Power capacity ratings[28] (in W or daily Wh)		Min 3 W	Min 50 W	Min 200 W	Min 800 W	Min 2 kW
				Min 12 Wh	Min 200 Wh	Min 1.0 kWh	Min 3.4 kWh	Min 8.2 kWh
		OR Services		Lighting of 1,000 lmhr/ day	Electrical lighting, air circulation, television, and phone charging are possible			
	2. Availability (Duration)	Hours per day		Min 4 hrs	Min 4 hrs	Min 8 hrs	Min 16 hrs	Min 23 hrs
		Hours per evening		Min 1 hr	Min 2 hrs	Min 3 hrs	Min 4 hrs	Min 4 hrs
	3. Reliability						Max 14 disruptions per week	Max 3 disruptions per week of total duration <2 hrs
	4. Quality						Voltage problems do not affect the use of desired appliances	
	5. Afford-ability					Cost of a standard consumption package of 365 kWh/year < 5% of household income		
	6. Legality						Bill is paid to the utility, pre-paid card seller, or authorized representative	
	7. Health & Safety						Absence of past accidents and perception of high risk in the future	

Source: World Bank Energy Sector Management Assistance Program (ESMAP)

WEST AFRICA AND THE SAHEL

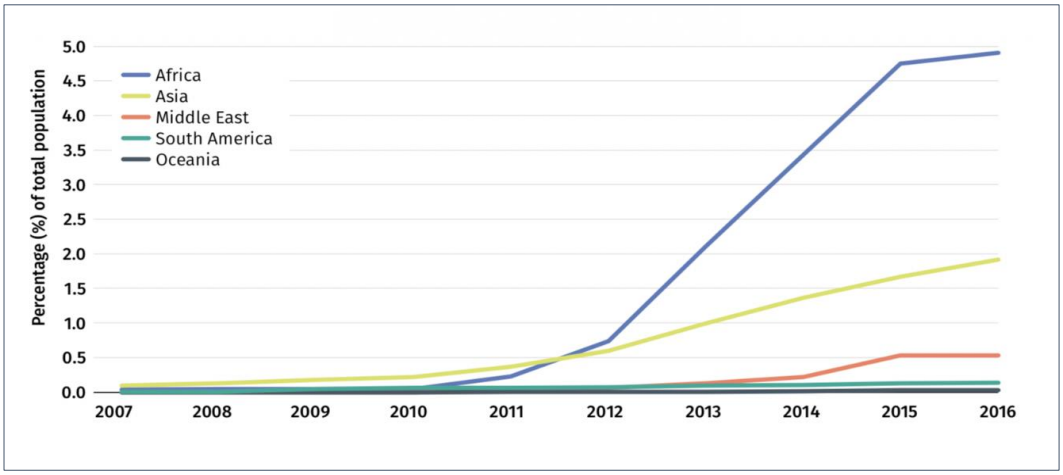
The term "West Africa and the Sahel" as it is used to throughout this report refers to the 19 countries covered by the first phase of the Regional Off-Grid Electrification Project (ROGEP). The countries include the 15 member states of the Economic Community of West African States (ECOWAS) – Benin, Burkina Faso, Cabo Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Sierra Leone, Senegal and Togo – plus Cameroon, Central African Republic, Chad and Mauritania.

EXECUTIVE SUMMARY

I. INTRODUCTION

Access to electricity in Sub-Saharan Africa has improved significantly over the past decade. The number of people without access to electricity in the region stopped increasing for the first time in 2013 and has since declined.[9] Although grid connections continue to be the primary method of electrification, access to electricity through off-grid renewable energy systems has grown considerably. The use of off-grid solar (OGS) power is notably on the rise, with African countries accounting for most of the sector's growth over the last decade (**Figure ES-1**). The pace of solar electrification has accelerated more rapidly in Sub-Saharan Africa than anywhere in the world.[10] In order to achieve universal electrification by 2030, the International Energy Agency (IEA) estimates that Sub-Saharan Africa will need more than half of new electricity access connections between 2017 and 2030 to be made through decentralized systems (mini-grids and stand-alone systems), with solar technologies representing nearly 60% of these connections.[11]

Figure ES-1: Off-Grid Solar Access Rate by Region



Tier 1 access and above

Source: International Renewable Energy Agency

Despite this progress, government efforts to increase electricity access in Africa have struggled to keep pace with rapid population growth and increasing demand. Many countries across the region must navigate the interrelated challenges of energy poverty, energy security and climate change (among other sociopolitical, economic and development challenges), which collectively slow the adoption of renewable energy and the pace of off-grid market growth. Rates of energy access remain particularly low in rural areas, where the electrification rate is less than 25% across Sub-Saharan Africa.[12] In part, this is due to the gap between the power sector's infrastructure needs and the availability of necessary resources to expand grid electrification. Extending the grid to rural areas can be challenging due to significant transmission distances and low population densities.

[9] "Energy Access Outlook, 2017: From Poverty to Prosperity," International Energy Agency, (2017): https://www.iea.org/publications/freepublications/publication/WEO2017SpecialReport_EnergyAccessOutlook.pdf
[10] "Tracking SDG7 – The Energy Access Report 2018," The World Bank, IEA, IRENA, UN Statistics Division and the WHO, (2018): https://openknowledge.worldbank.org/handle/10986/29812
[11] Tracking SDG7 – The Energy Access Report, 2018.
[12] IEA Energy Access Outlook, 2017.

As of 2016, over 200 million people in West Africa and the Sahel – more than half of the region's population – lacked access to electricity. This figure represents nearly one-third of Africa's total unelectrified population. Rates of urban and rural electrification vary widely across the region, with the average rate of access nearly three times higher in urban areas.[13]

Despite these access deficits, the region is generously endowed with renewable energy resources – including hydropower, solar, wind and bioenergy. These resources are largely untapped, however, as investments in the power sector remain high-risk due to market instability, as well as a variety of political and regulatory risks. Other energy sector challenges include *inter alia* limited institutional capacity, poor utility financial performance, a shortage of local technical expertise and a lack of support from local financial institutions (FIs).

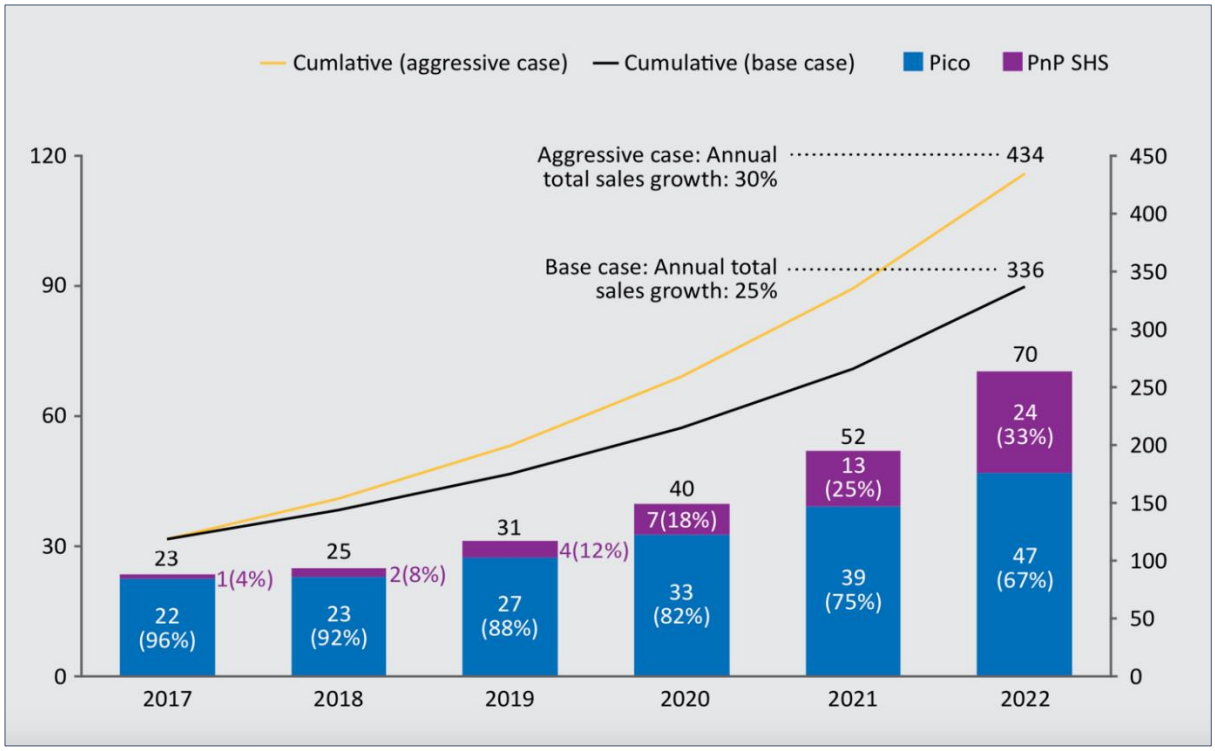
Until recently, diesel generators largely served as the expensive alternative both for rural electrification and for urban and peri-urban "bad grid" areas, where electricity was unreliable or only available for part of the day. However, the advent of decentralized renewable energy technologies, particularly stand-alone solar and mini-grid systems, offers opportunities to deliver clean and cost-effective off-grid solutions. Accordingly, policymakers are increasingly utilizing these options in electrification planning as they offer a reliable, flexible and relatively affordable complement to grid extension initiatives.

Solar energy is the most promising technology in the off-grid space, with three key trends converging to drive the industry's growth: first, continued reductions in hardware and balance of system costs (solar modules, batteries, inverters, appliances etc.); second, a digital revolution, with mobile communication technology facilitating payments and monitoring; and third, innovation in private sector business models, such as pay-as-you go (PAYG) and third-party ownership of solar home systems (SHS), which offer energy as a service and remove previously prohibitive up-front costs for households.[14] As a result of these developments, the off-grid solar market is rapidly evolving and expanding.

In 2016, the OGS market reported global revenues of approximately USD 1 billion. This figure is expected to increase to USD 8 billion by 2022, with SHS representing the majority of this revenue growth and an increasing share of unit sales **(Figure ES-2)**. Investments in the off-grid solar sector doubled annually between 2012 and 2016, increasing by 98% over this period. Between 2013 and 2017, East Africa represented 86% of the global PAYG market in terms of cumulative unit sales, followed by West Africa at 12% and Asia at 2%.[15] As the East African market becomes more crowded and solar companies expand their operations into West Africa, the region will account for a larger geographic share of the burgeoning global OGS market. Although the sector's investment trends remain volatile, there is some preliminary evidence to suggest that this transition is already underway: in 2016, West Africa accounted for 34% of total funds raised, up from 9% in 2015, while East Africa's share of funding decreased from 77% to 47% over the same period.[16]

[13] IEA Energy Access Outlook, 2017.
[14] "Derisking Renewable Energy Investment: Off-Grid Electrification," United Nations Development Programme (UNDP) and ETH Zurich, (December 2018):
https://www.undp.org/content/dam/undp/library/Environment%20and%20Energy/Climate%20Strategies/DREI%20Off-Grid%20Electrification%20-%20Full%20Report%20(20181210).pdf
[15] "Off-Grid Solar Market Trends Report 2018," Dahlberg Advisors, Lighting Global, GOGLA and World Bank ESMAP, (January 2018):
https://www.lightingafrica.org/wp-content/uploads/2018/02/2018_Off_Grid_Solar_Market_Trends_Report_Full.pdf
[16] Ibid.

Figure ES-2: Global Off-Grid Solar Market Forecast (million units sold)



NOTE: Left axis = annual sales volume; Right axis = cumulative sales volume; PnP SHS = Plug-and-Play Solar Home System

Source: Dahlberg Advisors, Lighting Global, GOGLA and World Bank ESMAP

Many international off-grid solar companies, including most of the industry's leading players – BBOXX, Greenlight Planet, Azuri, d.light, Off-Grid Electric, M-KOPA Solar, Fenix International, and French utilities EDF and Engie among others – have recently entered markets in West Africa, joining international pioneers such as PEG and Lumos, which launched originally in Ghana and Nigeria, respectively, and both expanded into Côte d'Ivoire and Togo.[17] While these large international companies are well capitalized, there is a dearth of financing for smaller, early-stage companies that operate in nascent markets across West Africa and the Sahel. In fact, the top 10 global off-grid solar companies have received nearly 90% of investment capital since 2012, while early-stage companies often struggle to raise the necessary capital to accelerate growth.[18]

In order to scale off-grid electrification, OGS companies will need to access large volumes of commercial debt financing. In the longer term, partnerships with local commercial banks and microfinance institutions (MFIs) will also be necessary in order to develop domestic, local-currency sources of financing and reduce foreign exchange risk.[19] Partnerships with local FIs, whose understanding of the credit risk of local populations, may also reduce financing costs more rapidly compared to other methods (e.g. using debt from securitized receivables).[20] Although most financing currently comes from non-commercial sources (i.e. the

[17] Bavier, J., "Off-grid power pioneers pour into West Africa," Reuters, (February 20, 2018): https://www.reuters.com/article/us-africa-power-insight/off-grid-power-pioneers-pour-into-west-africa-idUSKCN1G41PE
[18] "Accelerating Energy Access: The Role of Patient Capital," Acumen, (2018): https://acumen.org/wp-content/uploads/Accelerating-Access-Role-of-Patient-Capital-Report.pdf
[19] UNDP and ETH Zurich, 2018.
[20] "How can Pay-As-You-Go Solar Be Financed?" Bloomberg New Energy Finance, (7 October 2016): https://www.bbhub.io/bnef/sites/4/2016/10/BNEF_WP_2016_10_07-Pay-as-you-go-solar.pdf

international development community), global capital markets have the size and depth necessary to meet this investment challenge. Nevertheless, small investment sizes and other early-stage market investment risks are currently holding back abundant and low-cost private capital flows to the off-grid sector.[21]

In order to mitigate risks and spur investment, the OGS sector requires substantial policy and regulatory support. It is therefore important that governments send a clear signal to the private sector by integrating off-grid technologies into national development programs, electrification plans and electricity access targets. Governments should also adopt favorable policies, laws and regulations to boost private sector participation, including procurement and tax incentives, grants and subsidies, concession schemes, streamlined licensing and permitting procedures, and quality standards for equipment. Additional measures include public awareness raising, encouraging inclusive gender participation, and building local capacity at all levels (e.g. solar PV vocational training and technical certification programs, training for FIs to address unfamiliarity of lenders with off-grid solar sector, corporate and consumer financing needs etc.).

In addition, solar companies increasingly rely on mobile money platforms to scale their business, as mobile payments allow them to offer low-income customers new ways to access and pay for electricity through innovative business models such as PAYG. Mobile money services, however, are only just beginning to be deployed in West Africa and the Sahel. Solar companies are therefore limited by low levels of penetration and in some cases by country-specific regulatory restrictions.[22] Governments can take action to foster linkages between the off-grid solar, telecommunications and mobile money sectors to expedite the uptake of market-transforming technology platforms and business models.

Governments across West Africa and the Sahel have implemented a range of policies and approaches to support off-grid market development, including private concessions, Public Private Partnerships (PPPs), Rural Electrification Agencies (REAs) and Rural Electrification Funds (REFs), among other measures. Some countries like Senegal and Mali have adopted private concessions to scale up mini-grids in rural areas, while others, such as Nigeria and Ghana, have improved rural electrification largely through public investment.

To support these initiatives, the Economic Community of West African States (ECOWAS) adopted the ECOWAS Renewable Energy Policy (EREP) in 2013, which intends to achieve universal electricity access in the region by 2030. The EREP also aims to increase the share of the region's rural population served by decentralized renewable energy services (mini-grids and stand-alone systems) to 25% by 2030. The ECOWAS Center for Renewable Energy and Energy Efficiency (ECREEE) is working with member states to develop and implement national policies and strategies with electrification targets through 2030 in line with the EREP, including Sustainable Energy for All (SEforALL) Action Agendas and National Renewable Energy Action Plans (NREAP), among other programs in support of renewable energy and off-grid market development.[23]

[21] UNDP and ETH Zurich, 2018.
[22] "Scaling Access to Energy in Africa: 20 Million Off-Grid Connections by 2030," Scaling Off-Grid Energy: A Grand Challenge for Development, USAID, UK DFID, Shell Foundation, (2018): https://static.globalinnovationexchange.org/s3fs-public/asset/document/SOGE%20YIR_FINAL.pdf?uwUDTyB3ghxOrV2gqvsO_r0L5OhWPZZb
[23] ECOWAS Renewable Energy Policy, 2013: http://www.ecreee.org/sites/default/files/documents/ecowas_renewable_energy_policy.pdf

II. BACKGROUND AND CONTEXT OF THE ASSIGNMENT

In this context, with funding from the World Bank, ECREEE launched the Regional Off-Grid Electrification Project (ROGEP) in 19 countries in West Africa and the Sahel. The project aims to enhance shared capacity, institutions and knowledge in order to increase electricity access of households, businesses and public institutions using modern stand-alone solar systems through a harmonized regional approach. ROGEP has two main components/objectives:

- ✓ **Component 1: Accelerate development of a regional off-grid solar market:**

  (1A) Foster regional collaboration and promote a supportive enabling environment for the OGS sector;
  (1B) Provide entrepreneurship technical support to OGS companies at various stages of development (training to accelerate business growth and/or facilitate market entry);
  (1C) Provide entrepreneurship financial support to OGS companies at various stages of development (matching grants);
  (1D) Provide financing to remove barriers in challenging markets (market entry grants and performance grants to OGS companies operating in challenging markets)

- ✓ **Component 2: Facilitate access to financing for off-grid solar businesses:**

  (2A) Provide line of credit for OGS businesses via the West African Development Bank (Banque Ouest Africaine de Développement, BOAD) to be extended to local FIs for on-lending to local entrepreneurs (working capital for companies to finance equipment imports, receivables from PAYG schemes etc.)
  (**2B**) Implement contingent grant facility via BOAD to share risks with local FIs and encourage lending to OGS businesses.

In addition, the project intends to support a range of capacity building activities targeting public and private sector stakeholders to address existing policy, regulatory, institutional, financial, economic, business, technology and capacity related barriers. ECREEE will also assist each country with development and implementation of national programs and initiatives in the areas of renewable energy, rural electrification and energy access in line with the regional focus of the assignment.

Under the first phase of the project, an initial assessment of the off-grid solar market was undertaken in each of the 19 countries. The study focused exclusively on the stand-alone solar PV market and did not assess mini-grids (see **Key Definitions**). The scope of work was broadly divided into the following tasks:

(1) Review the current enabling policy and market environment for the off-grid solar sector
(2) Analyze the market for off-grid solar products and systems, including an estimate of demand from the household, institutional and productive use market segments and analysis of the supply chain;
(3) Assess the willingness and capacity of national and regional financial institutions to provide commercial and/or consumer financing to the off-grid solar sector; and
(4) Propose models to incentivize the private sector and financial institutions to support off-grid solar market development and to harmonize a regional market to achieve universal access.

Available geographic information system (GIS) data for each country supported the Task 1 and Task 2 analyses. A least-cost electrification analysis was undertaken utilizing geospatial mapping to assess the potential development of electricity access and grid coverage in each country through 2023 and 2030. The study estimated the total number of potential settlements, people and households electrified by on-grid,

mini-grid or off-grid stand-alone solutions under each timeframe based on a series of indicators, including national electricity grid proximity, population density and nodes of economic growth. The assessment was also performed for health facilities and education centers (although the analysis was limited by the availability and/or quality of GIS data for these market segments). The results of the analysis were used to estimate the share of the population suitable for off-grid stand-alone solar solutions over the analyzed periods and to assess corresponding potential demand from the household sector under the Task 2 market sizing.

Within the context of this assignment, a gender-focused analysis was also implemented in order to assess the level of female participation in each country's off-grid energy sector. Each stage of the market study therefore analyzed inclusive participation and gender implications. A comprehensive gender profile is presented in **Annex 4**, including a summary of findings, as well as recommendations to improve gender equality and enhance women's engagement in development of the off-grid sector.

To carry out these tasks, the project team utilized a combination of desk research, input from local country experts and feedback from engagement with a wide range of stakeholders at the country and regional levels. Interviews were conducted with policymakers, industry experts, and representatives from solar companies and financial institutions. Focus group discussions were also held in each country with key stakeholders from the four market segments analyzed under Task 2 (household, institutional, productive use and supplier). Focus group participants included representatives from government, the donor community, NGOs, solar companies, business and industry associations, academia, community groups, and women's groups. In addition to the focus group meetings, surveys were administered in order to collect additional Task 2 market data, including (i) a survey of international solar companies to gauge their level of interest in the region; (ii) a survey of local solar companies and retail suppliers in each country to inform the supply chain analysis; and (iii) an assessment of an off-grid village in each country to better understand how solar is being utilized for productive uses. Under Task 3, a survey was administered to local and regional FIs to determine their level of capacity and interest in lending to the off-grid solar sector. A detailed description of the methodology used to carry out these tasks is presented in **Annexes 1-3**.

This report is organized into three sections that correspond to Tasks 1-3 described in the scope of work above (Task 4 was prepared in a separate report). **Section 1** covers the enabling policy and market environment for the OGS sector. This includes an overview of the status of the on-grid and off-grid markets, an analysis of off-grid energy policy and regulation and gaps in the existing framework, and a summary of off-grid development initiatives. The results of the least-cost electrification analysis are also included in this section.

Section 2 estimates the potential market for off-grid solar products and systems by assessing potential demand from the household, institutional and productive use market segments (**Figure ES-3**), followed by an analysis of the supply chain. The household market sizing utilizes results from the least-cost electrification analysis, along with data on household income and energy expenditure, in order to estimate potential demand based on the number of households able to afford various OGS systems. Both the cash and financed market potential were estimated for 2018, 2023 and 2030.

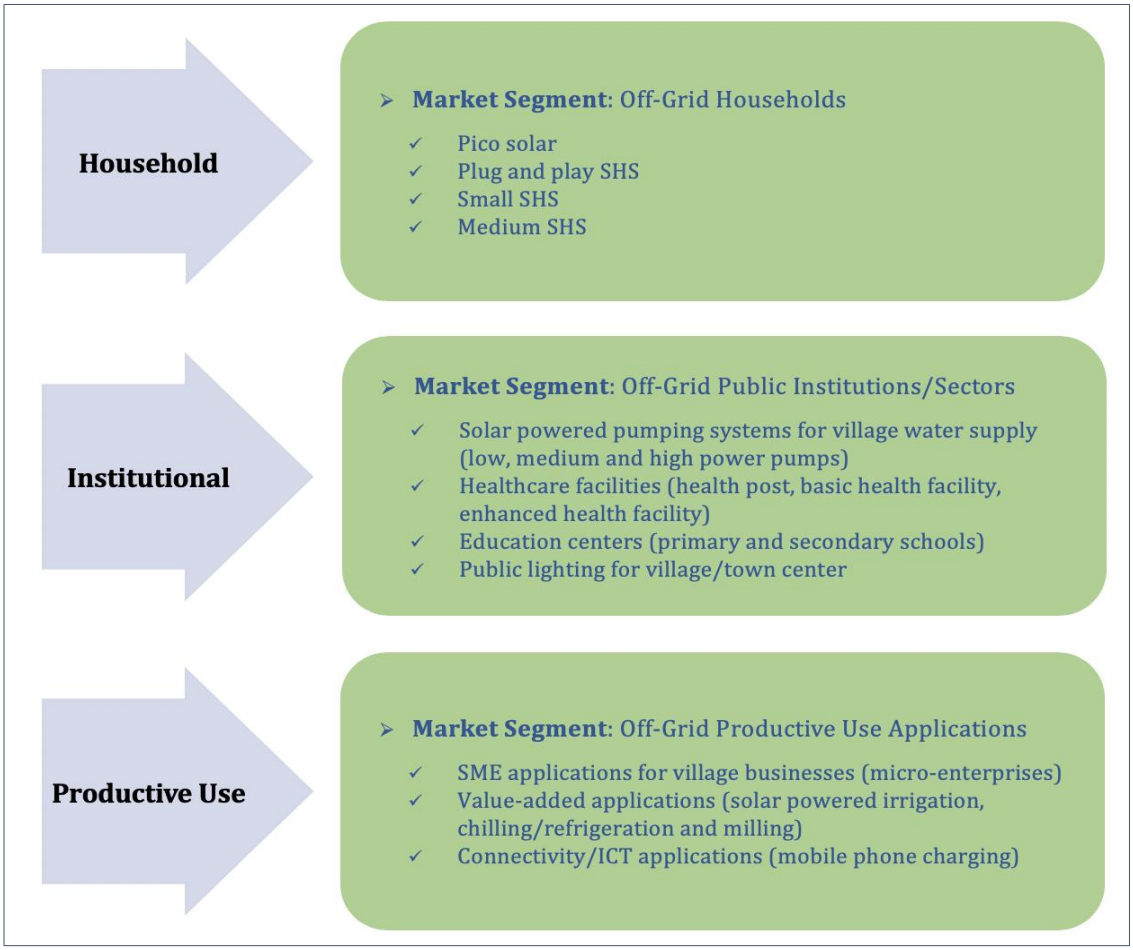
The institutional sector analysis combines available GIS data with secondary research to estimate potential demand based on assumptions about the electricity needs, usage patterns and associated costs of solar electrification of four public/institutional markets – water supply for off-grid communities, healthcare facilities, education centers (primary and secondary schools) and public lighting. Where GIS data was unavailable, per capita comparisons were made using data from similar countries to estimate off-grid solar demand by market segment (see **Annex 2** for country categorization). The productive use of energy (PUE) market sizing estimates potential off-grid solar demand for SME, value-added and connectivity

applications. Feedback from stakeholder interviews and focus group discussions informed the analysis and helped characterize each market segment's consumer perceptions, interest, awareness, ability to pay and access to finance.

The Task 2 supply chain analysis presents an overview of key market actors, solar products and services, sales figures and business models, and includes a discussion of the role of informal market players and the impact of uncertified products. The analysis also addresses the capacity needs of the supply chain and describes specific areas of support where technical assistance is needed to accelerate market growth.

Section 3 assesses the willingness and capability of national and regional financial institutions (FIs) to provide commercial and/or consumer financing to the off-grid solar sector in each country. This section includes a summary of financial products for the off-grid sector, a comprehensive overview of each country's financial market and commercial lending environment (including analysis of commercial banks, microfinance institutions and other non-bank financial institutions) and any programs supporting off-grid solar lending. This section also examines the scope of financial inclusion in each country and the impact of digital financial services and mobile money on access to finance. It concludes with the results of surveys that were administered to financial institutions in each country across the region.

Figure ES-3: Analyzed Off-Grid Market Segments



NOTE: SHS = Solar Home System; ICT = Information Communication Technology

III. EXECUTIVE SUMMARY

Senegal has made significant progress in implementing economic reforms and strategic public investment projects to boost growth. The economy relies on donor aid, remittances, and foreign direct investment, while the agricultural sector employs three-quarters of the population. The country's macroeconomic gains have not translated into improvements for the majority of the population, as poverty is widespread, particularly in rural areas where a majority of the population lives.

Access to electricity remains an ongoing challenge. In 2016, approximately 36% of Senegal's population – an estimated 6 million people – lacked access to electricity, with a significant disparity between rates of access in urban (90%) and rural (43%) areas.[24] Even where grid connections exist, power supply is often unreliable, with fewer than one-fifth of firms and half of households reporting reliable access to electricity when surveyed.[25] Off-grid electrification is a policy priority for the Government of Senegal (GoS), which is committed to achieving universal electricity access by 2025.

Senegal's Rural Electrification Action Plan (Plan d'Action Sénégalais d'Électrification Rurale, PASER) was initially adopted in 2009 with the objective of increasing the rural electrification rate to 60% by 2022 by electrifying 1,000 rural villages through a combination of grid extensions, solar home systems (SHS) and isolated diesel off-grid systems.[26] PASER also established an institutional framework for rural electrification by (i) creating ASER and CRSE; (ii) promoting PPPs in rural electricity distribution; and (iii) launching the Rural Electrification Fund (Fond d'Electrification Rurale, FER). Under PASER, private companies are awarded concessions to construct, operate and maintain new electricity connections for rural households. To achieve the program's objectives, ASER provides RE concession contracts to private operators through a process of competitive bidding in order to accelerate sustainable energy development and increase the financial resources allotted to rural electrification.

In this context, Senegal has introduced both small-scale and large-scale concessions. The country's small-scale concession scheme, Local Initiatives for Rural Electrification (Electrification Rurale d'Initiatives Locales, ERILS), subsidizes initial investment of local electrification initiatives to accelerate development of off-grid areas. The large-scale concession scheme, Priority Programs for Rural Electrification (Programmes Prioritaires d'Electrification Rurale, PPER), awards large-scale rural concessions to private operators for a period of 25 years.

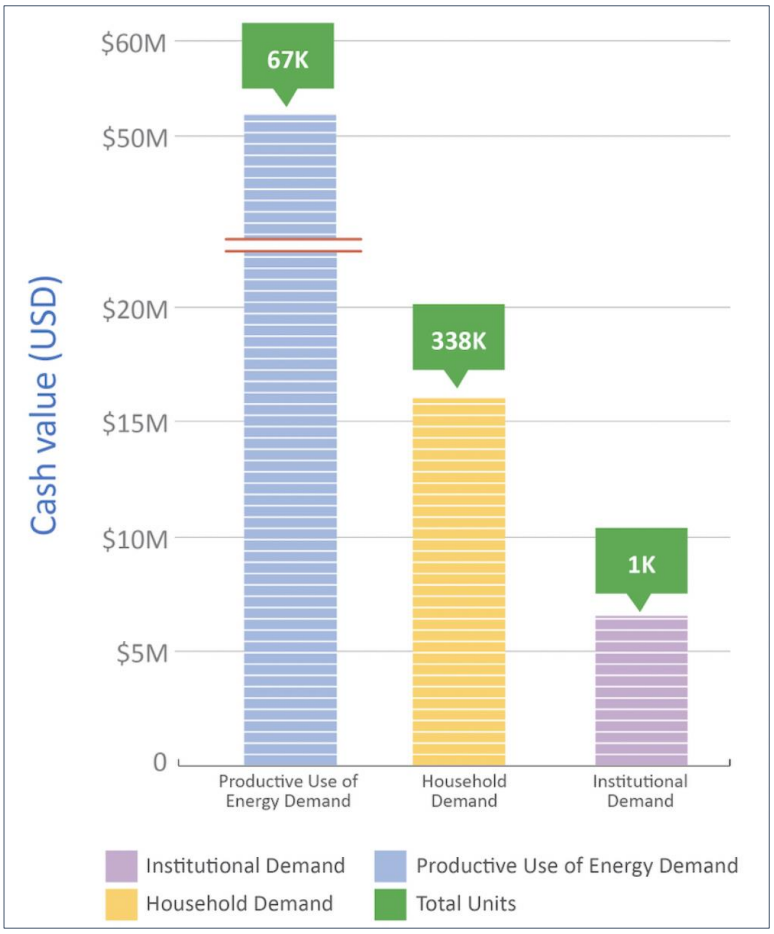
Prior to the implementation of the concessions system, which allowed private players to enter the sector in 2000, Senegal had a rural electrification rate of 8%. By 2016, the rural electrification rate was slightly above 40%. Despite this overall improvement, the pace of rural electrification has been slower than expected, in large part due to underperformance of PASER. The program's private rural concession scheme has experienced many difficulties and obstacles in its implementation; as a result, in 2018 PASER was replaced by the National Rural Electrification Program (Programme National d'Électrification Rurale, PNER). The SE4ALL Action Agenda and Investment Prospectus aimed to mobilize funding necessary to implement PNER and achieve universal access by 2025.[27]

[24] IEA Energy Access Outlook, 2017.
[25] Blimpo, M., and Cosgrove-Davies, M., "Electricity Access in Sub-Saharan Africa: Uptake, Reliability, and Complementary Factors for Economic Impact," AFD and World Bank, Africa Development Forum, (2019): https://openknowledge.worldbank.org/bitstream/handle/10986/31333/9781464813610.pdf?sequence=6&isAllowed=y
[26] "Senegal Rural Electrification Program, Appraisal Document", The World Bank, (2016): http://documents.banquemondiale.org/curated/fr/787931481735539674/pdf/PIDISDS-APR-Print-P158709-12-14-2016-1481735534157.pdf
[27] "Senegal's SE4ALL Rural Electrification: Action Agenda and Investment Prospectus," Gesto Energia, SA, (June 2018): http://gestoenergy.com/wp-content/uploads/2019/04/Gesto_Senegal_EN.pdf

There are two main phases to PNER, which aims to achieve universal access by 2025: (i) Complete the National "Urgency" Plan for Rural Electrification (Programme National d'Urgence d'Électrification Rurale, PNUER), initially slated to take place from 2015-2017; and (ii) Implement the "Universal Access Complementary Program" from 2018-2025. There are several other related previous and ongoing Government-funded off-grid development programs and initiatives including (i) the Emergency Community Development Program (Programme d'Urgence de Développement Communautaire, PUDC), which is also supporting implementation of the PNUER,[28] and (ii) the Multi-Sector Energy Program (Programme Énergétique Multisectoriel, PREM), which aims to install solar PV systems in off-grid schools, health clinics and in remote villages.

This report assesses the market opportunity for off-grid solar products and systems by estimating demand from the household, institutional, and productive use sectors in Senegal (**Figure ES-4**). According to the assessment, there is a significant OGS market opportunity, with the annualized cash market potential in 2018 estimated to be USD 74.5 million. The productive use sector (USD 52M) makes up the majority of estimated demand, followed by the household (USD 16M) and institutional (USD 6.5M) sectors.

Figure ES-4: Indicative Total Cash Market Potential for Off-Grid Solar Products in Senegal, 2018



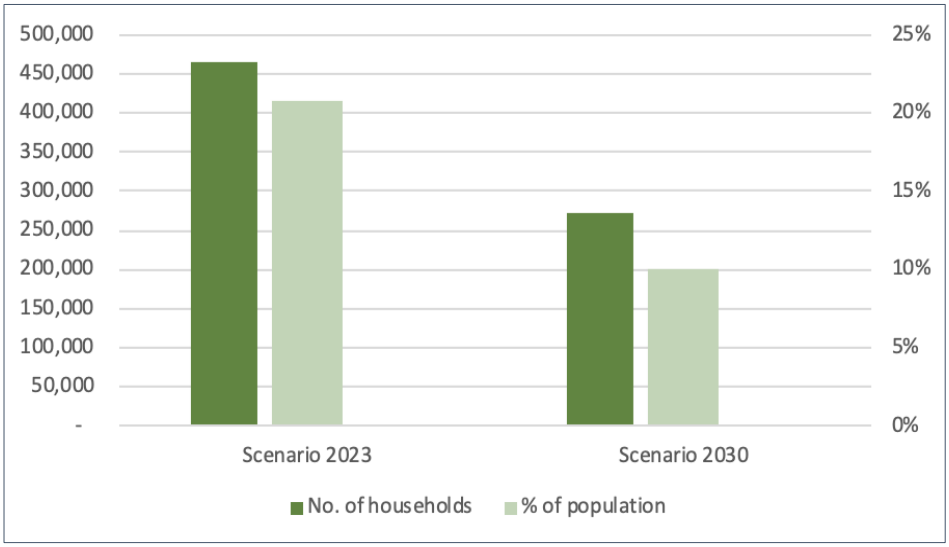
Source: African Solar Designs analysis

[28] "Senegal: Programme d'Urgence de Développement Communautaire," UNDP, (2013): http://www.sn.undp.org/content/senegal/fr/home/operations/projects/poverty_reduction/programme-d-urgence-de-developpement-communautaire.html

The least-cost electrification analysis found that by 2023, 3,823 settlements across Senegal (1,591,610 households) will be connected to the main grid, representing 71.2% of the population. By 2030, this figure will increase to 7,097 settlements (2,399,238 households), equivalent to 88.4% of the population. These estimates are based on the assumption that all planned grid extensions will be completed by 2030.

In the off-grid sector, the analysis identified 4,892 settlements (465,660 households) and 20.8% of the population as suitable for off-grid stand-alone systems in 2023, decreasing to 2,637 settlements (272,236 households) and 10% of the population in 2030 (**Figure ES-5**). While the total size of the OGS market for households will decrease over time, it while also become more concentrated in remote regions in the east of the country. This trend has implications for long-term business models of the solar product market, which will need to consider broader distribution areas as the total number of off-grid households declines and becomes concentrated in areas far from urban centers.

Figure ES-5: Estimated Number of Households and Share of Population Suitable for OGS Systems in Senegal, 2023 and 2030



Source: Energio Verda Africa GIS analysis

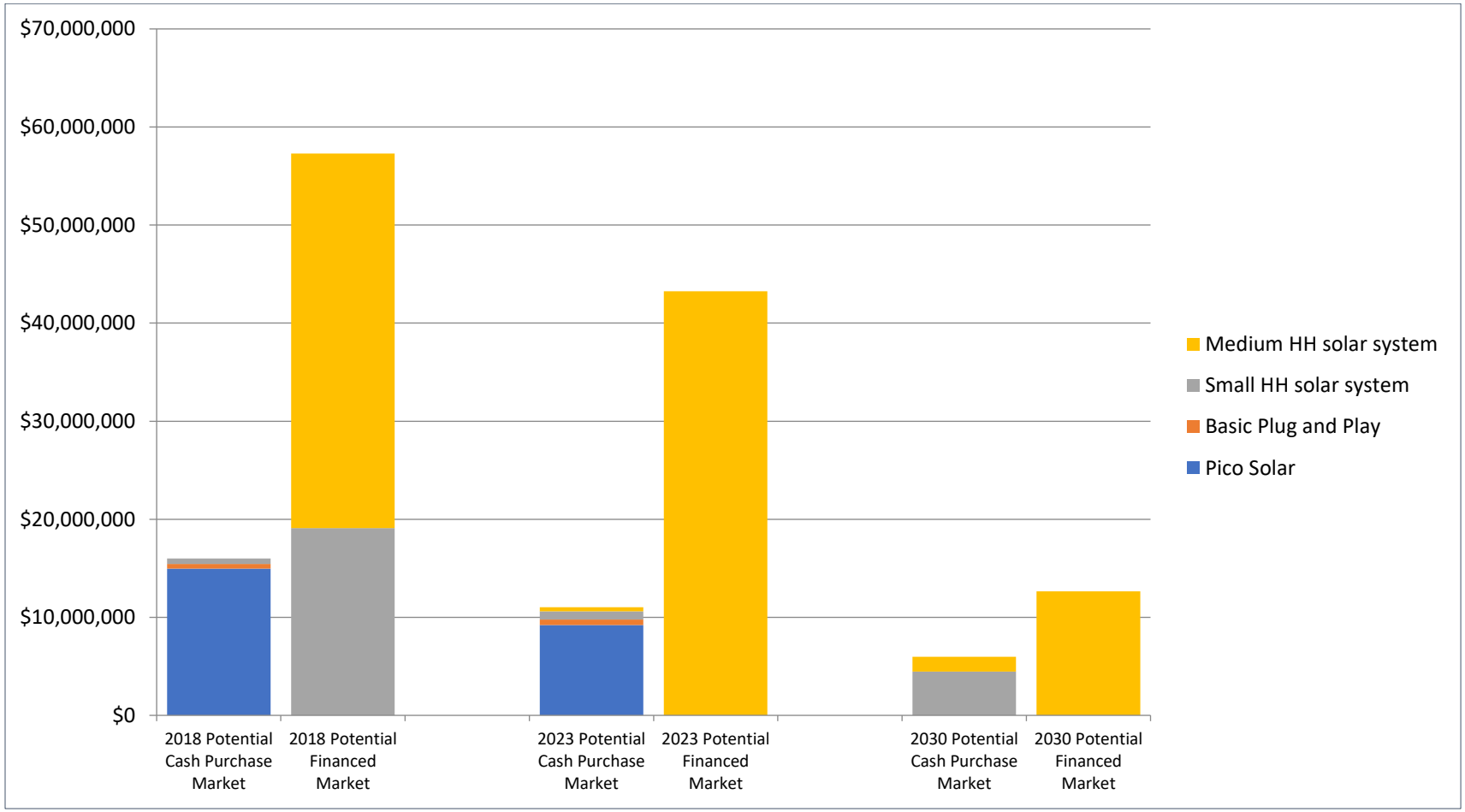
According to the analysis, the annualized off-grid solar cash market potential for the household sector in 2018 is USD 16 million, with the estimated market value more than tripling in size to USD 57.3M with the addition of consumer financing (**Figure ES-6**).

According to the assessment, the most common types of systems the market can afford on a cash basis are pico solar and small plug and play systems; however, this changes significantly with the introduction of financing (**Figure ES-7**). The analysis indicates that all households without access would have the ability to acquire at least one off-grid solar system. However, consumer financing enables households to afford larger systems.

Figure ES-6: Estimated Off-Grid Solar Cash and Financed Market Potential for Household Sector

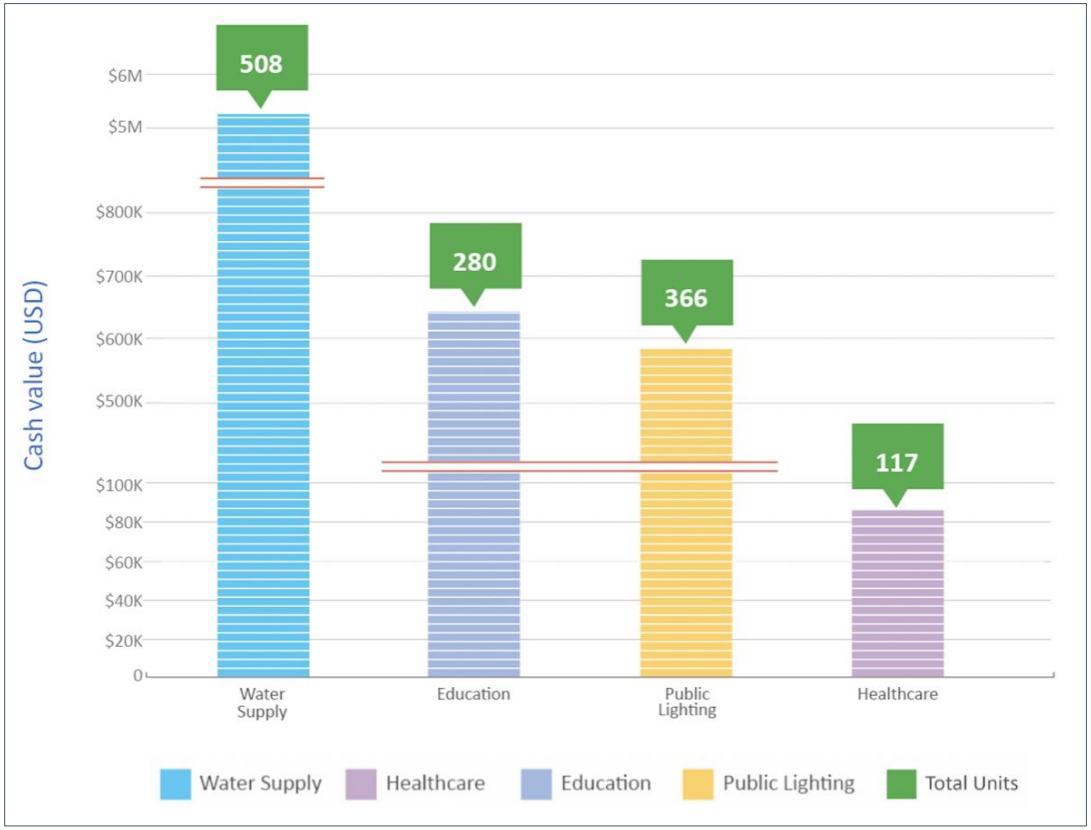
Source: African Solar Designs analysis

Figure ES-7: Estimated Off-Grid Solar Cash and Financed Market Potential for Household Sector by System Type



Source: African Solar Designs analysis

Figure ES-8: Estimated Off-Grid Solar Cash Market Potential for Institutional Sector

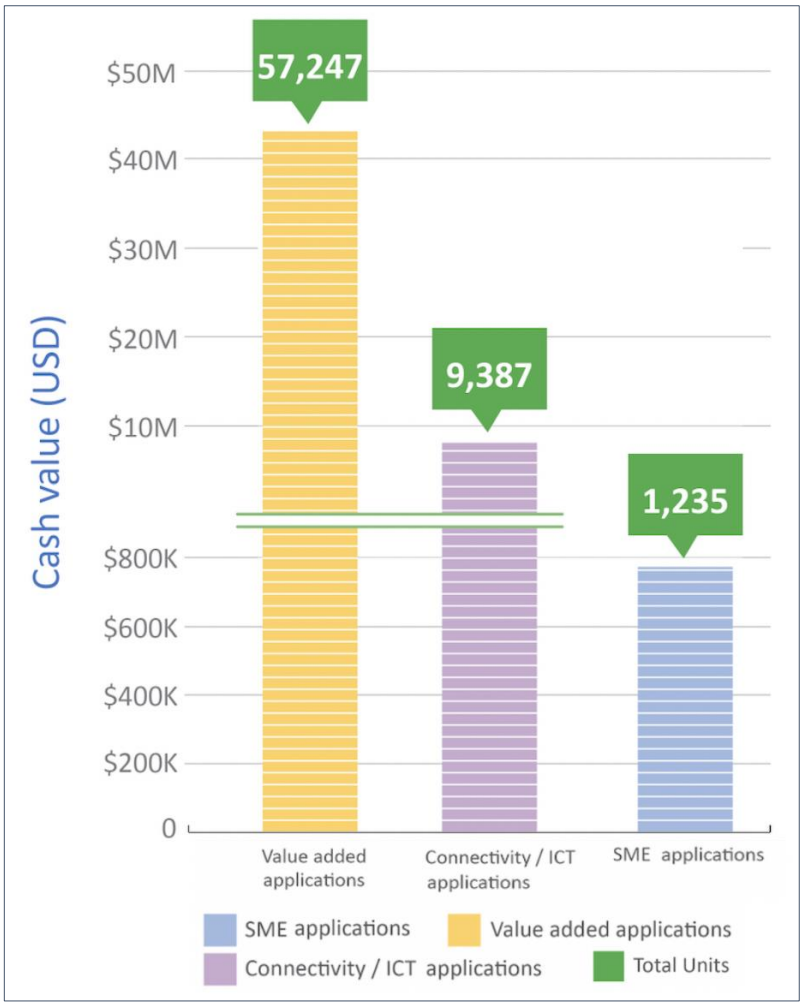


Source: African Solar Designs analysis

The estimated annualized cash market potential for Senegal's public/institutional sector in 2018 is USD 6.5 million (**Figure ES-8**). The institutional market segment with the largest potential is water supply (USD 5.3M), followed by education (USD 642K), public lighting (USD 549K) and healthcare (USD 85K). The water supply sector analysis identified off-grid water points such as boreholes and wells that could benefit from solar technology for water pumping. The healthcare sector analysis identified off-grid health facilities categorized by their size (from basic clinics to enhanced health facilities) that could be electrified by stand-alone systems. The education sector analysis identified primary and secondary schools that could be electrified by stand-alone systems. The public lighting analysis assessed the lighting needs for off-grid villages and market centers (excluding street lighting).

According to the analysis, the annualized off-grid solar cash market potential for the productive use sector in 2018 is USD 52 million (**Figure ES-9**). The estimated demand from value-added applications represents most of the PUE market potential (USD 43.1M), followed by applications for connectivity (USD 8.1M) and SMEs (USD 772K).

Figure ES-9: Estimated Off-Grid Solar Cash Market Potential for Productive Use Sector



Source: African Solar Designs analysis

The value-added applications that were analyzed include solar pumping for agricultural irrigation, solar powered milling and solar powered refrigeration. The assessment utilized a series of inputs, including data from the UN's Food and Agriculture Organization on national agricultural production, as well as applicable solar technologies to support income generation for small shareholder farmers (i.e. solar pumps, mills, and refrigeration systems). Access to energy for agriculture is critical for the country's economic development, particularly given the sector's importance to GDP.

Off-grid solar power supports a wide range of connectivity applications, including mobile phone charging, wi-fi servers, banks, mobile money kiosks, and telecommunications towers. Mobile phone and internet connectivity are also necessary pre-cursors to mobile money and PAYG solutions in the off-grid solar sector. The market sizing examined mobile phone network coverage as well as rates of mobile phone

ownership and mobile internet penetration to estimate the market potential for mobile phone charging enterprises (stations/kiosks).

The calculation of the estimated off-grid solar market for SMEs focused only on barbering and tailoring appliances, which comprises a small portion of overall SME sector demand. These two microenterprises are indicative of the service-based SME off-grid solar market, as they benefit significantly from extended working hours and the use of modern appliances/machinery. The estimated demand for this market segment is therefore intended to provide a baseline for future research, as a more robust analysis would be necessary to assess realistic demand from all SMEs.

It should be noted that the Task 2 market sizing assesses the total *potential* demand for off-grid solar, as well as variables that affect demand, such as changes in population density, household income, expansion of national grids and access to finance, among other factors. This data will support policymakers and practitioners as they assess market potential over time. However, the quantitative demand estimate has not been revised to reflect *realistic* market potential. Many other factors and market failures will prevent the full realization of this total market potential, and these will vary by market segment.

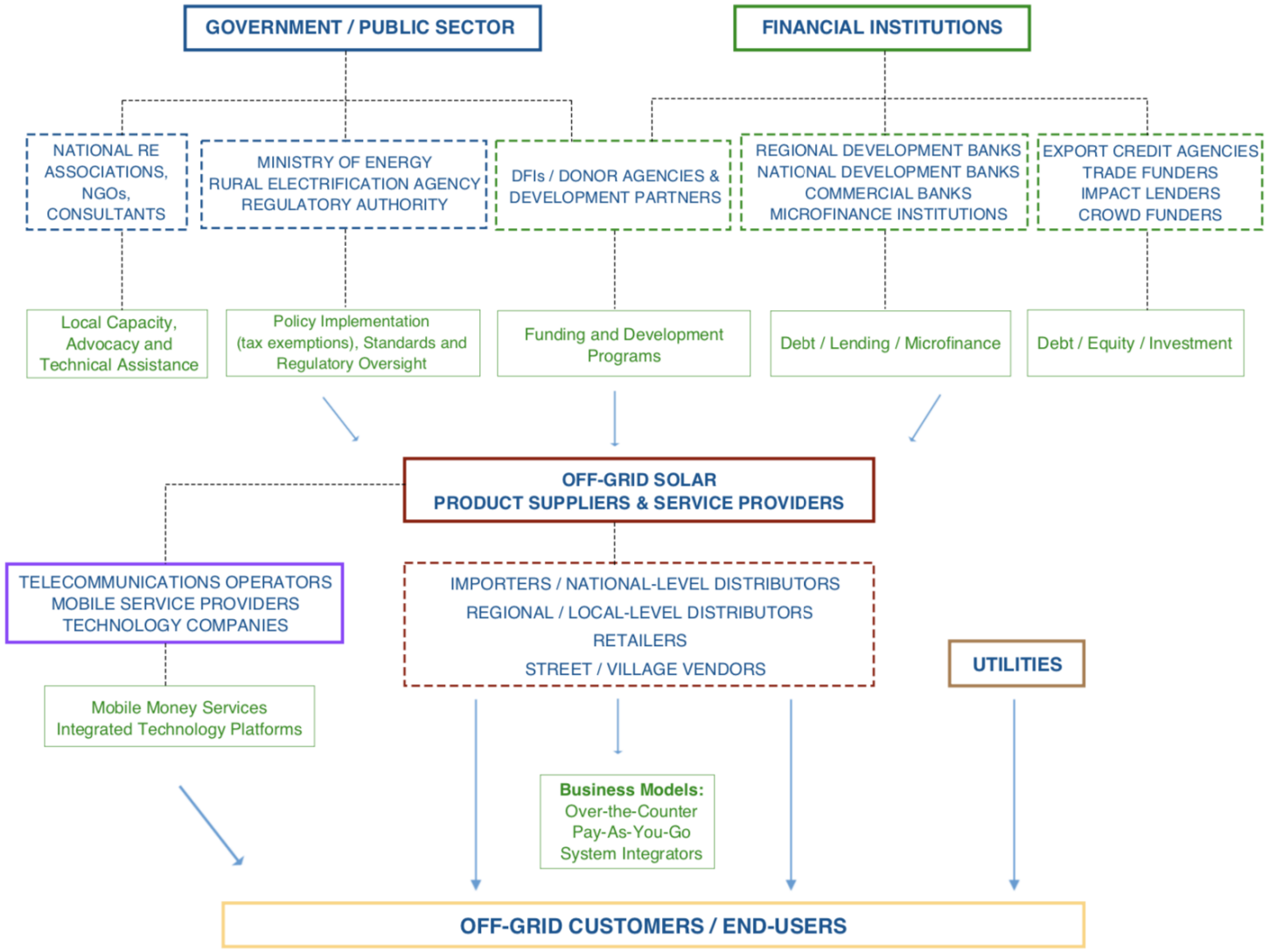
For household demand, the off-grid solar market is already tangible. Still, many factors will affect household demand for solar products, such as distribution realties, consumer education, competing economic priorities for households, financial shocks, etc. The institutional market will be affected largely by government and donor budget allocations along with the potential for community-based finance. The productive use market is perhaps the least concrete. Considered a relatively new market segment for the off-grid solar industry, productive use market dynamics are not yet well understood. The ability to realize potential productive use market demand will also be affected by many of the factors that commonly determine enterprise prospects in the country, including infrastructure, rural distribution, marketing, access to finance, insecurity, regulation, etc. The data presented in this report is intended to provide a baseline for future research.

Following the estimates of market demand, this report analyzes the supply chain for off-grid solar products and services in Senegal, which includes a wide range of stakeholders, including importers, distributors, wholesalers, retailers and end-users (**Figure ES-10**). The solar supply chain is made up of both formal and informal companies that offer a variety of solar products and systems and deploy several business models. Rural households make up the main market for OGS products in the country, as the demand for lighting products and household electrical appliances is growing. Nevertheless, urban households, both electrified and non-electrified, are also a key consumer market, as they may have greater ability to afford solar products and systems.

The off-grid solar supply chain faces several barriers, including competition from the informal market. The widespread sale of low-quality, uncertified products undermines consumer confidence in solar equipment, undercuts the prices of sellers of quality-verified products and hinders overall OGS market growth. There are also a number of interrelated challenges and capacity building needs of the supply chain, including financial, capacity, awareness and regulatory challenges.

Senegal's nascent solar market is poised to grow if requisite technical assistance is provided to the supply chain. To operate effectively, companies need a significant amount of both local and international technical and financial expertise, as well as an ability to make practical decisions about their operations. Companies must manage a number of technical competency requirements, including the selection of business models, importation and distribution channels, solar PV technologies, as well as the design and implementation of associated marketing instruments and related initiatives.

Figure ES-10: Off-Grid Solar Market and Supply Chain Overview



Source: GreenMax Capital Advisors

Local industry and supply-chain stakeholders who participated in the Task 2 focus group discussions and surveys identified the following key barriers to and drivers of OGS market growth in Senegal:

Key Barriers to Off-Grid Solar Market Growth
• Low consumer purchasing power and lack of consumer financing options
• Low levels of consumer awareness of solar solutions, particularly in rural areas
• Lack of financing for solar companies
• Informal sector competition and market spoilage
• Lack of local capacity/qualified technicians to maintain systems
• High transaction costs associated with equipment inventory, distribution, importation, taxation etc.
• Insufficient or fragmented market data on consumer electricity needs, usage or experience
Key Drivers of Off-Grid Solar Market Growth
• Strong off-grid electricity demand
• Government policy and action is supportive of the industry, which helps attract substantial/sustained investment to the market
• Growing penetration of mobile money services allows OGS companies to increasingly utilize integrated technology platforms and innovative business models to offer PAYG consumer financing solutions to the market
• Extensive private sector engagement in development of the off-grid sector, with companies adopting new business models and strategies to attract external investment and expand their operations
• Strong donor presence and support from the international development community provides confidence that the market will continue to receive financial, policy and technical support necessary to develop (e.g. CEADIR, SUNREF)

Source: Focus Group Discussions; Stakeholder interviews; African Solar Designs analysis

Access to financing is critical for off-grid solar market growth. Solar companies need financing for working capital needs, while off-grid solar consumers need financing for the purchase of systems. This report analyzes the willingness and capacity of national and regional financial institutions to provide financing to businesses and consumers in Senegal and throughout the region to support development of the OGS sector. In addition to commercial banks and microfinance institutions, impact investors and crowd funders are also active in several markets across the region.

Although access to banking and financial services through formal institutions remains limited, Senegal is experiencing a sharp increase in the availability and usage of digital financial services and mobile banking, driven by widespread mobile phone ownership, rapidly growing mobile internet usage and network coverage. This dynamic is driving greater financial inclusion; in 2017, 42% of the country's adult population had an account at a financial institution or with a mobile money service provider, up from 6% in 2011, which is well above the West Africa and Sahel region average and nearly equivalent to the average for Sub-Saharan Africa. Despite this overall improvement, there is still a significant gender gap in rates of access to financial services, as women in Senegal are 9% less likely than men to have an account at a financial institution or with a mobile money service provider.[29] Expanding mobile money services can create new opportunities to better serve women, the lower-income population, and other groups that are traditionally excluded from the formal financial system. Moreover, mobile money technology also plays a critical role in the application of off-grid solar solutions, particularly for PAYG systems that rely on the interoperability between digital financial services and stand-alone solar devices.

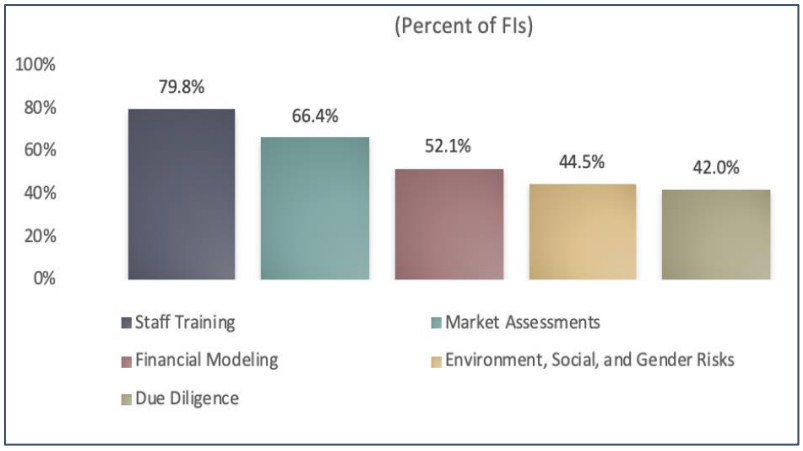
While there are several donor and DFI-funded programs and initiatives that have provided financing to support the development of Senegal's OGS market, these funds have not been channeled through local commercial banks or MFIs to finance the sector. ROGEP is therefore a pioneering initiative in the country, as it endeavors to boost OGS lending via engagement with local financial partners. Local FIs are increasingly becoming more aware of off-grid sector opportunities thanks to initiatives such as USAID's Climate Economic Analysis for Development, Investment, and Resilience (CEADIR) program, as well as

[29] Demirguc-Kunt, A., Klapper, L., Singer, D., Ansar, S., and Hess, J., "The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution," World Bank, (2017): http://documents.worldbank.org/curated/en/332881525873182837/pdf/126033-PUB-PUBLIC-pubdate-4-19-2018.pdf

AFD's Sustainable Use of Natural Resources and Energy Finance (SUNREF) West Africa program. SUNREF has been active in Senegal since 2014 and has supported several projects, many of which utilize stand-alone solar technology.

According to the Task 3 survey of financial institutions in Senegal and across the region,[30] there is strong interest to provide financing to the off-grid solar sector. Respondents identified loan guarantees and credit lines as the most important measures to reduce market entry risks for lenders and stimulate FI engagement in the sector. Surveyed FIs also identified several areas of internal capacity that require improvement in order to lend (or increase lending) to the OGS sector (**Figure ES-11**). The most common need among FIs was training for bank staff, which includes *inter alia* assistance to originate deals and appropriately assess the credit risk of off-grid solar firms and projects, due diligence support to qualify products and approve vendors, and targeted support for new lenders to the sector with product structuring and development as well as building deal-flow. Technical assistance for solar enterprises (as is envisioned under Component 1B of ROGEP) will also be necessary, as entrepreneurs often do not have proper financial management and accounting systems in place, are unable to present quality financial models and lack the expertise required to structure their companies to take on debt obligations.

Figure ES-11: Financial Institution Needs to Increase Off-Grid Solar Lending



Source: Financial Institution survey; Stakeholder interviews; GreenMax Capital Advisors analysis

Gender inclusiveness is also a key component of this market assessment, and the key findings of the gender analysis are presented throughout this report. Given that the off-grid market is only beginning to emerge in Senegal, women are not yet highly engaged in the sector. The overall lack of inclusive participation in the off-grid space is attributable to a wide range of factors. A 2018 survey conducted by IRENA found that nearly three-quarters of respondents cited cultural and social norms as the most common barrier to women's participation in expanding energy access, which reflects the need for gender mainstreaming (**Figure ES-12**). More than half of the women surveyed in Africa identified a lack of skills and training as the most critical barrier, compared to just one-third of respondents globally.[31] The same survey found that access to necessary technical, business or leadership skills development programs was the single most important measure that could be taken to improve women's engagement in energy access. Over half of survey respondents also highlighted the need to integrate gender perspectives in energy access programs, mainstream gender in energy policies and to enhance access to financing for women (**Figure ES-13**).[32]

[30] The results are based on feedback from a total of 121 FIs (including commercial banks, microfinance institutions and other non-bank FIs) that were interviewed across the 19 countries.
[31] "Renewable Energy: A Gender Perspective," International Renewable Energy Agency, (2019): https://irena.org/-/media/Files/IRENA/Agency/Publication/2019/Jan/IRENA_Gender_perspective_2019.pdf
[32] Ibid.

Figure ES-12: Key Barriers to Women's Participation in Energy Access

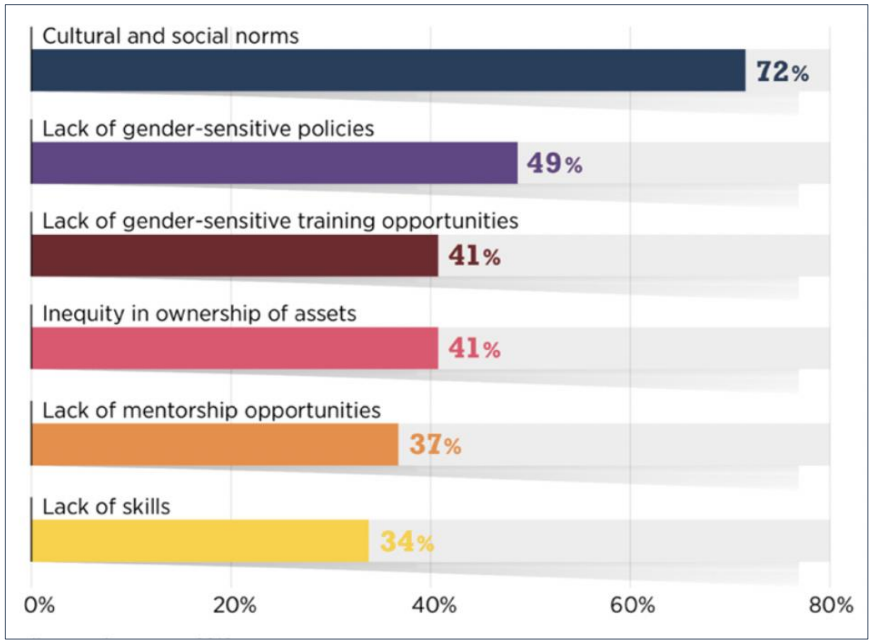
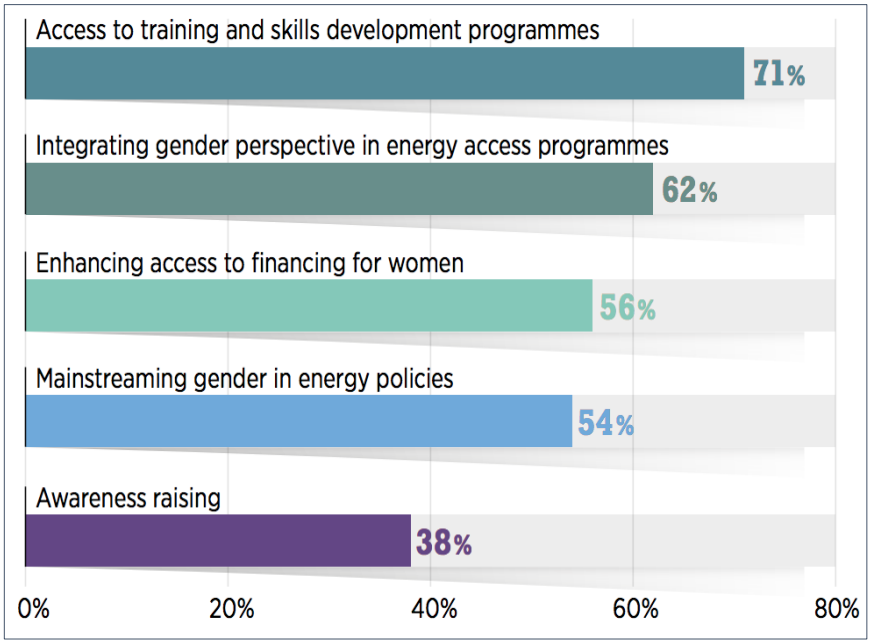


Figure ES-13: Measures to Improve Women's Engagement in Energy Access



Source: International Renewable Energy Agency

The gender analysis undertaken in Senegal corroborated many of these findings and revealed several interrelated challenges that women face in the off-grid sector, including lack of access to skills development, technical capacity building, and education/training; lack of access to capital, asset ownership, collateral and credit (e.g. to start a business); and low rates of financial literacy due to a lack of education and information available to women on access to financial resources.

A number of initiatives exist that seek to address some of these challenges and help improve gender inclusion in the country's energy and off-grid sectors. For example, in 2018, ECREEE partnered with AfDB to launch a regional workshop to advance the participation of women in the renewable energy sector. The program intends to address the lack of female inclusion in the energy value chain, as women represent only 2% of energy sector entrepreneurs in West Africa. The joint initiative ultimately seeks to develop a pipeline of investment-ready, women-owned energy businesses across the region, including in Senegal.[33]

[33] "Feasibility study promotes women's participation in energy transition," ESI Africa, (7 May 2018): https://www.esi-africa.com/feasibility-study-promotes-womens-participation-in-energy-transition/

I. STATE OF ENERGY ACCESS AND ENABLING MARKET ENVIRONMENT

This section begins with a brief introduction of key macroeconomic and social indicators in Senegal (**Section 1.1**). This is followed by an overview of the country's existing energy sector (**Section 1.2**), with a focus on the status of energy access, including an assessment of both the on-grid and off-grid markets, a least-cost electrification analysis and a review of gender policies. **Section 1.3** examines national energy policy and regulation vis-à-vis the off-grid solar market, including detailed analysis of the existing framework for stand-alone systems[34] in Senegal as well as gaps in the framework. **Section 1.4** is a summary of all relevant national and donor-funded development initiatives in the off-grid sector. **Annex 1** provides an overview of the Task 1 methodology.

1.1 Country Overview

The Government of Senegal (GoS) has made progress in implementing economic reforms and strategic public investment projects to boost growth under its Emerging Senegal Plan (Plan Sénégal Emergent, PSE).[35] Economic growth is projected to increase from an estimated 6.8% in 2017 to 7% in 2018.[36] The country's key export industries include phosphate mining, fertilizer production, agricultural products, and commercial fishing, while the agriculture sector employs nearly three-quarters of the population. Senegal relies on donor aid, remittances, and foreign direct investment (FDI), and has a particularly high share of FDI as a percentage of GDP. The country's macroeconomic gains have not translated into improvements for the majority of the population, as poverty is widespread, particularly in rural areas where a majority of the population lives.

Table 1: Macroeconomic and Social Indicators

Population	15.8 million[37]
Urban Population	43.7% of total
GDP	USD 21 billion
GDP growth rate	6.8%
GNI per capita*	USD 1,240
Unemployment rate	4.85%
Poverty rate	46.7% (2011)
Urban	33.1%
Rural	57.1%
Currency	West African CFA franc (CFA)
Official language	French
Natural resources	Agricultural (cotton); Ores (phosphate, iron ore, gold, titanium)

* World Bank Atlas method (current USD)[38]

All figures from 2017 unless otherwise indicated
Source: AfDB and World Bank

[34] NOTE: The term "off-grid" as it is widely used throughout this report (e.g. "off-grid sector") refers to both mini-grids and stand-alone systems. When "off-grid solar" or its acronym "OGS" are used, this refers *only* to stand-alone systems and does not include mini-grids
[35] "Emerging Senegal Plan," Presidency of Senegal, (2014): http://allafrica.com/infocenter/PSE_2015/
[36] "Senegal Economic Outlook," African Development Bank, (2018): https://www.afdb.org/en/countries/west-africa/senegal/senegal-economic-outlook/
[37] 50.9% female/49.1% male
[38] "World Bank Open Data: Senegal," World Bank, (2018): https://data.worldbank.org/country/senegal

1.2 Energy Market

1.2.1 Energy Sector Overview

The GoS implemented various institutional reforms in 1998 that led to the division of the electricity sector into three entities – SENELEC, the utility, the National Rural Electrification Agency (Agence Sénégalaise d'Électrification Rurale, ASER), and the Electricity Regulatory Board (Commission de Régulation du Secteur de l'Électricité, CRSE).[39] Overall, the sector is governed by the Ministry of Petroleum and Energy (MPE). Senegal was one of the first African countries to liberalize its power sector to allow for private sector participation. Independent Power Producers (IPPs) generate nearly half of the country's electricity. In the off-grid sector, ASER is responsible for management of the country's rural concession areas.

Table 2: Institutional Actors in the Energy Sector

Institution / Company	Role in the Energy Sector
Ministry of Petroleum and Energy (Ministère du Pétrole et des Énergies, MPE)	Ministry responsible for overseeing formulation and coordination of energy sector policies, laws, and strategies in Senegal. MPE is also authorized to issue SENELEC with directives.
National Electricity Utility of Senegal (Société National d'Électricité, SENELEC)	National utility which currently owns approximately 50% of Senegal's installed capacity, with the remainder being generated IPPs. SENELEC has a monopoly on both the transmission and distribution of electricity.
Electricity Regulatory Board (Commission de Régulation du Secteur de l'Électricité, CRSE)	Independent regulatory authority in charge of the regulation of power production, distribution, and sale.
National Rural Electrification Agency (Agence Sénégalaise d'Électrification Rurale, ASER)	National agency, founded in 2000, oversees off-grid rural electrification through the implementation of the country's rural electrification programs
National Agency for Renewable Energy (Agence Nationale pour les Energies Renouvelables, ANER)	National agency responsible for (i) the promotion and development of alternative energies; (ii) contributing to the development of an attractive legislative and regulatory framework for the development of renewable energy; (iii) identifying, evaluating and exploiting the potential for renewable energy resources available; (iv) and conducting prospective and strategic studies for the development of renewable energy.
National Agency for Energy Efficiency (Agence pour L' Economie Et La Maitrise De l'Énergie, AEME)	National agency established in 2011 responsible for promoting energy efficiency in all sectors of the economy and for implementing all energy efficiency policies, laws and strategies in Senegal.

Source: ECOWAS Center for Renewable Energy and Energy Efficiency

1.2.2 Electricity Access: *Grid and Off-Grid*

Due to the early adoption of a supportive regulatory framework, Senegal has achieved substantial energy access gains compared to many other countries in the region. In 2016, about 36% of the population – an estimated six million people – did not have access to electricity, with a significant disparity in rates of access between urban (90%) and rural (43%) areas.[40] Rural electrification is a policy priority for the GoS, which aims to achieve universal access by 2025. In is estimated that for Senegal to achieve this target, investment in sustainable energy must increase by a factor of five over the next decade.[41]

[39] "Senegal—Enhanced Structural Adjustment Facility Policy Framework Paper," IMF: https://www.imf.org/external/np/pfp/senegal/seng-01.htm
[40] "Energy Access Outlook, 2017: From Poverty to Prosperity," International Energy Agency, (2017): https://www.iea.org/publications/freepublications/publication/WEO2017SpecialReport_EnergyAccessOutlook.pdf
[41] "What Senegal needs to do to close its energy gap by 2030," The Conversation, (2018): http://theconversation.com/what-senegal-needs-to-do-to-close-its-energy-gap-by-2030-88575

1.2.2.1 Off-Grid Market Overview

Senegal's Rural Electrification Action Plan (Plan d'Action Sénégalais d'Électrification Rurale, PASER) was initially adopted in 2009 with the objective of increasing the rural electrification rate to 60% by 2022 by electrifying 1,000 rural villages through a combination of grid extensions, solar home systems (SHS) and isolated diesel off-grid systems.[42] PASER also established an institutional framework for rural electrification by (i) creating ASER and CRSE; (ii) promoting PPPs in rural electricity distribution; and (iii) launching the Rural Electrification Fund (Fond d'Electrification Rurale, FER). Under PASER, private companies are awarded concessions to construct, operate and maintain new electricity connections for rural households. To achieve the program's objectives, ASER provides RE concession contracts to private operators through a process of competitive bidding in order to accelerate sustainable energy development and increase the financial resources allotted to rural electrification.

In this context, Senegal has introduced both small-scale and large-scale concessions. The country's small-scale concession scheme, Local Initiatives for Rural Electrification (Electrification Rurale d'Initiatives Locales, ERILS), subsidizes initial investment of local electrification initiatives to accelerate development of off-grid areas. The large-scale concession scheme, Priority Programs for Rural Electrification (Programmes Prioritaires d'Electrification Rurale, PPER), awards large-scale rural concessions to private operators for a period of 25 years.

Prior to the implementation of the concessions system, which allowed private players to enter the sector in 2000, Senegal had a rural electrification rate of 8%. By 2016, the rural electrification rate was slightly above 40%. Despite this overall improvement, the pace of rural electrification has been slower than expected, in large part due to underperformance of PASER. The program's private rural concession scheme has experienced many difficulties and obstacles in its implementation; as a result, in 2018 PASER was replaced by the National Rural Electrification Program (Programme National d'Électrification Rurale, PNER). The SE4ALL Action Agenda and Investment Prospectus aimed to mobilize funding necessary to implement PNER and achieve universal access by 2025.[43]

There are two main phases to PNER, which aims to achieve universal access by 2025 (**Figure 1**):

(i) Complete the National "Urgency" Plan for Rural Electrification (Programme National d'Urgence d'Électrification Rurale, PNUER), initially slated to take place from 2015-2017 (**Figure 2**); and
(ii) Implement the "Universal Access Complementary Program" from 2018-2025.

There are several other related previous and ongoing Government-funded off-grid development programs and initiatives including (i) the Emergency Community Development Program (Programme d'Urgence de Développement Communautaire, PUDC), which is also supporting implementation of the PNUER,[44] and (ii) the Multi-Sector Energy Program (Programme Énergétique Multisectoriel, PREM), which aims to install solar PV systems in off-grid schools, health clinics and in remote villages (see **Section 1.3** and **Section 1.4** for more details on these and other programs).

[42] "Senegal Rural Electrification Program, Appraisal Document", The World Bank, (2016): http://documents.banquemondiale.org/curated/fr/787931481735539674/pdf/PIDISDS-APR-Print-P158709-12-14-2016-1481735534157.pdf
[43] "Senegal's SE4ALL Rural Electrification: Action Agenda and Investment Prospectus," Gesto Energia, SA, (June 2018): http://gestoenergy.com/wp-content/uploads/2019/04/Gesto_Senegal_EN.pdf
[44] "Senegal: Programme d'Urgence de Développement Communautaire," UNDP, (2013): http://www.sn.undp.org/content/senegal/fr/home/operations/projects/poverty_reduction/programme-d-urgence-de-developpement-communautaire.html

Outside of these Government-funded programs, there have also been several off-grid solar initiatives undertaken by several donor agencies in collaboration with the private sector (see **Section 1.4**). One of the largest off-grid projects was the overhaul of 20 mini-grids with solar PV, an initiative led by GIZ, in partnership with ASER and CRSE in 2013.[45] In 2016, Solar Village Project – a solar installer that works in Senegal and India – introduced off-grid solar systems in Senegalese villages in the Shale and Littoral regions and is working with the GoS to developing additional off-grid solar power projects. Also noteworthy is the Sustainable Development by Renewable Energy in South-East Senegal project (DPER-SE), financed by the European Union and coordinated by ECREEE and ASER, which aims to install 40 solar mini-grids across the country.

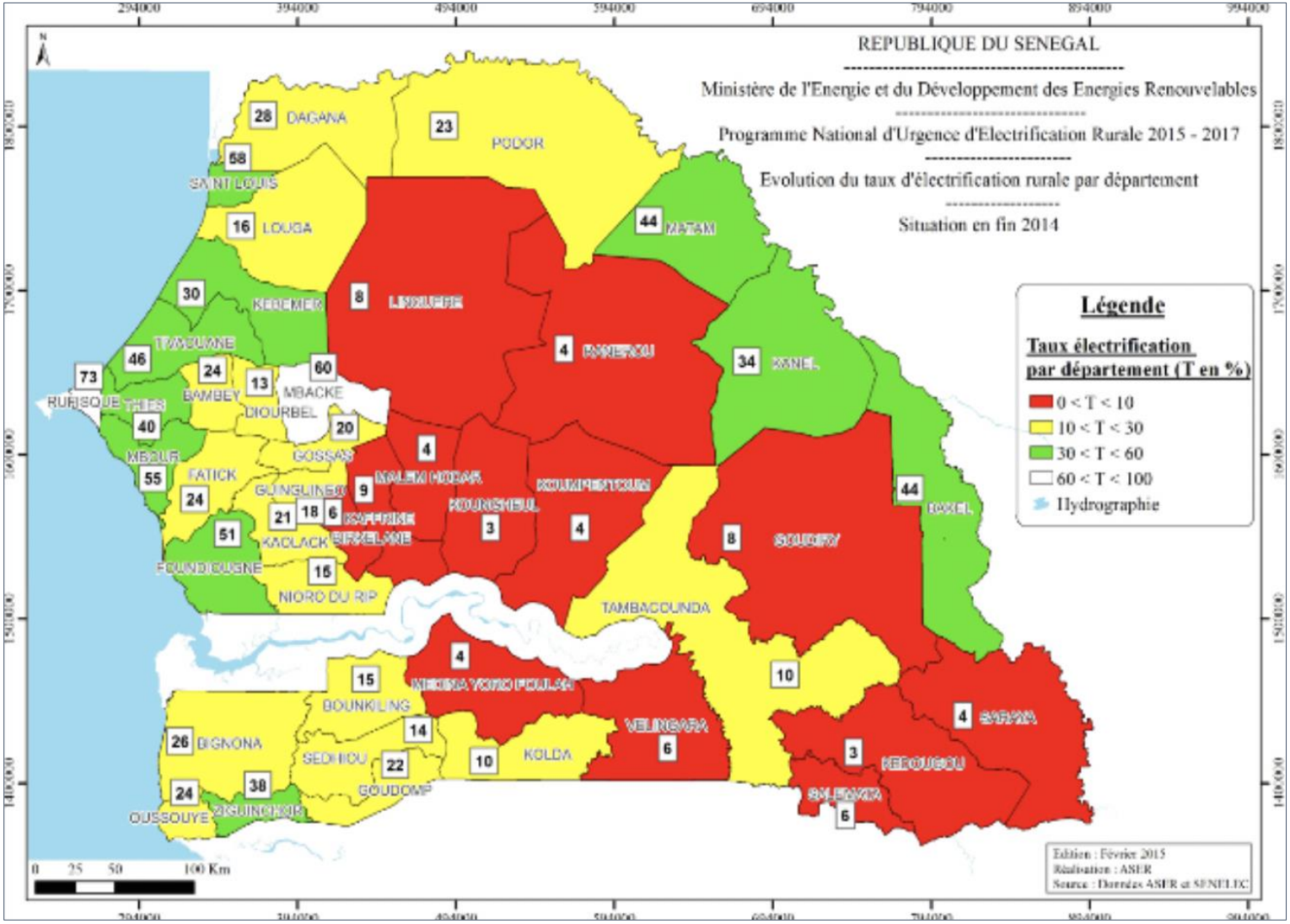
Figure 1: Key Objectives of the National Rural Electrification Program (PNER)

PLANS	PNER		
PROGRAMS	Programs and projects in progress	PNUER	Universal Access Complementary Program by 2025
PROJECTS	- The 6 existing concessions - The ERIL projects - The project owner delegate conventions nº17, 19, 20 - The Spain's debt cancellation project - The convention of PPP - The community Development Emergency Program	- Component 1: "Dorsales" - Component 2: Electrification of settlements near the grid - Component 3: Grid densification - Component 4: Electrification via diesel or hybrid mini-grids	- Allocation of the remaining concessions - Least cost network planning for universal access (SE4ALL initiative)
OBJECTIVES	To reach an electrification rate of 60% in 2017: approximately 450 000 households		Taux An electrification rate of 100% in 2025: approximately 970 000 households

Source: ASER

[45] "Success Factors for The Implementation of Mini-Grids, GIZ, (2013): https://www.giz.de/fachexpertise/downloads/giz2013-en-franz-pep-informationsworkshop-minigrids.pdf

Figure 2: Electrification Rates by Department, 2014



Source: MPE

1.2.2.2 Demand and Supply/Generation Mix

The majority of Senegal's electricity is generated from thermal power, mainly heavy fuel oil and diesel power plants. Senegal has significant untapped renewable energy potential, including a particularly strong solar resource. The country imports hydroelectric power from the Senegal River Basin Development Organization (Organization pour la Mise en Valeur du fleuve Sénégal, OMVS).[47] SENELEC operates about half of the installed capacity, while two large private IPPs – GTI-Dakar and Eskom Energy Manatali – own and operate the balance.[48]

Table 3: Electricity Sector Indicators, 2017[46]

Installed Capacity	928 MW
Thermal	826 MW
Hydropower (imported)	81 MW
Renewable (non-hydro)	102 MW
National electrification rate (2016)	64%
Urban electrification rate	90%
Rural electrification rate	43%
Population without access	5.7 million
Households without access	687,000
Electrification target	Universal access by 2025

Source: SENELEC, IEA, SEforALL and World Bank

Demand for electricity has steadily risen over the past several years and is projected to continue growing over the next decade. To meet rising demand, the GoS intends to increase domestic supply as well as imports from the OMVS. SENELEC will expand existing diesel generation capacity and also aims to develop recently discovered off-shore natural gas.[49]

The Government also intends to increase the share of renewable energy in the electricity mix through 2030, with additions of hydropower, solar, and wind capacity **(Table 4)**. In 2018, Senegal's Scaling Solar program achieved a solar tariff of EUR 3.80/kWh (CFA 24.9/kWh) – approximately 60% lower than any previously agreed upon solar tariff in Senegal – to develop solar projects in the country.[50] Also in 2018, the 158 MW Taiba Ndiaye wind power project reached financial close, with construction scheduled to begin in 2019.[51] In rural areas, solar PV systems have increasingly been used for electrification, utilizing both mini-grids and stand-alone solutions.

Table 4: Current and Planned Installed Capacity[52]

Installed Capacity (MW)	2017	2020 (planned)	2030 (planned)
Thermal	826	1,024	1,024
Hydro (imported)	81	81	225
Solar	102	172	257
Wind	-	150	150
Total Installed Capacity (MW)	**928**	**1,427**	**1,656**
Total thermal	826	1,024	1024
Total renewable energy	102	403	632

Source: SEforALL Action Agenda and Investment Prospectus

[46] See **Section 2.1** for more details on households/population without access to electricity.
[47] Senegal benefits from part of the exploitation of the hydroelectric power stations of Manantali (66 of 200 MW) and Félou (15 of 60 MW), which are located in Mali.
[48] "Power Africa Senegal Fact Sheet," USAID, https://www.usaid.gov/powerafrica/senegal
[49] "Senegal," RECP, (2017): https://www.africa-eu-renewables.org/market-information/senegal/
[50] "Senegal Achieves Remarkable 3.8€¢ Tariff with Scaling Solar," World Bank, (April 5, 2018): https://www.scalingsolar.org/senegal-announces-winner-under-scaling-solar-tender/
[51] "Taiba Ndiaye wind power development in Senegal reached financial close," (August 13, 2018): https://www.evwind.es/2018/08/13/taiba-ndiaye-wind-power-development-in-senegal-reached-financial-close/64215
[52] "Senegal's SE4ALL Rural Electrification: Action Agenda and Investment Prospectus," Gesto Energia, SA, (June 2018): http://gestoenergy.com/wp-content/uploads/2019/04/Gesto_Senegal_EN.pdf

Due to the high cost of power generation in Senegal, electricity tariffs are among the highest in the region. The average price of electricity for households is $0.22/kWh, which is subsidized and does not reflect the full cost of production.[53] In 2017, the Government announced a 10% reduction in electricity tariffs following a marked improvement in electricity supply mostly due to lower oil prices and the improved financial situation of SENELEC.[54]

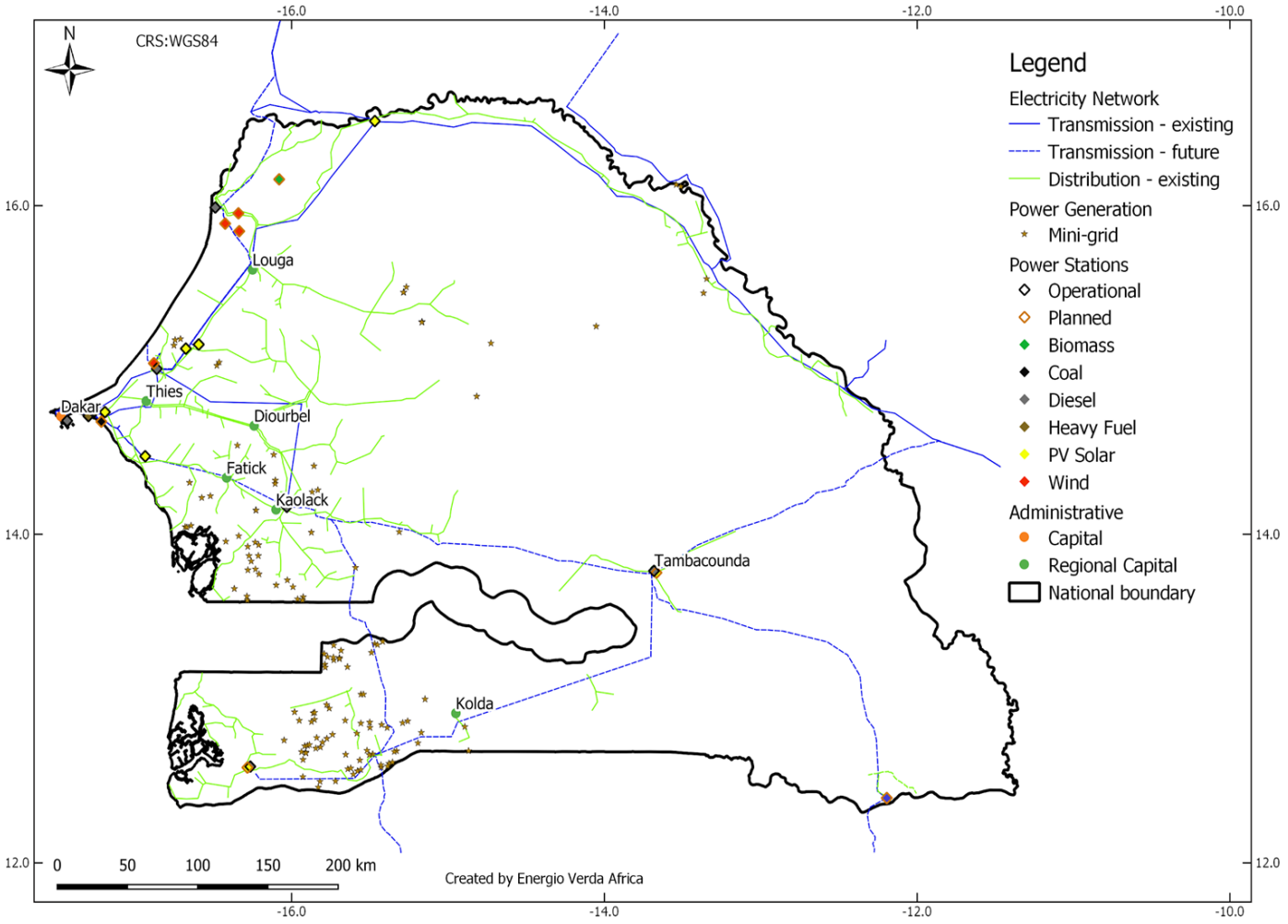
1.2.2.3 Transmission and Distribution Network

SENELEC has a monopoly over transmission and distribution of electricity in Senegal (**Figure 2**). Although improvements have been made to the country's electricity network, the quality of power supply is still unreliable (**Figure 3**). A Government commissioned study assessed power transmission losses to be 19% in 2017. There are entire districts in Senegal that still experience load shedding for extended periods of time. Most of these transmission inefficiencies are a result of outdated power plant equipment. The GoS has identified grid transmission network refurbishment as a key priority to help decrease overall production costs.[55]

Overall, a significant gap exists between the infrastructure needs of the power sector and the availability of resources to be invested in grid maintenance and extension to rural areas. The Government recently selected a private contractor, VINCI Energies, to install five new extra high voltage transformer stations and a regional load dispatch center. The project, financed by a pool French and Senegalese lenders, is part of SENELEC'S transmission and distribution grid expansion plan and will cost EUR 197 million over the course of 36 months.[56]

[53] "Regulatory Indicators for Sustainable Energy: Senegal," World Bank, (2016): http://rise.worldbank.org/country/senegal
[54] "Senegal Lowers Price of Electricity by 10%," AfricaNews, (1 January 2017): http://www.africanews.com/2017/01/01/senegal-lowers-price-of-electricity-by-10-percent//
[55] "Senegal", RECP, (2017): https://www.africa-eu-renewables.org/market-information/senegal/
[56] "VINCI Energies wins a major contract to expand the electricity grid in Senegal," VINCI Energies, (2018): https://www.vinci.com/vinci.nsf/en/press-releases/pages/20180202-1745.htm

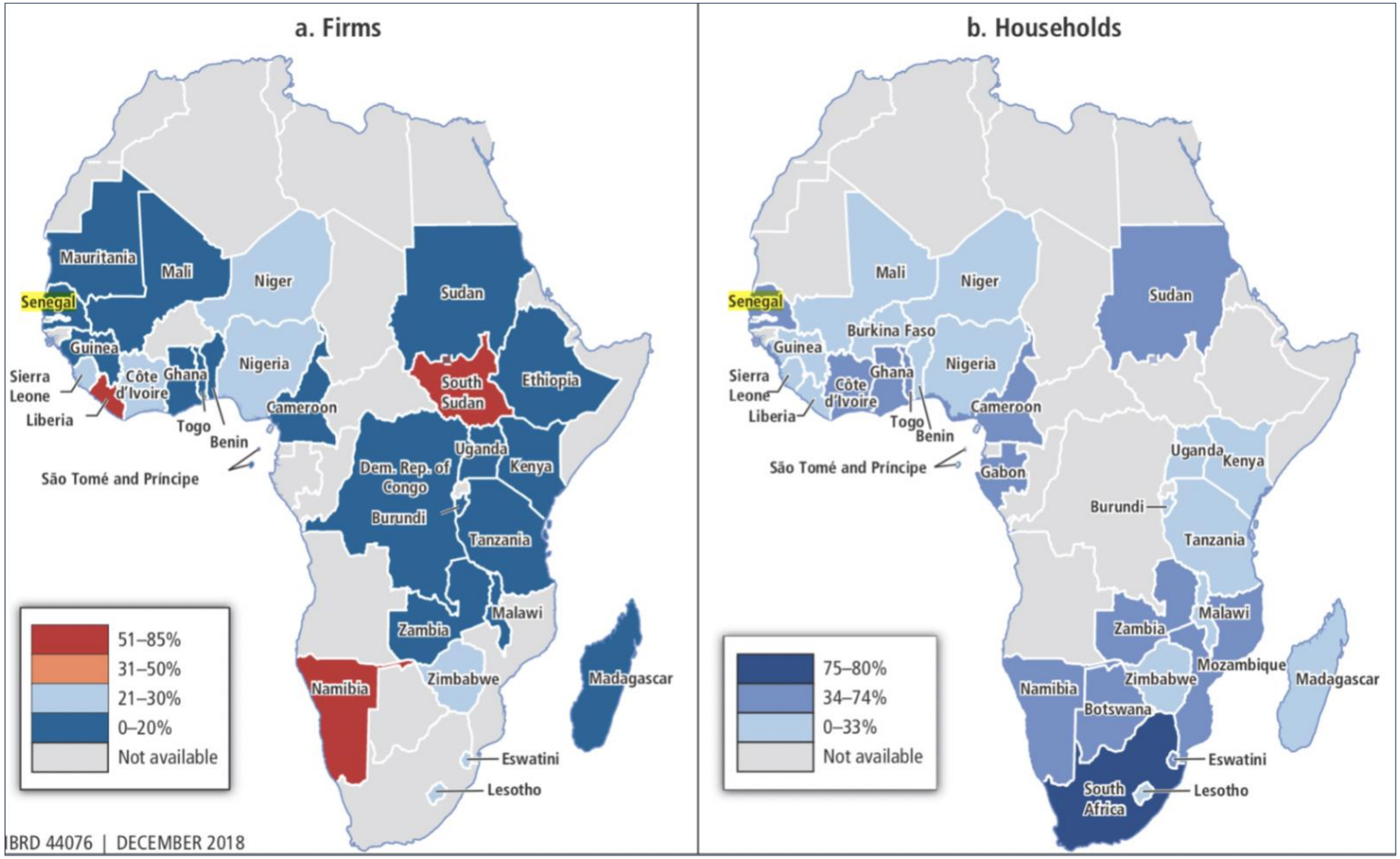
Figure 3: Electricity Transmission and Distribution Network[57]



Source: Energio Verda Africa GIS analysis

[57] See **Annex 1** for more details, including data sources.

Figure 4: Access to Reliable Electricity by Firms and Households in Africa[58]



Source: World Bank Enterprise Surveys, 2013-2017 and Afrobarometer Household Surveys, 2014-2015

The maps in **Figure 3** illustrate the share of firms (Panel a) and households (Panel b) reporting access to a reliable supply of electricity. In Senegal, fewer than one-fifth of surveyed firms and about half of surveyed households reported having reliable access to electricity.

[58] Blimpo, M., and Cosgrove-Davies, M., "Electricity Access in Sub-Saharan Africa: Uptake, Reliability, and Complementary Factors for Economic Impact," AFD and World Bank, Africa Development Forum, (2019): https://openknowledge.worldbank.org/bitstream/handle/10986/31333/9781464813610.pdf?sequence=6&isAllowed=y

1.2.2.4 Least-Cost Electrification Analysis

A least-cost electrification analysis has been performed to assess the potential development of electricity access in Senegal through 2023 and through 2030 ("Scenario 2023" and "Scenario 2030").[59] The analysis identifies the scale of market opportunities for off-grid stand-alone solar electrification. A brief summary of the approach and methods used, main assumptions and key results of the analysis in Senegal are outlined below. Additional geographic information system (GIS) information, including categorizations, key definitions, and datasets are included in **Annex 1**.

- **Methodology**

This analysis uses geospatial techniques to determine the least-cost electrification options for settlements across Senegal based on their proximity to electrical infrastructure, population density or nodes of economic growth.

For the scenario 2023 analysis, it is assumed that widespread densification of the existing electrical grid will enable settlements within 5 km of existing grid lines to connect to the grid (according to WAPP densification plans).[60] Beyond this area, the likely candidates for electrification by mini-grid systems are settlements that are relatively dense (above 350 people/km^2) and have active local economies, evidenced by the presence of social facilities and by their proximity to other settlements already with electricity access (i.e. within 15 km of night-lights areas). All remaining settlements – those in areas of lower population density (below 350 people/km^2) or far from the national grid – are considered as candidates for off-grid stand-alone systems.

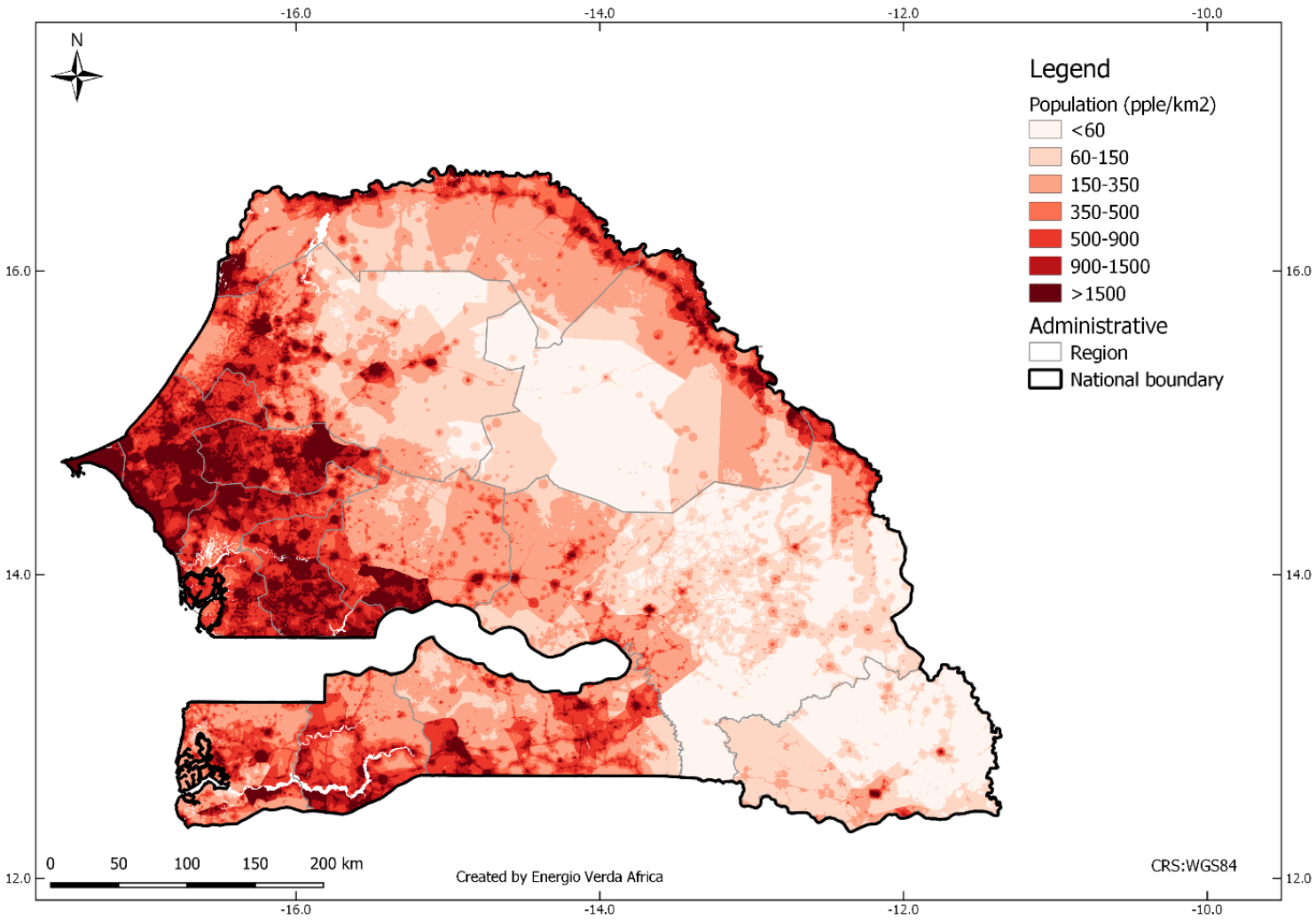
For the scenario 2030 analysis, it is assumed that the grid and the reach of grid densification efforts will extend far beyond the existing network. Hence, settlements that are within 15 km of current lines (average densification distance announced by utilities across West Africa in a 10-year timeline in personal interviews) and 5 km of future planned high voltage line extensions are assumed to be connected.[61] For mini-grids, future economic development – which will allow new settlements to grow sufficiently to become candidates for mini-grids – is assumed to occur in settlements within 1 km of mini-grid settlements (average distance of mini-grid coverage of different developers) identified in the scenario 2023 analysis, as well as within 15 km of economic growth centers – airports, mines and urban areas. All other settlements are considered as candidates for off-grid stand-alone systems.

Given the lack of low voltage distribution line data, it is necessary to approximate areas where un-electrified settlements in close proximity to the grid exist. The analysis therefore focuses on settlements that are within 5 km of the high and medium voltage network, but that are located beyond 15 km of areas with night-time light emissions (indicative of electrification). Settlements in areas of low population density (below 350 people/km^2) that met the above criteria are identified as both being currently un-electrified and unlikely to be electrified within scenario 2023.[62]

Additional analysis was undertaken to estimate the population within each settlement. The current annual national population growth rate of 2.8%[63] was applied to the geospatial analysis to project population figures for scenario 2023 and 2030 analyses.[64] **Figure 3** illustrates population density across the country, which served as the basis for this analysis.

[59] NOTE: Rather than presenting a 10-year projection through 2028, the analysis conforms to GoS electrification targets for 2030
[60] NOTE: Low-voltage distribution lines were not considered in this analysis (data was unavailable)
[61] NOTE: Planned low- and medium-voltage distribution lines were not available for this analysis.
[62] Note that this analysis was performed for scenario 2023 but not for the scenario 2030 due to uncertainties regarding population densities being too high over such a long timeframe
[63] The World Bank: https://data.worldbank.org/indicator/SP.POP.GROW?locations=SN
[64] See **Annex 1** for the results of this analysis as well as more details on the approach and methods used

Figure 5: Population Density, 2015[65]



Source: Energio Verda Africa GIS analysis

[65] See **Annex 1** for more details, including data sources.

- **Results**

Table 5 summarizes the results of the least cost electrification analysis. **Figure 6** and **Figure 7** illustrate the distribution of settlements according to least-cost electrification options under scenarios 2023 and 2030, respectively. The number of households was estimated by using the average household size for the country (8.3 persons/household)[66].

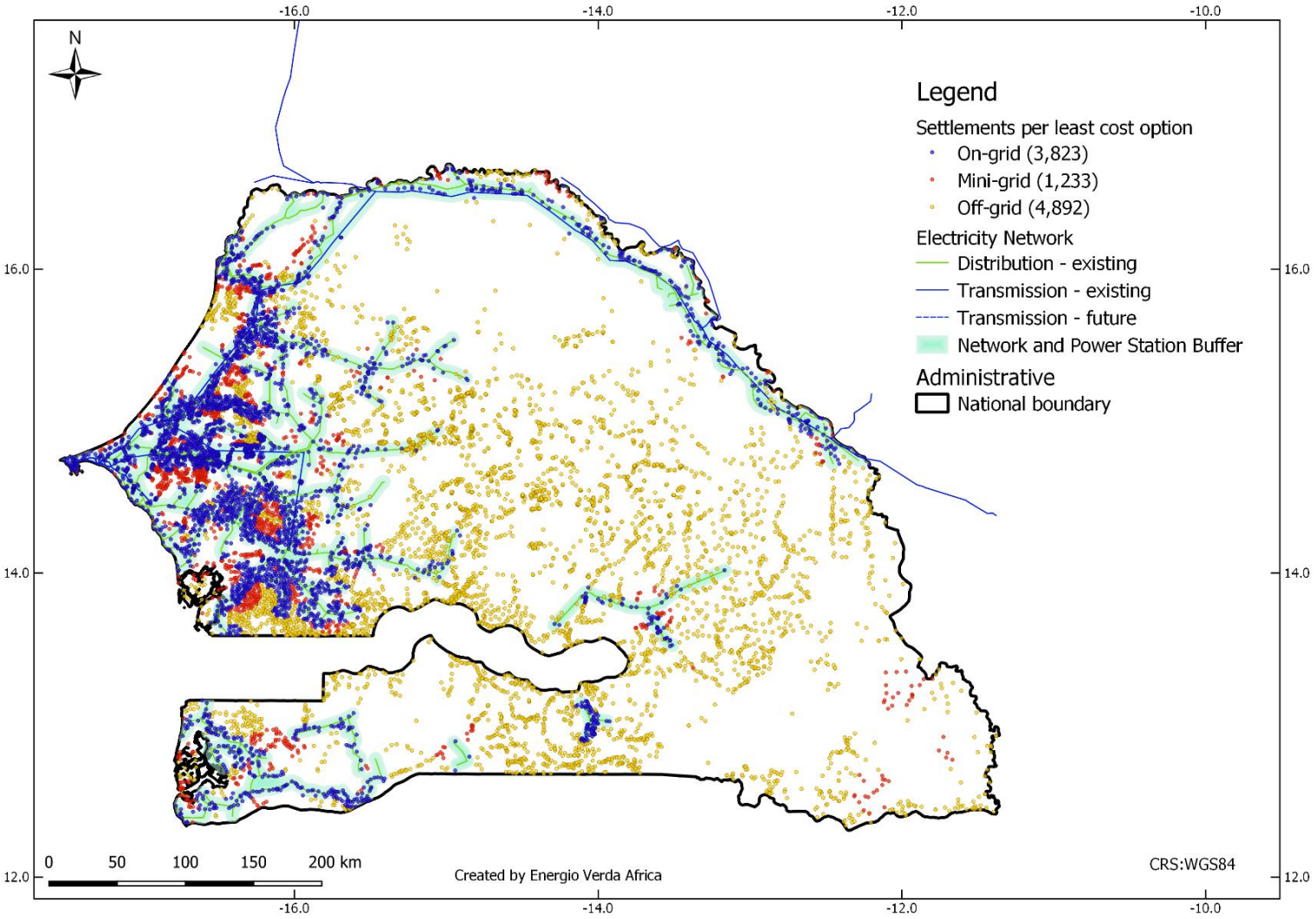
Table 5: Results of Least-Cost Electrification Analysis

Scenario	Indicator	Least-Cost Electrification Option			Grid Vicinity		
		Grid extension	Mini-grid	Off-grid stand-alone systems	Under-grid un-served	Total under-grid	Total outside grid vicinity
Scenario 2023	Number of settlements	3,823	1,233	4,892	242	4,065	5,883
	% of settlements	38.4%	12.4%	49.2%	6.0%	40.9%	59.1%
	Total population	13,210,362	1,484,727	3,864,976	85,792	13,296,154	5,263,911
	% of population	71.2%	8.0%	20.8%	0.6%	59.0%	23.4%
	Number of households	1,591,610	178,883	465,660	10,336	1,601,946	634,206
Scenario 2030	Number of settlements	7,097	214	2,637	Not calculated	7,097	2,851
	% of settlements	71.3%	2.2%	26.5%	Not calculated	71.3%	28.7%
	Total population	19,913,679	344,841	2,259,558	Not calculated	19,913,679	2,604,398
	% of population	88.4%	1.5%	10%	Not calculated	88.4%	11.6%
	Number of households	2,399,238	41,547	272,236	Not calculated	2,399,238	313,783

Source: Energio Verda Africa GIS analysis

[66] "Household Size and Composition Around the World," United Nations, (2017): http://www.un.org/en/development/desa/population/publications/pdf/ageing/household_size_and_composition_around_the_world_2017_data_booklet.pdf

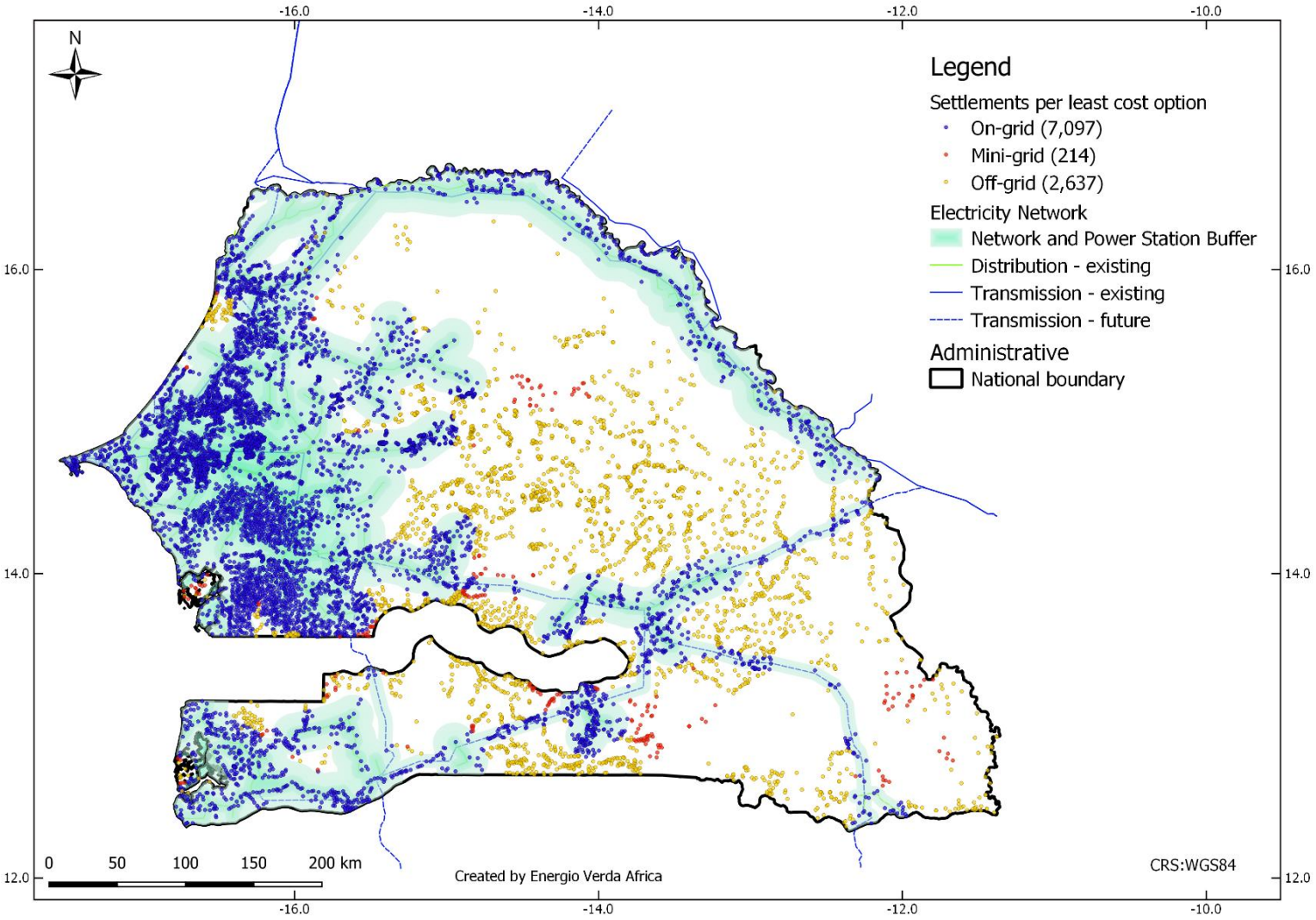
Figure 6: Distribution of Settlements by Least-Cost Electrification Option, 2023[67]



Source: Energio Verda Africa GIS analysis

[67] Displaying identified settlements with known location (given coordinates) only; see **Annex 1** for more details, including data sources.

Figure 7: Distribution of Settlements by Least-Cost Electrification Option, 2030[68]



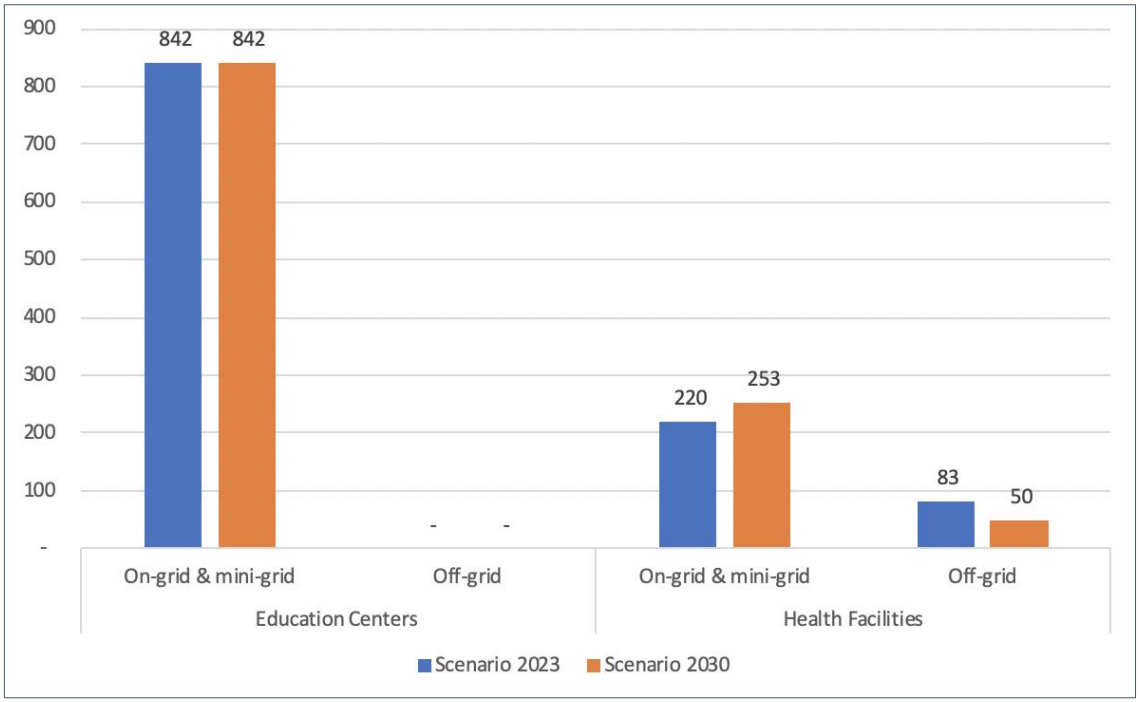
Source: Energio Verda Africa GIS analysis

[68] Displaying identified settlements with known location (given coordinates) only; see **Annex 1** for more details, including data sources.

The analysis also covered the education centers and health facilities that will remain off-grid during the analyzed timeframes. The number of education centers and health facilities cannot be seen as comprehensive as not all were available for the geospatial analysis (institutions with known coordinates); a total of 842 education centers and 303 health facilities were identified. More than 500 of the education centers are concentrated in Dakar and its surroundings. All of the identified education centers will be electrified under scenarios 2023 and 2030.

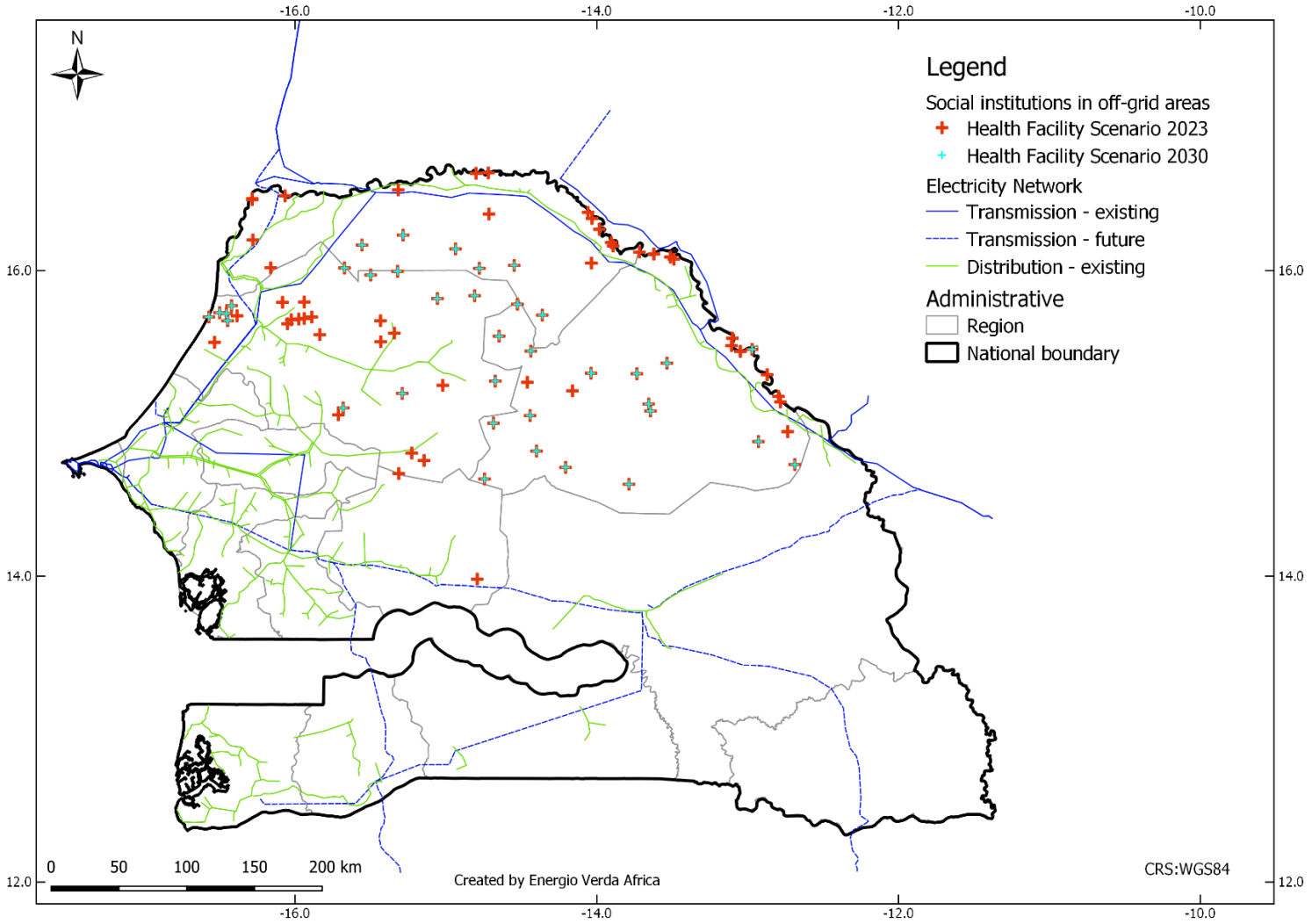
Figure 8 summarizes the number of social facilities that may be electrified (on-grid and mini-grid) or are suitable for off-grid stand-alone solutions in scenarios 2023 and 2030. **Figure 9** illustrates the distribution of potential off-grid health facilities across the country under the two scenarios.

Figure 8: Identified Social Facilities for On-grid, Mini-Grid and Stand-alone Solutions, 2023 and 2030



Source: Energio Verda Africa GIS analysis

Figure 9: Distribution of Potential Off-Grid Healthcare Facilities, 2023 and 2030[69]



Source: Energio Verda Africa GIS analysis

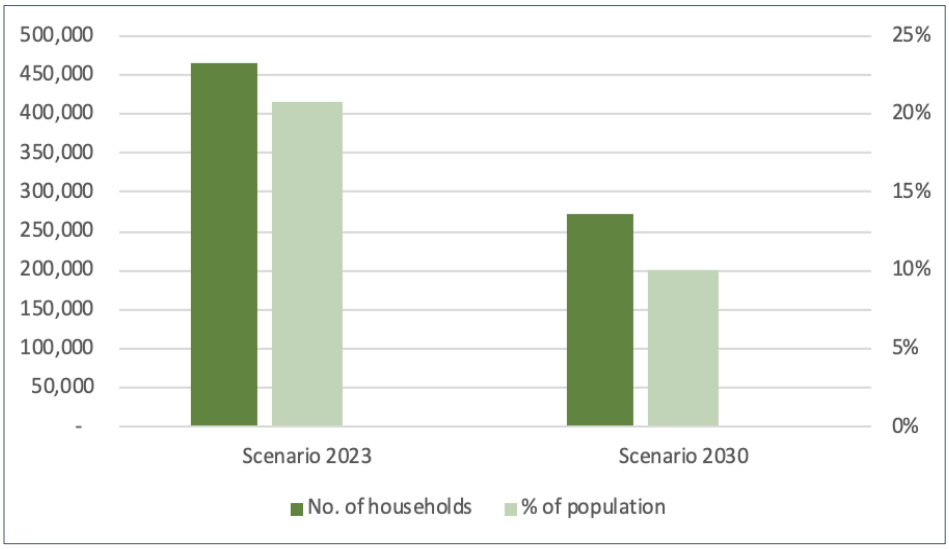
[69] Displaying identified facilities with known location (given coordinates) only; see **Annex 1** for more details, including data sources.

- **Conclusions**

According to the geospatial analysis, by 2023, 3,823 settlements across Senegal (1,591,610 households) will be connected to the main grid, representing 71.2%of the population. By 2030, this figure will increase to 7,097 settlements (2,399,238 households), equivalent to 88.4% of the population. These estimates are based on the assumption that all planned grid extensions will be completed by 2030. Not all settlements in close proximity to electricity lines will connect to the main grid, largely due to the low density of these areas (dispersed settlements with a density below 350 people/km^2). By 2023, an estimated 242 settlements located under the grid will meet these criteria (or 6%of the settlements located within 5 km of the grid).

Outside of the main grid areas, settlements with higher economic growth potential and higher population density can optimally be electrified by mini-grids. By 2023, this represents an estimated 1,233 settlements (178,883 households), or 8.0% of the population, decreasing to 214 settlements (41,547 households), or 2.2% of the population by 2030. The remaining more dispersed settlements (further from centers of economic activity) can optimally be served by off-grid stand-alone systems. This comprises 4,892 settlements (465,660 households) and 20.8% of the population in 2023, decreasing to 2,637 settlements (272,236 households) and 10.0% of the population in 2030 (**Figure 10**).

Figure 10: Estimated Number of Households and Share of Population Suitable for OGS Systmes, 2023 and 2030



Source: Energio Verda Africa GIS analysis

The analysis indicates that the off-grid stand-alone market has the potential to grow significantly. According to figures published by the Global Off-Grid Lighting Association (GOGLA), an estimated 132,968 off-grid stand-alone solar PV products (pico solar and SHS) have been sold in Senegal as of the end of 2017 (see **Section 2.4.3**).[70] The least-cost analysis estimates that more than 465,000 households in 2023 are suitable

[70] "Global Off-Grid Solar Market Report: Semi-Annual Sales and Impact Data," GOGLA, Lighting Global and World Bank, (July – December 2017): https://www.gogla.org/sites/default/files/resource_docs/gogla_sales-and-impact-reporth2-2017_def20180424_web_opt.pdf; and
"Global Off-Grid Solar Market Report: Semi-Annual Sales and Impact Data," GOGLA, Lighting Global and World Bank, (January – June 2017): https://www.gogla.org/sites/default/files/resource_docs/gogla_sales-and-impact-reporth12017_def.pdf; and
"Global Off-Grid Solar Market Report: Semi-Annual Sales and Impact Data," GOGLA, Lighting Global and World Bank, (July – December 2016): https://www.gogla.org/sites/default/files/recource_docs/final_sales-and-impact-report_h22016_full_public.pdf; and

for stand-alone solutions. This suggests that the Government may need to consider increasing the utilization of stand-alone solutions in its electrification planning in order to achieve its electricity access targets, particularly in the near-term until planned grid extensions are realized.

In its 2015 SEforALL National Renewable Energy Action Plan (Plan d'Action National pour les Énergies Renouvelables, PANER), the Government envisioned that 15% of the country's population would gain electricity access through off-grid systems (both mini-grids and stand-alone systems) by 2020, with the share increasing to 26% by 2030 (**Table 6**). In its 2018 SE4ALL Action Agenda and Investment Prospectus, ASER's revised rural electrification plan (the PNER) is driven by grid extensions (expected to reach 95% of the rural population), while individual stand-alone systems are expected to electrify only 464 settlements, representing less than 1% of the rural off-grid population (**Figure 11**).

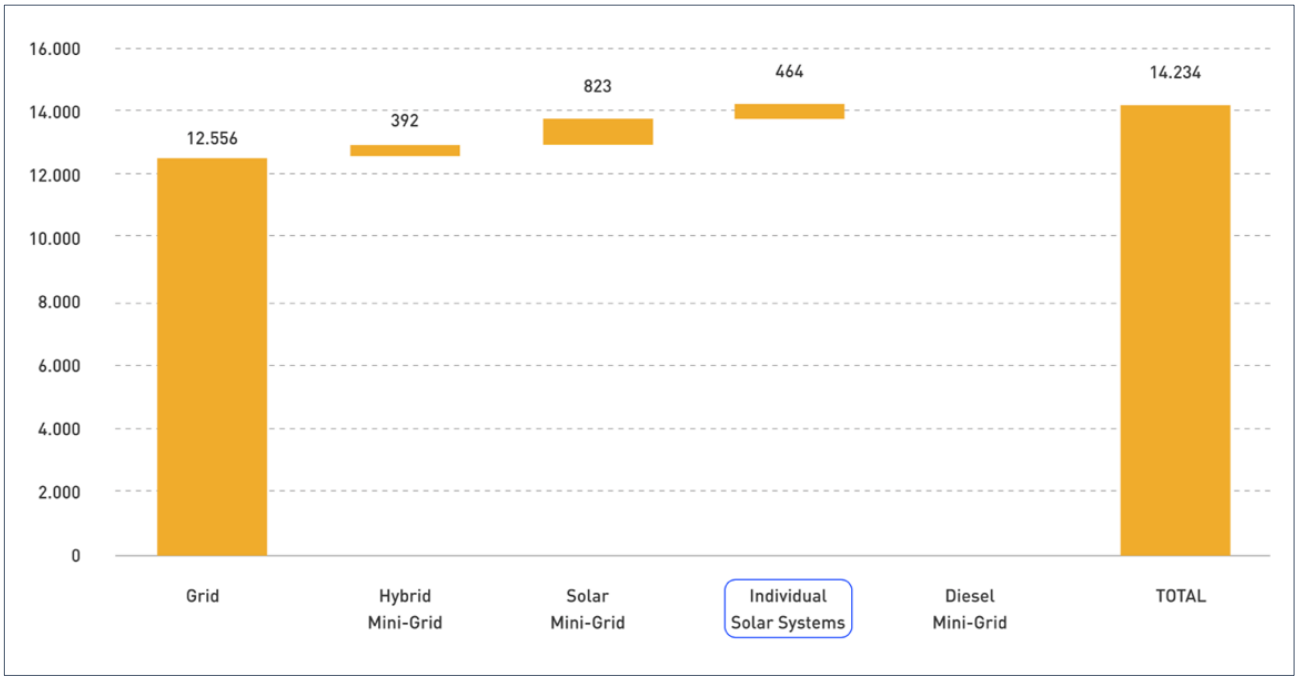
Table 6: Estimated Share of Population Served by Off-Grid Systems[71]

Share of population with access to off-grid systems powered by renewable energy (%) *	2020 (target)	2030 (target)
	15%	26%

* Estimate includes both mini-grids and stand-alone systems

Source: SEforALL National Renewable Energy Action Plan (PANER)

Figure 11: Estimated Number of Settlements Electrified by Electrification Approach, 2025[72]



Source: SEforALL Action Agenda and Investment Prospectus

"Global Off-Grid Solar Market Report: Semi-Annual Sales and Impact Data," GOGLA, Lighting Global and World Bank, (January – June 2016): https://www.gogla.org/sites/default/files/recource_docs/global_off-grid_solar_market_report_jan-june_2016_public.pdf

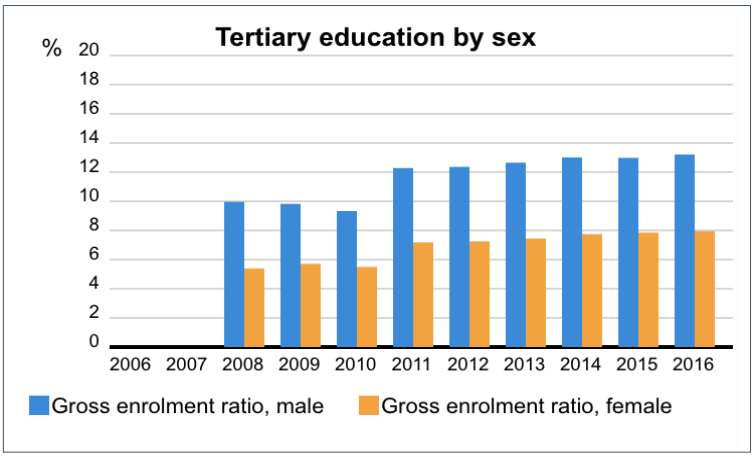
[71] "Plan d'Actions National des Énergies Renouvelables (PANER) du Sénégal, " ECREEE / SEforALL, (2015): http://se4all.ecreee.org/sites/default/files/plan_dactions_national_des_energies_renouvelables_paner.pdf

[72] SE4ALL Action Agenda and Investment Prospectus, 2018.

1.2.2.5 Inclusive Participation[73]

Inclusive participation in Senegal remains an ongoing challenge. Gender inequality persists, as women are under-educated and generally have a lower socio-economic status, with inadequate access to basic social services and reduced economic opportunities compared to men. Senegal performs poorly in the United Nations Development Programme (UNDP) Gender Inequality Index, which measures several indicators to assess levels of gender inequality in the areas of health, access to education, economic status and empowerment.[74] Female participation in education, particularly higher education, remains disproportionately low (**Figure 12**). While gender discrimination is widespread, these issues tend to be more pronounced in rural areas of the country.

Figure 12: Rates of Enrollment in Tertiary Education[75]



Source: UNESCO Institute for Statistics

Senegal has adopted national policies and has signed several international agreements to promote gender equality. The 2001 Constitution guarantees gender equality. The country has ratified the Convention on the Elimination of All forms of Discrimination against Women and in 2005 it ratified the Protocol to the African Charter on Human and Peoples' Rights on the Rights of Women in Africa. The GoS also developed and implemented a National Strategy for Gender Equality and Equity (Stratégie Nationale pour l'Egalité et l'Equité du Senegal, SNEEG), which had two main objectives: (i) establishment of a favorable socio-cultural, legal and economic institutional environment to promote gender equality; and (ii) the effective integration of gender into development initiatives in all sectors. Despite these initiatives, a 2016 assessment found that women in Senegal still faced persistent socio-cultural discrimination, impacting household decision-making and family inheritance, especially in rural areas.[76]

In the energy sector, the abovementioned PUDC specifically targets assistance to women and youth. Efforts have also been made at a regional level to implement the ECOWAS Policy for Gender Mainstreaming in Energy Access. Under this policy framework, the GoS carried out a Gender Audit of the sector and established a focal point in the Ministry of Energy. The Ministry has also committed to integrate gender into energy policies, investments and institutional practices to ensure inclusive development.

[73] See **Annex 4** for more details
[74] "Gender Inequality Index," UNDP, (2015): http://hdr.undp.org/en/composite/GII
[75] "Senegal Participation in Education," UNESCO Institute for Statistics, (2018): http://uis.unesco.org/en/country/bf?theme=education-and-literacy
[76] "Gender, Markets, and Agricultural Organizations in Senegal," USAID and World Food Programme, (2017): https://docs.wfp.org/api/documents/WFP-0000022438/download/

1.2.3 Key Challenges

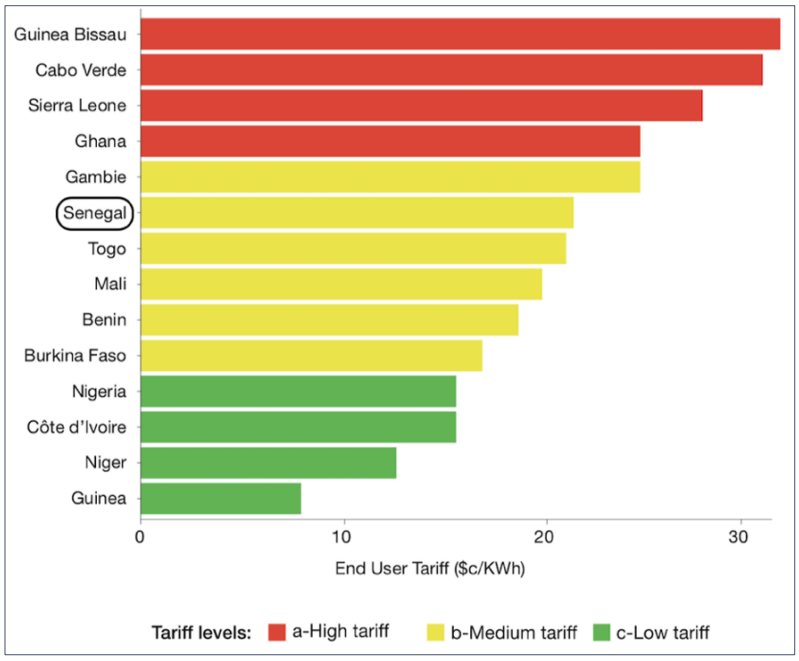
Some of the key energy sector challenges facing Senegal include (but are not limited to) the following:

- **Investment in Grid Extension and Maintenance**: Economic growth and corresponding increases in electricity demand are putting pressure on power supply – a mismatch that will continue to burden the electricity transmission and distribution network that needs maintenance and investment to reduce losses and expand access.

- **Electricity Tariffs**: Average electricity tariffs in Senegal (USD 0.22/kWh) are slightly above the ECOWAS region's average tariff of USD 0.20/kWh (**Figure 13**).[77] Senegal subsidizes electricity tariffs for low-income consumers, providing electricity to poorer households below the cost of supply with funds from the GoS and the utility (SENELEC) through a range of residential and commercial consumers who pay higher electricity rates. While this subsidization scheme has made power affordable for most residential consumers (particularly low-income households), commercial users/SMEs pay one of the highest electricity tariffs in the region – approximately 35% higher than residential tariffs (**Figure 14**).[78] It is worth noting that in 2017, there was a 10% reduction in electricity tariffs.

- **Imbalanced Energy Mix:** The country's power supply mix is overly reliant upon imported fuel oil/diesel, which is highly susceptible to price volatility. Although the GoS plans to increase investment in utility-scale RE in its power sector plans (there is a target of 30% RE by 2030), the share of sustainable energy in the electricity mix remains comparatively low.

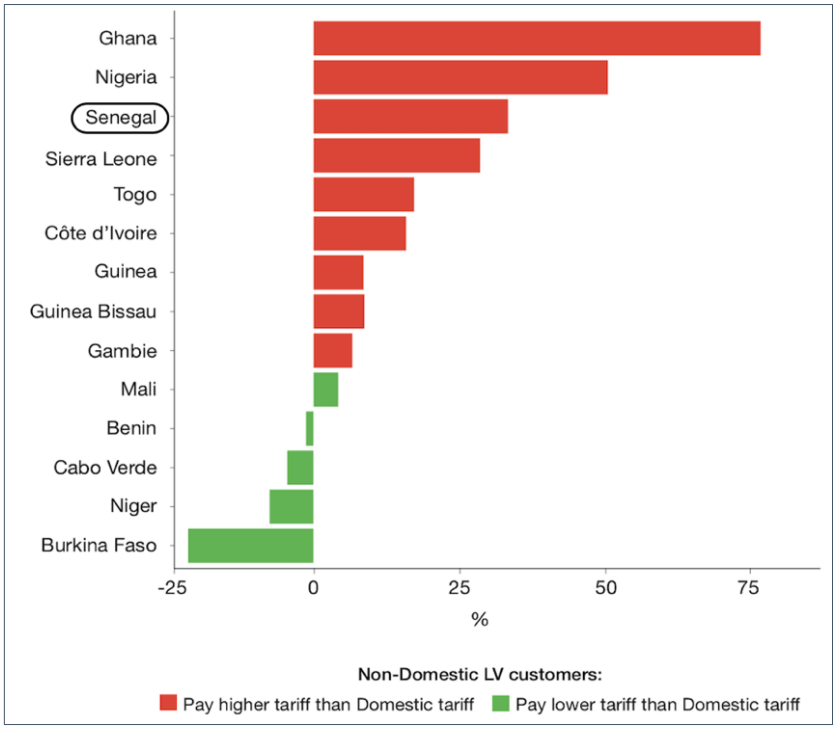
Figure 13: Average End-User Tariffs in ECOWAS Countries, 2018



Source: ECOWAS Regional Electricity Regulatory Authority

[77] "Electricity Tariffs in ECOWAS Region," African Development Bank Group, Energy Policy, Regulation and Statistics Division, (September 2018): http://www.ecowrex.org/sites/default/files/pesr1_-_energy_statistics_bulletin_september_2018.pdf
[78] Ibid.

Figure 14: Commercial Tariff in Excess of Residential Tariff in ECOWAS Countries, 2018



NOTE: Liberia is excluded from the analysis; The disparity in electricity tariffs between commercial and residential consumers is an indication of the existence of a subsidization or cross-subsidization scheme that typically favors low-income residential consumers.

Source: ECOWAS Regional Electricity Regulatory Authority

- **Electricity Access**: Despite significant improvements thanks to various initiatives, rural electrification rates are low, particularly in rural areas, while the cost of grid connection remains prohibitively high for households (average electricity tariff is US 0.24 per kWh compared to global average of approximately US 0.10 per kWh).[79] The GoS aims to achieve universal access by 2025.

- **Local Financial Institutions:**[80] Local financial institutions (FIs) and microfinance institutions (MFIs) lack sufficient internal capacity and credit appetite to invest in the renewable energy/off-grid sectors. This challenge is complicated as it arises mainly from the risk perceptions of FIs, which influence whether efforts should be made to develop strategies and customize financial products to target a nascent market, where there is often limited knowledge of technologies, market characteristics and historical data on portfolio credit performance. There are also likely misperceptions about the potential size of these markets as well as doubts about the profitability of offering financial products in rural off-grid areas, where the creditworthiness of potential clients may be an issue. The renewable energy/off-grid space is particularly complicated given relatively high transaction costs and a comparatively unfavorable regulatory environment that exists in the country.[81]

[79] "Additional Financing to the Electricity Support Project," World Bank, (2017): http://documents.worldbank.org/curated/en/593131470244330855/pdf/PAD1815-PJPR-P158655-OUO-9-IDA-R2016-0184-1.pdf

[80] The role of FIs is examined in further detail in **Section 3**.

[81] One notable exception to this is the commercial and industrial (C&I) market segment, where systems are larger and off-takers are often companies with large enough balance sheets to borrow. This has been one of the stand-alone market segments where there has been some lending to date in Africa (e.g. AFD's Sunref program)

- **Other Challenges:** Successful development of the off-grid sector will require more than just a financial support mechanism – the Government and its supporting agencies will also need to develop and implement a range of measures to expedite growth of the market, including a robust technical assistance (TA) platform to supplement ROGEP's objectives. This platform should address *inter alia* (i) awareness raising, education and training for consumers, including organization of appropriate community management structures; (ii) solar PV system supply chain and operations and maintenance (O&M) services, including training of local technicians to ensure that the cost of maintenance is affordable and sustainable; and (iii) standards for equipment and service providers (i.e. installers, technicians) to guide customers to companies providing the best value for their money. These measures should be part of a national rural electrification sector strategy to inform decision-making of key stakeholders surrounding development and regulation of the country's stand-alone solar PV market.

1.3 National Policy and Regulation

1.3.1 National Electricity/Electrification Policy

The Plan for an Emerging Senegal (Plan Sénégal Emergent, PSE), which was adopted in 2012, emphasized the important role of energy access in achieving the country's long-term development objectives. The PSE prioritized access to affordable and sustainable electricity services across strategic sectors – education, healthcare, industry, agriculture and water – and aims to achieve universal access by 2025.

The GoS recognizes that Senegal's longstanding reliance on imported fuel adversely impacts growth and has taken various policy actions aimed at reducing this dependence and making improvements to the country's energy sector. The Development Policy for the Energy Sector (2012-2017),[82] adopted by the Government in 2015, is a key energy policy document for Senegal with the following objectives:

- Enhancing national energy security and ensuring universal energy access in Senegal
- Developing an optimal energy mix of thermal generation, bio-energy, coal, gas, and renewables
- Improving regional interconnections
- Liberalizing the energy sector to further promote power generation by private companies
- Strengthening the energy sector's institutional framework
- Improving competitiveness within the sector to lower energy costs and subsidies
- Improving overall sector regulation

At a regional level, the GoS is committed to the ECOWAS Regional Renewable Energy Policy for the period of 2015-2030, which seeks to (i) set national RE targets, (ii) create a harmonized regulatory framework with common tax policies and standards, (iii) develop technology knowledge and capacity building, and (iv) promote a regional RE market. For the electricity sector, the objective is to increase the share of RE generation in the power mix by 2030 as well as the share of the off-grid population served by mini-grid and stand-alone systems.[83] Senegal has developed an SEforALL National Action Plan for Renewable Energy (PANER)[84] with support from ECREEE, which includes key targets and objectives to increase the share of RE in the electricity mix and increase the penetration of renewable energy into off-grid areas.

1.3.2 Integrated National Electrification Plan

PASER – the Government's original integrated national electrification plan – established an institutional framework for rural electrification by (i) creating ASER and CRSE; (ii) promoting PPPs in rural electricity distribution; and (iii) launching the Rural Electrification Fund (FER). In 2018, due to underperformance, PASER was replaced by the National Rural Electrification Program (Programme National d'Électrification Rurale, PNER). The SE4ALL Action Agenda and Investment Prospectus aimed to mobilize funding necessary to implement PNER and achieve universal access by 2025.

[82] "Senegal," UNEP, (2015): https://wedocs.unep.org/bitstream/handle/20.500.11822/20517/Energy_profile_Senegal.pdf?sequence=1&isAllowed=y
[83] "ECOWAS Renewable Energy Policy," ECOWAS, (2015): http://www.ecreee.org/sites/default/files/documents/ecowas_renewable_energy_policy.pdf
[84] "Plan d'Actions National des Énergies Renouvelables (PANER) du Sénégal, " ECREEE / SEforALL, (2015): http://se4all.ecreee.org/sites/default/files/plan_dactions_national_des_energies_renouvelables_paner.pdf

1.3.3 Energy and Electricity Law

The Electricity Act of 1998[85] and the 2010 Renewable Energy Act,[86] are two main laws governing the electricity sector in Senegal that include a range of provisions to reduce electricity supply costs for consumers and creating a conducive environment for private investment. The Electricity Act of 1998 initiated the liberalization of Senegal's energy sector and permitted private sector participation in power generation. This act also led to the establishment of CRSE. In 2002, the act was amended to facilitate a more transparent procedure for private sector tenders.

The Renewable Energy Act 2010 was the country's first policy framework for renewable energy. The two most important decrees under the Act were issued in 2011, stipulating terms of power purchase, establishing remuneration for electricity generated from RE, introducing detailed conditions pertaining to connecting RE plants to the grid, and outlining power purchase obligations and feed-in tariffs for each RE source.

1.3.4 Framework for Stand-alone Systems

Figure 15 is an overview of the key national policies, programs, laws, and regulations pertaining to Senegal's framework for stand-alone systems. The gaps in this framework are addressed in **Section 1.3.5**. According to the World Bank Regulatory Indicators for Sustainable Energy (RISE) evaluation, Senegal's energy access score regressed between 2015 and 2017. This trend can in part be attributed to the country's slowed progress in rural electrification due to the underperforming results of PASER, which has experienced a series of challenges and obstacles in its implementation.[87] In the 2017 RISE evaluation, Senegal ranked ninth among countries in West Africa and the Sahel (**Figure 16**).

Figure 15: Policy and Regulatory Framework for Stand-alone Systems

SENEGAL			
	World Bank RISE 2017 Energy Access Score: 47 World Bank RISE 2015 Energy Access Score: 69	2017 ranking among West Africa and the Sahel (ROGEP) countries: 9th (out of 16)	
Policy/Regulatory Support and Financial Incentives	**Specific national policies, laws and programs**		
	National electrification policy with off-grid provisions	√	PSE
	Integrated national electrification plan	√	PNER
	Energy/electricity law with off-grid provisions	x	
	National programs promoting off-grid market development	√	PNUER, PPER
	Specific target for rural electrification	√	Universal access by 2025
	Financial incentives		
	Subsidies, tax exemptions or related incentives for solar equipment/stand-alone systems	√	Subsidy covering 80% of investment cost for stand-alone systems
	Standards and quality		
	Government-adopted international quality standards for stand-alone systems	√	l'Association Sénégalaire de Normalisation
	Government-certified program for solar equipment installers	x	
	Consumer awareness/education programs	x	
	Concession Contracts and Schemes	√	Off-grid concessions (PPER, ERIL)
	Business Model Regulation	x	

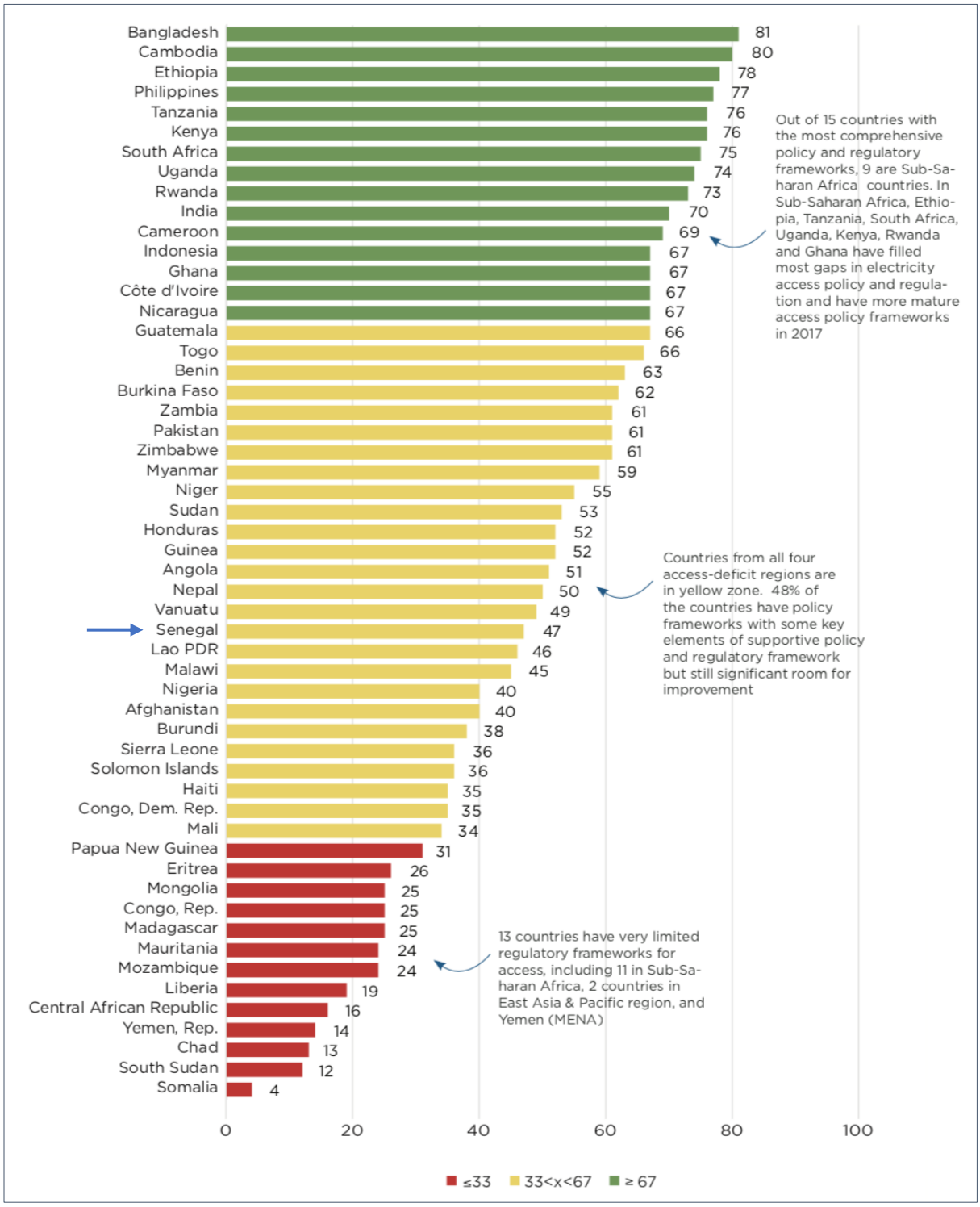
√ = existing/implemented provisions in the current regulatory framework

X = no existing provisions

Source: World Bank RISE, Stakeholder interviews and GreenMax Capital Advisors analysis

[85] "The Electricity Act 1998 (Law no. 98-29)," Government of Senegal, (1998)
[86] "Renewable Energy Act 2010," Government of Senegal, (2010)
[87] SE4ALL Action Agenda and Investment Prospectus, 2018.

Figure 16: Distribution of RISE Electricity Access Scores in Access-Deficit Countries, 2017[88]



Source: World Bank Regulatory Indicators for Sustainable Energy

[88] "Policy Matters: Regulatory Indicators for Sustainable Energy," World Bank ESMAP, (2018): http://documents.worldbank.org/curated/en/553071544206394642/pdf/132782-replacement-PUBLIC-RiseReport-HighRes.pdf

1.3.4.1 Existence of Specific National Programs

Under ASER, the PPER was adopted in 2009 to expedite the electrification process. Large-scale rural concessions are awarded to private operators for a period of 25 years, while small-scale concessions (ERILs) are partnering with donors and governments to obtain subsidies on initial investment.

A related national off-grid electrification initiative is the Multi-Sector Energy Program (Programme Énergétique Multisectoriel, PREM), which aims to install solar PV systems in off-grid public institutional/community buildings (i.e. schools, health clinics) in villages with more than 250 inhabitants without access to electricity by 2020.[89]

1.3.4.2 Financial Incentives

Stand-alone subsidies exist in Senegal's current regulatory framework and include up to 80% of investment costs for stand-alone systems only installed through the PPER. International donors and the GoS also provide subsidies to concessionaires for their rural electrification activities. Donors such as the World Bank, and the AfDB provide subsidies that amount to 70% of financing required for investment and engineering. Companies outside the formal market that sell solar equipment sales (SHS, Pico, productive use) using PAYG or cash sale models are not supported. They are subject to the customs tax and VAT, which is equal to 40%, a significant disadvantage for suppliers operating in the country.[90]

1.3.4.3 Standards and Quality

For the quality of off-grid solar products and systems to meet the expectations of end-users, a set of standards need to be in place to ensure equipment is reliable, adequately covered by warranties and post-sale O&M. There is a Senegalese institution called, l'Association Sénégalaise de Normalisation (ASN), which is in charge of adopting standards. ASN has already adopted international (IEC) standards and also has in place a standardization and quality control system for solar PV equipment.[91]

1.3.4.4 Concession Contracts and Schemes

Under PASER, the country was divided into 10 large-scale rural concessions that exist alongside SENELEC. ASER is administering a two-pronged concessionaire-scheme, including (i) top-down large-scale concessions, through the PPER, awarded to national or international utilities, and (ii) bottom-up mini-concessions (ERILs), to subsidize private entrepreneurs who want to electrify rural areas. Concessionaires are selected based on the number of new connections achieved during their first three years of operation. To date, six out of the ten concessions have been awarded in Senegal.[92]

For the top-down approach, the areas to be electrified were divided into areas designed to be small but also large enough to be commercially viable. There was no specification whether customers should be connected to an isolated mini-grid or to the main grid. Subsidies were paid on an Output-Based-Aid basis to ensure high quality connections were made. It is anticipated that most connections will be made by extending the grid rather than to isolated mini-grids. The bottom-up approach, which runs alongside its top-down approach, provides opportunities for private micro-utilities to develop ERIL projects, supplying power to individual remote communities. Responsibility for the political and regulatory issues are shared between three authorities, which has created additional complexity in managing the framework, due to the challenges

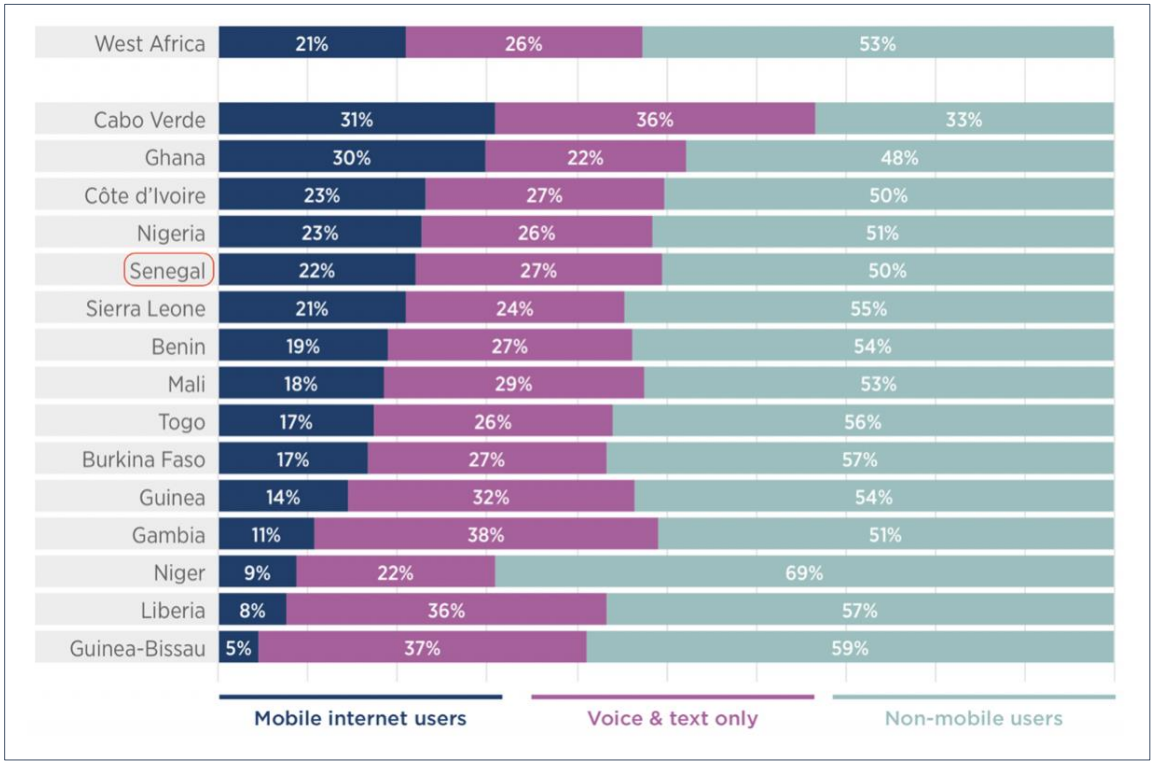
[89] SE4ALL Action Agenda and Investment Prospectus, 2018.
[90] "Power Africa Fact Sheet Senegal," USAID, (2017): https://www.usaid.gov/powerafrica/senegal
[91] "Regulatory Indicators for Sustainable Energy: Senegal," The World Bank: http://rise.worldbank.org/country/senegal
[92] "Senegal", RECP, (2017): https://www.africa-eu-renewables.org/market-information/senegal/

of creating a stream-lined development process. To date, approximately 30 systems are operating in Senegal, owned and managed by numerous different private operators, with several hundred more in the pipeline.[93]

1.3.4.5 Specific Business Model Regulation

No specific business model regulations exist for the off-grid sector in Senegal, although the Government can take measures to support PAYG business models that have already been deployed by private solar companies engaged in the market. As was demonstrated in East Africa in recent years, the proliferation of mobile money platforms can rapidly facilitate energy access. Recent data suggests that there is an opportunity for the GoS to bring together key stakeholders in the off-grid sector (solar providers, telecommunications companies etc.) to take advantage of the country's rapidly growing mobile internet usage (**Figure 17**) and high rates of mobile phone ownership in rural areas (**Figure 18**). Moreover, a transition to mobile broadband networks is gaining rapid momentum, with Senegal among the five largest markets in West Africa in terms of size and share of subscriber growth.[94]

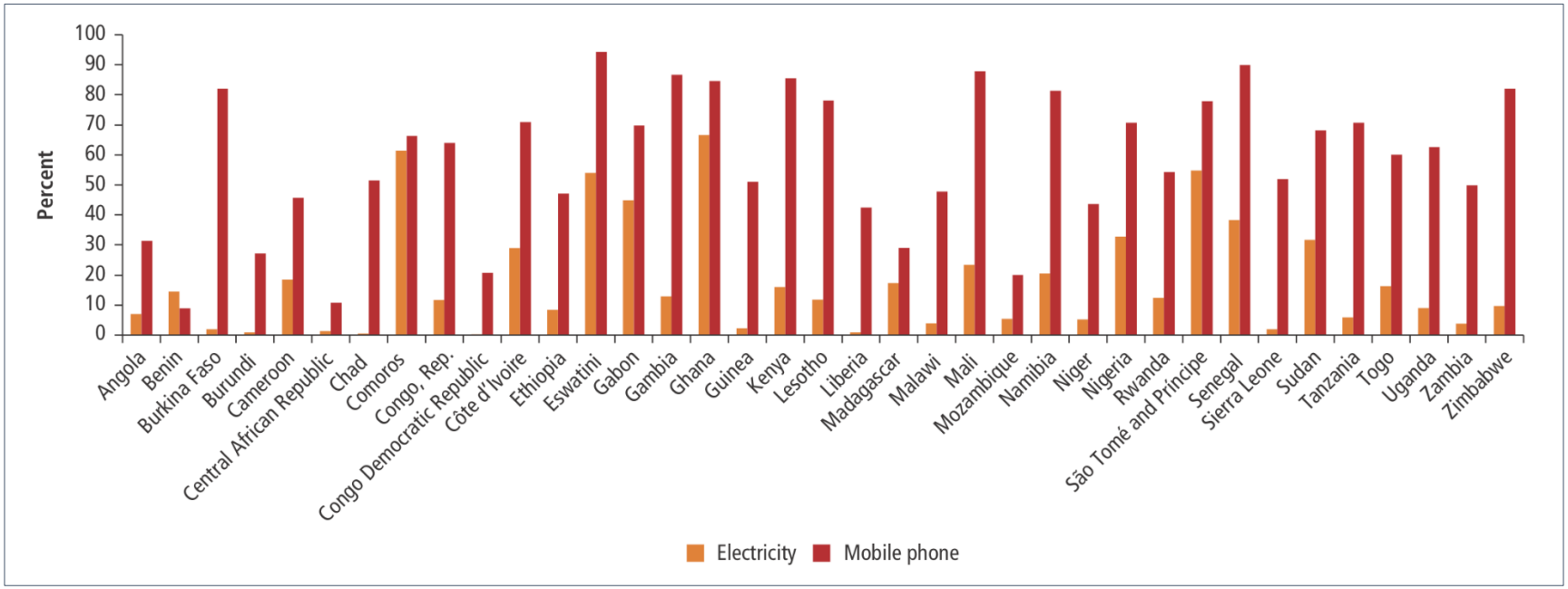
Figure 17: West Africa Mobile Internet Penetration Rates, 2017[95]



Source: GSMA Intelligence

[93] "Ghana: Mini-Grids for Last Mile Electrification," ESMAP, (2016): http://www.eca-uk.com/wp-content/uploads/2017/08/ESMAP-Ghana_Mini_grids_for_last_Mile_Electrification_Optimized.pdf
[94] "The Mobile Economy: West Africa 2018," GSMA Intelligence, (2018): https://www.gsmaintelligence.com/research/?file=e568fe9e710ec776d82c04e9f6760adb&download
[95] GSMA: The Mobile Economy – West Africa, 2018.

Figure 18: Electricity Access and Mobile Phone Ownership in Sub-Saharan Africa, 2016 (% of rural households)[96]



Source: World Bank

[96] Blimpo, M., and Cosgrove-Davies, M., "Electricity Access in Sub-Saharan Africa: Uptake Reliability and Complementary Factors for Economic Impact," AFD and World Bank, (2019): https://openknowledge.worldbank.org/bitstream/handle/10986/31333/9781464813610.pdf?sequence=6&isAllowed=y

1.3.5 Capacity Building and Technical Assistance

To overcome the challenges surrounding rural electrification, a range of technical and financial resources from both the public and private sector must come together. At the institutional level, the ASER and the electricity market regulator, CRSE, among others, will play key roles in establishing a supportive policy and regulatory framework. Additional reforms to the power sector may be required to provide the incentives necessary to increase private sector participation. Local FIs and MFIs will need incentives and support to develop and implement new financial products and administrative procedures to lend to the off-grid sector. International and local solar companies will need policy and financial support. Local technical capacity of the solar sector will need to be developed to ensure long-term O&M services are available and sustainable. Above all, financing and TA will be critical for all market actors – government, financial institutions, end-users, suppliers and service providers – in order to accelerate growth.

Table 7 identifies some of the policy/regulatory challenges facing off-grid market development in Senegal and the proposed mitigation measures/TA interventions to overcome these gaps.

Table 7: Gaps in the Off-Grid Policy and Regulatory Framework[97]

Indicator	Policy/Regulatory/Market Gaps	Recommended TA Intervention
1. Specific National Policies, Laws and Programs	**A. Insufficient National Electricity / Electrification Policy**	
	a. Government is subsidizing fossil fuel electricity production	a. Help Government analyze where fossil fuel subsidies serve as an impediment to development of safe, clean energy access alternatives
	B. Lack of Energy and Electricity Law	
	a. No specific Energy or Electricity Law with off-grid provisions exists	a. Help Government develop new legal framework that is flexible and helps create appropriate incentives for private sector participation in off-grid market development (e.g. to continue process of electricity market liberalization)
	C. Unclear national policies, laws, programs and/or action plans targeting off-grid market development	
	a. Lack of specific Off-Grid Policy, Law, or Action Plan in place	a. Help Government establish a clear medium-long term rural electrification strategy through development and implementation of a rural electrification Master Plan in order to consolidate and streamline the country's existing large and small-scale rural electrification concession schemes

[97] **NOTE**: "Government" as it is used throughout this table refers to the main public institutions, officials and policymakers responsible for planning, management and regulation of the energy sector in Senegal (**Table 2**), including the Ministry of Petroleum and Energy (MPE), the Rural Electrification Agency (ASER), the Regulatory Authority (CRSE), National Agency for Renewable Energy (ANER), and the public utility, SENELEC, among other national and local authorities.

Indicator	Policy/Regulatory/Market Gaps	Recommended TA Intervention
2. Financial Incentives (import duties, taxes, etc.)	A. Insufficiently supportive financial incentives / tax regime	a. Help Government expand existing financial incentives[98] to cover the entire off-grid stand-alone solar product supply chain, including batteries, inverters or other system components to provide necessary support to the industry b. Help Government establish a Special Task Force to (i) mitigate potential difficulties in customs clearance and import logistics, and (ii) oversee implementation of tax exemptions by coordinating with all agencies and regulatory bodies involved c. Help Government create PPP schemes to share high project development and market entry costs particularly with developers in remote areas through the Rural Electrification Fund (FER) under PASER d. Help Government introduce appropriate grant and subsidy schemes which require private funding matches and are predictable and not overly bureaucratic (e.g. through the FER) e. Help Government analyze where subsidies or exemptions for non-renewable energy sources provide unfair advantage for fossil-fuels and impede development of clean energy solutions
3. Standards and Quality	A. Insufficient Market Data	a. Help Government establish a Special Task Force (within MPE, ANER, or ASER) responsible for collaborating with the private sector to compile and regularly update a database of critical off-grid market data (solar product imports, costs, sales volumes, resource potential etc., GIS data and other key indicators) that can be (i) utilized by policymakers to make informed electrification planning decisions based on accurate market information, and (ii) made easily accessible to interested off-grid developers, investors and other key industry stakeholders
	B. Insufficient capacity of local technical sector (solar PV technicians, installers, services providers etc.)	a. Support establishment of technical certification and vocational training programs through government, private sector, and/or academia for installation and maintenance of stand-alone solar systems[99] b. Support development of database of best practices / information sharing services to ensure skills transfer from international, local and regional initiatives (e.g. through ANER or ASER)

[98] The GoS currently provides an 80% investment cost subsidy for stand-alone systems
[99] This could be administered by the Senegalese Association for Standardization (ASN)

Indicator	Policy/Regulatory/Market Gaps	Recommended TA Intervention
	C. Insufficient attention of private companies to environmental/social standards and community engagement	a. Assist private sector and/or civil society organizations to ensure environmental/social standards are in place b. Assist in development of strategies encouraging inclusive gender participation c. Support with the implementation of a repair and recycling framework for off-grid solar systems and equipment
	D. Insufficient public awareness	a. Support Government, trade associations and civic society organizations to develop and implement consumer awareness/marketing/education programs on the benefits of off-grid solar products and the existence of related national programs b. Support development and implementation of programs to educate consumers, retailers and distributors on the benefits of quality certified solar products vs. counterfeit products
4. Concession Contracts and Schemes	**A. Need for clear communication and streamlining in licensing and permitting procedures**	a. Help Government consolidate the country's existing large and small-scale rural electrification concession schemes and develop improved systems for sharing and disseminating information to project developers and key stakeholders, including establishment of a "one-stop-shop" for national level permits and approvals and expediting of local permits
	B. Lack of experience/understanding of emerging concession and energy services schemes for off-grid providers	
	a. Need for understanding of different SHS concession schemes	a. Help Government understand all options and models for possibilities of granting geographic concessions to private operators of SHS[100]
	b. Need for understanding of emerging models for 'Integrated Private Utilities' or 'Energy Companies of the Future'	b. Help Government to understand and develop approaches to facilitate pilots of 'Integrated Private Utility' or 'Energy Company of the Future' schemes.[101]
	c. Public procurement or public finance/budget laws that hamper deployment of energy services models for public facilities	c. Help Government develop procurement and public finance laws that will facilitate stand-alone solar system investment for public facilities (schools, health care facilities, etc.)

[100] While different models used to grant geographic concessions to SHS providers can yield a range of results, many observers have lauded the approaches being used in Rwanda, Nigeria, Togo and DRC as highly successful.

[101] Innovative models are emerging for entire geographic areas to be concessioned to integrated private energy services operators who may offer an appropriate mix of solutions within their franchised area (i.e. a mix of SHS, rooftop solar, specialized systems for productive use, mini-grids and micro-grids). This is being piloted by the Shell Foundation in several countries.

Indicator	Policy/Regulatory/Market Gaps	Recommended TA Intervention
	d. Lack of standardized contracts for energy services provided by private system operators to public facilities	d. Help Government, trade associations or civic society organizations develop model bilateral PPA and Energy Services Contracts for small scale IPPs and ESCOs to sell power or deliver energy services to public facilities (i.e. schools, health care facilities) or deliver solar street lighting services to municipalities
	e. Insufficient protection for stranded investments	e. Help Government develop proper procedures and guidelines to protect against stranded investments from competition among all on-grid and off-grid rural electrification approaches[102]
5. Business Model Regulation	**Lack of understanding about different pricing schemes and business models offered by stand-alone solar system developers**	a. Support capacity building of regulators, Government and non-Government stakeholders about different pricing schemes[103] offered by stand-alone solar system providers to improve understanding and help avoid unnecessary interventions to regulate b. Support regulators and off-grid enterprises to collaborate specifically on developing pricing schemes for productive use market segment[104] c. Support capacity building and foster linkages between off-grid solar companies and telecommunications companies/mobile money providers to help roll out technology platforms and PAYG business models

Source: Focus Group Discussions; Stakeholder interviews; GreenMax Capital Advisors analysis

[102] As the off-grid sector becomes populated by a variety of different approaches, all private operators are subject to potential stranded investments "when the grid arrives" and even SHS providers can have their assets and revenues threatened when the mini-grid arrives.
[103] The term "pricing schemes" used in this context refers to pricing options offered by standalone solar system providers for SHS, productive use, rooftop solar for public facilities, solar street lighting, etc. that are new, innovative and may be difficult for stakeholders to initially well understand. Whether these are PAYG, Lease to Own, electricity sales, commodity-based pricing, time of use or block pricing, the lack of understanding can often cause stakeholders to ask Government to intervene to "protect consumers" where such regulation of the market could in fact be misguided and unwarranted.
[104] The productive use segment is brand new with SHS providers, mini-grid operators and vendors specialized on a single type of SME or agricultural productive use (i.e. grain mills, water pumps, cocoa processing etc.) all grappling to arrive at attractive approaches to billing for energy services. This is an area where TA support is much needed to help all stakeholders sort out fair and practical approaches.

1.4 Development Initiatives

1.4.1 National Government Initiatives

The Government is actively pursuing measures to improve the financial position of the country's electricity sector to make funds available for grid maintenance/extension and to increase rural electrification.[105] **Table 8** summarizes the off-grid development programs and initiatives currently being implemented by the GoS.

Table 8: National Government Off-Grid Development Programs

Project/Program	Timeline	Market Segment(s)	Description
National Rural Electrification Program (Programme National d'Electrification Rurale, PNER)	PNER: 2018 – 2025	Rural electrification (grid extension, grid densification, mini-grids, off-grid solar, solar-diesel hybrid systems)	• Adopted in 2018 by ASER to replace PASER; objective of completing the PNUER (see below) and increasing the national electrification rate to 100% by 2025 and to electrify 970,000 households
National "Urgency" Plan for Rural Electrification (Programme national d'urgence d'electrification rurale, PNUER)	2015 - ongoing	Rural electrification (grid extension, grid densification, mini-grids, off-grid solar, solar-diesel hybrid systems)	• A program under the PNER that aims to increase the national electrification rate to 60% and to electrify 450,000 households • Being partially implemented under the PUDC (see below) • Four key components: (i) Grid extensions including those being implemented by PUDC (ii) Grid densification: connect all villages up to 1 km of the MV network irrespective of population size. (iii) Grid densification: connect low voltage network to improve the electrification rate of already connected villages (iv) Decentralized mini-grids, either diesel, solar or hybrid solar-diesel for the electrification of villages
Emergency Community Development Program (Programme d'urgence de développement communautaire, PUDC)	2013 - ongoing	Grid extensions; off-grid electrification	• A national development program with the long-term objective of improving the population's access to basic energy and infrastructure services through rural electrification projects and capacity building • Support provided at the village level to disadvantaged communities (Louga, St Louis, Matam, Fatick, Diourbel, Kaolack, Kaffrine, Tambacounda, Thhies) • Targeted assistance to women and youth
Senegalese Rural Electrification Plan (PASER); Rural Electrification Priority Program (PPER)	2009 -2018	Rural electrification (pico solar, SHS, mini-grids)	• Adopted to expedite rural electrification process under PASER, the PPER sets a target of electrifying 1,000 villages through grid extensions, SHS and isolated diesel off-grid systems • Under PPER, large-scale rural concessions are awarded to private operators for a period of 25 yrs. (6 out of 10 concessions awarded in 2017)
Multi-Sector Energy Program (Programme énergétique multisectoriel, PREM)	2015 - 2020	Rural electrification (pico solar, SHS) in social institutions	• Aims to install solar PV systems in off-grid public institutional/community buildings (i.e. schools, health clinics) in villages with more than 250 inhabitants without access to electricity by 2020

[105] "Senegal: Energy Sector," RECP, (2017): https://www.africa-eu-renewables.org/market-information/senegal/energy-sector/

National Action Plan for Renewable Energy (PANER)	2015-2030	Rural electrification (pico solar, SHS, mini-grids)	• Increase the contribution of RE to meet national energy needs and increase supply of RE in the energy mix; ensure the development of energy production capacity connected to the RE network; set up a fund to support RE development, including off-grid
Plan for an Emerging Senegal (PSE)	2012-present	National development program	• The plan considers energy as a priority to reduce economic and territorial inequalities • Access to affordable and sustainable energy services across strategic sectors (health, education, industry and water) is a key consideration of the program.

1.4.2 DFI and Donor Programs

Several Development Finance Institutions (DFIs) and donor agencies have been engaged in various programs and initiatives supporting the development of the clean energy and off-grid sectors in Senegal. The World Bank, AfDB, EU and ECREEE are the country's three largest financing partners, focusing on providing financial and technical support as well as institutional strengthening in order to improve the financial situation of the national electricity utility SENELEC and further support off-grid / rural electrification development initiatives (**Table 9**).

Table 9: DFI and Donor-Funded Off-Grid Development Programs

Project/Program	Funding Source	Timeline	Market Segment(s)	Description
Sustainable Use of Natural Resources and Energy Finance (SUNREF) initiative	AFD	2017 - present	Off-grid project financing and TA	• €30 million program provides concessional financing to encourage FIs to fund clean energy projects • Includes TA to validate projects and their eligibility for the program and then present them to partner banks for financing • The facility has been deployed to partner banks in Benin, Côte d'Ivoire, and Senegal • The SUNREF initiative has been largely successful in East Africa, where it has focused on the commercial and industrial (C&I) market segment, where systems are larger, off-takers are often companies with large enough balance sheets to borrow. As a result, this has been one of the stand-alone market segments where there has been some lending to date. The program is now just launching in West Africa and could be a potential partner for ROGEP.
Project to Enhance Access to Electricity in Peri-Urban and Rural Areas	AfDB	June 2018-present	Electricity transmission	This project aims to improve access to electricity in peri-urban and rural areas to promote poverty reduction and economic growth through development of different agricultural value chains
West African Power Pool Information & Coordination Centre	EU	2014-2019	Regional electricity transmission	The project will establish the WAPP Information & Coordination Centre (ICC) in Benin to manage power system information in 14 ECOWAS countries, including Senegal. WAPP ICC will serve as the central monitoring and electricity trading hub. The project is worth EUR 30 million.
Senegal Electricity Sector Support Project	World Bank	July 2012-September 2016	Electricity generation	A project with an overall value of USD 85 million aimed at transforming Senegal's energy sector. Became operational on 1st January 2013, and focuses on 4 key components:

Project/Program	Funding Source	Timeline	Market Segment(s)	Description
				• Upgrading and modernization of the Transmission & Distribution Network • Improving SENELEC's Commercial Performance • Assisting Senegal in creating a long-term strategy for its energy sector • Project Implementation, Communication, Monitoring and Evaluation
Refurbishment and Retrofitting of 20 mini-grids with Solar PV	GIZ		Mini-grids	Improvement of the regulatory framework for private operators, establishment of 18 operational mini-grids; a further 50 are in implementation.
Carbon Initiative for Development	World Bank	2017-2024	Renewable energy, energy access	Ci-Dev support Senegal's off-grid rural concession initiative (PASER) by providing funding directly to households in the form of a 'cash voucher.' Households can present these vouchers to the private concessionaires in order to pay for part of the initial costs to switch to cleaner electricity supplier by the new connection. The concessionaire then takes the voucher to ASER for reimbursement, with funding coming from the Ci-Dev.
Power Africa	USAID	2016-present	Transmission and distribution	Power Africa provided technical assistance to prepare an updated generation and transmission Master Plan in collaboration with the Ministry of Energy, SENELEC, and other key stakeholders. More specifically, it provides transaction advisory assistance to private sector off-grid companies and rural concession holders, helping to strengthen business models and expand services.
Energy Africa Campaign	UK		Policy reform	Senegal is receiving financial and technical support, as well as policy reform assistance from the UK government as part of the Energy Africa Campaign
En-Dev	Multi-donor partnership		Off-grid solar electrification	In Senegal, EnDev is supporting rural electrification by individual solar home systems in smaller villages: 70% of the hardware cost is subsidized by EnDev (the remainder by the operator and the municipality) and the households pay on a fee-for-service basis.
ACP-EU	EU	2011 - 2016	Off-grid solar electrification	Senegal, the Project on Electricity Services Access for small localities in the Region of Sédhiou (PASES) launched in 2011 and now closed, provided small PV mini-grid plants and individual off-grid PV solutions to the population.
EU-RECP	AU Commission	2012-2014	Policy and legal framework	Under the EU-RECP, the government of Senegal has received technical assistance to assist with the implementation of the Senegalese Renewable Energy Law adopted in 2010 to develop renewable energy tariffs for IPP and auto-producers, a PPA model and of calls for tenders.

1.4.3 Other Initiatives

Outside of the Government and DFI/donor initiatives mentioned above, there are also several non-governmental organization (NGO) programs and related initiatives in Senegal's off-grid sector:

- **Solar Village Project** is an active NGO actively involved in solar energy in Senegal. They have started the installation of off-grid systems in seven Senegalese villages in the Sahel and Littoral regions. These villages have a combined population of 3,000 who currently lack access to electricity. The installation of these off-grid solar systems was completed in 2017 and the villages have benefited from access to electricity for light, mobile phone charging, and radio use.[106]

- **GERES** started working in Senegal in 2012 through the implementation of the ClimTERR "Climate and Territory" project in the Ferlo eco-geographic zone in the north of the country. This project, undertaken in partnership with UNDP and the Senegalese government, is designed to help the five regions in the Ferlo bring the climate risk dimension into their development policies and planning. Its purpose is to promote adaptation to climate change with a view to boosting the resilience of both territories and resident communities.[107]

- **ENDA Energie** is an NGO based in Dakar that works to (i) promote access to sustainable energy services for disadvantaged populations, (ii) support development practitioners in the implementation of multilateral environmental agreements (climate change, desertification, biodiversity), and (iii) promote climate justice and capacity building. The organization provides consultation services, trainings, and research in the energy sector.[108]

- **Energy4Impact** supports the growth and development of companies serving the off-grid energy market. The NGO addresses the challenges of developing appropriate technologies, builds product distribution chains, implements business models and supports access to financing. The organization also supports different types of clients, such as local micro-businesses operating in an informal rural economy, large local or international companies, and project developers.[109]

- **Entrepreneurs du Monde** is an NGO based in Senegal with a mission to facilitate access to modern, clean, and affordable energy in rural areas. Entrepreneurs du Monde's energy programs develop micro-franchised distribution networks by partnering with local communities to give rural entrepreneurs the opportunity to supplement their income through the distribution of high-quality, clean energy lighting and cooking products that meet international standards.[110]

[106] "Seven off-rid solar projects being developed in Senegal," PV Magazine, (2016): https://www.pv-magazine.com/2016/10/14/seven-off-grid-solar-projects-being-developed-in-senegal_100026504/
[107] "GERES Senegal," GERES, (2018): http://www.geres.eu/en/our-actions/by-country/west-africa/senegal
[108] "Axe Strategique," Enda Energie, (2018): http://endaenergie.org/a-propos/demo-page-3/
[109] "Soutien aux Entreprises," Energy4Impact, (2018): https://www.energy4impact.org/fr/notre-approche/soutien-aux-entreprises
[110] "Access a l'Energie," Entrepreneurs du Monde, (2018): https://www.entrepreneursdumonde.org/fr/metier/acces-energie/

II. OFF-GRID SOLAR PV MARKET ASSESSMENT

This section presents the overall market assessment for stand-alone off-grid solar (OGS) energy systems in Senegal. **Section 2.1** provides an overview of the current household off-grid energy situation and estimates potential household market demand for solar energy systems. **Section 2.2** introduces institutional off-grid energy demand and the potential of solar to supply this market. **Section 2.3** evaluates the demand for off-grid solar to serve productive use applications. **Section 2.4** examines the existing off-grid solar product supply chain in the country. **Table 10** summarizes the overall total cash market potential for OGS systems from each of the analyzed market segments. **Annex 2** provides an overview of the Task 2 methodology.

It should be noted that the Task 2 market sizing assesses the total *potential* demand for off-grid solar, as well as variables that affect demand, such as changes in population density, household income, expansion of national grids and access to finance, among other factors. This data will support policymakers and practitioners as they assess market potential over time. However, the quantitative demand estimate has not been revised to reflect *realistic* market potential. Many other factors and market failures will prevent the full realization of this total market potential, and these will vary by market segment.

For household demand, the off-grid solar market is already tangible. Still, many factors will affect household demand for solar products, such as distribution realties, consumer education, competing economic priorities for households, financial shocks, etc. The institutional market will be affected largely by government and donor budget allocations along with the potential for community-based finance. The productive use market is perhaps the least concrete. Considered a relatively new market segment for the off-grid solar industry, productive use market dynamics are not yet well understood. The ability to realize potential productive use market demand will also be affected by many of the factors that commonly determine enterprise prospects in the country, including infrastructure, rural distribution, marketing, access to finance, insecurity, regulation, etc. The data presented in this report is intended to provide a baseline for future research.

Table 10: Indicative Total Cash Potential Market for Off-Grid Solar PV Products in Senegal, 2018

Off-Grid Market Segment	Annualized Cash Demand (Units)	Annualized Cash Demand (kW)	Annualized Cash Market Value (USD)	Financed Market Value (USD)
Household				
Pico solar	332,289	997	$14,953,005	$0.00
Plug and play	3,819	38	$477,427	$0.00
Small SHS	2,292	115	$572,910	$19,097,069
Medium and Large SHS	0	0	$0.00	$38,194,137
Household Subtotal	**338,400**	**1,150**	**$16,003,342**	**$57,291,206**
Institutional				
Water supply	508	2,099	$5,246,813	-
Healthcare facilities	117	34	$85,713	-
Primary and secondary schools	280	236	$642,270	-
Public lighting	366	183	$549,450	-
Institutional Subtotal	**1,271**	**2,552**	**$6,524,246**	-
Productive Use				
SME applications for micro-enterprises	1,235	309	$772,000	-
Value-added applications	57,247	9,319	$43,178,371	-
Connectivity / ICT (phone charging)	9,387	3,755	$8,091,740	-
Productive Use Subtotal	**67,869**	**13,383**	**$52,042,111**	-
TOTAL	**407,540**	**17,085**	**$74,569,699**	

Source: African Solar Designs analysis

2.1 Demand – Households

This section analyzes the main characteristics of the household (HH) OGS demand in Senegal. Section 2.1.1 provides an overview of the household market segment, including its geographic components. Section 2.1.2 analyzes current household ability and willingness to pay for electricity services to estimate the total potential household sector demand. From this data, the potential household market for off-grid solar products is then calculated for both cash purchases (Section 2.1.3) and financed (2.1.4) purchases. Section 2.1.5 assesses consumer perceptions, interest, and awareness on OGS.

2.1.1 Overview of Household Market Segment

According to the International Energy Agency (IEA), in 2016 there were 687,494 households (5.7 million people) in Senegal without access to electricity.[111] In that year, an estimated 64% of the population had access to electricity, with the rate of access at 90% in urban areas and 43% in rural areas. ASER reports that in 2017, 8% of the households in the country had access to electricity through RE stand-alone systems. As shown in **Table 11**, the majority of households without access are in the two lowest income quintiles, living in rural areas.

This section gives an introduction to household consumer market segments, their characteristics and size (**Table 11**). It then discusses household sources of income and geographic distribution of off-grid households, both presently and projected over time. This provides context for the next section, 2.1.2, which sizes household segment potential market demand through a series of detailed analyses.

[111] See **Annex 2** for more details.

Table 11: Household Consumer Market Segments[112]

Income Quintile	% HHs w/o access	# HHs w/o access	Avg. GDP per HH per year	Energy Tier	% HHs w/o access	# HHs w/o access	Avg. GDP per HH per year	Energy Tier	% HHs w/o access	# HHs w/o access	Avg. GDP per HH per year	Energy Tier	Geographic segments	Description
	2018 Scenario				2023 Scenario				2030 Scenario					
Highest 20%	1%	3,819	$22,073	Tier 3	1%	4,472	$27,974	Tier 3	1%	5,426	$36,543	Tier 3	High income rural	• Small portion of rural households using a petrol generator set • Has a demonstrated ability to pay for solar off-grid systems
													Mid to high income urban	• Professionals, business owners and salaried people are likely to be connected to the grid. • Small portion without grid access desire replacement to generator power[113]
Fourth 20%	2%	7,639	$10,213	Tier 3	2%	8,945	$12,943	Tier 3	2%	10,852	$16,908	Tier 3	Low income peri-urban / urban "under-grid"	• Low income urban population engaged in SME work or casual labor • Lives near grid but cannot afford or does not have access to connection
Third 20%	3%	11,458	$7,060	Tier 3	3%	13,417	$8,947	Tier 3	3%	16,278	$11,688	Tier 3		
Second 20%	74%	282,637	$4,848	Tier 3	4%	17,889	$6,144	Tier 3	4%	21,704	$8,025	Tier 3	Low income rural	• Engaged in farming, or SME • Lives more than 15km from the nearest grid connection.
Lowest 20%	100%	381,941	$2,871	Tiers 2	94%	420,937	$3,638	Tier 2	40%	217,976	$4,753	Tier 2		
Total households without access to electricity		**687,494**			**Total**	**465,660**			**Total**	**272,236**				

Source: IEA and World Bank; African Solar Designs analysis

[112] See **Annex 1** and **Annex 2** for more details.

[113] This model does not consider connected on-grid households that would purchase OGS systems as a back-up power system due to poor grid quality and reliability. The "households without electricity access" estimates shown here include households without electricity connections, either from a grid connection or from a renewable energy-based off-grid source. This does include "under-grid" households, largely in the lower income quintiles, that live within grid vicinity but are currently not connected. 2023 and 2030 projections assume that under-grid households will become connected in those years.

➢ Off-Grid Household Characteristics

Senegal has a slightly lower incidence of poverty than some of its neighboring countries, as shown in **Table 12**. For example, 52% of the population in Sierra Leone lives below $1.90 a day, compared to 38% in Senegal.

Table 12: Poverty Headcount in Senegal, 2011

Poverty headcount ratio	% of population
Lives at or below $1.90 a day*	38.0%
Lives at or below $3.20 a day*	67.5%
Lives at or below $5.50 a day*	88.1%

*2011 PPP

Source: World Bank

Just under half of Senegal's total population is concentrated around Dakar and other major urban areas. Much of the country's rural area is dry, making up the western tip of the Sahel desert region. However, the country has a growing agriculture sector. The World Bank predicts an accelerated decline in poverty rates through to 2020 due to agricultural sector growth.[114] The government in Senegal invests more than 10% of GDP annually in agriculture.[115] The government has been working to modernize both food and cash crop production with support to millet, rice, wheat and sorghum productivity, with recent success in the expansion of high value crops such as peanuts, melons and other fruits.[116]

Rural household income is seasonal and linked to agricultural production in different regions, as indicated in focus group discussion feedback regarding household income patterns:

- Niayes areas: Seasonal recovery (after harvest)
- Peanut Basin: After the harvests (November-April)
- Agro-silvo-pastoral zone: After the sale of milk (overwintering period)
- Rural environment: Monthly for some households (paid by the diaspora)
- Fishing area: depending on the fishing campaigns

➢ Geographic Components of the Solar Market

The total number of off-grid households and their geographic distribution will change significantly over time. To analyze the potential OGS market over time, GIS maps were prepared from demographic information to present potential market areas for OGS. GIS calculations consider drivers of off-grid household market change including grid extension around current urban and peri-urban centers, mini-grid development for more densely populated rural areas, and population growth. Sources of information for the maps presented below (**Figures 19-22)** can be found in **Annex 1**.

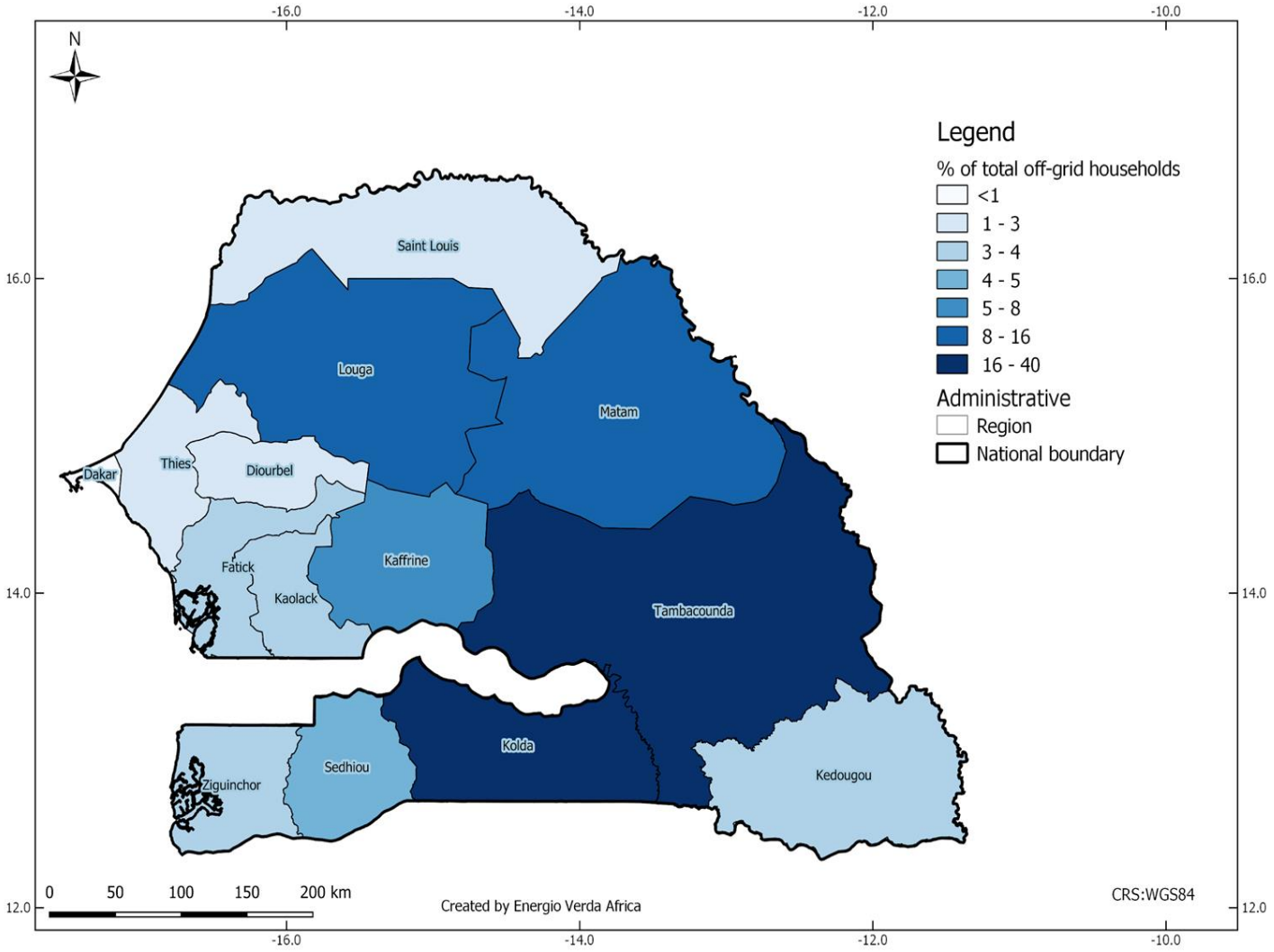
GIS maps shown here are for 2018-2023 and 2030. Data shown for 2018-2023 includes information on existing grid lines only. The data of planned "future lines" is not broken down in enough detail to show in which year future lines will be built. So an assumption was made that all future lines would be built after 2023 but prior to 2030.

[114] See World Bank country overview: <https://www.worldbank.org/en/country/senegal/overview>
[115] See USAID: <https://www.usaid.gov/senegal/agriculture-and-food-security>
[116] "Senegal hopes to reap rewards of modernizing agriculture" Financial Times, (19 April 2018): https://www.ft.com/content/fd0d1be2-3127-11e8-b5bf-23cb17fd1498

As shown in the maps and chart summaries below **(Figures 19-22)**, the total size of the OGS market will decrease over time, while also becoming more concentrated in more remote regions. This has implications for solar product market long-term business models, which will need to consider broader distribution areas as the total number of off-grid households declines.

For example, by 2030 the more developed western regions will have low off-grid populations while the more eastern regions will continue to account for the largest number of off-grid households. Tambacounda has the largest off-grid household population in all projected years. However, Tambacounda is a sparsely populated, lesser developed region that could present challenges to commercial distribution of solar products.

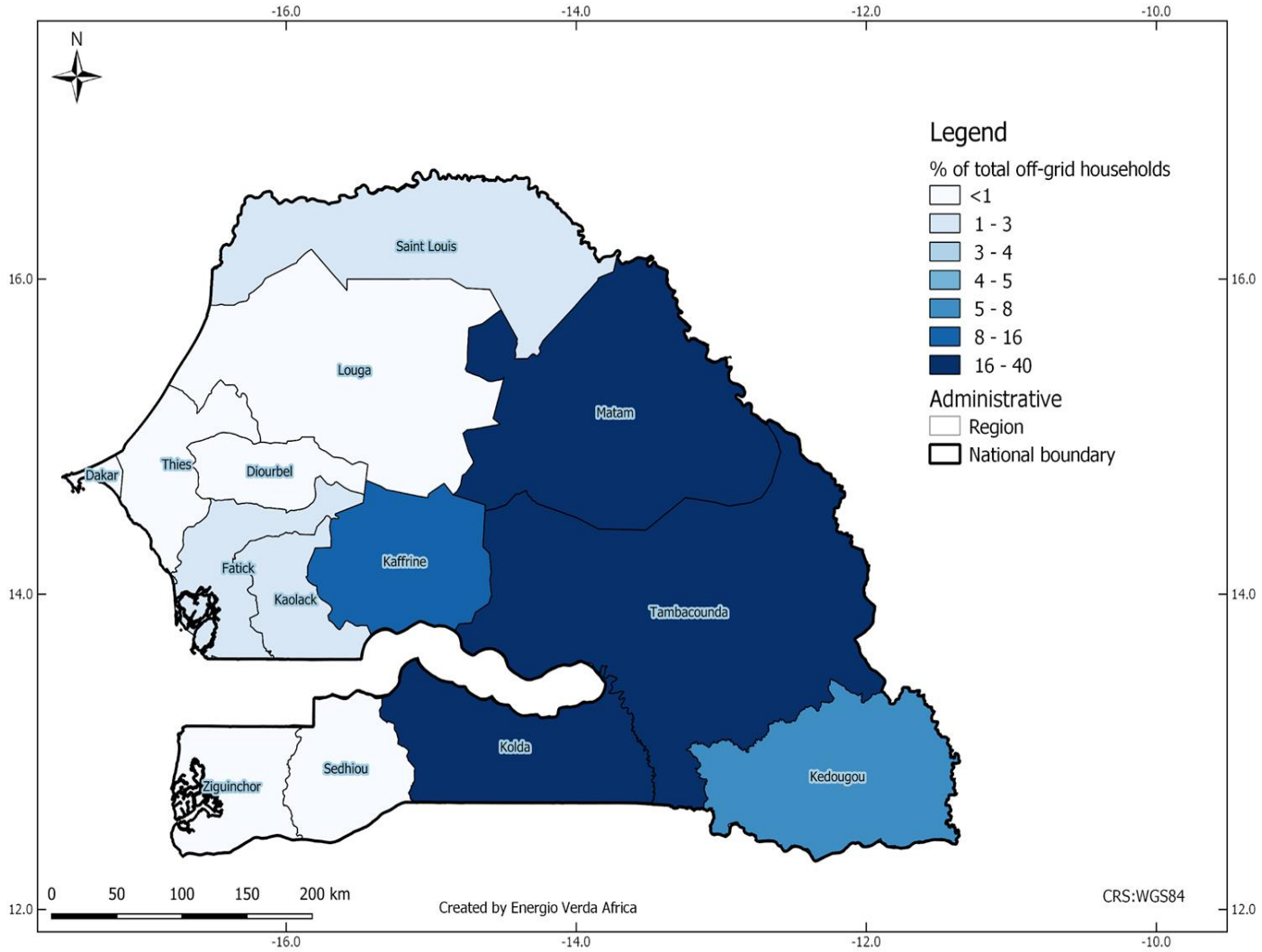
Figure 19: Distribution of Potential Off-Grid Households by Region, 2023[117]



Source: Energio Verda Africa GIS analysis

[117] See **Annex 1** for more details, including data sources.

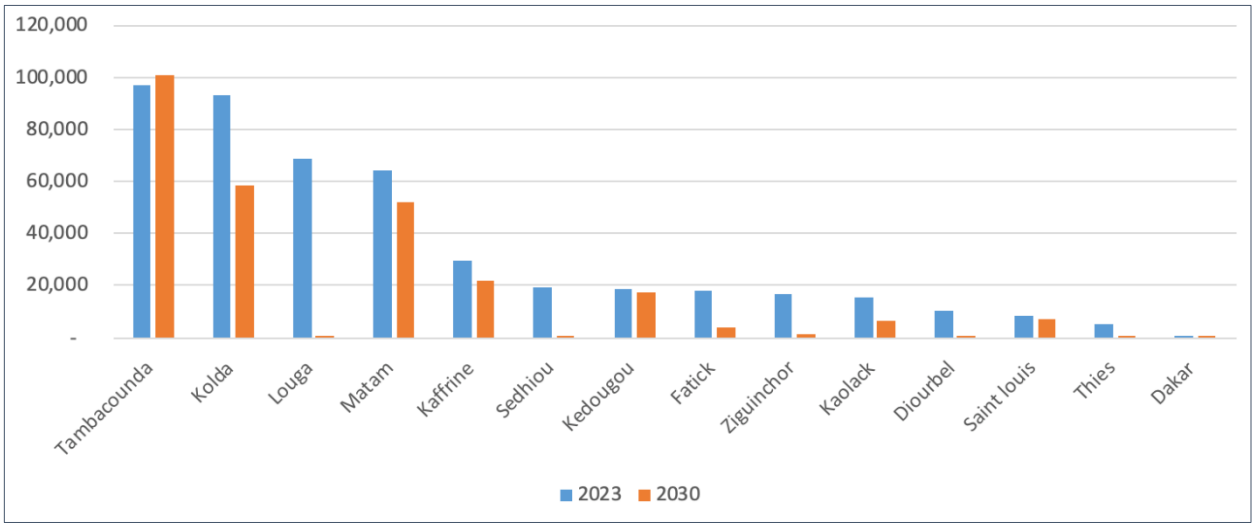
Figure 20: Distribution of Potential Off-Grid Households by Region, 2030[118]



Source: Energio Verda Africa GIS analysis

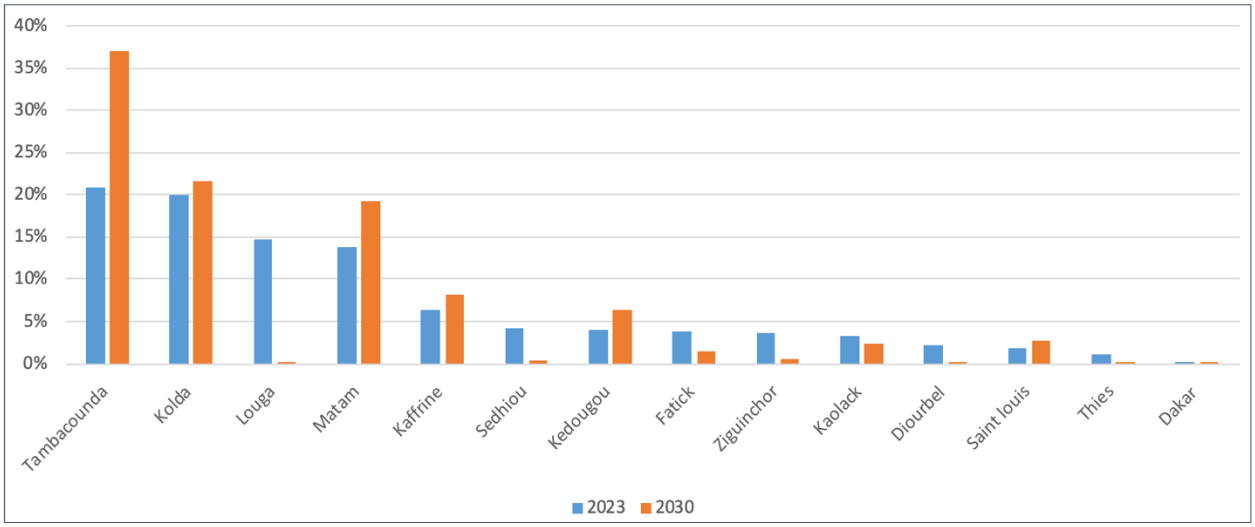
[118] See **Annex 1** for more details, including data sources.

Figure 21: Estimated Number of Off-Grid Households by Region, 2023 and 2030



Source: Energio Verda Africa GIS analysis

Figure 22: Estimated Percentage of Off-Grid Households by Region, 2023 and 2030



Source: Energio Verda Africa GIS analysis

2.1.2 Analysis of Household Market Segment Demand

In order to calculate total potential household demand for off-grid solar products for the national market, this section examines several indicators:

- Household usage and costs of typical rural energy fuels and devices (non-solar)
- How these rural energy technologies align with typical access to "energy tiers"
- Cost of off-grid solar products alternatives, by energy tier
- Household uptake of solar products thus far
- Potential household demand based on household income quintiles

From this data, the potential household market for off-grid solar products is then calculated for both cash purchases and financed purchases.

➢ **Consumption and expenditures on typical rural energy fuels and devices (non-solar)**

According to feedback from focus group discussion (FGD) participants, many rural households in Senegal currently rely on storm lamps, candles and torches as sources of light. **Table 13** shows the typical monthly cost of using common rural energy technologies. Household use of different types and amounts of energy technologies is associated with different energy access tiers, as defined in the Multi-Tier Energy Access Framework. For example, a household using one battery powered lantern and one charged cell phone would fall under the Tier 1 level of energy access. A household using two lanterns, one cell phone and a radio would be in Tier 1.5.

These tiers are defined in **Table 14**. Establishing an average monthly household expenditure for each energy tier using common rural technologies shows how household income level aligns with energy tiers. Secondly, it provides a basis to compare these costs to solar products that can offer an equivalent level of service by energy tier. This in turn reveals potential household savings by switching to solar products, as shown in **Figure 23** and **Table 15**.

It should be emphasized that even where households can be categorized into energy tiers by their income, few households actually pay full typical monthly costs because they do not have the available income. In reality, household income is highly variable throughout the year, and they simply do without service for portions of the month and year when cash is not available. This accounts for the difference between "typical monthly costs" (which are real) and "equivalent service costs" (which would be required to maintain the tier-level service). For example, very few households could actually run generators for the number of hours that would enable full tier 3 level services.

Table 13: Rural Energy Technology and Costs[119]

Technology	Description	Average Life (Years)	# of Units/ Month	Unit Operating Cost (USD)	Unit Capital Cost (USD)	Typical Monthly Cost (USD)	Unit Capital Cost (USD)	Typical Monthly Cost (USD)	Unit Capital Cost (USD)	Typical Monthly Cost (USD)
					2018 Scenario		2023 Scenario		2030 Scenario	
Torch lights/Electric Lanterns	Torch lights/electric lanterns powered by D-type, AA-type or AAA-type batteries	0.5	16	$0.16	$2.00	$2.56	$2.09	$2.68	$2.32	$2.97
Cell Phone Charging	Done at a charging station	-	8	$0.17	$0.00	$1.36	$0.00	$1.42	$0.00	$1.58
Smart Phone Charging	Done at a charging station	-	16	$0.17	$0.00	$2.72	$0.00	$2.84	$0.00	$3.16
Battery-powered DC Radio	Radio powered by dry cells replaced two times per month	-	8	$0.16	$0.00	$1.28	$0.00	$1.34	$0.00	$1.49
Small Petrol Generator	Most popular rural generator for basic use is 0.9kW (for phone charging, lighting, TV, fan, music system)	2	30	$1.20	$100.00	$36.00	$104.60	$37.64	$116.05	$41.78

Source: African Solar Designs analysis

[119] Data from FGDs, field surveys and various published sources

Table 14: Typical Tier-Based Energy Costs

Device category and indicative energy supplied	Appliances and level of service	Non-solar devices used to power tier requirement	Typical Monthly Cost (USD) 2018	Typical Monthly Cost (USD) 2023	Typical Monthly Cost (USD) 2030
Tier 0 No electricity	• Characterized by complete lack of electricity services • Many cash-poor consumers are in this situation part of each month when they don't have money to buy dry cells or charge phones	• Rely solely on kerosene, wood and other fuel sources for cooking and lighting	• Subsistence level of energy • Absolute energy poverty	• Subsistence level of energy • Absolute energy poverty	• Subsistence level of energy • Absolute energy poverty
Tier 1 Range: 1 to 20 Wh/day	• Access to one torch powered by dry cell batteries • One cell phone powered by charging service	• One battery-powered light requires dry cell replacement on weekly basis • One cell phone charged 8 times per month	$3.92	$4.10	$4.55
Tier 1.5 Range: 20 to 100 Wh/day	• Access to one torch and one lantern each powered by dry cells • One cell phone powered by charging service • Radio powered by dry cells	• Two battery-powered light points require dry cell replacement on weekly basis • One cell phone charged 8 times per month • Radio dry cells replaced two times per month	$7.76	$8.11	$9.00
Tier 2 Range: 55 to 500 Wh/day	• One torch and two lanterns powered by dry cells • One cell phone and one smart phone powered by charge service • Radio • DC TV	• Three battery light points require dry cell replacement on weekly basis • One cell phone charged 8 times per month and one smart phone charged 16 times per month • TV/Radio powered by lead acid battery recharged once per week	$14.32	$14.97	$16.62
Tier 3 Range: 500 to 2500 Wh/day	• Five lighting points • Multiple cell/smart phones • AC radio and music system • AC TV	• Generator powers a set of appliances	$36.00	$37.64	$41.78

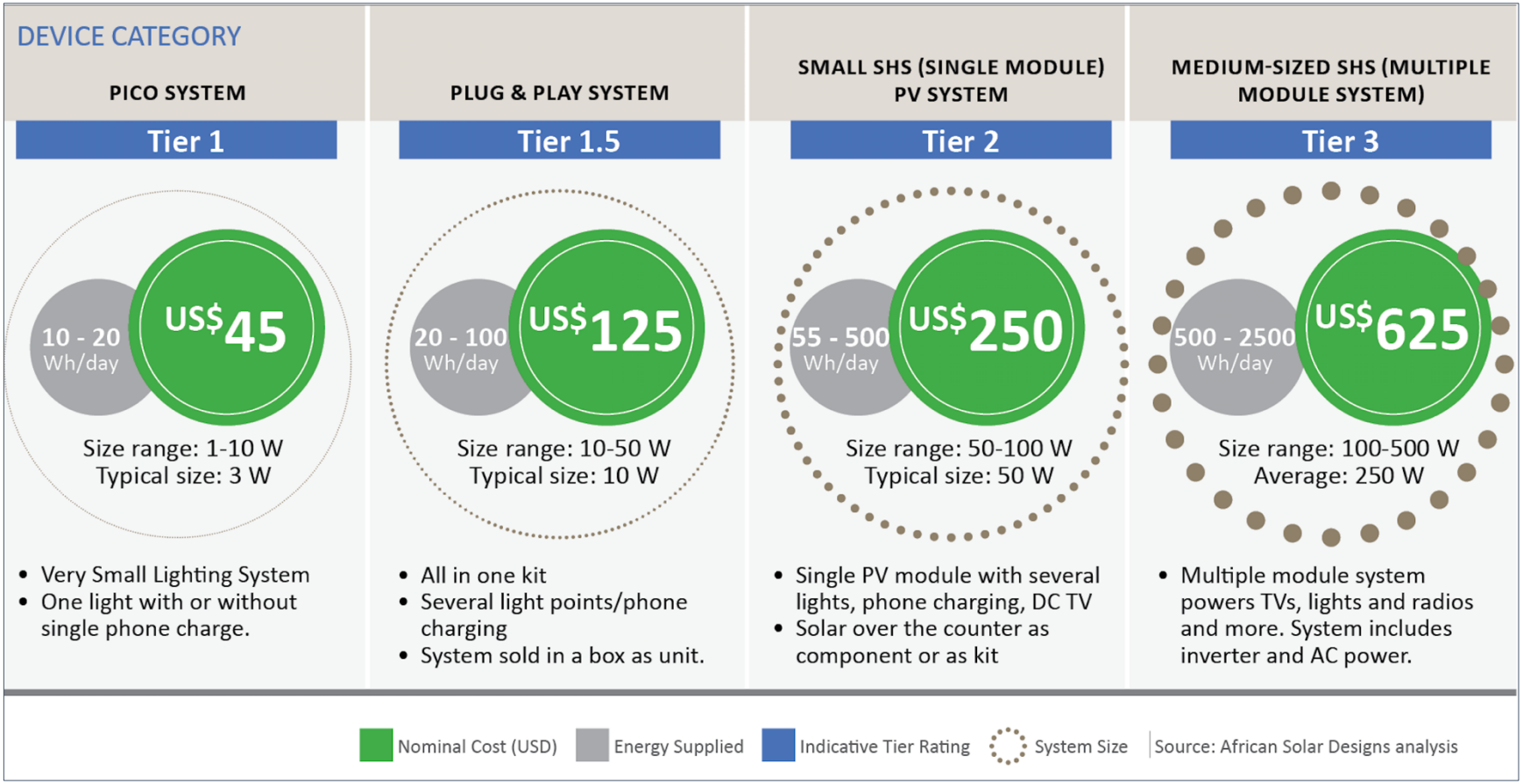
Source: African Solar Designs analysis

Per **Table 14**, it can be seen that, given the purchase price of dry cells and the cost of phone charging, the "ideal" electricity availability is extremely difficult to sustain. This is especially true where there is a high incidence of poverty in rural areas and lack of regular incomes. In reality, households often must reduce their energy consumption when cash is not available. This means that even a Tier 2 level family might drop to Tier 1 for a week each month when cash is not available to pay for phone charging or dry cell purchase.

- **Household Solar PV System Types**

Solar PV systems can provide lower cost and higher levels of service than existing dry cell, phone charging and generator options. In order to model how solar systems can meet existing energy use categories, levels of service and ability to pay, four types of household solar systems are configured to match the tier-based demands of off-grid communities. The system descriptions, energy outputs, prices, tier ratings and target consumer groups are listed in **Figure 23**.

Figure 23: Household PV System Descriptions and Market Segments



Source: African Solar Designs analysis

- **Current usage and procurement process for household solar products**

Focus group participants indicated that roughly 15% of households in Senegal currently use solar products (for all types of solar photovoltaic systems). Although the systems are mostly used in rural areas, the most active supply areas remain located in Senegal's large cities. Donor and NGO projects have supported distribution of solar products in various regions, as shown below:

Region	Off-Grid Solar Initiative
Niayes and Vallée du Fleuve areas	Solar pumps for gardening and rice growing
Weekly market ("loumas") (at rural level)	Solar mobile kiosks (mobile phone charging)
Within the concessions (ERILs)	Deployment of SHS, beyond 20 km of the network

- **Potential household demand for off-grid solar products**

Looking beyond current use of off-grid solar products by households, this study analyzes potential for OGS market development by estimating potential household demand based on household income. Household income shown in **Table 15** is sourced from World Bank demographic data based on household surveys, which reports income by population quintiles. From household income, potential for energy spending is estimated as 10% of monthly income.[120] Future scenarios project higher energy budgets as household incomes rise with economic development over time. In all scenarios, the large majority of off-grid households will fall under the lowest income quintile.

Table 15: Energy Expenditure of Different Income Groups

Population Income Quintiles	Per Capita Income (USD per month)	Household Income (USD per month)	Energy as % of Income	Monthly Energy Budget (USD)
2018 Scenario				
Lowest Quintile of Population	$28.82	$239.24	10%	$23.92
2nd Quintile of Population	$48.67	$403.97	10%	$40.40
3rd Quintile of Population	$70.88	$588.31	10%	$58.83
4th Quintile of Population	$102.54	$851.08	10%	$85.11
Highest Quintile of Population	$221.62	$1,839.43	10%	$183.94
2023 Scenario				
Lowest Quintile of Population	$36.53	$303.20	10%	$30.32
2nd Quintile of Population	$61.68	$511.97	10%	$51.20
3rd Quintile of Population	$89.83	$745.58	10%	$74.56
4th Quintile of Population	$129.95	$1,078.61	10%	$107.86
Highest Quintile of Population	$280.87	$2,331.19	10%	$233.12
2030 Scenario				
Lowest Quintile of Population	$47.72	$396.08	10%	$39.61
2nd Quintile of Population	$80.58	$668.79	10%	$66.88
3rd Quintile of Population	$117.34	$973.96	10%	$97.40
4th Quintile of Population	$169.76	$1,409.00	10%	$140.90
Highest Quintile of Population	$366.90	$3,045.26	10%	$304.53

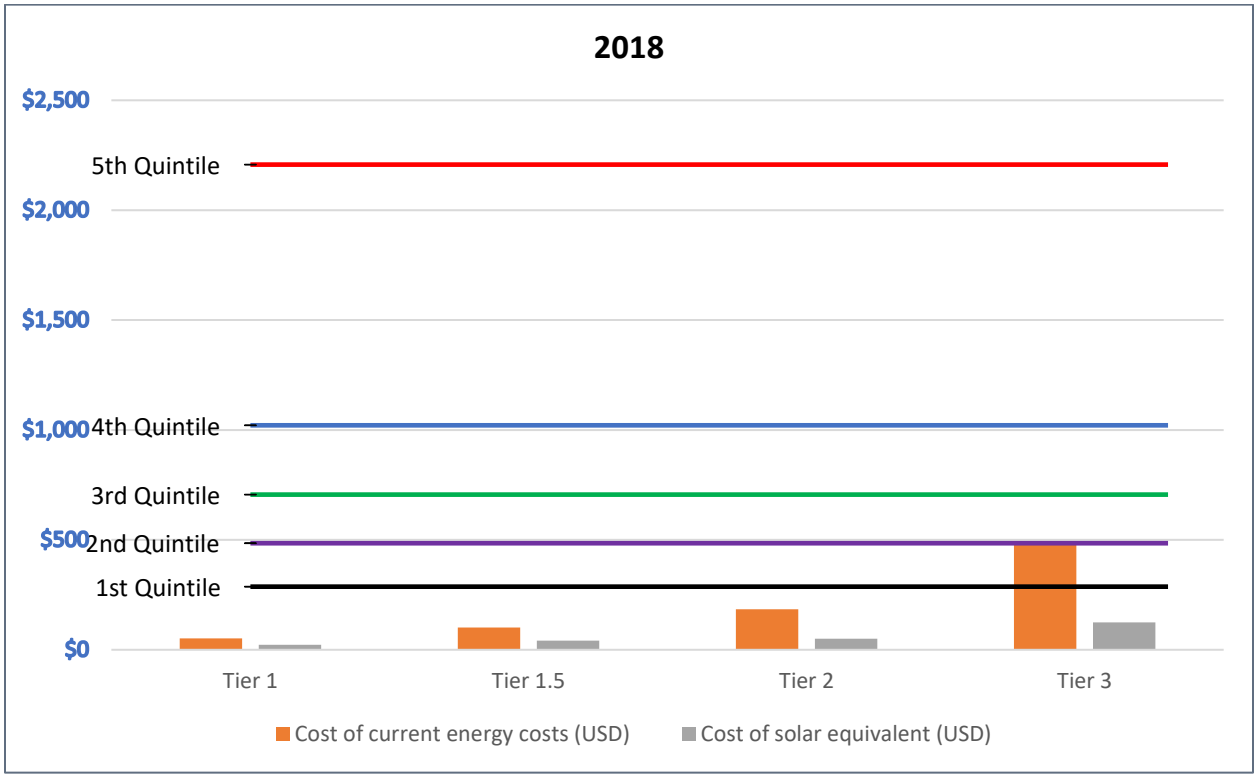
Source: African Solar Designs analysis

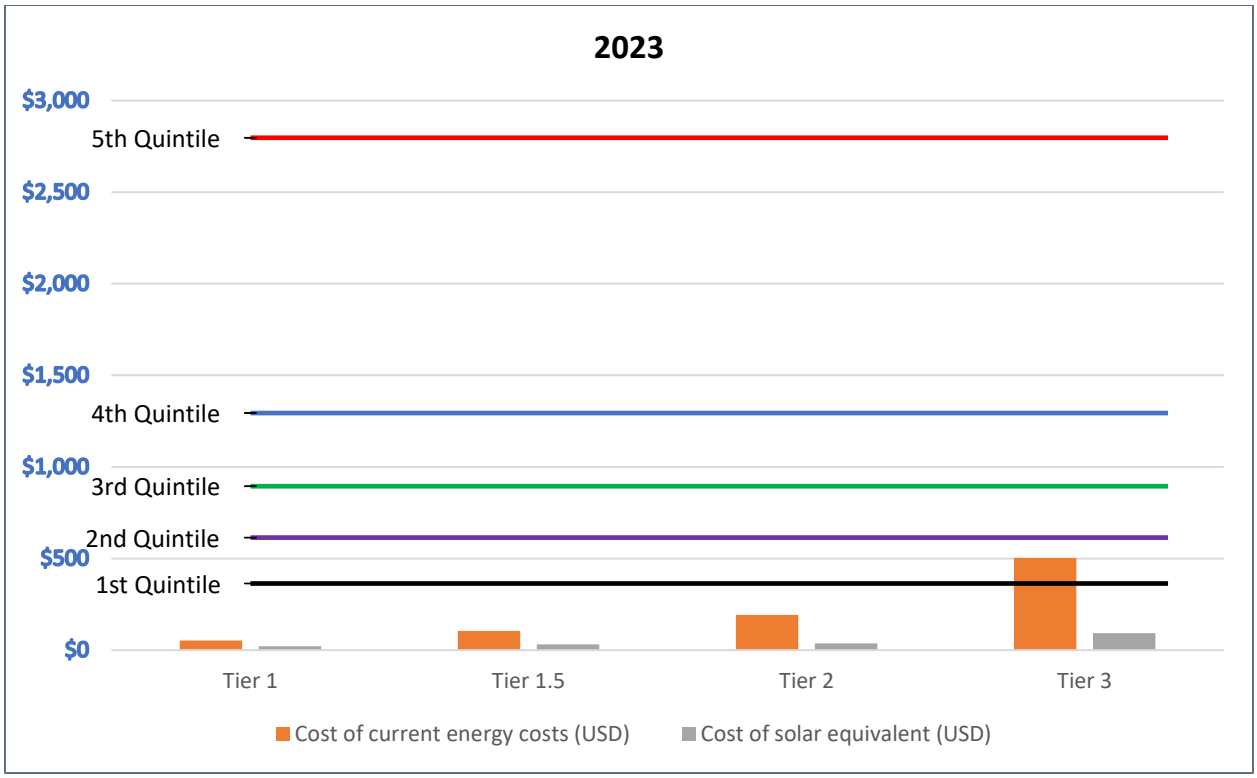
[120] See **Annex 2** for more details.

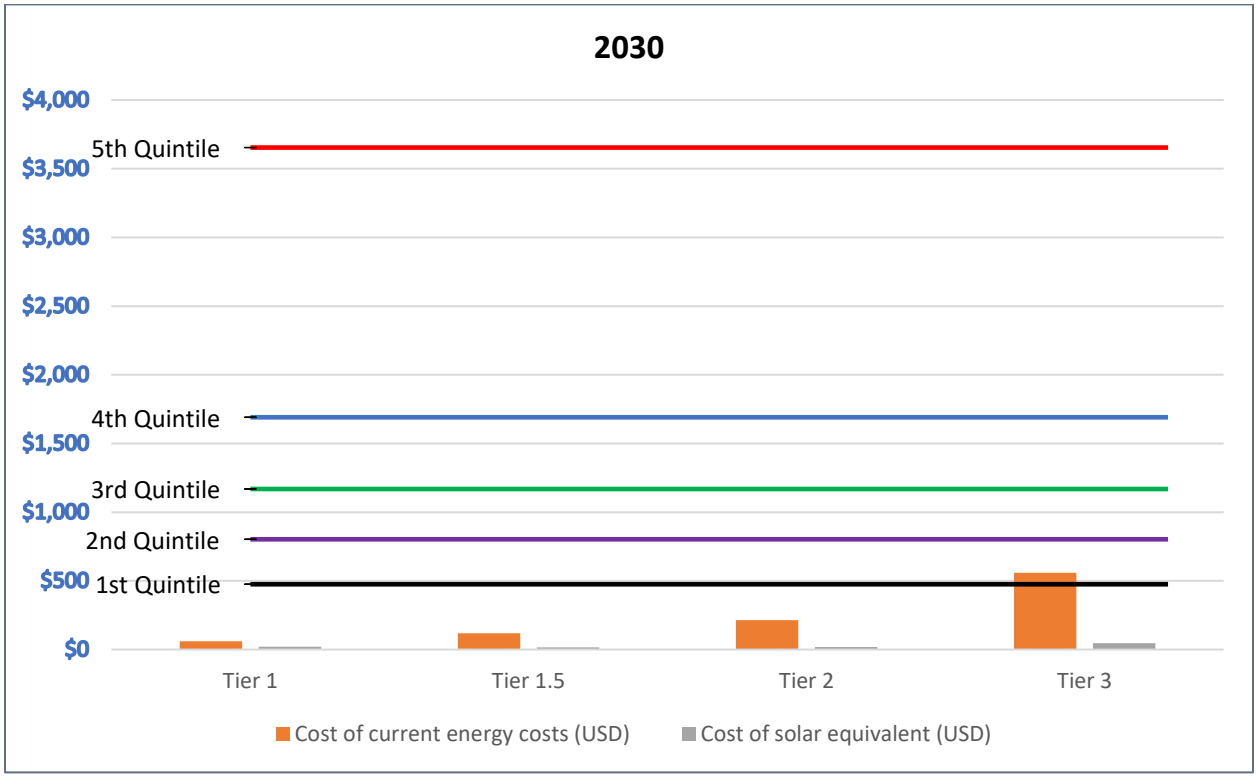
Figure 24 summarizes the preceding data in this section by comparing household energy spending with typical rural energy costs and their solar equivalents. This analysis presents annualized costs (not including financing cost) of current energy technologies for each energy tier, compared with the annual cost of an equivalent solar product. Both the annual costs of current energy technologies and equivalent solar solutions consider the capital costs of the units, and the operating costs considered over the average unit life times.

The data clearly shows strong potential savings for households to switch to solar products. Affordability also increases over time, as the cost of solar technology reduces, while the cost of traditional energy sources increases with inflation, and household income increases. Affordability here is shown by comparing annual income and energy costs over the life of a product. This indicates the need for short term financing, as many households still struggle to pay up front unit capital costs to achieve subsequent savings.

Figure 24: Annual Household Energy Budget by Quintile, Annual Energy Costs and Cost of Solar Equivalents







Source: African Solar Designs analysis

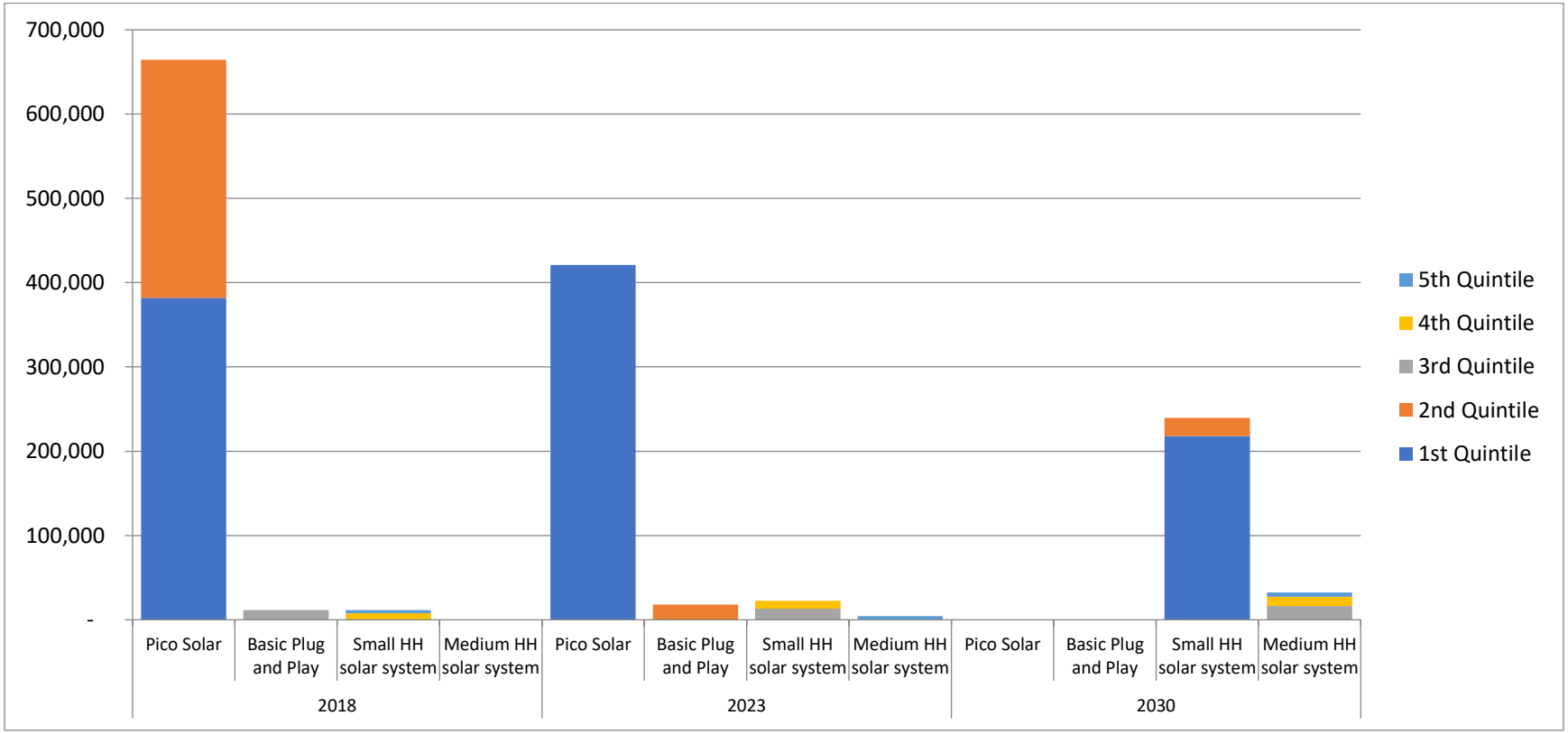
2.1.3 The Market for Household Devices without Consumer Finance

This section analyzes the cash market for various income levels and the corresponding energy services powered by OGS systems they can afford. Modelling of the viable market was based on income quintiles associated with data from the World Bank. The calculations and assumptions made are presented in **Table 15**. It was assumed that for a cash purchase a household is willing to save three months of their current energy expenditure to purchase the OGS system.

Based on the income quintiles and corresponding estimated current energy expenditure, all the households without access in all the income quintiles can afford an OGS system unfinanced. In the 2018 and 2023 scenarios, the lowest quintile households can afford pico solar products while households in higher quintiles can afford basic plug and play systems and SHS. Affordability increases significantly over time as solar prices drop and household incomes increase. However, the need for financing solutions for the lower income quintiles, which represent the vast majority of the market without electricity access, is clear.

The model assumes that each household purchases only one system. It also does not consider on-grid households that would purchase OGS systems as a back-up power system due to poor grid quality and reliability. This market has become a key segment of the more mature OGS markets (e.g. in East Africa), but is not the focus of this study, which is based on sizing the current markets in West Africa, alongside a least cost analysis for future access to energy that prioritizes reliable grid connections where possible.

Figure 25: Estimated Number of Households Able to Afford Cash Purchase of OGS Systems by Income Group



Source: African Solar Designs analysis

Table 16 presents the estimated annualized cash market potential for off-grid solar product sales in the country's household sector.

Table 16: Estimated Cash Market Potential for Household Sector

Solar System	Annualized Demand (Units)	Annualized Demand (kW)	Annualized Market Value (USD)
2018 Scenario			
Pico Solar	332,289	997	$14,953,004
Basic Plug and Play	3,819	38	$477,427
Small HH solar system	2,292	115	$572,911
Medium HH solar system	0	0	$0.00
Total	**338,400**	**1,150**	**$16,003,342**
2023 Scenario			
Pico Solar	210,468	631	$9,218,936
Basic Plug and Play	5,963	60	$553,933
Small HH solar system	4,472	224	$830,899
Medium HH solar system	894	224	$415,449
Total	**221,797**	**1,139**	**$11,019,217**
2030 Scenario			
Pico Solar	0	0	$0.00
Basic Plug and Play	0	0	$0.00
Small HH solar system	47,936	2,397	$4,455,097
Medium HH solar system	6,511	1,628	$1,512,865
Total	**54,447**	**4,025**	**$5,967,962**

Source: African Solar Designs analysis

The following considerations should also be taken into account when analyzing this data:

- The most common type of systems which the market can afford on a cash basis are pico and small plug and play systems. Based on available income figures Tier 2 and Tier 3 solutions are less viable for the vast majority of the population in the near term. However, this picture changes significantly with the introduction of finance.
- The model does not adequately address highest quintile and actual sales in the market. Note that the analysis does not predict purchases of Tier 3 equipment and it does not reflect what is happening at the extreme high end of the market. Because the analysis divides the population into relatively wide quintiles, it does not adequately address the very small portion of apex rural (and peri-urban) customers that now use generators.

2.1.4 The Financed Market for Off-Grid Solutions

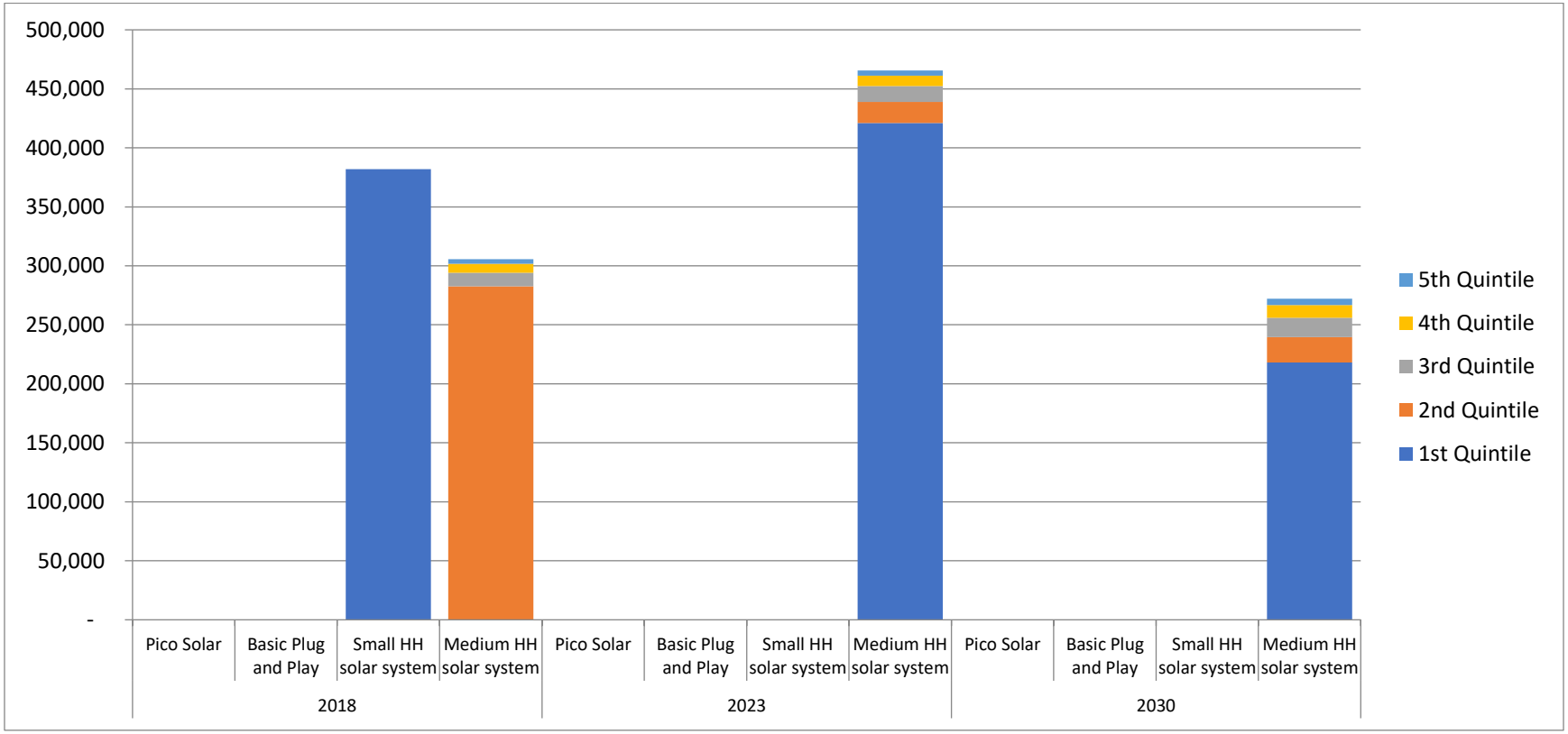
- **Financial Model**

In order to portray the effects of finance, a simple model was prepared that provides OGS system finance with a 24% p.a. interest rate[121] and a 24-month term. The financial model assumes that the households would be willing to save for three months of their current energy expenditure to cover a small upfront deposit of 10% of the system and their current energy expenditure would be used to pay the monthly installments.

This model assumes that each household will purchase the system that offers the highest energy serve level they can afford. As with the cash market model, it assumes that each household purchases one unit each. However, this finance model greatly over-estimates the potential market for credit as both MFIs and PAYG companies would likely be extremely cautious in approving customers. Without concrete data on the loans given to consumers in each income quintile in the country, it is difficult to estimate what the more realistic figures are. Nevertheless, this model does give a clear indication that long loan tenors combined with a low upfront payment would result in significant market transformation. The results of this analysis are presented below.

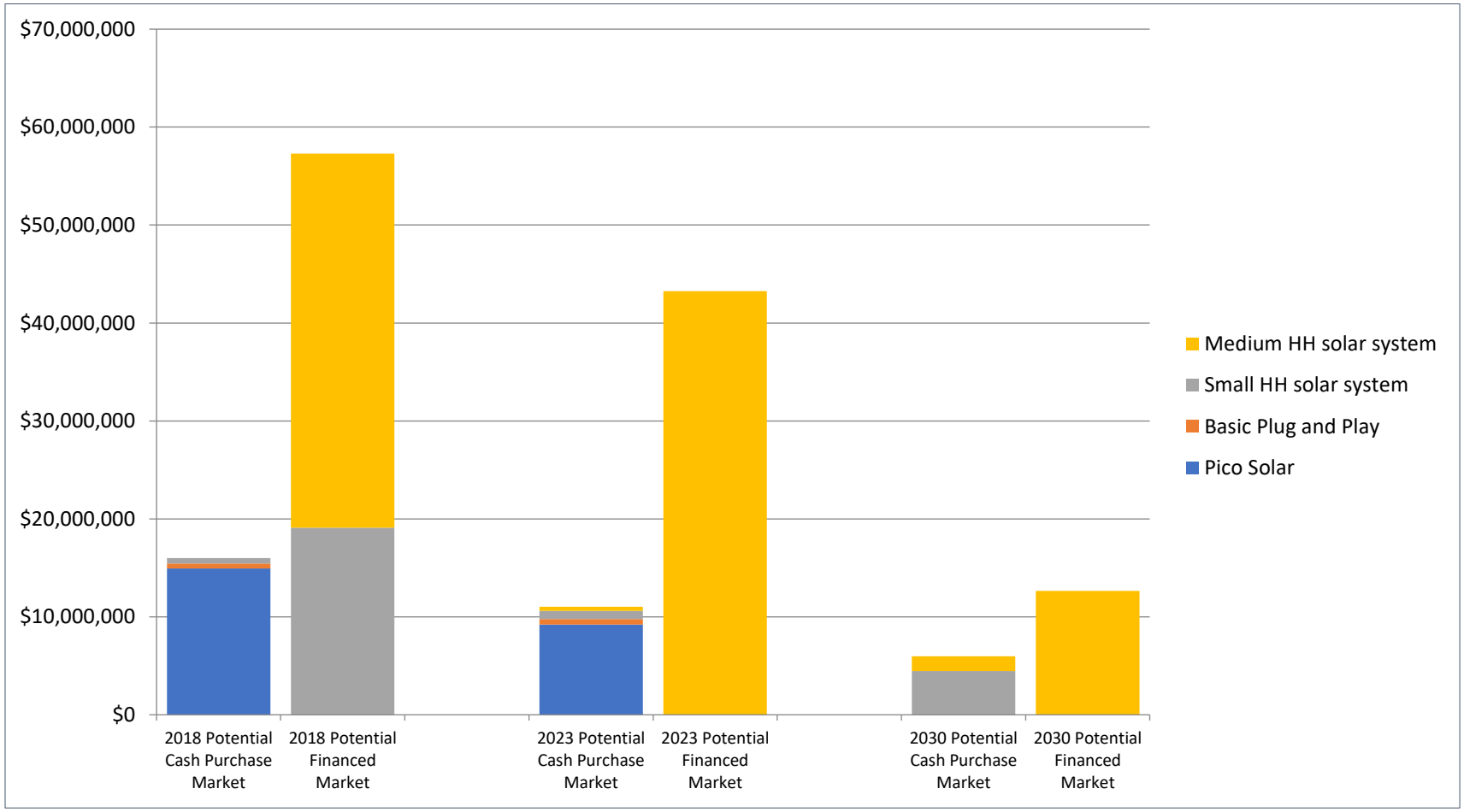
[121] Ferrari, A., Masetti, O., Ren, J., "Interest Rate Caps: The Theory and the Practice," World Bank Policy Research Working Paper, (April 2018): http://documents.worldbank.org/curated/en/244551522770775674/pdf/WPS8398.pdf

Figure 26: Estimated Number of Households Able to Afford Financed OGS Systems by Income Group



Source: African Solar Designs analysis

Figure 27: Estimated Off-Grid Solar Cash and Financed Market Potential for Household Sector by System Type



Source: African Solar Designs analysis

In 2018, without financing, all 687,494 households without access in the country could afford an OGS system. However, with financing, they were enabled to acquire the larger systems. Consequently, the annualized potential market size increases from USD 16,003,344 to USD 57,291,206 (**Figure 27**).

The least-cost electrification 2023 scenario calculates that 465,660 households could be electrified by stand-alone systems. Under this scenario, all the households without access would have the ability to acquire at least one OGS system, however, financing enables them to acquire the larger systems. The annualized potential market size therefore increases from USD 11,019,217 to USD 43,256,916 (**Figure 27**).

The least-cost electrification 2030 scenario calculates that the total number of households that could be electrified by stand-alone systems would drop further to 272,236. Under this scenario as well, all the households without access have the ability to acquire at least one OGS system, however, financing enables them to acquire the larger systems. The annualized potential market size therefore increases from USD 5,967,965 to USD 12,650,612 (**Figure 27**).

Table 17 presents the estimated annualized financed market potential for off-grid solar product sales in the country's household sector.

Table 17: Estimated Financed Market Potential for Household Sector

Solar System	Annualized Demand (Units)	Annualized Demand (kW)	Annualized Market Value (USD)
2018 Scenario			
Pico Solar	0	0	$0.00
Basic Plug and Play	0	0	$0.00
Small HH solar system	76,388	3,819	$19,097,069
Medium HH solar system	61,111	15,278	$38,194,137
Total	**137,499**	**19,097**	**$57,291,206**
2023 Scenario			
Pico Solar	0	0	$0.00
Basic Plug and Play	0	0	$0.00
Small HH solar system	0	0	$0.00
Medium HH solar system	93,132	23,283	$43,256,916
Total	**93,132**	**23,283**	**$43,256,916**
2030 Scenario			
Pico Solar	0	0	$0.00
Basic Plug and Play	0	0	$0.00
Small HH solar system	0	0	$0.00
Medium HH solar system	54,447	13,612	$12,650,612
Total	**54,447**	**13,612**	**$12,650,612**

Source: African Solar Designs analysis

2.1.5 Consumer Perceptions, Interest and Awareness

- **Purchasers of solar are "early adopters" who tend to buy from system integrators as well as hardware traders**

  - **Retail purchasers**: Most purchases are made over-the-counter sales in capital and major cities as cash purchases. As with the consumer migration from kerosene to electric lights, there is a gradual migration from low cost dry-cell electric lamps to solar PV systems. Consumers make purchases in the same shops, and sellers are adapting to changes in demand by offering solar equipment.
  - **High-end consumers**: As elaborated in **Section 2.4**, a small number of early adopting consumers buy from specialized solar integrators who offer quality services and components. A large portion of buyers in this segment opt for systems above 200Wp for residential and small business demand.
  - **PAYG**: As the PAYG market segment is still in its nascent stages, detailed data of PAYG customers is still largely unavailable, although recent experience from East Africa suggests that these customers include both rural and peri-urban inhabitants. The PAYG business model / method is still not widely understood; moreover, there are still questions about how to account for the seasonality of incomes as opposed to regular monthly payment plans.

- **Consumers have a general awareness that solar can economically replace generators and batteries, but they are still largely uninformed about solar electric specifics**[122]

  - While knowledge is gradually improving (particularly for small/pico solar lighting systems) most consumers are not yet educated enough to make informed decisions about solar systems.
  - There are often geographic disparities in awareness levels of OGS products, as households in urban or peri-urban areas tend to have better understanding of solar vis-à-vis rural villages.
  - Consumers are hearing "general messages" (i.e. "solar is good," "solar can be cheap," "solar can be more economical"). These messages need to be translated into more specific understanding of the technology (i.e. what are the options, what products are better than others, where to buy solar, what is a best way to pay for solar, what suppliers are more reliable, how to manage O&M, etc.).
  - Consumers often do not get fair information on the product they are buying. Marketing messages are quite mixed and much 'overpromising' occurs for systems. Consumers are largely unaware of standards and quality assurance for solar.

- **Perceptions of households vary according to experience they have had with solar**

  - Although many households recognize the benefits of solar, there is a general perception that solar equipment is very expensive and that products are considered largely un-affordable.
  - Many customers are disappointed with solar technology or mistrust it because:
    - They have bought a substandard/not certified product that broke down quickly;
    - There was no adequate maintenance, aftersales service when the system broke down;
    - There was lack of understanding/experience on how to use the system and it broke down due to over usage or incorrect usage.
    - There is no warranty or fault management system (long-term O&M)
  - Households that have a fuel-powered generator, consider them as a 'sunk cost' and treat solar only as an addition to that cost.
  - Solar is seen as risky by many. Since there are so many options and little information as to what the best solution is, many people think that it is easy to make a costly mistake in choosing what is

[122] Focus group participants indicated that the general level of awareness of OGS products in the country is still quite low, particularly among the rural off-grid population, and that an awareness-raising campaign at the community / household level would be beneficial to market growth. Most suppliers are based in Dakar and do not typically operate in rural areas.

best for them. Generators are much better understood.
- Some consumers have 'investment fatigue' from buying multiple solar products of low or unknown quality and are unwilling to make further investments.

- **Willingness to Pay is strongly associated with consumer understanding and perceptions of OGS**

Although there is demonstrated ability to pay for households in higher income demographics on cash purchase, and for many households through a financed scenario, willingness to pay is strongly associated with consumer understanding and perceptions of OGS. Component-based Plug-and-Play SHS are much more expensive than battery-powered alternatives and are more than what households expect to pay for access to lighting. Consumers who purchase low-priced inferior lighting products for which they have low expectations are less likely to be willing to purchase a relatively high priced OGS system without fully understanding the difference between the products.

Since most of the retail-shop dry-cell battery-powered lighting products are extremely low cost (and short-lived), conservative rural consumers are wary of expensive new products if they are unable to assess product quality and durability. For this reason, willingness to pay presents a much larger barrier for the development of sales than actual *ability* to pay. East African experience with Global Lighting-certified products has demonstrated that consumer awareness campaigns can grow the demand for quality products.

2.2 Demand – Institutional

2.2.1 Overview of Institutional Market Segment

This section estimates the market potential for off-grid solar products for institutional users in Senegal. This market includes the following segments: (i) rural water supply, (ii) healthcare facilities, (iii) primary and secondary schools, and (iv) public town center lighting. The following sub-sections provide an overview of the assumptions used for each market segment along with corresponding analysis. The section concludes with an assessment of institutional ability to pay, looking at funding sources and highest potential market segments. **Annex 2** provides an overview of the methodology, including all calculations.

2.2.2 Analysis of Institutional Market Segment Demand

Table 18 shows the total estimated annualized cash market potential for institutional users in Senegal. This estimation is calculated using available GIS data, secondary research, and primary source field data. The analysis is based on available information from planned expansion of the sectors and typical usage patterns and costs of existing systems in the country. There was insufficient GIS data available to properly estimate the market size; as a result, per capita comparisons were made with similar countries to analyze certain sectors as described below.[123]

Table 18: Indicative Total Cash Market Potential for Institutional Sector [124]

Institutional Sector		Units	kW Equivalent	Cash Value (USD)
Water supply	Low power pumping system	208	312	$779,813
	Medium power pumping system	203	813	$2,032,000
	High power pumping system	97	974	$2,435,000
	Subtotal	508	2,099	$5,246,813
Healthcare	Health post (HC1)	114	29	$71,500
	Basic healthcare facility (HC2)	2	3	$8,438
	Enhanced healthcare facility (HC3)	1	2	$5,775
	Subtotal	117	34	$85,713
Education	Primary schools	213	107	$319,950
	Secondary schools	67	129	$322,320
	Subtotal	280	236	$642,270
Public lighting	Public lighting (excluding street lighting)	366	183	$549,450
TOTAL		**1,271**	**2,552**	**$6,524,246**

Source: African Solar Designs analysis

[123] See **Annex 2** for more details.
[124] Estimated units, kW equivalent and cash value are annualized to reflect typical lifespan of OGS systems; see **Annex 2** for more details.

- **Water Supply**

Table 19: Key Assumptions for Water Supply Sector Analysis

Sector	System Sizes	Key Assumptions
Water supply	• Low Power (1,500 W) • Medium Power (4,000 W) • High Power (10,000 W)	The type of pump selected is dependent on depth, yield, community need and other factors. System sizes depend on the common pump sizes used for rural applications: • Low power pumps are used for low/medium head applications. They replace hand pumps for shallow wells • Medium power pumps have high volume low head and medium volume medium head applications • High power pumps are used for high volume or high head applications such as deep wells and boreholes

The water supply sector analysis considered the electricity needs for water supply for communities in off-grid areas. Energy is only one component of this sector – a variety of factors (water quality, number of users, yields of well, delivery system etc.) need to be considered when planning for off-grid water supply. The supply of solar powered pumping systems for village water supply requires additional planning and study to identify the most viable sites.

As GIS data was not available to conduct the analysis, a per capita comparison made using data from Ghana identified off-grid potable water points such as boreholes and wells that could be electrified by stand-alone systems.[125] Based on the analysis of the identified water points, the estimated annualized cash market potential for the water supply sector is presented in **Table 20**.

Table 20: Estimated Cash Market Potential for Water Supply [126]

Pump Type	Units	Size (kW)	Cash Value (USD)
Low power	208	312	$779,813
Medium power	203	813	$2,032,000
High power	97	974	$2,435,000
Total	**508**	**2,099**	**$5,246,813**

Source: African Solar Designs analysis

[125] See **Annex 2** for more details.
[126] Estimated units, kW equivalent and cash value are annualized to reflect typical lifespan of OGS systems; see **Annex 2** for more details.

- **Healthcare**

Table 21: Key Assumptions for Healthcare Sector Analysis

Sector	System Sizes	Key Assumptions
Healthcare	• HC1: Dispensary health post (300 W) • HC2: Basic health facility (1,500 W) • HC3: Enhanced health facility (4,200 W)	628 off-grid healthcare facilities were identified that could be electrified by stand-alone systems during the period 2018-2030

The healthcare sector analysis considered the electricity needs for off-grid health facilities in the country. Off-grid clinics require power for lighting and various Information and Communications Technology (ICT) needs, including phone charging, maternity, medical examinations, vaccine refrigeration, laboratory, sterilization and staff housing. The size of a facility and number of patients served determines the amount of energy it requires.

Available GIS data identified off-grid health facilities categorized according to their size (HC1, HC2, and HC3)[127] that could be electrified by stand-alone systems. To establish electricity demand, an assessment of equipment found within each category of healthcare facility was undertaken, with the daily demand of each used to calculate the system size required to cater to the load of the facility (**Table 22**). The assumptions of system size below are based on the services offered at each of these facilities.

Table 22: Healthcare Facility Categorization and Electricity Demand[128]

Type of Facility	Load Category	Wh/day	Total Load (Wh/day)	System Size (W)
Health post (HC1)	Lighting	240		
	Communication	160		
	ICT	800		
			1,200	**250**
Basic healthcare facility (HC2)	Lighting	1,600		
	Maternity	800		
	Vaccine refrigeration	800		
	Communication	400		
	Examination room	400		
	ICT	1,600		
	Staff housing	400		
			6,000	**1,500**
Enhanced healthcare facility (HC3)	Lighting	3,200		
	Communication	1,600		
	Examination room	1,200		
	ICT	2,400		
	Maternity	2,400		
	Laboratory	2,000		
	Sterilization	1,200		
	Vaccine refrigeration	1,200		
	Staff housing	1,600		
			16,800	**4,200**

Source: GIZ; African Solar Designs analysis

[127] NOTE: This represents a small subset of the overall health infrastructure in the country; See **Annex 2** for more details.
[128] "Photovoltaics for Productive Use Applications: A Catalogue of DC-Appliances," GIZ, (2016): https://www.sun-connect-news.org/fileadmin/DATEIEN/Dateien/New/GIZ__2016__Catalogue_PV_Appliances_for_Micro_Enterprises_low.pdf

Based on these assumptions, the estimated annualized cash market potential for health facilities is presented in **Table 23**. The distribution of potential off-grid health facilities is illustrated in **Figure 9** in **Section 1.2.2.4**.

Table 23: Estimated Cash Market Potential for Healthcare Facilities [129]

Type of Facility	Units	kW Equivalent	Cash value (USD)
HC1 Health post	114	29	$71,500
HC2 Basic healthcare facility	2	3	$8,438
HC3 Enhanced healthcare facility	1	2	$5,775
Total	**117**	**34**	**$85,713**

Source: African Solar Designs analysis

- **Education**

Table 24: Key Assumptions for Education Sector Analysis[130]

Sector	System Sizes	Key Assumptions
Education	• Elementary schools (500 W) • Secondary schools (1,920 W)	4,266 off-grid primary schools and 1,343 off-grid secondary schools were identified that could be electrified by stand-alone systems.

The education sector analysis considered the electricity needs of off-grid primary and secondary schools.[131] These include lighting, ICT (computers, tablets etc.), communication (phone charging), laboratories and staff housing. The size of a school and number of students determines the amount of energy it requires. Available GIS data identified off-grid primary and secondary schools that could be electrified by stand-alone systems. To establish electricity demand, an assessment of equipment found within each type of school was undertaken, with the daily demand of each used to calculate the system size required to cater to the electric load of the school (**Table 25**).

Table 25: Education Center Categorization and Electricity Demand[132]

Type of Facility	Load Category	Wh/day	Total Load (Wh/day)	System Size (W)
Primary School	Communication	160		
	Lighting	640		
	ICT	800		
	Staff house	400		
			2,000	**500**
Secondary School	Communication	160		
	Lighting	1,920		
	ICT	3,200		
	Laboratory use	800		
	Staff house	1,600		
			7,680	**1,920**

Source: GIZ; African Solar Designs analysis

[129] Estimated units, kW equivalent and cash value are annualized to reflect typical lifespan of OGS systems; see **Annex 2** for more details.
[130] NOTE: While the GIS analysis in **Section 1.2.2.4** covers all education centers (including nursery, pre-primary, primary, secondary, technical-vocational, universities etc.), this analysis only examines primary and secondary schools (see **Annex 1** and **Annex 2**).
[131] Primary schools encompass both primary and nursery schools. Vocational schools and universities were not considered because they tend to be in cities, which are often grid electrified.
[132] "Photovoltaics for Productive Use Applications: A Catalogue of DC-Appliances," GIZ, (2016): https://www.sun-connect-news.org/fileadmin/DATEIEN/Dateien/New/GIZ__2016__Catalogue_PV_Appliances_for_Micro_Enterprises_low.pdf

Based on these assumptions, the estimated annualized cash market potential for primary and secondary schools is presented in **Table 26**.

Table 26: Estimated Cash Market Potential for Primary and Secondary Schools [133]

Type of Facility	Units	kW Equivalent	Cash value (USD)
Primary school	213	107	$319,950
Secondary school	67	129	$322,320
Total	**280**	**236**	**$642,270**

Source: African Solar Designs analysis

- **Public Lighting**

Table 27: Key Assumptions for Public Lighting Sector Analysis[134]

Sector	System Sizes	Key Assumptions
Public lighting	Standard system (200 W)	• District population figures were used to determine the number of market centers per district, assuming 5,000 people per market center • Each market center was assumed to have two public lighting points

Analysis of the public lighting sector considered the public lighting needs for off-grid villages and market centers. It did not assess public street lighting, which would generally be included in road infrastructure projects.[135] Based on these assumptions, the estimated annualized cash market potential for the public lighting sector is presented in **Table 28**.

Table 28: Estimated Cash Market Potential for Public Lighting [136]

Public Lighting Network	Units	kW Equivalent	Cash value (USD)
Village lighting (excluding street lighting)	366	183	$549,450

Source: African Solar Designs analysis

2.2.3 Ability to Pay and Access to Finance

Financing for institutional off-grid systems in Senegal typically comes from budget allocations made directly by relevant ministries or, more commonly, by donor-funded projects. In recent years, virtually all institutional solar projects in the country have been financed with tender-based procurements and cash-based contracts. Government allocations are typically made ad-hoc, depending on the needs and priorities of the ministry, and whether funds are available. Operation, maintenance and replacement of parts in energy systems (e.g. solar system batteries and inverters) is typically the responsibility of the institution and community. Schools, clinics and other institutions with generators must buy fuel on a regular basis. With the development of the renewable energy sector, NGO/donor funds increasingly design projects that ensure that maintenance of the system is factored into its implementation. However, when there are no funds to maintain the system any further, usage is typically discontinued, and the system falls into disrepair.

Institutional users that rely on government or donor funds for the purchase and O&M of solar systems may be constrained by limited funds and/or competing budget priorities. Thus, local communities benefiting

[133] Estimated units, kW equivalent and cash value are annualized to reflect typical lifespan of OGS systems; see **Annex 2** for more details.
[134] Population figures used in this analysis were obtained from: https://www.citypopulation.de/Senegal-Cities.html
[135] FGD participants indicated that ASER, GIZ/Endev and other agencies had previously installed solar powered street lighting PV systems, but maintenance was either poor or non-existent as it was left to local communities to manage.
[136] Estimated units, kW equivalent and cash value are annualized to reflect typical lifespan of OGS systems; see **Annex 2** for more details.

from solar electrification would also have to bear some long-term costs for the maintenance of systems and replacement of parts. In the event that public or donor funding is made available to cover the initial capital expenditure, funds can be raised by local communities through a minimal tariff to customers of the health facilities, water pumping stations etc. for long-term O&M. A market standard of 5-10% of the capital expenditure is accepted as a rate for annual maintenance of systems.[137]

Given budgetary constraints, some institutional sectors may be prioritized for solar electrification over others. Advanced health centers for example, could be prioritized by governments and communities given that electricity is essential to run advanced healthcare equipment. It may be easier in this case to extract maintenance fees from community members receiving health services or budget allocations from local government. In contrast, off-grid schools can be run more easily without access to electricity and may therefore present a lower priority institutional market.

[137] Grundfos: https://www.grundfos.com/service-support/encyclopedia-search/maintenance-and-repaircostscm.html

2.3 Demand – Productive Use

2.3.1 Overview of Productive Use Market Segment

The section provides an overview of the main characteristics of productive use of energy (PUE) and how off-grid solar applications have the potential to generate economic activity, increase productivity and transform rural livelihoods in Senegal. Focus group participants noted that productive use applications in the agricultural, food processing and informal sectors already exist in the country, including solar powered lighting, mobile phone charging, refrigeration and chilling, water pumping, irrigation and agricultural processing. The PUE market sizing analyzed demand for SME applications for village microenterprises, value-added applications for solar powered irrigation, milling and refrigeration, and connectivity applications for mobile phone charging enterprises.

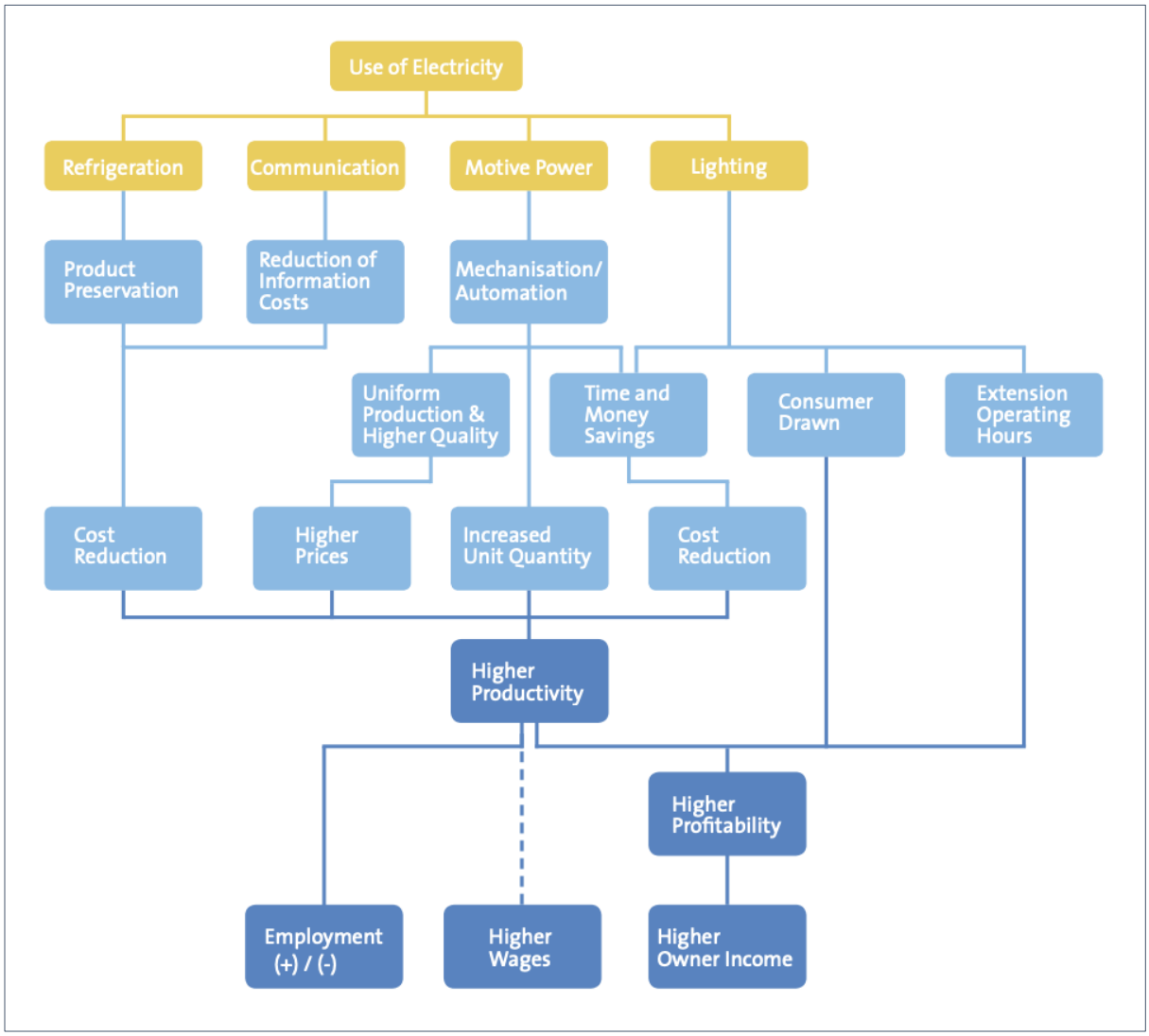
The calculation of the estimated off-grid solar market for SMEs focused only on barbering and tailoring appliances, which comprises a small portion of overall SME sector demand. These two microenterprises are indicative of the service-based SME off-grid solar market, as they benefit significantly from extended working hours and the use of modern appliances/machinery. The estimated demand for this market segment is therefore intended to provide a baseline for future research, as a more robust analysis would be necessary to assess realistic demand from all SMEs.

The value-added applications that were analyzed include solar pumping for smallholder agricultural irrigation, solar powered milling and solar refrigeration. Access to energy for agriculture is critical to economic development, particularly given the sector's importance to GDP in the country.

Off-grid solar power supports a wide range of connectivity applications, including mobile phone charging, wi-fi servers, banks, mobile money kiosks, and telecommunications towers. Mobile phone and internet connectivity are also necessary precursors for mobile money and PAYG solutions in the off-grid solar sector. The market sizing examined rates of mobile phone ownership and mobile internet penetration to estimate the market potential for mobile phone charging enterprises (stations/kiosks) in the country.

The impact of electricity use on SMEs depends on a variety of external and internal factors, especially access to markets, the location of the firm, supply of inputs and financial capability. Therefore, the extent to which firms can afford to invest in off-grid solar solutions is determined largely by increases in productivity, profitability, and employment/wages from the investment in the off-grid appliance (**Figure 28**).

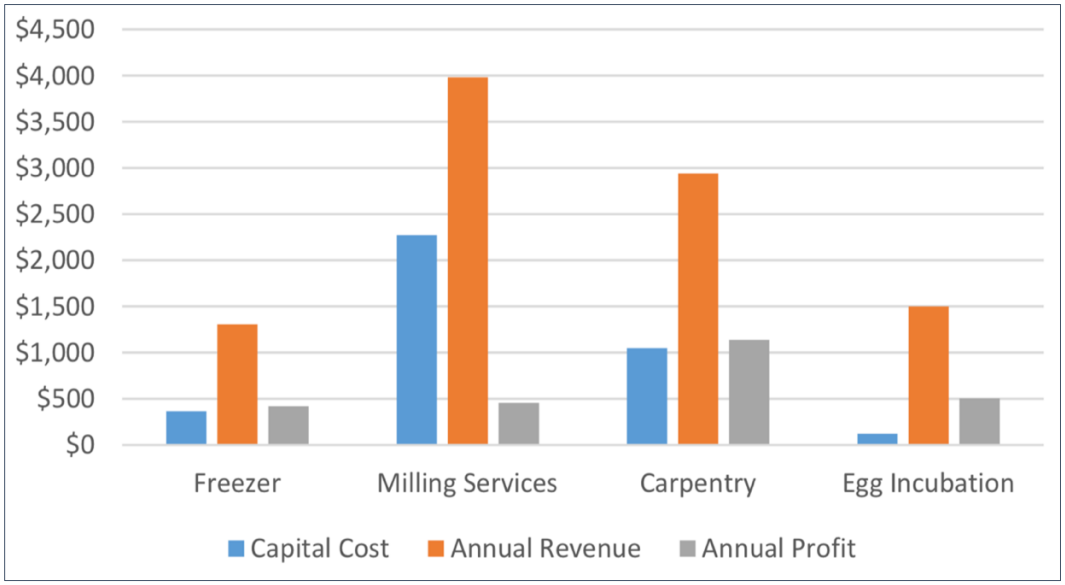
Figure 28: Pathways from Electricity to Income Generation[138]



Source: EUEI PDF and GIZ: Productive Use of Energy – A Manual for Electrification Practitioners

[138] "Productive Use of Energy – A Manual for Electrification Practitioners," European Union Energy Initiative Partnership Dialogue Facility (EUEI PDF) and GIZ, (2011): https://www.giz.de/fachexpertise/downloads/giz-eueipdf-en-productive-use-manual.pdf

Figure 29: Analysis of Cost, Revenue and Profit for Various Off-Grid Productive Use Applications[139]



NOTE: Annual profit does not include recovery of cost capital

Source: USAID-NREL and Energy 4 Impact: Productive Use of Energy in African Microgrids

In order to organize and simplify this analysis and to deliver meaningful insights on country-level market sizing, productive solar applications have been divided into three main groups (**Table 29**).

Table 29: Overview of Productive Use Applications

Productive Use Application	Description
1) SME applications for village businesses	Barbers and tailors are the two microenterprises that were analyzed. While these businesses employ people and are critical for off-grid towns, they do not create additional income for towns and are not transformative in nature. SME businesses are therefore most at risk during economic downturns because they are at the mercy of the overall economic and political climate.
2) Value-added applications	Solar-powered irrigation, refrigeration/chilling and milling are the three value-added applications that were analyzed. Value-Added productive use applications enable businesses to add value to products or services and to build new income streams. This can be done by creating a new product or service or by enhancing the value of an existing product (e.g. milling maize). Water pumping tools that support the agricultural, dairy or fishing value chains are included here (water pumps, refrigerators/chillers, and grain mills).
3) Connectivity / ICT applications	Mobile phone charging is the connectivity application that was analyzed. Connectivity applications enable consumers to communicate and access data from the internet. Following the advent of mobile phones and mobile money in East Africa, solar devices that support connectivity applications became the most important income earning applications in East Africa. Mobile phone charging is extremely important for the telecommunications sector. Other connectivity applications include wi-fi servers, mobile money kiosks, banks, and telecommunications towers.

Source: African Solar Designs

[139] "Productive Use of Energy in African Micro-Grids: Technical and Business Considerations," USAID-NREL and Energy 4 Impact, (August 2018): https://sun-connect-news.org/fileadmin/DATEIEN/Dateien/New/productive_use_of_energy_in_african_micro-grids.pdf

- **Geographic Locations**

Most PUE activities take place in Senegal's rural off-grid towns. Focus group participants highlighted that in Kaolack and Kaffrine, because electrification rates were so low, solar-powered agricultural processing appliances would be suitable in those areas. Agro-processing appliances would also support peanut farming in Bassin Arachidier. In Fatick and Tabacounda, solar powered refrigeration would be appropriate due to the warm climate and the need for food preservation. In the North Zone, solar refrigeration would also support milk preservation. The area around Niayes and the River Delta would benefit from solar irrigation in order to increase yields from rice cultivation and other crops. Sewing machines and phone charging services would be generally applicable in off-grid communities throughout the country.

2.3.2 Analysis of Productive Use Market Segment Demand

Data from the World Bank, Food and Agriculture Organization of the UN (FAO) and GSMA was used to conduct the PUE market study. In order to conduct the analysis, several key assumptions were made about PUE applications, which are presented in the sections below and in **Annex 2** in greater detail. **Table 30** presents the estimated annualized cash market potential for off-grid solar productive use applications.

Table 30: Indicative Total Cash Market Potential for Productive Use Sector [140]

Productive Use Sector		Units	kW Equivalent	Cash Value (USD)
SME Applications for Village Businesses	Microenterprises	1,235	309	$772,000
Value-added Applications	Irrigation	56,806	6,817	$36,923,611
	Milling	75	487	$1,218,135
	Refrigeration	336	2,015	$5,036,625
	Subtotal	57,247	9,319	$43,178,371
Connectivity Applications	Phone Charging	9,387	3,755	$8,091,740
TOTAL		**67,869**	**13,383**	**$52,042,111**

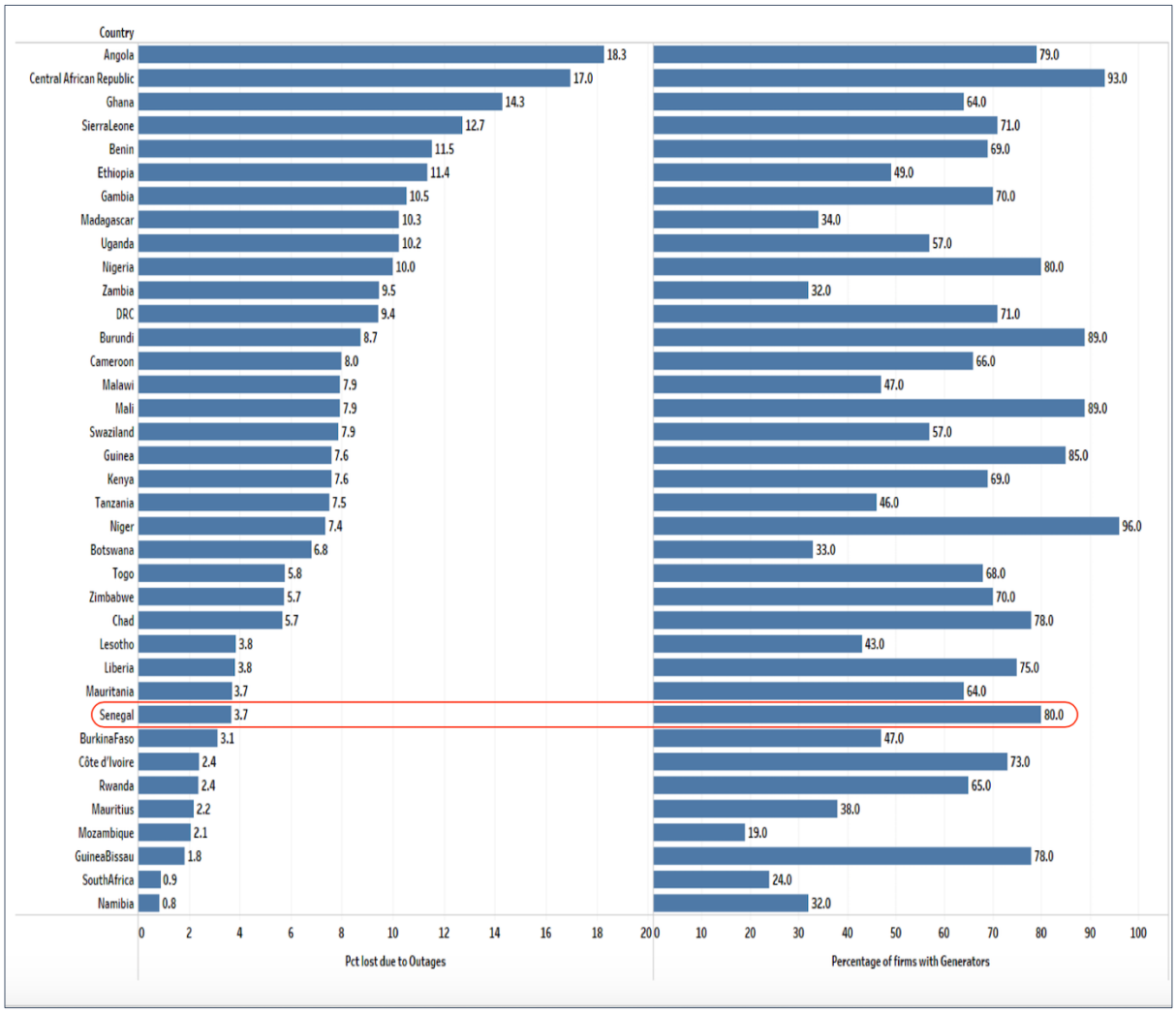
Source: Food and Agriculture Organization, GIZ and GSMA; African Solar Designs analysis

- **SME Applications for Village Businesses**

Access to solar powered appliances can have a wide-ranging impact on SMEs, many of which would otherwise rely on diesel- or petrol-powered generators to power their enterprises. Close to 33% of SMEs in emerging markets use fossil fuel powered generators in order to address energy insecurity; for ECOWAS countries, independent power generation via fossil fuel powered generators is especially prevalent.[141] This practice is common in Senegal, where 80% of firms own generators and power outages account for about 4% of annual sales lost **(Figure 30**). Access and reliability of energy is a major risk and uncertainty for SMEs, as it leads to increased product spoilage, equipment damage and reduced productivity. Nearly half of SMEs in Senegal have identified electricity as major constraint to growth of their business, with more than 80% experiencing about six power outages in a typical month.[142] Another study found that 27.4% of SMEs report that the quality of their products has been affected by lack of power, resulting in losses of up to FCFA 51.4 billion.[143]

[140] Estimated units, kW equivalent and cash value are annualized to reflect typical lifespan of OGS systems; see **Annex 2** for more details.
[141] Foster, V., and Steinbuks, J., "Paying the Price for Unreliable Power Supplies: In-House Generation of Electricity by Firms in Africa," World Bank Policy Research Working Paper, (2009): https://openknowledge.worldbank.org/handle/10986/4116
[142] World Bank, Enterprise Surveys: http://www.enterprisesurveys.org/
[143] "The Productivity Cost of Power Outages for manufacturing Small and Medium Enterprises in Senegal," ResearchGate (2018): https://www.researchgate.net/publication/325320541_The_Productivity_Cost_of_Power_Outages_for_manufacturing_Small_and_Medium_Enterprises_in_Senegal

Figure 30: Percentage of Sales Lost due to Power Outages and Percentage of Firms with Generator



Source: Center for Global Development

While many rural microenterprises would benefit from access to solar power, it may not be a requirement for a commercial enterprise to have access to electrical appliances. Further, while petit trade is facilitated greatly by the availability of electricity (kiosks and retail shops can be open longer hours and sell more and fresher products), electricity is not essential for SMEs because even without lighting, small shops can still sell their merchandise. Additionally, unlike value-added applications, there is not as strong a correlation between the value of the electric appliance and the economic capability of the SME. For example, a refrigerator used to preserve perishable food and chill beverages, irrespective of the value of food and beverages, may be used by either a large hotel or a street side vendor.

With the exception of replacing diesel gensets, the estimation of the available market for off-grid solar appliances for SMEs is not as closely correlated with economic indicators. Nonetheless, some widely marketed solar powered appliances are more centrally related to the revenue generation of SMEs. Investments in such appliances in off-grid and low-income settings are more likely to be sustainable. This study analyzed barbering and tailoring appliances (i.e. hair clippers and sewing machines designed or marketed for off-grid solar powered settings) with respect to microenterprises that face difficulty in accessing outside capital, as the two appliances would provide an economic opportunity for such

entrepreneurs that are demographically most likely to be in off-grid communities. A study undertaken in West Africa that found little correlation between electricity access and a firm's profitability did, however, find that tailors do consistently benefit from electricity access.[144]

Focus group participants also highlighted the potential for solar power to support service-based industries, specifically those participating in retail sales of fish, meat, beverages, entertainment and phone charging. The calculation of the estimated OGS market focused only on barbering and tailoring appliances, which comprises a small portion of overall SME sector demand. These two microenterprises are indicative of the service-based SME off-grid solar market, as they benefit most from extended working hours and the use of modern appliances/machinery. The quantitative demand estimate for this market segment is therefore intended to provide a baseline for future research, as a more robust analysis would be necessary to assess OGS demand from all SMEs.

According to the analysis, estimated annualized off-grid solar cash market potential for barbers and tailors is USD 772K (**Table 31**).

Table 31: Estimated Market Potential for SMEs – Barbers and Tailors [145]

No. of SMEs with Constrained Access to Finance[146]	Units	kW Equivalent	Cash Value (USD)
6,176	1,235	309	$772,000

Source: World Bank; African Solar Designs analysis

- **Value-Added Applications**

Agricultural practices, especially for smallholder farmers, can benefit from a wide range of off-grid solar technologies. Cold rooms and ice production are valuable investments for economies engaged in aquaculture. Solar refrigeration, cooling and processing equipment would enable traders and livestock farmers to sell dairy products. Solar drying of cocoa and palm oil processing are productive use applications that would greatly benefit rural farmers in countries where these products contribute to export revenues.

The three value-added applications that were analyzed include solar pumping for agricultural irrigation, solar milling and solar powered refrigeration.

Solar Powered Irrigation:

In most West African countries, the national government is typically responsible for carrying out irrigation initiatives, which vary by the scale of the project and often require the construction of civil works such as dams, canals, embankments, and piping. Donor agencies and development partners provide funding for such projects (**Table 32**). Niayes and the Senegal River Delta have a large number of skilled commercial farmers that are familiar with deploying irrigation methods. Although private large- and medium-scale irrigation has grown, many farmers still lack appropriate technical and water management. The Senegalese irrigation market requires significant technical assistance for irrigation investments to be successful.[147] This analysis focused instead on a small-scale private sector driven approach and estimated the market potential for off-grid solar pumping systems to support smallholder farmers.

[144] Grimm, M., Harwig, R., Lay, J., "How much does Utility Access matter for the Performance of Micro and Small Enterprises?" World Bank (2012): http://siteresources.worldbank.org/INTLM/Resources/390041-1212776476091/5078455-1398787692813/9552655-1398787856039/Grimm-Hartwig-Lay-How_Much_Does_Utility_Access_Matter_for_the_Performance_of_MSE.pdf
[145] Estimated units, kW equivalent and cash value are annualized to reflect typical lifespan of OGS systems; see **Annex 2** for more details.
[146] "MSME Finance Gap," SME Finance Forum: https://www.smefinanceforum.org/data-sites/msme-finance-gap
[147] "Senegal Irrigation Market Brief," FAO: http://www.fao.org/3/a-i5365e.pdf

Table 32: Major Donor-Funded Projects in Agriculture and Irrigation in Senegal

	Projects	Commitment (USD million)	Main objective	Project end date	Type of financing
AFD	*Promotion d'une agriculture compétitive et durable* (PACD)	3.5M	To strengthen rural stakeholders' capacities in international trade negotiations and in their institutional mandate	N/A	Grant
AfDB + IDB	*Projet* d'appui à la petite *irrigation* locale (PAPIL)	49.6M	To reduce poverty and food insecurity through the promotion of irrigation infrastructure and climate change adaptation measures	Dec-13	Loan
GAFSP + AfDB	Food Security Support Project in Louga, Matam and Kaffrine Regions (PASA/Lou-Ma-Kaf)	40M	To improve food security and incomes through improved access to infrastructure, especially for water management, storage, and access, as well as adapted technologies and services	Dec-18	Loan + Grant
IFAD	Agricultural Value Chains Support Project – extension (PAFA)	50.4M	To improve smallholders' food security and incomes and to generate rural employment	2020	Loan
IFAD + Spain	Support to Agricultural Development and Rural Entrepreneurship Programme	51.7M	To improve food security and incomes of smallholders and rural microenterprises	2017	Loan
MCC-MCA	Irrigation & Water Resources Management Project	540M	To enable improved agricultural productivity by extending and improving the quality of the irrigation system in the Delta and Podor regions of the Senegal River Valley (northern Senegal)	2015	Grant
USAID	Economic Growth Project (PCE)	N/A	Value chain development (organic sorghum, rice, etc.)	N/A	Grant
WORLD BANK/ IDA + GEF	Sustainable and Inclusive Agribusiness Development Project	80M	To develop inclusive commercial agriculture and sustainable land management through investments in infrastructure (irrigation in particular), technical assistance to key public institutions, and support to the private sector along the agribusiness value chains	Dec-19	Loan + Grant

Source: Food and Agriculture Organization

Solar pumping systems vary in their wattage depending on the area of land irrigated, the depth of water abstracted and the quality of the soil and crops among other factors.[148] GIS analysis demonstrated that access to the water table and surface water is not a major determinant of the costing of applicable solar irrigation systems, as most farming settlements in Senegal are within close proximity to either surface water or relatively easily extractable sources of water (**Figure 31**).

In order to increase agricultural productivity through improved irrigation practices, land reforms to enable long-term property rights are necessary to attract private investment.[149] Without such reforms, there is no incentive for private sector engagement as no collateral can be arranged to support the financing of such investments.

In analyzing the available market for solar-powered irrigation, this market scoping exercise focused exclusively on smallholder farmers and solar water pumping irrigation technologies to address their needs. In doing so, this analysis took into consideration the emerging experience with small-scale productive use pumping in East Africa. Small pumps of 80 Wp-150 Wp (e.g. Futurepump and SunCulture) make up the bulk of sales, while larger-sized pumps (e.g., Grundfos) are also frequently marketed to address differing water access and crop conditions.

Table 33 presents the estimated annualized off-grid solar cash market potential for smallholder value-added solar irrigation applications in Senegal, which has an estimated cash value of USD 36.9 million (see **Annex 2** for more details).

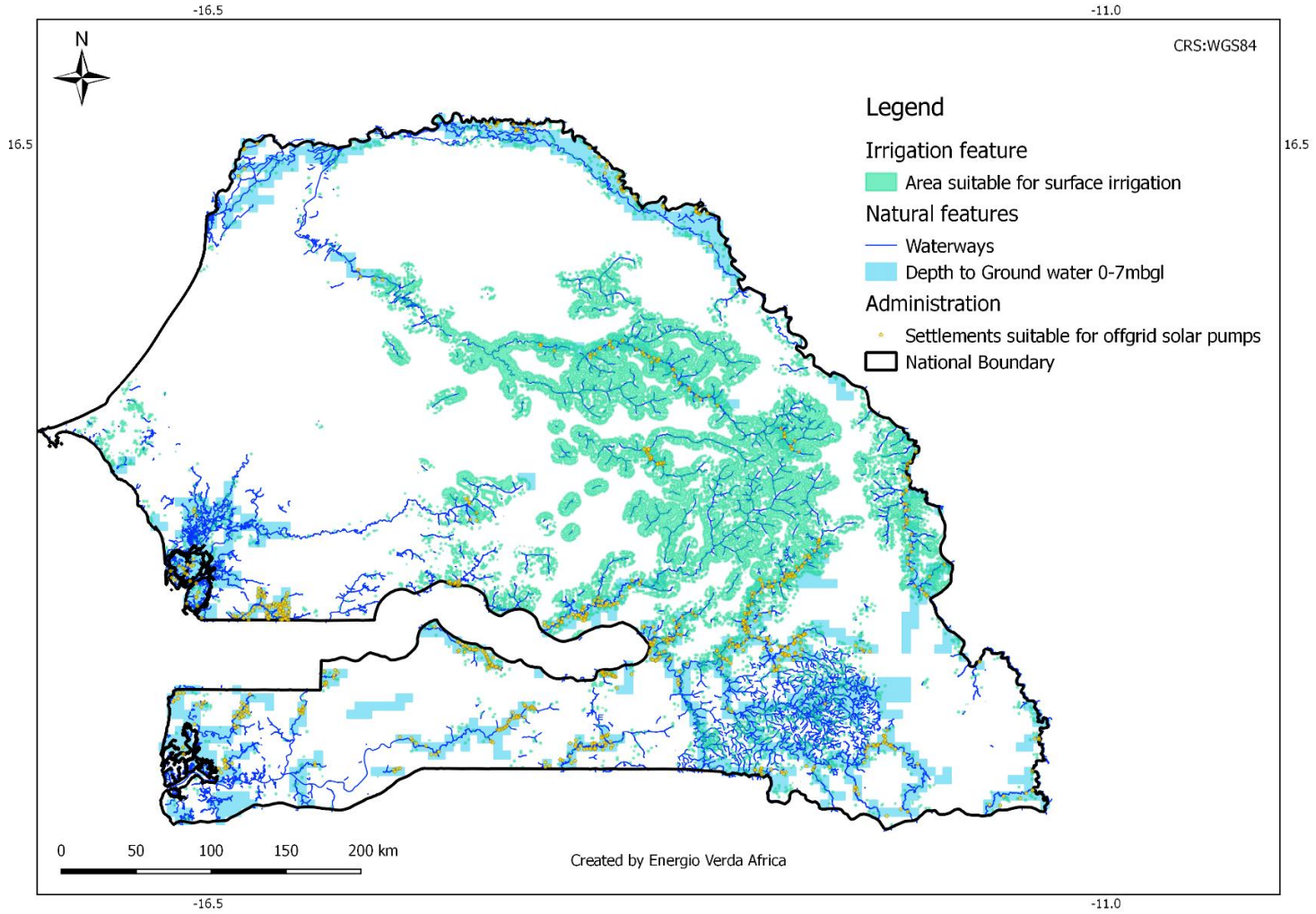
Table 33: Estimated Cash Market Potential for Value-Added Applications – Irrigation [150]

Estimated No. of Smallholder Farms Suitable for OGS Pumping for Irrigation	Units	kW Equivalent	Cash Value (USD)
340,833	56,806	6,817	$36,923,611

Source: Food and Agriculture Organization; World Bank; African Solar Designs analysis

[148] *See* GIZ Powering Agriculture Toolbox on Solar Powered Irrigation Systems: https://energypedia.info/wiki/Toolbox_on_SPIS
[149] "Senegal Selected Issues," IMF, (2017): https://www.imf.org/external/pubs/ft/scr/2017/cr1702.pdf
[150] Estimated units, kW equivalent and cash value are annualized to reflect typical lifespan of OGS systems; see **Annex 2** for more details.

Figure 31: Area Suitable for Surface Irrigation and Identified Settlements Suitable for Off-Grid Solar Pumps[151]



Source: British Geological Survey, Bureau of Statistics; ESA Climate Change Initiative; OpenStreetMap; Energio Verda Africa GIS Analysis

[151] NOTE: mbgl = meters below ground level
Sources: Mapping provided by British Geological Survey © NERC 2012. All rights reserved; Irrigation area identified from a Land Cover data set through the ESA Climate Change Initiative, Land Cover project 2017. © Modified Copernicus data (2015/2016): https://www.esa-landcover-cci.org/?q=node/187

Solar Powered Milling:

Cereal crops like maize, sorghum, millet, and rice provide an opportunity for value addition through hulling or milling. Off-grid communities use maize or rice milling equipment that is typically powered by diesel generators. Discussions with off-grid community groups revealed that although many are aware of the long-term cost savings associated with solar powered mills, the up-front cost of purchasing equipment was viewed as too high.

Table 34 presents the estimated annualized off-grid solar market potential for smallholder value-added solar grain milling applications in Senegal, which has an estimated cash value of USD 1.2 million (see **Annex 2** for more details).

Table 34: Estimated Cash Market Potential for Value-Added Applications – Milling [152]

Estimated No. of Solar Mills	Units	kW Equivalent	Cash Value (USD)
1,499	75	487	$1,218,135

Source: Food and Agriculture Organization; African Solar Designs analysis

Solar Powered Refrigeration:

Solar-powered refrigerators and freezers in rural areas serve multiple purposes, including to store milk, fish, meat and vegetables to extend the life of produce and reduce losses. In addition to storing produce, ice-makers can increase the income of rural SMEs by providing ice to businesses that require cold storage (stores, restaurants etc.).

Table 35 presents the estimated annualized off-grid solar market potential for smallholder value-added solar refrigeration applications in Senegal, which has an estimated cash value of USD 5 million (see **Annex 2** for more details).

Table 35: Estimated Cash Market Potential for Value-Added Applications – Refrigeration

Off-Grid Market Centers	Units	kW Equivalent	Cash Value (USD)
7,326	366	2,015	$5,036,625

Source: Solar-Powered Cold Hubs, Nigeria; African Solar Designs analysis

Ultimately, the ability for an agricultural community to benefit from productive use applications has as much to do with access to markets and improved crop inputs, as it has to do with the pricing and availability of financing to purchase the equipment. Hence, the macroeconomic approach used to carry out this market sizing does not account for country-specific cost and supply chain constraints

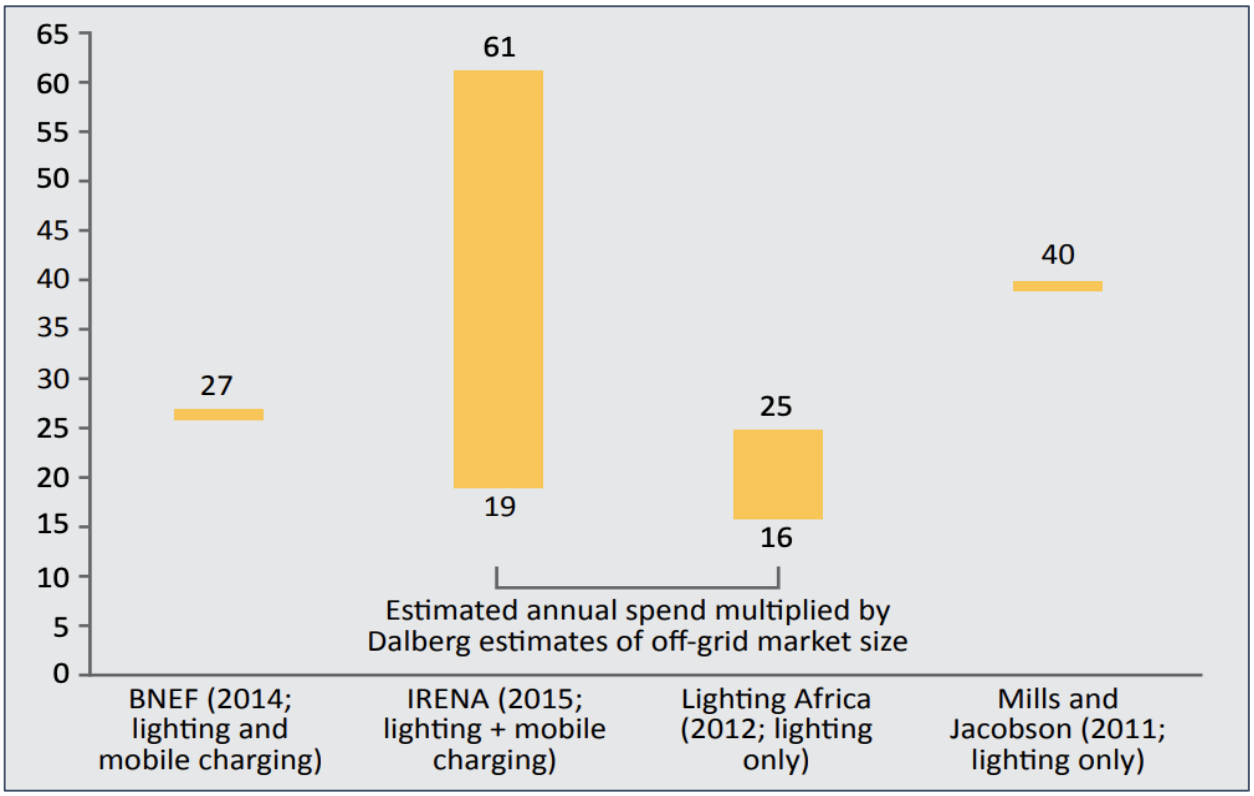
- **Connectivity Applications**

Mobile phone charging stations/kiosks make up a critical segment of off-grid solar demand, as the market for solar phone charging is expected to grow significantly in the near-term. Household rates of mobile phone ownership often greatly exceed rates of electricity access (**Figure 18**), while households spend a significant share of income on lighting and phone charging (**Figure 32**). On average, Senegalese households spend about USD 7.50 per month on lighting alone, which increases when mobile phone charging taken

[152] Estimated units, kW equivalent and cash value are annualized to reflect typical lifespan of OGS systems; see **Annex 2** for more details.

into account.[153] Increasingly, off-grid solar devices, such as lighting devices, also include phone-charging capabilities that enable owners to engage in mobile-phone charging businesses.

Figure 32: Estimated Annual Off-Grid Household Expenditure on Lighting and Mobile Phone Charging[154]



NOTE: Figures in Billion USD

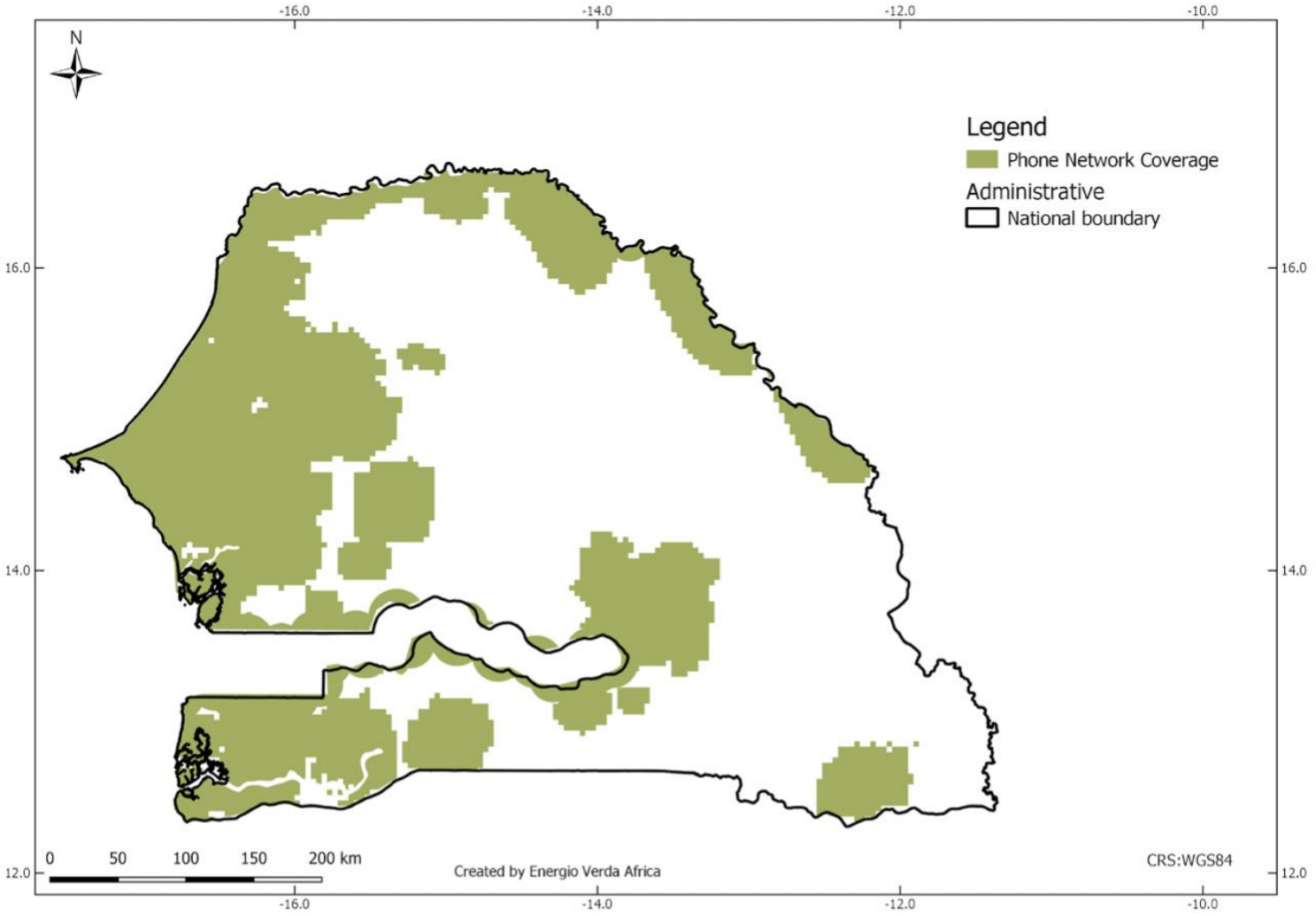
Source: Dahlberg Advisors, Lighting Global, GOGLA and World Bank ESMAP

Figure 33 shows the relatively broad geographic coverage of cellular signals across the region. Cellular connectivity is essential for solar PV markets. In many African countries, mobile phone charging provides a primary productive use application for off-grid solar. Mobile phone access – and more importantly connectivity – helps drive commerce and employment in rural areas. The penetration of mobile money services is also critical, as it drives greater financial inclusion, expands consumer financing options and further increases demand for phone charging enterprises. Above all, mobile phones and connectivity are a necessary precursor to PAYG solutions in the OGS sector. Countries with expanding mobile phone coverage and especially broadband internet users are more attractive to PAYG solar companies (**Figure 17**).

[153] "An Evidence Review: How affordable is off-grid energy access in Africa?" ACUMEN (2017): https://acumen.org/wp-content/uploads/2017/07/Lean-Data-Report-Evdience-Review-On-Affordability.pdf

[154] "Off-Grid Solar Market Trends Report 2018," Dahlberg Advisors, Lighting Global, GOGLA and World Bank ESMAP, (January 2018): https://www.lightingafrica.org/wp-content/uploads/2018/02/2018_Off_Grid_Solar_Market_Trends_Report_Full.pdf

Figure 33: Mobile Phone Network Geographic Coverage[155]



Source: GSMA

[155] See **Annex 2** for more details.

The analysis of the potential solar-powered phone charging market was based on the country's mobile phone penetration rate, rural population rate, and the average costs of OGS phone charging appliances. **Table 36** presents the estimated annualized cash market potential for off-grid solar mobile phone charging enterprises in Senegal, which has an estimated cash value of USD 8 million (see **Annex 2** for more details).

Table 36: Estimated Cash Market Potential for Mobile Phone Charging Enterprises [156]

Mobile Subscribers[157]	Rural Population (%)[158]	Units	kW Equivalent	Cash Value (USD)
8,400,000	55.9%	9,387	3,755	$8,091,740

Source: GSMA; World Bank; African Solar Designs analysis

2.3.3 Ability to Pay and Access to Finance

The above analysis illustrates that there is a sizeable off-grid solar cash market for productive use applications in Senegal. However, more research needs to be done in each segment to better understand affordability of OGS appliances and equipment based on ability and willingness to pay as well as other factors such as access to finance and ultimately whether the expenditure for the equipment is justifiable given increased revenue/productivity in the long-term. The value-added market for water pumping for irrigation indicates that increased revenues from the use of solar appliances would justify the expenditure for the equipment – although as mentioned, agricultural productivity also depends on other environmental and market factors that are specific to each country. Solar powered irrigation systems may require a financed solution to be profitable investments for farmers, as their cost may exceed benefits depending on how the systems are designed and what components are used. With regard to microenterprises, further study would be needed to determine the impact of off-grid solar on this sector, especially as it relates to income and affordability of the sectors analyzed (phone charging, barbers and tailoring). Providing solar-kits through subsidized micro-credit schemes can lead to productive uses and boost household income.

The focus group discussions in countries across the region yielded additional insights into the off-grid solar PUE sector from a consumer point of view:

- Many companies cannot afford the up-front cost of solar products and systems. A potential solution could be to implement a third-party ownership system to increase access to financing. The IFC has also recently instituted a facility whereby it will cover up to 50% of the risk of loans to SMEs in Burkina Faso, Ghana, Madagascar, Mali, Niger, Senegal, Tanzania and Togo that are investing in climate smart equipment including solar appliances.[159]
- The financing tool for solar appliances should not only be provided to end users, but also local and regional suppliers to enable them to effectively market to available end users
- Despite public and donor-led interventions to lower financial constraints, firms in rural areas still struggle to access financing solutions. This is especially true for farmers that have invested in milling or solar drying but have not implemented irrigation schemes that would allow them to harvest crops year-round.
- There is also a high degree of skepticism regarding the reliability and quality of solar powered appliances, and as a result, more should be done to raise awareness and set appropriate standards for solar products.

[156] Estimated units, kW equivalent and cash value are annualized to reflect typical lifespan of OGS systems; see **Annex 2** for more details.
[157] "The Mobile Economy: Sub-Saharan Africa," GSMA, (2017): https://www.gsmaintelligence.com/research/?file=7bf3592e6d750144e58d9dcfac6adfab&download
[158] World Bank: Rural Population (% of total population) https://data.worldbank.org/indicator/SP.RUR.TOTL.ZS
[159] "IFC Invests in Bank of Africa to Expand SME Lending in Eight Countries," IFC, (June 2018): (https://ifcextapps.ifc.org/ifcext/pressroom/ifcpressroom.nsf/0/947B76E4C106A246852582A200440E1C?OpenDocument)

2.4 Supply Chain

This section reviews the off-grid solar supply chain in Senegal, including an overview of key actors, solar products and services, business models, and sales volumes. The section also analyzes the role of informal market players and the impact of uncertified products. The section concludes with an assessment of local capacity and the needs of the supplier market segment. The data presented in this section was obtained through desk research, interviews with local officials and industry stakeholders, focus group discussions and surveys of international and local solar companies (see **Annex 2** for more details). The tier system used to classify solar companies throughout this section is described in **Table 37**.

Table 37: Solar Company Tier Classification

Classification		Description
Tier 1	Startup companies	• Less than 3 full time employees • Less than 300 SHS or Less than 1,500 lanterns sold • Less than USD 100,000 annual revenues • Does not have access to outside finance except personal loans and may have a business account
Tier 2	Early stage companies	• 3 to 25 full time employees • 300 to 30,000 solar home systems or 1,500 to 50,000 lanterns sold
Tier 3	Growth/Mature	• More than 25 full time employees • More than 30,000 solar home systems or 50,000 lanterns sold • More than USD 3 million annual revenues • Has a credit line at a bank and financial statements • Raising equity or other outside financing

Source: ECOWAS Center for Renewable Energy and Energy Efficiency

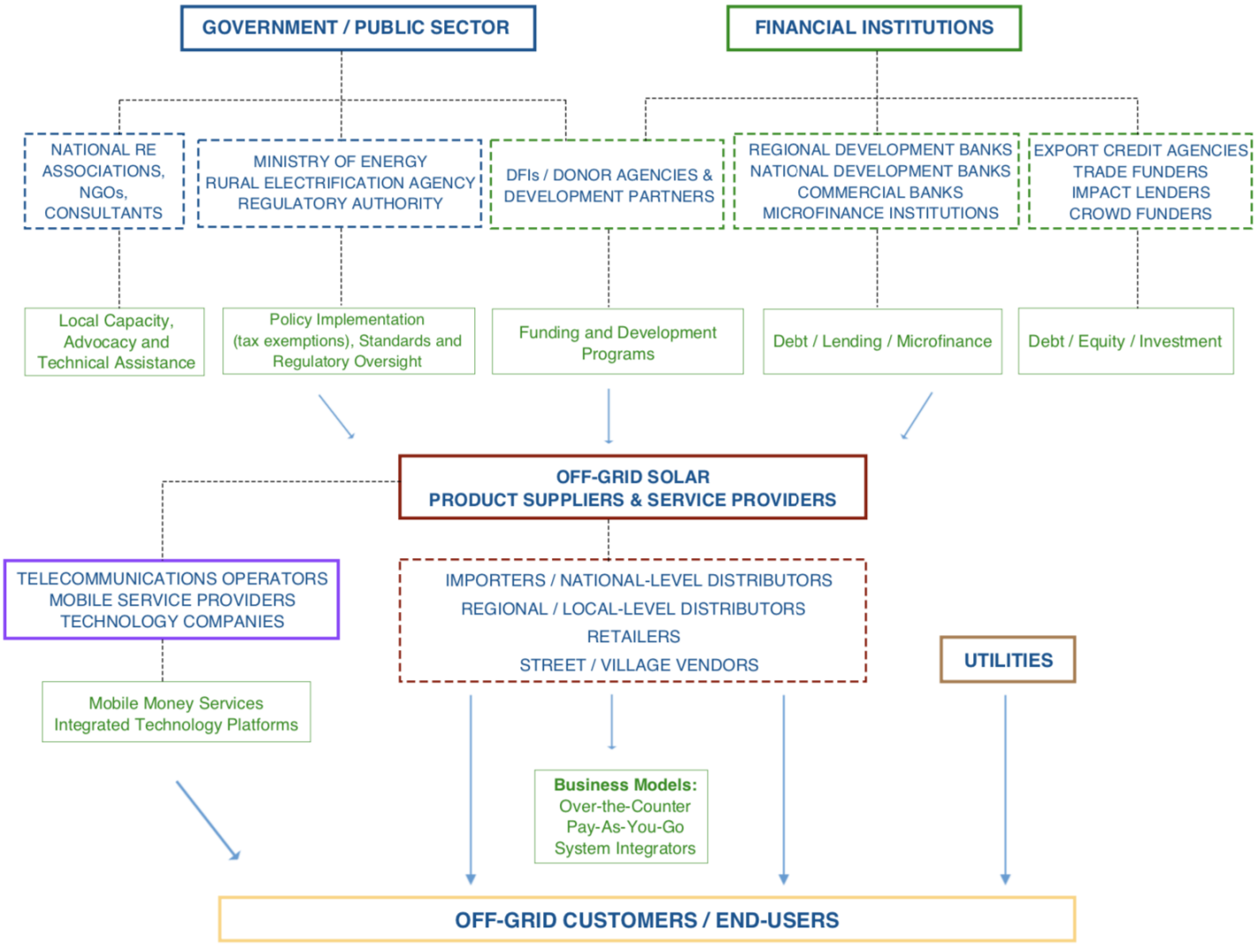
2.4.1 Overview of Commercial Market for Solar PV Equipment

The off-grid solar supply chain in Senegal is made up of a wide range of stakeholders – importers, distributors, wholesalers, retailers, NGOs, and end-users (**Figure 34**). Senegal's solar market is growing quickly, as the country's policy environment has established a supportive framework for off-grid solar development (**Figure 15**).

A variety of solar products and systems are offered by companies in the market (by both the formal and informal sector) and, as examined in further detail below, there are a number of business models currently being utilized. Rural households make up the main market for off-grid lighting products in the country, as the demand for lighting products and household electrical appliances is growing. Nevertheless, urban households, both electrified and non-electrified, are also a key consumer market, as they may have greater ability to afford OGS products and systems. Moreover, despite the high level of grid connectivity in urban areas, power supply is often not sufficient, continuous, or reliable (**Figure 4**), further supporting expanded use of solar PV equipment by this consumer segment.

The main business model deployed by local solar companies is cash/over-the-counter sales, while a few companies have started to utilize PAYG sales. While large companies selling certified products play a central role in the market, the informal sector remains a key factor. Surveys of local industry stakeholders and focus group discussions noted that a regulatory framework was necessary to address the widespread sale of low-quality, uncertified products, which is hindering development of the country's OGS market.

Figure 34: Off-Grid Solar Market and Supply Chain Overview



Source: GreenMax Capital Advisors

2.4.2 Overview of OGS Companies in Africa and Level of Interest in the Region

The African off-grid solar market has experienced rapid growth over the last five years. This growth can largely be attributed to the emergence of a progressively diverse, global pool of manufacturers and distributors, decreased system costs and an increase in three major product categories – Pico solar, Plug-and-Play SHS, and component based systems.[160] Leading solar companies such as Greenlight Planet, D.Light, Off-Grid Electric, M-KOPA Solar, Fenix International, and BBOXX represent the largest share of the African off-grid solar market and are now joining other major players in West Africa and the Sahel, including Lumos Global, PEG Africa, Barefoot Power, Yandalux, Schneider Electric, Azuri Technologies, Solarama, AD Solar, Enertec, SmarterGrid, GoSolar, Total, Oolu Solar, EnergenWao and SunTech Power to list a few.

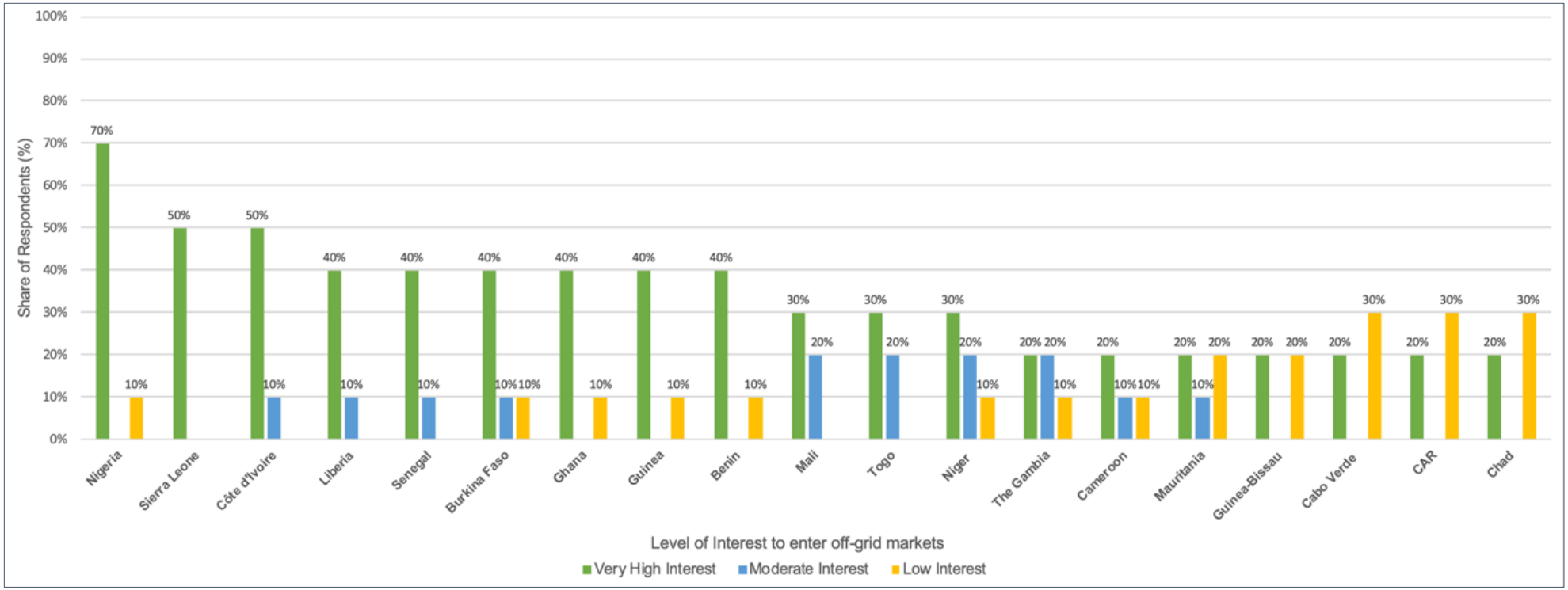
Market entry into Africa began in East Africa for a majority of the leading companies, a trend that can be attributed to advancements in mobile money transfer systems such as M-Pesa that have facilitated the PAYG off-grid business model. As the East African market becomes more crowded and mobile money services spread across the Continent, many international off-grid solar companies have recently entered markets in West Africa and the Sahel. The regional market grew from being nearly non-existent in 2013 to accounting for 9% of worldwide sales (20% of SSA) with over 2 million systems sold in 2017.[161]

Over 500 solar companies have been identified operating across the region, many of which are small local players. These local distributors either operate independently or act as local affiliates of larger international companies operating in this space. The majority of companies in the region are primarily Tier 1 and Tier 2 companies, with relatively few Tier 3 companies. The highest concentration of Tier 3 companies was identified in Burkina Faso, Cameroon, Côte d'Ivoire, Ghana, Mali, Nigeria and Senegal.[162]

A survey of large international solar companies that assessed *inter alia* their level of interest in entering the off-grid markets in West Africa and the Sahel is presented in **Figure 35**. The survey found that among respondents, companies expressed the most interest in Nigeria, Sierra Leone, and Côte d'Ivoire, with at least half of respondents indicating a "very high level of interest" in these markets. There was also a relatively high level of interest in Liberia, Senegal, Burkina Faso, Mali and Togo, with at least half of respondents indicating a "very high" or "moderate" level of interest in these markets.

[160] "Off-Grid Solar Market Trends Report, 2018," Dahlberg Advisors and Lighting Africa, (January 2018): https://www.lightingafrica.org/wp-content/uploads/2018/02/2018_Off_Grid_Solar_Market_Trends_Report_Full.pdf
[161] Ibid.
[162] "Insights from Interviews with Off-Grid Energy Companies," ECREEE, (June 2018).

Figure 35: Level of Interest in Off-Grid Markets in West Africa and the Sahel among Major Suppliers[163]



Source: Stakeholder interviews; GreenMax Capital Advisors analysis

[163] NOTE: This is not a representative sample of respondents (sample size = 10 respondents). The figure is meant to provide feedback from "major suppliers" of off-grid solar products and services and gauge their level of interest in entering specific ROGEP country off-grid markets. Respondents are all GOGLA members and are either already active in the West Africa and Sahel region or seeking to enter it. The figures presented are the share of respondents (%) who indicated their level of interest in a given country.

2.4.3 Solar Market, Products and Companies in Senegal

This section characterizes the current formal market (local and international companies) including recent sales trends, the main solar products, brands and prices.

- **The Formal Market – Local and International Companies**

Focus groups and stakeholder interviews identified over 30 companies operating in Senegal's solar sector, offering a wide range of products and services to consumers throughout the country (see **Annex 2** for a complete list of identified companies). In addition to local firms, the formal market includes international players that enter the market to install systems for donor-funded projects. As of 2018, most of the solar companies operating in Senegal were Tier 1 companies, with eleven firms identified as Tier 3 companies. More than 30 companies active in the solar sector (importers, distributors and retailers) are members of the country's renewable energy business council – COPERES.

While most local solar companies are organized through either the renewable energy agency, ANER, or COPERES, the formal market also includes international players that enter the market to win tenders to install systems for donor-funded projects. Most formal market players are Lighting Global and GOGLA affiliated companies that provide a wide range of high quality pico solar products and systems to consumers as well as installation, O&M, and post-sale services (warrantee and repairs).

The country's OGS supply chain consists of larger Tier 3 companies (Oolu Solar, Baobab+, Nadji-Bi, Bonergie, D.light, Greenlight Planet, Little Sun, BBOXX, Engie Afrique/Fenix International), local manufacturers (Bonergie, SPEC, Nadji Bi and Palette), manufacturer representatives (Saloum Energie, Futur Tech, Rayon Vert, COSEER, Leaf Energy and Soleil-Eau-Vie), wholesalers (Oolu Solar, Touba Rama Solar, Rayon Vert, Futur Tech and Saloum Energy), and retailers. The largest companies in the market have formed key partnerships with global manufacturers (mainly in East Asia) and have robust distribution networks, including in rural areas. Many solar companies are also forming strategic partnerships with IT companies to improve upon customer-relationship management by offering more payment options (i.e. PAYG services).

- **Sale Volumes and Revenue**

Focus group participants indicated that it is challenging to assess the size of the current market due to a lack of standardization in pricing from one company to another and a shortage of sound statistical data. Moreover, during surveys and FGDs, companies were reluctant to share confidential data on sales volumes and market shares. Local industry stakeholders described the market as having significant volume of sales distributed between hundreds of larger installations (>1 kW) and tens of thousands of consumer product sales along with institutional system market activity.

Using reports published by GOGLA, some basic market information is presented in **Table 38** and **Table 39**. It is important to note that this data only includes figures from GOGLA-affiliated companies and certified product sales and is therefore not fully representative of off-grid solar market activity in Senegal.

Table 38: Total Sales Volume and Cash Revenue for Stand-alone Systems in Senegal, 2016-2017[164]

Sales Volume / Revenue	2016	2017	Total
Total Volume of Products Sold (Units)			
Total Volume of Products Solar	47,582	85,386	**132,968**
Pico Solar	44,727	72,578	**117,305**
SHS	2,855	12,808	**15,663**
Total Cash Sales Revenue (USD)			
Total Cash Sales Revenue	$945,746	$825,645	**$1,771,391**
Pico Solar	$813,342	$792,619	**$1,605,961**
SHS	$132,404	$33,026	**$165,430**

Pico solar products categorized as 0-10W
SHS products categorized as >10W

In 2016-2017, about 90% of the overall share of OGS products sold and 92% of total sales revenue in West Africa were pico solar products compared to 10% of products sold and 8% of sales revenue were SHS.

Source: GOGLA, Lighting Global and World Bank

Table 39: Cash and PAYG Sales Volume and Revenue for Pico Solar Products, H1 2018[165]

Sales Volume / Revenue	Cash	Share (%)	PAYG	Share (%)	Total
Total Sales Volume Senegal	**22,070**	**70%**	**9,265**	**30%**	**31,335**
Total Sales Volume West Africa	194,521	65%	104,520	35%	299,041
% of Total Sales Volume in West Africa	6.9%	-	12.1%	-	8.7%
Total Sales Revenue Senegal	**$484,595**	-	no data	-	no data
Total Sales Revenue West Africa	$14,972,591	50%	$15,008,999	50%	$29,981,590
% of Total Sales Revenue in West Africa	3%	-	no data	-	no data

NOTE: H1 = First half of year

Source: GOGLA, Lighting Global and World Bank; GreenMax Capital Advisors analysis

- **In 2016-2017, 132,968 units were sold in Senegal for a total amount of about USD 1.7 million**. The volume of products sold nearly doubled from 2016 to 2017, while total cash sales revenue decreased slightly from over the same period – the result of increased sales of more expensive system (SHS).

- **In 2017, Senegal's sales accounted for approximately 10% of sales volume and 12% of cash sales revenue in West Africa**. With more than 85,000 units sold in 2017, Senegal represented one of the largest solar markets in the region. During this period, the country experienced a 74% decrease in units sold between the first and second half of the year, with a corresponding drop in sales revenue. Although Senegal is one of the more advanced markets in the region, it is still a nascent market, so volatile sales like this are to be expected.

[164] "Global Off-Grid Solar Market Report: Semi-Annual Sales and Impact Data," GOGLA, Lighting Global and World Bank, (July – December 2017): https://www.gogla.org/sites/default/files/resource_docs/gogla_sales-and-impact-reporth2-2017_def20180424_web_opt.pdf; and
"Global Off-Grid Solar Market Report: Semi-Annual Sales and Impact Data," GOGLA, Lighting Global and World Bank, (January – June 2017): https://www.gogla.org/sites/default/files/resource_docs/gogla_sales-and-impact-reporth12017_def.pdf; and
"Global Off-Grid Solar Market Report: Semi-Annual Sales and Impact Data," GOGLA, Lighting Global and World Bank, (July – December 2016): https://www.gogla.org/sites/default/files/recource_docs/final_sales-and-impact-report_h22016_full_public.pdf; and
"Global Off-Grid Solar Market Report: Semi-Annual Sales and Impact Data," GOGLA, Lighting Global and World Bank, (January – June 2016): https://www.gogla.org/sites/default/files/recource_docs/global_off-grid_solar_market_report_jan-june_2016_public.pdf

[165] "Global Off-Grid Solar Market Report: Semi-Annual Sales and Impact Data," GOGLA, Lighting Global and World Bank, (January – June 2018): https://www.gogla.org/sites/default/files/resource_docs/global_off-grid_solar_market_report_h1_2018-opt.pdf

- **Pico PV products represent the vast majority of products sold**. Based on regional data from 2016-2017, pico solar lanterns represented 88% of products sold (117,305 units) and accounted for 91% of total cash sales revenue (USD 1,605,961) over the period.

- **Senegal used mostly cash sales over PAYG in H1 2018**.[166] Cash sales is the dominant customer transaction model in the country – in H1 2018, 30% of total sales were made via PAYG, while the remaining 70% were cash sales. Senegal's PAYG sales volumes accounted for 9% of total PAYG sales volumes in the region.

➢ Main Solar Products and Components

Table 40 lists the brands of common solar products and components in Senegal. The list does not include non-certified brands that are also common in the country's grey market.[167]

Table 40: Off-Grid Solar Products and Components in Senegal

Systems	Companies
Distributors of pico solar lanterns, Plug and Play systems	Bonergie, Baobab+, Oolu Solar, COSEER, D Light, Green Light, Little Sun
Single Module distributors	Baobab+, Solar Energy Senegal (SES), Touba Solar Rama, IDM Services, Rayon Vert, COSEER, Salen Sol
Multi module system distributors	SES, Bonergie, Touba Solar Rama, Oolu Solar, IDM Services, Rayon Vert, COSEER, Salen Sol, Électricité du Rip, Rosif
Very large system supplier	SES, Bonergie, Touba Solar Rama, Rayon Vert, COSEER, Salen Sol, Électricité du Rip, Rosif
Product Systems and Components	**Brands**
Solar Lanterns, Plug and Play	Greenlight, Niwa, Little Sun, D Light, Argonie
Productive systems	ABB, Victron, Lorentz, Lexmax, Grundfos, Steca, Pedrollo
Domestic/HH systems, Single module	Fosera, Soluxtec, Greenlight
Domestic/HH systems, Multiple module	Expert, Felicity Solar, Victron, Soluxtec, Ritar
Solar module	Argonie, Felicity, Sunny International, Varama, Yengli, Solar World
Inverter	Steca, Victron, Sacko, Eurestar, Expert, Sunny Island
Lead Acid Battery	Hoppeck, Victron, Eastman, Ritar, Kweight

Source: Stakeholder interviews

[166] "Global Off-Grid Solar Market Report: Semi-Annual Sales and Impact Data," GOGLA, Lighting Global and World Bank, (January – June 2018): https://www.gogla.org/sites/default/files/resource_docs/global_off-grid_solar_market_report_h1_2018-opt.pdf

[167] In this context, "grey market" refers to products that are not Lighting Global or IEC certified that are typically sold over-the-counter at low prices. Some grey market products are counterfeit or replicas of certified products that undercut the markets of certified products.

- **Market Prices**

Table 41 presents average prices for off-grid systems and components in Senegal's solar market.

Table 41: Estimated Prices of Solar Systems and Components in Senegal

Off-Grid System / Component	Price range (USD / per unit)
Pico solar and Plug and Play	$12-$60
Single module systems	$86-$430
Multiple module systems	$500-$6,000
Very large systems	>$6,000
Solar Module (10Wp-265Wp)	$71-$240
Inverter (300Wp-8,000Wp)	$30-$2,500
Lead Acid Battery (100Ah-200Ah)	$70-$430

Source: Stakeholder interviews

- **Importation Clearance Processes**

For the importation of solar products, two government ministries and two agencies are involved – the Ministry of Petroleum and Energy, the Ministry of Finance (with regards to tax and custom duties), the Rural Electrification Agency of Senegal (ASER) and the Renewable Energy Agency (ANER). Very high custom duties on equipment were identified as a major barrier to market growth by local stakeholders. Solar products are taxed heavily, as there are no exemptions in place for solar products except for licensed operators working under government contracts (within the parameters of State/Government projects). As a result, solar PV panels are taxed at 24%, batteries at 48%, inverters at 30%, solar street lights at 48% and solar pumps at 30% for all other private companies.

To import solar products into Senegal, it can take between 21 days and up to two and a half months. Importing goods from Europe or the United States is usually faster by two to three weeks, while importing from Asia (China) can take up to 60 days. Customs clearance procedures last about 7 days, while Government approval can take between 10 and 15 days. While GOGLA/Lighting Africa quality standards are in place for imported products, the country does not seem to have any provisions to ensure quality control at the national level.

2.4.4 Overview of Business Models

- **Company Approach to Market**

Historically, solar companies in Senegal have developed as vertically integrated companies, operating across the entire supplier chain as manufacturers, distributors, wholesalers and retailers. Most companies have been in the industry for more than five years, with some companies exceeding 10 years of experience in the country. Most companies continue to sell a wide range of products, with a few suppliers tailoring their products and services to specific consumer segments.

For most formal companies, their most important clients are large institutional groups such as NGOs and public health facilities or private sector high-income clients. More firms are starting to utilize PAYG financing to target low-income households and base of the pyramid customers. Focus group participants indicated that under the PAYG model, plug and play sales are increasing significantly, now preferred to solar lanterns by many customers. In rural areas, awareness raising efforts are made at the village level, usually at weekly markets ("loumas"). Pay-per-use-systems – a business model that reduces costs for poorer

customers – are also growing in popularity. Companies that use cash/over-the-counter sales are typically retailers selling low-quality products without a warrantee.

- **Business Models**

There are four primary business models used in the market, although in reality solar companies utilize a number of business models to reach a variety of clients (**Table 42**).

- **Over-the-counter cash sales** include both informal and formal components. Many traders simply offer solar products over-the-counter. Formal sector solar companies also stock modules, batteries and balance of system and offer them over-the-counter to do-it-yourselfers and agents.
- **System integrators** handle large systems and projects. They design, procure and install systems which range from high-end residential sites, to institutional power to mini-grids. Local integrators represent international solar, inverter and battery brands with whom they partner with on projects.
- **Plug and play and pico suppliers** cooperate with many of the major OGS brands to distribute products in the country. Households in Senegal are gradually moving from simple solar lanterns to plug and play systems, which are typically sold through PAYG.
- **The PAYG sector** is still in its early stages but is growing rapidly. Suppliers are building up client bases which number in the tens of thousands and are quickly evolving to develop credit mechanisms that fit with local income patterns. The margins are made from subscriptions of thousands of consumers who buy systems through created accounts. The task of installation and after sales services is undertaken by agents. Common products sold include plug and play systems that are fully designed.

Table 42: Overview of Off-Grid Solar Business Models

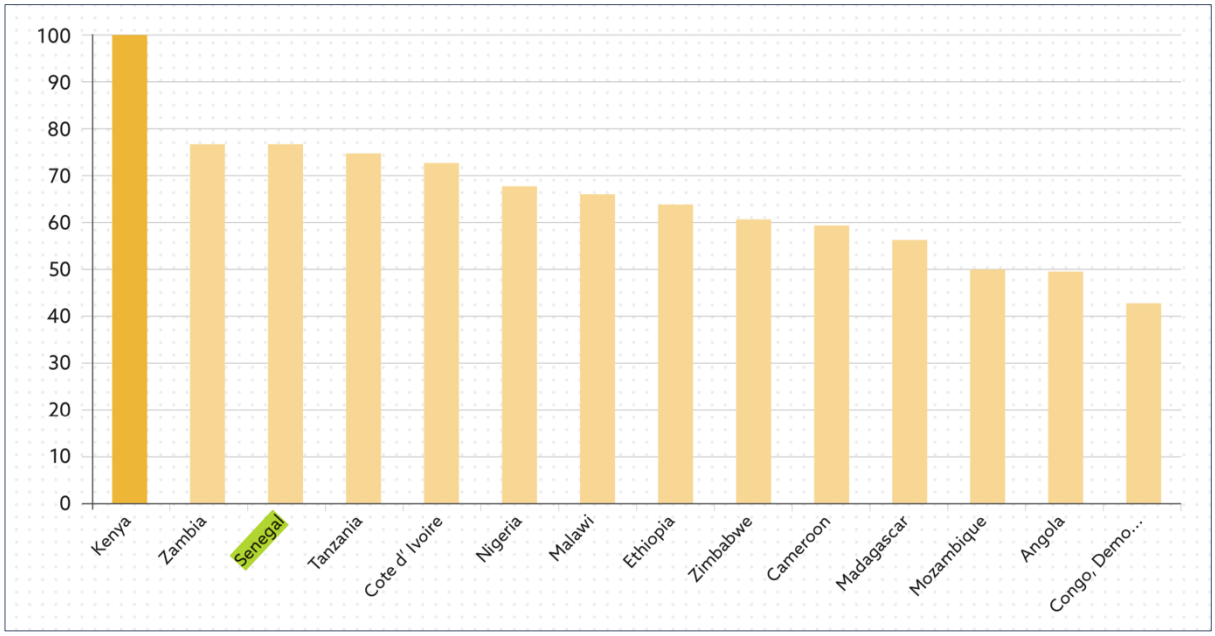
Business Model	Strategy and Customer Base	State of Development
Over-the-counter solar market	**Formal:** Retailers in Senegal are both large-scale (acting as suppliers, distributors, manufacturer representatives and even manufacturers) and medium size (acting as retailers) and are mainly located in large cities and towns around the country. They already sell lighting/electrical products, including solar, pico systems, plug and play and large systems. **Informal:** Kiosks, street vendors form a key pico-product retailer segment (that has not been fully explored). They sell low-priced products which are often short-lived. They have been seen as the entry points for black market low quality solar products to the country.	Mature commercial market Early stage commercial development
System integrator	Integrators operate out of central offices with small specialized staff. They do not typically carry stock for sale over-the-counter. Instead, they deal directly with consumers and institutional clients and provide as per orders. Integrators target the NGO/donor market and participate in procurement tenders for supply and installation of larger systems.	Mature commercial market
Plug and Play system supplier	These suppliers distribute equipment to retailers' projects, rural agents, community groups and over-the-counter. Traders of plug and play often sell these devices as part of other businesses.	Early stage commercial development
PAYG Sales	PAYG companies seek to implement the rent-to-own payment-based models used successfully in other countries. The business model is data-driven and relies on mobile money services and a network of agents to meet last-mile customers. Innovative OGS PAYG collaborations between shop-owners, mobile-operators and other larger local businesses are being tested. In Senegal, major needs for PAYG consumer finance come from households.	Early stage commercial development

Source: Focus Group Discussions; Stakeholder interviews; African Solar Designs analysis

A 2018 analysis undertaken by Lighting Global ranked Senegal highly with regard to the market's attractiveness for the deployment of the PAYG business model, demonstrating that the country possesses sufficient demand (market size, willingness to pay, ability to pay) supply (access to finance, operational

infrastructure, low market penetration, human capital) and an enabling environment (e.g. policy / legal framework, commercial environment) to support consumer financing for off-grid solar (**Figure 36**).

Figure 36: PAYG Market Attractiveness Ranking for Select African Countries[168]



Source: Lighting Global

- **Company Financing**

With a growing number of companies utilizing the PAYG model to sell OGS products and systems on credit (sometimes with lengthy repayment periods), it can become difficult for companies to finance their operations and grow their business. In addition to financing customer payment options, suppliers also require significant working capital to purchase equipment, conduct marketing campaigns, and cover transportation and field costs. Distributors of international OGS products receive basic trade finance and marketing support options, though typically limited. Most of the firms surveyed in Senegal are self-financed with cash flow covered by shareholders and founders and from on-going business transaction. A few players are supported by FI/MFI loans, credit unions, and donor funding/grants, but these resources are limited for most companies.

While large international companies operating in the country have access to loans, equity and other international funds to finance their growth and development, many local companies in Senegal are unable to raise funds to expand their business. Local financiers have yet to develop an appetite for the solar sector. Local banks are extremely conservative with regard to solar enterprises, notably requiring significant collateral that companies cannot provide. Commercial financiers – including banks and MFIs – are not set up to service solar distributor financing requirements. Local SME financing is not available to support businesses in their growth phase. If it was available, companies would make use of cash-flow/credit line financing against the signed contracts with major commercial clients, large NGOs or donors.

[168] "PAYG Market Attractiveness Index Report," Lighting Global, World Bank Group (2018): https://www.lightingglobal.org/wp-content/uploads/2018/11/FINAL-PAYG-MAI-2018-Report.pdf

When importing, companies are exposed to considerable FOREX risks because they must cover costs of equipment in foreign currency. When projects are delayed, during seasonal low-income periods or when products are delayed in port, dealers must bear FOREX losses. The lack of consumer financing arrangements impedes the growth of the solar market because distributors must take all finance risks and cannot plan with commercial or MFI financing to grow their business.

- **Evolving Business Models**

Senegal presents a fertile ground for new business model innovations. New models will require partnerships between developers, solar distributors, telecommunications companies, commercial finance and the retail sector (e.g. in Senegal partnership have been formed between BBOXX and Orange and Engie and Fenix International). One of the results of the FGD discussions was a list of potential partnerships that can be explored to enhance existing and new business models (**Table 43)**.

Table 43: Evolving Off-Grid Solar Business Models

Partnership	Description
Solar Distributors	• Improve efficiency within the supply/distribution chain, positioning them to be able to manage distribution, seek potential for long-term credit lines and capital infusions • Develop better contract terms between large local suppliers in Senegal with foreign manufacturers • Test new sales and distribution strategies that increase sales at minimum cost • Prove solar market potential, ultimately attracting a strong group of competing players that scale up solar product access
Commercial financiers	• Commercial financiers are key to unlocking working capital and consumer finance and enabling the market by providing both the funds and means of transferring these funds • Develop financial products for both distributors (financing for working capital needs) and off-grid solar consumers (consumer financing for purchase of systems)
Telecommunications companies and technology providers	• Bring together telecommunications operators, mobile service providers and technology companies and solar supplier/distributor companies to develop Pay-As-You-Go technology platforms • Encourage telecommunications partners to distribute off-grid solar systems through their existing network of agents
Business/Retail Sector	• Comprises networks of retail stores that cover the entire country and provide all types of domestic and agriculture goods for the rural community • Encourage linkages between specialized solar companies and these networks so as to facilitate the increase of the distribution network at a lowest cost possible • Provide promotional tools for local retailers to promote solar products to households/SMEs • Facilitate microfinancing for the domestic market through these networks
Advocacy Bodies	• Capitalize on GoS and donor efforts to (i) facilitate interagency dialogue and oversee policy proposals on new business models and (ii) enhance legislative changes to support the sector

Source: Focus Group Discussions; Stakeholder interviews; African Solar Designs analysis

2.4.5 The Role of Non-Standard Players in the Market

Stakeholder interviews and FGDs were unable to estimate the over-the-counter informal market in terms of volumes and cash sales. Informal traders sell modules, inverters, batteries and pico-products. Given that informal sellers are largely unregulated and do not report sales figures, very little data is available on this sector. The sector, however, is very influential as it also dominates the market of lighting products imported mainly from East Asia. Informal traders understand growing consumer interest in solar solutions and sell competitively-priced low-quality products. Informal traders do not cooperate with the GoS or work on formal projects.

Informal traders play an important role in the market because they respond to consumer demand rapidly. Many traders do provide IEC-approved components – this means knowledgeable consumers and

technicians can assemble quality systems from over-the-counter selections of components that informal traders sell. It is notable that some informal traders are gaining skills and improving product offerings. The presence of a large informal market, however, leads to issues with equipment quality that hamper development of the country's OGS market.

2.4.6 Equipment Quality and the Impact of Uncertified Equipment

Senegal's solar market is largely dominated by informal market players, selling equipment through electronics shops, hardware stores, kiosks and even street vendors. The over-the-counter sales strategies of this group is to provide low-cost, fast moving products. As a sector, informal retailers provide widely-used lighting products mainly from East Asia to rural and peri-urban customers. However, most of their products do not meet Lighting Global standards. Moreover, given that most of these products are low-cost and short-lived, they also ignore and avoid regulations and lack warrantees.

All of the companies surveyed considered the presence of counterfeit, low-quality products in the market as a significant barrier to market growth. These products negatively impact the entire market by creating a misperception about product quality, which in turn undermines consumer confidence in solar equipment. Moreover, grey-market traders significantly undercut the prices of registered businesses who are still subject to taxes and import duties. Low prices of over-the-counter products make compliant products uncompetitive as many customers opt to buy non-compliant goods that are cheaper. Feedback from focus group meetings suggested that the Government should set-up of a national quality control body for solar products to help customers purchase certified equipment.

2.4.7 Local Capacity to Manage Business Development, Installation and Maintenance

Senegal's nascent solar market is poised to grow if requisite technical assistance (TA) is provided. The existing market environment is challenging for solar companies. To operate effectively, companies need a significant amount of both local and international technical and financial expertise, and an ability to make practical decisions about their operations. Companies face a number of technical competency requirements – the selection of approaches and solar PV technologies, the design of their associated marketing instruments and the implementation of related initiatives.

The synergy with formal training institutions has yet to be fully explored and most of the players in the industry are not adequately equipped with the skills needed to design and assess policies, understand and deploy technologies, grasp electricity user needs and ability to pay, and operate and maintain systems. GIZ was noted to be a very active partner in providing TA and capacity building in the region of Kaolack. The Rural Electrification Project (ERSEN), implemented by ASER in partnership with GIZ with funding from the EU,[169] has improved companies' management capacity through the implementation of management software for companies operating in this area. Training workshops were organized to improve local O&M capacity for technicians and installers. Some of the other areas where TA and capacity building is needed to support growth of the solar market include (but are not limited to) the following:

- Provision of TA and training to public and private partners on the development of OGS power projects.
- Support in development of vocational training curricula for solar technicians by working with education institutions to adopt the curricula and implement training programs. This support could include development of community training materials to raise community awareness about the importance of solar PV technologies, the various uses ranging from household use, productive uses and institutional uses of energy, and related safety aspects.

[169] "The Rural Electrification Senegal (ERSEN) Project: Electricity for over 90,000 persons," PERACOD, (2010): https://energypedia.info/images/6/61/Rural_Electrification_Senegal_ERSEN_Project_Factsheet.pdf

- In order to ensure that interaction with local communities is seamless, the collaborating partners could develop a management training manual for villages addressing the different aspects of solar technologies as well. This could include supporting technicians with troubleshooting posters for on-site display that could help identify and tackle operational issues as they arise.
- Solar technicians were noted to be sparse for some areas and lacking in other areas; as a result, solar businesses send out teams from major cities/towns for any installation and maintenance work. Training people based locally in remote areas to support O&M of solar systems (e.g. battery replacement) could help address this issue and expedite market uptake.

2.4.8 Capacity Building Needs of the Supplier Market Segment

An analysis of the supplier market segment revealed a number of interrelated challenges, including financial, capacity, awareness and regulatory challenges. The focus groups and supplier surveys found that:

- High taxes on solar products are perceived as a major challenge facing the solar industry in Senegal.
- While the industry's largest players have access to various sources of financing, local financing is largely unavailable or affordable to support the sector's development; as a result, many companies are self-financed and do not have the working capital they need to grow and expand their operations.
- Reasons for denied finance by financial institutions included lack of collateral, lack of expertise in finance, the high cost involved in small transactions, and risk aversion.
- Participants also noted that end-user finance is important to unlock solar market growth in Senegal as up-front cost remains a key barrier for low-income populations without the ability to pay.
- Improved regulations and a framework to ensure product quality are necessary to address issues of low-quality products that compete with certified products sold by formal companies. The lack of a quality assurance body in a market where low-quality products are dominant is a major challenge.
- Knowledge, technical capacity and expertise is largely reserved to a few professionals in the industry working for large established solar companies; the majority of vendors lack the expertise or knowledge necessary to adequately service the market.
- Improved communication and advertising would help reach new customers in rural areas.
- The country's low level of mobile phone coverage impedes development of the PAYG business model.

Table 44 presents various areas of support and associated capacity building for the OGS supply chain in Senegal. Attention should be given to the following:

- **Importers/Suppliers**: Reduce/remove high import duties and VAT on solar equipment and reduce the cost of transportation and other logistics on PV products.
- **Financing from local financiers**: Access to grants and concessional loans/soft loans at low/preferential interest rates is a priority for Senegalese suppliers. Participants indicted that the establishment of a guarantee facility to finance initial investments and working capital would be beneficial.
- **Training and capacity building programs**: Capacity building for solar installers, technicians and entrepreneurs is critical in order to build capacity of the sector.
- **Consumers**: Awareness raising was highlighted as a key issue in Senegal, as suppliers indicated that consumers in rural areas are still not well informed about the benefits of solar. In many cases this is a result negative or misperceptions about the industry due to the prevalence of counterfeit, poor-quality products on the market.

Table 44: Capacity Building and Technical Assistance for the OGS Supply Chain in Senegal[170]

Area of Support	Description	Rationale
Tax exemptions on solar technology	• Import duty and VAT exemptions for OGS products and appliances are only in place for government projects – this needs to be implemented across the entire market	• The cost of solar products is inflated by high import duties (between 24% and 48% on solar components and products); costs are passed on to customers, making solar less affordable.
Quality control/certification center	• Suppliers are unable to effectively monitor the authenticity and quality of products imported into Senegal; a centralized authority would be better able to fulfill this role	• Ensure the quality of products and address the influx of low-quality products • Build trust between solar industry and customers across the supply chain
Consumer education programs	• Supplier and consumer education and benefit awareness campaigns, targeting both segments, distributors and retailers, with a focus on rural populations	• Overcome negative perceptions and strengthen trust established over the years • Influence purchase decisions, with a focus on rural areas and ease access to distribution channels
Inventory financing facility	• Concessionary credit line so financial institutions can access liquidity for solar market lending; create frameworks that avail loans to solar companies (small household systems, larger PV installations, and mini-grids),	• Long inventory financing periods present a key challenge to growth for solar lantern and solar home system distributors • High upfront financing requirements present a key challenge to distributors of larger PV systems (including pumps)
Credit guarantee scheme for inventory financing	• Private sector lending portfolio is de-risked through guarantees and effect loss sharing agreements to cover irrecoverable inventory loans	• De-risking encourages private sector lending to solar sector • Initial security until the proof case of economic viability of lending to solar businesses has been established
Market entry and expansion grants	• Combination of upfront grants and results-based financing to invest in infrastructure and working capital	• Significant upfront investment to build distribution network and source inventories to serve household market
Technical assistance	Solar companies: • Help solar companies set up technology platforms for PAYG • Incubation and acceleration of early-stage businesses • Capacity building for solar technicians to enable installation and O&M of equipment • Assess rural communities needs to inform the right business model case by case • Capacity building for suppliers in rural areas with awareness raising / marketing	• Make the business environment more conducive and profitable • Strengthen the overall ecosystem surrounding the solar market • Strengthen capacity across the sector • Ensure knowledge transfer from abroad for faster, more cost-efficient progress

Source: Focus Group Discussions; Stakeholder interviews; African Solar Designs analysis

[170] Capacity building interventions are proposed for all ROGEP countries at national and regional level under ROGEP Component 1B: Entrepreneurship support, which includes technical assistance and financing for companies in the solar product value chain. Through this component, technical assistance to solar companies can build on existing ECREEE training programs as well as through a new regional business plan competition. Technical assistance can leverage national solar ecosystem stakeholders, and operational national service providers identified and mobilized through this component. The market entry and expansion grants suggested here would also align with Component 1B planned financing interventions for matching grants, repayable grants, co-investment grants, and be connected to the technical assistance interventions.

2.5 Key Market Characteristics

This section reviews the main characteristics of the off-grid solar market in Senegal, including a summary of key barriers to and drivers of market growth and an overview of gender considerations. The synopsis presented below is largely based on feedback obtained from interviews with local officials and industry stakeholders, as well as focus group discussions and surveys assessing the demand and supply side of the market (see **Annex 2**).

2.5.1 Barriers to Off-Grid Solar Market Growth

Table 45 examines the key barriers to OGS market growth from the perspective of both the demand and supply side of the market. See **Section 1.3.5** above for an overview of the gaps in the country's off-grid policy and regulatory framework.

Table 45: Key Barriers to Off-Grid Solar Market Growth in Senegal

Market Barrier	Description
Demand[171]	
Consumers are unable to afford solar systems	• Low-income consumers, particularly in rural areas, lack of access to finance • Purchasing solar products of all varieties among end-consumers remains relatively low.
Lack of initial funding by HHs, businesses and institutions for the initial capital investment	• Relatively high costs of OGS systems (mainly due to high taxes/lack of financial incentives) • Consumers rather choose cheaper one-off solutions – like generators and fuel – rather than more expensive up-front solutions that will be cheaper long-term (especially with incremental payments, e.g. PAYG)
A lack of understanding of and trust in solar solutions among consumers impedes development of the market	• There is still considerable lack of general awareness about solar solutions • There is an inability to distinguish between solar products or product quality • Consumers lack information about the most suitable design options, funding options, PAYG benefits and options, points of sales and support, etc. • Products are still not widely available in rural areas, so consumers are unfamiliar with them • Any poor history / track record with OGS will deter consumers from taking expensive risks
Informal sector competition and market spoilage	• The non-standard / unlicensed market still accounts for a majority of OGS product sales • Consumers need to understand the quality and value issues of quality solar products vis-a-vis inferior over-the-counter lighting products and generators. Educated consumers drive markets.
Lack of experience in maintaining the systems and sourcing qualified technicians	• A sustainable approach to O&M is critical for long-term success
Supply	
Technical capacity	• Technical skills lack through the supply chain within the sector, affecting both the upstream, midstream and downstream, thus adversely affecting the ability of the sector to pick up and grow. Majority of the firms decry lack of adequate number of technicians to support the downstream side of the market
Transportation costs	• High transportation costs of inventory deter new entrants; devices and equipment are shipped either from China or from Europe, creating long delivery lead times of up to three months and long inventory holding times once products have arrived in country • Typical supplier payment terms are 30% upon placement of the production order and the remaining 70% upon shipment before any cargo has even left its port of origin. • Transport by container would reduce the costs dramatically; however, this requires purchases in bulk, which local solar distributors aren't able to make without financing

[171] The barriers described here apply to some combination of the Household, Institutional, and SME / Productive Use market segments

Poor sales and performance history of the sector	• A lack of investment into the sector prevents growth; this is due to perceived high risks resulting primarily from lack of track record of sales • Solar distributors have limited alternative financing options. Solar suppliers are unwilling to provide trade financing while commercial financiers in Senegal, including banks and MFIs, are currently not positioned to service the financing requirements of solar distributors.
Company finance	• Entrants into the sector require significant working capital, which is not readily available • Equity investments are needed into the local distribution/sales companies. It is quite easy to obtain debt financing and other loans once the solar companies have sufficiently grown and reached the "level of interest" of the larger funds; however, until the number of customers and sales volumes are reached, they need some equity investors to share higher risks with the original founders of the companies
Informal sector competition and market spoilage	• Several informal entrepreneurs have taken advantage of high import duties by illegally importing low-quality solar products ranging from solar lanterns to larger home installations • Black-market traders are able to significantly undercut the prices of registered businesses who are still subject to high taxes and import duties • These products are largely low-grade, failure-prone knock-offs with short product lifespans (sometimes of little more than a few weeks) • Damaged perceptions of solar systems durability and reliability hinders market uptake
Lack of data	• No clear figures on the actual needs, actual usage or experience of consumers • The data for the private market players on the available opportunities is very limited and not concise due to fragmented data
High 'transaction costs' for solar installations	• Cash-flow and bureaucratic hurdles for the local suppliers • Sales and O&M services in remote areas can be costly, especially for small businesses

Source: Focus Group Discussions; Stakeholder interviews; African Solar Designs analysis

2.5.2 Drivers of Off-Grid Solar Market Growth

Table 46 is a summary of the key drivers of OGS market growth in the country.

Table 46: Key Drivers of Off-Grid Solar Market Growth in Senegal

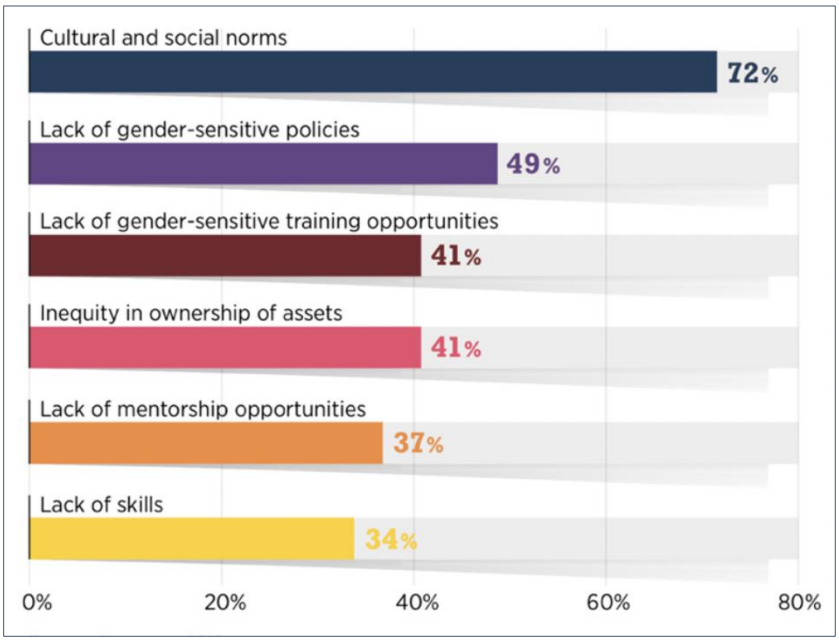
Market Driver	Description
Strong off-grid electricity demand	• Consumers from every market segment are aware of the high costs associated with energy access and consumption and are willing to take on quality, cost-effective alternatives
Willing government to support the industry	• The Government is viewed by sector players as forward- leaning and action-oriented, creating and supporting momentum and positive attention for the solar sector, which helps attract substantial and sustained investment to the market
Increased utilization of PAYG	• Senegal's off-grid market is rapidly growing from the increased utilization of PAYG financing solutions which have successfully leveraged increasing rates of mobile phone ownership and mobile internet usage in rural areas
Engaged and open-minded private sector	• Local OGS suppliers are actively engaged in efforts to improve / reform the sector, accept new business models and strategies and take measures to attract external investment
Strong donor/NGO presence	• The presence and wide range of donor-funded activities in the country's off-grid sector provides confidence that the market will continue to grow

Source: Focus Group Discussions; Stakeholder interviews; African Solar Designs analysis

2.5.3 Inclusive Participation

Given that the off-grid market is only beginning to emerge in Senegal, women are not yet highly engaged in the sector. The overall lack of inclusive participation in the off-grid space is attributable to a wide range of factors. In a 2018 survey that assessed barriers to women's participation in expanding energy access, nearly three-quarters of respondents cited cultural and social norms as the most common barrier, which reflects the need for gender mainstreaming (**Figure 37**). More than half of the women surveyed in Africa identified a lack of skills and training as the most critical barrier, compared to just one-third of respondents globally.[172]
=

Figure 37: Key Barriers to Women's Participation in Expanding Energy Access



Source: International Renewable Energy Agency

As a starting point, electrification (whether grid-connected or off-grid) increases access to information, which can help challenge gender norms and increase the autonomy of women.[173] Access to electricity can save women time and/or enable them to complete domestic activities in the evening, thus allowing them to participate in paid work during the day. Many opportunities also exist for women in the productive use of energy, including solar-powered machinery that can support productive applications, particularly in the agricultural sector in the areas of irrigation, water pumping, and milling/food processing.[174]

Women, who are often the primary energy users in households, have a strong influence on the energy value chain. Women can take on different roles, including as engaged end-users, community mobilizers,

[172] "Renewable Energy: A Gender Perspective," International Renewable Energy Agency, (2019): https://irena.org/-/media/Files/IRENA/Agency/Publication/2019/Jan/IRENA_Gender_perspective_2019.pdf
[173] "Productive Use of Energy in African Micro-Grids: Technical and Business Considerations," USAID-NREL and Energy 4 Impact, (August 2018): https://sun-connect-news.org/fileadmin/DATEIEN/Dateien/New/productive_use_of_energy_in_african_micro-grids.pdf
[174] "Turning promises into action: Gender equality in the 2030 Agenda for Sustainable Development," UN Women, (2018): http://www.unwomen.org/-/media/headquarters/attachments/sections/library/publications/2018/sdg-report-fact-sheet-sub-saharan-africa-en.pdf?la=en&vs=3558

technicians, and part time and full-time employees and entrepreneurs.[175] Women also have unique social networks that typically offer greater access to rural households, which can be important to deploying energy access solutions.

Despite these opportunities, women are typically not part of key decision-making processes at nearly all levels of society. Women tend to have limited access to land and capital, as these are often determined by traditional and religious customs that remain deeply rooted in patriarchal traditions. Women also have more difficulty accessing finance due in part to lack of collateral required to guarantee payment and often resort to obtaining loans from money lenders who charge exorbitant interest rates.[176]

The gender analysis undertaken in Senegal corroborated many of these trends, and revealed several interrelated challenges that women face in the off-grid sector:

- Women lack access to skills, technical capacity, and education/training
- Women broadly lack access to capital, asset ownership, collateral and credit (e.g. to start a business)[177]
- Extensive household responsibilities reduce their ability to generate income and service credit
- Financial literacy among women remains low and there is a lack of education and information available to women on access to financial resources

A number of initiatives exist that seek to address some of these challenges and help improve the rate of participation among women in Senegal's off-grid sector. Enda Energy has partnered with the GoS to provide solar related training mostly to women across the country through a series of capacity building workshops. The Africa Renewable Energy Access Gender Program, managed by the World Bank's Africa Energy Unit and funded by the World Bank ESMAP program, is active in West Africa with plans to expand its operations into Senegal.[178] The program is already sponsoring a sustainable forest management initiative in rural villages in the Kaffrine region.[179] GVEP International is also planning to train and finance 250 female micro-energy entrepreneurs in Senegal over a three-year period.

In 2018, ECREEE partnered with AfDB to launch a regional workshop to advance the participation of women in the RE sector. The program intends to address the lack of inclusion of women in the energy value chain – only 2% of energy sector entrepreneurs in West Africa today are women. The initiative ultimately seeks to develop a pipeline of investment-ready, women-owned energy businesses across the region, including in Senegal.[180]

[175] "Renewable Energy: A Gender Perspective," International Renewable Energy Agency, (2019): https://irena.org/-/media/Files/IRENA/Agency/Publication/2019/Jan/IRENA_Gender_perspective_2019.pdf

[176] See **Section 3.2** for more details.

[177] This is a huge challenge for women in the country, particularly in rural areas, where the population depends on seasonal income from the agricultural sector for their livelihood, which makes loans inaccessible or only available at extremely high interest rates. This issue is examined in further detail in **Section 3.2.**

[178] "Mapping of Energy Initiatives and Programs in Africa," Africa-EU Energy Partnership, (May 2016): http://www.euei-pdf.org/sites/default/files/field_publication_file/annex_5_aeep_mapping_of_energy_initiatives_overview_of_initiatives_0.pdf

[179] http://www.worldbank.org/en/news/feature/2016/01/05/rural-senegalese-women-spearhead-sustainable-energy-management-in-kaffrine

[180] "Feasibility study promotes women's participation in energy transition," ESI Africa, (2018): https://www.esi-africa.com/feasibility-study-promotes-womens-participation-in-energy-transition/

III. ANALYSIS OF THE ROLE OF FINANCIAL INSTITUTIONS

This section begins with an introduction to financial products for the off-grid sector, including for end-users and stand-alone solar companies (**Section 3.1**). This is followed by a comprehensive overview of the country's financial market and commercial lending environment (**Section 3.2**), including an assessment of financial inclusion and a summary any off-grid solar lending activity/programs. **Section 3.3** examines other financial institutions (in addition to commercial banks) that are active in the country. **Section 3.4** presents a summary of key findings from the Task 3 analysis. The data presented in this section was obtained through desk research as well as interviews with/surveys of key officials and representatives from local financial institutions. **Annex 3** provides an overview of the Task 3 methodology.

3.1 Introduction to Financial Products for the Off-Grid Sector

A wide range of financial products can be utilized to support development of the stand-alone solar sector in West Africa and the Sahel. These may include instruments such as matching grants, contingent loans, results-based financing (grants reimbursing cost after completion of work), equity investment (seed capital and later stages), concessional debt (subsidized interest or forgiveness of a portion of principal repayment), short-term commercial credits for inventory purchases and working capital, trade finance solutions (from export credit agencies or private trade funders) and medium-term loans secured on assets or receivables from a portfolio of installed projects. This "financial supply chain" consists of capital delivered at different stages of stand-alone solar enterprise development, by financial sector players that have risk appetites well matched to each specific stage. This section focuses on the roles of commercial Financial Institutions (FIs) and microfinance institutions (MFIs) in providing debt financing to off-grid solar consumers and enterprises.

3.1.1 Financial Products for End-Users

In order to determine what kinds of debt instruments are available to support stand-alone solar purchases for end-users, it is important to identify the different end-users.

- **Households**

Households represent the majority of end-users in the West Africa and Sahel region and the level of cash flow this market segment has available for energy access depends heavily upon the formal and/or informal economic activity they are engaged in. In general, the ability for households to pay from their own internal resources declines as their distance from urban centers increases and their opportunity to participate in the formal economy with regular cash income declines. Meanwhile, external funding is typically not available for rural households as they remain largely off of the radar of mainstream FIs (with the exception of households where members have regular sources of income from urban centers). MFIs in fact are generally more appropriate sources of household finance. Most of a given country's households can access external funding typically only through microfinance or informal financial services such as local money lenders, cooperative societies and rotating savings and credit associations.

- **Public Institutions**

The main public institutional facilities that require funding for off-grid electrification are directly linked to national, provincial or local administrations and budgets, including schools, health facilities, and other public buildings/lighting systems. Sustainable energy finance for community facilities is typically provided through a ministry, department or agency if the facility falls under the purview of the national or provincial

budget. The challenge is that budget resources are severely limited and constantly face competing priorities; as a result, many public community facilities are left without access to energy.

In order to implement financial products targeting public institutional projects, a few critical questions need to be answered, such as who would be the borrower and whether there are sufficient financial resources available in the budget to pay for the service over a long period of time. This question is also important if these public community facilities end up being included alongside households as part of a local mini-grid.

- **Productive Use**

Financial instruments for SMEs as end-users of sustainable energy represent a very important category of products in that they tend to be commercially viable and are thus important for the long-term sustainability of energy systems. While households and community facilities use energy primarily for consumption, often resulting in other sources of income or budget being allocated to cover the cost of service, SMEs use energy for income-generating activities and can therefore cover electricity costs through the income generated by their business. An enterprise with positive cash flows gives financiers more comfort as well as an opportunity to design financial instruments that are commercial in nature. A loan product with parameters that match the company's ability to service the debt would be a strong and commercially viable option. MFIs often provide short-term loans to micro enterprises on this basis while FIs often limit their lending to SMEs with strong balance sheets and available collateral.

- **Commercial and Industrial**

Commercial and industrial (C&I) facilities such as industrial plants, mining operations, shopping malls, logistics and distribution centers or commercial office buildings generally have considerable power consumption requiring energy supply from much larger solar systems that can range from several hundred kW to several MW in capacity. Where there is particularly high cost advantage for stand-alone solar systems over existing energy supply (i.e. vs. diesel generators), some C&I facility owners may find the payback of these investments so attractive that they will seek to purchase the solar power plant outright, often requiring debt financing to complete the transaction. This entails a corporate loan backed by the full faith and credit of the company, a pledge on the installed assets and usually supplemented by additional collateral and personal guarantees posted by the C&I facility owners. Many commercial FIs will offer credits to their existing C&I customers for this purpose but the C&I facility loan applicants are often unable or unwilling to post the required collateral for this specific purpose as their assets may already be encumbered for other business needs.

3.1.2 Financial Products for Suppliers/Service Providers

The stand-alone solar sector remains nascent in most markets across West Africa and the Sahel. The companies offering standalone solar products and energy services are therefore often at start-up or early development stage. Overall by number of players, small indigenous entrepreneurs are well in the majority; however, a few international companies dominate the overall market share. Most equipment is imported with purchases denominated in hard currency, while sales to consumers – whether on a direct purchase, Lease-to-Own (LTO) or Pay-As-You-Go (PAYG) basis – are almost always in local currency. At start-up or early stages of operation, local entrepreneurs, although in need of funding, are usually not ready to take on debt financing and should rely more on seed capital investment and grants until they are able to generate an initial book of business. Once orders begin to materialize, these enterprises have growing funding needs suitable for debt financing instruments which may include the following:

- **Working Capital**

All entrepreneurs need working capital to fuel their business growth and cover basic overheads for operations, marketing and sales. Throughout West Africa and the Sahel, there is a dearth of working capital financing for businesses in all sectors, and the situation is no different for stand-alone solar companies. When available, working capital loans have very short tenors of 3-12 months, must be secured on confirmable cash flows, have difficult-to-meet collateral requirements and carry high interest rates. Since their costs and income are in local currency, local entrepreneurs are best served by working capital loans also denominated in local currency. However, due to high cost of local currency debt, many companies will see advantages in borrowing at much lower interest rates in hard currency as the perceived risk of currency fluctuations across such short tenors is relatively low. Some international companies operating in the West African off-grid solar sector may prefer hard currency financing at the offshore holding company level, depending on how they have structured their local subsidiaries or affiliates in the region.

- **Inventory and Trade Finance**

To fulfill orders, solar system providers need inventory on hand. Equipment suppliers to the off-grid sector in West Africa and the Sahel are usually unwilling or unable to offer generous terms, often requiring down payments with balance due in full at cash-on-delivery (COD). Therefore, these businesses are in dire need of short-term loans of 6-12 months duration to finance inventory purchases. Yet, such loans are hard to come by for developing off-grid enterprises. Since equipment purchase arrangements are usually denominated in hard currency, loans also in hard currency over such short tenors are often acceptable. Trade finance from export credit agencies (ECAs) and private trade funders may also provide good solutions, but these lenders are often unwilling to finance orders under a few million USD or EUR in value.

- **Asset-Based or Receivables Financing**

Once stand-alone solar system providers achieve a portfolio of operating PAYG or LTO installations, the system assets and revenues from customer payments can be used to leverage debt financing to fund business activities and expansion. Typically, a Special Purpose Vehicle (SPV) is established to house the asset portfolio, which is sold by the solar provider to lenders. This form of financing has been widely deployed in East Africa and is also increasingly available in West Africa through a variety of regionally focused specialized debt funds that are focused on portfolio financings in the range of USD 1-10 million.[181]

- **Crowd Funding**

Crowd funding platforms have played an important role in offering working capital, inventory financing and smaller increment asset or receivables-backed loans to off-grid entrepreneurs. Loans of two-five years have been provided to both locally-owned and international solar enterprises with a good number of financings in the USD 150-500K range occurring in Nigeria, Ghana and Côte D'Ivoire.[182]

[181] A total of 11 such specialized debt funds were identified, including those managed by: Sunfunder, responsAbility, Lendable, Sima Funds, Solar Frontier, Neot, Deutsche Bank, Triple Jump, Crossboundary, Lion's Head, Shell and Solar Connect. Only a handful of these have vehicles that are fully funded and deploying capital but as of mid-2018 they reported expectations for financial closings that would make roughly USD 1.5 billion in off-grid focused debt available across Sub Saharan Africa by mid-2019.

[182] The most active crowd funding platforms in the off-grid space have been Kiva, TRINE, Lendahand and Bettervest with the latter two most focused on West Africa.

3.2 Financial Market Overview

3.2.1 Market Structure

As a member of the West African Economic and Monetary Union (WAEMU, or Union Économique et Monétaire Ouest Africaine, UEMOA), Senegal shares a currency with seven other countries in the economic community, the West African CFA Franc, which is pegged to the euro. FIs in Benin are regulated by the Central Bank of West African States (Banque Centrale des États de l'Afrique de l'Ouest, BCEAO) and supervised by the WAEMU Banking Commission. Within this macroeconomic environment, Benin has experienced relatively low rates of inflation and low interest rates, especially compared to non-WAEMU countries. Between 2009 and 2014, the average inflation rate for WAMEU countries was approximately 1%, while the average inter-bank interest rate during the same period was about 4%.[183]

The Senegalese financial system is made up of 25 banks and four non-bank financial institutions. As of 2017, Senegalese FIs accounted for the second largest share (19.1%) of the WAEMU market, behind only Côte d'Ivoire (**Table 47**).[184] Commercial banks control 85% of banking sector assets, with the largest banks subsidiaries of French, Nigerian, Moroccan and pan-African banks (**Table 48)**. There are also 302 registered MFIs with 897 physical points of service around the country. The MFI sector is growing despite challenges it is facing to comply with prudential ratios.

Table 47: Market Share of Financial Institutions in WAEMU, 2017

Country	Number of Commercial Banks	Number of Non-Bank Financial Institutions	Total Balance Sheet (CFA million)	Market Share (%)
Benin	15	0	3,486,329	9.8%
Burkina Faso	13	4	5,198,407	14.7%
Côte D'Ivoire	28	2	11,095,578	31.2%
Guinea-Bissau	5	0	245,921	0.7%
Mali	13	3	4,501,702	12.7%
Niger	12	1	1,572,520	4.4%
Senegal	25	4	6,788,590	19.1%

Source: UEMOA

[183] "The Landscape for Impact Investing in West Africa: Understanding the current trends, opportunities and challenges," Dalberg and Global Impact Investing Initiative, (December 2015): https://thegiin.org/assets/upload/West%20Africa/RegionalOverview_westafrica.pdf

[184] "Rapport Annuel de la Commission Bancaire de l'UMOA – 2017," BCEAO, (2018): https://www.bceao.int/sites/default/files/2019-01/Rapport_Annuel_CB_2017.pdf

Table 48: Licensed Financial Institutions in Senegal, 2017[185]

Commercial Bank	Total Capital (CFA million)	Capital Allocation			Total Balance Sheet (CFA million)	Network (# of branches)	Number of Accounts
		National		Foreign			
		Public	Private				
1. Banque pour le Commerce et l'Industrie (BCI)- Senegal					35,810	2	417
2. Atlantic Bank of Senegal	25,003			25,003	343,268	18	71,197
3. Banque Internationale pour le Commerce et l'Industrie (BICIS)	10,000	2,490	2,060	5,450	445,122	32	116,328
4. Banque de Dakar (BDK)	22,000		470	21,530	164,449	1	1,197
5. BGFIBANK Senegal	14,000			14,000	57,786	1	446
6. Banque de l'Habitat du Sénégal (BHS)	10,000	4,000	6,000		368,801	16	168,793
7. Banque des Institutions Mutualistes d'Afrique de l'Ouest (BIMAO)	10,000		9,975	25	30,506	3	677
8. Banque Islamique du Sénégal (BIS)	10,000	600	6,073	3,327	315,549	27	53,895
9. Banque Nationale de Developpement Economique (BNDE)	11,000	2,750	3,650	4,600	141,267	11	8,114
10. Bank of Africa (BOA)	24,000		9,183	14,817	470,928	55	213,635
11. Banque Sahélo-Saharienne pour l'Investissement et le Commerce (BSIC)	23,500			23,500	125,024	14	32,966
12. Caisse Nationale de Crédit Agricole du Sénégal (CNCAS)	10,000	2,588	61	7,351	262,925	34	133,103
13. Citibank	17,549			17,549	101,380	1	247
14. CBAO Attijariwafa Bank Group	11,450	897	5,879	4,674	942,405	417	1,689,224
15. Credit of Senegal	10,000	500		9,500	167,846	8	21,025
16. Credit International	12,000		800	11,200	62,887	2	1,401
17. Coris Bank Senegal					40,255	2	2,372
18. Diamond Bank Senegal (NSIA)					182,527	8	26,773
19. Ecobank Senegal	16,777		3,275	13,502	715,755	34	237,045
20. FIRST BANK of Nigeria (FBNBANK) Senegal	13,265			13,265	30,771	3	3,095
21. Locafrique	11,500		11,500		117,135	2	
22. Orabank Senegal					154,262	7	15,715
23. Société Générale de Banques au Sénégal (SGBS)	10,000		3,513	6,487	874,345	40	226,308
24. United Bank for Africa (UBA)	15,000		1,216	13,784	245,063	10	28,046
25. WaFaCash West Africa	4,500			4,500	3,195	61	
26. Société Africaine de Crédit Automobile – SAFCA- Alios Finance					15,580	1	

Source: WAEMU Banking Commission

[185] BCEAO, 2018.

- **Banking Industry Financial Soundness Indicators**

Asset-Based Indicators: The financial sector remains well capitalized despite a high volume of non-performing loans (NPLs). In 2017, the country's share of NPLs (as a % of total loans) was 15.5%, which was in line with the WAEMU average and down from a high of 20.8% in 2014 (**Table 49**).[186] Bank loan portfolios are often controlled by private sector corporate lending and single-name borrowing is high due to the limited retail lending and high regulatory ceiling for single large exposures (75% of regulatory capital).[187] Though the World Bank predicts NPLs to continue to decline they remain a concern for the banking sector.[188]

Table 49: Banking Sector Non-Performing Loans to Total Loans (%)[189]

Indicator	2013	2014	2015	2016	2017
(NPLs) to total loans	19.1%	20.8%	18.8%	17.3%	15.5%
Provisions for NPLs to total NPLs	55.8%	58.1%	57.9%	62.3%	59.3%
NPLs net of provisions to total loans	8.6%	9%	7.9%	6.5%	6.3%

Source: International Monetary Fund

- **Capital-Based Indicators**

The Senegalese banking system remains in good standing, with an average risk coverage ratio of 14.5% in 2016. The coverage ratio is well above the regional standard of 8% and higher than the net rate of deterioration in the portfolio of 7.7%, allowing for banks to cover outstanding debts and maintain provisions for effective recovery. Credit is increasing rapidly (**Table 50**); the BCEAO is working with the GoS to implement reforms to facilitate SME access to credit.[190]

Table 50: Banking Sector Capital Adequacy Indicators[191]

Indicator	2013	2014	2015	2016	2017
Capital to risk weighted assets	16.3%	16.4%	17.7%	14.8%	14.2%
Regulatory capital to risk-weighted assets	15.9%	15.9%	17.3%	14.1%	13.7%
Capital to total assets	9.4%	9.1%	8.5%	7.2%	7.8%

Source: International Monetary Fund

- **Liquidity**

Although banking sector liquidity has strengthened, it has maintained a year-on-year variability of approximately 10% since 2010 (**Table 51**).

[186] "Financial Sector Situation Report, Joint Annual Review (RAC), 2018, Ministry of Economy, Finance & Planning, Senegal"
[187] "Senegal Macro Trends Help Banks but Retail Credit Limited," Fitch Ratings; (August 2018): https://www.african-markets.com/en/news/west-africa/senegal/senegal-macro-trends-help-banks-but-retail-credit-limited-fitch-ratings
[188] "Senegal: Macro Poverty Outlook," World Bank, (October 2018): http://pubdocs.worldbank.org/en/426881492188169591/mpo-sen.pdf
[189] "IMF Country Report No. 18/211," International Monetary Fund, (July 2018): https://www.imf.org/en/Publications/CR/Issues/2018/07/09/Senegal-Sixth-Review-Under-the-Policy-Support-Instrument-Press-Release-Staff-Report-and-46057
[190] "Senegal," World Bank, (October 2018): http://pubdocs.worldbank.org/en/426881492188169591/mpo-sen.pdf
[191] IMF, 2018.

Table 51: Banking Sector Liquidity

Indicator	2013	2014	2015	2016	2017
Liquid assets to total assets	42.1%	40.8%	51%	53.4%	50%
Liquid assets to short-term liabilities	80.1%	76.1%	75.3%	75.2%	73.1%
Total deposits to total liabilities	67%	66.7%	75.6%	71.6%	73.7%

Source: International Monetary Fund

- **Income and Expense-Based Indicators**

Income and expense-based indicators for the commercial banking sector are presented in **Table 52.**

Table 52: Banking Sector Profitability Indicators

Indicator	2013	2014	2015	2016	2017
After Tax Return on Asset	1.3%	0.6%	0.9%	0.9%	1.7%
After Tax Return on Equity	13.7%	6.8%	9.3%	9.6%	17.4%
Gross banking Income/ Non Interest Expense	66.5%	69.3%	69.7%	70.3%	67.4%
Personnel Expense/ Non interest Expense	36.3%	32.9%	33.2%	33.0%	33.7%

Source: International Monetary Fund

- **Distribution of Credit by Sector**

In 2016, about half of credit in the economy supported services, transportation and communication, followed by retail and wholesale trade, and industry (**Table 53**).[192]

Table 53: Distribution of Credit by Sector

Sector	2013	2014	2015	2016
Industrial	25.5%	23.1%	19.8%	21.2%
Retail and Wholesale Trade	23.8%	23.7%	21.9%	25.3%
Services, Transportation and Communication	35.9%	41.0%	38.7%	46.3%

Source: International Monetary Fund

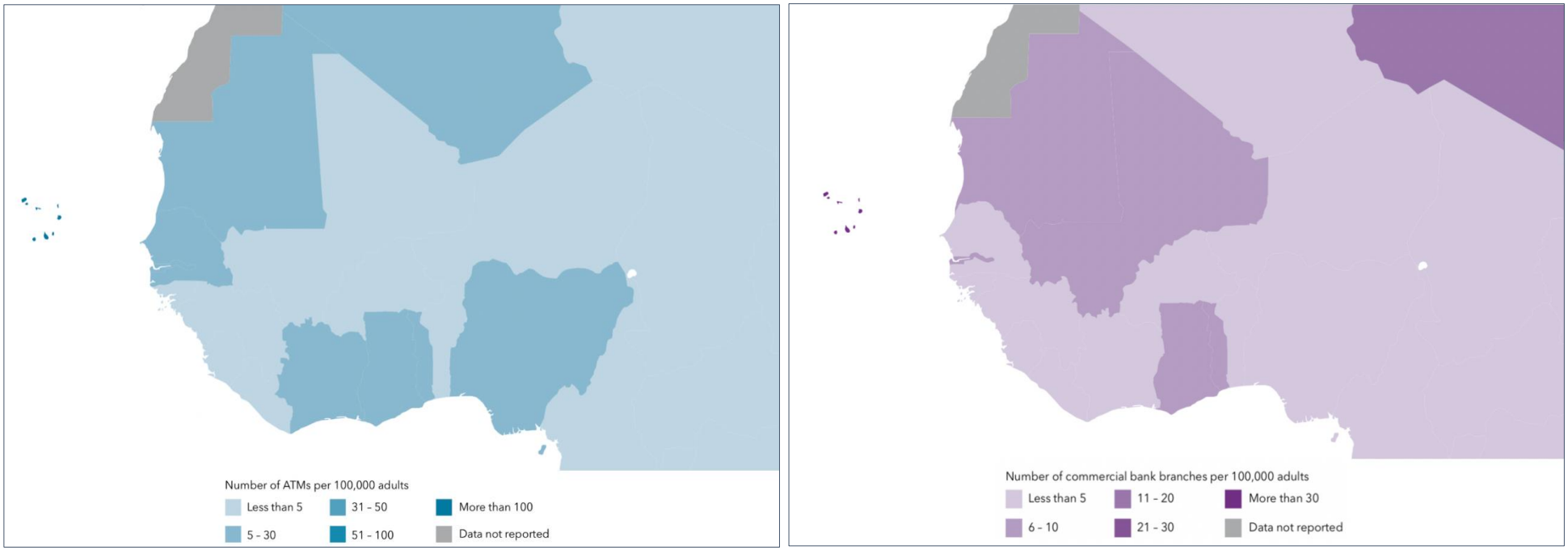
3.2.2 Financial Inclusion

- **Access to Financial Services**

Access to financial services represents an ongoing challenge in West Africa and the Sahel. Overall, about three-quarters of the region's population remains financially excluded, lacking access to banking and financial services through formal institutions (**Figure 38**).[193] There are, however, notable signs of progress. Between 2011 and 2017, the share of the population covered by formal financial institutions increased by nearly 10%.[194] Many countries across the region, including Senegal, have also seen a sharp increase in mobile money account ownership (**Figure 39**) and transaction volume (**Figure 40**).

[192] IMF, 2018.
[193] "Le secteur bancaire en Afrique De l'inclusion financière à la stabilité financière," European Investment Bank, (October 2018): https://www.eib.org/attachments/efs/economic_report_banking_africa_2018_fr.pdf
[194] Demirguc-Kunt, A., Klapper, L., Singer, D., Ansar, S., and Hess, J., "The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution," World Bank, (2017): http://documents.worldbank.org/curated/en/332881525873182837/pdf/126033-PUB-PUBLIC-pubdate-4-19-2018.pdf

Figure 38: ATMs and Branches of Commercial Banks per 100,000 Adults in West Africa and the Sahel, 2017[195]

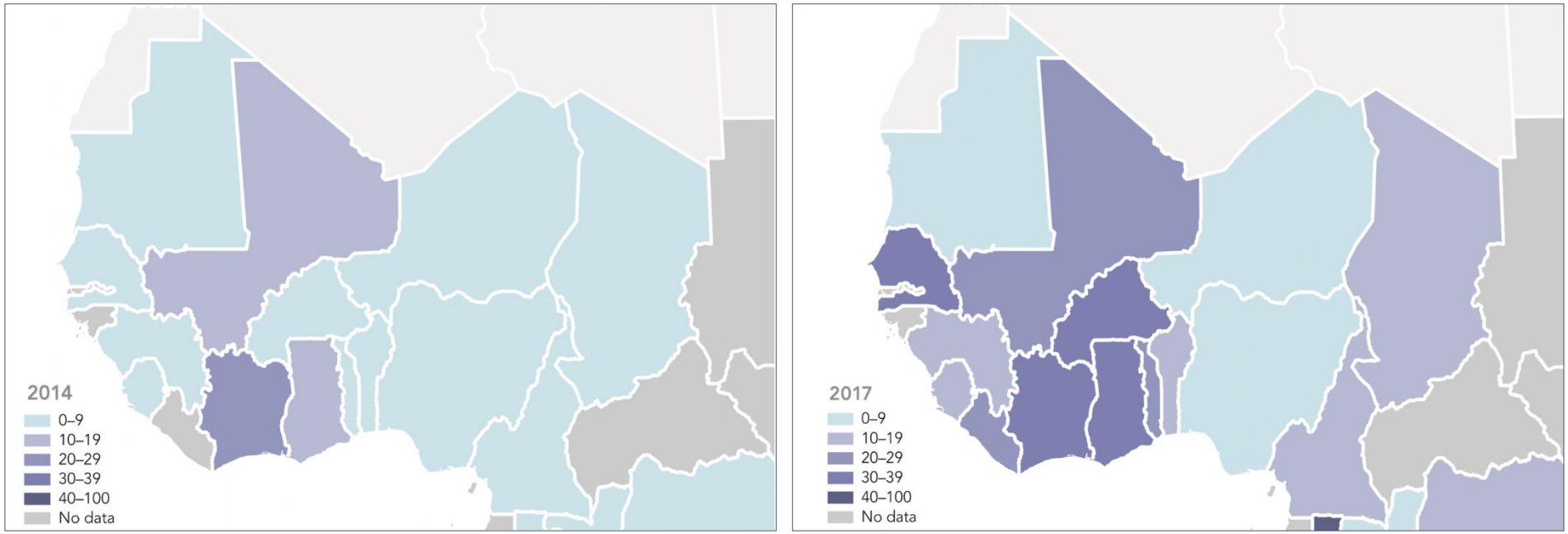


Source: International Monetary Fund

Figure 38 shows the number of ATMs (left) and commercial bank branches (right) per 100,000 adults across West Africa and the Sahel. The shade of the country corresponds to the magnitude of the indicator; the darker the shade, the higher the value. As of 2017, Côte d'Ivoire, Ghana, Mauritania, Nigeria, **Senegal** and Togo had a relatively higher number of ATMs per 100,000 adults compared to the rest of the region, while The Gambia, Ghana, Mali, Mauritania and Togo had a relatively higher number of commercial bank branches per 100,000 adults. Cabo Verde ranked above all countries in the region on both indicators.

[195] International Monetary Fund – Financial Access Survey: http://data.imf.org/?sk=E5DCAB7E-A5CA-4892-A6EA-598B5463A34C&sId=1460054136937

Figure 39: Share of Adults with a Mobile Money Account in West Africa and the Sahel (%), 2014 and 2017[196]



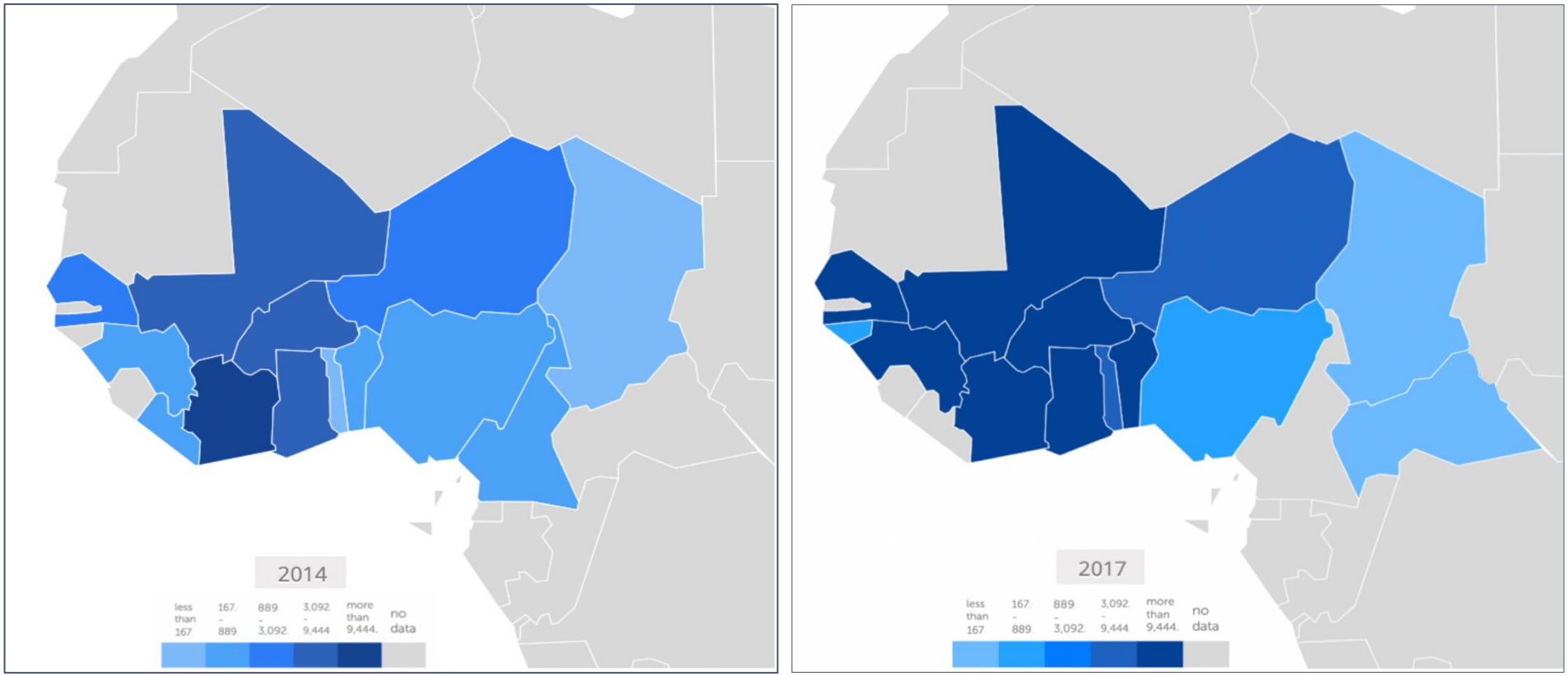
NOTE: Maps exclude Cabo Verde (no data)

Source: World Bank Global Findex Database

Figure 39 shows the increase in the share of adults (%) owning a mobile money account across West Africa and the Sahel between 2014 and 2017. The shade of the country corresponds to the magnitude of the indicator; the darker the shade, the higher the value. As of 2017, the share of adults owning a mobile money account is about 33% in Burkina Faso, Côte d'Ivoire, and **Senegal**, and 39% in Ghana. Between 2014 and 2017, mobile money account ownership also increased significantly in Benin, Cameroon, Chad, Guinea, Mali, Sierra Leone and Togo, while growth in account ownership was slower in Niger, Nigeria and Mauritania. There was either no data or insufficient data available to assess account ownership in Cabo Verde, Central African Republic, The Gambia, Guinea-Bissau, and Liberia.

[196] Demirguc-Kunt et al., 2017.

Figure 40: Mobile Money Transactions per 1,000 Adults in West Africa and the Sahel, 2014 and 2017[197]



NOTE: Maps exclude Cabo Verde (no data)

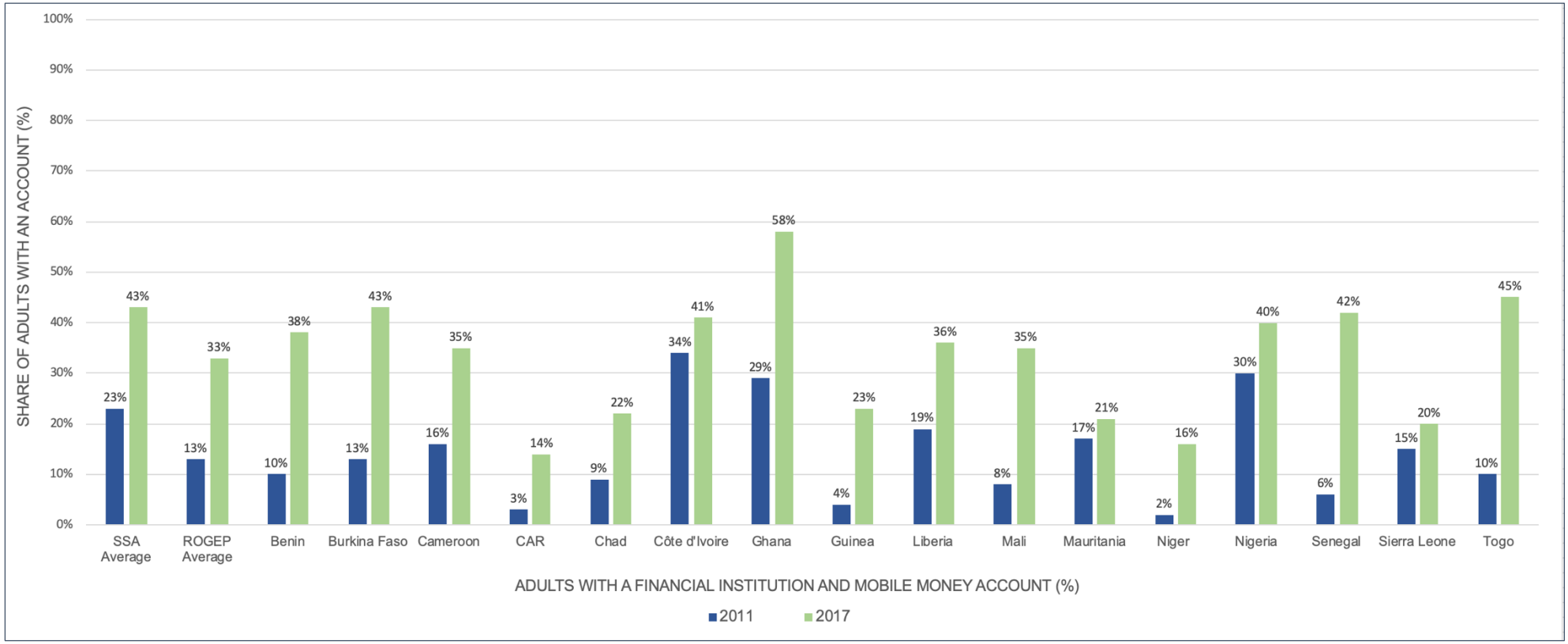
Source: International Monetary Fund

Figure 40 shows the increase in the number of mobile money transactions across West Africa and the Sahel between 2014 and 2017. The shade of the country corresponds to the magnitude of the indicator; the darker the shade, the higher the value. Between 2014 and 2017, mobile money transaction volume increased significantly in Benin, Burkina Faso, Côte d'Ivoire, Ghana, Guinea, Mali, Niger, **Senegal** and Togo, while growth in transaction volume was slower in Nigeria and Chad. There was either no data or insufficient data available to assess transaction volume in Cabo Verde, Cameroon, Central African Republic, The Gambia, Guinea-Bissau, Liberia, Mauritania and Sierra Leone.

[197] International Monetary Fund – Financial Access Survey: http://data.imf.org/?sk=E5DCAB7E-A5CA-4892-A6EA-598B5463A34C&sId=1460054136937

In 2017, 42% of Senegal's adult population had an account at a financial institution or with a mobile money service provider, up from 6% in 2011. In 2017, the country had among the highest rates of financial inclusion in West Africa and the Sahel, 9% above the regional average nearly equivalent to the average for Sub-Saharan Africa (**Figure 41**).

Figure 41: Share of Adults with Access to Financial Services in West Africa and the Sahel (%), 2011 and 2017[198]



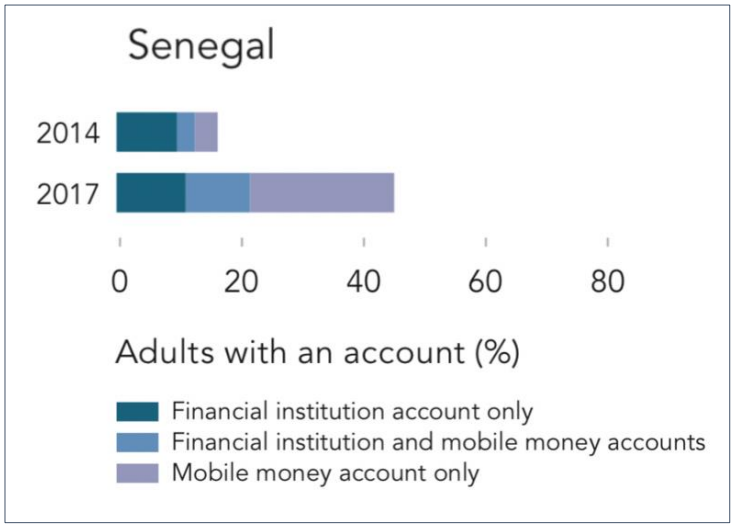
NOTE: Cabo Verde, Guinea-Bissau and The Gambia excluded (no data); data for Côte d'Ivoire is from 2014 and 2017

Source: World Bank Global Findex Database

[198] Demirguc-Kunt et al., 2017.

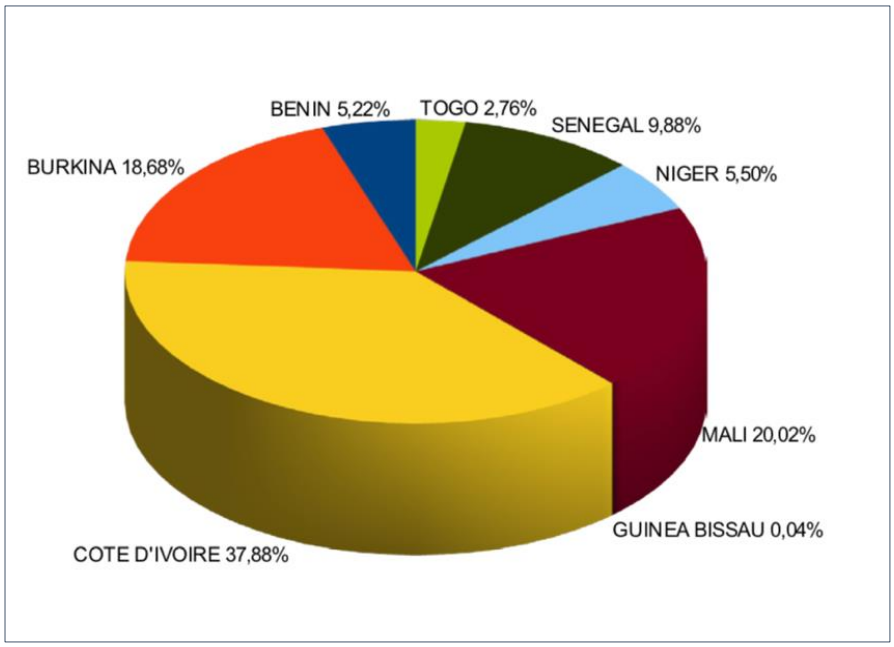
Financial inclusion has improved considerably in Senegal in recent years, driven primarily by the proliferation of mobile money services (**Figure 42**). In 2016, Senegal had the third highest number of subscriptions (4.4 million) and represented the fourth largest mobile money market in the WAEMU zone, accounting for about 10% of overall mobile money transaction volume (**Figure 43**).

Figure 42: Financial Institution Account Ownership[199]



Source: World Bank Global Findex Database

Figure 43: WAEMU Mobile Money Market – Share of Transaction Volume by Country, 2016[200]



Source: BCEAO

[199] Demirguc-Kunt et al., 2017.

[200] "Overview of Mobile Financial Services Data in the West African Economic and Monetary Union in 2016," BCEAO, (2016): https://www.bceao.int/sites/default/files/inline-files/3etat_des_services_financiers_uemoa_2016_anglais_.pdf

Senegal is in the process of developing a national financial inclusion strategy, largely through the promotion of several targeted interventions and credit enhancement programs. The GoS also intends to build upon the financial inclusion policies that are being pursued at a regional level. In 2016-2017, the BCEAO, in partnership with the UN Capital Development Fund and the IMF, organized a series of high-level meetings of key West African policymakers to develop a regional policy and strategic framework to improve financial inclusion. Ultimately, the West African Monetary Union Council of Ministers adopted an action plan that aimed to expand access to financial services to 75% of the WAEMU adult population over a five-year period. The implementation of this strategy is expected to benefit from financial support from various DFIs as well as technical assistance from the World Bank.[201]

Widespread mobile phone ownership (**Figure 18)**, rapidly growing mobile internet usage (**Figure 17**) and extensive network coverage (**Figure 33**), have led to the proliferation of mobile money services and platforms in the country. These dynamics are collectively increasing usage of mobile banking services, expanding overall access to financial services and driving financial inclusion in Senegal. Mobile money technology also plays a critical role in the application of off-grid solar solutions, particularly for Pay-As-You-Go systems that rely on the interoperability between digital financial services and stand-alone solar devices.

- **Gender and Women's Financial Inclusion**

According to data from the World Bank's 2017 Global Findex survey – which examines, among many things, the extent of financial inclusion in Sub-Saharan Africa (SSA) – women in the region are about 10% less likely to have an account at a financial institution or with a mobile money service provider than men.[202] A similar gender gap also exists in Senegal (**Figure 44**), where women experience financial exclusion mainly due to low or irregular sources of income and limited access to land and credit. In absolute terms, Senegal's gender gap remained stable since 2014, although the number of women with a financial account grew nearly two times more quickly than men.

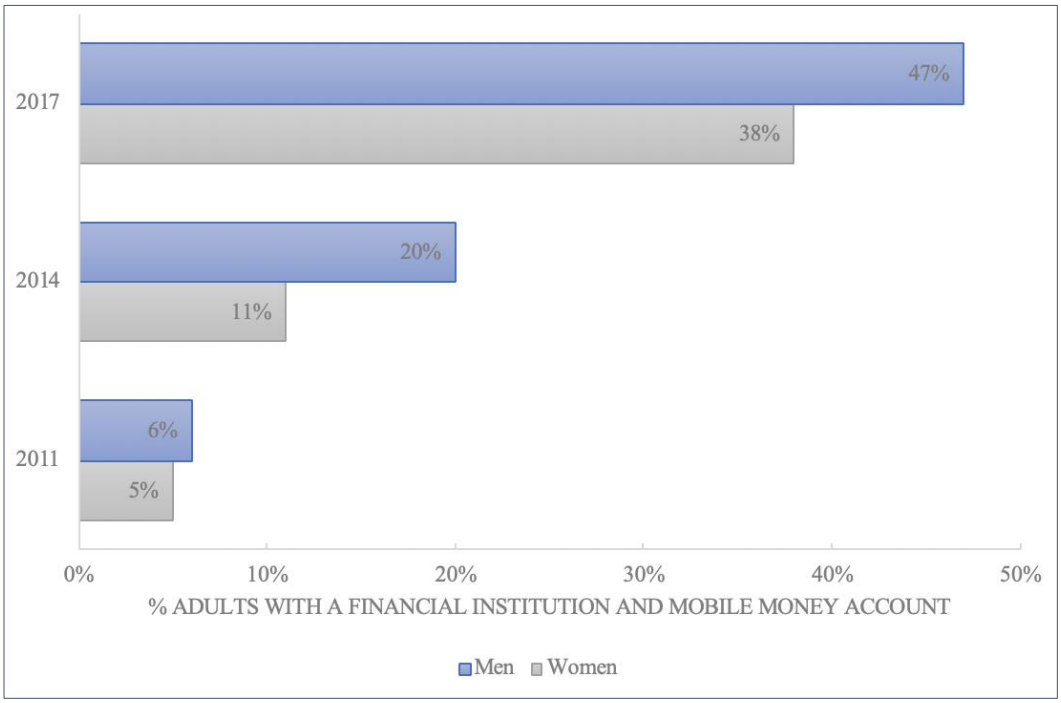
Studies have found that increasing financial inclusion can significantly empower women by increasing savings, reducing levels of inequality, and improving decision-making power in the household. Government programs, policies and regulatory frameworks are therefore critical to overcoming the barriers that women face and driving overall progress towards financial inclusion.[203]

[201] "West African Economic and Monetary Union: Common Policies of Member Countries," International Monetary Fund, (April 2018): https://www.imf.org/en/Publications/CR/Issues/2018/04/25/West-African-Economic-and-Monetary-Union-WAEMU-Common-Policies-for-Member-Countries-Press-45815

[202] Demirguc-Kunt et al., 2017.

[203] El-Zoghbi, M., "Measuring Women's Financial Inclusion: The 2017 Findex Story," Consultative Group to Assist the Poor (CGAP), (30 April 2018): https://www.cgap.org/blog/measuring-womens-financial-inclusion-2017-findex-story

Figure 44: Financial Inclusion Gender Gap in Senegal[204]



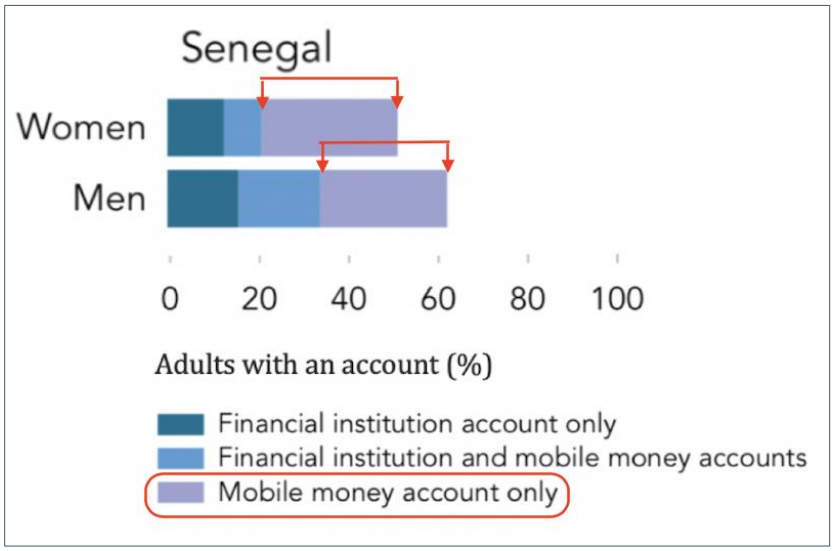
Source: World Bank Global Findex Database

The expansion of digital financial services, especially mobile money, has created new opportunities to better serve women, the lower-income population and other groups that are traditionally excluded from the formal financial system. Over 80% of financial access points in the country belong to mobile network operators, while mobile money access points grew by 37 % between 2017 and 2018. All regions within Senegal experienced growth in mobile money, indicating the widespread impact mobile network operators are having throughout the country. In terms of the number of new access points, the three most populous regions saw the largest growth with Dakar adding over 1,100 new access points from mobile money alone.[205]

Furthermore, there are preliminary signs that mobile money might also be helping to close the gender gap in financial inclusion. In Senegal, men are almost twice as likely as women to have an account at a financial institution – yet women are just as likely as men to have a mobile money account only (**Figure 45**).[206]

[204] Demirguc-Kunt et al., 2017.
[205] Mobile Money and Digital Financial Inclusion in Senegal, UNCDF, (June 2017): http://www.uncdf.org/article/2529/mobile-money-and-digital-financial-inclusion-senegal
[206] Ibid.

Figure 45: Gender Gap in Mobile Money, 2017



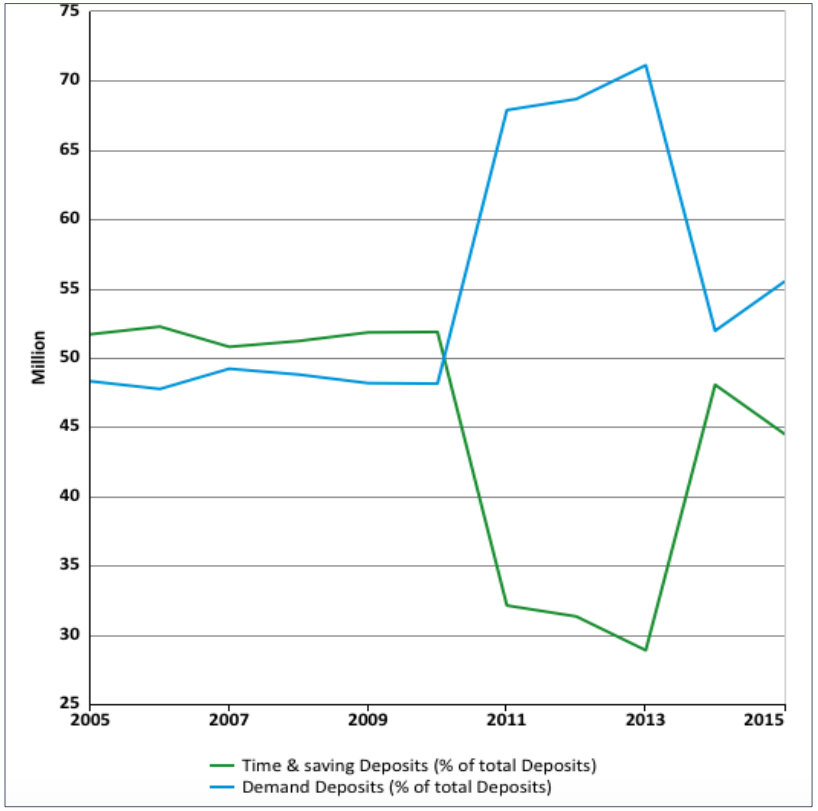
Source: World Bank Global Findex Database

3.2.3 Commercial Lending Environment

- **Maturity Structure of Bank Deposits and Credit**

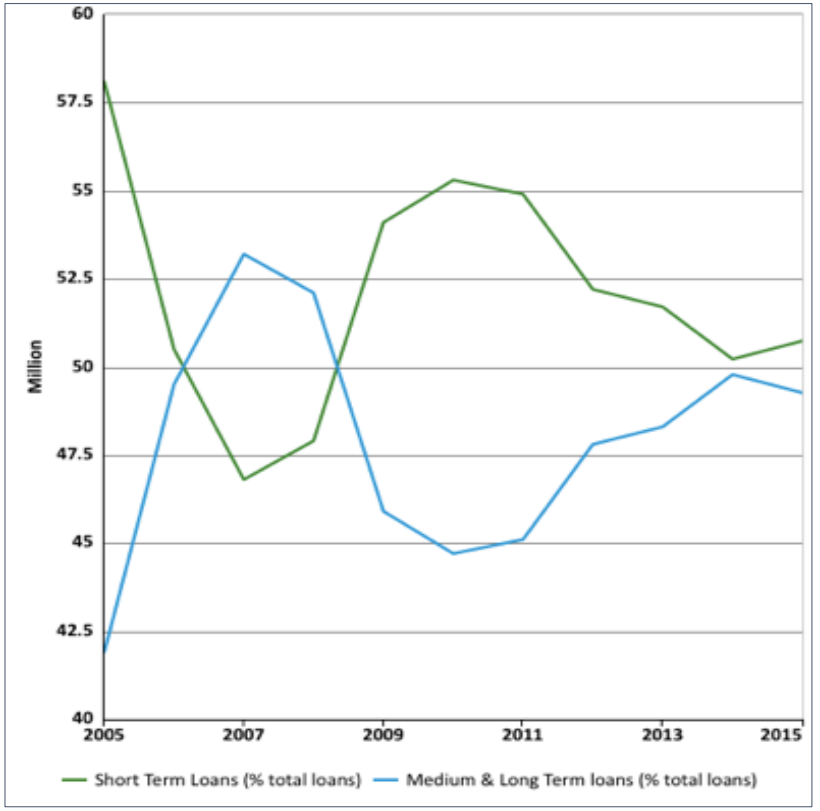
On average, short-term loans are the dominant means of credit in WAEMU countries. On an annual basis, financing provided through short-term loans outweighs that of medium to long-term loans by CFA 386 billion (USD 665 million) **Figure 46** illustrates the maturity structure of demand deposits as a percentage of total deposits over time (2005-2015) and **Figure 47** illustrates the maturity of short, and medium and long-term loans as a percentage of total loans over time (2005-2016).

Figure 46: Maturity Structure of Deposits



Source: African Development Bank

Figure 47: Maturity Structure of Loans



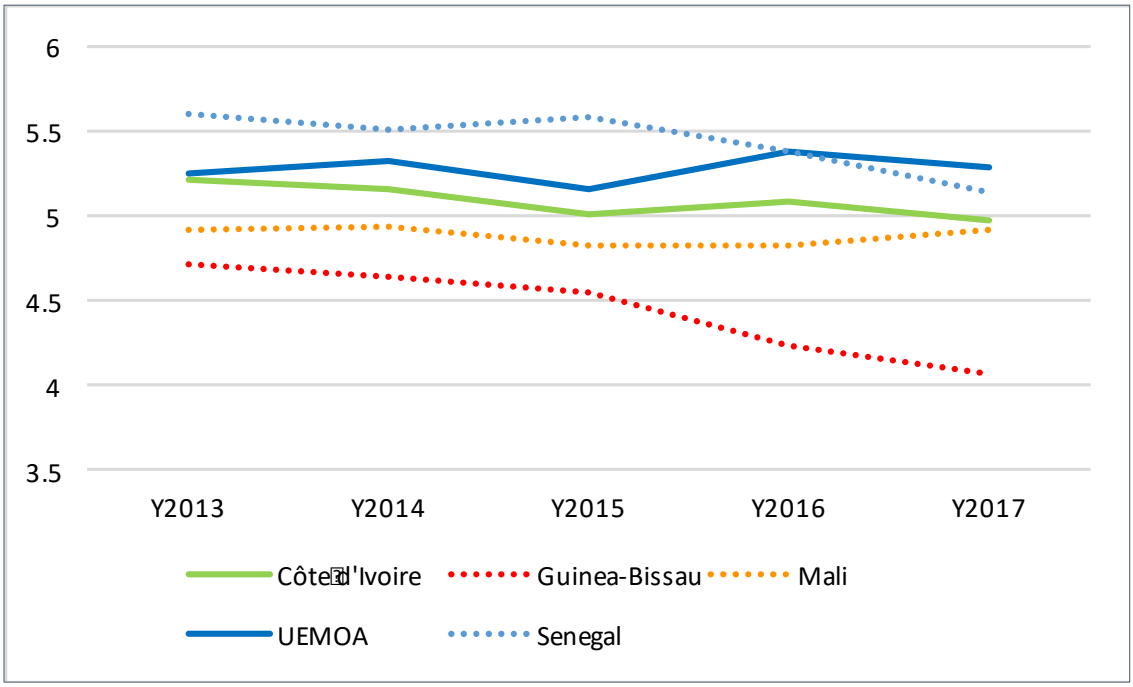
Source : African Development Bank

- **Interest Rates**

Senegal is part of WAEMU, and its monetary policy is tied to the BCEAO regional monetary policy. The BCEAO regional monetary policy is heavily dependent on two types of open market operations: 1) refinancing for one week, and 2) refinancing for one month, allocated at variable rates.[207] In 2017, the weighted average rates for refinancing for one month and one week were averaged a 3.75% rate. The BCEAO central benchmark rate, or central bank rate, has sustained around 2.5% since 2013, while the marginal lending rate, has hovered around 4.5% in recent years.[208]

Deposit rates in Senegal averaged the highest in WAEMU from 2013 to 2017 (**Figure 48**), while lending rates averaged the lowest (**Figure 49**).

Figure 48: Interest Rates on Deposits (%)

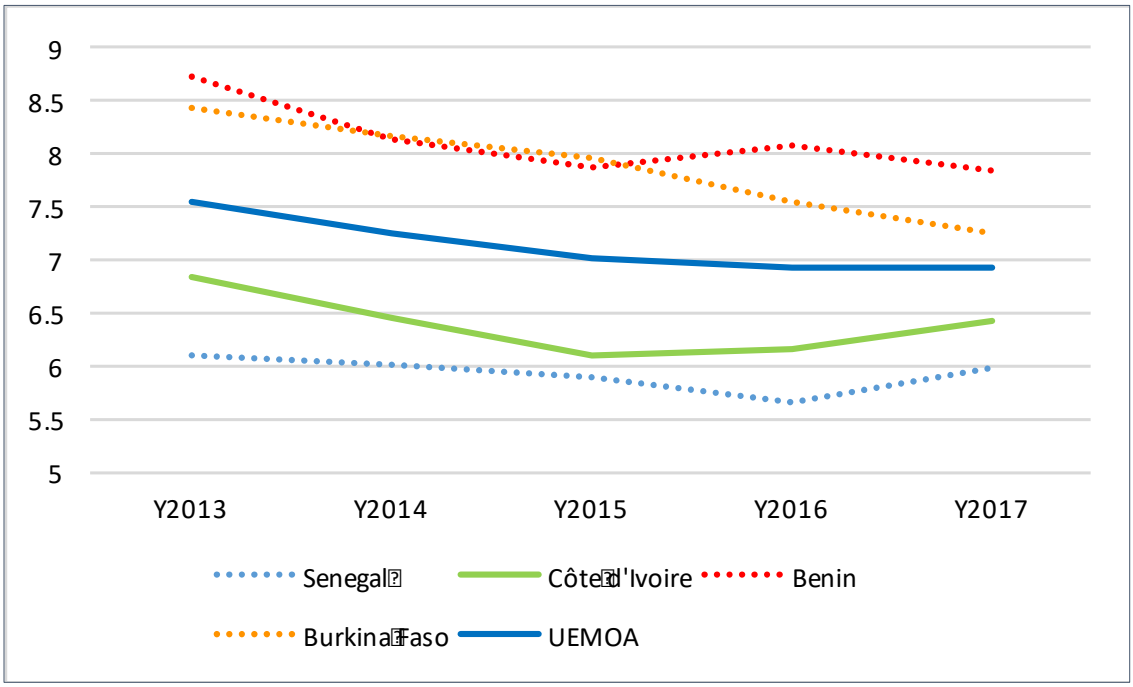


Source: BCEAO

[207] "Côte d' Ivoire: Country Report No. 18/182," International Monetary Fund, (June 2018): https://www.imf.org/en/Publications/CR/Issues/2018/06/25/Côte-d-Ivoire-Staff-Report-for-the-2018-Article-IV-Consultation-and-Third-Reviews-Under-the-46008

[208] Ibid.

Figure 49: Interest Rates on Loans (%)



Source: BCEAO

- **Foreign Exchange Market**

As a member state of WAEMU, Senegal's currency, the CFA franc, is pegged to the euro. The BCEAO therefore follows the monetary policy of the European Central Bank, which effectively sets interest rates for the CFA franc zone. This pegged exchange rate system limits the ability of member states to quickly respond to shocks. At the same time, CFA zone countries survived the recent collapse of oil prices and commodities without suffering from currency collapse, inflation and fiscal distress like other West African countries.[209] In general, the CFA franc monetary zone consistently outperforms other Sub-Saharan countries in terms of inflation rate and overall macroeconomic stability.

The CFA franc is backed by a guarantee from the French treasury for the convertibility of the CFA franc into euros at the fixed exchange rate at the Paris Stock Exchange.[210] This provides stability and credibility to the currency. The common currency also expedites trade by removing foreign exchange between member states. This includes the eight members of WAEMU as well as the six countries in the Economic and Monetary Community of Central Africa (Communauté Economique et Monétaire de l'Afrique Centrale, CEMAC). On a regional level, there are plans to implement a single currency across all of West Africa by 2020, although there are many hurdles to overcome before this degree of macroeconomic convergence can be achieved.[211]

[209] Cappola, F., "In Africa: Understanding the CFA Franc and its Foreign Exchange Rate Impact," https://www.americanexpress.com/us/foreign-exchange/articles/cfa-franc-and-its-foreign-exchange-rate-impact/
[210] Hallet, M., "European Economy: The role of the Euro in Sub-Saharan Africa and in the CFA franc zone," European Commission Directorate-General for Economic and Financial Affairs, (2008): http://ec.europa.eu/economy_finance/publications/pages/publication13478_en.pdf
[211] Liedong, T., "Could West Africa introduce a single currency?" CNN, (August 8, 2017): https://www.cnn.com/2017/08/08/africa/single-currency-west-africa/index.html

Table 54: Official Exchange Rate (CFA-USD)[212]

Exchange Rate	2013	2014	2015	2016	2017	2018
End of Period	475.64	540.28	602.51	622.29	546.95	572.89
Period Average	494.04	494.41	591.45	593.01	582.09	555.72

Source: International Monetary Fund

- **Collateral Requirements**

A common problem in the West African Economic and Monetary Union is poor judicial processes regarding collateral registry and recovery, as well as a lack of available credit information about the borrower. Hence, most commercial banks require high amounts of collateral in order to mitigate consumer credit risk. As a result, a majority of firms in Senegal are unable to obtain loans due to high costs of credit, insufficient funds offered, the short maturity of the loans, and/or the amount of required collateral.

- **Banking Supervision**

The corporate financial regulatory framework is determined by legislation issued by WAEMU and the Organization for the Harmonization of Business Law in Africa (L'Organisation pour l'Harmonisation en Afrique du Droit des Affaires, OHADA). In 2016, the WAEMU Council of Ministers adopted measures to implement the Basel II and Basel III rules into the monetary union, designed to further preserve resilience in the banking sector by increasing capital requirements and controlling risk profiles. In addition, BCEAO adopted regulations to establish Credit Information Bureaus (Bureaux d'Information sur le Crédit, BICs) within the monetary union, which were designed to reduce asymmetric information between customers and banks by providing economic and financial information to customers.

The central bank also implemented regulations to improve its ability to enforce existing regulations. The instructions focused on how to set up internal audit systems, compliance audit systems and provisional administration for BICs. The provisions also defined the sanctions applicable to BICs and established the amounts required to set up a special reserve to ensure their long-term viability. Reporting systems and procedures were also put in place to ensure that financial statements of credit institutions were reliable and also prepared in a timely manner.[213] Senegal adopted these regulations in 2016.

3.2.4 Lending to the Off-Grid Solar Sector

While there are several donor and DFI-funded programs and initiatives that have provided financing to support development of Senegal's OGS market, these funds have not been channeled through local commercial banks or MFIs to finance the sector. ROGEP is therefore a pioneering initiative in the country, as it endeavors to boost OGS lending via engagement with local financial partners. Local FIs are increasingly becoming more aware of the opportunities in the off-grid space, and interviews FIs revealed a willingness to participate in providing financing to the sector.

[212] International Financial Statistics (IMF): http://data.imf.org/?sk=4C514D48-B6BA-49ED-8AB9-52B0C1A0179B

[213] "2016 Annual Report," Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO), https://www.bceao.int/sites/default/files/2017-12/2016_annual_report_2.pdf

3.2.4.1 Programs Supporting Financial Institutions in Off-Grid Solar Lending

- **USAID Climate Economic Analysis for Development, Investment, and Resilience (CEADIR)**

CEADIR took place from 2016 to 2018. The program's objective was to strengthen the capacity of FIs for clean energy lending in eight West African countries (Côte d'Ivoire, Ghana, Guinea, Liberia, Niger, Nigeria, Senegal and Sierra Leone) addressing their common challenges by developing the capacity of bank staff to provide loans for various clean energy technologies and business models and adapting their support to the specific context each country. CEADIR engaged local banks by delivering a national workshop on stand-alone solar and mini-grids, which was complemented with one-on-one technical assistance to help banks develop clean energy lending strategies. Five local FIs in Senegal participated in the program – CNCAS, ORABANK, BHS, Crédit du Sénégal, and CORIS Bank.[214]

- **AFD Sustainable Use of Natural Resources and Energy Finance (SUNREF)**

SUNREF is a credit line provided by AFD for financial institutions and their clients that aim to fund clean energy projects. SUNREF includes TA and credit facilities to provide banks with the necessary long-term financing to overcome financial barriers met by project sponsors. The program is open to companies seeking to obtain easier access to green finance and banks seeking to develop their green finance portfolios. In 2014, Orabank, Société Générale and AFD signed a partnership agreement to launch SUNREF's West Africa program, which makes a EUR 30 million (CFA 19.6 billion) credit line available to banks in the WAEMU (Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo).[215] SUNREF has been active in Senegal since 2014 and has supported several projects, many of which utilize stand-alone solar technology.[216]

3.2.4.2 Key Barriers to Off-Grid Solar Lending

- **Unfamiliarity with the Off-Grid Solar Sector**

Much like other African markets, most local FIs in Senegal are unfamiliar with lending to off-grid solar projects and companies and have a limited understanding of the nascent sector. During stakeholder interviews, many of the FIs noted a lack of expertise in assessing OGS risks and in structuring/developing customized products for the sector. While programs such as CEADIR and SUNREF have supported participating FIs, there remains a significant gap in overall local capacity. Nearly all of the interviewed FIs stressed that technical assistance would be necessary to facilitate off-grid solar lending.

- **Maturity Structure of Bank's Funding**

The sizable share of short-term deposits limits the ability of banks to offer longer-tenor consumer financing, which is necessary to accelerate OGS market growth. Lease-to-Own and Pay-As-You-Go payment models reduce entry barriers for consumers by allowing for small, incremental payments for electricity which are more affordable, rather than demanding a high up-front cost for installation and service.

[214] "Market Assessment Report on Clean Energy: Senegal," USAID Climate Economic Analysis for Development, Investment and Resilience (CEADIR), (June 2018): https://www.climatelinks.org/resources/renewable-energy-lending-west-africa
[215] SUNREF: https://www.sunref.org/en/sunref-elue-meilleure-solution-financiere-pour-lenergie-durable-en-afrique-de-louest/
[216] SUNREF West Africa – Projects: https://www.sunref.org/en/projet/un-supermarche-ameliore-son-modele-energetique-au-senegal/

- **Low Private Sector Credit**

Commercial bank credit to the private sector remains weak and continues to constrain development of the OGS sector. As described in **Section 3.2.2**, access to finance remains a key barrier in the country. The use of bank loans for working capital and investment is extremely low. This hinders solar companies from investing in the growth of their business and expansion of their operations.

- **Lack of Credit History/ High Collateral Requirements**

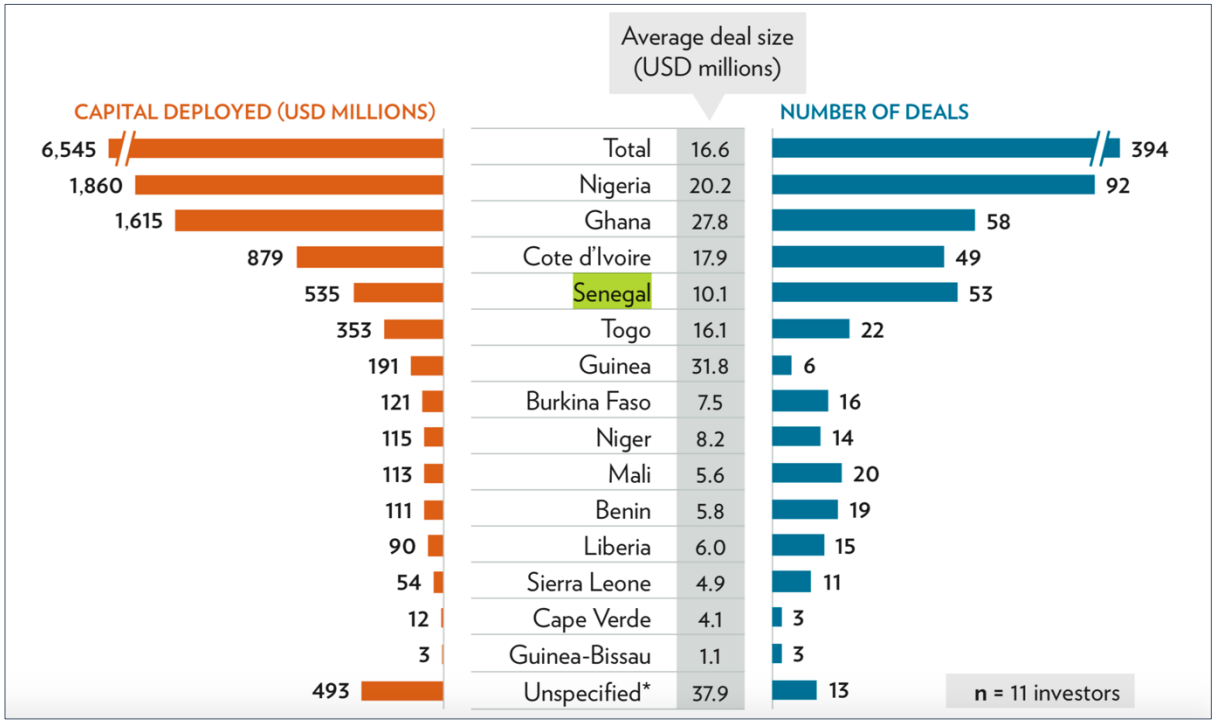
As described in **Section 3.2.3**, consumers in Senegal face stringent collateral requirements. Many consumers also lack basic financial literacy and knowledge about the terms and conditions of financial products and therefore struggle to obtain loans. The lack of credit history/track record and the weak balance sheet of most off-grid solar enterprises is a critical barrier that often prevents these firms from meeting the collateral requirements of banks. When compared to domestically-owned enterprises, foreign-owned firms are typically more likely to obtain financing. All of the interviewed commercial banks indicated that credit guarantees would be necessary to encourage lending to the off-grid sector.

3.3 Financial Institutions[217]

3.3.1 Development Finance Institutions

Between 2005 and 2015, Senegal received a total of USD 535 million in DFI funds with an average deal size of USD 10.1 million; the amount comprised 8.2% of total DFI investment in West Africa over this period (**Figure 50**).[218]

Figure 50: DFI Investment in West African Countries, 2005-2015



Source: Global Impact Investing Network and Dahlberg

Several DFIs are active in Senegal, including AfDB, AFD/Proparco, IFC, and KFW/DEG among others. In addition to the abovementioned AFD SUNREF program, the identified DFI programs relevant to the off-grid solar sector in the country are described below.

- **African Development Bank Sustainable Energy Fund for Africa / Facility for Energy Inclusion**

The **Sustainable Energy Fund for Africa (SEFA)** is a USD 60 million multi-donor trust fund administered by the African Development Bank with the objective of supporting sustainable private sector led economic growth in African countries through the efficient utilization of clean energy resources and support small- and medium-scale renewable energy project development.[219]

[217] Excluding commercial banks, which are reviewed in detail in **Section 3.2**.
[218] "The Landscape for Impact Investing in West Africa: Understanding the Current Status, Trends, Opportunities, And Challenges," Global Impact Investing Network and Dahlberg, (2015): https://thegiin.org/assets/upload/West%20Africa/RegionalOverview_westafrica.pdf
[219] "Sustainable Energy Fund for Africa," African Development Bank, (2018): https://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/sustainable-energy-fund-for-africa/

The **Facility for Energy Inclusion (FEI)** is a USD 500 million Pan-African debt facility created by the AfDB to support the achievement of its access to energy goals by providing debt capital to SHS companies, small independent power producers and mini-grid developers. The FEI Off-Grid Energy Access Fund (OGEF), structured by Lion's Head in partnership with the Nordic Development Fund, supports transaction structuring, provides local currency options to reduce risk for borrowers and their customers, and also offers technical assistance to companies to support off-grid market development.[220]

The launch of the FEI in 2016 led to a significant increase in AfDB financing for distributed renewable energy throughout Sub-Saharan Africa.[221] The FEI OGEF, which launched in 2018, will initially focus on East Africa, Côte d'Ivoire, Ghana and Nigeria.[222]

- **International Finance Corporation (IFC)**

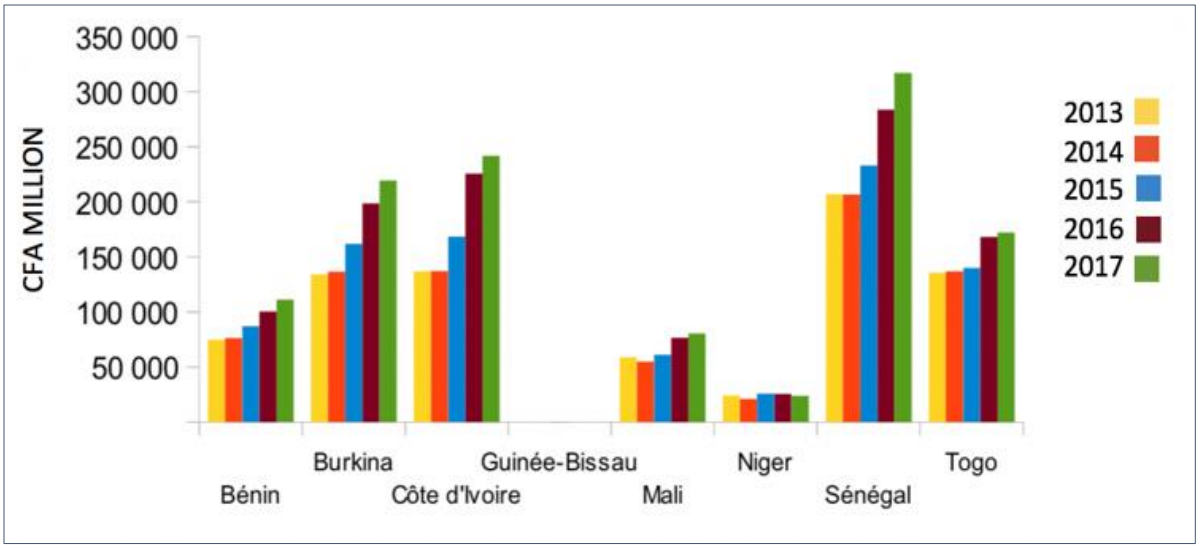
In June 2018, the IFC announced it had invested USD 60 million in a regional risk-sharing facility to support Bank of Africa Group's lending to SMEs in eight African countries, including Senegal. Half of the facility is earmarked for women-run businesses, and for climate-related improvements, such as energy efficient equipment upgrades, small solar systems, and climate-smart agricultural supply chains. IFC's investment will cover up to 50% of the risk on these SME loans.[223]

3.3.2 Microfinance Institutions

The microfinance sector in the WAEMU region was formally organized under the Regulatory Program for Mutual Support (Programme d'Appui à la Réglementation des Mutuelles d'Epargne et de Credit, PARMEC), which authorized BCEAO to regulate MFIs through the WAEMU Banking Commission. MFIs with deposits greater than CFA 2 billion (USD 3.4 million) are regulated under PARMEC, while all others are governed through local institutions. As of 2017, there were over 650 MFIs active in WAEMU countries, with 13 million individuals as direct beneficiaries.[224] **Figure 51** and **Figure 52** below illustrate trends in MFI deposits and loans, respectively, in WAEMU between 2013 and 2017. Senegal witnessed a strong increase in both MFI deposits and loans over the period, up nearly 20% between 2016 and 2017.

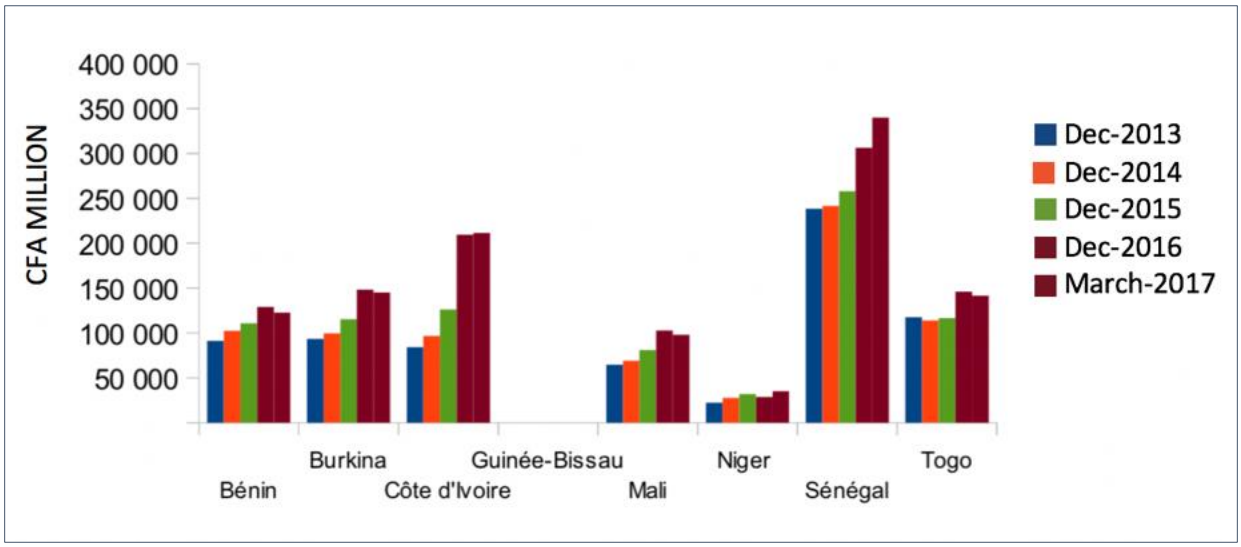
[220] Facility for Energy Inclusion – Off-Grid Energy Access Fund: https://www.ogefafrica.com
[221] Lee, A. Doukas, A. and DeAngelis, K., "The African Development Bank and Energy Access Finance in Sub-Saharan Africa: Trends and Insights from Recent Data," Oil Change International and Friends of the Earth U.S., (November 2018): http://priceofoil.org/content/uploads/2018/11/AfDB-Energy-Access-Finance-report-high-quality.pdf
[222] "African Development Bank, Nordic Development Fund and Partners launch Off-Grid Energy Access Fund with US$ 58 million," African Development Bank Group, (August 27, 2018): https://www.afdb.org/en/news-and-events/african-development-bank-nordic-development-fund-and-partners-launch-off-grid-energy-access-fund-with-us-58-million-18432/
[223] "IFC Invests in Bank of Africa to Expand SME Lending in Eight Countries," International Finance Corporation, (June 4, 2018): https://ifcextapps.ifc.org/ifcext/pressroom/ifcpressroom.nsf/0/947B76E4C106A246852582A200440E1C?OpenDocument
[224] "Situation du Secteur de la Microfinance dans L'UMOA au 31 Mars 2017," BCEAO (2017): https://www.bceao.int/sites/default/files/2017-11/situation_de_la_microfinance_a_fin_mars_2017_1.pdf

Figure 51: Microfinance Deposits in WAEMU



Source: BCEAO

Figure 52: Microfinance Loans in WAEMU



Source: BCEAO

The key performance indicators for the Senegalese MFI sector in 2017 are presented in **Table 55**.

Table 55: Microfinance Sector Performance Indicators[225]

Indicator	2018
Number of MFI's	302
Point of service	897
Customers	2,887,282
Outstanding Deposits	CFA 321 billion
Outstanding Credits	CFA 134 billion
Penetration rate	24,4%
Equity	CFA 124 billion
Liquidity	107%
Capitalization Norm	22%

Source: Ministry of Economy, Finance and Planning

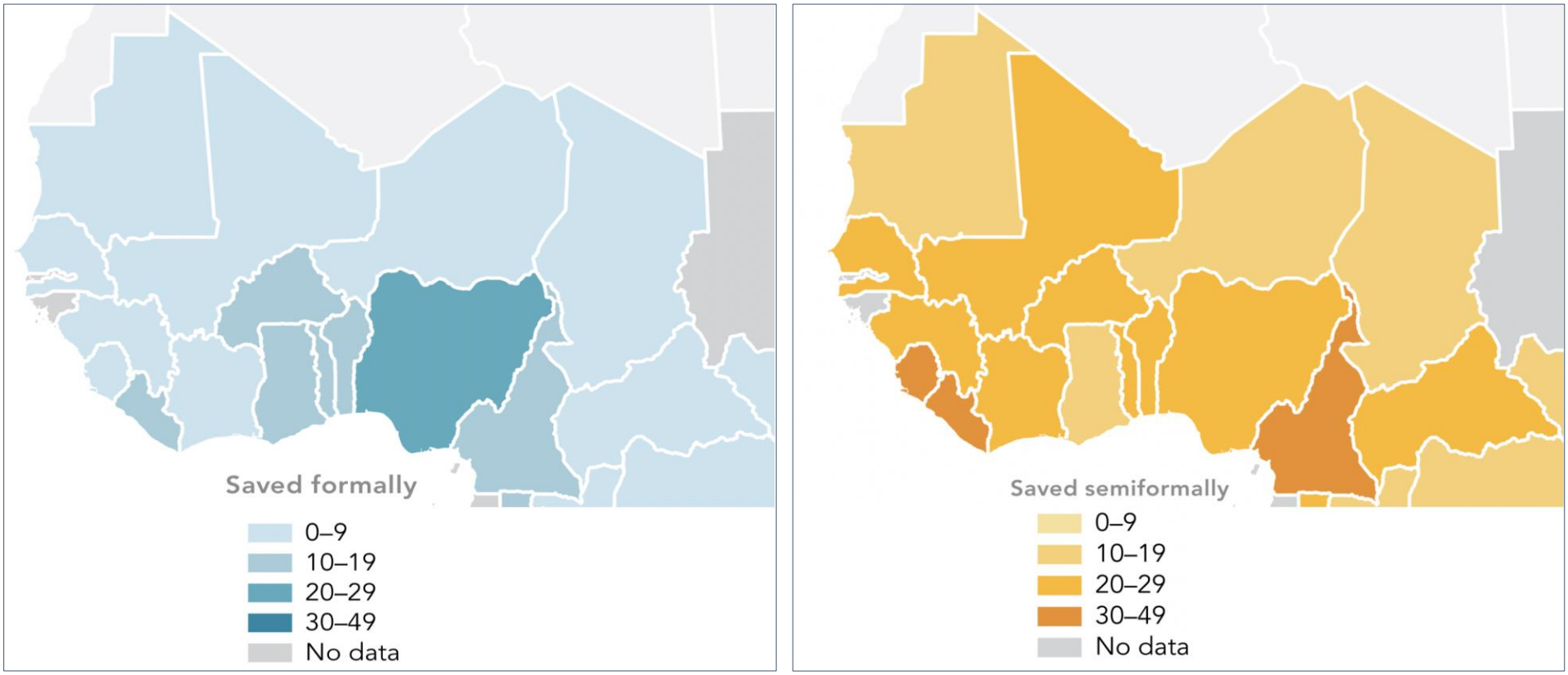
3.3.3 Informal Financial Institutions

A 2017 World Bank study found that 38% of adults in Africa had borrowed money from an informal FI as opposed to 5% who borrowed from a formal FI. Although informal borrowing occurs at different rates across Africa, roughly 100 million adults in Sub-Saharan Africa use informal sources of finance.[226] The informal financial sector often serves as a major source of savings and credit services for women, the low-income population and others who lack access to formal institutions. Informal financial institutions typically include individual money lenders as well as collective entities such as Rotating Savings and Credit Associations and Accumulated Savings and Credit Associations, among other groups.[227]

Much like other African states, informal financial services are widely available in Senegal (**Figure 53**). Data from this sector remains limited, largely due to the informal nature of these institutions, which does not facilitate access to information on their practices, cost standards and transaction levels. The overall lack of geographic coverage by FIs in rural areas of the country means that a significant portion of the rural population either relies exclusively on informal sources of finance at the community level or utilizes a combination of informal and formal credit and savings methods.

[225] "Note Sur La Situation Des SFD: Second Quarter Report," Ministry of Economy, Finance and Planning (2018): https://drs-sfd.gouv.sn/sitedrs/wp-content/uploads/2018/10/note_trimestre_2_2018.pdf
[226] "Demirguc-Kunt, A., Klapper, L., and Singer, D., "Financial Inclusion and Inclusive Growth: A Review of Recent Empirical Evidence," World Bank Policy Research Working Paper 8040, (April 2017): http://documents.worldbank.org/curated/en/403611493134249446/pdf/WPS8040.pdf
[227] Klapper, L., Singer, D., "The Role of Informal Financial Services in Africa," Journal of African Economies, (24 December 2014): https://academic.oup.com/jae/article-abstract/24/suppl_1/i12/2473408?redirectedFrom=fulltext

Figure 53: Share of Adults Saving in the Past Year (%), 2017[228]



NOTE: Maps exclude Cabo Verde (no data)

Source: World Bank Global Findex Database

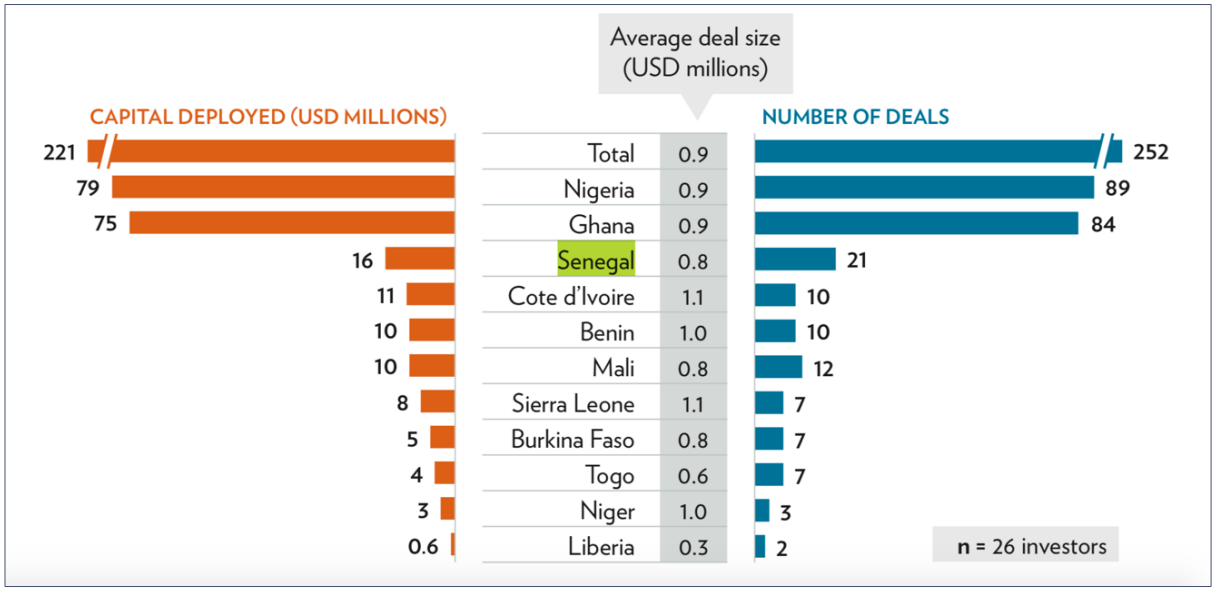
Figure 53 shows how the savings behavior of adults varies in West Africa and the Sahel. The shade of the country corresponds to the magnitude of the indicator; the darker the shade, the higher the value. Saving semi-formally is much more common than saving formally across the region, including in Senegal.

[228] Demirguc-Kunt et al., 2017.

3.3.4 Impact Investors

An assessment carried out by the Global Impact Investing Network (GIIN) found that while impact investing steadily increased across Africa between 2005-2015, most of the investment in West Africa has been highly concentrated. Senegal was the third largest recipient of impact capital deployed in the region, behind Nigeria and Ghana, with a total of USD 16 million deployed across 21 deals (**Figure 54**).[229]

Figure 54: Non-DFI Investment in West African Countries, 2005-2015



Source: Global Impact Investing Network and Dahlberg

Though impact investing is growing in West Africa, a lack of readiness by local African companies, the high levels of political uncertainty and difficulty in raising capital are the main barriers faced by impact investors in the region. There are many obstacles to foreign direct investment in Senegal (**Table 56**), including undeveloped infrastructure (especially in energy and transport), an economy vulnerable to changes in the price of commodities and insecurity along the border with Mali. In 2017, the GoS put in place incentives to attract investments with measures such as defining priority sectors for investment and offering greater protection of investments, among other measures.[230]

Table 56: Foreign Direct Investment in Senegal

Foreign Direct Investment	2015	2016	2017
FDI Inward Flow (USD million)	409	472	532
FDI Stock (USD million)	3,431	3,772	4,858
Number of Greenfield Investments	10	10	10
FDI Inwards (in % of GFCF)	11.6%	9.9%	n/a
FDI Stock (in % of GDP)	25.1%	25.0%	n/a

Source: UNCTAD

[229] "The Landscape for Impact Investing in West Africa: Understanding the Current Status, Trends, Opportunities, And Challenges," Global Impact Investing Network and Dahlberg, (2015): https://thegiin.org/assets/upload/West%20Africa/RegionalOverview_westafrica.pdf

[230] Santander Trade: https://en.portal.santandertrade.com/establish-overseas/senegal/investing

3.3.5 Crowd Funders

Although the demand for capital has grown steadily in Africa, crowd funding remains a challenging source of financing for small to medium-sized African enterprises. In total, crowd funding in Africa amounted to USD 70 million (USD 40.8 billion) in 2015, less than 1% of global crowd funding.[231] Moreover, roughly 75% of the capital raised by African start-up companies in 2017 was raised in Kenya, Nigeria, and South Africa.232 Additionally, unlike most developed nations, West African countries lack regulations, which offer protection to investors; discouraging potential domestic and foreign investor. Nevertheless, crowd funding in Senegal remains limited.

In 2016, a solar home system enterprise in Senegal named Touba Solar Rama raised EUR 32,000 (CFA 20 million) through a TRINE crowd funding initiative and made available various SHS, to meet the demand of rural off-grid houses and communities. The funds raised enabled the firm to acquire and distribute185 systems in the region of Kédougou, located in southeast Senegal, providing over 800 people with solar-powered lighting systems. Touba Solar Rama used the loan to sell SHS to buyers in 10 more villages. Within its Crowd Power program, Energy 4 Impact supported the business by providing 50% protection on capital invested in the project. The funding from Energy 4 Impact provides first-loss protection to investors, in the event the loan is not repaid. Crowd Power is a three-year program that began in 2015 with funding from UK-Aid to stimulate, develop and learn from crowd funding and apply it to renewable energy enterprises in Sub-Saharan Africa and Asia.[233]

In 2019, BBOXX and Trine raised EUR 6 million in funding – in what is the largest crowd-funded debt raise in the history of solar energy in Africa to date. The collaboration between Trine and BBOXX will accelerate BBOXX's installation of pay-as-you-go solar home systems in Kenya, Rwanda, Togo, the Democratic Republic of Congo, Mali, **Senegal** and Guinea.[234]

[231] "Crowdfunding in Emerging Markets: Lessons from East African Startups," World Bank (2015): https://www.infodev.org/infodev-files/crowdfunding-in-east-africa.pdf
[232] Disrupt Africa: https://www.siliconcape.com/disrupt-africa-funding-report-2017/
[233] "Senegalese solar-home system business meets crowdfunding target," Energy 4 Impact, (August 25, 2016): https://www.energy4impact.org/news/senegalese-solar-home-system-business-meets-crowdfunding-target
[234] "BBOXX / Trine Crowdfunding Initiative Hits Milestone," Alternative Energy Africa, (March 5, 2019): https://ae-africa.com/read_article.php?NID=9848

3.4 Summary of Findings

- **Opportunity for ROGEP Credit Lines:** Senegalese banks lack access to funding with the interest rates and tenors required to make off-grid solar projects attractive to end-users and SMEs. Local currency cost of capital remains very high for FIs, which in turn results in prohibitively high pricing for typical loans. Furthermore, loans are usually short-term, as customer deposits (mostly short-term) remain the largest source of funding for banks. This dynamic severely constrains OGS market growth. Stakeholder interviews revealed that there is indeed an opportunity for ROGEP credit lines to provide liquidity to local commercial banks and MFIs to support lending to the off-grid solar sector.

- **Local Currency and Pricing:** Most loans to off-grid enterprises and all loans for consumer purchases of stand-alone solar devices must be denominated in local currency. However, taking up hard currency denominated credit lines presents challenges for local lenders who would have to bear the FX risk. This risk is somewhat mitigated in Senegal, however, as the CFA franc is pegged to the euro, which shields it from volatile currency fluctuations. As a result, even after pricing in a hedge to cover this risk, many hard currency denominated credit lines can stay attractive, as the all-in cost of capital to local FIs is manageable to provide competitive offers to borrowers.

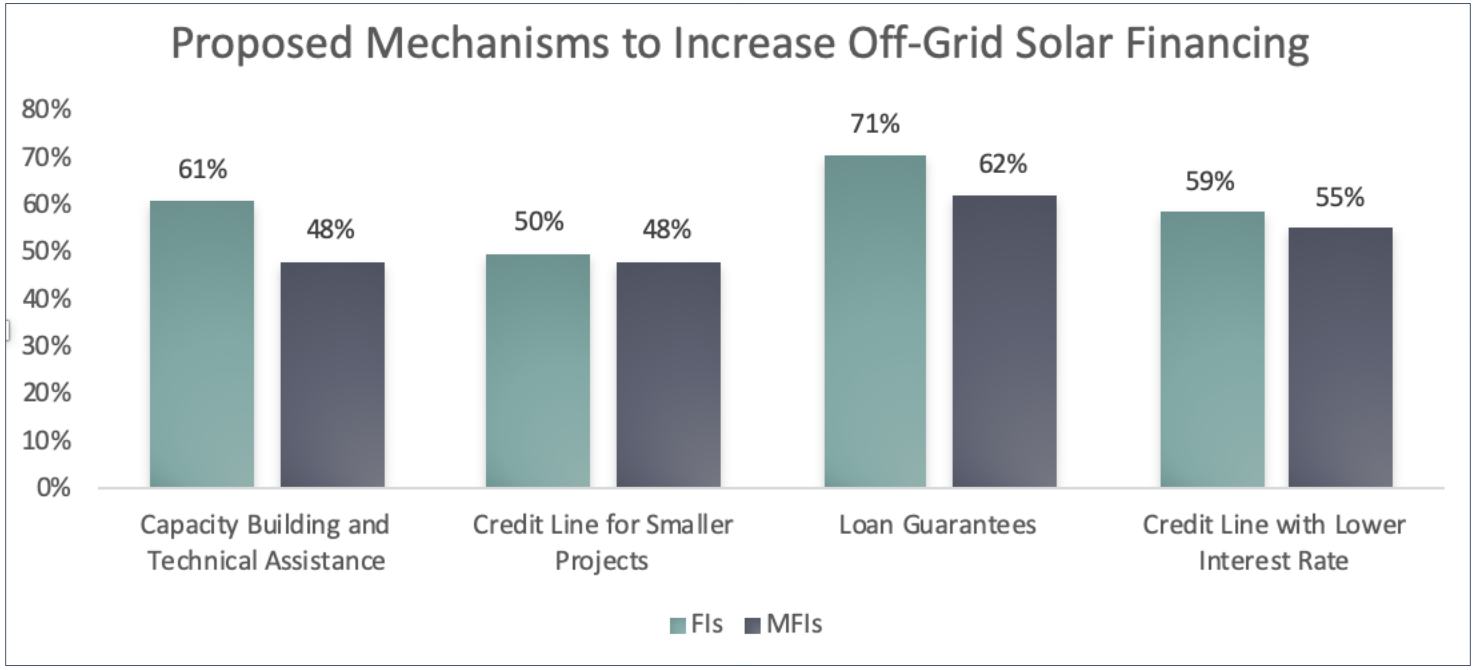
- **Collateral Requirements**: The collateral requirements of commercial banks in Senegal are extremely high, particularly for small firms. Moreover, lenders already in the space are deeply constrained from originating loans where the borrower cannot meet these requirements. Hence, the use of third-party *pari-passu* guarantees as an alternative form of collateral would enable banks to extend loans to borrowers without such high collateral requirements. Accordingly, many of the interviewed commercial banks emphasized the need for partial credit guarantees to encourage lending to the OGS sector (50% coverage is helpful; 70-80% coverage could be transformative). However, pricing from most available third-party guarantors can be in the range of 3%+ per annum, which some lenders view as too high to remain competitive. This creates an opportunity for ROGEP to either provide low-cost guarantees directly or to subsidize the premiums offered by existing third-party guarantors such as GuarantCo, Afrexim and Africa Guarantee Fund.

- **Risk Perception of New Lenders**: In order to attract additional lenders into the off-grid solar market segment, there is need for strong, reasonably priced credit enhancement mechanisms. In order to cover "market entry" risks for lenders unwilling to enter this market, guarantee instruments that cover first loss are needed. However, first-loss coverage, while necessary for attracting new lenders to the off-grid sector, does not address the key issue of collateral and is therefore likely insufficient on its own to stimulate growth in FI engagement unless coupled with third-party guarantee coverage.

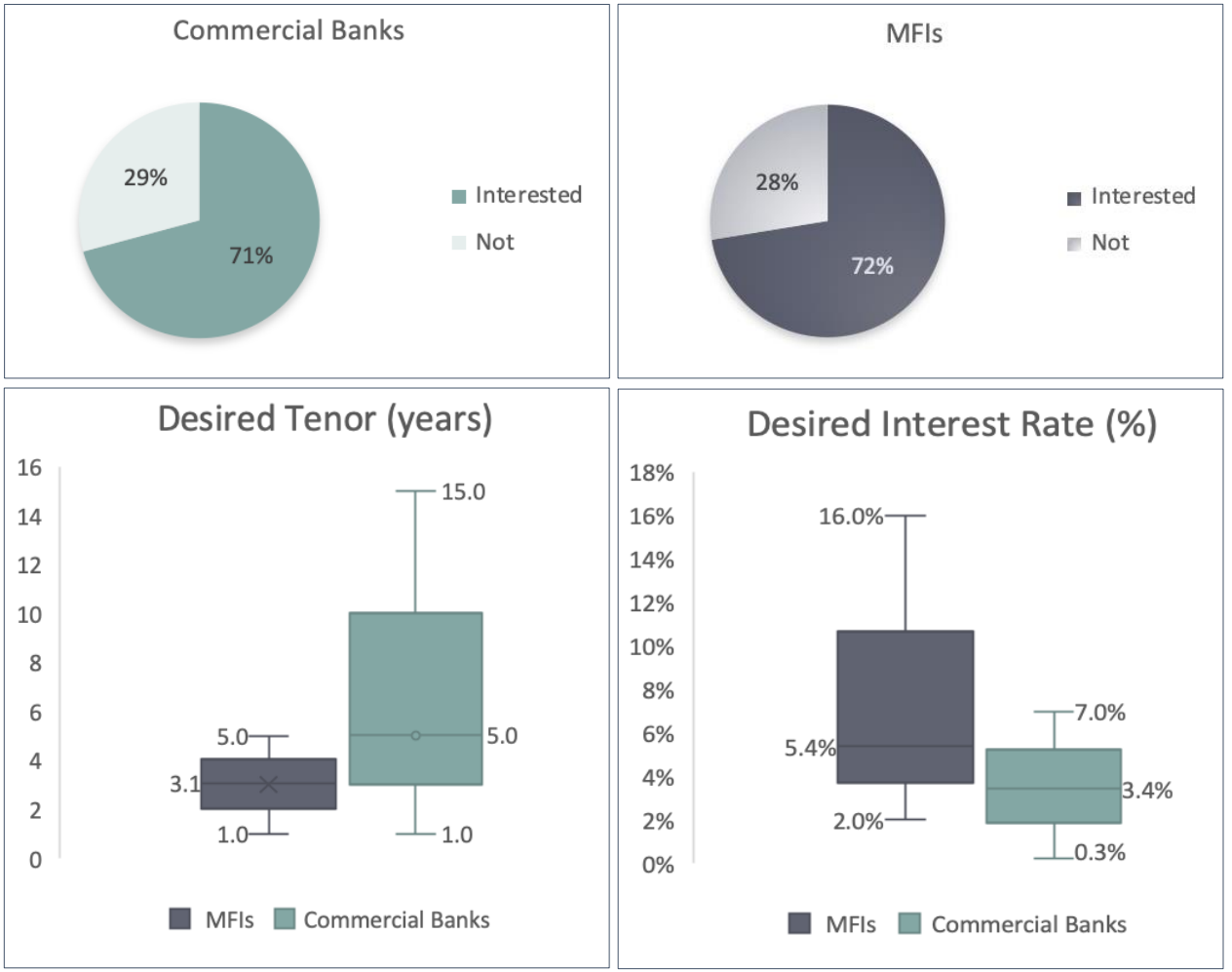
- **Technical Assistance:** A well designed TA intervention is critical to accelerating OGS lending in the country. Stakeholder interviews revealed the following key areas of support: training of bank credit department and account representative personnel to originate deals and appropriately assess the credit risk of stand-alone solar firms and projects; extensive due diligence support to qualify products and approve vendors; and targeted support for new lenders to the sector with product structuring and development as well as building deal-flow. The TA intervention should build upon previous and existing programs to avoid duplication of efforts. Special attention should also be paid to offering advisory services on the side of the stand-alone solar enterprises. Lenders opine that these entrepreneurs often do not have proper financial management and accounting systems in place, are unable to present quality financial models and lack the expertise required to structure their companies to take on debt obligations.

- **Digital Financial Services**: The advent of digital financial services and mobile money is one of the most important developments in off-grid solar market development to date, as it has allowed new and innovative business models to emerge that are now driving unprecedented growth in the sector. Mobile communication technology facilitates payments for solar products and systems (lease-to-own, pay-as-you-go) and/or for electricity usage (energy-as-a-service) and enables monitoring for operations and maintenance of equipment. Expanding access to mobile money services also creates new opportunities to better serve women, the lower-income population, and other groups that are traditionally excluded from the formal financial system. The Government should take steps to support capacity building of and foster linkages between off-grid solar companies operating in the market and key stakeholders from various sectors, including energy access policymakers and regulators, financial and telecommunications companies mobile network operators, financial service providers (commercial banks and microfinance institutions), mobile money service providers, international organizations, NGOs and civil society groups involved in financial inclusion etc.

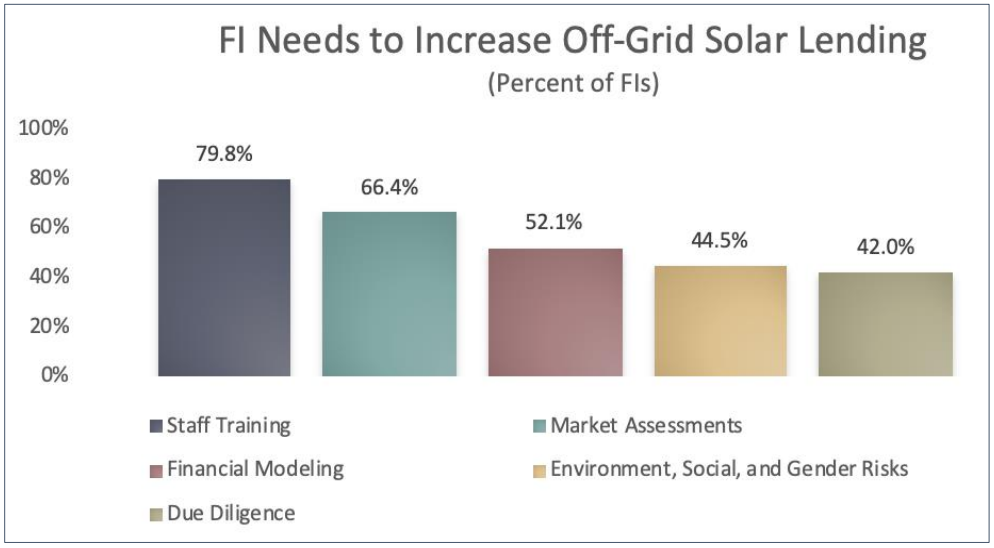
Key findings from the Task 3 FI survey activity are presented below. The results are based on feedback from a total of 121 FIs (including commercial banks, microfinance institutions and other non-bank FIs) that were interviewed across the 19 ROGEP countries. This summary only focuses on responses from commercial banks and MFIs, which together account for 92% of all respondents. See **Annex 3** for more details.



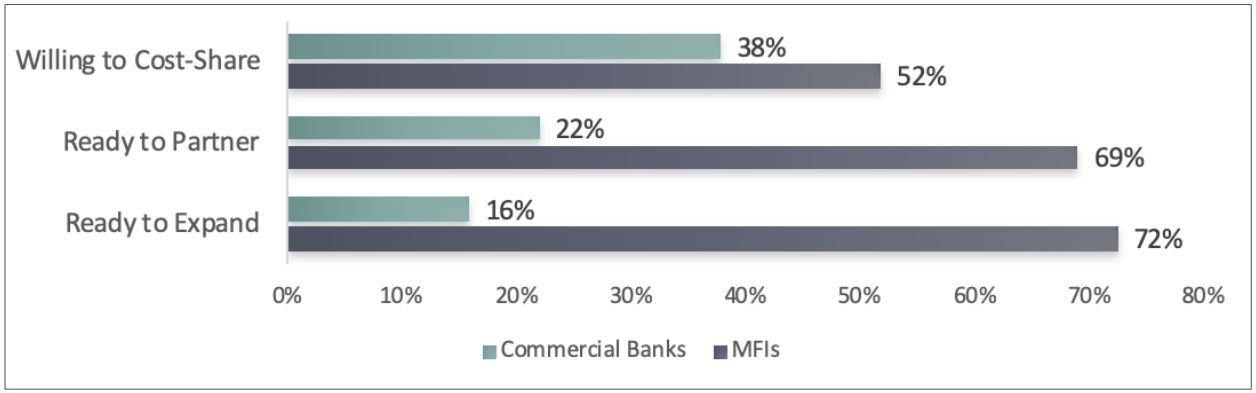
According to the survey, there is strong financial-sector interest across ROGEP countries to finance renewable energy projects, especially in off-grid solar. Commercial banks and MFIs identified loan guarantees as the most important measure that could improve their capacity to lend to the renewable energy sector. Most of the surveyed institutions also identified clear interest in credit lines.



More than 70% of surveyed commercial banks and MFIs are interested in a credit line to finance off-grid solar projects. Commercial banks want tenors of 1-15 years and interest rates from 0.25-7%. MFIs are seeking tenors of 1-5 years with interest rates from 2-16%. On average, commercial banks want a credit line with a 5-year tenor and 3.4 % interest rate, and MFIs want a 3.1-year tenor with 5.4% interest rate.



In addition to their clear interest in credit lines and loan guarantees to finance off-grid projects, surveyed financial institutions (commercial banks and MFIs) in ROGEP countries also identified several areas of internal capacity that require improvement in order to lend (or increase lending) to the off-grid solar sector.



Compared to commercial banks, MFIs reported a greater willingness to cost-share capacity building activities and a higher level of readiness to partner with solar companies and expand operations to serve rural and off-grid areas.

ANNEX 1: TASK 1 METHODOLOGY

STATE OF ENERGY ACCESS AND ENABLING MARKET ENVIRONMENT

Data presented in this section was collated from a range of public documents and reports as well as primary source documents either provided by ECREEE or obtained through supplemental market research (desk research and interviews with local public officials and industry stakeholders). These findings were subsequently corroborated by attendees of national validation workshops held in each country at the conclusion of the market assessment. Information obtained from the Task 2 focus group discussions and surveys of industry stakeholders (see **Annex 2**) was also used to support the Task 1 analysis.

GIS DATA ANALYSIS APPROACH / METHODOLOGY

1. Categorizations, key definitions and datasets for geospatial least-cost analysis

The main steps of the GIS analysis are as follows:
(i) Categorization/definition of settlements: scenario 2023;
(ii) Categorization/definition of settlements: scenario 2030;
(iii) Definition of un-electrified settlements within grid areas; and
(iv) Determination of population per settlement

1.1. Categorization/definition of settlements: Scenario 2023

1.1.1. *Electrification by grid extension* – settlements which are located within 5 km of the current electrical grid network[235] (according to WAPP densification plans).

1.1.2. *Electrification by mini-grid* – settlements that:
- Are located within 15 km of areas that have a high night-lights value (above 50/225 on grayscale raster)[236] and outside the buffer area established for the electrification by grid extension
- Are located within areas that have a population density of more than 350 people per km^2 (as defined by Eurostat for rural areas)[237], plus an additional 50 people per km^2 for greater feasibility of mini-grids[238] and are within 1 km[239] of a social facility (education center or health facility) and existing mini-grids of 2018.

1.1.3. *Electrification by off-grid stand-alone systems* – settlements that do not fall into the above categories

1.2. Categorization/definition of settlements: Scenario 2030

1.2.1. *Electrification by grid extension* – settlements which are located within 15 km of the current electrical grid network (average distance mentioned by energy utilities in West Africa) or within 5 km of planned future high voltage line extensions[240]

[235] NOTE: Low-voltage distribution lines were not considered in this analysis (data was unavailable)
[236] The 50/225 classification represents the areas emitting light of the country with reduction of scattering light. The classification was first introduced in the USAID report ZAMBIA ELECTRIFICATION GEOSPATIAL MODEL and evaluated in cross-checks throughout the country. USAID: https://pdf.usaid.gov/pdf_docs/PA00T2JC.pdf
[237] http://ec.europa.eu/eurostat/web/rural-development/methodology
[238] Identified in discussions with different international mini-grid developer.
[239] Preferred maximum distance for mini-grids from discussions with different international developer.
[240] NOTE: Low- and medium-voltage distribution lines could not be considered in this analysis (data was unavailable)

1.2.2. *Electrification by mini-grid* – settlements that:
- Were defined as mini-grid settlements in the 2023 scenario
- Are located within 1 km of the above mini-grid settlements, which is the preferred distance of mini-grid developers for their grid according to discussions with several international developers.
- Are located within 15 km of economic growth centers – airports, mines and urban areas; average worker distance in Africa is 10 km, a distance of 5 km is added to include the growth of businesses in the periphery of the growth centers.[241]

1.2.3. *Electrification by off-grid stand-alone systems* – settlements that do not fall into the above categories

1.3. Definition of un-electrified settlements within grid areas

To identify settlements that are located close to the national electrical grid but are not served by it, the following criteria were used:

- Within the main grid line zones (see buffer zones for *electrification by grid extension* above)
- Outside 15 km night-lights of buffered areas to capture the densification within 5 years
- Within areas of low population density (less than 350 people per km^2)

1.4. Determination of population per settlement

A key component of the least-cost analysis was the number of people living in each settlement (city, town, village, hamlet) of a given country. While there are different publicly available sources of information on total population (e.g. World Bank demographic data), a more granular view of the population distribution was necessary to perform the geospatial analysis.

Another difficulty was the identification of locations of settlements. The exact location of each settlement (with given coordinates) was not available / accessible in many of the countries. As a result, the least-cost analysis had to revert to other studies of population distribution – such as the population distribution developed by WorldPop. WorldPop utilizes a range of geospatial datasets to develop accurate population data:

"New data sources and recent methodological advances made by the WorldPop program now provide high resolution, open and contemporary data on human population distributions, allowing accurate measurement of local population distributions, compositions, characteristics, growth and dynamics, across national and regional scales. Statistical assessments suggest that the resultant maps are consistently more accurate than existing population map products, as well as the simple gridding of census data." [242]

A Voronoi polygon analysis[243] was used to create boundaries for each identified settlement. These boundaries were then used in combination with the population density layer to estimate the total settlement population of the given year. The current annual national population growth rate of 2.8%[244] was applied to the geospatial analysis to project populations for the Scenario 2023 and 2030 analyses.

[241] Lall, Somik Vinay; Henderson, J. Vernon; Venables, Anthony J. 2017. Africa's Cities: Opening Doors to the World. Washington, DC: World Bank. © World Bank. https://openknowledge.worldbank.org/handle/10986/25896 License: CC BY 3.0 IGO.
[242] https://www.worldpop.org
[243] To learn more about Voronoi polygons, see wikidot: http://djjr-courses.wikidot.com/soc128:qgis-voronoi-polygons
[244] The World Bank: https://data.worldbank.org/indicator/SP.POP.GROW?locations=SN

Summary of Key Datasets

The table below summarizes the key datasets used for scenarios 2023 and 2030 as well as the criteria applied and sources used.

Overview of Key Datasets of the Least-Cost Electrification Analysis								
Dataset	Description	Criteria used by technology						Source and Year
		Scenario 2023			Scenario 2030			
		On-grid	Mini-grid	Off-grid	On-grid	Mini-grid	Off-grid	
Electricity grid network (current)	Current national grid network (HV & MV lines)	≤ 5km distance	≥ 5km distance	≥ 5km distance	≤ 15km distance	≥ 15km distance	≥ 15km distance	ECOWREX, 2018[245]
Electricity grid network (planned)	Future network planned to be built (HV lines)	Not considered	Not considered	Not considered	≤ 5km distance	≥ 5km distance	≥ 5km distance	ECOWREX, 2018
Mini-grids	Existing mini-grids in 2018	Not considered	≤ 1km distance	≥ 1km distance	Not considered	≤ 1km distance from all identified mini-grids in Scenario 2023	≥ 1km distance from all identified mini-grids in Scenario 2023	RREP, 2017 and ECOWREX, 2018
Night-lights	Night-time light emissions used to identify electrified areas	Not considered	≤ 15km distance	≥ 15km distance	Not considered	Not considered	Not considered	NASA Earth Observatory, 2016
Population density	Population distribution in people per km^2.	≥ 350 people per km^2 [246]	≥ 350 people per km^2	≤ 350 people per km^2	Not considered	Not considered	Not considered	WorldPop, 2015
Settlements	Settlement layer giving location of settlements across Senegal; few settlements missing, but representative for distribution of the country ranging from city to farm	Used	Used	Used	Used	Used	Used	OpenStreetMap (OSM), 2018

[245] http://www.ecowrex.org/mapView/index.php?lang=eng

[246] Based on Eurostat definition plus an additional 50 people per km2 for greater feasibility of mini-grids as identified in discussions with different international mini-grid developer. Source: http://ec.europa.eu/eurostat/web/rural-development/methodology

Social facility: education centers	Incomplete set derived from OSM; Indicator of active local economy	Not considered	≤ 1km distance[247]	≥ 1km distance	Not considered	Not considered	Not considered	Humanitarian Data Exchange (HDX), 2017
Social facility: health centers	Incomplete set from WHO collected for the HDX-Global Health sites Mapping Project; concentrated in the Northern Region; Indicator of active local economy	Not considered	≤ 1km distance[248]	≥ 1km distance	Not considered	Not considered	Not considered	HDX, 2018
Growth center: airport, mines, urban areas	Economic growth centers for the analysis up to 2030; Urban areas as defined by Electricity Demand	Not used	Not used	Not used	Not considered	≤ 15km distance	≥ 15km distance	airports: HDX, 2017 mines: HDX, 2015 urban areas: ECOWREX website, 2015[249]

[247] Preferred maximum distance for mini-grids from discussions with different international developer.
[248] Preferred maximum distance for mini-grids from discussions with different international developer.
[249] http://www.ecowrex.org/mapView/index.php?lang=eng

ANNEX 2: TASK 2 METHODOLOGY

OFF-GRID SOLAR PV MARKET ASSESSMENT METHODOLOGY

Focus Group Discussions (FGDs) were held in in Dakar and Kaolack in July 2018 with key stakeholders from each of the four off-grid market segments analyzed under Task 2: (i) household, (ii) institutional, (iii) productive use, and (iv) supplier. Focus group participants included representatives from government, the donor community, NGOs, solar companies, business and industry associations, academia, community groups, and women's groups. Each market segment had its own dedicated meeting, although some stakeholders attended more than one discussion. Each FGD lasted approximately 90 minutes and covered a range of topics related to demand for off-grid solar vis-à-vis each market segment.

In addition to the FGDs, three additional survey activities were undertaken to support the Task 2 analysis: (i) a survey of large-scale international solar companies to gauge their level of interest in the country and wider region; (ii) a survey of local small-scale retail suppliers of solar equipment; and (iii) an assessment of an off-grid village to better understand how solar was being utilized for productive uses. The FGDs and surveys largely yielded qualitative inputs to supplement the quantitative analysis that was undertaken.

The methodology and assumptions utilized to assess each market segment under Task 2 is presented below.

1. HOUSEHOLD DEMAND

1.1 Household market segments

1.1.1 Total population without access to electricity was calculated using World Bank total population figures,[250] multiplied by electricity access rates from the International Energy Agency (IEA),[251] and translated to households using World Bank open data average household size. This method is used to align population data throughout the report, with IEA seen as an overarching source for energy access data and the World Bank providing important population and household income data. See **Annex 1** for more details.

1.1.2 Based on the country demographic and income data, the household solar market was broken down into segments by income quintile, as shown in **Section 2.1.1**. For the purpose of this analysis, income quintiles were aligned with energy tiers, as indicated by the Multi-Tier Energy Access Framework, which is roughly determined by household ability to pay for tier levels of energy. Quintiles were also aligned roughly with geographic segments.

1.1.3 World Bank demographic data used does not provide household income data broken down by rural, urban, on-grid or off-grid. For example, the data shows the total population falling under a certain poverty line, shows the total population that does not have access to electricity, and shows the total population that is rural, but does not cross reference any of these indicators to e.g. show the total rural population without access to electricity living under the poverty line. For this reason, assumptions were made regarding the number of households per income quintile that are off-grid (detailed in section 1.3.1 of these assumptions). It was assumed that the majority of off-grid households are rural. The data gap prevents the presentation of an overlapping map of the traditional poverty line income pyramid with electricity access.

[250] World Bank Open Data, 2017: https://data.worldbank.org/

[251] IEA Energy Access Outlook, 2017: https://www.iea.org/publications/freepublications/publication/WEO2017SpecialReport_EnergyAccessOutlook.pdf

1.2 Household energy expenditure and potential savings

1.2.1 Current household expenditure on energy-related items (believed to be candidates for replacement with solar products) was estimated using information from the Focus Group Discussions (FGDs).

1.2.2 From the existing household expenditures, "typical" monthly costs were estimated that households would incur in order to receive a standard level of electricity service according to the Multi-Tier Energy Access Framework.

1.2.3 The unit monthly costs were used for each of the energy-related items identified above.

1.2.4 The cumulative monthly expenditure was then determined for each tier.

1.2.5 Monthly expenditure by tier was compared with monthly cost associated with OGS products by tier to estimate potential household cost savings. Monthly cost for OGS products was based on representative data from the West African region.

1.2.6 In the process of this analysis, the following assumptions were made:

1.2.6.1 Solar system sizes and costs:

- Cost per watt on solar systems vary greatly and have changed rapidly in the past five years. Smaller pico and plug and play systems have a much higher per cost per watt. The USD/Watt prices are based on sample cost ranges from Lighting Global equipment available on the open market.
- Average system size by watts: values are chosen as representative values for solar systems from each of the Tier values. They are intended to represent system sizes that typical members of each group would purchase.
- Average system life values represent typical expected operating life of Lighting Global products.

1.2.6.2 Current household energy usage:

Current Household Energy Usage (# Units/HH)				
Technology	**Tier 1**	**Tier 1.5**	**Tier 2**	**Tier 3**
Torch lights/Lanterns	1	2	3	
Mobile Phone Charging	1	1	2	
DC Radio	-	1	-	-
DC Music Player/Radio	-	-	1	-
Small Generator	-	-	-	1

- Numbers of units of torch lights/lanterns, cell phones, dc radio, and small generator represent the numbers of appliances that are demonstrated to be in use in typical households of each tier based on FGDs and multiple survey documents.

1.2.6.3 Current household energy costs

- Typical purchase and operation costs of HH off-grid appliances were based on FGDs, field energy surveys and reports.

1.3 Total Cash and Financed Market for Off-Grid Solar

1.3.1 Beginning with World Bank demographic and population data for Senegal, the number of off-grid households by income quintile was derived. For this, a percentage of off-grid households by quintile was assumed, as follows:

Quintile	% Off-Grid
Highest 20%	1%
Fourth 20%	2%
Third 20%	3%
Second 20%	74%
Lowest 20%	100%

It was assumed that there is a general correlation between income and access to electricity. The highest quintile has the highest percentage of population that are both urban and connected to the grid. Evidence indicates that the vast majority of households connected to the grid are from the top two quintiles Similarly, it was assumed that virtually all people in the bottom two quintiles are off-grid.

1.3.2 From this, average household energy expenditure was determined based on income, with the assumption that all households spend an average of 10% of their income on energy.

Average rural household expenditure on energy varies considerably. A study from Sierra Leone found that the "cost of lighting, on average, occupied between 10-15% of household incomes. Households using generators were found to spend a greater proportion of their income (upward of 20%) on lighting."[252] Other research has shown household energy spending between 6-12% for low income segments in sub-Saharan Africa.[253] For the purpose of this research, we have assumed that households can allocate 10% of their income on average to energy.

1.3.3 The monthly energy budget for each household per quintile was calculated by multiplying monthly Household income by the assumed 10% of Household income spent on energy. Monthly Household income per month was calculated by multiplying per capita income per month by the avg. # of persons/household. Per capita income per month for each quintile is calculated by dividing the Share of the country GDP for each quintile by the population of each quintile, which is one-fifth of the country population. The share of the country GDP for each quintile is based on World Bank, World Development Indicators demographic data.

1.3.4 A simple model was used to evaluate the market using the World Bank income quintile data and average energy expenditures as input data.

1.3.5 In determining the monthly energy expenditure related to each tier, the following assumptions were made with guidance from the FGDs output:

- **Tier 0**: Assumed to be an absolute energy poor household, relying solely on kerosene and charcoal both for cooking and lighting.

[252] Lai, K., Munro, P., Kebbay, M., and Thoronko, A., "Promoting Renewable Energy Services for Social Development in Sierra Leone: Baseline Data and Energy Sector Research, Final Report," European Union, (July 2015).
[253] 10% is an acceptable figure for lighting and cell phone charging costs for low income groups. See: https://www.brookings.edu/blog/africa-in-focus/2017/03/17/figures-of-the-week-benefits-of-off-grid-electricity-solutions/

- **Tier 1**: The household was assumed to have access to 1 torch light/lantern powered by dry cells, charging services for a phone charged on average 8 times a month.
- **Tier 1.5**: The household was assumed to have access to 1 torch light and 1 lantern each powered by dry cells, one regular cell phone charged on average 8 times a month, and a radio powered by dry cells (assume access to 2 low quality cells) replaced 4 times a month.
- **Tier 2**: The household was assumed to have access to 1 torch light and 2 lanterns each powered by dry cells, one regular cell phone charged on average 8 times a month, and one smart phone charged on average 16 times a month, a radio/music player powered by dry cells (assume access to 4 low quality cells), replaced 4 times a month.
- **Tier 3**: The household was assumed to have access to a generator powering a number of appliances but available only for 2-3 hours a day.
- **Annualized energy costs** for each of the systems = ([Capital system cost/average system life in years]+[Monthly operating cost*12])

1.3.6 The potential market size for each solar tier was then calculated by multiplying the number of off-grid households per quintile that will be willing to pay for each solar tier by the cost of each system (system cost is based on representative data from Senegal, as shown in 2.2.5).

1.3.7 In determining the number of off-grid households per quintile that will be willing to pay for each solar tier, the key assumption of the model is that each off-grid household purchases only one system and that they will opt for the highest solar system tier they can afford.

- For cash purchases, the assumption was that they will be willing to save (set aside) up to 3 months (number of months can be adjusted on the 'HH Assumptions' tab) of their monthly energy budget to purchase the system.
- For PAYG/financed, the assumption was that they will be willing if their monthly energy budget is less than or equal to the monthly PAYG payment AND if the PAYG upfront payment is less than or equal to 3 months of their monthly energy budget.

1.3.8 The interest rate for consumer finance was conservatively estimated to be 24% p.a., based on the interest rate cap for Microfinance Institutions in WAEMU countries.[254]

<u>2023 and 2030 Household Demand Scenario: Assumptions</u>

1. The GIS analysis estimated that by 2023, 71.2% of the population will be grid connected, 8.0% will be connected by mini-grids while 20.8% of the population will be connected by off-grid stand-alone solutions. By 2030, the GIS analysis estimated that 88.43% of the population will be grid connected, 1.53% will be connected by mini-grids while only 10.03% of the population will be connected by off-grid stand-alone solutions. Based on these dynamics in the demographic patterns, coupled with the existing government plans, the following assumptions regarding the off-grid population based on the quintiles were made:
   - In the 2023 scenario, it is assumed that as the grid gets extended and mini-grids are deployed (based on GIS data), the households in the quintiles with the highest income will be given priority due to their relatively higher power demand and ability to pay for power consumption. Hence, the highest four quintiles were assumed to have only 1%, 2%, 3%, and 4% off-grid households respectively, while the lowest quintile is assumed to have 94% off-grid households. These assumptions have been made such that the total number of off-grid households assumed is equal to the GIS data 2023 estimate.

[254] Ferrari, A., Masetti, O., Ren, J., "Interest Rate Caps: The Theory and the Practice," World Bank Policy Research Working Paper, (April 2018): http://documents.worldbank.org/curated/en/244551522770775674/pdf/WPS8398.pdf

- Similarly, in the 2030 scenario, it is assumed that the higher income quintiles will be prioritized for electrification, based on economic considerations, above the lower quintiles. Hence, the highest four quintiles were assumed to have only 1%, 2%, 3%, and 4% off-grid households respectively, while the lowest quintile is assumed to have 40% off-grid households. These assumptions have been made such that the total number of off-grid households assumed is equal to the GIS data 2030 estimate.

Quintile	% Off-Grid (2023)	% Off-Grid (2030)
Highest 20%	1%	1%
Fourth 20%	2%	2%
Third 20%	3%	3%
Second 20%	4%	4%
Lowest 20%	94%	40%

2. Inflation rates for Senegal: According to the IMF World Economic Outlook data, inflation in Senegal is estimated to be at 1.5% in 2023. It was assumed that the rate will remain the same through 2030. Based on this assumption, the expected prices of the current household energy technologies and the solar alternatives were estimated using an annual price escalation factor of 1.015.

3. Based on a 2.8% population growth rate from the World Bank[255] and the population density dataset used in the study, the estimated total population will be 18,560,065 in 2023 and 22,518,077 in 2030.

4. The least-cost electrification analysis found that the share of the population with access to electricity via the national grid and mini-grids will be 81.6% in 2023 and 93.6% in 2030.

5. To estimate GDP, it was assumed that the current annual GDP growth rate of 6.8% will be maintained through 2023 and 2030 :

Parameter	2023	2030
Population	18,560,065 (GIS estimate)	22,518,077 (GIS estimate)
GDP (constant 2010 USD)	$26,675,764,081	$42,278,117,045

6. According to the Lighting Global Off-Grid Solar Market Trends Report 2018,[256] the price of pico solar products is expected to fall to USD 10.60 in 2020 and USD 10.10 in 2022 down from USD 10.90 in 2016. Based on these 2020 and 2022 figures, the average annual decrease in prices from 2020 was estimated at 2.36%. It was assumed that the annual price decrease will be maintained at this rate through 2030 (annual cost reduction factor of 0.98).

7. According to the same report, the price of small SHS components is expected to fall to USD 60.40 in 2020 and USD 47.40 in 2022, down from USD 77.80 in 2016. Based on these 2020 and 2022 figures, the average annual decrease in prices from 2020 was estimated at 10.76%. It was assumed that the annual price decrease will be maintained at this level through 2030 (annual cost reduction factor of 0.89).

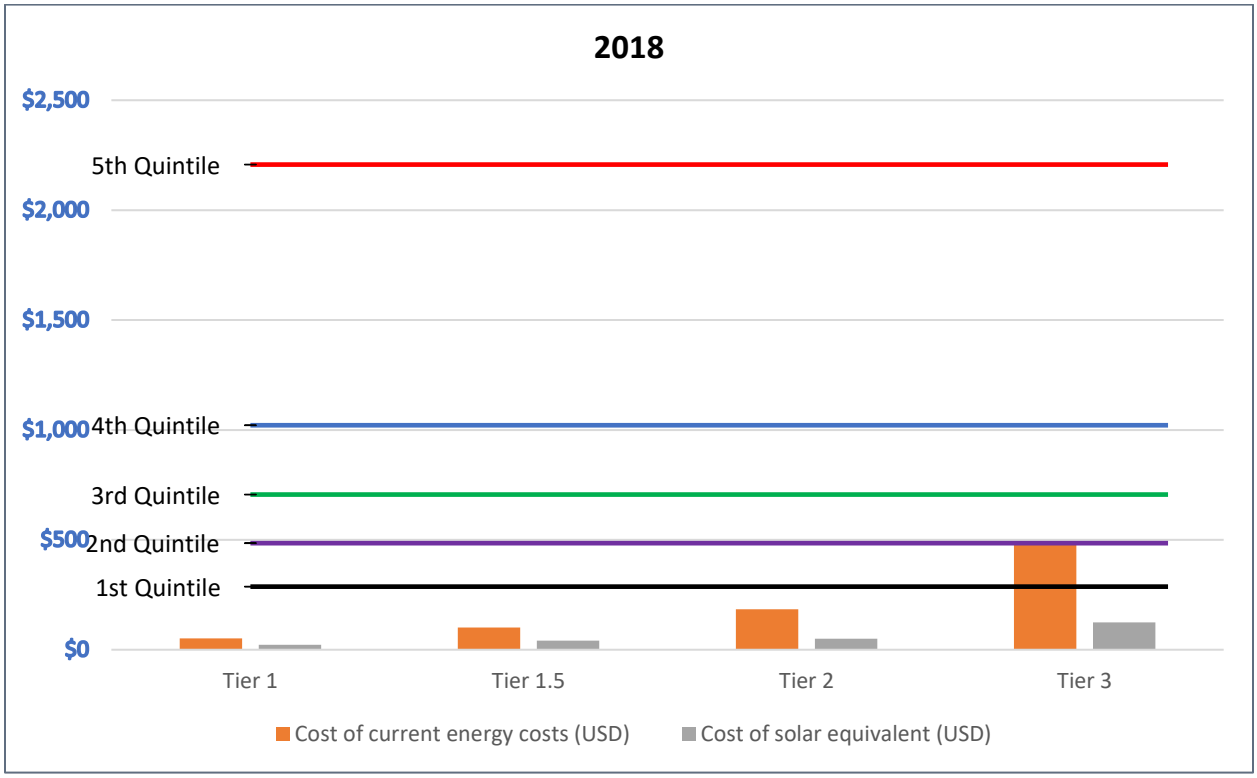
[255] https://data.worldbank.org/indicator/SP.POP.GROW?locations=BJ

[256] "Off-Grid Solar Market Trends Report 2018," Dahlberg Advisors, Lighting Global, GOGLA and World Bank ESMAP, (January 2018): https://www.lightingafrica.org/wp-content/uploads/2018/02/2018_Off_Grid_Solar_Market_Trends_Report_Full.pdf

8. It was assumed the maximum interest rates in Senegal will stagnate at the current rate of 24% or possibly decline.

Household Cost Savings and Affordability Calculation

Annual Household Energy Budget by Quintile, Annual Energy Costs and Annual Costs of Solar Equivalents



- This analysis presents annualized costs (not including financing cost) of current energy technologies for each energy tier, compared with the annual cost of an equivalent solar product. The same analysis was also completed for the 2023 and 2030 scenarios.

- Both the annual costs of current energy technologies and equivalent solar solutions considered the capital cost of each unit as well as the operating cost over the average lifetime of a unit.

- These costs were compared with a 10% monthly energy budget for households of different income quintiles. The analysis did not assess affordability for a cash vs. financed purchase over time.

2. INSTITUTIONAL DEMAND

2.1 Country Categorization

To assess institutional sector demand, the ROGEP countries were grouped into four categories based on income and population density, which are two key factors that influence the number of public service institutions in a given country. The countries were categorized as follows:

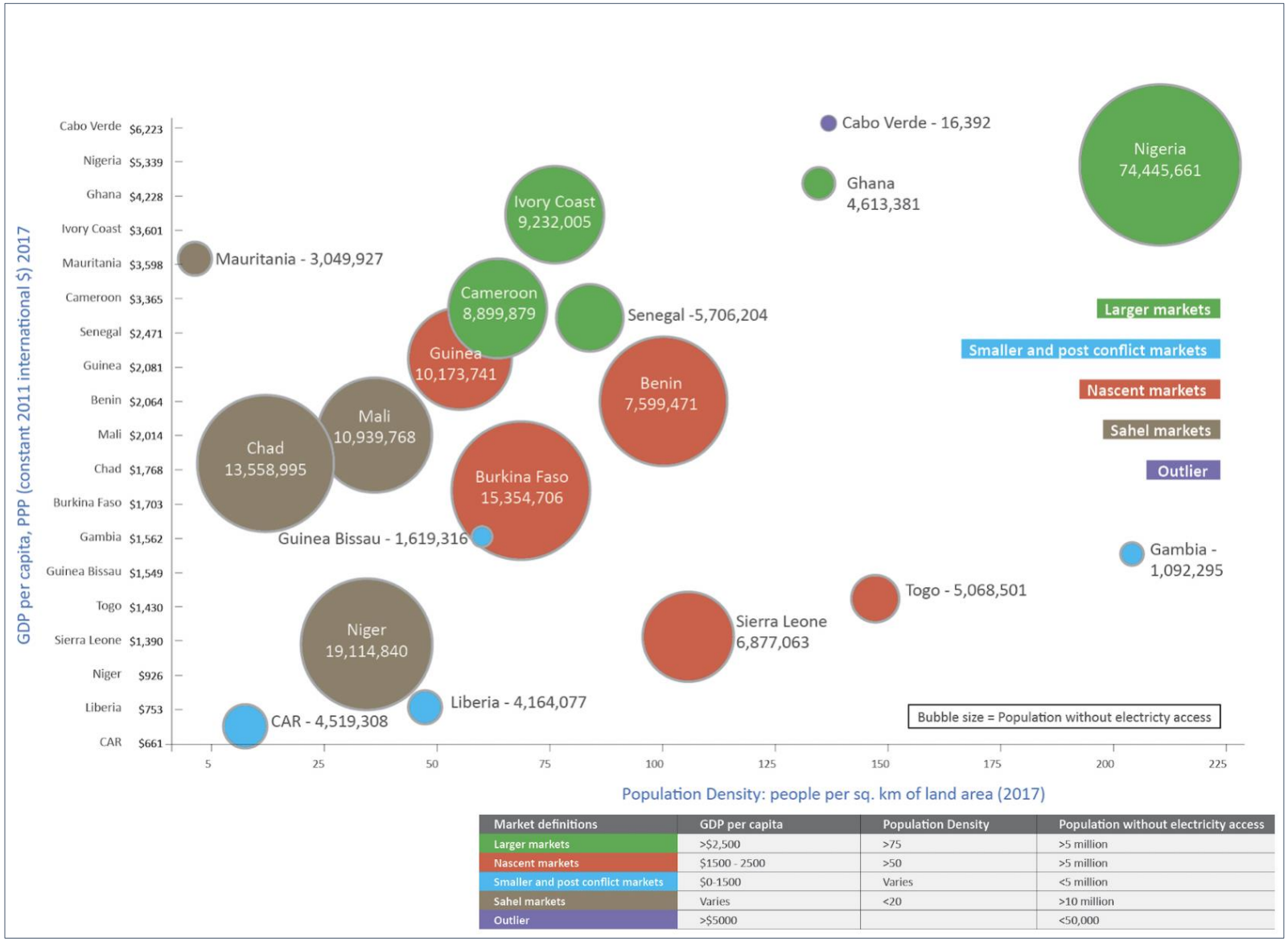
Country Categorization by Income and Population Density			
Category 1: Low-income / low population density	**Category 2:** Low-income / high population density	**Category 3:** High-income/ low population density	**Category 4:** High-income / high population density
Niger Burkina Faso Chad Mali Guinea Guinea-Bissau Central African Republic Liberia	Benin Sierra Leone Togo Gambia	Cameroon Côte d'Ivoire Mauritania Senegal	Nigeria Ghana Cabo Verde

These categories were used to address data gaps, as obtaining accurate and comprehensive data on the number of off-grid public institutions in many of the countries was challenging. Where data was not available, per capita assumptions based on data from similar countries in the same category were used. The following countries were used as reference countries for each category:

Category 1	Guinea, Liberia, Niger
Category 2	Benin, Sierra Leone
Category 3	Côte d'Ivoire
Category 4	Ghana

Categories are defined as follows (and illustrated in the figure below):

- Low population density: <95 people per square km of land area
- High population density: >95 people per square km of land area
- Low income: <$2,200 GDP per capita
- High income: >$2,200 GDP per capita



Market definitions	GDP per capita	Population Density	Population without electricity access
Larger markets	>$2,500	>75	>5 million
Nascent markets	$1500 - 2500	>50	>5 million
Smaller and post conflict markets	$0-1500	Varies	<5 million
Sahel markets	Varies	<20	>10 million
Outlier	>$5000		<50,000

Source: African Solar Designs analysis

2.2 Energy Needs by Institutional Market Segment

Institutional Sector	Description	Rating (W)	Time of use (hrs)	Total Wh/day	Total Load	Recommended system (W)
Water Pumping						
Low power		1,500	6	9,000		1,500
Medium power		4,000	6	24,000		4,000
High power		10,000	6	60,000		10,000
Healthcare						
HC1 Health post	Lighting	30	8	240		
	Communication	20	8	160		
	ICT	100	8	800	1,200	250
HC2 Basic healthcare facility	Lighting	200	8	1,600		
	Maternity	200	4	800		
	Vaccine refrigeration	100	8	800		
	Communication	100	4	400		
	Medical exams	200	2	400		
	ICT	200	8	1,600		
	Staff housing	50	8	400	6,000	1,500
HC3 Enhanced healthcare facility	Lighting	400	8	3,200		
	Communication	200	8	1,600		
	Medical exams	600	2	1,200		
	ICT	300	8	2,400		
	Maternity	600	4	2,400		
	Laboratory	1,000	2	2,000		
	Sterilization	1,200	1	1,200		
	Vaccine refrigeration	150	8	1,200		
	Staff housing	200	8	1,600	16,800	4,200
Education						
Primary school	Communication	20	8	160		
	Lighting	80	8	640		
	ICT	100	8	800		
	Staff house	50	8	400	2,000	500
Secondary school	Communication	20	8	160		
	Lighting	240	8	1,920		
	ICT	400	8	3,200		
	Laboratory use	100	8	800		
	Staff house	200	8	1,600	7,680	1,920
Public Lighting						
Street lighting	Lights	200	8	1,600	1,600	500

Source: The estimates in the table above are based on data obtained from local experts, interviews with solar industry stakeholders and corroborated by secondary desk research.

CALCULATIONS: Rating of systems is based on data for sizes of the appliances from a 2016 GIZ solar PV catalogue.[257] The solar PV sizing factor is based on the peak sun hours available across most of Africa.

[257] "Photovoltaics for Productive Use Applications: A Catalogue of DC-Appliances," GIZ, (2016): https://www.sun-connect-news.org/fileadmin/DATEIEN/Dateien/New/GIZ__2016__Catalogue_PV_Appliances_for_Micro_Enterprises_low.pdf

Energy Needs Assumptions:

Water Supply: Power requirements (low, medium, high) are based on the type of water point.

- Borehole: 40% low power pumps; 40% medium power; 20% high power
- Protected dug well: 80% no pump; 10% low power pumps; 10% medium power; no high-power
- Unprotected dug well: No pump
- Protected spring: No pump
- Unprotected spring: No pump
- Public tap/standpipe (stand-alone or water kiosk): No pump
- Sand/Sub-surface dam (with well or standpipe): No pump
- Piped water into dwelling/plot/yard: No pump
- Rainwater harvesting: No pump

Healthcare: The size of the healthcare facility (HC1, HC2, HC3) determines the amount of energy each facility requires.

Education: The size of the school and number of students determines the amount of energy each school requires.

Public lighting: It was assumed that two [2] public lighting points would be required to meet the energy needs of a town/market center.

2.3 Institutional Market Sizing Calculations

Household systems, cost and price per watt:

System Type	Tier Rating	USD/Watt[258]	Average Size (Watts)	Total Cost (USD)
Pico solar system	Tier 1	$15.00	3	$45.00
Basic Plug and Play system	Tier 1.5	$12.50	10	$125.00
Small HH solar system	Tier 2	$5.00	50	$250.00
Medium HH solar system	Tier 3	$2.50	250	$625.00

Size of systems used in institutional sector market sizing calculation:

Sector	Description	Size (corrected for time of use)	HH systems
Water Supply	Low Power	1,500	N/A
	Medium Power	4,000	N/A
	High power	10,000	N/A
Healthcare	HC1	250	Tier 3
	HC2	1,500	N/A
	HC3	4,200	N/A
Education	Primary	500	N/A
	Secondary	1,920	N/A
Public lighting		500	N/A

Institutional Sector Market Sizing Calculations:

[258] Cost per watt derived from African Solar Designs analysis and from IRENA: https://www.irena.org/publications/2016/Sep/Solar-PV-in-Africa-Costs-and-Markets

NOTE: Prices cover only solar components (except for the HC1 tier 3 system, which comes with lighting)

Water Supply						
# of water pumps	X	Size of solar system (watts) (low, medium, high power)	X	Cost per watt for pumping ($2.50) divided by system lifetime of 20 years	=	Estimated Annualized Off-Grid Solar Market Potential for Water Supply Sector

Healthcare						
# of healthcare facilities	X		X		=	Estimated Annualized Off-Grid Solar Market Potential for Healthcare Sector
HC 1		Cost per tier 3 system ($625)		Divided by system lifetime of 5 years		
HC 2		Size of solar system in Watts (1500W)		Cost per watt ($2.50) divided by system lifetime of 20 years		
HC 3		Size of solar system in Watts (4200W)		Cost per watt ($2.50) divided by system lifetime of 20 years		

Education						
# of schools	X		X		=	Estimated Annualized Off-Grid Solar Market Potential for Education Sector
Primary		Size of solar system in Watts (500W)		Cost per watt ($3) divided by system lifetime of 20 years		
Secondary		Size of solar system in Watts (1920W)		Cost per watt ($2.50) divided by system lifetime of 20 years		

Public Lighting						
# of off-grid market centers	X	Size of solar system in Watts (500W)	X	Cost per watt ($3) divided by system lifetime of 20 years	=	Estimated Annualized Off-Grid Solar Market Potential for Public Lighting Sector

2.4 Data Collection Approach by Institutional Market Segment

SENEGAL			
Water Supply	**Healthcare**	**Education**	**Public Lighting**
Per capita assumption	GIS data + stakeholder interviews	GIS data	Per capita assumption

Data was collected on the total number of off-grid institutions by institutional market segment for Senegal from a combination of available GIS data, input from local experts, stakeholder interviews and desk research. Where there were gaps in available data, per capita assumptions were made (see **Section 2.2**).

Assumptions:

Water Supply: Of the identified potable water points, it was assumed that 50% would be equipped with a solar-powered water pump. Of the equipped water sources, the division of pumps between low, medium and high-powered pumps was: 50%, 35% and 15%, respectively. The lower cost of the low power pumps is the driving factor for this assumption. Where this information was not available, a per capita comparison was made with a country in the same category.[259]

Healthcare: Wherever possible, specific data on the number of off-grid healthcare facilities by size was used (i.e. HC1, HC2, HC3). Where this information was not available, a per capita comparison was made with a country in the same category.

Education: Wherever possible, specific data on the number of off-grid primary and secondary schools was used. Primary schools encompass both primary and nursery schools. Vocational schools and universities were not considered because they tend to be in cities, which are often grid-electrified. Where this information was not available, a per capita comparison was made with a country in the same category. The following per-capita assumptions were made:[260]

- **Primary school**: Per capita calculation using the off-grid population that is 0-14 years
- **Secondary school**: Per capita calculation using the off-grid population that is 15-19 years

Public lighting: Using population figures by region, and assuming that the population per market center was 5,000 people, the number of market centers was calculated. An assumption of two [2] public lighting points per market center was used in the calculation. No data on street lighting was included, as it was assumed that street lighting projects are linked to road infrastructure rather than institutions.

2.5 Ability to Pay Analysis (Strongest Potential Market Segment)

Data was not available to estimate the monthly energy expenditures of institutional users. Secondary data was available through government and donor program annual budgets for public services but was not comprehensive. A rudimentary analysis was undertaken based on these funding sources and compared to the total solar product market estimate for each institutional market segment in order to discuss the realistic potential market outlook based on the ability to pay. Due to a lack of data, the analysis was not able to take into account other potential sources of funding, such as funds pooled at the national or local level, fees for services etc.

[259] For Senegal, since there was no comprehensive water GIS information available for any of the category 3 countries, a per capita comparison was made using water data from Ghana.

[260] Population without access to electricity: https://www.iea.org/publications/freepublications/publication/WEO2017SpecialReport_EnergyAccessOutlook.pdf
Population ages 0-14: https://data.worldbank.org/indicator/SP.POP.0014.TO
Population ages 15-19: https://data.worldbank.org/indicator/SP.POP.1519.MA.5Y; https://data.worldbank.org/indicator/SP.POP.1519.FE.5Y

3. PRODUCTIVE USE DEMAND

3.1 PUE Applications for Off-Grid Microenterprises (barbers and tailors)

The market sizing calculation for the barbers and tailors sector assumed that hair cutting and sewing appliances will be retrofitted to be powered by a Tier 3 DC solar system (5-year system life). By using a single price for all of the ROGEP countries, this methodology does not take into account country-specific cost and supply chain constraints.

Microenterprises					
# of financially constrained SMEs[261]	X	Cost per tier 3 system ($625)	Divided by system lifetime of 5 years	=	Estimated Annualized Off-Grid Solar Market Potential for SMEs

3.2 Value-Added PUE Applications

Available data from various sources such as the World Bank, the UN's Food and Agriculture Organization and GSMA was used to estimate the potential OGS market for productive use applications in each of the analyzed market segments – solar pumping for agricultural **irrigation**, solar powered **milling** and solar powered **refrigeration**.

3.2.1 Irrigation

The market sizing calculation for solar-powered irrigation was based on smallholder irrigation potential (i.e. the amount of irrigable land suitable for smallholder farmers) that could benefit from a solar pumping system ($650, 6-year system life, 120 W system). This methodology does not take into account affordability (ability to pay) nor does it account for country-specific cost and supply chain constraints.

Value-Added PUE Applications – Solar Irrigation											
Irrigation Potential (hectare)[262]	X 25%	=	Smallholder Irrigation Potential (hectare)[263]	Divided by 0.3[264]	=	Estimated No. of Smallholder Farms Suitable for Solar Irrigation	X	$650 (cost of solar pumping kit)[265]	Divided by 6 year (life of system)	=	Estimated Annualized Off-Grid Solar Market Potential for irrigation

Methodology for identifying areas suitable for irrigation activities on farms:

The areas for potential irrigation activities were calculated using the visible cropland[266] adjacent to permanent surface water sources. As identified by experts in a study in Zambia[267] and based on other expert consultations, beyond a 5 km distance from surface water, the returns are not economically feasible. **Figure 31** is a map of the cropland within a 5 km distance from permanent surface water.

[261] "MSME Finance Gap," SME Finance Forum: https://www.smefinanceforum.org/data-sites/msme-finance-gap
[262] AQUASTAT – Food and Agriculture Organization: http://www.fao.org/nr/water/aquastat/data/query/index.html?lang=en
[263] Assumption that 25% of irrigable land irrigated by smallholder farmers;
See: "Lessons Learned in the Development of Smallholder Private Irrigation for High Value Crops in West Africa," World Bank, (2011): http://siteresources.worldbank.org/INTARD/Resources/West_Africa_web_fc.pdf
[264] Assumption that smallholder private irrigation consists of small farms (0.3 hectare);
See: "Off-grid Solar Market Assessment in Niger and Design of Market-based Solutions," World Bank, (December 2017): https://www.lightingafrica.org/publication/off-grid-solar-market-assessment-niger-design-market-based-solutions/
[265] 120W solar pumping kit: https://futurepump.com/futures-bright-farmers-kenya/
[266] "Prototype Land Cover Map over Africa at 20m Released," Esa, (February 2018): https://www.esa-landcover-cci.org/?q=node/187
[267] "Zambia Electrification Geospatial Model," USAID and Power Africa, (April 2018): https://pdf.usaid.gov/pdf_docs/PA00T2JC.pdf

3.2.2 Milling

The market sizing calculation for solar-powered milling utilized a series of inputs from the UN Food and Agriculture Organization to estimate the smallholder milling potential that could benefit from a 6.5 kW solar powered milling system (20-year system life). Cereals (e.g. rice, maize, millet and sorghum) as well as roots and tuber crops (e.g. cassava, yams and potatoes) were analyzed, as they provide an opportunity for value addition through hulling or milling.

Value-Added PUE Applications – Solar Milling												
Cereals, roots tuber crops (tons)[268]	X	70% [269]	X	50%[270]	=	Smallholder Milling Potential (tons)	Divided by 2 tons per day X 70% capacity factor[271]	=	Estimated No. of Solar Mills	X	6,500 W x $2.50 per watt Divided by system lifetime of 20 years	=	Estimated Annualized Off-Grid Solar Market Potential for Milling

Ultimately, the ability for an agricultural community to benefit from productive use applications has as much to do with access to markets and improved crop inputs, as it has to do with the pricing and availability of financing to purchase the equipment. Hence, the macroeconomic approach used to carry out this market sizing does not account for country-specific cost and supply chain constraints.

3.2.3 Refrigeration

The market sizing calculation for solar-powered refrigeration utilized the estimated number of off-grid market centers in each country to estimate the number that could benefit from a 5.5 kW solar refrigeration system (20-year system life).

Value-Added PUE Applications – Solar Refrigeration							
# Off-Grid Market Centers by country[272]	X	5,500 W[273]	X	$2.50 per watt	Divided by system lifetime of 20 years	=	Estimated Annualized Off-Grid Solar Market Potential for Refrigeration

3.3 PUE Applications for Connectivity/Mobile Phone Charging Enterprises

The market sizing calculation for solar-powered phone charging enterprises was based on each country's mobile phone penetration rate (number of unique subscribers), rural population rate, and the average costs of OGS phone charging appliances ($862, 5-year system life, 400 W system).

[268] Food and Agriculture Organization: http://www.fao.org/faostat/en/#data/RF
[269] Assumption that 70% of crops are milled
[270] Assumption that 50% of milled crops are processed at smallholder farmer level
[271] Solar mill (6.5 kW system) can mill 2 tons of produce per day; assume capacity factor of 70% (for maintenance/seasonality) *See*: "Off-grid Solar Market Assessment in Niger and Design of Market-based Solutions," World Bank, (December 2017): https://www.lightingafrica.org/publication/off-grid-solar-market-assessment-niger-design-market-based-solutions/
[272] https://www.citypopulation.de
[273] 5.5kW solar powered refrigeration system – *See*: https://www.deutschland.de/en/solar-powered-coldhubs-nigeria

Mobile Phone Charging Enterprises							
# of Mobile Phone Subscribers in 2017[274]	X	% rural population	Cost of solar phone charging appliances* divided by lifetime of 5 years	X	0.01 (assuming 1 phone charger per 100 mobile phone users)	=	Estimated Annualized Off-Grid Solar Market Potential for Phone Charging Enterprises

* Indicative Costs for Phone Charging Appliances[275]

Charging Stations	Cost (USD)	Manufacturer
Charging ECOBOXX Qube (sizes - 50) 5Wp panel	$83	EcoBoxx/ Sungrid Group (PTY) LTD South Africa
Charging ECOBOXX Qube (sizes - 90) 10Wp panel	$205	EcoBoxx/ Sungrid Group (PTY) LTD South Africa
Charging ECOBOXX Qube (sizes - 160) 2*10Wp panel	$209	EcoBoxx/ Sungrid Group (PTY) LTD South Africa
Portable charging station ECOBOXX 300	$681	EcoBoxx/ Sungrid Group (PTY) LTD South Africa
Portable charging station ECOBOXX 600	$965	EcoBoxx/ Sungrid Group (PTY) LTD South Africa
Portable Charging Station ECOBOXX 1500	$1,532	EcoBoxx/ Sungrid Group (PTY) LTD South Africa
Portable charging station BOSS Kit Portable	$3,025	Phaesun GmbH
Charging Sundaya Charging Station	$193	Sundaya
Average Cost	**$862**	

Source: GIZ and African Solar Designs analysis

Identifying areas of phone network coverage

The mobile phone network geographic coverage was mapped across each country (**Figure 33**). The source for this data is GSMA, which gives a radius ranging between 2-30 km. The radius is affected by a number of variables including tower height, power output, frequencies in use, and antenna type. Since this does not indicate the quality of network, the data was compared with data from OpenSignal, which tracks the signal from users registered on the platform.

Green: Strong Signal (>-85dBm)
Red: Weak Signal (<-99dBm)
Source: Open Data Signal

[274] "The Mobile Economy, Sub-Saharan Africa," GSMA Intelligence, (2017): https://www.gsmaintelligence.com/research/?file=7bf3592e6d750144e58d9dcfac6adfab&download
[275] "Photovoltaics for Productive Use Applications: A Catalogue of DC-Appliances," GIZ, (2016): https://www.sun-connect-news.org/fileadmin/DATEIEN/Dateien/New/GIZ__2016__Catalogue_PV_Appliances_for_Micro_Enterprises_low.pdf

4. SUPPLY CHAIN ANALYSIS

The Task 2 supply chain analysis was based on the following key sources of data:

- Supplier focus group discussions held in Dakar and Kaolack in July 2018
- Survey of 9 locally-based solar companies/suppliers in the country
- Survey of 10 larger international solar product suppliers
- ECREEE supplier database
- GOGLA semi-annual sales reports[276]
- Additional supplemental desk research and solar industry stakeholder interviews

These findings were subsequently corroborated by attendees of national validation workshops held in each country at the conclusion of the market assessment.

A list of identified solar companies that are active in Senegal is included below:

1	Baobab+
2	Beta Energy
3	Bonergie
4	Bren-Tronics
5	COPERES
6	D.Light
7	Enertec
8	Énergie Rurale Africaine (ERA)
9	Engie Afrique
10	Futur Tech
11	Green Light
12	IDM Services
13	Kayer
14	Leaf Energy
15	Les Spécialistes de l'Énergie (LES)
16	Little Sun
17	Nadji-Bi
18	Oolu Solar
19	Palette
20	Prosolia
21	PV Systèmes
22	Rayon Vert
23	Sarmati

[276] "Global Off-Grid Solar Market Report: Semi-Annual Sales and Impact Data," GOGLA, Lighting Global and World Bank, (January – June 2018): https://www.gogla.org/sites/default/files/resource_docs/global_off-grid_solar_market_report_h1_2018-opt.pdf
"Global Off-Grid Solar Market Report: Semi-Annual Sales and Impact Data," GOGLA, Lighting Global and World Bank, (July – December 2017): https://www.gogla.org/sites/default/files/resource_docs/gogla_sales-and-impact-reporth2-2017_def20180424_web_opt.pdf
"Global Off-Grid Solar Market Report: Semi-Annual Sales and Impact Data," GOGLA, Lighting Global and World Bank, (January – June 2017): https://www.gogla.org/sites/default/files/resource_docs/gogla_sales-and-impact-reporth12017_def.pdf
"Global Off-Grid Solar Market Report: Semi-Annual Sales and Impact Data," GOGLA, Lighting Global and World Bank, (July – December 2016): https://www.gogla.org/sites/default/files/recource_docs/final_sales-and-impact-report_h22016_full_public.pdf
"Global Off-Grid Solar Market Report: Semi-Annual Sales and Impact Data," GOGLA, Lighting Global and World Bank, (January – June 2016): https://www.gogla.org/sites/default/files/recource_docs/global_off-grid_solar_market_report_jan-june_2016_public.pdf

24	Salen Sol
25	Saloum Energie
26	Sercom
27	Senergie AFD
28	Soleil Eau de Vie
29	Solar Energy Senegal
30	Solengie
31	SPEC
32	Sud Solar System
33	The Cogas
34	Touba Solar Rama

Source: ECREEE, Focus Group Discussions; Stakeholder interviews

ANNEX 3: TASK 3 METHODOLOGY

FINANCIAL INSTITUTION ASSESSMENT

Data collection under Task 3 included a combination of desk research, collaboration with local experts, and extensive stakeholder engagement with key officials and representatives from local and regional commercial banks, microfinance institutions and other development banks and agencies in Senegal. Interviews were also conducted with regional development banks (namely BOAD and EBID) and other financiers active in the African off-grid solar sector, including export credit agencies, trade funders, crowd funders and impact investors.

The stakeholder engagement activity, which included both phone interviews as well as in-person meetings with key representatives from each FI, was undertaken across the 19 countries with extensive support from ECREEE. As a follow up to each interview/meeting, a questionnaire was administered in order to gather critical data on each institution, including *inter alia* their level of experience and capabilities with off-grid sector lending, SME and consumer lending, relationships with local and international partners etc. Feedback from the interviews and questionnaire, as well as quantitative data from each bank's published annual reports, was compiled and analyzed in order to assess which FIs could be most suitable local partners / implementing agents for the proposed ROGEP facility.[277]

The questionnaire that was administered to FIs in the country and across the ROGEP region is included below.[278] The results of the survey are summarized in **Section 3.4**.

- Has the bank provided any loans to any segment of the off-grid sector? If so, please describe.
- Has the bank received any inquiries from any segment of the off-grid sector? How many inquiries?
- Did the bank engage in serious discussions or dismiss the inquiry(ies) as not within the bank's area of lending or not interesting as a new business line? If dismissed, please provide the bank's reasons.
- If the bank engaged in serious review/discussions and rejected the opportunity, please describe the bank's due diligence approach and reasons for rejection.
- Is the bank interested to pursue lending to any segment of the off-grid sector? Which segment and which of the bank's departments and existing products apply?
- Describe the bank's current loan products and lending activity for the SME, Corporate, Consumer and Agri markets. Please provide rough figures on volumes in number of loans and value in each category. For each category please provide average margins, pricing, loan tenors to borrowers, collateral requirements.
- Does the bank have a structured finance department? Has the bank provided financing to any IPPs? If so, please provide details on the transactions (location, technology, size, maturity, portion of bank engagement in the total financing)
- Does the bank have a trade finance department? What are standard terms and conditions? What are the volumes in number of loans and values?
- Does the bank operate nationwide or only in certain regions? Does the bank have a presence in rural areas and is rural consumer and SME and Agri lending a key business focus?
- Does the bank have experience with managing DFI credit lines? In which sectors/departments? Which DFIs? What volumes? Were the lines fully committed and disbursed? What was the bank's overall experience with these credit lines?
- Has the bank had dealings with the ECOWAS Bank for Investment and Development (EBID)? What type of relationship? Credit lines? Co-lending? Credit enhancement? Have the experiences been positive?
- What is the bank's view on accepting hard currency credit lines and on-lending in hard currency? Would the bank hedge hard currency credit lines and on-lend in local currency?

[277] The results of this assessment and corresponding recommendations were prepared for ECREEE in a separate, confidential report.
[278] The survey was adapted based on the type of FI that was being interviewed (commercial banks, MFIs, Regional Development Banks)

- Is the bank interested to explore a credit line with ROGEP? What size of credit line would the bank be comfortable launching with initially?
- Does the bank feel that it would need a third-party guarantee in order to reduce risk enough to make loans to off-grid enterprises? If so, would it be enough if a guarantor were to cover 50% of losses on par with the bank? Or will the bank need the guarantor to take the first 10-20% of losses in an off-gird loan portfolio?
- What pricing does the bank consider to be fair and affordable for third party pari-passu guarantees? For first loss coverage?
- Has the bank had experience with any of the following as guarantors on the bank's loans: Africa Guarantee Fund, Africa Trade Insurers, Afrexim Bank, GuarantCo, IFC, USAID DCA? Has their pricing been fair and affordable? Does the bank have any preference in working with one over the others?
- To engage in lending to the off-grid market segments, would Technical Assistance be helpful? What types of TA would be most useful? Outside consultants to help design specific loan products and underwriting guidelines for the off-grid sector? Outside consultants to develop deal flow and conduct due diligence? Training of bank credit department and account representative personnel? Direct funding to the bank to develop marketing and promotional materials and hire staff?
- Does the bank adhere to and is in compliance with all aspects of the Basel II and III accords?
- Does the bank adhere to and have implemented controls for the Equator Principals and the World Bank/IFC Environmental and Social Standards?

ANNEX 4: GENDER ASSESSMENT

1. Context and Purpose of the Gender Analysis

Within the context of this assignment, a gender-focused analysis was undertaken to assess the level of participation of women in each country's off-grid energy sector. This analysis is critical to the overall market assessment given the clear linkages between energy and gender, namely different rates of access and use as well as the impacts of energy sources and appliances in the home, community and wider society. Energy sector studies often fail to obtain gender-disaggregated data, which is necessary to inform policymakers and better understand the needs and priorities of women in the context of sustainable development.

Women in energy-poor households are at substantially higher risk of illness attributable to indoor air pollution and solid fuel (biomass) use.[279] Moreover, the significant time burdens that women and girls face in collecting fuel and water, cooking and processing food often keep girls from attending school; there is evidence that electrified milling equipment and water pumps can significantly reduce this burden. Lack of access to electricity also means that women do not have access to information and communication technologies that could improve their lives.[280]

As a region, West Africa and the Sahel has remained traditionally gender-stratified whereby males on average have greater access to resources, are more empowered by society and have more opportunities than women.[281] To address these challenges, governments across the region have adopted a range of policies to improve gender equality and promote gender mainstreaming. Member states of ECOWAS have adopted a Policy for Gender Mainstreaming in Energy Access, an initiative committed to promoting favorable policies and frameworks and mobilizing resources to more fully engage women in all areas of energy access, including as energy suppliers, planners, financiers, educators and customers.[282] ECREEE, the agency that is administering this policy throughout the region, is supporting implementation of regulatory and institutional measures that aim to improve inclusive energy access in each country by 2030. ECREEE has also partnered with AfDB to launch a separate regional initiative to advance the participation of women entrepreneurs in the renewable energy sector.[283]

Outside of ECOWAS, Cameroon, Chad and Central African Republic are pursuing gender mainstreaming at a regional level through the Economic Community of Central African States (ECCAS) Regional Policy for universal access to modern energy services and economic and social development (2014-2030).[284] Mauritania is also implementing a national policy to address this issue – the National Strategy of Institutionalization of Gender (la Stratégie Nationale d'institutionalisation du genre).

[279] "The Energy Access Situation in Developing Countries: A Review Focusing on the Least Developed Countries and Sub-Saharan Africa," UNDP and World Health Organization, (2009): http://www.undp.org/content/dam/undp/library/Environment%20and%20Energy/Sustainable%20Energy/energy-access-situation-in-developing-countries.pdf

[280] Rewald, R., "Energy and Women and Girls: Analyzing the needs, uses, and impacts of energy on women and girls in the developing world," Oxfam, (2017): https://www.oxfamamerica.org/static/media/files/energy-women-girls.pdf

[281] "Situation Analysis of Energy and Gender Issues in ECOWAS Member States," ECREEE, National Energy Laboratory, (2015): https://www.seforall.org/sites/default/files/Situation-Analysis-of-Energy-and-Gender-Issues.pdf

[282] Ibid.

[283] "Feasibility study promotes women's participation in energy transition," ESI Africa, (May 7, 2018): https://www.esi-africa.com/feasibility-study-promotes-womens-participation-in-energy-transition/

[284] "Central Africa Regional Integration Strategy Paper," African Development Bank, (2011-2015): https://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/RISP%20CENTRAL%20AFRICA-ECCAS%20English%20FINAL.pdf

- **Description of Approach / Methodology**

While the data collection for this assignment was not sex dis-aggregated (which was beyond the scope of work), a gender-focused perspective was applied to the overall analysis. The methodology adopted to carry out this exercise included a combination of desk research, literature review, focus group discussions (FGDs) and face-to-face interviews with key gender "focal points" identified by ECREEE in each country. Representatives from women's groups, female-led businesses and energy sector organizations attended the focus group meetings that were held in in Dakar and Kaolack to share their insights and inform the overall market study. A gender questionnaire was also distributed to key stakeholders in Senegal to assess the main barriers/constraints for inclusive participation in the country. The survey examined a number of key gender issues, including *inter alia* access to credit, access to education and information, entrepreneurial and income-generating activities for women (including productive use of energy), representation of women in leadership positions in business and government.

- **Gender Questionnaire**

The following questionnaire was administered to key stakeholders in each country. Respondents were asked to reply Yes/No to each question and elaborate as needed.

HOUSEHOLD

Are women generally involved in influencing decisions on household energy use/services?
Are off-grid solar solutions (E.g. solar lanterns, solar home systems) largely accessible/made available to the household sector, particularly women-headed households?
Are there any related programs and initiatives (donor, government, private sector, NGO etc.) that are specifically targeting energy access for women in the household sector?
Are off-grid solar products and services generally affordable for households headed by women? If not, are Microfinance Institutions or other organizations in the country providing credit/financing (grants/loans) to the household sector, particularly women-headed households to increase energy access?
Are women aware of the health impact of unclean energy (e.g. fuel-wood for cookstoves) and the solutions (i.e. solar) to address it?

COMMUNITY/INSTITUTIONAL

Are women represented in any high-level energy sector positions? Please provide names/examples, if available, of women in senior management positions in government, committees, boards etc.
Is the mobility and safety of women constrained due to poor energy services (e.g., unavailability of streetlights due to unreliable electricity supply)?

PRODUCTIVE USE

What kind of productive use activities do women engage in and what women-led productive use activities can be supported by off-grid solar solutions?

- Agriculture (irrigation, water pumping etc.)
- Shops (retail, artisanal/handicrafts, grocery, salons etc.)
- Restaurants (bar, cafe etc.)
- Kiosks (e.g. mobile money etc.)
- Tourism
- Other

SUPPLIER

Please describe the level of engagement that women have in in the off-grid energy services sector. Are women highly employed in this area (e.g. is there data collected on the number of women-owned businesses/SMEs)?

Are there any related programs and initiatives (donor, government, private sector, NGO etc.) that provide training for women to manage or be employed by energy-related enterprises?

ADDITIONAL:

What are the main barriers women face to access information?
What are the main barriers/constraints for women entrepreneurs to have access to credit?
Do women have equal access to capacity building and training services (e.g. vocational training/technical education) or do they experience discrimination in access to these services?
What policy, regulatory and institutional framework(s) exist, if any, to address gender mainstreaming[285] (e.g. national gender action plans/related policies etc.)?
Are gender-related issues taken into consideration in energy policy provisions and/or are energy-related issues reflected in gender policies (e.g. existence of 'gender units' within public sector agencies and/or 'gender audits' in energy sector)?

2. Gender Profile

2.1 The state of gender equality in Senegal

Structural inequalities and gender discrimination against women and girls persist in Senegal, as inclusive participation remains an ongoing challenge. The gender assessment found that while there have been modest improvements in recent years to certain social indicators such as access to education, healthcare services and especially political representation, gender disparities still exist across the economy, particularly in access to resources, higher education, land ownership, and inheritance systems. These findings are largely supported by UNDP Human Development Index (HDI) rankings, as Senegal is in the low human development category in the global index.[286]

2.2 Gender and Poverty

Despite improvements over the course of the last two decades, poverty remains widespread in Senegal, particularly in rural areas where a large share of the country's poor population lives. It is estimated that about 40% of the population lives in poverty.[287] According to UNDP statistics, 63% of the labor force is considered working poor at PPP USD 3.10/day.[288] Although women's level of participation in the economy is growing, they still lag behind men considerably. In 2017, female participation in the labor market was 45% compared to 70% for men, while GNI per capita for the male population was nearly double that of women.[289]

2.3 Gender, Human Capital and Economic Empowerment

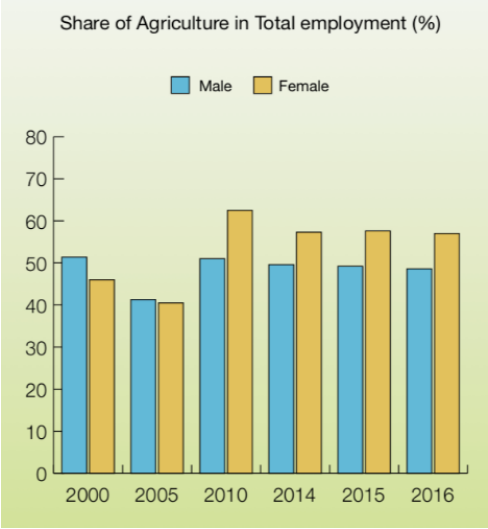
2.3.1 Education, Skills Development and Training

Senegal achieved significant progress in terms of rates of access to education between 2000 and 2015. During this period, gross enrollment rates in elementary school increased by nearly 20% and reached gender parity. Despite this progress, female access to and rates of enrollment in higher education in Senegal remain

[285] **Gender mainstreaming**: The process of ensuring that women and men have equal access to and control over resources, development benefits and decision-making, at all stages of development process, projects, programs or policy.
[286] "Human Development Indices and Indicators: 2018 Statistical Update," UN Development Programme, (2018): http://hdr.undp.org/sites/default/files/2018_human_development_statistical_update.pdf
[287] Senegal Overview: https://www.worldbank.org/en/country/senegal/overview
[288] "UN Human Development Indicators: Senegal," UN Development Programme, (2018): http://hdr.undp.org/en/countries/profiles/SEN
[289] Ibid.

low compared to men (**Figure 8**). Only 11.1% of adult women have reached at least a secondary level of education compared to 20.1% of their male counterparts.[290] There are also regional disparities in school enrollment and completion, low levels of learning achievement, low levels of enrollment in technical (math and science) disciplines and generally poor learning conditions.[291]

According to the UN, in 2017, 38% of women in Senegal had an account at a financial institution or with a mobile money service provider.[292] This can be attributed to the country's elevated levels of poverty, low or irregular sources of income, low rates of financial literacy, and a perceived lack of need. This is also a result of the fact that most banks are focused on serving the formal sector, while many women remain engaged in informal economic activities – especially subsistence agriculture, which has employed over 60% of the country's female labor force since 2010.[293]



Source: African Development Bank

2.3.2 Fertility Rates and Reproductive Health

As of 2017, the fertility rate in Senegal was about five children per woman.[294] For every 100,000 live births, 315 women die from pregnancy related causes, while the infant mortality rate is 33.6 per 1,000 births. As of 2017, 23.6 % of women had an unmet need for family planning.[295]

In 2013, Senegal launched its Universal Health Insurance program to improve equity in access to health services, especially among poor households and those in rural areas. Senegal has one of the largest social safety net programs in Africa, covering 30% of its poorest households. Healthcare costs are still relatively high for most of the population.

[290] UN Human Development Indicators: Senegal," UN Development Programme, (2018): http://hdr.undp.org/en/countries/profiles/SLE
[291] Rapport national sur la situation de l'éducation au Sénégal, Août 2015.
[292] "Human Development Indices and Indicators: 2018 Statistical Update," UN Development Programme, (2018): http://hdr.undp.org/sites/default/files/2018_human_development_statistical_update.pdf
[293] "Indicators on Gender, Poverty the Environment and Progress toward the Sustainable Development Goals in African Countries," African Development Bank, (2017): https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/GENDER_Poverty_and_Environmental_Indicators_on_African_Countries-2017.pdf
[294] Ibid.
[295] "Human Development Indices and Indicators: 2018 Statistical Update," UN Development Programme, (2018): http://hdr.undp.org/sites/default/files/2018_human_development_statistical_update.pdf

2.3.3 Participation and Decision-Making

Gender disparity in access to land is an ongoing challenge in Senegal, confining women especially in the rural areas to economic insecurity and dependency. In Senegal, only about 10 % of land titles are held by women, although this is not unique to Senegal as the share of women who are landowners across Africa is very small.[296]

In recent years, Senegal has successfully implemented both voluntary and mandatory quotas in its legal system and political platforms in favor of inclusive participation. Thanks to a 2010 Gender Parity Law, Senegal has successfully increased female representation in politics and public office. As of 2017, women held 42% of the country's seats in parliament – the highest percentage in the region and among the highest in Africa.[297]

2.4 Gender Policy, Institutional and Legal Framework in Senegal

2.4.1 Gender Mainstreaming Initiatives by the Government

While Senegal's legal framework is structured to protect the rights of women, discriminatory practices still exist in many areas surrounding the social and economic empowerment of women, especially in the domains of family and inheritance. The situation is worse in rural areas where these dynamics tend to be defined by customary and religious practices, and where few women are aware of the legal rights that are in place to protect them. To address these issues, the GoS adopted gender mainstreaming as a pathway to achieve not only equality between the sexes, but also to address poverty reduction, economic growth, and sustainable development.

The Government's gender-inclusive policies have focused on integrating gender into the activities of each ministry. For example, a working group on Gender was established within the Ministry of Finance to address gender issues in the national and local budgeting process and to include gender considerations in the Document of the Poverty Reduction Strategy Paper (PRSP). Other ministries such as the one responsible for literacy and the promotion of national languages, the Ministry of public health and social action, the ministry of technical education and vocational training among others have all put in place strategies or policy documents on gender. The Ministry of Education has an active gender program that provides scholarship to girls for technical and scientific studies.[298]

In the energy sector, the Ministry of Energy has decided to elaborate a strategy for integrating gender in its energy policies and programs. The GoS has also conducted a Gender Audit of Energy Sector and established Gender Focal Point at the Ministry of Energy and recently nominated a Gender Focal Point in the rural electrification agency (ASER).[299] The current Energy Minister, Mrs. Maimouna Ndoye Seck is a woman and women head three of the five directorates within the ministry.[300]

[296] Situation analysis of Energy and Gender in ECOWAS, SEforALL, 2015, https://www.seforall.org/sites/default/files/Situation-Analysis-of-Energy-and-Gender-Issues.pdf
[297] "UN Human Development Indicators: Senegal," UN Development Programme, (2018): http://hdr.undp.org/en/countries/profiles/SEN
[298] Situation analysis of Energy and Gender in ECOWAS, SE4All, 2015, https://www.seforall.org/sites/default/files/Situation-Analysis-of-Energy-and-Gender-Issues.pdf
[299] Ibid.
[300] Ibid.

2.4.2 Gaps in the Gender Policy/Legal Framework

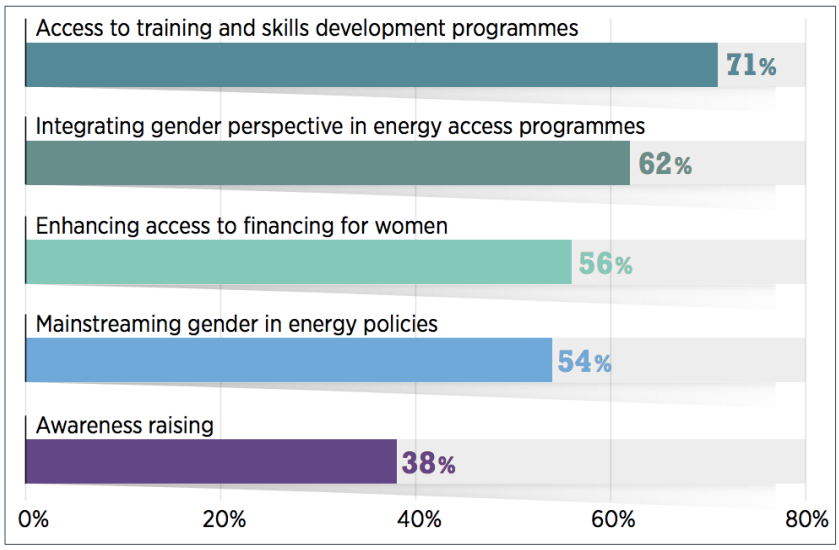
Despite the Government's policy initiatives and legislative reforms, gender inequality remains an ongoing challenge across the country's political, economic and socio-cultural landscape, as women still face many barriers to inclusive participation. Women are often curtailed in their access to information and decision-making. Overall, Senegal performs poorly in the UNDP Gender Inequality Index, which measures gender inequality in the areas of health, access to education and economic status.[301]

2.5 Summary of Recommendations

Given the increased attention that gender inclusion has received in development planning, there are a number of tools that are now available to policymakers that can be utilized to support gender mainstreaming and encourage women's participation in the energy sector. Despite encouraging progress in the discourse on gender and energy access, substantial efforts are still needed, especially in enabling women's participation in the sector in different roles, including as energy entrepreneurs and in leadership positions.[302]

In seeking solutions to improve women's engagement in energy access, a 2018 International Renewable Energy Agency survey found that access to necessary technical, business or leadership skills development programs was the single most important measure that could be taken. Over half of survey respondents also highlighted the need to integrate gender perspectives in energy access programs as well as enhanced access to finance.[303]

Measures to Improve Women's Engagement in Energy Access



Source: International Renewable Energy Agency

[301] "Gender Inequality Index," UNDP, (2015): http://hdr.undp.org/en/composite/GII
[302] "Renewable Energy: A Gender Perspective," International Renewable Energy Agency, (2019): https://irena.org/-/media/Files/IRENA/Agency/Publication/2019/Jan/IRENA_Gender_perspective_2019.pdf
[303] Ibid.

In addition to the measures highlighted in the figure above, below is a list of additional policy recommendations that could further improve gender equality in Senegal's energy sector:[304]

- Take measures to close the gender gap in access to education, particularly in higher levels of education
- Implement a quota system to increase the number of women employed in government's energy ministry and ensure that women are part of decision-making processes in the energy sector
- Implement policy and budgetary measures to support programs that aim to raise awareness and promote opportunities for women as energy customers, suppliers, financiers, and educators
- Commission studies to collect, synthesize and publish gender-specific/sex-disaggregated data on women's energy access and usage to inform (i) public policy development to improve rates of access for women; and (ii) private sector on potential customer needs (e.g. clean cooking technologies, productive use of energy applications etc.)
- Undertake a "gender audit" of the energy sector and develop a gender action plan to inform long-term policy objectives targeting gaps in the existing framework and promoting inclusive participation (e.g. by adding gender categories to policies and projects and accounting for gender impacts in strategic planning).
- Establish a Gender Focal Point or Unit within key national and local institutions in order to administer targeted gender policies and programs
- Raise awareness / provide training and technical support to private sector businesses / SMEs on (i) the benefits of gender inclusion and in viewing business decisions through a gender lens; (ii) the value of gender-disaggregated data; and (iii) how to develop and implement gender strategies to encourage inclusive participation.[305]

[304] **NOTE**: This is not an exhaustive list of recommendations as it is only intended to address inclusive participation in the energy sector; there are many gender-related challenges that warrant further study and attention within the context of the country's complex economic and social structures that are beyond the scope of this analysis

[305] "ECOWAS-CTCN Project on Mainstreaming Gender for a Climate Resilient Energy System in ECOWAS Countries: Final Report," ECREEE and CTCN, (May 2018): https://www.ctc-n.org/system/files/dossier/3b/180627_final_report-uk.pdf

Meeting with off-grid community group in the coastal village of Massarinko Bolon, Senegal, July 2018.

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