

June 2020

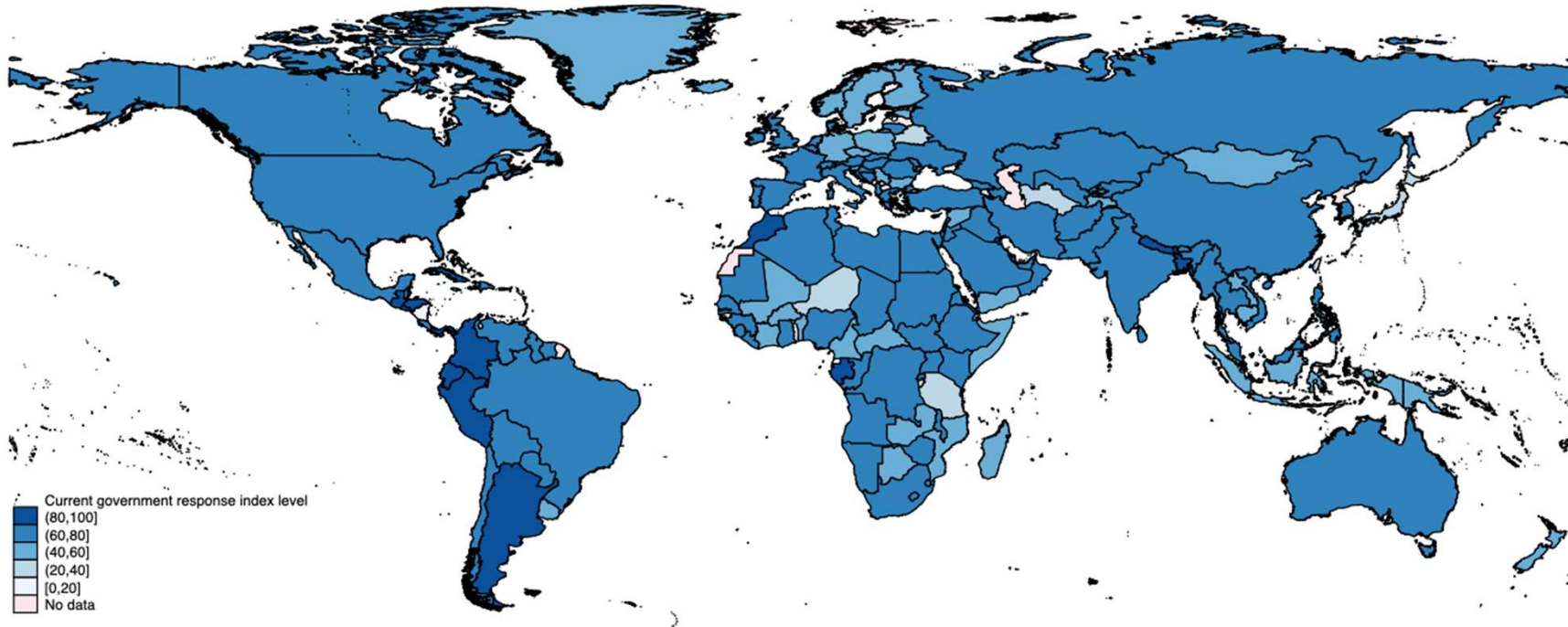
Energising Development

COVID-19 impacts on markets and EnDev response options



COVID-19 changing the dynamics of social and economic life around the globe

Map of government responses to COVID-19



Data from 06 Jun 2020. Individual countries may be several days older.

Source: Oxford COVID-19 Government Response Tracker. More at: github.com/OxCGRT/covid-policy-tracker or bsg.ox.ac.uk/covidtracker

COVID-19 impacts on market development - Results of most relevant surveys



	Supply	Demand	Framework
Impact of COVID-19 on the OGS (March/ April 2020)	Standstill of last-mile distribution, disrupted supply chains, stock shortages	Reduced demand (new clients) and anticipated decrease in ability to pay (existing clients)	Measures taken by governments strongly impact business operation
Identifying options for supporting the OGS during COVID-19 crisis (March/ April 2020)	Negative impacts along supply chain, drastically increasing logistics costs	Revenue, OPEX and debt repayment issues lead top financial concerns	High level of uncertainty when markets and businesses can resume full operation
COVID-19 Impacts on Clean Cooking (April 2020)	One third of companies surveyed ceased all operations	Companies anticipate reduce demand and ability to pay of clients	Investors/Financiers postpone financing decisions

EnDev/GET.invest stakeholder screening

118 stakeholders online communication screened for COVID-19 response

- 88 published information, almost two thirds of these provide concrete support for the private sector
- Investors reported delaying financing decisions, significant impacts on portfolio

Screened stakeholders
WITH published COVID-19 response: 88



Financial assistance for OGS

Only 8 response measures offer direct financial support (only 2 have a focus on RE); 6 others have a broad/sector unspecific scope and might be accessible

Technical assistance for OGS

More than half of the offered support is TA focusing on information on risk management, liquidity management, business continuity (among others).

→ **GAP: Individual, tailor-made and needs-oriented business advisory services, which are broadly accessible for OGS companies**

COVID-19 impacts, surveys and existing response actions



Loan-basis, e.g. relief funds by various actors



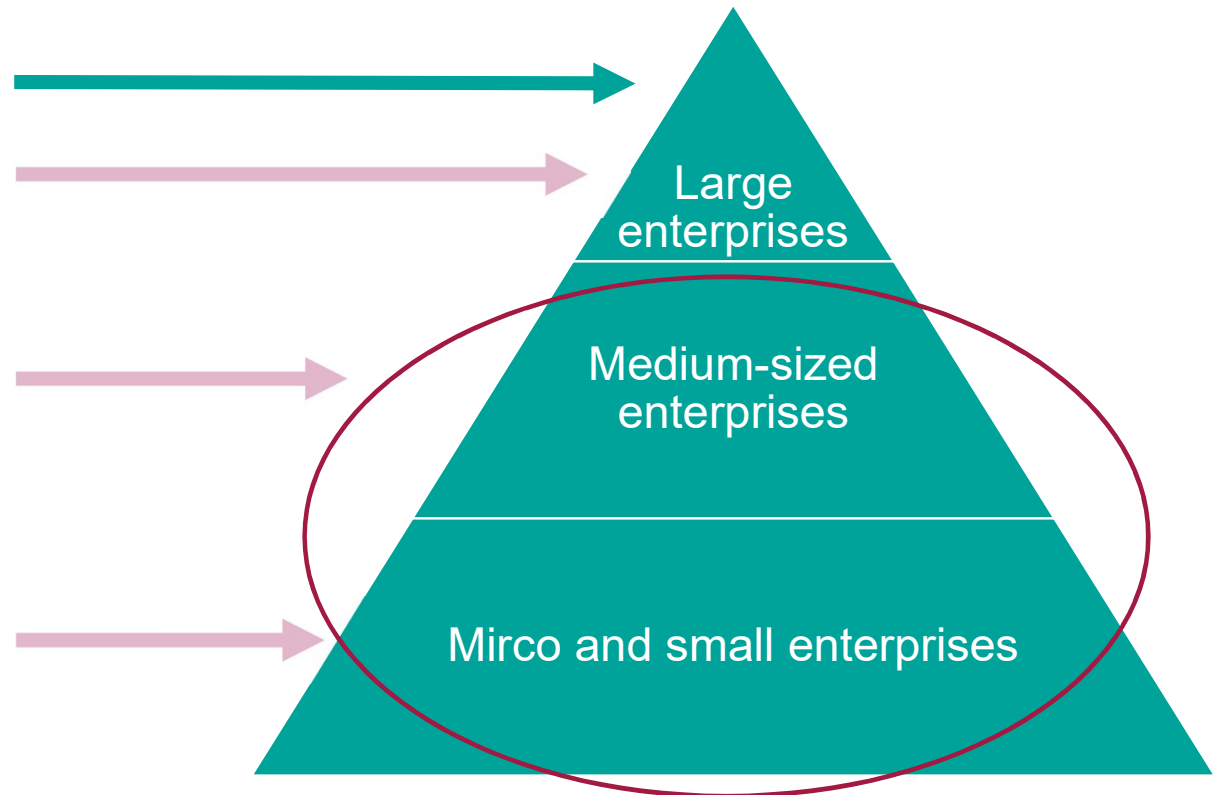
Potential Gap for access to cooking



Potential gap for local private sector in OGS along the whole value chain (FA and TA)



→ **EnDev's market survey zooming into (rural) OGS markets**



*Business size classification: large enterprise = more than 250 employees, medium-sized enterprise = 50-249 employees, small enterprise = 10-49 employees, and micro enterprise less than 10 employees

10 June 2020

Energising Development COVID-19 market survey results



674 Respondents from 23 countries



The EnDev market survey was conducted between April 20 – May 4 in 23 countries both online and by phone

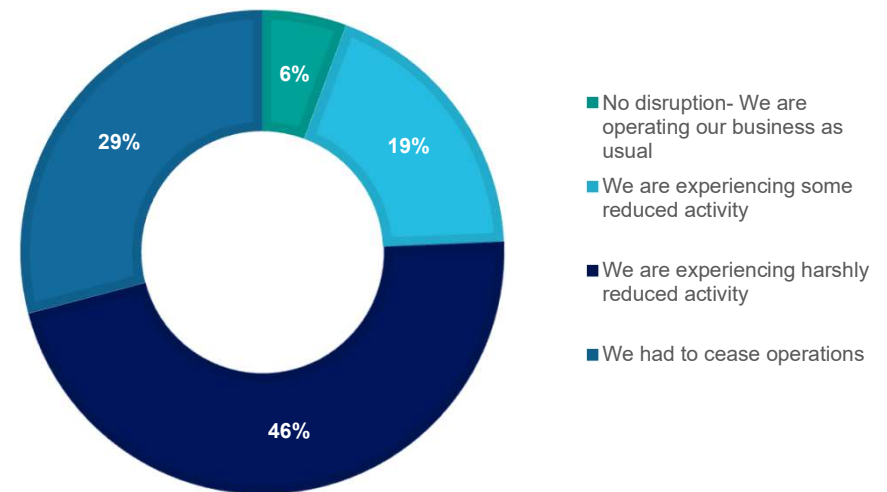
It aimed to get a better overview on the impacts of the pandemic on local energy access markets and the operational as well as financial robustness of EnDev's portfolio of private market actors

Main findings

Harsh economic environment

- About **75%** of respondents indicate **not to be able to cover for financial losses** over a period beyond three to four months.
- A staggering **29%** have had to **cease their operations already**. Both smaller and bigger companies.
- Mid-sized and larger companies in the PAYGO solar and mini-grid sectors express a severe financial vulnerability.
- **50% of companies expect a staff lay-off** within three months, on average up to half of their original staff volumes. Roughly, this concerns over 4,000 jobs.
- The **impact** in this segment of smaller, local companies in the markets **is extremely severe**.

LEVEL OF DISRUPTION
EXPERIENCED DUE TO COVID-19
ENDEV GLOBAL

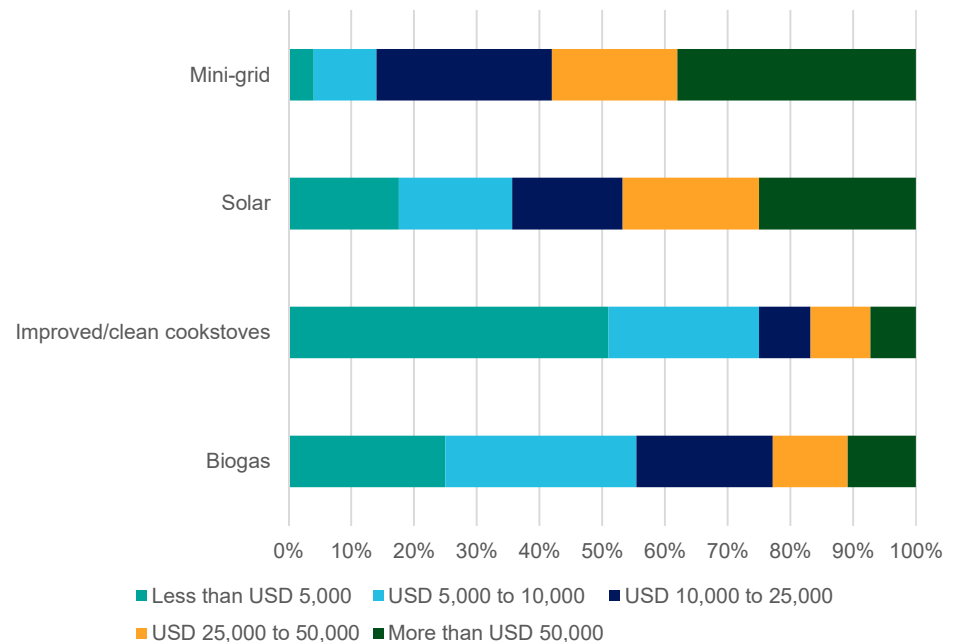


Main findings

Limited access to (grant) finance

- **56% of the companies** in need of financial relief, either grants or bridging loans
- Other respondents prioritised technical and operational support or industry coordination
- Most companies are **unable to access any relief funds**
- Financial needs generally below EUR **50,000** with 50% of local ICS and 20% of solar companies even **below EUR 5,000**
- **Almost all existing COVID-19 relief funds in the energy access sector are far out of reach for smaller and medium-sized companies**

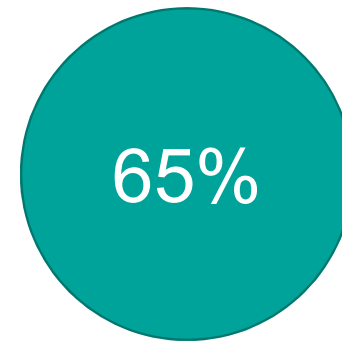
Size of relief funds/bridging loan needs per sector



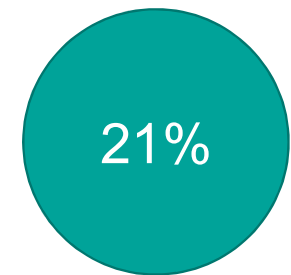
Main findings

Lack of governmental/public support

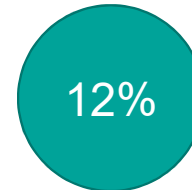
- Support measures from national governments are minimal.
- The majority of companies indicated no relief mechanisms in place (or able to make use of) at all
- There seem to be some tax reduction or deferrals in place, however.



No support



Reduction or deferral of taxes



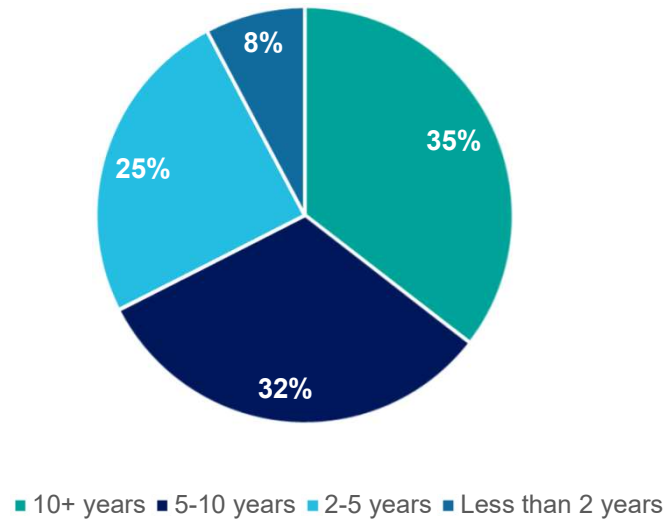
My products and/or services have been determined essential



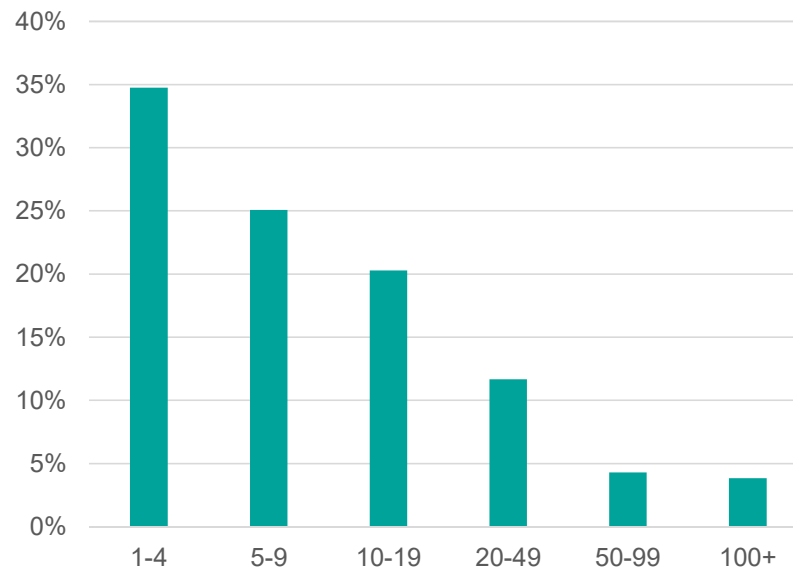
Reduction of financing costs, debt relief or extension of loan terms

Respondent characteristics give an interesting insight in EnDev's portfolio

No. of years the business has been in operation



Staff levels before COVID-19 pandemic



A relatively large share of companies has been in business for a long time

Many small companies in portfolio, but also a fair share of medium-sized and larger companies

Characteristics per sub-sector



- 53% respondents
- 69% < 10 employees



- 20% respondents
- 57% <10 employees

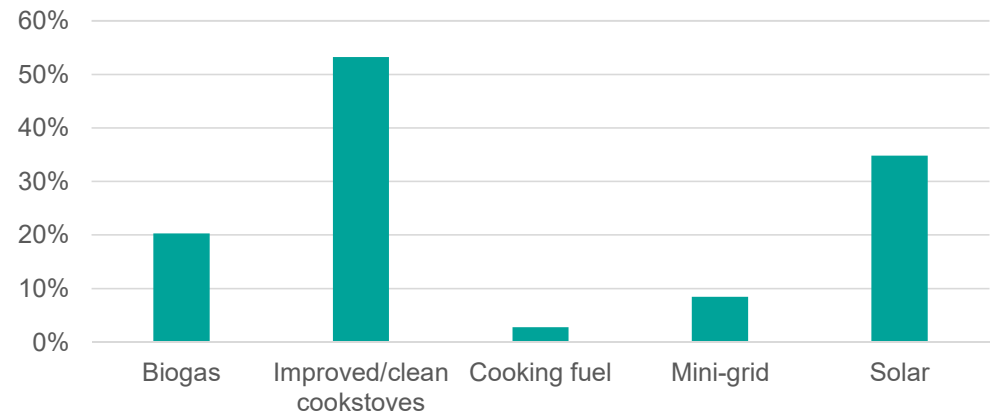


- 35% respondents
- 50% >10 employees

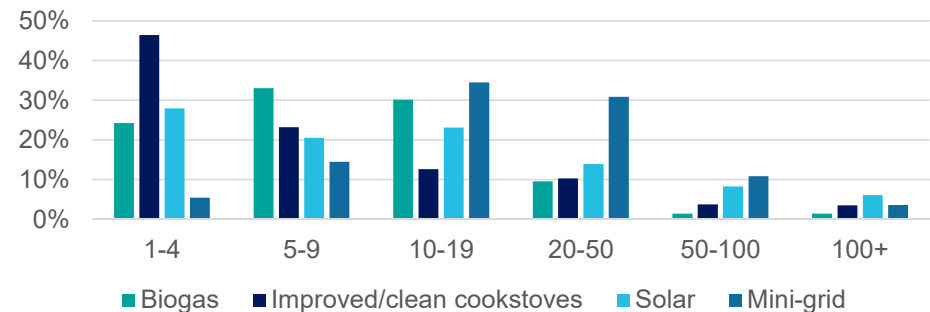


- 9% respondents
- 50% between 10-50 employees

Respondents per sub-sector¹



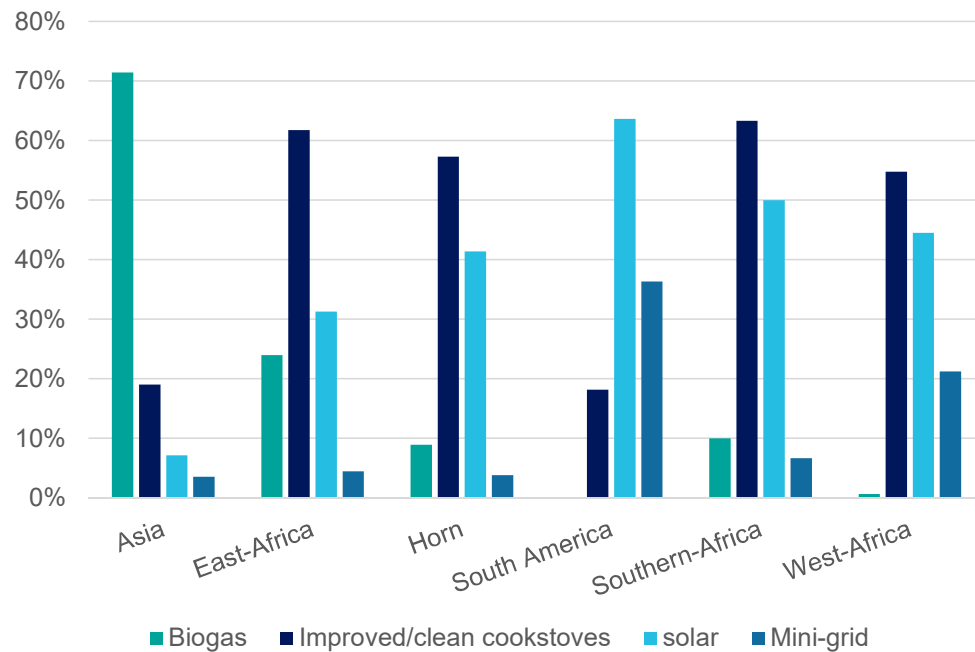
Staff levels before COVID-19 pandemic per sub-sector²



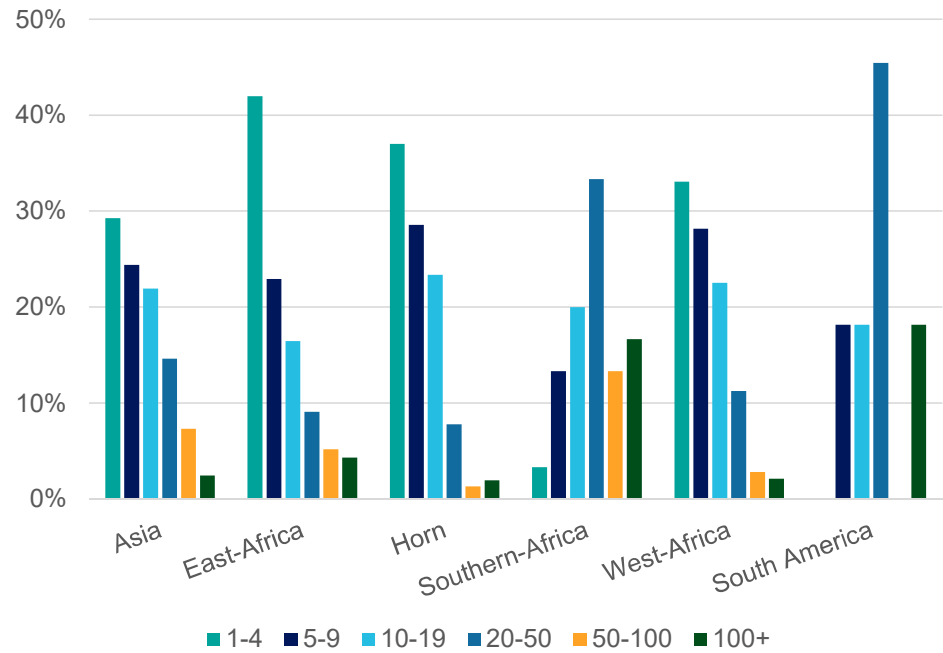
Note: 1. Respondents could indicate more than 1 sector of operation. To this end the sectors do not add up to 100%
 2. Cooking fuels are not presented in this graph due to the low nr of observations

Characteristics per region

Sector representation by geographical region



Staff levels before COVID-19 pandemic by geographical region



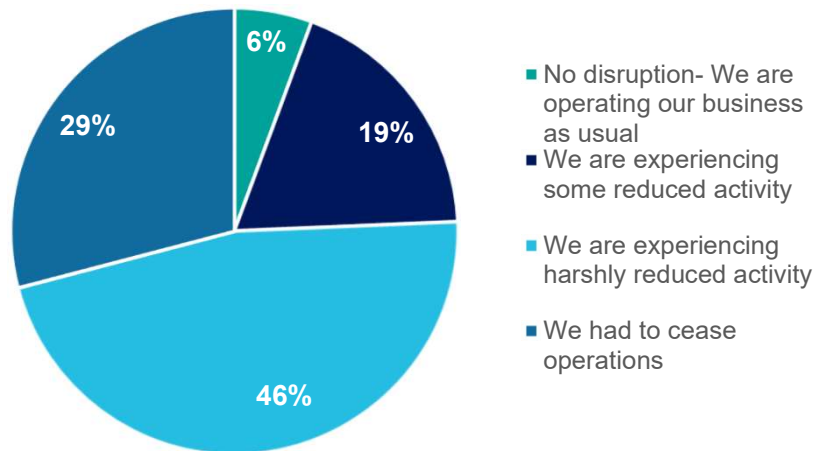
Main findings - Heavy disruption experienced due to COVID-19

Impact on smaller, local companies is extremely severe.

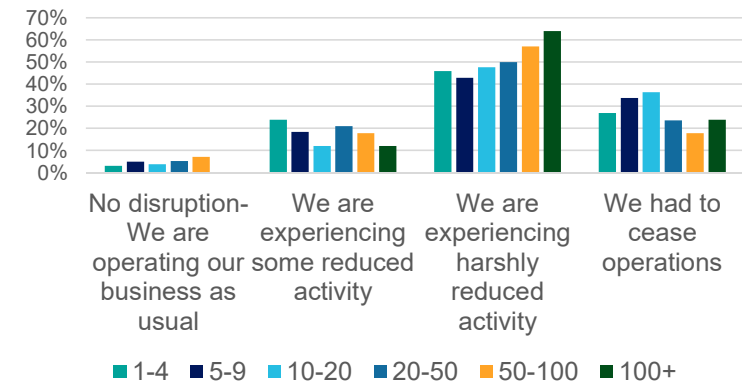
- 29% companies had to cease operations
- 75% companies is severely affected

More or less irrespective of company size

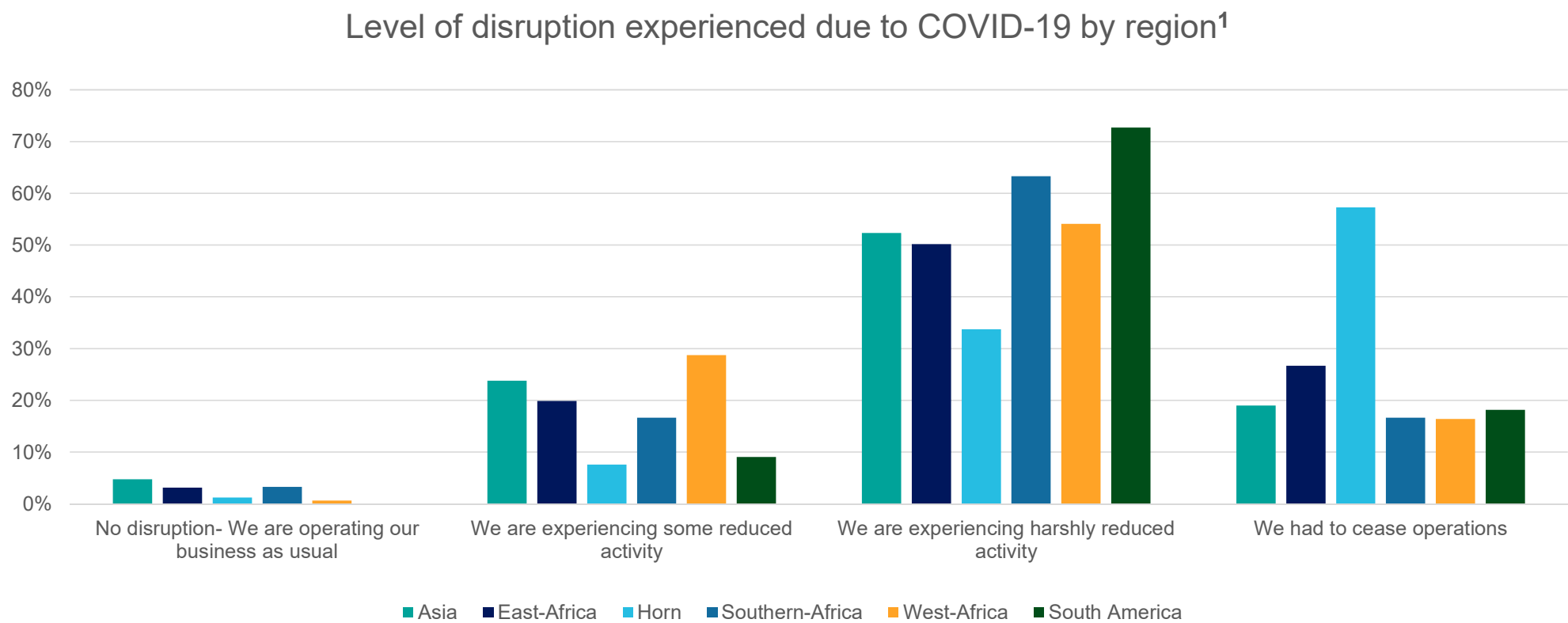
Level of disruption experienced due to COVID-19 EnDev global



Level of disruption experienced due to COVID-19 by company size



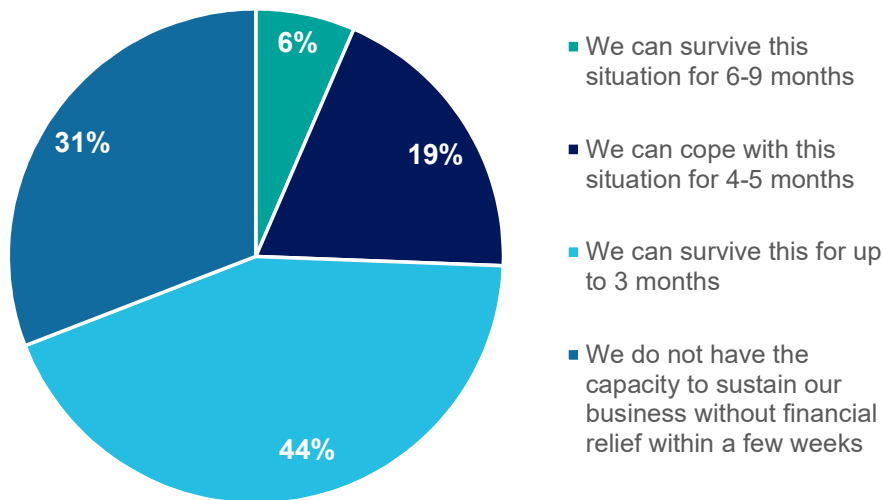
Main findings - Disruption experienced due to COVID-19 by region



Note: 1. Burundi has been excluded due to national policy regarding openness on COVID-19

Main findings - financial capacity to cope is only (very) low

Duration a company can financially cope with COVID-19 impact (Global)



- Only 25% of respondents able to cope with an extended COVID/lockdown period beyond 3 months.
- 31% of companies even only have capacity to overcome a few weeks.
 - Solar and Mini-grid companies amongst the most vulnerable, 40% in this category.
- 40% of companies expects staff lay-off within 3 months, on average half of the original staff volumes. Roughly over 4.000 jobs in the EnDev portfolio alone are at risk.

NOTE: Survey data date from beginning of May (!) – situation expected to have further deteriorated.

Voices from reality

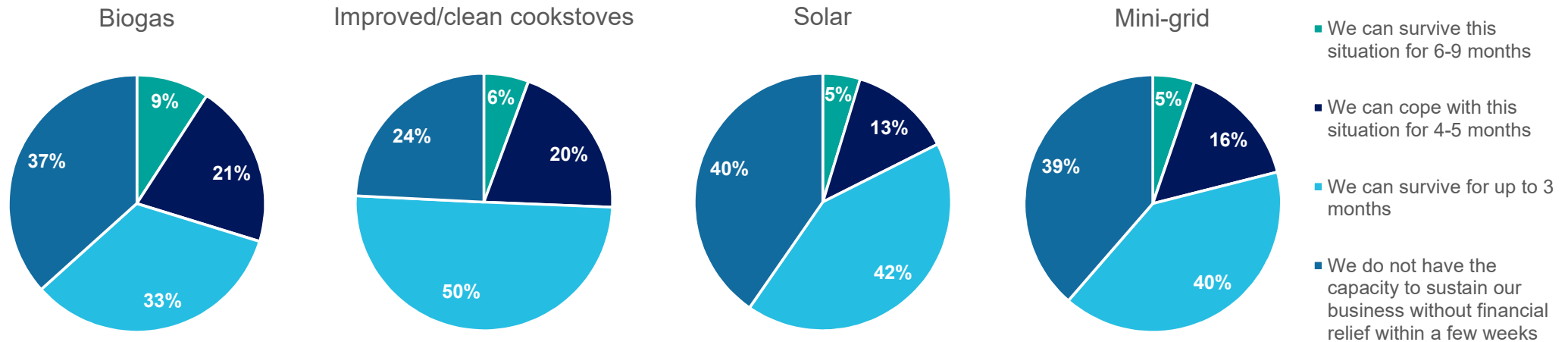
“We reduced salaries across all staff so that the whole team can maintain some income without laying off any individuals.”

“We send our staff on unpaid leave.”

“We try to reduce expenses as much as possible, including a reduction in our staff.”

Main findings:

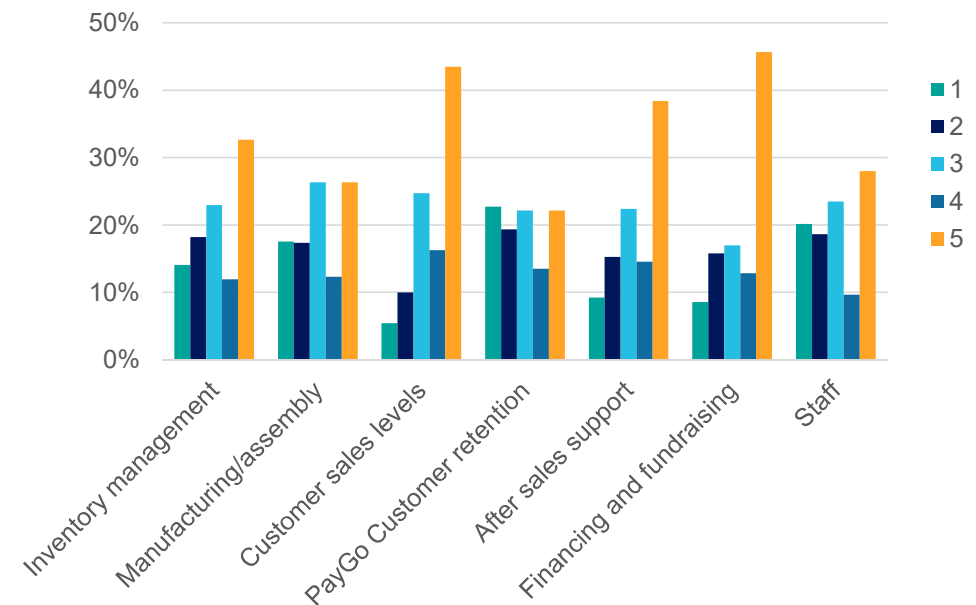
Financial capacity to cope with COVID-19 impacts per sector



Main findings - operational concerns

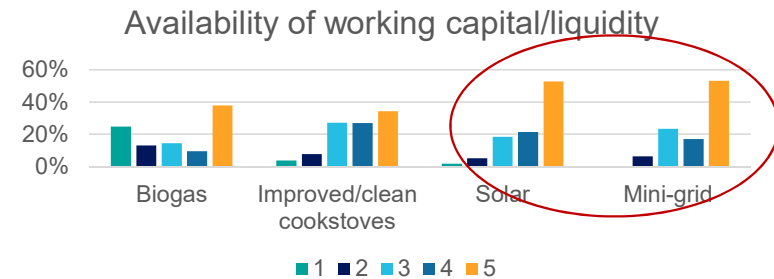
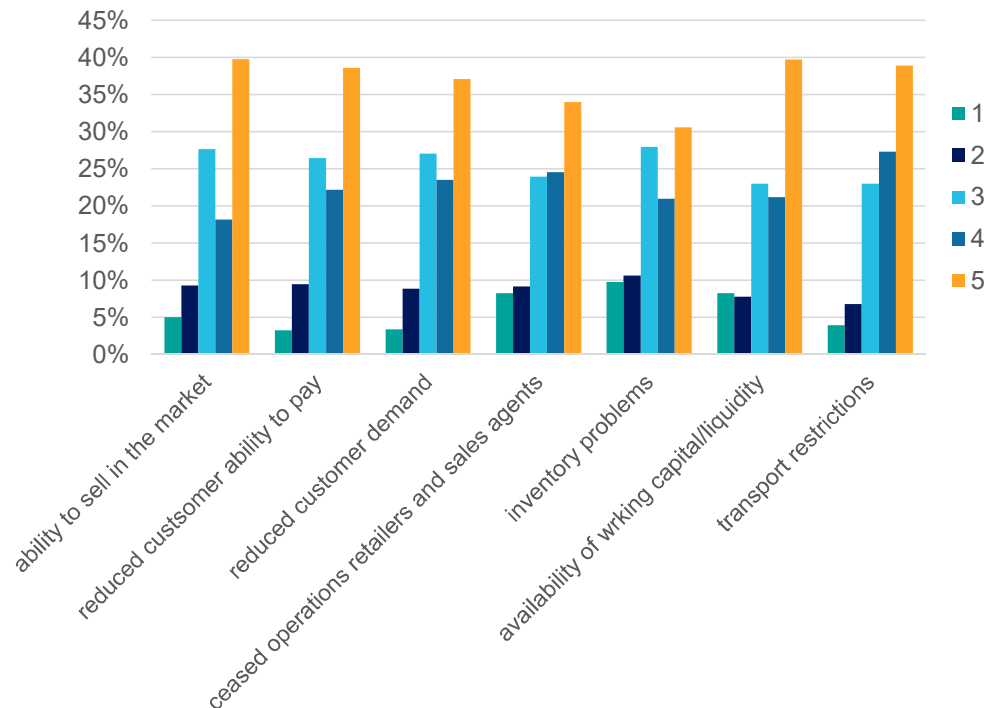
- Distribution/sales and after sales, and (for solar) inventory problems are most prevalent, next to broadly accessing funds/financing
- In reducing field activities, companies adapt/decrease operations to:
 1. Retain existing customers, by focusing on customer services and maintenance, and credit recovery/payment follow-up., instead of new sales
 2. Scale down new sales activities and/or decrease new customer risks by increasing down payments and cash sales

The extend to which business aspects are currently affected by the COVID-19 crisis EnDev Global



Main findings - operational concerns for the next months

The extent to which companies are concerned that the following challenges will affect their business in the coming 3 months



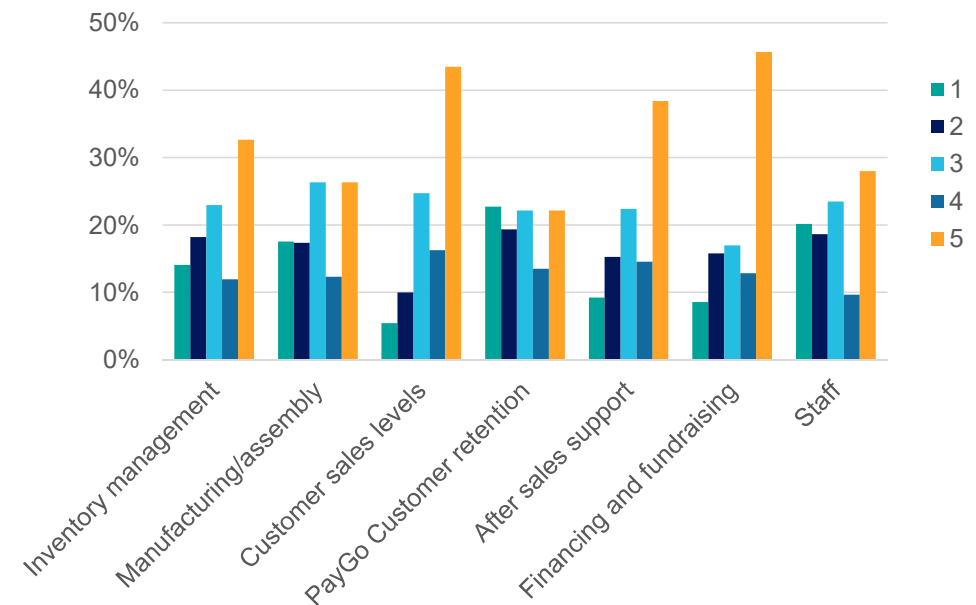
Note: 1 - no concern; 3-moderate concern; 5-severe concern

Main findings:

Business operation aspects

- Distribution/sales and (for solar) inventory problems are most prevalent
 - In **reducing field activities, companies adapt/decrease operations** like turning to maintaining customer services and payment follow-up, and to maintenance services rather than new sales, but also increasing down payments, focus on credit recovery and cash sales
- Interestingly, coping mechanisms occur:
 - Companies diversifying portfolio (leaving perhaps more robust entities when markets recover)
 - Companies diverting activities to other sectors
 - Small ICS companies focusing on (low cost) production of stock, for when markets pick up

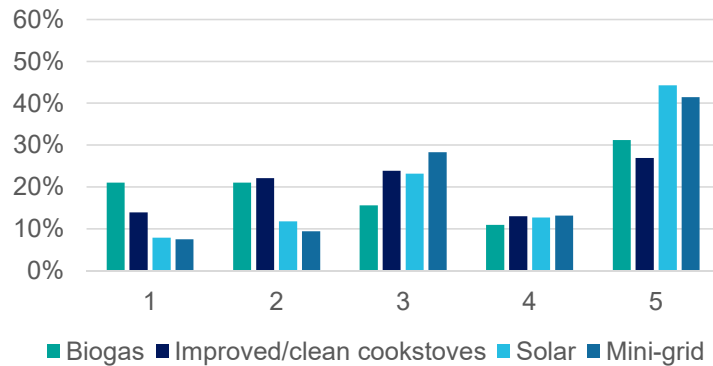
The extend to which business aspects are currently affected by the COVID-19 crisis (EnDev Global)



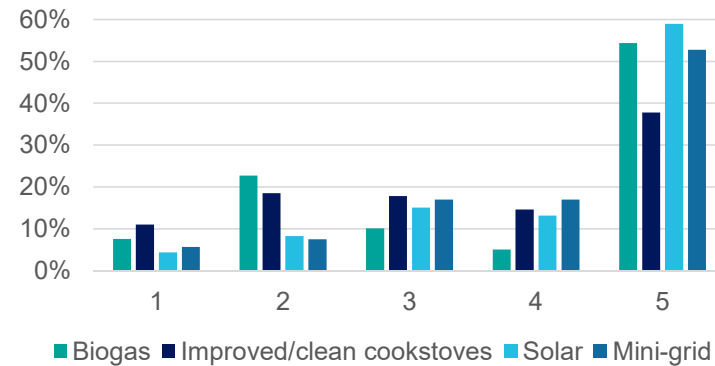
Main findings:

The extend to which business aspects are currently affected by the COVID-19 crisis by sector

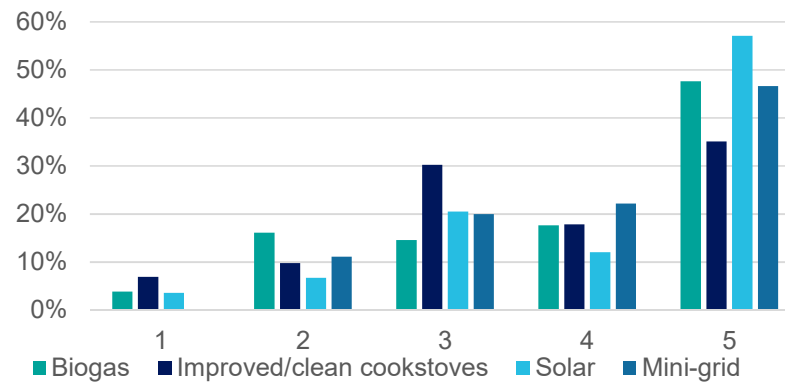
Inventory management



Financing and fundraising



Customer sales



“The company has a SHS stock problem, and in the case of ICS, we are increasing production in order to guarantee the stock availability during and after shutdown.”

“To halt temporally production and focus on sales because of problems with the acquisition of raw materials.”

Voices from reality

“We have shifted our focus, in anticipation, from sales to customer service. Therefore we have put a focus on agent servicing and customer care. This is to ensure people are paying loans back in timely manner.”

“We are delaying and/or forgiving some customer payments.”

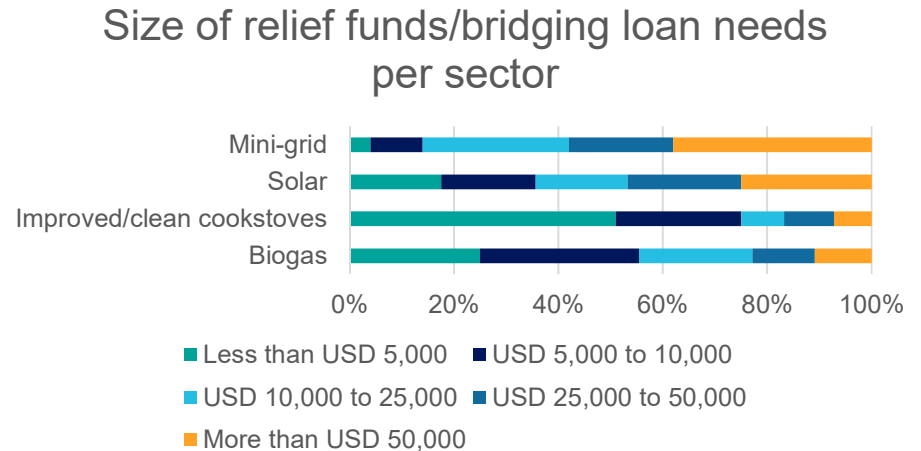
“We have reducing field activities to manage spending and focus our efforts on collection and after sales service. On sales side we extended our down payment to equivalent of 6 months instalments to manage bad loans.”

“Shifting from bio-digester construction to provision of bio-digester maintenance service, in order to re-activate the digesters since many farmer have stopped raising pigs due to African swine fever last few years and have demand for restarting the livestock and bio-digester working again.”

“We focus on credit recovery, we try to sell as much product as possible in cash.”

Type of support needed in the coming months

- 56% in need of financial relief funds
- Depending on subsector 40% (mini-grids), 60% (solar), and 80% (stoves, biogas) would be helped with 25.000 EUR or less
- 50% of the stoves companies or 20% of the solar companies even with 5.000 EUR or less



- Meaning that most - if not all - relief initiatives in the sector (when available) are beyond the reach of EnDev's private sector market partners.
- And even if, these companies would be better served with grants, not loans.
- While by far the majority of the companies indicate not to be able to tap into any relief funds without support
- Support needs to include business and financial planning, beyond merely applying for funds

June 2020

Energising Development COVID-19 response options



COVID-19 impacts and response options – GAP analysis

Impacts on OGS markets – hibernation

Market distortion – heavily subsidized products

Volatile or increasing fuel prices

Specific taxation

Impacts on supply – persistent decline

Reduced (international) trade / import

Collapsed distribution chains / decrease in retail numbers

Reduced corporate liquidity

Struggling to maintain operations and personnel

Impacts on demand – continuous decrease

Reduced household incomes / Changed spending priorities

Closed retail shops / prohibition of local/regional markets

Limited mobility of customers

Gap: Financial assistance

Companies' need for grants not met

Eligibility criteria prevent companies from accessing loans (e.g. large ticket sizes above EUR 200,000).

Gap: Technical assistance

Companies' need for TA not met, which goes beyond advice to apply for financial assistance

Lack of tailor-made advice for individual companies on e.g. business modelling, finance plan, liquidity management, business continuity management etc.

EnDev COVID-19 response options – tackling the multi-dimensional crisis

Tackling the
economic
crisis

Energising Opportunities

Green economic recovery

Needs-oriented response measures for private sector to prevent bankruptcy of companies and to fast-track green recovery in EnDev countries.

Building on:

- EnDev's market-based approach
- Established relationship based on trust with local/international small and medium-sized OGS companies
- Ability to provide individual, tailor-made TA support

Tackling the health
/ humanitarian
crisis

Energising Lives

Energy for health centres, refugee & quarantine camps

Direct support to ensure access to basic energy services. Complementary to extending intensive medical care and in cooperation with humanitarian aid organisations.

Building on:

- EnDev's experience in electrifying social institutions
- EnDev experience with health crisis activities (Ebola 2014-2016)
- EnDev's LNOB agenda, refugee camp and host community approaches

EnDev COVID-19 response options

Green economic recovery

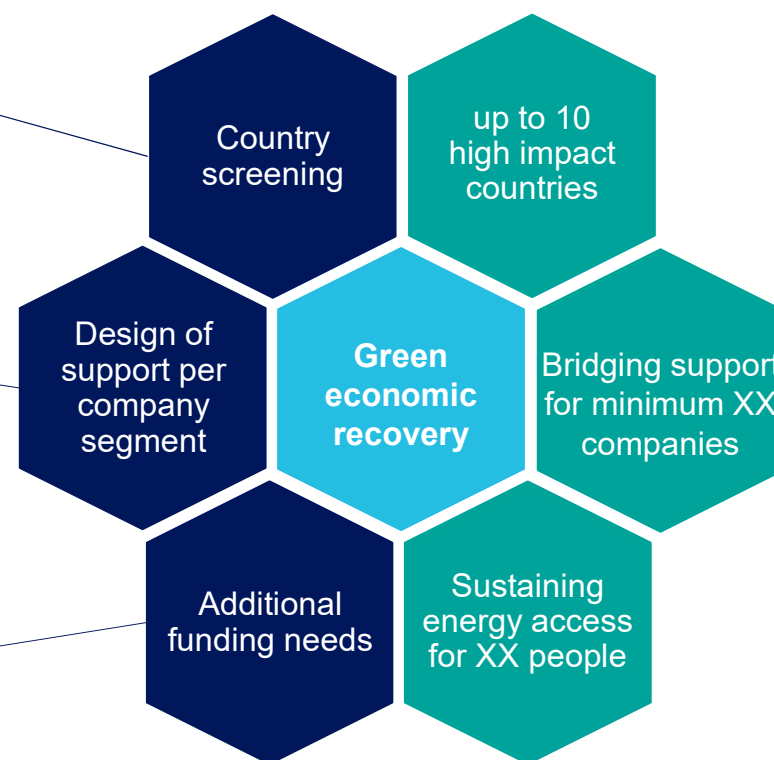
Identification of high impact countries (e.g. number of companies and clients) – target setting after country identification

Technical assistance for businesses coping strategies combined with financial support to sustain markets during the crisis and support companies resuming operations post-COVID, including:

- results-based bridging grants
- smart subsidies for vulnerable beneficiaries (LNOB agenda)
- leveraging relief funds (mainly loans)

Limited internal re-allocation of funds within existing operational budget; additional funding needs:

- focus on sub-Saharan Africa
- global reach



EnDev COVID-19 response options – tackling the economic crisis

COVID-PAY, Mozambique

- Urgent **relief scheme for PAYG solar companies** vulnerable to **increased defaults of customer payments**
- Allows companies to offer **subsidized promotional price** to reduce customers' electricity bills
- RBF grant support limited to a **period of 6 months** - companies need to present verifiable results and proof of passing on the subsidy to customers
- Twofold objective to ensure **off-grid customers maintain access to electricity** and to **avoid bankruptcy of companies**



Thank you for
your attention!

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