

SADC Renewable Energy Entrepreneurship Support Facility

Context

The Southern African Development Community (SADC) region's energy poverty is manifested through persistent power crisis and a lack of access to clean and affordable energy by the majority of its citizens. Despite the rapidly falling costs and increasing robustness of the technology as well as undisputed competitiveness in application in certain areas, renewable energy systems have not penetrated the SADC market with the necessary pace. The private sector can help to bridge the energy gap, however the latent potential of private sector in addressing the energy poverty is still to be developed.

Small and medium sized entrepreneurs (SMEs) are the backbone of national economies. In most countries, they are the most important source for employment and income. They operate mainly at local and regional levels, where they increase access to goods and services (such as access to electricity) and therefore – together with job creation, and other social and development impacts – increase quality of life. The nature of SMEs is such that they operate flexibly, have speedy decision making processes and thus have the ability to quickly address the needs of the markets. Renewable Energy SMEs in particular are increasingly important in addressing the energy deficit, which is due to non-electrification, lack of access to sustainable energy or unreliable power supply in electrified areas.

However, as much as the private sector can help to bridge the energy gap, SMEs face many challenges that inhibit their potential ability to contribute to addressing the energy poverty. Some of the barriers faced by entrepreneurs include:

- Lack of enhanced business skills to manage the dynamic nature of sustainable energy
- Lack of funding, especially enterprise finance
- Lack of awareness of business opportunities in the niche markets
- Lack of institutional support that includes lack of an enabling ecosystem with favourable legal, regulatory, and political environment enabling entrepreneurs and industry when adopting market driven forces to deliver solutions.

Background

Given the challenges experienced by the renewable energy SMEs in the region, various SADC member countries have approached IRENA to express the need for supporting small and medium scale entrepreneurs (SMEs) in the renewable energy sector in SADC. Furthermore, on 16 January 2017, at the side lines of the World Future Energy Summit (WFES) in Abu Dhabi, IRENA organised an event to showcase the work done in supporting renewable energy SMEs in West Africa under the ECOWAS Renewable Energy Entrepreneurship Support Facility programme. In their interventions, representatives from the SADC member states expressed support in having the Entrepreneurship Support Facility in SADC.

In order to address some of the barriers and challenges experienced by the private sector, and building on IRENA's successful implementation of the ECOWAS Renewable Energy Entrepreneurship Support Facility in West Africa, the SADC Centre for Renewable Energy and Energy Efficiency (SACREEE) and IRENA have partnered to establish the **SADC Renewable Energy Entrepreneurship Support Facility**.

Thus on 27 April 2017, in Maseru – Lesotho, IRENA and SACREEE jointly organised the kick-off meeting for the SADC Renewable Energy Entrepreneurship Support Facility. The meeting was hosted by the Government of Lesotho and supported by the United Nations Development Programme (UNDP) office in Lesotho. Forty-five representatives from the private sector, business incubation centres, academic institutions, development partners and renewable energy associations in the region came together and expressed strong support for the initiation of the Facility programme. Furthermore, stakeholders discussed the most pertinent issues to be addressed in promoting SMEs in the region and the modalities of implementing the RE Entrepreneurship Support Facility in SADC.

Objectives

The objective of the Facility (also referred to as programme hereafter) is to enhance and strengthen the capacity of SMEs in developing viable business plans and loan requests, and managing and maintaining their businesses successfully. Furthermore, the Facility also aims to increase the confidence of financial institutions in sustainable energy systems and create linkages between the entrepreneurs and financial institutions. The project will be implemented in the fifteen member countries¹ of the SADC region and builds on the Memorandum of Understanding between IRENA and the SACREEE, signed in January 2017.

¹ SADC member countries: Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe.

At the afore-mentioned kick-off meeting in Maseru in April 2017, the actionable objectives of the programme were clearly outlined as follows:

- To provide mentorship and technical support to existing SMEs who are citizens of SADC and who are based in the SADC region, by providing the necessary advisory expertise upon request which may include, but not be limited to, business management and operations, technical issues of project development;
- To refine entrepreneurs' renewable energy proposals to bankable levels for possible funding by financial institutions;
- To network with development partners in order to stimulate additional support to the Facility;
- To engage with financial institutions, and support them in their understanding of renewable energy technology, in order to increase their confidence in lending to SMEs and for renewable energy projects; and
- To create linkages between entrepreneurs and financial institutions.

Furthermore, the kick off meeting allowed for the formulation of the following next steps to be undertaken as the programme is initiated.

- Establishment an Advisory Board consisting of Technical Committee and a Steering Committee.
- Recruitment of a coordinator/support staff to coordinate the activities of the Facility and to be based at SACREEE.
- Launch of yearly calls for application whereby entrepreneurs will be able to submit specific requests for assistance.
- Assistance provided to entrepreneurs for improving their businesses or project proposals (addressing the requests submitted by the selected entrepreneurs).
- Ensuring early involvement of financial institutions into the programme in order to create linkages with SMEs and secure their involvement in the running of the programme.

Implementation Plan 2018

Following the kick-off meeting, a regional workshop was held from 20 to 22 November 2017 in Port Louis - Mauritius, which brought together SMEs, financial institutions and other relevant stakeholders, from within and outside the SADC region in order to identify and discuss the challenges and opportunities, in supporting entrepreneurship development, access to SME finance, managing perceived risks in SME and RE finance and facilitating RE project implementation. The workshop provided a baseline for the programme's implementation plan and its main focus for support to be rendered to entrepreneurs and financial institutions in

ensuring growth of SMEs and an increased financing for their businesses and RE projects. The workshop also aimed to secure the necessary involvement of financial institutions and create the linkages between SMEs and financial institutions from the early stages of the programme. Following the regional meeting, on 23 November 2017, an Advisory Board meeting for the Facility was held in order to discuss the findings from the workshop and prospect future financial and technical support and partnerships for the programme.

Based on the afore-mentioned preparatory meetings, the following deliverables are envisaged in 2018:

- Launch of the First Call for Applications whereby SADC-based entrepreneurs can submit their requests for technical assistance/mentorship/project refinement. (Q1 2018)
- First Technical Committee meeting for the evaluation of the applications received and selection of successful enterprises to be supported in the first cohort. (Q2 2018)
- Recruitment of Coordinator who will be based at SACREEE offices and will assist with the implementation of the activities. (Q3 2018)
- Organization of training workshop(s) (convening entrepreneurs, financing institutions and incubation centres) in addressing the request for assistance of selected entrepreneurs. (Q3-Q4 2018)
- Direct mentoring, individual advisory assistance (e.g. for project refinement) and facilitation of necessary linkages to financial institutions or technical experts to be provided to entrepreneurs, with the assistance of a designated Coordinator. (Q3-Q4 2018)

With the availability of additional funding, a second call for applications would be launched in Q2 2019, and relevant trainings organised in accordance.

Structure of the Facility

The Facility will consist of the following:

1. Coordination team consisting of a staff member from IRENA and from SACREEE, and a full-time Coordinator based at the SACREEE offices. The Coordination team will be responsible for the daily activities of the programme.
2. Advisory Board composed of a Technical and a Steering Committee which will be comprised of various development partners, financial institutions, business incubation centre and other stakeholders. Development Bank of Southern Africa (DBSA), Mauritius Commercial Bank, UNIDO, South African Renewable Energy Business Incubator, ZB Bank Zimbabwe, FUNAE Mozambique, African Development Bank and Namibia Energy Institute, have expressed interest to be affiliated to the Advisory Board. The Technical Committee will be tasked with assessing applications received through the annual calls for proposal, tapping into expert networks for advisory assistance,

structuring the support interventions provided to entrepreneurs and/or financial institutions and offering advisory assistance as the need arises. The Steering Committee will be tasked with providing strategic direction to the running of the Facility and attracting additional funding to the programme.

3. Network of experts and advisors who will work closely with the Coordination team to facilitate various training workshops, and render their expertise for mentorship and advisory services to assist entrepreneurs.

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