

**ENERGY
CATALYST**

Theme Guide: Creating Partnerships

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

Electrification is supposed to be a means to an end, but if that end is not realised, then that is a key concern. Energy access should help to create inclusive and sustainable growth, innovation, and job creation, as well as achievable scalable, market-led solutions. Yet where a lack of small business demand for power means there's a lack of small business activity, then there is a huge missed livelihoods opportunity that needs to be addressed.

Energy access organisations often work in silos. Past development measures and initiatives have proven that no single organisation or sector can solve development challenges. Therefore, extending activities of (corporate) value chains and cross-sector partnerships between development actors and small/rural businesses, enterprises and farmers, to end poverty and catalyse rural and market development through energy access, sustainably and at scale, seems the most preferable option. Such partnerships allow for the combined skills, assets, technologies and resources of the private, public, and non-profit sectors.

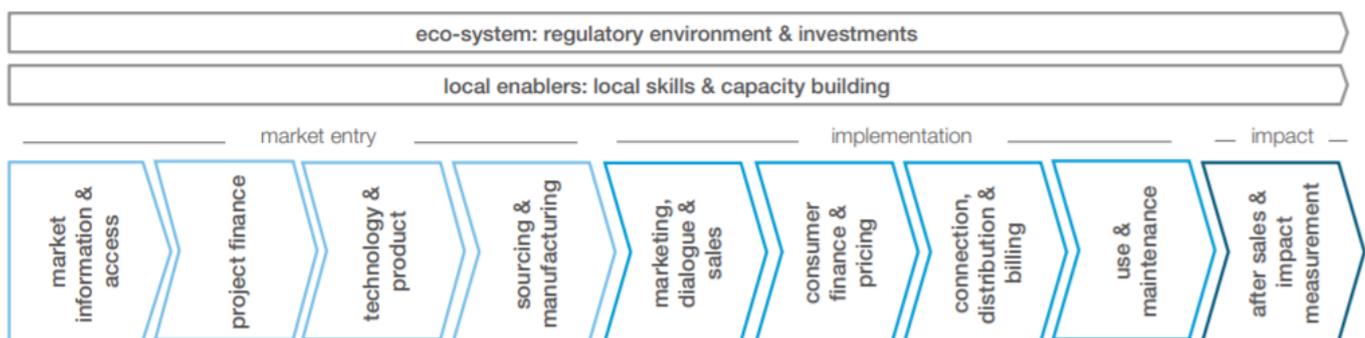


Figure 1 Energy Access Business Value Chain as developed by the World Economic Forum, Source: WEF, PWC, 2013.

Most rural electrification efforts are faced with supply/demand imbalances, meaning that supply far exceeds initial demand (“supply-push” over “demand-pull”). Further, demand stimulation remains outside the scope of electrification programmes and projects. Energy access activities are often fragmented and village-focused, and therefore very contextual. Hence, developing better collaboration and coordination by bringing together various actors can advance the sector at a wider level, faster and potentially at scale.

Definition

For this guide, partnerships are defined by impact-driven cross-sector partnerships that consist of a range of organisations to create innovative, cost-effective and results-oriented development solutions that contribute to energy access and economic development.

In the context of Asia and Sub-Saharan Africa, partnerships need a local agent of some kind (NGOs, grass roots organisations, local government, etc.), and energy access players wanting to participate in such

partnerships foremost need to develop them with local market players. Other key actors for creating and building partnerships include:

- Local and international finance and investor sectors
- Governments
- Multilateral organisations/initiatives
- NGOs
- Knowledge partners/academia/experts

Given their vast and different backgrounds, potential partners need to align interests and competencies to create synergies. In order to be successful and have impact, a variety of expertise outside of the energy space, including distribution, technology, professional services, financiers, agriculture, development organisations and regulators are needed. Then, cross-sector partnerships have the potential to tackle the Sustainable Development Goals of no poverty, zero hunger, good health and well-being, quality education, gender equality, affordable and clean energy, industry, innovation and infrastructure, and partnerships to achieve these goals.

Why partnerships?

Compared to grid extension, decentralised power solutions are the cheaper way to achieve rural electrification. These options include mini grids and standalone systems of varying power generation technologies, as well as solar home systems. Energy provision is not seen as a matter of aid and charity, but as a catalyst to enable productive energy use and create wider economic, social and environmental impact.

Cross-sector partnerships bring utilities, technology and energy service providers together with industries and economic activities that need reliable and cost-efficient energy for their operations. In some instances, these might include anchor customers with a base load demand for energy, such as telecoms (tower base stations), agriculture (water pumping), mining and metals (extraction, operations), fast moving consumer goods (cooling), food industry (processing, cooling) and e-mobility, but foremost they include local small and medium-sized enterprises (productive use). Partners that benefit from electricity access are a further part of the cross-sector value chain, which includes electronics

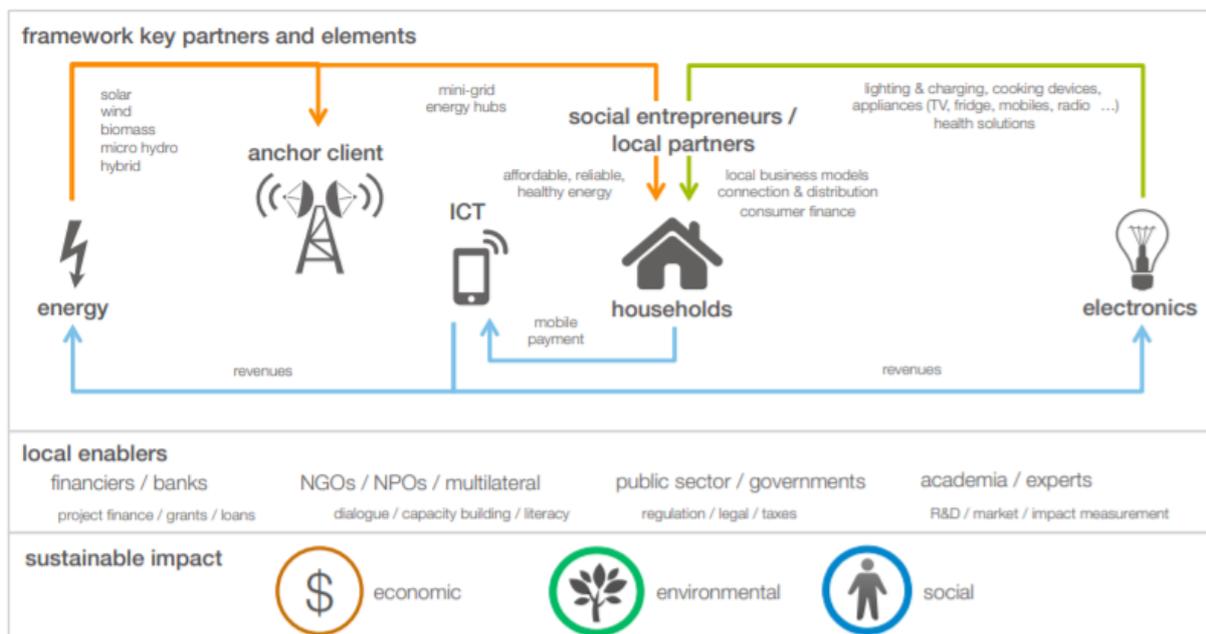


Figure 2 Building a Cross-Sector Energy Access Value Chain, Source: WEF, PWC, 2013.

(appliances, lighting), health (vaccine cooling, health services, clean water), telecoms (mobile charging), tourism (lighting, operations, cooling), or local infrastructure (street lighting, schools, community installations). The benefits to the local community not only come from direct access to energy but also from the wider impacts of enabled economic activity, improved education outcomes, improved health, or reduced environmental damage.

Innovative, cross-sector partnerships serve multiple purposes and are set up to tackle chaotic situations that require novel practices. Such situations are based on the fact that there is no established relationship between cause and effect at systems levels - or at best, they can only be observed in retrospect and thus form emergent practice.

Challenges and issues

The main challenge is the complexity of development problems, which are systemic in many countries.

Market related:

- There is a prevalence of non-market-based approaches (CSR, philanthropically driven approaches) and limited availability of proven and innovative business models.
- Many countries lack data on market opportunities and face high market fragmentation and low spending power by the target customers.
- Lack of access to finance. There are high expectations on short-term returns of investment in projects, coupled with high investment risks due to a lack of available track record or well-proven business models. There may be lack of commitment of resources to develop and implement partnerships.

Partnership related:

- True collaboration and participation of all partners is needed, despite uncoordinated and competing initiatives.
- Power differences during implementation. Power differences and power abuse often stand in the way when trying to create change. It can be important to try to influence powerful stakeholders to shift power structures in the right direction. Equally, empowering particular stakeholder groups – helping them get into a position where they can use power constructively – can be key to developing equitable multi-stakeholder change processes. This could include women, youth, farmers and other interest groups.
- Conflict between partners and loss of autonomy. Parties or individuals may have genuinely different interests and struggle over them, rather than negotiating between them. Using an approach of “interest-based negotiation” will be useful.
- Transparency of resource allocation, result frameworks and achievements will help manage conflicts.
- Partnership governance is often a challenge. It has to be clear who makes decisions and there must be a clear division of roles. Oversight and approval of work needs to be separate from the management of activities.
- Weak communication and cultural issues are a barrier to partnerships. Partners need to actively listen and communicate clearly about their perspectives; use dialogue over debate; and use powerful questions such as (i) questions for focusing collective attention; (ii) questions for connecting ideas and finding deeper insights; (iii) questions that create forward movement. Also, international partners and in-country teams need to be aligned and involved from the onset of the project. In-country teams should not be asked to carry out work that was imposed on them or they feel has low priority.

- High transaction cost and drain of resources during the process of forming cross-sector partnerships, agreeing and selecting a market to enter and technology to be used, negotiating governance, clarifying interests, arranging funding, etc. Those costs can outweigh the gains of partnering. Often the largest barriers to private sector investment are the high up-front investment and transaction costs needed to provide renewable, off-grid energy solutions for a small village or anchor customer such as a telecom base station. In many cases too, costs for market information and lengthy regulatory procedures are prohibitive.

Opportunities and benefits

- Private-to-private and multi-stakeholder partnerships have the potential to develop market-based business models to address public goods, including unlocking the potential of energy access.
- Strong partnerships can create shared value, i.e. develop results that neither partner would have been able to deliver on their own. Partners benefit from other partners' skills and resources, extend their reach, and innovate. That way, partners can fill gaps or complement each other. This includes consortia which include multinational partners. For those, it is also expected to be easier to attract the interest of investors and financiers for implementing the activities.
- Partnerships can address many of the market barriers through aligning the interests and competencies of global and local actors along a cross-sector value chain.
- Partnering with entrepreneurs has the potential to drive economic growth and job creation while also advancing development results. Particularly young and small enterprises lack finance, resources and governance to scale their solutions. Creating partnerships with other organisations who can help entrepreneurs overcome those challenges through accessing knowledge, practices and networks will help mitigate risk and open up opportunities.
- Partnerships need to evolve and embrace systemic change that is dynamic and requires (local) stakeholder consultation, which enable partners to learn, innovate and identify solutions. First, one needs to understand the complexity of a situation in order to then identify whether the problem can be tackled by one organisation or needs multiple actors. When trying to work on complex situations and problems, experimentation with a range of interventions is necessary to identify which ones work. This will form a basis for replication and scale.
- Standards can be set through enhanced coordination and varying expertise, particularly for public goods initiatives on energy, health, education, etc.
- Partnerships increase efficiency by bringing together private sector companies (with operations of significant size and multi-country presence) with local partners to ensure investment power is combined with local market knowledge and BoP-ready solutions. Such partnerships can provide a scalable and replicable base for business models for country-wide and global impact. Also, reputation and credibility can be enhanced through involvement of larger partners with local partners.
- Partnerships can have a positive impact on long-term sustainability and impact, as skills and capacities are transferred to potentially local partners who are there to stay in the market, or through the introduction of regional and global players to local markets.
- Partnerships can develop a culture of periodic evaluation of progress and results, rather than filling static M&E frameworks. As partners often work on novel topics, they agree on the broad strategic direction, but may differ on details. Therefore, it may be difficult to always link activities with concrete outputs. Periodic evaluation can help to gather lessons learned and improve effectiveness.

Example: Partnership on irrigation scheme in Nepal

First, the focus was on water delivery and engineering, and little attention was paid to improving agricultural practices or marketing. This meant that farmers didn't get the full benefits of the water. Systems models were then created with input from all stakeholders to show the inter-relationships between the sub-systems of water supply, agricultural production, support services, management, and marketing. A more comprehensive plan was made that helped all these areas to improve and farmers to benefit fully.

The soft systems approach enables stakeholders to analyse the situation from a systems perspective. It focuses discussions on thinking, inter-relationships, perspectives and boundaries.

- **Inter-relationships** look at how things connect with each other, what the elements that affect each other are, and what will happen if some of those change.
- **Perspectives** are different ways in which situations could be understood. Perspectives can be different and are driven by values and interests. Stakeholders should identify, understand and discuss those perspectives.
- **Boundaries** set how broad or narrow the focus should be. They define what can be changed and what cannot be changed. If the focus is too wide, partnerships may deal with too many things to be successful. If it's too narrow, partnerships may lose out on underlying issues. Boundaries can shift over the process.

Examples from Africa and Asia

Solar pay-as-you-go provider Greenlight Planet partnered with global telecommunications operator Orange, to provide Orange's customers (especially those who live off-grid) with access to clean energy solutions in several African countries. These countries include Burkina Faso, the Central African Republic, the Democratic Republic of the Congo, Liberia, Mali and Sierra Leone.

The Group first launched "solar kits" for consumers in the Democratic Republic of the Congo in 2017. Under the current partnership, Greenlight Planet's solar systems are available for Orange's customers in Burkina Faso, as of November 2019.

Through this partnership, Orange customers gain access to solar equipment in order to power basic services in their homes. Customers can use their mobiles to pay small, modular subscription fees at a distance using Orange Money, making solar energy more widely accessible with the flexibility of mobile payments.

Another popular partnership from East Africa includes Kenya-based M-Kopa and MNO Safaricom. In 2012, the two companies launched a national partnership that over the years grew for product stocking and distribution, as well as accessories, such as TVs.

The two companies have also partnered on a talent exchange programme that focus on skills in areas of technology, innovation, human safety and wellness, and improved customer experience.

Husk Power Systems (HPS) was founded in 2007 with a target to electrify 20,000 villages in India. HPS owns, installs, operates and manages decentralised rice husk/biomass gasifier-based 25–100 kW generation and distribution systems to deliver lighting and electrification services to 200–600 households on a "fee for service" basis, plus 5–10 irrigation pump sets and supports small businesses in rural Bihar, India. HPS uses a franchise-based business model and uses three distinct approaches to deliver electricity services: Build-Own-Operate (BOO), Build-Own-Maintain (BOM), where operation is managed by a local partner or entrepreneur, and Build-Maintain (BM), where a local partner/entrepreneur owns and operates the plant.



Figure 3 M-KOPA deal with Safaricom, Source: M-KOPA, 2016.

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Useful contacts

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