



MINI-GRIDS PARTNERSHIP

Bringing together partners for a stronger clean energy mini-grids sector

Working Group on Regulations and Institutions for radical scale

DISCUSSION DOCUMENT on recommendations for the sector

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Background and context

With only 10 years left to achieve SDG7, it is critical for the mini-grid market to reach scale and realize its potential as a least-cost solution for delivery of electricity in many areas. Despite the important role that mini-grids can play to help close the electricity access gap, the sector still faces policy and regulatory barriers in many countries.

To reach universal access to electricity by 2030, many countries will require to deploy hundreds or thousands of mini-grids in the next 10 years. However, many of the existing approval processes are designed primarily for licensing of large-scale utility projects and are unnecessarily lengthy and burdensome to small-scale mini-grids. It is therefore critical for governments to streamline licensing procedures to reduce administrative time and costs as well as monitoring requirements to ease the burden to both the governments and the mini-grid developers. However, to reach the needed scale, three key challenges need to be addressed:

- Mini-grid sector need to be de-politicized;
- License approval processes need to be shortened; and
- Best practices for donors to engage with the sector need to be established.

Narrative

In many countries, national electrification remains a highly politicized process – mainly the planning of national grid extension and setting of customer tariffs. Even though some countries established separate institutions responsible for rural electrification as well as developed regulations specifically tailored to mini-grids, their implementation often remains constrained by the local political economy. Thus, it is essential to showcase successful programs to policymakers to make a case for mini-grids as a viable least-cost solution for many rural areas that is not necessarily competitive with the national grid.

Another challenge to faster deployment of mini-grids are lengthy approval processes. Across Africa, the average approval time is one year per mini-grid site. Despite the efforts of regulators to create light-handed regulations, there are complex internal bureaucratic processes the regulators must follow in order to approve the license - such as physical visits of every site. There are, however, some countries that can be seen as leading the way - Nepal, Bangladesh and India developed lists of pre-qualified companies and pre-qualified generation and distribution equipment, allowing companies to bid for aggregated mini-grid sites.

Lastly, donors in different countries engage with the mini-grid sector to varying degrees and use different practices for procurement, accounting or monitoring. Creating a framework for best practices in technical assistance would help donors to engage more closely with the sector and ensure commitments are spent in a timely manner.



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Recommendations and Next Steps

- **Develop a network of policy champions to encourage positive peer pressure on policy makers and regulators.** Broker conversations with the Community of Champions, which can serve as a platform to advance topic-related discussions focused on mini-grids, such as:
 - To identify champion institutions with clear mandates in rural electrification planning and successful in their program implementation to showcase to policymakers that mini-grids can provide a least-cost viable solution for many rural areas.
 - To identify 1-3 best-in-class approaches to streamlined/ aggregated/ digitized approval processes for mini-grids that would allow for quick approvals at scale. In order to reach the goal of universal electrification by 2030, the approval processes need to be further streamlined. This can be achieved either by adopting license approvals for multiple sites or by pre-qualification on a company-basis. Another important aspect is digitization of the application processes and development of standards and benchmarks for mini-grids to enable faster and more transparent granting of approvals.
 - To create a framework for best practices for donor support on mini-grid policy and regulation. Donors contribution to mini-grid sector was increasing over the past years, with a total of 2.07 billion USD approved funding in March 2020. However, only about 13% of these commitments had been disbursed. Donors currently do not need to follow any set of best practices when it comes to funding and providing technical assistance to government agencies. Creating such a framework will help coordinate the donor engagement with the sector, define what a successful TA program should look like and help ensure commitments are spent in a timely manner.

Proposed Next Steps by the Working Group Members¹:

- **Reach out to the Community of Champions** to explore whether there is an interest in including mini-grid related topics on their agenda
- **Present this list of recommendations to the MGP Steering Committee** and prepare a list of mini-grid topics that could be presented to the Community of Champions

¹ Not endorsed by the Steering Committee members