COVID-19 Briefing:
Urgent Need for Consumer Relief to Sustain Energy Access

WHO ARE THE MOST VULNERABLE?

26-39 MILLION

PEOPLE PROJECTED TO FALL INTO EXTREME POVERTY IN SUB-SAHARAN AFRICA DUE TO COVID-19[1]

Low-income households that derive income from labor intensive, low-skill jobs will be the hardest hit by the crisis.[2] Women-led households will be especially hard-hit, due to high job losses and school closures resulting in more time spent on unpaid work, and no access to school-based nutrition programs.[3] Households with elderly and sick people may be more exposed to illness and unexpected health bills. Due to COVID-19-related impacts, these vulnerable households will have even less disposable income for essential needs such as food, health and energy.

CHALLENGES LIMITING ENERGY ACCESS

REDUCED INCOME

Work hours may reduce by 4.9% in SSA, equivalent to ~19M full-time jobs, while international remittances to SSA may drop by 23% (or US$ 11B) in 2020[4]

INCREASED PRICES

Prices may increase for food and medicine due to supply chain disruptions (e.g., consumer price index in Ghana increased from 7.8% to 10.6% between Mar – Apr alone)[5]

RESTRICTED MOVEMENT

12 SSA countries had full lockdowns limiting consumer ability to earn income, and company ability to collect payments and service systems[6]

Off-grid solar (OGS) solutions are a critical component of post COVID-19 economic recovery for countries in SSA. Particularly in rural areas, OGS systems increase income, boost education levels, and increase quality of life.[7]

Current Relief Initiatives

RELIEF TO COMPANIES

Initiatives have largely focused on funding companies so that they can continue servicing off-grid consumers. Due to COVID-19, OGS companies requested emergency relief funds from investors, donors, and governments. Various relief funds providing concessional debt and grant capital are under development, and expected to reach companies starting in Q3 2020, to help OGS companies maintain operations and solvency. One example is the Energy Access Relief Fund that will provide concessionary loans of at least €200K to OGS companies. Others include one led by the Global Distributors Collective (GDC) and the Africa Minigrid Developers Association (AMDA), and another led by Africa Energy Challenge Fund (AECF), both of which provide concessional relief packages for small OGS companies.[8] Technical assistance facilities have also emerged to help OGS companies respond to COVID-19.

RELIEF TO CONSUMERS

Very few initiatives have provided consumers direct relief for energy access and most have targeted on-grid consumers. In some countries, utilities have waived grid electricity bills or postponed payments for the most vulnerable households, as in Togo, Ghana, the Democratic Republic of Congo, and the Ivory Coast.[9] Some off-grid solar companies have started to provide payment holidays and other relief mechanisms for customers, such as BBOXX and Soleva in Togo.[10] Despite these examples, there is a significant lack of and urgent need for public funding to directly support vulnerable communities in SSA.

RECOMMENDED CONSUMER RELIEF INTERVENTIONS

There is a clear need for consumer relief during COVID-19. Governments must now ensure that the 160 million people in SSA who gained energy access through OGS products over the last 10 years do not fall back into energy poverty.[11] Governments should raise public funds and work with donors and development partners to provide consumer relief to vulnerable off-grid populations.

Governments can Provide Consumer Relief in the Following Ways

1. Free energy for defaulting consumers: provide a few hours of free energy every day to defaulting OGS consumers
2. Subsidized pay-as-you-go (PAYGo) payments: reduce consumers' instalments to continue regular payments at lower rates[12]
3. Lifeline service: provide a few hours a day of free energy to all consumers, ensuring some level of energy provision to everyone
4. Restructured payment plans: provide payment holidays or extend repayment period for those struggling to pay
5. Bonus energy: provide bonus energy when consumers make payments to reward payment (e.g., buy 1 week, get 2 days free)
6. Cash or vouchers: Provide consumers with cash or vouchers to cover cost of weekly or monthly instalment payments

**Adapted from article by Koen Peters, Daniel Waldron and Jacob Winiecki. See article for greater details on these interventions.[13]*

Governments can Provide Support Through Existing or New Delivery

EXISTING VS NEW CHANNELS

Given the urgency, leveraging existing channels may offer the quickest way to deliver consumer relief. Examples include RBFs and mobile-based cash transfers that are typically donor and/or government operated. These channels already have the necessary fund management, administration, and verification processes in place to quickly deliver funds to companies or consumers. It would be necessary to raise new funds for consumer relief that can be funneled through these channels, as existing programs that leverage these channels have pre-committed and dwindling funds.

In some countries it may be necessary to quickly pilot new delivery channels if none currently exist or if it is impractical to leverage existing channels. Pilots for new consumer relief channels should follow best practice design principles to ensure efficiency and accountability.

Governments will need to determine whether to leverage existing channels or develop new ones based on country-specific realities, noting time is of the essence. In either case, it is pivotal that new funding is allocated for consumer relief.

Funding Can be Channeled Directly to Consumers or Through Companies

RELIEF DIRECT TO CONSUMERS

Providing relief directly to consumers gives them freedom to decide how to use funds, leading to increased sense of ownership and dignity.[14] There are also several well-established channels for delivering relief in this way. However, ensuring that relief is spent on off-grid solar can incur high administration costs.

Mobile-based model: This model utilizes either mobile money or mobile vouchers for consumers to access energy. In the former, a relief fund transfers mobile money to a consumer's mobile wallet to pay an OGS company for energy access. With mobile vouchers, consumers submit voucher codes provided by the program to the OGS company to receive PAYGo credit. The company would then submit the voucher codes to the program for reimbursement. Mobile-based models provide contactless consumer relief, which can reduce the threat of COVID-19 transmission.

Cash-based model: In countries with low mobile phone or money penetration, direct-to-consumer relief funds may need to be cash-based. However, given COVID-19, there is an increased likelihood of spreading the virus through cash. Cash disbursements should be made with thorough safety measures in place to prevent spreading COVID-19, for example using personal protective equipment and social distancing.

RELIEF THROUGH COMPANIES

Providing relief through companies may simplify verification and administration of funds, ensuring that more funding is used for off-grid energy. Several channels with well-functioning systems and experienced personnel already exist to funnel relief through companies

Results-based financing (RBF) model: RBFs are an increasingly popular public funding mechanism that rewards companies for meeting agreed upon objectives. For instance, RBF programs could compensate companies for providing consumer relief, tying payments to metrics such as the number of customer bonus days or the number of customers reached with subsidized instalment payments. The program can pay companies either when these outcomes are verified, or in stages tied to specific milestones. RBF allow programs to steer consumer relief to meet these pre-defined outcomes.

Impact-based procurement model: This model also rewards companies based on outcomes but uses a "reverse-auction" method to select participating companies.[15] Here, companies submit proposals setting out the subsidy level they would require to achieve the program's objectives (e.g., providing a lifeline service) and the number of consumers they expect to reach. The proposal with the best value proposition is then selected. Compared to RBFs where the program determines the subsidy level, this model's advantage is its use of a reverse-auction method which allows companies to provide energy services on more feasible terms for them.

Programs Should be Designed with Several Key Considerations in Mind

Governments should bear in mind the following key considerations in deploying consumer relief interventions, which cut across all programs and delivery channels:

Targeting

Interventions can range from providing blanket relief for all consumers or very targeted relief to vulnerable consumers that are unable to pay. Although a blanket relief can be easier to deploy, with the goal of providing consumer relief for vulnerable populations during Covid-19, it is important to appropriately target. Targeting can be done geographically, demographically, or based on income levels. More data and research to better understand customer needs during and post COVID-19 is needed to better target consumers for relief, with some research currently underway by GOGLA and 60 Decibels.

Verification

All interventions should ideally include robust verification mechanisms that ensure accountability and correct use of public funds. These systems ensure that funds are going to the right people, in the right amount, and for the intended purpose. However, not all forms of verification may be possible during the COVID-19 pandemic, for example in-person verification where movement is restricted. Governments should leverage remote solutions as much as possible to promote efficiency, accountability, and safety during COVID-19.

Sustainability

A key objective of these COVID-19 consumer relief interventions should be to provide relief in a sustainable manner by incorporating an exit strategy upfront (but noting this is an emergency response). Lack of a clear exit strategy can cause long-term market distortion, even after the pandemic ends. Governments should be clear that consumer relief is being provided on a temporary basis as emergency relief during COVID-19 and work with the private sector to ensure this is appropriately communicated to consumers. Governments can also work with the private sector to set a phased-back approach to a post-pandemic world.

**Note: We will soon publish a policy note setting out principles to guide governments in designing demand-side subsidies.*

Consumer relief interventions are a critical short-term emergency response but also critical to long-term economic recovery and development for vulnerable communities.

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