

OPPORTUNITIES AND TRENDS BRIEF

March 2021

Somalia: A stand-alone solar market with unexploited potential

9.75m

Unelectrified
population

15m

 Total
population



24
people/Km²
Population
density

36
out of
100



RISE Score
(Framework for
Stand-Alone
Systems)



2

Donor programmes
supporting
Stand-Alone Solar
(SAS).

2030



Government
target for universal
electrification



- » Somalia is a federal state made of the Federal Government of Somalia (FGS), the five Federal Member States (FMS) of Puntland, Galmudug, Hirshabelle, South-West and Jubbaland, and Somaliland.
- » The socioeconomic structure heavily depends on remittances, telecommunication and donor funding. The economy grew by an annualised rate of 2.9 per cent in 2019, and was expected to grow by **3.2 per cent in 2020**.¹
- » Remittances play a significant role in the disposable incomes of most families in Somalia and therefore their ability to finance solar home systems (SHS).²
- » The Covid-19 pandemic **reduced trade and remittances by almost 50%**. The effects of the pandemic were exacerbated by the extended flooding, cyclones and locust plague experienced in the last 24 months, thus negatively impacting the socioeconomic lives of many citizens.^{3,4}
- » The stand-alone solar (SAS) market in the country is expected to experience sizable growth over the next five years.
- » Uncorroborated figures from the Somalia Electricity Access Project (SEAP) show a **growth in sales of SAS from 2019 to 2020**, indicating high demand for energy services despite constraints from the COVID-19 pandemic.

The Federal Government of Somalia is making progress in supporting SAS through;



The draft Somalia Energy Policy, 2019 and the Somalia Electricity Bill, 2020 mention SAS in the wider scope of renewable energy. The Policy recommends tariff reduction, subsidies, awareness campaigns and development funds to drive the uptake of renewables.



In 2021, the Ministry of Energy and Water Resources (MoEWR) has commissioned a one-year nationwide campaign to address the problem of low consumer awareness of SAS.

There is some funding to support the SAS sector, though more will be required for the existing potential to be realized.



(REACT SSA)⁵ Somalia, a USD 8.5m facility to help accelerate access to low cost, clean energy alternatives to grid power.



Launched in August 2020, the **(SEAP)⁶ is a USD 700,000** solar grant facility aiming to reduce market barriers for the private sector to sell SHS.



Gargaara which is a multi-partner fund finances energy, agriculture, fisheries and industry.



To support the grantees of REACT, ACE TAF is providing coordination and policy advice to the Ministry of Energy to ensure SAS is considered when finalizing the off-grid policy and help to manage multi stakeholders to help government meet objectives



- » Unverified estimates of SAS sales show approximately **20% growth** year-on-year in 2020, attributed to availability of higher quality products and credit from suppliers.
- » Estimates show that up to **150,000 off-grid systems are sold annually** in the country, relatively low-cost and poor-quality products.⁷
- » Mobile money penetration is estimated at **80% in urban areas** and **55% in rural areas**.⁸ This combined with fee-free transactions within regions creates a conducive environment for pay-as-you-go.

There is a gap in the market information available on demand and supply of SAS. Such information is necessary for the country to attract foreign investment.

In conclusion

For more than two decades, Somalia did not have any form of recognized government but that changed in 2012 when the transitional federal government was put in place. As such the country still struggles with political instability and insecurity. Like in other areas, the private sector will be key to the development of the SAS market in Somalia. Simplified financial and investment options for suppliers to procure quality products, pay-as-you-go (PAYG) models, warranties, after-sales services, and a skilled workforce will unlock the market and increase access to electricity in the country.

Reference

- 1 World Bank (2020). Somalia scales up social protection measures as COVID-19 constrains economic growth.
- 2 UNDP (2018). Shifting the energy paradigm in Somalia (STEPS).
- 3 World Bank (2020). Impact of COVID-19: Policies to manage the crisis and strengthen economic recovery.,
- 4 World Bank (2020). Somalia scales up social protection measures as COVID-19 constrains economic growth.
- 5 Renewable Energy, Adaptation and Climate Change Technology Sub-Saharan Africa (REACT SSA)
- 6 Somalia Electricity Access Project (SEAP)
- 7 ibid.
- 8 Yuusuf, A. M. (2020). An unlikely mobile money success story: How Somalia's civil war laid the foundation for a cashless society.