

# BUSINESS MODELS AND ENABLING BUSINESS ENVIRONMENTS

*Mini Grids for Half a Billion People*



**WORLD BANK GROUP**  
Energy & Extractives

5<sup>th</sup> Mini Grid Action Learning  
Event and Summit  
Global Technical Conference on  
Mini Grids  
June 26, 2019

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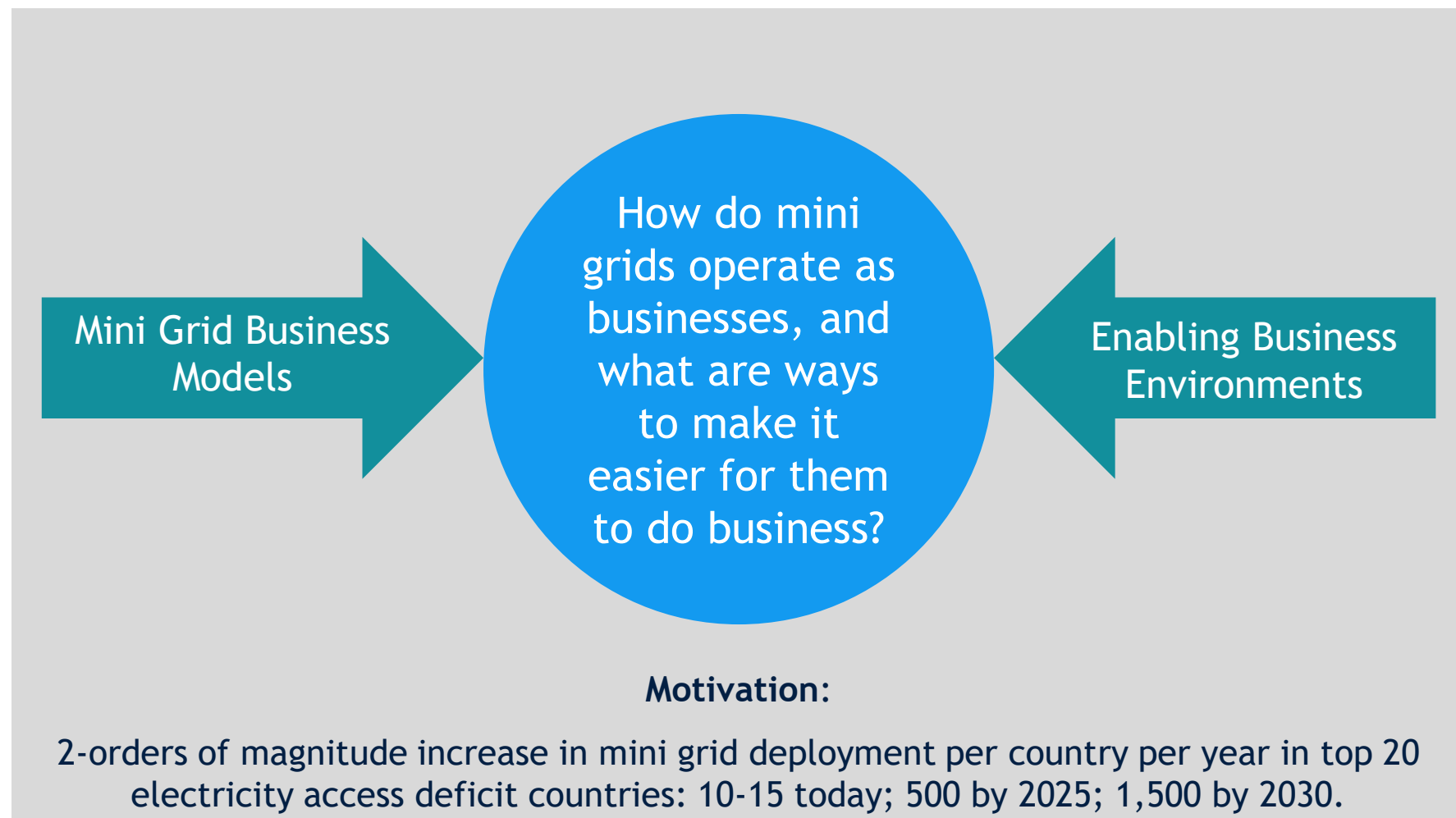
**Four complementary strategies to create an enabling business environment**

1. Standardized, pre-approved templates
2. Technology platforms
3. Delegation to avoid multiple layers of oversight
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## The bottom line

## Session Topic:

# Business Models and Enabling Business Environments



# Panelists



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Limited (IDCOL),  
Bangladesh

# Business Models: What are they?

There is no universally accepted definition, but it can be helpful to think about these 4 areas:

Business Model Element	Question	Examples
Customer	Who are the customers?	<ul style="list-style-type: none"><li>• Main grid as a customer</li><li>• A-B-C model</li></ul>
Value Proposition	What services (and products?) does the mini grid provide	<ul style="list-style-type: none"><li>• Tier 4 or 5 electricity</li><li>• Efficient appliances</li></ul>
Value Chain	<ul style="list-style-type: none"><li>• What is the generation technology?</li><li>• Who designs, builds, owns, operates, and maintains the mini grid (portfolio)?</li></ul>	<ul style="list-style-type: none"><li>• Solar hybrid, hydro, etc.</li><li>• Split asset model</li><li>• Portfolio approach</li></ul>
Monetization	How does the mini grid generate revenue?	<ul style="list-style-type: none"><li>• Pay-as-you-go electricity</li><li>• Financing for appliances</li></ul>

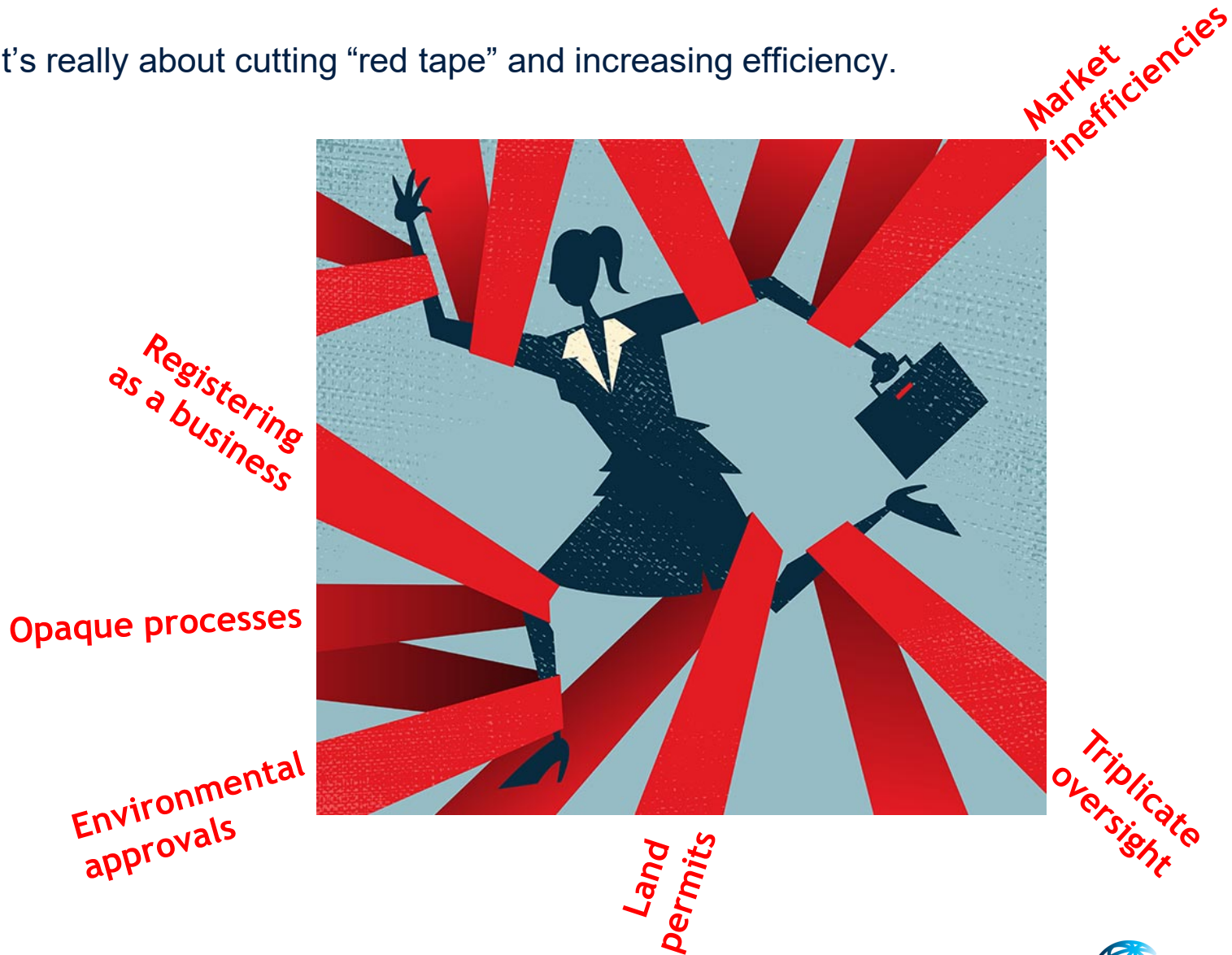
# Business Models: Why are they important?

Three reasons why understanding mini grid business models is important:

For All Stakeholders	For Developers and Suppliers	For Policymakers and Regulators
<p>To track the industry's evolution</p> <p><u>Example:</u>  <i>1<sup>st</sup> → 2<sup>nd</sup> → 3<sup>rd</sup> Generation Mini Grids</i></p>	<p>To identify areas for innovation</p> <p><u>Example:</u>  <b>Customer:</b>  <i>Households → “ABC”</i></p> <p><b>Value Proposition:</b>  <i>kWh → kWh + machines</i></p> <p><b>Value Chain:</b>  <i>One-off → Portfolio</i></p> <p><b>Monetization:</b>  <i>Cash to dealers → PAYG via mobile money</i></p>	<p>To develop enabling environments</p> <p><u>Example:</u>  <i>Policies and regulations that accommodate different business models and their evolution over time</i></p>

# Enabling Business Environment: What is it?

It's really about cutting "red tape" and increasing efficiency.



# Enabling Business Environment: Why is it important?

Why is an enabling business environment important?

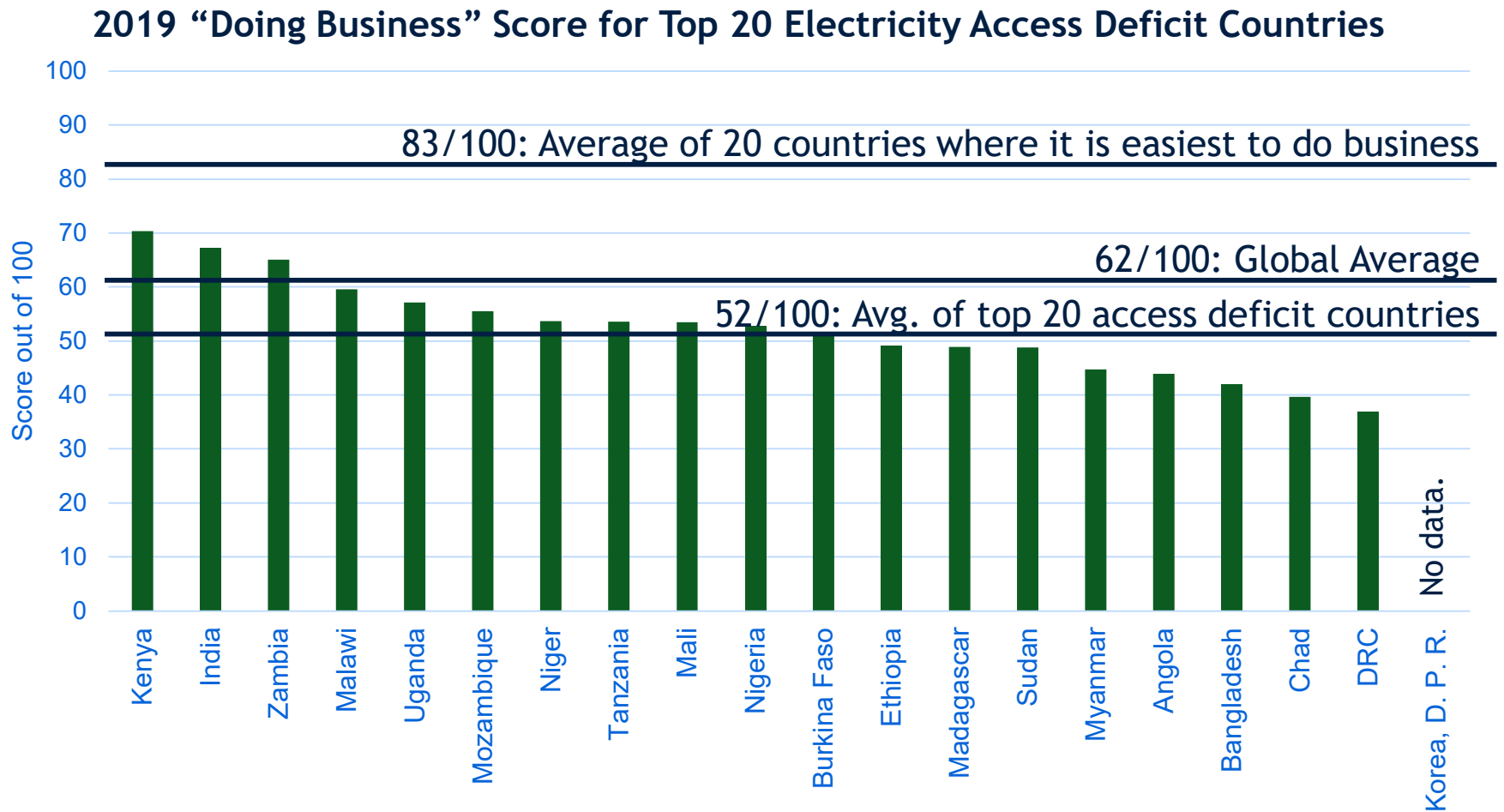


*“We’re not willing to commit millions of dollars of capital to mini grids in countries where it’s just too difficult to set up and run a mini grid business.”*

*~ Typical reason given by financiers and developers about where to invest.*

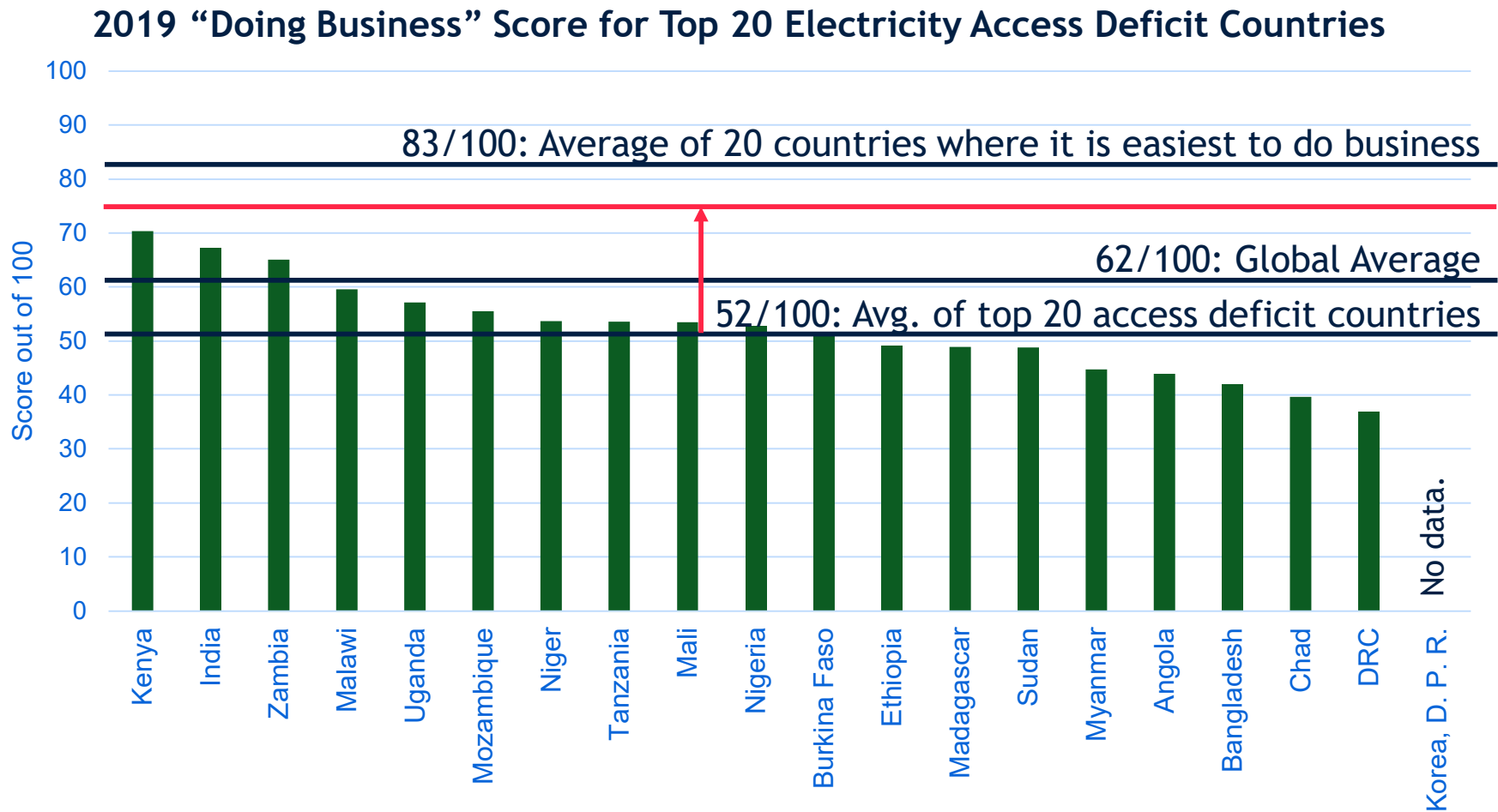


# Enabling Business Environment: Where are we today?



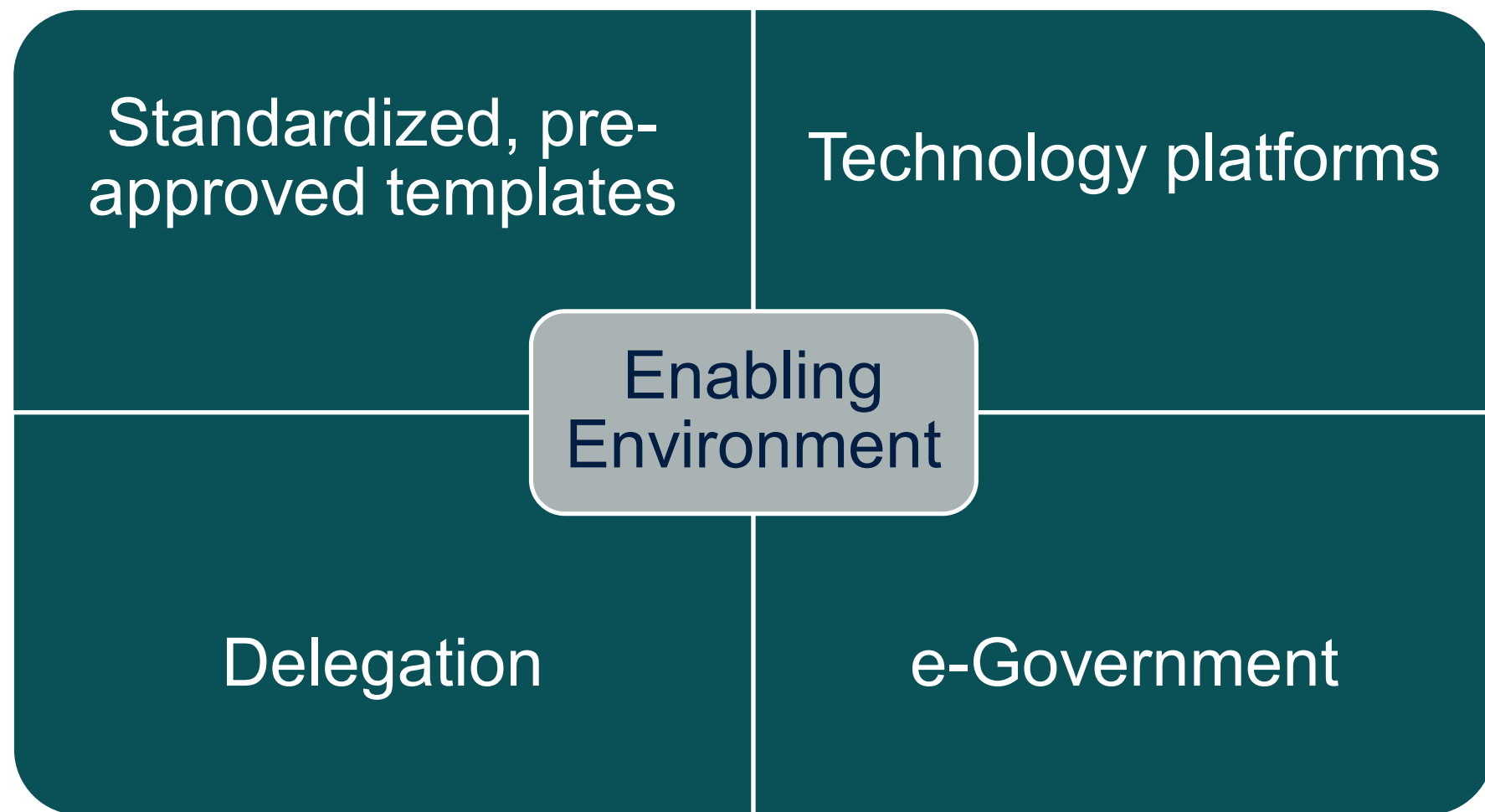
Source: World Bank Doing Business: <http://www.doingbusiness.org/en/data>

# Enabling Business Environment: Where are we today?



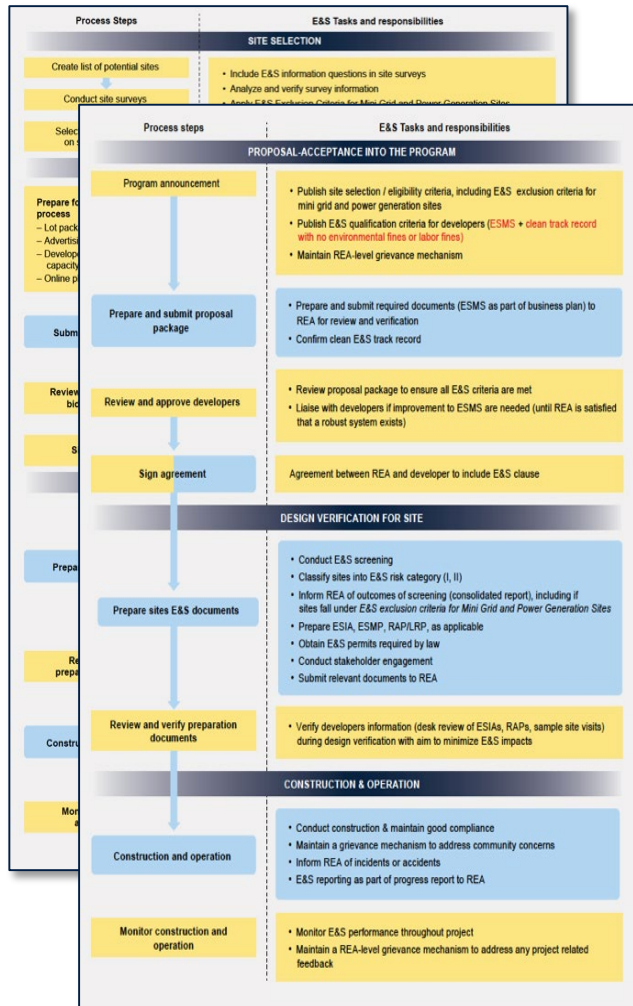
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# Four complementary strategies to create an enabling business environment

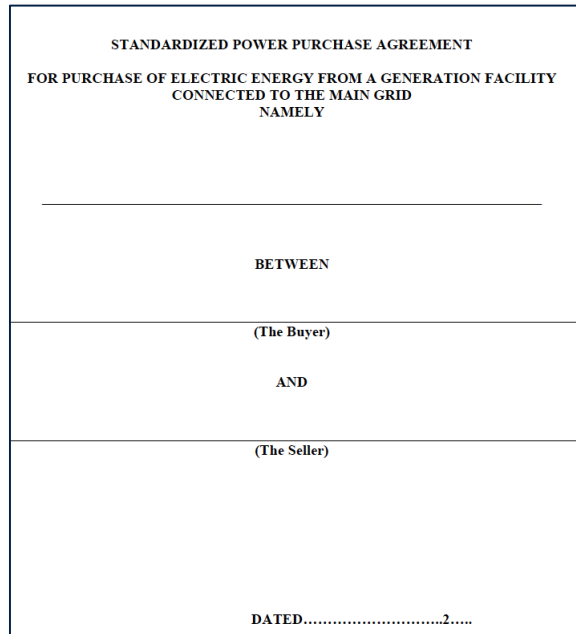


...among other strategies...

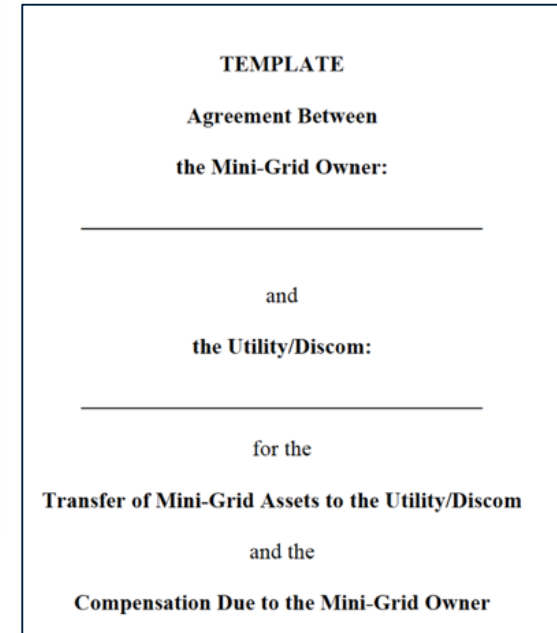
# 1. Standardized, pre-approved templates



Nigeria ESMS



Tanzania PPA



Asset Transfer Template  
(Under preparation by  
ESMAP)

Examples

# 2. Technology Platforms

**Example**  
 Odyssey Energy Solutions:  
<https://www.odysseyenergysolutions.com/>

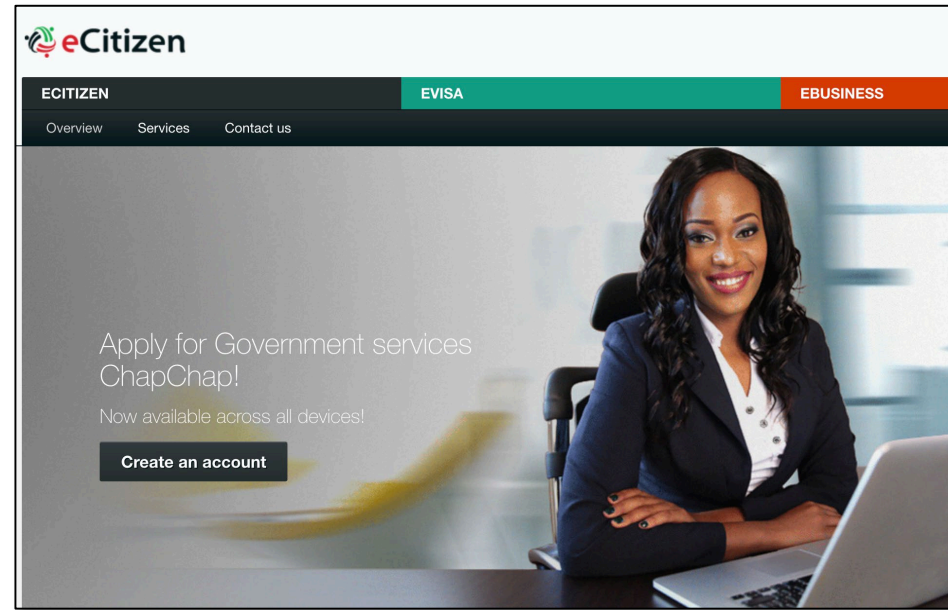
### 3. Delegating oversight to a single entity

Option	Advantages	Disadvantages	Examples
Local government	<ul style="list-style-type: none"> <li>• More accessible to developers and customers</li> <li>• Enforcement of regulation may be easier given the physical presence of the regulator in the community</li> </ul>	<ul style="list-style-type: none"> <li>• Potential lack of resources to be an effective regulator</li> <li>• Potential for different rules in different jurisdictions impedes large portfolios</li> </ul>	Community agreements used in Haiti, Nigeria, and Myanmar
REA or grant-giving agency	Complex interfaces between agencies can be avoided if the subsidizing agency also acts as regulator (caveat: other gov. entities still may have authority over certain aspects)	<ul style="list-style-type: none"> <li>• Potential lack of resources to be an effective regulator</li> <li>• May lead to conflict of interests</li> </ul>	Bangladesh (IDCOL), Mali (AMADER)

# 4. e-Government Initiatives

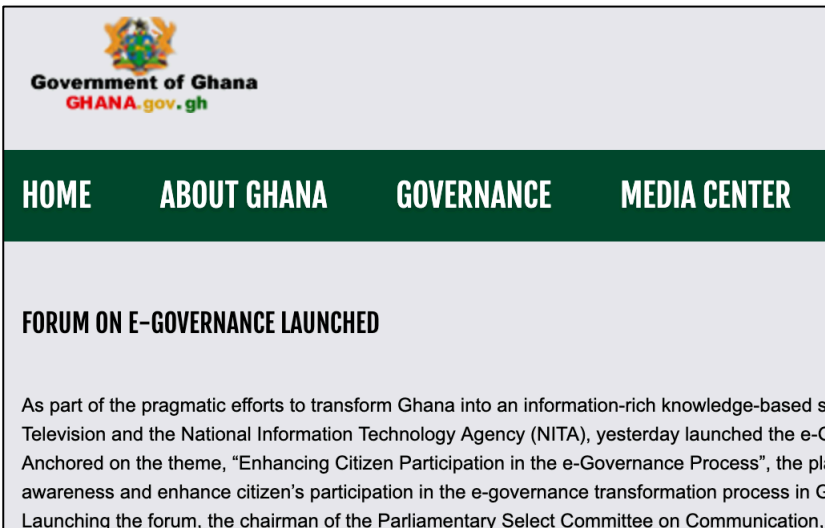


Nigeria

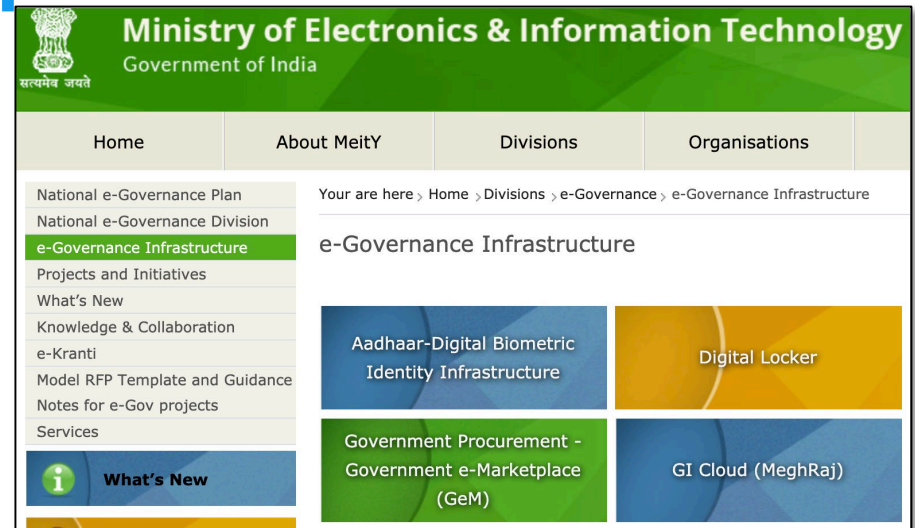


Kenya

## Examples



Ghana



India

# The Bottom Line

Simplifying and streamlining the environment in which developers do business paves the way for business model innovation and makes the mini grid market more attractive to the private sector. This means more mini grids providing more access to affordable electricity to more people at a faster pace.



## Discussion Questions

1. What new business models are you seeing emerging in your country?
2. What are the most burdensome rules, regulations, policies, or other requirements that the private sector faces when trying to develop or operate mini grids in your country?
3. What are some of the strategies in place to make it easier for the private sector to do business in your country?

# CONTACTS

## **BUSINESS MODELS AND ENABLING BUSINESS ENVIRONMENTS**

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# Thank you.