



Solar power pay-as-you-go projects in Africa are getting major funding

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There's long been an expectation by both analysts and casual observers that solar power would play an important role in filling the huge deficit in Africa's power generation capacity. One challenge has always been how to deliver a consumer proposition that would be affordable for some of the poorest people in developing countries, particularly in rural areas.

Services that allow customers to pay for solar equipment and service in small installments have picked up momentum in last couple of years, particularly in East Africa. Two firms that supply solar power products with pay-as-you-go products have raised a total of \$75 million in financing this month to back up that long-held vision.

Social impact investors, many of which are backed by US-based or European funds, have focused on this area especially in trying to get electricity to remote rural areas which are unlikely to be connected to a traditional electricity grid anytime soon.

San Francisco-based Off-Grid Electric, which serves about 150,000 people in Tanzania, Rwanda, Cote d'Ivoire, and recently expanded to Ghana, has secured \$55 million funding which will be focused on research and development and further expansion of its services on the continent. The Series D funding was led by Helios Investment Partners, with support from GE Ventures.

Off-Grid Electric's model allows its customers to pay in installments or lease its system over two to three years before they fully own the solar equipment, thus making it more convenient for customers. In November 2016, it partnered with UK energy giant EDF in a joint venture in Cote d'Ivoire which is now expanding to Ghana.

Meanwhile, Azuri Technologies has launched a \$20 million off-balance-sheet debt financing program to provide working capital for its expansion in East Africa. Its first phase of \$4 million has already been completed with funding from the European Union's ElectriFI program and impact investment platform TRINE.

Azuri is based in Cambridge, UK, and installs rent-to-buy solar systems and its new satellite TV service. Power from the panels are paid for by mobile phone or scratchcard. The payments also serve as installments towards owning the system outright. After about 18 months the homeowner has typically paid off the cost of the panels, or can buy them for a very small sum (say, \$5).

Azuri's investors are effectively betting on the reliability of the company's customers. The commercial debt being raised is secured against the future revenues paid by customers. Azuri says this is only possible because



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of the "strong track record" of customer repayments for Azuri's PayGo products. The new financing is also designed to give confidence to debt investors by allowing them to use Azuri's detailed customer data to ensure the finance is duly deployed to intended customers and that customer receipts are appropriately secured.

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