OPPORTUNITIES AND TRENDS BRIEF

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Tanzania: A Stand-alone Solar market with potential that requires more government support and coordination

35m
Unelectrified population

58m
Total population

63
people/Km²
Population density

81
out of
100
RISE Score (Framework for Stand-Alone Systems)

2033
75%
Government target for universal electrification

141
out of
190[1]
Ease of Doing Business Rank

7
Donor programmes supporting Stand-Alone Solar (SAS).

81
out of
100
PAYG Market Attractiveness Index (Score)

- Sales of solar home systems in Tanzania between January and June 2020[2] **decreased by 48 percent** compared to the same period in 2019. For solar appliances, sales decreased by 17% over the same period.
- Findings from the Energy Access and Use Situation Survey II in Tanzania mainland 2019/2020[3] show that connectivity is still **less than 40%** of the Tanzanian population.

Coordination between stakeholders in the SAS sector could enhance government efforts:

- The Tanzania Bureau of Standards adopted IEC Standards for pico solar in September 2017 though, enforcement has been a challenge. As a result, the market still has many non-certified SAS products that have eroded consumer confidence.
- The government offers tax exemptions for SAS, though these are inconsistently applied
- Multi-stakeholder coordination between government, private sector and development partners is needed for SAS to contribute to universal electricity access

There have been some investments that SAS companies could benefit from:

The Tanzania Rural Energy Expansion Programme (TREEP) credit line funds with Tanzania Investment Bank (TIB) for renewable energy companies/appliances and SPPs with an **allocation of USD10 million.**

EUR1.5 million Endev RBF funds with SNV for solar companies from September 2019 to September 2020.

EUR1.5 million RBF SNV/ ENDEV COVID-19 recovery funds for solar PV companies from October 2020 to March 31, 2021.

However, SAS companies have not been successful in accessing the funding.

The sector is still facing market uncertainties among other challenges

- In the face of the COVID-19 pandemic some SAS companies laid-off staff to cope with dwindling revenues. Many solar distributors and PAYG companies reported that their sales **decreased by more than 75%.** Other companies run out of stock because of delayed importation in the period between April and June 2020 resulting from the backlog that was created by the lockdowns in China.
- Market uncertainties caused by the Microfinance Act of 2018 that made some SAS companies to delay their market expansion plans and investments. This was further aggravated by the Covid-19 pandemic.
- Insufficient market data especially on the potential market for SAS. The Energy Access Explorer Map is a geospatial tool that could help in addressing this gap. The Map has several data sets that government energy planners and companies can use to identify areas suitable for SAS[4].

Other significant trend noted:

- Government focus is on large electrification projects as captured in the 2019 Joint Energy Sector Review and the Power System Master Plan, 2020 (Draft).
- The VETA renewable energy training curriculum that includes SHS was commissioned and is expected to increase the availability of skilled personnel for the SAS sector.
- The Tanzania Renewable Energy Association **has grown to 877 members by December 2020,** even though it has limited capacity to advocate for issues of concern between the government and the private sector.
- The SAS sector should be more proactive to benefit from the current political promises, such as the targeted 1,100MW[5] from renewable energy in the next five years.

In conclusion

The SAS market in Tanzania has potential that can be realized if government recognizes SAS as one of the solutions to attain universal electricity access by 2033. Additionally, coordination between development partners, private sector and government could go a long way in addressing the challenges and unlocking the market.

Reference

1 World Bank (2020) Doing Business
2 GOGLA (2020). Global off-grid solar market report semi-annual sales and impact data.
3 United Republic of Tanzania (2020). Energy access and use situation survey II in Tanzania mainland, 2019/2020.
4 Mentis et al (2019) Energy access explorer: Data and methods
5 President of Tanzania speech during inauguration of the National Assembly on November 13, 2020. Renewable energy market share of 1,100MW was promised to be derived from solar, wind and geothermal.