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# POWER FOR ALL FACT SHEET

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## From commitments to disbursements: the mini-grid sector remains underfunded

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**POWER  
FOR  
ALL**

# \$1 trillion

2022 FOSSIL FUEL  
CONSUMPTION SUBSIDIES  
GLOBALLY

# 14%

OF THE MONEY COMMITTED IS  
ACTUALLY DISBURSED

# \$2.3 billion

IS THE ANNUAL INVESTMENT  
NEEDED TO ACHIEVE  
UNIVERSAL ENERGY ACCESS  
BY 2030

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Energy is vital for economic and social development and plays a key role in at least nine of the 17 United Nations Sustainable Development Goals (SDGs). Currently, about 700 million people lack access to electricity—80% of whom live in rural areas— and 2.3 billion rely on harmful cooking fuels.<sup>1</sup> Mini-grids and other decentralized renewable energy (DRE) technologies are the most cost-effective solutions for more than half the underserved population. However, the mini-grid sector is severely underfunded. Without adequate political, regulatory, and financial support, the sector cannot achieve the scale needed to end energy poverty. To reach universal energy access by 2030, an estimated \$2.3 billion investment in DRE is required annually.

**Mini-grids face challenges as state-owned utilities and fossil fuels receive more attention, financial support, and regulatory backing. Additionally, funding for mini-grids drops significantly during their crucial growth stage.**

- » Globally, fossil fuel consumption subsidies doubled from 2021 to 2022 reaching an all-time high of over \$1 trillion.<sup>2</sup>
- » In Africa, over two-thirds of overall annual energy investment goes to fossil fuels.<sup>3</sup>
- » In sub-Saharan Africa (SSA), state-owned utility companies incur quasi-fiscal deficits averaging 1.5% of GDP, paid with taxes or government debt, effectively serving as hidden subsidies for traditional utilities.<sup>4</sup>
- » Investment trends indicate that mini-grids struggle with inadequate funding during their growth stage. If unaddressed, this gap may form a "valley of death", which would prohibit the sector from scaling.<sup>5</sup>
- » Funding is only available either in the early (seed) stage or in the late stage after a company has established a proven track record.<sup>6</sup>

**The mini-grid sector has lower disbursement ratios than other donor-funded projects. Despite inclusion in national electrification plans, funding for mini-grid projects often falls short of pledged amounts. Investment in the DRE sector is significantly below what's needed to achieve universal access.**

- » Funding deployment, especially for large projects, is time-consuming, but current delays are excessive. World Bank President Ajay Banga highlighted the issue: *"Currently, a World Bank project takes 27 months before a single dollar gets out the door. This is followed by a lengthy implementation. Too often it's longer than 10 years before the first benefits are felt. That is a lifetime. We must do better."*
- » Kenya's Off-grid Solar Access Project (KOSAP), launched in 2017, aims to serve 1.3 million people in 277,000 households across 14 counties. To date, only 29% of the funds have been disbursed.<sup>8</sup>
- » The public-private partnership Nigeria Electrification Project (NEP), launched in 2018, aims to reduce the energy access gap by electrifying underserved households, businesses, and public educational institutions. Although it created over 1 million connections, less than 6% were through mini-grids.<sup>9</sup>
- » The Universal Energy Facility (UEF), a multi-donor, results-based finance initiative, aims to rapidly expand energy access in sub-Saharan Africa. Its first phase targeted nearly 14,000 electricity connections in Benin, Madagascar, and Sierra Leone, but only 1,123 connections were completed, all in Madagascar.<sup>10</sup>
- » In the last decade, DRE technologies attracted more than USD 3 billion. However, an estimated \$2.3 billion in DRE investment is needed annually to achieve universal energy access by 2030.<sup>11,12</sup>

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To track donor funding progress in the mini-grid sector, Power for All recommends Key Performance Indicators (KPIs) developed through comprehensive data analysis, including the collection, cleaning, merging, and analysis of information from multiple sources.

- » **KPI 1 - Approved vs. Disbursed funding:** Measures the alignment between approved and spent funds, helping identify potential inefficiencies or delays in fund deployment. On average, only 14% of the total money approved by donors yearly is disbursed.
- » **KPI 2 - Share of sites that receive donor funding:** Only 20% of the existing MG projects from the African Mini-grids Developers Association (AMDA) members receive any funding, and existing funding only covers CAPEX.
- » **KPI 3 - Disbursed / number of sites:** A proxy of KPI 2 for the entire SSA region, showcasing that only 16% of the total sites have received donor funding.
- » **KPI 4 - Donor money per connection in focus countries:** Donor money disbursed per connection in the SSA mini-grid sector accounts for up to 17% of the total CAPEX per connection in the 4 focus countries (Kenya, Nigeria, Uganda, and Sierra Leone).

### Share the Message

- » 📢 Power for All's KPIs reveal disbursements fall short, with only 14% of approved funds reaching mini-grid projects. Let's improve funding efficiency for real impact. #KPIs #EnergyFinance
- » 🌐 Donor disbursements for mini-grids lag behind commitments, hindering progress. We need efficient funding strategies for a brighter energy future. #SustainableFinance #GlobalGoals
- » 🕒 Donor money deployment takes time, but it's dragging on. Ajay Banga urges swifter action. Let's speed up the process and achieve impact faster! #EnergyProjects #DevelopmentFinance

#### Sources:

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