

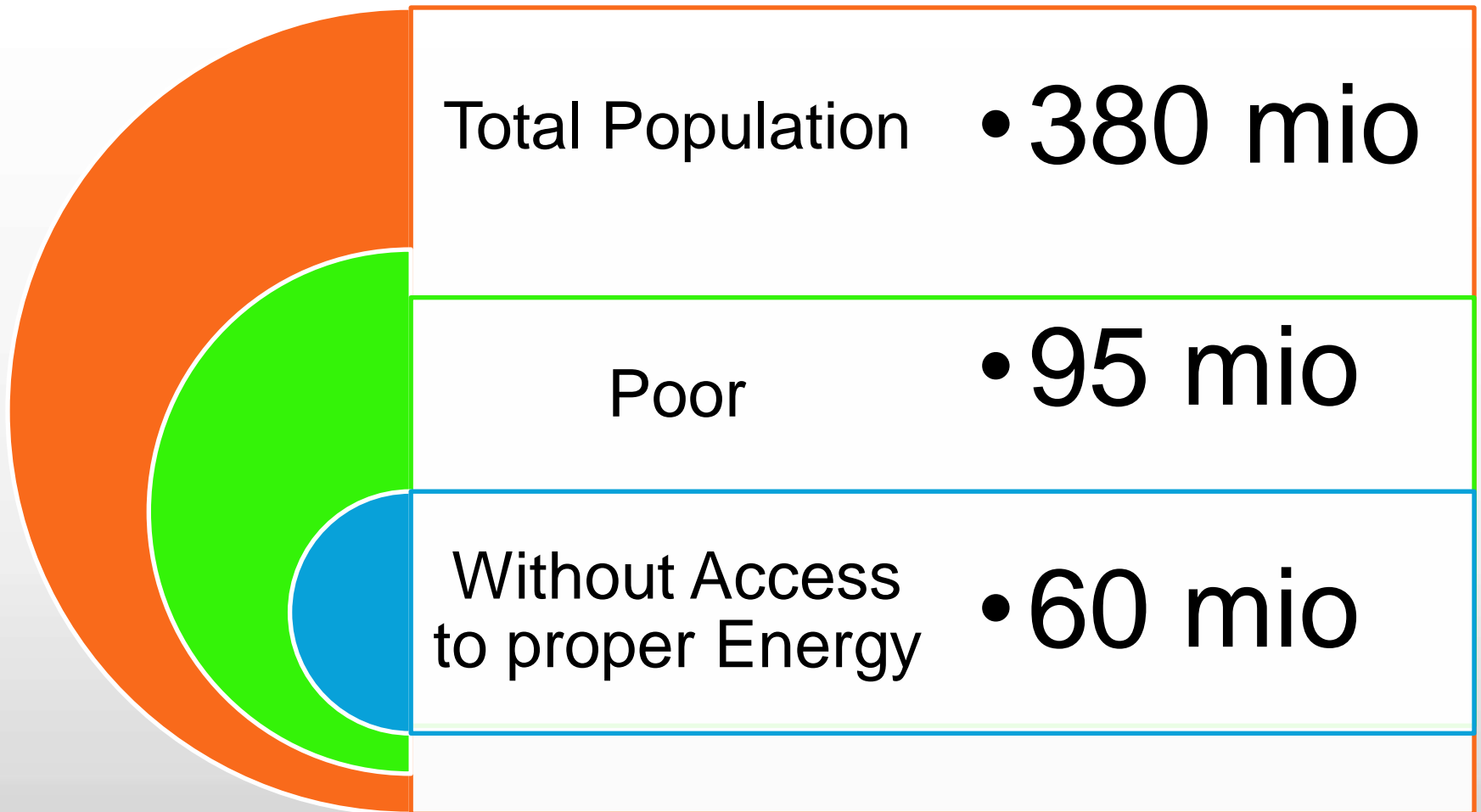
Microfinance & RE

Economic and Social Commission for Western Asia (ESCWA)

Expert Group Meeting on “Promoting market-driven access to sustainable modern energy services in the Arab rural regions”.



MENA Poverty & Energy Gap



Microfinance & Access to RE

- ❑ An energy inclusion initiative combines microloans and clean energy: the aim is to open up access to renewable energy technology to low income households and micro entrepreneurs in rural areas of developing countries.
- ❑ This is a Synergy that can benefit both sides. Microfinance will have a new market, a new product line, and potential developmental impact down the line. RE will find the working capital it needs to ensure that most of rural areas have access to modern energy services.
- ❑ Three questions regarding this partnership should be raised :
Why? How? And What?

Leveraging Microfinance platforms for RE



Why

- Adapted Reach
- End-user finance will solve the demand problem of consumers not having the cash to purchase RE.
- Provide needed working capital



What

- RE as a service utility model
- Comprehensive off-grid packs



How

- Provide access to innovative lending
- Match loan payments with energy expenditures or income flows
- Provide Innovative payment solutions: Lease to own - Pay as you go or PYG - Payments through MNO's

Opportunities & Threats

Opportunities

Leverage market forces ,
lowering the cost of sale, to
scale-up

Support the development of
the clean energy ecosystem

Competitive Advantages
and Clients retention

Threats

Perception of donor-driven

Unreliable, low capacity
product partners

Damaging Relationships

Strengths & Weaknesses

Strengths

Integrated Service Offering

Credit Capacity

Community Outreach

Weaknesses

Comparatively high investment cost for end users compared to baseline

High Transaction Costs for Clients

Long Loan Tenors for MFIs

Damaging Relationships

IBDAA - AGFUND Network



Growing Microfinance Network, present in **8** MENA countries, with an outreach to 450,000 clients; most providing RE financing



From Ibdaa Partnership Experiences



BDL has dedicated a fund of \$10.0 Million for solar programs' subsidized lending to end users which Banks can tap into and use (BDL circular 313 page 5 clause 21). Since 2009, the Green Future Holding ventured to implement the first large scale program for the deployment of solar energy under a clean development mechanism targeting rural households through their municipalities. So far 4,800 beneficiaries have installed their solar systems (Solar Water Heating or Solar Photovoltaic Power Back-up) on their rooftops at subsidized cost while being served locally by more than 48 certified technicians trained through the program free of charge. Very good case of efficient partnership.



In Jordan, National Microfinance Bank in partnership with the JREEF provides RE products to its clients. Product standardization and validation, in addition to subsidizing cost to client are undertaken by the public fund.



In Sudan, IBDAABank has started a collaboration with the National Center for Research on Renewable Energy to provide standardization and technical support for the Bank's Photovoltaic off-grid product offering. Another initiative is to provide PYG solution for grid investments.

Recommendations

- Design RE loans carefully, and properly train loan officers, introduce energy specific M&E processes
- Forge reliable partnerships
- Subsidize financing
- Ensure reliability of product : Adaptability, Serviceability, and Durability
- Ensure reliability of supplier : High technical standards + training of community technicians.



Thank You

