

Nepal

Microcredit for Farmers to Install Biogas Plants



One community benefit of biogas is the reduction in kitchen smoke which improves indoor air quality and leads to improved health primarily for mothers and children in Nepalese homes

USAID's Nepal Biogas Microfinance Capacity Building Program aims to establish and strengthen appropriate financial institutions to help continue and sustain the development of the biogas sector in Nepal. Its goals include:

- Making renewables such as biogas eligible for microcredit and for commercial loans at a lower interest rate.
- Increasing access to microcredit for poor farming families to enable as many as 200,000 families to purchase the biogas systems by 2009.
- Facilitating loans through rural based primary micro finance institutions (MFIs) to Nepalese farmers to install biogas plants.
- Addressing barriers that limit potential borrowers' access to microcredit and increasing MFI participation in the biogas program.

The Biogas Microfinance Capacity Building Program program has demonstrated significant results to date:

For example, the Alternative Energy Promotion Center (AEPCC) in Nepal has been providing loans only through rural-based primary micro finance institutions (MFIs) to on-lend credit for farmers to install biogas plants. With USAID assistance, AEPCC recently revised its procedures to allow them to provide loans to microfinance wholesalers, or apex organizations, rather than to only individual MFIs directly. This will significantly increase the number of MFIs providing loans for biogas systems.

- Working with the Nepal Rastra Bank (the Central Bank) USAID has been successful in increasing the limit for microcredit per household from Rs. 30,000 to Rs. 50,000 (US equiv. \$435-725).
- More than 600 biogas plants have been constructed through microcredit, benefiting approximately 3,000 people and resulting in over 2,700 tons of carbon dioxide mitigated.
- A sum of \$81,000 in MFI loans for biogas has been generated, leveraging more than \$200,000 in total additional investments thus far.

For more information, contact Tony Carvalho, USAID/Nepal at tonycarvalho@usaid.gov and Gordon Weynand, Energy Team, USAID's Office of Infrastructure and Engineering, at goweynand@usaid.gov

