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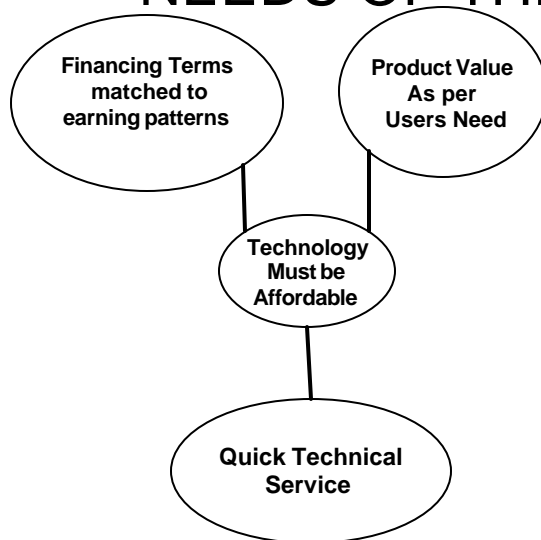
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Challenges of Microfinance and the Poor

- Poor people have little or no access to financial services that most of us take for granted
- Lack of access to affordable loans on the consumer side is a major hurdle in providing energy services for poverty reduction
- Reliable and affordable energy services are the underpinning of most productive enterprises, but it is not accounted for in the loans
- There is a knowledge gap between microfinance institutions and energy service providers

NEEDS OF THE POOR



- End-users need technology support and training
- Lack of awareness has led to less diffusion of technology

What Microfinance and Consumer Lending Can Offer

- Over the last 10 years, microfinance has demonstrated that poor people can and do make use of financial services
- Helps poor people raise income, increase assets, reduce vulnerability, socially empower its participants (mostly women), and contribute to broader social and economic development
- Leads to improved access to education, health services, better nutrition, helping to achieve the MDGs, particularly as part of a broader development strategy
- There are approximately 3000 Microfinance Institutions across the world serving more than 70 million people.

Why is microfinance important for increasing access to energy services?

- Offers divisibility of payments
- Timing of payments tuned to income stream
- Often allows the client to offset a more expensive, more harmful energy source (e.g., cleaner cooking fuels)
- Collateral development impacts are realized by the client and the community

Bridging the gap between microfinance and access to energy services

CLIENT

- Total service at doorstep
- Credit at better terms
- Access to reputable energy suppliers
- After sales service
- Access to other financial services

MICROFINANCE INSTITUTION

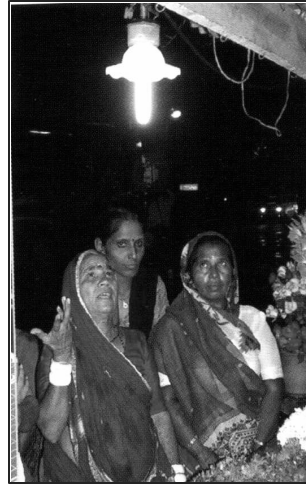
- Trust with clients
- Scaling up with low cost
- Marketing channels
- New clients
- Introduction of new loan portfolio

ENERGY COMPANY

- Acceptance and access at the village level to clients
- Increased sales
- Increased market penetration
- Decreased overhead

Financing pre-conditions

- Energy product must be affordable
- Financial terms must match the savings or the earnings

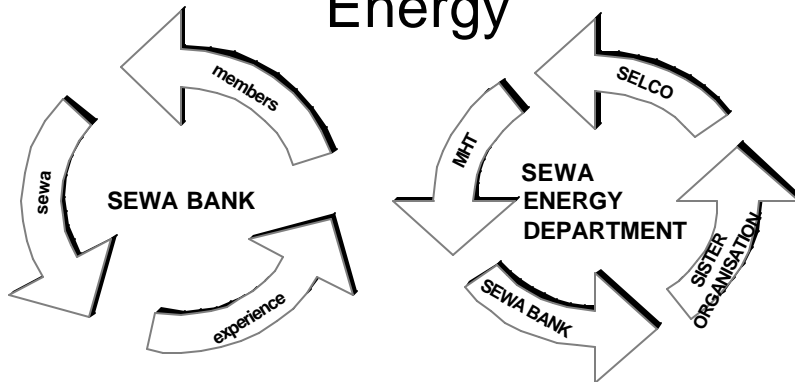


SEWA Bank

- **Created by 4000 self-employed women workers who contributed share capital of Rs.10 (\$0.22) each**
- **SEWA aims to help women to come out of the vicious cycle of poverty and build capital and assets**
- **Aim is to make women owners, users and manager**
- **Bank of poor, self-employed women workers established in 1974**



SEWA, SEWA Bank, and Energy



- Energy loans started in late 2004
- Better methods of cooking and lighting systems are the priority
- Training for SEWA Bank staff by SELCO is essential

Solar Lighting

- for Home based workers
- for Street Hawkers





Improved cook stoves

- for households
- for road workers

Financing terms

- Solar lighting systems are offered with doorstep financing
- Financing terms are designed keeping in view the income earning frequency of the borrowers
- Lower interest rates are offered as an incentive for timely repayments
- Loan to cover battery replacement to ensure long term usage of solar lighting system

Income generation

- Average loan size: Rs 10000 (\$222) and 100% repayment
- Lighting: Results in savings of Rs 15/day (\$0.33) on fuel for lamps
- Cooking: Results in 40% savings in fuel and 50% savings in time spent
- Savings for the end user (as the maintenance and fuel costs for kerosene lanterns are higher – without even considering the health benefits)

Other work in progress to promote innovation in end-user finance

- **Practitioner Learning Program in Africa**
 - 3 Microfinance institutions in Uganda, Tanzania, and Zimbabwe
 - Learning by doing to create new lending products
- **Research program on energy lending in Asia, Africa, and Latin America**
 - In-depth look at 2-3 microfinance institutions in each region
 - Assessment of financial performance, loan structure, clients, energy products, and development impacts

Summary: How microfinance and energy can have an impact

- **Job creation:** Energy entrepreneurs
- **Convenience:** Street vendors no longer have to maintain the dirty kerosene lamps
- **Better Products:** Vegetables do not smell like kerosene
- **Saving money:** The daily charges for cleaner technologies are comparable
- **Quality of life:** Enjoying the benefits of clean energy and increased savings