

Models that bridge the gap between access to energy and microfinance

The course was introduced by Ms. Simone Lawaetz of USAID. The instructors were Ms. Ellen Morris of Sustainable Energy Solutions; Ms. Hilanti Hilman who runs a not-for-profit venture capital firm, Khaula Karya; Mr. Robert Lule, Business Development Officer for the microfinance institution, FINCA Uganda; and Mr. Harish Hande of a private business, SELCO-India.

The course highlighted the role microfinance could play to help poor people in developing countries get access to small-scale energy technologies. Reliable and affordable energy services are the underpinning of most productive enterprises and are not traditionally accounted for in loans. For this reason targeted microfinance, which is increasingly used for specific products (e.g. appliances, furniture), is starting to be applied to energy technologies. In this sense, microfinance is critical to access to energy and it will fill the gap between microfinance institutions (MFI) and energy service providers. While experiences are limited to date to link MFIs and energy providers, the instructors shared case studies in Asia and Africa and lessons learned, and indicated opportunities for replicating them in the future.

The cases presented from Asia showed that most people in developing countries cannot afford the upfront costs of modern energy services and emphasized this as an intervention space for microfinance. Specific steps were outlined for MFIs to effectively work with both potential clients and energy suppliers building confidence and mutual trust. These included studying the target market to identify needs and select the right energy products, and developing and implementing a business plan. Africa's examples illustrated the use of small loans for energy provision at the village level. The need to provide lending for after sales services for renewable energy systems was emphasized.

Several best practices and lessons learned in microfinance for energy were highlighted in the course. For example, the importance of forming long-term strategic partnerships between MFIs and energy suppliers that focus on core strengths of each partner and of developing continuous feedback channels to address the knowledge gap between MFIs and energy service providers was underscored. Also mentioned was the loan provider's need for technology sensitization by demonstration, promotion and training. Another recommendation was that energy lending should become an institutional priority for both the MFIs and the energy service providers. An interesting approach is the specific case of SELCO-India, where multi-sectoral packages were linked to loans for energy service, e.g. in the field of health insurance.