THE CHALLENGE OF FINANCING RURAL ELECTRIFICATION

Microfinance and energy

Brussels, January, 28th 2008
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ONE FINDING
Microfinance can, by developing economic activities, lead to a degradation of the environment.

ONE SOLUTION
Integrate environmental considerations into economic activity

ONE OBJECTIVE
Participate in economic development while preserving the environment
I.1 MICROFINANCE AND ENVIRONMENT

An essential and complex relationship

1 – microfinance influences the environment

2 – environmental constraints influence microfinance
1 – Microfinance influences the environment

Negative impacts:
Microfinance, a vector of development, can have negative consequences for the environment:

- Development potential of microfinance: 3 billion beneficiaries have the potential to increase pollution related to economic activity.

Positive impacts:
Microfinance can finance revenue-generating activities related to:
- access to traditional energy,
- recycling of waste,
- sustainable forest management,
- the struggle against deforestation . . .
I.1 MICROFINANCE AND ENVIRONMENT

2 – environmental constraints influence microfinance

Positive impacts:
Taking environmental considerations into account allows microfinance institutions to diversify their offering of loans and finance revenue-generating activities related to the environment.

Negative impacts:
Taking environmental considerations into account creates additional constraints for microfinance institutions (financial, technical).
I.1 MICROFINANCE AND ENVIRONMENT

Why energy and microfinance?

- 1.6 billion people do not have access to electricity,
- The proportion of renewable energies counts for less than 3% in the global energetic offer
- Renewable energy through a domestic and activities use could improve
  - Education and health
  - Economic development and efficiency
  - Limitation of rural exodus
  - Protection of environment and climate change
- Synergy Between microfinance and renewable energy is compliant with the Agenda 21 and to Millennium Development Goals.
## I.1 MICROFINANCE AND ENVIRONMENT

### Why energy and microfinance: barriers to the Adoption of Renewable Energy Technologies in Developing Countries

<table>
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<th>Political</th>
<th>Technical</th>
<th>Financial</th>
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| - Allocation/placement of subsidies  
- Lack of transparency  
- Lack of private sector involvement  
- Lack of responsive service structures/after sales service | - Operational problems  
- Technology transfer and quality management | - Financial schemes often not cost covering  
- The issue of understanding recurrent costs  
- No clear picture on the ideal mechanism for SHS financing  
- Constraints of MFIs  
- Costs of material and energy access for ME and poor people | - Low credit recovery rate as a result of lack of awareness and information  
- SHS are not the priority of the poorest of the poor |


- Microfinance could encourage access to renewable energy to aid development, by appropriate financial models
- Microfinance could be introduce as an alternative for Solar (PV) provision
- Need to integrate stakeholders: local intuitional, donors, energy providers, MFI, to develop financial model and create favorable framework:: subside to decrease the material cost access, technical assistance to support the project development, maintenance scheme.
Not long ago, the rural sectors of Bangladesh had practically no telecommunication equipment.

With a loan from the Grameen Shatki, a woman could buy a household solar system for lighting and for recharging cell phones.

The total cost of the system was US$ 250; the financial arrangement involved a down payment of 25% of the total amount (US$ 62.50); the remaining 75% was the basis of a microcredit with an interest rate of 8% and a 2-year repayment period. During this time, the monthly payment of the loan was US$ 8.54.

On average, after the deduction of the loan repayment, this micro enterprise makes US$ 91 per month thanks to the renting of the telephone.
II. Microfinance and energy: PlaNet Finance strategies and programs

II.1 PlaNet Finance strategies
II.2 Energy and microfinance programs
II.1 PlaNet Finance strategies

Three objectives:

- Encourage access to renewable energy to aid development, by appropriate microfinance models

- Limit the negative impacts of development on the environment (do not aggravate pollution by the activities of the struggle against poverty)

- Use micro financing to stimulate the positive impacts on the environment (improve the environment through the efforts of the microentrepreneurs)

Microfinance & Environment for sustainable development
II  PlaNet Finance’s Energy Programs

RENDEV: photovoltaic rural electrification in Bangladesh
CRECER: rural electrification project in Paraguay and Bolivia

**Objective:** Promoting renewable energy and encouraging access by the less privileged to electricity by the use of microcredit.

**Means of action:**
- **Technical assistance** to the partner IMFs for adapting financial services to the needs of micro entrepreneurs who wish to equip themselves with renewable energy
- **Formulating training tools and implementing them** for the IMFs and micro entrepreneurs concerned
- **Researching effective financial models** and adapting them to local issues.

Rendev & Crecer: 2 « MF & Renewable Energy » programs co-financed by the European Union
II PlaNet Finance’s Energy Programs

TONGWEI: Bio digester equipment for poor rural populations, China

Place: Rural county of Tongwei, Province of Ganzu (western China), one of the poorest regions of China.

Objectives: Equipping rural Chinese populations with biogas and solar panel devices by means of microcredit.

Means of action: creation and funding of a credit fund within the local IMF partner (TWRDA) to equip local populations with bio digesters and solar panels.

Expected results: 1000 inhabitants of the rural province of Gansu will benefit from loans and will be able to use clean energy for heating and lighting, and at a lower cost

Duration of the project: 3 years (2007-2010)

Financing of the project: AREVA, SUEZ and European Union

Technical assistance and creation of a specific financial product
### SETUP Energizing and technical services to productive use in Benin

**Place**: on the Zou region (9 villages) and 27 divisions (1/3 of rural territory)

**Objectives**: to provide a way to improve the conditions of exercising productive and economic activities for local populations and implementation of energizing equipments to productive use, kind of multifunctional platforms with a service adapted to the context with an over-all approach: upstream / downstream, appropriate financial services and local participative development.

**Means of action**: the Project is in collaboration with the GERES and Planet Finance gives assistance by strengthening the capacities of local actors, in other words, target groups (local population) and MFIs which will offer appropriate microfinance services: To realize a study of microfinance products needs, to consolidate the Decentralized Financial Services within their offer of middle-term credit, To technically support MFIs in order to develop an offer of microfinance products suitable for microentrepreneurs in the department of Zou, to give access to microentrepreneurs to solutions of micro financing to develop Income Generating Activities

**Expected results**: 22,000 final beneficiaries of the program, basically composed of microentrepreneurs, indirect beneficiaries which are MFIs, the elected representatives of local authorities, the State through the Ministry of energy and microfinance

**Duration of the project**: 3 years (2008-2011)

**Financing of the project**: European Union

Technical assistance and creation of a specific financial product
Study on energy efficiency in Morocco

**Place**: in Morocco in different departments

**Objectives**: Identify the need and potential activity fields in terms of energy management, and also economical and social issues in urban and rural areas, and analyze how conciliate financing access, social development, economical development and environmental respect.

**Means of action**: Study realized by PlaNet Finance and GERES will be conducted on 3 main axes:
- Control of domestic energy and water in urban areas: main target = individual and profit generator activities (small businesses, conventional trade, energy house)
- Control of domestic energy or energy replacement in rural areas: target = individual micro credit and/or sale structure
- Control of energy: target = services activities

**Expected results**: reduction of the household energetic invoice, reduction of the hardness of collecting wood for women, forests’ protection, economic profitability for some impossible investments, need strong consciousness raising actions

**Duration of the project**: 4 months in 2008.

**Financing of the project**: ADEME

Studies and researches of the best practices
ARENE IdF and PlaNet Finance: Microfinance & Cooperation's Renewable Energies

**Place:** Paris, France

**Objectives:** Making deeper the role and the place of microfinance in the cooperation's Renewable Energies, in order to promote partnerships between the actors involved in both areas.

**Means of actions:** Creation of a group of experts constituted at the initiative of ARENE Ile-de-France and of PlaNet Finance, constituted, around both partners:
- **Operators** Agence de l'Environnement et de la Maîtrise de l'Energie (Ademe, Fondation Energies pour le Monde),
- **Actors of decentralized cooperation** Conseil Régional d'Ile-de-France (CRIF), Conseil Général de Seine et Marne (CG77),
- **Communities** Juvisy sur Orge (91) and Suresnes (92),
- **Of institutional** Ministère des Affaires Etrangères (MAE) and Agence Française de Développement (AFD).

**Duration of the partnership:** 2 years. Signature on February 8th, 2007

**Studies and researches of the best practices**
III. PlaNet Finance

III.1. Presentation of PlaNet Finance Group
III.2. Activities
III.3. International network
II.4. 2006 Achievements
III.1. Presentation of PlaNet Finance Group

PlaNet Finance is an International Non Profit Organization that contributes to the improvement of human condition by ensuring each person’s dignity through the development of microfinance worldwide.

The organization is focusing on the main needs of microfinance sector:

- **Strengthening the capacity of the microfinance sector** (Microfinance Institutions, Governments, Banks & Financial Institutions, etc.)
- **Increasing the transparency** of the microfinance sector
- **Increasing the funding available to Microfinance Institutions**
III.2. Activities

Main lines of services:

1. Consulting, Technical Assistance & Training services to:
   - Microfinance Institutions (NGOs, Cooperatives, Regulated financial institutions),
   - National Microfinance Network
   - Governments (defining strategies, setting up regulations)
   - Banks interested in downscaling or supporting the sector
   - Microentrepreneurs (Business Development Services)

2. Rating Services to MFIs through an independent affiliate: Planet Rating

3. Investment Management & Advisory Services for Microfinance Investors:
   - PlaNet MicroFund, for young MFIs
   - PlaNet / responsAbility, for developed MFIs

4. MicroCred, Equity Microfinance Holding Company
III.3. International Network

400 staff
30 permanent affiliates
Programmes in 60 countries
III.4 2006 Achievements

- **Technical assistance:**
  - PF led 63 programmes in 30 countries, of which 21 technical assistance programmes, 10 training programmes, 19 sectors strengthening programmes, 4 Microfinance Plus programmes and 9 impact studies, for 200 Microfinance Institutions and 8 commercial banks (downscaling programmes).

- **Planet Rating led 75 ratings.**

- **Financing:**
  - PF led to the financing of 15 IMF matures in 7 countries, through a partnership with responsibility fund, for a total of €20 millions.

- **MicroCred created 2 Microfinance Institutions:**
  - MicroCred Mexico which counts 3,000 clients and a portfolio of €1.2 million
  - MicroCred Madagascar, which activities started on Dec. 10th, 2006, counted 300 clients and a portfolio of 200,000 euros by January 31st, 2007.

In 2006, PlaNet Finance supported 7 million microentrepreneurs
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