

The Products Catalogue

Introductory document

Produced as output of the e-MFP Microfinance and Environment Action Group.

Elaborated by Microenergy International (MEI), with the collaboration of Davide Forcella (CERMi-ULB).

Poor households are among the most vulnerable to environmental risks and climate change. The energy they use for their productive activities and for their daily needs is expensive, unreliable, polluting, and sometimes dangerous for their health and assets. Energy companies and financial institutions have the opportunity to participate to off-set this situation and support reliable, cheaper and environmentally friendly energy access to poor households and micro entrepreneurs thanks to the provision of renewable energy (RE) and energy efficiency (EE) devices. Indeed the up-front cost of such technologies, the lack of well suited providers and low awareness, undermine the diffusion and use of RE and EE devices. The proximity of micro finance institutions (MFIs) to their clients and their expertise in credit provision could give them a comparative advantage. Other financial institution and energy companies could also decide to target poor families or micro enterprises. RE and EE devices for poor households are moreover an occasion for products and portfolio diversification, and the development of a new market for financial and energy institutions. This set of catalogues aims to contribute to support an enabling environment for RE and EE access for poor households and micro entrepreneurs and overcome some of the main barriers related to lack of adapted technical understanding, financial mechanisms, and distribution channels.

WHY THIS PRODUCTS CATALOGUE?

The project to write a catalogue for RE and EE devices for poor households or micro entrepreneurs is one of the main outputs of the e-MFP Microfinance and Environment Action Group. Its main objectives are to:

- provide a list of RE and EE devices for poor households or micro entrepreneurs which fill common energy gaps in non- or poorly electrified area or developing countries;
- provide a useful tool to guide interested MFIs along existing technologies that could fit with their operations, clients, and capacities in general;
- support partnerships among energy suppliers, manufactures, retailers and financial institutions to boost energy related projects;
- provide a list of options for social and green investors;
- promote environmental awareness raising for financial institutions, MFIs, NGOs, networks, investors and energy companies.

TO WHOM IS IT ADDRESSED?

The catalogue is addressed to all the actors that aim to support energy access, current systems upgrading and available resources optimisation for poor households or micro entrepreneurs: financial institutions, MFIs, networks, DFIs, social investors, MIVs, public authorities, academics, energy companies, etc.

WHY THESE SPECIFIC TECHNOLOGIES?

The devices presented in the catalogue are among the most commonly financed to poor households or micro entrepreneurs. Moreover they have been selected for their potentiality to improve standard of living and support positive environmental outcomes. However the catalogue is aimed to be a dynamic tool and to evolve together with the financing, technology, and distribution industry for RE and EE devices and thanks to external feedback.

HOW IS THE CATALOGUE SUPPOSED TO BE USED?

The catalogue is meant to provide a first snapshot of RE and EE technologies for poor households and micro entrepreneurs to interested actors to help them select priorities and strategies. However actors aiming to engage in such initiatives should then undergo a detailed evaluation of their actual possibilities and of their local market.

CHARACTERISTICS OF THE ENERGY PRODUCTS IN THE CATALOGUE

The products presented in the catalogues are addressed to energy provision and energy use for poor households or micro entrepreneurs. They are subdivided into two main categories: EE to RE devices. Both aim to reduce the cost of energy for clients (the actual money spent to access energy, but also in terms of time spent in obtaining the required energy, and contribute to risk reduction for their health and assets) or to start using resources previously ignored due to lack of human, financial or physical capital. These devices can generate savings, improve the reliability of the energy used, assure an efficient use of resources and moreover reduce the environmental impacts of clients' activities. The products described in the catalogue could support two different uses of energy: productive use: energy to support the development of incoming generating activities for poor households or micro entrepreneurs; consumptive use: to meet the energy needs for households daily activities.

WHY FINANCIAL INSTITUTIONS AND MFIS SHOULD ENGAGE IN GREEN ENERGY MARKETS?

There are various reasons why MFIs (or other financial institutions or energy companies) should be interested in engaging in green energy for poor households or micro entrepreneurs:

- there exists an important energy gap, especially in rural areas in developing countries, and centralised energy provision does not seem to be a viable possibility to fill this gap in the short and medium term;
- it is a strategy to diversify their products in a competitive market;
- it could improve the public image of the institutions and help to collect new funds.

VARIOUS FINANCING POSSIBILITIES

RE and EE products aim at generating economic savings for households or micro entrepreneurs in the medium and long term. However, their upfront cost is often one of the main obstacles that undermines their uptake by the clients. Developing adapted financing strategies that match the ability and willingness of clients to pay for RE and EE devices is of major importance. As a general rule, the installment paid by the clients should be comparable or lower than the money she/he would spend accessing traditional energy sources, and it moreover should match with clients' cash flow.

Various main strategies exist to finance RE or EE devices - just to cite some of the most common: integrate the financing of the energy devices in the portfolio of an MFI in partnership with an energy company that provides the devices; develop a lending structure directly for the payment of the devices for energy providers; or employ one of the pay as you go models in which the clients pay for the energy they use.

VALUE CHAINS

The provision of RE or EE products often implies the development of partnerships (for example between energy companies and MFIs) and alignments of objectives, capacity building for staff, awareness raising for clients, and installation, distribution, after-sales and disposal services. All this implies that financing a RE or EE devices to a poor household or micro entrepreneur is not simply a matter of credit, but a value chain analysis should be performed. The absence of well performing distribution channels (in particular for the last-miles) or expertise for substitution or repairing part of the device could undermine an otherwise perfect credit. In the products catalogue we tried to underline some of the important points in the value chains that should receive particular attention.

ENVIRONMENTAL PERFORMANCE OF MFIs AND SOCIAL AUDITS

The environmental performance of MFIs is attracting a growing interest and various rating agencies, social audit tools, and investors have introduced environmental assessment as one of the dimensions of their social audit or social rating. In particular the subgroup of the e-MFP Environment and Microfinance Action Group has recently developed the “Green Index”: a specific tool that is currently being tested as one of the dimensions of the SPI4 of CERISE. It groups the previous environmental assessment tools and understanding of the sector. Developing green credits for RE and EE devices will help to MFIs to score higher in social performance and in particular to distinguish themselves as environmentally friendly institutions in a competitive and expanding market.

PAYBACK TIME, LIFE TIME AND DISPOSAL

To be a convenient investment the payback time of the RE and EE device should be reasonable for the clients, the financing institutions and the energy companies to keep the credit risk under control. Payback time is then explicitly given in the catalogue for each device. The life time of the RE and EE devices should be compared to the one for less efficient and more polluting devices available to the local population. To offset the potential pollution generated by the device after its use, some care should be given to the material disposal and the existence of possibilities for recycling its components.

ENVIRONMENT AND CLIMATE CHANGE MITIGATION AND ADAPTATION

The products discussed in the catalogue, if correctly distributed with an adapted credit methodology, have the potential to support win-win strategies for households and micro entrepreneurs, and financing and energy institutions in term of economic and environmental outcomes. Possible positive environmental outcomes are: reduction of waste, particulate emissions, or water and air pollution in general; offset or reduction of the amount of greenhouse gas emissions supporting in such a way climate change mitigation strategies. Some of the products in the catalogue, such as rice husk gasifiers, or biodigesters, have the potential to support circular economic strategies transforming (polluting) wastes in economic and energy resources. In some cases, RE and EE technologies can contribute to reduce the vulnerability of households and micro entrepreneurs to climate change or extreme weather events supporting climate change adaptation strategies such as: avoiding environmental degradation, reducing vulnerability to price volatility for energy and foods commodities and income sources diversification, etc.

PRODUCTS CATALOGUE

The products catalogues are available at <http://www.e-mfp.eu/actions-groups/microfinance-environment>.

We welcome feedback on the products catalogue and are happy to receive your comments, please send them to: contact@e-mfp.eu

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