

Financing Solar Energy Traditional vs. PayGo



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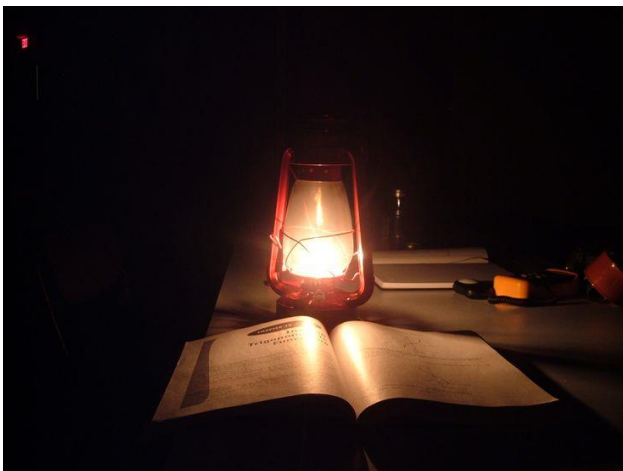
- **Off-Grid Solar - Generic Barriers**
- Two Transformational Solutions
 - PayGo Kenya
 - IDCOL Bangladesh
- Drawing conclusions on what works where

Off-Grid Solar

Kerosene

to

Solar LED



Business Case

Approx. 1 year of Kerosene pays for a SHS which lasts for > 3 years

Three Generic Barriers

- 1) Credit for Off-Grid Population
- 2) Consumer Trust in the Product Quality
- 3) Low Asset Value, High Relative Transaction Costs

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Business Case

Use mobile money and M2M communications.

Three Generic Barriers

1) Credit for Off-Grid Population

=> "Threat" to switch off their system

2) Consumer Trust in the Product Quality

=> Option to stop paying when product fails

3) Low Asset Value - High Relative Transaction Costs

=> Mobile collection

Business Case

Utilize network of existing Micro-Finance Network.

Three Generic Barriers

1) Credit for Off-Grid Population

=> Credit history from Agricultural Microcredits

2) Consumer Trust in the Product Quality

=> National Certification Scheme

3) Low Asset Value - High Relative Transaction Costs

=> Existing institution, slightly larger SHS

Solution Kenya	Solution Bangladesh
"Threat" to switch off their system.	Credit history from Agricultural Microcredits.
Option to stop paying when product fails	National Certification Scheme
Mobile collection	Existing institution, slightly larger SHS

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There are many answers to the basic issues...

Why should the **Lender** trust the **Consumer**?

Why should the **Consumer** trust in **Product Quality**?

How do we get down **Transaction Cost**?

Build on existing strong institutions!