



EUROPEAN
MICROFINANCE WEEK 2015
FINANCIAL INCLUSION FOR SUSTAINABLE DEVELOPMENT

CGAP: DF+

Finance as a means not an end

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FINANCIAL INCLUSION FOR SUSTAINABLE DEVELOPMENT

Outline

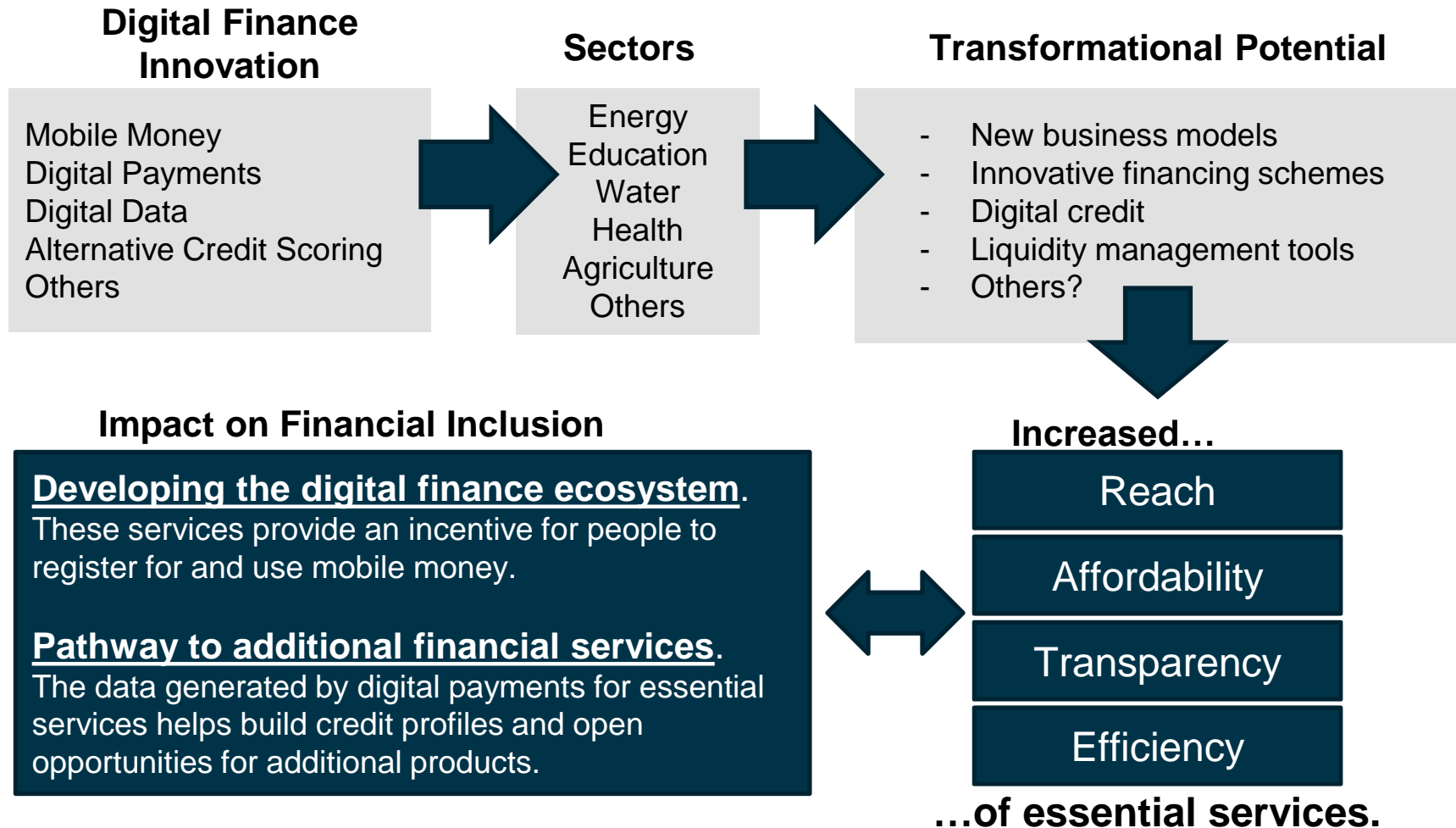
- Context on the bidirectional relationship between digital finance & DF+
- DF+ & energy: why, how and lessons
- Readiness for DF+?



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Digital finance to advance DF+ and vice versa





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DF+ & energy: The need for affordable, pay-as-you-go (PAYG) solar

1.1 billion people live without electricity. Another 1 billion have unreliable power



Connecting those people to a traditional electric grid costs \$1,000-\$2,000 per household



PAYG solar costs \$125-250 per connection & uses BOP consumer financing to achieve affordability



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10-45% savings for a superior product



Customer signs up for PAYG solar energy & installs the device

Customer enters code, product unlocks for prepaid time

Automatically disables service when credit expires



Customer pre-pays for energy days via mobile money

Receives unique usage code via SMS

Customer enjoys low-risk, prepaid energy services





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DF+ & energy: what we've learnt

- **The model does not scale without Customer-wallet digital payments**
 - Transaction costs remain too high
 - Lack of transparency over user fees
 - Innovative financing mechanisms are not possible without DF
- **Off-grid service provision is driving uptake of DFS, confirming the DF+ hypothesis**
 - Only 42% of African MM accounts are 90-day active
 - PAYG offers frontier customers a credible value proposition for MM
 - 30-50% PAYG solar customers are new to mobile money
 - M-Kopa is the 2nd largest bill-payee on M-Pesa.



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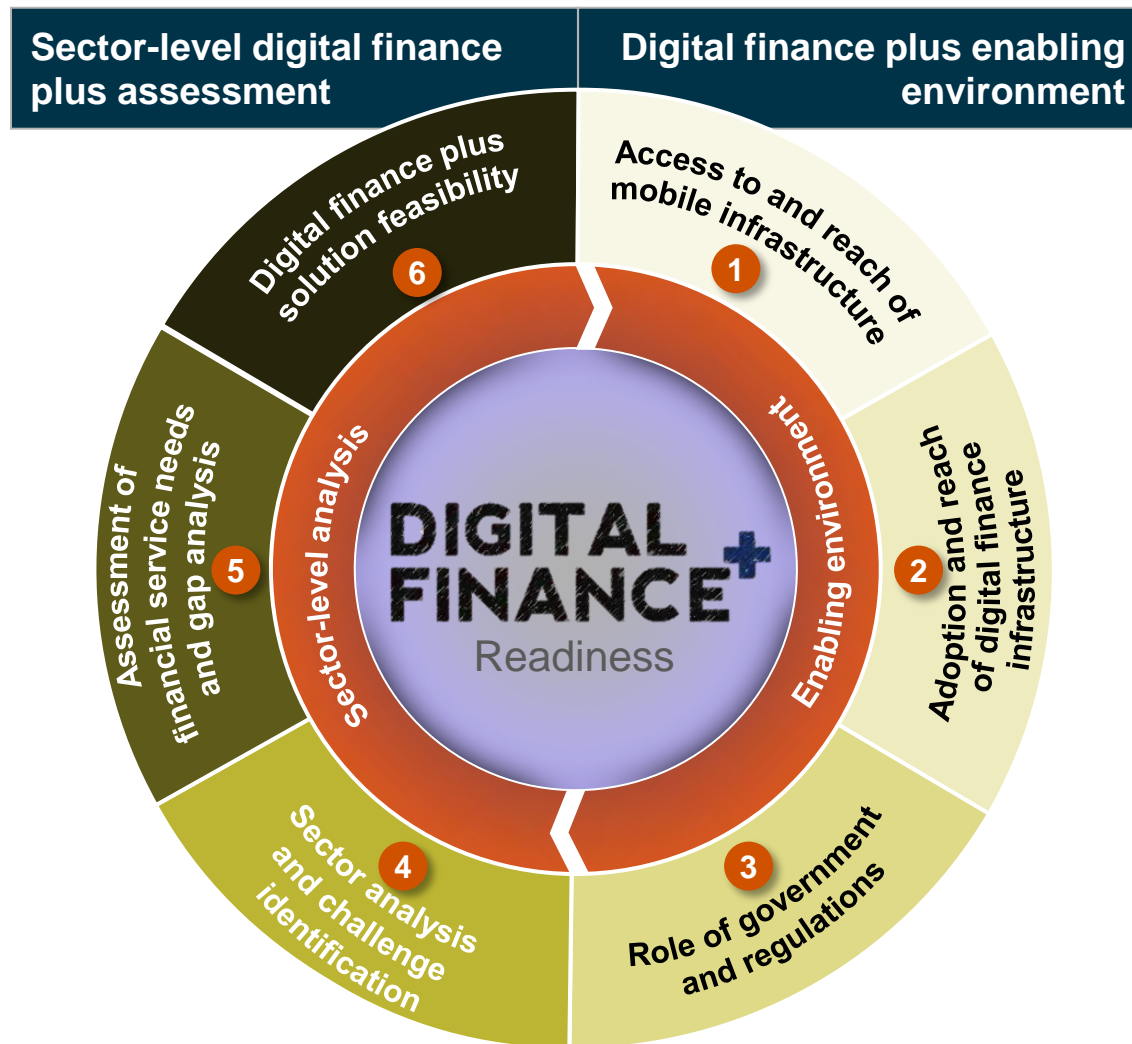
The broader story: how scalable asset financing can lead to more substantial financial inclusion

- Customers are building a **credit history**
- Ambitious companies in the space are combining those histories with remotely secured collateral (the solar unit) to offer additional services
 - Consumer financing for cookstoves, TVs, and bicycles
 - Agriculture, education, and emergency loan products
- There is potential to advance financial inclusion on a foundation of energy service provision?
 - Partnerships / acquisitions
 - Expansion of these companies into financial services

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Readiness for DF+



CGAP

Advancing financial inclusion to improve the lives of the poor



Foreign Affairs, Trade and
Development Canada
Affaires étrangères, Commerce
et Développement Canada



BILL & MELINDA
GATES foundation



MetLife Foundation
Ensuring Access. Empowering Communities.

