

*Using Micro financing
Programs to Advance Small-
Scale Projects*



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Context



~1.4 billion – over 20% of the global population – lack access to electricity

~ 2.7 billion– some 40% of the global population – rely on the traditional use of biomass for cooking



Small Scale RE technologies and Poor

- ❑ **High upfront cost- low operating cost**
- ❑ **Systems' cost in remote rural areas goes up due to increased transportation cost**
- ❑ **Poor lacks ready cash to pay upfront cost**
- ❑ **Limited access to credit facilities**



Small Scale Projects and Financing Need

How to reach there?

Credit???

How to pay the credit?

Productive use of energy???

Technology Cost

Modern

Modern

Credit

Subsidy

Equity

Traditional

Traditional



Issues and Challenges

- ❑ Energy loans considered as consumption loans and high risk product
- ❑ MFIs offer small loans - short maturity period
- ❑ Wholesale fund limited for RE lending
- ❑ Partnership between energy companies and MFIs not effective
- ❑ High subsidy affects the credit market.

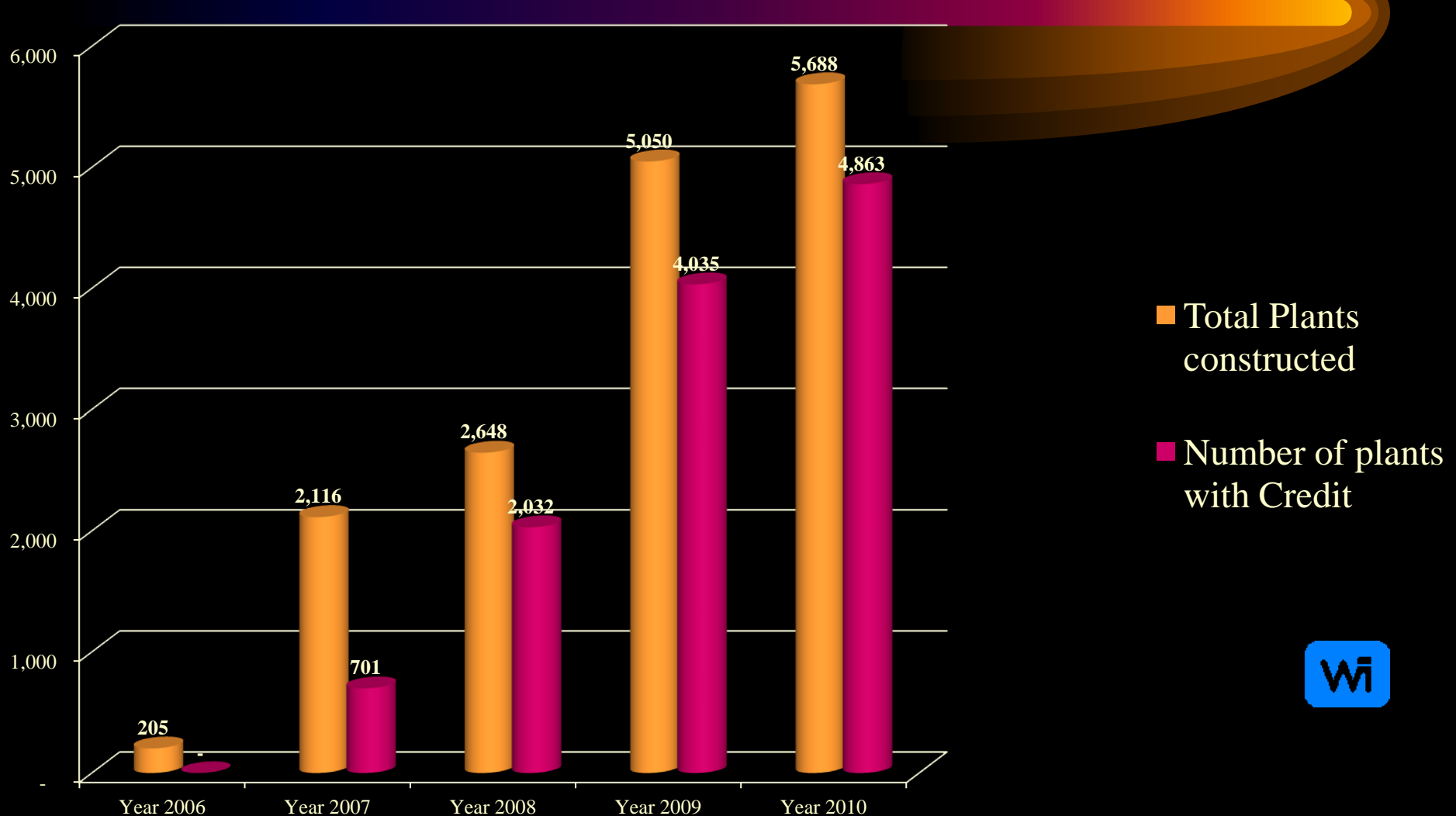


Promotion of Financing for Biogas

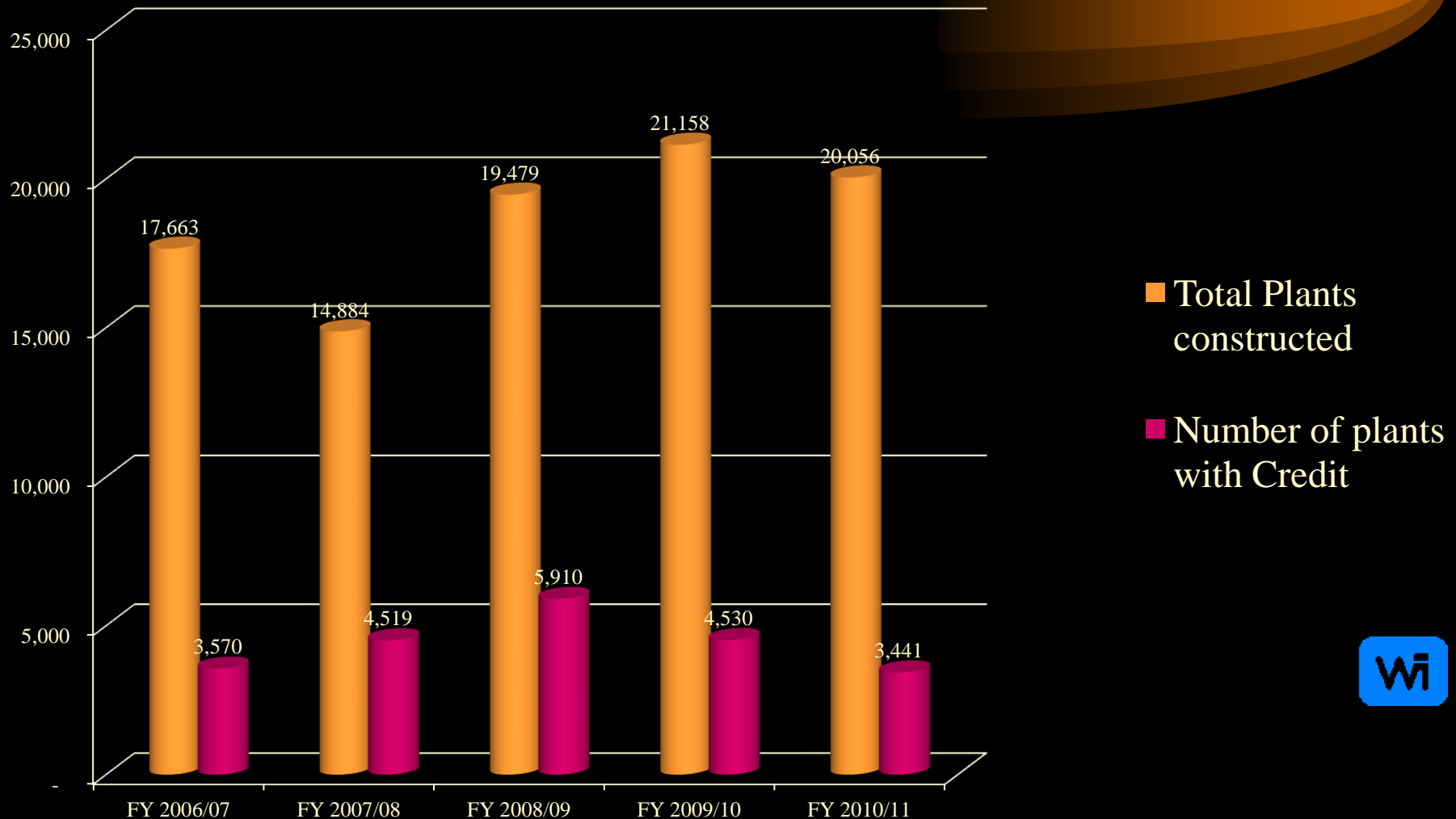
- ❑ **Both domestic and medium sized biogas projects - financially attractive and bankable**
- ❑ **Domestic Biogas Plants – reduce cooking fuel cost – Pay back period 1 to 3 years**
- ❑ **Medium sized plant - replace use of diesel payback period 3 to 4 years**



Case 1: Bangladesh Biogas Program



Case 2: Nepal Biogas Program



Case 3: Pakistan Biogas plants at dairy farms

- ❑ **A farm with 100 cows receive the chilling cost ~ \$6,000/year from Nestle**
- ❑ **150m³ Biogas plant with generator costs ~ \$12,000**
- ❑ **System can be financed against 2 years' chilling cost**

Success Factors



- ❑ **Partnerships, need based products and flexibility**
- ❑ **Capacity Building and Market education**
- ❑ **Credit and technical risk management**
- ❑ **Responsibility of MFIs and energy companies**
- ❑ **Try to avoid hard-cost subsidies**
- ❑ **Use existing distribution network to leverage**

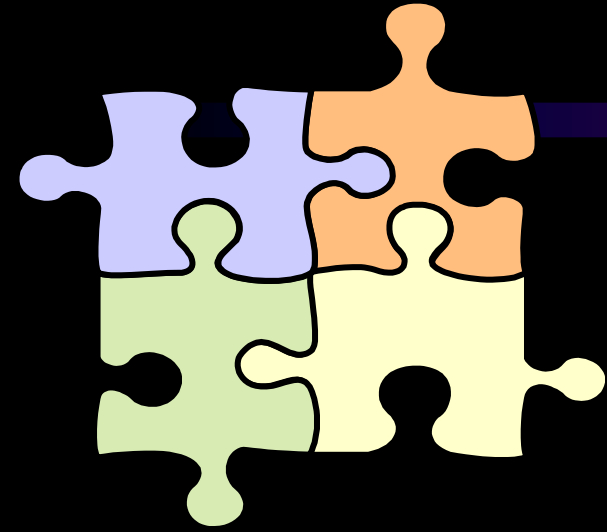
Promoting Micro financing for RETs: Role of Government

- ❑ **Import duty and Tax exemption**
- ❑ **Reduction of high subsidy on fossil fuel**
- ❑ **Shift of subsidized RE programs to sustainable market driven program**
- ❑ **Central Banks - inclusion RE lending as micro credit and priority sector lending**

Promoting Micro financing for RETs: Role of Donors

- ❑ **Capacity Building of MFIs**
- ❑ **Credit risk guarantee fund**
- ❑ **Linkage with regional and international RE fund, social investors, carbon market**
- ❑ **Start up support for MFIs**
- ❑ **Policy research and advocacy**

Understanding each others' strengths
and complementing is key to success.



Thank you

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