Electric Bankers: Utility-Enabled Finance in Sub-Saharan Africa

Photo: Wim Opmeer, 2018 CGAP Photo Contest

Daniel Waldron &
Siena Hacker

June 9, 2020

clasp

CGAP

Agenda

9:00	Introductions
9:05	Presentation of Paper
9:25	Panel Discussion
9:45	Q&A

CGAP clasp

Speakers

Daniel Waldron

Financial Sector Specialist,
CGAP

Siena Hacker

Clean Energy Access Coordinator,
CLASP

Panelists

Carlued Leon

Research Director, MANAUS Consulting

Martha Kamanu-Mutugi

Principal Marketing Officer, Kenya Power and Lighting Company

Angus Marjoribanks

Chief Operating Officer, EnerGrow

CGAP clasp

The number of people with energy access is increasing rapidly

514 million people have access to electricity in Sub-Saharan Africa (SSA), up **75%** from 2010.

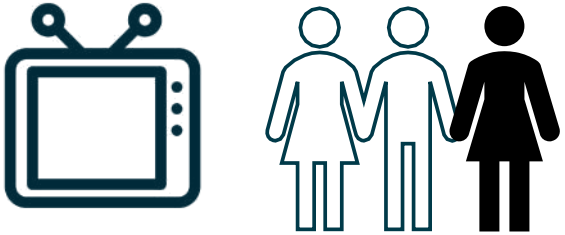
22 countries in the region have doubled their population with electricity in that time.

But households with electricity need more than access — they need appliances

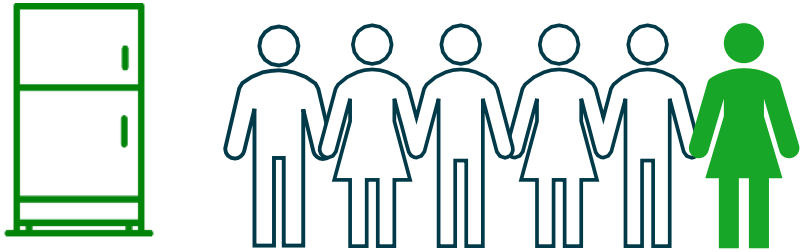
Appliances are the mechanism that transforms energy access into development impact.

CGAP clasp

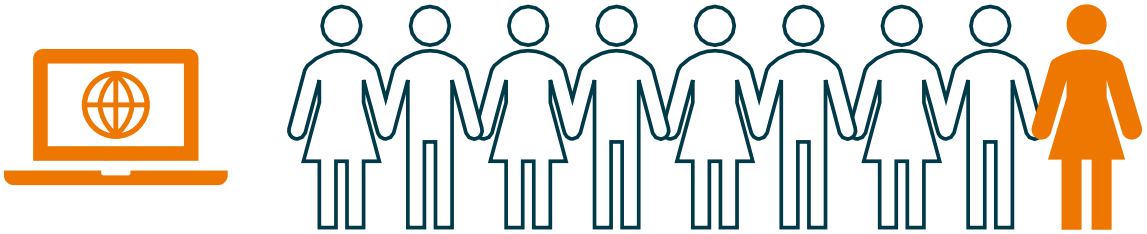
Yet appliance ownership is lacking in SSA



1 in 3 households owns a television



1 in 6 owns a refrigerator



1 in 9 owns a computer

In rural areas access is even lower. Just 4% of rural households own a refrigerator

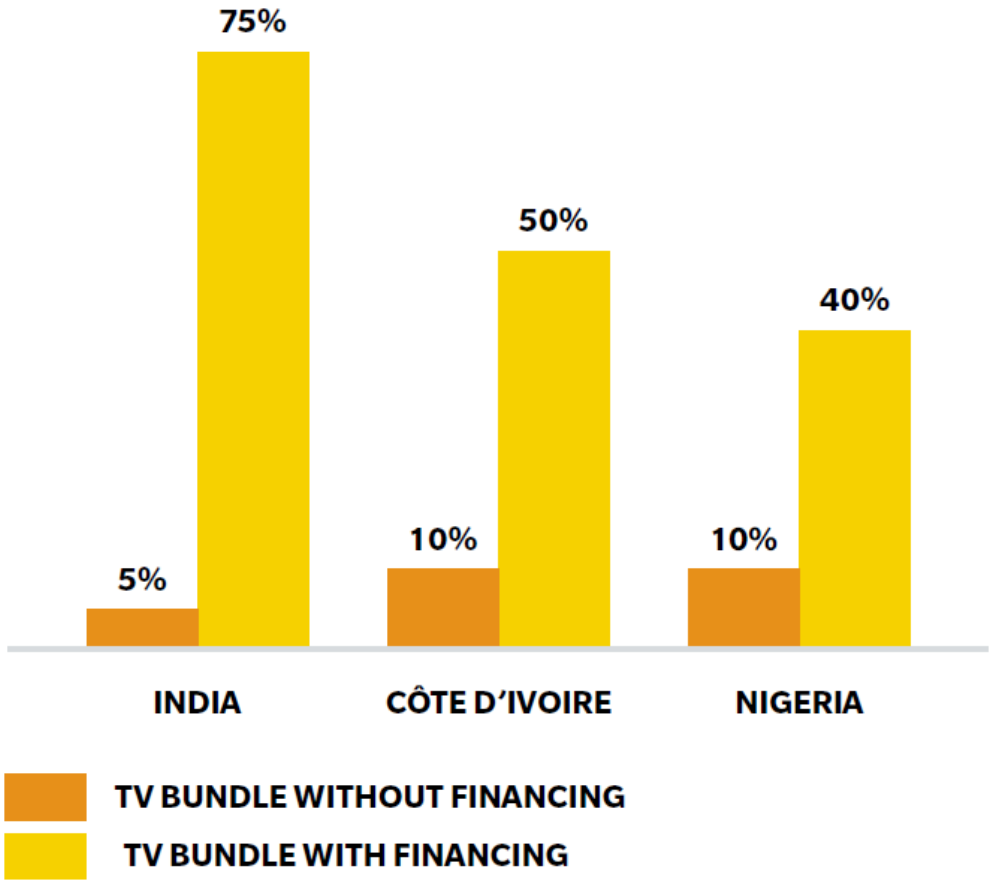
CGAP clasp

A lack of consumer financing contributes to the affordability barrier for many households

Poor households cannot afford the upfront cost of high-quality appliances.

But consumer financing is unavailable to many.

It is here that utilities and minigrids can help.

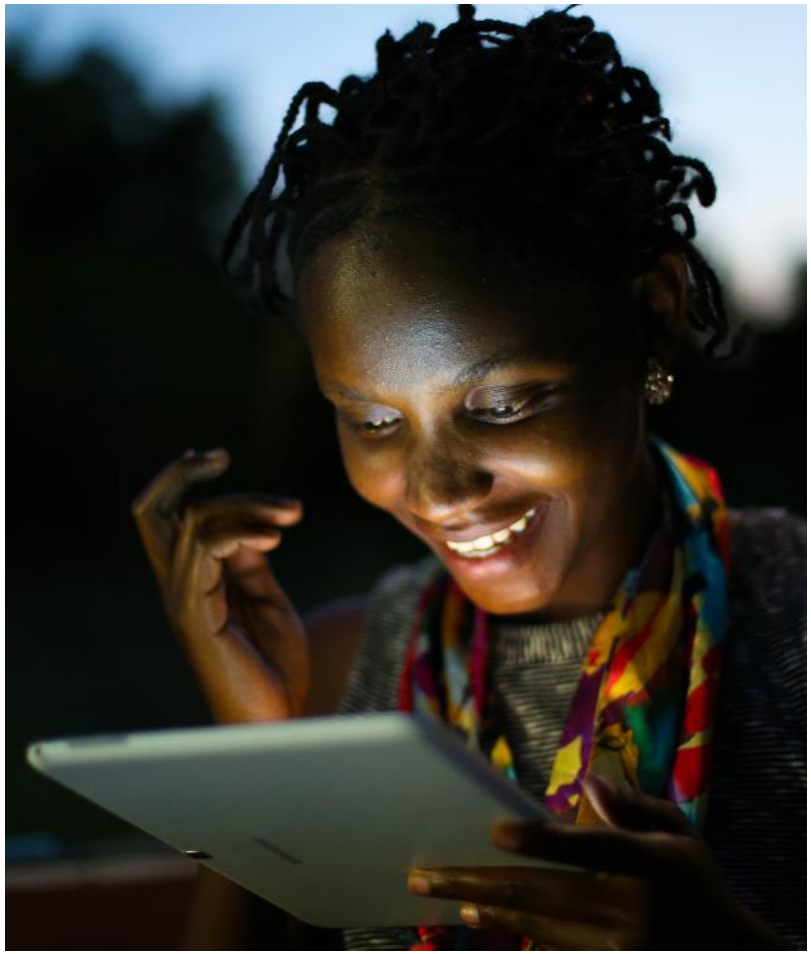


CGAP clasp

Utilities and minigrids can help facilitate appliance financing for low-income customers

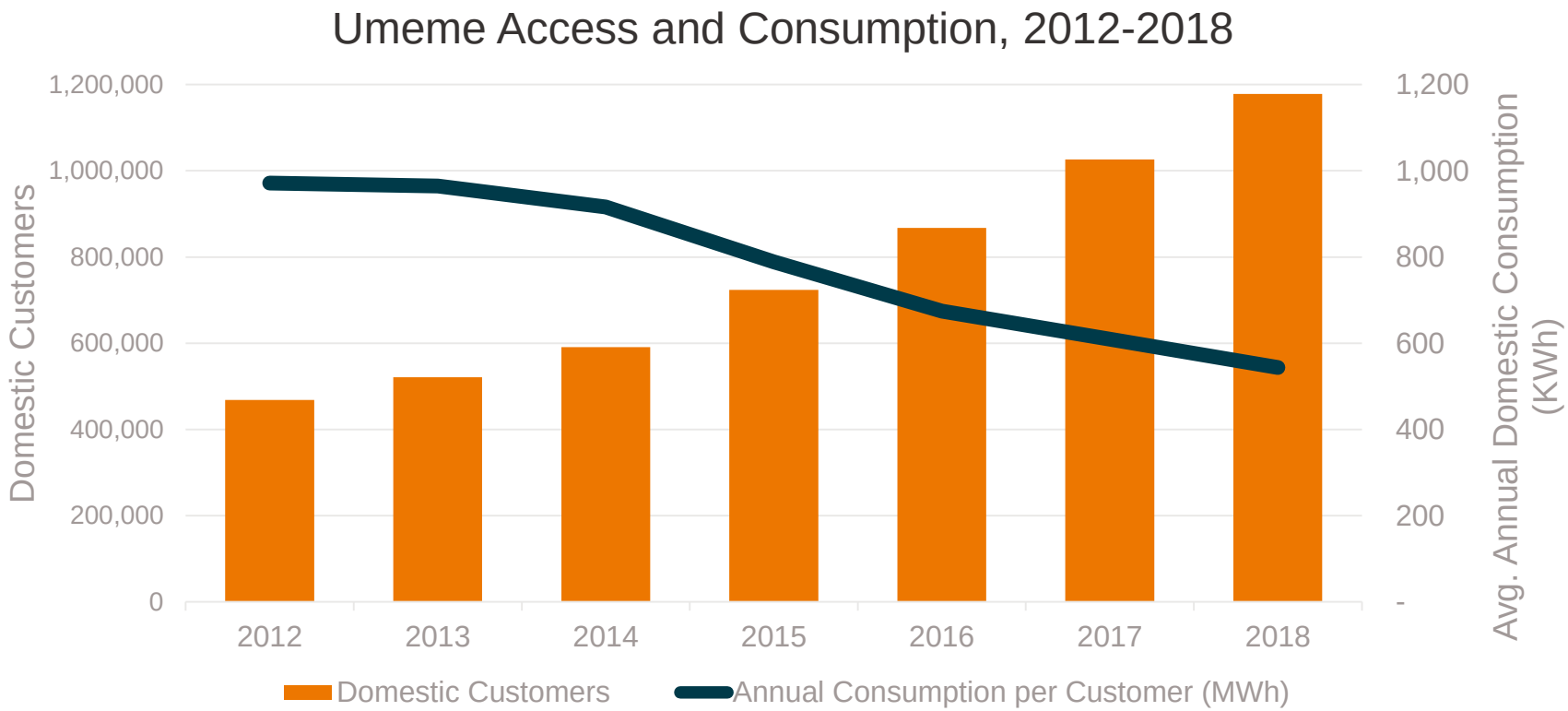
"The newly connected must be able to afford (through subsidy, financing, or other schemes) to use electricity, or the benefits of electrification will go unrealized."

Power For All, "Utilities 2.0"



CGAP clasp

Connected customers struggle to use electricity, which also hurts energy providers

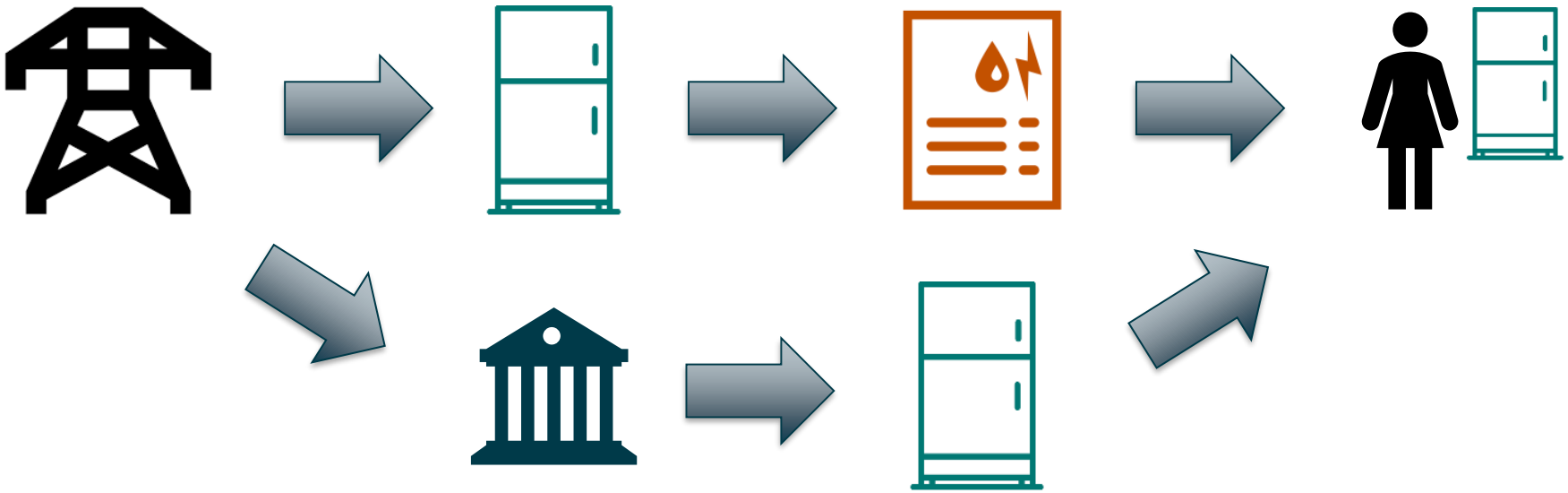


44 percent of one minigrid developer's customers said they **"would purchase more electricity, if they could afford the upfront cost of appliances."**

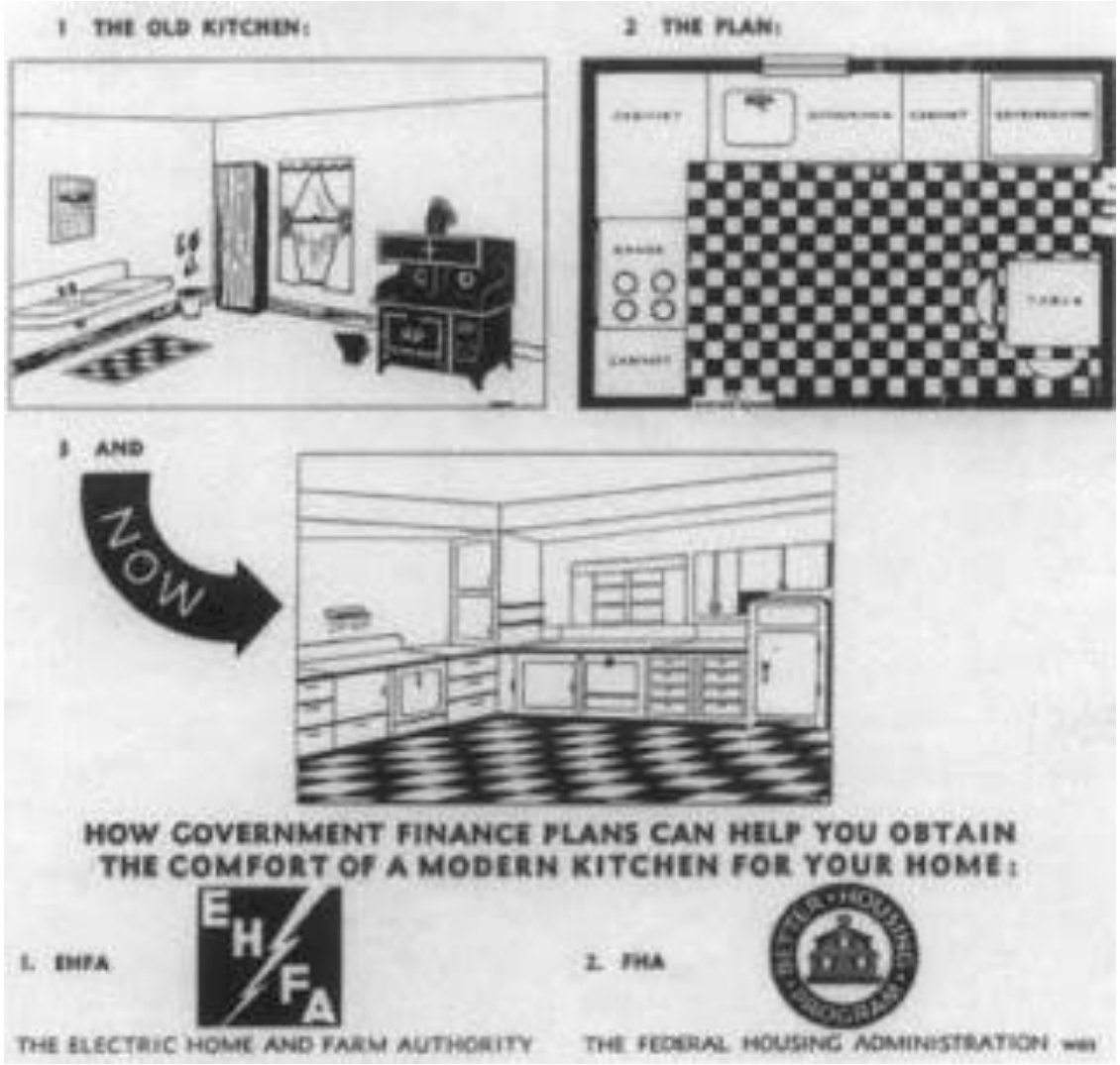
CGAP clasp

But what is “utility-enabled appliance financing”?

It is an umbrella term for a range of financial and business services that utilities and minigrids can offer or facilitate, with **the goal of increasing customer access to consumer finance for electric appliances**.



This is not a new idea



TVA
ELECTRICITY FOR ALL

Crédito Fácil

Brilla

SM
Standard Microgrid

CROSSBOUNDARY

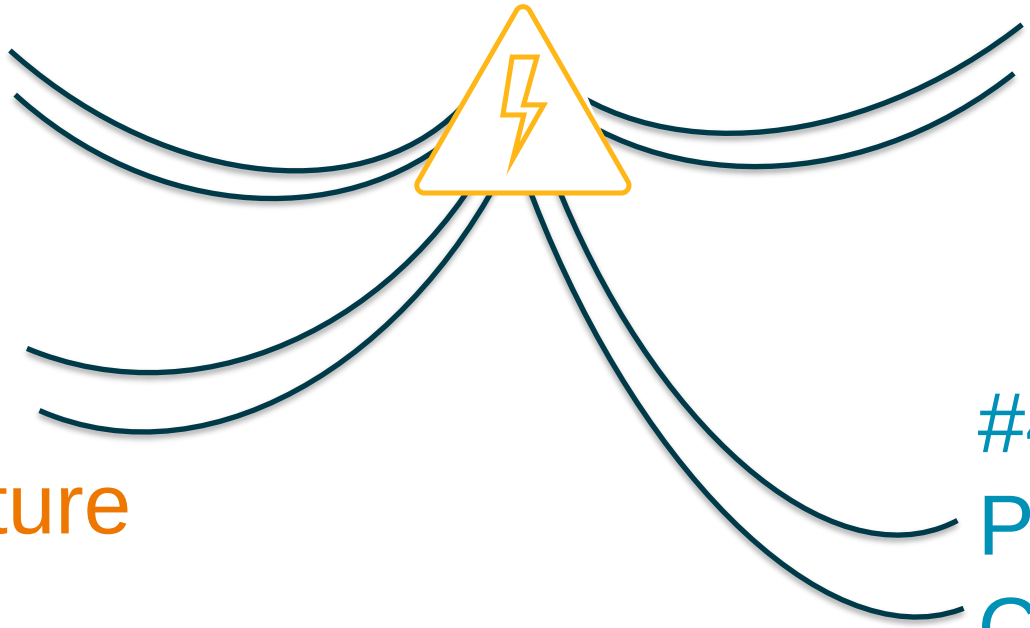
Black Star Energy

CGAP clasp

Four key attributes help utilities and minigrids facilitate consumer financing

#1. Broad, Diverse Customer Base

#2. Rich Consumer Data



#3. Payment Infrastructure

#4. Potential Collateral

CGAP clasp

1. Providers have relationships with diverse customer bases

Utilities and minigrids serve over **300 million** low-income Sub-Saharan Africans.

Promigas, a Colombian utility, financed connections for decades. It used insights from that experience to develop a credit facility called ‘Brilla’, has facilitated at least **$460 million to over 1.7 million customers**.

Brilla

Más que un crédito:
UN CUPO PARA TI

CGAP clasp

2. Providers possess rich data on consumers who often lack measurable financial activity

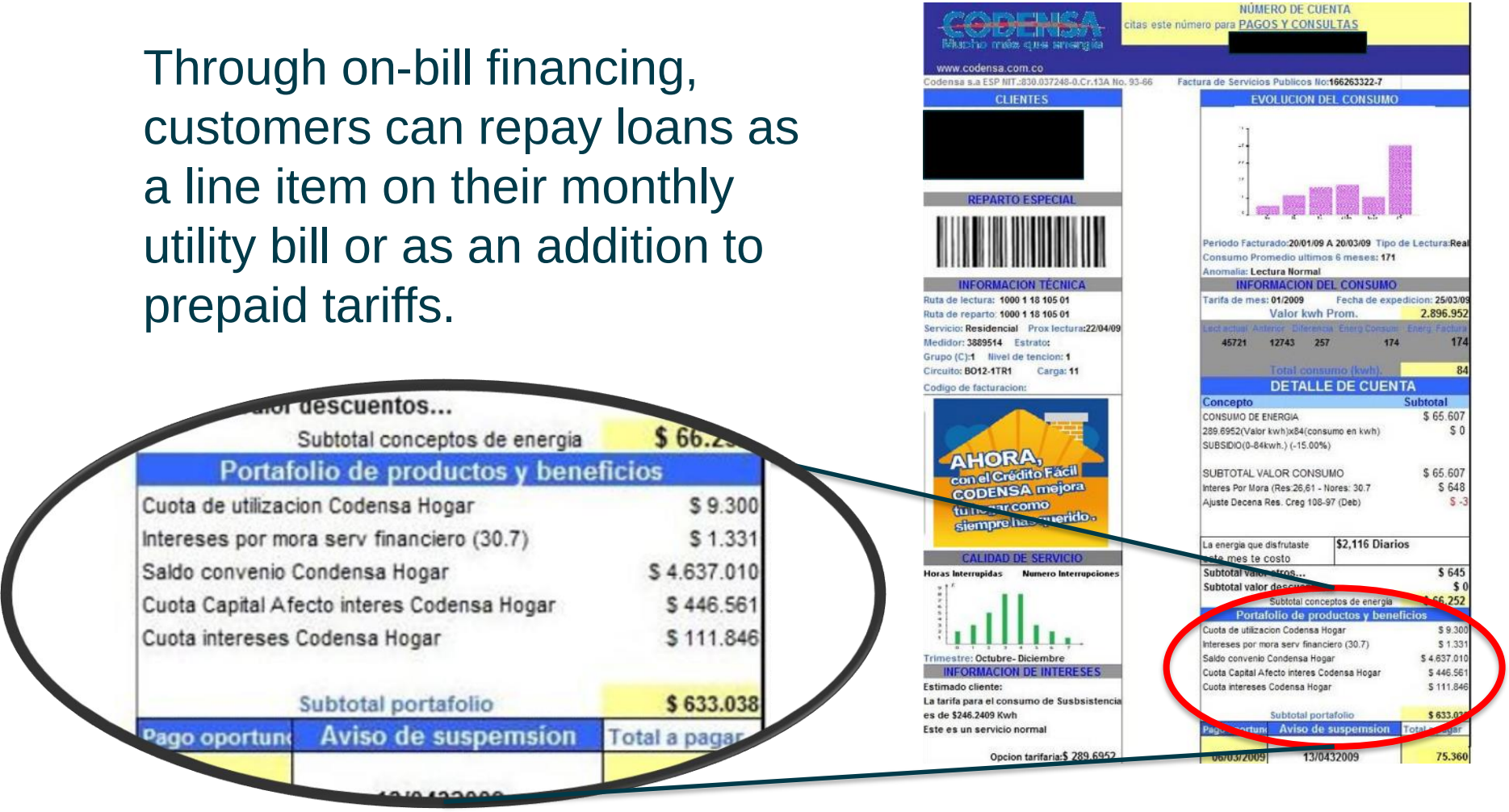
Used with their **informed consent**, customers' usage and repayment data can expand their access to credit.

In Uganda, EnerGrow has financed MSME assets in communities that UMEME identified as having low levels of consumption.

CGAP clasp

3. Established payment channels simplify loan repayment

Through on-bill financing, customers can repay loans as a line item on their monthly utility bill or as an addition to prepaid tariffs.



4. Using electricity as collateral can dissuade loan defaults, but …

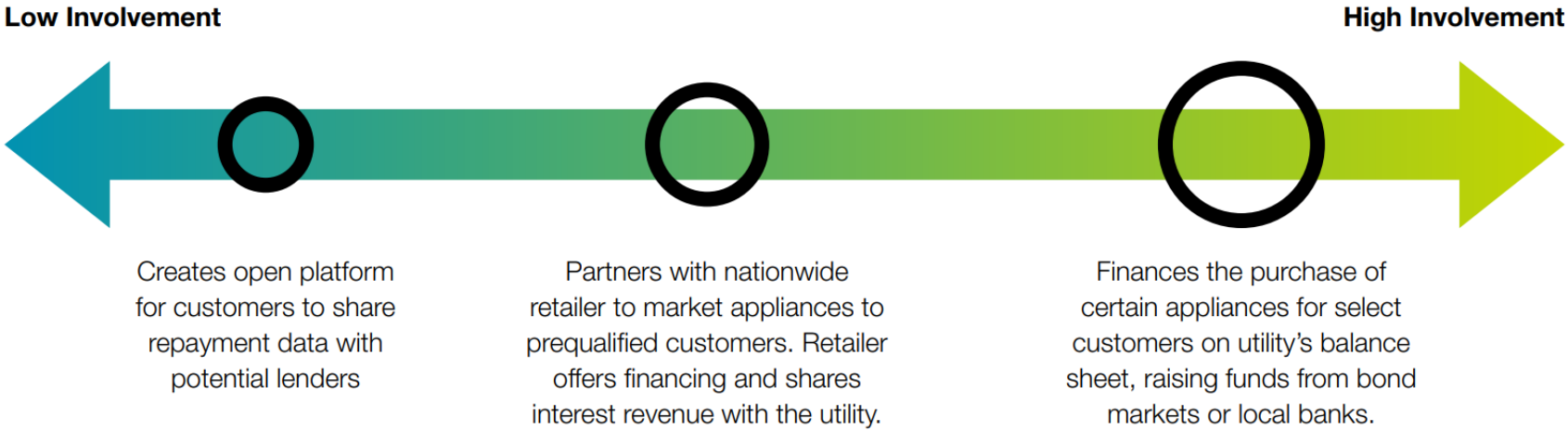
… disconnection is a recourse of last resort.

It can eliminate future electricity sales, damage the reputation of the provider, and *hurt the same lower-income customers that these programs are meant to help*.

Credit: Standard Microgrid

Utilities and minigrids that want to facilitate appliance financing have a range of options

- Energy providers can allow appliance finance companies to access data or use utility payment channels.
- They can also provide credit directly to customers for appliance purchases at specific retailers.



- Level of involvement will depend on factors like regulations, politics, and operational and financial capacity.

Appliance financing can only succeed if it embodies consumer protection principles

If customers are sold financed assets they're unable to repay, no one benefits.

Key features are:

- Consumer data protections
- Quality assured products with warranties
- Customer understanding of terms and conditions

CGAP clasp

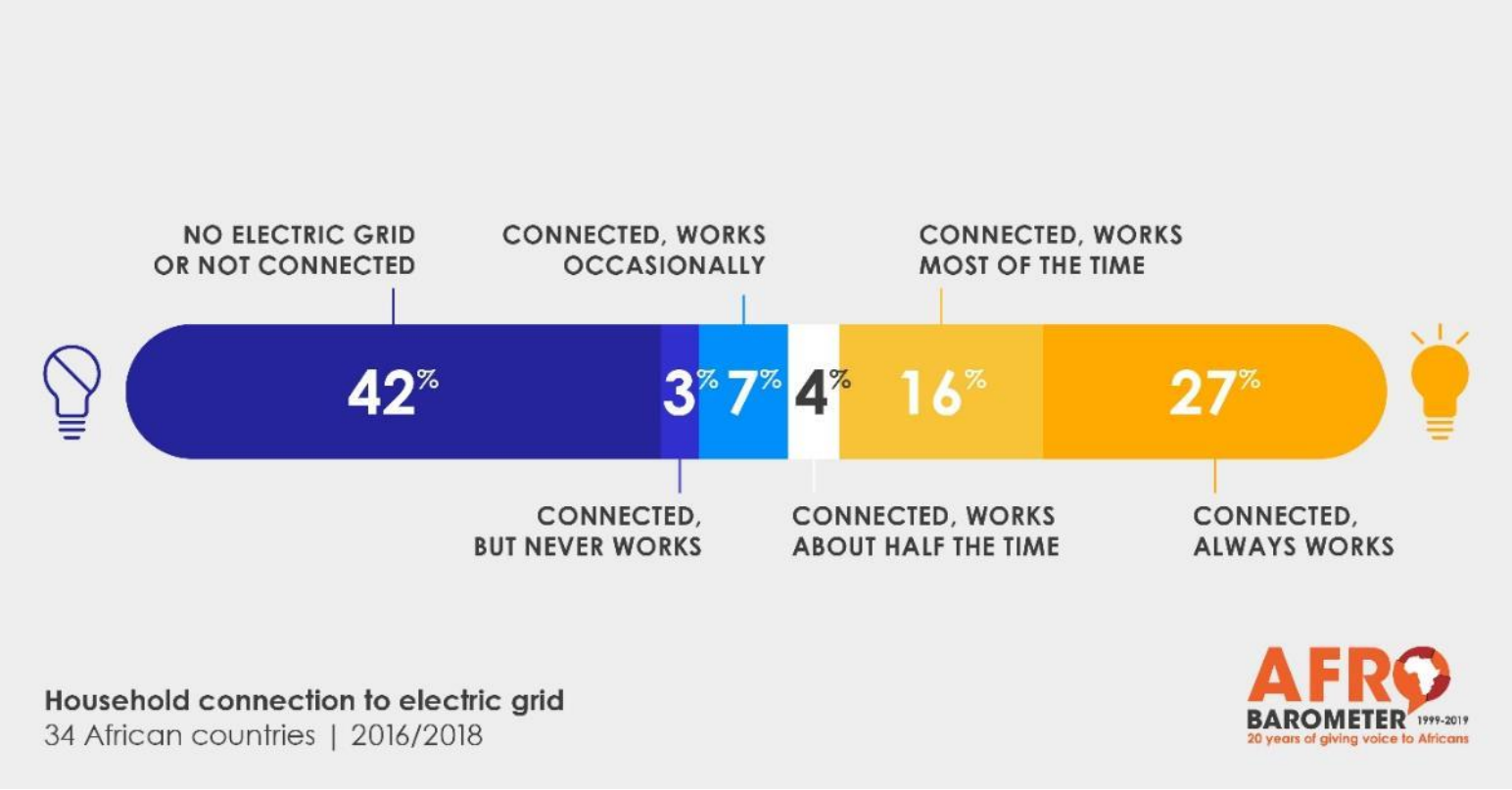
But the financial and market context of providers may pose challenges

- **Only 2 of 39 African energy sectors were profitable in 2015.**
- **Financial institutions may not be willing to lend to low-income customers.**
- **Coordinating multiple partners could strain available resources.**

CGAP clasp

Photo: Indo-Asian News Service

In addition, operational issues represent a major risk to any program



Increased access to appliances benefits everyone involved

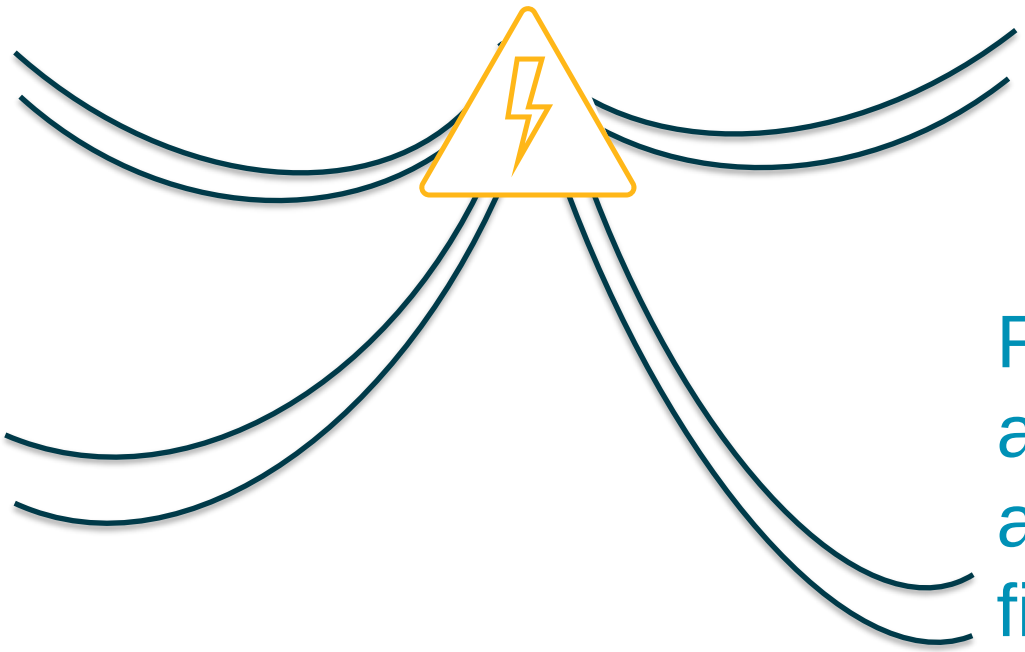
Inclusivity	• Utility financing has a track record of reaching lower-income, rural households.
Complementarity	• Programs can catalyze a shift to customer-centric, service-based approach.
Profit	• Consumer finance can offer an additional revenue stream.
Reputation	• Successful programs will create customer value, improve perception.

CGAP clasp

Four key enablers can help utilities and minigrids to facilitate consumer financing

Talk with customers about their appliances

Bring in data scientists and credit analysts.



Map all customer interaction points.

Review laws and regs around utility financing.

CGAP clasp

Thank you

To learn more, please visit

www.cgap.org &
www.clasp.ngo

CGAP clasp

CGAP

www.cgap.org

THE GOVERNMENT OF THE GRAND DUCHY OF LUXEMBOURG

mastercard foundation

IFAD Investing in rural people

AFD

Global Affairs Canada

CDC Investment works

Federal Ministry for Economic Cooperation and Development

UKaid from the British people

npm platform for inclusive finance

AGENZIA ITALIANA PER LA COOPERAZIONE ALLO SVILUPPO

USAID FROM THE AMERICAN PEOPLE

UNCDF

KOICA Korea International Cooperation Agency

UNDP

BILL & MELINDA GATES foundation

Sida

MetLife Foundation

Norad

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Agency for Development and Cooperation SDC

OMIDYAR NETWORK™

cdp cassa depositi e prestiti

Australian Government
Department of Foreign Affairs and Trade

Ministry of Foreign Affairs of the Netherlands

giz

UDENRIGSMINISTERIET
MINISTRY OF FOREIGN AFFAIRS OF DENMARK

IDB Inter-American Development Bank

Michael & Susan Dell FOUNDATION

THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP

Italian Development Cooperation
Ministry of Foreign Affairs and International Cooperation

FOMIN
Fondo Multilateral de Inversiones
Miembro del Grupo BID

KFW

IFC International Finance Corporation

FMO Entrepreneurial Development Bank

European Investment Bank

Citi Foundation

citi