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FROM THE AMERICAN PEOPLE

PHILIPPINES

NOTE FROM THE FIELD

Energy through Microfinance

USAID explores ways to increase energy access through financial services



USAID

Experts in rural energy and microfinance from 18 countries participated in the Microfinance Workshop

“Energy is essential to supporting business activities and improving the lives of the poor, thereby promoting economic growth. The GVEP Microfinance Workshop demonstrated that microfinance plays an important role in extending vital energy to people in need.”

Evelyn Stark, Microenterprise Development (MD) office, and Patricia Flanagan, Energy Team, submitted their account of the Microfinance Workshop they led May 19–21, 2004, in the Philippines.

The Global Village Energy Partnership (GVEP) aims to increase access to modern and affordable energy services in areas either not served or under-served by current energy delivery systems. The GVEP Microfinance Workshop convened 50 top energy and microfinance experts from 18 countries across Asia, Africa and Latin America, and provided an opportunity for USAID’s Energy and MD Teams to collaborate in addressing a pressing need among the rural poor: access to energy. The findings of the Microfinance Workshop will be incorporated into the design of a microfinance component of the GVEP’s financing facilitation services. Some highlights of the workshop:

“The GVEP Microfinance Workshop allowed participants from the two fields to discuss new and innovative as well as tried and true means of increasing access to energy services through financial services. Specifically, participants concluded that microfinance institutions (MFIs) and consumer credit can increase lending for energy access projects—fairly standard microcredit products that already exist and may simply be marketed differently to attract clients seeking energy solutions. On the other hand, new ideas arose about savings products, payment plans (allowing clients to spread their energy payments to smooth the high and low energy cost months), and other ideas, like layaway type plans, for energy suppliers.

“They also identified both key conditions for MFI financing for rural energy and ‘good practices’ to serve as replicable models. Participants determined how GVEP could improve current rural energy financing. Finally, they discussed the role of the broader community in increasing access to MFIs’ rural energy financing.

“Participants shared different approaches to the application of microfinance to energy services in order to increase consumers’ purchasing power. Both the energy and microfinance practitioners offered various approaches to increasing affordable access.

“The experts explored various institutional options for extending microfinance in order to determine which could be appropriate for energy services. They examined GVEP’s current design and structure of financing facilitation services that can target the consumer, and found a role for GVEP in facilitating both consumers’ access to, and delivery of, microfinance. Participants also assessed possible obstacles—economic, fiscal, financial, and banking policies—to extending consumer loans and savings products for energy services. Finally, they examined field experience with alternative capitalization guarantees and interest rate structures designed to fully recover an institution’s operating costs.

“The participants’ hard work produced informative conclusions about GVEP’s role in using microfinance to increase the rural poor’s access to energy vital to their participation in their own economic development.”

Upon return from the Philippines, the Energy and Microfinance teams developed an RFA that was recently released through the SEEP Practitioner Learning Program (PLP). The RFA is open to MFIs and energy practitioners in East Africa who wish to do market research in order to test the feasibility of developing new energy-focused products, service delivery options, marketing campaigns or other innovative approaches to increasing access to energy services.

For more information, please see:

www.gvep.org

www.seepnetwork.org