

Financing Mechanisms for Clean Energy: Crowdfunding

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Introduction: Arc Finance Mission & Work



Arc Finance's mission: is “to promote and expand access to financing for energy, water and other basic needs to build income and assets of poor people around the world”.

With the support of USAID, Arc Finance launched the **Renewable Energy Microfinance and Microenterprise Program (REMMP)** to test a range of business models that are designed to increase financial access to clean energy for poor people around the world.

REMMP program goal: “Increase access of underserved populations to clean energy products in order to improve livelihoods and quality of life among these target recipients while minimizing climate-damaging emissions”.

Partner organizations include: FWWB-I, Milaap, Bandhan, Basix-IGS and Simpa Networks in India, Solarnow in Uganda and Sogexpress in Haiti.

Introduction: Range of Mechanisms/Businesses Models for End-user Finance



Microfinance	<ul style="list-style-type: none">• Microfinance organization, bank or credit cooperative provides energy related financial products
Microleasing	<ul style="list-style-type: none">• Energy enterprise leases energy products to end-users
Payment Systems	<ul style="list-style-type: none">• Financing is provided through a metering system that allows the end-user to pay for energy use in small increments
Mobile Money	<ul style="list-style-type: none">• Bill payment/financing for energy via mobile phone
Remittances	<ul style="list-style-type: none">• Financing for energy product is provided by family members in the diaspora via cross-border money transfers
Traditional Community Finance	<ul style="list-style-type: none">• Financing for community-based energy services is provided through informal community collection mechanisms

Crowdfunding for Clean Energy: Catalyzing Energy Lending with Low Cost, Flexible Capital from the Crowd



MFIs have a role

MFIs are uniquely well-positioned to facilitate improved energy access.

MFIs also have direct and regular access to large numbers of energy poor consumers



But many challenges persist for MFIs:

- Lack of familiarity with clean energy technology and risk perceptions concerning energy.
- Fears about potential damage to portfolio quality and client trust
- Reduced efficiency and profitability
- Lack of bank funding for energy lending



Crowdfunding enables MFIs to tap into new sources of funding: it fills the gap for essential service lending by using financial resources sourced from large numbers of lenders – a form of “unconventional lending”

- **Core of Crowdfunding:** Unlock new sources of funds for purposes that conventional sources of investment and charitable giving are generally unwilling or ill-equipped to support or even incapable of identifying in the first place.
- **Advantages:** Greater funding available & Important cost and flexibility advantages.

MILAAP

- Is a Bangalore-based crowdfunding platform that raises loan capital for Indian microfinance institutions (MFIs) engaged **specifically in energy, education, clean water access and other forms of essential service lending.**
 - Is a for private social enterprise that operates for a for-profit basis.
 - Milaap has 15 partners in several states in India
- Energy lending has been a core part of Milaap's vision since the company's **inception.**

Water & Sanitation	Training & Education	Energy	Enterprise Development
Provide piped water, construct toilets & promote hygiene awareness	Provide training to youth in diverse fields such as IT, retail, accounting, etc.	Install solar lighting & smokeless stoves to remove the use of kerosene lamps to study and firewood or cook	Provide working capital & skills to help people run their own enterprises and become self-reliant

Crowdfunding for Clean Energy: MILAAP.ORG

Results and impact by mid-2014

US\$1.5 M in loans, 9,785 loans, impacting over 48,000 lives and a client repayment rate of 98.48%


2434
Enterprise
Development
loans




3541
Energy loans




530
Vocational
Training loans




1733
Sanitation
loans



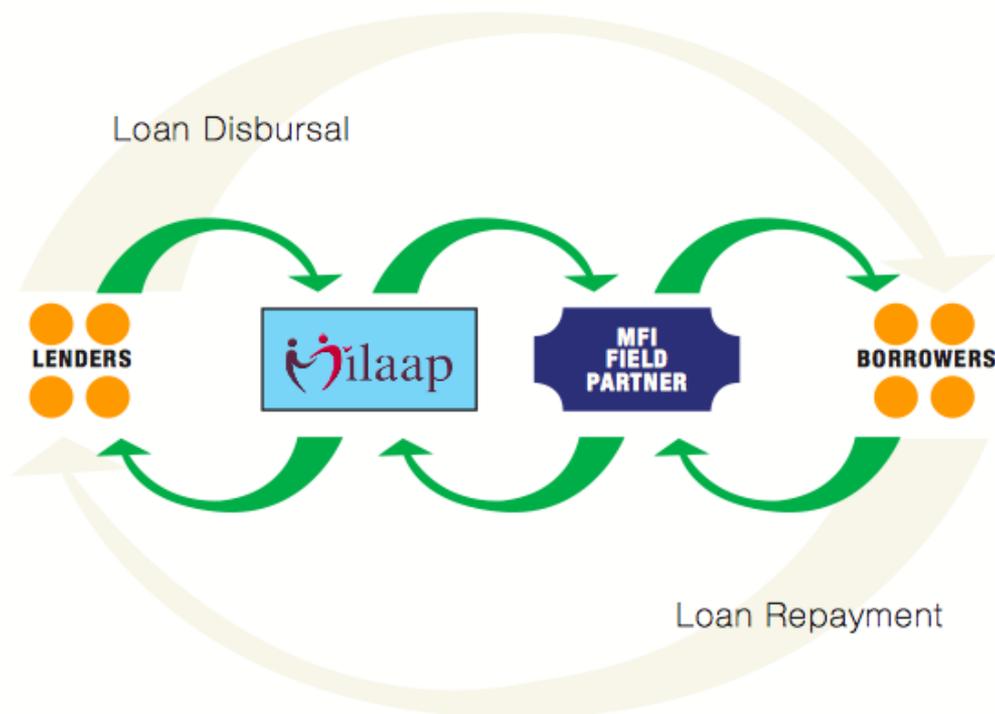

393
Water loans




61
Education
loans



Loan Disbursal and Repayment Cycle



The 3 key drivers of MILAAP's catalytic lending strategy and approach

- * **Availability**
- * **Affordability**
- * **Flexibility**

"We are not looking to provide capital to our MFI partners throughout their entire lifetime, but rather only at a particular phase of growth when capital is most scarce. Our goal has always been to act as a catalyst."

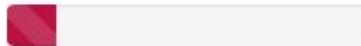
— Sourabh Sharma, Milaap Co-Founder and CEO

Make an impact

Support green businesses, solar power, clean stoves, energy efficiency and much more

Filter By

Cause	-
<input type="checkbox"/> Water	
<input type="checkbox"/> Enterprise Development	
<input type="checkbox"/> Vocational Training	
<input checked="" type="checkbox"/> Energy	
<input type="checkbox"/> Education	
<input type="checkbox"/> Sanitation	
State	+
Urgency	+
Repayment	+
Gender	+



Funded \$ 42.24 Still Requires \$ 261.20

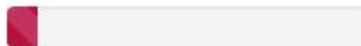
Golam Mostafa Molla and Group

📍 Dakshin Barasat, West Bengal

Purpose : To buy solar lights to study and work after dark

It's difficult to work or study without a reliable source of light. That's why this group of 5 women from rural West Bengal have decided to request a loan to buy solar lights. Golam Mostafa Molla (pictured first on the left) and her group come from an area where electricity is unreliable and they are su... [Read more](#)

\$	100.0	Lend Now	or	Complete the Loan
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Communities of Barabanki in Uttar Pradesh

📍 Barabanki, Uttar Pradesh

Purpose : To bring lighting to 10 villages by building a solar micro-grid

Multiple villages in Barabanki District, Uttar Pradesh are off the electric grid. Not large enough, not significant enough to make

DCBS Solar Loan Program

- DCBS is a small community-based MFI that operates in 200 village communities in West Bengal
- Active client base of 8,000 women borrowers
- Dec 2012, DCBS began promoting new solar lantern loan product to existing clients (line of credit provided by MILAAP); now expanding to non-clients

Results

- 100% repayment rate
- Rapid portfolio growth and high penetration
- Validation of energy lending as commercially attractive
- Positive impact results

Other MFIs supported by Milaap and Arc Finance are providing finance for a range of products from clean cookstoves to multi-light and multi-appliance solar home systems



Crowdfunding for Clean Energy: Lessons Learned from Milaap and others



- ✓ **Engaging with the right field MFI partner is key.**
- ✓ **Access to credit by itself does not ensure energy microfinance success:** marketing, education, after sales service, quality and appropriate product choice, distribution options and pricing all still need to be done right.
- ✓ **Training and raising awareness are crucial elements** which should be included as part of the clean energy program.