



# **Financing Village Level Energy Access in the Asia-Pacific**

**Findings of a workshop at ADB headquarters, Manila, 9-11 April 2008.**

Hosted by:

The Foundation for Development Cooperation (FDC)  
Asian Development Bank (ADB) and GVEP International

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## **Financing Village-Level Energy for Development in Asia and the Pacific**

9-11 April 2008 • ADB Headquarters, Manila, Philippines



## Context of the Workshop

- **The international environment**

- Genesis – the mismatch between demand and supply; the gap between available technology and financing/distribution
- The climate change challenge
- Rising energy and food prices worldwide
- Millennium Development Goals, poverty and energy
- 1.6 billion in developing countries without access to energy

- **The Asia Pacific region**

- Poverty and energy access; 1 billion people currently dependent on wood / kerosene / biomass for cooking, heating and lighting
- Severe adverse health outcomes and limitations on the productivity of micro-entrepreneurs
- Strong potential of renewable energy in the region; massive demand; technological and financing solutions are required
- Existing skills of designing, adapting, tailoring finance solutions at village level to stimulate energy access and enterprise development



## Workshop objectives

- To identify requirements/ways to narrow the gap between supply and demand of energy at the village level in the Asia-Pacific and to determine the role of financing at the village-level as part of the solution to village-level energy disenfranchisement.
- To test regional industry interest in and support for creation of a coalition of endeavour to make advances against this challenge.
- To provide an opportunity for the exchange of information and experiences between expert practitioners, and to develop new partnerships
- To pre-identify failures in existing financing and distribution systems and to explore new financing mechanisms to increase access to clean, cleaner and more renewable forms of energy for the poorest in the Asia-Pacific region
- To learn from core challenges and successes in energy lending, with reference to leading case studies and new primary research



## Workshop structure

- Financing Approaches and Opportunities
- Announcement of ADB's Energy for All initiative
- Development Finance and Energy Lending Applications
- New Market Opportunities: Carbon Financing and CDM
- New Market Opportunities: the case of LP Gas
- Public Private Partnerships
- Implementation: challenges, product development and marketing



## Initial outputs of the workshop

- A lengthy set of brief case studies providing detail on the various example of Financing Village-Level Energy Access
- A lengthy report of proceedings in which discussions and points of agreement disagreement and ideas for the future were discussed (both to be distributed by the ADB)
- An Asia-Pacific regional project proposed, to begin to define the agenda and to respond to the challenges through a networked multi-country effort



## Some Workshop Findings

- Yet more honing is needed on energy technologies suitable for the poor.
- The scale of the challenge is not yet matched by the resources applied to a solution.
- The “energy access gap for the poor” needs highest level support from governments and multilateral organisations.
- Refined market segmentation of the poor is critical, for example, a full quarter of the world’s energy poor are in India. Business models need to accommodate this segmentation.
- The overall functionality of markets would be a strong determinant of success.
- Having the right incentives for finance to focus on this market is critical – carbon credits are an example.
- Innovative supplier credit schemes would be a big part of the solution. Microfinance providers will have a role to play. Partnerships at the field/operational level will be critical.
- When energy products and financing are correctly tailored, customer demand and willingness to pay are clear.
- The risks to raising financing for village level energy will be in large part mitigated by greater and more defensible information.



## Some Workshop Findings - Continued

- Major private sector companies – energy and finance – are insufficiently engaged: the business case has not been adequately made
- Rapidly growing interest in climate change, and the MDGs, represents a nexus of interest for growing access of the poor to clean/cleaner/more renewable energy
- There is increasing funding available for climate change mitigation; a portion can be directed toward increasing energy access.
- The scale required, and the resources and distribution networks needed, can only come from the private sector.
- There are numerous examples of success – a key ongoing success factor will be the ability to share information across borders, and to quantify achievements.
- The growing international market for carbon will form part of a successful response.
- Increasing the access of energy by the poor was not yet seen as an “industry”, with identifiable characteristics and parameters. The formation of some industry characteristics will help the packaging and selling of this market opportunity to external stakeholders.
- A coalition of endeavour has been initiated; can it be advanced and can it add value?



## Outstanding questions from the workshop:

- Were the people in the workshop the right ones to successfully address/define the challenge?
- Can regulation issues/constraints be largely side-stepped in seeking to grow energy access at the bottom of the pyramid in the Asia-Pacific?
- How is the business case best demonstrated, by whom and how?
- Leadership is emerging, can it be effectively coalesced?
- Who provides the leadership to assemble the technology and finance needed?
- What vehicles and channels are available or needed to get the villages powered?
- What is the business case to ensure that the new systems are profitable and sustainable, not reliant on grants or subsidies?

## Learning from experience – case studies

- Khaula Karya & Depot Teknologi Khaula, Indonesia.
- RENDEV, Sri Lanka and Bangladesh
- ATCDI Unitech, Lae, Papua New Guinea
- Alliance for Mindanao Off-Grid Renewable Energy (AMORE), Philippines
- Project ACCESS, Solar Electric Company, Philippines.
- Yamog Renewable Energy Development Group, Inc., Philippines
- SIBAT - Sibol ng Agham at Teknolohiya, Philippines
- SEEDS (Guarantee) Ltd, Sri Lanka.
- Peace and Equity Foundation
- Fuel for Poor Communities, Nepal
- Sunlabob Renewable Energy Systems
- Green Microfinance
- Winrock International, Nepal
- TERI, India, Lighting a Billion Lives Campaign





## Requirements of a region-wide contribution

- Effective mechanisms for information sharing required
- Collaboration and partnerships between private/public stakeholders is required
- Energy loans at the aggregate must be demand driven, with a convincing business case required to attract investment
- Greater investment and political will is needed to develop, in aggregate, the microfinance market to fund energy access for the rural poor
- Need for targeted microfinance products which are specific to the poor and to the region
- Assistance for communities to capitalise on new carbon market investment opportunities



## Identified select components of an Asia-Pacific project response

- To create and maintain a coalition of stakeholders to promote village-level energy financing across the Asia-Pacific, and to define geographically the Asia-Pacific, and the precise parameters of financing village-level energy access in the Asia-Pacific
- To drive information and ideas through this coalition, country and regional microfinance networks, banking associations, associations of private sector operators and to create an open platform which provides a vehicle for private sector contributions and sponsorship
- To design a tool for partnership creation (between technology suppliers and village-level financiers) for financing village-level energy, including workshops, training of trainers and translation, and to develop a brokering process between energy company/supplier and MFIs.
- To provide inputs to the design of a Asia-Pacific Village-Level Energy Fund (ADB and private sector) and to design, with new microfinance online players/partners such as Kiva, a new product to concentrate on village-level energy financing.
- Technical exchanges of experts within the industry in the Asia-Pacific region.



## Identified select components of an Asia-Pacific project response, continued...

- To create an initial Technical Assistance “window” to help MFIs to engage in the CDM validation process.
- To publish a major, practitioner-based book of short case studies, with a pre-designed component for annual updates and to develop a small, ongoing research component, with a strong monitoring and evaluation component, with a focus on measurement of impact on poverty as a result of greater energy access.
- To create a permanent, regional resource and display centre.
- To produce defensible and evidence-based “business case” scenarios.
- To create incentives for excellence in promoting financing of village-level energy access.
- To build into the ADB’s annual clean energy forum an annual seminar on financing village-level energy.
- To prepare a video for international consumption on the financing of village-level energy

# Financing Village Level Energy Access in the Asia-Pacific region

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