



# **Ethiopia: Access to Water and Renewable Energy, implemented by Buusa Gonofaa and Wasasa**

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# Wasasa MFI, a socially-oriented rural financial institution



- Mission: to provide sustainable financial services to the active poor who are excluded from the traditional banking system, so that these vulnerable populations can smoothen their incomes, develop small activities , and thus enhance their livelihoods.
- Providing financial services to low income populations in rural areas for over 15 years
- A network of 34 branches and 20 rural outlets in Oromia region
- More than 110,000 active customers
- A total outstanding loan portfolio of EUR 16 million

# Getting into clean energy lending (1/2)

**99% of our clients are NOT connected to the grid!**

- Very limited access to clean, modern energy
- Use of kerosene lamps that have limited brightness, limited duration, a negative impact on health (smoke), and are very costly



**Objective of the Renewable Energy programme:**

- **Facilitate access to clean energy solutions for low income populations in rural areas through the provision of adapted financial products and services.**
- As part of the social mission of Wasasa: by helping clients to improve their access to clean energy, we are helping them to improve their living conditions, reduce their energy expenditures, develop their activities, while preserving the environment.

# Getting into clean energy lending (2/2)



## **Role of Wasasa:**

- Offer adapted loans to overcome the barrier to investment
- Link clients with reliable solution vendors, providing quality solar solutions with the necessary after-sales services



## **Support provided by PAMIGA:**

Wasasa did not have the expertise to evaluate and select reliable solar solutions and providers and manage the specific risks linked to energy lending. PAMIGA thus supported Wasasa in:

- Identifying customers' energy needs,
- Selecting adapted solar solutions to address those needs,
- Identifying reliable partners (evaluating their institutional capacities in terms of delivering both pre and after-sales services),
- Facilitating negotiations with selected vendors and preparing MoUs to be signed between the MFI and RE solution providers,
- Designing the Solar Loan product, with specific features, procedures and tools to ensure proper risk management linked to energy lending,
- Designing monitoring tools, etc.



## **Support received from SCBF:**

- Financial support allowing Wasasa to benefit from PAMIGA's technical assistance from November 2013 until March 2016.



# Results achieved



- **Partnerships in place with 4 reliable vendors of solar solutions (MoUs signed + operations)**
- **1,236 rural households having improved their access to renewable energy solutions (364 biogas plants, 658 solar lanterns, and 253 Solar Home Systems)**
- **A total RE loan portfolio of about EUR 226,100 (cumulated)**



# First impacts mentioned by clients (1/2)

## Improved lighting and living conditions

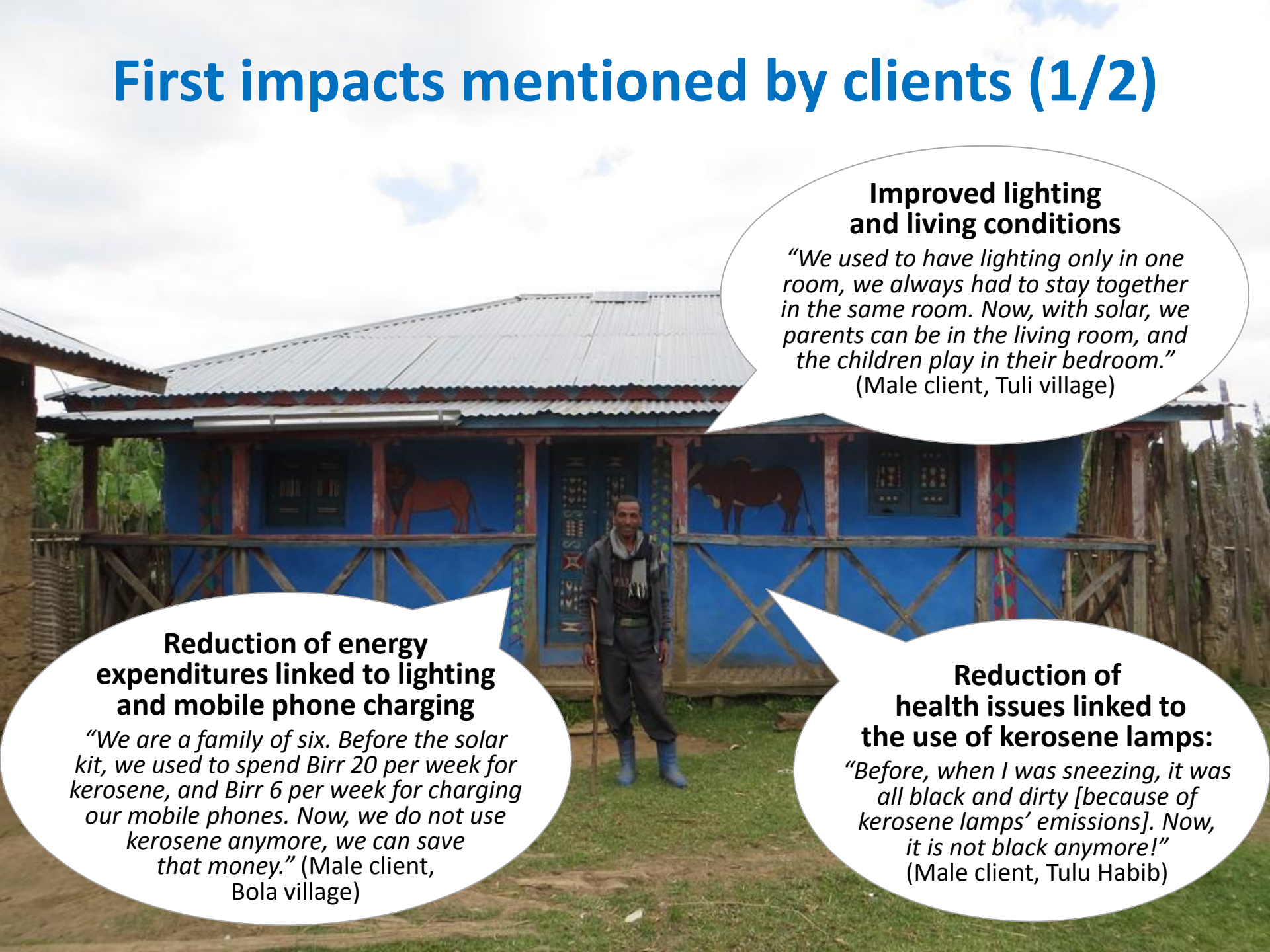
*"We used to have lighting only in one room, we always had to stay together in the same room. Now, with solar, we parents can be in the living room, and the children play in their bedroom."*  
(Male client, Tuli village)

## Reduction of energy expenditures linked to lighting and mobile phone charging

*"We are a family of six. Before the solar kit, we used to spend Birr 20 per week for kerosene, and Birr 6 per week for charging our mobile phones. Now, we do not use kerosene anymore, we can save that money."* (Male client, Bola village)

## Reduction of health issues linked to the use of kerosene lamps:

*"Before, when I was sneezing, it was all black and dirty [because of kerosene lamps' emissions]. Now, it is not black anymore!"*  
(Male client, Tulu Habib)



# First impacts mentioned by clients (2/2)

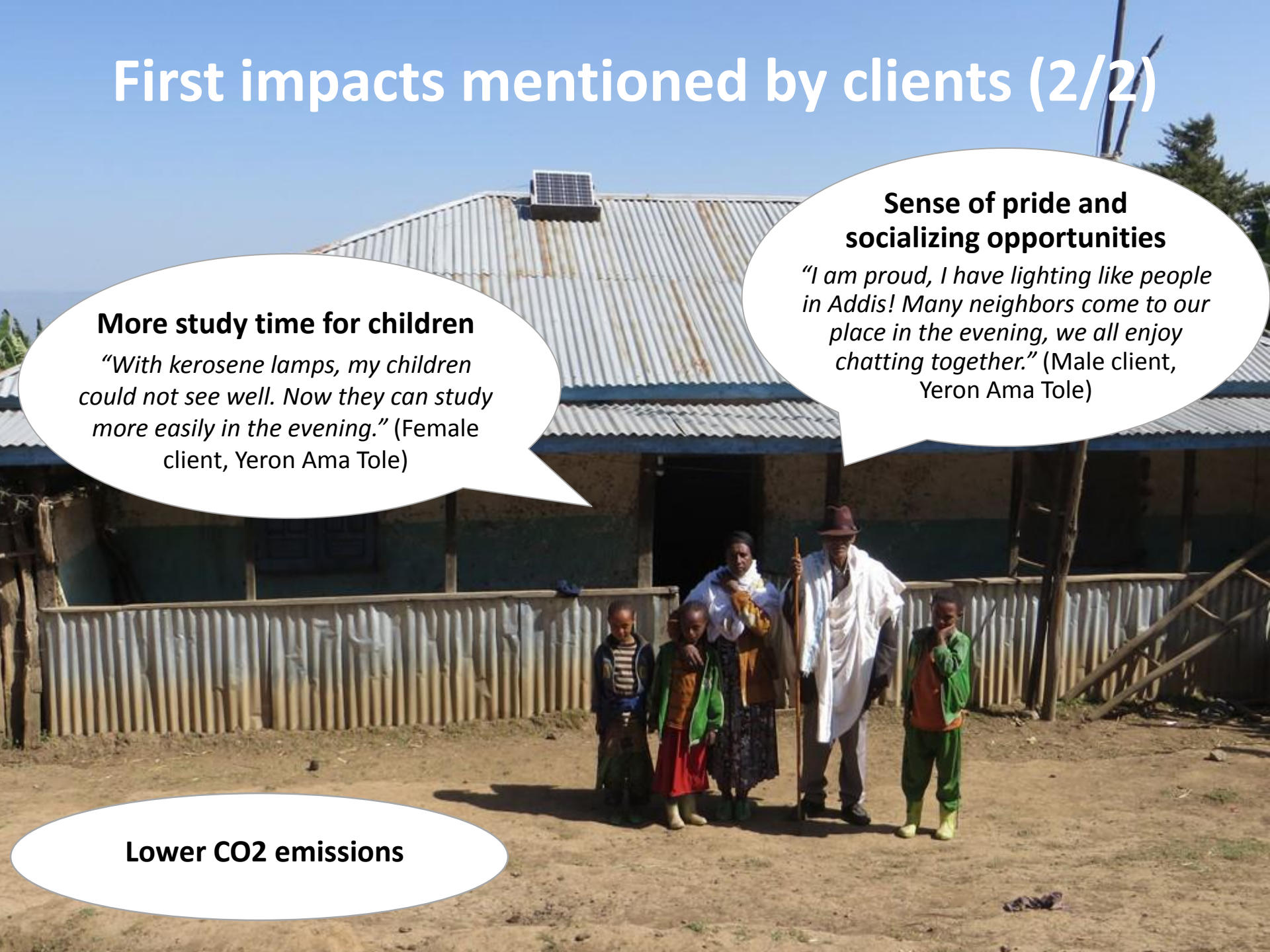
## More study time for children

*“With kerosene lamps, my children could not see well. Now they can study more easily in the evening.”* (Female client, Yeron Ama Tole)

## Sense of pride and socializing opportunities

*“I am proud, I have lighting like people in Addis! Many neighbors come to our place in the evening, we all enjoy chatting together.”* (Male client, Yeron Ama Tole)

**Lower CO2 emissions**





# Lessons learned (1/2)



- **It is crucial to understand the needs of our clients and propose adapted solar solutions.** We started with solar lanterns but very soon understood that we had to offer some larger solar solutions too.
- **There is a constant need to adapt to the market of solar technologies,** which is a fast evolving market. Frequent changes and upgrades in solar technologies have their own effects on pricing, quality, and managing customers relationships.
- **Low quality / cheaper solutions available on the market may erode customers' trust** (especially in case of counterfeit products with similar names).
- For poor households, **trust in the technology is very crucial factor in the decision** to invest in a solar solution.



# Lessons learned (2/2)

- **Clients trust Wasasa.** Even if some clients could pay cash for a solar lantern, they prefer to take a loan from Wasasa in order to benefit from selected quality solar kits with a warranty and after-sales services.
- **The choice of the technology provider is key.** MFIs have to carefully select vendors as failure of the solar solutions has a direct implication on loan repayment.
- **Local presence is critical,** to timely deliver the required solutions and customer services.
- **Support from a partner like PAMIGA is crucial** for MFIs to manage the risks of quality failure until the MFIs develop their own internal capacity.
- **Developing such services takes time...** whereas donors and investors are seeking immediate results.



# Recommendations

**Partnership is important** among the different actors, each having a role to play in its area of expertise.

- **Technology providers** should make efforts in understanding the needs of customers and offering appropriate technologies and delivery methods to address these needs.
- **MFIs** should not only avail adapted financial products for the potential clients (and managing their portfolio); but they should also create a forum for the customers and vendors to meet and understand each others' challenges and opportunities.
- **Technical services providers** should be mobilized to assist MFIs in selecting reliable technology providers who can deliver quality and affordable renewable energy solutions and manage customer complaints through after-sales services. They have a key role to play in facilitating the setting of partnerships between MFIs and technology providers.
- **Donors and investors** should understand the real challenges of setting this type of multi-stakeholder programme in remote rural areas, and define appropriate objectives and expectations from their financing, in a realistic timeframe.





# Thanks for your attention!

Access to Renewable Energy in Ethiopia

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