

One commercial model
Single hand approach



Concept

One company offer credit solutions to its potential customers in order to acquire PV systems.

Role of the company

ONE SINGLE COMPANY:

- Markets the system
- Sends its sales officers in the villages
- Offers a credit
- Installs the system
- Trains its customers
- Collects the monthly fees during the duration of the credit
- Ensures maintenance and spare part availability

PROS

For the customer:

- One single contact

For the company:

- Lower the operating cost with less people implied in the sale process
- Don't rely on other companies operations

For a program:

- Simplify monitoring process
- Better maintenance can be expected
- Less conflicts between companies in case of no repayment

CONS**For the company:**

- Expertise in two different fields: microcredit and REN
- Traditionnal REN companies don't have the capacities to deliver credit by themselves
- For a microcredit player, it means entering a new field
- Capacity building needs are very important

For a program:

- The program rely on very few players only
- Possible, only if larges MFI are operating widely at the grass root level

Case study:
IDCOL program in Bangladesh

Bangladesh at a glance

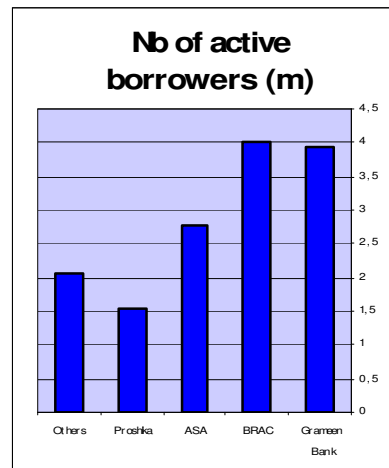
Population :
147 millions
Rural population:
85%
Density :
1090 hbt/km2
GNI per capita :
470 USD
People living with
less than 1 USD
per day :
49,8 % (2000)



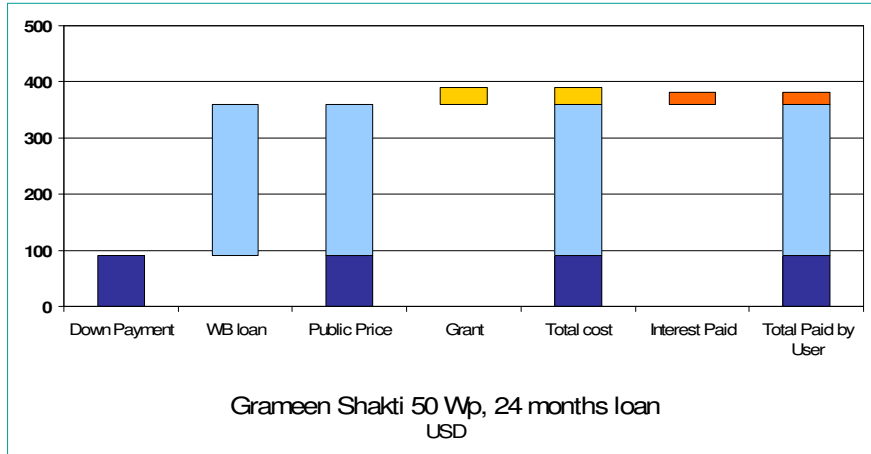
Electrification rate:
25%
Average consumption
per capita :
140 kWh

Microfinance sector in Bangladesh

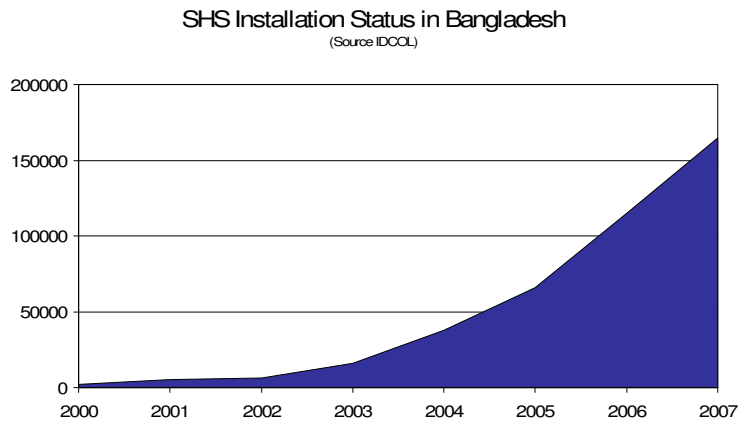
Population	Number of borrowers :	14,3 m
	Number of households :	9,6 m
	% of population :	37%
Loan characteristics	Average loan :	60 \$
	Average range :	46 – 80 \$
	Interest range :	20 – 35 %
	Loan recovery rate :	95 %
MFIs	1200 MFI's in 2005	
	Outstanding loan portfolio :	1350 m US\$
	Member savings :	467 m US\$
	Borrower to member ratio :	70%



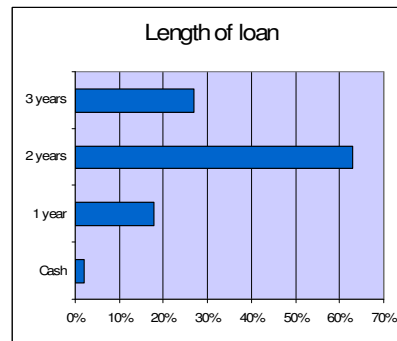
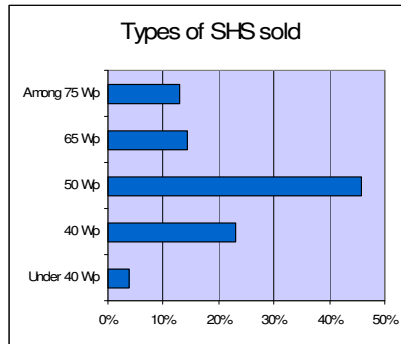
Cost Breakdown



Program Achievements



Achievements

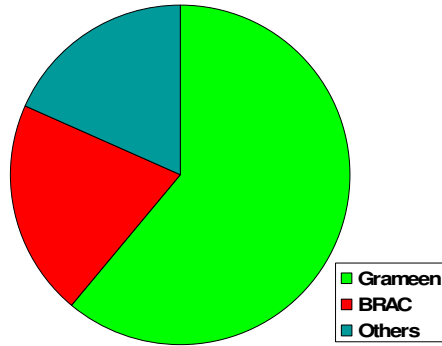


Factors of success

- Size of the partners
- Quality of monitoring
- Support of donors
- Low cost of operation
- High demand among population

Partners

Marketshare of 13 partners under IDCOL project



BRAC

5,57 million borrowers
 2,842 branches
 Operations in 69,421 villages
 Total Assets : 394 Million USD



Grameen Bank

7.31 million borrowers
 2,462 branches
 Operations in 79,925 villages
 Total Assets : 849 Million USD



The project is benefiting of the power and experience of biggest Microfinance Institutions among the world

Factors of success

- Size of the partners
- Quality of monitoring
- Support of donors
- Low cost of operation
- High demand among population

Lessons learned

Only big organizations are really succeeded on the field, this model may be difficult to apply in Indonesia because:

- No major NGO like player in Microfinance
- No major REN player that can be able to offer credit to the client



Possible role of government in Indonesia

Managing a fund which allocates special financing to REN companies to market SHS in rural area
in order to
Match the government objective of electricity for all
Level the effect of current government policy

Combining subsidies and loans

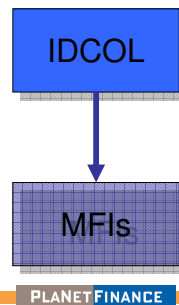
	System price (1000 Rp)	Subsidy	Final price	Monthly paiement (3 ears)	Monthly paiement (5years)
20 % subvention on 100 Wp	10,000	2,000	8,000	270,000	180,000
40 % subvention on 50 Wp	5,000	2,000	3,000	100,000	70,000
60 % subvention on 20 Wp	3,000	2,000	1,000	30,000	20,000

Assumption : Interest rate 12%, duration 3 years

Role of IDCOL

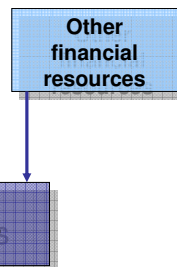
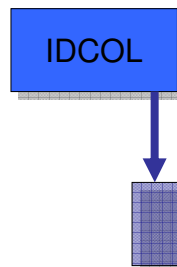
13 MFIs are partners of the project, including special units of BRAC and GRAMEEN BANK.
IDCOL lends at 6% to partners.

IDCOL and the donors have elaborated criteria to choose partners, among which:
 -**Financial viability**
 -**Other activities on the field**
 -**Experience in capacity building**
Every NGO meeting these criteria and willing to, enters the program as a Partner



Role of MFI

IDCOL funds (including grant component) represent 80% max of final price. IDCOL gives the loan to the MFI only after SHS installation is completed and checked by **IDCOL**.

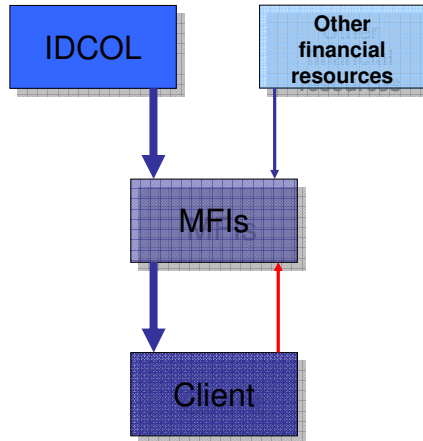


MFI needs special resources to purchase and install SHS before IDCOL pays back.

Role of MFI

IDCOL funds (including grant component) represent 80% max of final price. IDCOL gives the loan to the MFI only after SHS installation is completed and checked by IDCOL.

MFI offers loans at 12 to 15% max to final client. Typical duration is **24 months**, max duration is 36 months



MFI needs special resources to purchase and install SHS before IDCOL pays back.

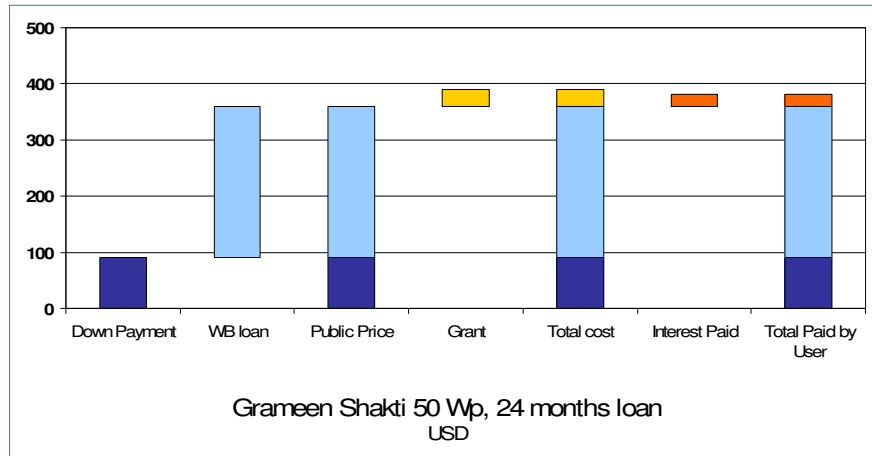
Client pays a **20% minimum** downpayment.

Monitoring

IDCOL monitors the whole process by

- Monthly review on the field
- Monthly meeting with POs (Partner Organizations)
- Allocate the money only when the process is finished
- Transparency, monthly figures are available on the web

Cost Breakdown



Taylor it to Indonesia

By decreasing the subsidy allocated to each HH, more HH can be reached by the program.

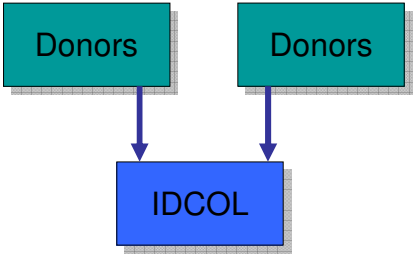
Donors usually have more money available as loans than as grants.

It is possible to adjust the subsidy to focus on poorer Households:

- 20 % subsidy on 100 Wp
- 40% subsidy on 50 Wp
- 60 % subsidy on 20 Wp

Case study in Bangladesh

World Bank lends to IDCOL at 5%. Total loan amount shall not exceed 80% of final SHS price.



IDCOL, Infrastructure Development Company Ltd, is a private company funded by BD gvt. IDCOL finances and monitors infrastructure programs.

GEF gives a grant, initially 90 USD per SHS, nowadays 50 USD. This grant covers:
 -Capacity building
 -Promotion
 -Decrease SHS final price
 KFW substitutes GEF since 2005.

RENDEV Project

