

# Bringing Small-Scale Finance to the Poor for Modern Energy Services: What is the role of government?

EXPERIENCES FROM BURKINA FASO, KENYA, NEPAL AND TANZANIA



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**Federal Ministry  
for Economic Cooperation  
and Development**

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## □ Foreword

We are at a crossroads with energy and development. Our current path leads us to a situation where modern energy will continue to be out of reach for the poor and we will see an acceleration of climate change, which impacts the poorest people the most. If we continue on the current path, it is possible that we will stay at the same place we are right now—with 1.6 billion people without electricity and 2.4 billion people still cooking on traditional fuels. Instead, the path we propose to follow leads to a wider availability of modern energy options that are affordable for the poor.

It is necessary to tap into the momentum generated over the last 30 years by the microfinance movement to make the link with modern energy. Currently, the link between energy and small-scale finance, including microfinance, is weak and our experience is limited. For example, there are energy enterprises unwilling to serve the rural poor without a guarantee that their customers have access to financing options. Conversely, most microfinance institutions are unwilling to issue loans for energy products without being assured that they have an energy enterprise that can provide high-quality products that their clients want to buy.

The current gap that exists between access to modern energy and small-scale finance is the premise for this paper. Specifically, we look at the role of government in bridging the gap, because the public sector has an important role to play in creating the necessary policies, incentives, and funding to bring financial institutions together with energy enterprises to serve the poor. The private sector cannot take on this task in isolation. Governments must facilitate and encourage the various private-sector actors to initiate and expand small-scale finance to catalyze increased access to affordable, modern energy services in a way that can have fundamental impacts on the health, well-being, and economic productivity of the poor.

This paper was prepared by a group of leading experts who bring together their collective experiences to present the different dimensions of the role of government in small-scale finance in Burkina Faso, Kenya, Nepal, and Tanzania. The paper highlights the variety of approaches in the four countries to draw out general policy recommendations for the wider community. I hope the report will offer valuable lessons for practitioners, policy makers and decision makers from governments, donor organizations, financial institutions, and energy enterprises.



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## □ Acronyms

<b>ADBL</b>	Agricultural Development Bank (Nepal)
<b>AEPC</b>	Alternative Energy Promotion Centre (Nepal)
<b>Ah</b>	Amp-hour
<b>BSP</b>	Biogas Support Programme (Nepal)
<b>CBO</b>	Community-Based Organization
<b>CFL</b>	Compact Fluorescent Light
<b>CGAP</b>	Consultative Group to Assist the Poor
<b>Ksh</b>	Kenyan Shilling
<b>KUSCCO</b>	Kenya Union of Savings and Credit Cooperatives
<b>kW</b>	Kilowatt
<b>kWh</b>	Kilowatt-hour
<b>LPG</b>	Liquefied Petroleum Gas
<b>MFDB</b>	Microfinance Development Bank
<b>MFI</b>	Microfinance Institution
<b>MFP</b>	Multi-functional Platform
<b>NGO</b>	Non-governmental Organization
<b>NRB</b>	Nepal Rastra Bank
<b>PRET</b>	Promotion of Renewable Energy in Tanzania
<b>PRSP</b>	Poverty Reduction Strategy Paper
<b>PV</b>	Photovoltaic
<b>RCPB</b>	<i>Réseau des Caisses Populaires du Burkina</i>
<b>REA</b>	Renewable Energy Agency
<b>RESP</b>	Rural Energy Service Provider (Tanzania)
<b>RET</b>	Renewable Energy Technology
<b>RFSP</b>	Rural Financial Service Provider (Tanzania)

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