



Co-hosted by:



Last mile distributor-MFI partnerships: Enabling access to beneficial products in underserved communities

Webinar: 25th August 2022

**Practical
ACTION**



The GDC is hosted by Practical Action, alongside strategic and implementing partner Bopinc

Agenda and objectives

- GDC welcome and scene-setting
- Power Africa guide to microfinance loans for increasing access to off-grid solar products
- GDC member reflections of working with MFIs
- MFI reflections of working with distributors
- Q&A, wrap up and close



Credit: Essmart

Who you'll hear from today

Power Africa team



David Riposo
Energy Access
Advisor
Power Africa



Anna Perkinson
Cross-Cutting
Team Lead
**Power Africa Off-
grid Project**



Wilson Idahor
Liberia Country
Consultant
**Power Africa Off-
grid Project**

Last mile distributors



Jim Ayala
Founder and CEO
**Hybrid Social
Solutions Inc**



Paul Nemga
Regional Director
MPower Ventures

Consumer affordability

Ability (not willingness) of last mile consumers to pay prevents them from accessing products with significant impact potential

*Last mile consumers are low income, live in remote areas, or both

Consumer finance

LMDs *deliberately target* difficult markets and last mile customers

78% of GDC members provide consumer financing

Why LMD-MFI partnerships?



LMDs and MFIs are **strategically aligned** – focussing on last mile customers

Each have **valuable expertise** to bring to the table

Challenges include: small transaction sizes, high risk nature of LMD customers, MFIs' procedures not always well-suited to financing physical assets

Power Africa

A guide to microfinance loans for
increasing access to off-grid solar
products



THE MFI FLYWHEEL

ACHIEVING BREAKTHROUGH MOMENTUM



Jim Ayala

*Founder and CEO
Hybrid Social Solutions
Power Africa
August 19, 2022*

PHILIPPINE LANDSCAPE

An aerial photograph of a coastal village in the Philippines. The village is built on a sandy beach and extends slightly into the water. It features numerous small, dark-roofed houses clustered together. Several boats are visible in the shallow, turquoise water near the shore. The background shows a vast expanse of the ocean with varying shades of blue and green, indicating different depths and possibly coral reefs or sandbars.

OGS Market: 115M pop., 25M offgrid
#1 disaster ranking
Rural grids run by coops

MFIs: 200 MFIs. 10,000 branches
12M borrowers

HYBRID SOCIAL SOLUTIONS

Vision: *End Energy Poverty*

2022 scale: *4,000 SHS/month (\$400k). 80% MFI*

Impact: *134,000 HH (2010-present)*

Improved
Energy Access



715,000 Pax

Add'l lighting/
charging



200 Million Hrs

Energy
Savings



\$24 Million

CO2
Reduction



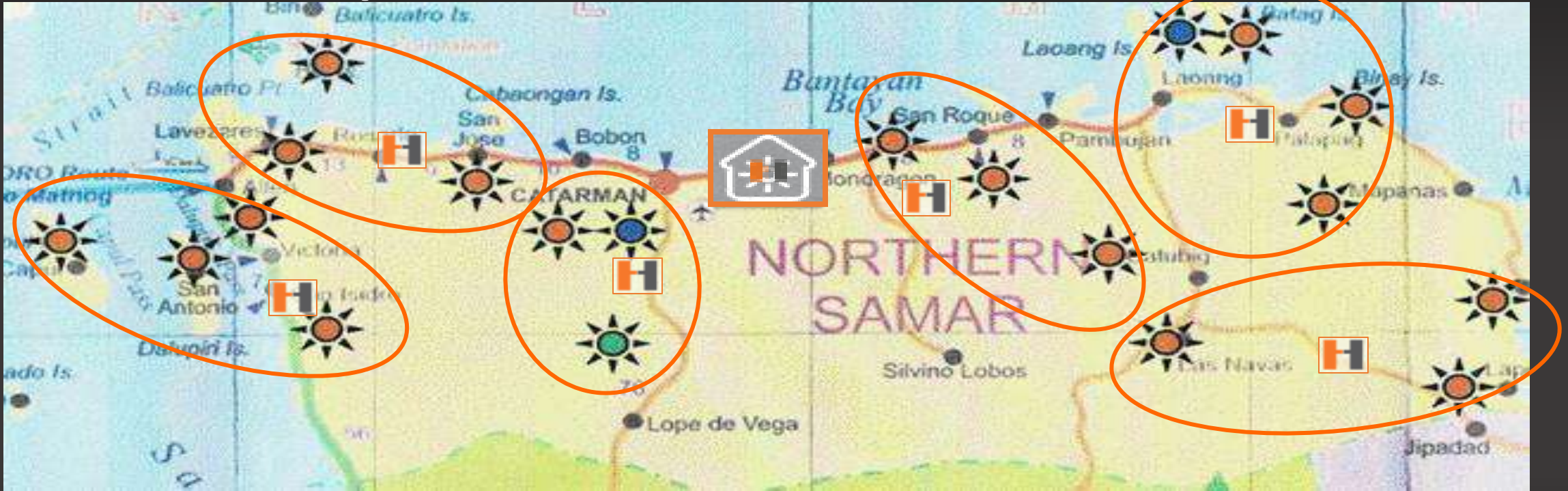
156,000 Tons

SUSTAINABLE ACCESS THRU LAST MILE VALUE CHAINS



SOLAR HUB ROLE AND ECONOMICS

Footprint = 12 Hubs. 8 MFIs. 250 branches



Market: 500 villages, 50k HH. Min 20 branches

Manning: 6 solaristas per hub

Coverage: 3 branches per solarista

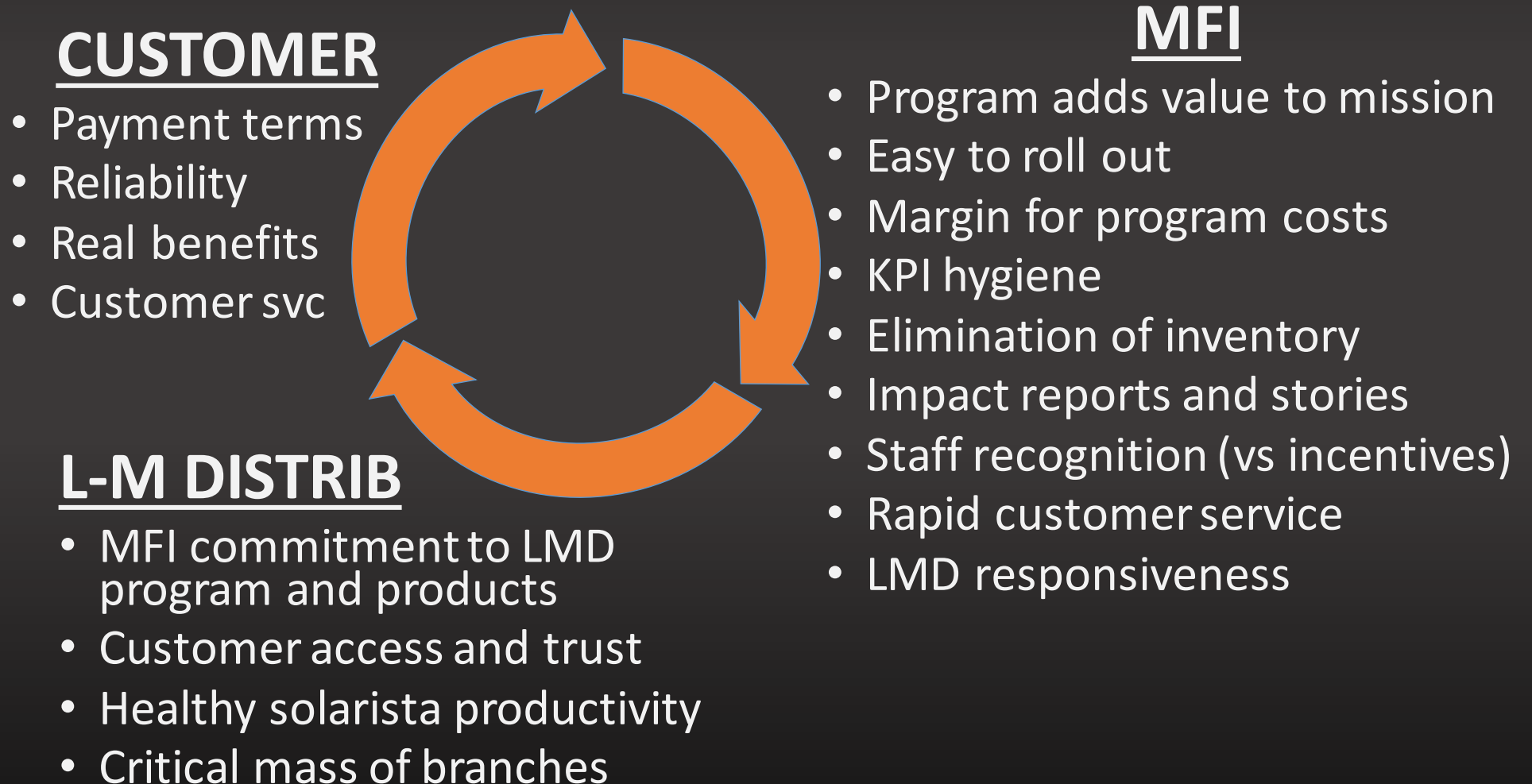
Daily deployment: 3 units @ \$100 ea

Impact: 1,800 add'l people per month

Financials: \$36,000 sales, \$8,000 profit/mo

MFI FLYWHEEL

STAKEHOLDER KEY SUCCESS FACTORS



ACHIEVING BREAKTHROUGH MOMENTUM

1. Remember: you need them, they don't need you
2. Tailor program for MFI Key Success Factors
3. Build commitment and relationships at all levels
4. Make sure customers are truly satisfied
5. Productivity = Prospects x Conversion x Branches
6. Hubs ensure end-to-end LMVC operation
7. Continuously improve program
8. Standardize branch enrollment to scale



Lots of small steps to get flywheel spinning



MPOWER VENTURES AG

Building the leading platform to supercharge the energy transition in emerging markets

A platform supplying small-scale clean energy infrastructure and facilitating consumer financing plans to consumers in emerging markets through financing institutions

August 2022

ENERGY TRANSITION REQUIRES

POWER

FINANCING

PRODUCTS

THE PROBLEM

ENERGY TRANSITION REQUIRES

POWER – NOT AVAILABLE

FINANCING – EXPENSIVE OR NOT AVAILABLE

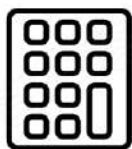
PRODUCTS – LOW QUALITY OR NO FIT

FINANCING - What exists & Why the MFI Approach ?



1. CASH

Although solar energy saves money in the long term, the initial costs are high. Inconsistent revenues prevent products from being purchased when customers need them.



2. PAYGO

Due to some issues related to material adequation, the total cost of PAYGO products is higher. The products are more exposed to technical issues, which increases the operational costs of distributors. As soon as there is no risk assessment, the failure rate is high.



3. BANQUE / IMF

Banks and MFIs do not have the technical know-how to properly assess products and technical risks. The credit procedure is sometimes long and conservative.



FINANCE

Our approach

We combine the best of both worlds: PAYGO's digital experience with MFI financing experience for a tailor-made solution for each client.

We create a climate financing model through: Consumer financing & Distribution activities



OUR SOLUTION

BUSINESS TO BUSINESS TO CONSUMERS (B2B2C)

Platform for co-invested business partners to deploy and finance products for the energy transition.

We have a presence in 7 countries in Africa, with plans to increase our footprint in existing and new markets

OPERATIONAL

Zambia (2018)

Cameroon (2019)

Togo (2020)

Botswana (2020)*

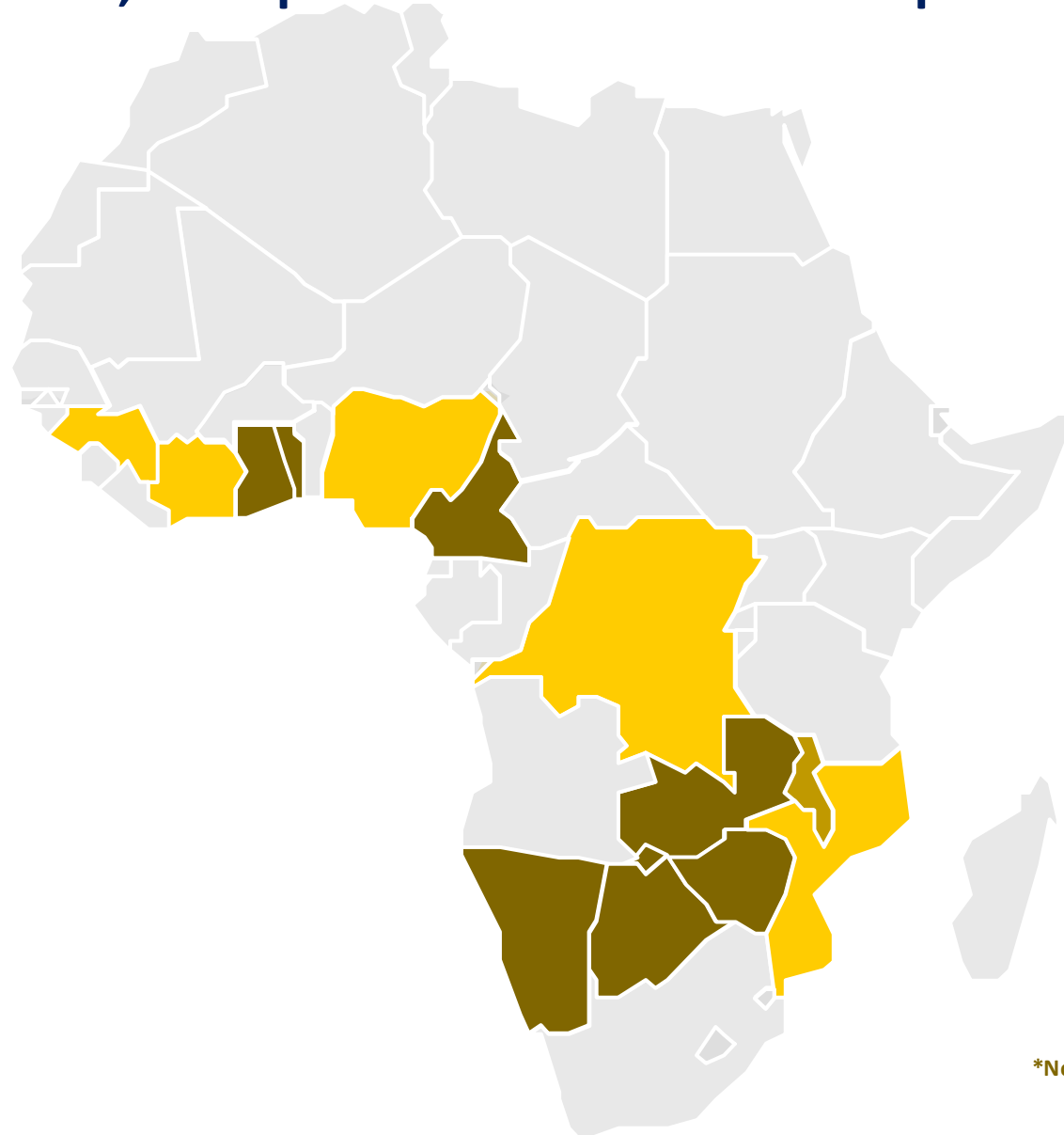
Ghana (2022)*

Namibia (2021)

Zimbabwe (2022)

NEXT OPPORTUNITIES

Ivory Coast, Nigeria, Mozambique,
Senegal, DRC,



*Not yet incorporated

A PLATFORM FOR SOLAR, ENERGY EFFICIENT ELECTRONIC AND PRODUCTIVE USE APPLIANCES



EASY ACCESS TO FINANCING



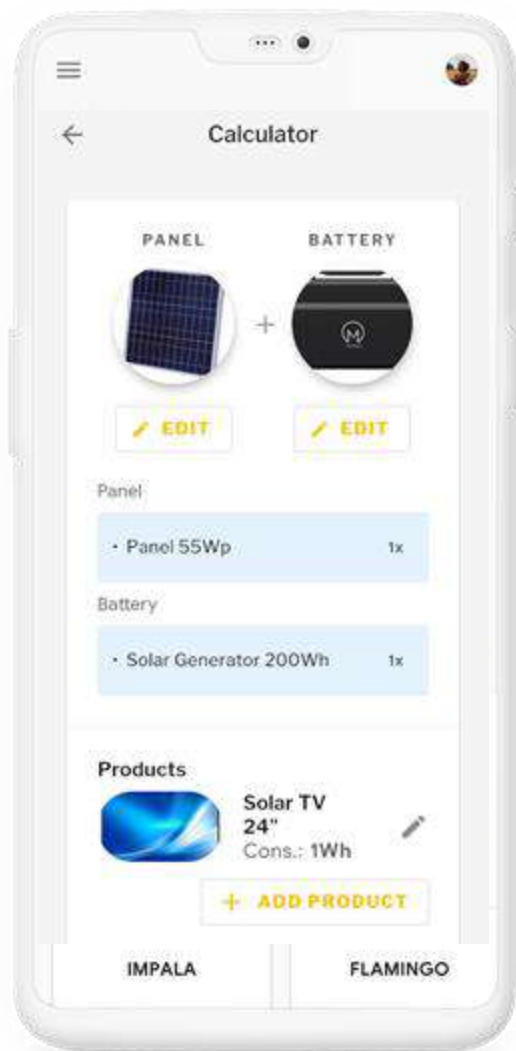
SOLAR BUNDLES &
PRODUCTIVE USE
APPLIANCES



SMART SOFTWARE &
DATA SOLUTION

Our products include high-quality solar bundles sourced from 3rd party manufacturers

PLUG&PLAY SOLUTIONS UP TO 5 KWH WITH A LONG LIFETIME FOR A VARIETY OF USE CASES



Digitization as the key enabler – our software platform establishes trust from manufacturer to end-user



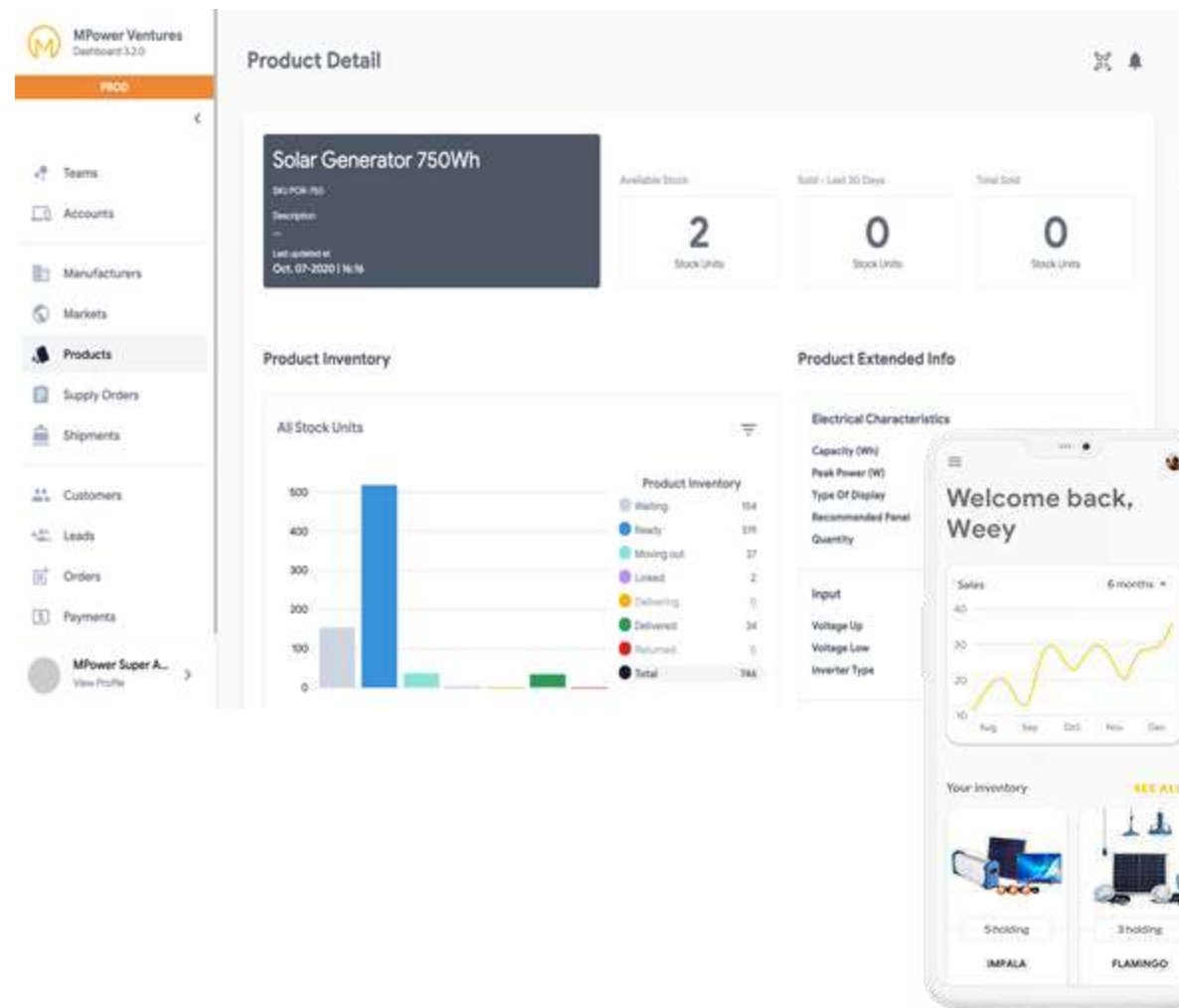
**FULL DIGITIZATION
OF OPERATIONS
(ORDERS & CRM)**



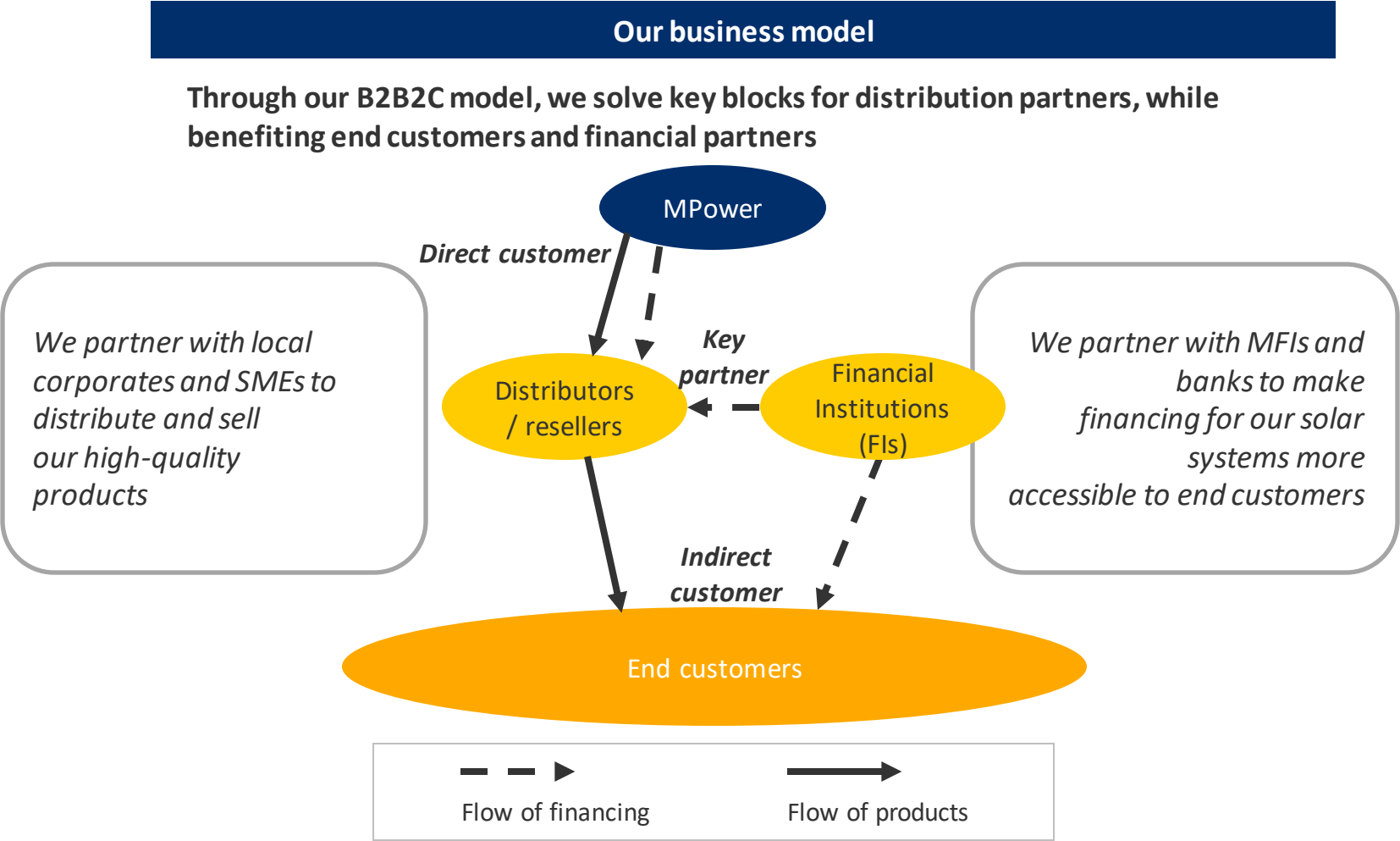
**DIGITAL TRACE
TRACK EVERY UNIT FROM
CRADLE TO GRAVE**



**AUTOMATED FEEDBACK
USE REMOTE MONITORING AND
CUSTOMER REVIEWS**



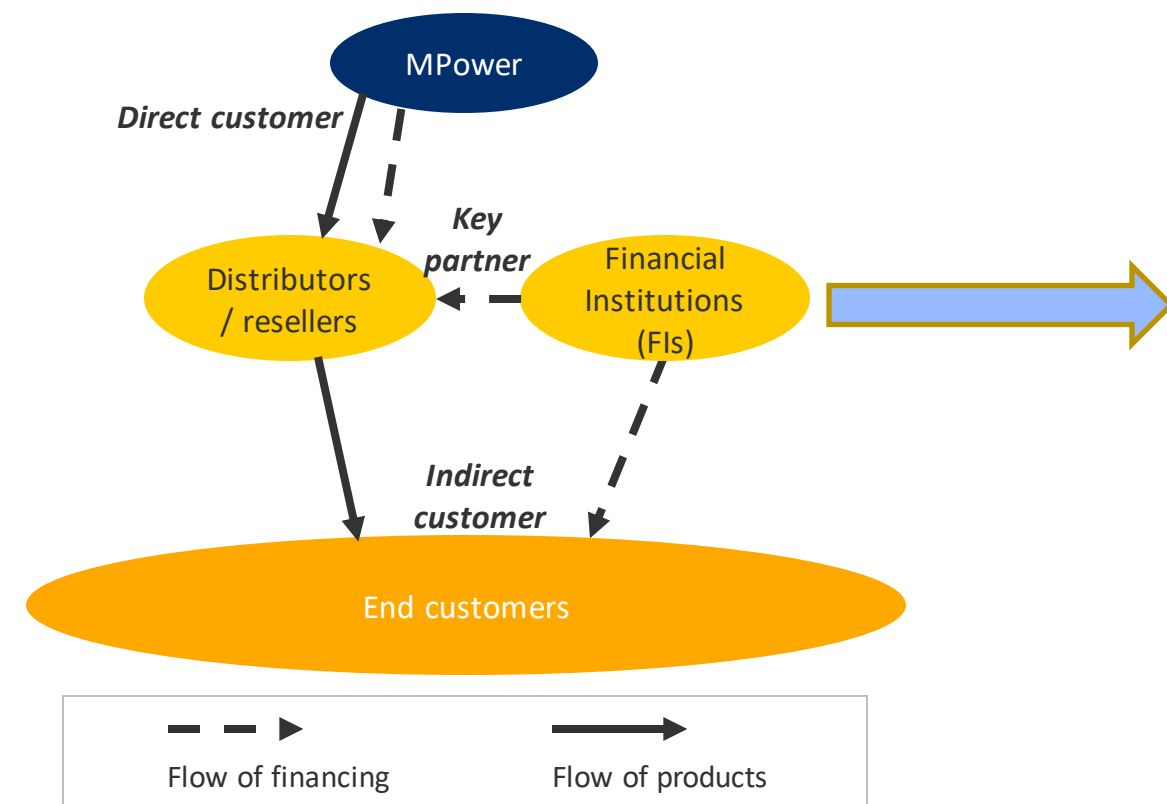
MPower supplies small-scale clean energy infrastructure in Africa through our B2B2C model, working with distribution and financing partners to reach end users



¹ Having teams on the ground helps us quickly understand market dynamics and adapt products to customers needs; ² Local partners are responsible for marketing, sales, distribution, installation, and after-sales services

MPower financing partnerships

MPower supports its partner companies by pre-financing inventory and finding appropriate financing structures for consumer finance. Consumer finance is done by focusing on the following main categories to finance our end-customers: i) payroll deductions (own financing or financed by 3rd parties – on a “lease to own” basis) ii) MFI partnerships (partner financing) and iii) corporate partnerships .



Financing Partnerships:

- We partner with FIs (e.g., MFIs, banks) to make financing for our solar bundles more accessible to end customers
- A key challenge faced by this segment is default from borrowers looking for financing of high-cost solar energy assets, that often arises from information asymmetry on creditworthiness
- We address this through the provision of a pipeline of borrowers seeking credit for our affordable and quality products
- Hence, we also bring a new customer base to MFI partners

MPower financing partnerships

MFI partnerships

Typical partner

Retail banks, leasing companies, MFIs

Typical process

1. Client applies
2. MPower confirms availability
2. Partner validates
3. Client pays down payment
4. Delivery of system
5. Payment of instalments to financing partner

Source of financing

Financing partner

Payroll deductions

Typical partner

Big companies, Government payroll schemes

Typical process

1. Client applies
2. Once a month, the institution approves clients for deductions
3. First deduction (same month)
4. Delivery of system
5. Monthly payroll deductions up to 36 months

Source of financing

MPower or Financing partner

¹ Having teams on the ground helps us quickly understand market dynamics and adapt products to customers needs; ² Local partners are responsible for marketing, sales, distribution, installation, and after-sales services

Biggest challenges and practical tips

Challenges


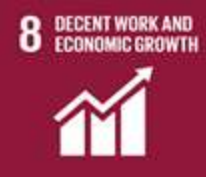



- A new product segment that the MFI and its agents do not yet fully understand. Hence, training and persistence is key
- Process to get the partnerships started is often time consuming and long
- Once started, the onboarding process and roll out is often slow
- Convince the onboarded MFI to bring down the interest rate for credit and loan facilities through a cost-effective financing that makes it easy to acquire high-quality solar products at affordable prices
- Financial inclusion & income Generating activities (benefits for all the parties)

Tipps

- A lot of MFIs are looking into new segments are therefore interested in developing new business opportunities
- Identifying “internal champions” is key
- Important is to find a mechanism in which the MFI partner has “skin the game” (i.e. also loses when the partnership goes sour.
- Financing the MFI that is channeled to unique products is a good way to onboard an MFI, but interest need to align.
- Training and close management of the partnership is key.

¹ Having teams on the ground helps us quickly understand market dynamics and adapt products to customers needs; ² Local partners are responsible for marketing, sales, distribution, installation, and after-sales services

Our impact is clear and measurable; we benefit both people and climate

	Cumulative to date	Projections by 2026	
	>37,000 People with energy access	>2.4M People with energy access	Energy access: <ul style="list-style-type: none"> Cumulative number of people who have benefitted from MPower solutions for their households/ businesses and from reliable and affordable access to clean energy
	>3,600 SMEs supported	>640,000 SMEs supported	Economic activity: <ul style="list-style-type: none"> Number of people acquiring MPower solar systems to support their productive activities or businesses
	~7,900T of CO2 emissions	> 1.4M T of CO2 emissions	CO2 emissions avoided: <ul style="list-style-type: none"> Estimated metric tons of carbon dioxide emissions equivalent averted in a year from MPower systems sold to date
	>9,000 People financially included	>390,000 People financially included	Financial inclusion: <ul style="list-style-type: none"> Cumulative number of people with current access to MPower consumer financing solutions
	~USD 2.9M Avg. expenditure savings ¹	~USD 500M Avg. expenditure savings	Savings on energy expenditure: <ul style="list-style-type: none"> Estimated average USD savings on energy-related expenditure resulting from the use of off-grid energy sources

CONTACT US



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AWARDS / SUPPORTED BY:



Note responsAbility provides support through a Technical Assistance Facility

LEGAL POWER OF ATTORNEY (LPA) PARTNERSHIP BTW SIB LIBERIA LIMITED AND ELSIE RENEWABLE POWER SOLUTION



***GDC and Power Africa Webinar
Partnerships between OGS companies and MFIs***

Date: Thursday 25th August 2022

TIME: 12:30 UTC

AGENDA

- MFI and Last Mile Distribution Companies – Partnership Formation
- Meaning of LPA (Legal Power of Attorney)
- The LPA Process
- Key Impact/Results of the LPA Model
- Biggest Challenges with the LPA
- Tips for Partnership Development & Improvement
- Questions & Answer
- Conclusion

MFI and Last Mile Distribution Companies – Partnership Formation

- Formation of Partnership between MFIs and Commercial Banks to offer Consuming Financing for OGS companies
- Partnership established through an MOU facilitate with technical support from USAID PAOP
- The Partnership is based on a Consuming Financing model known as LPA

MEANING OF LPA (LEGAL POWER OF ATTORNEY)

**LOCALLY MEANS: LIBERIA PAY AFTER, OR ANOTHER WAY
OF BUYING ITEMS WITHOUT HAVING CASH ON THE
SPOT.**

LPA PROCESS

- Designed for Salary Customers. Customers whose salaries regularly pass-through accounts with SIB Liberia Limited.
- Such Customers contact the OGS Company (Elsie Renewable Power Solution) select the Off-grid product they desire and obtain a Pro-formal Invoice of product(s)
- The Customer present a formal request for financing based on the Pro formal Invoice to the MFI (SIB Liberia) to begin the loan process.
- The MFI (SIB Liberia) processes the request using it internal loan processing criteria i.e. validity of the product order/Pro formal Invoice, computes the repayment terms etc.
- If the Loan is approved, the Customer, MFI (SIB Liberia) and OGS Company (ERPS) endorses order
- Based on the MFI approval, the OGS product is delivered to the customer upon which the MFI pays the OGS company the full amount for the OGS product
- The MFI periodically collect the cost of product from the customer account at the abnk based on the loan repayment terms.

Key Impact/Results of the LPA Model

- Moderate but increasing Sales of OGS products
- Generally, more interest in OGS products
- Improvement in OGS company cash flow
- For the MFI, the LPA business model has not change significantly

Biggest Challenge with the LPA

- ***For the MFI:***
 - Lack of adequate financing to scale the LPA business model for OGS. Still a challenges. The POAP has been facilitating linkage of the MFI with international financing opportunities in the renewable energy sector
- ***For the OGS Company:***
 - Slow and Moderate product sales and financing is restricted to existing bank customer whose salaries are domiciled in the bank. The company discussing the establishing of the model with other banks and creating a cash pool to facilitate the consumer financing process internally although with added risk.

Tips for Partnership Development & Improvement

- Simple consumer financing Process
- Availability of funding at the MFI
- Timely and simplified Information sharing
- Quick remittance of payment from MFI to the OGS company once OGS product is delivered to the customer

Q&A



Thank you and wrap up

- Power Africa guide
- Feedback poll
- Slides and recording
- Next webinar: investment readiness tools

Contact us:

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