

Questions from Webinar 2: Scaling up financing Innovative structured financing for solar companies

To view the recording and download the presentation visit the [webinar event page here](#).

Panellists:

Piyush Mathur - Simpa Networks

Molly Doyle - USAID

François Lepicard - Hystra

Questions on Simpa's business model:

GSDU: In the Simpa model, who guarantees repayment of the loan to the bank?

Piyush, Simpa Networks: No one. The bank is taking a risk on the customer directly. Simpa has provided a small performance guarantee, which gives the bank the confidence that we will perform our obligations e.g. technical service, collections, etc. but this guarantee is lower than the portfolio loss so the bank remains exposed to customer credit risk.

Eyals: Do Simpa customers already have bank accounts or not? In what proportion?

Piyush, Simpa Networks: Approximately 70% of Simpa's customers have bank accounts but a significant proportion of them are not actively used. Most of them are Jan Dhan accounts which were opened for all by the Government for free under a social scheme but our customers have no reason to use them, so they often remain unfunded.

KaiVogt: What system does Simpa have in place to collect loan repayments?

Piyush, Simpa Networks: Simpa offers multiple payment methods to customers including digital methods but almost all collections are manual.

Microfinance

How can microfinance funding be made available to businesses for the promotion and sale of renewable energy products.

Molly, USAID: Many microfinance institutions do work with solar companies to distribute products, but this is largely based on relationship building and distribution capacity. MFIs already distributing fast-moving consumer goods will have greater capacity for expanding their existing product line. MFI engagement in distribution is often to expand or upsell their existing customer base, so make sure

that any potential new partner is committed to sustainable customer acquisition and portfolio growth.

François, Hystra: For low cost items (less than 10% of loan), MFI usually provide “top up” sale, whereby the cost of the equipment is added to the credit. But a reverse relationship exists whereby, notably for more remote areas, PAYGO items can be used as pre-screening for creditworthiness.

Pure distribution makes less sense for the MFI business model, unless they are already diversified.

Finding the right investor

Fteigell: Most of the financing initiatives that we have seen lately have constraints that make them hard to get to: Some focus on a certain technology (SHS providers mostly), others demand a leading partner from a certain geographical origin. Can you name any potential funder for minigrids in Africa please?

Molly, USAID: The newest facility with a microgrid industry focus is the [Microgrid Investment Accelerator](#). However, initial calls for proposals will be focused on Tanzania, India, and Indonesia. For project specific financing, with regard to feasibility and pilot projects, Organizations such as the [USTDA](#) and [Power Africa](#) support microgrid project developers on a project-specific basis (technical assistance and project grant awards for feasibility studies and pilot projects).

Risks

I launched solar home systems Kit4Africa.com (very similar to Simpa Networks with payg technologies) in DR Congo and I lack investors to expand the business. How to cope with instabilities risks when attracting investors? How to cope with currency fluctuation? Thx

Molly, USAID: The DRC is a challenging market, but the energy access opportunity is significant. Currency fluctuations will always be a risk for companies to manage, but this will be alleviated as more local currency lending options come online. If a company is developing a SPV debt facility for working capital, there are currency hedging mechanisms offered by [TCX](#) and [MFX](#) among others, but this would be at a later growth stage of the company. These organizations hedge the currency and interest rate mismatch that created by cross-border investments between international investors and local enterprise in frontier and other less liquid emerging markets. They hedge both lenders and borrowers. Crowdfunding platforms such as [Sunfunder](#) are increasingly offering local currency lending across the continent.

François, Hystra: Since you are spending your dollars well ahead of selling in local currency, the way you hedge your currency risk is by reflecting dollar evolution in your sale price as soon as you can. Clients usually understand, especially if you have made it obvious, yours were dollar products and prices may vary. Then you can buy more products each time. This requires that you have a good communication system with salespeople so you can re-adjust prices regularly.

How do we here in Ghana get some soft loans from the international world for expanding our businesses locally?

Molly, USAID: Ghana has a growing impact investing community in-country, with the [Gimpa Center for Impact Investing](#) as one industry association supporting the expansion of impact investing in Ghana-based enterprise. Local accelerators such as [MEST](#) could have suggestions through their own incubator networks. Crowdfunding platforms such as Sunfunder, Trine, Lendahand, Lendable, Bettervest, Kiva, all offer lending opportunities at variable levels, depending on company growth stage.

Other sectors

I am interested in innovative finance and scaling, but more focused on water and sanitation than on renewable energy. What do you think makes the solar energy sector different/ special when it comes to innovative finance and scaling?

Molly, USAID: A lack of customer data prior to the development of PAYG technology has made it very difficult for investors to complete diligence on the off-grid energy sector and invest without knowing more about the end users they are working with. PAYG tech and the increasing standardization of customer data collection and analysis offers much greater insight into portfolio risks and customer potential default rates, increasing investor confidence in the market.

However, the WASH sector is also seeing some interesting financing vehicles emerge, such as [WaterEquity](#), which just received \$20M from OPIC to support microfinance institutions to provide credit to low-income households to install in-house water connections and plumbing.

François, Hystra: I do not know what type of business model you are looking at, so my answer is theoretical: While sanitation is a tough one, water is clearly very comparable to power, once you are able to collect customer data

What kind of financing is available for productive use such as cooling crops, and drying crops?

Molly, USAID: Organizations such as [Global LEAP](#) offer grant competitions and research funding for productive use applications, but primarily around energy-efficient appliances (fridges, etc). Others such as [Root Capital](#) and [One Acre Fund](#) offer asset-based financing for farmers and agriculture product distributors, but I'm not sure what financing is available for food processing applications.

François, Hystra: On top of what Molly just wrote, which should be first call, the Rockefeller foundation has shown keen interest in financing productive use experiments of all kinds.

To view the recording and download the presentation visit the [webinar event page here](#).