



PREP

Promotion of Resource
Efficiency Projects

PREP Topic: Microfinance and Renewable Energy

Background:

Microfinance is a promising system of providing people with access to basic financial services. According to the United Nations (UN), about 4 billion people earn less than 1,400 USD a year and only a fraction have access to financial services. Microfinance can provide individuals or communities with the means to help themselves. In addition, microfinance institutions are also involved in granting credit. In support of the principle that access to micro-finance is important, the United Nations designated the current year, 2005, as 'International Year of Micro-credit'.

Originally, microfinance focused on the provision of very small loans to poor families to help them engage in productive activities or establish small businesses. More recently, in the realisation that the poor and very poor who lack access to the formal financial institutions require a variety of financial products, microfinance has come to include a broader range of services (credits, savings, insurance, etc.).

Energy is one basic need where microfinance has not received sufficient support. The remoteness of rural locations usually makes energy supply via a centralised grid system difficult; therefore people often rely on expensive fossil fuels such as diesel and kerosene. From the environmental and also economic point of view, the use of renewable energies would be the best solution. However, in remote areas people often do not have adequate financial means to afford renewable energy technologies, thus microfinance should be seen as a way forward for the provision of improved energy services in remote settlements.

People quickly equate energy provision with lighting, television and other "quality of life" benefits. However, the provision of energy does not lead only to social but also to economic improvements by the productive use of energy. Improved energy services support the profitability and productivity for micro, small and medium enterprises, and cottage industries. Energy can, therefore, have a very positive impact on income, health and food security. Increased income and fulfilment of social needs in turn allow a greater use of modern energy and more widespread investments in renewable energy, which bring further environmental and development benefits.

From this perspective, the new WISIONS topic focuses on microfinance for renewable energy systems. WISIONS is searching for good practice examples in the field of microfinance for renewable energy systems and invites everyone to send in their success stories.

Fields of Interest include:

Microfinance projects supporting renewable energy technologies such as:

- solar / photovoltaic systems, wind energy, micro hydropower, biogas or biomass used for
- cooking, lighting, power telecommunications equipment, radio, television, household electrification, health clinics, water pumping, milling and grinding, water disinfection, fencing, computer education, operating machinery, etc.

in

- households or businesses