

**The Republic of The Gambia  
Office of the President  
Energy Division**

**Renewable Energy Study for The Gambia**



**Microcredit Report**

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## Abbreviations

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AfDB	African Development Bank
EU	European Union
GEF	Global Environment Facility
GS	Grameen Shakti
ITC	Information and Communication Technology
LI	Lahmeyer International
MFI	Microfinance Institution
NGO	Non-Governmental Organisation
PV	Photovoltaic
RE	Renewable Energy
RESCO	Rural Energy Service Company
RET	Renewable Energy Technology
SACCO	Savings and Cooperative Credit Organization
SDF	Social Development Fund
SHS	Solar Home System
SME	Small or Medium Enterprise
UNDP	United Nations Development Program
VISACA	Village Savings and Credit Association
VP	Village Phone



## 1. Introduction

Lahmeyer International has been contracted by the Government of The Gambia, Office of the President, Energy Division, under funding of AfDB, to provide consulting services for the “Renewable Energy Study for The Gambia”.

The main purpose of the Study at the sector level is to develop and promote renewable sources of energy as an alternative to conventional forms of energy especially in the rural areas of the country with the following specific objectives:

- Assess the renewable energy resources of The Gambia and prepare a master plan for the development of the country’s renewable energy sub-sector;
- Formulate policies, strategies and the institutional framework for the development of the renewable energy sub-sector; and
- Prepare a feasibility study and tender documents for priority projects, which can be implemented in the medium term.

The study further is meant to assist the Gambian authorities in preparing renewable energy projects/programme that will provide sufficient energy to the population in a sustainable way. Consequently, the study is supposed to contribute to poverty reduction through the improvement of economic, infrastructural, and social conditions of the population particularly in the rural areas and to help to stop the ongoing environmental degradation.

An essential component of the study is the present Microcredit Study, which analyses the characteristics of the MFI in the Republic of The Gambia in order to assess their ability and effectiveness to further develop the use of renewable energy sources; evaluates different micro credit mechanisms and experiences in other countries in order to assess their suitability for a future RE project/programme implementation in The Gambia; and finally discusses and proposes recommendations based on sound business practice for the successful implementation of project/programme based on RET.

## 2. Microfinance Institutions in The Gambia

Rural Renewable Energy service is a demanding business in developing countries. Still, Microfinance Institutions have the potential to play a valuable role for RE in rural areas, if they are qualified, i.e. mature, profitable and skilled enough to take on the challenge.

The inventory of Gambian MFIs, in Annex 4, and its summary, in Annex 5, show that numerous MFIs and Village Savings and Credit Associations (VISACAs) exist and that the Gambian government supports their growth and regulation. A large part of them is interested in RE even though none has pursued this activity for more than a few years and on a large scale. Thus it seems that although the business of microfinance is increasingly better understood, RE business will be a challenge for MFIs.



The quality of MFIs is internationally rated and benchmarked according to the criteria: outreach, financial structure, financial performance, efficiency and productivity and portfolio quality<sup>1</sup>. This kind of quality information is not yet available in sufficient depth for most Gambian MFIs. (For an exception see Annex 3). Quality information, however is important, in particular to attract foreign direct investment.

MFIs are generally quite diverse with respect to their goals, structure, experience and approach. Many MFIs pursue multiple objectives, engaging e.g. in finance, health and education. Some cater predominantly to the very poor in rural areas, others to small and medium enterprises predominantly in urban and peri-urban areas. Some take a caritative approach while others are business oriented. Some use advanced technology or have highly qualified management, while others do not.

Below, approaches, experiences and skills of MFIs are described which seem mandatory for rural RE business. For instance, RE business requires presence in rural areas and knowledge of rural markets. Furthermore RE business requires a special kind of loan, i.e. consumer loans for technical systems, which would be an entirely new product for many MFIs.

Naturally, not all Gambian MFIs will qualify equally well to take on rural RE, and only a few are likely to make the initial move in The Gambia. This study provides criteria and recommendations to choose the pioneering MFIs.

### **3. International Microfinance Institutions and Renewable Energy**

Worldwide the synergy of Microfinance and Renewable Energy is still in its infancy but on the upswing. In an international study conducted in 2003<sup>2</sup>, MFIs were only beginning to become interested in the RE business. This is changing rapidly due to increased awareness of the need for RE for development, e.g. the Millennium Development Goals (MDGs), growing government support (renewable 04 international conference), and RE business successes in Bangladesh and India which show RE business can function large scale in rural areas.

The following selected examples show briefly how microfinance promotes rural RE. Each example describes a different approach with varying degrees of success and should be further researched regarding its potential in The Gambia.

#### **3.1. Kenya**

Kenya is of particular interest to The Gambia, because of the similarities of Gambian VISACAs and Cooperative Credit Unions, like the Teacher's Credit Union, to Kenyan Savings and Cooperative Credit Organizations (SACCOs).

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<sup>1</sup> For the use and definition of these terms see: [www.mixmarket.org](http://www.mixmarket.org) or [www.mixmarket.org/medialibrary/mixmarket/Post an MFI form.doc](http://www.mixmarket.org/medialibrary/mixmarket/Post%20an%20MFI%20form.doc)

<sup>2</sup> Wimmer, Nancy, *Microfinance – an instrument to Promote Renewable Energies*. Research report for Andromeda Fund, 2003



SACCOs have provided savings and loan services to Kenyans for over a century. Two large SACCOs in the tea sector, Muramati and Kiegoi, have extended their loan products to offer financing for Solar Home Systems (SHS) to their members. Other SACCOs have done the same with differing degrees of success and The Gambia could benefit from the Kenyan experience. Kenya has a mature solar market characterized by clearly defined wholesale and retail sectors with established relationships to international suppliers. Over 300 shops sell PV systems, components and appliances according to a traditional and popular Hire-Purchase-Scheme, whereby monthly installments are deducted from an employee's salary.

### **3.2. Morocco**

Similar to Kenya, Morocco has a mature solar market. In urban and peri-urban areas, Moroccans are widely aware of PV and use of PV appliances. In addition to favourable government policy, public money comes from the EU, World Bank, UNDP and German, French and Swiss governments. The two largest MFIs, Al Amana and Zakoura Foundation are of special interest, because they have grown at a rapid pace, nearly doubling the number of clients every year. Both MFIs have as of September, 2005, over 200 000 borrowers, but differ in their target group: Al Amana targets commercial microentrepreneurs and artisans working in old inner cities or outlying slums of Morocco; Zakoura targets women whose income is below the poverty line and has branches throughout Morocco, primarily in urban and peri-urban areas. Al Amana piloted loans for PV in urban areas, and recently a program to assist rural households in the Taroudant region, where isolated homesteads are seldom included in the national electric grid. Zakoura has begun experimenting with PV financing in cooperation with a RE service company.

### **3.3. Mali**

The Multifunctional Platform Project for poverty alleviation aims at improving the living conditions of populations in four areas in Mali and targets particularly poor women through the introduction of a mechanical and electric energy source in the form of a multifunctional platform. Project aim is to strengthen the economy through the direct and induced effects made possible by the platform notably thanks to time and energy gains that it provides, and to the increase in income that are derived from it.

Project activities are geared to the needs of various beneficiaries who, through a participatory approach, take the initiative in identifying their needs, in choosing the equipment to be installed and in financially contributing to the purchase and the full maintenance and running costs of the equipment. The platforms are used for welding, lighting, milling, husking, pumping, etc.

Microfinance and RE are instrumental in the operation of platforms: financing is strongly needed to maintain, repair, renew and extend the platform. Oil from the indigenous *Jatropha* plant functions as a diesel substitute and has already been used to power platforms.



### **3.4. Sri Lanka**

In June 2002, the World Bank approved \$ 83 million to promote private power generation using RE in Sri Lanka. This project builds on a similar ongoing project financed by the World Bank, which helped to commercialise the development of RE in Sri Lanka. The Sarvodoya Economic Enterprise Development Services (SEEDS), targets the very poor in rural areas and is Sri Lanka's furthest reaching rural bank. SEEDS PV program was launched by the World Bank in 1997 and SEEDS has offered a special solar loan since 1998. It serves several renewable energy service companies (RESCOs) in Sri Lanka by carrying out credit appraisals and collecting monthly repayments.

When SEEDS reached its maximum operating capacity in early 2004, a specialized leasing company, Ceylinco Leasing Corporation Limited, entered the market to form an alliance with a leading RESCO, the Selco Solar Light Private Limited (SELCO). The main advantage of the leasing company is its flexible down payment scheme for the customer and prompt disbursement to the RESCO, e.g. Ceylinco will disburse after a maximum of 45 days after SHS installation, whereas SEEDS needs 120+ days.

In 2005 another RE project supported by the World Bank was launched to support RESCOs in serving co-operatives, thus solving a local problem: the government monopoly on the sale of electricity. The co-operative owns and operates the RE system and the RESCO installs and maintains it. The World Bank refinances the local bank, which gives the loan to the co-operative, thus reducing risk and ensuring easy credit terms. The RE systems are primarily micro-hydro, but also wind energy and PV.

### **3.5. India**

The solar PV manufacturing sector in India grew by a factor of 10 in the 1990s, mostly for export. The market for SHSs however was slow to develop, in part due to a lack of consumer financing options. In 2003 a four-year \$ 7,6 million effort, the Solar Loan Program, was launched to help accelerate the market for financing solar home systems in southern India. The project is a partnership between UNEP, its Collaborating Centre on Energy and Environment (UCCEE), and two of India's major banking groups - Canara Bank and Syndicate Bank. Both have a large network of branches in southern India in addition to promoting Regional Rural Banks, Grameens, in rural areas. The aim of the Solar Loan Program is to help Canara Bank and Syndicate Bank to develop lending portfolios specifically targeted at financing solar home systems (SHS). With the support of the UN Foundation and Shell Foundation, the project provides an interest rate subsidy to lower the cost to customers of SHS financing. The loans are accessible to customers of established solar rural electrification companies. The program targets the electrification of twenty thousand homes and small businesses.

### **3.6. Nepal**

The government of Nepal has subsidized a biogas program for cooking and lighting since 1992. The subsidies vary according to the size of the biogas plant, geographical region and farmer income. Of interest here is the involvement of



MFIs. MFIs are located throughout the rural areas, serve over 500 000 rural, poor clients and are rapidly growing in number. 270 MFIs have been trained on financing biogas and 75 MFIs have taken a credit line to finance biogas plants. As of 2004, MFIs had financed 1 000 plants in poor rural households.

### **3.7. Bangladesh**

The largest rural renewable energy service company (RESCO) in the world is Grameen Shakti (GS), a non-for-profit company created by the Grameen Bank in 1996. GS has installed 52 000 SHS, now averages over 1 500 per month, and targets the installation of 100 000 SHS by 2007. Of interest here is not only how GS profited from the 20 year experience of the Grameen Bank in rural Bangladesh, but how GS's success and business model have inspired other MFIs to enter the RE market. Facilitated by the World Bank program to install 50 000 SHS in 5 years, 10 MFIs are now involved in financing SHS via the GS model and will reach the World Bank target in 4 instead of 5 years.

These MFIs range from large MFIs with an outreach of 4 million borrowers and nationwide coverage, to an MFI serving the poor and landless in the Chittagong Hill Tracts, a remote, and politically unstable area inhabited by 13 poor tribes with different languages and cultures: The Integrated Development Foundation (IDF).

The example of Grameen Shakti, the most successful and trend setting RE-organization in Southeast Asia highlights topics of particular interest in this study:

- management of the start-up phase
- success factors of rural RE services
- use of MFI infrastructure and know-how

The GS model as well as how GS profited from the experience of an MFI, the Grameen Bank, are described below.

## **4. Assessment of Renewable Energy Organizations**

A RE-organization is a public or private organization which markets energy services to customers in rural or urban areas. In most cases, RE-organizations offer electric energy generated from the renewable sources such as sunlight or wind.

Many diverse types of RE-organization are known which involve MFIs, banks, PV-industry, NGOs, private enterprises, government agencies, financial intermediaries, public and private investors and, possibly, providers of agricultural services, information and communication services, etc.

Numerous types of RE-organization have been investigated. Some are known to be highly problematic, while others are promising and may serve as models for RE-operations in The Gambia. Here is a selection of RE-organizations:

1. Independent rural energy service company (RESCO), e.g. Grameen Shakti, Bangladesh



2. Bank manages RE program and subcontracts to MFIs and PV-system suppliers / RESCOs, e.g. Indian Solar Loan Program
3. RESCO cooperates with leasing bank, e.g. SELCO and Ceylinco, Sri Lanka
4. RESCO cooperates with MFI, e.g. Al Amana, Morocco and SEEDS, Sri Lanka
5. RESCO cooperates with private investor and business counsellor, e.g. TRIODOS International Fund Management, Netherlands
6. MFI performs a RE project using subsidy, e.g. PV projects in Zimbabwe, Tanzania, Uganda in the 1990s
7. Government grants subsidized concessions to PV industry, e.g. in South Africa, and Morocco

The cases 6 and 7 above are problematic, but their approaches and failures are well analysed in several African countries<sup>3</sup>

A well documented analysis of case 7 gives valuable insight into the reasons for failure of the concessions program in South Africa<sup>4</sup>.

In 2002, South Africa granted concessions to 5 corporations to install 250 000 Solar Home Systems (SHS). Despite strong government subsidies covering ca. 75% of SHS installation cost and the monthly fee for service, only a small fraction of this target - 18.297 SHS - were installed at the end of 2004. Serious problems were encountered, in particular with respect to: reliability, maintenance, theft, payment, user-benefit and productive use of SHS.

Moreover, CEOs in the German solar industry state that short term concessions for SHS to large corporations, e.g. Shell, severely damaged the local RE market in South Africa, Morocco and Bolivia.

Hence, there is a wealth of experience to be used in Gambian RE efforts. Here is a brief selection of rules for good practice:

- rural RE services are most successful if supplied by private enterprises on a business basis.
- subsidies for products or end-users are problematic and can ruin the RE market. However, smart subsidies for start-up, growth and replication of competitive RE service providers are needed (see below)
- MFIs can greatly assist in delivering energy services if they comply with strict qualification criteria.

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<sup>3</sup> Mark Hankins, *Choosing Finance Mechanisms for Developing PV Markets: Experiences from Several African Countries*. in, *Solar Voltaics in Africa: Experiences with Financing and Delivery models*. UNDP 2004

<sup>4</sup> Mokoena Smunda, National Electricity Regulator, *Lessons from Rural Solar PV Electrification in South Africa*, 2004



- the business scope of successful rural RE services tends to be tightly focussed
- Many success factors for rural RE services are well known (see below).

#### **4.1. Model cases of rural RE business**

Many aspects of successful rural RE business need to be considered. The proceedings of the first Gambian workshop of July 14, 2005 with Lahmeyer International, representatives of the government of The Gambia, private sector and other relevant stakeholders of the Gambian Renewable Energy Sub-sector state important issues, e.g.:

- lessons to be learned from other countries in the region
- new approaches such as the Mali multifunctional platform
- compatibility of RE and ICT equipment
- manufacturing and assembling of RE mechanisms
- attraction of foreign direct investment
- sensitisation of the public about RE
- social and productive uses of energy
- affordability of RE, namely solar energy
- scarcity of fire wood and the limitations of solar energy
- recycling of batteries and system security

Many of these issues raise financial questions and relate to microfinance. Not all relevant aspects and issues can be elaborated here, but examples of RE projects, programs and businesses discussed in this report illustrate what is at stake and what may be done.

It would be worthwhile for introducing RE to The Gambia to further investigate these cases and the most illustrative example of a successful RESCO, Grameen Shakti, given below.

#### **4.2. Grameen Shakti**

In 1996 Grameen Shakti (GS) was founded as a not-for-profit company by the Grameen Bank (GB), the largest MFI in Bangladesh with an outreach of 5 million members. GB's best managers led the start-up phase of GS, with the clear goal of establishing a sustainable and profitable business. As with the GB managers when the Bank was in its early stages in the 1970s and 80s, GS managers were prepared to go from door to door to gain an understanding of their rural market.

The Grameen Bank experience was essential for helping Grameen Shakti find ways to build up its SHS business, e.g.

- GB provided GS loan guarantees during its start-up phase
- GS had the benefit of the Grameen name, which is widely known and trusted
- GS used GB's rural branches to deposit its customers' installments



- GS used GB's banking know-how to develop suitable credit schemes for SHS customers
- GS used GB's market know-how to select appropriate rural areas for setting up branch offices
- GS used GB's business know-how to maintain low overhead cost
- GS used GB's marketing experience to adjust its products to market needs, such as solar power for mobile phones, lighting and other systems for street vendors, bazaars, fishing boats, saw mills, poultry farms, schools, clinics and mosques
- GS used GB's business experience to avoid subsidy for customers
- GS benefits from the increased purchasing power of long-term GB members which constitute 10% of GS's clientele.

This case shows that MFIs can provide much more than simply credit, and are very valuable business partners for RESCOs. GS is now the leading (and prize winning) RESCO in South-east Asia. To date, GS:

- installed 52.000 SHS
- employs 400 field staff / engineers
- trained 1.700 local technicians
- trained 18.000 customers
- operates 120 regional offices
- installs 1.500 SHS per month

Typical for developing countries is that the rural population has little or no access to electricity. In Bangladesh, only 30% of Bangladesh's 140 million inhabitants have access to electricity, most of them in cities. There is, therefore, a great demand for energy in rural areas although the prospects of meeting this demand soon are poor: the grid expands slowly to scattered villages, and SHS are expensive for people earning an average of US\$ 400 a year. And yet, GS has found a response to the challenges it faces.

#### **4.2.1. Focus on the customer**

GS offers SHS in rural areas, where the demand for energy is high, but low for a new and expensive solar technology. Shakti staff gives high priority to listening to customer demands and tailoring SHS both to customer needs and their ability to pay. Shakti engineers live in the villages and keep in close contact with their customers both by maintaining the SHS and collecting monthly installments until they have paid in full and own the SHS.

#### **4.2.2. Key processes**

GS's mission is not just to supply SHS, but also to maintain them over decades. Since customers pay only for a working system, good maintenance is most critical to success. GS recruits and trains local technicians to provide after-sales service whenever needed, and educates its customers on maintenance and the benefits of solar energy.



### **4.2.3. Marketing strategy**

GS sold only 200 SHS during its first year, and it took great time and effort to develop an effective marketing strategy. This is a major factor for the success of GS. GS engineers held village demonstration meetings, spoke to village leaders, distributed brochures and went from door to door to inform potential customers, starting with a village leaders and teachers. To keep close to local markets, GS has branch offices in all rural areas and islands with no access to the national grid.

### **4.2.4. Consumer finance**

SHS are expensive for villagers. The high upfront costs of owning a 30–50 W SHS range from around US\$200 to US\$380 and remain the major barrier to market expansion. Building on its banking experience, GS developed four modes of financing based on down-payment, and monthly instalments over a two to three-year period, with a discount for cash purchase. To reach poorer people, GS recently introduced a micro-utility model which reduces down-payment and extends the repayment period.

#### **4.2.4.1. Grameen Shakti financing model for Solar Home Systems (SHS)**

##### **4.2.4.1.1. Mode 1**

Customer pays only 15% of the total price of the SHS during installation and the remaining 85% of the cost is paid by monthly installments within 36 months, including the 12% service charge.

##### **4.2.4.1.2. Mode 2**

Customer pays 25% of the total price of the SHS as down payment and the remaining 75% of the cost is paid by monthly installments within 24 months, including the 8 % Service Charge.

##### **4.2.4.1.3. Mode 3**

Customer pays 15% of the total price of the SHS during installation and the remaining 85% of the cost, including 10% service charge.

##### **4.2.4.1.4. Mode 4**

4 % discount is allowed for cash purchase

### **4.2.5. Applications and income**

GS places high priority on income-generating applications. With the above-mentioned 'micro-utility' application, for example, a shop-owner at a bazaar rents a few of his solar powered lamps to a neighbouring shop. This increases income for the SHS owner, gives another shop owner the benefit of electricity without purchasing the complete SHS, and improves business for both with extended working hours after dark. Shakti applications also include solar-powered mobile phones, which allow 'village telephone ladies' to provide communications services for a fee and earn up to US \$100 a month.



Mobile phones already account for 20% of GS sales, as GS's devices are powering 150,000 mobile phones. Shakti is interested in ITC and has now established a solar-powered computer learning centre.

#### **4.2.6. Seed funding**

Clearly, a RESCO is a business with high start-up costs. Hence seed funding was essential for GS, and its business plan had to attract funding. A concessional loan from the Global Environment Facility (GEF/IFC) in 1998 was used to reduce customer down-payments to 25% of the SHS cost, and also to extend the repayment period. As a result GS sales increased dramatically, and GS broke even in 2000. Funding from the Swedish donor Sida helped GS to build its capacity through adaptive research and to cut costs by establishing its own production unit; GS still imports high-quality solar modules, but now produces all SHS components, with the exception of the battery. Local production has reduced the price of SHS, and this in turn has increased sales. Concessional loans have initially helped GS achieve economies of scale when commercial financing was not available.

GS is now a modestly profitable RESCO, and plans to have 100,000 SHS installed by 2007.

#### **4.2.7. Beyond SHS and PV-systems**

GS also runs moderate wind energy and biogas programs. Both programs will expand. Low-speed wind turbines will make PV-wind hybrid systems more attractive. And the biogas program will expand rapidly. GS plans the installation of 200 000 biogas units by 2010.

### **5. Success factors for rural RE business**

In the course of a decade lessons have been learned from many failures and several successes of RE business operations and some success factors have emerged.

RESCOs as well as for MFIs which enter the RE business must be dedicated to these essential business functions:

- customer financing
- customer income generation
- user training
- maintenance

It is mandatory that credit schemes are tailored to the specific needs and repayment capacities of customers who buy e.g. a SHS. Trial & error has taken years in some cases until the credit schemes worked well in practice.

User training on the proper use of his system and system maintenance service are key success factors. For the installation base of 52,000 SHS, Grameen Shakti trained 18,000 customers and employed 1,700 local service technicians.



Experience in both success and failure of RESCOs has shown, that such mandatory efforts must be part of any business plan.

### **5.1. Customer income generation**

It is the task of the RE service provider to ensure that its customers derive sufficient benefit from RE. Often, the benefit of light, information and entertainment does not suffice for the success of a RE business. The customer must have the benefit of generating additional income which may require adapted RE systems and adaptive research by the service provider. Clearly, income generation affects loan repayment and thus the design of credit schemes.

The RE provider must configure and package RE systems according to user needs, e.g. the requirements of fishermen or saw mill owners. Many specific devices and their adaptation are needed to e.g. feed DC tools or load mobile phones.

#### **5.1.1. Example Uganda**

In Uganda the dominant telecommunications company, MTN, offers a wireless approach and services more than 400,000 customers in over 120 towns and villages. In 2003 MTN Uganda launched a Village Phone (VP) program, the first replication of the highly successful Grameen Bank Village Phone program in Bangladesh, which has given loans for 180 000 VPs. In just one year the MTN Village Phone has established over 2,000 villages phone businesses across Uganda with new businesses being established at a rate of 100 per month. The secret to this success is microfinance and income generation: each new village phone owner borrows enough money to buy a mobile phone kit and goes into business as the 'village phone lady'. She lets customers use her cell phone for the same fee they would pay for a pay phone and makes enough money to repay her loan and still make a profit. Seven MFIs now provide credit services for VP operators. Automobile batteries usually serve to recharge the cell phones, but soon solar chargers and other RET may become the preferred energy source.

Communication providers, MFIs and RESCOs are likely to cooperate to expand voice and Internet services to underserved rural populations.

Note that many new applications of RE are entering the market. Most of them are based on information and communication technology (ICT), like new wireless networks. Electronic village banking is an example in case. The Internet Kiosk (e-choupal) movement in India is another: six million soya farmers in 30,000 villages use the Internet to study current market prices and sell their crop at fair prices. Technology has thus solved a local problem: the farmers are not any longer at the mercy of local traders and, thus, achieve better prices and higher income. All Internet equipment needs electricity and, because it is often remote, renewable energy.

#### **5.1.2. Example Nigeria**

LAPO is a leading MFI in Nigeria in terms of portfolio size. Features as of December 2005:



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▪ outreach	48.000 (98% women)
▪ target	poorest section of the working poor
▪ average loan	\$122
▪ starting loan	\$90
▪ gross loans outstanding	\$3,4 mio
▪ No. loans outstanding	43,747
▪ operating expense ratio	40%
▪ financial sustainability	106%
▪ portfolio at risk >30 days	1.1%

Currently, LAPO does not provide specific loans for RE. However, LAPO performed a successful RE pilot project. Solar energy was used to electrify and computerize branch offices of the MFI. This project was done in cooperation with a US technology company which specializes in electronic village banking. Modern technology such as wireless networks, chip cards, mobile terminals or new types of automatic teller machines (ATMs) are being tested and used in Bolivia, India, Uganda and elsewhere. Eventually, new technical solutions will make village banking more cost effective and secure. Electronic village banking, in turn, will contribute to rural electrification.

## 5.2. Focus of business activities

Customer finance, training, maintenance and adaptive research show that RE is a demanding kind of business. RE service providers usually focus on certain technologies, regions and types of clientele for good reasons. Most confine their product spectrum to SHSs and gradually expand to larger PV-systems, wind and biogas-systems.

Only a high volume of installed systems keeps the price down. Thus, business regions and customer types are carefully selected. Often it would not be possible to serve only those customers which happen to be MFI clients.

## 5.3. System ownership and responsibility

RE systems can be overused, misused, stolen, sabotaged and suffer from negligence. This is, however, seldom the case when the system has an owner who has paid for it, derives a benefit and maintains it. There are problematic business models, e.g. fee-for-service models, where responsible system care cannot be achieved.

Of interest here is an innovative emerging business case. A RESCO trains, funds, starts and technically supports private micro-entrepreneurs who operate a small RE system and deliver electricity to a few neighbouring clients who are too poor to own a system.

Many more topics of best practice and innovations of the trade are available. Still, the success factors sketched here show the character of the rural RE business.



## 6. Specific role of MFIs

Many MFIs are familiar neither with RE business nor with handling consumer loans for RE equipment. Still a MFI can perform or assist in various important and demanding tasks:

- Develop customer financing schemes
- Provide RE loans and handle repayment
- Consult RESCOs on the local characteristics of markets
- Promote awareness of RE
- Perform remote customer care and assistance
- Lend its good name to create customers' trust in RE activities

The Annexes 1 and 2 provide practical examples for these tasks. Some examples explain the synergies that can be achieved when MFIs and RESCOs cooperate. For instance MFIs are known to inform their clients about the advantages of RE, a most valuable public relations activity for any RESCO. Or MFIs use their customer contacts with remote clients, e.g. when collecting installments, to inspect the state of the SHS and to report problems and complaints to RESCOs.

## 7. Financing of RE activities

All financial considerations should focus on the overall target of creating a market for RE products and services, in particular in rural areas.

Various financing targets need to be discerned, e.g. funding of MFIs or RESCOs for:

- start-up (most problematic)
- growth / capacity building
- diversification and cooperation

For instance, MFIs may need funds and / or guarantees to:

- re-finance RE loans and / or to cover their risks
- increase capacity to create / handle special loans and serve remote customers

Numerous sources of funds exist besides the well known multilateral agencies, regional development banks or national development aid organizations. Some sources are highly specialized, some even project specific, e.g.

- National microcredit funds, e.g. PKSF, Bangladesh
- Public private development agencies, e.g. IDCOL, Bangladesh
- Microfinance networks, e.g. FINCA, ACCION, Women' s World Banking
- Public private investors, e.g. TRIODOS, Netherlands
- Microfinance funds, e.g. Blue Orchard, Luxembourg



- RE funds, e.g. Green Fund
- Public private project Funding Consortia, e.g. the consortium of UNDP, Shell Foundation and commercial banks.

Much in this area is in flux. The Deutsche Bank proposed recently that a new asset class be introduced to the international financial market to provide capital for the microfinance industry. A similar approach, called Solarbank, is being explored for the RE industry.

Of particular interest are, in this context:

- smart subsidies
- autonomous national and sub-regional microcredit funds
- replication of RESCOs

### 7.1. Smart subsidies

In the following example (taken from an Asian country) grants go to

- suppliers of SHS to rural households (households, individuals, small business entities)
- lenders of loans to rural households for the purchase of SHS

All the stakeholders have to contribute their shares in the purchase of SHSs. Households are required to provide an upfront payment (10% of the capital cost of a SHS).

RESCO / NGOs / MFIs have to finance the remainder of the cost of SHSs in the form of microcredit. Grants are used to support

- the buy down of SHS cost
- the operational costs of suppliers and lenders

Grant-A to a supplier or supplier & lender to buy down the capital cost of the SHS

SHSs	Amount of grant-A per system per household
For the first 20,000 SHSs	\$70
For the next 20,000 SHSs	\$55
For the next 10,000 SHSs	\$40

Grant-B to a lender or supplier & lender for its institutional development

SHSs	Amount of grant-B per system per household
For the first 20,000 SHSs	\$20



For the next 20,000 SHSs	\$15
For the next 10,000 SHSs	\$10

Grants are never given to households but only to organizations. Since a supplier / lender is "rewarded" for every installed SHS, the installation rate and volume tends to increase. Through rapid growth, start-up organizations will reach their break-even early. All grant programs are limited in time and the "smart" financial incentives designed to decrease over time. This is an incentive for start-ups to reach sustainable operations early.

Other "smart" funding schemes have encouraged entrepreneurship. E.g. a start-up must repay only a fraction of the loans it received if it reaches break-even ahead of the time specified in its business plan.

Note that the above funding schemes are often part of a national rural RE program which addresses many issues, e.g. technical standards for solar equipment, training program, logistic and promotional support, performance monitoring and audits, job creation program and promotion of indigenous technology.

## **7.2. Autonomous National and Sub-Regional Microcredit Funds**

Microcredit funds are administered by a specialist APEX organization which channels funding from government, donor agencies, international financial institutions, the central bank, commercial banks and other private sources to MFIs. Apexes screen and monitor numerous MFIs according to standard criteria. Examples of Apex organizations are the PKSf in Bangladesh and FONCAP in Argentina. Apex organizations can be efficient, quick and cost effective, in particular if they were designed from the beginning to be a microcredit fund. An Apex organization should operate as a highly autonomous agency, process loans to MFIs quickly and evaluate how they are used.

The role of the Social Development Fund (SDF) in The Gambia is promising and needed for the promotion and regulation of MFIs. Initiated in 1998, it channels funds from the African Development Bank and other donors to MFIs and supports their regulation. The SDF is autonomous and processes requests quickly. However, the new role of SDF as a Gambian Apex organization for microfinance and RE, for MFIs as well as RESCOs, needs to be elaborated further.

## **7.3. Replication of RESCOs**

Established businesses have been franchised for over a century. Franchising works particularly well for the service industry. In the microfinance industry a special form of franchising –replication- prevails. Most of the 10,000 MFIs are a copy, i.e. a replicate of some successful MFI model. Replication may also work well in the rural energy service area. In some Asian countries grants and loans are already targeted to replicate successful RESCOs and upscale rural energy services.



## 8. Assistance for RE activities

Numerous organizations are prepared to assist RE activities, in particular during start-up, and with respect to

- best business practice of MFIs
- best business practice of RESCOs
- international financing mechanisms

Special expertise is available for the design and start-up phases of a rural RE program:

- Asia is the most advanced part of the world with respect to microfinance. In Bangladesh alone, 700 MFIs, several microfinance networks and microcredit funds create an extremely competitive industry and expertise.
- Microfinance networks accumulate the practical experiences of their member MFIs and devise new strategies for practical problems. Some networks develop new microfinance products like SHS loans or housing improvement loans. Such expertise is relevant for rural electrification.
- Advanced RESCOs, like Grameen Shakti, may share their expertise on rural electrification, on company start-up financing and on replication techniques.
- A Dutch fund manager, investor and business consultant invests in 60 MFIs in 20 countries and has funded 45 RESCOs. This company has gained pertinent expertise.
- Some financial experts have worked with multilateral organizations to design African RE programs. They organize an international Renewable Energy Finance Network and advise RE investors and Asian RE programs.

## 9. Recommendations

In this report examples of best practice have been described and several recommendations have been given. The following recommendations on Microfinance and Renewable Energy in The Gambia summarize guidelines for further course of action.

It is suggested:

- to take a business-oriented and competitive approach
- to investigate whether the approach can be facilitated by cooperation, in particular among the providers of rural services. Cooperation partners may share the costly set-up of rural infrastructure (branch offices, etc.). Cooperation candidates are the (private) providers of
  - wireless communication services
  - Internet services
  - financial services (electronic village banking)
  - clean water services



- agricultural services
- health services
- energy services.
- to benefit from the experience of leading protagonists, like Grameen Shakti
- to be aware of the available expertise
- to assess the specific potential of Gambian MFIs to participate in the approach. To assess, for instance, their
  - organizational and financial potential
  - focus of activities and business orientation
  - outreach into rural areas
  - knowledge of local markets
- to assess the potential of Gambian commercial banks and energy service providers to participate in the approach
- to enable SDF
  - to be an effective Apex organization and supporter of MFIs and RESCOs
  - to fund start-up RESCOs and MFIs with smart subsidies, and with short-term grants for specific goals
- to start the approach vigorously on a small scale and to prepare for growth via replication of successes.



## 10. ANNEX

### 10.1. Annex 1 Overview of MFIs engaged in RE

In the following we list and describe MFIs already active in RE, as of February 2004.

MFI active in RE	Country	Status	Partner	Year of Start / Active Clients	MFI / Main Source of Funding	Network of
Al Amana	Morocco	NGO Regulated	Noor Web / O.N.E.	1997 / 60.000	VITA USAID, Dexia PVMTI**...	/
BASIX	India	Non-Bank Fin. Inst Regulated	Aquasolar, Shell Renewables	1997 / 25.000	- PVMTI**	/
BRAC	Bangladesh	NGO Regulated		1972 / 3.400.000	MFN World Bank**	/
Ceylinco*	Sri Lanka	Private Company / Participatory Credit Institution	Selco Sri Lanka		- / BMCE Bank	
<i>Coast Trust</i>	<i>Bangladesh</i>	<i>NGO</i>		<i>1997 /</i>	<i>/ World Bank**</i>	
<i>CRE</i>	<i>Bolivia</i>	<i>SACCO</i>		<i>240 000</i>		
Kiegoi	Kenya	SACCO		/ 15.000		
Malaprabha	India	Bank	Syndicate Bank		UN and Shell Foundations**	
Muramati	Kenya	SACCO	ASP Kenya	/ 15.000	/ PVMTI**	
Nirdhan	Nepal	Bank		1993 / 35.000	CASHPOR /	
Salafin*	Morocco	Bank	Afrisol		/ BMCE Bank	
SEEDS	Sri Lanka	Non-Bank Fin. Inst Non-regulated	Selco, Shell	1986 / 235.000	INAFI/ World Bank, SDF**	
SMEP	Kenya	Non-Bank Fin. Inst Non-regulated	TOTAL Kenya	1999 / 15.000	- USAID, EED	/



SOMED	Uganda	NGO	MTN mobile phone	/ 5000	/ Grameen Fnd.
SRIZONY	Bangladesh	NGO			/ World Bank**
SREI	India	Bank	Ramakrishna Mission Tata BP Solar		/ PVMTI
PRODEM	Bolivia	Non-Bank Fin. Inst Fondo Fin. Privado	Enersol	1986	MFN /
TMSS	Bangladesh	NGO		/ 398 000	/ World Bank**
Thananga	Kenya	SACCO		/ 5000	/ World Bank/GEF**
Tungabadra	India	Bank	Canara Bank		UN and Shell Foundations**
Zakoura	Morocco	NGO		1995 100 000	SaveTChildren / EU, UNDP, ...

Legend: \* means: Mainstream lender, not dedicated to low income households.

\*\* source of funding for RE

Note: Some entries in column *Active Clients* are outdated.

MFI active in RE	Country	Description
Al Amana	Morocco	Association Al Amana was created in 1997 as part of the U.S. AID-funded Morocco Microfinance Activity. Al Amana promotes microenterprises by making credit available to commercial microentrepreneurs and artisans working in old inner cities or in outlying slums of Morocco but is now undertaking expansion to rural areas. To maintain its client focus, Al Amana launched a program to assist rural households in acquiring PV panels, by making loans of \$ 130 payable over 3 years to cover some of the installation costs. Its partner is Noor Web, a leading Moroccan PV company. This program is in the Taroudant region, where isolated homesteads are seldom included in the national electric grid. Al Amana hopes to gain enough experience with this pilot project to extend its services to larger areas in rural Morocco. In September Al Amana will begin discussions about its new PV program with SunLight Power Maroc
BASIX	India	BASIX participates in a project which encompasses the development of a network of PV powered Water Pumping and Purification Stations (WPPS) to produce and sell drinking water in rural areas of India. The project is a joint venture. Aquasolar will own the WPPS network and will co-ordinate marketing the end product, while the day to day operation of the stations will be performed by local entrepreneurs under a franchise scheme.



		BASIX also cooperates with Shell Renewable to provide rural clients with finance for homes and businesses.
BRAC	Bangladesh	BRAC is one of the oldest and largest MFIs worldwide. BRAC is taking part in a World Bank program to install a total of 50.000 SHS in Bangladesh. The World Bank started the program in January 2003 with a loan of \$25 million at 6% interest.
Ceylinco	Sri Lanka	(see section 5.3)
Coast Trust	Bangladesh	Coast Trust is an NGO, which qualified to take part in the World Bank SHS program (see BRAC).
CRE	Bolivia	Cooperative Rural de Electrification (CRE) is a large cooperative that provides electrical distribution and services to 240.000 clients across 13 counties in Bolivia. CRE began installing PV systems in 1995 for customers who could not be reached by the grid. By 1998 CRE was serving 1300 PV customers charging a flat monthly electric service fee. CRE owns the PV systems and maintains them. (There is recent technical information indicating that CRE runs a well organized business)
Kiegoi	Kenya	Kiegoi is a large Tea Society which gives "ordinary loans" to its members to purchase SHS or SHS components. It operates on a commercial basis and received no donor funding for its operation.
Malaprabha	India	(see chapter 6: The Indian Solar Loan Programme)
Muramati	Kenya	SACCOs have provided savings and loan services to Kenyans for over a century. As the largest SACCO in the tea sector, Muramati SACCO is extending its loan products to offer SHS finance to its members. PV products will be supplied, installed and serviced by ASP (Kenya) Ltd. Nairobi. Muramati received a loan from PVMTI in 2001.
Nirdhan	Nepal	Nirdhan gives loans for the installation of biogas plants and thinks that SHS loans could work in the hill region, but market research is needed. Nirdhan already has a 5-year house loan and is interested in diversifying its services. Nepal has a program to promote RE and an Alternative Energy Promotion Center (AEPIC). Nirdhan could cooperate with AEPIC.
PRODEM	Bolivia	Enersol, a leading distributor of solar panels in Bolivia, recently started a consumer financing program with a local MFI. PRODEM (Fondo Financiero Privado) will train Enersol's service personnel to take credit applications from interested buyers, which will then be processed and funded through PRODEM's branch offices (Solar Development Capital has invested in Enersol, debt finance and equity).
Salafin	Morocco	A PVMTI-project supports the introduction by Salafin SA of a credit scheme to support sales of PV systems in rural areas of Morocco. Salafin is a subsidiary of Banque Marocaine du Commerce Extérieur, a leading Moroccan financial services group, and has established a reputation for introducing innovative new credit products. This will be Salafin's first foray into rural credit markets. PV systems will be supplied by Afrisol SA, the market leader in the Moroccan PV market,



		and other IFC approved technical service providers. In addition to installation and maintenance of PV systems, Afrisol will assist in marketing the loans, collecting information required for credit appraisal, and collecting loan repayments. (update in progress).
SEEDS	Sri Lanka	In June 2002 the WB approved \$ 83 mio to promote private power generation using RE in Sri Lanka. This project builds on a similar ongoing project financed by the WB, which helped to commercialize the development of RE in Sri Lanka. The goal is to serve 100 000 households and 1000 rural enterprises or institutions.  The Sarvodaya Economic Enterprise Development Service (SEEDS), established in 1986 is Sri Lankas furthest reaching rural bank. SEEDs have offered a special solar loan scheme for SHS since 1998. Solar loan officers carry out credit appraisals, collect monthly repayments. SEEDS now disburses \$ 475 000 per month for ca. 800 SHS.
SMEP	Kenya	"We have developed a credit line for RE and have an agreement with TOTAL Kenya"
SOMED	Uganda	The Support Organization for Micro-Enterprise Development (SOMED) has begun giving loans to poor women for solar powered mobile phones and has partnered with MTN, Uganda's largest mobile service provider. The 'village telephone ladies' can generate income by selling phone services.
SRIZONY	Bangladesh	SRIZDNY is an NGO taking part in the World Bank SHS program (see BRAC).
SREI	India	SREI is an established financial services company engaged in leasing and hire purchase of heavy construction equipment. SREI had a project that involved the development of retail and service network and the provision of consumer finance for the sale of SHS and portable PV power packs. This project seemed to have problems and may have been stopped. But in 2002 SREI opened a new business unit for RE.
TMSS	Bangladesh	TMSS is a community development NGO for women. (see BRAC) .
Thananga	Kenya	(we know this Tea Society gives "ordinary loans" to purchase SHS or components; contact is "in process")
Tungabadr a	India	(see chapter 6: The Indian Solar Loan Programme)
Zakoura	Morocco	Zakoura Foundation was founded in 1995. Its services include solidarity-group and individual loans targeted to women whose income is below the poverty line. It has branches throughout Morocco –primarily in urban and peri-urban areas. It is now preparing to expand into rural Morocco. Zakoura has begun experimenting with PV financing in cooperation with an Esco.



## 10.2. Annex 2 Overview of financing tools

### 10.2.1. Consumer Finance Tools

Method of Financing	Description
<b>Cash Purchase</b>	<i>Purchase of the entire PV system using one payment.</i> This is the most common method of payment in pioneer markets. As emphasized before, for \$600 PV systems, this is out of the question for most rural families.
<b>Modular Cash Purchase</b>	<i>Purchase of a system component by component over a period of time.</i> This method of purchase is common in Kenya. The consumer buys a system a piece at a time. The appliance is purchased first, then a battery, then a module, then lights and more modules. With this method, the quality of the system suffers, but the consumer is able to purchase components incrementally, often with units of less than \$50.
<b>Hire purchase/Salary Withholding Schemes</b>	<i>The consumer, a civil servant or member of a company that has a credit agreement with the supplier, enters into an agreement to have a monthly deduction from his/her pay slip. The deduction occurs automatically, and the loan period typically lasts from 6 to 18 months.</i> Interest rates are very high, and it is common for the consumer to pay more than 2 times the price of the SHS by the end of the period.
<b>Commercial consumer loans</b>	<i>The consumer takes a loan with a commercial bank to buy a PV system.</i> Normally involves some type of security of equal value to the PV systems. Relatively high interest rate. Not easily accessible to rural dwellers, and often unattractive to them as rural farmers do not want to mortgage their land for a PV system.
<b>SACCO/Cooperative loans</b>	<i>Standard loan offered by cooperative membership organisations to teachers, civil servants, farmers, etc.</i> Normally the most common credit agency used by rural people as, in many countries, they can gain access to SACCO. Lower requirement for security. Typically lower interest rate than commercial loans.
<b>Rural Grameen Bank/MFI-type Loans</b>	<i>A group of people come together with the expressed purpose of purchasing PV systems. They each pay a nominal amount into a savings fund that is used as a security for the whole group.</i> This approach has been used for many micro-enterprise loans in Kenya and elsewhere, and is effective where the loan recipients are small businesses generating a return. The loans are not generally successful for consumer goods.
<b>Fee for Service</b>	<i>With fee for service, the customer does not own the system, but instead pays a monthly fee for use of the system. The system is owned by the company which installs it.</i> To be effectively implemented, this method requires the company implementing it to install thousands of systems (and possibly to have a concession which grants it exclusivity in the region).



<b>Dealer Credit (Large-scale)</b>	Like standard loans, but offered by the PV company/dealer directly to the consumer. PV companies must take all of risk, and make all of the outlays.
<b>Subsidy</b>	<i>Subsidies enable the consumer to get a straight discount on the system. Consumer subsidies are offered in Germany, Japan and California. Poorly managed subsidy programs can have negative effects on regional markets, and are also often open for corruption.</i>
<b>Grant</b>	<i>Grants are free equipment that are provided without charge. Many of the markets in Africa have been adversely affected by grant programs, as the grant equipment often enters and distort the commercial markets. A large portion of the PV systems in Africa have come as grants.</i>

### 10.2.2. Business Finance Tools

Type of Loan	Description of Loan Type
<b>Loans and Lines of Credit to Companies</b>	<i>Company provides a standard line of credit to agents. Ordinarily this is a certain number of days (i.e. 90 day) payment terms.</i>
<b>Bank guarantee for loans or equipment purchase</b>	<i>A guarantee is issued to a company up to a certain limit to enable it to purchase equipment.</i>
<b>Large project tender based finance</b>	<i>A project issues a tender to install a number of systems over a given period. The winning company is provided with an appropriate guarantee service from a project bank. (as above, but tailored to projects)</i>
<b>Subsidy</b>	<i>Project provides buy-down to company (instead of consumer) at an agreed upon price per watt.</i>
<b>MFI loans for small PV companies</b>	<i>Down stream finance is made available to small PV companies. This would ordinarily be offered through MFI organizations that have expertise working with less sophisticated small companies.</i>

### 10.2.3. Financing the Financiers

Type of Loan	Description of Loan Type
<b>Rural Energy Agencies and Funds</b>	<i>Rural energy agency provides cross-subsidy or out-right subsidy for financing rural electrification. Used in many northern countries (NRECA), now several are being established in Africa (Uganda, Tanzania, Ethiopia).</i>
<b>Risk guarantees from Government or REF</b>	<i>REF or multilateral/Government fund is used to guarantee commercial bank credit line.</i>
<b>Bank guarantees for</b>	<i>REF or multilateral/Government fund is used to guarantee</i>



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<b>MFIs</b>	<i>commercial bank credit line.</i>
<b>Grants to MFIs</b>	<i>MFI is given grant to on-loan to consumers or small companies. Common pilot practice to incentive MFI to get into PV loans.</i>
<b>Government/project "revolving credit"</b>	<i>Government holds revolving credit fund on behalf of project. Government manages credit fund (i.e. Zimbabwe).</i>
<b>Catalysing Bank-to-Bank Relationships</b>	<i>Not strictly a method of finance. Donors can encourage commercial, development and rural-focused banks to cooperate with each other, without necessarily having to provide loans.</i>
<b>Subsidized loan</b>	<i>Interest rate is reduced using subsidy element to cover banking costs. This type of loan often upsets lending practice of MFIs and Banks, and is subject to misuse.</i>



### 10.3. Annex 3 Example description of a MFI in The Gambia

(Source: APU December 2005)

#### The Gambia Women's Finance Association (GAWFA)

Head Office  
Kanifing Industrial Area  
PMB 81  
Banjul  
The Gambia

**Contact:** Ms. Oley Jagne, General Manager

**Phone:** (220) 439-7063

**Fax:** (220) 439-7062

**E-mail:** [oleyjagne@hotmail.com](mailto:oleyjagne@hotmail.com)

**Website:** <http://gawfa.tripod.com>

Institutional Profile	
<b>Mission</b>	<ul style="list-style-type: none"> <li>To build a sustainable women's organization serving as a financial intermediary to enhance the entrepreneurship development of women as a means of eradicating their poverty and increasing their participation in the socio-economic development of the Gambia.</li> </ul>
<b>Legal status</b>	<ul style="list-style-type: none"> <li>Became a regulated microfinance institution in 1998, supervised by the Central Bank of the Gambia. It is the first licensed non-bank financial institution in the Gambia.</li> </ul>
<b>Founded</b>	<ul style="list-style-type: none"> <li>In 1987, was established as an association.</li> </ul>
<b>Affiliated</b>	<ul style="list-style-type: none"> <li>1987.</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>Member-based organization.</li> <li>Eleven-member board of directors, which includes leaders in the community with expertise in financial management and banking, law, accounting, and social development. Ten board members are women.</li> <li>General Manager and 27 member staff, 11 of whom are women.</li> </ul>



<b>Organization</b>	<p>The head office is based in the capital city of Banjul, and is comprised of the following departments: the credit and savings department, the internal audit department, and finance and administration.</p> <p>By the end of 2003, GAWFA plans to open two branches in rural areas, and is working toward service points in the Greater Banjul Area.</p> <p>GAWFA divides the country into 13 administrative zones, and assigns credit officers to each one.</p>
<b>Client base</b>	Low income women entrepreneurs for loans, and savings for all people.
<b>Area of operations</b>	The five administrative regions of Gambia and Greater Banjul.
<b>Product offering</b>	<p>Individual loans.</p> <p>Solidarity or large group loans.</p> <p>Voluntary savings program, introduced in 1994.</p> <p>GAWFA uses savings for investment and for on-lending.</p>

<b>Client Profile (end 2002)</b>	
<b>Number of active clients</b>	46,138
<b>Number of borrowers</b>	15,497
<b>Number of savers</b>	46,138
<b>Average loan size</b>	US\$51
<b>Average loan size relative to per capita GDP</b>	44%
<b>Percentage women</b>	96%
<b>Percentage rural</b>	98%
<b>Sector distribution</b>	
• Manufacturing/production	0.13%
• Agriculture and livestock	48.37%
• Commerce and trade	61%
• Service	0.13%

<b>Performance Profile (end 2002)</b>	
<b>Portfolio at risk ≥ 30 days</b>	5.47%
<b>Number of loans per loan officer</b>	1173



<b>Operating cost ratio</b>	0.18
<b>Operational self-sufficiency (OSS)</b>	101%
<b>Financial self-sufficiency (FSS)</b>	85%
<b>Adjusted return on assets (AROA)</b>	-3.9%

<b>Financial Integration (end 2002)</b>	
<b>Portfolio size</b>	US\$658,025
<b>Debt + savings portfolio</b>	0.5

Source: APU December 2005



## **10.4. Annex 4 Inventory of MFIs in The Gambia (Prepared by Local Consultant)**

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## ACRONYMS

ADF	African Development Bank
AFET	Association of Farmers, Educators and Traders
AGE	Association of Gambia Entrepreneurs
CBG	Central Bank of The Gambia
CBGA	Central Bank of The Gambia Act
CRD	Central River Division
CSD	Central Statistics Department
EU	European Union
FFHC	Freedom From Hunger Campaign
GAMFINET	Gambia Micro-Finance Network
GAMSEM	Gambian for Self Employment
GARDA	Gambia Rural development Agency
GAWFA	Gambia Women's Finance Association
IBAS	Indigenous Business Advisory Service
IFAD	International Fund for Agricultural Development
MF	Micro-Finance
MFI	Micro-Finance Institution
NACCUG	National Cooperative credit Union of The Gambia
NBD	North Bank Division
NBFI	Non Bank Financial Institution
NGO	Non-Governmental Organisation
NYSS	National Youth Service Scheme
RFCIP	Rural Finance and Community Initiative Project
SDF	Social Development Fund
SDRD	Support to Decentralised Rural Development
TARUD	Trust Association for Rural Development
URD	Upper River Division
VISACA	Village Savings and Credit Associations
VPC	Visaca Promotion Centre
WD	Western Division
WISDOM	Women in Service, development, Organisation and Management



## **1. Introduction**

### **1.1 Term of Reference**

The terms of reference for this study call for a preparation of institutional profile on all micro finance institutions presently operating in the Gambia and be presented as per the designed form provide by the client. It should provide all available key information on micro credit sub sector such as assessment of scope of services and market outlook from key sources such as Central Bank of The Gambia. The study should identify ways to provide the necessary financing to increase the affordability and accessibility of renewable energy applications to a broad group of users in the rural communities.

### **1.2 Methodology**

The report is based on information obtained from a variety of sources by various means, including a review of documents relating to micro-finance and poverty issue in The Gambia; briefing meeting with stakeholders, discussion with key informants, structured interviews with micro-finance providers and beneficiaries.

## **2 Overview of Micro-Finance Sector**

### **2.1 Developments in the Micro finance sector in the Gambia**

Micro-finance continues to receive impetus from the government as a viable poverty reduction instrument and an effective tool in increasing household food security through savings facilities for surpluses and access to credit for production and income generation for the rural and urban poor household. Bearing in mind the lessons learnt from the failures of past policies and interventions, government policy initiatives continue to focus on providing an enabling environment for the development of a decentralized financial system that would provide access to financial services to the rural and urban poor population. The beginning of 90s marks a growing importance of non-bank financial institution (NBFI) in the provision of credit to the local communities. This development was in part due to the collapse of major providers of institutional credit to the farming communities-The Gambia Commercial and Development Bank, The Agricultural Development bank and the Gambia Cooperative Union. The credit program of these institutions collapses partly because of high transaction cost (that is there is many intermediaries before it reaches the end user and at each level there is cost), political interference, and over concentration on a sector (agriculture) at a time of dwindling production. The collapse of these institutions had created a vacuum, which the NBFI had tried to fill.

The economic reforms of the past decade namely, the Economic Recovery program (ERP) and the program of Sustainable Development (PSD) have already provided a favorable macro-economic environment for the emergence of these and similar institutions. As part of these reforms, a regulatory framework for Central Bank of The Gambia was strengthened through the Central Bank Act (CBGA) and the financial institutions Act (FIA) in 1992.

These regulations governing the MFIs continued to be guided by the FIA and CBG Act of 1992 and the prudential rules and guidelines, (Volumes 1-6) drawn up by the Bank. These guidelines are specific to institutions within the hierarchy of non-bank financial institutions ranging from the least supplicated Savings and Credit Associations (e.g. VISACAs) to the most advanced Fiduciary financial institutions such the Gambia Social Development Fund (SDF).



Under this framework there are 69 VISACAs, some of which have been fully registered while others which are yet to meet the basic requirement for full registration, are granted Provisional Certificates and given specific periods of 6 months to 3 years to upgrade their performance to registration status. This initiative is necessitated by the need to legalise these MFIs under the purview of the Bank and subject them to supervisory and regulatory requirements as contained in Volume 2 of the rules and guidelines.

In terms of higher institutions, Gambia Women Finance Association has been in operation for more than 10 years as a sole micro finance company. The National Association of Cooperative Credit Unions in the Gambia and Gamstar Savings and Credit Company only started operation in 2002.

To assist the Bank build its capacity and enhance its leadership role in the sector, the Board of Directors in April 2002 approved the upgrading of the Rural Finance Unit formerly under the Economic Research and Banking Supervision Department to a full fledged Micro finance department and focus primarily on micro finance supervision and development.

In order to ensure coordination of activities, complementarily and the comparative advantages of the multi-stakeholders the Bank with assistance from Rural Finance and Community improvement Project (RFCIP) by way of a consultant, formulated a draft micro finance framework in 2000 which was reviewed and adopted in February 2001. The framework consists of three inter-linked committees, including government policy makers and project executing department (inter-department of state Micro finance Coordinating committee (IDMC), the project/program implementing agencies (Micro finance coordinating committee for project/program (MPCC) and the practitioners, promoters and apex organizations (Micro finance Consultative Committee of practitioners and promoters.

Consequent to government's policy initiatives to provide resources to micro finance development and poverty reduction, various donor funded government project/programs have been implemented in the last seven years. These projects emerged to support capacity building and institutional development of MFIs and micro-finance organization.

The three major project/programme were namely ADB-funded Social Development Fund (SDF), Rural Finance, community Improvement Project (RFCIP) funded by IFAD and the EC support to decentralization have made great strides in supporting micro finance development. In 2001, SDF has disbursed loans in the tune of D3.35m across the six regions of the country with 96% repayment. It is important to note that ADF wholesale loan must be paid within 24 months and no grace period can exceed a total of 4 months. SDF provides credit resources in the form of wholesale loans to MFIs for forward lending to individuals client and groups for financing of income generating activities of the poor in rural and urban arrears.

Consequent to the financial sector reforms by government and the subsequent emanation of the micro finance policies and framework by the Central Bank, five categories of MFIs have been established. Their operations are guided by the Rules and Guidelines summaries in Volume 2-6 drawn up by the Bank. The government's emphasis on policies to ensure the establishment of a decentralized, grassroots oriented financial system to allow access to financial services to the rural population and urban poor have also favored the rapid emergence of community-based micro finance institutions and organization. These are:

## **2.2 Village Savings and Credit Associations (VISACA)**

These continue to exist as the dominant form of MFIs providing financial services in the communities of the rural population. They are expanding with various degrees of success



into comprehensive decentralized rural financial system. As at December 2004, VISACAs mobilized D14788578.00 as savings and disbursed D16390544.00 as loan to their members. Whilst there has been recovery problems with some VISACAs, generally, repayment rate have been satisfactory at about 95% on average

### **2.3 Saving and Credit Companies /Financial Companies**

Gambia Women Finance Association, (GAWFA), Gambia Rural Development Agency (GARDA), Gamstar Savings and Credit Company and the National Association of Cooperative credit Union in The Gambia (NACCUG) are licensed institution under this category. These categories also on lend to VISACAs, groups and individuals across the country.

### **2.4 Credit Union**

Since its inception in 1991, NACCUG registered under the cooperative Act, and has grown into a recognized national network of credit union and supervisory body for it members. This umbrella organization consist of 69 affiliated credit unions providing technical support in the form of training, monitoring and evaluation, promotion and advisory services to member unions with much support from its traditional donor the Irish league of Credit Unions. It has been granted license to operate as a Savings and Credit company with capital from its central financing fund in 2001.

## **3. Inventory of Micro-finance institutions in the Gambia**

### **3.1 What is Micro-Finance?**

Micro finance provides credit and savings services to self employed poor, to enable them to start or expand small income generating activities and business. Through delivering credit and savings services tailored to their needs, micro finance offers opportunities for participants to make choices, plan for the future and establish more livelihoods. In dealing with the issue of micro finance delivery in the Gambia, it is important to acknowledge that the micro finance sector is still in its infancy, not withstanding the long years that the country has been associated with subsidized government credit in various forms and fashion. There are various forms and categories of MFI ranging from government Agencies, Non- governmental Organization (NGOs), Village Savings and Credit Association (VISACAs), Credit Unions (CU) and Cooperative Societies (CSs). Some have a countrywide mandate, whilst others operate more locally. Broadly speaking, MFIs provide credit, or loans, for various income-generating purposes, facilities for saving income.

A summary of information on micro finance organization in the Gambia obtained during the course of this study is presented below:



<b>Name:</b>	<b>The Gambia Food and Nutrition Association (GAFNA)</b>
Type of Organization:	National local NGO
Address:	Gambia Food and Nutrition Association PMB 111, Banjul Tel: 4496740/1/2/5 Fax: 4496743 Email: <a href="mailto:gafna@ganet.gm">gafna@ganet.gm</a>
Head of Institution:	Mr. Albert Cox Director Te: 4496742
Resources:	No of staff: 45
	No of subsidiaries/offices: Nil
	Sectoral coverage: Health, Nutrition, Micro- finance and refugee Welfare
	Regional Coverage of the Service: Knifing municipality, Western Division, Central River Division, North bank Division and Lower River Division
Organization:	The Directorate-, which oversee the overall management, implementation of policies and programs of the organization.  Finance & Administration – responsible for proper management of the financial material and human resources of the organization  Programme management- responsible for the management of the day-to-day implementation of the operations of the various projects such as Global malaria, peer Counseling, Refugee Welfare project, Micro-finance, GAFNA/NAS funded HIV/AIDS project and safety net project. Each project has its own project manager and set of field staff.

### Village Banking Methodology

**Decisions and Approval process:** decision for approval is vested in the Director of GAFNA and the Donor/partner institutions, CRS

**Conditions (interest/repayment schedule):** The interest levied was usually 20% of the face value of loans repayments within a loan cycle of six months. Interest was repaid in equal amounts over the period and the principal loan prepaid at the end of the cycle. The more savings the more credit you can access.



**Volume of approval credit per year:** The project was phased out in early 2003. It only operated for two years

Other credit programmers carried out include credit support to informal economic operators in the Gambia hotel industry such as fruit vendors and juice processors. Within the refugee assistance programme, micro-credit is also extended to the refugees both at camp and in the urban area to carry out income generating activities as a means of enhancing their capacities for self-reliance

Future Coverage of Energy Service:	Although Gambia rural women are the Primary target group of GAFNA who once expressed interest in energy saving devices (improved cooking stoves) but the organization could take up due to financial and technical constraints We would be grateful if this study could link us with potential organizations within a mutual partnership framework whereby assistance can be solicited for inclusion of energy services in our broad development intervention programme. The promotion of improved skill technology can significantly reduce the burden on the women and check against the fast depletion of the forest cover.
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<b>Name:</b>	<b>Gambia Micro-finance Network (GAMFINET)</b>
Type	NGO
Address	GAWFA House JIMPEX Road, Kanifing Tel: 4395228 Fax: 4397062
Head of Institution:	Mr M Tijan Bangura Tel: 4395228/9955952 Email gawfa@qanet.gm
Resources:	Number of staff: 2 Subsidiaries Office Nil Regional Coverage of Services: Nation wide Sectoral Coverage of services: All sector particularly the most vulnerable group (women and Youth by member institutions)
Organization:	It is Network of MFIs in the Gambia
Official Mandate:	To contribute to the provision of effective and sustainable financial services to low income population of the Gambia by supporting micro-finance institutions to achieve their mission and objectives;



	To improve micro-finance environment in the Gambia and globally; Work within Micro-finance practitioners, private sector operators, policy makers and donors for innovative practices that work for micro-finance institutions and their clients.
Own Mandate	Strengthen micro-finance institutions' capacity to effectively provide value-added services to their clients Introduce shared performance policies and regulations Influence micro-finance policies and regulations in the Gambia Establish process and systems for building and sharing knowledge on best practices and innovations in micro finance and credit management Strengthens member MFIs governance and management structures
Keys project and activities:	Sensitization on Central bank's policy and guidelines on micro-finance operation in the Gambia (D50, 000.00) Build consensus around performance indicators and standards (D150, 000.00) Sharing and disseminating best practices and innovations to build capacity of member (D250, 000.00) No energy services in the current projects
Future Coverage of energy services	GAMFINET is an umbrella organization of the major micro-finance institutions, projects and micro-finance promoters in the Gambia willing to work with the project to identify MFIs with the capacity to carry out the project effectively.

<b>Name:</b>	<b>Gambia Youth Business Trust (GYBT)</b>
Type:	Government
Address:	President International Award, Opposition Independence Stadium, Bakau Tel: 4496541/7798942 Fax:
Head of Institution	Fatou Jobe Coordinator Tel: 4496541/ Mob: 7798942 Email p-awardscheme@hotmail.com



Resource	Number of staff: Part of Government department of state for Youth Subsidiaries office: Nil Regional Coverage: Greater Banjul Sectoral Coverage: Young and youth between the age bracket of 14 – 35
Organization:	It has only one office, and its parent department is department of state for Youth and Sport
Official Mandate:	Help Youth to establish business hence the name Gambia Youth Business Trust
Own mandate:	Youth Employment and poverty Reduction
Key Project and Activities in the last 3 yrs	Poverty reduction programme Small business such as sewing center, Entertainment Auto mechanic, Welding and Carpentry workshop and Fabrication <b>Criteria for loan:</b> He/she must be a Gambian age (14 – 35) Have training in entrepreneurship relating to small business Must show promise in running small business Executive board approves the decision of selecting No coverage for energy service within the existing programme
Future Coverage of energy Service:	If funds or partners are available we would be interested in energy technology which could be part of our training and also if our clients show interest in energy services

<b>Name:</b>	<b>Rural Finance and Community Initiative project (RFCIP)</b>
Type:	Government body
Address:	Reuben Thomas House Cape Point, Bakau Tel: 4497343/4494921 Fax: 4497353 Email: rfortcip@qanet.gm/ruralfin@gamtel.gm
Head of Institution	Basiru Jobe Project Coordinator



	<p>Tel: 4497343/4494907</p> <p>Fax: 4497353</p> <p>Email: rfortcip@qanet.gm/ruralfinl@gamtel.gm</p>
Resource	<p>Number of Staff: 8 Professionals</p> <p>Number of Subsidiaries: Offices: 3</p> <p>Regional Coverage: Nation wide</p> <p>Sectoral Coverage: Rural Finance, Agricultural Production and Kafo (Community Association) Capacity Building</p>
Organization:	<p>Project Support Unit (main Coordination)</p> <p>Field Office – Lower River Division (LRD) (Field Divisional Coordination)</p> <p>Field Office Central River Division (CRD) (Field Divisional Coordination):</p>
Official Mandate:	<p>Improve production of the population</p>
Own mandate:	<p>Contribute to income generation of the population through improved access to financial services</p>
Key Project and Activities in the last 3 yrs	<p>Programme: Village savings and credit development</p> <p>Investment covered: Savings, credit, infrastructure, capacity building (Production &amp; social infrastructure)</p> <p>Requirement for credit: Based on internal rules and sound practices</p> <p>Decision &amp; approval process: Democratic and transparent</p> <p>Conditions: Generally flexible and market based</p> <p>Repayment: part payment (flexible)</p> <p>Volume of Approval credit/yearly: About 6 million Dalasis</p> <p>Coverage of energy service within the programme: Not cover yet, but plans are afoot for that, in the form of new product and diversification of portfolio</p>
Future Coverage of energy Service	<p>Existence of National strategy Framework for development of micro finance</p> <p>Availability of resources and the need to manage liquidity efficiently</p> <p>Need to develop new product</p> <p>Importance of energy in our development</p> <p>Awareness of importance of the environment</p>



<b>Name:</b>	<b>Association of Farmers, Educators and Traders (AFET)</b>
Type:	NGO
Address:	Brikama Tel: 4484611/4483202 Fax: 4483202
Head of Institution	Manlafi Gassama National President Tel: 9908247 Tel Office: 4483202 Email afet@gamtel.gm
Resource	Number of staff: 28 Subsidiaries Office: 1 Regional Coverage: Central River Division (CRD) and Upper River Division (URD) Sectoral Coverage: Affiliated Village Savings and Credit Associations (VISACA) members
Organization:	It has main office in Brikama and field offices CRD and URD
Official Mandate:	Increase agricultural production Increase access to financial resource Create employment opportunities and awareness through IEC
Own mandate:	Promote skill training with a view to enhance living conditions of its members as well as combat rural- urban drift
Key Project and Activities in the last 3 yrs	Program: Sheep fathering Credit on group lending: Group cohesiveness Requirement for Credit: Through loan application and requirement for each VISACA Decision and Approval: In the hand of the community who own the VISACA Interest rate: 17.5% Repayment Schedule: Quarterly repayment Volume of Credit per year: D250, 00.00 per year Coverage of existing energy projects: No service provided
Future Coverage of energy Service	The institution is willing to promote solar home systems to its vast majority of members in all the five administrative divisions of the Gambia. This process Can be challenge through VISACAs as we are the largest VISACA promoters in the Gambia



<b>Name:</b>	<b>Gambia Women Finance Association (GAWFA)</b>
Type:	NGO
Address:	GAWFA House, Kanifing Industrial estate, PMB 81, Banjul, Tel: 4397063 Fax: 4397062
Head of Institution	Mrs Oley Jagne General Manager Tel: 4397064 Fax: 4397062 Email: gawfa@gamtel.gm
Resource	Number of staff; 41 Number of Subsidiary offices 17 zones Regional Coverage: nation wide Sectoral Coverage: Agriculture, commerce and Industry
Organization:	List of branch: Barra, Albreda, Kuntaya, Brikama, Sibanor, Soma, Bansang, Kaur, Farafini, Kerewan, Basse, Yero Bawol, Wassu, Dasilami
Official Mandate:	To provide access to credit and saving services to low income women in order to increase their economic independence and empowerment
Own mandate:	Involve in global fight against HIV/AIDS and other related issue that will enhance the status of human specially women and children
Key Project and Activities in the last 3 yrs	A voluntary Savings Program An Integrated Savings and Credit program Condition for access to credit: Must be a member of GAWFA and holds a savings account with GAWFA with a minimum balance of D100.00 Amount of loan is up to 5 times ones' savings with GAWFA Loan repayment are either monthly installments or one lump sum if it is for activities that requires grace period Loans are mainly for income generating such as commerce, service industry, agriculture GAWFA is not providing any energy service
Future Coverage of energy Service	GAWFA would like to work with any interest partner in future coverage of energy service specially those services that are income generating or indirectly link to income generating.



<b>Name:</b>	<b>National Association of Cooperative Credit Unions the Gambia (NACCUG)</b>
Type:	Private
Address:	National Association of Cooperative Credit Unions the Gambia (NACCUG) House, Kanifing Back of Independence Stadium, Bakau PMB 35, I Banjul Tel: 4497028 Fax: 4497026
Head of Institution	Mr. Pierre Mendy General Manager Mob; 9968850 Tel: 4497028 Fax: 4497026 Email <a href="mailto:naccug@yahoo.co.uk">naccug@yahoo.co.uk</a>
Resource	Number of staff: 13 Number of Subsidiaries Office: 5 Regional Coverage: Nation wide Sectoral Coverage: As the name suggest it is all sector of the society
Organization:	Main Office in Kanifing and the following Subsidiaries offices: Banjul and Kombo Chapter, Bansang and Basse chapter, Bwiam Chapter, North Bank East Chapter, North Bank West Chapter
Official Mandate:	To forge a movement that provides the best and most cost-effective and efficient financial and technical services to micro-finance institutions in the Gambia through self-reliance.
Own mandate:	Provide best financial service to its members at reasonable cost Promote and support the development of viable credit union through sound and market based business strategy in order to compete favourably with other financial institutions
Key Project and Activities in the last 3 yrs	Investment covered range from Education, Health, Agriculture, Housing, Fishing enterprise development etc. Requirement for credit: Must be a member of a credit union and must save regularly for 6 months before you benefit Decision and Approval: Decision and approval lies in the hand of the loan committee and as per the loan policy



	<p>Interest rate: Vary from one credit unit to another</p> <p>Loan repayment: Is usually discuss with the client but generally long term loans are between 6 months and 4 years while short term loans are between one month to six months</p> <p>Volume of credit per year: Is about 50 millions dalasis</p> <p>Coverage of energy service within the existing program: Is only limited to applying for electricity or payment of their bills but nothing on services as solar systems or improved stoves</p>
Future Coverage of energy Service	NACCUUG already operate country wide so extension of services in future energy coverage be highly welcomed and would depend on the need of the people

<b>Name:</b>	<b>Women in Service, Development, Organization and Management (WISDOM)</b>
Type:	NGO
Address:	Jimpex Road Kanifing Estate KMC Tel: 4390536 Fax; 4390536
Head of Institution	Mrs. Mariatu Kassim Loum Executive Director Tel: 4390536 Email; kassimmariatu@hotmail. Com
Resource	Number of Staff: 6 Number of Subsidiaries office: Nil Regional Coverage: Country wide Sectoral overage: Agriculture/horticulture, small scale enterprise (informal sector mainly focusing on Women)
Organization:	Only one office managed by the executive director and support staff
Own mandate:	To educate women and girl friendly environmental control activities to address the problem of deforestation
Key Project and Activities in the last 3 yrs	Social Development Fund (SDF) is the sole provider of our finances and their criteria is what we operate too
Future Coverage of energy Service	No energy coverage yet, we once had a project proposal on the use of solar systems from out partner in US but we could not get funding



<b>Name:</b>	<b>Indigenous Business Advisory Service IBAS</b>
Type:	Government
Address:	13 Sait Matty Road Bakau Tel: 4496098/4496089 Fax: 4227756 Email: <a href="mailto:payibas@gamtel.gm">payibas@gamtel.gm</a>
Head of Institution	Mr Bah Managing Director Mobile: 9953838 Tel: 4496098 Fax: 4227756 Email: payibas@gamtel.gm
Resource	Number of staff: 30 Number of subsidiaries office: 4 Regional Coverage of Services: 6 Administrative areas of the Gambia Sectoral coverage: Business/Commerce sector, Indigenous enterprises
Organization:	Branches: IBAS Basse Office, IBAS Bansang office, IBAS Farafini office, IBAS Bara Office. All these offices extend training and financial service to the communities
Official Mandate:	To assist and promote small and medium scale industries
Own mandate:	Training of entrepreneurs and providing financial service to small and medium scale enterprises in the Gambia
Key Project and Activities in the last 3 yrs	Program: IBAS revolving loan benefited 48 persons at the tune of <b>D891, 500.00</b>  IBAS serve as implementing agency for Peri-urban Project and assisted 126 groups in North and South Bank of the country amounting to <b>D3, 250,000.00</b>  IBAS Implemented Community skill Improvement Project (CSIP) and 13 groups had benefited from an amount of <b>D470, 000.00</b>  The process is coordinated through SDF, IBA and Peri-urban officers  Interest rate is 14% for SDF, 6% for IBAS and that means 20% interest is levied on this type of loans
Future Coverage of energy Service	IBAS would be interest in such ventures in collaboration with stakeholders



<b>Name:</b>	<b>The Gambia Social Development Fund (SDF)</b>
Type:	Government
Address:	17 Garba Jahumpa Road Bakau, New town Tel: 4496494/4494332./329 Fax: 4494331
Head of Institution	Mr Allasana Gitteh Acting Fund Manager Mobile: 9967988 Tel: 4494330 Fax; 4494331
Resource	Number of Staff: 6 Number of Subsidiaries Offices: 6 Regional Coverage: Country wide Sectoral Coverage: Agriculture/Fisheries/Forestry/ Marketing/Petty trading/Food Processing/Cottage industries Handicrafts and others Focusing on: Women and men, Youth, Handicaps and Children
Organization:	Head Office: Bakau Greater Banjul Area Office Bakau Western Division Office – Brikama North bank Office – Kerewan Lower River Division Office- Jara Soma Central River Division Office – Janjabureh Upper River Division Ooffice- Basse
Official Mandate:	Establishing a Poverty Alleviation ring and carry out Poverty alleviation in the whole country
Own mandate:	Fight poverty through the participatory approach
Key Project and Activities in the last 3 yrs	1 Poverty Reduction Project- Petty trading and general business – <b>(20 million dalasi)</b> Community Skill Improvement Project – functional literacy and income generating skills (15 million Dalasi) Peri-urban small Improvement project- livestock development and Horticulture- (10 millions dalasi) Artisanal Fisheries Development Project (AFDP)- Fisheries



	<p>development (20 million Dalasi)</p> <p>Coverage of Energy service:</p> <p>Solar energy equipment like solar panels and batteries</p> <p>Fire wood selling for women</p> <p>Ice block making for fish products by providing energy for such activities</p> <p>Requirement for Loan:</p> <p>SDF operate only whole sale loans and to access this you must be legally reorganized MFI and in addition:</p> <p>Be lending to pre-qualified groups</p> <p>Have a business plan to reach client</p> <p>Offer credit and savings at market rates</p> <p>Support their client in enterprise development</p> <p>Demonstrate a proving track record of servicing the poor, women, micro-entrepreneurs and other disadvantage groups</p> <p>Have sufficient and appropriately trained staff to handle their operations</p> <p>Interest rates are 14% p a</p> <p>Approval:</p> <p>Fund Management Team (FMT) members, Divisional Fund Officer (DFO) and the staff of the forwarding lenders are involve in the appraisal for all loans. The initial screening is done at the divisional level. The final approval is done by SDF Board and FMT</p>
<p>Future Coverage of energy Service</p>	<p>SDF is planning to collaborate with UNDSA (UN department for Economic and Social Affairs) pilot project for managing water and energy resources in rural Gambia in the area of credit delivery for water and energy related activities</p>

<p><b>Name:</b></p>	<p><b>Gambians Self Employment Multi-Purpose Cooperative Society limited (GAMSEM)</b></p>
<p>Type:</p>	<p>NGO</p>
<p>Address:</p>	<p>Lat Kumba Lowe Avenue, 32 Latri kunda Yiringaya, P O Box 996, Banjul Tel: 3373080 Email: gamsem@qanet.gm</p>
<p>Head of Institution</p>	<p>Mr Ousman manjang Project Coordinator</p>



	<p>Mobile: 9989200 Office Tel: 4373080 Email: gamsem@qanet.gm</p>
Resource	<p>Number of Staff: 7 Number of Subsidiaries Office: 2 Regional Coverage: Country wide Sectoral coverage: Agriculture,(Horticulture, Fishing), enterprises development, use of practice of cooperative for poverty reduction</p>
Organization:	Gamsem operate in URD, CRD, and LRD
Own mandate:	To promote the practice of grassroots cooperative for poverty reduction and national development
Key Project and Activities in the last 3 yrs	<p>Program: Small enterprise development, Project Artisanal Fisheries Development Project (AFDP) , Community Skills Improvement (CSIP), All funded from SDF Requirement for Loan: SDF conditions Duration for Loan repayment: SDF Durations Volume: D700, 000.00 per year Interest rate: 19 %</p>
Future Coverage of energy Service	As a Multipurpose Cooperative Society and one that is interested in low energy, we will be more than willing to accommodate such appropriate technology and environment friendly activity

<b>Name:</b>	<b>Gamstar Savings and Credit company ltd</b>
Type:	Private
Address:	<p>No 1 Daniel Goddard Street, Banjul Tel: 4223903 Fax; 4229755</p>
Head of Institution	<p>Momodou M Jarboh General Manager Mobile: 7789900 Tel: 4223903 Email; momodoujarboh@yahoo.com</p>
Resource	<p>Number of Staff: 29 Number Subsidiaries offices: 9</p>



	Regional Coverage: Greater Banjul and Western Division Sectoral Coverage: Low income and micro-enterprises sector
Organization:	Branches: Albvert Market agent, Banjul Sere kunda Market Agent Tippa Carrage Agent, Bakoteh Senegambia Agent, Kololi New jehswang Agent Bakau Car park Agent Brikama Market Agent Lamin Market Agent
Official Mandate:	Provide Financial Service (savings and credit) to low income earners and micro-enterprises sector
Own mandate:	Provide savings and credit to low income earners and micro-enterprises
Key Project and Activities in the last 3 yrs	Program: Credit and Savings Investment: income generating activities Requirement for Credit: Savings and security Decision and approval: Board and loan committee Interest rate: 30% per annum Volume of approved credit per: D300, 000.00 Coverage of energy sector: Nil
Future Coverage of energy Service	Not Available

<b>Name:</b>	<b>Gambia rural Development Agent (GARDA)</b>
Type:	NGO
Address:	Kololi Near koli Clinic P O Box 4556, Bakau Tel: 4461711 Fax: 4464616
Head of Institution	Kebba s.s bah Mobile: 9954343, Tel : 3361711 Fax: 4464616 Email: gardango@gamtel.gm



Resource	<p>Number of Staff: 24</p> <p>Number of Subsidiaries offices: 3</p> <p>Regional Coverage: LRD, CRD, NBD, WD, KMC, and Banju</p> <p>Sectoral Coverage: Agricultural sector specifically in targeting rural women</p>
Official Mandate:	Supplementing government 's effort in improving the socio-economic condition of rural population
Key Project and Activities in the last 3 yrs	<p>Project: Cereal Bank seed capital project; Women Revolving Fund Project; Agricultural Input on Credit Project</p> <p>Investment: Agriculture</p> <p>Requirement for credit: Must be a rural woman</p> <p>Decision and Approval: Credit committee</p> <p>Interest rate: 18%</p> <p>Repayment schedule: Varies from 6 - 36 months</p> <p>Volume of credit approved per year: Depends on demand and availability of funds</p> <p>Energy coverage: Solar Home system (improved stoves) CRD, LRD and NBD funded in Women revolving Fund Project</p>
Future Coverage of energy Service	GARDA intend to explore the possibility of providing energy to it rural women

<b>Name:</b>	<b>FORUT Gambia</b>
Type:	NGO
Address:	50 Garba Jahumpa Road, Bakau Tel: 4497746, Fax: 4496316
Head of Institution	<p>Musa Jeng</p> <p>Executive Chair man</p> <p>Mobile: 9906510/7732453</p> <p>Tel : 4497746</p> <p>Fax: 4496316</p> <p>Email : forut@qanet.gm</p>
Resource	<p>Number of Staff: 10</p> <p>Number of Subsidiaries office: 1</p> <p>Regional Coverage: Operates in NBD</p> <p>Sectoral Coverage: The poor and underprivileged women, youth and children in North Bank division</p>



Organization:	FORUT Gambia head quarter in Bakau; Kerewan field office
Official Mandate:	FORUT VISACA Network project
Own mandate:	A five year strategic plan is being developed
Key Project and Activities in the last 3 yrs	<p>Program: FORUT VISACA Network Project</p> <p>Investment: Credit and lending</p> <p>Requirement for credit: Must have high loan repayment record</p> <p>Decision and approval: Management members approves loans</p> <p>Interest Rate: 18%</p> <p>Repayment Schedule: 3- 12 months</p> <p>Volume of Credit Approved per year: Depend on demand</p> <p>Coverage of energy service within the existing program: Nil</p>
Future Coverage of energy Service	FORUT is willing to if it has funds to extend it program to energy sector

**Village Savings and Credit Associations (VISACA) in the Gambia  
(Source: Central Bank of the Gambia)**

NO	Name of VISACA	MEMBERSHIP	LOCATION
1	SANYANG	2522	WESTERN DIVISION (WD)
2	KABAKEL	412	
3	FARABA BANTA	460	WD
4	JIFARONG	1328	LOWER RIVER DIVISION (LRD)
5	NEMA	1189	LRD
6	WASSU	510	ENTRAL RIVER DIVISION (CRD)
7	JARUMEH KOTO	739	CRD
8	KUTING	847	CRD
9	KAUR	633	CRD
10	KARANTABA	944	CRD
11	DASILAMI	1613	CRD
12	BOIRAM	579	CRD
13	TUBA DEMBA SAMA	341	UPER RIVER DIVISION (URD)
14	KEREWAN	1242	NORTH BANK DIVISION (NBD)
15	KARTONG	245	WD



16	MADIANA	536	WD
17	NYOFELLEH	754	WD
18	DASILAMI	563	NBD
19	TUJENG	567	WD
20	BERENDING	414	NBD
21	KATA OMAR	347	CRD
22	DEMFAI	498	CRD
23	KASS WOLLOF	832	CRD
24	SAMI MEDINA	1047	CRD
25	TUBA KUTA	319	CRD
26	JAILAND	559	CRD
27	PANCHANG	393	CRD
28	SAMI TABANINE	360	CRD
29	CHAMEN	432	CRD
30	CHAMOI	798	URD
31	CHAMOI BUNDA	638	URD
32	BAKADAGI	586	URD
33	DIABUGU	602	URD
34	SUTUKONTING	690	URD
35	JAPANNI	717	LRD
36	DUMBUTO	428	LRD
37	BURONG	481	LRD
38	BURENG	DNA	LRD
39	KENEBA	378	LRD
40	MADINA CHAHA	610	LRD
41	TAMBANA	DNA	WD
42	ILLIASSA	915	NBD
43	WALLALAN	632	WD
44	KATABA MADINKA	506	CRD
45	NJABA KUNDA	528	NBD
46	KUDANG	DNA	CRD
47	JARENG	372	CRD
48	BANTANTO	952	CRD



49	DANKUNKU	783	CRD
50	MAMUTANA	985	CRD
51	SABANG	547	CRD
52	NJOBEN	427	CRD
53	FULLADU TABANANI	254	CRD
54	SANKULAY KUNDA	614	CRD
55	PACHARR	513	CRD
56	FASS NJAGA CHOYE	238	NBD
57	ALBREDA	220	NBD
58	AHLULAI	159	URD
59	SUDUWOL	694	URD

### 3.2 Description MFIs in the Gambia

**3.2.1 The Gambia Social Development Fund (SDF)** which is an autonomous charitable organization working with Community Based organization (CBO), Non-Governmental Organization (NGO), Micro-Finance Institutions and Public Service Institution supporting micro projects and capacity building interventions to help alleviate poverty in the Gambia was created by the government of the Gambia in 1999. It provide credit resources in the form of wholesale loan to MFIs and also build capacity of MFIs, NGOs, and CBO through training and technical assistance so that they will be better able to provide credit to the poor and encourage their members to save. Plans are afoot to transfer SDF into Fiduciary Financial Institution. It has a loan recovery rate of 97% SDF interest rates on wholesale loans to MFIs are set at prevailing discount rate of the central of the Gambia and MFIs are allowed to charge difference rates to end-borrowing groups and individuals in order to cover their cost. SDF encourages MFIs to charge interest rates necessary for the institution to be self sustaining, keeping in mind that the goal of micro credit is to alleviate poverty. . . .

**3.2.2 Gambia Women Finance Association (GAWFA)** is a micro finance Institution that was established in 1987 to provide access to credit and savings to low income women in order to increase their economic independence and empowerment. It has offices all over the country and has been operating for almost 20 years as saving and Credit Company. Currently it implements two financial programme:

**3.2.2.1 The Integrated savings and credit** scheme which links savings to credit by requiring prospective borrowers to have saved a minimum amount over 3 month before qualifying for a loan and loan recovery rate of 98% with interest rate at 25%

**3.2.2.2 The voluntary Savings programme** which is opened to all interested savers (women, men, youth, organization and groups. The savings mobilized is invested in high interest yielding instruments and utilized for loan disbursement.



**3.2.3 National Association of Cooperative Credit union (NACCUG)** is the Apex body for credit unions in the Gambia. It is mandated to monitor the performance of its member. It is an ideal partner because most of its members are formal institutions whose salaries are usually deducted at source which makes its loan recovery very efficient. Its members include the Gambia teachers, Gambia International Air lines, Medical Research Council (MRC)'s union national Water and electricity company.

### **3.3 Analysis of micro finance Service in the Gambia**

#### **3.3.1 General observations**

**3.3.1.1 Loan Amount:** As far as could be ascertained, loan amount varied from a minimum of D600.00 to a maximum of D50, 000.00 to individuals, and from a minimum of D1, 000.00 to a maximum of D100, 000.00 to groups. However, except for GAWFA, majority of MFIs have their loan ceiling fixed at a maximum of D1000.00 for individual and maximum of D5000.00 for group. These amounts are too small for what may be required for renewable energy services.

**3.3.1.2 Loan period:** MFIs offer loans for a minimum period of two months to a maximum of 12 months. The short-term nature of such loans could well limit their scope and application to renewable energy.

**3.3.1.3 Interest Rate:** The present policy on interest rate is flexible and market oriented. Interest charged on loans varies from 16% to 60%.

**3.3.1.4 Coverage:** There is wider recognition of MF service in the Gambia as an instrument to fight poverty and that the current MF services are found all over the country but mainly used by the poor and the low-income group. It was revealed that most of micro finance credit goes to small retail business and not much experience in renewable energy.

#### **3.4 Experiences with Renewable Energy Service**

It was found that the teachers' credit union had piloted a project on solar energy but the project could not move further because there was a huge price increase from what they were piloting and what became the actual cost at the time when they were ready to venture into an agreement. Therefore they could not go back to their clients even though they were high on enthusiasm in the whole idea. The Gambia Rural Development GARDAs also used home systems (improved stoves) in CRD, LRD and NBD funded by the Women Revolving Fund Project.

#### **3.5 Findings/Gap in Micro finance Service Delivery to Renewable Energy**

Although capacity in terms of human resources and institutions exist but they do not have the ability to provide all the credit needed for renewable energy services. This is because currently the principal amounts that MFIs disburse are usually small, with high interest rates and repayment periods short. There is lack of information on the availability of MFI services to renewable energy. There was high enthusiasm expressed in the desire to venture into renewable energy by MFIs but they expressed a lack of adequate capital.



### **3.6 Selection criteria for Potential Micro Finance institution in the Renewable Energy Program**

The primary objective of this study is to identifying ways to provide the necessary financing to increase the affordability and accessibility of renewable energy applications to a broad group of users. Furthermore, the target users' willingness to pay for the related energy services to be provided. Given this background information and the fact that renewable service requires high investment cost the study had selected some potential MFI that can support the provision of renewable energy service. In order to select these MFIs, we consider the following:

- Volume of credit administered by MFI
- Interest rate charged
- Loan repayment period
- Experience with renewable energy service
- On what product do they provide services to
- Capacity of the institution
- Source of Funding

These processes were assessed through information obtained from a variety of sources by various means, including a review of documents relating to micro-finance and poverty issue in The Gambia; briefing meeting with stakeholders, discussion with key informants, structured interviews with micro-finance providers and beneficiaries. Interviews conducted adaptively, according to circumstances with the involvement of Lahmeyer International consultancy firm (LI).

Interview with Government official and MFI facilitators were centred on, their roles in promoting micro-finance, and their perceptions of poverty alleviation. With Micro finance institutions/practitioners, the focus was on their sources of funds; their lending requirements, the accessibility and targeting of client, and their loan repayment experience.

### **3.7 Result of Interviews**

The discussion were centred on their roles in promoting micro-finance, and their perceptions of poverty alleviation, their sources of funds; their lending requirements, the accessibility and targeting of client, and their loan repayment experience. It was clear that they are not currently running any renewable energy program but show keen interest in entering into such venture in future. They reported loan repayment recovery rate for all at about 97% and interest rate varies but on average is about 30%. The teacher credit union manager reported their experience in solar panel and the desire to partnership with any potential donor for the provision of renewable energy. Notwithstanding, MFI expressed willingness to venture in to such product provided that they have funds/partners.

Given that fact that the current loan issued to the beneficiaries are small, interest rate high and repayment short, therefore it would be difficult to consider such for renewable energy service to all MFI whose initial cost are usual high. In this regard it is suggested that interest rates applicable to renewable energy and agricultural credit ought to be concessionary, although the long-term sustainability of concessionary rate may be question.



## 4 Recommendation

### 4.1 Recommended Micro-Finance Institution to partner with for the provision Renewable Energy service in the Gambia

After data analysis and the interview with micro finance practitioners, which was focus on their source of fund, their lending requirement, the accessibility and targeting of client, their loan repayment experience the following MFIs are recommended for collaboration for our purpose.

**4.1.1 The Gambia Social Development Fund (SDF)** which is an autonomous charitable organization working with Community Based organization (CBO), Non-Governmental Organization (NGO), Micro-Finance Institutions and Public Service Institution supporting micro projects and capacity building interventions to help alleviation poverty in the Gambia was created by the government of the Gambia in 1999. It provide credit resources in the form of wholesale loan to MFIs and also build capacity of MFIs, NGOs, and CBO through training and technical assistance so that they will be better able to provide credit to the poor and encourage their members to save. Plans are afoot to transfer SDF into Fiduciary Financial Institution. It has a loan recovery rate of 97% SDF interest rates on wholesale loans to MFIs are set at prevailing discount rate of the central of the Gambia and MFIs are allowed to charge difference rates to end-borrowing groups and individuals in order to cover their cost. SDF encourages MFIs to charge interest rates necessary for the institution to be self sustaining, keeping in mind that the goal of micro credit is to alleviate poverty. . . .

**4.1.2 Gambia Women Finance Association (GAWFA)** is a micro finance Institution that was established in 1987 to provide access to credit and savings to low income women in order to increase their economic independence and empowerment. It has offices all over the country and has been operating for almost 20 years as saving and Credit Company. Currently it implements two financial programme:

**4.1.3 The Integrated savings and credit** scheme which links savings to credit by requiring prospective borrowers to have saved a minimum amount over 3 month before qualifying for a loan and loan recovery rate of 98% with interest rate at 25%

**4.1.4 The voluntary Savings programme** which is opened to all interested savers (women, men, youth, organization and groups. The savings mobilized is invested in high interest yielding instruments and utilized for loan disbursement.

**4.1.5 National Association of Cooperative Credit union (NACCUG)** is the Apex body for credit unions in the Gambia. It is mandated to monitor the performance of it member. It is an ideal partner because most of it member are formal institution whose salaries are usually deducted at sources which make it s loan recovery very efficient. It members includes the Gambia teachers, Gambia International Air lines, Medical Research Council (MCR)'s union national Water and electricity company.

These MFIs have the capacity and the institutional framework for the intended partnership that this study is trying to establish. The fundamental issue, with which all-micro finance proponent has to be worried about, is how to balance the basic poverty constraints of the poor with that of ensuring sufficient returns based on commercial lending criteria. It is also important to note that if there are many intermediaries it would lead to increase in transaction cost



## 4.2 Proposed Micro-Finance Guarantee and Funding Scheme

To fill the gap identified in financing of micro-finance service delivery in the renewable energy sector, it is proposed that the existing capacity building for MFIs should be strengthened and broadened, and that a micro-finance facility in the form of a Micro-Finance Guaranteed and funding Scheme (MFGFS) should be established. In the initial stage there should be a fund established and subscribed to by various donors. The setting aside of specific funds to guarantee the provision renewable energy services through micro-finance to poor people will create confidence especially amongst the MFIs that are to provide credit to the most vulnerable groups. Although the long-term sustainability is questioned

The channeling of micro finance credit to finance renewable energy to most vulnerable poor groups and individuals who do not have immediate access to credit shall be the principal objective of the Micro-finance Guarantee and Funding Scheme.

As recommended above in order to realize this proposal the structure should look like the diagram below. This proposed micro-finance scheme has a vertical relationship between the borrower, lender and the guarantee/funder as presented below. The three main components are: Borrower, MFI (lenders) and Donor (Funders)

### Annex

## Questionnaire

### 1. Institution Key Data

Name	[Full Name + Abbreviation in Brackets]
Type	[Government body / NGO / Academic / Private Sector]
Address	[Address details] [Phone] [Fax] [Website, if applicable]
Head of Institution	[Name] [Title / Function] [Mobile Phone] [Office Phone] [Office Fax] [Email]
Resources	Number of Staff _____ Number of subsidiaries / offices _____
	Regional coverage of services: [Please specify which GAs are covered by the micro-credit services] Sectoral coverage of services: [Please sectoral focus of the institution and/or focuses on specific social groups]
Organization	[Insert list of offices, branches and departments using the official names, incl. abbreviations, and a short description of the topics covered by each entity]



## 2. Activity and Performance Review

Name	[Full Name + Abbreviation in Brackets]
Official mandate	[Based on a review of the official legislation / licensing procedures on which institution's respective market activity is based, please summarize the official mandate, which the institution is supposed to accomplish]
Own mandate	[Based on a review of introductory statements in annual reports and/or similar presentation material, please summarize the mandate, which the institution itself claims to fulfill]
Key projects and activities	[Based on a review of annual reports, activity reports, publication lists and staff interviews, please give a list of all micro-credit programmes offered by the institution under consideration]
(last 3 years)	[For each program, please specify: Name of the program; Type of investments covered by the program; Requirements for credit applications; Decision and approval process; Conditions (interest rates / repayment schedule); Volume of approved credits per year; Coverage of energy services within the existing programs]

## 3. Participation in the overall RE Planning Process in The Gambia

Name	[Full Name + Abbreviation in Brackets]
Future coverage of energy services	[Based on an interview of key decision makers, please summarise the institution's preparedness and willingness to extend its present micro-finance services to cover energy services / devices such as improved stoves and/or solar-home-systems]

### Names of persons interviewed

A number of meetings were conducted with the following people:

- Mr Baldeh: Micro-finance officer- Rural Finance and Community initiative project
- Mahammed Jammeh: Micro-finance Officer Social Development Fund
- Oley Jagne: Managing Director Gambia Women Finance Association
- Babucar Joof: Manager Gambia teacher's credit union
- Paul Mendy: General Manager National association cooperative credit union the Gambia



## 10.5. Annex 5 Summary of Overview of MFIs in the Gambia

ID	Type of organization	Staff	Rural	Urban	Sector	Regulated	Donor	Interest in RE
3.2	NGO	45	Western, Central River, North bank, Lower River	Kanifing municipality	Malaria Counseling, Refugees, Microfinance, HIV/AIDs, Saftey Net			Yes
3.3	MFI Network	2	nationwide	nationwide			Central Bank	
3.4	Government			Greater Banjul	Credit-Savings			
3.5	MFI Government; Provider of funds	8	Nationwide		Rural finance, Agricultural production, Community Associations (Kafos), Capacity building		IFAD	Yes
3.6	NGO non-bank financial institution	28	Central River, Upper River, affiliated VISACAs		Agricultural production, skill training, credit/group lending via VISACA	yes		Yes
3.7	NGO	41	nationwide	nationwide	Credit-Savings for agriculture, commerce & industry	yes		Yes
3.8	Apex private	13	nationwide	nationwide				Yes
3.9	NGO	6	nationwide	nationwide	Agriculture, small scale enterprise, women's education			Yes



3.10	Government	30	Basse, Bansang, Farafini, Bara		Training and loans for SME, indigenous enterprises			Yes
3.11	Apex  Government	6	nationwide		Agriculture, fisheries forestry; marketing petty trading; food processing cottage industry handicrafts	yes	ADB	Yes
3.12	NGO	7	nationwide		Small enterprise, artisanal, fisheries, development,		SDF	Yes
3.13	private	29		Banjul, Western Division	Credit to target group			
3.14	NGO	24	yes		Women revolving Fund Project			Yes
3.15	NGO	10	North Bank Division		Credit to target group			Yes
59 orgs.	VISACA	6						