
POWER FOR ALL RESEARCH SUMMARY

The Poor People's Energy Outlook

**POWER
FOR
ALL**

34 billion

ANNUAL GLOBAL SHORTFALL
FOR UNIVERSAL ENERGY
ACCESS

62 years

TIME TAKEN TO ACHIEVE
UNIVERSAL ELECTRICITY
ACCESS ON CURRENT TREND

15%

WOMEN ARE LESS LIKELY TO
OWN A BANK ACCOUNT THAN
MEN

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Practical Action's PPEO 2017 focuses on how to finance people-driven energy access solutions. Through case studies from Bangladesh, Kenya and Togo, Practical Action highlights that we already have most of the tools needed to finance a bottom-up renewable revolution.

The energy access finance gap is still big, as Kenya, Togo and Bangladesh show:

- » Between now and 2030, Togo has a energy access financing gap of about US\$70 pp/year,(26) or US\$3.6 bn, Kenya has a gap of US\$17.6 bn, or US\$49 pp/year (34) and Bangladesh about US\$111 pp/year, or US\$62.1 bn. (45)
- » The financing needs are varied with a range of actors requiring different types and amounts of finance. For example, energy producers require both debt and equity investments to become viable pipeline companies, while energy consumers require debt or subsidy to afford connection costs. (12)
- » Even with grant support, many utilities in energy-poor countries run deficits and are largely bankrupt. Mismanaged utilities are a major barrier in reforms. (11)
- » A significant gap remains between energy delivery costs in rural areas and communities' ability to use enough energy and pay sufficiently high tariffs for mini-grid viability (37).

The challenges of access to finance differ country to country.

- » In Togo, the local banking sector is not familiar with energy access projects and is not experienced in assessing their viability(8). Furthermore, consumer finance schemes are not well publicized, hence low uptake (8).
- » In Kenya, perception of risk is still a major barrier. The sector as a whole is regarded as nascent and underdeveloped, meaning high collateral requirements and interest rates (37).
- » In Bangladesh, competition among partner organizations has historically kept customer interest rates down. However, the Khabika program, where the government and donors are supporting free giveaways of systems and grid expansion plans, is now undermining efforts.(46)

The PPEO also highlights key barriers to finance that cut across country lines. Importantly, politics in energy finance holds back access for private practitioners.

- » Practical Action finds that politics in energy finance is crippling growth and transformation in the energy sector. (11)
There is a history of development financing in the energy sector being

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dominated by large grid projects, politically perceived to be 'real' power, with DRE options often being marginalized. (12)

- » Heavily subsidized uniform national tariffs and restrictions on IPPs are increasingly seen as political tools. Practical Action finds that while regulatory regimes aim to prevent exploitation of impoverished populations, IPPs are seen as risky as they may be more cost effective than the utility. (11)

Furthermore, across the board, there is need for a stronger focus on gender in finance, both to include women as consumers and also as entrepreneurs.

- » Women suffer from poor access to consumer finance. They are less likely to own the collateral required to secure loans or to have had the chance to save and build up their own assets to invest (15). Globally, women are 15% less likely than men to own a bank account and significantly lag behind in saving and borrowing through formal financial institutions.¹
- » Yet women entrepreneurs have enormous potential 'to manage the supply chain and acquire new creditworthy customers in rural areas' (15). For example, the Solar Sister Initiative which invests in women solar entrepreneurs has grown from 2 to 1250 entrepreneurs in 5 years.²

The PPEO provides critical people-focused solutions for filling the finance gap, highlighting the need for reforms, consumer finance and attention to gender issues.

- » Tailored finance mechanisms for women as customers and entrepreneurs are needed. (38)
- » Governments should raise awareness of the availability of credit and
- » PAYGO among consumers in remote areas, and consider ways to distribute subsidy equitably without distorting markets. (38, 37)
- » Efforts to move away from heavily subsidized uniform national tariffs would improve the business propositions for mini-grids. (11)

Without financing in the right places, on the right terms and on the right scale, progress will remain stalled. Join Power for All and share the following message:

- » Governments must create enabling environments to support investments explicitly targeting DREs.
- » Ensuring women's participation in energy decision-making and design of financial instruments will accelerate women's empowerment and energy access for all.

Sources:

1. Yannick Glemarec, Fiona Bayat-Renoux, Oliver Waissbein - Removing barriers to women entrepreneurs' engagement in decentralized sustainable energy solutions for the poor, 27th January 2016
2. Yannick Glemarec, Fiona Bayat-Renoux, Oliver Waissbein - Removing barriers to women entrepreneurs' engagement in decentralized sustainable energy solutions for the poor, 27th January 2016