

## PROTOTYPE - FACT SHEET

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**ORGANIZATION:** ENSOL (T) LIMITED

### TITLE:

**Consumers' Solar Credit Facility Through Microfinance Institutions (SACCOS)**

#### Mission statement

Transforming off-grid communities through provision of affordable and accessible consumer financing facility for renewable energy products.

#### Briefly describe your prototype idea

In a modern world socio-economic development is associated with provision of reliable electricity for powering appliances and machines which facilitates provision of services for human beings' daily needs such as good quality lightning, clean water, health care, education and businesses.

Despite the fact that electricity catalyzes social economic development, it is estimated that 1.2 billion people – 17% of the global population – did not have access to grid-electricity in 2013. With a population close to fifty (50) million, only about 30% of Tanzanians have access to grid electricity, hence potential market for alternative sources of electricity is about 70%.

In recent years, solar energy solar PV in particular has become a preferred alternative electricity supply to off-grid areas and/or those difficult to access.

While solar PV is found to be an appropriate solution for off-grid electrification, affordability remains a challenge. The level of awareness of solar PV products have increased for the past ten (10) years through various programs administered by the

government through Ministry of Energy with a support of development partners. This has created an opportunity for solar business in off-grid communities, of which they know the benefits of solar PV products, and their willingness to buy is encouraging; in the other end, solar PV service providers are ready to deploy products & services to serve off-grid communities. However but their terms of payment are not favorable to many. 100% upfront payment terms remain a challenge which needs to be addressed in multiple ways including consumer finding.

### **Saving and Credit Cooperative Society (SACCOS)**

SACCOS are member-owned financial cooperatives whose primary objective is to mobilize savings and afford members access to loans on competitive terms as a way of enhancing their socio-economic well-being. They are normally established in rural areas where banks are not established, bridging financial services closer to the people who could otherwise not be accessible.

So long as most of the rural people do not have the formal collateral required by the banks they remain unqualified for loans, but most SACCOS accepts group guarantee, deposited savings, un-surveyed houses, etc. as collateral which is within reach to most of the rural peoples.

Therefore, this prototype aims first, to address the issue of lack of access to electricity for off-grid communities by bringing solar PV products closer to needy people at affordable terms of payment.

The success of this prototype will create demand for renewable energy products, solar PV in particular, in off-grid areas and hence open up and accelerate market development.

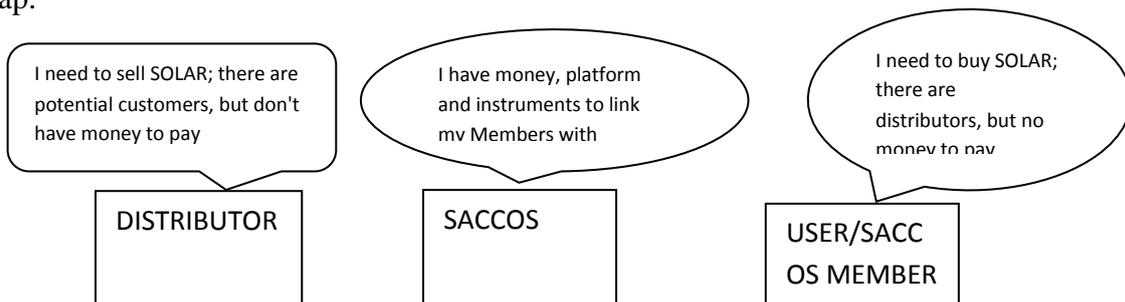
### **Solar Credit Facility Model**

This model intends to bring together 'business expertise' from entrepreneurs (distributors) in one hand and the 'credit/financial management' from SACCOS in the other hand.

Distributors will bring in business management skills, marketing and technical expertise. Their better knowledge of products, technology, market development, and customer acquirement & retention, makes them a better partner in this partnership.

SACCOS in the other hand, have a network of potential customers whom they know and have their track records; they have the venue to link their member with distributors; have a

great experiences in issuing & managing loans. Furthermore, SACCOS' have built trust among its members, government organs and are linked up with Banks. Possession of instruments to manage, monitor and control loans & credits give them a great advantage to become an important financial partner that will bridge the existing 'consumer financing' gap.



The model lets the distributor work within its areas of competence by being responsible for stocking, product distribution, market development & after-sales support, while the SACCOS will be responsible for management of the credit offered as explained above.

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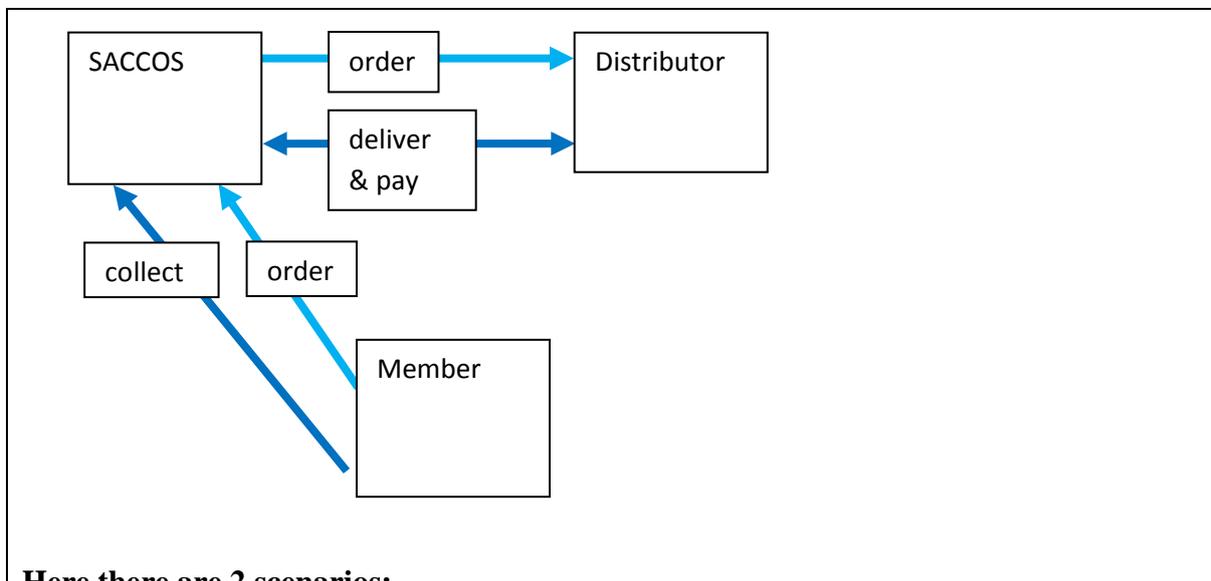
The distributor of RE products will identify and scrutinize potential SACCOS' to work with, in terms of how established is the SACCOS, financials capacity, number of members, type of SACCOS (teachers, farmers, etc.), leadership & management, banks they are working with, etc.

Secondly, market assessment for the intended products need to be conducted and observe the potentiality of the business.

The first two steps, will lead to a decision on whether to engage the SACCOS or otherwise, if both steps are well addressed and found to be suitable; then the distributor and SACCOS will sign a Memorandum of Understanding (MoU) which will state the obligation of each part.

Among other things, SACCOS will be responsible for recruiting and qualifying its members for solar products credit. In addition, they will be responsible for delivery of products to its respective qualified members, collection of credits and deposit.

Distributor will be responsible to deliver the products (based on the order) to the SACCOS, marketing of products and after-sale service support.



**Here there are 2 scenarios:**

The first scenario is when the distributor pre-finances the products and sells directly to members through SACCOS; and SACCOS acts as an agent for delivering of goods to its members & management of the credit. The consumers may pay a certain portion upfront and the rest by installment.

Under this scenario, the distributor must have a financial muscle to pre-finance and sustain his/her business during the entire credit period. The distributor would need to get financing from impact investors or other financing sources.

The second scenario is when the SACCOS pre-finances the products by paying 100% upfront (or any other arrangement agreed upon) to the Supplier; then offers the products on credit basis directly to its members. The Supplier will only be responsible for constant supply, marketing and after-sale service support. In this case, the SACCOS will be required to have financial support from investors or financial Institution for equity or debt.

**Management of the system**

Based on the responsibilities among partners, each one of them will be responsible to work efficiently and effectively in their areas. However, for common issues like formulating marketing strategies, both partners need to work together for mutual benefits.

Management of the system, may need among other IT infrastructure to support Software that will support management, control and business processes among the partners.

### Target group

Cooperative Unions (Agriculture, Livestock keepers), Low income civil servants and other of similar nature.

### Potential partner(s) for implementation

Microfinance Institutions, Banks, Equity Investors, Impact Investors and Manufacturers, development partners.

### Key challenges and opportunities

#### Challenges:

- Making the concept understood
- Financing the pilot
- Competition with other financing models
- Unlocking finances for scaling up, after pilot stage

#### Opportunities:

- Information and Communications Technologies (ICT) may play a role in making the prototype more effective
- Attract some investors

Next steps			
Task Name	Planned Start Date	Planned Finish Date	Planned Duration
Selection of Pilot area	15/4/2016	30/4/2016	15 days
Identification of Potential SACCOS	1/5/2016	31/5/2016	30 days
Introducing and brainstorming with SACCOS on the model & products, and MoU	1/5/2016	31/5/2016	30 days
Selection of SACCOS for pilot	1/6/2016	5/6/2016	5 days
Draft and develop MoU for Distributor & SACCOS and share	1/6/2016	15/6/2016	15 days
Identification of Suppliers/Manufacturers	1/6/2016	31/6/2016	30 days
Procure products for pilot	1/7/2016	31/7/2016	30 days
Marketing to SACCOS members	15/7/2016	15/8/2016	30 days
Deliver, Sell and provide after sale support	1/8/2016	31/12/2016	Continuous
Monitoring, evaluation and prepare report	1/1/2017	31/1/2017	30 days
Address challenges with company team members	1/2/2017	15/2/2017	15 days
Develop Proposal for scaling up	16/2/2017	31/3/2017	45 days