Expert group meeting on promoting market-driven access to modern energy services in the Arab rural regions

**Session 4: Local financing mechanism**

Creating Access to Renewable Energy: Experiences of Grameen Shakti, Bangladesh

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Grameen Bank: Pioneer of Micro-Finance Program

- Grameen Bank is the world-famous pioneer of microcredit that was awarded the Nobel Peace Prize in 2006.
- It started its operation by Professor Muhammad Yunus in 1976, by his personal initiative and initially with his own money and later as a project of Chittagong University.
- 75% of the paid up capital of Grameen Bank comes from its borrowers. The rest comes from Government of Bangladesh.
- Out of 8.8 Million borrowers, 96% are poor rural women. They are the owner of this Bank.
- In 13 number of Board Members including Chairman, 9 members come from Borrowers.
Basic features of Grameen Bank

- Exclusive focus on the very rural poor, especially women.
- Bank goes to the poor rather than people coming to the bank.
- Collateral-free small individual loans and activities chosen by borrowers.
- Individual loan with flexible weekly installments.
- The bank, as Professor Yunus himself terms it, is an ‘anti-thesis of conventional banking’: working with the poor rather than the rich, working in rural areas rather than in cities, working with women rather than men, lending without collateral rather than asking for mortgage etc.
Grameen Bank at a glance:
March 2016

- Number of Member: 8,827,926 (F: 8,520,877  M: 307,049)
- Number of Center: 142,589
- Number of village: 81,392
- Number of branches: 2,568
- Cumulative loan disbursement: USD 18,874.30 Million
- Cumulative loan repaid: USD 17,249.68 Million
- Outstanding loan: USD 1,319.17 Million
- Rate of Recovery: 98.65%
- Balance of deposits: USD 2,347.24 Million
- No. of village phones: 1,650,447
- No. of houses built with housing loans: 697,220
- Higher Education Loan: USD 50.38 Million
Microfinance & Renewable Energy

Microfinance ensures access to renewable energy in two ways:

• First, it increases economic capability of the poor and thus increases demand for and ability to afford renewable energy.

• Secondly, microfinance institutions can offer loans to its beneficiaries to purchase renewable energy systems.
Please enjoy the video
# Bangladesh Power Sector at a Glance

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<table>
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<tbody>
<tr>
<td><strong>Power Generation</strong></td>
<td><strong>12,339 MW</strong></td>
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<td>Capacity (April, 2016)</td>
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<td><strong>Per Capita</strong></td>
<td><strong>348 KWh (incl. Captive)</strong></td>
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<td>Generation (2014)</td>
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<td><strong>Access to Electricity</strong></td>
<td><strong>68%</strong></td>
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<td>(2015)</td>
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*Power Division, GoB, 2016 & Bangladesh Economic Review, 2014*
Grameen Shakti
Pioneer in “Access to renewable energy”

- Grameen Shakti (GS) was established in 1996 as Not-for-profit company by Nobel Laureate Prof. Muhammad Yunus
- Foreseeing a future where rural households of Bangladesh would have access to clean energy at affordable cost
- Empowering the rural people with access to green energy to generate income, reduce poverty and improve the quality of life
Country wide Network of Grameen Shakti
March 31, 2016

Installed Solar Home Systems 1.7 Million 66 MW

Constructed Biogas Plants Over 32,000

Installed Improved Cooking Stoves Over 940,000

Vast Rural Network 7000 Staff in 1100 offices
Ownership Model

- Warranty is available for product
- 3 years free after-sales service
- After 3 years, 6.5 USD/year for service

Option 1

- 15% down payment
- 12/24 monthly installments
- 9%-12% service charge

Option 2

- 100% cash payment with 6% discount on the package price
Grameen Technology Center (GTC): Creating green jobs for women

- 16 GTCs are being operated by women engineers
- Over 3000 local women technicians have so far been trained on renewable energy technologies.
- Woman technicians can work and earn money
Challenges & Barriers

- High cost of capital
- Unexplored opportunities in the use of solar technologies
- Competition with low quality products in the market
- High operational costs
- Return of Solar Home Systems by users when grid electricity becomes available
- High drop out rate of staff
- Access to very remote areas/islands
- Socio-political stability
Lesson Learnt & Way Forward

- Helps in the empowerment of the rural poor
- Green jobs are created and poverty is reduced
- Financial and policy supports from Government are very essential
- Close monitoring and supervision is required
- Commission-based sale of product may be explored
- Technology based collection system (e.g. use of mobile banking) as well as “Pay as You Go” system can be incorporated
A Policy Suggestion

- As microcredit expanded rapidly in Bangladesh, Bangladesh Government, as advised by Professor Yunus, created an apex body called PKSF to assist, finance, expand and supervise microcredit activities all over the country.

- Same kind of policy, technical, institutional and financial assistance can be provided by respective governments to promote renewable energy in their own countries like IDCOL in Bangladesh.
Thank you