SMFB and Green Energy Finance

The case for it
Standard MFB

- A mid sized regulated MFB in Adamawa State of North Eastern Nigeria.
- Serves nearly 60,000 clients.
- Was able to survive the challenges of insurgency.
- Started as a community initiative.
- Has one of the largest and healthiest small holder farmer loan portfolio in Nigeria.
- Chosen as the best rural MFB in Nigeria in 2017 by Central Bank of Nigeria and IFAD.
Where we operate

- Adamawa is an arid area close to Sahara and has Sudanese type Savannah vegetation.
- One of the poorest states in Nigeria.
- Financial exclusion more than 70%.
- Many villages are off grid.
- Nigeria is one of the pollution hot spots, according to WHO.
- For more than 200 million people Nigeria produces about 5,000 MW of power.
Nigeria’s Environmental Plight

• Nigeria has one of the highest rate of deforestation.
• Nigeria lost 56% of its primary forests between 2000 and 2005. Main reason, wood used for cooking. (FAO)
• Each year Nigeria loses 350,000 hectares due to deforestation now. (This is higher than the historic trend.)
• Desertification is a big threat, with 40% of Nigeria being vulnerable.
• Eighty percent of the people rely on unfarmed community lands (read forests) for fire wood.
• Desertification and resultant loss of farmland one of the factors behind insurgency
A few insights from the survey

- More than 74% of households rely on wood or charcoal for cooking and 25% rely on kerosene.
- Clean fuel penetration is less than 1%.
- 53% pay for fuel.
- 55% state that securing fuel prevents them from engaging in income generating activities.
- A vast majority (81.8%) of respondents indicate the willingness or potential to change to a new cooking method.
- Conclusion: Multi-faceted costs of existing cooking habits and willingness to change.
- Up-front cost of any change as well as savings.
45% of respondents stated not having access to electricity in their household.

86.9% of the households would potentially be interested in increasing their level of lighting in their house.

Almost all respondents would prefer a solar lamp provided that its price was lower, equal, or just a little bit more expensive.

More than 50% spend in excess of N 500 (USD 1.6) on cooking fuel per week.

45% spend more than N 500 per week on lighting.

60% spent more than N 6,000 (USD 20 approx.) on a cell phone. All this would be cash purchases.

There is a case for affordable clean energy products, if these could be financed in a flexible and acceptable fashion.
Financing clean stoves and solar lanterns

1. Concept selling and promo
2. Loan disbursement
   - Product delivery
3. Recovery
   - Post sales services
An appropriate financing model

- Attractive to the target market
- Affordability
- Sustainability – for the institution
- Risk management
- Logistics and supply chain
- Repair/ replacement
Way forward

▪ Identification of suppliers and putting a supply chain in place.
▪ Capacity building for local entrepreneurs
▪ Getting the pricing and other terms right
▪ Promotion
▪ Pilot launch
▪ Evaluation and scaling up
▪ Caution: Social costs/ benefits rarely is a factor in individual decision making.
▪ This is where nudges could help
There is a strong case for Adamawa to go green.
Suggestions and questions please......