

Financial Sustainability of Access to Energy Services for the Poor: Experiences from the Asia Pacific Region

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This presentation is based on the work of two recent studies concluded by the UNDP-Regional Centre in Bangkok (UNDP-RCB). These studies focused on collating good practices and lessons learnt from projects and programmes aimed at expanding access to energy services for the poor, which were implemented in countries in the Asia Pacific region.

The analyses conclude that economic barriers can limit the poor's access to energy services. High upfront equipment costs, irregular incomes and lack of access to credit can prevent the poor from obtaining energy services. Different mechanisms such as grants, fees-for-service, micro-financing and subsidies have been used to finance community energy programmes and ensure they are affordable to project participants. However, projects need to incorporate a financial exit strategy so that energy solutions can be sustained by project beneficiaries once the project funding ends. This means designing and implementing projects that are financially sustainable and that are eventually self-financed.

While it may be necessary for almost full funding by governments and/or donors for the upfront costs of the installation of the energy systems, charging a fee to recover the cost of providing energy services helps to ensure its efficient use and long-term sustainability. It is necessary to recognize that a key feature of many successful models has been that the consumer does not bear the full cost of the system that generates the energy. The feasible level of cost recovery will depend on whether cost-effective solutions are available and sufficient energy savings or additional income can be generated from the improved energy service provided to pay for the cost of the service. Innovative financing and micro-financing mechanisms can support the effective implementation of energy initiatives, particularly where upfront costs are high. Financing modalities have to be workable and flexible enough to adjust to income levels and the financial cycle of consumers. For example, consumers may be willing to pay more when they have more income during harvest time or pay in the form of produces or products. It can also be a case of providing poor communities access to funds to initiate small energy-based enterprises that helps generate income that can then help pay back the loan at affordable interest rates and



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sustain the energy services. Potential financing mechanisms include equity, loans, self-financing from revenues, subsidies, grants and donations.

Several low income countries have been able to increase the number of off-grid energy systems quite significantly through public-private partnerships and community-based approaches. These have been more successful in providing energy services more equitably and also providing sufficient energy for productive end-uses. However, it remains a significant challenge in integrating energy technologies into income-generating and livelihood programmes to reduce poverty and the Millennium Development Goals.

The presentation will cite examples of good practices and lessons learnt from the region to elaborate the experiences.