

Photo: Cao Liming, 2015
CGAP Photo Contest

CGAP

Digital Finance +
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What problem does PAYGo solve?

Africa
620 M

Globally
1.2 Bn

S/SE Asia
560 M

~65%

Covered by mobile networks

~80%

Live in rural areas

~25%

Best reached by distributed systems

Astronomy Picture of the Day
2000 November 27

<http://antwrp.gsfc.nasa.gov/apod/astropix.html>

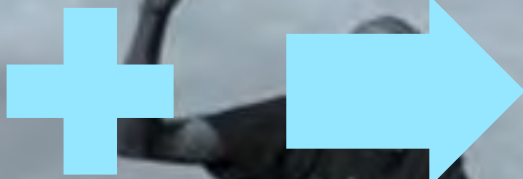
What problem does PAYGo solve? - continued

- Distributed energy:
 - Good news: one cost, easily installed
 - Bad news: that cost is still too high
- Financing solar home systems
 - Long history, little uptake
 - Distribution, maintenance, and loan servicing all barriers

Result = Low repayment rates

How does PAYGo Solar Work?

Prepaid
energy,
lockout
technology



Remote
collections
via mobile
money

- Provider-financed SHS, backed by service guarantee
- Affordable upfront, flexible repayment schedule

How does PAYGo Solar work? - continued

1. Energy as an asset

- 12-36 months repayment, no arrears and no interest
- Unit unlocks and ownership transfers at completion
- Over 80% of sales through this model

2. Energy as a service

- Distributed utility model
- Perpetual payment, plan for upgrades
- Better in theory than in practice, so far

How big is PAYGo?

1,200,000 units

\$500,000,000
committed

1,600,000 monthly
transactions

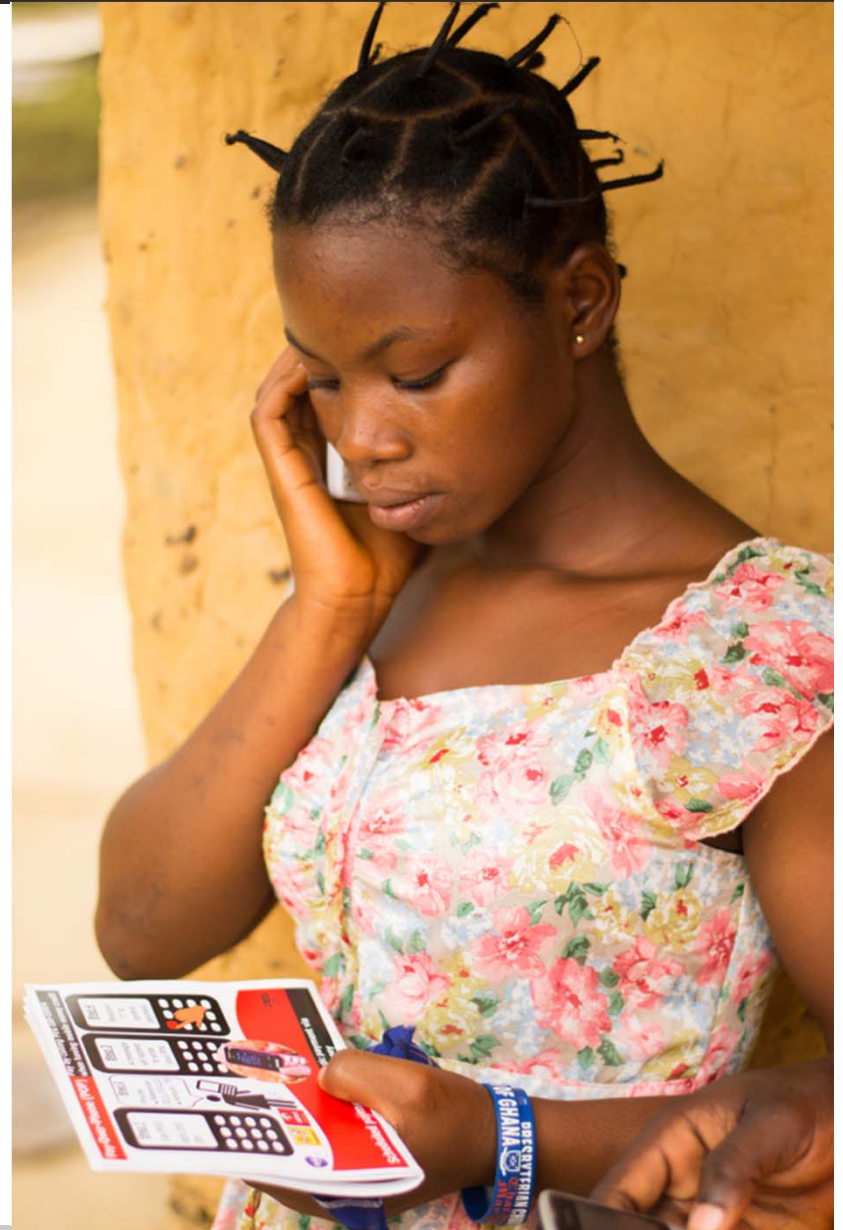
What is the potential for PAYGo to drive financial inclusion?

1. PAYGo gives people a tangible reason to adopt digital finance: 15-30% sign up at POS
2. PAYGo customers use digital finance, driving revenue for DFS providers: 122% higher ARPU

What is the potential for PAYGo to drive financial inclusion? – beyond digital

By the end of the PAYGo loan, three pillars are in place that support an ongoing financial relationship:

- 1. Remotely securable collateral – the unit**
- 2. Rich payment and usage history – the loan**
- 3. Established digital channel – the phone**



What is the potential for PAYGo to drive financial inclusion? - continued

We are seeing a new type of financial inclusion:

- More asset loans
 - M-KOPA has already given out 150,000+ follow-on loans
- Education financing
 - Fenix is working with CGAP to pilot a new type of education financing
- Insurance
 - PEG Africa is providing health insurance to good payers

Coming in 2020...a Solar Bank?

What are the major challenges for PAYGo?

- A. Capital intensive model & shortage of commercial debt
- B. Assessing repayment capacity
- C. Reaching the bottom of the pyramid
- D. Expanding the footprint

All in all, the future looks bright

CGAP

Advancing financial inclusion to improve the lives of the poor

www.cgap.org

