



## Energy Financing



Capacity building on Climate Resilient Technologies

# Increasing Rural Access to Finance for Productive Energy Use

A 2013 International Finance Corporation (IFC) report states that small and medium enterprises (SMEs) generate 76.1 percent of employment in Nepal. However, the sector suffers from unreliable energy supply, making it difficult for entrepreneurs to make investment decisions for business start-ups and expansion. In the absence of a reliable energy supply, SMEs are using costly energy sources such as fossil fuel to operate machinery which is not viable for the SMEs. Consequently their hours of operation are limited, or they must adjust work time based on grid

### Fast Facts

FUNDER: UK DEPARTMENT FOR INTERNATIONAL DEVELOPMENT  
 PARTNER: JANAUTTHAN SAMUDAYIC LAGHUBITTA BITTIYA SANSTHA LIMITED (JSLBSL)  
 LOCATION (DISTRICTS): RUPANDEHI, KAPILVASTU, DANG, BANKE, BARDIYA, KAILALI, KANCHANPUR



power availability. In addition, access to finance is especially inadequate in poor, rural areas and marginalized communities. To foster and assist SMEs, a need exists to improve access to financial services for climate-resilient technologies (CRTs).

### Project Approach

The project aims to increase sustainable access to climate resilient-focused loan products for enhancing the rural economy and improving rural livelihoods. The project will build capacity of Janautthan Samudayic Laghubitta Bittiya Sanstha (JSLBSL) and its members on potential opportunities for developing energy loan products. JSLBSL will provide subsidized energy loans to SMEs/members for installing CRT. Investing in SMEs for productive use of energy will catalyze rural economic development across sectors, which in turn will increase income, jobs, and the demand for financial services. The availability of finance for CRTs will accelerate the productivity and profitability of SMEs and households, and increase their resilience to climate change by increasing income and efficient use of available energy, while decreasing dependency on wood and fossil fuels. The project will ultimately help reduce the energy disparity between rural and urban areas.

## Project Objective

- Provide a new credit facility of climate resilient-focused loan products for SMEs, enabling individuals to use CRTs to create or expand businesses and income-generation activities (IGAs).

## Project Activities

- Develop and strengthen financial mechanisms.
- Build capacity of JSLBSL on increasing financial access of SMEs and households for IGAs to install CRTs.
- Facilitate JSLBSL on assessing business opportunity for productive use of energy products for SMEs and IGAs.
- Increase financial literacy and create awareness on CRT and its benefits.
- Provide technical assistance for developing business plans for SMEs and households for IGAs.
- Facilitate creation of a network of banks and financial institutions (BFIs) and private companies.
- Create linkages of SMEs and households with the vendors and market actors.
- Create market demand for additional loans for cross-selling activities.

## Partnerships

Winrock has developed a partnership with JSLBSL to implement the project. Winrock is responsible for building the capacity of JSLBSL on CRTs and its productive use; supporting JSLBSL in developing energy loan products for SMEs and IGAs; facilitating the integration of insurance policy in the credit mechanism for CRTs to safeguard against disaster; and creating linkages between JSLBSL, CRTs supplier companies, and customers for the installation of CRTs and regular after-sales services. Winrock is also responsible for designing and creating information, education and communication (IEC) materials for the promotion of CRTs targeting end users; providing technical support in creating demand for CRTs; supporting JSLBSL in conducting training on financial literacy to its members; supporting SMEs and IGAs to replace inefficient energy use practices

with efficient ones; and creating linkages between JSLBSL and commercial banks for wholesale lending.

## Results

- Nine CRT loan products developed.
- JSLBSL staff trained on CRTs, its productive use and benefits to end users.
- Brochures and flipcharts on solar lighting systems, solar dryers, solar water pumps, solar water heaters, solar refrigerators, solar grinding and milling, improved cookstoves, biogas and electric vehicles developed and disseminated to members of JSLBSL.
- Linkage created between JSLBSL and nine CRT supplier companies.
- More than 17 million Nepali Rupees (\$140,000) of credit disbursed to JSLBSL members for installing 461 improved cookstoves, 172 solar lighting systems, 124 electric rickshaws, 36 biogas, seven solar dryers, five solar refrigerators, five solar water pumps and two solar water heaters.



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