Digital Finance +
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September 26, 2017
What problem does PAYGo solve?

- ~65% Covered by mobile networks
- ~80% Live in rural areas
- ~25% Best reached by distributed systems

Globally 1.2 Bn
Africa 620 M
S/SE Asia 560 M
What problem does PAYGo solve? - continued

– Distributed energy:
  o Good news: one cost, easily installed
  o Bad news: that cost is still too high

– Financing solar home systems
  o Long history, little uptake
  o 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.