



## Challenges and Opportunities in Financing Rural Electrification

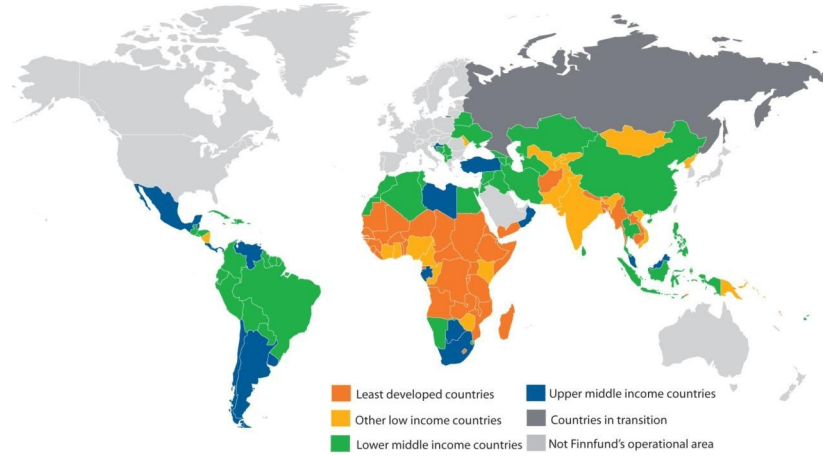
Sustainable Innovations at the Base of the Pyramid  
International Conference at Helsinki School of Economics  
Helena Korhonen/September 26, 2008



### **Finnfund in brief**

- Finnish Fund for Industrial Cooperation Ltd. – development finance institution
- Shareholders: Govt of Finland 84,2 %, Finnvera Plc 15,7 % (ECA), Confederation of Finnish Industries EK 0,1 %
- Founded in 1980
- Office in Helsinki, staff of 40 persons
- Finnfund finances economically, environmentally and socially viable companies and projects (see the map)
- Long-term investments in equity, mezzanine and debt

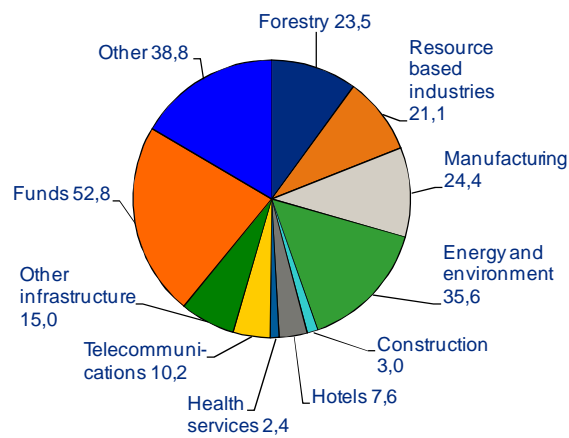
### Finnfund's operational area (DAC classification including countries in transition)



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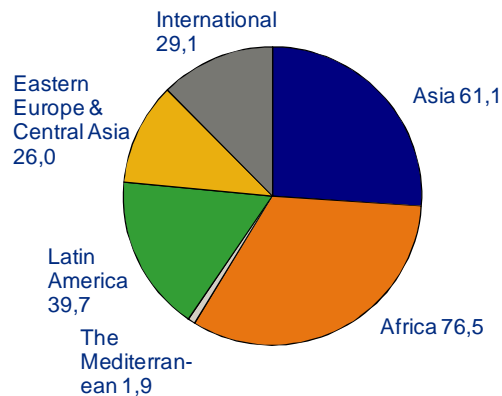
### Portfolio and commitments by sector (total EUR 234 million), 30 June 2008



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## Portfolio and commitments - geographical distribution (total EUR 234 million), 30 June 2008



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## Renewable energy, clean tech

- Rice husk fired power plant in Thailand, 22 MW, ~10% shareholding (common shares)
- Hydro power project in Honduras, 13 MW, preferred shares
- Clean Globe International, oil spill response centers and other waste management globally, equity + debt
- Fund investment in Central America (Carec)
- Screened, but not invested in: bioethanol in the Philippines, the DR and Mozambique, biodiesel in Africa, small hydro in Central America, biomass in South-East Asia, wind in India, biogas in Thailand, Pakistan and Ukraine, ESCO in Russia, Ukraine

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## Rural electrification I

- Experience from Honduras
  - Hydro power plant located at the end of a grid
  - Unstable supply, lot of households not electrified
  - Voluntary electrification of nearby houses
  - Small investment, very big goodwill
  - Happy ladies, not so happy men
  - Was possible to do as the project size is not too small
    - Rural electrification was a spinn-off of the main project

## Rural electrification II

- Plans in Uganda
  - Bugala island in Lake Victoria lacks all infrastructure
  - Project includes: i) new ferries for one route to the mainland; ii) solar/diesel hybrid and electrification of the island; iii) potable water; iv) upgrade of the main road
  - Power will bring new businesses -> new jobs -> new consumption and demand for new services -> new entrepreneurial activities
  - Cost efficient as part of a bigger plan

## Challenges

Distance between supply  
and demand of funds

No grid -> often household  
level solutions

Very small project size

How to find the ultimate  
solution for each case?

Local solutions, no  
copy pasting



Bundling?

Microfinance?

Awareness raising  
(end-users, MFIs)

Shall not be free of charge

How to reach the poorest of the poor?

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## Opportunities

Poor people spend on light and power

No electrification, but  
energisation

New solution shall  
cost same or less



Local fuels do exist  
(biomass, manure, hydro,  
solar, wind etc.)

Technologies do exist

Long-term investment funding  
is available

"Somebody" needs to do the  
foot work and get these done...

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## What can we do?

- Looking for "Somebodies"
- We have limited capabilities on funding the foot work and other parts of the project development (have not been doing so far, but are opening the door)
- No simple solutions, we are prepared to tailor-make our financing
- Risk and return do not need to meet (triple-bottom-line)
- DFIs have money available, good investment opportunities are missing
- We are open for good ideas/projects

## Finnpartnership - Finnish Business Partnership Programme

- Finnpartnership is a business partnership programme financed by the Ministry for Foreign Affairs of Finland and operated by Finnfund.
- Stimulates business cooperation between companies in Finland and developing countries.
- Provides services mainly for Finnish companies' projects in developing countries
  - Business Partnership Support Facility (grant)
  - Advisory services
  - Identification of new business partnerships (matchmaking services)

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