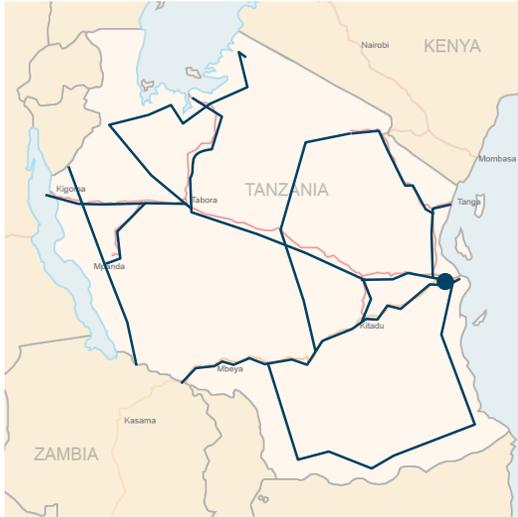


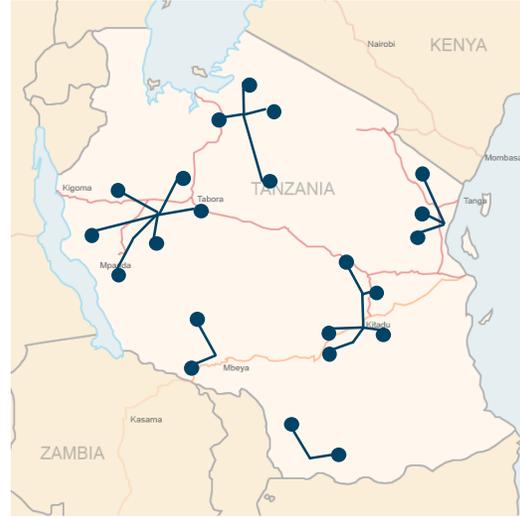
Decentralized or distributed systems are the most cost-effective means of connecting millions in rural areas.

Unlike traditional, centralized electricity distribution, which comes with high fixed costs, minigrids and solar home systems (SHS) can be set up in remote areas and sized to meet demand

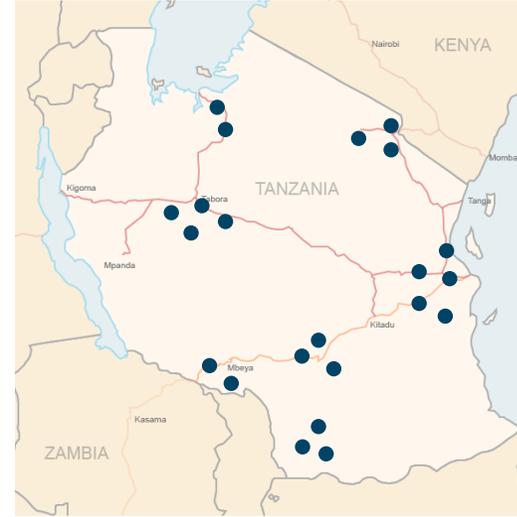
Centralized



Decentralized



Distributed



70%

Share of new electricity customers worldwide by 2030 for whom decentralized/distributed systems will be the most cost-effective option⁷

PAYGo: An innovation in asset microfinance

Financed, Affordable Solar Home Systems



SHS is purchased on credit



A customer puts down \$10-30 as a deposit, acquires the asset



Monthly payments of \$8-\$20 combine loan instalments and usage fees



Flexible, adapts well to low-income cash flows

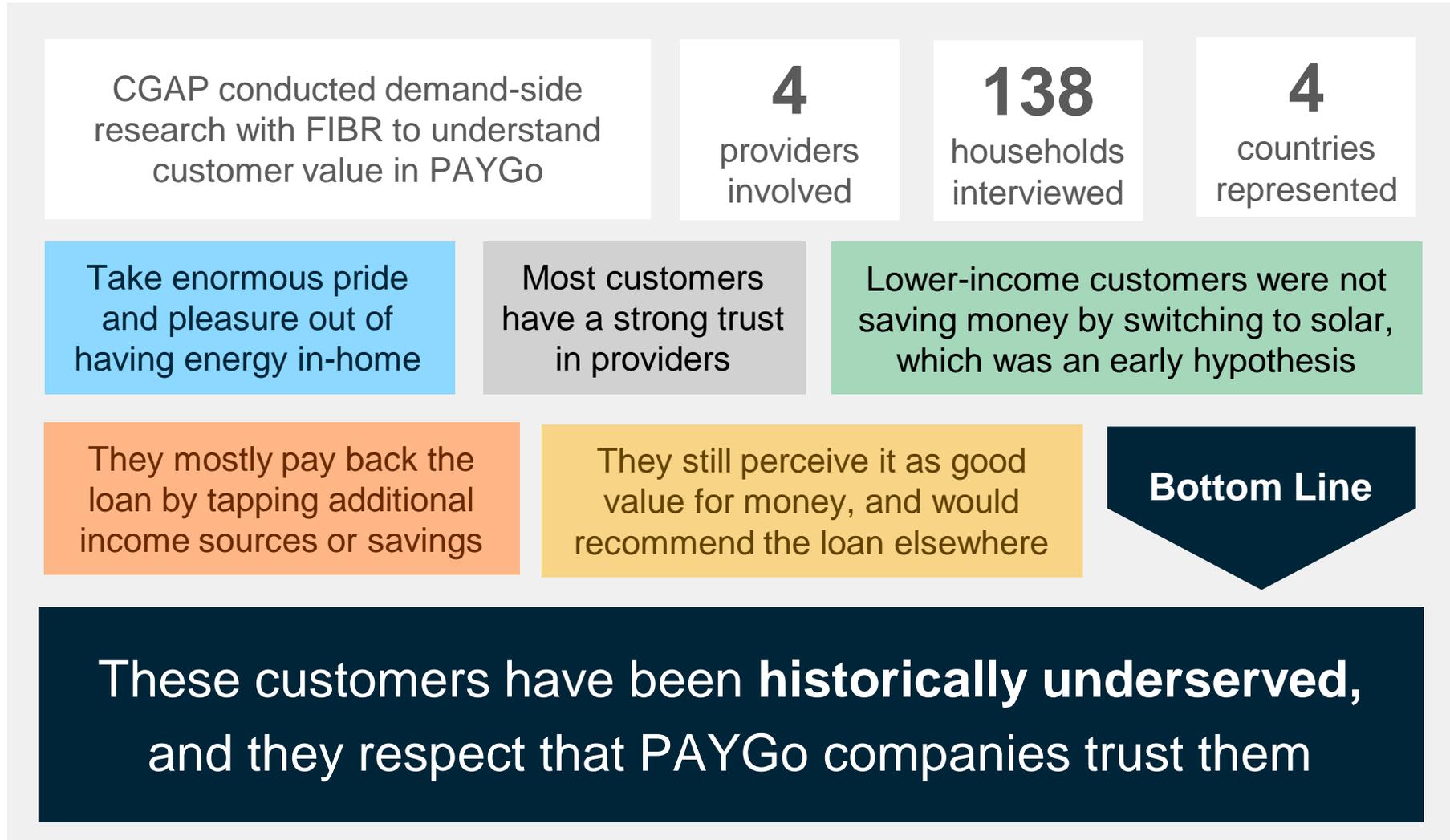


Digital Payments allow companies to sell to anyone who has mobile connectivity



Remote Lockout technology reduces the portfolio risk by ensuring willingness to pay

In their own words: Customers value the relationship with their PAYGo providers



Remote lockout technology allows firms to offer consumer financing to a wider group of customers

The rise of asset financing in the developing world is partially enabled by the rapid proliferation of smart, connected devices that can report on usage behavior and be turned on or off remotely



Without lockout technology, no-file customers are simply too risky



Lockout gives a lender something to 'repossess'



It also provides a stronger incentive for on-time repayment



All of which can reduce the probability of default and loss given default

CGAP has focused on PAYGo because of its unique potential to advance financial inclusion. This is not just energy. This is asset financing for poor households.

At the end of a PAYGo loan, there are four building blocks in place for a long-term financial relationship

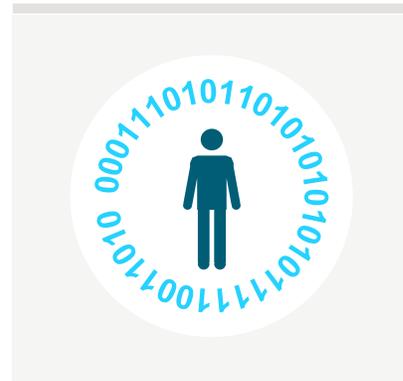
1 Established digital payment channel



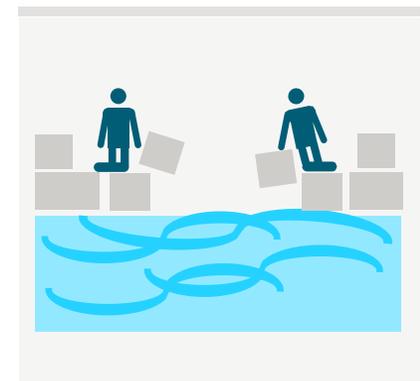
2 Remotely secured collateral for future lending



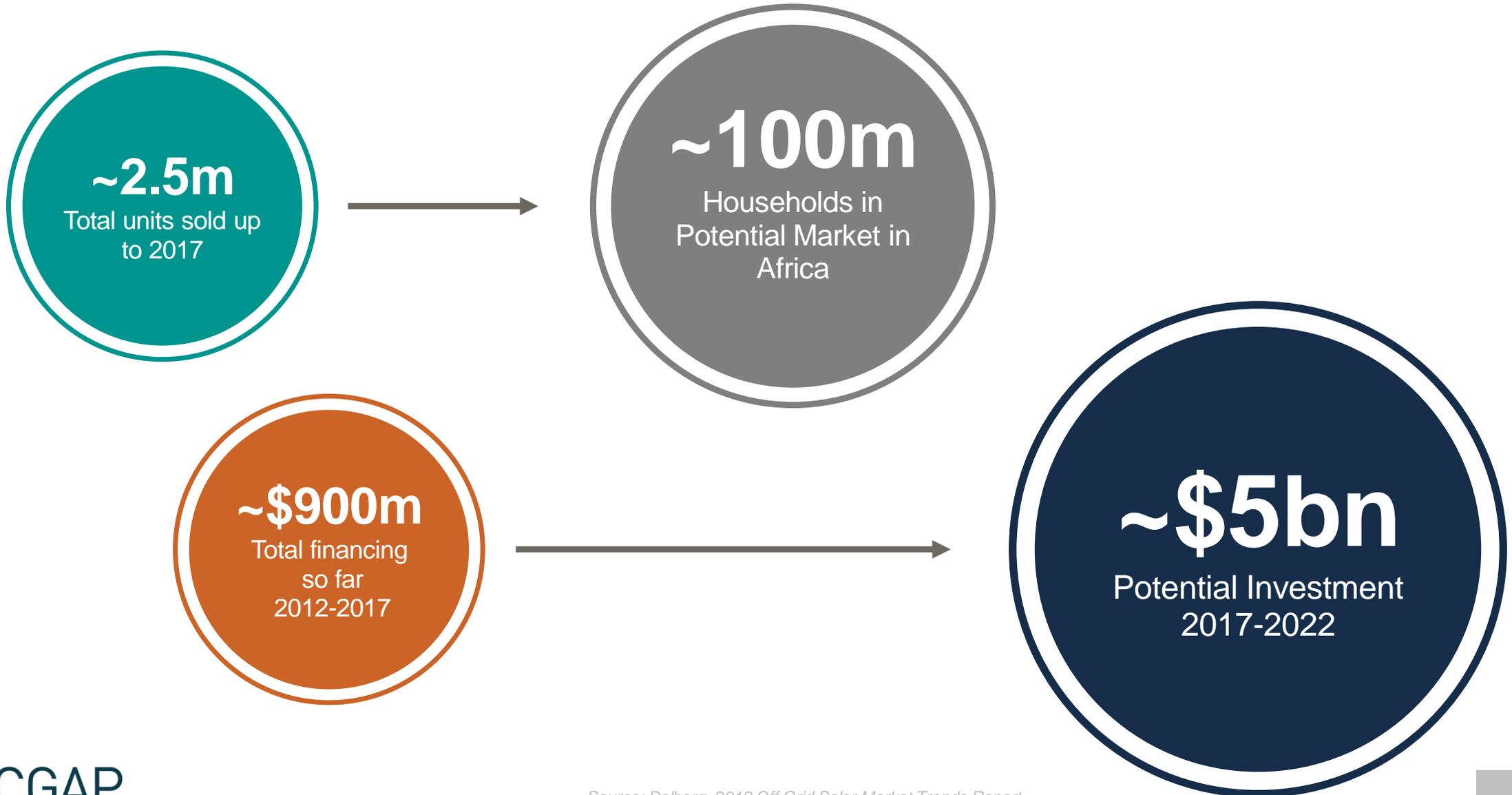
3 Rich consumer data on payment and usage



4 Mutual trust between provider and client



There is a massive market for solar home systems ...



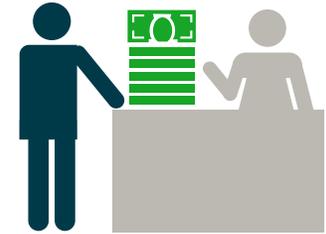
... and solar home systems are only the beginning



The same PAYGo business model can be used to finance a number of **welfare enhancing** assets



PAYGo and other innovations are enabling new types of business models for financing **productive** assets



Those same PAYGo assets can be **re-collateralized** for a loan for any purpose



Although we are excited about the sector's potential, there is uncertainty about the future and several barriers that need to be addressed.

Headwinds:

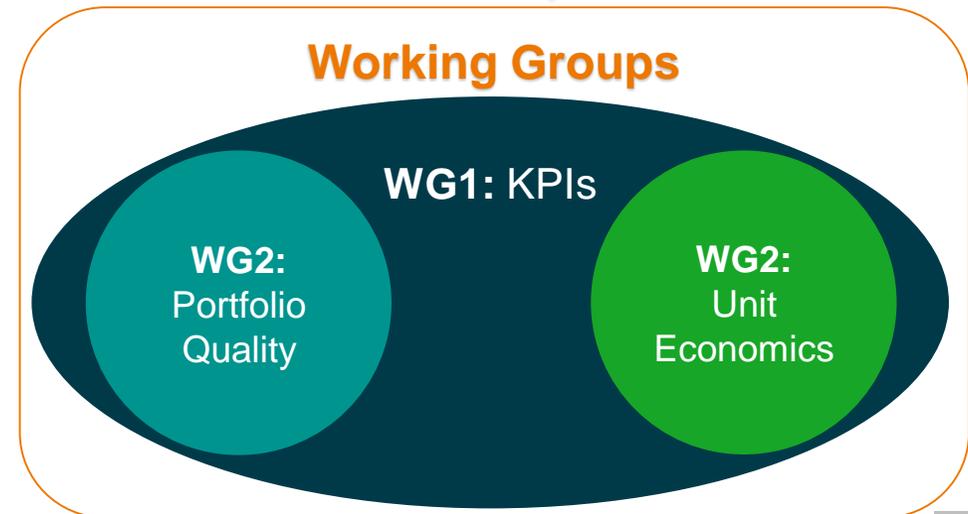


Introduction to PAYGo PERFORM

The PAYGo PERFORM Initiative is an open, transparent, industry-led process that is working to standardize financial reporting and key performance indicators for the PAYGo solar industry.



- Convene
- Set strategic direction
- Support CG and WGs



- All Stakeholders**
- **Investors** (private equity and debt, local and international banks, DFIs)
 - **PAYGo Companies,**
 - **Energy and financial inclusion experts**

- Form working groups
- Finalize standards

- Volunteers**
- **Each led by two co-chairs:**
 - 1 company rep
 - 1 investor rep

- Conduct analytical work
- Recommend standards



PAYGo PERFORM: Where we are, where we're headed

In the first half of FY19, the Steering Group set the foundation for the future success of the initiative, gaining strong industry support. In the next 18 months, PAYGo PERFORM will establish new financial performance analysis standards for the industry.

Key Milestones

PAYGO PERFORM Launch

- Kigali Workshop (~70 participants)
- Webinar (~60 participants)

Working Group Launch (~40 people each)

- WG1 KPIs. Co-chairs: Siten Mandalia + João Magalhães (Solaris Offgrid) & Avi Jacobson (SunFunder)
- WG2 Portfolio Quality: Co-chairs: Anish Thakkar (Greenlight Planet) & Ralph Gunn (Standard Bank)
- WG3 Unit Economics: Co-chairs: Shagun Jain (Rural Spark) & Geoff Manley (CDC Group)

The Year Ahead

KPI's 2.0

- Guidelines for standardized key performance indicators to be piloted

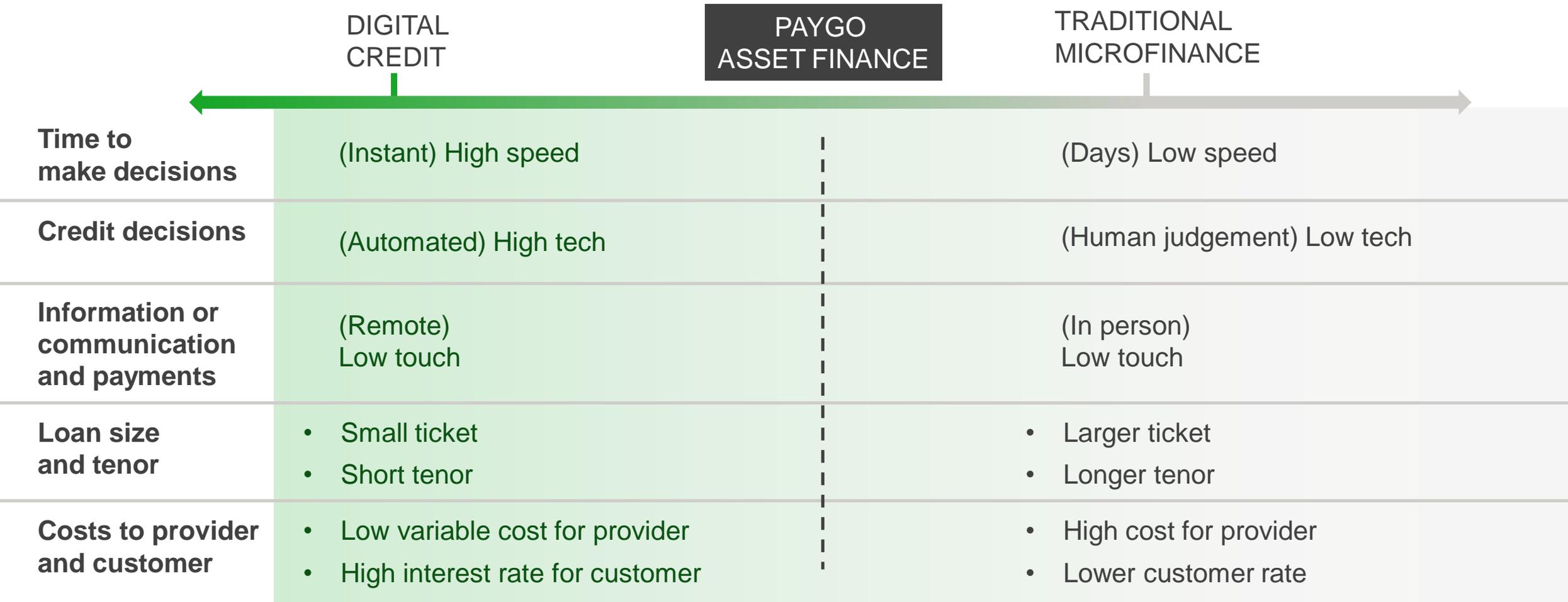
Pilot Implementation & Benchmarking

- Select a subset of companies and investors to pilot KPI's 2.0 and establish initial benchmarks

KPI's 2.1

- Standards to be adopted industry wide by investors and companies

PAYGo falls between digital credit and traditional microfinance in a digitization spectrum



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