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Linking access to energy with access to finance: New partnerships on the horizon

For nearly 15 years, E+Co has worked on the supply side of modern energy. By investing in small and growing cleaner energy businesses in developing countries, E+Co has provided access to modern energy to more than four million people worldwide.

Now, E+Co is teaming up with the microfinance sector to expand access to modern energy services in the developing world. E+Co is forging partnerships with microfinance institutions and making investments in the sector in collaboration with Arc, a new organization that bridges the gap between energy enterprises and microfinance institutions.

Over the last 20 years, microfinance has played an important role in enhancing the economic opportunities available to the poor. From the pioneering work of Muhammed Yunus the founder of Grameen Bank and the recipient of the 2007 Nobel Peace Prize, microfinance has moved into the mainstream.

"The microfinance sector has evolved tremendously since the 1980's, where a typical microcredit offering might be a \$25 loan to an Indian or Bangladeshi street vendor to expand the number of items she is selling. Now, the industry has developed a broad range of products including savings, insurance and remittance services for the poor and it is exploring new distribution systems like credit and debit cards, as well as ATMs and mobile banking," says Niki Armacost, formerly of Women's World Banking and co-founder of Arc.

Indeed, the reach of microfinance has extended beyond business to include housing, education, and even pension products. The microfinance sector, however, has yet to embrace small loans for energy products and services.

"If global poverty and inequality are to be reduced, the poor must have access to modern energy services," notes Ellen Morris, co-founder of Arc. "By itself, energy is of little interest to most people. Instead, it is the services that energy provides that are central to practically all aspects of people's lives, such as access to water, agricultural productivity, health care, education, job creation, gender equality, and environmental sustainability."

Arc was created in response to the demand from practitioners for a neutral platform that could help make the link between energy enterprises and microfinance institutions. With funding from the Citi Foundation, a long time supporter of clean, modern energy in developing countries and microfinance, Arc aims to expand the number of microfinance institutions offering credit for energy services in developing countries; to improve the knowledge base in both sectors about the importance of energy services and products provided at the doorstep with financing; and to generate the political and private sector support for financing of modern energy services through microfinance. Arc is working with E+Co to help link E+Co investee-companies with microfinance institutions to expand their market and is also looking into ways for E+Co to invest directly in microfinance institutions interested in offering energy loans.

"This endeavor will go a long way in ensuring that a broader market of people and households have access to the energy services they need for lighting, heating and cooking," says E+Co's

Phil LaRocco.

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