

Social Capital Conference

Conference: SOCAP EUROPE June 01 2011 Amsterdam

Panel Topic: Keeping the Lights On

Panel Description:

Moderator: Nicola Armacost, Co-founder/Managing Director, Arc Finance, niki@arcfinance.org, www.arcfinance.org

Ajaita Shah, Founder/CEO, Frontier Markets, frontiermarkets@gmail.com, www.frontiermarkets.com

Stewart Craine, Director, Barefoot Power, stewart@barefootpower.com, www.barefootpower.com

Jeroen Blüm, Deputy Director, Shell Foundation, jeroen.blum@shell.com, www.shellfoundation.org

Konrad App, President and CEO, Stima Systems, konrad@stimasystems.com, www.stimasystems.com

April Allderdice, Chief Executive Officer, MicroEnergy Credits, april@microenergycredits.com, www.microenergycredits.com

Design, Methodology, Approach: Reports and expert opinions from panelists.

Main Panel Discussion Points:

The context is that the energy poor need power – the panelists were asked to present their work on how this is being achieved.

Craine described his business as an energy company serving the lighting needs of 300m households spending \$1/week or less, which represents enough cash to build a grid of solar-powered households based on \$25-50 LED models. These create ownership aspiration, for a product that speaks for itself regarding quality. Vendors sell and repair the units, and make money many times over each year.

Shah described the way in which she works with government and local links but uses her own staff, emphasizing the need to find the right local partner on the ground. By blending microfinance and product distribution, they remain focused on the products and their female customers and how to service them.

App's Stima Systems serves those at the bottom of the pyramid (BOP) – the \$1-3/day income segment. Although these people spend a large percentage of their income on energy they do not have the money to buy a solar charger. It's expensive selling in rural areas because of the distance; the selling cycle is long as people think carefully before making a purchase; and there is little money to buy assets. So the chargers are given away, and people come and collect them. The selling agent has a key to turn a group's chargers on, based on weekly payments by the

group. All have to pay to keep the group's chargers switched on. Group force means that there is 100% payment. Village elders are used to find the people to be the agents.

Blüm described the Shell Foundation's enterprise-based solutions with stoves and rural lighting. The Foundation has an endowment fund, so it is independent. It aims to catalyze existing business acumen to tackle market barriers affecting energy efficiency products at the BOP. They aim to be 'angel philanthropists', looking for new partners and new markets from scratch to become viable and scalable. They are always looking for ways to leverage their actions with others, and to have an exit mindset so that others can come in and take over their role. Although such investments can be profitable, Shell aims to create the opportunities for others to exploit them.

Outcomes & Analysis:

The subsequent discussion considered the merits of linking microfinance and access to small energy products. Shah spoke about her experiences, where MFIs are better suited to handle larger items. Her organisation provides the servicing of her lights, leaving the regionally-based MFIs to just deal with the loans. App uses two models – one in which they handle the product financing themselves, and the other using an MFI. In the latter case they have to convince the MFIs to lend to someone else to earn an income, and to coordinate their financing with the product vendors. The initial loans usually result in losses, with profits coming in subsequent loans. With very small products that are supplied free, the activities start small and grow fast. They prefer to finance this themselves.

Craine's experience of dealing with MFIs has been mixed, as his small products are mostly sold for cash. He described his successful supply of lamps and the back trade of cocoa from rural communities, and also the financing of containers of products in Haiti using MFIs. Blüm emphasized the need to present a value proposition to your customer – something that is at the right price and improves their livelihoods meeting his essential 4As of affordability, awareness, availability and accreditation (meaning product quality). The Shell Foundation is keen to measure the scale of its impact using a wide range of performance indicators.

Questions raised at the end of the session summed up the future growth of the sector and dealt with those who cannot afford the appliances. You need to demonstrate its usefulness; allow people to test it for themselves; and make sure your product fits your consumer's needs. Are the products really aimed at the BOP? For those who pay cash this is probably not the real base, but it's still a place in the market with real needs. Should products be distributed on a cash or credit basis? Use group-based systems; use trusted agents who live in the community; use serviced provision rather than outright ownership, or use renting or leasing. If you bring energy to people, how do you educate them in its use? All agreed that this is essential, especially for social investors who want to see improved energy access; there are good and bad energy solutions and choices need to be informed about what is appropriate.

Allderdice briefly described her work at MicroEnergy Credits and its astonishing success in reaching 200m households, and growing fast using MFIs and their viral spread into other

products such as water. Willem Nolens also described SolarNow's rapid growth to 200 dealers in Africa, with credit from themselves now being offered via these dealers.

There is a need for a breakthrough on rural electrification – and the time is now. This was the meeting's consensus.

Keywords: Energy, smallscale, renewable, BOP, credit.

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