



Conditions for SME Uptake of Clean Fuels

May, 8th 2012

- 
- ▶ **13** years in activity
 - ▶ **30** permanent staff
 - ▶ **26** partners employing **605 staff** in **11** countries...
 - ▶ ...and supporting **93 500 micro-entrepreneurs** in 2011
 - ▶ **€6.7 million** loan portfolio
 - ▶ **98 %** repayment rate
 - ▶ Average loan amount: **€142**
 - ▶ Average credit length: **5 to 6 months**

What type of enterprises do we support?

Informal Microenterprises



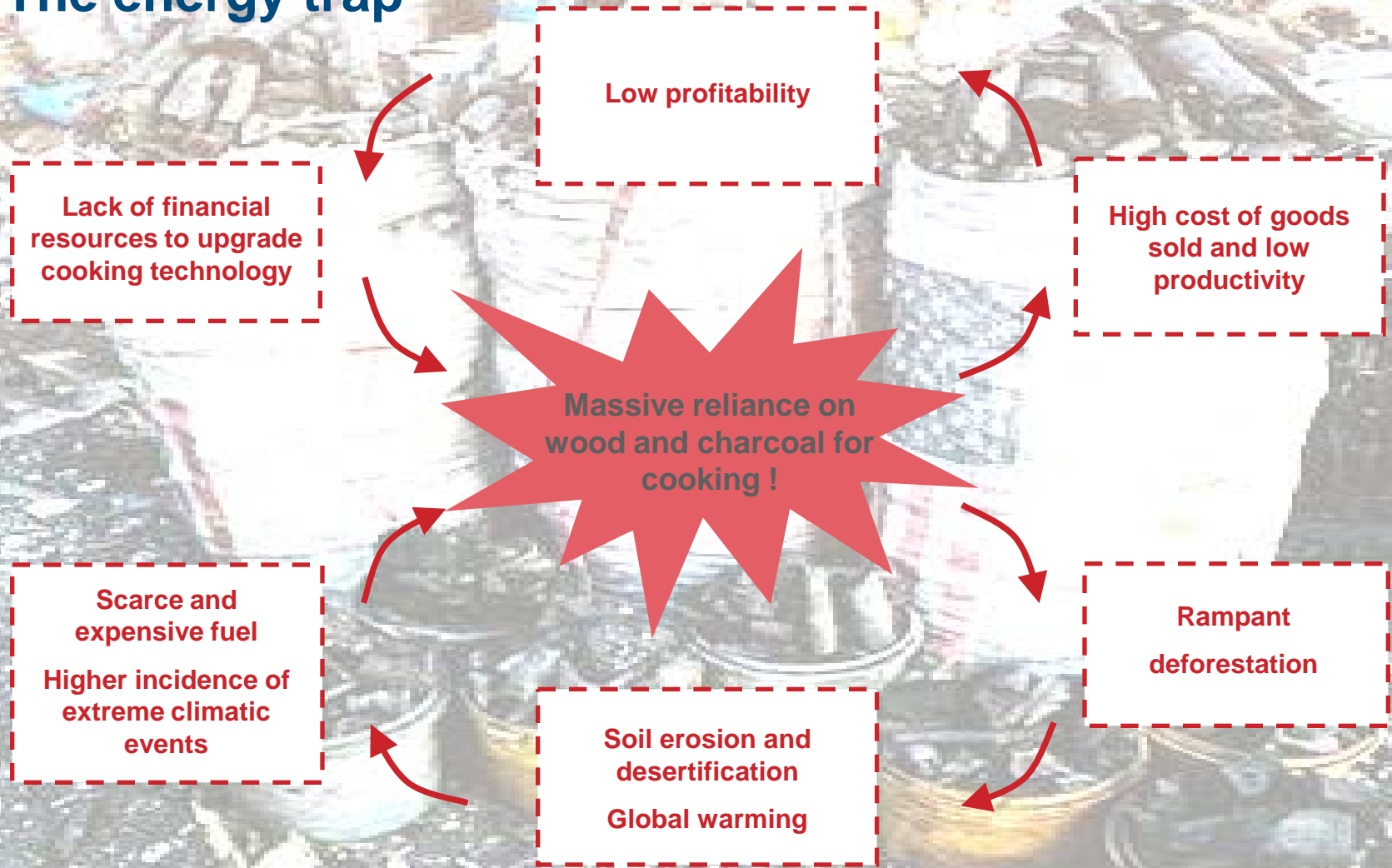
- Millet beer brewers, shea butter manufacturers, street food vendors
- Clean fuel investment : 100 to 800 USD

Formal Small Enterprises



- Bakeries, restaurants, dry cleanings,
- Clean fuel investment: 1000 to 30 000 USD

The energy trap



The Contribution of LPG

The most readily available and most adapted alternative fuel to rebalance the energy mix. A unique combination of benefits:

Profitability



Lower cost of goods sold thanks to cheaper fuel

Productivity



Increased output thanks to higher efficiency of LPG vs. biomass

Health



Elimination of toxic emissions (CO)

Environment



No impact on forests. Up to 90% decrease in GHG emissions

What stands between LPG and SMEs?

In the countries where we work, most small entrepreneurs still rely on charcoal or wood fuel for their energy needs. Why?

1 Low investment capacity

Paying cash for LPG appliances is beyond the reach of most of our beneficiaries.



2 Limited cash flow

Price variations and business hazards drive LPG users back to biomass (illnesses, economic crises, natural disasters)

3 Weak distribution networks

The time and money required to transport LPG refills makes it an unattractive option

5 Lack of information

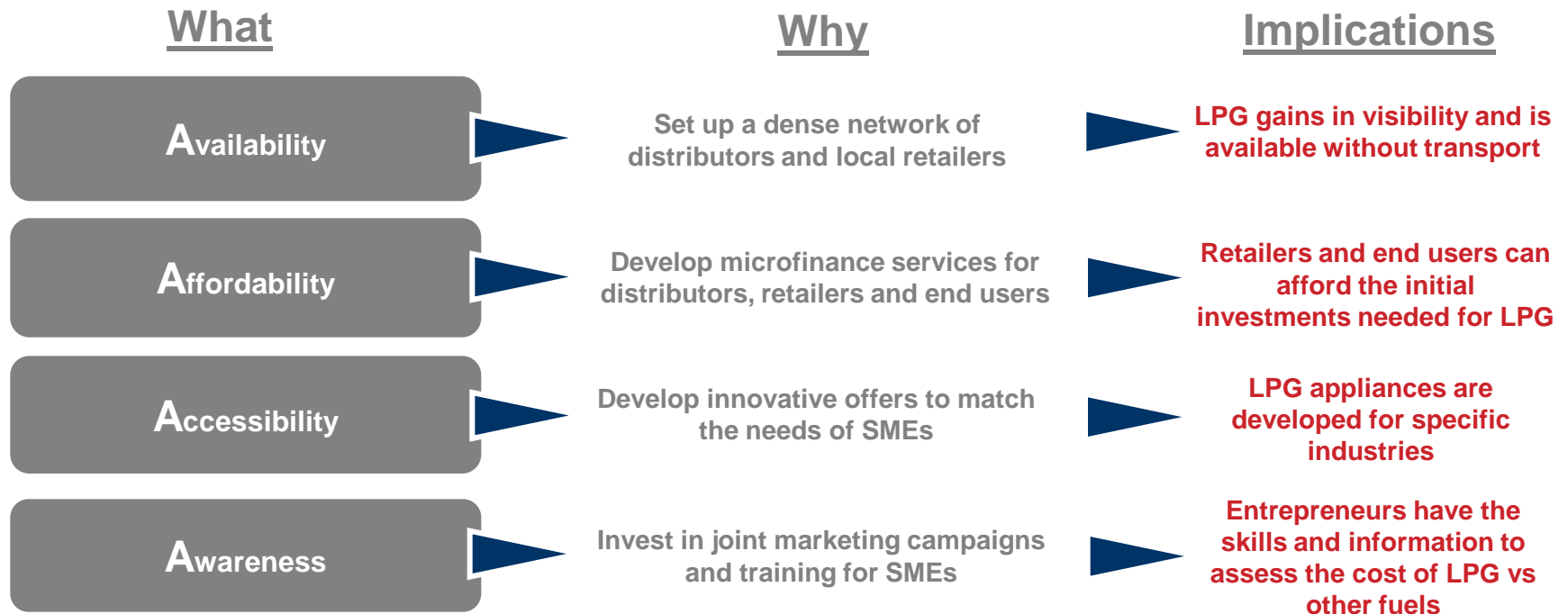
Entrepreneurs are unable to compare the relative cost and output of LPG vs other fuels

4 Weak regulation

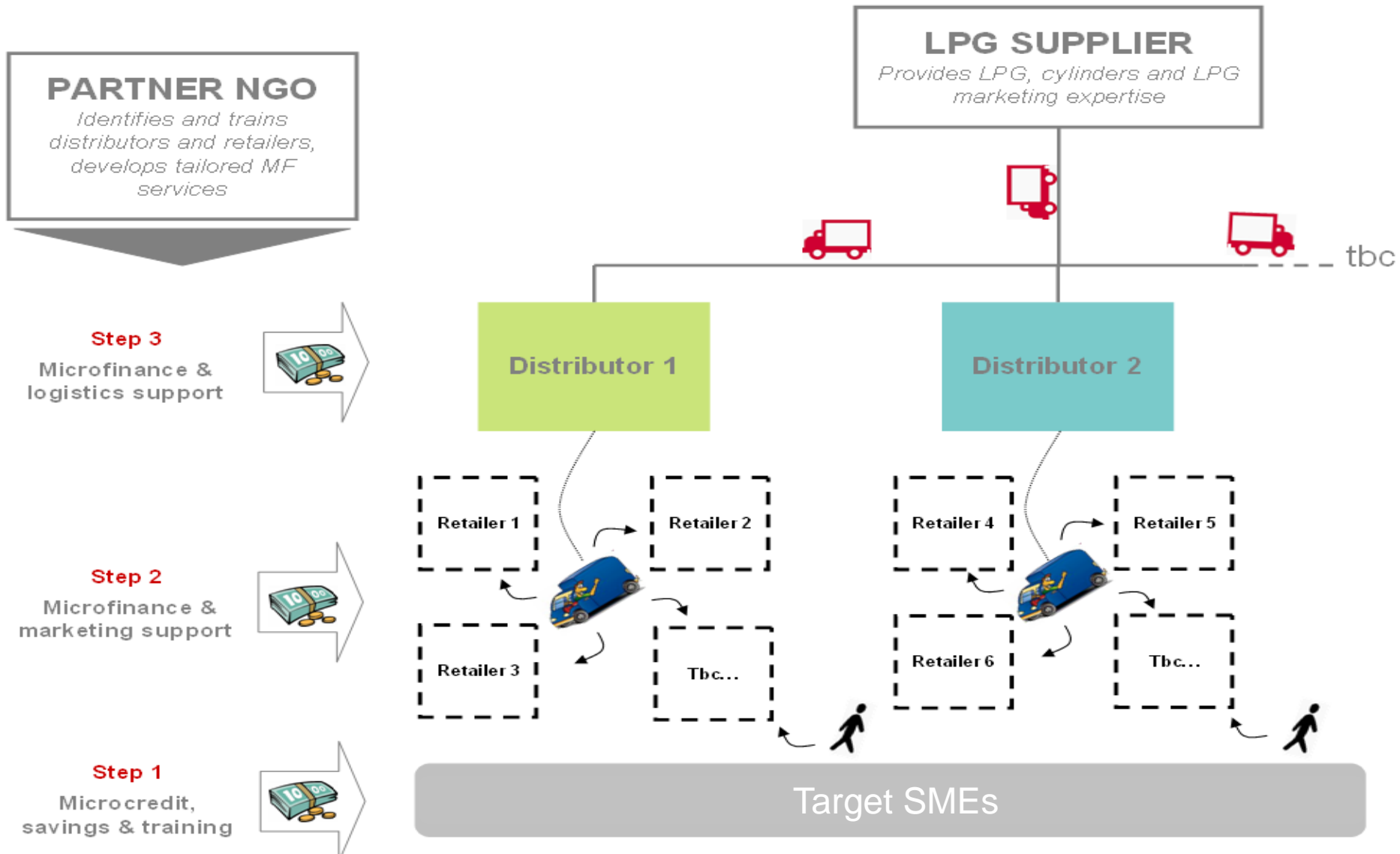
Uncontrolled independent refill centers, obsolete cylinders, frequent shortages, drive users away from LPG

A new business model to reach the poorest

Cooperation between LPG companies and NGOs working to improve access to energy among the poorest opens new perspectives.
Together we can get the 4 As right:



A need to build effective distribution chains...



Existing microfinance products are expensive

While LPG appliances for households are fairly affordable and can be amortized in a few months, it is extremely hard for a small entrepreneur to sustain this type of investment at current market conditions

Example : Small bakery switching to LPG in Haïti (Output: 10,000 USD/year)

USD	Simulation											
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Case 1 - Baseline scenario	<i>(production with an amortized traditional technology)</i>											
Charcoal consumption (kg)	550	550	550	550	550	550	550	550	550	550	550	550
Monthly cost of fuel	206,25	206,25	206,25	206,25	206,25	206,25	206,25	206,25	206,25	206,25	206,25	206,25
Case 2 - Transition to clean fuel	<i>(with a microloan for an investment of 1 000 USD)</i>											
LPG consumption (kg)	135	135	135	135	135	135	135	135	135	135	135	135
Monthly cost of fuel	172,8	172,8	172,8	172,8	172,8	172,8	172,8	172,8	172,8	172,8	172,8	172,8
Microloan repayment (2%/month)	165	145	145	145	145	145	145	145	0	0	0	0
Total cost	337,8	317,8	317,8	317,8	317,8	317,8	317,8	317,8	172,8	172,8	172,8	172,8
Economie gaz/charbon	-131,55	-111,55	-111,55	-111,55	-111,55	-111,55	-111,55	-111,55	33,45	33,45	33,45	33,45
Economie cumulée	-131,55	-243,1	-354,65	-466,2	-577,75	-689,3	-800,85	-912,4	-878,95	-845,5	-812,05	-778,6

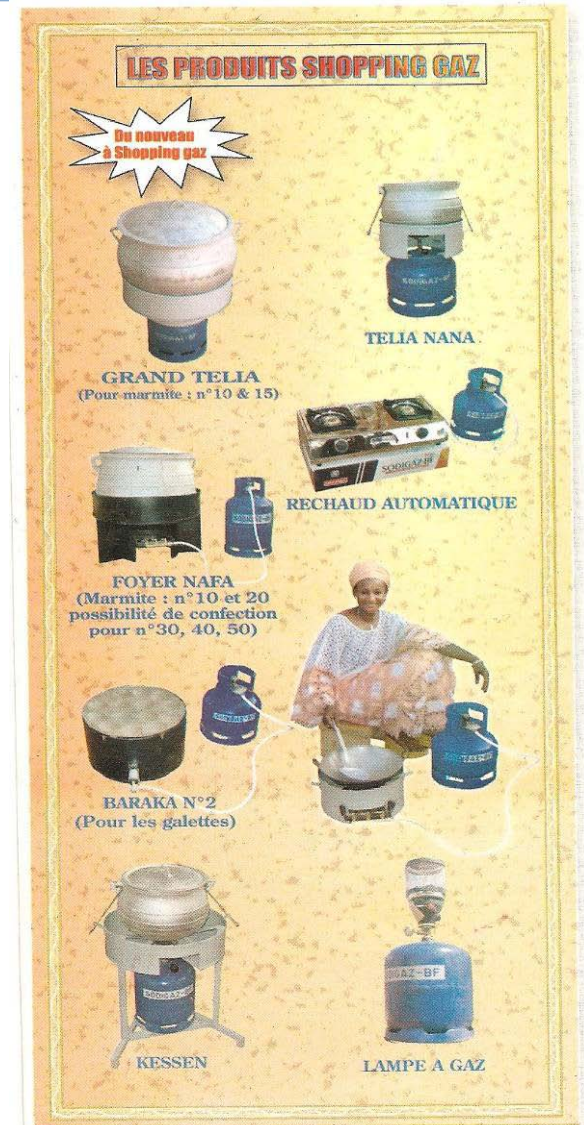
Product innovation remains an issue

In some instances, the lack of widely available, safe and standardized, yet affordable appliances for specific uses remains a barrier

Examples:

- Shea butter processing (West Africa)
- Dolo/millet beer brewing (West Africa)
- Dry-cleaning services (Haïti)
- Bakeries (Haïti)

➔ Yet, dolo brewing alone accounts for 50 to 70% of all the wood burned in Burkina Faso !



Inform and train

Support new product offers and new microfinance services with targeted messages and training campaigns

- Help compare the relative cost of LPG/clean fuels and traditional fuels
- Highlight the gains in productivity that can be achieved thanks to LPG
- Provide reassurance on fuel supply, especially in countries which have experienced frequent shortages
- Help users anticipate on price variations



Avec SODIGAZ luttons contre la vie chère

Consommation estimative d'une famille de 6 personnes :

 **200 francs de bois par jour soit**
6000 f/mois

 **2 bouteilles de 6 kg par mois soit**
3120 f/mois

N'attendez plus, profitez de l'offre Sodigaz pour obtenir votre foyer top qualité à partir de 1850 f/mois auprès de votre banque ou établissement de crédit en appelant au 50 45 43 81 ou 70 09 31 59

l'énergie Sodigaz, c'est économique et c'est écologique !

How can international agencies help?

■ Distribution:

- Support investment in cylinders and infrastructure with affordable capital

■ Financial services:

- Provide partial guarantee funds to help lower interest rates
- Provide loan funds for targeted energy products
- Offer training for SME products and SME business development services

■ Product innovation:

- Launch product innovation competitions (ex: shea butter)
- Provide R&D and market research grants

■ Awareness raising:

- Offer energy training courses for SMEs
- Sponsor industry wide communication campaigns

Contacts

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THANKS!