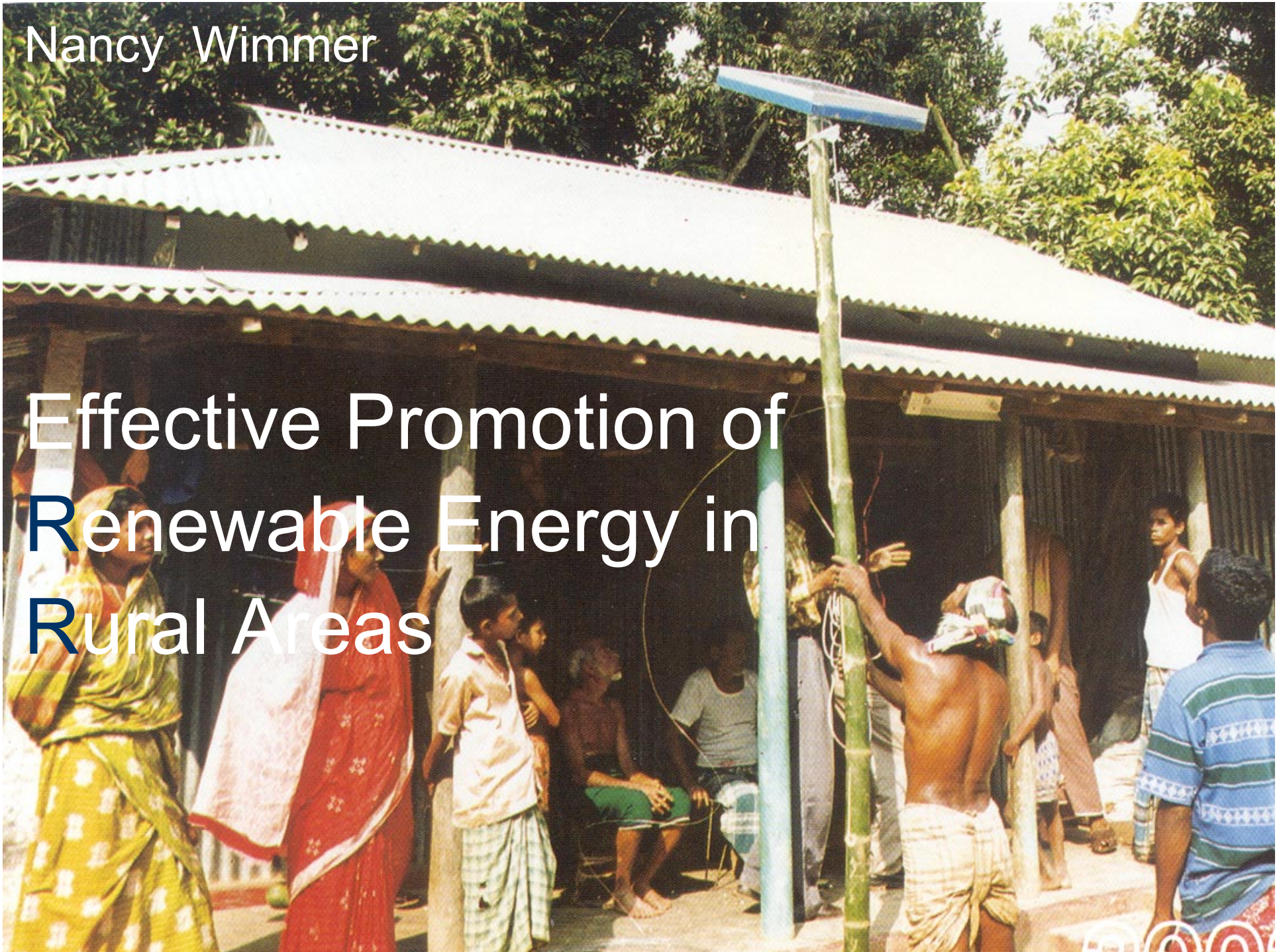


Nancy Wimmer

# Effective Promotion of Renewable Energy in Rural Areas







# what is promotion?

- Project financing
- **Business development**
- Market development
- Policy implementation
- Research, ...



# who promotes?

Multilateral organizations	World Bank/GEF, UNEP, EU..
Bilateral agencies	BMZ, USAID, ...
Governments	Bangladesh Electrification Board
Government organizations	Infrastructure Developmen Co, ...
Non government organizations	WCRE, Eurosolar...
Industry	Shell Solar, ...
Energy Service Co. (ESCO)	Grameen Shakti, ...
Bank / Microfinance Instit.	KfW, Canara Bank, ...
Public private partnerships	Indian Solar Loan Program, ...



# RE promotion history

- 20 years of RE projects in Africa
- 100+ RE projects by GEF  
(46 RE projects in 2003 for \$ 344 million)
- many experts in ESMAP, PVMTI, SDG, E+Co, ...

**so, there is a lot of experience**



# focus

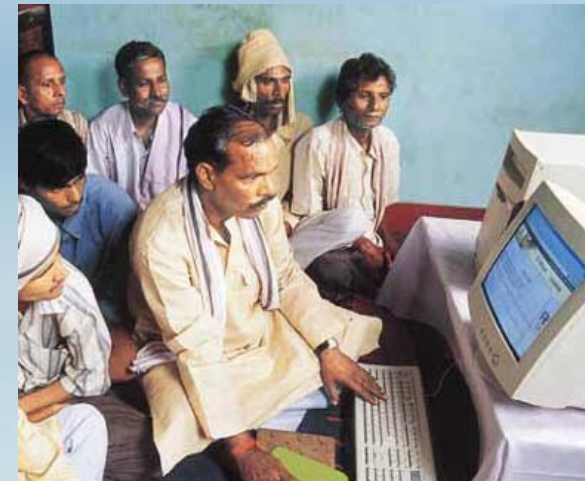
Solar energy

Developing countries

Rural areas

Practice

Finance



*Microfinance – an Instrument to Promote Renewable Energies,  
Investment Research Report, 2003*



# objective

## Ensure that funding does what it should do:

- bring electricity to as many rural users as possible
- start a healthy rural RE service industry
- avoid bad business practice



## experience from African SHS projects

None of 16+ publicly funded SHS projects\*  
is commercially successful

- **Subsidies** given to SHS consumers can easily ruin the SHS market.
- **Financing programs** should not be run by donors but by commercial experts.
- **Donors** should provide guaranties for banks in rural markets.

\* case studies by Mark Hankins



# ways to proceed

Rural Energy Service Companies (RESCOs)  
must play a key role

RESCO: Rural Energy Service Company



# Rural Energy Service Company (RESCO)



## Marketing



## Local Services



## Training



## Application & Finance

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## Innovation



# experience of RESCO developers

- economically viable projects are hard to find
- good entrepreneurs are rare
- too much time & effort is spent prior to an investment



## microfinance industry grew by replication

Grameen Bank was founded in 1976

10.000+ MFIs in operation worldwide

70 million poor clients (ca. 50% rural)

30% growth/year during the 90s

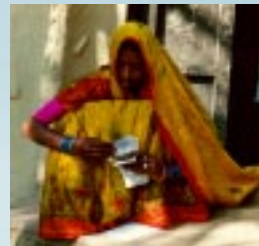
(read my paper)

microfinance-business is similar to RESCO-business



# ways to proceed

Install competent organizations  
to replicate successful RESCOs



India



Peru



El Salvador





start-up means struggle





## experience of RESCOs with funding

- great need for seed funding
- soft loans required during start-up
- funds should be local and easy to access
- need for rural banks



# ways to proceed

**Install competent organizations  
to finance the start-up of RESCOs**

**Provide public-private funds  
to start up RESCOS**





# Financial specialist serves 10 RESCOs (funded by World Bank & private sources)

## INFRASTRUCTURE DEVELOPMENT COMPANY LIMITED

The Private Sector Infrastructure Development Partner

*We finance renewable energy*

Our mission is to promote economic development in Bangladesh by encouraging private sector investment in infrastructure projects



Agreement with SINGER and UBOMUS

IDCOL to offer local currency loan

Office space for rent

**IDCOL organizes training for senior government officials**



About Us	Projects
Products & Services	News & Events
Lending Policy	Publications & Resources







## experience of a RESCO with a financial intermediary

- High overhead cost
- Focus on quickly reaching its target – via subsidies (50 000 SHS installed in 5 years)
- Focus not on customer satisfaction and long-term sustainable business
- Management lacks field experience
- Provides RESCO with needed cash-flow



# help your customer to make income



Radios and monkeys  
make a difference





## experience of RESCOs with good business practice

- Cover your cost & make profit
- **Help your customer to make income**
- **Excell in customer finance**
- Increase sales and innovate
- Build in-country supply-chain
- Provide training
- Meet technical quality standards



# ways to proceed

Evaluate and fund RESCOs  
according to good business practice





## a lot is going on in villages



in 18 000 Indian villages  
2 million rural micro entrepreneurs

- sell crops online
- buy seeds, ...
- study prices, techniques, ...



mobile phones  
create income for villagers  
in Uganda, Bangladesh, ...



# ways to proceed

Align RE promotion  
with synergetic programs  
in rural areas

RESCO: Rural Energy Service Company



## what insiders of development agencies say

- we depend on local expertise
- we rarely find good local partners
- we safeguard ourselves via studies; studies consume a major part of investment
- we rely on local NGOs which we cannot control
- we are not in touch with the people we affect
- we are not business oriented



# ways to proceed

Ensure that 75% - 85% of project investments are directed to the technical project





# Did we learn from failures?

# Do we understand what works well?

## Modern buzzwords

- Poverty alleviation
- Participation
- Empowerment
- Capacity building
- Environmental business
- Best practice
- Credit delivery mechanisms
- Gender issues
- Awareness creation
- Risk mitigation
- Local ownership

## *Secrets of microfinance*

- No global masterplan
- Business with the poor





# thank you



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# guidelines for effective RE promotion

<b>Basis</b>	Rural Energy Service Companies (RESCOs) must play a key role	1
<b>Infrastructure</b>	Install competent organizations to replicate successful RESCOs	2
	Install competent organizations to finance the start-up of RESCOs	3
	Provide public-private funds to start up RESCOS	4
<b>Control</b>	Evaluate and fund RESCOs according to good business practice	5
	Ensure that 75% to 85% of project investments go to the technical project	6
<b>Option</b>	Align RE promotion with synergetic programs in rural areas	7



# guidelines for effective implementation of sustainable projects

- To ensure the cost efficiency of public funding and the sustainability of investment projects, we propose the independent auditing of project execution organizations.

*We present together with Grameen Shakti guidelines for project execution organizations.*

- These organizations should ensure that at least 75% to 85% of project investments are directed to the technical project and to maintenance.