



KITE

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AFRICAN RURAL ENERGY ENTERPRISE DEVELOPMENT (AREED)  
A UNEP INITIATIVE SUPPORTED BY THE UN FOUNDATION

## AREED Status Note - November 2002

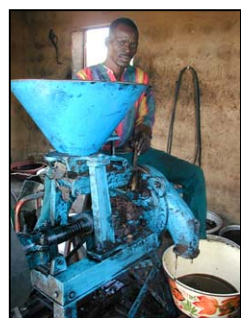
### Enterprises Advance

The second half of 2002 has been an active period for many AREED enterprises, including the following three which have been approved for AREED financing.

**Ubwato** is a Zambian company that focuses on the manufacture and sale of energy efficient Jiko stoves, a low cost, clean energy technology with major environmental benefits, including reduced wood-fuel consumption and air pollution. The energy efficient stove is a concept that has received significant donor funding in the past but has yet to reach full commercialization. The company is using an AREED loan of \$41,000 and support from local partner CEEEZ to implement a marketing strategy involving a commissioned sales force. As with most companies AREED deals with, the support provided is not focused on refining the technology, but rather on commercialisation and market expansion.



**Bagani** is a new business, registered as a GIE (small for-profit), that has approached AREED for a loan to build, own and operate two multi-functional platforms in the Kita area of Mali. Powered on *Jatropha* oil, derived from locally grown *Pourghere* nuts, the platform can peel, press and grind various cereals and grains, work typically done manually with a mortar and pestle.



Bagani Grinder

When the *Pourghere* nuts are pressed, in addition to oil, they produce two viable by-products. The first is a sediment used for making soap and the second is a "tortea" or cake that is sold as fertilizer. The platform can also be used to charge batteries. This will be the first commercial business and investment in a multi-functional platform in Africa.

**Anasset** is an existing venture with a core business of selling Liquid Petroleum Gas (LPG). A \$38 000 AREED loan and assistance from AREED Ghana Partner KITE will be used to finance capital equipment and to prepare for business expansion to rural areas. The Ghana market for LPG is growing, and is promoted by a government that views LPG as a promising woodfuel substitute.

A total of 11 enterprises have now received AREED financing, including the following three that have begun or expanded their operations with AREED support.

**VEV** is a small company that has found a market niche in the repair and maintenance of wind-powered water pumps in Senegal. There is a good market for this service as

about 90% of such pumps in the country are not working. Although the company has operated profitably during the last 8 years, a lack of working capital has limited the company's capacity to stock inventory and therefore to provide an efficient maintenance service. With an \$17,000 AREED loan and enterprise development support from AREED partner Enda Energie, VEV is

expanding its inventory to shorten service times and will soon begin offering short-term credit to qualified clients. Together, these services should help to ensure that most wind pumps in Senegal become - and remain - operational.

**USISS** preserves meat, mangoes and onions in Mali using a solar drying technology developed through a former German Technology Cooperation (GTZ) project. In a country where food preservation is essential and refrigeration minimal, the \$18,000 AREED loan and enterprise development support from AREED local partner Mali-Folkecenter is enabling USISS to scale-up its business through the purchase of additional solar dryers and the implementation of a marketing strategy. USISS is a good example of how an enterprise development strategy can transform a technology R&D project into a commercial operation.



Selling Dried Mangoes

*The WSSD Plan of Action calls for improved access to affordable, socially and environmentally sound energy services. The AREED approach is demonstrating that these services can be delivered through small/ mid-size enterprise and on a sustainable basis. AREED was featured in the WSSD Virtual Exhibit showcase which includes a video prepared by UNTV ([www.virtualexhibit.net](http://www.virtualexhibit.net)).*

KBPS is a Zambian company receiving AREED enterprise development support and financing, in the form of a \$73,000 loan, to produce charcoal from sawmill waste. The company's expansion plan includes the construction of 15 efficient brick kilns and the development of a marketing and distribution network. Implementation of the business plan is currently underway. As the kilns are completed, production and marketing activities will begin. Using a waste product for fuel and a conversion process twice as efficient as traditional methods, KBPS is proving that a clean energy enterprise can both solve an environmental problem *and* be good business.

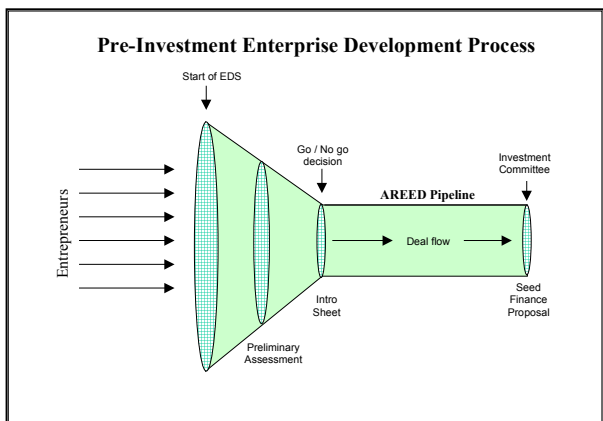
**The AREED Entrepreneur Toolkit is now available online at <http://www.ared.org/training/toolkit/>**

**Strengthening Institutions**

Increasing the ability of partner institutions to foster enterprise development in-country is a core element of AREED. This activity focuses on:

- integrating AREED-type functions into the organizational structure of partner NGOs;
- exploring additional sources of funds for seed and second-stage capital investment post-AREED; and
- supporting some targeted government agencies to refine policies related to rural energy and clean energy enterprises enterprise development.

During 2002, AREED NGO partner the Kumasi Institute of Technology and Environment (KITE) developed its long term enterprise development strategy for Ghana. The strategy is directed at institutionalization of the approach, including efforts to mainstream cleaner energy enterprises into national energy policy. To this end, KITE will now work to engage the relevant national ministries in specific technology areas, such as LPG distribution. A similar strategy had been developed previously in Mali and will also shortly be prepared in Zambia.



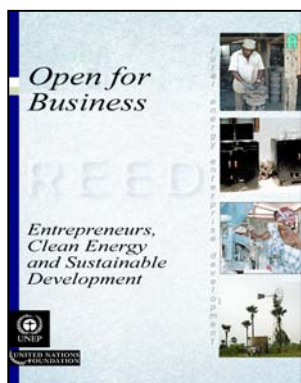
There are currently 15 enterprises at various stages of development in the AREED pipeline (see diagram). These entrepreneurs are mostly looking to provide energy services using either solar or biomass technologies, although some involve energy efficiency services, cleaner fossil fuels (LPG) and wind turbines. 12 of the 15 companies have proceeded past the preliminary assessment stage and are now receiving hands-on AREED enterprise development support from AREED country partners and E+Co.

**AREED Training**

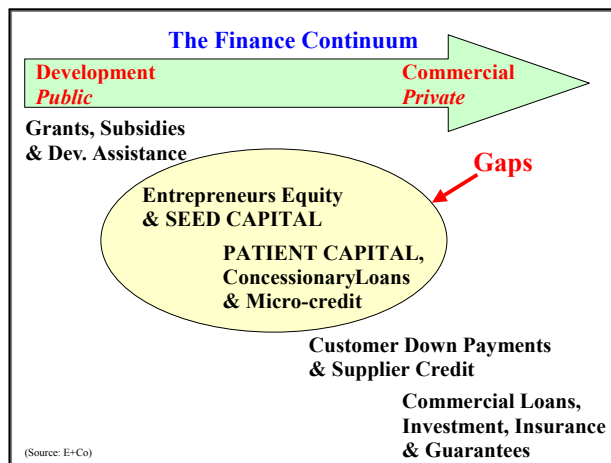
One of the most important elements of the AREED programme is training, both of entrepreneurs and, internally, of AREED partner organisations.

In each AREED country regular training sessions are now held for entrepreneurs, partially as a means to develop the pipeline of AREED investments.

In September the second AREED project officer workshop was held in Pretoria with two goals; firstly to refine the skills needed by local partners to deliver Enterprise Development Support, and secondly to provide an opportunity for the AREED team to share experiences and learn from each other.



Hard copies of the REED Report 'Open for Business' will be available in December.



**AREED in the Finance Continuum\***

A key element of AREED is providing a small initial financial investment called seed capital to transform a good idea – and a capable entrepreneur - into a specific business that delivers improved energy services. This seed capital helps move enterprises along the finance continuum (see diagram above), from grants to concessional and eventually commercial forms of capital. Some of the other gaps in this continuum include a lack of enterprise development intermediaries, too little reasonably priced patient (growth) capital and insufficient consumer and micro-enterprise finance. AREED can respond to some of these challenges directly, but must also engage new partners in the donor and finance community to fully meet the needs of clean energy entrepreneurs.

\* Excerpted from the REED report 'Open for Business: Entrepreneurs, Clean Energy and Sustainable Development'