



African Rural Energy Enterprise Development (AREED) Project



"A Poverty reduction initiative, experiences from TaTEDO"



www.AREED.org

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

PfA - Policy Dialogue Conference

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Oscar Lema, TaTEDO, Tanzania



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PRESENTATION STRUCTURE



- Introduction
- Experiences from African Rural Energy Enterprise Development (AREED) project
 - Background
 - Goals
 - Objectives
 - Activities and Services
 - AREED commercially viable projects on ground - Biomass Energy (T) Ltd
 - Sustainable Energy and Environment Co Ltd
 - Challenges
 - Lessons learned

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INTRODUCTION



- Many of the developing countries households and businesses lack access to modern energy services.
- Whilst various initiatives designed to address these needs are currently underway in many developing countries including Tanzania, funding opportunities and general sustainability principles have not been adequately addressed.
- AREED was initiated to service these needs by offering financial and business support services to SMEs within the energy sector. ³



Background



- Initiated in April, 2000 by UNEP, sponsored by UNF and is being implemented in five African countries –Tanzania,Zambia, Ghana, Senegal and Mali.
- Focus is to develop new sustainable energy enterprises that use clean, efficient and renewable energy technologies to meet energy needs of under-served populations.

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Why this focus?

- To reduce the environmental and health consequences of existing energy patterns
- It offers rural energy entrepreneurs a combination of EDS and start-up financing

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AREED Goal

The long-term goal of AREED is to provide peri-urban and rural areas with:

- Access to affordable and clean energy services to meet energy needs of under-served populations
- AND**
- Increasing local economic activity without detriment to the environment.

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AREED Objectives



- Assist local entrepreneurs create sustainable energy service businesses
- Establish capacity within a country to support energy entrepreneurs
- Provide a practical approach of promoting energy for sustainable development

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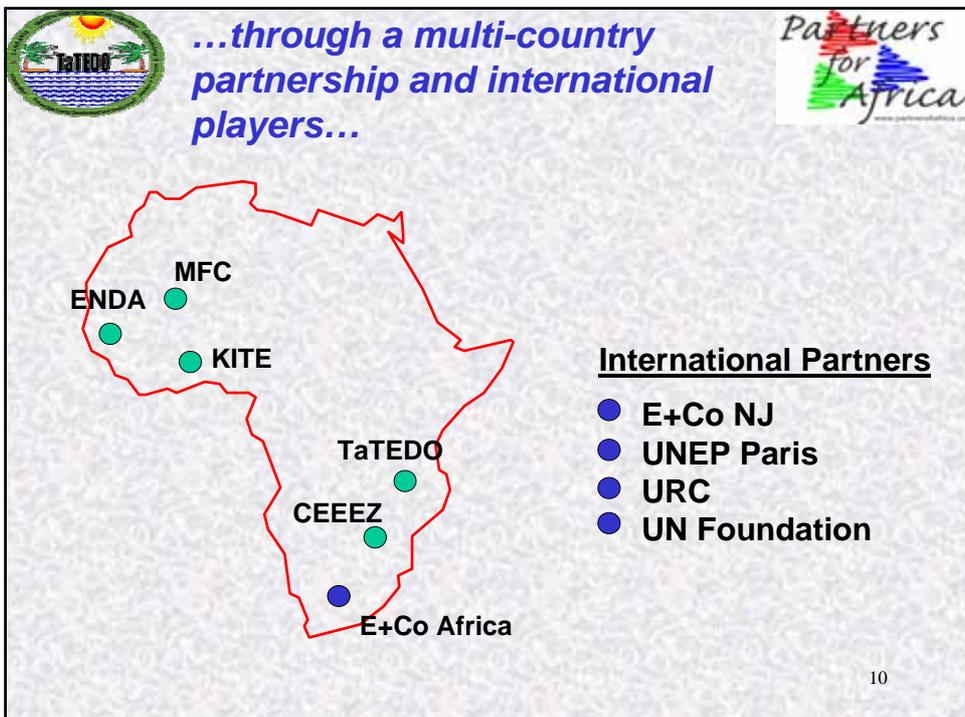
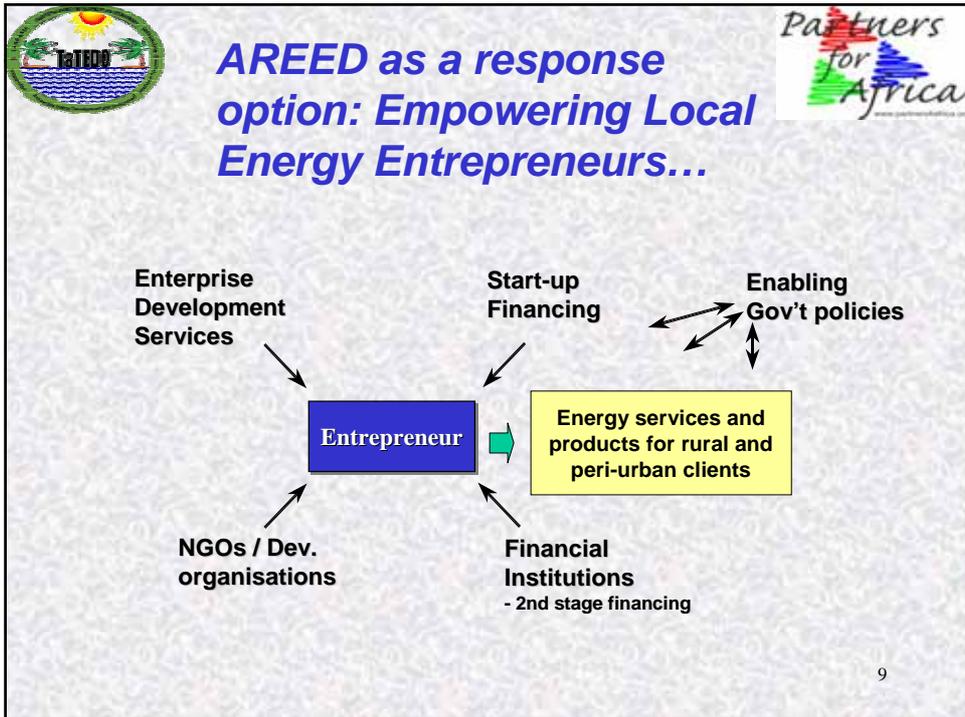


AREED Activities



- Enterprise development services(EDS) provision
- Early stage funding to energy business entrepreneurs
- Work with financial/development institutions
- Work with governments to support private sector in the delivery of sustainable, rural energy services

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...we are moving up the learning curve in:

- ▶ Promoting efficient energy use in households
- ▶ Facilitating the diffusion of environmentally sound RE energy technologies
- ▶ Encouraging small clean energy enterprises to make it happen



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Some Commercially Viable Projects on the Ground

Project 1: Tanzania

Enterprise Name: Biomass Energy Tanzania Limited (BETL)

Amount Invested: \$50,000 loan

Business Activity: Alternative fuel retail

Date Disbursed: 30th July 2003

Current Terms: 10.0%, 4 year term

Business is progressing well and repayment is in order



Biomass conveyer leading to back end of Tanga Cement Company Limited (TCCL) kiln

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Project 1.....

❑ Alternative fuels' means departures from traditional petroleum and woodfuel based energy production.

❑ For BETL business, this include supply for a wide range of by-products of crop processing and other biomass wastes such as charcoal dust , sawdust, and rotated energy-crops to TCCL

❑ TCCL uses biomass supplied to displace up to 15% of approx. 44,000 tons of of heavy fuel oil otherwise used yearly to provide heat.



Biomass storage and feed-conveyer, from kiln tower at TCCL

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Project 2: SEECO, Tanzania

Description of Business:

Manufacture and sale of energy efficient stoves and ovens



Financing: \$ 54,324; 4yr loan; 9% interest - business is progressing well

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General Experience

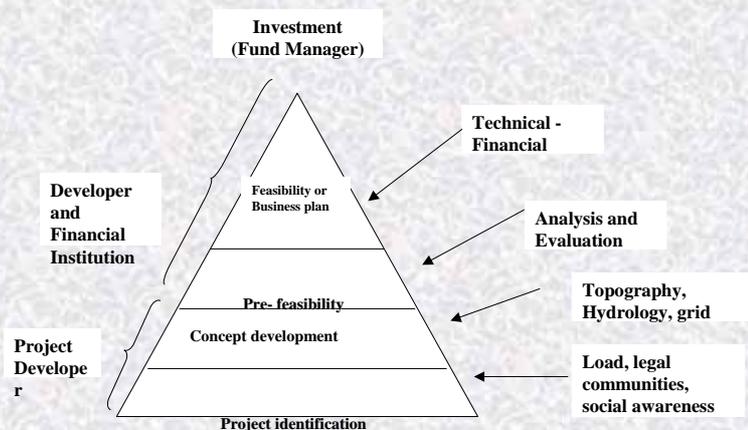


- Experience has shown that despite the existence of a wide range of business opportunities in rural areas of Africa, local entrepreneurs have not taken advantage of such opportunities due to:
 - Lack of capacity and resources by local entrepreneurs to develop robust business plans
 - Lack of seed finance
- To overcome these constraints requires a holistic approach involving execution of all phases of business development cycle

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KEY PHASES OF BUSINESS DEVELOPMENT CYCLE



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Lessons Learned



- Enterprise-centered model can be a powerful means for achieving concrete and sustainable solutions to problems in energy and a variety of other development sectors.
- Growing evidence from the five countries where AREED is active, demonstrates that these types of energy enterprises can generate measurable co-benefits beyond the provision of energy services including:
 - creation of jobs;
 - protection of land and forest resources;
 - increased productivity and incomes;
 - provision of clean water;
 - other development priorities.

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What's New Here?



Business As Usual

- Project centered
- Top-down, donor driven
- Large, politically visible
- Planned in full, in advance – rigid
- Govt to MDBs/RDBs to apex organizations to contractors for fixed time and cost

Alternative Model

- Enterprise centered
- Driven by local markets
- Small, medium sized
- Incremental, flexible and responsive
- Terms are investment specific
- Partnerships of value adding entities, driven by bottom line of service delivery and sustainable market presence

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Looking Ahead...

- ➔ **Greater emphasis on energy services and products for income generating activities**
- ➔ **Strengthened partnerships with national, regional and global sources of seed capital**
- ➔ **Increased capacity of national counterparts to deliver AREED-type services**
- ➔ **Promotion of RE enterprise-enabling national policies**



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Challenges

- While it is acknowledged that a good start and foundation have been achieved, the most pressing challenge is attainment of long term sustainability and contribution of AREED to national development priorities and poverty reduction efforts.
- Problems that are seen as threatening the long term sustainability include:
 - limited flow of rural-based enterprises (RBEs) through the pipeline
 - insufficient resources to support long term EDS delivery and investments

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Challenges (ctd.)

- The problems above are being caused by the following negative conditions prevailing on the ground.
 - Contact between partners and RBEs is limited
 - Entrepreneurs do not have knowledge of technologies for delivery of energy products and services
 - Entrepreneurs, particularly those in rural area, are unaware of application of clean/renewable energy technologies for productive use.
 - Entrepreneurs have limited awareness of business opportunities in the energy sector
 - Entrepreneurs capacity to write bankable business proposals is limited.

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THANK YOU FOR YOUR ATTENTION

Asante Sana

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