

Financing Energy SMEs

The course was presented by Dr. Philip LaRocco, E+Co's founder and Executive Director; Dr. Harish Hande, founder and Managing Director for SELCO-India; and Dr. Eileen Morris, President of Sustainable Energy Solutions.

Dr. LaRocco gave a general briefing on how to prepare and present a proposal for financing for small and medium enterprises (SMEs). As prerequisites for consideration, energy financing proposals for SMEs should address the following questions: a) What is being proposed?—*the Core Concept*; b) Where will the proposal be implemented?—*the Setting*; c) Who will champion the proposal?—*the Team*; d) How will it be implemented?—*the Implementation Plan*; e) Why is it important?—*Expectations*; f) What if?—*Contingencies*; g) To Whom?—*the Audience*. A proposal that addresses all these issues in a simple, complete and balanced way will meet the entry requirements of donors, investors, lenders, etc. Dr. LaRocco highlighted the important role of SMEs especially in developing countries as the providers of local products and services through local distribution systems. He explained the role of intermediaries like E+Co in providing support and mobilizing capital for SMEs, and stressed the importance of determining the real needs of SMEs.

Dr. Hande shared experiences and lessons learned from running solar energy services in rural India. His experiences highlighted the fact that untraditional innovative approaches are needed for SME ventures to be successful. He stressed the need for SMEs to be ready to take risks—a 20% success rate should be considered a good start even when 80% fails. Contingency plans must be prepared as no perfect business plan exists and there are always uncertainties. Dr. Hande considers investment in SMEs a prerequisite if donors and investor wish to reach the bottom of pyramid. He stressed catalytic assistance at the right time is much more critical than the actual size of funds. Funds made available at a wrong time could in fact negatively affect SMEs.

Dr. Morris spoke about the challenges of microfinancing for the poor, and stressed the importance of bridging the gap among the microfinancing institutions, the clients (not the beneficiaries) and the energy institutions through partnerships so that SMEs can receive both the support services and the financing they need. While there have been very few examples related to energy, energy is embedded in many of the successful projects supported by micro-financing. Microfinance institutions could build on experiences gained in financing a broad range of experiences in lending to the poor to support energy projects.