

SUCCESS STORY

REEEP Finds Workable Funds in Tough Financial Landscape



Myke Ologunoye, VP GoSolarAfrica, holds biofuel products with Amina J. Mohammed, the former Minister of Environment Nigeria, and a member of Nigeria's Climate Change Ministry (Copyright: SMEFUNDS)

The Renewable Energy and Energy Efficiency Project (REEEP) in Nigeria, funded by USAID and Power Africa, seeks to improve access to renewable energy (RE) technologies, improve access to finance for RE technologies and use RE technologies to improve various sectors such as health and agriculture. The project is designed to help mitigate climate change, reduce carbon emissions, increase economic opportunities, improve employment, and, ultimately, sustain development in Nigeria.

The renewable and green energy industry in Nigeria is just emerging. Although the potential is large, the nascent quality of the market requires a certain amount of trial and error to meet customers' needs successfully, sustainably, and profitably. This, in turn, demands that companies are able to access finance to invest in the high start-up and expansion costs of operating a renewable energy business. SMEFUNDS is one company finding success in the marketplace, thanks to the support of USAID-funded Renewable Energy and Energy Efficiency Project (REEEP), a partner of Power Africa.

SMEFUNDS is the parent company of two separate entities: Green Energy and Biofuels Limited (GEB), which sells bio-fuel and clean cookstoves, and GoSolarAfrica, which sells and installs solar components, from individual lanterns to large refrigeration units to minigrids.

"REEEP helped in a lot of ways," said Caleb Adeyeni, the accountant of SMEFUNDS. "We've been able to reach more households because of REEEP." In fact, without REEEP's facilitation of two loans, SMEFUNDS' Cofounder Femi Oye said the company might not still exist today. Finance enabled the company to grow and reach more households with its products, specifically resulting in sales of over 180,000 liters of bio-gel and over 1,200 solar lantern products to about 17,000 beneficiaries, saving approximately 121,222 metric tons of CO₂ emissions.

The financing SMEFUNDS acquired is also a testament to the creativity and persistence of REEEP in identifying workable funds in such a difficult financial landscape.

In 2014, REEEP supported SMEFUNDS to acquire a \$106,250 USD loan through Ecobank's guarantee program. One year later, SMEFUNDS was looking for another loan to continue its expansion; however, banks were offering unfeasible terms, including interest rates over 20%, tenures of about one year, and severe collateral requirements.

“If nobody wants to borrow at these rates – and businesses were saying no thank you – then I needed to find terms they are willing to borrow under,” said REEEP’s Chief of Party Javier Betancourt. After much research, Betancourt discovered a new MSME (micro, small and medium enterprises) fund at the Central Bank of Nigeria that prioritized lending to certain sectors, including solar. Due to the complicated lending process, REEEP worked closely with both the Central Bank and commercial banks to ensure SME Fund’s application made it through to approval.

The second loan, worth \$250,000 USD, financed further expansion, including a mini-grid in Lagos. The success of this minigrid further focused the company’s efforts toward minigrid installation and management as one of their key services. This month the company commissioned its sixth minigrid, an 80-KW grid in Sokoto.

The company could not have successfully installed so many minigrids without REEEP’s services. Several engineers who worked on developing these minigrids went through REEEP’s Minigrid Design training. Such training ensures the company is able to provide quality services, which, according to SMEFUNDS, is one of the most important services REEEP provides.

“Even if you have top quality components, if you bring in bad installers, they can damage the equipment so training is so critical,” said Adeyeni. “A wrong connection can damage the entire system.”

Furthermore, SMEFUNDS benefitted from other REEEP services that are more difficult to quantify. For example, REEEP provided SMEFUNDS with a quarterly metrics and reporting tool, which has improved the company’s ability to conduct market research on their products. Using this tool, the company identifies which solar products are most popular and concentrates their resources, such as marketing and improved product design, on those products.

“This is an innovative company,” said Myke Ologunoye, Vice President of Engineering for Go Solar. “We improve products and add features...to make them better.” For example, SMEFUNDS now knows which products are the most popular for women and tailors their marketing campaigns accordingly. Plus, the company provides female-only trainings as necessary, ensuring that more women are better able to utilize their products. It may sound like a simple thing; however, performing accurate market research can make or break a company in emerging industries.

For now though, SMEFUNDS sees only more and more demand. Their market research has shown that many potential customers are not even yet aware of clean energy solutions. The company has their work cut out for them to both build and meet the demand for renewable energy in Nigeria.