

## Palmis Enèji: from NGO to enterprise – the story of a social business in Haiti

Alexandre Borme Development officer – [ENTREPRENEURS DU MONDE](#)

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**In 2012, the French NGO EDM launched a programme to distribute Palmis Enèji cooking and lighting appliances to meet energy demand among the poorest sections of the Haitian population. Two years ago, that social business became a public limited company. This change in status and a partnership with Total Haiti and the microfinance institution PMS has enabled it to expand its activities and will help to underpin its sustainability.**

# PS&D

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Haiti, one of the poorest countries in the world<sup>1</sup>, has very high levels of energy poverty (72% of households have no electricity). Haitian families use candles and kerosene lanterns for lighting and 95% of households use very basic stoves and wood or charcoal for cooking, thereby exacerbating the problem of deforestation. These cooking arrangements are often inefficient and the fumes cause respiratory diseases.

However, more suitable equipment which is less damaging to human health and the environment does exist. Solar lanterns provide better quality lighting and are cheaper in the long term. Improved stoves and table-top cookers powered by liquefied petroleum gas (LPG)<sup>2</sup> use less energy for cooking. But such appliances are hard to obtain in Haiti and very few financial service companies are prepared to finance their purchase. Palmis Enèji was set up – initially as a programme designed and managed by the French NGO Entrepreneurs du Monde (EDM) – to boost their distribution.

### CHANGING STATUS FOR SUSTAINABLE ACTION

EDM applies a social entrepreneurship model to support the distribution of appliances that have a very positive impact on health, the economy and the environment among the poorest populations in developing countries. In Haiti, Entrepreneurs du Monde set about distributing gas-fired table-top cookers and improved wood/ charcoal-burning stoves and solar lanterns. The Palmis Enèji project was launched in 2012 as an Entrepreneurs du Monde programme. Because it was an NGO-sponsored programme, Palmis Enèji was able to take the time to carry out a market survey and test its model (recruit a management and sales team, set up the first franchise outlets, develop a range of products, etc.). It was primarily during this phase that it embarked on social marketing nationwide.

Palmis became independent and was incorporated as a public limited company (Palmis Enèji SA) in late 2014. Although this transition was relatively quick, it took over a year to finalise its corporate governance code, investment methods and transfer shareholder assets. Care had to be taken to preserve the social aspect of the project and uphold the role of EDM's project incubator when the programme assets were being transferred to the company and to smooth the transition from one

form and financing model to another.

Palmis Enèji decided to change its legal form at that stage of its development to pave the way for rapid growth in its activities and social impact based on appropriate management rules and adequate financing. In allowing two minority shareholders to invest in its capital<sup>3</sup>, Palmis was forced to adapt its management procedures to the demands of professional investors.

*Setting up a board of directors ensured better strategic vision and sounder risk and financial management.*

Palmis Enèji was subsequently able to raise sufficient development resources (capital for starting up franchise outlets and loans to finance growth). The company also adopted a charter setting out its mission statement and commitments that was subsequently signed by all the shareholders and incorporated into the shareholders' agreement and Memorandum and Articles of Association, thereby protecting the company's social mission.

Although it had become a company, Palmis Enèji continued to receive grants from international backers in 2015 which were used to finance some of the operating costs of its social mission and to cover operating losses. This hybrid financing method will give the company the necessary resources and time to develop its activities, working closely with its beneficiaries (retailers and end users).

## LARGE DISTRIBUTION NETWORK FOR GREATER IMPACT

The company has put together a range of cooking and lighting appliances that meet the most stringent quality standards and enable it to address three poverty factors (BOX). In order to ensure these products reach the poorest sections of the population, Palmis has set up a network of micro-franchised distributors comprising retailers who already have shops in several towns in Haiti. The micro-franchised retailers are provided with product, social marketing and basic accounting training.

### **Products with a positive impact on health, the economy and the environment**

Palmis Enèji's primary objective in promoting more efficient cooking appliances is to halt deforestation. Improved table-top cookers will reduce the volume of charcoal used by households and street food vendors by between 30% and 50% compared to traditional table-top cookers (and LPG table-top cookers will eliminate wood consumption completely). An improved table-top cooker for a family of five translates into a saving of 1.5 tonne of wood a year (LPG table-top cookers save 9 tonnes a year). Improved table-top cookers also reduce the risk of respiratory diseases caused by the fumes generated by traditional appliances and solar lanterns provide better quality lighting.

In Haiti, where wood is becoming an increasingly scarce commodity, these savings are crucial: a poor family spends between 30 and 40 dollars a month on cooking fuel.

Palmis can therefore help families who buy an improved table-top cooker to save over 10 dollars a month.

They are also given promotional and marketing tools and supplier credit equal to 90 days' stock so that they can launch this activities without any start-up working capital. The network is run by franchises which belong to the company and which also warehouse the stock and coordinate marketing campaigns. The last link in this geographical network is the sales force working out of

head office which specialises in selling professional cooking equipment to street food vendors. Palmis also has a number of key accounts - local and international associations and Haitian companies working among deprived Haitian communities.

The social micro-franchising model was chosen to ensure that Palmis is sustainable in the long term and the change in its legal form and structure reflect that choice. Palmis sold 9,600 improved table-top cookers, 1,085 LPG table-top cookers and 9,591 solar lanterns between the launch of the programme and October 2015 (benefitting 100,000 Haitians and 200 street food vendors). Palmis Enèji estimates that it has directly helped to cut CO2 emissions by 36,000 tonnes, to preserve 16,041 tonnes of wood and save 3,200,000 dollars' worth of fuel. Based on its current strategic plan, Palmis should break even in 2018 when the company will have sold over 45,000 lighting and cooking appliances (benefiting over 225,000 Haitians).

Faced with a number of positioning challenges, Palmis has to focus exclusively on its "core business" of establishing a distribution network able to reach the poorest sections of the population. However, it also needs to ensure the network is supplied and to be able to offer its customers credit terms and to publicize its activity and this is why it has adopted a partnership strategy.

## PARTNERSHIP STRATEGY FOR MORE EXTENSIVE ACTION

Palmis opted from the outset to outsource part of its supply process by setting up a partnership with Total Haiti. This Total Group subsidiary imports large quantities of solar lanterns under the group's "Awango" brand name which it distributes through service stations. Palmis buys these lanterns directly from Total, enabling it to negotiate wholesale prices and avoid tying up large sums of money in stocks and it enjoys a two-year warranty on all products purchased. The partnership enables Total Haiti to reach the most deprived people who would not otherwise buy a solar lantern in a service station due to a lack of both information and money. The two distribution networks therefore complement each other.

*Palmis is also partnering a microfinance institution to address its customers' inability to save.*

The company has set up credit facilities in partnership with Palmis Mikwofinans Sosyal (PMS) for its most expensive products (professional table-top cookers and domestic solar kits). Together they developed an energy credit product for PMS customers and prospective Palmis Enèji customers in early 2014. However, demand for the product failed to meet expectations in 2014 and 2015 (its term appears to be too short, monthly instalments too high and the application procedure may discourage some customers). The partners plan to rework the product and application procedure to improve this service. Outsourcing provides Palmis with an existing organization, sufficient liquidity and good risk management, while the PMS network will enable Palmis Enèji to market its products to PMS's 8,000 active borrowers.

Finally, Palmis Enèji is working with several international organizations and backers on national social marketing campaigns in order to publicize its products and actions. By teaming up with other organizations in this sector, Palmis has helped to establish an environment that is conducive to marketing its products without incurring excessive operating costs.

After three years' in business, Palmis Enèji has successfully channelled financially accessible products with a strong social value to the most vulnerable sections of the population. However, as the low profit margins resulting from its distribution model do not yet cover its operating costs, Palmis has "tweaked" its distribution strategy. The first pilot franchise outlet is due to open in a Total Haiti service station so that it can leverage customer footfall while paying only a fraction of the

overheads. The sales team based at head office is to be expanded to boost sales via key accounts and the product range is to be expanded to include larger, more efficient solar kits. Coupled with improvements to PMS's energy credit product, Palmis Enèji hopes to increase sales of products with a strong added value while continuing to reach the poorest sections of society.

#### Footnotes

1 Out of a population of 10.4 million, 6 million live on less than USD 2.50 a day.

2 Liquefied petroleum gas (LPG) is a mixture of light hydrocarbons (obtained from oil and natural gas) stored in a liquid state.

3 Grameen Credit Agricole Microfinance Foundation and Yunus Social Business Foundation.

#### REFERENCES:

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