

Case Study - PALMIS Enèji – Haiti

General considerations

This is a summary report of an assessment of the Palmis Enèji organization, based on the criteria of the Social Business Scorecard (SBS) developed by CERISE and its partners. The SBS social audit was carried out by Entrepreneurs du Monde in November 2014. For more details on the SBS social audit tool, go to www.cerise-sb.org.

Presentation of Palmis Enèji



- **Name:** Palmis Enèji
- **Acronym:** PE
- **Country of operations:** Haiti
- **Year operations began:** 2013
- **Social objectives:** Promote access for all to clean, inexpensive state-of-the-art energy
- **Sector:** Access to indigenous energy sources
- **Activity:** Distribution of energy products through a network of small franchised microenterprises
- **Project initiator:** Entrepreneurs du Monde
- **Status:** PLC (in process)
- **Board:** Entrepreneurs du Monde, Grameen Crédit Agricole, Yunus Social Business Foundation Haiti.

KEY FIGURES

- * 7 341 improved cookstoves, portable gas cookers and solar lamps sold in 2014
- * Network of 65 franchised retailers
- * 13 494 metric tons of CO₂ emissions avoided in 2014
- * 5 984 metric tons of wood saved



Palmis Enèji as seen through the scorecard

General considerations

Palmis Enèji (PE) wanted to assess its practices to identify concrete actions that would help the organization achieve its social goals. A review of practices and the indicators in the SBS social audit tool can help a startup enterprise like PE to formulate its social strategy and organize its activities and procedures. The tool's comprehensive framework enables a better understanding of the organization's social performance drivers.

There are some specific aspects to PE's case that could contribute a fresh perspective within the framework of the social audit tool: like many developing future social businesses, PE grew out of an NGO programme and is just being established; it benefits from a partnership with a large company, enabling it to test the tool's optional dimension; and its financial structure as a public limited company is complex enough that the list of criteria and practices can be used to evaluate profits and return on investment.

Results by dimension

Purpose

Palmis Enèji's social **purpose** is to help provide a solution for Haiti's energy issues using a dedicated business model. Over the short term, PE aims to provide access to an efficient and renewable energy source for 100 000 households by the end of the company's first three years. PE's purpose is formalized in its charter, which will be appended to the shareholders' agreement once it is adopted by the General Assembly.

In the charter, PE and its stakeholders defined a **set of social goals** using Key Performance Indicators established by the investors. For now, the impact indicators¹ are inferred from the product sales figures based on per-product impact estimates developed in June 2014 and drawn from technical studies.

PE will become operational in terms of **periodically assessing the achievement of its set social goals** only once the social business has been officially created as a public limited company (PLC), since these objectives will enter into effect only at that time.

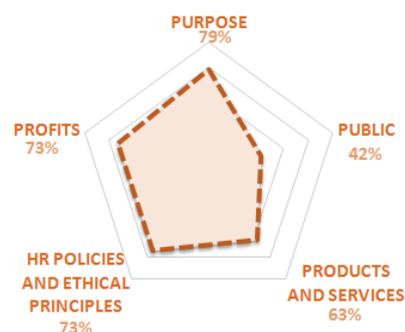
PE's social and environmental mission is safeguarded by formal procedures included in the charter, the shareholders' agreement, and the by-laws.

The **range of actors associated with governance is limited**. For the time being, the company has no specific body representing stakeholders other than shareholders. One management board member (independent) comes from an environmental protection organization, contributing expertise that is relevant to PE goals. The charter is adopted by the general assembly, but the employees do not sign it.

Reaching financial equilibrium is one of PE's medium-term goals. The business plan provides for **achieving financial sustainability within three years**.

Public

PE took vulnerability, exclusion and poverty criteria into account to identify margins for improvement with respect to **the definition of its target populations**. For the time being, in particular for the "downstream market", there is no precise description of the target population, although the products and services appear to prioritise poor populations. There are no economic targeting criteria for employees and retailers (i.e. the "upstream market"), although as a point of fact, the chosen business model promotes the integration of low-income populations, especially through access to microcredit.



¹ Biomass savings, renewable energy produced, CO2 emission reduction, toxic gas emission reduction, financial savings for households.

PE set up **mechanisms to guarantee access to poor populations**. The preliminary market studies focused on groups of poor people and the products were tested by the target beneficiaries before marketing. Financial services were also developed for customers and retailers.

Products and services

PE developed an **innovative distribution mechanism** through the marketing of different models of solar lamps, solar kits for multi-point lighting, and new improved cookstove models. The solar lamps and solar kits are a novelty in Haiti. The distribution process itself is innovative in that it is based on a microfranchise model in combination with a credit supply for franchised retailers.

PA has not yet sent retailers or end clients a formal **satisfaction survey** to ask for feedback.

To minimize risks for user clients, PE applies **certification criteria or performance and quality standards** for all solar and cooking products.

The production cost and product prices proposed are still frequently too high for the population most at risk. For this reason, a **range of financial services is offered to enable the acquisition of the products** in partnership with a microfinance institution. About 8.5% of 2014 sales (through to the month of October) were made possible through microcredit. **Training is organized for retailers** on the use of the products. Retailers can then pass the information along to their clients to promote the best use of the products. Retailers receive documentation with selling points for each product. The training team for Entrepreneurs du Monde Haiti also provides management training for all retailers.

HR policies

The **human resource management policy is set down in writing**. It provides for health insurance coverage, invalidity insurance for the disabled, paid vacation, maternity leave and retirement pensions. The fixed part of the lowest salary for employees is greater than the statutory minimum wage in Haiti. Employees have access to training opportunities. On the other hand, nothing is specified in the wage policy about wage development. PE does not assess employee health and safety risks, and normal working hours and overtime are not recorded. Job satisfaction and job turnover are not subject to formal monitoring.

Ethical principles

PE has a good level of **transparency vis-à-vis its clients and retailers**. Its relations with retailers are contractual. Prices for clients are posted at the affiliated retailers'. Information on product use and the guarantees is available in user booklets.

There is some room for improvement when it comes to **preserving the confidentiality** of client and retailer information.

A **guarantee covers the products** proposed and allows clients to exchange defective products easily in the retail outlets.

As for PE's **environmental liability**, it is worthy of note that the company's products: 1) help to preserve biomass by helping to reduce deforestation, 2) reduce the greenhouse gas emissions of Haitian households, and 3) produce renewably sourced electricity. Thanks to the guarantee on the solar lamps, most of the non-operational products are recovered and the batteries stored for subsequent recycling by the supplier involved in the initiative. PE has also consulted with stakeholders about its social and environmental impacts as part of its Gold Standard registration procedure for carbon credits. Under the Gold Standard registration procedure, the company was also required to do a systematic analysis of its non-carbon environmental impacts. PE also does an annual field survey on a representative sample of clients to estimate how much GHG emission has been avoided through the use of the LPG cookers distributed.

Profits and sustainability

Employee compensation is transparent and is based on the application of a wage scale. As for pay equity, wages from lowest (local custodian jobs) to highest (expatriate personnel) are on a scale from 1 to 8.

Profit earning goals and the policy objectives for reinvestment of future profits in the business are in keeping with the social mission. A "social business" clause written into the by-laws stipulates that "while investors can recover the nominal value of their investment, all additional profits are reinvested to further the company's social or environmental goals".

Partnership

PE set up a **partnership with the Total company**, in connection with its core business and expertise. The partnership gives PE the benefit of a recognised technical capability, access to Total's range of products, and training on product quality criteria and guarantees.

The range of PE's and Total's experience and expertise is applied to capitalisation projects. Training sessions are led jointly. Strategic meetings are also organised. Experiences with the photovoltaic solar kit products were shared.

Supplementary information: other aspects of PALMIS Enèji as a social business

Using the Scorecard highlighted some of PALMIS Enèji strengths:

- the integration of social and environmental goals into PE's strategic documents, validating the company's shared vision,
- the innovative nature of the microfranchise model used (and which can be replicated elsewhere),
- the range of high-impact, environment-friendly products that are subject to clearly defined quality criteria and significant guarantees (up to 2 years for the solar lamps),
- the clearly formulated policy on the use of future profits.

The assessment also revealed some weaknesses:

- The publics are not sufficiently defined in terms of socio-economic profiles.
- The suitability of the products for client needs still needs to be monitored.
- The definition of PALMIS Enèji's strategy and its governance includes only some of the stakeholders representing only a narrow range of players.

Following this exercise, a set of recommendations was established:

- Social mission:
 - The mission statement featured in PE documents must be consistent.
 - The terms of the PE mission statement need to be defined, in particular for the target groups, so as to be able subsequently to assess how PE's outreach aligns with its mission.
 - Present the charter to the employees and have them sign it.
- Tailoring of products and services:
 - Conduct a client satisfaction survey in 2015.
- Ethical principles:
 - Liability vis-à-vis clients: complete the safety certification process for LPG products.
 - Social environmental responsibility: extend the solar lamp recovery policy beyond the two-year guarantee.
- HR policies
 - Formalize the job satisfaction monitoring (for example, initially by consolidating employee comments and suggestions during annual assessments).
 - Monitor job turnover and calculate the annual turnover rate, stating the reasons for leaving.
 - Assess employee health and safety risks.
 - Record normal working hours and overtime.