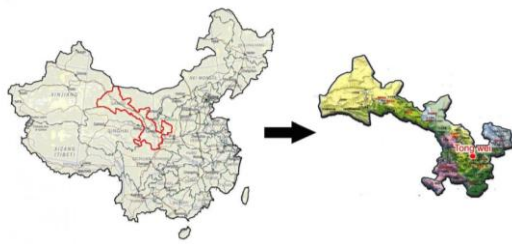


June 8th, 2011

“From rural Isolation to Market Integration”

PlaNNet Finance kicks off lending activities under the second project in Tongwei County, Gansu Province, China



Tongwei, Gansu Province

Context

A “Microfinance + environment” Project

To fight poverty in a more comprehensive way, PlaNNet Finance developed the “Microfinance + Environment” business line which employs microfinance as a tool to encourage and increase the protection of local environments. Under this business line, programs leverage existing microfinance institutions’ infrastructures to implement initiatives which raise awareness and positively impact areas of renewable energy, waste management and biodiversity.

The Tongwei project encourage sustainable social, economic and environmental development

From 2007 to 2009, Tongwei I, a PlaNNet Finance project in central-western China which was financed by the European Commission, offered microcredits to poor farmers, enabling them to install biogas systems for their households. The loans complemented a Chinese government subsidy program which provided some of the material costs for the installation.

Tongwei II “From Rural Isolation to Market Integration”, offers continued support to assist Tongwei County’s residents and government develop in a sustainable manner. The project’s activities focus on increasing financial inclusion, spurring the local economy through income-generating commerce activities, further incorporating renewable energy technology into daily life, developing Tongwei’s nascent green industries, and finding ways to add value to raw commodities within the greater Tongwei farming communities.

Interview with Alison Schmidt, Deputy Project Manager

“... Taking advantage of renewable energy technology while simultaneously building the local economy and improving the poor living conditions of local communities ...”

What types of loans are offered in Tongwei II's microfinance activities?

Tongwei II offers two types of loans. One type of loan is for the adoption of renewable energy technologies. In the initial stages of the project, most loans will be used for the construction costs of installing a biogas system. However in the later stages of the project, PlaNet Finance is also interested in the incorporation of housing improvements into the loans. These housing improvement loans would increase the heating efficiency of the rural home and therefore decrease the households' reliance on dirty and expensive coal.

The other type of loan offered is for small, local commerce activities. With loans ranging between RMB 1,000 to RMB 5,000, farmers can start a new activity or expand upon an old activity. Activities may include buying a cow, opening a small convenience store, or purchasing new and improved seeds.

How has the Tongwei I project influenced the vision and the program of the Tongwei II project?

The Tongwei I project significantly influenced the Tongwei II project. For starters, it allowed us to see that there was still a great need to carry on our work in this area. We developed the Tongwei II project to address the most pressing issues that we felt were continuing to prohibit the local communities' access to a healthy and sustainable social, economic, and environmental development path.

One of the identified issues was the need for greater and more diverse access to financing in the outer areas of the county. As a result, the Tongwei II project focuses on five townships, all of which lie in on the outer perimeters and have never received loans from the Tongwei Rural Development Association, a local microfinance institution. To diversify the products available, the Tongwei II project will offer 1,200 renewable energy technology loans and 1,800 small-commerce loans.

Another issue that we identified was the need for greater access to trainings, information, and entrepreneurial/innovative ideas. Therefore, we developed a main activity of the project to be the creation of the Rural Business and Innovation Centre (R-BIC.) R-BIC will have an open-access resource centre for local farmers, an experimental laboratory, and a renewable energy showcase where pertinent technology will be displayed.

Story of a Beneficiary

Ms. He, farmer resident of Village and one of the first recipients of a Tongwei II loan



Ms. He is one of the 28 recipients of the Tongwei II small business loan. Shortly after receiving the loan funds at the launch ceremony, Ms. He bought a fully grown beef cow that had not yet attained its full weight. The purchase price of the cow was RMB 5,800 (roughly EUR 626) which she hopes to sell later in the year at a potential profit of between RMB 2,000 and RMB 3,000 (EUR 216 and EUR 324). The profits will go to support her four-person household that survives on subsistence farming and the RMB 5,000 (EUR 540) per year that her unskilled husband earns from working in construction in neighboring Huining County - which lies 100 kilometers to the north of "Forever Victorious" village.

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