



CASE STUDY 30: TUNISIA – SOLAR WATER HEATING EQUIPMENT FINANCE PROGRAM

Barriers	Lack of affordable credit to households
Instrument	Interest buy down subsidy
Application	n/a
Amount	US\$1 million

PROJECT BACKGROUND AND OBJECTIVES

UNEP is implementing an effective and innovative programme, PROSOL, for financing domestic solar water heater (SWH) equipment in Tunisia as part of its Mediterranean Renewable Energies Programme (MEDREP). Even with strong consumer confidence in the reliability of solar water heater (SWH) technology, the high initial cost of SWHs was still a substantial market barrier when compared to cheaper water heating alternatives such as gas water heaters. To address this barrier, PROSOL introduced a credit mechanism in 2005.

PROSOL employs a range of institutional and financial support to develop and sustain the solar water heating market, including:

- A credit mechanism for SWH buyers, with loans provided, via the SWH suppliers, of up to a 5-year term and collection of principal and interest via the customer’s electricity bill.
- A subsidy for each SWH purchase, provided by the Tunisian government, representing 20% of the cost of the system (up to 100 dinars or 62 euros per m²).
- Discounted interest rates on SWH loans for the year 2005-2006 with funds from MEDREP

INSTRUMENTS USED

The commercial lending rate for similar loan products in Tunisia is 14%. Through a total commitment of US\$1 million, UNEP provides a 7% interest buy-down which is phased out over time. The banks involved – the leaders

being Amen Bank and UBCI – have agreed to a further 7% reduction meaning the rate initially charged to customers is 0% and after 12 months 7%. UNEP’s interest subsidy will phase out over the next 6–8 months.

INSTITUTIONAL ARRANGEMENTS

The PROSOL credit programme works as follows. First, a customer decides to purchase a solar water heater from a supplier, who installs the solar water heater at the customer’s home. The customer pays the loan processing costs and any residual system costs. After installation, the supplier receives the subsidy payment from ANME of 200 dinars for the 200 litre solar water heater (2 m²) or 400 dinars for the 300 litre water heater (equivalent to 4 m²). The supplier also receives 750 dinars for the 200-litre water heater or 950 dinars for the 300-litre water heater directly from the bank. This sum represents a credit granted indirectly to the buyers of the solar water heater, via the SWH suppliers, and will be refunded through the customer’s Société Tunisienne de l’Electricité et de Gaz (STEG) electricity bill. The SWH suppliers carry the loans on their balance sheets. The PROSOL account at the Société Tunisienne de Banque (STB) receives the sums collected from STEG of the loan principal and interest; these funds are then disbursed to the bank accounts of the solar water heater suppliers concerned, who use these funds to repay the loans. Overall, about 70% of the costs of the SWHs are paid via the loan with the balance from the subsidy and upfront deposits from customers. Once the

SHW's are installed, customers benefit through reduced costs of water heating. An extensive communications and advertising campaign to market the programme is included, paid in part by MEDREP.

OUTCOMES

PROSOL began operating in April 2005 and during that year 7200 solar water heating systems were installed, the equivalent of 22,616 m², which on an annualized basis was 60% higher than the previous best year in 2001.