

creation of a local market; and the *business route*, in which banks, private companies and entrepreneurs are devising and testing a number of schemes to make financing available for the purchase of the PV system, thus helping to create a market for photovoltaics at the same time. One way or another, currently each of these routes somehow benefit from the intervention of governments, multilateral organizations and lending institutions. On the other hand, boundaries between these routes are not necessarily clear-cut, so that combined or coexisting schemes are not uncommon.

Not everyone in rural areas is necessarily poor or totally dispossessed. Some people live in remote places for convenience, either because their source of income is attached to the natural resources locally available, or because they prefer living in a cleaner and quieter environment than in the city. They do not have electricity from the grid, simply because they are too far away, but they usually rely on gasoline or diesel-fuelled gen-sets for their electrical service. These people, however, could easily purchase a PV system without any financial assistance, if one was made available to them. This is already a good market that is being tapped in a number of countries, such as Spain, Colombia, Mexico and others. On the other hand, some estimates indicate that between 25 and 50% of people living in remote places could purchase a SHS provided some sort of financial assistance was available to them [27]. This is a substantial market in its early stages of development; to tap this market a number of schemes are being tried by private entrepreneurs and multilateral development organizations, as is the case in Kenya, Zimbabwe and the Dominican Republic. However, the poorest of the poor, representing the largest portion of the world's rural population, can hardly ever afford to buy their own PV systems.

23.3.4.2.1 *The business route*

For those in need of financial assistance, two alternative models are being tested. One focuses on the sale of the PV system (the sales model), the other on the sale of the electricity produced by the system (the service model). Both models have advantages and shortcomings and both involve flows of money beyond the control of the PV user.

In the sales model, the PV system is purchased on credit by the user, who becomes the owner and takes over the responsibility of system maintenance and replacement of parts. Money for the transaction is usually borrowed by the user from a set of different sources, which may include the system supplier, a finance institution, or any other type of credit organization such as a revolving fund or a local microfinance operation. In any case, money is obtained at a cost, which adds to the cost of the PV system, and is paid back in periodic installments under prearranged terms and conditions. However, this additional cost is what entitles the user to the benefits of electricity, albeit in small quantities. This model is preferred by those who like the social status of system ownership and are willing to assume the task of maintaining the equipment and the responsibility for replacing damaged or worn out parts.

People not willing to take any risks, may opt for the service model, in which the supplier retains ownership of the PV system, or of some parts thereof, and then charges some monthly fee for the electricity delivered to the user. The supplier maintains the system and becomes responsible for providing the user with electricity, according to system capacity. Following the current practice, this kind of service can be provided through a regulated concession, an unregulated open market provider or a community-based provider.