

## Meeting Basic Needs through an Innovative Credit Program in Colombia



### CLIENT

Energy holding company Promigas S.A. E.S.P. designs, builds, operates and maintains natural gas transmission and distribution systems in Colombia. It distributes gas in 13 of the country's 32 departments and electricity in the Cauca department. By offering credit to mostly unbanked, largely base-of-the-pyramid (BOP) utility customers through its *Brilla* program, Promigas and its gas distributors are improving the quality of life of their customers.



### IDB SUPPORT

With a loan of up to US\$20 million from the Inter-American Development Bank's Opportunities for the Majority (OMJ) initiative, Promigas will expand *Brilla* to enable 1.4 million of Colombia's BOP families to be able to afford basic necessities such as floors, beds, stoves or school fees. OMJ is lending up to US\$20 million—the first loan exclusively for this program—and is mobilizing private capital from commercial banks and other financial institutions for up to US\$30 million.



### THE CHALLENGE

Becoming part of the formal economy, opening a bank account, or obtaining a loan continues to be a challenge for the majority of BOP families in Colombia. In areas where Promigas operates, one-third of families earn too little to purchase basic goods and services, and just over half of them earn enough to pay for their living expenses. Almost 87% of the company's residential customers are among the poorest in Colombia.

On average, 72% of BOP adults—particularly those with low education levels—lack access to financing, which in turn results in lower incomes. BOP borrowers often end up paying much higher interest rates on loans taken outside the banking system or on credit from hardware or appliance stores.

Colombian financial institutions have not been successful at lending to the BOP segment. It is expensive and difficult to obtain the credit histories of individuals who have no bank account or paper trail of their incomes or businesses. Low-income individuals have a reputation as high-risk borrowers—even if that cannot be proved. Additionally, opening up branches in remote areas of the country where much of the BOP lives is seen by banks as expensive and not worth the investment.

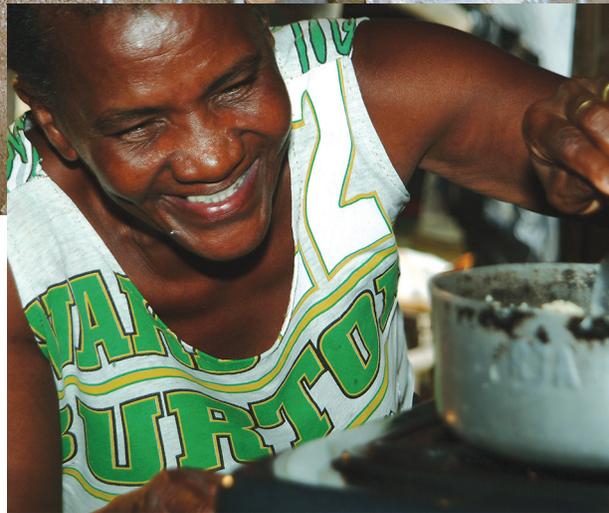
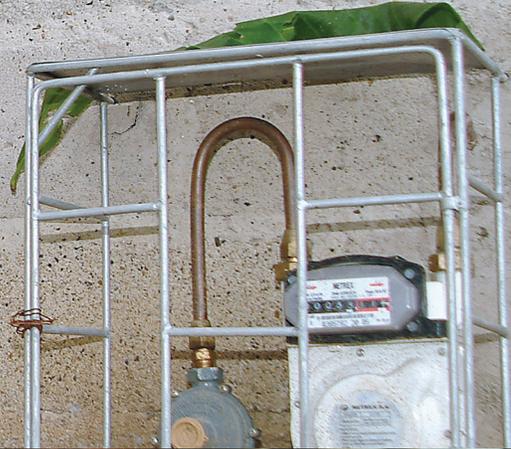


### THE SOLUTION

Promigas has a mass reach and can affordably assess credit histories of BOP consumers; it offers credit to those who have repaid their gas connection and bills on time for two years. *Brilla* uses Promigas distribution and bill collection channels to reach the credit beneficiaries. To be part of the program clients are not required to make do down payments or put up collateral.

The program's portfolio of goods and services responds to the clients' particular needs. After surveying its customers, Promigas concluded they needed money to improve their homes, pay tuition, start businesses and have a cushion for emergencies, so *Brilla* tailored loans to those needs. With the *Brilla* loans, borrowers buy on credit from several hundred hardware, appliance and department stores, boosting sales at small stores and stimulating local economies.

Promigas serves almost 2.6 million people, and *Brilla*'s OMJ-financed expansion is expected to give 1.4 million low-income families financing so they can invest in 400,000 home improvements, buy 700,000 household goods and appliances—including energy efficient ones—and 275,000 computers and tablets. The expansion will also finance 25,000 loans for technical education and school supplies.



The Brilla program has allowed 24% of Promigas' BOP clients to access credit to finance home improvements, as well as basic amenities such as refrigerators, and stoves. Almost 94% of Brilla's customers have family monthly incomes of less than US\$914.



## INNOVATION MAKES THE DIFFERENCE

Promigas has leveraged the valuable information it gathers from its BOP clients and transformed it into a business opportunity. *Brilla* builds on Promigas' existing infrastructure and information to quickly and cheaply assess the creditworthiness of the unbanked and offer affordable credit. This program is not only profitable for Promigas, it has also allowed the company to have a positive impact on the families it serves.

Through sharing of credit information, Promigas allows customers to access financing with other institutions, since their track record through Brilla is reported to the National Credit Bureaus.



Copyright © 2013 Inter-American Development Bank. This work is licensed under a Creative Commons IGO 3.0 Attribution-NonCommercial-NoDerivatives (CC-IGO BY-NC-ND 3.0 IGO) license (<http://creativecommons.org/licenses/by-nc-nd/3.0/igo/legalcode>) and may be reproduced with attribution to the IDB and for any non-commercial purpose. No derivative work is allowed.

Any dispute related to the use of the works of the IDB that cannot be settled amicably shall be submitted to arbitration pursuant to the UNCITRAL rules. The use of the IDB's name for any purpose other than for attribution, and the use of IDB's logo shall be subject to a separate written license agreement between the IDB and the user and is not authorized as part of this CC-IGO license.

Note that link provided above includes additional terms and conditions of the license.

The opinions expressed in this publication are those of the authors and do not necessarily reflect the views of the Inter-American Development Bank, its Board of Directors, or the countries they represent.

