

# Clean Cooking – Higher Tier Cookstoves Market Acceleration through Results Based Financing

# SNV

## SNV Netherlands Development Organization

SNV started work in Kenya in 1967. Aligned with the Government of Kenya's Vision 2030, SNV focuses on the agriculture, water, sanitation and hygiene and the renewable energy sectors. Within these thematic areas, SNV provides advisory services; promotes the development and brokering of knowledge, and supports policy dialogue at national level. SNV works with governments, local authorities, private sector, farmer groups and non-governmental organizations. To increase the effectiveness of its programmes and its resources, SNV also works in partnership with other development agencies, as well as private and public sector organizations.

In the renewable energy sector, SNV's goal is to contribute to the improvement of livelihoods of the rural and peri-urban people in Kenya by accelerating the dissemination and use of renewable energy products and services. The majority of people who rely on biomass for thermal energy and who lack access to electricity are in rural areas and the specific people who cook with biomass or charcoal are almost universally women. Therefore, the lack of access to affordable energy services -- "energy poverty" -- disproportionately affects women and girls due to their traditional roles, household responsibilities and low socio-economic status. Access to affordable energy is an essential prerequisite to achieving economic growth and poverty reduction in Kenya. SNV therefore acts as a facilitator in enhancing commercially viable markets for Renewable Energy products and services for households and supports SMEs in underserved areas with focus on lighting and cooking from biogas, biomass and solar.

Energizing Development (EnDev), a global programme financed by Australia, Germany, and The Netherlands through the Ministry of Foreign Affairs (DGIS), Norway, Switzerland and the United Kingdom, funds the Higher Tier Cookstoves RBF initiative being implemented by SNV. EnDev is implemented by the Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ) GmbH (German Technical Cooperation) and has programmes in 24 countries worldwide. By end of 2013 EnDev had reached almost 11 million people, more than 12,000 social institutions and over 25,000 small and medium enterprises to gain access to energy in as little as nine years.

## Results Based Financing (RBF) Initiative for Higher Tier Cookstoves

The Results Based Financing (RBF) concept is about developing and testing viable business models, that employs financing as a performance incentive rather than a traditional lump sum loan payment. The key feature is *payment upon delivery*. Private participants are expected to take *the full risk until the moment of delivery* of the contracted results. RBF instruments are generally characterised by the following principles:

- *Disbursement of funds is contingent on the delivery of pre-determined results (outcomes or closely related outputs);*
- *Results are broadly defined to allow for product & service innovation by allowing flexibility to service providers;*
- *Verification acts as the trigger for disbursement;*
- *Incentives are non-discriminatory, in that all eligible service providers are able to participate on a competitive basis.*

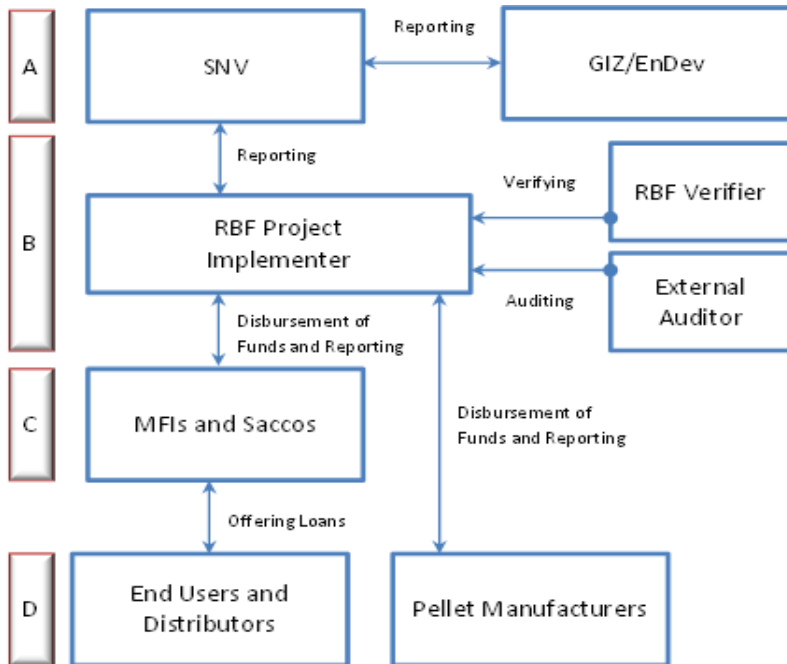
The goal of the RBF is "to overcome market failures constraining private sector delivery of distributed renewable energy systems providing modern energy services to the poor". RBF funding is intended to reduce or mitigate commercial market failures, however not in the sense of large-scale capacity building or policy support, but by providing financial incentives to the private sector to overcome typical, but temporary, market development risks.

The financial incentives are therefore a temporary measure aimed at transforming the market and lifting it into an efficient and self-sustaining level through mitigation of market and growth barriers.

This SNV RBF Initiative for Higher Tier Cookstoves has been designed to mitigate the risks that the MFIs and SACCOs would encounter with new customers with unknown default rate, low initial volumes and unknown product.

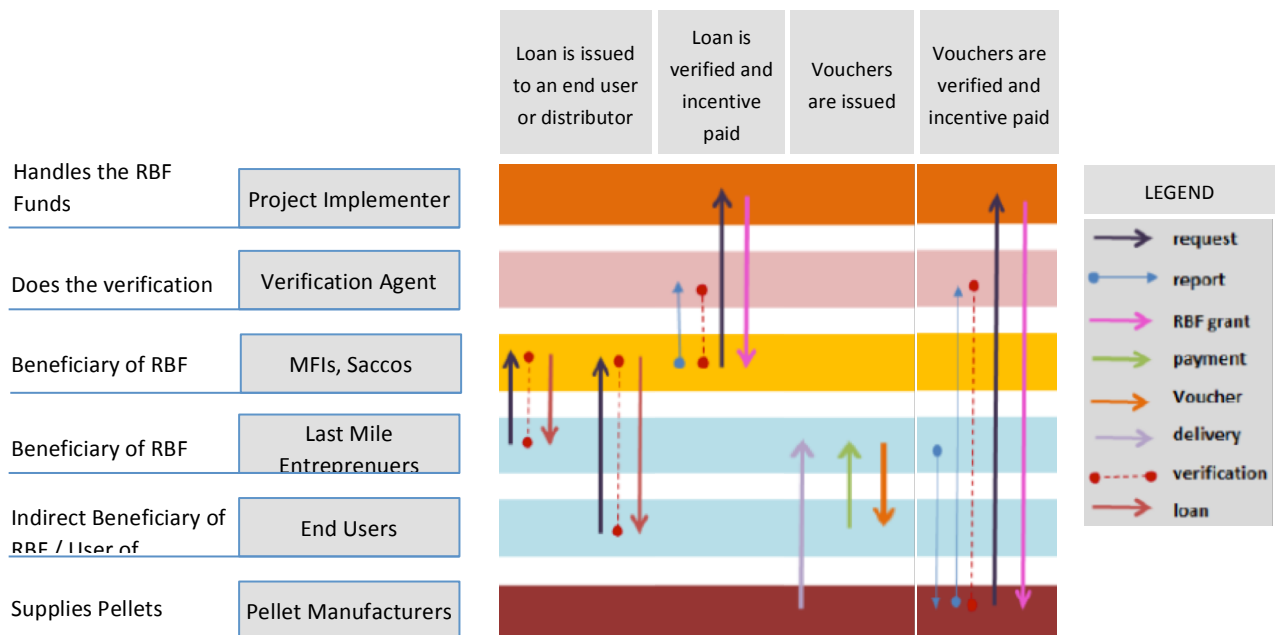
The RBF therefore would serve several purposes for example it can be used as risk fund, simplify processes, staff training, buy necessary technical devices or start a revolving fund at the financing institution. The beneficiaries will be free to propose the use of the RBF fund.

## Implementation Structure



(A) SNV; (B) RBF Project Implementer; (C) Direct beneficiaries (D) Indirect beneficiaries

## Incentive set-up



**The target is to enable access to clean cooking for 100,000 households.**