While vast numbers of people in developing countries expect to remain off-grid for the coming decades, innovative financing mechanisms are needed to accelerate and scale the dissemination of solutions that bring access to energy to those who need it most, while contributing to climate change mitigation. SNV is among the first organizations world-wide successfully implementing Results Based Financing (RBF) facilities in the energy sector, aimed at overcoming market barriers constraining private sector delivery of modern energy services to isolated communities. The key feature of RBF is payment upon delivery, with the private sector expected to take the full risk until the moment of delivery of the contracted results.

Private sector involvement in the sector is essential if we are to reach the Sustainable Development Goal of affordable and clean energy for all. However, companies often face increased risks and challenges to successfully operate their business in developing countries, and particularly to scale their operations in new off-grid markets. By providing a temporary financial incentive to companies to deliver certain energy products and services in off-grid communities, the RBF leverages investments from the private sector to increase access to clean energy in remote areas. As the market develops and economies of scale are achieved, the level of incentive is reduced. RBF provides flexibility for the private sector to work with different business models, supporting the development of sustainable markets which will continue to grow once the incentives have come to an end.

Supported by different donors and partners including the Energising Development (EnDev) programme, DFID, AFD, EU, World Bank and IFC Lighting Africa, SNV is involved in the implementation of RBF facilities in different renewable energy sub-sectors and markets across Africa and Asia. Examples include the application of RBF for solar market development in Tanzania and Cambodia, market acceleration of advanced clean cookstoves in Kenya, Cambodia, Vietnam and Laos and RBF incentives contributing to self-sustaining biogas markets in Vietnam, Kenya, Uganda and Tanzania.
Box 1: Accelerating solar PV market development in Tanzania

In collaboration with EnDev and DFID, SNV is accelerating market development for solar products and services in rural areas of Tanzania. The objective is to facilitate access to energy for 360,000 rural Tanzanians in 5 years. The RBF facility focuses on the application of a temporary financial product in mainstream banking that serves to assist the private sector in developing the market for Lighting Global approved solar products: solar lanterns, phone chargers and solar home systems. The RBF facility was designed in close consultation with the private sector, to identify the main bottlenecks hampering market development, and designing incentives to unlock those barriers. To date, the project has shown very promising results, with almost 300,000 people achieving access to clean energy. Almost 1,200 new jobs have been created and 25 new solar products have been introduced into the market. Due to the success of the project, DFID and EnDev decided to scale up the RBF facility and include other remote regions of the country.

Box 2: Towards a self-sustaining biogas market for clean cooking in Vietnam

In an effort to phase out the biogas subsidy market and reduce dependency on Official Development Assistance (ODA), SNV applied a RBF approach in the Vietnam Biogas Programme to help to achieve this goal. By providing performance-related bonuses, it has increased the production and quality assurance of biogas enterprises. The RBF approach has been successful in enforcing the latent power of many biogas companies to look for their own customers, maintain customer communications and to empower the private biogas sector which consists of small, informal groups that are run by individual masons. To be able to quickly track results, SNV used an online verification tool (AKVO). During the first half of 2017, there were 9,647 digester registered from 18 provinces, of which almost 6,000 digesters were claimed for RBF incentives. While verification is still ongoing, RBF incentives were paid out for almost 4,000 digesters. In the coming period, the project will expand to 48 provinces and continuously focus on building the capacity of the private sector to secure their readiness for risk-taking so that these actors can take over existing activities on a commercial basis in the future, building the sustainability of the domestic biogas sector for Vietnam.

Box 3: Igniting markets for advanced clean cookstoves in Greater Mekong

As part of the global EnDev programme, SNV is implementing an innovative RBF scheme that strengthens the involvement of supply chain actors in the nascent market of advanced clean cookstoves in Cambodia, Laos and Vietnam. Over a period of 5 years, the initiative aims to kick-start a sustainable market for clean smokeless cookstoves through the sale of 120,000 devices. It offers incentives to private sector actors for pre-defined results, thereby boosting investments & reducing barriers, stimulating markets to carry on post-Incentive, and demonstrating a new innovative way of using RBF as a financing tool to accelerate low carbon energy access. An ‘Auction Platform’ has been started in each country as a dynamic market-based mechanism to determine required incentive levels to catalyse sustainable markets. The initiative has provided first ever access for consumers to advanced biomass cookstoves in those countries, forming industries and creating jobs along the supply chain for next-generation stoves, allowing consumers to shift towards cleaner cooking practices. Commoditization of co-benefits (carbon, ADALYs) contribute to the results of this initiative in large-scale higher-tier stove deployment.