



THE CAPACITY BUILDING FACILITY FOR CLEAN COOKING ENTERPRISES:

STRENGTHENING THE SUPPLY OF CLEAN COOKING SOLUTIONS BY FINANCING TECHNICAL ASSISTANCE FOR CLEAN COOKSTOVES AND FUELS ENTERPRISES ALONG THE VALUE CHAIN, INCREASING THEIR ABILITY TO ACHIEVE SCALE, ENSURE COMMERCIAL VIABILITY, AND LEVERAGE PRIVATE INVESTMENT.



Credit: Jen Tweedell

THE GLOBAL ALLIANCE FOR CLEAN COOKSTOVES HAS DEVELOPED A \$1 MILLION CAPACITY BUILDING FACILITY (CBF) to support clean cooking enterprises that are ready to scale. Alliance-funded capacity building will be coupled with growth financing, either from an Alliance fund (e.g. Spark, Working Capital) or from external financing sources. The CBF will work closely with partner impact investment funds, as well as local and global service providers, to leverage financing to scale clean cookstove adoption and achieve the Alliance's mission of 100 million households adopting clean and efficient cooking solutions by 2020.

The Global Alliance for Clean Cookstoves

The Global Alliance for Clean Cookstoves is a public-private partnership to save lives, improve livelihoods, empower women, and protect the environment by creating a thriving global market for clean cookstoves and fuels, with a goal of enabling 100 million households to adopt clean and efficient cooking technologies by 2020.

Part of the Alliance's strategy is to strengthen supply by attracting more finance and investment into the sector. The Alliance has developed several financial products to support the development of commercially viable and scalable enterprises in order to create a robust pipeline of investment opportunities for impact investors. These range from the Pilot Innovation Fund (PIF) to fund innovations across the value chain, to the Spark Fund to finance the scale up of proven concepts, to the Working Capital Fund to provide affordable working capital loans for early growth stage companies.

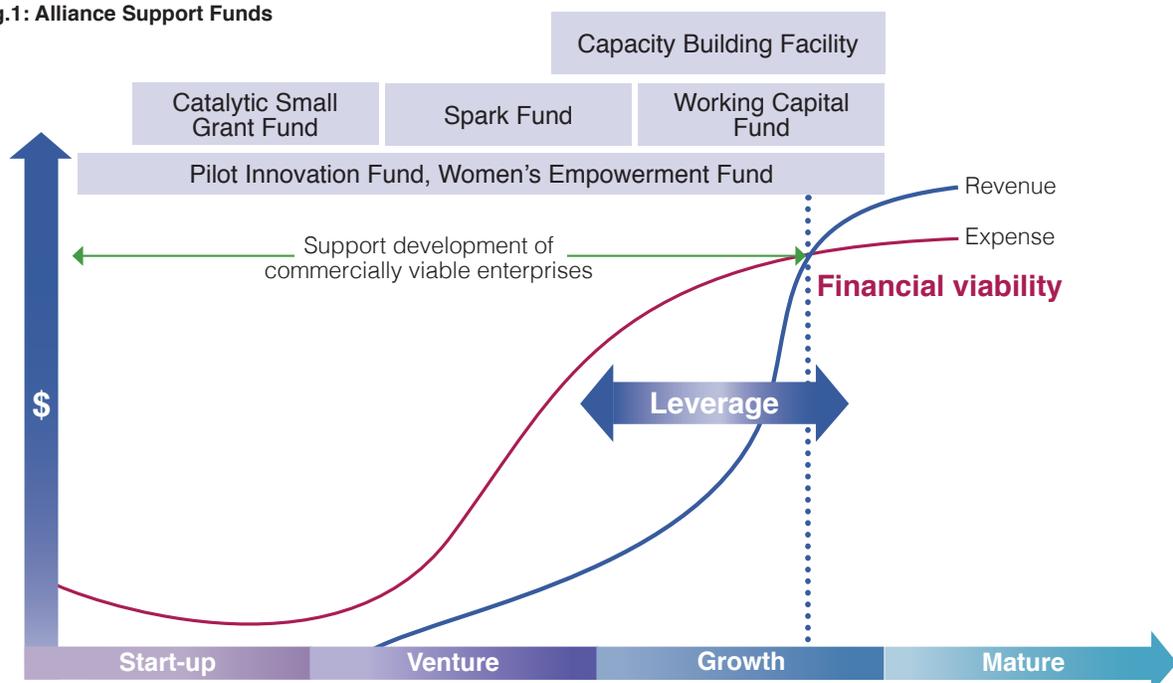
The Challenge

Thanks to efforts by the Alliance and other key stakeholders, impact investors are starting to take an interest in investing in clean cooking enterprises. However, the sector still has a gap in terms of long-term risk capital, which is critical for individual company growth and overall sector scaling. Without such long-term capital, the sector will struggle to scale up and the Alliance could fall well short of its goal of 100 million households adopting cleaner and more efficient cooking solutions by 2020. Lack of internal capacity within clean cooking enterprises remains a key challenge to mobilizing sufficient capital and ensuring investor confidence, and few impact investors are prepared to provide the capacity building needed to strengthen these businesses.

The Solution

The Alliance is developing a range of capacity development interventions to complement its direct investments in enterprises. Capacity building opportunities will be tailored to enterprises at different stages of development and will range from webinars and online materials available to all Alliance partners, to a pre-accelerator program to help local entrepreneurs with basic business planning and financial management skills, to the Capacity Building Facility that funds capacity building services when coupled with committed growth financing.

Fig.1: Alliance Support Funds



Overview of Capacity Building Facility The Alliance’s CBF is designed to fund capacity building for clean cookstoves and fuels companies that are ready to scale and able to obtain long-term capital. Ensuring sufficient supply of clean cookstoves and fuels is critical to the adoption of clean cooking solutions, and both long-term investment and capacity building are key to scaling up supply.

Fig. 2: “The CBF Recipe”



The CBF complements other Alliance support for clean cookstove and fuels enterprises. First, it builds on the resources of the Spark Fund by providing capacity building to attract and leverage investment for more advanced growth stage companies. Second, the CBF complements the Working Capital Fund, which provides short-term financing, by encouraging long term risk capital through capacity building support.

The Facility will do the following:

- Partner with impact fund managers to increase investment in the clean cooking sector by providing access to capacity building services such as strategic planning, financial management, etc. to strengthen their underlying investment;
- Finance the cost of capacity building to leverage grant & investment capital;
- Work with Alliance partners to prioritize the sector capacity building needs of clean cookstove companies, including the incorporation of gender considerations into capacity building delivery;
- Encourage the development and use of local service providers to help create jobs and strengthen indigenous markets for the sector.

Anticipated Capacity Building Needs While every company’s needs are unique, there are common areas that cut across growth stage companies. The CBF expects to support the following capacity building needs, outlined below under two categories, those general to growth stage business and those related to the clean cooking sector.

| GENERAL BUSINESS NEEDS | SPECIFIC NEEDS TO SECTOR COMPANIES |
|---|--|
| <ul style="list-style-type: none"> • Financial management • Strategic planning • Marketing & awareness • Sales & distribution • Operations & systems | <ul style="list-style-type: none"> • Integration of gender considerations • Technology performance & design improvement • Stove testing • After sales service • Impact reporting & compliance |

“The Facility is a great opportunity for funds like the BIX Fund to de-risk its investments in the sector to scale clean cooking enterprises. The support for pre-investment financial due diligence is particularly exciting.”

–JEROEN BLUM, Managing Director, BIX Fund

Accessing the Capacity Building Facility Both pre-qualified investment funds committed to the clean cooking sector and clean cookstove and fuels companies in the value chain can apply for CBF grants. Beyond being sector focused, the key selection criteria include having:

- Committed financing;
- Clear prospects for scaling;
- Demonstrated need for support and ability to management sound projects;
- Commitment to cost-share at least 25 percent of the capacity building’s total cost; and
- Commitment to the Alliance’s mission to save lives, improve livelihoods, empower women, and protect the environment through its work in the clean cooking sector.

HOW DOES THE CBF WORK?

With expected funding of \$1 million for the first year, the CBF could provide up to 10 percent of a bona fide financing commitment for capacity building of an individual company. For example, if a clean cookstove company received a financing commitment of \$900,000, the CBF could provide it with up to \$90,000 in capacity building grants, provided the company also funded \$30,000, which would represent a 25 percent cost-share of the total cost of the capacity building.

The Total Value-Add of the CBF First, the CBF is designed to both attract and leverage investment in clean cookstove companies for sector scaling – the “CBF recipe.” Second, it will be implemented in a manner to further key aspects of the Alliance’s mission, including integrating gender considerations into the capacity building work to advance women’s empowerment and improving product quality by requiring 3rd party testing of stove manufacturing CBF grant recipients. Finally, for the benefit of the sector, it will increasingly build up a roster of local and global consultants that demonstrate their ability to deliver quality capacity building at a reasonable cost.

Underlying Principles of the CBF The Alliance’s Capacity Building Facility has been launched with five underlying principles to guide its initial design, implementation and ongoing evolution: impact, entrepreneur buy-in, effective governance, partnership and learning and innovation. The Facility will evolve through shared learning and innovation with its partners in order to deliver technical assistance in a responsible manner and that either attracts or leverages growth financing for scalable companies.

Fig. 3: Principles of the Capacity Building Facility

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|-----------------------|---|
| IMPACT! | <ul style="list-style-type: none">• CBF structured for impact with clear goals & targets• Capacity building to focus on key opportunities & constraints for scaling• Gender considerations to be increasingly integrated over time |
| Entrepreneur Buy-in | <ul style="list-style-type: none">• Focus of CBF on business’ key opportunities & constraints• Full involvement of entrepreneurs with capacity building design & implementation• Cost-sharing essential for full commitment |
| Effective Governance | <ul style="list-style-type: none">• Contracting of service providers to be both responsible and expeditious• Service provider procurement to be based on value (qualifications, cost, timing)• Funds & companies to contract with service providers within CBF guidelines |
| Partnership | <ul style="list-style-type: none">• CBF to be implemented in spirit of partnership with key stakeholders• Partnership critical for both early success & program growth and later adaptation & innovation |
| Learning & Innovation | <ul style="list-style-type: none">• Opportunity to be innovative in this critical field• CBF to start focused & small and then adapt and expand based on traction, early results and lessons learned |

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