



Deutsche Bank

## CLEAN COOKING WORKING CAPITAL FUND

**OBJECTIVE** Strengthen supply of clean cookstoves and fuels by providing affordable working capital to enterprises across the value chain lacking sufficient collateral or financial history to access traditional debt.

### Context

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

Based on the input of over 350 leading experts and practitioners from across the globe, the Alliance has identified a market-based approach as the most sustainable way to achieve universal adoption of clean cooking solutions in *Igniting Change: A Strategy for Universal Adoption of Clean Cookstoves and Fuels*. Coordinated and published by the Alliance, the report outlines a three-pronged strategy for creating a strong market for clean cooking solutions including:

- *Enhance demand* by understanding and motivating potential users, developing cleaner and more efficient technologies, and providing consumer finance;
- *Strengthen supply* by attracting more finance and investment, helping enterprises to access carbon finance, enhancing market intelligence; and creating inclusive value-chains and innovative distribution models to reach remote consumers;
- *Foster an enabling environment* by engaging national and local stakeholders, building the evidence base for the benefits of clean cookstoves and fuels, promoting international standards and rigorous testing protocols; and enhancing monitoring and evaluation.

### Challenge

A key challenge for many clean cookstoves and fuels businesses is limited access to working capital. Many traditional sources of capital, such as loans or lines of credit from large domestic and international banks, are out of reach for early stage or smaller entrepreneurs who lack sufficient collateral or financial history for a loan. Even if these enterprises are able to secure a commercial loan, interest rates are prohibitively high and therefore restrictive to the organization's growth. In addition, there is a general lack of knowledge amongst lenders about the clean cooking sector.

### Solution

The Alliance is working with Deutsche Bank's Community Development Finance Group to structure a \$4 million not-for-profit revolving Clean Cooking Working Capital Fund (\$2 million initial capitalization via grants followed by subsequent \$2 million fund replenishments). The fund will deploy working capital loans and loan guarantees to enterprises that are not able to access more traditional forms of debt financing. This fund will make available 3 to 5 year flexible financing of USD 250,000 to 500,000 at a concessional yet sustainable interest rate to cover the ongoing operating costs and credit losses of the facility. These rates are still under discussion and the facility could include a one-year grace period for principal repayment. The aim is to operate the facility for 10 years, and to grow and adjust it over time based on the needs of the sector as it continues to mature. The exit strategy we envisage would be to roll the capital into a first loss guarantee for a larger scale commercial working capital fund.

The Alliance will build off its 800-member strong partner base in order to develop a pipeline of applicants for the fund.



Credit: Global Alliance for Clean Cookstoves



Deutsche Bank's Community Development Finance Group provides financing solutions to enterprises that provide essential services to disadvantaged communities globally. Since 1997, the Group has structured 10 debt funds which have supported the growth of more than 100 microfinance institutions and social enterprises located in 50 countries around the world. The \$330 million these funds have invested have benefited millions of low income households through greater access to financial services, affordable housing, healthcare, education and other basic services.



Eco-Fuel Africa



Envirofit



Ranyee Chiang, Global Alliance for Clean Cookstoves