

Results Based Financing to catalyse commercial finance for off-grid solar market development

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Accelerating private sector driven delivery of low carbon energy access in developing countries

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 to overcome 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 into 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 a 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) program, DFID, World Bank and AFD, SNV has been closely involved in the design and implementation of RBF facilities in different renewable energy sub-sectors and markets across Africa and Asia. This session will provide an overview of the results and lessons learned so far, with particular emphasis on the case of the RBF Fund for off-grid solar in Tanzania. RBF was used to trigger solar market development in remote, underserved parts of the country. Between 2014 and the end of 2018, the RBF fund in Tanzania has leveraged €13M of private investments which created 1,256 jobs and access to energy products and services for 390,000 people who did not have such access before. The model has been replicated for other energy products and services in Tanzania, and in neighbouring countries. The session will provide an overview of some of these new initiatives and next iterations of RBF designs considering the lessons learned in implementing these facilities so far.