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KUSCCO'S JIKO SAFI "CLEAN COOKSTOVE" FUND



KUSCCO AT A GLANCE

- Founded in 1973, KUSCCO provides advocacy, training and lending support for SACCOs.
- Through its Central Finance Fund, KUSCCO provides affordable loans to SACCO members.
- Serving a network of nearly 5,000 SACCOs representing more than 10 million members, KUSCCO has a presence throughout Kenya, with five regional offices and nine branch offices.
- The Jiko Safi Fund was launched in 2014 to provide loans to SACCOs for cookstove purchases.

KUSCCO'S JIKO SAFI "CLEAN COOKSTOVE" FUND

The Kenya Union of Savings and Credit Cooperatives (KUSCCO) is an umbrella organization for Kenya's vast network of Savings and Credit Cooperatives (SACCOs). Kenya's SACCOs play a key role in savings networks and access to finance, representing approximately 33 percent of national savings and providing affordable financing to their members. KUSCCO represents the interests of Kenya's SACCOs before the government, as well as providing technical support on financial management and governance. Through its Central Finance Fund, KUSCCO provides low-cost loans to SACCOs in its network, leveraging members' deposits to provide credit for activities ranging from housing and education to small business and agricultural loans.

In partnership with Winrock and USAID under the Developing a Sustainable Cookstove Sector (DSCS) project, KUSCCO launched

the Jiko Safi Fund (Swahili for Clean Cookstove Fund) in April 2014 to lend to SACCOs for cookstove purchases. KUSCCO pairs its staff of over 70 marketing officers with cookstove distributors selected through the program. The KUSCCO marketers work with SACCOs to help them apply for loans from the Jiko Safi Fund, while the distributor provides cookstove marketing, sales and servicing. In exchange for their support in connecting distributors with SACCOs, distributors pay a commission to the KUSCCO marketers for cookstoves sold through the program. Cookstoves from international manufacturers BURN, EcoZoom and Envirofit are marketed through the program.

Under the DSCS grant, the KUSCCO network has sold over 13,000 improved cookstoves to its SACCO members, providing more than \$170,000USD in credit for cookstove purchases with no loan defaults during the project period.

DEVELOPING THE JIKO SAFI FUND

The Jiko Safi Fund began in partnership with a single distributor with presence in the Nairobi, Rift Valley and Western regions of Kenya. KUSCCO originally set the loan tenor at six months and 6 percent interest, with a capped on-lending interest rate of 10 percent to individuals purchasing cookstoves through the SACCOs on credit. The SACCO earns interest on cookstove loans, as well as a margin on products sold, while the KUSCCO marketers are paid a commission on all stove sales. As the program grew, new distributors and cookstove products were added to increase geographical diversity as well as to offer a broader product mix to better meet SACCOs' needs.

To facilitate program sales, KUSCCO marketers invite qualified distributors to all-member meetings at SACCOs, where the distributor can demonstrate the product and SACCO members can express interest in purchasing cookstoves. KUSCCO also held specialized Jiko Safi training workshops, aggregating over 200 SACCO senior officials per region. During these meetings, distributors demonstrated the stoves and trained SACCO officials on their use and benefits, while KUSCCO educated SACCOs on the loan structure and application process. While many SACCOs have available money to purchase cookstoves for their members in bulk without financing, those who need credit can apply through KUSCCO to the Jiko Safi Fund. If the SACCO is already saving with KUSCCO, these savings can be transferred to the

"We have a very major social responsibility and we play our part. ... When we got to know we could work with USAID so we could meet the needs of our women — who we well understand are the most affected when it comes to issues of cooking...we had to come in also, because our business is to sell money. But besides that, we want to see how we can assist our people."

— Veronica Muchiri, KUSCCO Central Finance Fund Manager

Jiko Safi Fund and the SACCO can take a loan for up to three times the savings amount. If the SACCO is new to KUSCCO's Central Finance Fund, then the SACCO must gather the documentation needed for due diligence, including audited financials, bank statements and borrowing powers stating that the SACCO has legal authority to borrow from KUSCCO on behalf of its members.

Recently, the Jiko Safi Fund incorporated additional complementary products such as solar lights. To streamline and increase lending for cookstoves to SACCOs, KUSCCO raised the borrowing limit to five times the SACCO's savings and is creating a revolving credit facility where SACCOs can take multiple loans up to a maximum credit limit without the need for additional due diligence or loan processing procedures. KUSCCO is increasing the interest rate to 10 percent on cookstove loans to SACCOs, who in turn offer rates of 12-14 percent to their members, to be more in line with its other lending products, ensuring long-term financial viability for the loan facility. KUSCCO believes that adding new products, increasing the borrowing limit, and allowing SACCOs to meet member demand on a rolling basis will offset any potential loss of demand from the increased interest rate.



LESSONS LEARNED

While KUSCCO's network has proven successful in creating sales opportunities, the demand for credit under the Jiko Safi Fund has remained small, with only approximately 30 percent of cookstove sales through the program on credit. Many SACCOs note the low product cost as a reason for the low demand for credit. For these smaller transactions, averaging 20-50 products, SACCOs tend to have available cash for the purchase, and the small loan size discourages applicants from going through the complicated loan process and paying fees associated with the Jiko Safi Fund. KUSCCO believes that introducing solar and other complementary products will raise the value of green energy transactions and lead to higher utilization of the financing facility. Below are the key lessons KUSCCO learned in implementing the Jiko Safi Fund.

Streamline lending processes, including creation of a rolling credit facility. Ease in applying for the loan and the speed with which the loan was dispersed were two barriers KUSCCO faced in growing its loan portfolio. Distributors and KUSCCO marketers first gather interest from SACCO members at their all-member meeting, then the SACCO leadership meets and decides to apply for a loan with KUSCCO. After a short diligence process (assuming the SACCO has its documentation in order), the SACCO receives the cookstoves. Though KUSCCO targeted a two-week loan processing time, it would sometimes take up to two months to disburse the loans in case of incomplete documentation and irregularity in SACCO leadership meeting schedules, by which time the end users may have lost interest in the cookstoves or the SACCO elected to purchase them with available cash to more immediately satisfy member demand. While cash sales still provide SACCOs with the opportunity to make a margin on the product, they deliver no direct economic value to KUSCCO. To address this problem, KUSCCO is taking steps to streamline its lending process and has created

SPOTLIGHT ON PAMOJA LIFE

Pamoja Life began as Sola Yetu, a small distributor with five sales staff who joined the KUSCCO program in 2015 when it expanded to work with multiple distributors. Over the course of their work together, Sola Yetu grew its sales to an average of 1,200 cookstoves per quarter through the KUSCCO channel. This growth, catalyzed by its partnership with KUSCCO, led to its being purchased by Pamoja Life, a Climate Care company, which is investing in future sales growth through financial institution (FI) channels. Through Sola Yetu's integration with Pamoja Life, the sales team now numbers more than 100 people.

Pamoja's success has been largely due to Sola Yetu's early (and now Pamoja's continued) commitment to the KUSCCO network, delivering products anywhere in the country within 48 hours, tasking dedicated sales people to work with the KUSCCO marketers and paying commissions to KUSCCO marketers on time. A bonus to working with Pamoja: its commitment to training all relevant members of the SACCO on product benefits and use.

a line of credit for each approved SACCO through which they can take multiple loans up to an established credit cap without the need for additional due diligence. This line of credit will make the lending process quicker and more flexible once a SACCO is approved into the fund.

Target SACCOs who most need the loans. Over the course of marketing and lending activities through KUSCCO, a higher demand for cookstove loans emerged among certain groups. SACCOs with inconsistent cash flows, such as agricultural SACCOs and those with low-income members, including SACCOs serving industrial workers who are paid a minimum wage, were more likely to take loans through the facility due to their liquidity constraints. SACCOs serving primarily women were also more likely to express interest in cookstoves and hence are believed to be more likely to apply for a loan through the facility. As a lower-barrier entry point to KUSCCO's Central Finance Fund, the cookstove loan program both provides a needed product for these specific SACCOs and establishes a foundation for future lending by enabling them to establish credit history.

Reach of partners and range of products are key. The KUSCCO program started with just one distributor offering a limited set of products and with limited bandwidth. While dealing with one partner was useful in the early stages of the program, laying the groundwork for contract structures and processes, as the program grew to include several distributors, manufacturers and products, there were several advantages. Most importantly, a diversity of products allowed SACCOs to choose a product mix best suited for their members. Working with several distributors also allowed the program to more effectively scale by expanding into more regions of Kenya while fostering competition among distributors to provide better service. Working through multiple partners also had its drawbacks in terms of time and effort spent developing and maintaining partnerships, and gaining consensus on key elements of the program. A primary takeaway was the need for partners with sufficient reach and ability to serve KUSCCO's clients in all corners of Kenya, offering a healthy suite of products to satisfy diverse consumer demand.

WHAT'S NEXT FOR KUSCCO'S JIKO SAFI FUND

Through the DSCS program, KUSCCO has successfully created a cookstove lending facility that streamlines loan requirements, fosters partnerships with product distributors, and effectively reaches its members, making credit available to the nearly 10 million SACCO members its network represents. Based on its experience under DSCS, KUSCCO has wholeheartedly taken up the "green energy" mantle, expanding into other clean energy products and electing a group of Green Energy Champions chosen from KUSCCO marketers in each region. In early 2017 KUSCCO signed an MOU with Pamoja Life to expand and carry this program forward with additional funding committed for stove and solar products. According to George Ototo, the managing director of KUSCCO, *"KUSCCO is committed to scaling up the USAID/ Winrock initiative for posterity. For instance, green energy is now institutionalized inside KUSCCO as a product and we intend to include it in the Training and Education curriculum for SACCOs."*

