

## **PROJECT TERMS OF REFERENCE**

### **525 – NAMA Tuki Wasi - Financial framework for efficient cook stoves in Peru**

#### **A. Background and Justification**

Currently 29% of Peruvian homes use firewood as cooking fuel (MEM 2014) and cook with traditional stoves (three stones open fire). In Peru, cooking usually takes place indoors and traditional stoves are known for its low efficiency which results in high indoor pollution. This problem is recognized worldwide by the World Health Organization - WHO (2014) and World Bank (2014) as a major cause of death among the poorest of the poor as well as a significant driver of deforestation and forest degradation. In terms of health, the smoke from these stoves progressively damages the ocular and respiratory health of household members, causing thousands of premature deaths annually. According to the WHO, air pollution inside the home caused by using traditional stoves is the fourth leading cause of death in developing countries worldwide. Moreover, this way of cooking requires significant amounts of wood – approximately 12kg per day per family (Microsol 2014), which creates a deforestation problem. The Food and Agriculture Organization- FAO (2010) indicates that 50% of global deforestation is due to the collection of woodfuels.

Despite its inefficiencies, many people especially in rural households nationwide still use traditional biomass stoves for food preparation, water heating and household heating. Meanwhile, improved cookstoves represent a cost-effective solution to the use of stoves and have great potential to improve the Peruvian families' life quality, starting with the poorest.

Since the firewood improved stove fulfills two basic characteristics: 1) has a chimney that evacuates the smoke outside the home and 2) has a combustion chamber that ensures greater thermal efficiency than traditional systems, thus reducing the consumption of firewood, it is an appropriate technology that can address both the health and environmental issues raised before. Moreover, its use in replacement of the traditional stove can reduce greenhouse gases (GHG) emissions of 2.5 tCO<sub>2</sub>eq/stove/year (Microsol 2015), because of fuel savings caused by more efficient burning process. Together with other governmental, NGO and private sector programmes, approximately 325'000 households in Peru already own an improved cook stove, reducing generation of more than a million tons of CO<sub>2</sub>e annually.

Scaling up of the technology is currently hindered by a lack of funding (e.g. a reliable international carbon market), fragmentation of the sector, inefficient coordination among institutions, understanding of the technology and inadequate distribution channels.

## **B. Development objective**

The goal of the project is to unite and coordinate the ongoing, but fragmented, efforts into an integrated, inclusive and coordinated system ready for accessing large-scale international climate finance at national scale in a systematic fashion.

## **C. Project objective**

The overarching project objective is to provide Peruvians living in rural areas access to clean cooking technologies by introducing improved cookstoves, with the long-term goal to reach universal access to clean cooking technologies in rural areas of Peru, covering all 2 million families who currently use a traditional stove instead of an improved cookstove. The ADMIRE project aims to unite the existing projects and programs in Peru into a NAMA, including the development of an application for international funding. The following points will be components of it:

- 1) Definition of the NAMA management structure,
- 2) Identification of financing opportunities and design of a suitable financing structure for the NAMA,
- 3) Design of the strengthening process of the local market for clean cooking technologies
- 4) Engagement and capacity building for local stakeholders (private and public)
- 5) Development of the guidelines for NAMA-supporting legal framework and technical standards
- 6) Prepare funding application.

## **D. Expected Outcomes**

In detail, the project aims to reach the following outcomes:

- A. The Clean Cooking NAMA management structure is defined
- B. The financing opportunities and activities for the Clean Cooking NAMA are identified
- C. The clean cooking technologies market strengthening process is defined
- D. Private sector stakeholders are engaged to participate in a successful proposal for international NAMA funding

## **E. Expected Outputs and Activities**

### **1. Management Platform Structure**

#### **Activities**

- Develop the General NAMA framework appropriate for international NAMA finance (Green Climate Fund, NAMA Facility or others).
- Develop the NAMA management structure.

- Engage public and private sector in a participatory process for NAMA design.
- Support positioning of the public sector.

## 2. Development of the financing plan

### Activities

- Design a financing structure for a Public-Private Partnership involving national and international funds, potentially using first-loss-guarantees and/or revolving funds.
- Clean cooking technologies Market Dimensioning (commercialization and subsidies), in particular regarding differentiation of consumer groups.
- Develop and propose a redesign in the already existing subsidies schemes (provided by government and NGOs). Support positioning of the public sector.
- Engage private sector such as financial institutions (banks, both for consumer finance and producer finance) and improved cook stoves manufacturers (SMEs) and distributors.

## 3. Development of a clean cooking technologies market strengthening plan

### Activities

- Update the barrier Analysis for the scale-up of existing clean cooking technologies markets and programs to identify barriers other than the already identified weaknesses in the supply.
- Design a supply strengthening plan which combines public, private and climate finance
- Promote the development of clean cooking technologies manufacturers and distributors industrial association with the objective to include them in the NAMA Management Structure.

## 4. Public and private sectors capacity building and engagement

### Activities

- Develop a Capacity needs assessment for private and public stakeholders.
- Organize and conduct an opening meeting
- Organize and conduct Workshop 1: introductory Workshop
- Organize and conduct Workshop 2: Follow-up Workshop
- Organize and conduct Workshop 3: Final Workshop

## 5. Legal framework and national standards development support

### Activities

- Conduct a diagnostic of the NAMA legal framework and standards: what already exists and what regulatory framework is still needed.
- Develop guidelines for the design of the needed standards and frameworks identified in the previous step, including the already identified need for a

standardized certification process for improved cookstoves installers and monitors at national level.

6. Preparation for international funds application

Activities

- International networking to obtain feedback from FIs? in the Latin American Region
- Preparation of application for international funding