

## REACT SSA - Ethiopia Programme

### Term Sheet for Applicants

<p><b>1</b></p>	<p><b>REACT Sub-Saharan Africa (REACT SSA)</b> is a US\$63 million project funded by the Swedish International Development Agency (Sida) to support renewable energy in Sub-Saharan Africa, with a dedicated funding of US\$ 6.7 million for Ethiopia. The programme seeks to reduce poverty through a transformational increase in the use of renewable energy by off-grid households in the target countries. Its outcome will be private sector investment and innovation in low cost clean energy and climate change catalysed at scale.</p> <p>The objectives of the REACT SSA Programme are to:</p> <ol style="list-style-type: none"> <li>1. Support transformational business models adapted to target markets in order to accelerate access to low cost, clean energy i.e. cleaner fuels, cook stoves, alternatives to grid power.</li> <li>2. Support commercially viable companies and markets in target countries, out of which 25 percent will be women owned and/or managed.</li> <li>3. Support innovative ideas that stimulate next generation approaches in the renewable energy sector in Sub-Saharan Africa.</li> <li>4. Capture and disseminate lessons on how increased access to clean energy can deliver positive impact on the rural poor, especially women and youth, through: i) business models, ii) improved business environment, through policy influencing and advocacy, and iii) improved business environment through crowding in, replication and copying best practice.</li> <li>5. Stimulate stakeholder engagements for an improved policy, legal and regulatory environment for renewable energy businesses within the target countries.</li> </ol> <p><b>Duration of the programme:</b> 5 years (year 1 for inception + competition phase; years 2 - 5 for implementation phase). The REACT SSA is funded by Sida.</p>
<p><b>2</b></p>	<p><b>Geography</b></p> <p>i) Funding available for private sector companies and micro finance institutions that are commercially active in the renewable energy market in Ethiopia.</p>
<p><b>3</b></p>	<p><b>Focus areas</b></p> <p>Applicants must deliver low cost, affordable, quality clean energy products and services that benefit the rural, peri urban poor or internally displaced persons; especially women.</p> <p>This should align with one or more of the following focus areas to be eligible for funding:</p>

- Small, pico –PV household level solar lanterns, comprising lighting and phone charging, made available to large numbers of households through Micro Finance Institutions.
- Small entry level and basic capacity (below 50Wp) solar home systems, comprising basic lighting, phone charging systems and radios, made available to large numbers of households through (but not limited to) pay-as-you-go systems or Micro Finance Institutions (MFI's).
- Medium capacity (50-100Wp) stand-alone solar home systems for productive use, comprising phone charging systems, radio, appliances etc. and that can be used at small scale rural and peri-urban based business or household premises.
- Larger (100+ Wp) solar power stand-alone systems that meet the full range of household/ business energy needs that yet remain affordable for low income individuals.
- Mini and micro grids from hydropower and solar energy, with distribution networks that meet the full range of household/ business needs that yet remain affordable for low income individuals.
- Production and/or distribution of energy efficient cooking solutions and cleaner fuels (e.g. ethanol and biogas) for rural and peri urban low income individuals.
- Production and/ or distribution models that support local entrepreneurship and growth of SMEs, MFIs/local banks and women groups within a renewable energy product demand and supply chain.
- Standalone equipment solutions with high potential for off-grid productive uses (e.g. Solar pumping, Cooling solutions for Agriculture).
- Large off-grid energy solutions for public and private institutions such as schools and clinics in peri-urban and rural areas.
- Telco based products/ applications that support renewable energy product and/or service demand and supply chains.
- Business models which address sustainable e- waste management in the industry

<p>4</p>	<p><b>Desired socio - economic Impact</b></p>	<p>Business models must clearly demonstrate how they deliver and sustain social impact in their target markets. Specifically, this means: Number of households served by the product; clean power installed; improvements in people’s income; inclusivity of women; stimulation of market growth and engagement of SMEs in renewable energy value chains within Ethiopia.</p> <p>A specific focus must be made on gender inclusivity and waste management.</p> <p>Companies should articulate their strategy to meet the following:</p> <ul style="list-style-type: none"> <li>• Include women in the ownership and management of the organisation;</li> <li>• Gender inclusive practices in their operations (e.g. women centred design);</li> <li>• Demonstrable benefits to women in terms of aspects such as increased time availability for other activities; improved health; reduced drudgery and increased household budgets;</li> <li>• Improvements in access to education and retention of children (of either gender) due to continued use of the product of products or services offered by the company (school attendance; homework delivery and school grades);</li> <li>• Women led supply chains; demonstrate possible engagement of women as key actors within the supply chain and that there are potential opportunities for such women led products/ service supply activities to grow into SMEs.</li> <li>• Qualitative indicators around women empowerment (e.g. involvement in energy project planning and implementation; domestic, village and local government level leadership; ability to own assets; access to credit, use of existing women development structures to increase access to solar home systems with the rural and peri urban communities).</li> <li>• Demonstrate a clear end user financing mechanism/ strategy that enables target communities with low / irregular incomes to access quality clean energy products.</li> <li>• In cases where applicants are targeting IDP settlements and populations, customer relocation has to be considered in the business model.</li> <li>• Projects must be environmentally friendly. Environmental impact assessments and mitigation measures approved by pertinent regulatory authorities must be obtained.</li> </ul> <p>Throughout the life of the funding, companies must demonstrate that they are promoting sustainable development outcomes in their target communities and market.</p>
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6	<b>Type of support available</b>	<p>The support package includes:</p> <ul style="list-style-type: none"> <li>• Funding, for whole or section/ component of business; that maximises impact. If a component of business is funded, then it should be able to create a multiplier effect on its reach to target customers.</li> <li>• Business - to - business learning across investees through open source networks, industry associations and other instruments.</li> <li>• Provision of targeted technical assistance, especially to start-up companies.</li> </ul>
7	<b>Funds available</b>	<p>Applicants are expected to submit a funding application, justifying their requirements for the business/ business idea to be funded, as well as funding amount and duration:</p> <p>Funding must be used for a specific project in Ethiopia, e.g. scaling up an existing product or service or replication/ expansion to a new market.</p> <p>Investees can apply for a range of funding depending on their development stages. Total grant funds requested from AECF must be between US\$100,000 and US\$1,500,000.</p> <p>Funding will be milestone based, where disbursements are based on mutually agreed milestones that have to be delivered/achieved.</p>
8	<b>Matching contributions</b>	<p>AECF will require matching contribution from the applicant in order to demonstrate interest and trust from the wider investor community. Acceptance of match funding is subject to approval by AECF REACT.</p> <p>Funding requires match funding of 1: 0.5 (AECF to investee). Up to 25% of the matching funds may be in kind. Examples of acceptable in-kind contributions can include sweat equity, allocations of stock; or existing machinery and equipment being allocated for use in the proposed project.</p>
9	<b>Eligible companies</b>	<p>To be eligible for funding, private sector companies and MFIs (either existing and / or start-ups) must meet the following criteria:</p> <ul style="list-style-type: none"> <li>• Be a private sector enterprise that is aligned with the focus areas. Joint ventures are allowed.</li> <li>• Be able to show commitment to match AECF funding, based on the ratio of 1: 0.5 (AECF to investee).</li> <li>• Request funds amount within the stipulate range of US\$ 100,000 – US\$ 1.5 million. This is full grant funding.</li> <li>• Be compliant with fundamental in country and international human rights, labour standards, environmental management laws.</li> </ul>

		<ul style="list-style-type: none"> <li>• Must be legally registered and physically established in the country of doing business.</li> <li>• Must NOT be involved in any act of terrorism or support terrorists' activities and must allow regular due diligence on this.</li> <li>• Demonstrate additionality, <b>see broad view guide in text box 11, below.</b></li> </ul>
<p><b>10</b></p>	<p><b>Selection</b></p> <p><b>Criteria</b></p>	<p>Each applicant will be evaluated and scored against the following criteria:</p> <ul style="list-style-type: none"> <li>• Outline a business model that is commercially sustainable. Proposal must be technically sound and be aligned with the activities described in No. 3 (Focus area) above. It should clearly spell out how performance is to be measured and evaluated with all agreed upon indicators, targets and milestones.</li> <li>• Must demonstrate a satisfactory record of performance. Where available testimonials of past performance should be submitted.</li> <li>• Proposal must include CV of key personnel with the education and experience required for the technical nature of the proposed project.</li> <li>• Proposal must indicate the methods and degree of coordination with local administration and participating communities.</li> <li>• Have a product that is certified in line with your specific country standardization procedures and clearly marked as an acceptable quality of a product to be marketed in the country and the region, or is in the process of being certified.</li> <li>• For existing companies, provide a track record of earning revenues from their users for existing product / service /demonstrated success in at least one market.</li> <li>• For existing companies, demonstrate sound financial health, including two years audited financial accounts, established financial management processes and procedures and dedicated financial management staff – headquarter and in country.</li> <li>• Demonstrate investment relationships/ potential to access matching funds (based on an agreed country specific ratio), leveraging additional and follow - on funding.</li> <li>• Demonstrate capacity of management team to implement the proposed business / project (adequate internal resources/capacity) - headquarter and in country.</li> <li>• Demonstrate understanding of the country context and culture where the project is proposing to operate.</li> <li>• Outline a targeted approach to connect the peri-urban, rural poor and IDPs (where applicable) to affordable, quality clean energy products and services.</li> <li>• Demonstrate how the business model will deliver and sustain social impact in the target markets (<b>see 4</b>), i.e. be able to demonstrate how to leverage AECF funding to secure commercial funding.</li> <li>• In their business proposals, companies <b>MUST</b> describe their environmental impact and waste management policy, procedures and demonstrate alignment to the global and respective national environmental management regulations. Investees are expected to</li> </ul>

		<p>provide an outline potential wastes in the value/ supply chains and how they intend to manage these.</p> <ul style="list-style-type: none"> <li>• Demonstrate how gender analysis has informed the product/service design and how it will impact on the project.</li> <li>• Demonstrate how matching fund is to be made available; indicating details including cash and in-kind contributions as well as cost sharing.</li> <li>• Indicate any risks and threats to project implementation and methods that would be used to mitigate such risks.</li> </ul>
11	<p><b>Classification of additionality</b></p>	<p>While we recognise that the additionality factor is context (geography, sector ...etc), below is a description of our broad check of it:</p> <ul style="list-style-type: none"> <li>• <b>Faster:</b> The company could be expected to make the investment from other sources but in several years to come, meaning development impact is delayed or lost. REACT SSA funds can make the proposed investment/ business happen faster, create transformational change so soon, and expose the business to attract additional investments.</li> <li>• <b>Bigger:</b> The company could be expected to make the investment from other sources but it would not be as large as it is to happen with REACT SSA funding, to achieve scaling multiples of the development impact and market systems development.</li> <li>• <b>Wider scope:</b> The company could be expected to make the investment from other sources but AECF resources will enable it to expand the scope of the goods or services geographically or to different groups of beneficiaries to multiply the development impact, participation and recognition of effort into own development.</li> <li>• <b>More inclusive:</b> The company will be able to access people closer to the bottom of the pyramid than it would otherwise do, enhancing the benefit to very poor people. Poor people tend to be difficult and expensive to reach, requiring physical networks, smaller packages of goods with smaller profit margins (or none at all), longer repayment terms, actualised by irregular payment patterns and/ or are susceptible to greater payment default. Applicants/ companies should be able to demonstrate how REACT SSA funds will be used to cushion their businesses from such operating environment risks.</li> </ul>
11	<p><b>Commitments from successful investees</b></p>	<p>If selected, applicants must be committed to:</p> <ul style="list-style-type: none"> <li>• Collaborate with AECF Limited to finalize contract milestones and KPI's. Milestone indicators are agreed with AECF before signature of the contract.</li> <li>• Share data, including: performance against indicators and milestones. All data will be treated confidentially, unless otherwise agreed in advance.</li> <li>• Commitment to gather, analyze and share learnings from the project with AECF.</li> </ul>

		<ul style="list-style-type: none"><li>• Report according to agreed schedules and requirements.</li><li>• Participate in AECF/Sida annual programme reviews.</li><li>• Ensure financial data and other management systems are accessible for audit purposes upon request.</li></ul>
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