

REACT Household Solar Programme

Household Solar Round Two Funding Competition: Term Sheet for Nigeria

1	<p>REACT Household Solar Round Two (REACT HS R2) is a \$20.8 million project funded by the DFID UK to improve energy access for people in sub-Saharan Africa who are currently without modern energy, through a market-based approach for private sector delivery of solar home system products and services. The project, which commenced in July 2018, will run for five years and be implemented in Somalia, Ethiopia, Ghana, Senegal and Nigeria. REACT HS R2 seeks to address a critical component of the climate change challenge through clean energy access in target countries that are confronted with increasing energy demand in the coming decades resulting from demographic, socio-economic and resource related factors.</p> <p>Specific Objectives:</p> <ol style="list-style-type: none"> 1. Support transformational business models adapt to target markets in order to accelerate access to low cost, clean energy. 2. Support commercially viable companies and markets in Nigeria, out of which 30% percent will be women owned and/or managed. 3. Support innovative ideas that stimulate next generation approaches in the renewable energy sector in Nigeria. 4. Capture and disseminate lessons on how increased access to clean energy can deliver positive impact on the rural poor, especially women, through: i) business models, and ii) improved business environment, through policy influencing and advocacy, iii) improved business environment through crowding in, replication and copying best practice. 5. Stimulate stakeholder engagements for an improved policy, legal and regulatory environment for renewable energy businesses and Financial Institutions (FI) within Nigeria. <p>Duration of the programme: 5 years (2018 - 2022)</p>
2	<p>Geography</p> <ul style="list-style-type: none"> • Funding available for companies that are commercially active or have a plan to enter and operate solar home systems market of Nigeria.
3	<p>Focus areas</p> <p>Applicants must deliver low cost, affordable, quality clean energy products and services that benefit the rural poor, especially women, youth and persons with disability. This should align with one or more of the following focus areas to be eligible for funding:</p> <ul style="list-style-type: none"> • Solar Home Systems of various sizes for the rural household. • 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 Pay - As - You-Go (PAYG) and non PAYG systems. • Medium capacity (50-100Wp) stand-alone solar home systems for economic use, comprising phone charging systems, radio, appliances etc. and that can be used at small scale rural households and small business premises to provide the required power.

		<ul style="list-style-type: none"> • Larger (100+ Wp) solar power stand-alone systems that meet the full range of household/ business energy needs that yet remain affordable for middle and low income individuals. • Solar powered charge stations/ Solar Charging Hubs that promote mobile utility model of pay for charge and use. Offer Battery Packs that support a range of devices, such as mobile phones, lighting, and radios. Such hubs can be tailored to offer micro industrial centres in rural villages. • Distribution models that supports local entrepreneurship and growth of SMEs within a solar home systems product demand and supply chain.
4	Desired results	<p>a) Quantitative results:</p> <p>Business models must show clear contribution to the overall target of the REACT Household Solar Programme Round 2;</p> <ul style="list-style-type: none"> • 1,500,000 (300,000 households in 2023) rural people served by low cost, quality solar home systems, with Nigeria companies targeted to reach 60,000 households. • 7 MW off grid clean energy installed; • 12,877.2tons of CO₂ emissions • 700 new jobs created in investee companies and their direct supply chains; • USD 20 million (by 2023) in follow on funding raised by businesses, through AECF Connect linkages, 50% of which is from commercial sources (including impact investors). <p>Potential investees are expected, to individually benefit a minimum of 15,000 households over 5 years.</p> <p>b) Desired socio - economic Impact:</p> <p>Business models must clearly demonstrate how they deliver and sustain social impact in their target markets. Specifically, this means: Number of people served by the product; power installed; improve people’s income; inclusive of women, youth and persons with disabilities; stimulate growth/ engagement of SMEs in RE value chains within the target geographies. A specific focus must be made on gender and social inclusivity and waste management. For gender and social inclusivity (including youth and persons with disabilities), companies should articulate their strategy to ideally meet the following criteria:</p> <ul style="list-style-type: none"> • Where possible, include women in the ownership and management of the organisation. • Gender inclusive practices in their operations (e.g. women centred design). • Demonstrable benefits to women in terms of aspects such as increased time availability for other activities; improved health; reduced drudgery and increased household budgets. • Improvements in access to education and retention of children (of either gender) due to continued use of the product of products or services offered

		<p>by the company (school attendance; homework delivery and school grades).</p> <ul style="list-style-type: none"> • Women led supply chain; 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. • 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 communities). • Demonstrate a clear end user financing mechanism/ strategy that enable target communities with low / irregular incomes to access quality solar home systems in a rural market. • Throughout the life of the funding (grants/ repayable grants), funded companies must demonstrate that they are promoting sustainable development outcomes in their target communities and market.
5	Type of support available	<p>The support package includes:</p> <ul style="list-style-type: none"> • 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. • Funding will be in form of; a combination of repayable grants/ interest free loans and non-repayable grants. • Business to business learning across investees through open source networks, industry associations and other instruments. • Provision of targeted technical assistance, especially to start-up and scaling companies. • AECF Connect, for linkages and support in raising additional capital.
6	Funds available	<ul style="list-style-type: none"> • 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. • Funding must be used for a specific project/ business in Nigeria, e.g. scaling up an existing product or service or replication/ expansion to a new market. • Investees can apply for a range of funding depending on their development stages. • Funding available is between US\$ 100,000 to US\$ 1,500,000 per company. • Funding will be milestone based, where disbursements are based on mutually agreed milestones that have to delivered/ achieved. For existing business/ companies which are scaling up to new geographies or diversifying their product portfolio - disbursements will be based on milestones that have been achieved.
7	Matching contributions	<ul style="list-style-type: none"> • 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.

		<ul style="list-style-type: none"> • The level of match funding is anticipated to increase with the size of the funding request and the maturity of the applicant, along the following categories: <ul style="list-style-type: none"> • Early and Growth Stage Companies: <ol style="list-style-type: none"> i. Small Enterprises: revenues from energy access < \$500,000, with a matching funds ratio of 1: 1 (AECF: Company). ii. Medium size enterprises: revenues from energy access \$[500,000-10,000,000]; with a matching funds ratio of 1: 1 (AECF: Company) • Established and Scaling Companies: revenues from energy access > \$10,000,000, with a matching funds ratio of 1:2 (AECF: Company).
8	Eligible companies	<p>To be eligible for funding, companies (either existing and / or start-ups) must meet the following criteria:</p> <ul style="list-style-type: none"> • Be a private sector RE company or Financial Institution (FI) that is aligned with the focus areas. • Be able to show commitment of matching AECF funding, as per ratio outlined above. • Request a grant amount between within the stipulate range. • Be compliant with fundamental in-country and international human rights, labour standards, environmental management laws. • Must be licensed by the Ministry of Energy with installation and maintenance license and the case of importation, an importation licenses. • Must be legally registered with the Nigeria Revenue Authority and physical established in the country of doing business. • Must NOT be involved in any act of terrorism or support terrorists' activities and must allow regular due diligence on this. • Demonstrate additionality, see broad view guide in text box 10, below.
9	Selection Criteria	<p>Each applicant will be evaluated and scored against the following criteria:</p> <ul style="list-style-type: none"> • Outline a business model that has the potential to be commercially sustainable. • Have a product that is certified in line with standardization procedures in Nigeria as well as international standards, and clearly marked as an acceptable quality of a product to be marketed in Nigeria and the region, or is in the process of being certified. • For existing companies, provide a track record of earning revenues from their users for existing product/ service /demonstrated success in Nigeria. • For existing companies, demonstrate, where possible, sound financial health, ideally including submission of two years audited financial accounts, established financial management processes and procedures and dedicated financial management and technical staff in Nigeria. • Demonstrate investment relationships/ potential to access match funding leveraging additional and follow - on funding. • Demonstrate capacity of management team to implement the proposed business/ project (adequate internal resources/capacity) in Nigeria.

		<ul style="list-style-type: none"> • Demonstrate understanding of the country context and culture of Nigeria. • Outline a targeted approach to connect rural poor to affordable, quality clean energy products and services. • Demonstrate how the business model will deliver and sustain social impact in Nigeria, i.e. be able to demonstrate how to leverage AECF funding to secure commercial funding. • In their business proposals, companies MUST 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 provide an outline potential wastes in the value/ supply chains and how they intend to manage these. • Demonstrate how gender analysis has informed the product/ service design and how it will impact on the project.
10	<p>Classification of additionality</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"> • Faster: 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 HS R2 funds can make the proposed investment/ business happen faster, create transformational change so soon, and expose the business to attract additional investments. • Bigger: 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 HS R2 funding, to achieve scaling multiples of the development impact and market systems development. • Wider scope: 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. • More inclusive: 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 HS R2 funds will be used to cushion their businesses from such operating environment risks. • Demonstrate effectiveness through piloting new technologies: The company/ organization would not otherwise get funding for a new technology in the sector which is viewed as ‘not business, not tested and not impactful’. Companies / organizations must demonstrate how their work will contribute to next generate approaches/ delivery models which will ramp up access to renewable energy in Africa and how funding from REACT HS R2 is timely to make a difference.

11	Commitments from successful investees	<p>If selected, applicants must be committed to:</p> <ul style="list-style-type: none"> • Collaborate with The AECF to finalize contract milestones and KPI's. Milestone indicators are agreed with The AECF before signature of the contract. • Share data, including: performance against indicators and milestones. All data will be treated confidentially, unless otherwise agreed in advance. • Commitment to gather, analyse and share learnings from the project with AECF. • Report according to agreed schedules and requirements. • Participate in AECF/DFID annual programme reviews. • Ensure financial data and other management systems are accessible for audit purposes upon request. • Branding and visibility of UK Government funding and AECF: incorporate AECF and DFID communications and branding guidelines to companies' visibility activities and documentation. Such guidelines will be provided to funded companies only.
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