

REACT SSA Innovation Fund

Term Sheet for Applicants



This call for application is not binding upon The AECF and no legal right or obligations arises. therefrom.

The AECF reserves the right to determine the structure of the selection process, number of short-listed applicants, the right to withdraw from the process, the right to change timetables at any time without notice and reserves the right to withdraw this call for applications at any time, without prior notice and without incurring any liability to indemnify, compensate and/or reimburse any party whatsoever.

The Innovation Fund is a component of the AECF's Renewable Energy and Adaptation to Climate Technologies Sub Saharan Africa Programme (REACT SSA) a US\$61 million project funded by the Swedish International Development Agency (SIDA). The programme seeks to reduce poverty through a transformational increase in the use of renewable energy by off-grid households in Burkina Faso, Ethiopia, Kenya, Liberia, Mali, Mozambique and Zimbabwe.

1. Objectives

Through the Innovation Fund, AECF aims to support businesses and entrepreneurs to validate market fit and potential of innovations in technological products, software, business models and distribution models that contribute to increasing access to clean cooking solutions and productive use energy for people living in rural areas and particularly for the poor.

Fund Objectives

1. Support private sector to commercialize existing innovative products and business models that are sufficiently developed to address affordability and accessibility of clean cooking and productive use energy technologies.
2. Offer financial support tailored to the needs of eligible projects while attracting additional resources in matching funds.
The focus will be supporting the testing of new innovations or extreme iterations to validate market fit and potential i.e., supporting projects designed to see if what works in theory works in practice – test drives for innovations.

2. Eligible Countries

Burkina Faso, Ethiopia, Kenya, Liberia, Mali, Mozambique, and Zimbabwe

3. Facility size

US\$1.2 million

4. Currency of payouts

US\$

5. Length of project

Up to 24 months

6. Length of contract

2½ years (30 months) – 24 months for implementation and 6 months to incorporate a period of post project monitoring, evaluation and learning for AECF.

<p>7. Projects Eligibility</p>	<p>Projects eligible will be those testing new innovations or extreme iterations in any the following areas:</p> <ul style="list-style-type: none"> o Scalable supply chain models for providing clean cooking solutions (especially in rural areas). Acknowledging that supply chains for cleaner fuels lack the necessary scale to reach many rural communities, the fund seeks to support supply chain innovations that can e.g., address demand uncertainty by matching demand and supply (e.g., Uberisation of the supply chain) o Alternative clean cooking technologies (stoves and fuels) e.g., mini-grid and solar PV powered electric cooking. o Business models and technological innovations for Productive Use Energy (PUE) appliances such as milling, threshing, grating, specific value chains (poultry, dairy, and coffee) and commercial scale refrigeration etc o Solutions that narrow the energy access affordability gap for clean cooking and productive use e.g., sustainable consumer financing models that could bring Tier 3(indoor emissions/overall emissions) and above within reach of a larger share of the population. <p>Innovations that can be seamlessly incorporated into prevailing or growing business and distribution models (e.g., PAYGo and ‘tool and fuel’ business models) are encouraged.</p> <p>The fund is not intended to support technology development, it is only intended to support technology validation (i.e., testing to check whether a new product/service is a good market fit and whether it has market potential). As a minimum therefore, the applicant needs to already have a minimum viable product/service (i.e., a product/ service that has already gone through the prototyping phase).</p> <p>Eligible applicants¹ : Only private companies with a direct interest in commercializing the innovation being tested can be eligible lead applicants, however applicants are free to partner with non-private sector players for the implementation.</p> <p>The innovation fund seeks to support targeted, output-based activities that can be completed within 24 months</p>
<p>8. Innovation Fund Application Structure</p>	<p>There will be a 2- step application process:</p> <ul style="list-style-type: none"> o Step 1: Qualification stage based on a detailed project proposal providing details on the innovations that will be used to select applications that meet the eligibility criteria and best fit the fund objectives. Successful applicants will proceed to the award stage. o Step 2: Award stage based on technical, organizational, and financial due diligence of the applicant.
<p>9. Information to be provided by applicants</p>	<ul style="list-style-type: none"> o Description of innovation or extreme iteration being tested o The market barrier the innovation is trying to address or the market opportunity it seeks to take advantage of o The project design and reasoning behind the design (e.g., what is the project trying to test or validate, who is being targeted for the test, what parameters are being monitored etc.) o Supporting documentation: Company registration, two years audited accounts and detailed organizational structure.
<p>10. Award criteria</p>	<p>Application demonstrates:</p> <ul style="list-style-type: none"> o Potential to provide access to modern energy services to hundreds of thousands of people in the long run, or significantly improve the operational efficiency of the target businesses o In depth knowledge of the problem(s) being addressed by the innovation and what approaches are likely to work in the given context o A good understanding of their target customer o Potential to create socio-economic and environmental benefits including but not limited to addressing gender inequality and social inclusion issues o Commitment to drive the innovation i.e., through team structures with clearly defined roles, responsibilities, and time commitments. o An openness and flexibility to review and revise their strategy as required.

11. Funding window and application review	<ul style="list-style-type: none"> o One funding window - Single call for proposals. Eligible companies are selected through a qualification stage. They proceed to the award stage, during which they prepare a detailed project proposal for submission. o Designate AECF Programme Staff and external technical experts undertake due diligence and provide eligible companies with guidance during the preparation of their detailed project proposals o The Investment Committee determines which eligible companies proceed to contracting based on the detailed project proposal and input from the assigned AECF program staff and technical experts
12. Time lines	<ul style="list-style-type: none"> o Companies to be contracted from August 2021. o All projects to be concluded by May 2023 (to allow for a 6-month monitoring and evaluation period from June 2023 – Dec 2023)
13. Funding	<ul style="list-style-type: none"> o Funding of US\$100,000-200,000 per company (estimating up to 5 companies). o Applications testing innovations that deliberately target low-income, marginalized and/or vulnerable consumers can access up to US\$300,000 (estimating 1 application)
14. Co-financing	<ul style="list-style-type: none"> o The co-financing requirement is a minimum of 30% of the project cost (i.e., the innovation fund will only cover up to 70% of the total project cost). In-kind contributions are acceptable.
15. Disbursement	<ul style="list-style-type: none"> o Disbursements made on project milestones based on the work plan and agreed upon during contracting
16. Commitments from successful investees	<p>If selected, applicants must be committed to:</p> <ul style="list-style-type: none"> o Collaborate with AECF Limited to finalize contract milestones and KPI's. Milestone indicators are agreed with AECF before signature of the contract. o Share data, including performance against indicators and milestones. All data will be treated confidentially, unless otherwise agreed in advance. o Commitment to gather, analyze and share learnings from the project with AECF. o Report according to agreed schedules and requirements. o Participate in AECF/SIDA annual programme reviews. o Ensure financial data and other management systems are accessible for audit purposes upon request.