



Unlocking Public and Private
Finance for the Poor

A large, abstract graphic on the left side of the page consists of multiple concentric, curved lines and arcs. Some of these lines have small circles at their ends, resembling a stylized network or a series of orbits. The graphic is white and set against the dark blue background.

REQUEST FOR APPLICATIONS

Pilot and Scale-Up
Solar PayGo in
Ethiopia



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Finance for the Poor

**United Nations Capital Development Fund
REQUEST FOR APPLICATION FOR
PERFORMANCE BASED GRANTS TO PILOT & SCALE-UP SOLAR PAYGO IN
ETHIOPIA**

SUMMARY

The United Nations Capital Development Fund (UNCDF) makes public and private finance work for the poor in the world's 46 least developed countries. With its capital mandate and instruments, UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development.

UNCDF is inviting applications from solar energy companies registered in Ethiopia to pilot and scale-up solar PAYGO technologies to enhance adoption and utilization of solar energy technologies in off-grid areas through leveraging digital services.

Candidates can apply to serve off-grid areas of the country through provision of solar energy technologies that leverages digital services. The candidates can be from any of the nine regional states and Addis Ababa City Administration and should serve off-grid areas of these regions.

UNCDF will provide grant and technical assistance.

Selected applicants will be signing a Performance-Based Agreement¹ (PBA) to the selected applicants who will be technically responsive to this Request for Application. UNCDF's

¹ A performance-based grant implies that grant amounts that are contingent on the successful achievement of pre-determined milestones. Achieving a milestone will therefore trigger a grant payment. Grant payments will be reimbursements for funds spent by the grantees, according to the project implementation plan and pre-agreed milestones. The Grantee will be responsible of providing a comprehensive and compliant financial report reporting all the financial transactions relating to grant. The Grantee will need to keep supporting documents related to these transactions to justify all actual costs incurred.

contributions can be up to USD 40,000 and UNCDF will award 2 to 3 applications depending on the investment readiness level and outreach potential of the solution proposed.

Applicants may apply independently or in a consortium, provided that the consortium has a pre-established partnership prior to when this request for applications was issued.

Inquiries to this request for applications may be submitted by email to rfa.ide.energy@uncdf.org.

All applications must be submitted by 23:59 hours (EST, the New York time zone) on 17 June 2021 through a complete application form as per the online submission form available at this link: https://apply.uncdf.org/prog/solar_paygo_ethiopia

1. INTRODUCTION

Ethiopia is endowed with abundant renewable energy resources, which can meet the ambitions of nationwide electrification. However, despite all its available potentials, the country energy sector is still in its infancy stage. Biomass is mostly used in its traditional forms in inefficient stoves to meet domestic energy needs, such as cooking and heating. About 44% of the population has access to electricity and only 4% of the population has access to clean cooking solution (Tracking SDG7, Chapter 3)².

Development of alternative energy from renewable sources such as wind, geothermal, solar, biomass as well as energy efficiency measures are key parts of Ethiopia's energy mix and integrated with the country's Climate Resilient Green Economy (CRGE) Strategy, which has the ambitious objective of a transforming Ethiopia into climate resilient green economy by 2025. The Growth and Transformation Plans and the CRGE as well as other national development plans – are explicitly focused on addressing issues of energy access, quality of supply and productive energy uses through promoting rural energy technologies.

The Government is working towards achieving the targets set out in the recently launched National Electrification Plan (NEP 2.0). The goal of NEP 2.0 is to connect 65 percent of the population to the grid and the remaining 35 percent will have access to electricity through off-grid solutions such as solar energy technologies by end of 2025. The public sector provides policy and regulatory support for rural electrification while the private sector plays a crucial role in provision of sustainable off-grid energy solutions to ensure universal electrification by 2025.

With a view to create an enabling environment for mobile payments, the Government of Ethiopia has issued a policy which can support PAYGO in the solar sector. The National Bank of Ethiopia recently issued a directive which allows non-financial institutions to issue digital payment instruments including mobile money. This new policy is expected to create a favourable environment for piloting and scaling up of solar PAYGO products in the country.

Despite the huge potential of Ethiopia for solar energy, market penetration remains very low with a large portion of the rural households unreachable and underserved. Ethiopia has the third-largest energy access deficit in Sub-Saharan Africa with more than half the population still without access to reliable electricity especially in deep-rural areas which are dependent on biomass and kerosene. The electricity deficit in Ethiopia continues to exacerbate the poverty situation, preventing far too many people from accessing their basic socio-economic needs.

² <https://trackingsdg7.esmap.org/>

Ethiopia is the second largest market for solar energy products in Sub-Saharan Africa and the largest in the world after India and Nigeria with 56% of the population no or inadequate electricity supply³. Given the huge market potential, the Government of Ethiopia plans to electrify 9.2 million households through solar energy technologies⁴.

Although various types of products are introduced and available in the market, many of households and small businesses living in off-grid areas still struggle to access quality solar products.

The main barriers to growth in the uptake of solar energy products in Ethiopia are lack of innovation in distribution and financing of solar energy products as well as limited access to foreign exchange, which limits importation of quality products to the country.

Another limiting factor is lack of financial services and access to banking that cater to the financing needs of rural community. 65 percent of Ethiopian adults are “unbanked,” and only four percent of adults reported having a debit card, and no credit cards are available. Only 11 percent of adults reported borrowing money from a formal financial institution⁵. Access to finance for acquisition of solar products is also limited by excessive collateral requirement by financial institutions. Rural households struggle to afford solar energy products due to limited consumer financing mechanisms.

Despite introduction of mobile money and digital payment system in recent period, the supply and adoption of solar PAYGO products remain very low due to perceived risk of the business model and lack of financial and regulatory support to energy companies. Currently, only a handful of companies are piloting PAYGO.

³ Ethiopia: Beyond Connections - Energy Access Diagnostic Report Based on the Multi-Tier Framework, World Bank, June 2018

⁴ Ministry of Water, Irrigation and Energy (2019), National Electrification Plan 2.0

⁵ USAID (2019), Power Africa Off-grid Project

2. SCOPE OF WORK

For this request for applications (RFA), UNCDF invites applications from registered entities that can offer innovative and scalable solutions addressing the following challenge.

Areas of intervention		Challenges/ Problem Statement and Objectives for solution
1	Provision of solar energy solutions that leverage digital services (PAYGO)	<p><u>Challenges:</u> Over 55% of the population do not have access to electricity due to several reasons. The main barrier for adoption and usage of solar energy technologies is lack of innovation in distribution and financing of products that cater to the energy needs of rural community. Limited access to finance from financial institutions also hinder uptake of solar energy products.</p> <p><u>Objectives:</u> The solutions proposed by applicants should address the solar energy needs of rural community through innovative distribution and financing mechanisms (i.e. supplying solar PAYGO products).</p>

2.1 Areas of Intervention Focus

UNCDF will provide performance-based grants to energy companies to pilot and scale solar PAYGO products that enhances adoption of solar energy technologies in off-grid areas across the country. The goal of this initiative is to support energy companies to introduce PAYGO business model in the solar sector and leveraging digital services to increase supply of solar products.

2.2 How UNCDF works with Partners

UNCDF takes a tailored approach to engagement with partners, working with each throughout to identify business and customer needs, and helping to design, pilot and scale up the solution along the way. Some examples of the ways in which UNCDF works with partners include:

- Product Research: Sharing market research and knowledge to deepen partners' understanding of customers' behaviours, needs, constraints and aspirations. This also includes providing transaction data analysis and training to the business teams
- Product design: Providing human-centred design expertise to better understand the customer journey - physical and financial – for better product design and use-case development tailored to the needs of low-income customers and their families. The efforts may also involve analysing the transaction data from a customer lens.

- **Provisioning:** Providing technical assistance to help design, pilot, deploy, and scale up solutions for impact. Technical assistance is provided by digital finance experts who are experienced in product design, business model development and go-to-market strategies in some of the most challenging markets in Africa and Asia.
- **Partnerships:** Facilitating strategic partnerships with stakeholders – including cross-border payment hubs, mobile network operators, financial institutions, and non-bank financial institutions – to enable partners to reach last-mile customers, and to grow sustainably. UNCDF is uniquely positioned to be a neutral broker of partnerships and has a record of building strong relationships with private and public organizations across Africa, Asia, and Pacific.
- **Policy and Advocacy:** Convening efforts to support an enabling environment and build policy and advocacy capacity for human-centred products and services to be piloted and potentially scaled.

In the RFA, applicants may identify and suggest areas where the technical support from UNCDF and its network of expertise is sought.

2.3 Expected Results

According to the projects and solutions presented, candidates must include in the proposal a complete list of results, outcome indicators and targets for monitoring achievement of different results. Below is a non-exhaustive list of key performance indicators (KPIs) for the projects. Other indicators would be finalized based on the nature of the project and tracked to ensure its success.

Deliverables would be derived from key project milestones to be agreed mutually between UNCDF and the selected applicant in accordance to the identified milestones, outcomes and targets of the KPIs, during the due-diligence and negotiation phase

The commitment under this RFA is aimed at creating a catalytic effect in adoption of solar energy technologies through viable PAYGO business models which are targeted to the needs of households and businesses living in the off-grid areas of the country. The solutions and business models presented must clearly show the outcome indicators and targets as outlined below. Other indicators would be finalized based on the nature of the project and tracked to ensure its success. In the application form, candidates will have to provide set reliable and attainable targets for each of the following indicators.

Indicators	Disaggregation
Number of households (HHs) benefited from the proposed solution and business model (i.e. PAYGO)	Total HHs: Women headed HHs: Youth (age up to 24 yrs):
Number of PAYGO products sold	Total # of products:
Total areas served by the proposed solutions	# of Regions: # of rural 'kebeles':

Please note that during the negotiations process of the Performance based- Agreement, applicants shall be required to integrate the monitoring framework with additional KPIs.

3. ELIGIBILITY FOR APPLICATION AND EVALUATION CRITERIA

Only applications that meet the eligibility requirements and minimum criteria for the submission will be scored.

3.1 Eligibility Requirements

1. The applicant/ lead applicant must be a registered entity and incorporated in Ethiopia.
2. The applicant should be operating in Ethiopia for at least 3 years.
3. The applicant should have audited financial statements for at least 3 years.
4. The applicant should be engaged in the sales of solar energy products
5. Applications from consortiums of organizations must show that the partnership was established prior to this call for applications or due to this call for application with a letter of intent.
6. The solution proposed must be implementable in Q3 2021 with a project duration of 12 months and ending by September 30, 2022.
7. Applicants shall not have been the subject of bankruptcy, liquidation, judicial settlement, safeguarding, cessation of activity or any other similar situation resulting from a similar procedure.
8. Applicants and any of their staff or member of their board of directors shall not be included in the United Nations financial sanctions lists, particularly in the fight against the financing of terrorism and against attacks on international peace and security[1]; and
9. Applicants must not be involved in any of the following activities[2]: manufacture, sale or distribution of controversial weapons or their components, including cluster bombs,

anti-personnel mines, biological or chemical weapons or nuclear weapons; manufacture, sale or distribution of armaments and/or weapons or their components, including military supplies and equipment; replica weapons marketed to children; manufacture, sale or distribution of tobacco or tobacco products; involvement in the manufacture, sale and distribution of pornography; manufacture, sale or distribution of substances subject to international bans or phase-outs, and wildlife or products regulated under the CITES; gambling including casinos, betting etc. (excluding lotteries with charitable objectives); violation of human rights or complicity in human rights violations; use or toleration of forced or compulsory labor; use or toleration of child labor.

10. Applicants must accept the language of UNCDF Performance Based Agreement.

UNCDF will conduct due diligence on selected applicants. Applicants must have documents ready for confirmation that they meet the eligibility criteria, including audited financial statements, certificate of registration/business licences, tax identification number (TIN) and any other documentary evidence that might be requested by UNCDF besides the application form.

3.2 Evaluation Criteria

The Evaluation Committee will score the applications according to the below evaluation criteria. Only shortlisted applicants and that score at least 70 out of 100 will be considered and move to the due-diligence stage:

Evaluation Criteria	Score
PRODUCT DEVELOPMENT STAGE – Is the product or service ready to go to market or in the market	20
RELEVANCE – To what extent does product or service address the SDGs/ Problem Statement/ market needs directly? What steps have been taken to validate the market/ segment?	15
SCALABILITY - How sustainable is the solution for long-term growth? To what extent can the solution be scaled? We will look at outreach targets as measured by # of end users that use or are impacted by the product, and evaluate whether the proposed target is backed by sound logic (e.g. current user base, applicant’s ability to deliver,)	20
TEAM EXPERIENCE – What is the team composition? Size and roles? Relevant experience in the industry? - human resources, financial,	15

infrastructure, technology, brand recognition, geographical footprint	
RISK PROFILE – The extent to which the product or service costs are relative to the expected results and impact	10
FINANCIAL FEASIBILITY– The extent to which the proposed solution model has potential to become financially viable over time. Value for money: Are the costs appropriate and commensurate with the implementation strategy and the expected results?	20
TOTAL	100

3.3 Eligible Costs

The criteria for eligible expenditure determine whether a cost qualifies for funding under UNCDF rules and procedures. The general criteria for eligibility of costs under UNCDF funding include the following:

- Eligible costs must be incurred by the applicant during the project (after the signature of the Performance-based Agreement and up to the end of the Grant period).
- Eligible costs should be indicated in the estimated overall budget of the action attached to the Performance-based Agreement.
- Costs must be identifiable and verifiable, in particular being recorded in the accounting records of the applicant and determined according to the applicable accounting standards of the country where the lead applicant is established.
- Costs must comply with the requirements of applicable tax and social legislation.
- Costs must be reasonable, justified and comply with the principle of sound financial management, in particular regarding economy and efficiency.
- Consultancy costs – under studies, technical assistance and other advisory services under the programme carried out by international and national consultants – are eligible as follows. Professional and consultancy services are services rendered by people with a special skill, and who are not officers or employees of the organization applying for the grant. Consulting services must be justified, with information provided on their expertise, primary organizational affiliation, normal daily fee, and number of days of expected service. Consultants' travel costs, including for subsistence, are to be shown as travel expenditure. The applicant may be required to justify the daily fee.
- Workshop costs are eligible, for the workshop venue, food and beverages, and publication material.
- Training expenditure (financial education, digital education, soft skills) for the project's final beneficiaries is eligible. If applicable, this will include all related expenditure, such as the cost of the venue, participant travel, and so on. Training for the employees of

the institution applying for the grant is also eligible as long as it has been demonstrated that it will link directly to the project output.

- Investment costs directly attributable to the project, relating to research and innovation, are allowable.
- Marketing and communication activities are eligible as long as they represent no more than 10 per cent of any UNCDF funds granted.
- Personnel and staff costs are eligible as long as they are no more than 25 per cent of UNCDF funds, and the staff personnel are directly involved and contributing to the project outcome.

3.4 Ineligible Costs

The following costs are ineligible and not accepted:

- Returns on capital and dividends paid by a beneficiary.
- Debt and debt service charges.
- Provisions for losses or debts.
- Interest owed.
- Costs declared by the applicant in the framework of another action receiving a grant financed from another donor.
- Indirect costs, also called overheads.

4. AGREEMENT PARAMETERS

Applicants shall give evidence that their solutions are aligned to the following parameters.

4.1 Applicants

Eligible candidates can apply alone or as lead applicant in a consortium of firms, as long as they comply with the eligibility requirements set forth in section 3.1. In the case that a consortium of entities apply to the RFA, the lead applicant shall comply with the eligibility requirements. The lead applicant will be responsible for:

- i. Submitting the application form on behalf of the consortium.
- ii. Ensuring that each partner is fully aware of the composition of the partnership and of the contents of the Application Form.
- iii. Signing the Performance-based Agreement with UNCDF.
- iv. Fulfilling all obligations set out in the Performance-based Agreement.
- v. Ensuring the allocation and the fulfilment of the funds amongst the partner in the consortium in compliance with the Performance-based Agreement.
- vi. Ensuring the allocation and the fulfilment of the tasks amongst the partner in the

consortium in compliance with the Performance-based Agreement.

4.2 Target Segment

The primary target beneficiaries of the intervention are rural communities living in off-grid areas of the country.

4.3 Product and services

To be eligible for funding, the proposed products and services should:

- Employ digital payments and services (PAYGO).
- Address gaps or barriers in the solar energy sector.
- Lead to a step-change in the adoption of such solutions in Ethiopia, and potentially to transform the market.
- Increase access to affordable, high-quality and durable off-grid solar energy in unserved/underserved regions of the country.
- Incorporate an element of consumer awareness.
- Be commercially driven and demonstrate a strong potential for commercial viability, scalability and replicability.

4.4 Target Market – Geographic Scope

The proposed solution should target underserved/unserved low-income customers living in off-grid areas in the nine regional states.

4.5 Project Duration

The project is expected to have a duration of 12 months, starting in Q3 of 2021.

4.6 Language

The deliverables and any correspondence between the applicant organization and UNCDF must be in English.

4.7 Budget

UNCDF will provide a grant to the selected applicants which are technically compliant in accordance to the Evaluation Criteria as set forth in section 3.2. The grant will be up to a maximum of USD 40,000 in size.

Applications will need to describe how applicants will deploy the Grant and if any technical assistance or mentorship services are being sought. Additional technical assistance services may be provided by UNCDF though a separate budget line.

- Step 2: Evaluation of eligible applications by the Evaluation Committee – the Evaluation Committee will evaluate the applications based on the evaluation criteria set out in section 3.2 to create a shortlist of applications.
- Step 3: Due diligence – due diligence on the applications and their applicants will be conducted by the Evaluation Committee members on the shortlisted applications that receive the minimum qualifying score (70 out of 100) in step 2 process.
- Step 4: Approval of the selected applications by the Board – applications selected by the Evaluation Committee will be reviewed, discussed and approved by the CleanStart Board. Any further due diligence requirements, risk analysis or milestone recommendations from the CleanStart Board will be followed in later steps.
- Step 5: Notification of applications - all applicants will be notified of the status of their applications after final approval from the CleanStart Board.
- Step 6: Pre-Grant negotiation and Performance-based Agreement – this is the agreement of the results chain, including on indicators, for the proposed application, agreement of the milestones that will trigger Grant disbursements and agreement of amount of the Grant that will be released on achievement of each milestone.

5.4 Timeline

- 26 May 2021 - Application window opens
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- 17 June 2021 23:59 hours (EST, the New York time zone) - Closing date for application submission
- July/August 2021 – Selected projects initiation
- September 2022 – Project ends

5.5 Application Assistance from UNCDF

For requests and queries, send an email to rfa.ide.energy@uncdf.org