

AECF REACT Household Solar Home Systems



Objectives

The REACT Household Solar (REACT HS Fund) supports innovative businesses in Africa. The objectives of the Fund are to:

1. Support innovative and transformational business models adapted to the local context in target markets in order to accelerate access to electricity through off-grid stand-alone Solar Home Systems (SHS).
2. Develop and or support commercially viable businesses to create sustainable SHS markets.
3. Ensure access to electricity is affordable to the rural and peri-urban poor.
4. Capture and disseminate lessons from the solar energy ecosystem on how SHS can deliver positive social and economic impacts on the rural and peri-urban poor through: 1) supporting innovative business models that make SHS affordable, 2) influencing an improved business environment for off-grid energy products, and 3) crowding in new players through cross-border replication and adaptation of successful business models and best industry practice.

The REACT HS Fund is funded with UK aid from the UK government.



Geography

- Funding is available for businesses that are commercially active or have a strategic plan to enter the SHS markets in one or more of the following countries: **Malawi, Zambia, Zimbabwe and Sierra Leone.**
- All funding is earmarked for country specific activities in the four target countries.



Focus Areas

Applicants must deliver low cost, affordable, quality clean solar energy products and services.

Eligible businesses must align with one or more of the following product and/or service focus areas:

- Small household level SHS, comprising basic lighting, phone charging systems and radios, made available to large numbers of households through pay-as-you-go systems.
- Larger solar power household stand-alone lighting systems that meet the full range of household needs and remain affordable for low income individuals.
- Larger stand-alone SHS systems for productive use, comprising phone charging systems, radio, etc. and that can be used at small scale rural based business premises to provide the required power.
- Distribution models that supports local entrepreneurship and growth of SMEs with the product demand and supply chain.
- Business models based on brand agnostic 'off-the-shelf platforms'.

Single lantern products and/or business models that promote the manufacture or distribution of single lantern products are excluded.

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Socio-economic Impact

Social KPIs:

Business models must clearly demonstrate how they deliver and sustain social impact in their target markets. Specifically, this means: *Number of users served by the product; power installed; jobs created; how product improve people's income; how product/service is inclusive of women and youth; how model stimulates growth of SMEs within the target geographies.*

Demonstrate a clear end user financing mechanism/ strategy that enable target communities with low/ irregular incomes to access quality solar home systems.

Funded businesses must demonstrate that they are promoting sustainable development outcomes in their community and the market.

Gender KPIs:

REACT HS strongly emphasises the need for products/services to promote gender inclusivity. In particular, businesses should articulate how their application meets the following criteria:

- The role of women in the ownership and management of the organisation.
- Gender inclusive practices in their operations and product design (e.g. women centred design).
- The design of products and services that are directly targeted to women.
- How customer outreach of products and services will target women (e.g. women headed households, partnership with women's organisations as supporters or suppliers).
- Demonstrate engagement of women as key actors within the supply chain and womens opportunities to benefit from economic growth.
- Outline other areas where women may benefit – e.g. better access to involvement in energy project planning and implementation; increased access to and retention in education; 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.



Launch Date

10th May 2017



Type of Support Available

The support package includes:

- Funding, for whole business or for specific product/service that maximises impact. If a component of a business is funded, then it should be able to create a multiplier effect on its reach to target customers.
- Business-to-business learning across grantees through online platforms, grantee networks, face to face meetings and other instruments.
- Provision of targeted technical assistance, especially to start-up businesses.
- Technical assistance to support strengthened business plans submitted by women owned businesses or businesses specifically targeting female beneficiaries.

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Funds Available

Applicants are expected to submit a funding application, justifying their requirements for the business and/or product idea to be funded, the funding amount and the project duration:

Funding must be used for a specific project in one or more of the four target countries, e.g. scaling up an existing product or service or replication/ expansion to a new market. Grantees can apply for a range of funding depending on their development stages (grants and/ or repayable grant):

- Minimum fund award US\$250,000
- Maximum fund award US\$1.5 million

Funding is subject to meeting a certain level of match funding (see Matching Contribution):

Funding payments will be milestone based, where disbursements are based on mutually agreed milestones that must be achieved.

Duration of the agreement: 4 years



Matching Contributions

REACT requires a matching contribution from the applicant to demonstrate interest and trust from the wider investor community. Acceptance of match funding is subject to approval by the Competition Manager.

REACT match funding requirements are 1:1 based on the application value.

Matching contributions can be made either all in cash or a combination of 'in cash' and/or 'in kind' as per the below table:

Type of matching accepted	Description	Evidence accepted	Example (sources)
In cash	Where at least one other party (e.g. venture capital firm, impact investor, incubator / accelerator, mobile operator, foundation or the founder) agrees to provide funding to the REACT HS funding applicant.	Signed MoU or contract, a bank statement and letter confirming the total amount disbursed or to be disbursed by the other party. Evidence submitted to the Fund of matching commitments must include all conditions, timescales and any other considerations.	May include funding from: <ul style="list-style-type: none"> • Investment funding (equity finance) • Impact investment • Crowdfunding • Grants (from governments, foundations or NGOs).
In kind	In kind match includes any significant and quantifiable contribution to the project that is not financial. Applicants must be able to quantify and demonstrate what results any match given in kind will achieve for the proposed project.	In cases where in kind matching is offered, the Fund will discuss with the applicant how best to agree the match funding commitment and valuation. For example: a contractual agreement of support from a local incubator (providing the equivalent monetary value of the service).	May include: <ul style="list-style-type: none"> • Use of goods, services and facilities (such as software) • Management time • Provision and access to equipment • Special materials • Technical assistance

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Eligible Businesses

To be eligible for funding, businesses must meet the following criteria:

- Be a private sector company that is aligned with the focus areas (see Focus Areas).
- Provide a track record of earning revenues from their users for an existing product / service / demonstrated success in at least one market.
- Request a grant amount (grant and/or repayable grant) between US\$250,000 and US\$1.5million
- Be able to show commitment of matching AECF funding on a 1:1 basis (see Matching Contribution).
- 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.
- Be legally registered in the country of doing business.
- Be compliant with fundamental human rights, UK Modern Slavery Act, all international labour standards and Environmental and Social Safeguards.
- Must not be involved in any act of terrorism or support terrorist activities.

Note - Previous grantees are eligible to apply for grants where they clearly demonstrate they are moving into new markets.



Selection Criteria

Each applicant will be evaluated and scored against the following criteria:

- Have a product that is certified in line with your specific country standardisation 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.
- Articulate a business model that is commercially sustainable.
- Demonstrate investment relationships/ potential for leveraging additional and follow-on funding.
- Demonstrate capacity of management team to implement the grant (adequate internal resources/ capacity) – headquarter and in country.
- Demonstrate understanding of the country context and culture where the project is proposing to operate.
- Ability to access foreign grant funds and deploy them in the country of implementation.
- Outline a targeted approach to connect the peri-urban and/or rural poor to affordable, quality clean solar energy products and services.
- Demonstrate how the business model will deliver and sustain social impact in the target markets (See Socio-economic impact), i.e. be able to demonstrate how to leverage AECF funding to secure commercial funding.
- Demonstrate how gender analysis has informed the product/service design and how it will impact on the project.



Commitments from Successful Grantees

If selected, applicants must be committed to:

- Collaborate with the Competition Manager to finalise contract milestones and KPI's. Milestone indicators are agreed with 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. AECF will retain the right to disseminate learnings to the SHS ecosystem to facilitate market knowledge.
- Report according to agreed schedules and requirements.
- Participate in AECF/DFID annual review.
- Ensure financial data and other management systems are accessible for audit purposes upon request.

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Competition Process

Applications will be assessed through a 2-stage application process.

- Concept Note – **deadline 25th June 2017 - midnight BST**
- Business Plan – **deadline 20th August 2017 - midnight BST**

The process includes:

- Business Plan stage that will include a due diligence and support visit from the Competition Manager. Applicants will be informed in advance and must be available during this 2-3 day visit in a specified location (usually the applicants headquarter or office of operation in country).
- Independent Investment Committee that will appraise the proposal for funding based on recommendations from the Competition Manager.
- Contracting process for successful businesses that will finalise KPI's and milestones.

Winners will be informed by the end of September 2017. It is anticipated that a minimum of 10 successful business plans will be selected for funding.



Contact Details

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REACT