REACT SSA - SOMALIA PROGRAMME

SECOND CALL FOR FUNDING

DISCLAIMER: 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.

TERM SHEET FOR APPLICANTS

1. Renewable Energy and Climate Technologies in Sub-Saharan Africa (REACT SSA) programme is funded by the Swedish International Development Agency (Sida) to support renewable energy in Sub-Saharan Africa, including renewable energy companies in the Somalia region. This is the second round of REACT SSA Competition in Somalia, following the successful funding award to several companies in the first round of the competition.

The programme invests in private sector innovations in low-cost clean energy solutions leading to a transformational increase in the use of renewable energy by off-grid households contributing to an improved quality of life.

The objectives of the REACT SSA Programme are to:

1. Support transformational business models adapted to target markets that accelerate access to low cost, clean energy i.e., cleaner fuels, cook stoves, alternatives to grid power.
2. Support commercially viable companies in target countries, out of which 25 percent will be women owned and/or managed.
3. Support innovative ideas that stimulate next generation approaches in the renewable energy sector in Sub-Saharan Africa.
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.
5. Stimulate stakeholder engagements for an improved policy, legal and regulatory environment for renewable energy businesses within the target countries.
## Geography
Funding is available for private sector companies and microfinance institutions that are commercially active in the renewable energy market in Federal Republic of Somalia (FRS). To ensure fair representation, Companies operationally based in, or strategically planning to invest in the three (3) States of Hirshabelle, Southwest, and Banadir are highly encouraged to apply.

## Focus areas
Applicants must deliver low cost, affordable, quality clean energy products and services that benefit the rural and peri urban poor; especially women.

To be eligible for funding, the focus should align with one or more of the following:

- Small, pico–PV household level solar lanterns, comprising lighting and phone charging.
- 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.
- 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 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 e.g., improved cook stoves and cleaner fuels (e.g., ethanol and biogas) for rural and peri urban low-income individuals. [NOTE: LPG is not eligible]
- 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 for rural households (e.g., Solar pumping, Cooling solutions for Agriculture and fisheries).
- Energy generation and distribution companies supplying energy to households as primary consumers and institutions (such as schools and health centers) as secondary consumers in peri-urban and rural areas are eligible to apply.
- 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
### Desired socio-economic impact

Business models must clearly demonstrate how they deliver and sustain social impact in their target markets. Specifically, this means: **Number of households** accessing energy; 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 FRS.

A specific focus must be made on gender inclusivity and plans on e-waste management.

Companies should articulate their strategy to meet the following:

- Include women in the ownership and management of the organization.
- Gender inclusive practices in their operations (e.g., women centered 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 by the company (school attendance; homework delivery and school grades).
- 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.
- 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).
- Demonstrate a clear end user financing mechanism/ strategy that enables target communities with low/ irregular incomes to access quality clean energy products that align with ability to pay classifications for the target communities.
- Projects must be environmentally friendly. Environmental impact assessments and mitigation measures approved by pertinent regulatory authorities must be obtained.
- Throughout the life of the funding, companies must demonstrate that they are promoting sustainable development outcomes in their target communities and market.

### Type of support available

The support package includes:

- Funding, for whole or section/ component of business; that maximizes impact. If a component of business is funded, then it should be able to create a multiplier effect on its reach to target customers.
- Business-to-business learning across investees through opensource networks, industry associations and other instruments.
- Provision of targeted technical assistance, especially to business at the start-up stage.
- Business-to-investor linkage through AECF Connect.
### Facility size
- Total grant funds requested from AECF must be between US$100,000 and US$1,500,000 per company. Companies can apply for funding depending on their development stages, ability to raise matching funds and capacity to absorb funding for the proposed business.
- Funding must be used for a specific project in Somalia, e.g., scaling up an existing product or service or replication/expansion to a new market.
- Funding will be milestone based, where disbursements are based on mutually agreed milestones that have to be delivered/achieved.

### Matching contributions
- AECF will require matching contribution from the applicant to demonstrate interest and trust from the wider investor community. Acceptance of match funding is subject to approval by AECF.
- The match funding requirement is 1:0.4 (AECF to investee, if male owned/managed company) and 1:0.3 (AECF to investee, if female owned/managed company). Matching funds will be fully in cash.

### Eligible companies
- To be eligible for funding, private sector companies and MFIs (including those who had applied earlier but were unsuccessful) must meet the following criteria:
  - Must be a legally registered private sector enterprise physically established in Somalia. Registration at both Federal and State-levels are required, with the following mandatory documents:
    - Valid company registration documents (business license) from both Federal and State-levels.
    - Memorandum and Articles of Association (MEMARTS).
    - Company profile.
    - Audited financial reports for the past 2 years (2019 and 2020).
    - Most recent management accounts for the year 2021.
    - Certified bank statements for all current accounts and loan accounts from 1st January 2021 to date.
    - Valid tax compliance certificate for the past year.
  - Businesses must be aligned with the focus areas. Joint ventures are allowed.
  - Must be able to show commitment to match AECF funding, based on the ratios stated in matching contributions. Must provide letters of support for matching funds from the shareholders or key decision makers.
  - Must be compliant with fundamental in-country and international human rights, labour standards, and environmental management laws.
  - Must NOT be involved in any act of terrorism or support terrorists’ activities
  - Must NOT be involved in any act of corruption. AECF requires that the applicant (including its staff, contractors, and suppliers) not be involved in offering third parties, or seeking, accepting or being promised by third parties, for themselves or for any other party any gift, remuneration, compensation or benefit of any kind whatsoever, which could be interpreted as an illegal or corrupt practice.
  - Must allow regular due diligence.
  - Must provide company reference: obtain and provide signed references from existing and past partners, government, private sector and/or NGOs confirming the company’s services.
  - In the case of partnerships, signed MoU between the partners outlining a clear division of responsibilities between the partner and a statement of mutual commitment (if applicable).
  - Agreements with mobile service providers or suppliers of services and equipment (if applicable).
  - Must demonstrate additionality, see broad view guide in text box 10, below.
TERM SHEET FOR APPLICANTS

9 **Selection Criteria**

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

- The viability of the business model that is commercially sustainable. Proposal must be technically sound and be aligned with the activities described in No. 3 (Focus area) above, as well as government priorities. It should clearly spell out how performance is to be measured and evaluated with all agreed upon indicators, targets and milestones.
- The company must demonstrate a satisfactory record of performance. Testimonials/references of past performance should be submitted (financial and operational).
- Proposal must include CVs of key personnel with the education and experience required for the technical nature of the proposed project.
- Proposal must indicate the methods and degree of coordination with local administration and participating communities and provide a support letter from the Federal Government of Somalia Ministry of Energy and Mineral Resources.
- Have a product that is certified in line with global standardization procedures and and/or supplied by a certified product manufacturer, clearly marked as an acceptable quality of a product.
- Provide a track record of revenues earned for existing product/service/demonstrating success.
- 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.
- Demonstrate investment relationships/potential to access matching funds.
- Demonstrate institutional governance structures and the capacity of management team to implement the proposed business/project (adequate internal resources/capacity) - headquarter and in country.
- Demonstrate understanding of the country context and culture where the project is proposing to operate.
- Outline a targeted approach to connect the peri-urban and/or rural poor to affordable, quality clean energy products and services.
- Demonstrate how the business model will deliver and sustain social impact in the target markets (See 4), 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 of 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.
- Indicate any risks and threats to project implementation and methods that would be used to mitigate such risks.
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### 10 Classification of additionality

While we recognize that the additionality factor is context (geography, sector, etc.) specific, below is a description of our broad check of it:

- **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 SSA 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 SSA funding, to achieve scaling multiples of the development impact and market systems development. Companies must demonstrate that they have no other way of accessing funding requested from AECF.

- **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), longer repayment terms, actualized 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.

### 11 Commitments from successful investees

If selected, applicants must be committed to:

- Collaborate with AECF Limited to finalize 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, analyze and share learnings from the project with AECF.

- Report according to agreed schedules and requirements.

- Participate in AECF/Sida annual programme reviews.

- Ensure financial data and other management systems are accessible for audit purposes upon request.

### 12 How to Apply

- The application process:
  - **Step 1**: Qualification stage based on a detailed business plan. Only those applications that meet the eligibility criteria and best fit the fund objectives will be considered for further due diligence. Applications will be done online.

  - **Step 2**: Award stage based on technical, organizational, and financial due diligence of the applicant.