



Energy for Green Growth and Sustainability in Kenya

REACT Kenya: **RESULTS-BASED FINANCE**



COMPETITION TERM SHEET FOR RENEWABLE ENERGY AND CLIMATE TECHNOLOGIES (REACT) KENYA PROGRAMME – RESULTS-BASED FINANCE

The term sheet is a non-binding arrangement between Africa Enterprise Challenge Fund (AECF) and the investee by providing an overview of the Investing in Renewable Energy and Climate Technologies (REACT) Kenya Programme, the objectives of the competition business challenge, the nature and type of business models and private sector companies to be involved, Result Based Financing and Milestone Based grants guidelines, scope of technologies, technical assistance offered, specific component eligibility and selection criteria, to inform prospective applicants while preparing for the overall application process. The programme will serve as an accelerator, stimulating the development of innovative business models and technologies. It will also leverage the strengths of the private sector in coordination with other stakeholders and draw on the lessons from the larger Sida-funded REACT and RBF programmes in Kenya.

REACT Kenya – Milestone Based Grants Term Sheet

1 The programme is titled **Energy for Green Growth and Sustainability in Kenya**, and the purpose of this intervention is to contribute to the green growth of Kenya, providing low carbon and lower polluting employment opportunities, increased income, enhanced resilience, and a better quality of life. The intervention will aim to achieve the following specific objectives:

1



To increase access to modern energy services to underserved communities.

2



To increase access to quality productive use of energy (PUE) solutions for MSMEs and agricultural value chains.

3



To accelerate the growth of reliable and affordable e-mobility services (mainly 2 and 3-wheelers) in Kenya.

4



To transform the circular economy into a more sustainable system that emphasizes ecosystem restoration, waste recycling, reuse and value reduction, optimizing resource use, and promoting continuous resource circulation through green transition technologies).

2	Duration of the programme	4 years (from Q1 2025 to Q4 2028)	
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3	Geography / Focus area	The project shall focus on companies with the most impact and transformation anywhere in Kenya. Companies meeting eligibility and selection criteria shall be invited to bid for the funding.
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4	Scope	This project is technology agnostic and shall be open to companies participating from any region in Kenya.
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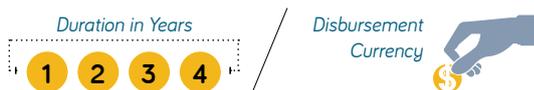
5	Funding Instruments	<ul style="list-style-type: none"> ● Milestone-based grants (MBG): Targeting earlier-stage technologies and innovative solutions that require significant upfront investments and are not sufficiently proven to attract more commercial capital. ● Results-based Financing (RBF): This type of financing targets more mature companies by providing incentives for additional sales achieved beyond the pre-determined baseline. <p><i>*This term sheet is specific to Results Based Finance</i></p>
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6	Funds Available	<p>Applicants are expected to submit a funding application (concept note) presenting a project to be funded, explaining how the applicant meets the funding requirements, and stating the funding amount and the proposed project duration. The funding range will be determined by the company's turnover and the business stage of development, as tabulated below. Companies seeking results-based financing (RBF) are eligible for milestone-based grants (MBG), as long as the MBG funds constitute no more than one-third of their overall funding.</p>
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Company Size (Turnover, USD)	Business – Stage of Development	Funding Range (USD)
≤ 200,000	Early stage (≥ 2 years of operation)	100,000 – 250,000
≥ 200,000	Growth stage (≥ 2 years of operation)	300,000 – 500,000

Disbursements are made in USD.

Maximum duration of the agreement: 4 years

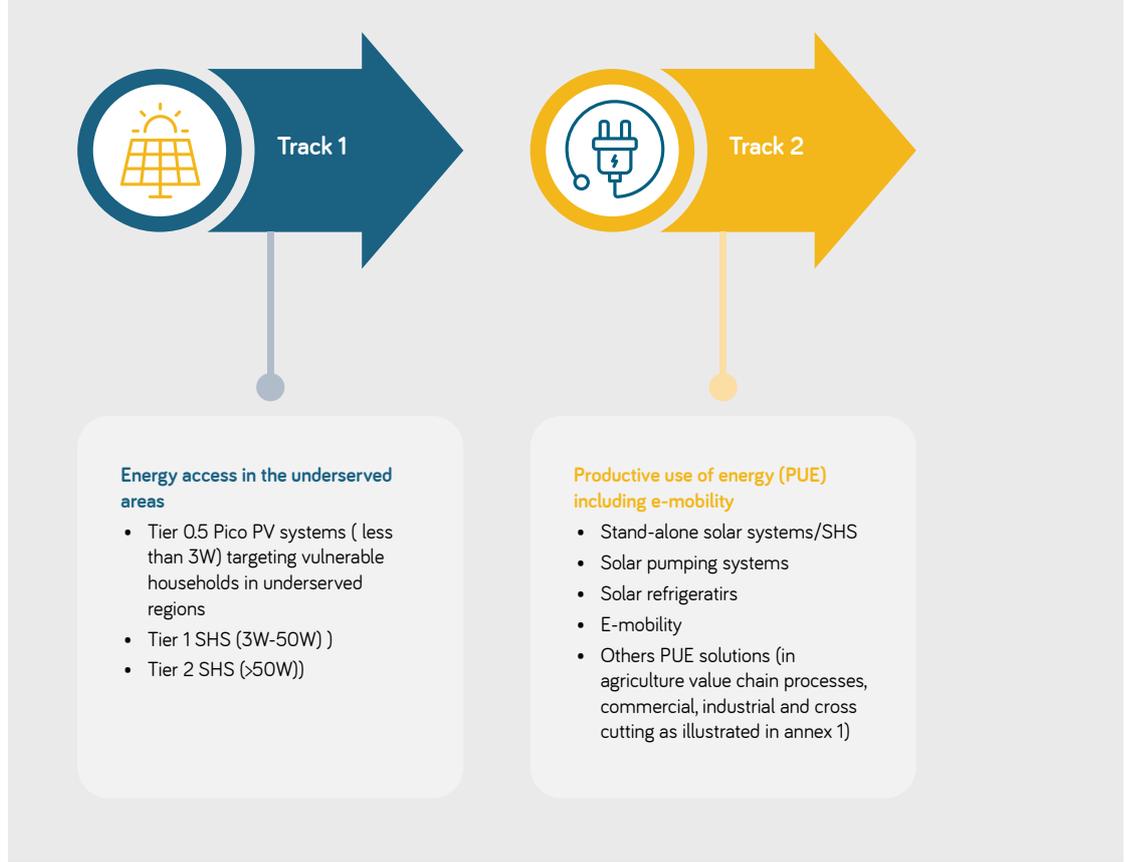


7	<p>Financial contributions from applicants (Matching Funds)</p>	<p>AECF requires a financial contribution from the applicant to demonstrate commercial viability and readiness to share risk. Acceptance of match funding is subject to approval and relates only to the proposed project expenses.</p> <p>The funding requirement from the applicant is 1 (AECF) to 0.4 (applicant) based on the application value.</p> <p>Financial contributions to the project can be made in cash or a combination of cash and/or 'in kind' provided the in-kind contribution does not exceed 25% of the overall contribution.</p> <p>Types of financial contribution accepted:</p> <p>1. Cash</p> <ul style="list-style-type: none"> ● Cash in the bank. ● Where at least one party (e.g., financial institution, venture capital firm, impact investor, incubator / accelerator, mobile operator, foundation, or the founder/other shareholders) agrees to provide funding to the applicant. Evidence accepted includes a signed MoU or contract, a bank statement, and a letter confirming the other party's total amount disbursed or to be disbursed. The submitted documents of co-funding commitments must include all conditions, timescales, and other considerations. <p>2. In Kind</p> <ul style="list-style-type: none"> ● Includes any significant and monetizable contribution to the project that is not financial. Applicants must be able to quantify and demonstrate what results any contribution given 'in kind' will achieve for the proposed project. In-kind contributions should be incremental/ would not have happened without the project. <p>AECF will discuss with the applicant how to best agree on the contribution commitment and valuation.</p>
8	<p>Eligibility & Selection of applicants</p>	<p>To be eligible for funding, businesses must meet the following criteria:</p> <ul style="list-style-type: none"> ● Request a grant within the stipulated range. ● Legally registered as a for-profit company (e.g., corporation, LLC, etc.) or a branch/subsidiary of an international for-profit company and physically established in Kenya at the time of awarding of investment by AECF. ● Have been in operation for at least two years, with the ability to produce two years of audited accounts [these could be from the parent company if recently established as a branch/subsidiary in Kenya]. ● Compliant with all governmental statutory requirements. ● Passes AECF's KYC (know your customer), AMT/CFT (anti-money laundering and counter-financing of terrorism), PEP (politically exposed person), and IDD (integrity due diligence) screening. ● Businesses must comply with all applicable national laws relating to human rights, labor, and social and environmental management and respect internationally recognized human rights standards, as expressed in the International Bill of Human Rights and the core labor standards established through the International Labor Organization. ● Companies should demonstrate the need and demand for concessional capital. ● Companies should not participate in other programmes providing grants or RBF incentives for the proposed technologies. Where a company is involved in other RBF interventions but proposes different technologies for this project, the company will be required to disclose all the details of the other RBF programmes supporting them including specific products and locations being funded under the disclosed programmes. Failure to disclose will lead to automatic disqualification. ● Companies participating in other programmes that provide grants or RBF incentives may be eligible if they can demonstrate complementarity. In this regard, the companies shall be required to: <ul style="list-style-type: none"> ● Disclose the complementary programmes and the specific products supported by the disclosed programmes. Failure to disclose this will lead to automatic disqualification. ● Propose new products for this RBF facility and ensure they are not supported by or benefiting from the complementary programmes disclosed. ● Commit that the proposed products for this RBF initiative will be exclusive. ● If complementarity cannot be demonstrated by the shortlisted companies, they will be automatically disqualified.
9	<p>Company Profile</p>	<ul style="list-style-type: none"> ● For RBF on PUE (E-mobility included) and energy Access in underserved areas, the eligible applicants must fall in either of the following. <ul style="list-style-type: none"> ● Supply Side: Distributors and manufacturers ● Demand side: Financial intermediaries such as MFIs and SACCOs

10

RBF Design Elements

The RBF Facility will have two tracks based on end-user product pricing, application focus, and the target market segment, as illustrated below. Applicants must select a track aligned with their business model and demonstrated capacity to deliver. Applicants must demonstrate additionality and support to high-growth businesses to qualify for the RBF. Access to appropriate consumer finance will be a cross-cutting aspect that will act as an enabler for affordability.



11 | Proposed Incentive Structure for RBF

a) Overview of the Incentive Types

The RBF initiative shall provide incentives for additional sales achieved beyond the **pre-agreed baseline** and mainly focus on two additionality elements as illustrated below:

- Promotion of clean energy solutions to households in underserved regions that otherwise would not have access
- Promotion of PUE solutions for income generation

The RBF incentive will be determined based on the retail price of the products. An incentive of 30% of the retail price will be paid to the companies, but higher-value products/solutions will be capped at USD 200 for household (HH) use and USD 300 for productive use. The estimated profit margin for such products informs the 30% rate, although this can be higher for larger systems.

b) Baseline Considerations

The baseline, which could be location or product-specific, shall be determined historically using average monthly sales figures for 2024. As shown in the chart below, this shall be fixed during the implementation period. Sales above the baseline will, therefore, be the additional sales motivated by the RBF initiative and will be eligible for the incentives.

Note: Companies must demonstrate effort and ambition beyond their business as usual. To demonstrate additionality, baseline sales shall be determined before project commencement, and only sales above the pre-agreed baseline shall be incentivized.

c) Indicative Incentive Rates and Average Incentive Amounts

PUE & E-mobility

Indicative PUE solution	RRP Range (USD)	Average RRP (USD)	Incentive rate (%)	Indicative Incentive amount (USD)	Capped Incentive (USD)	Proposed units	Proposed Funding (USD)
Small water pumps (<1kW)	500 - 2,000	1,000	30%	300	300	1,000	300,000
Medium water pumps (1kW - 5kW)	500 - 5,000	3,000	30%	900	300	800	240,000
Small fridges (<500W)	1,000 - 2,500	1,500	30%	450	300	500	150,000
e-mobility (2 & 3 wheelers)	1,000 - 2,000	1,500	30%	450	300	500	150,000
Total						2,800	840,000

Energy Access for Underserved Areas

SHS Tier	RRP Range (USD)	Average RRP(USD)	Incentive rate (%)	Indicative Incentive amount (USD)	Capped Incentive (USD)	Proposed units	Proposed Funding (USD)
Tier 0.5 (<3W)	10-30	20	30%	6	6	30,000	180,000
Tier 1(3W-50W)	50-500	100	30%	30	30	3,000	90,000
Tier 2 and above(>50W)	>500	750	30%	225	200	1,800	360,000
Total						34,800	630,000

d) Indicative Calculation Formula and Payment Modalities

The general formula used for the calculation for the incentive amount is illustrated below:

$$Incentive_{max} = \sum_{product, incentive\ type} Incentive\ rate_{incentive\ type} \times Retail\ Price_{product} \times (Units\ Sold_{product} - Baseline\ Units_{product})$$

The modality for paying the incentives shall be an ex-post RBF incentive, i.e., after delivery and verification of the result. Companies shall unlock the incentives only after reaching agreed beneficiary targets and require them to pre-invest their resources. RBF will target established companies distributing SHS and PUE equipment capable of procuring inventory to accelerate connections at scale, reaching new markets or hard-to-reach areas they would not have targeted without subsidy.

12	Technology Scope	<p>The technology scope shall include the following.</p> <ul style="list-style-type: none"> ● Stand-alone solar systems/SHS (Pico PV systems from Tier 0.5 to Tier 2) ● Solar pumping solutions ● Larger pumping solutions (targeting communities and aggregators) ● Solar refrigerators ● Cold storage (targeting aggregators) ● Solar driers (targeting aggregators) ● E-mobility (particularly those setting up charging infrastructure) ● Other pre-agreed renewable solutions within the end user price limit
13	Disbursement milestones/ requirements	<p>At the time of contracting, AECF and the applicant will agree on disbursement milestones and reporting requirements, which the applicant must meet to be eligible for each scheduled disbursement. RBF disbursements are output-based and reimbursement-based.</p>
14	Additional support available	<p>Technical assistance (TA) will be available under this programme. This non-financial assistance will be provided as value-add services to the targeted beneficiaries to maximize the quality of the project implementation outcomes, business sustainability, and impact.</p> <p>Technical assistance services include but are not limited to post-contract technical assistance provided to those investees awarded funding throughout the duration of their engagement with AECF. This assistance consists of the following:</p> <ul style="list-style-type: none"> ● General business training/workshops for all funded companies. ● Individual, tailored advisory services, addressing identified capacity development needs; and ● Investments advisory support to access additional financing from impact and commercial investors in addition to the AECF funding.
15	Application process	<p>Applications will be accepted between 11 April 2025 and 11 May 2025. The window closes at 11:59 pm EAT on 11 May 2025. All applicants must submit their applications through AECF's online platform.</p>  <p>The diagram illustrates the application period and window closure. On the left, a calendar icon is followed by a blue arrow labeled 'Application Period' pointing from a yellow circle '11 April, 2025' to another yellow circle '11 May, 2025'. A diagonal line separates this from the right side, which shows a yellow circle '11 May, 2025' followed by a blue alarm clock icon labeled 'Window Closure' with '11:59PM EAT' below it.</p>
16	Commitments from selected applicants	<p>If selected, applicants must be committed to:</p> <ul style="list-style-type: none"> ● Uphold the highest level of integrity to achieve specified goals. ● Collaborate with AECF to finalize contract milestones and KPIs. Milestone indicators are agreed with AECF before signing the contract. ● Commitment to gather, analyze, and share learnings from the project with AECF. ● Report according to agreed schedules and requirements. ● Ensure financial data and other management systems are accessible for audit purposes upon request. ● Comply with all applicable laws and regulations. ● Comply with AECF Environmental and Social requirements and those of NEMA.
17	Disclaimer	<p>This call for application is not binding upon The AECF, and no legal rights or obligations arise from it. The AECF reserves the right to determine the structure of the selection process, the 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.</p>



Annex 1-Other PUE Solutions



Agriculture

- Irrigation
- Water pumping
- Agro-processing (milling, threshing)
- Cooling (refrigeration & cold storage)
- Dairy (chaff cutting, feed mixing)
- Poultry (egg incubation)
- Drying
- Heating



Commercial

- Hair dressing
- Entertainment services
- Transport (e-mobility)
- Water pumping
- Cooling (refrigeration & cold storage)
- Cooking
- Heating & Boiling
- Tailoring
- ICT services



Industrial

- Metal production machinery (welding, drilling, e.t.c)
- Carpentry machinery
- Heating / Boiling
- Cooling (refrigeration & cold storage)
- Prime movers (motors & drivers)



Cross cutting

- General lighting
- Security (lighting, CCTV, fencing)

This call for applications is not binding on AECF and no legal rights or obligations arise from it. AECF reserves the right to determine the structure of the selection process, the number of shortlisted candidates, the right to withdraw from the process, the right to change the schedules at any time without notice and reserves the right to withdraw this call for applications at any time without notice and without any obligation to indemnify, indemnify and/or reimburse any party.

The AECF does not charge an application fee for participation in the competition and has not appointed any agents or intermediaries to facilitate applications. Applicants are advised to reach out directly to the AECF.



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