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REACT 2.0 TERMSHEET

Catalyzing Climate-resilient Energy Access and Inclusive Finance for Agricultural Transformation in Ethiopia

Renewable Energy and Climate Technologies (REACT) 2.0 Ethiopia Programme

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REACT 2.0 TERMSHEET

Catalyzing Climate-resilient Energy Access and Inclusive Finance for Agricultural Transformation in Ethiopia

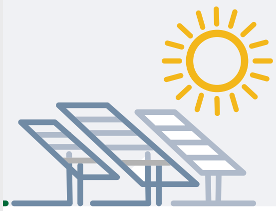
Programme Summary

01

The programme aims to contribute to sustainable socio-economic development and enhanced climate resilience for underserved markets in Ethiopia by catalyzing private-sector investment to improve agricultural productivity, food security, and household energy access. The facility complements Ethiopia's National Electrification Program (NEP 2.0) and National Sustainable Energy Development Strategy (2024–2030), which emphasize the role of decentralized renewable solutions in achieving universal access and climate resilience.

Specifically, the programme seeks to:

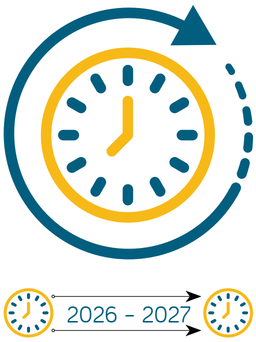
- Accelerate the adoption of productive use of energy (PUE) solutions in agriculture by supporting the deployment of solar-powered agricultural technologies (e.g., irrigation, milling, cold storage, drying) that enhance value addition, reduce post-harvest losses, and promote food system resilience—particularly among smallholder producers and agri-enterprises.
- Improve energy access for households and communities through the expansion of decentralized solar solutions.
- Strengthen investment readiness and facilitate fundraising for local early-stage and growth enterprises to attract private investment through technical assistance, transaction advisory support, and matchmaking services.



The programme will provide catalytic capital and technical assistance to competitively selected early-stage and growing PUE and climate innovation companies, using grants and Results-Based Payments (RBPs), depending on the state of market development.

Programme duration

2 Years



Ethiopia

(Priority regions will be selected based on agricultural potential, energy poverty, and PUE demand)

Eligible applicants may also work in other underserved areas, provided they demonstrate their focus on low-income, off-grid households and agricultural value chains.

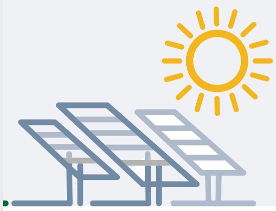
Eligible organizations

Private, for-profit enterprises legally registered in Ethiopia, with at least 2 years of audited financial accounts, demonstrated operational presence in Ethiopia, the capacity to distribute SHS or PUE technologies, and compliance with Ethiopian legal requirements.

Proposed Technologies/ Sectors

02

Application	Technologies/ subsector	Target beneficiaries
Access to basic electricity services	Solar Home Systems (SHS) / Solar Stand-alone Systems (SAS), i.e., Entry level, Tier 1 & Tier 2	Households & micro enterprises
Productive Use of Energy (PUE)	Solar water pumping solutions Solar refrigeration or cold storage solutions Other PUE solutions, e.g., for drying, milling, processing, value addition, etc. (to be specified during application)	Small holder farmers (individuals or groups) Aggregators Micro or small enterprises
E-waste	Collection and reverse logistics Pre-treatment and sorting Material recovery and recycling Refurbishment and second-life applications	Solar, PUE and mini-grid companies Manufacturers and assemblers Households
Financial Services	Green SME loans Consumer financing	Households SMEs Energy companies E-waste companies



Funding Windows and Instruments

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There are two financing windows under the programme — Working Capital and Inventory Finance Facility and Capital Expenditure Facility — each described below. Applicants may apply to the window that best aligns with their business needs and meets the specified eligibility criteria.

Window 1: Working Capital & Inventory Finance Facility

Objective: To provide working capital and inventory financing to early-stage energy, agri-tech, and e-waste enterprises to scale the distribution of decentralized renewable energy (DRE) solutions for household electrification and productive use, and to strengthen sustainable e-waste management operations. These include SHS, SAS, solar-powered irrigation, cold storage, milling, drying, and other household PUE technologies targeted at smallholder farmers and micro and small enterprises.

Target Companies: Early-stage, local distributors and service providers including financial institutions and companies in e-waste/circular economy with limited access to credit and constrained working capital.

Financing Instrument: Matched, non-repayable grant facility combining an up-front milestone-based payment and subsequent results-based disbursement.

- ***Market Entry Payment (30%)*** – Disbursed upon signing of the Funding Agreement to support inventory importation, initial capital and operational expenditure, and establishment of supply infrastructure.
- ***Results-Based Payment (70%)*** – Disbursements will be made based on verifiable evidence of sales, to incentivize market performance and scale. Companies will be required to submit quarterly reports, which will trigger verification and subsequent disbursement upon successful validation.

Funding Windows and Instruments

04

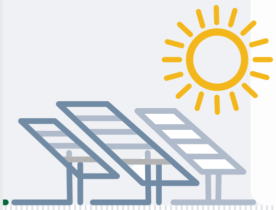
Window 2: Capital Expenditure (CapEx) Facility

Objective: To provide catalytic capital expenditure financing to support climate-smart and inclusive agricultural value chains through investment in decentralized renewable energy solutions that power agribusinesses, and to promote circular economy and e-waste management innovations that enhance resource efficiency and environmental sustainability.

Target Companies: Growth-stage DRE companies providing energy services to agro-processors, agri-SMEs, MFIs, and mini-grid operators, anchoring with a productive use energy solution for agri-processing or any productive use off-takers.

Financing instrument: Grants of up to 40% of system CapEx, disbursed through a milestone-based results mechanism as follows:

Milestone	Result Type	Trigger	% of Grant Disbursed
Milestone 1	Activity-based	Evidence of project initiation (e.g., customer acquisition, order placement)	30%
Milestone 2	Output-based	Installation and operationalization of PUE systems at the project site (verifying compliance with technical standards, consistent power supply)	60%
Milestone 3 **3 months after installation**	Outcome-based	Verification of system functionality (operations and economic verification	10%



Ticket Size

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The ticket size range will be between USD 250,000 and USD 400,000, tailored to different stages of the applicant's business and technology development.

Desired socio-economic impact

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Business models must show how they deliver and maintain social impact in their target markets and how they meet the objectives of AECF and the REACT Ethiopia Programme.

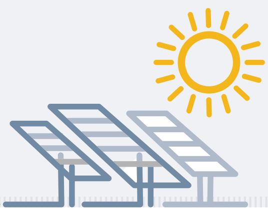
Specifically, this includes the number of households and individuals gaining access to clean energy (SHS/SAS), installed power capacity, energy savings, strengthening rural microenterprises, job creation, income improvements, women's inclusion, market growth stimulation, and the development of relevant supply chains. Emphasis should be placed on creating jobs, reducing greenhouse gases, and promoting gender inclusivity.

Companies should articulate their strategy to meet the following:

- Committed founders in the operations of the entity.
- Demonstrable benefits to the local community in terms of increased access to products and services, and higher income.
- Qualitative indicators such as increased access to solar home systems/ standalone systems and productive use of solar energy in rural and peri-urban communities.
- Show a clear end-user financing mechanism or strategy that helps target communities with low or irregular incomes access to better technology, practices, and services.
- Proven economic development and potential improvement of livelihoods for individuals and communities.
- Projects must be environmentally friendly. When necessary, environmental impact assessments and approved mitigation measures from the relevant regulatory authorities should be obtained.
- Throughout the funding period, companies must demonstrate that they promote sustainable development outcomes in their target communities and markets.
- Enable smallholder farmers and cooperatives to improve yields, reduce post-harvest losses, and access stable markets.
- Create direct and indirect green jobs in installation, maintenance, and agri-processing.
- Strengthen resilience of rural communities to climate shocks by stabilizing food value chains and reducing reliance on rainfed practices.
- Contribute to Ethiopia's climate commitments by displacing diesel-powered irrigation and cold storage systems.
- Energy efficiency measures lead to a reduction in energy consumption.

Progress in attaining the above will be measured through:

- Number of beneficiaries accessing high-quality technologies.
- Number of jobs created
- Increase in income for end beneficiaries selling to or buying from grantees
- New capacity installed from renewable energy sources
- Energy efficiency measures lead to a reduction in energy consumption.



Type of support available

07

Successful applicants will receive:

Financial support: *milestone-based grants (market entry + RBPs)*

Financial support: *milestone-based Capex grants covering up to 40% of total system costs.*

Technical assistance (TA): *covering credit management, sales and marketing, distribution strategies, and after-sales service.*

Gender and inclusion support: *assistance in designing and implementing gender action plans.*

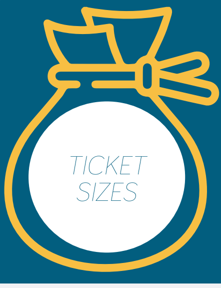
ESG support: *tools and training to ensure compliance with environmental, social, and governance standards.*

Policy and advocacy support: *engagement with regulators to address barriers to PUE adoption.*

Funds available

08

Ticket sizes will range from USD 250,000 to USD 400,000 per investee

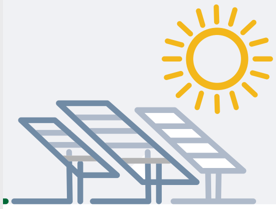


Funding is subject to meeting a certain level of match funding (see Matching Contribution). Businesses should apply for funding depending on their project requirements and capacity to absorb funding for the proposed project. Funding will be in the form of non-repayable grants and will be disbursed in US dollars, Euro, and/or local currency equivalent.

Funding payments will be milestone based, where disbursements are based on mutually agreed milestones that must be achieved/delivered. The first disbursement will not exceed 30% of the total amount awarded.

Funding payments for inventory may be disbursed in US dollars or Euro on behalf of businesses direct to suppliers. Operational Expenditure shall be disbursed in local currency equivalent.

Businesses are obliged to open bank accounts via AECF local banking partner and provide invoices prior to each disbursement.



Duration of the funding agreement with investees: 24 months

Matching contributions

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The programme operates on a 1:1 matching funds principle where each company is required to contribute an amount equivalent to the grant provided by AECF. This co-investment approach ensures shared risk and commitment between AECF and the investees, while leveraging additional private capital to enhance the sustainability and scale of programme outcomes.

Proof of the availability of matched funding is required during the selection process and prior to any disbursement

Matching contributions may include founder equity, supplier credit, inventory or other verifiable business inputs.

Where at least one party (e.g., venture capital firm, impact investor, incubator/accelerator, foundation, or the founder) agrees to provide funding to the applicant. Evidence accepted includes a signed MoU or contract, a bank statement, and a letter confirming the total amount disbursed or to be disbursed by the other party. The submitted documents to the Fund of matching commitments must include all conditions, timescales, and any other considerations.

Examples include:

- Example 01 — Investment funding (equity funding)
- Example 02 — Impact investment
- Example 03 — Crowd funding
- Example 04 — Internal resources such as loans from founders, family etc.
- Example 05 — Loans from financial institutions

Eligible companies

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To be eligible for funding, private sector companies must meet the following criteria:

- Request a grant within the stipulated range.
- Be legally registered and physically established in Ethiopia as a for-profit company and must have operated for a period of no less than two (2) full accounting years at the time of application. Must not have received a grant six (6) months prior to the application time.
- Annual turnover for the most recent year should be more than 50% of the grant amount requested.
- Be a registered (or willing to register prior to the start of the investment), private sector enterprise that is aligned with the focus value chains.
- Have been in operation for a minimum of two years, with the ability to produce two years of audited accounts.
- Passes AECF's Know Your Customer), AMT/CFT (anti-money laundering and counter-financing of terrorism), PEP (politically exposed person) and IDD (integrity due diligence) screening), based on the information submitted as part of the concept note.
- Be able to show commitment to matching AECF funding based on the ratios stated in matching contributions.
- Be compliant with fundamental laws and regulations in-country, including tax compliance laws.
- Be compliant with international human rights, labor standards, and environmental management laws.
- 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 any other party any gift, remuneration, compensation, or benefit of any kind whatsoever, which could be interpreted as an illegal or corrupt practice.
- NOT be associated with activities prohibited by the government of Ethiopia, terrorism, money laundering, or a list that prohibits trading with some business (IFC, USAID, UN, EU, and any other networks), United Nations Security Council resolutions issued under Chapter VII of the UN Charter. The screening will be conducted for all applicants and associated parties against provisions such as https://sanctionssearch.ofac.treas.gov/, www.worldbank.org/debarr World-Check, EU sanctions list, etc.
- NOT be a representative of a government or a semi-governmental agency of any sort. This includes government owned or partially owned enterprises or companies that have ownership or substantial business ties with government or quasi-government bodies. Any subsequent identification of such links will lead to the immediate termination of the grant agreement.
- Allow regular due diligence
- Demonstrate additionality; see broad view guide in text box 11 below.

11 Selection Criteria

Applicants are expected to submit a short funding application with their concept, justifying their requirements for the business and/or idea to be funded, the funding amount and the project duration. Shortlisted applicants will be requested to submit a more comprehensive full proposal and business plan.

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

a. Geographic focus area

b. Outline a commercially sustainable business model. The proposal must be technically sound and bealigned with the priority focus area. It should spell out how performance is measured and evaluated with all agreed indicators, targets, and milestones.

c. Must demonstrate a satisfactory performance record of the entrepreneur, technical person (s), or business. Where available, testimonials of past performance should be submitted

d. The proposal must include the CV of key personnel with the education and experience required for the technical nature of the proposed project.

e. The proposal must indicate the methods and degree of coordination with local administration and participating communities.

f. If selling a product, ensure that it is certified in line with global standardization procedures and/or supplied by a certified product manufacturer, clearly marked as an acceptable quality of a product.

g. For existing companies, provide a track record of earning revenues from their users for existing products/services demonstrated success in at least one market.

h. Applicants must demonstrate sound financial health, including two years of audited financial accounts, established financial management processes and procedures, and dedicated financial management staff – headquarter and in-country.

i. Demonstrate investment relationships/ potential to access matching funds (based on an agreed country-specific ratio), leveraging additional and follow-on funding.

j. Demonstrate the capacity of the management team to implement the proposed business/project (adequate internal resources/capacity) at headquarters and in-country.

k. Demonstrate understanding of the country context and culture where the project is operating or proposing to operate.

l. Demonstrate how the business model will deliver and sustain social impact in the target markets, i.e. demonstrate how to leverage AECF funding to secure commercial funding.

m. In their business proposals, companies MUST describe their environmental impact and waste management policy and procedures and demonstrate alignment to the global and respective national environmental management regulations. Grantees are expected to provide an outline of potential waste in the value/ supply chains and how they intend to manage these.

n. Demonstrate how matching funds are to be made available, indicating details of when the cash will be available.

o. Indicate any risks and threats to project implementation and methods that would be used to mitigate such risks

p. ***Preference will be given to:***

   1. Companies operating inclusive distribution networks that empower women and youth as sales agents or franchisees.
   2. SHS distributors, SAS suppliers, and small-scale PUE equipment providers.
   3. Enterprises integrating PayGo 2.0 models, demonstrating a robust credit management function and focusing on customer affordability.
   4. Growth-stage DRE companies deliver PUE infrastructure to agri-SMEs, cooperatives, or mini-grid operators.
   5. Companies with proven ability to execute complex CapEx projects within 24 months.
   6. Enterprises with inclusive strategies targeting women and youth.

Investment Principles

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This section defines the basis of making funding decisions. The AECF investment principles will guide the investment decisions. These principles shall be applied in evaluating project ideas and making final award decisions.

Investment Principles

a. ***Private sector demand-driven:*** This window is a demand-driven and harnesses private sector initiative and implementation capacity to achieve economic and social outcomes.

b. ***Systemic Change:*** the funded projects must illustrate the potential for economic and social impact beyond their immediate Project impact, which will change the way the market works.

c. ***Address Market Failure or otherwise demonstrate additionality:*** The project funds are meant to support and address forex and working capital shortages and demonstrate expansion into underserved rural and conflict-affected regions.

d. ***Risk sharing:*** AECF shares risk with private firms. The underlying principle is that the fund recipients have more risk in the venture than in the Programme. For practical purposes, recipient companies make financial contributions to the projects/businesses funded by the Programme as this maximizes resource mobilization and applicant commitment to successful implementation. Companies' financial and in-kind contributions can be in the form of equity finance (external or shareholder equity injections), commercial and concessionary loans. Grants from other funding sources are not considered for match funding.

e. ***Competition:*** the programme application process and term sheets are available in the public domain to ensure that all eligible organizations have equal opportunity to compete for the available funds and ensure transparency.

f. ***Additionality:*** the funded projects seek to create social and economic benefits that would not have been attained without this support. Therefore, funded projects should clearly demonstrate the additionality of the funding provided.

Classification of additionality

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Additionality refers to the unique value or impact created by AECF funding that would not have occurred or would have been delayed, smaller, narrower in scope, or less inclusive without this support.

While we recognize that additionality is context-specific (e.g., geography, sector, etc.), below is a description of different types of additionality:

- ***Faster:*** Funding from AECF helps the company to launch or grow much sooner than it can on its own, speed up, create transformational changes quicker and expose the business to attract additional investments.
- ***Bigger:*** the funding allows the company to grow larger and create a greater development impact than it would with only its own resources.
- ***Wider scope:*** the funding enables the company to expand geographically or serve more clients, multiplying impact
- ***More inclusive:*** the funding helps the company in extending products and services to disadvantaged groups especially women and youth who are typically harder and more costly costlier to reach by mitigating operational and market risks while operating in such challenging environments.

14 Commitments from successful grantees

If selected, applicants must be committed to:

- Collaborate with AECF to finalize contract milestones and Key Performance Indicators. Indicators and milestones are agreed upon with AECF before signing the contract.
- Share data, including performance against indicators and milestones. All data will be treated confidentially unless otherwise agreed in advance.
- Gather, analyze, and share learnings from the project with AECF.
- Report according to agreed schedules and the requirements of AECF.
- Participate in AECF annual programme reviews.
- Ensure financial data and other management systems are accessible for audit purposes upon request.

15 How to Apply

Applications will be managed under AECF's Challenge Fund competition model, summarized below:

- STEP 01: *Concept note* submission through AECF's online platform.
- STEP 02: *Screening and shortlisting* against eligibility and criteria.
- STEP 04: *Business plan development* and due diligence (including site visits, governance review, financial checks, ESG, and integrity due diligence).
- STEP 04: *Review* by Investment Committee and approvals.
- STEP 04: *Contracting and induction:* Successful applicants sign the grant agreement, finalize gender/ESG action plans, and attend the induction workshop.
- STEP 04: *Project Implementation*, monitoring, and reporting.

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