

Beyond the Grid Fund for Africa (BGFA)

Market Scoping Phase Questions and Answers (Q&A)

BGFA Objectives

1. What is the ultimate goal for BGFA in Africa, is it just to provide lighting to the rural communities?

The ultimate goal of BGFA is to kick-start markets for off-grid clean energy services so that they can become vibrant and self-sustaining, and people in rural and peri-urban areas have the option to benefit from clean, affordable, high-quality off-grid energy solutions. By helping to establish such markets, BGFA aims to support governments to achieve the commitments made in their Nationally Determined Contributions under the Paris Agreement on Climate Change and accelerate progress towards the UN Sustainable Development Goals.

Lighting and cell phone charging is often the first step for many households. BGFA will support companies in sustaining long-term service relationships to their customers and have models and technologies in place that enable upgrading of energy services over time. BGFA aims for a balanced portfolio with a range of energy solutions serving both the most immediate energy needs and progressing the goal of universal energy access (including the lowest income customer segments) but also higher levels of energy demand and e.g. productive use assets to support inclusive and sustainable economic growth and development impact.

Timeline

2. Timeline/next steps for Liberia, Burkina Faso, Mozambique and Zambia?

- Completion of market scoping phase of BGFA: Q1 2020
- Donor decision on BGFA sector focus and windows: Q2 2020
- BGFA detailed design phase: Q2 – Q3 2020
- Launch of the Call for Proposals: Q3 2020
- Evaluation: Q1 2021
- Contracting: Q2 2021
- First disbursements: Q3 2021

3. When are you going forward with the next round of funding?

We expect the first Call for Proposals (BGFA1) to be published in Q3 2020. The BGFA1 will be organized in two phases: Pre-Qualification (requiring only limited documentation from interested applicants) and Final Evaluation (requiring full documentation). Applicants who during the Pre-Qualification can show that they fulfil certain eligibility criteria and meet minimum financial and technical capacity requirements will be long-

listed and invited to submit final applications. After final project evaluation, selection and due diligence, we expect the first funding to be disbursed in Q3 2021.

BGFA Focus Areas

4. What are the areas you focus on?

BGFA focuses on clean, affordable, off-grid electrification in peri-urban and rural areas.

5. Is BGFA only financing companies targeting rural areas or can it be mixed? How does BGFA define a rural area?

BGFA intends to support energy service companies (ESPs) that are serving underserved rural and peri-urban customers. Urban customers can be served as well; however, whether and under what circumstances such connections will qualify under BGFA1 has not yet been decided. A definition of “rural” areas will be specified in a later stage and communicated in the BGFA1 documentation.

6. What technologies will you focus on?

BGFA focuses on renewable (RE), affordable, off-grid electrification. As such, BGFA will exclude projects which rely on fossil-fuel electricity generation (more detail, specifically on back-up generation and included RE technologies, will be included in the BGFA1 documentation). In addition, specific funding windows may focus on certain sub-sectors (e.g. mini-grids, solar home systems, etc.) in one or more of the focus countries.

7. Will BGFA finance mini-grids?

The mini-grid sector is one of the sectors assessed in the market scoping phase. Decisions on the sectors to be targeted will be made by donors.

8. What will be the focus of the BGFA1: productive use, households, and institutions (e.g. health centres)?

This will be determined based on the outcomes of the market scoping phase and will be specified separately for each of the BGFA1 countries. The first financing round in Zambia (BGFZ) focused on households, productive use and institutional customers.

9. How does BGFA promote productive use of solar technologies?

BGFA’s results-based financing approach in principle foresees to incentivize also the deployment of higher-tier (i.e. more powerful 150 watt - 2 kW) connections, which are more suitable for productive use. Depending on the interpretation of the market scoping, we may focus on facilitating the provision of productive use of solar technology in one or more of the focus countries. In addition, we aim to work with our

partners in the Platforms for Market Change to find innovative ways to facilitate and promote such productive use.

10. Will BGFA consider funding energy projects for institutions (schools, hospitals)?

BGFA in principle considers supporting companies that offer energy services to institutions such as schools or hospitals in the context of an overall market-based approach. BGFA does not directly provide funds for institutions intending to install clean energy solutions.

11. Why Liberia, why now?

A significant portion of the Liberian population (~88%) does not have access to modern energy services, and a large share of these individuals live in areas that are difficult or impossible to access in the near-term by traditional electrification measures. In the context of a broader social and economic development agenda in Liberia, the Embassy of Sweden to Liberia has decided to commit specific funding to expanding energy access in the country channelled via BGFA1.

BGFA Funding

12. What types of funds does BGFA provide?

BGFA provides results-based non-repayable finance for market-based delivery of energy services in rural and peri-urban areas.

13. What can we use the BGFA funding for?

This will be specified at a later stage and communicated in the Call for Proposals documents. In the first financing round in Zambia (BGFZ) the funds have been provided partly as result-based (payment against number of established energy subscriptions) and partly as “free equity” (with few use restrictions, but against an approved bid and ongoing reporting documentation, including business and annual work plans, financial models, budgets, and deployment schedules. In addition, companies have been required to provide real-time access to energy service portfolios via automated integration into a data platform, which monitors deployment against plan under the result-based financing.

14. What is the level of funding?

The BGFA has an initial funding level of approximately USD 50 million (including investment capital, technical assistance and management), provided by Sweden (this funding is provided in Swedish Krona – SEK – and so the USD amount fluctuates along with the exchange rate). Of this USD 50 million, USD 20 million has been assigned to Zambia, and USD 10 million each to Burkina Faso, Liberia and Mozambique. ESPs will be able to bid for a tranche of this funding in return for a commitment to deploy a certain number of connections/energy services of a certain tier. The average public funding request from Sida by all the 36 applicants in the first financing round in Zambia

was ~USD 4.4 million. In this first funding round in Zambia, four companies were awarded contracts for around USD 2.8 million of funding each, on average.

15. What is the maximum amount of the RBF grant to be awarded by BGFA?

The maximum amount of funding per company has not been defined yet.

16. What average amount of funding does BGFA target?

BGFA does not have any average amount of funding defined.

17. How much co-funding is required? Will BGFA request a minimum equity/grant matching threshold?

This will be specified at a later stage and communicated in the Call for Proposals documents.

18. I have a project ready for financing: can BGFA already award funding?

BGFA will provide funding to business plans that will be assessed in a competitive evaluation process and against evaluation criteria that will be communicated in a Call for Proposals documents in a later stage. For the expected timeline, please see question 2.

19. What is the amount of the upfront payment of the funding: share upfront/RBF?

This will be specified at a later stage and communicated in the Call for Proposals documents. In the first financing round in Zambia (BGFZ), the maximum upfront payment received at contract signing was SEK 500,000 (~USD 60,000). The rest of the payments were results-based.

20. What does the payment scheme look like under BGFZ: is it a flexible approach or a milestone approach?

Payments are made according to a payment schedule that is contracted based on the proposal received from the company. More specific terms will be outlined in the Call for Proposals documents.

21. Would creating a new company for each of the market segments/products help in avoiding funder conflicts and getting funding from different sources?

BGFA is not in a position to provide guidance or advice to firms on corporate structuring or similar strategies. BGFA in any case will seek to coordinate and collaborate with other donors and financing institutions in BGFA markets to ensure that: 1) projects and companies are not excluded, or otherwise penalised, for having secured competitive funding from other sources; and 2) flows of particularly non-commercial (e.g. grant or impact financing) moneys from multiple sources into projects are transparently communicated among key stakeholders.

BGFA Support Mechanisms

22. How can BGFA help to overcome the challenges faced in the supply chain for off-grid technology?

The BGFA helps to overcome such challenges by providing companies with the start-up capital required to expand their distribution networks and thereby expand their reach. The BGFA also intends to support dedicated stakeholder engagement mechanisms in each country (such as the Off-Grid Task Force in Zambia) to improve communication and coordination between public, private and development actors in these markets. One achievement of the Off-Grid Task Force in Zambia has been to bring about improvements in regulation and policy in Zambia, to make importing solar technologies easier and more predictable.

23. How can BGFA help companies reach rural areas?

The BGFA intends to provide companies with start-up capital required to expand their distribution networks and thereby expand their reach into rural areas. Via stakeholder engagement (such as the Off-Grid Task Force in Zambia), we also work to help lower regulatory barriers and design new incentives to help improve the affordability of off-grid clean energy solutions for rural populations.

24. What other support apart from grant financing can BGFA provide?

BGFA intends to provide awarded companies with technical assistance as appropriate, including business coaching and advisory. BGFA also provides outreach support by featuring the companies on its website.

25. Can BGFA also support R&D and design work to facilitate productive assets?

In general, BGFA supports proven technologies that can be deployed at scale in the near/medium-term. Further product development and adjustment for the markets can be a part of the business plan, along other key implementation activities required to scale in the markets.

26. Will companies selling solar water pumps be eligible to bid for BGFA funding?

This depends on the outcomes of the BGFA market scoping and the subsequent design of funding windows and related eligibility criteria.

27. Will BGFA finance technical support to firms in order to develop their business plans before the BGFA tender?

No, BGFA does not provide technical assistance for business plan development prior to participating the BGFA Call for Proposals. Companies that are selected for funding

will be able to receive technical assistance as necessary as well as support in securing additional finance.

28. Can PFAN and BGFA work together to ensure that firms are ready to go for the BGFA call?

BGFA and PFAN coaching and finance facilitation services have complementary objectives and REEEP recognises the opportunity to support the existing private sector stakeholders through both programmes. Due to the potential for Conflict of Interest, PFAN coaching and technical assistance support are made available by separate application through the PFAN). PFAN may help successful applicants to develop business plans / models in connection with preparation for bids for BGFA, but there is no direct linkage between the programmes.

It should be noted however that other coaching and facilitation services are available and BGFA does not specifically endorse PFAN to the exclusion of others.

29. Is there an official and publicly available map showing the electrification status of each village in the BGFA1 countries (in particular villages being electrified and to be electrified)? Will BGFA put this kind of information at the disposal of bidders?

BGFA does not plan to share specific information of this nature. Related information could be enquired from relevant government authorities (Rural Electrification Authority (REA) in Zambia, Fundo de Energia (FUNAE) in Mozambique, Agence Burkinabè de l'Electrification Rurale (ABER) in Burkina Faso and Rural and Renewable Energy Agency (RREA) in Liberia) and/or other stakeholders conducting related assessments (such as Southern Africa Energy Programme (SAEP) in Zambia that has developed a geospatial model for least cost electrification options in Zambia).

30. Would BGFA support a company in their negotiation with the Ministry around a PPP model?

Prior to participation in a BGFA Call for Proposals, BGFA will not offer such support. Companies that are contracted for delivery of energy services are able to receive technical assistance, which could include elements of developing appropriate structures for a PPP model.

31. Does BGFA provide advocacy?

BGFA does not directly engage in advocacy, but intends to support the facilitation of relevant stakeholder platforms in the off-grid energy space in the BGFA countries.

32. "I have ideas and need finance. Can you help me?"

BGFA will financially support ideas that have been developed further into a concrete business plan and proven concept successfully providing energy services to rural and peri-urban customers in the target countries. Related business plans will be assessed

in a competitive evaluation process and assessed against evaluation criteria that will be communicated in a Call for Proposals documents in a later stage.

BGFA does not provide funding for early stage proof of concept activities. Early stage ideas might not be supported financially, but could be supported through targeted stakeholder engagement as part of the Platform for Market Change activities that are aiming to link off-grid market stakeholders at large in order to identify best ways and take concrete action on supporting the off-grid energy markets.

33. Does BGFA provide technical assistance to upgrade technology?

BGFA technical assistance made available to contracted companies is mostly focused on finance, strategy and/or management. Technical assistance on R&D or product development is unlikely to be provided by the BGFA team directly, but the team could facilitate relevant contacts as appropriate.

Application Submission

34. Will companies be able to submit applications to multiple funding windows in BGFA1 countries?

Yes, the companies will be able to submit bids for multiple funding windows in the BGFA1 countries. The companies need to demonstrate the additionality of their application when compared to the applications for other funding windows.

35. Will companies be able to submit multiple applications across BGFA1 markets?

Yes, the companies will be able to submit bids in more than one of the BGFA1 countries. The companies need to demonstrate the additionality of their application when compared to the applications in other countries as well as proof of their capacity to implement in multiple markets simultaneously.

36. Can the private sector expect an official communication from REEEP about the key principles (evaluation criteria) of the upcoming Call for Proposal?

Yes, these will be communicated officially by NEFCO and REEEP in the Call for Proposals documents that will be available online accessed through the BGFA website once the submission for the Call for Proposals is launched. To receive an e-mail notifying on the launch of the Call for Proposals you can sign up on the BGFA mailing list here: <http://eepurl.com/gIMJcn>.

Eligibility Criteria

37. Will companies currently supported under the first financing round in Zambia (BGFZ) be eligible for support via new rounds or windows?

In principle yes, but they will have to go through the same application and due diligence processes as all other bidders as well as demonstrate additionality of their bid to their project under the first financing round.

38. Does receiving grants from other organisations make the company ineligible for BGFA finance?

No, companies receiving other funding are in principle eligible for BGFA funding. All secured financing at the time of application submission needs to be outlined in the proposal and the application should demonstrate additionality. In addition, firms will be required to transparently report on all financing secured throughout the project period.

39. Under the BGFZ approach, solar lamps were not eligible. Could lamp-charging platforms for schools be eligible under the BGFA?

This will be defined in the Call for Proposals design based on the outcomes of the Market Scoping and the decision of the donor. The eligibility of the energy services under BGFA is dependent on the energy services received by the end customers. If the end customer were able to charge a single solar lamp for household use, this would not be eligible. If the lamps are used at the school, this could qualify as an institutional customer as it is meeting the energy needs of the school – as long as it meets the overall energy service and quality criteria specified in the multi-tier framework for energy access that BGFA would develop.

40. Will BGFA1 require the applicants to have opened a local branch as a precondition for applying?

This will be decided at a later stage. In the first financing round in Zambia, having a local entity was not an eligibility criteria and a mother company could submit the application. The company however had to commit to establishing a local entity, and the contract was signed only with the local entity.

41. Would fuel switching for productive users (from diesel to solar) be eligible under the upcoming BGFA1 window?

In principle, yes. BGFA1 focuses on increasing access to modern and sustainable energy. As such, new energy services that de-facto displace diesel in the generation of electricity would be eligible for support by BGFA1.

42. Would interconnected nano-grids be eligible under the upcoming BGFA1 window?

Interconnected nano-grids could be eligible as long as they support end-user energy services that meet the specified energy service criteria. Related criteria are planned to be outlined in a multi-tier framework for energy access, which will be developed in a later stage and communicated in the Call for Proposals documents.

Evaluation

43. What are the assessment criteria?

BGFA has just completed the market-scoping phase, during which we have determined the exact focus and design of the programme in each BGFA country (Burkina Faso, Liberia, Mozambique and Zambia). The assessment criteria for Energy Service Providers (ESPs) is being determined. However, expected criteria include relevance of proposal to the objectives of BGFA and market development in any given BGFA country, financial structure and economic viability of the company, ability to leverage co-funding, demonstrated level of market understanding, experience and expertise of the ESP management, soundness of the implementation plan and inclusion of gender issues in the proposal.

44. How will productive energy services be valued as compared to “unproductive” services?

During the evaluation of applications, higher-tier connections might be valued higher than lower-tier connections. As productive uses of energy tend to require higher-tier technology, they might be given a higher value. Of course, if based on the market scoping a decision is made to focus one or more of the funding windows entirely on productive use of off-grid energy, only bids offering productive energy services will be considered for that funding window. In this case, a related tier framework focused on productive use applications will be developed based on the outcomes of the market-scoping phase.

45. Does BGFA reward innovative business models in its evaluation matrix?

Evaluation criteria for BGFA1 will be specified in a later stage and communicated in the Call for Proposals documents. In the first financing round in Zambia, innovation was not specifically included in the assessment criteria. The added value of innovation in terms of competitive advantage (e.g. in ability to serve better, quicker, cheaper or at a larger scale) would however be indirectly captured through the qualitative evaluation criteria.

46. Which balance is expected between sales and customer service?

Quality of customer service is important and should not be viewed in the context of an either/or calculus against serving large numbers of customers. BGFA aims to set minimum criteria for customer service that need to be met. Any severe operational or contractual gaps on after sales service otherwise, would reflect negatively in the evaluation and would likely need to be addressed prior to contracting. In the first financing round in Zambia, companies had to provide a minimum 3–year warranty for SHS systems (1-year for appliances) and equivalent service guarantees by the mini-grid providers.

Reporting

47. Can REEEP share the KPIs that were used for monitoring under BGFZ?

Indicators monitored under the first financing round in Zambia (BGFZ) include the following (subject to change for the BGFA):

QUARTERLY REPORTING:

- Amount of co-finance secured - equity, debt, grant, other
- Liquidity ratios
 - Current ratio - current assets/current liabilities
 - Quick ratio - (current assets - inventories)/current liabilities
- Debt management ratios
 - Debt to equity ratio - total liabilities/shareholder's equity
 - EBITDA coverage ratio - (EBITDA + lease payment)/(interest + principle payments + lease payments)
 - Return on investment - EBIT/(total assets - long term liabilities)

PROGRESS REPORT EVERY 6 MONTHS:

- Current number of employees in Zambia - men, women, total
- Company gender ratio - Global, Zambia, % men/women - board, management, other employees
- Net Promoter Score (NPS)

INDICATORS MONITORED THROUGH EDISON:

- Number and type of customers (households, productive use and institutional clients) - by tier (1-6), by gender
- Number and % of customer defaults - total, per tier, by gender
- % default levels on payments - by gender
- ESS sold per commission-based agent per month
- Share of productive use ESS contract value of total ESS contract value
- Share of \geq Tier 3 ESS
- % of ESS upgrades over total ESS
- PAR30 (PAYG Portfolio at risk >30 days)
- kW installed

MICRO-GRID SPECIFIC INDICATORS:

- ESS mix vs. average assumptions
- Revenue per site vs. target revenue per site
- NPV and IRR per site
- Rate (%) of utilisation of microgrid load - microgrid output under ESS contract/microgrid total load capacity
- System Average Interruption Frequency Index (or equivalent)

48. Edison: How does this work? Reporting requirements?

Edison is an automated reporting tool that links directly with the companies' software systems used to manage PAYG sales and customer accounts. Companies supported under the first financing round in Zambia (BGFZ) were required to "integrate" their

relevant software platform(s) with Edison via an automated programming interface (API), which pushed daily data on sales, customers and payments to REEEP. This source data provides the basis for additional performance and impact-related KPIs, which are also accessible via Edison dashboards. BGFZ reporting on number of customers, levels of energy services, payments, default rates, etc. of the contracted companies is monitored through Edison. Further information on EDISON can be found at <https://edison.bgfz.org/info>.

49. Which reporting format: company or given by BGFA?

Reporting requirements and format are specified by BGFA. Reporting will also be partly automated through EDISON (see question 48 for further explanation on EDISON). See question 47 for KPIs used for monitoring under the first financing round in Zambia (BGFZ).

Security

50. Can the programme reconsider its involvement in Burkina Faso, should the security situation worsen?

BGFA remains committed to deploying the programme in Burkina Faso despite the ongoing security concerns. This is however subject to ongoing review and the decision of the Swedish Embassy. We have included a security risk analysis in our market scoping and feasibility analysis especially in relation to the personal safety of BGFA staff, BGFA awardees, their staff and partners as well as infrastructure risks and continuing to monitor the situation closely. It can be expected that the Call for Proposals for the BGFA window in Burkina Faso will request bidders to propose adequate measures related to the security of their staff and equipment and conflict sensitivity.

Beyond the Grid Fund in Zambia

51. How do you interact with the Zambian government in the Off-grid Energy Taskforce?

The Taskforce includes permanent representatives of the following Government bodies: Ministry of Energy, Energy Regulatory Board, Rural Electrification Agency, Ministry of Finance, Ministry of National Development Planning and Office of the Vice President. These representatives attend Taskforce meetings, sit on subcommittees to join discussions on joint challenges, and identified opportunities in the off-grid energy sector and work on solutions together with other Taskforce members.

52. How do you report about to the stakeholders from the Off-Grid Energy Taskforce? Is there a website where we can get more information about the Taskforce in Zambia?

Stakeholders can inform themselves of the activities of the Taskforce by contacting the secretariat of the Off-Grid Energy Taskforce. Contact details to the secretariat can be

found in a brochure that [can be downloaded here](#). The brochure also details some of the activities and achievements of the Taskforce. The Ministry of Energy plans to launch a website about the Taskforce; this is still pending. In addition, the Taskforce will publish an Annual Report outlining its most recent achievements starting in 2020.

53. What did not go as expected in Zambia and what were the ways forward?

As an important aspect of learning in Zambia, the call design did not differentiate or acknowledge the differences between the different off-grid market segments (SHS and mini-grids) sufficiently, e.g. in the evaluation process through structuring the multi-tier framework requirements. The tier thresholds were largely focused on capacity provided and an associated mix of energy services provided to the customers. This approach has limitations in adequately accommodating technological developments and differences on energy efficiency of lights and appliances as well as differences on important determinants of energy service levels for SHS and mini-grids. Panel capacity is not directly indicative/comparable of number and types of energy services a customer can use with the system and other qualifying criteria should be considered. Another aspect relates to reporting; which we are aiming to lighten, streamline as well as increasingly automatize as well as differentiate depending on performance of the companies.