REQUEST FOR APPLICATIONS: POWER AFRICA’S SOLAR HOME SYSTEM KICK-STARTER PROGRAM FOR MALAWI GRANT

USAID SOUTHERN AFRICA ENERGY PROGRAM

January 29, 2019
## ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
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<tbody>
<tr>
<td>CAGR</td>
<td>Compound Annual Growth Rate</td>
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<tr>
<td>CLOF</td>
<td>Catalyzing Local Opportunities Fund</td>
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<tr>
<td>DfID</td>
<td>Department for International Development</td>
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<tr>
<td>DQA</td>
<td>Data Quality Assessment</td>
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<td>DUNS</td>
<td>Data Universal Numbering System</td>
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<td>EE</td>
<td>Energy Efficiency</td>
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<td>EnDev</td>
<td>Energizing Development</td>
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<td>FAA</td>
<td>Fixed Amount Award</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>K-OSAP</td>
<td>Kenya Off-Grid Solar Access Project</td>
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<td>MAREF</td>
<td>Malawi Electrification Fund</td>
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<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<tr>
<td>MONREM</td>
<td>Ministry of Natural Resources, Energy and Mining</td>
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<td>MWK</td>
<td>Malawi Kwacha</td>
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<tr>
<td>PAYG</td>
<td>Pay-As-You-Go</td>
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<td>RBF</td>
<td>Results-Based Finance</td>
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<td>REA</td>
<td>Rural Electrification Agency</td>
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<td>RFA</td>
<td>Request for Applications</td>
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<tr>
<td>RE</td>
<td>Renewable Energy</td>
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<td>RTM</td>
<td>Route-to-Market</td>
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<td>SAEP</td>
<td>Southern Africa Energy Program</td>
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<td>SAM</td>
<td>System for Award Management</td>
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<td>SHS</td>
<td>Solar Home System</td>
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<td>TDC</td>
<td>Teachers Development Center</td>
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<td>USAID</td>
<td>United States Agency for International Development</td>
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<tr>
<td>USD $</td>
<td>US Dollar</td>
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<td>VAT</td>
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INTRODUCTION

Power Africa brings together a consortium of technical and legal experts, private sector players, US government agencies, and donor and development partners from around the world to increase the number of people with access to power across the African continent. Power Africa’s goals are to add more than 30,000 megawatts (MW) of cleaner, more efficient electricity generation capacity and 60 million new home and business electricity connections.

The United States Agency for International Development (USAID) Southern Africa Energy Program (SAEP), launched in March 2017, is Power Africa’s flagship activity in Southern Africa and is responsible for contributing to its goals across the region. USAID SAEP is being implemented by a consortium led by Deloitte Consulting LLP, USA. USAID SAEP is a forward-looking solution that aims to overcome the challenges of energy access and power sector development in Southern Africa. Over the course of the program’s five years of implementation, USAID SAEP will work to increase electricity supply and access and deliver: 3,000 MWs of new power generation; 1,000 MWs of new transmission capacity; and 3 million new connections.

SAEP recognizes that in order to sustainably advance the accessibility, reliability, and security of the regional energy ecosystem, it must promote energy enabling environment reforms, stimulate private sector participation, and promote new investment within the power sector.

As a part of Power Africa, the USAID SAEP grants-under-contract program – the Catalyzing Local Opportunities Fund (CLOF) – plans to support leading practices and results-based solutions to energy sector development challenges to accelerate sustainable and commercially viable power sector growth. A key focus of the CLOF is to increase access to electricity and USAID SAEP’s first grant is looking to increase connections in the solar home system (SHS) market in Malawi. Power Africa’s SHS Kick-Start Program for Malawi (“kick-starter program”) will provide financial and technical support to SHS companies to grow the SHS market in Malawi and thereby increase electrification access in the country.

This document is the Request for Applications (RFA) for the grants award component under the kick-starter program. USAID SAEP is soliciting grant applications for projects that will contribute to achieving USAID SAEP’s goals of delivering 3 million new connections in Southern Africa. The total amount of grants is expected to be USD $1.5 million or MWK 1,074 billion.

1.1 POWER AFRICA’S SOLAR HOME SYSTEM KICK-STARTER PROGRAM FOR MALAWI

In January 2019, USAID SAEP is launching Power Africa’s SHS Kick-Start Program for Malawi with a consortium of partners. The objective of this program is to catalyze increased sales of SHS products in Malawi, thereby increasing access to electricity across the country. The current national electrification rate is 10.8 percent and there is great need for electrification solutions. SHS products offer a quick-to-deploy and relatively affordable mechanism, particularly in rural areas. The present SHS market is nascent, with a range of local companies and a few international companies each selling fewer than 2,000 units per year.

The kick-starter program is intended to provide the incentives and support needed to scale up the market rapidly over a three-year period (2019 to 2021). A consortium of partners will be delivering this program including FDH Bank, Kuwa Capital, Lion’s Head Global Partners, National Bank of Malawi,

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1 This conversion rate is based on the average buying rate between the USD and MKW obtained from the Reserve Bank of Malawi from November 2017 to November 2018.
SolarAid, Standard Bank, SunFunder and USAID. At an industry level, the program is providing support to extend value added taxation (VAT) and import duty exemptions for household solar products and to run a nation-wide awareness campaign. The industry-level support is aimed at providing incentives for all participants in the Malawi SHS market.

The program also provides individual support packages to companies that are selected through the grants program (see Section 3.3.1). In addition to the broader industry-level support, these companies will receive results-based financing through a Fixed Amount Award (FAA) grant, access to working capital loan opportunities and more individualized operational support. The scope of this RFA is to evaluate SHS companies’ applications for the FAA component of the program. Through the RFA and grant application process, SHS companies can also apply for working capital loans (using the same application form), but these loan applications will be evaluated separately by loan providers. These selected companies will also receive operational support from the USAID SAEP team.

The FAA grant will be paid on a per-unit basis—a fixed amount is paid out per SHS product sold. All products must be sold in Malawi and payments will be made in MWK. The FAA grant amount per unit has been determined by analyzing the difference between household lighting expenditure and the monthly cost of an SHS product (on a 24-month pay-as-you-go (PAYG) plan). The FAA grant amount increases as more products are sold, thus incentivizing SHS companies to pursue more rural, typically lower-income areas that have larger affordability gaps and increase connection rates. The per-unit increases are determined based on sales tranches—selling between 0 and 5,000 SHS systems, selling between 5,000 and 35,000 SHS systems, and selling between 35,000 and 51,000 SHS systems. All details regarding the results-based grant and corresponding grant amounts are detailed in Section 4.

I.2 REQUEST FOR APPLICATION SUMMARY

This solicitation requests applications from eligible organizations (“Applicants”) for the FAA grant through Power Africa’s SHS Kick- Starter Program for Malawi. The project being proposed for grant funding through USAID SAEP must contribute to new off-grid connections in Malawi. As part of this RFA, a working capital application can also be completed, and will be evaluated independently by those financial providers (see Section 8).

I.2.1 PERIOD OF PERFORMANCE

The period of performance for the grants is 1 year and 8 months, beginning in July 2019 and concluding in March 2021. The application work plan and budget should reflect the period of performance.

I.2.2 PROJECT TARGETS AND RESULTS

Awardees (i.e., selected Applicants) will be responsible for demonstrating that consumers adopted SHS products in households or businesses where electricity access did not previously exist. These SHS connections will contribute both to Power Africa’s target of 60 million new connections by 2030 across the continent, and USAID SAEP’s target of 3 million new connections by 2022 in Southern Africa countries.

Proposals must describe how new connections will be determined, counted and verified. Projects will be required to provide final documentation of the number of SHS products sold, and thus new off-grid connections made, during the grant period. Documentation will be submitted on a milestone schedule which will correspond to grant payment.

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2 For operation support, priority will be given to grant Awardees. If there is remaining capacity available from the USAID SAEP team, we will provide broader operational support to other industry players.
I.2.3 PROPOSAL SELECTION

All applications will be reviewed to check for eligibility and completeness of the submission. Only after this step, will applications move to the Technical and Financial evaluation.

If minimum eligibility criteria are met and the application is complete, it will be reviewed by a Technical Selection Committee against the review criteria described in Section 7.

The minimum score to be considered for grant funding is 70 points out of the total 100 points across the technical and financial evaluation. All Applicants will be notified of their application outcome by the project through the grants portal.

I.2.4 FUNDING RANGE

Subject to the availability of funds, USAID SAEP intends to award multiple grants, all totaling up to MWK 1.074 billion. The total number of grants awarded is dependent on the number of applications received and grant funding requested. Funding for these grants will be subject to USAID approval, availability of funds and the Applicant’s potential according to the evaluation criteria. Funding will be disbursed to the grantees in Malawian Kwacha.

I.2.5 SUBMISSION DEADLINES

Applications are due on 15 March 2019. Questions must be received by 15 February 2019. Responses to questions will be provided by 20 February 2019.

SAEP will conduct an informational workshop to interested Applicants to advise on the application process and provide guidance on how to use the automated grants management portal, Fluxx. The workshop will have a webinar option for remote participation as well. The workshop will be held on 20 February 2019.

I.2.6 TEMPLATES AND APPLICATION FORMS

Applicants are required to complete the Grant Application form available on https://usaid-saep.fluxx.io. Further details are provided on the technical and financial submissions in Sections 5 and 6 respectively.

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3 The conversion rate used throughout this RFA is USD $1 = MWK 716. This conversion rate will be reevaluated on a quarterly-basis throughout the life of the grant. Awardees will be notified of changes in the conversion rate.

4 This date is tentative and will be confirmed before the RFA is announced.
2 INSTRUCTIONS FOR APPLICANTS

Applications must follow all instructions detailed within this section. These Instructions to Applicants will not form part of the offer or Grant Award. They are intended solely to aid Applicants in the preparation of their applications.

General instructions include:

- Organizations invited to apply are under no obligation to do so.
- USAID SAEP will not reimburse Applicants for any costs incurred in connection with the preparation and submission of their applications.
- Applicants may submit only one application under this RFA.
- For the purposes of interpretation of these Instructions to Applicants, the periods named herein shall be consecutive calendar days.
- USAID SAEP reserves the right to conduct discussions once a successful application is identified, or to make an award without conducting discussions based solely on the written applications, if it decides it is in its best interest to do so.
- USAID SAEP reserves the right to not make any award.

The RFA Contact/Grants Administrator is:

Southern Africa Energy Program Office
Attn: Lorna Tucker
Block A, Ground Floor, Brooklyn Court
361 Veale Street, Brooklyn, Pretoria 0181, South Africa
Office: +27 (0) 87 238 2636 | Mobile: +27 (0) 83 587 5833
ltucker@southernafricaenergy.org

2.1 RFA QUESTIONS AND CLARIFICATIONS

Method: Only written questions and requests for clarification will receive a response. Send questions for this RFA by email to the RFA Contact noted above.

Date for Receipt: All questions and requests for clarification must be received by close of business (17:00 CAT) 15 February 2019 to the email address noted above. Only questions received by this date will receive a response.

Responses: By 20 February 2018, Applicants will receive an email with the responses to all questions submitted. Responses will also be posted on all sites alongside the RFA, including the grants portal.

2.2 APPLICATIONS DUE DATE AND TIME

Closing Date: 15 March 2019
Closing Time: 15:00 CAT

2.3 APPLICATION DELIVERY ADDRESS

Proposal packages must be submitted through the grants portal, which can be accessed at https://usaid-saep.fluxx.io.

Applicants will be required to register for an account and, upon approval, will receive an email notification with the necessary log-in credentials to access the portal.
The portal details submission instructions for completing a web-based application form. It also contains all required documents and budget attachments to be included with the application.

2.4 TYPE AND AMOUNT OF AWARD

SAEP anticipates awarding multiple FAA grants in response to this RFA.

The FAA grants will be paid out on a per-unit basis. Once a company has reached a sales milestone (i.e., sold a certain number of SHS systems), and verified this sale with USAID SAEP, the company will receive a fixed payment amount against the number of SHS systems sold. See Section 4 for details regarding the fixed grant amounts.

The total ceiling amount for all grant awards is MWK 1.074 billion. The total number of grants awarded will be dependent on the number of applications received and grant funding requested. A specific Applicant may apply for a maximum of MWK 716 million (corresponding to 51,000 units sold) and a minimum of MWK 17.9 million (corresponding to 5,000 units sold). The Applicant review process is four phases and for the first phase, each Applicant must meet minimum eligibility criteria to have their applications evaluated. During the second and third phases, each Applicant will be given a score according to the evaluation criteria (see Section 7.2) and then during phase 4 will be ranked from highest score to lowest score. Funds will be allocated starting from the highest-scoring company down the ranked list of Applicants until the MWK 1.074 billion ceiling has been allocated. Applicants that do not meet the threshold of 70 points will not be considered for award.

Sub-awards will not be allowed under the Grants Program.

2.5 SUBMISSION REQUIREMENTS

Language: The application and all associated correspondence must be in English. Any award document resulting from this request will be in English.

Currency: The cost must be presented in Malawian Kwacha

Method: Electronic copy through the grants portal

Marking: USAID SAEP, RFA #01 Power Africa’s SHS Kick- Starter Program FAA Grant Application

Authorized Signer: Application must be signed by a person duly authorized to submit an application on behalf of the Applicant and to bind the Applicant to the application

Authorized Personnel: Provide name, title, email, and telephone number of the person or persons in the organization who are authorized to discuss and accept a grant, if awarded

2.6 ELIGIBILITY

Registration and environmental criteria

To be eligible to apply for and receive funding under this program, Applicants must meet the registration, environmental and product specific criteria for their applications to move to the second phase of review. These are laid out below:

- Any legally registered nongovernmental entity (in any country) is eligible to apply, however, unless they are currently registered as a corporate entity within Malawi, they must have the intention to register in Malawi as an external company and establish a place of business within country following the grant award. The Applicant must provide proof that they are registered, are in the process of registering or will be registered by the time of grant award
• Applicants will only be eligible for the program if they pass the USAID SAEP Environmental assessment (See Section 10 for this assessment)

Product specific criteria
• Applicants will only be eligible for the program if their proposed product(s) meet the following product-specific minimum criteria:
  − **Boxed SHS**: Products must be sold as a single SHS product with all appliances attached to the solar product
  − **Two Lights**: Products must have two or more lights
  − **One Mobile Charging Port**: Products must have one or more ports for mobile charging
  − **Lighting Global Certified**: Products must have certification from Lighting Global
  − **Two-Year Warranty**: Products must carry a minimum warranty period of two years
  − **Pay-As-You-Go (PAYG) Option**: companies must offer a PAYG plan for each product where a consumer can pay small amounts over time to own the SHS unit

Additional eligibility criteria
Applicants will also need to demonstrate for each of the items below that they meet the minimum criteria for their applications to be reviewed and the application must include examples to prove the below criteria are met. After these criteria are met, the application will proceed to the technical and financial review (see Sections 7) for more details on that process.
• The Applicant must have demonstrated experience in technical areas relevant to the scope of work or grant focus
• The Applicant must currently be implementing activities in the technical area for which it is submitting an application
• The Applicant has minimum absorptive capacity and demonstrates the potential to acquire sufficient capacity to manage programs in a sustainable manner
• The Applicant has a functional financial system
• The Applicant’s other relationships, associations, activities, and interests do not create a conflict of interest that could prevent full impartiality in implementation of the grant activities

Important other eligibility criteria
These other criteria will be evaluated after the technical and financial review, but must be considered in the application.
• Data Universal Numbering System (DUNS) and System for Award Management (SAM) numbers are required for all organizations, foreign or domestic doing business with the Federal Government. Recipients of grant awards in excess of MWK 17.9 million (USD $25,000) will be required to obtain a DUNS number

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5 Units sold via one-time payment will still be counted, but a PAYG alternative for consumers must exist for companies to be eligible
- **US Nongovernmental organizations are eligible only for funding up to MWK 71.6 million (USD $100,000)**

### 2.7 APPLICATION CONDITIONS PRECEDENT

All applications must be submitted in the specified format (see Section 5 and Section 6 for Technical Application Contents and Financial Application Contents) and must be submitted through the grants portal. Any application submitted in any other format will not be considered. The Applicant must also include other supporting documentation (e.g., board resolution, articles of incorporation, financial statements) as may be necessary to clearly demonstrate that it meets the following conditions precedent for Application Selection:

- Applicant is legally registered in any country, and also either registered in Malawi, or have intentions to register in Malawi if chosen for grant funding through this RFA
- Applicant has the managerial commitment, as evidenced by written Board of Directors’ resolutions, strategic plans (overall long-term plan for Applicant’s organization) or other documentation, indicating that it is, or will be, implementing the objectives referred to in this RFA
- Applicant has no advances from USAID or a USAID contractor which have been outstanding and unliquidated for longer than 90 days, and that the Applicant has no grant completion report required under a grant from USAID or a USAID contractor which is more than 30 days past due
- At the time of application there exists no condition within the Applicant organization or with respect to the Applicant organization’s management which renders the organization ineligible for a grant directly or indirectly funded by USAID

### 2.8 LATE APPLICATIONS

Applicants are wholly responsible for ensuring that their applications are received in accordance with the instructions stated herein. A late application will not be considered and will be rejected without selection, even if it was late as a result of circumstances beyond the Applicant’s control. A late application will be considered only if the sole cause of its becoming late was attributable to USAID SAEP, Deloitte Consulting LLP, or any employees or agents of USAID SAEP or Deloitte Consulting LLP.

### 2.9 MODIFICATION/WITHDRAWAL OF APPLICATIONS

Any Applicant has the right to withdraw, modify or correct its offer after such time as it has been submitted to USAID SAEP provided that the request is made before the application closing date.

### 2.10 DISPOSITION OF APPLICATIONS

Applications submitted in response to this RFA will not be returned. However, Applicants will have access to a read-only version of their Application in the grants portal following submission.
3 OVERVIEW OF SHS KICK-STARTER PROGRAM

3.1 CONTEXT

Malawi has a population of just over 19 million people in a densely populated country (192 people per km²). However, the electrification rate is only 10.8 percent, which an even lower rural access rate of 3.9 percent. Malawi’s installed generation capacity is one of the lowest in Africa at 23kW per capita. Increasing access to off-grid electrification is a key focus of the new National Energy Policy for 2018. It is expected that this policy will see the launch of a Malawi Renewable Strategy with the objective to promote the use of renewable energy sources through improved regulatory, fiscal and legal frameworks, including off-grid activities. In addition, Malawi plans to launch a Rural Electrification Agency (REA) to manage the Malawi Electrification Fund (MAREF) and increase off-grid connection activities, in addition to grid extension activities.

One of the most flexible, easy-to-deploy off-grid solutions is the SHS. SHS products are typically purchased on a per household basis and vary in their accompanying appliances. SHS have been a highly successful off-grid energy solutions in countries such as Kenya, Uganda and Nigeria, which see hundreds of thousands of units sold per year. The present SHS market in Malawi is nascent, with the market to date only consisting of some local players and only one international player. Potential entrants are often concerned with Malawi’s small market size and limited affordability (with a gross domestic product (GDP) per capita of USD $300 / MWK 214,800 in 2018 nominal terms).

3.2 OPPORTUNITY FOR SHS IN MALAWI

Despite those perceived barriers, Malawi has SHS market potential:

- Population density is very high compared to neighboring countries – 192 people per km², compared to 22 people per km² in Zambia and 37 people per km² in Mozambique
- Rural access is low (3.9 percent), which indicates a high potential demand for SHS units
- The mobile money market has been growing with a 12 percent compound annual growth rate (CAGR) over the last five years
- Malawi is bordered by countries that all have SHS activity, including Zambia, Mozambique and Tanzania
- Development partner interest is high across the SHS value chain, with various programs targeting the off-grid sector

3.3 PROGRAM COMPONENTS

To accelerate the scale-up of SHS in Malawi, thereby extending energy access to many households currently with no connection, Power Africa has developed a SHS Kick-Start Program for Malawi. This kick-starter program is designed to grow the SHS market in Malawi over the next three years. Experiences from other countries show large-scale driven programs can be successful in scaling up a SHS market (e.g., Beyond the Grid Fund in Zambia, Energizing Development (EnDev) and USAID RBF grant in Rwanda, Kenya Off-Grid Solar Access Project (K-OSAP) in Kenya).

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6 Compared to South Africa 832 kW, Nigeria 65 kW
7 The term “SHS” is used in multiple ways in Malawi (including roof-top PVs, pico, solar mobile-phone chargers) – we are referring to plug-and-play systems typically sold in a box with no installation requirement and which provide multiple lights
8 GOGLA (2017)
An overview of the program is provided in the following subsections, under the two headings:

1. **Individual Support Package.** Details company-specific support that participants will receive including access to working capital opportunities, FAA grants and operational support

2. **Industry Support Package.** Details partnership efforts being taken at the industry-wide level around securing VAT and import duty exemptions on household solar products, and supporting nation-wide awareness campaigns

### 3.3.1 INDIVIDUAL SUPPORT PACKAGE

The kick-starter program’s individual support package will consist of three major types of support:

- **Fixed Amount Award (FAA) grant** based on achieved results/milestones to bridge the affordability gap of MWK 3,759 – MWK 29,205.64 (USD $5.25 – $40.79) per unit

- **Working capital loan** made available by various financiers in USD $ and MWK

- **Operational support** based on individual requirements or requests that may include route-to-market, business efficiency and research and analysis support

#### 3.3.1.1 Fixed Amount Award (FAA) grant

An FAA grant will be provided to successful Applicants to bridge the affordability gap in Malawi. Household survey data shows that an affordability gap of MWK 3,759 to MWK 29,205.64 per unit exists when households’ current lighting expenditure is compared to regular payments for SHS (benchmarked at MWK 4,367.60 per month). The grant amount per SHS unit made available to companies is based on this affordability gap. See Section 4 for more detailed information.

#### 3.3.1.2 Working Capital Loan

Given the long asset conversion cycles of SHS units sold on a PAYG platform (up to 24 to 30 months), there is a need for working capital, both in the local currency (MWK) and in international currency (typically USD $). As such, in an effort to consolidate applications where possible, working capital providers have partnered with Power Africa to support SHS companies interested in sales in Malawi.

The kick-starter program offers access to working capital providers through various financing partners. The applications for working capital loans through FDH Bank, Lion’s Head, National Bank of Malawi and Standard Bank and Kuwa Capital are embedded in the kick-starter application, meanwhile initial screening criteria are available for SunFunder funding. If the Applicant selects any of these working capital providers in the Application, then the full Application will be sent to each provider. More information and further details regarding the working capital providers are given in Section 8.

Each provider will conduct its own due diligence process for each working capital application, and then notify the Applicant of the application outcome for working capital. The working capital application and outcome will be evaluated and communicated independently of the grant application and outcome, which is conducted by USAID SAEP.

#### 3.3.1.3 Operational Support

Each successful Applicant will receive access to technical assistance from the USAID SAEP team in the form of operational support. This support will be offered on a “pull” basis with companies specifying the

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9 USAID SAEP will integrate the working capital application requirements into the RFA and then pass on the application to financiers. However the selection process and loan terms are done independently by the working capital provider.
part(s) of their value chain that require the most urgent assistance. There are three types of support that USAID SAEP will focus on providing:

- **Route-to-market (RTM) prioritization**: USAID SAEP has developed a RTM database that will help SHS companies to identify priority areas for market entry and expansion. Operational support may include customized analysis to refine and advance a company’s RTM strategy and operations over time.

- **Business Efficiency**: Support could be provided to improve logistics, sales performance or procurement processes.

- **Research and Analysis**: USAID SAEP could draw on its global networks to source and consolidate additional research on topics such as workforce recruitment and training, marketing and advertising or other relevant materials as requested to help kick-starter program participants.

In providing operational support, the program will ensure that this support is targeted and specific to the company. Confidentiality will be maintained at all times. USAID SAEP will work with the awardees post-award to determine the appropriate scope and level of operational support. Applicants should be aware that this support is finite and will need to be distributed across all awardees.

### 3.3.2 INDUSTRY SUPPORT PACKAGE

The kick-starter program’s industry support package will consist of two major types of support to be delivered through partnerships with other institutions:

- **Advocating for VAT/import duty exemptions** on household solar products to ease import challenges and cost, and to reduce the cost of SHS to the end-user.

- **Conducting a nationwide awareness campaign** to increase awareness and uptake of solar products across Malawi.

#### 3.3.2.1 VAT/Import Duty Exemptions

One of the major barriers to market entry by SHS players, as shown through interviews with companies in Malawi and experiences in other countries (e.g., Kenya, Zambia), is VAT on household solar products. The challenge is two-fold. Firstly, solar lighting products are charged VAT of 16.5 percent. In addition, although solar products are exempt from import duty, companies are still charged import VAT at the point of entry. This import VAT is reimbursable only after the product is sold.

In 2017, the UK Department for International Development (DfID) completed a report titled *Technical assistance to model and analyse the economic effects of VAT and tariffs on pico-PV products, Solar Home Systems and improved cookstoves*[^10] which showed that the net fiscal impact of exemptions would be positive. USAID SAEP is now working with the Ministry of Natural Resources, Energy and Mining (MONREM) to develop a proposal recommending that a VAT exemption be extended to basic household solar products (including solar batteries, inverters, panels and lights), and that solar-powered radios and torches be exempt from VAT, import duty and excise duty.

Under the kick-starter program, MONREM and USAID SAEP will continue to work together to explore extending these exemptions.

[^10]: [https://assets.publishing.service.gov.uk/media/58484315ed915d0aeb000052/Fiscal_Study_Final_Report_MB_Final.pdf](https://assets.publishing.service.gov.uk/media/58484315ed915d0aeb000052/Fiscal_Study_Final_Report_MB_Final.pdf)
3.3.2.2 Nationwide awareness campaign

SolarAid, a development organization that focuses on improving the solar lighting market across Africa, is carrying out awareness raising and market activation activities across Malawi, particularly in schools and health clinics. Through a network of Teachers Development Centres (TDCs) across the country, SolarAid aims to create awareness, build trust and confidence in solar products and increase access to quality solar products. Through SolarAid’s efforts, people in these centers, and the communities around them, are moving towards purchasing solar products for their business or household use. USAID SAEP will link SHS companies to SolarAid to foster collaboration, so companies can service these areas.

3.4 GENDER AND SOCIAL INCLUSION

Women are important stakeholders in energy access and power sector development programs and should be meaningfully included in the supply and demand sides of the energy value chain for programs to be successful.

The USAID SAEP program integrates gender and social inclusion considerations into its programming to:

- Increase access by women to modern electricity services to enhance social and economic opportunities
- Increase female employment opportunities at utilities and government agencies
- Increase the number of women trained in electricity reform and associated fields

Applicants under the kick-starter program must consider meaningful ways to integrate gender inclusion into its local SHS operations, driving toward the three goals above.

Awardees need to demonstrate principles of equality and non-discrimination. As Applicants apply and as awardees implement their programs, they must be aware of the following requirements and considerations:

- Applicants must confirm they have not previously infringed upon and will continue to abide by the Malawi Gender Equality Act of 2013, concerning, among other things, equal opportunities
- All communication released as a part of or in relation to this grant counters sex stereotyping and is gender sensitive, including all images and communications language
- All statistical data collected in relation to this grant are broken down by sex and could be used in a broader gender analysis
4 FIXED AMOUNT AWARD GRANT

This RFA allows Applicants to apply for a fixed amount award (FAA) grant and operational support from USAID SAEP. The Application will also be forwarded to working capital providers (see Section 8); however, the evaluation process for working capital loans is independent.

4.1 GRANT ELIGIBILITY

The kick-starter program will target rapid scale-up of SHS over 3 years, attracting qualified local and international SHS players who commit to a volume target in return for access to a support package which is provided through multiple development partners.

Only companies that are selling products with the minimum technical requirements listed in Section 2.6 and Figure 1 below will be eligible to apply for the FAA grant. Only boxed SHS units will be considered, and these units must have at least two lights and one mobile charging port. All products must be Lighting Global certified and carry a minimum warranty period of two years. Companies must offer a PAYG option (to reduce the affordability constraint for consumers). In addition, companies must pass USAID SAEP’s environmental assessment. As is laid out in Section 2.6, there are other non-technical eligibility requirements that must be met as well. For companies to advance to the second phase of evaluation, these minimum criteria must be met.

*Figure 1: Solar Home System Unit Minimum Requirements for Program Participation*

4.2 PAYMENT MILESTONES

In this round of applications, there is a total of MWK 1.074 billion funding that is available. Each company may bid for a maximum amount of MWK 716 million for 51,000 units. Payments will be made in MWK based on the completion of agreed upon milestones.

The FAA grant is a set amount for each SHS unit sold. The unit price has been structured to increase as more units are sold to incentivize participants to scale up quickly, and to compensate companies for entering more rural, lower income areas once the larger cities and towns have been targeted. The total value of the grant will be based on the number of SHS units the company is projected to sell and the

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11 Over-the-counter sales will also be counted for grant purposes; however companies must intend to offer a PAYG option within in the first year of operations to be eligible for the program
FAA amount that corresponds with each of those units. Table 1 outlines the tranches of sale volumes and the corresponding FAA grant amounts.

Table 1: FAA Grant Amount Per Unit by Number of Units Sold by Company

<table>
<thead>
<tr>
<th>SHS units sold by company (# '000)</th>
<th>FAA amount paid per unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5</td>
<td>MWK 3,580</td>
</tr>
<tr>
<td>5-35</td>
<td>MWK 12,172</td>
</tr>
<tr>
<td>35-51</td>
<td>MWK 20,764</td>
</tr>
</tbody>
</table>

Following selection of the grant finalists and during the negotiation phase, USAID SAEP will work with selected Applicants to develop a milestone schedule based on projected sales as defined in the application. Applicants are NOT required to submit a payment milestone schedule with their application. The total value of all milestones will equal the total calculated FAA amount for the grant. Payments will be disbursed upon the completion of each milestone.

Milestone 1 - Start-Up / Scale-Up: The first milestone will require the submission of an Inception Progress Report after the grant is executed and completion of start-up and/or scale-up activities. The Progress Report will detail the company’s start-up and/or scale-up activities and plan for reaching subsequent milestones. The value of the first milestone will be 50 percent of the amount for the number of unit sales required upon completion of the second milestone. For example, if the second milestone is to sell 5,000 units or MWK 17.9 million, then the value of the first milestone is 2,500 units or MWK 8.95 million.

Payment will be disbursed for the first milestone following submission of the Progress Report and proof of the following start-up / scale-up activities:

- Business registration in Malawi
- Recruitment of key management for local operations
- Inception Progress Report
- Sale of first SHS unit, with verifiable proof of sale

Subsequent Milestones: Each subsequent milestone will set a required number of unit sales. The value of each remaining milestone will equal the grant amount for the number of unit sales required. In order to receive payment for subsequent milestones, companies will need to:

- Provide verifiable proof of sales
- Submit quarterly narrative and reporting for all quarters under the milestone time period (see Section 4.4.1 for more details on reporting requirements)
- Submit annual due diligence, as needed (see Section 4.4.1 for more details on reporting requirements)

Final Milestone: The final milestone will also correspond with a number of unit sales and will include a final report. In order to receive payment for the final milestone, companies will need to:

- Provide verifiable proof of sales
- Submit a Final Report (see Section 4.4.1 for more details on reporting requirements)

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12 All figures provided are for a single company (i.e., not industry-wide)
4.3 SCHEDULE

The schedule for RFA submission, evaluation, announcement of results, first payment and implementation is specified in Table 2 below.

Table 2: Schedule for Kick-Starter Program

<table>
<thead>
<tr>
<th>Activity</th>
<th>Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Release of RFA</td>
<td>29 January 2019</td>
</tr>
<tr>
<td>Deadline for submission of applications</td>
<td>15 March 2019</td>
</tr>
<tr>
<td>Eligibility check, evaluation and due diligence, and negotiations</td>
<td>March 2019 – June 2019</td>
</tr>
<tr>
<td>Announcement of grant awards</td>
<td>Mid-June 2019</td>
</tr>
<tr>
<td>First payment</td>
<td>July 2019 onwards (conditional on meeting milestones for payment)</td>
</tr>
<tr>
<td>Implementation</td>
<td>July 2019 – March 2021</td>
</tr>
</tbody>
</table>

4.4 REPORTING AND DOCUMENTATION

All reporting will take place on a quarterly basis (i.e. end of March, June, September, December each year), both by companies and by the program management. The M&E framework is set out for each party below.

Table 3: Reporting Schedule

<table>
<thead>
<tr>
<th>Reporting Quarter</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>October – December</td>
<td>15 January</td>
</tr>
<tr>
<td>January – March</td>
<td>15 April</td>
</tr>
<tr>
<td>April – June</td>
<td>15 July</td>
</tr>
<tr>
<td>July – September</td>
<td>15 October (this is also the annual cycle)</td>
</tr>
</tbody>
</table>

USAID SAEP conducts biannual assessment (at the end of the 2nd quarter and 4th quarter) to verify the data reported for the year, known as a data quality assessment (DQA). The data reported by the SHS companies will be subject to this audit and may require revision following the DQA.

4.4.1 COMPANY MONITORING & EVALUATION

Each company will need to conduct self-reporting on a quarterly basis and submit payment request upon completion of grant milestones. Indicators will be discussed and analyzed in the due diligence process, with the most suitable and reliable ones being selected and agreed for each SHS company. At any time during the grant, external verification of the grant indicators and M&E framework may be involved. Such external verification is carried out at the discretion of USAID SAEP. USAID SAEP will be monitoring and analyzing progress of the SHS company’s business plan roll out. M&E and reporting will be linked to the payment schedule and finalized and agreed with the SHS company during the negotiation process.

Reporting requirements for SHS companies are:

- **Quarterly narrative and reporting** Quarterly reporting will summarize sales numbers progress towards milestones in the Grant Award and include a narrative around quarterly
successes and lessons learned, and associated indicators. The Awardee will be required to attend either monthly in-person and/or phone call meetings. In addition, the USAID SAEP communications team will engage with Awardees to develop the kick-starter program success story. The USAID SAEP team will provide templates and guidance for quarterly narrative and reporting following award of the grant.

- **Milestone request for payment.** When specific reporting and/or sales milestones in the Grant Award are completed, the Awardee will submit a report and proof documenting the milestones reached and a request for payment. The Applicant must specify the type of proof for achieving their milestones.

- **Final report.** Prior to completion of the grant, the Grants Administrator will send each Awardee a letter that describes the grant close-out process and required reporting, including a Final Report and Final Inventory. The final report must include:
  - A summary of the activity objectives and achievements during the grant time period
  - A summary of grant activities undertaken during the grant, including successes and lessons learned
  - Description of project impact and results, based on the indicators presented in the application as well as any other anecdotal information, stakeholder or observer commentary. This must include final number of SHS systems sold and a comparison against projected data. This must also include an assessment of sustainability of future operations
  - A discussion of how grant funding contributed to the objectives of the program, including total grant funding received and estimated cost share

**Actual Connections**

For monitoring and evaluation, the Awardees will report actual units sold using the set of indicators specified below:

- **Product:** boxed SHS product name with specification of system type
- **Product appliances:** specification of accompanying appliances for boxed SHS product
- **Number of kWh produced:** annual kWh used by product user for given product
- **Number of units sold per month:** total sales (proxied by first payment in cases of PAYG) for given product

A sample reporting table is given in **Table 4.**

*Table 4: Sample Report Submitted by SHS Company*

<table>
<thead>
<tr>
<th>Product</th>
<th>Product appliances</th>
<th>Number of kWh produced</th>
<th>Number of units sold (Month 1-2)</th>
<th>Total kWh (Month 1-2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product 1</td>
<td>2 lights; 1 mobile charging port</td>
<td>100</td>
<td>100</td>
<td>1,000</td>
</tr>
<tr>
<td>Product 2</td>
<td>6 lights; 2 mobile charging ports; 1 radio</td>
<td>200</td>
<td>50</td>
<td>10,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>150</strong></td>
<td><strong>11,000</strong></td>
</tr>
</tbody>
</table>
The Awardees will need to provide documents to support the sales reports that are auditable and the SAEP M&E team will work to conduct spot checks on actual sales to ensure that the SHS sales reported are accurate. Before the payments are dispersed, there will be verification of sales by the SAEP team.

**4.4.2 MARKET MONITORING AND EVALUATION**

USAID SAEP will aggregate progress towards key indicators on a portfolio level, as well as key learnings from rolling out the program. USAID SAEP will:

- Establish a strategy to share learnings in the market with relevant stakeholders
- Coordinate with relevant stakeholders (Government, cooperating partners, financiers, and the private sector) to share updates on the program and leverage their resources to increase the impact of the program

The activities of USAID SAEP will be tailored according to the specific needs of the private sector providing SHS units to households in Malawi. SHS companies are obliged to participate in events and meetings set up by USAID SAEP in the context of the platform for developing a mature SHS market in Malawi.

**4.5 PROGRAM MANAGEMENT**

USAID SAEP will manage the FAA grants program throughout its entirety from its launch in January 2019 through its close in March 2021. USAID SAEP will oversee program participation, FAA grants management, operational support, the industry support package, and all other program management requirements (including monitoring and evaluation (M&E) and overall coordination).

USAID SAEP will not be responsible for the working capital and the nationwide awareness campaign portions of the program. USAID SAEP will work with financiers to identify and share opportunities for working capital. However, those financiers will behave independently in conducting their due diligence and loan agreements with SHS companies. These working capital contracts will be treated as independent from the management of the kick-starter program. Similarly, USAID SAEP will collaborate with SolarAid on its awareness-raising efforts, but SAEP does not take responsibility for its outcomes.

Throughout the program, companies will need to provide M&E data to confirm that they meet the eligibility requirements (see Exhibit 1). More information on this can be found in Section 4.4.

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13 USAID SAEP will continue to provide technical assistance to SHS companies through the kick-starter program through December 2021. Funds disbursement for the grant will end March 2021 to provide time for close-out activities of the grant program.
5 TECHNICAL APPLICATION CONTENTS

All complete applications received by the deadline will be reviewed for responsiveness to the specifications outlined in the guidelines. USAID SAEP may reject applications that are:

- Incomplete
- Do not respond to the scope of work in the solicitation
- Do not comply with the format requirements
- Are submitted after the deadline

5.1 TECHNICAL APPLICATION

The Application in response to this solicitation is composed of a technical component with the following sections and will require submission of company documents, where applicable.

5.1.1 BASIC COMPANY INFORMATION AND ELIGIBILITY

5.1.1.1 Contact and business information

Requires basic information of contact person and company including name, date of business registration, mission of organization, countries of operation, number of employees and VAT registration number. If the company does not have its VAT registration number yet, it must have this before an Awardee can receive a grant payment.

5.1.1.2 Eligibility

Evaluates the company’s product offering vis-à-vis USAID SAEP’s minimum product criteria (see Exhibit I) and environmental standards required to qualify for the program.

5.1.1.3 Application submission

Collects information on company’s projected quarterly sales over the duration of the kick-starter program (July 2019 – March 2021) to calculate the total amount of FAA grants requested.

5.1.2 TECHNICAL PROPOSAL

5.1.2.1 Company track record

Evaluates company’s ability to scale up in the Malawian market based on company’s historical track record. Information required includes total sales worldwide over the last three years, sales growth rate over the last three years (or time in operation if less than three years) and evidence of relevant experience in similar markets to Malawi.

5.1.2.2 Understanding of Malawian market

Assesses company’s understanding of the socio-economic context and process of setting up and scaling a business in Malawi. Information required includes overall understanding of the Malawian market (e.g., geography, income distribution, savings practices), other market considerations and limitations to be considered (e.g., transport infrastructure) and institutional, social, political and legal considerations when operating in Malawi. Also requires company to share the top three to five major obstacles to consider when setting up and / or scaling in Malawi.
5.1.2.3 Business plan

Evaluates the feasibility and consistency of the company’s technical plan to reach sales targets. Information required includes detailed explanation of company’s end-to-end supply chain strategy, marketing strategy, sales and distribution strategy, after-sales services, payment infrastructure and local partnership strategy. Also requires company to share a detailed set up and scale up implementation plan in Malawi.

5.1.2.4 Management and Organizational Capacity

Assesses team structure and capacity to lead, manage and scale business. Information required includes an overview of company’s organization structure and detailed profiles of key management personnel who will provide management oversight in Malawi including CVs of each person. Also requires a thorough explanation of company’s human resource approach in Malawi including recruitment, training, retention and performance management strategies.

5.1.2.5 Value to the Customer

Assesses product diversity, payment plans and product warranty offered by company. Information required includes an explanation of product offering, length and nature of warranty and post-warranty services, customer payment options (e.g., mobile money) and payment schemes (e.g., 12 and 24-month PAYG) offered. Also requires a detailed explanation of company’s approach to evaluating credit worthiness and deposit size of customers.

5.1.2.6 Gender Mainstreaming

Assesses consideration of women’s participation in company’s organization and value chain, including local partnerships. Attention is given to a balanced representation when experts are consulted or when support groups are assembled. Requires a detailed explanation on how company will ensure women are employed with the Malawian operational entity, how they will be integrated into the company’s value chain and how local partners will be incentivized to encourage participation of women in their operations. More details on the Gender Mainstreaming elements that must be included and will be evaluated are found in Section 3.4.

5.1.2.7 Monitoring & Evaluation Plan

Ensures company has mechanism to track and record sales and customer data, both for M&E and for milestone payments. Companies will be evaluated and scored based on their ability to track sales and provide documentation to USAID SAEP for milestone reporting and payments. Information required includes an explanation of how the company will track initial payment and ongoing payments as per PAYG plan, SHS sales, use of SHS product over time, and gender-related data of customers, specifically around gender of customer buying the SHS system and gender of head of household.
6 FINANCIAL APPLICATION CONTENTS

6.1 FINANCIAL APPLICATION

The Application in response to this solicitation is composed of a financial component and will require submission of company documents, where applicable. The sections included in the financial evaluation are outlined below with additional detail on each component.

Applicants must follow the guidelines below when submitting:

(a) All future-looking financial documents must be provided in MWK and should be based on activities described in the Technical Proposal.

(b) All Applicants must have the financial and administrative systems to adequately account for the grant funds as detailed in the extensive attachments and referenced US Government websites.

6.1.1 HISTORICAL AND PROJECTED BUDGET OF MALAWIAN OPERATIONAL ENTITY OR HOLDING COMPANY

In this section, the evaluators will determine if the historical and projected income and cash flow of the Malawian entity of the Applicant organization is adequate to sustain business operations and growth plans. Information required includes audited financial statements of Malawian Operational entity for the past four years or for the duration of operation in Malawi if less than four years.

If the Applicant has not commenced operations in Malawi, it must provide audited financial statements of its holding company. The Applicant must also include detailed and realistic projected cash flow statement, income statement and balance sheets for the period of the grant (July 2019 – March 2021) and an explanation of company’s time to break even.

6.1.2 FUNDING SOURCES OF MALAWIAN OPERATIONAL ENTITY

Evaluates whether funding sources of Malawian entity are adequate to sustain business operations and growth plans. Information required includes an explanation of how the Malawian entity will be capitalized and the intended ownership. Letters of Commitment or Letters of Support will be required from potential funders listed.

6.2 BUDGET AND PAYMENT TERMS

Applicants must limit their funding request to a maximum of MWK 716 million, which corresponds to selling 51,000 units, and a minimum of MWK 17.9 million, which corresponds to selling 5,000 units, per Applicant. The FAA grant will be paid out as agreed upon milestones for the number of products sold are completed over the course of grant implementation.

The FAA will be paid out on a per unit basis to companies as per the schedule in Table 5 below.

Table 5: FAA Grant Amounts and Cumulative Value

<table>
<thead>
<tr>
<th>Number of units</th>
<th>FAA grant per unit (MWK)</th>
<th>Total amount paid (MWK)</th>
<th>Cumulative amount paid (MWK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 5,000</td>
<td>3,580</td>
<td>17.9 million</td>
<td>17.9 million</td>
</tr>
<tr>
<td>5,000 – 35,000</td>
<td>12,172</td>
<td>365.16 million</td>
<td>383.06 million</td>
</tr>
<tr>
<td>35,000 – 51,000</td>
<td>20,764</td>
<td>332.224 million</td>
<td>715.28 million</td>
</tr>
</tbody>
</table>
As per the schedule above, the maximum volume that a company can bid for is 51,000 units with grant value of MWK 716 million\(^4\). The minimum volume is 5,000 units at MWK 17.9 million.

**Payment Milestones**

The grant funds will be disbursed upon completion of agreed upon milestones over the course of grant implementation. Following selection of the grant finalists and during the negotiation phase, USAID SAEP will work with selected Applicants to develop a milestone schedule based on projected sales. **Applicants are not required to submit a payment milestone schedule with their application.** The total value of all milestones will equal the total calculated FAA amount for the grant. Payments will be disbursed upon the completion of each milestone.

*Milestone 1 - Start-Up / Scale-Up:* The first milestone will require the submission of an inception Progress Report after the grant is executed and completion of start-up and/or scale-up activities. The Progress Report will detail the company’s start-up and/or scale-up activities and plan for reaching subsequent milestones. The value of the first milestone will be 50 percent of the amount for the number of unit sales required upon completion of the second milestone (for example, if the second milestone is to sell 5,000 units or MWK 17.9 million, then the value of the first milestone is 2,500 units or MWK 8.95 million).

Payment will be given for the first milestone following submission of the progress report and proof of the following start-up / scale-up activities:

- Business registration in Malawi
- Recruitment of key management for local operations
- Sale of first SHS unit

**Subsequent Milestones:** Each subsequent milestone will set a required number of unit sales. The value of each remaining milestone will equal the FAA amount for the number of unit sales required. In order to receive payment for subsequent milestones, companies will need to:

- Provide proof of sales
- Submit quarterly narrative and financial reporting for all quarters under the milestone time period (see **Section 4.4.1** for more details on reporting requirements)
- Submit annual due diligence, as needed (see **Section 4.4.1** for more details on reporting requirements)

**Final Milestone:** The final milestone will also correspond with a number of unit sales and will include a final report. In order to receive payment for the final milestone, companies will need to:

- Provide proof of sales
- Submit a Final Report (see **Section 4.4.1** for more details on reporting requirements)

6.3 **COST SHARE**

To be considered for a grant award the Applicants are expected to cost share the implementation of the proposed grant activity by minimum of 10 percent of the total cost of the grant activity. Cost sharing is a requirement for all grants funded under the Project. Cost share contribution may be financial or in-kind. This may include costs financed from the Applicant’s own funds, or costs financed with cash, services, or property contributed or donated to the Applicant from another Non-U.S. Government sources.

\(^4\) Using the scaling amounts in Table 5, MWK 715.28 million would cover 51,000 units.
All costs shared by the Applicant (both financial and in-kind) must meet all of the following criteria:

- Be verifiable in the Applicant records
- Necessary and reasonable for proper and efficient accomplishment of grant activity objectives
- Allowable under the applicable USAID regulations (see Attachment 4)
- Must not be included as cost share contributions for any other U.S. Government–assisted program
- Must not be paid by the U.S. Government under another grant or agreement

In-kind contribution may include volunteer services, donated supplies and equipment, donated property or office space etc. Rates for volunteers must be consistent with those paid for similar work in the Applicant organization, or those paid for similar work in the labor market in which the Applicant competes. The assessed value of donated supplies and equipment must be reasonable and must not exceed the fair market value at the time of the donation. The value of donated property must be determined in accordance with the usual accounting policies of the Applicant. Only if the purpose of grant award is to assist the Awardee in the acquisition of property or equipment, the total value of the donated property or equipment may be claimed as Cost Share. Otherwise, only depreciation or use charges for property and equipment may be made. The value of donated equipment must not exceed the fair market value of equipment of the same age and condition at the time of donation. The value of donated space must not exceed the fair rental value of comparable space and facilities in a privately owned building in the same locality, as determined by adequate market research. The value of loaned equipment must not exceed its fair rental value.

In the financial application, Applicants must:

- Describe the cost share provided by the Applicant, indicating financial and/or in-kind contribution.
- Provide a detailed explanation of how the value of in-kind contribution (if any) was calculated

6.4 TAXES

USAID SAEP does not reimburse for VAT charges incurred by Awardees.
7 SELECTION

USAID SAEP intends to award grants resulting from this solicitation to the responsible Grantees whose application conforms to the solicitation and represents best value solutions after selection in accordance with the criteria/factors listed here.

USAID SAEP will evaluate each technical approach quantitatively based upon the review criteria set forth below. A technical proposal can be categorized as unacceptable when it is incomplete, does not respond to the scope, does not comply with the format requirements or is submitted after the deadline.

The proposed budget and financial component will be analyzed as part of the application selection process. Applicants should note that financial application must be sufficiently detailed to demonstrate reasonableness and completeness, and that Applications including budget information determined to be unreasonable, incomplete, or based on a methodology that is not adequately supported may be judged unacceptable.

Reasonableness. USAID SAEP will make a determination of reasonableness (i.e., whether the proposed business plan and financial projects are feasible within the Malawian market based on the company capacity and history of sales) based on USAID SAEP’s experience for similar items or services, what is available in the marketplace, and/or other competitive offers.

7.1 EVALUATION PROCESS

Following Applicant’s submissions by 15 March 2019, USAID SAEP, in its capacity as program manager, will evaluate all applications over a two-month period. By 10 May 2019, USAID SAEP expects to reach a decision regarding:

- The evaluation scores given to each application (based on the criteria in Section 7.2)
- The companies that will receive FAA grant funding
- The amount of FAA grant funding that each company will receive

The Application is comprised of two parts: a technical application (worth 70 points) and a financial application (worth 30 points) for a total of 100 points. There will be four stages of the evaluation as shown in Figure 2 below:

- Eligibility: In the first stage, USAID SAEP will ensure that Applicants have met all minimum eligibility criteria (outlined in Section 2.6).
- Technical evaluation: Conditional on meeting these criteria, a technical evaluation will be carried out to score the application out of 70 based on several components (with their respective points allocation): company track record (10 points), understanding of the Malawi market (10 points), business plan (20 points), management plan and organizational capacity (10 points), value for the customer (10 points), gender mainstreaming (5 points) and M&E plan (5 points). Applicants must receive a score of 50 points or more to proceed further in the application evaluation process. A more detailed overview of the technical evaluation criteria is provided in Section 7.2.1.

- Financial evaluation: Following the technical evaluation, qualifying Applicants will be evaluated on their financial application. The financial evaluation is out of a total score of 30. Applicants must achieve a minimum score of 20 points (and overall score of 70 points) for further consideration in the evaluation process. A more detailed overview of the financial evaluation criteria is provided in Section 7.2.2.
- **Ranking and selection**: To reach a total score, the technical and financial evaluation scores will be added for a total score out of 100. Companies will be ranked according to their scores. Applicants must have a total score of higher than 70 points in order to receive grant funding through this RFA. Funds will be distributed on a ranked basis. The highest-ranked Applicant will receive funds, followed by the second highest-ranked Applicant and so on. This process will continue until all funds allocated for this RFA (MWK 1.074 billion) have been depleted.

*Figure 2: Evaluation Process*
## 7.2 Evaluation Criteria

### 7.2.1 Technical Evaluation Criteria

**Table 6: Technical Evaluation Criteria**

<table>
<thead>
<tr>
<th>Evaluation</th>
<th>Assigned Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Track Record</td>
<td>Maximum points possible = 10</td>
</tr>
<tr>
<td>Understanding of Malawian Market</td>
<td>Maximum points possible = 10</td>
</tr>
<tr>
<td>Business Plan</td>
<td>Maximum points possible = 20</td>
</tr>
<tr>
<td>Management &amp; Organizational Capacity</td>
<td>Maximum points possible = 10</td>
</tr>
<tr>
<td>Value to the Customer</td>
<td>Maximum points possible = 10</td>
</tr>
<tr>
<td>Gender Mainstreaming</td>
<td>Maximum points possible = 5</td>
</tr>
<tr>
<td>M&amp;E Plan</td>
<td>Maximum points possible = 5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>70</strong></td>
</tr>
</tbody>
</table>

### 7.2.2 Financial Evaluation Criteria

**Table 7: Financial Evaluation Criteria**

<table>
<thead>
<tr>
<th>Evaluation</th>
<th>Assigned Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Historical and Projected Budgets</td>
<td>Maximum points possible = 20</td>
</tr>
<tr>
<td>Funding Sources</td>
<td>Maximum points possible = 10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30</strong></td>
</tr>
</tbody>
</table>
8 WORKING CAPITAL PROVIDERS

USAID SAEP has partnered with seven working capital providers who are willing to consider funding requests from Applicants. **Table 8** outlines the profile of each provider, currency available and application process.

### 8.1 OVERALL INFORMATION PARTNER OF WORKING CAPITAL LOAN PROVIDERS

**Table 8: Partner Working Capital Loan Providers**

<table>
<thead>
<tr>
<th>Working Capital Provider (Contact Person)</th>
<th>Description</th>
<th>Currency Available</th>
<th>Application Process</th>
<th>Institution-Specific Application Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>FDH Bank (Kawawa Msapato – <a href="mailto:Kmsapato@fdh.co.mw">Kmsapato@fdh.co.mw</a>)</td>
<td>Local bank in Malawi</td>
<td>USD or MWK</td>
<td>Application integrated with kick-starter application</td>
<td>N/A</td>
</tr>
<tr>
<td>Kuwa Capital (Pedram Kaya – <a href="mailto:contact@kuwacapital.com">contact@kuwacapital.com</a>)</td>
<td>Local private equity firm</td>
<td>USD or MWK</td>
<td>Application integrated with kick-starter application</td>
<td>All Applicants should have an existing local PAYG portfolio exceeding USD $50,000 or MWK 35.8 million</td>
</tr>
<tr>
<td>Lion’s Head Global Partners (Harry Guinness – <a href="mailto:harry.guinness@lhgp.com">harry.guinness@lhgp.com</a>)</td>
<td>Global fund manager with funding from the African Development Bank for off-grid projects</td>
<td>USD or MWK</td>
<td>Application integrated with kick-starter application, but must be exclusive</td>
<td>Companies seeking USD $2 – $10m (MWK 1.43 – 7.16 billion) equivalent debt for working capital and/or receivables financing are welcome to engage to establish transaction parameters. With some allowance for start-ups, borrowers’ local or parent entities should have audited statements with unqualified certification for at least the last three financial years. In general, borrowers need to: • Demonstrate successful commercial development over the past three years • Enjoy a healthy capital basis – or be structured based on sound asset backed securities principles, which allows for further debt leverage • Be professionally managed • Follow the rules of good corporate governance • Meet international transparency standards • Have a verified commitment to the Fund’s ultimate beneficiaries</td>
</tr>
<tr>
<td>Working Capital Provider (Contact Person)</td>
<td>Description</td>
<td>Currency Available</td>
<td>Application Process</td>
<td>Institution-Specific Application Terms</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>-------------</td>
<td>--------------------</td>
<td>---------------------</td>
<td>----------------------------------------</td>
</tr>
</tbody>
</table>
| National Bank of Malawi Development Bank Limited (Bernard Masi – bmasi@natbankmw.com) | Local bank in Malawi | MWK only | Application integrated with kick-starter application | • Have the institutional capacity for an effective client outreach, preferably not limited to urban hubs  
  Specifically, Borrowers need to:  
  • Use an adequate Management Information System (MIS) which produces meaningful and reliable reporting on their activities  
  • Comply with the Fund’s social and environmental requirements and the standards of responsible finance  
  • Comply with the Fund’s Anti-Money Laundering and Combating the Financing of Terrorism (CFT) requirements, as set out in a separate policy  
  • Agree to adhere to appropriate Social & Environmental (S&E) principles and Client Protection Principles (CPP)  
  • In the event that information concerning non-compliance or potential non-compliance with the Worker Rights Requirements (a “Worker Rights Non-Compliance”) comes to the attention of a responsible officer of the Borrower, the Borrower shall give prompt notice thereof to the Fund. The Borrower shall use all reasonable efforts, including remediation, to cure or to cause the relevant contractor or subcontractor to cure, or prevent the recurrence of, any Worker Rights Non-Compliance  
  • This shall be a PAYG model whereby the bank finances the solar energy company to buy solar home systems and systems for institutions. The households and institutions pay a monthly rental fee to the distributors who in turn pay the bank. The payment channels shall be digital to minimum cost of collection. The distributor of the solar equipment shall have capabilities to lock out the system remotely in case of non-payment  
  • Applicant requirement that they open accounts with NBM if we are financing them and all equipment purchases would be made by the bank and paid direct to the suppliers  
  • Provide projected financial statements of number of years of which you are seeking the loan (e.g., if an Applicant requires a 4-year loan, then they have to provide projected financial statement for 4 years)  
  • NBM will provide solar equipment loans under the NBM Development Bank but no overdraft |
<table>
<thead>
<tr>
<th>Working Capital Provider (Contact Person)</th>
<th>Description</th>
<th>Currency Available</th>
<th>Application Process</th>
<th>Institution-Specific Application Terms</th>
</tr>
</thead>
</table>
| Standard Bank (Zizwani Khonje – Zizwani.Khonje@standardbank.co.mw) | Local bank in Malawi (with regional presence) | USD or MWK | Application integrated with kick-starter application | • Preference for SMEs that are registered as Limited liability entities but sole proprietorships will also be considered  
• Open to financing start-ups so long as they demonstrate their capacity to supply the required equipment and also provide proof of equity contribution say 40-60% of total capital required  
• Offers business support services to build capacity of the SMEs in the management of their business. Majority of the costs of these services will be borne by the bank, however SMEs shall be required to make a token contribution  
• The equipment financed shall be pledged to the bank as security until the loan is fully repaid |
| SunFunder (Surabhi Visser – surabhi@sunfunder.com) | Solar financier | USD or MWK | Initial application questions included in application form in Attachment 5 | N/A |
9 REFERENCES, TERMS & CONDITIONS

9.1 REFERENCES

- The U.S. Government regulations that govern this grant as found at the following websites:

- Required Provisions for a Fixed Amount Awards to Non-Governmental Organizations:
  - Include ONLY the applicable “Required, As Applicable” provisions from:
    https://www.usaid.gov/ads/policy/300/303mat

9.2 TERMS AND CONDITIONS

- Issuing this RFA is not a guarantee that a grant will be awarded
- Deloitte reserves the right to issue a grant based on the initial selection of offers without discussion
- Deloitte may choose to award a grant for part of the activities in the RFA
- Deloitte may choose to award a grant to more than one Recipient for specific parts of the activities in the RFA
- Deloitte may request from short-listed grantee(s) a second or third round of either oral presentation or written response to a more specific and detailed scope of work that is based on a general scope of work in the original RFA
- Deloitte has the right to rescind an RFA, or rescind an award prior to the signing of a contract due to any unforeseen changes in the direction of Deloitte’s client (the U.S. Government), be it funding or programmatic
- Deloitte reserves the right to waive any deviations by organizations from the requirements of this solicitation that in Deloitte’s opinion are considered not to be material defects requiring rejection or disqualification; or where such a waiver will promote increased competition

9.2.1 GRANT AGREEMENT

A grant agreement will include the approved project description, approved budget, payment terms, reporting requirements and relevant provisions. Once executed it is a legally binding agreement between Deloitte (on behalf of USAID SAEP) and the Recipient organization. Once the grant agreement is signed, it cannot be modified without prior written approval from Deloitte (on behalf of USAID SAEP).

9.2.1.1 Grant Disbursement and Financial Management

The grants will be disbursed in Malawian Kwacha and transferred only through bank transactions.

9.2.1.2 Reporting

The grant agreement will detail the reporting requirements. Recipients must be willing to adhere to the reporting schedule and requirements for both programming activities and financial monitoring.
9.2.1.3 Monitoring

USAID SAEP staff will monitor programmatic performance. Deloitte and USAID reserve the right to review finances, expenditures and any relevant documents at any time during the project period and for three years after the completion of the project and closeout. All original receipts must be kept for three years after the formal closeout has been completed.

9.2.1.4 Late Submissions, Modifications and Withdrawals of Applications

At the discretion of Deloitte, any application received after the exact date and time specified for the receipt may not be considered unless it is received before award is made and it was determined by Deloitte that the late receipt was due solely to mishandling by Deloitte after receipt at its offices.

Applications may be withdrawn by written notice via email received at any time before award. Applications may be withdrawn in person by a vendor or his authorized representative, if the representative’s identity is made known and the representative signs a receipt for the application before award.

9.2.1.5 False Statements in Offer

Vendors must provide full, accurate and complete information as required by this solicitation and its attachments.

9.2.1.6 Certification of Independent Price Determination

(a) The offeror certifies that:

1) The prices in this offer have been arrived at independently, without, for the purpose of restricting competition, any consultation, communication, or agreement with any other offeror, including but not limited to subsidiaries or other entities in which offeror has any ownership or other interests, or any competitor relating to (i) those prices, (ii) the intention to submit an offer, or (iii) the methods or factors used to calculate the prices offered

2) The prices in this offer have not been and will not be knowingly disclosed by the offeror, directly or indirectly, to any other offeror, including but not limited to subsidiaries or other entities in which offeror has any ownership or other interests, or any competitor before bid opening (in the case of a sealed bid solicitation) or contract award (in the case of a negotiated or competitive solicitation) unless otherwise required by law

3) No attempt has been made or will be made by the offeror to induce any other concern or individual to submit or not to submit an offer for the purpose of restricting competition or influencing the competitive environment

(b) Each signature on the offer is considered to be a certification by the signatory that the signatory:

1) Is the person in the offeror’s organization responsible for determining the prices being offered in this bid or application, and that the signatory has not participated and will not participate in any action contrary to subparagraphs (a)(1) through (a)(3) above

2) Has been authorized, in writing, to act as agent for the principals of the offeror in certifying that those principals have not participated, and will not participate in any action contrary to subparagraphs (a)(1) through (a)(3) above; (ii) As an authorized agent, does certify that the principals of the offeror have not participated, and will not participate, in any action contrary to subparagraphs (a)(1) through (a)(3) above; and (iii) As an agent, has not personally participated, and will not participate, in any action contrary to subparagraphs (a)(1) through (a)(3) above
Offeror understands and agrees that:

1) Violation of this certification will result in immediate disqualification from this solicitation without recourse and may result in disqualification from future solicitations.
2) Discovery of any violation after award to the offeror will result in the termination of the award for default.

9.2.1.7 Standard Provisions

Deloitte is required to respect the provisions of the United States Foreign Assistance Act and other United States laws and regulations. The USAID SAEP Catalyzing Local Opportunities Fund (CLOF) will be administered according to Deloitte’s policies and procedures as well as USAID’s regulations for Non-U.S. Governmental Recipients or USAID’s regulations for U.S. Non-Governmental Recipients. These include:

Implementing Partner Notices (IPN) registration

Applicant acknowledges the requirement to register with the IPN portal if awarded a grant resulting from this solicitation and receive universal bilateral amendments to this award and general notices via the IPN portal. The IPN Portal is located at https://sites.google.com/site/usaidipnforassistance/. Detailed steps are given under the article M9 of the Mandatory Standard Provisions for Fixed Amount Awards to Non-Governmental Organizations from ADS 303mat, which is annexed to this RFA.

Activities that will not be considered for funding

In keeping with the conditions above, programs that fall within the following categories or indicate they might participate in any one of the following shall be automatically disqualified:

- Activities related to the promotion of specific political parties
- Reconstruction or building rehabilitation projects that are not accompanied by plans for wide community use and maintenance
- Distribution of emergency/humanitarian assistance or funds
- Religious events or activities that promote a particular faith
- For-profit business activities that benefit a small select group, rather than providing increased opportunities to the larger community
- Unrelated operational expenses

Prohibited Goods and Services

Under no circumstances shall the Recipient procure any of the following under this award, as these items are excluded by the Foreign Assistance Act and other legislation which govern USAID funding. Programs which are found to transact in any of these shall be disqualified:

- Military equipment
- Surveillance equipment
- Commodities and services for support of police or other law enforcement activities
- Abortion equipment and services
- Luxury goods and gambling equipment
- Weather modification equipment
**Restricted Goods**
The following costs are restricted by USAID and require prior approval from Deloitte and USAID:

- Agricultural commodities
- Motor vehicles
- Pharmaceuticals
- Pesticides
- Fertilizer
- Used equipment
- U.S. Government-owned excess property

**Certifications for Non-US Non-Governmental Recipients**
The following Standard Grant & Subcontractor Certifications are required by Deloitte and USAID:

- Assurance of Compliance with Laws and Regulations Governing nondiscrimination in Federally Assisted Programs (This assurance applies to Non-U.S. Governmental Organizations, if any part of the program will be undertaken in the U.S.)
- Certification Regarding Lobbying (22 CFR 227)
- Prohibition on Assistance to Drug Traffickers for Covered Countries and Individuals (ADS 206, Prohibition of Assistance to Drug Traffickers)
- Certification Regarding Terrorist Financing
- Certification of Recipient
- Compliance with Anticorruption Laws
- A completed copy of Representation by Organization Regarding a Delinquent Tax Liability or a Felony Criminal Conviction
- Certification Regarding Trafficking in Persons
10 ENVIRONMENTAL SELF-ASSESSMENT FORM

All Applicants seeking to implement Catalyzing Local Opportunities Fund (CLOF) activities under USAID Southern African Energy Program must complete and submit this Environmental Self-Assessment Form as an annex to the CLOF Application. Information obtained from this form will assist the USAID Southern African Energy Program in estimating potential environmental impact of proposed activity. CLOF recipients will be required to comply with environmental standards that may be prescribed, in line with Federal Regulations (22CFR216) and the USAID’s Automated Directive System (ADS) parts 201 and 204.

1. Applicant Information

<table>
<thead>
<tr>
<th>Organization:</th>
<th>Parent Grant or Project: Malawi Kick-Starter Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Point of Contact and Title:</td>
<td>Address, Phone &amp; Email (if available):</td>
</tr>
<tr>
<td>Proposed Subproject /CLOF Activity (brief description):</td>
<td>Amount of Funding Requested:</td>
</tr>
<tr>
<td></td>
<td>Proposed Period of Performance:</td>
</tr>
<tr>
<td></td>
<td>Location(s) of Proposed Activities:</td>
</tr>
</tbody>
</table>

2. Legal, Regulatory and Permitting Requirements

a. Does your Organization have the following valid permits required for your activities and facilities?

| Environmental Permit: | ☐ Yes ☐ No ☐ N/A |
| Planning Permission: | ☐ Yes ☐ No ☐ N/A |
| Construction Permit: | ☐ Yes ☐ No ☐ N/A |
| Use Permit: | ☐ Yes ☐ No ☐ N/A |
| Approvals for utility services: | ☐ Yes ☐ No ☐ N/A |
| Any other valid permit related to environment, safety at work etc. (please list): | |

b. Has your production facility been inspected regarding environmental and work safety issues?

☐ Yes ☐ No

If yes, do you have evidence of the results of these inspection reports?

☐ Yes ☐ No

c. Does your Organization have any of the following certifications?

| ISO 14001 EMS | ☐ Yes ☐ No |
| ISO 9000 | ☐ Yes ☐ No |
| HCCP | ☐ Yes ☐ No |
| SA 8000 | ☐ Yes ☐ No |
| GREENGUARD | ☐ Yes ☐ No |
3. Safety and Integrity Requirements

a. Does your Organization uses heavy equipment in the production process?
   ☐ Yes ☐ No, please describe: ____________________________________________________

b. What protective measures does your Organization undertake to ensure workers’ safety at work, (describe specific activities and policies, such as training, availability and use of protective equipment for workers etc.)?
   __________________________________________________________________________

4. Environmental and Health Requirements

a. List the types of solid and liquid waste your Organization produce in its production process (such as pesticides, chemical, industrial, medical, other solid or hazardous wastes etc.) and average quantities of such waste that you produce annually:
   __________________________________________________________________________

b. Describe how you treat and dispose specific types of solid and liquid wastes created in production process:
   __________________________________________________________________________

c. Does your production process includes conversion of land and extraction of natural resources (e.g. granite, limestone, coal, oil, etc.)
   ☐ Yes ☐ No, please describe: ____________________________________________________

d. Do your activities have impact on cultural/historical sites with unique ethnic or traditional cultures?
   ☐ Yes ☐ No, please describe: ____________________________________________________

5. Additional Information

a. Please provide any additional information related to environmental impact of your activities:
   __________________________________________________________________________