REQUEST FOR PROPOSALS

USADF-NITHIO OFF-GRID ENERGY CHALLENGE

OPEN OCTOBER 16 – DECEMBER 2, 2019

BACKGROUND ON THE OFF-GRID ENERGY CHALLENGE

The USADF-Nithio Off-Grid Energy Challenge is a joint initiative of the United States African Development Foundation (USADF) and Nithio Holdings Limited (Nithio), and is designed to achieve the following results:

- To increase electricity access for unserved and underserved communities by supporting local off-grid energy solutions using consumer financing, such as solar home systems and solar pumps – this may include power to meet household consumer needs, as well as the delivery of power to productive or commercial activities including agricultural production, commercial enterprises, and others;
- To increase the ability of local off-grid solar operators to access consumer credit data and thereby unlock capital at scale.

The Off-Grid Energy Challenge is aligned with the Beyond the Grid sub-initiative of Power Africa, a U.S. Government-led partnership launched in 2013 to double access to electricity in sub-Saharan Africa by 2030 by increasing installed power capacity by 30,000 MW and creating 60 million new connections. Of these targeted 60 million new connections, as many as 25-30 million are expected to be added through off-grid solutions.

BACKGROUND ON THE USADF-NITHIO PARTNERSHIP

Nithio is a venture-backed energy finance platform launched in early 2018. The company aims to address the need for modern energy access on the continent through multiple tools including financing and a powerful household credit risk assessment platform, which allows stakeholders to identify high-need and
credit-worthy customers. USADF and Nithio have signed a Memorandum of Understanding to combine their respective and complementary strengths and areas of expertise to co-fund early-stage African energy companies, with USADF providing grant funding and Nithio providing loans.

INTRODUCTION

USADF and Nithio are excited to request proposals for the USADF-Nithio Off-Grid Energy Challenge. Proposals are invited from eligible Kenyan off-grid solar operators, and approximately two to five awards are anticipated. Selected enterprises will receive funding in the form of a combination of loan and grant funds, in the amount of between US$400,000 and US$1 million, depending on individual enterprise needs.

To be considered for the Challenge, applicants must be 100% African-owned, majority Kenyan-owned and -managed private companies registered in Kenya and must be operating in Kenya.

Projects are to be focused on increasing sustainable energy access – specifically off-grid solutions – through the provision of consumer financing. Proposals are expected to include business models such as pay-as-you-go, SHS/appliance distribution, and promotion of productive use of energy.

Winning applicants will receive:
- An investment in the form of a loan of between US$250,000 and US$750,000
- Seed capital in the form of grant funds in the amount of US$100,000 to US$250,000
- Access to intensive local technical assistance and governance support

ELIGIBILITY CRITERIA

USADF and Nithio will consider proposals from 100% African-owned and majority Kenyan-owned and Kenyan-managed companies. Passports or other government-issued IDs of owners and senior managers must be submitted with the applications. The companies applying must be for-profit enterprises and must not be government-owned or operated in any way. Applicants may be developers of their own technology and/or may be acquiring and implementing technology developed elsewhere. Applicants need to be legally registered in Kenya and demonstrate the capacity to track and manage the project resources and operate in good standing with the local governments in which they operate.

Winning proposals must:
- Propose off-grid energy solutions that utilize consumer financing.
- Demonstrate the ability to scale off-grid energy technologies in Kenya.
- Benefit marginalized or low-income rural or urban populations currently underserved by utility companies, ideally with a focus on benefits to women and girls.
- Demonstrate financial sustainability. The proposed investment period must include approximately three months of sale of electricity or energy services and revenue/cash flow from sales.
- Demonstrate a proven track record of experience or have project sponsors or partners with a proven track record of related experience.
- Propose a budget of no more than US$1,000,000. Proposals with budgets greater than US$1,000,000 must bring leveraged resources from one or more sources that meet the total
financing requirements. Leveraged funds from other private sector and donor sources are encouraged.
- Demonstrate clearly whether and how many new connections will be added\(^1\), as well as potential for future replication.

1. **Applications will only be considered if:**
2. They are 100% African-owned and passports showing citizenship are submitted;
   - All shareholders, members of the board and senior management must be citizens of a sub-Saharan African country and must reside in Kenya;
3. They are majority Kenyan-owned and -managed (senior managers);
4. They express clearly how they will benefit marginalized, grassroots people in Kenya, including also ideally showing demonstrable positive impacts for female beneficiaries;
5. They express clearly how they will achieve (or have already achieved) profitability;
6. They are fully and legally registered in Kenya and the registration is submitted;
7. They document adequate expertise in the field they are proposing or document how they will acquire the necessary expertise;
8. They plainly document how they will use the USADF/Nithio investment funds to carry out their concept.
9. Have been in operation for at least 24 months, and can provide financial statements and bank accounts for that period
10. Have at least US$100,000 in revenue for the last year

PROPOSALS

**Winning proposals will do the following:**

1. Provide off-grid energy to rural or urban areas and populations currently lacking energy access. Distance of the proposed site(s) from the grid is to be included. Applicants should explain why grid connection is not feasible in this area(s), including an estimate of the cost to connect to the grid. Applicants should state their best understanding of how long it will take for the area(s) to connect to the grid. If the proposal is for an urban area or an area with grid connections, a justification is to be included.
2. Focus on reaching un-served, underserved or marginalized populations.
3. Make clear any female ownership/management.
4. Explain all tangible improvements to lives of women and girls, including whether and how company targets women for capacity building/employment.
5. Include a consumer financing component; in other words, an arrangement in which a line of credit is extended to the customer for the period over which a system is being paid off. This credit may be provided by the local operator itself, or another institution specializing in consumer finance.
6. Make clear any specific innovations in technology and/or business model.
7. Clearly state whether and how many new connections will be added.
8. Ideally include power for economic activities, for example water pumping, hair cutting, phone charging, etc. The actual or potential business impact is to be addressed in the proposal.

\(^1\)“New connection” is defined as home system, kit, pump or other off-grid energy appliance installed.
9. Demonstrate the achievement of, potential for, financial sustainability. Indication of projected financial return on investment and payback period is to be included in an attached five-year financial model in Excel format. The application must demonstrate that they currently operate as a commercially viable business, or have the near-term potential to.

10. Be driven by demand: is the proposal meeting a clearly known and unmet demand?

11. (Preferred) Leverage financing from sources in addition to Challenge funds.

12. Operate within Kenya.

The following technologies will be considered, among others:

- Solar home systems (SHS)
  - “Plug and play” kits serving a single customer’s household or small business needs. No design expertise is required to choose system sizes/components; no electrician’s training is needed to safely and successfully install and operate the system; all electrical connections can be made without the use of tools.
  - Focus must be on distribution systems which are scalable and can be replicated, in addition to being affordable.

- Stand-alone power systems
  - An off-grid power system serving a single customer and a single facility, or complex of adjacent facilities. Note that companies that only sell solar lanterns as a standalone product are not eligible.

- Productive use:
  - Off-grid energy solutions for processes such as water pumping and refrigeration, as long as they have a consumer financing aspect. Solutions are to explain clearly how they will be commercially viable.

Applications will typically include the following business models:

- Pay-as-you-go
  - Customers make ongoing payments for their system rather than paying the full system cost upfront. Payments may be made through sales agents, mobile phones, or through a mobile feature integrated into the device itself. Most applicable to SHS.

- SHS/appliance distribution
  - Businesses participating in the SHS and appliance/equipment supply chain, including direct retail outlets, and agent-based sales networks.

APPLICATION TEMPLATE

Applicant Background Information
- Name and ownership details. Passport or other form of verification of citizenship.
- Registration details
- Applicant history, legal address and contact information

Applicant Profile
- Current Activity
- Past Track Record of Accomplishments
- Past Financial performance including 3 years of audited financial statements (if available)
- 3 Business References

Proposal
Summary of concept
- Location and target market/population(s). Document showing legal right to work in site(s) will be required prior to disbursement of funds. No changes will be possible with the proposed site.
- Distance of proposed site(s) to national grid
- Description of the problem the concept addresses
- Description of concept
  - Brief description of proposed activities
  - Goals, objectives and intended impact
  - Intended number of new connections
  - Technology type, including any product certifications (e.g. Lighting Global)
  - Plans for future replication
- Key risks and plans to mitigate
- After sales support or customer service details, if any
- Environmental, health, safety and security compliance
- Senior management and technical team and background including verification of citizenship
- Ownership and governance (including current organization chart, and proposed org chart in the next 12-18 months)
- Relevant expertise including description of customer data system capabilities and extent of existing data available, including whether geocoordinates are currently collected
- Proposed timelines/milestones
- Financial Sustainability
- Financial Estimate
- Estimated return on investment
- Total project cost
- Status of other investors/funders
- Key partnerships, if any (with banks, manufacturers or suppliers, distribution channels)

Proposed Use of Funds
- Description/narrative for the use of funds
- Budget line details, including budget categories and budget estimates
- Budget justification (line by line justification of each budget item)
  - A detailed budget justification is to be included. The narrative should describe why the proposed equipment is appropriate in size and scope for this plan. This is to show why each budget item proposed is required and why each budget item is needed at that level. Example: Why are these sizes of solar panels required?
  - Three quotes are to be included for all items over US$3,000. Contact information for the quotations is to be included. Quotations should provide specifications of items being proposed, for example size and type of solar panels. During the due diligence phase, all costs for budget items over US $3,000 will be verified.
- Cost verification of the equipment to be purchased will be an important element for approval. In addition to the three quotes submitted as part of the application for all items over US $3,000, during the due diligence phase for shortlisted applicants, three competitive quotes are to be submitted for each item over US $1,000 and less than $3,000. Selected quotations should identify a vendor for items between US $1,000 and $3,000 with contact information as well as an explanation of why the item’s cost is reasonable.

The Application is not to exceed fourteen pages (with font size no smaller than 10 points).
Attachments
1. Copies of nationality verification documents of owners and senior management (passports or other IDs issued by government)
2. Proof of business registration (registration certificate)
3. Referral letters
4. Financial model/projections, if available
5. Prior audited financial statements (up to three years where available)
6. CVs of key management and technical personnel
7. 3 quotations with contact information for all items over US $3,000

PROPOSAL ASSESSMENT AND PRIMARY SCORING CRITERIA

The following criteria will be used to assess and score the proposals. It is important that each criterion be fully addressed and clearly explained in the proposal.

<table>
<thead>
<tr>
<th></th>
<th>Criteria</th>
<th>Score</th>
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<tbody>
<tr>
<td>1</td>
<td>Likelihood of successful execution and applicant’s capacity to execute, including prior related experience and track record of success, including but not limited to energy projects</td>
<td>20%</td>
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<tr>
<td>2</td>
<td>Significance of problem being addressed/scale of potential impact</td>
<td>20%</td>
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<tr>
<td>3</td>
<td>Potential long-term viability and financial results</td>
<td>20%</td>
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<tr>
<td>4</td>
<td>Leveraging additional financial resources</td>
<td>10%</td>
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<tr>
<td>5</td>
<td>Innovation of proposed solution and potential for replication</td>
<td>15%</td>
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<tr>
<td>6</td>
<td>Application focused on improving the lives of women</td>
<td>15%</td>
</tr>
</tbody>
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In order to score well according to the above criteria, successful applicants should make sure to address the following:

Under the applicant profile section:
1. Credibility and organizational soundness: the applicant should give background information that covers the organization that is applying as well as any other partners and/or key stakeholders.

Under the concept description section:
2. Catalytic Impact: After the investment period ends, how will the enterprise continue to scale/replicate? What will be needed to increase the number of connections/customers? How is the applicant’s business model or team differentiated from others?
3. Project Viability: How will the enterprise demonstrate profitability, including at a minimum revenue covering operating costs, before the investment period ends?
4. Risk Assessment: What are the key risks facing the successful development, implementation and sustainability of this concept? All environmental issues relating to the project should be fully addressed in this section.

Under the estimated investment requirements and/or the status of other investors/funders section:
5. Private Sector Leverage: How does the enterprise utilize private sector investment and participation? What are funding commitments from other private and donor partners?
APPLICATION PROCESS

All applicants are required to use the linked business proposal template. The completed proposal template along with the required documentation should be submitted by email on or before **December 2, 2019**, to the following email address: USADFithioOffGrid@nithio.com.

Proposals will only be accepted at the above email address.

General inquiries can be directed to USADFithioOffGrid@nithio.com and will not be accepted at other email addresses.

TIMELINE

Applications will be accepted from **October 16, 2019 to December 2, 2019**. Proposals received after the closing date will not be accepted.

Applications will be reviewed and evaluated by a panel of judges with expertise in the field. Shortlisted applications will be contacted in early 2020 for due diligence purposes and for clarification of project concept and details. Applicants that are not shortlisted will not be contacted.

Winners are expected to be announced in **spring/summer 2020**.

ABOUT USADF

**USADF is the U.S. Government’s independent African enterprise development agency. The agency invests in African grassroots and small- and medium-sized businesses; promotes local economic development; and creates pathways to prosperity for underserved communities. Utilizing a community-led development approach, USADF provides seed capital and local project management assistance to early-stage African enterprises and entrepreneurs addressing Africa’s biggest challenges around food insecurity, insufficient energy access, and unemployment, particularly among women and youth. Annually, USADF’s grant assistance generates approximately $100 million in new economic activity throughout 20 African countries. Learn more at [WWW.USADF.GOV](http://WWW.USADF.GOV).**

ABOUT NITHIO

**Nithio provides household-level risk analytics to unlock scalable household financing in Africa. The company uses its highly accurate geospatial credit scoring algorithms to offer financing and analytical insights for off-grid solar operators and their investors. Its predictive credit risk model is offered through a scalable, standardized platform. Nithio’s impact will support access to clean, modern energy for millions of households across the African continent. Learn more at [WWW.NITHIO.COM](http://WWW.NITHIO.COM).**