

PROCUREMENT INCENTIVES PROGRAM

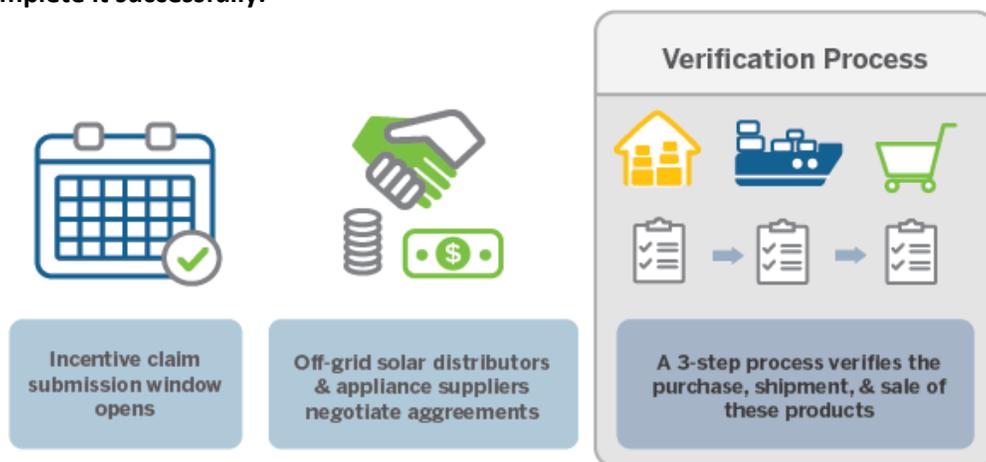
Monitoring and Verification Process Overview for Participating Companies June 2018

The Global Lighting and Energy Access Partnership (Global LEAP) Off-Grid Appliance Procurement Incentives Program (“Program”) uses results-based financing to reduce risk across the off-grid appliance supply chain by 1) lowering the cost of best-in-class off-grid appliances for early mover off-grid solar companies, and 2) facilitating new business partnerships for appliance manufacturers that have invested in producing high-quality off-grid appliances. As an initiative of the Clean Energy Ministerial, Power Africa, and Energising Development (EnDev), the Program seeks to advance global clean energy access goals by inspiring competition to drive technical and market innovations in the off-grid appliance sector.

The Program provides financial incentives to appliance manufacturers and off-grid solar companies that partner to distribute large quantities of Winner and Finalist products from the Global LEAP Outstanding Off-Grid Appliance Awards (“Global LEAP Awards”) in target markets. The Global LEAP Awards identify the world’s most energy-efficient, highest quality off-grid appliances – products which are important to the growth of clean energy access markets – and the incentives will provide a clear and timely path to market for those appliances.

The Program uses Results-Based Financing (RBF) to ensure that Incentive payments are made only after milestones have been completed by companies participating in the Program (“Participants”). The final phase of the Program is a three-step verification process to verify the purchase, shipment and sale of these products to end customers.

This document provides a description of the three-step verification process and details the actions required of Participants to complete it successfully.



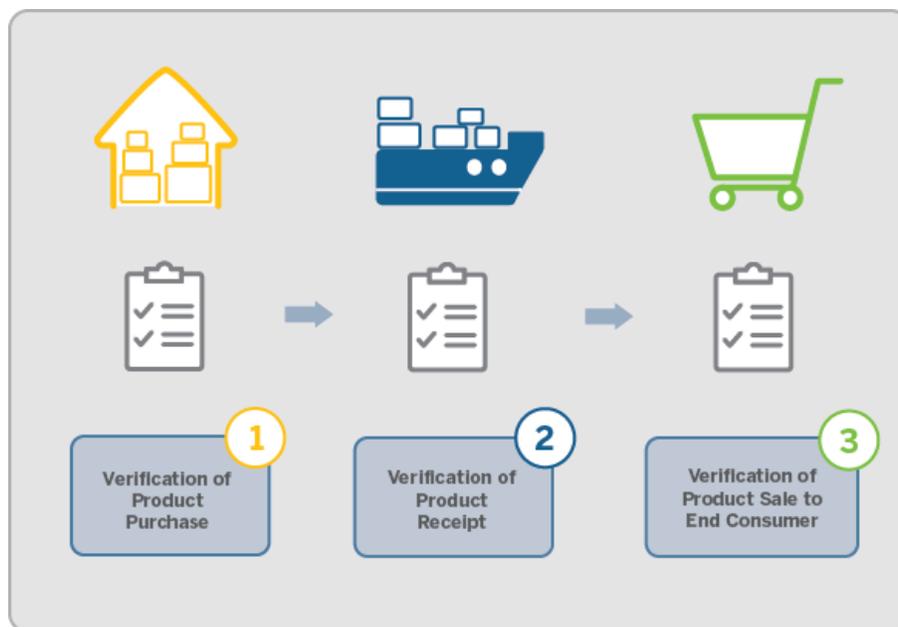
For more information about company eligibility, incentive payments, Program rules, and other, please see the [Terms and Conditions](#).

Verification Process Overview

The verification process for the Procurement Incentives Program is designed to 1) ensure that Participants comply with the rules of the Program, and 2) ensure that only eligible Global LEAP Awards Winning and Finalist products are sold to end consumers

As the Program Administrator, CLASP will initiate the verification process upon submission of each Claim. The verification process will be managed and coordinated by the Administrator in accordance with the Program's Terms & Conditions, and implemented by the Administrator, as well as sub-contracted third-party organizations that serve as the Administrator's agents ("Verification Agent"). Participants are responsible for responding to inquiries from the Administrator and the Verification Agent to facilitate the verification process.

The process comprises three steps: Verification of Product Purchase, Verification of Product Receipt (Warehouse Verification), and Verification of Product Sale to End Consumer.



Incentive recipients and disbursement timing varies between In-House and Wholesale transactions and geography of the transaction.

Participating companies are defined as:

- **Distributors:** off-grid solar distributors (e.g., solar home system company, mini-grid developer) operating in Bangladesh, Kenya, Uganda, Tanzania, or Rwanda that have completed the Program's Expression of Interest form and been approved by the Administrator; and/or
- **Suppliers:** manufacturers and suppliers of appliances deemed eligible by the Administrator based on the 2015-16 and 2016-17 Global LEAP Awards competition for outstanding off-grid TVs, fans, and refrigerators.

Transactions are categorized as:¹

- **In-House:** products manufactured/procured by Suppliers for distribution under their own brand name by internal groups and/or wholly- or partially-owned subsidiaries.²
- **Wholesale:** products procured by Distributors that are unaffiliated with and wholly separate entities from Product(s) Suppliers.

¹ The Administrator retains sole discretion to make a final determination of the transaction type upon receipt of any given incentive claim.

² For In-House transactions, the company submitting the Claim maintains the responsibilities of both Supplier and Distributor described below.

The next section provides an overview of the required actions and documents from Participants for each of these steps. **The Administrator will provide separate protocols with detailed guidelines for steps two and three of the verification process described above³.** These can be found here:

- Warehouse & Customer Verification Protocols – Bangladesh
- [Warehouse & Customer Verification Protocols – East Africa](#)

Verification Steps

1. Verification of Product Purchase

Suppliers and Distributors must coordinate to provide documentation (listed below) via the Claim Submission Form that verifies each claimed transaction. The Administrator will initiate review of this documentation upon receipt of Claim.

The Administrator will endeavor to complete the Claim review within 10 business days of submission of all required documentation.

Requirements of Participants

Note: For In-House transactions, the company submitting the Claim maintains the responsibilities of both Supplier and Distributor described below.

Step	Supplier Action	Distributor Action	Required Documents
1	Send relevant product and transaction documents to Distributor to include in Submission Claim Form	Acquire relevant product and transaction documents from Supplier	1. Evidence of pre-incentive FOB price (e.g. pro-forma invoice or price quote) 2. Evidence of purchase at discounted price (e.g., final invoice, purchase order)
2	Ensure that Distributor submits Claim Submission Form and relevant documents	Complete and submit Claim Submission Form with attached documentation	3. Evidence of Deposit/Down-Payment (e.g. deposit slip, bank statement, wire-transfer receipt)
3	n/a	Mail hard copies of all documents to the Administrator	4. Evidence of Transaction Financing (e.g. line of credit, term sheet, letter of commitment from investor) 5. Supplier's International wire transfer form
4	Respond to the Administrator, as needed, with any requests to help approve the Claim	Respond to the Administrator, as needed, with any requests to help approve the Claim	n/a

2. Verification of Product Receipt (Warehouse Verification)

The Verification Agent will conduct an onsite physical inspection of the Distributor's warehouse or storage facility ("Facility") to verify Product receipt. In some instances, the Verification Agent may conduct a similar inspection in the Supplier's Facility to verify completion of Product production and readiness for shipment to the Distributor. The onsite inspection of the Facility will include a review of the documentation used to provide proof of purchase against the

³ Failure to comply with any part of the protocols may result in Participants being suspended from the Program and the denial of the full remaining value of the Participant's incentive payment. It may also result in the Participant being barred from future rounds of the Program, at the Administrator's discretion.

information submitted with the incentive claim. Physical inspection must take place at a Facility operated by the Participant, or in which the Participant has contractual relationship.

The Verification Agent will endeavor to complete the Facility inspection within 10 business days of notification of Product receipt by the Distributor or notification of Production completion by the Supplier. Participants will be deemed to have failed this step of the verification process if, among other reasons, materially fewer Eligible Products than claimed are found to be in the Participant’s Facility.

Requirements of Participants

Note: For In-House transactions, the company submitting the Claim maintains the responsibilities of both Supplier and Distributor described below.

Step	Supplier Action	Distributor Action	Required Documents
1	Send to Administrator the serial numbers for claimed products sold	Initiate verification request to notify the Administrator of Product receipt <ul style="list-style-type: none"> • Complete and return the Inspection Booking Form via email to the Administrator at least 2 weeks before requested warehouse inspection date (include a primary contact at the warehouse Facility) • Collect required documents to make available for Verification Agent (see Step 3) 	
2	n/a	Coordinate with Verification Agent to perform onsite physical inspection at a Facility operated or contracted by the Distributor. The Verification Agent will need to be able to: <ul style="list-style-type: none"> • Verify actual vs. claimant data • Verify total received (on paper) with actual delivery quantity (at gate/shipping port) • Cross check received and delivery quantity with challans and stock ledger book, as available • Physically count quantity of claims product, as available • Randomly sample products and open boxes to verify that the serial numbers on the products match with the numbers shown in the delivery challans • Take digital photographs of stock quantity • Make photocopies of the warehouse Ledger or get softcopies of equivalent 	1. Shipment receipt documents (e.g. bill of lading) 2. VAT challan (e.g. import declaration form) 3. Delivery documents (e.g. packing list) 4. Money receipt for sale of products (e.g. commercial invoice)
3	n/a	Confirm with the Administrator the completion and date of the Facility inspection	n/a

3. Verification of Product Sale to End Customers

The Verification Agent will conduct telephonic and/or SMS and in-person customer interviews to verify that Products have been sold to the end customers. In order to complete this step of the verification process, Distributors must provide Customer data for all Product sales to the Administrator. The Administrator will provide formatting and submission guidelines for the customer data to Distributors. Selection of customers to be interviewed will be made by the Administrator or the Verification Agent.

All Products must be sold no later than 31 March 2019. Extension of this deadline will be made at the sole discretion of the Administrator. The Verification Agent shall endeavor to complete all customer interviews within three months of receipt of Customer data by the Administrator. Claimants will be deemed to have failed this step of the verification process if reported sales cannot be confirmed in at least 20% of customer interviews.

Requirements of Participants

Note: For In-House transactions, the company submitting the Claim maintains the responsibilities of both Supplier and Distributor described below.

Step	Supplier Action	Distributor Action	Documents
1		Train sales representatives to execute Step 2 (below). Emphasis should be placed on ensuring accurate data collection and informing end customers of the potential for an interview from CLASP to verify purchase and satisfaction with their product.	
2	n/a	<p>Collect and record the required information indicated in the Customer Data Form from end customers through a digital or paper form during the sales process. The Distributor is responsible for:</p> <ul style="list-style-type: none"> • Collecting customer consent for the distributor to share their information with a 3rd party. In the event that a process for collecting this consent does not exist, collect via, either: <ul style="list-style-type: none"> ○ Hardcopy (e.g. in a product registration form); or ○ Verbally or digitally • Retaining proof of disclosure agreements should they be needed in the future • Ensuring that customers are informed about the potential for a follow on call/text, and encouraging them to respond truthfully as the information will be used to improve their overall experience • Coding this information into the required format by CLASP 	1. Completed Customer Data Form