

Promotion for Solar for Productive Use (Solar PU)

Cooperation with companies/organisations in enhancing market development and access of good quality Solar PU

May 2021

1.1 Preamble

This document has been prepared by GIZ – EnDev Kenya for guiding support to activities relating to solar for productive use (solar PU). It is specifically prepared for guiding cooperation and partnerships with companies and organisations promoting solar PU technologies/systems through a commercial/market-based approach.

1.2 Energising Development Kenya Programme (EnDev Kenya)

The Energising Development (EnDev) programme is a strategic partnership of likeminded donors to promote energy access. EnDev is funded by the German Federal Ministry for Economic Cooperation and Development (BMZ), the Netherlands Ministry of Foreign Affairs (DGIS), the Norwegian Ministry of Foreign Affairs and the Norwegian Agency for Development Cooperation (NORAD) and the Swiss Agency for Development and Cooperation (SDC). Further funding has been provided by the Australian Department of Foreign Affairs and Trade, the European Union, Icelandic International Development Agency, Irish Aid, Korea Foundation for International Healthcare, Swedish International Development Cooperation Agency, The UK Foreign, Commonwealth & Development Office, and the United States Agency for International Development. The programme is implemented in close cooperation with leading international organizations and key local stakeholders. The programme is co-managed by Deutsche Gesellschaft für internationale Zusammenarbeit (GIZ) GmbH and Netherlands Enterprise Agency (RVO.nl). EnDev works in more than 20 countries across Africa, Asia and Latin America.

Energising Development Kenya Programme (EnDev Kenya) was launched in 2006 and is composed of two core components i.e. cooking energy, promoting access to modern and improved cooking solutions (ICS) as well as off-grid electrification, promoting access to stand-alone solar systems. EnDev Kenya interventions targets households, social institutions, and small businesses particularly in rural and peri-urban areas. EnDev Kenya is implemented by GIZ, SNV, Practical Action, Energy for Impact and CLASP covering at least 20 counties in Lake Victoria, Western, Central, Lower Eastern, Coast and Northern regions in Kenya.

1.3 Overview and overall goal of solar for PU interventions

The solar component of the project focus on Solar for Productive Use (solar for PU). Solar for PU entails solar solutions (both electrical and thermal solutions) for income generation primarily for small scale businesses (both individual and enterprise set-up). The project supports efforts towards enhancing the supply, distribution and access of solar for PU for SMEs.

Under the solar component of the project, the project seeks to accelerate access to appropriate, reliable and affordable energy services for the small and micro enterprises (SMEs), by establishing and strengthening supply and distribution of solar powered systems for productive use by the SMEs (including but not limited to small scale traders, small holder farmers, micro enterprises).

1.4 Duration of the project

The current phase of the project will end in **December 2021** with possibilities of extension to 2022.

1.5 Potential partners

The project will partner and collaborate with the following categories of organizations in order to achieve the above goal:

- a) **Existing and new distributors of quality solar for PU systems:** These are companies providing solar solutions for productive use (products/systems and related services) on a commercial basis. The focus of partnering with these companies is to focus on enhancing

the supply and distribution channels for solar PU solutions and creating the relevant awareness to stimulate demand. This shall also involve improving the after sales services.

- b) **Financial intermediaries:** The initial investment for Solar for PU solutions is usually relatively higher particularly with regards to the target beneficiary group i.e. SMEs. This therefore creates an opportunity for cooperating with financial intermediaries (i.e. FIs, MFIs, SACCOs, FSAs, VSLAs e.t.c) to support financing needs for potential consumers. This is particularly because solar for PU solutions are generally used for income generation and therefore making investments in such solutions bankable.
- c) **Organisations/companies with linkage to potential consumers for solar PU solutions:** This comprise companies that **aggregate** or have a **direct linkage with potential customers** for instance:
 - o Contract farming companies,
 - o Agro-processors,
 - o Farm equipment & input enterprises (irrigation, machines/equipment, farm inputs e.t.c),
 - o Cooperative societies,
 - o Beach management units (on fishing),
 - o Other distribution channels/enterprises in need of off-grid energy services (e.g. cold beverages/soft drinks),
 - o e.t.c

1.6 Eligible solar PU technologies

The project will promote access to **small and medium solar solutions** appropriate for productive use in business settings either for **electricity** or **thermal applications**. The focus for these solar solutions should be for income generation. The project will give priority to quality products and suppliers who will provide after sales support including product warranties. The products or systems shall include but not limited to **solar pumping, solar cooling, grinding, milling, solar powered incubation/hatchery** e.t.c for electricity applications and **solar drying, solar water heating** for thermal applications. Other business solutions may include **barber, entertainment** and **phone charging kits** among many others. The project will remain open to new but tested solar powered solutions targeting SMEs as end users of the technologies.

1.7 Eligible activity areas

The project shall focus on, but not limited, to the following activity areas:

- a) Promotion, marketing and awareness creation for solar solutions for productive use particularly through production of marketing materials for last mile distribution channels, consumer education, promotional events and demonstrations
- b) Training and capacity building for last mile distribution channels particularly last mile entrepreneurs (LMEs).
- c) Enhancing technical capacities, quality assurance and after sales support/mechanisms including training of technicians.
- d) Business to business linkages to strengthening rural and peri-urban distribution channels.
- e) Facilitate linkages with financial institutions/intermediaries to catalyse and increase access to finance for solar for productive use solutions
- f) Promotion of access to consumer finance

1.8 Opportunity for Cooperation with Solar PU companies

EnDev Kenya shall invite relevant companies promoting solar PU technologies through a Call for Expressions of Interest (EoI) to partner and cooperate in enhancing market development and access of good quality Solar PU particularly for small scale businesses and/or farmers.

The call for Eols for 2021 commences in **1st June 2021** and applications are accepted from interested companies/organisations on a rolling basis until **30th June 2021** with the possibility of reopening the call for Eols for more companies subject to performance of selected companies. GIZ shall evaluate the Eols and carry out due diligence process to verify the information of the Eols and thereafter the applicants will be informed on their eligibility to participate in the project.

1.9 Specific application requirements

The project seeks to support companies/organizations which meet the following requirements:

- Legal business entity incorporated in Kenya
- Business operations in Kenya for at least 2 years (for applicable renewable energy technologies) on a commercial basis
- Delivery of eligible and quality-assured decentralized eligible small-scale solar solutions for electrical and thermal applications targeting small scale businesses/farmers
- Offering minimum of 2 years manufacturers and service warranty for eligible and quality-assured products
- Co-financing – the companies will be required to contribute to implementation costs (either in cash or in-kind) equivalent to at **least 50% of the estimated implementation budget**.
- Willingness to participate the project whose interventions shall be through a **results-based support approach**
- Willingness to report agreed upon milestones or results (e.g. sales) to the project.

1.10 Project Contribution to Support Beneficiary Companies

The project has set up a results-based fund to facilitate up to 4 companies to promote the uptake of solar PU technologies. The contribution from the project shall be effected through a results-based framework which shall be based on the agreed upon milestones/results and the number of selected companies. The contribution from the project shall be channelled through either of the following two options:

a) Results-based financial incentive pay-outs to companies based on agreed interventions and results

An incentive structure shall be developed to guide the incentive pay-outs. This shall be done in a participatory manner after the selection of eligible companies/organisations with inputs from the selected applicants. The selected companies shall be segmented into suppliers, aggregators, or financial intermediaries. The incentive structure shall consider the specific needs of the applicants to mitigate temporary market barriers for promoting access to solar PU solutions as well as peculiarities of the different segments of applicants and technologies types.

b) Technical assistance or facilitation of agreed upon measures

Under this option, there is no flow of funds to the private partner. GIZ and private partner shall plan, allocate and agree the measures to be implemented by each organization. Each organisation pays for its own work package as per the agreed plans and budget. The implementation of the measures should be properly planned and synchronized from GIZ and the partner's side. The activities facilitated by GIZ shall be done in line with **GIZ financial and procurement processes**.

1.11 Modalities of engaging Beneficiary Companies

GIZ has two modalities for engaging private sector companies under the umbrella of integrated development partnership with private sector i.e. **cooperation agreement** and **service contract**.

- **Cooperation agreement:** no money flow between partners and partners co-implement agreed upon measures
- **Implementation agreement:** GIZ provides a financial contribution to the private partner, whereas the private partner is responsible for implementation and delivery of results.

The general principles for the cooperation between GIZ and private sector include:

- Private company/partners should be institutionally strong (technically, human resources, solvency)
- Cooperation should be clearly linked to development outcome(s)
- Cooperation is backed up by commercial/economic interest of the private company/partner
- Complementarity to achieve common objectives and results efficiently, faster and economically
- The cooperation is part of the long-term company involvement
- The cooperation may not distort the market
- The private sector must contribute 50% of the budget of the measures under the cooperation
- The company should demonstrate that there is need for support and could not carry out the initiatives by its own

Below is an overview of the differences between the two modalities:

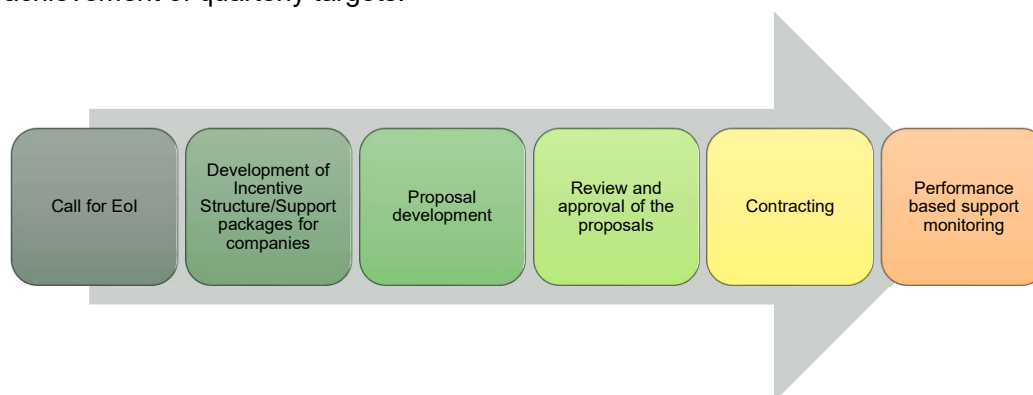
Area	Cooperation Agreement	Implementation Agreement
Flow of funds	<ul style="list-style-type: none"> • No flow of funds from GIZ to the partner 	<ul style="list-style-type: none"> • There is flow of funds from GIZ to the partner
Co-financing from private sector partner	<ul style="list-style-type: none"> • At least 50% of the budget and dedicated to the project (in-kind or cash) • Running/operational and administrative costs is not eligible for co-financing 	<ul style="list-style-type: none"> • At least 50% of the budget and dedicated to the project (in-kind or cash) • Running/operational and administrative costs is not eligible for co-financing
Mode of implementation	<ul style="list-style-type: none"> • Joint implementation where GIZ and partner agree on work packages for each organisation. • Each organisation pays for its own packages. 	<ul style="list-style-type: none"> • Partner implements the project independently • Partner responsible for delivery agreed-upon results
Mandatory legal and commercial requirements	<ul style="list-style-type: none"> • Legal business entity incorporated in Kenya 	<ul style="list-style-type: none"> • Legal business entity incorporated in Kenya • Tax compliance • Audited Accounts

Area	Cooperation Agreement	Implementation Agreement
		•
Commercial due diligence	No required	Required
Audit of the private partner	<ul style="list-style-type: none"> External audit of the partner is NOT required 	<ul style="list-style-type: none"> External auditor (commissioned by GIZ) certifies expenditures (both GIZ & partner contribution)
Verifications of agreed upon results	<ul style="list-style-type: none"> Internal verification by GIZ (external verification is optional) 	<ul style="list-style-type: none"> Independent verification required

1.12 Implementation roadmap of activities

The solar companies selected to participate in the project shall take lead in planning and implementing specific activities and delivery of the results.

- a) **Proposal development:** The companies shall therefore be required to prepare proposals, workplans and budgets of specific measures to be supported by the project. These shall be done using GIZ prescribed templates.
- b) **Review and approval of the proposals:** The proposals, workplans and budgets shall be submitted to GIZ for review and approval.
- c) **Contracting:** Upon the approval of the proposal, workplan and budgets, GIZ will enter into an agreement with the selected private partners. The terms and scope of implementation including the targets shall be stipulated in the agreements/contracts (mentioned above). This shall be agreed upon prior to the completion of the agreements/contracts.
- d) **Performance based support monitoring:** The continuity of support from GIZ - EnDev Kenya shall be based on the achievement of pre-agreed results in-line with the key indicators and targets of the activity framework and more particularly on the number of end consumers buying solar PU systems. This shall be assessed quarterly based on the achievement of quarterly targets.



1.13 Monitoring and sales reporting

EnDev Kenya undertakes close monitoring of the achieved results and the additionality of the project. The partner company shall therefore be providing specific monitoring data to GIZ-EnDev Kenya. This data shall include but not limited to sales data, LMEs details and end-consumer details. The information collected shall also be verified from time to time. GIZ and the partner company shall therefore agree on an effective and efficient method for collecting and verifying the data including relevant data collection tools. These monitoring and reporting modalities shall be stipulated in the agreement/contracts.

1.14 Other considerations

There is generally slowed down of operations in the Country due to government public health guidelines and restrictions because of Covid-19 pandemic. This will change gradually as the situation return to normalcy. The project shall also support specific Covid-19 response measures related to the above activities for instance provision of protective equipment and related support which shall be assessed on a case by case basis before approval. These should be considered in the proposals from the partners.