

## Africa Biogas Component Kenya

### 1.1 Preamble

This document has been prepared by GIZ – EnDev Kenya to give an overview of the EnDev - African Biogas Component (ABC) in Kenya and provide guidance for potential applicants applying for the EnDev ABC RBF facility.

### 1.2 About 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 European Union, USAID's Power Africa and the IKEA Foundation. The programme is implemented in close cooperation with leading international organizations and key local stakeholders. The programme is co-managed by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and the Netherlands Enterprise Agency (RVO.nl). EnDev works in more than 20 countries across Africa, Asia and Latin America.

Energising Development Kenya (EnDev Kenya) project promotes and facilitates access to modern and sustainable energy solutions for households, social institutions and MSMEs predominantly in rural and peri-urban areas.

<b>Thematic focus</b>	Support GoK to achieve 100% access by 2030 and 32% GHG emission reduction by 2030
<b>Technologies</b>	Improved Cookstoves, Biogas, Solar
<b>Geographic scope</b>	Kenya country-wide
<b>Project period</b>	July 2009 – December 2025
<b>Government partner</b>	Ministry of Energy, Kenya
<b>Implementers</b>	GIZ, SNV, CLASP, GOGLA, ABPL
<b>Other partners</b>	Private sector, CCAK, KEREK

### 1.3 EnDev - African Biodigester Component (ABC)

The EnDev - African Biodigester Component (ABC) aims to support the growth and sustainability of a commercial biodigester sector in Sub-Saharan Africa. The intervention will result in the installation of at least 50,000 small scale biodigesters by 2025 across Burkina Faso, Kenya, Mali, Niger and Uganda providing energy access for at least 250,000 people.

The **ABC intervention in Kenya (2022 to 2025)** aims at facilitating a shift of the biodigester market from its pioneering to the expansion phase with focus on the installation of over **20,000 small-scale and 250 medium scale biodigesters**.

This will be achieved by means of a well-balanced mix of demand-side, supply side, financing and enabling environment interventions, geared at boosting demand and supporting small-scale and medium scale biodigester companies in acquiring more clients. The project is implemented by a consortium of GIZ and SNV in partnership with ABPL (ex-KBP).

A Result-Based Finance (RBF) facility for small-scale biodigesters will be the core instrument of the Africa Biogas Component (ABC) Project. Through the provision of result-based financing, the Project expects to provide the last push needed for the biodigester market to reach a critical mass of clients within Kenyan farmers. This is expected to enable suppliers of small-scale biodigesters to achieve economies of scale, the market to be firmly rooted in the expansion phase and become self-sustainable.

Beyond the RBF incentive support, the project will:

- Stimulate the adoption of biodigesters through **information and awareness raising** and maximise end-user benefits through the valorisation of biogas and other by-products, such as bio-slurry and compost.
- Provide **Business Development Support (BDS)** to biodigester companies through an e-learning platform, cohort training as well as one-to-one coaching to achieve the professionalization of the sector. Critical training areas include business formalisation, bookkeeping, staffing, tax compliance, institutional capacity to participate in public tenders, marketing and pitching skills.
- Biodigester companies will be able to benefit from **three levels of access to finance (A2F) support**: (i) the general A2F strategy defined with (micro)finance institutions (ii) loans from €25,000 to €250,000<sup>1</sup> and the effect of (iii) the RBF incentives provided to Financial Institutions providing credits to biodigester customers.
- **Support the enabling environment** by ensuring the policies, regulations, standards and tax regimes are conducive to the development of biodigester companies. The ABC project will also build the capacity of partner organisations and public stakeholders at national and county level on the benefits of biodigesters.
- Biodigester companies will benefit from technical trainings of their own staff, of financial institutions on the benefit of biogas and bioslurry. We will also support knowledge creation and **provide market intelligence** (biodigester potential in Kenya, Uganda, Somalia and South Sudan, lessons learnt from biodigester market development...)
- The project will strengthen the biodigester business model for end users by supporting the valorisation, application and trading of bio-slurry and bio-slurry enriched compost. The ABC project will organize a yearly **Biogas Valorisation Challenge** rewarding the best biogas valorization options for medium scale biodigesters. The winner will be rewarded with a money prize, as well as media coverage.

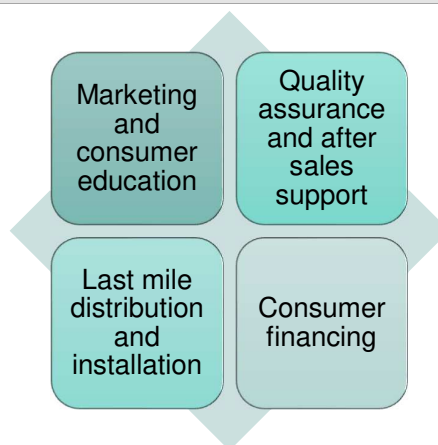
<sup>1</sup> Contingent upon due diligence and selection by the financing partners

## 1.4 Overview of the RBF Facility

A Result-Based Finance (RBF) facility will be the core instrument of the project for small-scale biodigesters. The project shall provide financial incentives to eligible enterprises in line with pre-agreed results. However, the incentives shall be used to support the participating beneficiaries to mitigate specific temporary market barriers in order to deliver the results in a sustainable manner.

Area	Details
Project duration	January 2022 – December 2025
Planned duration of the RBF Facility	June 2022 – June 2025
Potential beneficiaries of the RBF Facility	Kenyan registered biogas companies/enterprises operating in a commercial/market-based approach.
Eligible Biogas technologies	<ul style="list-style-type: none"> <li>• Fixed biodigesters</li> <li>• Prefabricated biodigesters</li> </ul>
Aim	Mitigate temporary market barriers for suppliers
Targets	20,017 small biogas systems
Indicative incentive level	<ul style="list-style-type: none"> <li>• Year 1: €100 per plant / at least 3,500 biogas plants</li> <li>• Year 2: €85 per plant / at least 4,500 biogas plants</li> <li>• Year 3: €70 per plant / at least 5,500 biogas plants</li> <li>• Year 4: €50 per plant / at least 6,517</li> </ul>
Support	<ul style="list-style-type: none"> <li>• RBF readiness support for smaller enterprises not meeting eligibility criteria</li> </ul>
Incentive structure	<ul style="list-style-type: none"> <li>• Currently under development (and to be informed by the needs of suppliers). A separate session of orientation of the incentive structure shall be done for eligible applicants once the process is concluded.</li> </ul>

Possible indicative use of RBF incentives (not exhaustive as more ideas will come from the applicants)



## 1.5 Technical assistance for companies not meeting the eligibility criteria for the RBF

This is mainly targeting biogas enterprises/individual entrepreneurs who do not meet the RBF eligibility criteria. Under this option, there is no flow of funds to the enterprises/entrepreneurs (including technicians and individual masons).

Under this arrangement, GIZ and the selected enterprises/entrepreneurs shall plan, allocate and agree the measures/work packages to be supported including the contribution from each party. The activities are thereafter facilitated by GIZ in line with **GIZ financial and procurement processes**.

The support may include but not limited to:

- a) Marketing and market development: promotional activities focusing on awareness creation to create demand
- b) Business development support services
- c) Training and capacity building of biogas technicians
- d) Support in Business-to-Business linkages.
- e) Facilitate linkage to consumer financing opportunities

## 1.6 Modes of Engagement with participating biogas enterprises

GIZ has two modalities for engaging private sector companies under the umbrella of integrated development partnership with private sector i.e. **Grant Agreement (GA)** and **Technical Assistance (TA)**.

- **Grant Agreement (GA):** GIZ provides a financial contribution to the selected biogas enterprise partner, whereas the enterprise is responsible for implementation and delivery of results. This will only be used for the **RBF Facility**.
- **Service Contracts:** GIZ shall initiate a competitive tender with clearly specified deliverables. The biogas enterprises shall be invited to apply by submitting technical and financial proposals after which they are evaluated, and eligible applicants selected. This will only be used for the **RBF facility**.
- **Technical Assistance (TA):** no money flow between partners and partners co-implement agreed upon measures. This will mainly target enterprises/individuals who do not meet the RBF eligibility criteria.

Below is a summary of comparison for the two modalities:

Area	Grant Agreement	Service Contracts	Technical Assistance
Flow of funds	<ul style="list-style-type: none"> <li>• There is flow of funds from GIZ to the partner</li> </ul>	<ul style="list-style-type: none"> <li>• There is flow of funds from GIZ to the partner</li> </ul>	<ul style="list-style-type: none"> <li>• No flow of funds from GIZ to the partner</li> </ul>
Mode of implementation	<ul style="list-style-type: none"> <li>• Partner implements the project independently</li> </ul>	<ul style="list-style-type: none"> <li>• Partner implements the project independently</li> </ul>	<ul style="list-style-type: none"> <li>• Joint implementation where GIZ and company/enterprise agree on work</li> </ul>

Area	Grant Agreement	Service Contracts	Technical Assistance
	<ul style="list-style-type: none"> <li>Partner responsible for delivery agreed-upon results</li> </ul>	<ul style="list-style-type: none"> <li>Partner responsible for delivery agreed-upon results</li> </ul>	<ul style="list-style-type: none"> <li>packages for each organisation.</li> <li>Each organisation pays for its own packages.</li> </ul>
Mandatory legal and commercial requirements	<ul style="list-style-type: none"> <li>a) Legal business entity incorporated in Kenya</li> <li>b) Tax compliance</li> <li>c) Audited Accounts</li> </ul>	<ul style="list-style-type: none"> <li>a) Legal business entity incorporated in Kenya</li> <li>b) Tax compliance</li> <li>c) Audited Accounts</li> </ul>	Not mandatory
Commercial due diligence	Mandatory	Mandatory	Not mandatory
Audit of the private partner	<ul style="list-style-type: none"> <li>External auditor (commissioned by GIZ) certifies expenditures (both GIZ &amp; partner contribution) if GA total value is more than 125,000€.</li> </ul>	<ul style="list-style-type: none"> <li>Not Mandatory</li> </ul>	<ul style="list-style-type: none"> <li>External audit of the partner is NOT required</li> </ul>
Verifications of agreed upon results	<ul style="list-style-type: none"> <li>Independent verification required</li> </ul>	<ul style="list-style-type: none"> <li>Independent verification required</li> </ul>	<ul style="list-style-type: none"> <li>Internal verification by GIZ (independent verification is optional)</li> </ul>

## 1.7 Eligibility criteria for participating companies

#	Requirement	Grant Agreement	Technical Assistance
1.	Legally registered in Kenya	Mandatory	Not Mandatory
2.	At least 2 years operation in Kenya	Not Mandatory	Not Mandatory
3.	Reasonable sales turnover in the last 12 months or sales projections	Mandatory	Mandatory
4.	At least 1 year warranty or after sales support	Mandatory	Mandatory
5.	Tax compliance	Mandatory	Not Mandatory
6.	Audited Accounts	Mandatory	Not Mandatory

## 1.8 Implementation roadmap RBF Facility

### a) Call for Expression of Interest

The call for Expressions of Interest (EoI) for 2022 commences on **1<sup>st</sup> April 2022** and applications are accepted from interested companies/organizations on a rolling basis until **20<sup>th</sup> May 2022 (extended)**. GIZ shall evaluate the Expressions of Interest and carry out due diligence process and thereafter the applicants will be informed on their eligibility to participate in the project. More information on this **Call** can be accessed in <https://endev.info/calls/>.

Interested applicants shall be required to fill in an application template available at <https://endev.info/calls/> and submit via email to [info-energyke@giz.de](mailto:info-energyke@giz.de). The application deadline is **20<sup>th</sup> May 2022 (extended)**.

EnDev ABC **shall** also organise a virtual orientation for this call for Expression of Interest on **Thursday 14<sup>th</sup> April 2022 (already passed!)**. Interested applicants needing more orientation on the Expression of Interest should [register](#) for this meeting by **10<sup>th</sup> April 2022 (already passed!)**. An orientation on the **call for this** Expression of Interest will be elaborated during the workshop.

For applicants who are unable to attend the virtual workshop on **14<sup>th</sup> April 2022 (already passed!)** and have questions on the call for Expression of Interest, please contact us on [info-energyke@giz.de](mailto:info-energyke@giz.de) by **16<sup>th</sup> May 2022** to organise one on one clarification.

### b) Development of the incentive structure

As the call for Expression of Interest is ongoing, the incentive structure design shall be running in parallel and this shall be concluded before the proposal development and contracting stage.

### c) Proposal development

The shortlisted applicants shall 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. GIZ shall support and facilitate the applicants during this stage to facilitate a fast turn-around.

### d) Review and approval of the proposals

The proposals, workplans and budgets shall be submitted to GIZ for review and approval.

### e) Contracting

Upon the approval of the proposal, workplan and budgets, GIZ will enter into an agreement with the selected enterprises. 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.

### f) Performance based support monitoring

The continuity of support from EnDev-ABC 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 biodigesters sold to end consumers. This shall be assessed quarterly based on the achievement of quarterly targets.

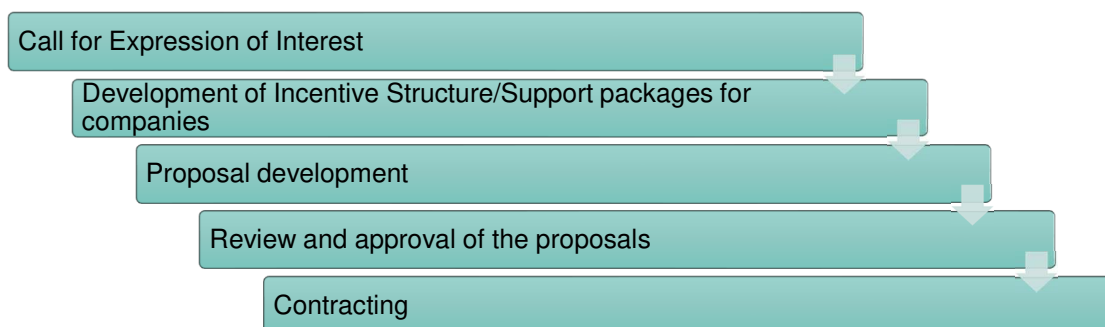


Figure 1 - Process flow for support contracting

## 1.9 Assessment criteria for the applications

Eligibility Criteria		
1. Legally registered in Kenya	Yes <input type="checkbox"/> No <input type="checkbox"/>	Provide Certificate of Incorporation
2. At least 2 years operation in Kenya	Yes <input type="checkbox"/> No <input type="checkbox"/>	Provide Certificate of Incorporation
3. Reasonable sales turnover in the last 12 months or sales forecast	Yes <input type="checkbox"/> No <input type="checkbox"/>	To be validated or reviewed
4. At least 1 year warranty or after sales support	Yes <input type="checkbox"/> No <input type="checkbox"/>	To be validated
5. Tax compliance	Yes <input type="checkbox"/> No <input type="checkbox"/>	Provide tax compliance certificate
6. Audited Account for the last 1 year (only for grant agreement)	Yes <input type="checkbox"/> No <input type="checkbox"/>	Provide Audited Financial Statements for 2021
<b>Overall eligibility</b>	<p><b>Grant agreement</b> Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p><b>Service Contract</b> Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p><b>Technical assistance</b> Yes <input type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> <li>• <b>Grant Agreement:</b> Yes, if all the 5 mandatory eligibility checks are fulfilled</li> <li>• <b>Service Contract:</b> Yes, if all the 5 mandatory eligibility checks are fulfilled</li> <li>• <b>Technical Assistance:</b> Yes, if the 3<sup>rd</sup> and 4<sup>th</sup> eligibility checks are fulfilled</li> </ul>	
Expressions of Interest (Eoi) evaluation criteria (only if Yes in the overall eligibility)		
Promotion of appropriate technologies	Provided product specifications and features	5%
Quality assurance of the products	Quality certification/warranty details of at least 2 years	10%
Past sales performance/track record and sales forecast	Consistency in past track performance and reasonability of the sales forecast. Verification	30%

Eligibility Criteria		
	of the sales will be conducted for shortlisted applicants	
Market barriers and mitigation measures	Description of specific, concise and realistic temporary market barriers and their respective mitigation measures	25%
Proposed incentive amount/rates	Realistic and cost efficient (lowest cost per biogas plant) incentive amount/rates	30%
<b>Total</b>		<b>100%</b>

## 1.10 Contacts

### Energising Development Kenya Programme (EnDev Kenya)

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