



Unlocking Public and Private  
Finance for the Poor

## United Nations Capital Development Fund REQUEST FOR APPLICATION FOR

### Debt Funding to strengthen the clean off-grid energy sector in Zambia.

#### SUMMARY

The United Nations Capital Development Fund (UNCDF) makes public and private finance work for the poor in the world's 46 least developed countries. With its capital mandate and instruments, UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development.

UNCDF is implementing the "Leaving No One Behind in the Digital Era" Strategy aiming to contribute to the achievement of both Uganda's development agenda and the global SDG's. This is aligning with the guiding principles and objectives of UNCDF's Strategic Framework of (1) Making finance work for inclusion, (2) Responding to the needs of least developed countries, (3) Focusing on the last mile and risk appetite, and (4) Aligning with global agendas.

UNCDF is inviting applications from entities registered in Zambia that are involved in the clean off-grid energy sector, and in need of debt funding necessary to finance their working capital or expansion goals. The entities should specifically be focused on serving rural communities, households and/or businesses led by women and youth segments in Zambia. UNCDF debt funding will up to USD 150,000, with repayment periods of up to 3 years. The debt funding will preferably be issued in local currency but can be issued in hard currency if deemed appropriate.

Inquiries to this request for applications may be submitted by email to [isaac.holly@uncdf.org](mailto:isaac.holly@uncdf.org) cc [uncdf.rfa@uncdf.org](mailto:uncdf.rfa@uncdf.org)

All applications must be submitted by **23:59 pm GMT on 28<sup>th</sup> March 2021** to [uncdf.rfa@uncdf.org](mailto:uncdf.rfa@uncdf.org)



## 1. INTRODUCTION

Zambia's population is estimated at 17.6 million of which around 56% live in rural areas. The population is growing at a rate of around 3% per year and the World Bank estimates that the population will reach 27 million by 2035. However, grid electricity in Zambia is limited to mainly the urban areas of Zambia. The country has experienced increased load-shedding in recent years.

Estimates for the electricity power deficit vary, but generally it is estimated at around 600 MW. The majority of the power generated is from hydropower resources, with recent drought negatively impacting on the power generation. Currently, several alternative and new power sources have come onboard, but it is still estimated that around 1.8 million rural households have no access to electricity. If the urban households that have no or limited access to quality grid connection are included, then the potential total market for off-grid electricity products is estimated at more than 2 million households.

Zambia's Vision 2030 provides the following sector goals for energy: "Universal access to clean, reliable and affordable energy at the lowest total economic, financial, social and environmental cost consistent with national development goals by 2030". Specific targets include:

- ✓ Abundant and reliable supply of affordable energy to both urban and rural areas.
- ✓ Increased renewable alternative sources of energy.
- ✓ Export led energy industry.
- ✓ Reduce the share of wood fuel to 40 percent by 2030.

Currently, Government of Zambia's official target is to have universal access to clean, reliable and affordable energy at the lowest cost consistent with national development goals by 2030.

Through its Last Mile Trust Fund initiative (LMTF), UNCDF seeks to support the aspirations and energy targets set by the Government of Zambia. However, UNCDF recognises the challenges currently faced by the supply side of off-grid energy that include increasing costs of operations, longer repayment terms required by end customers resulting in lock-up of working capital, and lately negative effects of the depreciating Kwacha (local currency).

UNCDF further recognises that supply companies of off-grid energy are faced with working capital challenges, yet affordable debt financing from local financial institutions is not available, due to high interest rates, high collateral requirements and unfamiliarity of the financial institutions with the business model of the off-grid energy sector.



## 2. ELIGIBILITY FOR APPLICATION AND EVALUATION CRITERIA

Only applications that meet the eligibility requirements and minimum criteria for the submission will be scored.

### 2.1 Eligibility requirements

#### **Entity registration and operating licenses (where applicable).**

- The applicant must be an entity duly registered and incorporated in Zambia.
- Applicants must be involved in the business of clean off-grid energy sector.
- Applicant shall have fulfilled all the obligations relating to the payment of social security contributions or obligations relating to the payment of taxes in accordance with legal provisions in force in Zambia.
- Applicants shall hold relevant and valid licenses required for their line of business.
- Applicants must have at least two years of demonstrable active operations in Zambia.

#### **Financial information**

- The applicant must have audited financial statements/ financial report for at least the past two years (2019, 2018)
- Unaudited financial statements / management accounts for the year 2020.
- Financial forecasts.

#### **Exclusionary criteria:**

- Applicants shall not have been the subject of bankruptcy, liquidation, judicial settlement, safeguarding, cessation of activity or any other similar situation resulting from a similar procedure.
- Applicants and any of their staff or member of their board of directors shall not be included in the United Nations financial sanctions lists, particularly in the fight against the financing of terrorism and against attacks on international peace and security; and
- Applicants must not be involved in any of the following activities.
  - Manufacture, sale or distribution of controversial weapons or their components, including cluster bombs, anti-personnel mines, biological or chemical weapons or nuclear weapons.
  - Manufacture, sale or distribution of armaments and/or weapons or their components, including military supplies and equipment.
  - Replica weapons marketed to children.
  - Manufacture, sale or distribution of tobacco or tobacco products
  - Involvement in the manufacture, sale and distribution of pornography
  - Manufacture, sale or distribution of substances subject to international bans or phase-outs, and wildlife or products regulated under the CITES.
  - Gambling including casinos, betting etc. (excluding lotteries with charitable objectives)
  - Violation of human rights or complicity in human rights violations.
  - Use or toleration of forced or compulsory labor.
  - Use or toleration of child labor.



Applicants shall have fulfilled all the obligations relating to the payment of social security contributions or obligations relating to the payment of taxes in accordance with legal provisions in force in the country of incorporation.

UNCDF will conduct due diligence on selected applicants. Applicants must have documents ready for confirmation that they meet the eligibility criteria including certificate of compliance with the tax authorities and any other documentary evidence that might be requested by UNCDF in addition to the application form.

## 2.2 Evaluation criteria

UNCDF will screen the applications submitted and come up with a shortlist of applicants. The Evaluation Committee will score the applications according to the below evaluation criteria. Only applications that score at least 70 out of 100 will be considered successful and move to the due-diligence stage.

<b>Evaluation Criteria</b>	<b>Maximum Score</b>
<b>Institutional overview</b> <ul style="list-style-type: none"> <li>- Description of the applicant's business.</li> <li>- Operational track record i.e., has the product/service been tested in the market?</li> <li>- High level business/operational performance highlights and numbers.</li> </ul>	25
<b>Use of funds</b> <ul style="list-style-type: none"> <li>- Review of business plan / investment teaser / investment deck showing the proposed use of funds.</li> <li>- High level information on what impact the proposed funding will have on the business.</li> </ul>	25
<b>Financial information</b> <ul style="list-style-type: none"> <li>- Review of at least two years audited financial statements.</li> <li>- Review of most recently available unaudited financial statements</li> <li>- Review of available financial forecasts</li> </ul>	25
<b>Corporate information</b> <ul style="list-style-type: none"> <li>- Mission, vision, mandate of the business.</li> <li>- Review of registration status, tax status, licenses etc. (include relevant certificates/documents).</li> <li>- Profiles / biographies of key management and board members (if any).</li> <li>- Governance structure and organization structure (organigram).</li> </ul>	25



### 2.3 Eligible costs

The criteria for eligible expenditure determine whether a cost qualifies for funding under UNCDF rules and procedures.

The general criteria for eligibility of costs under UNCDF funding include the following.

- Eligible costs must be incurred by the applicant for **working capital and/or capital expenditure purposes** (after the signature of the Loan Agreement and up to the end of the repayment period).
- Eligible costs should be indicated in the agreed breakdown for use of debt proceeds to be attached to the Loan Agreement.
- Costs must be identifiable and verifiable, in particular being recorded in the accounting records of the applicant and determined according to the applicable accounting standards of Zambia.
- Costs must comply with the requirements of applicable tax and social legislation.
- Costs must be reasonable, justified and comply with the principle of sound financial management, in particular regarding economy and efficiency.
- Investment costs directly attributable to the project, relating to research and innovation, are allowable.

### 2.4 Ineligible costs

The following costs are ineligible and not accepted:

- Dividend payments and other types of drawings from the business to its shareholders/directors/stakeholders
- Refinancing and/or repayment of existing outstanding debts (including principal, interest, penalties and other types of charges).
- Administrative and/or operating expenses incurred in the normal course of business.

## 3. AGREEMENT PARAMETERS

Applicants shall give evidence that their solutions are aligned to the following parameters.

### 3.1 Applicants

Eligible candidates can apply as long as they comply with the eligibility requirements set forth in section 2.1.

### 3.2 Target segment

The target segment is enterprises registered in Zambia that provide clean off-grid energy solutions to rural communities, households and/or businesses owned by women and youth in Zambia.

### 3.3 Credit duration

The selected credit applications will be repayable in a maximum of 3 years.



### 3.4 Geographical scope

Zambia.

### 3.5 Language

The deliverables and any correspondence between the applicant organization and UNCDF must be in English.

### 3.6 Budget

UNCDF will provide a Loan to the selected applicants up to USD 150,000.

## 4 APPLICATION REQUIREMENT AND PROCESS

### 4.1 Structure of the application

Submission needs to be completed with the following documents:

1. Annex 1 - Submission Letter.
2. Certificate of incorporation and other registration and license documents of the applicant.
3. Document certifying that the applicant has fulfilled all obligations relating to the payment of social security contributions or obligations relating to the payment of taxes per the legal provisions in Zambia.
4. Detailed statement of the intended use of funds, including a Workplan and budget, and expected outcomes/impact of the proposed project.
5. Audited financial statements for at least two years from the applicant.
6. Latest available unaudited financial statements and/or management accounts.
7. Financial forecasts and a business plan supporting the forecasts.
8. Corporate information including CVs of the employees / team involved in the project, statement of mission, vision and mandate, governance structure, organization structure etc.

All submissions must be completed in English.

UNCDF may request additional information and documentation to proceed to the technical evaluation of proposals.

### 4.2 Application deadline

All applications must be submitted by **23:59 pm GMT on 28<sup>th</sup> March 2021** to [uncdf.rfa@uncdf.org](mailto:uncdf.rfa@uncdf.org) with the subject title: "**Application RFA clean off-grid energy sector in Zambia.**"



#### 4.3 Selection process:

- Step 1: Eligibility screening – eligibility will be assessed according to the eligibility requirements as set forth in section 2.1.
- Step 2: Notification to shortlisted applicants with details of the next step i.e., due diligence.
- Step 3: Due diligence of shortlisted applicants.
- Step 4: Selection of qualifying applicant based on results of the due diligence.
- Step 5: Negotiation of term sheets with qualifying applicant.
- Step 6: Approval of the qualifying applications by UNCDF Impact Investment Committee.
- Step 7: Notification of approved qualifying applications and negotiation of loan agreement.

#### 4.4 Timeline

11 March 2021	Application window opens
20 March 2021	Deadline for questions
21 March 2021	FAQ document published
28 March 2021, 23:59 pm GMT	Deadline for submission

#### 4.5 Real-time assistance from UNCDF

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