

# Embassy of Sweden, Uganda

## Renewable Energy Challenge Fund

Part of **CleanStart** in Uganda of the United Nations Capital Development Fund

19 September 2016

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## Executive summary

To address the challenges in the Ugandan decentralized energy market and make use of new business/partnership opportunities and innovations emerging, UNCDF, through the global CleanStart Programme, launched the Energy Access Challenge in late 2015<sup>1</sup>.

The Embassy of Sweden, with UNCDF, will launch the Renewable Energy<sup>2</sup> Challenge Fund (RECF) in Uganda by building on the successful result of UNCDF's first Energy Access Challenge. UNCDF, through the global CleanStart Programme, will manage RECF (2016-2020).

**UNCDF** is the only UN agency mandated to make catalytic investments in market-based solutions that reduce poverty and support local economic development in least developed countries. **The CleanStart Programme** supports low-income people to transition to cleaner, more efficient energy through access to finance. In Uganda, it has been in operation since 2014<sup>3</sup>, and is currently partnering with four renewable energy companies and one financial institution, as well as the Ministry of Energy and Mineral Development, Rural Electrification Agency and the Uganda Credit Capitalization Company to test and scale innovations in energy financing.

The **RECF** aims to fill a “missing middle” in renewable energy SME financing, as well as facilitate access to additional, more commercial financing. RECF will be managed based on the principles of **additionality, sustainability, inclusiveness, results-orientation, and co-creation**.

By end of 2020, RECF aims to support **153,000 low-income customers transition to renewable energy**<sup>4</sup>, of which at least 50 percent are women and 50 percent are youth<sup>5</sup> (the two groups can overlap). RECF further aims to **create 1,000 new jobs**, of which at least 60 percent of these jobs are for women and 40 percent are for youth (the women and youth groups may overlap e.g. female youth sales agent). This will be done through the energy enterprises and also through new livelihood opportunities with renewable energy. Up to **160,000 tonnes of CO2 emissions is expected to be off-set** as a result. In terms of market development, CleanStart aims to support **a target of 15 renewable energy SMEs** which will continue to serve the community after the project period ends and demonstrate the viability of clean energy companies.

The long-term vision for RECF is to become a stand-alone facility for development partners to provide coordinated, market-catalyzing support to energy SMEs in Uganda, and contribute to one of Government of Uganda's energy sector priorities which is to

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<sup>1</sup> UNCDF CleanStart is partnering with one financial service provider and four energy enterprises. See on Annex 2.

<sup>2</sup> Renewable energy and clean energy is used interchangeably throughout this document

<sup>3</sup> Business plan endorsed by the Ministry of Energy and Mineral Development

<sup>4</sup> Renewable energy/clean energy includes technologies or practices that use renewable energy (e.g. solar, wind, hydro) or efficiently processes traditional fuels (e.g. efficient cook stoves, biogas, briquettes etc.). LPG is the only commercial hydrocarbon that could be included in the category.

<sup>5</sup> For RECF, youth includes young adults under age 30

increase access to modern energy services through rural electrification and renewable energy development'.<sup>6</sup>

## I. Energy Access in Uganda

The Government of Uganda has ambitious goals for renewable energy and electrification as part of its broader vision of becoming a middle income country:

- › Increase the share of clean energy in the energy mix from 6 to 61% by 2017 (Renewable Energy Policy);
- › Implement off-grid electrification solutions and consumer financing as key elements in the 2013-2022 (Rural Electrification Strategy and Plan);
- › 80% of population accesses renewable energy by 2040 (Uganda Vision 2040).

Moreover, in October 2015, the Ministry of Water and Environment released Uganda's Intended Nationally Determined Contribution (INDC) which includes the following commitments where increasing access to renewable energy becomes integral:

*b) ...The country will continue to work on reducing vulnerability and addressing adaptation in agriculture and livestock, forestry, infrastructure (with an emphasis on human settlements, social infrastructure and transport) water, energy, health and disaster risk management.*

*d) ...The protection of vulnerable groups, including women is a crosscutting priority.*

*e) ... the full implementation of these actions is conditional on the support of international community coming from both climate finance instruments and international market mechanisms.*

According to Uganda's latest Census (2014)<sup>7</sup>, however, only 20% of the population have access to electricity. 28% of the adult population has an account in a financial institution<sup>8</sup> and 30% of the population are unique mobile subscribers<sup>9</sup>.

Lighting and cooking are the two biggest energy uses for households. Still 52% of Ugandans use *tadoobas* for lighting. 60% of these people live in rural areas, and on average, a person can spend 1,700 UGX buying kerosene and 500 UGX per mobile phone charging a day. The prevalent use of biomass for cooking, disproportionately burdens women and girls in terms of collecting fuels as well as cooking in smoke-filled environments. Education opportunities are compromised due to lack of electricity.

At the same time, people are increasingly aware of and willing to pay for power and communication solutions. Leading manufacturers or distributors of pico solar lights are selling in the order of 20,000 to 30,000 units per year in Uganda. Radios and mobile

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<sup>6</sup> The Energy and Mineral Development Sector Working Group (EMD-SWG) ToR

<sup>7</sup> Uganda Population and Housing Census of Uganda, 2014

<sup>8</sup> Global Findex Database, 2014

<sup>9</sup> GSMA Mobile for Development Utilities, December 2015

phones are the most widely owned and used communication devices<sup>10</sup>. Likewise, more and more are demanding more efficient cooking solutions as witnessed by the demand for better cook-stoves and more efficient fuels.

With current improvements in price and performance of off-grid solar products with high-efficiency LEDs, improved batteries, low-cost solar PV, and super-efficient appliances<sup>11</sup>, rural households and businesses can leapfrog to a more energy efficient way of living compared to the urban, grid-connected population. At the same time, with the GSM network covering 97% of the population<sup>12</sup>, energy is facilitating access to modern technologies and services in telecommunications and finance, which serve as gateways to other basic services such as health and education. Energy enables.

**The momentum for achieving universal energy access at an accelerated pace is building up in Uganda.** There is growing awareness among people about solar and efficient cooking devices and fuels. Distribution of clean energy products is increasing as energy companies build their network of sales agents or partner with organizations that have field agents, such as loan officers and community health promoters.

35% of Ugandan adults have a registered mobile money account, making Uganda one of four countries in Africa where more adults have a mobile money account than a bank account.<sup>13</sup> In the last three years, the convergence of mobile money and the Pay-As-You-Go solution fundamentally changed the way energy financing is offered.

At the same time, the scale and pace that is needed to meet the Government of Uganda's development targets cannot be achieved from steady expansion of existing models. Models of subsidy and refinancing supported by Development Partners through the Rural Electrification Agency and the Uganda Energy Credit Capitalisation Company have not taken off as envisaged, due to lengthy transaction procedures and lack of appropriate loan products. Traditional financial service providers have struggled to make a real impact in furthering the off-grid energy access market. Uganda is not unique in experiencing this challenges: this requires fresh thinking, cross-industry collaboration and risk-taking globally. New business models offer new opportunities; yet, smaller business may have financing and management issues that limit growth.

### **The women and youth gap<sup>14</sup>**

Uganda has a fast growing population (34.6 million).<sup>15</sup> Women make up half of the population (17.6 million). As a result of high fertility rate, Uganda has one of the youngest populations in the world. Youth and young adults under age 30 make up close

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<sup>10</sup> Uganda Communications Commission Access and Usage survey, 2014

<sup>11</sup> Schatz Energy Research Center, 2016

<sup>12</sup> Estimation, GSMA Mobile for Development Utilities, December 2015

<sup>13</sup> Global Findex Database, 2014

<sup>14</sup> The most common international definition, used by the United Nations and the World Bank, defines youth as between the ages of 15-24; however, at a national level, youth is defined in some countries from as early as 12 years, to as old as 40 years.

<sup>15</sup> The Uganda National Population and Housing Census 2014

to 80 percent of the population. <sup>16</sup> Concurrently, Uganda's working-age (14-64 years) population is also growing fast. 78 percent of this population is working. <sup>17</sup>

Informal employment is predominant in Uganda. <sup>18</sup> Men and women, almost equally at 80 percent, work in the informal sector. The same goes for youth. Almost all youth (92 percent) are in informal employment. On top of this, working women spend four times more time than men in non-economic activities.<sup>19</sup>

Labor under-utilisation or outright unemployment are also big challenges in Uganda. More than one quarter of the working population are under-utilized in relation to time, inappropriate skills and low pay.<sup>20</sup> Three out of every five unemployed persons are women.<sup>21</sup> Youth unemployment is also high at 6.5 percent.<sup>22</sup> Young women have a higher unemployment rate compared to the males.<sup>23</sup>

### *Agricultural productivity*

80% of the households in Uganda are involved in agriculture<sup>24</sup>. More women than men work in the agricultural sector.<sup>25</sup> Among low-income countries, only Uganda, Madagascar, and Cambodia have 50 percent or more of young workers still engaged in the agricultural sector.<sup>26</sup>

Women spend more labor time compared to men because of their farming role which focuses on seedbed preparation/sowing, weeding/pruning, harvesting, and processing.

There is also a men-versus-women gap in the use of agricultural inputs and machinery because women have low purchasing power and don't have assets such as land to put up as collateral for a loan. Female-headed households are even more resource-constrained.<sup>27</sup>

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<sup>16</sup> Children below 18 years constituted 55% of the population, while youth (persons 18 – 30 Years) constituted 23% of the population; The Uganda National Population and Housing Census 2014

<sup>17</sup> The Uganda National Population and Housing Census 2014

<sup>18</sup> 79 percent of working persons were employed in the informal sector outside agriculture; Uganda National Household Survey 2012/13

<sup>19</sup> 26 hours per week vs 7 hours; Uganda Bureau of Statistics National Labour Force and Child Activities Report Survey 2011/2012

<sup>20</sup> Out of a 15.5 million national labour force (14-64 years), 269, 000 are jobless and over 1.4 million people are under-employed; Uganda Bureau of Statistics National Labour Force and Child Activities Report Survey 2011/2012

<sup>21</sup> 21

<sup>22</sup> Share of persons without work, available and actively looking for work among the economically active population; ILO's School to Work Transition Survey, 2015

<sup>23</sup> 7.4 percent versus 5.5 percent ; ILO's School to Work Transition Survey, 2015

<sup>24</sup> The Uganda National Population and Housing Census 2014

<sup>25</sup> Females (77 percent) Males (66 percent); 2012/13 Uganda National Household Survey.

<sup>26</sup> Global Employment Trends for Youth, ILO 2015

<sup>27</sup> Agricultural Sector, Gender Statistics Profile, Uganda Bureau of Statistics, 2012

## *Employment*

Far more women than men are self-employed or work as contributing family workers.<sup>28</sup> Three quarters of the working young persons are self-employed.<sup>29</sup>

Women-led businesses face tougher hurdles in taking their businesses to the next level because of the many things they lack, such as collateral, business education, social capital. Needless to say, they also need to overcome social and cultural norms by virtue of being a woman.

Ugandan youth are currently not highly skilled. Only about 8 percent of the young people out of school completed either vocation or tertiary education.<sup>30</sup> However, skills training which is associated to vocational education provides young people with higher chances of employment compared to general tertiary education.<sup>31</sup>

Moreover, three quarters of the youths aged 15-29 years are classified under irregular employment. Low pay is common among the youth in Uganda with about two thirds of paid youth employees taking home less than the average monthly wages/salaries.<sup>32</sup>

## *Mobile connectivity*

Across Sub-Saharan Africa, women are 23% less likely to own a mobile phone.<sup>33</sup> In Uganda, about 20 percent more men own mobile phones than women.<sup>34</sup>

While Uganda has more adults with mobile money accounts than an account at a financial institution, still women and young adults are less likely to own a financial institution or a mobile money account.<sup>35</sup>

## **How energy benefits women and youth**

The RE SME sector provides many avenues for women and youth to improve their productivity, raise their status as consumers as well as secure more stable and satisfying employment. In fact, RE SMEs that capitalize on the unique qualities of women and youth can serve their customers better.

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<sup>28</sup> Uganda Bureau of Statistics National Labour Force and Child Activities Report Survey 2011/2012

<sup>29</sup> Includes own account workers (43 percent), contributing family workers (28 percent) and employers (4 percent). ILO's School to Work Transition Survey, 2015

<sup>30</sup> ILO's School to Work Transition Survey, 2015

<sup>31</sup> 85 percent versus 81 percent; ILO's School to Work Transition Survey, 2015

<sup>32</sup> ILO's School to Work Transition Survey, 2015

<sup>33</sup> GSMA, 2014

<sup>34</sup> 44.4% versus 61%; Uganda Communications Commission Access and Usage survey 2014

<sup>35</sup> Global Findex, 2014

Below are examples of how energy enables these benefits for women and youth.

- Large solar solutions combined with efficient DC-power appliances such as agro-processing mills and refrigerators help improve work productivity and quality of agricultural outputs; Efficient cooking solutions can save time and money; Additional income generating opportunities through mobile phone charging for neighbors;
- Pay-as-you-go solar companies are cross-selling other devices such as mobile phones; farmers can use mobile phones to have real-time information on market prices and receive agricultural extension services;
- Most efficient cookstoves are manufactured in Uganda, which, depending on the cooking device can employ low-skilled youth and women, or train them on how to operate machineries;
- The women sales agent model has been widely tested where women go door-to-door selling “life-improving” goods such as solar lanterns and efficient cook stoves; solar pay-as-you-go companies have regular training programmes for their field sales agents, and employ young women and men in their call centers;
- Customers of solar pay-as-you-go financing companies are building up a credit history which these companies are now using to provide agricultural or school fee loans. This credit history could also be used by financial institutions to provide banking services to those un-banked.
- Women-led RE SMEs may create multiplier effects when it comes to women employment; “about 85 percent of women-owned SMEs have women in senior management compared to approximately 10 percent of men-owned enterprises.” Eco Group, an efficient cookstove producer in Uganda led by a female CEO and one of UNCDF CleanStart’s investees, aims to have women make up 40 percent of senior management by 2017.

## II. Swedish Development Cooperation

Globally, the Swedish government has identified environment and climate change as one of three thematic priorities for development cooperation. The Swedish policy for environment and climate change states that environmentally sustainable development should contribute to, reduction in negative effects of environmental and climate change, improvement of living conditions, promotion of gender equality and greater influence for women, as well as strengthen the resilience of people in poverty.<sup>36</sup>

Moreover, the Embassy of Sweden in Uganda, promotes gender equality and freedom from violence, better and more inclusive economic opportunities, as well as improved education and health.

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<sup>36</sup> Integration of environment and climate change policy document, Embassy of Sweden in Uganda

These development cooperation priorities that Sweden has identified in Uganda are key outcomes that improvements in access to clean, modern energy can contribute to.

Sweden's global commitment to improving energy access through business development approaches are clear from its grant and loan facilities for energy access, including this Renewable Energy Challenge Fund, loan guarantee facilities that are implemented directly by the Embassy and through partnerships with other energy access programmes, such as USAID's Power Africa Initiative and Development Credit Authority.

Although ODA has a catalytic role to play, synergies with private, commercial capital are essential to achieve the Sustainable Development Goal (SDG) 7 on access to affordable and clean energy as well as connected SDGs.

Sweden's emphasis on evidence-based market building in Uganda is also recognized. Reliable and timely data and analytics is essential to understanding markets and individual customers within it, as well as to develop partnerships and policies that will make markets work better.

### III. Renewable Energy Challenge Fund

#### 1. Vision

To address the challenges in the Ugandan decentralized energy market and make use of new opportunities and innovations now emerging, UNCDF, through the CleanStart Programme, proposes to manage the **Renewable Energy Challenge Fund (RECF)** on behalf of the Embassy of Sweden in Uganda.<sup>37</sup>

The goal of RECF will be to **increase access to renewable energy for domestic, productive and social uses among underserved poor households especially in rural areas**. To do so, RECF will **promote financial inclusion on the energy value chain** – not only for the marginalized consumers, but also the small retailers that sell at the last-mile up to the SMEs that manufacture and distribute products/services. RECF will raise the understanding of energy companies and ecosystem support actors about the positive role that women and youth play in energy value chains, and incentivize them to invest in inclusive business models

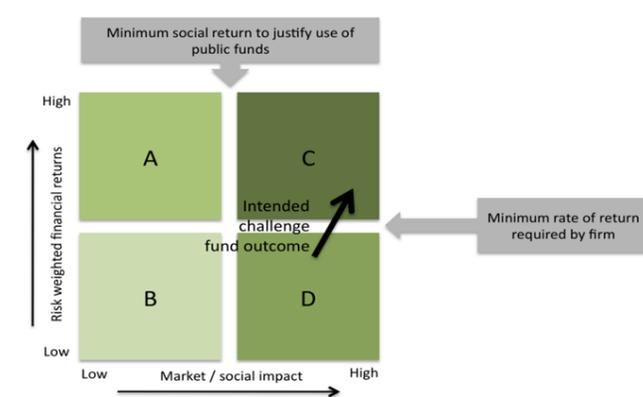
RECF will support innovations<sup>38</sup> that will have a ripple effect in the market and inspire others to adopt winning strategies, as well as companies that are serious about becoming "investment ready". Funding eligibility is described in more detail in the section dealing with Fund Implementation.

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<sup>37</sup> RECF is an interim name only—a more market friendly name and acronym should be decided on.

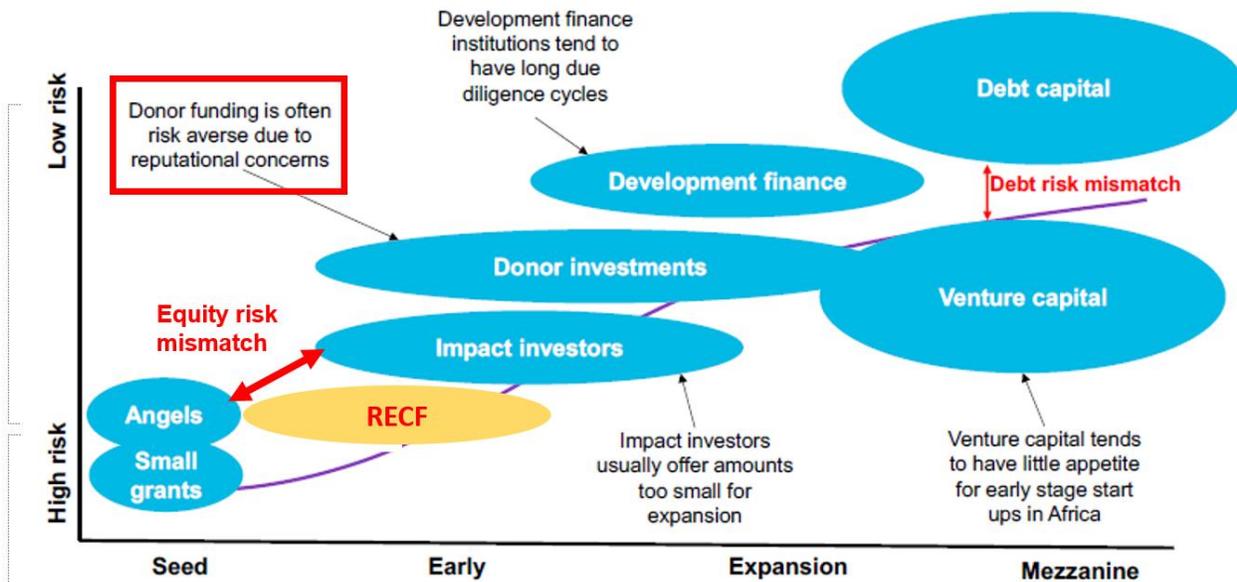
<sup>38</sup> Broadly, 'innovation' can be defined as a new product, service or approach in the market, or a tested model that can quickly be scaled up in a new sector or geographic area.

RECF will support business ideas that are at the bottom right quadrant (D) in the diagram below.<sup>39</sup> Ideas that have high social returns and market impact, but relatively low to medium financial returns. These are ideas that, with the backing of the RECF, could move to quadrant C.



The diagram below is adapted from the *Off-Grid Solar Market Trends Report 2016* published by Bloomberg New Energy Finance and Lighting Global (page 56). It shows how off-grid solar start-ups rely on a variety of investors as their firms mature, as well as funding gaps that exist due to a “mismatch between the nature and amount of funding that companies need and the investment mandates of financiers.”<sup>40</sup>

Figure 62: Equity investor risk appetite vs. company needs



Source: Bloomberg New Energy Finance. Note: “Donor investments” are defined as grants and investments by organisations that have no profit mandate and are not development finance institutions, such as foundations and prizes. “Development finance” refers to government institutions or development banks and the likes.

<sup>39</sup> Financial Deepening Challenge Fund Strategic Project Review (Irwin and Porteous, 2005)

<sup>40</sup> Off-Grid Solar Market Trends Report 2016, page 53

RECF (in light brown) aims to fill this “equity risk mismatch” by investing in early stage, high-risk ideas, and set RE SME businesses on a pathway for larger, more commercial-oriented capital (equity and debt) from local banks, impact investors and development finance institutions (e.g. Proparco or FMO), as well as leveraging guarantee opportunities such as that DCA from USAID/SIDA.

The following five principles will be central to the RECF:

- 1) **1) Additionality:** Stay true to what grant funding is designed to do – to address market failures and gaps by taking more risks where private equity or credit do not venture; invest in ideas that will resonate with the wider market and make a step change in the way modern energy products and services are offered and consumed by low-income people in Uganda—aiming to understand this process;
- 2) **2) Sustainability:** Support commercially-driven business ideas that companies are ready to co-invest in, with a view to graduate to more commercial investments;
- 3) **3) Inclusiveness:** Level the playing field for small, local businesses through performance incentives and additional advisory support; prioritizing business models with women and youth as active members of the value chain, as consumers, as well as owner/employers and employees/agents;
- 4) **4) Results-orientation:** Drive performance and results-based financing; use monitoring & evaluation as a lean learning process—using DCED standards-- with an end-goal to package results in ways that speak to different investor types;
- 5) **5) Co-creation:** Harness the “access” and convening power that UNCDF has, so that companies can co-create and co-invest in solutions **with** global, regional, and local stakeholders that have complementary objectives and resources.

## 2. Theory of Change and key value propositions

By end of 2020, RECF will aim to **reach a total of 153,000 clients** of which at least 50 percent are women and 50 percent are youth<sup>41</sup> (the two groups may overlap) and **create 1,000 new jobs**, of which at least 60 percent of these jobs are for women and 40 percent are for youth (the women and youth groups may overlap e.g. female youth sales agent).<sup>42</sup> RECF will further aim to leverage USD8,708,000 of external capital and co-investment over the course of the project.

To do so, RECF will provide seed capital (grants) to **a target of 15 renewable energy SMEs** that have a working product and a business plan, and looking for capital to systematically test their product and the construction of the operational framework<sup>43</sup>.

A company can use the RECF funding to **test an early stage idea such as a new product, service or approach in the market, or a proven business model that can quickly be scaled up in a new sector or geographic area.**

RECF will be complemented by UNCDF CleanStart's market-building activities focused on 'knowledge and learning' and 'advocacy and partnerships'.

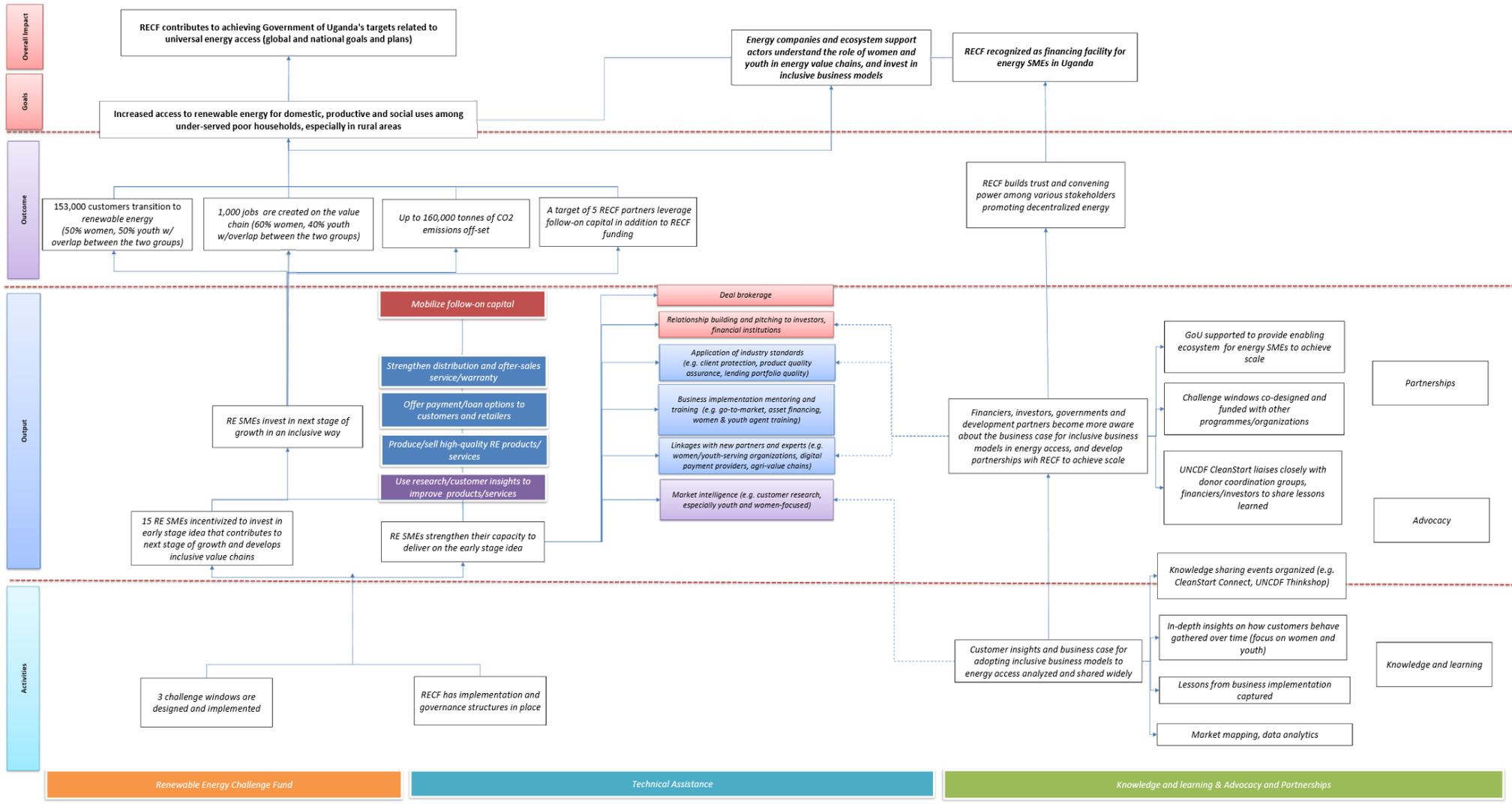
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<sup>41</sup> For RECF, youth includes young adults under age 30

<sup>42</sup> The target of 153,000 clients is an estimate based on proposals received in UNCDF CleanStart Uganda, Myanmar and Cambodia energy access challenges which averages a UNCDF investment cost of USD15 per client, while a more conservative USD18 per client is envisaged here (and more typical for the Uganda applications). 1000 new jobs created is derived from the Africa Enterprise Challenge Fund ratio of jobs per number of households served in the energy access challenges in all active projects by 2014 (AECF Impact Report 2014), as well as UNCDF's own calculations.

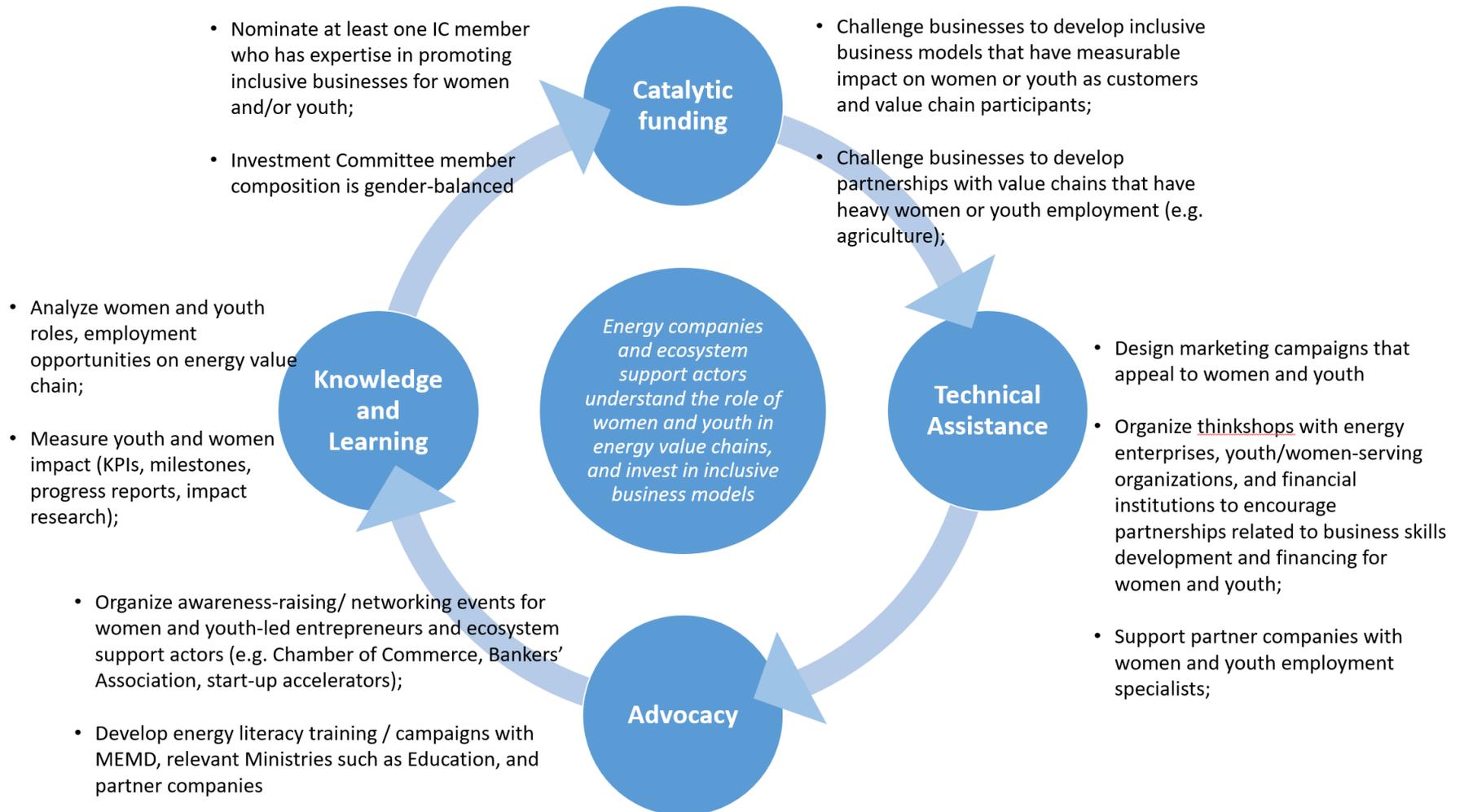
<sup>43</sup> Adapted from Off-Grid Solar Market Trends Report 2016, page 54

# RECF Theory of Change (refer to Annex 10 for large, XLS version)



## Women and youth

Central to RECF is encouraging women and youth's active participation in the energy value chain as customers, employees and employers. RECF activities will be directed towards encouraging energy companies and ecosystem support actors, such as financial institutions, to better understand the role of women and youth in energy value chains, and use catalytic funding and technical support to invest in inclusive business models. The diagram below illustrates how RECF will stimulate women and youth inclusion throughout the challenge launch, proposal appraisal, business implementation and monitoring and evaluation stages.



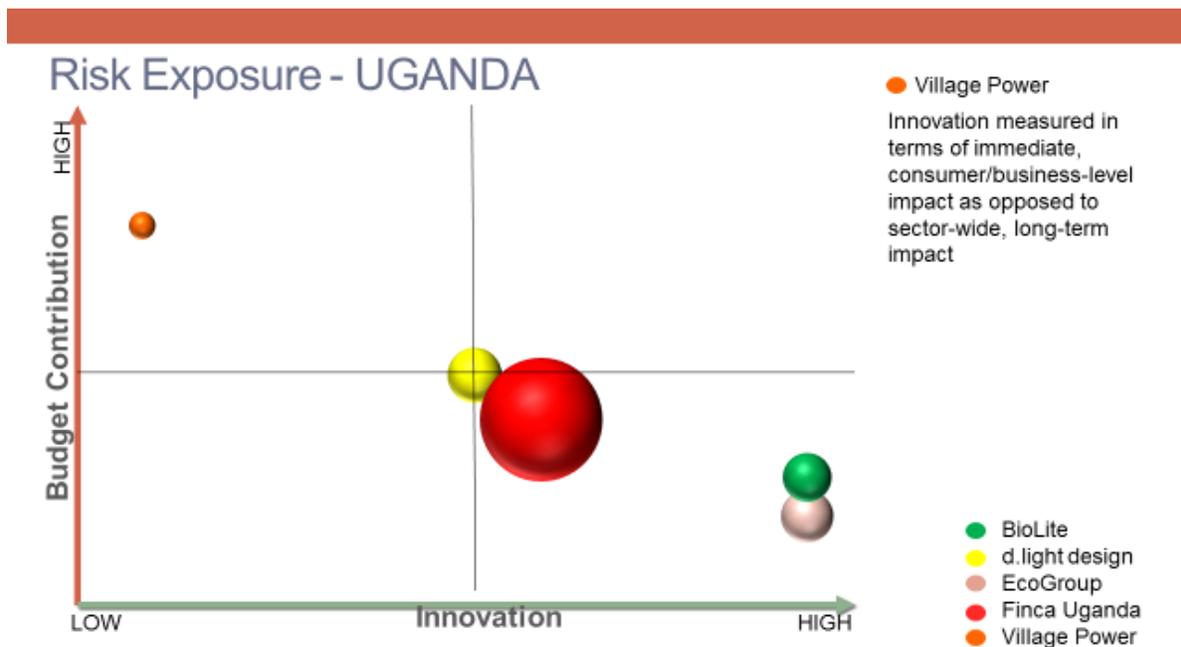
### 3. Proposed funding windows

RECF funding should run ideally over a space of three (3) years, making it imperative to launch the series of windows as soon as possible after the commencement of the project.

The principle on which the RECF will be run - also as a continuation of CleanStart's earlier challenge fund window - is to achieve a ***mixed portfolio*** that has investments that are risky/innovative, as well as others that are less risky more scalable projects.

In other words, portfolio partners will be assessed according to a set of criteria that would include innovation level, budget contributions, scalability, and the level of local/international leadership and involvement. Final specifications of these variables and their weighting will be determined per window on an individual basis, after initial scoping/market preparation activities.

This approach is illustrated in the graph below for current partners of UNCDF in Uganda (NB: this below graph is only meant for illustrative purposes).



A further aspect that will be emphasized in this challenge fund is to learn about market development—which can have wider applications to the sector in terms of policy and interventions, by having a robust learning and M&E framework that can provide information to Government, development partners as well as the private sector.

RECF aims to have **three challenge/funding windows** totaling USD2,750,000 or UGX9,194,078,000 in value that will run within a space of approximately 18 months.<sup>44</sup>

1. Clean cooking solutions challenge
2. Smaller solar solutions and energy plus challenge
3. Larger solar solutions + power for business challenge

The segmentation of the technologies and allocations are based on the experience from the CleanStart Energy Access Challenge in late 2015 (see section on UNCDF's experience with Challenge funding).

Challenge rounds	Target # of companies supported	Investment size band	Target grant amount (USD)	Flexibility funding portion (plus or minus)
1. Clean cooking solutions	5-7	USD75-150,000	USD600,000	USD100,000
2. Smaller solar solutions and energy plus	5-7	USD150-250,000	USD1.25Million	USD200,000
3. Larger solar solutions + power for business	2-4	USD250-500,000	USD900,000	USD200,000
TOTAL	15 (target)		USD2.75 M	USD500,000

This scenario assumes \$5,850,000 in leveraged additional investment capital (in the form of Debt and Equity), with at least \$2,858,000 in matched funding, or a total ratio of capital of 3.2 of external capital, compared to UNCDF funded-capital through the three windows. This is just within the project period and includes much larger leverage potential at the end of the project, when new investments are secured for the best performing companies. See Annex 11 for more details on projections.

### 1. WINDOW ONE: Clean cooking solutions challenge

Clean cooking solutions will include efficient cook stoves, biomass fuels (e.g., wood, charcoal, briquettes) and gasified fuels (LPG, biogas, ethanol) or a combination of stoves and fuels. Supporting clean cooking solutions is strategically important because it is the one sector which has many home-grown technologies and companies<sup>45</sup>, but is often left out from challenge funding support due to capacity issues. Clean cooking also has a direct impact on women through improved productivity, as well as job opportunities as producers and retailers. A target segment of this challenge are local businesses, with a strong local supply chain and distribution/retail models involving youth and women.

<sup>44</sup> The actual figure will depend on the real exchange rate at the time of receipt of funds from the donor. Current projection are using today's exchange rates and may have to be adjusted upwards or downwards.

<sup>45</sup> Also during the CleanStart challenge, 76% of the clean cooking proposals were from local companies.

## **2. WINDOW TWO: Smaller solar solutions and energy plus challenge**

Small solar solutions refer to solar lanterns that have mobile phone charging capacity or multiple lights with multiple phone charging USBs. This is a segment where scale in numbers and innovations in distribution and financing can be tested. It also will accept applications from energy companies that target specific real-economy sectors, such as agriculture or FMCG (Fast Moving Consumer Goods) market development.

Also included could be business models which involve Digital Financial Services. These business models may already have a component of employment generation embedded, through an agent model, for example.

## **3. WINDOW THREE: Larger solar solutions + power for business challenge**

Larger solar solutions refer to solar home systems or micro grids (solar or hybrid) that can power computers, appliances such as hair-clippers, sound systems or TVs, or higher-powered basic heating or processing equipment, and/or multiple homes or businesses. A combination of modular systems, metering technology, pay-as-you-go solutions and digital payments is making the provision of utility-like services possible for also decentralized energy. People can make a business out of offering connections to neighbors and improve productivity by using appliances. Fish or dairy value chains that require refrigeration can especially benefit. Small scale service providers such as barber shops and tailors would also be a typical target here. Innovation in community power systems and even sustainable PPP arrangements will be considered for this window.

### **Flexible funding allocation:**

RECF has set a target and flexible funding allocation per challenge window. However, funding allocation will be determined in light of actual proposals received and the overall portfolio structure. Therefore, each window has a portion of flexible funding, totaling USD500,000 (out of USD2.75Million) that can be used in two ways:

- a) **To make opportunistic investments** (e.g. investments with high leverage or demonstration potential identified outside the windows). The “flexible funding” will be drawn from the three window allocations as indicated and can be applied in a flexible, rolling manner (i.e. it would not be time-bound with the windows’ due dates) between the launch of the first window and up to six months after the close of the last window. These investments can be in any of the three categories of investment windows and will have to be presented to the Investment Committee for approval after the usual due diligence procedures have been completed.
- b) **To move investment amounts between windows.** If one window is heavily over-subscribed, funding may be applied from the last under-subscribed window or even from future windows not yet executed. In general, additional funding

should not exceed the flexible funding amount for that window above the maximum level earmarked for the window.

For example: the minimum investment sought for window one (clean cooking solutions) is USD500,000 and ideally USD600,000; it could go as high as USD700,000, with an additional USD100,000 of flexible funding if quantity and quality of applications warrant this).

#### 4. Fund implementation

For full implementation guidelines, please refer to Annex 3.

##### Key eligibility criteria:

- › All applications must be submitted by an entity that is (proven to be) registered, have operations in or have an interest in establishing operations in Uganda;
- › All applications must be led by a private sector organisation (PSO), which adheres to the relevant regulatory requirements of its operations. Consortia are encouraged, led by the PSO;
- › The applicant must have a (proven) track record;
- › Individuals cannot apply;
- › The applicant must be able to contribute to project costs in cash<sup>46</sup>;
- › Weighted scoring will be provided to ideas that have a positive impact on women and youth as consumers or active participants on the value chain (e.g. women-led RE SMEs; youth and women producers/sales agents);

##### RECF funding use:

- › RECF funding is a performance-based grant;
- › With the exception of the first tranche (disbursed upon signature), future disbursements, in effect, are reimbursements for incurred expenses;
- › RECF funding is for starting-up business ideas. Only expenses **directly** related to starting-up the business idea can be claimed for (e.g. inventory, staffing, distribution, marketing, business processes digitization, equipment, management information systems, financial management and accounting);
- › When RECF funding is used for inventory<sup>47</sup>, the following principles apply:
  - Demonstrate need;
  - Use only a portion of the grant (e.g. see footnote);
  - Purchase inventory within first year;

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<sup>46</sup> During the UNCDF CleanStart Energy Access Challenge, UNCDF requested partners to cost-share 30% of the project cost whereby cash contribution is at least 15% (the remainder being in-kind); the cost-share ratio will be finalized when each challenge design is finalized. However, an initial target for cost sharing is 30 percent partner contribution for the first window, 50 percent for the second and 60 percent for the third.

<sup>47</sup> Inventory can count for 40 percent of investment “ask” from UNCDF for the first window, 25 percent for the second and only 10 percent for the third.

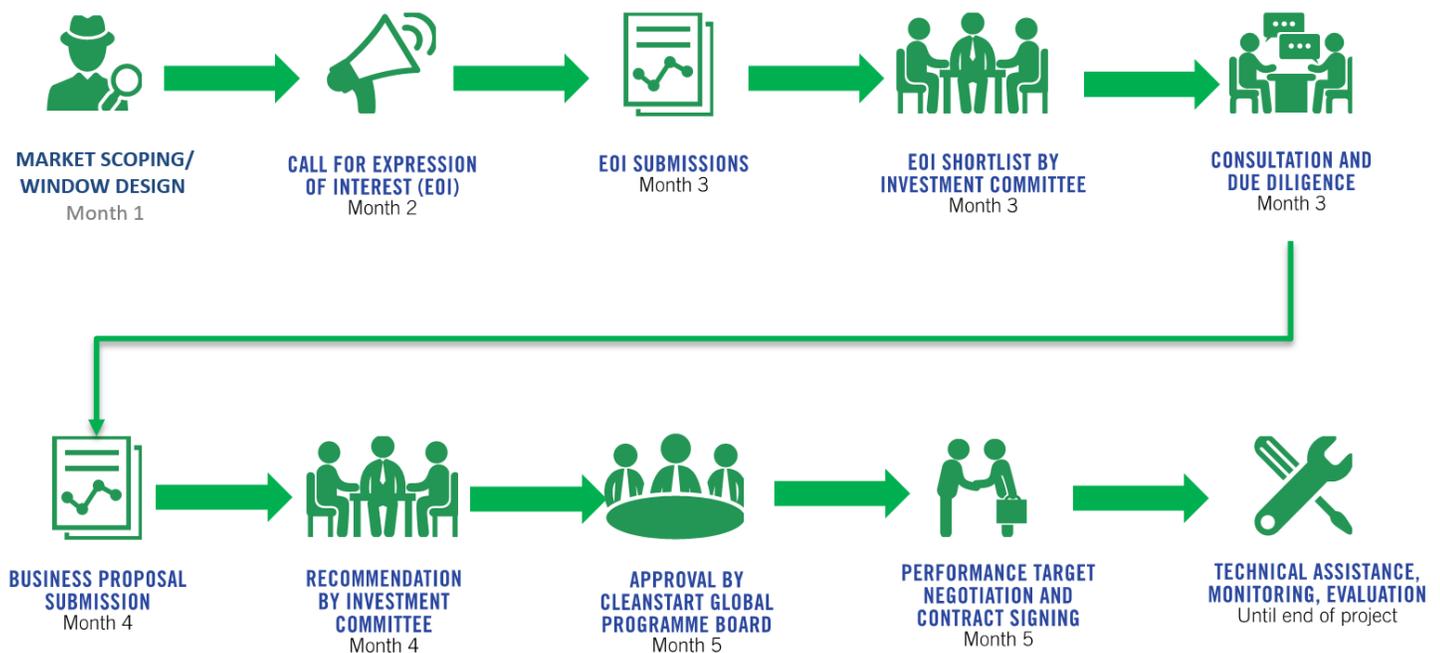
- Re-invest RECF funds into business implementation, and not withhold as proceeds;
- › RECF funding cannot be used for working capital for expansion (such as for loans or inventory purchase above the amount hardware R&D);
- › Specific activities and budget items to be funded will be determined jointly during proposal development and contract negotiations.

### Selection approach:

RECF will launch three challenge windows that are time-bound (i.e. call for EOIs and RFAs have an open and a close date). The upside of making challenge windows time-bound is that RECF can have a birds-eye view of all the applications that come in and make a portfolio investment. The downside, however, is that being time-bound makes it difficult to capitalize on new opportunities that come up when windows are not open, which often happens in this fast-developing sector. The additional “flexible funding” mechanism described above (under ‘funding allocation’) is therefore set up to fund business ideas that are submitted to RECF outside the challenge windows, but have high leverage and demonstration potential.

### Process & timeline:

#### CHALLENGE TIMELINE



## 5. Technical assistance

Technical assistance (TA) will be provided to companies at the pre-investment, investment, and exit stages of the RECF grant funding. The nature and intensity of the TA will differ depending on the development stage of the company and the business idea. Broadly, TA can include:

## **Pre-investment**

Talking through ideas, providing guidance on what RECF is looking for, and providing suggestions on how to improve draft proposals;

## **Business implementation**

In their proposals, companies should already articulate all the inputs needed to deliver their “ideas”, and allocate their own and RECF funding accordingly.

At the same time, RECF will have regular meetings with partners (initially, monthly) to understand implementation bottlenecks, and provide complementary TA to companies. TA will be provided through one-on-one coaching with RECF advisors or as trainings.

These can include:

- Mentoring and/or troubleshooting implementation bottlenecks with the help of business specialists (e.g. asset financing, go-to-market strategies);
- Introductions to groups of people/organizations outside the applicants’ usual remit (e.g. local governments, women/youth-serving organizations, agribusinesses, mobile network operators);
- Organizing/sponsoring training and knowledge sharing events on specific topics;
- Relationship development with funders (e.g. investors, banks);

## **Access to finance**

Relationship-building between RECF, partner companies, and investors/financial institutions with scale-up capital throughout the life of the grant partnership will be important for leveraging follow-on capital. It goes beyond putting investors and investees in the same place and pitching ideas<sup>48</sup>. What’s important is building relationships over time, and investors getting to know the potential investee over time, and vice versa. RECF will:

Supply-side

- › Have an investor/financial service provider on the Investment Committee;
- › Regularly engage one-on-one with funders, particularly those in-country, to understand their investment/lending priorities and due diligence processes, and to regularly share partner company progress;
- › Organize/sponsor trainings or field visits for financiers, particularly local banks, so they understand the nature of energy access businesses better;

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<sup>48</sup> Unreasonable Institute, <http://unreasonableinstitute.org/failures/>

- › Regularly engage or develop strategic partnerships with enterprise accelerators (e.g. Unreasonable Institute) that mentor ‘seed stage’ companies and have a wide network of investors – with a view to leverage existing search and mentorship processes or become a ‘graduation’ partner for accelerators

#### Demand-side

- › Organize/sponsor workshops for companies so they understand the funding landscape and specificities of investors/financial service providers; live pitch simulations and one-on-one deep dives with investors/financial service providers;
- › Support companies with measuring and communicating performance and impact to funders; create or use an existing online platform to share partner companies’ innovation journey and early impact findings (see section on results-monitoring, evaluation and learning)

#### Deal brokering

- › Assist with the structuring of deals between companies and investors/financial service providers either in the form of equity/guarantee contribution and/or advisory support;

### Mass marketing

At least USD300,000 of RECF funds will also be invested in building consumer awareness about using good quality clean energy products/services. Mass marketing activities will be done primarily in 2018 and 2019 to give initial boost to companies’ marketing activities. Dedicated national experts will develop and advise on national strategies and tools (media material, programs, social media campaigns) to assist this. It will work closely with its partners, the media and potential partners on activities that could be part of this. **Energy literacy** will be a component of this, with UNCDF working with government and other stakeholders to come up with a clear package that quickly demonstrates value proposition of clean and alternative energy sources.

RECF can fund:

- › Above-the-line and below-the-line mass marketing activities such as radio advertisements and market demonstrations;
- › Nation-wide campaigns with a cause (e.g. kerosene eradication with solar);
- › Designing energy literacy training/campaign to educate customers about how to use clean energy products/services;

Where possible, RECF will work closely with the Ministry of Energy and Mineral Development, Rural Electrification Agency, development partners, and industry alliances when implementing consumer awareness activities.

## 6. Results-monitoring, evaluation, and learning

Experience from other Challenge Funds indicates that about 20-25 percent of applications are likely to be highly successful, 30 percent unsuccessful, while 45-50

percent will be moderately successful<sup>49</sup>. By building monitoring, evaluation and learning into the fund life cycle, RECF can track and analyze partner companies' innovation journey, adapt lessons learned to future Challenge rounds, and share lessons with other market actors.

The key performance indicators for RECF are:

- › # of customers that have access to renewable energy (women and youth disaggregated)
- › # of jobs created (women and youth disaggregated)
- › # of RECF partners that leverage follow-on capital
- › Amount of CO2 emissions reduced

Partner companies are obligated to report against key performance indicators on a quarterly basis. The KPIs focus on:

- › Customer profile
- › Sales
- › Portfolio\* and product performance (\*for enterprises that do asset financing)
- › Operations (e.g. staffing, agents, geographic footprint)
- › Partners: finance and distribution
- › Leveraged funding (other than UNCDF CleanStart / RECF grant)
- › Financial sustainability

Quantitative data will be complemented with qualitative data such as case studies and energy diaries research. UNCDF will collect disaggregated data on women and youth as customers, employees and employers, and study women and youth impact when commissioning research projects. UNCDF applies the DCED standards and the SE4ALL multi-tier framework for results measurement.

<b>Mechanism</b>	<b>Data source</b>	<b>Responsibility</b>
<i>Monitoring:</i>	<ul style="list-style-type: none"> <li>› Monthly to bi-monthly milestone progress calls/meetings with Grantee</li> <li>› Quarterly and annual progress reports</li> </ul>	› Grantee
<i>Evaluation:</i>	<ul style="list-style-type: none"> <li>› Base-line &amp; end-line survey</li> <li>› Mid-term or final evaluation</li> </ul>	› UNCDF
<i>Verification:</i>	<ul style="list-style-type: none"> <li>› Proof of milestone achievement (e.g. photos, certified documents)</li> <li>› On-site spot checks/field visits</li> </ul>	› Grantee › UNCDF
<i>Learning</i>	<ul style="list-style-type: none"> <li>› Case study (customer impact, business implementation)</li> <li>› CleanStart Connect Forum ; UNCDF Thinkshop</li> </ul>	› UNCDF

<sup>49</sup> Derived from numbers provided by Nathan Associates

### **Monitoring and review with RECF funders**

1. RECF funders will be invited to join Investment Committee meetings as an observer.
2. Review meetings, including field visits to partner company sites, will be organized on a bi-annual basis and a summary quarterly update briefing will be provided.
3. An annual status report on RECF progress will be submitted to funders as per the signed Cost-Sharing Agreement.
4. A six-monthly progress report made up of a narrative and interim financial report will be prepared and sent to the Embassy of Sweden in Kampala within six weeks after the end of every six calendar months of each year the project is active: January to June and July to December, with 15 August and 15 February as the report due dates respectively.
5. A mid-term review of RECF will be conducted in 2018.

### **7. Partnerships**

UNCDF CleanStart will work closely with various partners with complementary goals or expertise, such as UNCDF's other financial inclusion and local development programmes<sup>50</sup>, development partners that actively support electrification in Uganda (e.g. USAID and DFID), ecosystem building organizations (e.g. GVEP, SNV, Unreasonable Institute). Partnership activities can include:

- › co-designing and implementing challenge rounds;
- › creating linkages with own pipeline of projects or stakeholders (e.g. coffee value chain);
- › blending financial instruments to raise follow-on investments for partner companies (e.g. guarantee facility);
- › joint trainings or workshops with respective stakeholders (e.g. digital financial service providers, women and youth-serving organizations);

### **Mobile Money for the Poor (MM4P)**

MM4P is UNCDF's global thematic initiative to address opportunities in expanding branchless banking and mobile money in LDCs of Africa and Asia. MM4P builds ecosystems for Digital Financial Services (DFS) to scale, especially in rural areas. These include i) policy/regulatory; ii) bulk payments iii) infrastructure; iv) agent networks; v) providers and vi) customers. The greatest challenge is improving the customer adoption rate.

In Uganda, UNCDF, in partnership with and funding from the Bill & Melinda Gates Foundation (BMGF), is focused on accelerating the shift of the Ugandan digital finance market from expansion stage to consolidation stage. The goal is to have at least 50% of the adult population actively using digital finance (90 days) by 2019.

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<sup>50</sup> In Uganda, UNCDF has three financial inclusion programmes that promote rural savings, youth savings, and digital finance in Uganda, as well as a local finance initiative that blends sub-national resources with private capital to finance community-level projects

MM4P is currently focused on digitizing bulk payments. These include payments to farmers in various agro-value chains (e.g. coffee, seed oil, tea) and social welfare payments. This involves a high level of training, technical assistance and grants to financial service providers, agent networks, bulk payers, aggregators and the government of Uganda.

There is a growing number of businesses that leverage the existence of a ubiquitous, electronic retail payments system to deliver basic services such as electricity, education, agriculture, and health. UNCDF CleanStart and MM4P will research and pilot innovations in digital finance “plus” energy. RECF will be leveraging the ecosystem that MM4P builds with its partners (e.g. coffee exporters, mobile network operators, aggregators, etc.) to expand digital financial services (DFS) (e.g. expanding mobile agent networks, improving telecom network availability, expanding access to smart phones, etc.).

UNCDF CleanStart and MM4P will conduct joint research to assess complementary entry points such as the agro-value chains that MM4P will be expanding DFS. MM4P will share three (3) core staffs in co-designing and implementing Challenge rounds that have linkages with digital financial services:

- › **Country Technical Specialist** who oversees MM4P’s portfolio in Uganda (strategy and partnership development role) (10 percent of time);
- › **Digital Financial Services Expert** with expertise in digitizing payments in various sectors, such as agro-value chains (e.g. tea, seed oil, coffee) (10 percent of time);
- › **Digital Financial Services ‘Plus’ Expert** who has expertise in research and piloting innovations in digital finance plus essential services, such as energy and education (30 percent of time)

### **Box. Digitizing the coffee value chain**

UNCDF's Mobile Money for the Poor Programme helps agriculture value chains to digitize bulk payments in Uganda. MM4P's latest experience has been with coffee through a partnership with MTN Uganda and Kyagalanyi Coffee Ltd. (KCL), one of the leading coffee factories in Uganda dealing in coffee purchasing, processing and export.

The purpose of partnership was to establish an Agent and Merchant Network strategy for MTN and a Bulk Payments service for the coffee factory towards digitization of payment for procurement of coffee from farmers and the traders. Pilot areas include Mbale, Kapchorwa and Manafwa districts within the Mt. Elgon region.

MM4P helps partners to build the digital finance ecosystem from the ground-up, because coffee farmers in the middle of Mt. Elgon often times do not have access to network, phones and electricity. The phone and electricity gap is being addressed by Fenix, a solar pay-as-you-go company that is also a strategic partner of MTN. Phones are sold on loans, and those they pay successfully can be eligible for the solar kit.

MM4P has identified seed oil, fish, coffee, and tea as bulk-paying value chains. Energy enterprises that can innovatively solve the power and communication device gap in the digital finance ecosystem will in return have a captive market with purchase power. At the same time, energy-related payments/savings/loans can be one of the most compelling reasons for rural people to use digital financial services.

### **Box. Potential synergies with USAID and DFID around household solar**

In Uganda, there is a lot of momentum gathering for supporting off-grid energy access, particularly household solar, through recent initiatives supported by USAID and DFID. These two DPs will be important partners designing joint challenge rounds, scaling RECF through follow-on investments for partners (e.g. DCA facility), ecosystem-building and sector coordination.

#### **USAID**

USAID has aggressive electrification targets in Uganda.

1. Increase generation by 1000 MW by 2020
2. Increase electrification by 1 million connections by 2020 (50:50 between on- and off- grid; Uganda is an 'access' agenda country for Power Africa)

Means of achieving goal #2:

1. Connection loans to individuals (upfront connection, wiring) through financial institutions;
2. Using solar to improve agri business productivity (USAID supports coffee, maize, beans; 0.5M farmers across 35 districts)

USAID is interested in

- Supporting local solar companies to do pay-go financing (developing a 'Ugandan' model);
- Encourage pay-go companies to target agricultural value chains or move to difficult market regions (e.g. North);
- Link pay-go companies to banks for loan financing / working capital

On a policy/enabling environment aspect, USAID is/planning to do the following with the view to reduce the cost/Wp for end-customers:

- improve taxation on solar imports
- reduce mini-grid tariffs

- developing the Road Map for Energy Efficiency as part of achieving SE4ALL goal ; improve energy efficiency standards for appliances;
- developing Electrification Master Plans in select service territories to improve investment visibility

USAID's grant facilities to enterprises include: Off-Grid Energy Challenge implemented by the US African Development Foundation (\$100K, grants to Ugandan entrepreneurs only) or DIV (more focus on local entities)

#### **DFID's Energy Africa Campaign<sup>51</sup>**

DFID is designing an Energy Africa Country Compact with the Government of Uganda. The Compact will include Policy Actions required to foster development of the household solar sector. The Compact will include a commitment to co-ordinated market support from partner funders to assist in implementation. Support will also be available to help firms to expand and to encourage the development of new, innovative solar solutions. Uganda is also part of the Africa Clean Energy Business Programme which is composed of a TA and learning facility as well as a challenge funding facility for 'early stage' companies in Uganda (and 13 other African countries).

UNCDF CleanStart is a member of the Steering Committee for the Energy Africa Compact development in Uganda.

## **8. UNCDF's experience with challenge funding**

**The good news is that energy companies in Uganda and nearby countries have the ideas that can lead to the next breakthrough in energy access.** Early stage companies want to expand, expansion stage companies want to diversify.

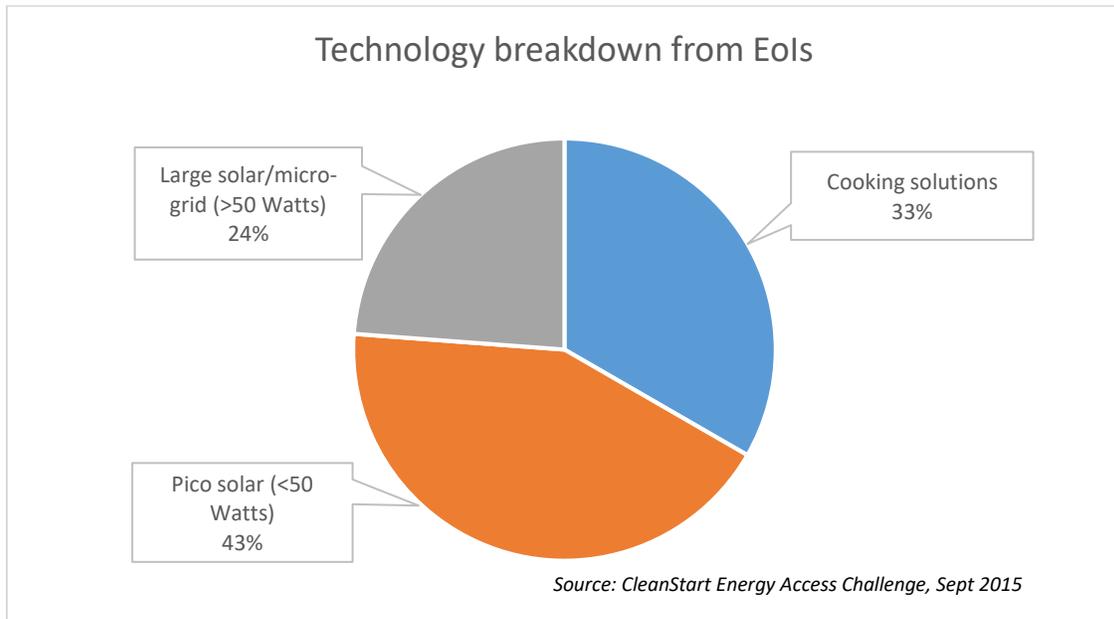
UNCDF, through the CleanStart Programme, launched an Energy Access Challenge in Uganda in late 2015. 67 companies submitted 73 business ideas that they believed could achieve breakthroughs in consumer and value chain financing.

The Challenge process validated the value of having a well-structured grant funding mechanism. Managed well, grants can meet the risk capital needs of companies at various stages of growth. Below are learned we learned in the process:

- › ***Top-three technologies that companies proposed are pico solar, cooking solutions and mini/micro-grids.*** Below is a rough breakdown of technologies that energy companies, including distribution companies, proposed. This enables us to conclude that three major market segments that have high demand for support are clean cooking, pico solar and large solar solutions.

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<sup>51</sup> Source: DFID Uganda's ToR on the TA Facility



- › **The solar sector has a mix of companies in both the early and expansion stages, while the clean cooking sector is primarily early stage with a few exceptions;** clean cooking companies tend to score lower than their solar counterparts on the level of innovation<sup>52</sup> or the ability to implement their ideas;

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<sup>52</sup> Broadly, ‘innovation’ can be defined as a new product, service or approach in the market, or a tested model that can quickly be scaled up in a new sector or geographic area.

- › **Funding amounts could be tiered depending on the maturity or riskiness of the idea and the company’s implementation track record;** application process and reporting requirements should be proportionate to the funding amount to attract companies with good ideas but low bandwidth; companies that succeed in the first tier of funding could be eligible for higher-tier funding;
- › Prior to releasing the call for Expressions of Interest the CleanStart team met/spoke to about 46 companies. Most ended up submitting an application, and in the end, the final 5 grantees were all part of that group of companies. **This shows that engaging with potential applicants early on increases the chances of getting a sufficient number of applications in.** It also results in applications that are more likely to be in line with the Fund’s expectations and thus more likely to be funded.
- › **Companies have a huge capital need for stock/equipment purchases, consumer lending, and last-mile distribution.** These three are the most-often cited ways companies wanted to use the grant. Some expansion-stage solar companies wanted to use the grant to structure a guarantee facility to leverage local currency loans or set up a special purpose vehicle.

## 9. Leveraging UNCDF’s market making platform

RECF can achieve its scale ambitions by riding on the UNCDF CleanStart platform which takes a market-making approach through two additional pillars: 1) knowledge and learning and 2) advocacy and partnerships.

### 9.1 Knowledge and learning

#### Customer research

Who is the low-income energy customer? What motivates them and how do they use energy? How can companies move from perceived demand to actual, well-calculated demand? Where and how should the government and development partners intervene?

The objective is to use a mix of existing and new data to provide market intelligence to companies so they offer better products and services to their customers, and to uncover what works and what doesn’t work in the process of business implementation.

- › **Energy ladder research (on-going):** A year-long study on the so-called “energy ladder” for solar power in Uganda to see if first-time buyers of small solar-powered products such as solar lanterns eventually buy larger and more expensive home systems, and what the role of financing is.
- › **Energy diaries<sup>53</sup> (starting):** Respondents are asked repeat questions every one or two weeks on money management, financial service and energy use over a six-month period. RECF partner companies have the option of participating in the research by providing UNCDF CleanStart with access to their customers.;

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<sup>53</sup> UNCDF CleanStart is supporting Low-Income Financial Transformation (L-IFT) in piloting this research in Uganda

- › **Finscope (potential):** Include energy-related questions in the upcoming Finscope in Uganda which is managed by Financial Sector Deepening Project Uganda. UNCDF CleanStart did this in Cambodia where UNCDF's Making Access Possible Programme managed Finscope.

### Market mapping/data base (planned)

How do energy companies decide where to sell next? How can companies move from perceived demand to actual, well-calculated market demand? Where will the grid be extended next? Where then should off-grid companies fill the gap? How far along are we in achieving the Sustainable Energy for All or Sustainable Development Goals?

There are various data sets readily available in Uganda that, over-laid and analyzed together, could give us some data-based and visual indication of where things are headed and where the opportunities are.

It could improve the way the energy access sector (private and public) plans market or policy interventions, and track progress over time. It can also provide greater market visibility, and even risk transparency, to investors.

Data that could be shared on the platform include:

- › **Market data:** infrastructure (e.g. electricity grid, roads, schools, GSM network, banks), demographic data (e.g. income, asset), and price (e.g. solar products, kerosene, mobile phone charging, electricity).
- › **Commercial data** (anonymized and aggregated): customer demographics, product sales, distribution network (e.g. various field/sales agents/outlets), credit repayments (e.g. solar pay-as-you-go customers).

The viability of such a tool is worth exploring because in Uganda because:

- 1) there are fairly recent, nationally representative surveys done (e.g. Census, upcoming Finscope);
- 2) a large amount of data is generated automatically through satellite, mobile telecommunications and digital payments (e.g. solar pay-as-you-go customer and repayments data, mobile phone/money transaction data, housing infrastructure, weather data);
- 3) there are cost-effective, mobile phone-based data collection tools/techniques that are making data collection cost-effective and closer to real-time;
- 4) sophisticated data analytics capacity is available in Uganda.

However, the big question for a tool like this is

- 1) how to ensure the data is regularly updated, especially incentives for partners to share data (especially those that are commercially/politically sensitive);
- 2) public vs private use;
- 3) good quality /reliable data;
- 4) granularity of data (e.g. aggregation for data privacy, village level data for grid planning);
- 5) data security.

Sector-wide buy-in and collaboration is needed to create a relevant, regularly-used platform. UNCDF, together with the Government, funders and private sector, is well-placed to facilitate dialogue, access to data, and implementation with an eventual investee portfolio of up to 20 companies (including UNCDF CleanStart's current partners) in Uganda, and an even larger constituent as UNCDF Uganda.

#### **Box. Solar pay-as-you-go sector and data**

The solar pay-as-you-go financing business is generating a lot of data about off-grid customers (e.g. customer credit assessments, repayments, mobile money transactions, energy usage). Therefore, there is a growing number of organizations that are looking at how to harness these data sets to understand customers better and improve risk transparency for investors. This is pertinent given the capital-intensive nature of this business.

Some data-related initiatives/businesses include:

- › **Village Power**, a solar home system company in Uganda, is developing a market data base with a loan sharing functionality for solar pay-as-you-go financing companies in Uganda. The market data base is being developed to mobilize more commercial investments into solar pay-as-you-go companies by providing data transparency and company benchmarking easier for investors. This project is supported by the UNCDF CleanStart programme.
- › **The Global Off-Grid Lighting Association (GOGLA)** is conceptualizing a research project which uses solar pay-as-you-go financing companies' customer credit assessment tools as a baseline to track the socio-economic impact of solar systems over time;
- › **Asset securitization companies in emerging markets**, such as Lendable, uses predict credit risks/repayment rates of solar pay-as-you-go companies using various data sets (e.g. geographic, economic, weather, mobile network, company sales and credit portfolio) and sell securities (or loan books) to global commercial investors;

## **Knowledge-sharing**

In Uganda, UNCDF can facilitate small group meetings and a forum type of knowledge-sharing event that focuses on energy access. The objective is to share the latest that is happening in energy access in Uganda and globally, and explore sector-wide and cross-sector collaboration opportunities.

UNCDF has already built the foundation for this coordination/collaboration platform through the recent *Thinkshop on Energy Access and Financial Inclusion* organized in Uganda where more than 50 stakeholders from the energy, telecommunications, financial inclusion sectors participated (See Annex 5).

On a global level, CleanStart organizes an annual global forum called *CleanStart Connect*. In 2016, UNCDF may partner with the Global Off-Grid Lighting Association to organize an investor conference in Asia and/or Africa.

## 9.2 Advocacy and partnerships

The long-term vision for RECF is to become a stand-alone facility for development partners to provide coordinated, market-catalyzing support to energy SMEs in Uganda, and contribute to one of Government of Uganda's energy sector priorities which is to 'increase access to modern energy services through rural electrification and renewable energy development'.<sup>54</sup>

Through the RECF, UNCDF CleanStart will endeavor to:

- › build a reputation as a "trusted" broker for energy SMEs, Government, DPs, investors, various intermediaries that want to enter/invest in the 'energy access' sector in Uganda.
- › build an investment platform that other DPs and financiers can pool their resources into.

To this end, UNCDF CleanStart will endeavor to work closely with the Embassy of Sweden in Uganda to:

- › proactively engage with 'energy access' development partners in the Energy Sector Development Partners Working Group;
- › proactively support the Ministry of Energy and Mineral Development, Rural Electrification Agency, Uganda Energy Credit Capitalisation Company to build their capacity in providing catalytic capital to the energy access sector in Uganda;

UNCDF CleanStart, through its Business Plan endorsed by the Government of Uganda (2014-2017), has agreed to support MEMD, REA and UECCC with building the conditions for expanding financing for clean energy, with grants for capacity building (see Budget Annex 1). Grants will be signed pending successful negotiations with Government counterparts.

Support areas broadly include (details to be confirmed):

- › piloting new financing approaches e.g. biomass re-financing facility (UECCC);
- › creating market awareness;
- › knowledge-sharing;

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<sup>54</sup> The Energy and Mineral Development Sector Working Group (EMD-SWG) ToR

- › coordination, monitoring and evaluation

## **10. Industry best practice**

RECF grantees will be encouraged and assisted to follow industry standards/principles on consumer protection, product quality, and credit portfolio management and reporting to build investor confidence. Furthermore, UNCDF CleanStart will help shape the direction of these standards/principles by feeding back to standard developers, such as the Global Off-Grid Lighting Association, experiences that companies have applying these standards to their businesses.

### **Consumer protection**

UNCDF requires all partners to endorse client protection principles relevant to their business. In the performance-based agreement (PBA), partners are obligated to adopt relevant policies, put in place practices and systems, and measure performance and report back to RECF annually on these progresses. Client protection principles are stipulated in the PBA and include:

- Appropriate product design and delivery
- Prevention of over-indebtedness
- Transparency
- Responsible Pricing
- Fair and respectful treatment of clients
- Privacy of client data
- Mechanisms for complaint resolution

When evaluating proposals the Investment Committee will ensure that they are cognisant of the risks posed to beneficiary groups. The IC decisions will be informed by client protection principles.

### **Product quality assurance**

Where relevant, UNCDF CleanStart will strongly encourage partners to get quality certification from authorized organizations with credible and widely acknowledged standards, such as Lighting Global or the Good Stove - Better Cooking campaign. UNCDF CleanStart will support other initiatives, including those of Government and industry associations, that actively discourage the sales of sub-standard products in the market.

### **Harmonized metrics for solar pay-as-you-go portfolio quality**

In the off-grid solar sector, there is an active discussion around harmonizing metrics for measuring the health of solar pay-as-you-go portfolios with a view to attract commercial investments. UNCDF CleanStart, together with the Global Off-Grid Lighting Association and the World Bank/IFC, is supporting the pay-go key performance indicator discussion at two levels:

- 1) By facilitating a consultative process to develop harmonized language and key performance indicator for the industry;
- 2) By supporting the development of the data infrastructure itself (similar to the MIX Market). Our new partner in Uganda, called Village Power (offers pay-go financing for solar home systems), will be using Uganda as a test case

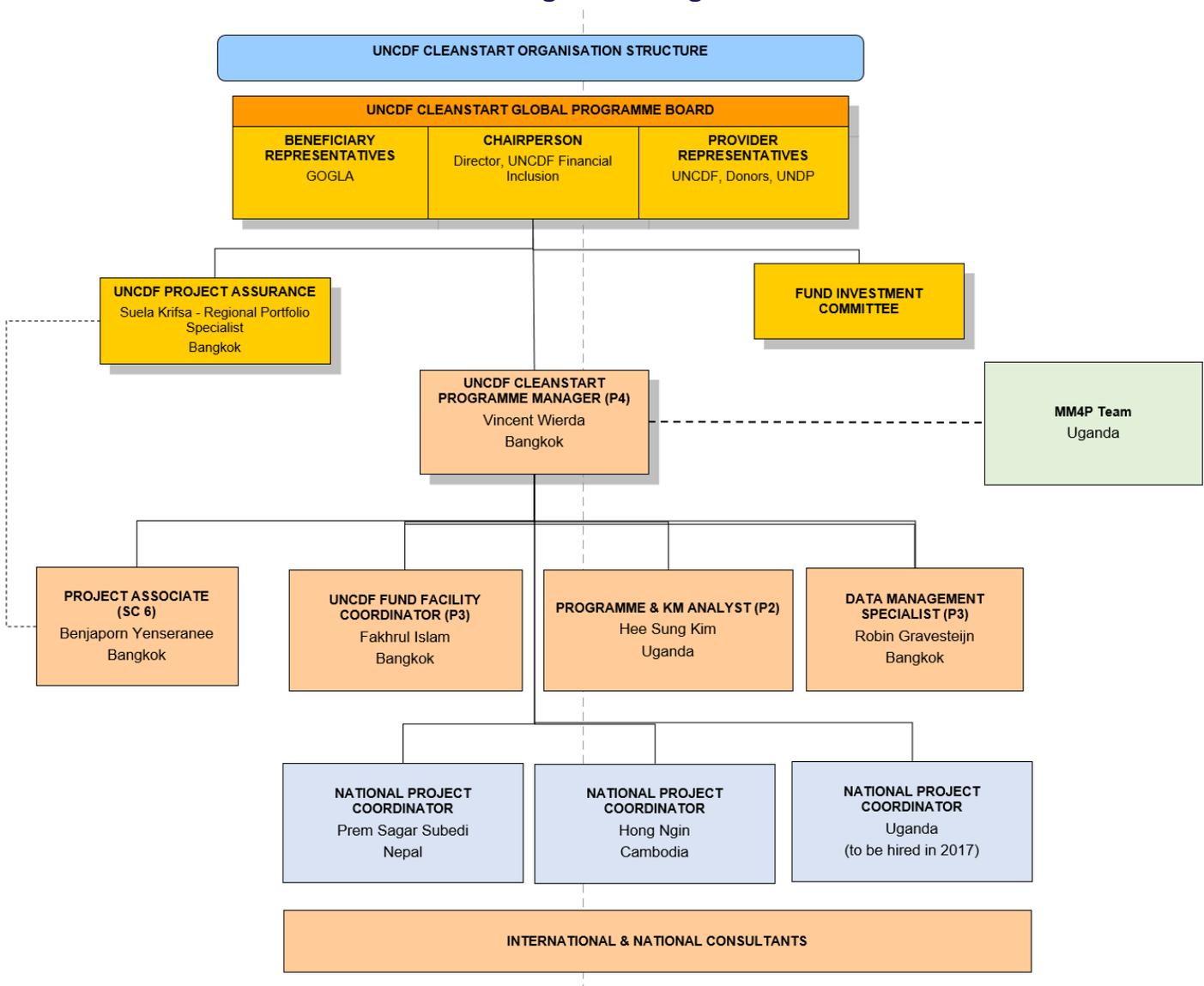
Once the metrics are finalized and made public, UNCDF will adopt these metrics as relevant into the key performance indicators that partner companies are obligated to report on a quarterly basis.

## 11. Governance and staffing

The governance system for RECF will comprise three distinct bodies: i) the UNCDF CleanStart Global Programme Board; ii) the RECF Investment Committee (IC); and iii) a Fund Management Team.

These three entities will work to ensure that the Fund conforms to best practices, and serves to make sure that attempts to defraud or undermine the project are successfully rebuffed, using a series of checks and balances, and monitoring activities.

### UNCDF CleanStart Programme Organisational Structure



The **UNCDF CleanStart Global Programme Board (GPB)** will have overall responsibility for the strategic management of RECF, including deciding on all capital investments to institutions, as well as safeguarding funds committed.

The UNCDF CleanStart GPB meets twice a year, or as required. In cases when the UNCDF CleanStart Programme Manager, IC or Fund Management Team requires further guidance and decisions on critical issues, additional meetings may be convened. Such additional meetings may be held remotely.

The GPB is currently chaired by the UNCDF Director of the Financial Inclusion Practice Area (FIPA), and composed of senior managers from the UNCDF Financial Inclusion Practice Area (FIPA), UNDP Environment and Energy Group, and the Global Off-Grid Lighting Association.

Funders that provide direct funding of at least USD 3 million to the UNCDF CleanStart Programme through a contribution agreement are entitled to a seat on the GPB. To date, the Swedish International Development Cooperation Agency (Sida) has committed over USD 3 Million to the UNCDF CleanStart Global Programme, and will therefore, be invited again to join the global Board.

In general, the UNCDF CleanStart GPB is responsible for making management decisions by consensus for the UNCDF CleanStart Programme, including approval of Annual Work plans and revisions as well as authorising any major deviations from the agreed plans. The UNCDF CleanStart GPB will approve all decisions on the grantee selection made by the Fund IC, and any others by the Fund Management Team on grantee management during implementation. The Board is also the authority that signs off on the completion of activities and ensures that required resources are made available. Additional members may be requested to act as members and advisors to the Board, based on their expertise in relevant areas of UNCDF CleanStart Programme, for example, to cater for the CleanStart funding window.

The Board has the authority to remove members of the Fund IC, should it be found that they have not conformed with the governance guidelines set out in the UNCDF CleanStart Challenge Investment Committee Guideline/Terms of Reference and the Non-Disclosure/Conflict of Interest Form, or displayed insufficient professional expertise and propriety required. The Board also has the authority to amend the composition of the Fund IC in order to best evaluate specific windows that are opened under RECF.

The **Fund Investment Committee (IC)** will be independent, and tasked solely to review applications received through the EOI and full proposal processes, and to make recommendations as to which proposals should be presented to the UNCDF CleanStart Global Programme Board for their review and approval. The IC is expected to meet two times per year or as advised by the UNCDF CleanStart Programme Manager, and endorsed by the Chairperson of the UNCDF CleanStart Global Programme Board. The success of RECF will be substantially linked to the quality and dynamics of Committee members, particularly in terms of their knowledge, expertise, dedication and leadership, throughout the grants approval process. It is critical that the members of the committee

will be selected as individuals, not selected on the basis of an organisation. IC composition will seek as much as possible to ensure gender balance. It is important to note that the Investment Committee will be independent and gender-balanced.

The identity of the persons on the IC will not be made public, and they will not be permitted to evaluate any applications of which they have direct knowledge or connection. Members of the IC will be expected to adhere to a Code of Conduct, and perform this role with the highest degree of probity and discretion. The IC will follow the conflict of interest protocol as defined in the UNCDF CleanStart Challenge Investment Committee Guideline/Terms of Reference and the Non-Disclosure/Conflict of Interest Form (Annex 13).

The precise composition of the IC will be agreed by the Global Programme Board. The IC will be made up of a core of permanent members, with invited ad hoc members to assist with specifically themed rounds. It will be comprised of at least five members, with a quorum set at four. A detailed Terms of Reference for the IC will be finalized in the first quarter of the project.

While consensus amongst the IC members will be sought in the grantee selection process, in the case of a split decision, a majority voting process will be used. The chairperson will have the final casting vote should there be a split decision between IC members. The chairperson will hold an extra vote in cases where only an even number of members are present.

Alternate representation for IC members can be allowed in certain circumstances. The alternate representation for the specific IC member will be pre-identified and communicated, and ultimately approved by the Board.

The UNCDF CleanStart Programme Manager will act as Secretariat to the IC. The Fund Management Team will not be permitted to influence the decisions of the IC.

More **specific tasks** of the Investment Committee include:

- › Evaluating RECF funding proposals to select grantees and allocate grants for each of the windows under these programmes;
- › When evaluating proposals the IC will ensure that they are cognisant of the risks posed to beneficiary groups. The IC decisions will be informed by client protection principles (see section Industry Best Practice).
- › Ensure that the programme remains aligned to the overall Goal and Purpose of the logical framework for the UNCDF CleanStart Programme, including RECF, as set out in the project documentation;
- › Provide guidance to the Fund Management Team and access to a network of key people, organisations and businesses that may contribute to the success of RECF-funded projects;
- › Provide feedback to help refine and in some instances support the marketing strategies and improve the targeting of the outreach efforts for subsequent bidding rounds for RECF.

Ideally the Investment Committee should contain some of the **types of individuals / competencies**:

- › A professional with a broad and up-to-date view of the various business models in the energy access market globally; that has experience advising early stage energy enterprises on business implementation and investment mobilization; that is well-connected with people and organizations active in the energy access market;
- › A professional who is either an accomplished entrepreneur or has extensive experience supporting early stage energy enterprises expand in Uganda. Ideally, they will understand the various market conditions across Uganda well, and have some experience implementing or advising companies on consumer and/or enterprise financing models;
- › A professional who has extensive experience in Uganda's business sector; actively supports women and/or youth-led enterprises in Uganda; has strong connections to women and/or youth-serving organizations; understands how women and/or youth can be engaged in private sector development.
- › A professional preferably holding or having previously held a senior position within a major financial institution in Uganda. Should have extensive experience supporting project and retail financing across a number of industries and sectors. Ideally, has deep understanding of the constraints, priorities and risks related to financial inclusion for women/youth, MSMEs and the poor into the formal financial system and/or experience implementing digital finance or payment platforms.
- › A professional with significant experience of managing impact investment funds, private equity or venture capital funds within East Africa. Should have extensive experience in the energy access sector and supporting businesses of various sizes.

The IC is expected to meet as necessary, in-person or virtually, at a place to-be-determined, for a period of between one to two full days for each meeting (depending on the number of EOIs or full proposals to be reviewed). IC members will also need to devote some additional days to review EOIs and full proposals prior to the meetings. The Chairperson shall determine where meetings are held, following consultation with the UNCDF CleanStart Programme Manager, as well as the Fund Management Team. Members shall receive at least 14 days' written notice of a meeting, provided that the notice period may be waived with the approval of all the members.

The **Fund Management Team** will be responsible for supporting the UNCDF CleanStart Programme Manager on the day-to-day management of RECF, as well as interacting with all applicants and recipients.

The in-country (national) Project Coordinator will work closely with UNCDF's Global Fund Facility Coordinator and a multi-disciplined team of independent consultants to perform due diligence on proposal applicants, support the proposal drafting process and monitor results.

Supporting documents for contracting of grantees, including the Milestones and Results Chain and the Performance-based Financing Agreement, will be negotiated and agreed by the Fund Management Team, based on guidance by and in conformity with the recommendations of the IC and Global Programme Board. Should disputes or areas of potential conflict arise, the Fund Management Team must seek the guidance of the UNCDF CleanStart Programme Manager and Board. Only the Fund Management Team and Programme Manager, and not the Board nor IC, may have direct contact with the grantees, and provide TA and other support, as required.

**UNCDF CleanStart's Programme Manager** is responsible for the day-to-day management of the UNCDF CleanStart Programme, including the RECF. The Programme Manager is based at UNCDF's Regional Office in Bangkok and reports directly to the UNCDF Director of Financial Inclusion.

**UNCDF's Global Fund Facility Coordinator** shares 50 percent of his time supporting UNCDF CleanStart to manage Challenge Funds in multiple countries. The Coordinator has a quality assurance role and advises the UNCDF CleanStart team on the proper execution of Challenge rounds, contract management, and reporting, monitoring and evaluation.

**In-country (National) Project Coordinator** supports the day-to-day implementation of RECF in Uganda. The in-country Project Coordinator's key function in relation to RECF are:

- › Secretariat to the RECF Investment Committee;
- › Contract management;
- › Reporting, Monitoring and Evaluation;
- › Networking and partnerships;
- › Knowledge management.

The in-country (National) Project Coordinator role is currently performed by the UNCDF CleanStart Programme Analyst (international staff) who is based in Uganda. By end 2017, UNCDF CleanStart will hire a National Project Coordinator; by end 2016 potential project coordinators will be identified among a pool of national consultants—and given increasing coordinator/management responsibilities through 2017.

**Multi-disciplined advisory team** will advise companies at the pre-investment, investment, and exit stages of the RECF grant funding. Existing international consultants will form the initial basis of this. UNCDF CleanStart will put together a multi-disciplinary team of individual consultants (national and international) with the appropriate substance (e.g. distributed energy, asset financing, microfinance, youth employment) and functional expertise (e.g. business plan development, due diligence) for each Challenge window.

UNCDF CleanStart has an existing long-term agreement (3 years since 2015) with four (4) individual, international consultants that can contribute directly to RECF implementation. These consultants worked with the Programme in implementing Challenge Funds in Cambodia, Myanmar and Uganda in 2015. Highlights of their experience/expertise are as follows and their CVs are in Annex 15.

- › Operationalizing asset financing in some of the leading solar pay-as-you-go companies;
- › Due diligence of solar pay-as-you-go companies on behalf of development finance institutions;
- › Advising microfinance institutions on energy lending; carbon finance;
- › Energy enterprise incubation, due diligence, monitoring and evaluation;
- › Analyzing off-grid solar market trends for the Global Off-Grid Lighting Association

This team will be supplemented by additional international advisors as well as national advisors that will complete the team. The aim is for national advisors to increasingly take up roles and responsibilities of international advisors as the programme proceeds, by working closely with the international team.

The advisory team, depending on the specific challenge window, is envisaged to include at least two (2) international consultants, and one to two (1-2) national consultants. Initial windows may have a heavier international consultant composition compared to national consultants in order to leverage UNCDF CleanStart's existing advisory infrastructure, and to give time for national consultants to become familiar with how UNCDF CleanStart and RECF operate, and vice versa.

RECF, to gain momentum quickly, will initially rely heavily on an existing pool of international consultants with long term agreements to start up activities in Uganda. However, as the programme gains momentum, and as RECF has identified a larger pool of suitable national and international consultants to execute activities, the pairing and ratio of days between the two types of consultants is expected to change at times. Pairing international and national consultants in this manner is expected to yield better results for RECF for the following reasons:

- 1) **Efficiency:** RECF must complete three challenge windows in a span of 18 months. It is therefore imperative to run the challenge with consultants that have gone through the process already. There is little time to "test" consultants out, but by pairing international and national consultants RECF can gradually build up a talent pool of vetted national consultants.
- 2) **Refinement:** The advantage of having multiple challenge rounds is the ability to improve subsequent rounds based on the outcomes and experiences of the previous round. The international consultants that worked on UNCDF CleanStart's first challenge round know what parts of the challenge process works or can be improved with some changes. This team spent hours speaking with and advising RE SMEs in Uganda. Working with the same consultant team will make RECF's processes stronger.

3) **Knowledge-transfer:** International consultants have cross-country experience, and also some very specific expertise in frontier areas, such as asset financing, solar-as-a-service. Often times, these companies have worked in some of the leading RE SMEs such as M-KOPA or Off-Grid Electric. These skills are especially important for the latter stage challenge fund windows also, given these are more ambitious compared to what has been previously tried in the market. Therefore, pairing up with these international consultants offers an opportunity for Uganda’s experts to also build their advisory expertise in these new fields. Moreover, CleanStart will invite national consultants to relevant forums/think-shops so that national consultants will have greater exposure to the latest models across Africa and Asia.

The full suite of international and national consultants that will be available for RECF are as follows:

#	Expertise	International Consultant	National Consultant
1	Challenge marketing & preparations, business plan development, TA	3 (CS LTA)	3 (new)
2	Due diligence & M&E	1 (CS LTA)	1 (new)
3	Energy-as-a-service (e.g. DFS plus, micro-grids)	1 (new)	1 (new)
4	Youth/women’s economic empowerment	-	1 (new)
5	Investor relations	1 (new)	1 (new)
6	Consumer awareness building/marketing	-	1 (new)
	<b>Total</b>	<b>5</b>	<b>8</b>

### Summary of each consultancy position

Detailed ToRs will be finalized, recruitment initiated in the first Quarter of the project.

#### 1. Challenge marketing & preparations, business plan development, TA

The consultant will assist with rolling out the Challenge process in Uganda, at both the EOI and RFA stages. The consultant will support the Programme team with identifying innovative business ideas, providing consultations to applicants so that their proposals are in line with the Challenge’s objectives, and developing the EOI and RFA formats and tools to the Uganda context

Also consultants in this position will provide advisory support to grantees and a wider group of stakeholders about business implementation-related issues, such as asset financing, go-to-market strategies.

## **2. Due diligence & M&E**

The consultant will assist with the implementation of the Energy Access Challenge, especially focusing on the due diligence, monitoring and evaluation of proposals; and implementation of monitoring and evaluation activities with CleanStart's partner companies. The consultant will manage the due diligence process and develop related tools and templates, assist partners to develop results chains, and implement M&E activities, including reporting and disbursement claims quality check;

## **3. Energy-as-a-service consultant (e.g. DFS plus, micro-grids)**

The consultant will assist with researching, designing challenge rounds, and assisting partners with piloting innovations related to energy solutions that are offered using a service model, and may integrate digital means for ease of load management or payments collection, and other value-added services to customers. The consultant will work closely with CleanStart and MM4P as required.

## **4. Youth/women's economic empowerment**

The consultant will assist with studying the role of women and youth in energy value chains, as well as other value chains such as agriculture, health, education, that generate high employment for women and youth. The analysis will inform UNCDF CleanStart and companies on how to engage women and youth more actively in delivering energy products and services. The consultant will also assist partners with developing and implementing strategies that encourage more women and youth engagement in a way that contributes to companies' triple bottom line.

## **5. Investor relations**

The consultant will assist with building a strategy and network for investor and financial institution relations so that RECF partners can leverage follow-on capital. The consultant will also mentor companies with developing funding proposals and pitching to investors.

## **6. Consumer awareness building/marketing**

The consultant will assist with developing market awareness campaigns that benefit the wider market. The consultant will scope out various consumer awareness building activities active in Uganda and elsewhere, and develop complementary mass marketing activities, also involving national media and social media, that raise consumer awareness about clean energy. Also, the consultant will assist RECF partners with specific go-to-market strategies that use targeted, affordable, and effective approaches,

especially women and youth. The bulk of activities for this will be carried out in 2018 and 2019, when there is a critical mass in terms of product availability from new RECF partners.

### **UNCDF CleanStart Programme Team**

UNCDF CleanStart is managed globally by UNCDF through a Programme Implementation Unit (PIU) based in the UNCDF Asia-Pacific Regional Office in Bangkok, Thailand and in Kampala, Uganda.

The PIU is headed by a Programme Manager and supported full-time by two staffs.

**Programme Manager** is responsible for the day-to-day management of the UNCDF CleanStart Programme, including the RECF. The Programme Manager is based in UNCDF's Regional Office in Bangkok and reports directly to the UNCDF Director of Financial Inclusion.

**Programme and Knowledge Management Analyst** supports the Programme Manager in the day-to-day management of the UNCDF CleanStart Programme, with a heavy focus on Uganda. The Analyst performs the role of Fund Coordinator in Uganda by managing Challenge rounds, monitoring grantee progress, organizing Thinkshops, and managing research projects.

**Project Associate** manages UNCDF CleanStart's financial and operational procedures, such as procurement, according to UNCDF's management policies and procedures. The Project Associate is based in UNCDF's Regional Office in Bangkok.

The Programme Manager is supported by two part-time staff:

**Fund Facility Coordinator** shares 50 percent of his time supporting UNCDF CleanStart to manage Challenge Funds in multiple countries. The Coordinator has a quality assurance role and advises the UNCDF CleanStart team on the proper execution of Challenge rounds, contract management, and reporting, monitoring and evaluation.

**Data Management Specialist** shares 50 percent of his time supporting UNCDF CleanStart to manage data and research-related activities in multiple countries.

**National Project Coordinator:** UNCDF CleanStart has National Project Coordinators in Nepal and Cambodia. By 2017, UNCDF CleanStart will hire a **National Project Coordinator** in Uganda under a consultancy contract. By 2018, the national Project Coordinator will be a project-based staff position.

For Challenges related to digital financial services and energy, CleanStart in Uganda will also draw on the support and expertise of the MM4P team in Uganda, with three experts in connection with Digital Financial Services:

- › **Country Technical Specialist** who oversees MM4P's portfolio in Uganda (strategy and partnership development role);

- › **Digital Financial Services Expert** with expertise in digitizing payments in various sectors, such as agro value chains (e.g. tea, seed oil, coffee);
- › **Digital Financial Services ‘Plus’ Expert** who has expertise in research and piloting innovations in digital finance plus essential services, such as energy and education;

## 12. Risk assessment

In addition to the internal and external risks identified below, UNCDF CleanStart, together with the Embassy of Sweden in Kampala will 1) assess key environmental and climate change risks and opportunities, and 2) ensure RECF integrates environment and climate change into its implementation and operations, using the Embassy’s Environmental and Climate Change Integration framework.

External Risk	Probability: High, Medium, Low	Mitigation
1. <b>Technology/Business viability:</b> Not all companies will succeed; fine balance between companies that have potential but not quite there yet versus companies that will never get there	High	Have regular catch-up calls/visits with companies;  Connect companies with right expertise quickly;  Revise or terminate PBA to accommodate business implementation realities or to free up resources for other investments
2. <b>Financial risk:</b> Companies mis-use grant funding	High	Mandate quarterly and annual financial expense reporting as part of PBA;  Conduct spot-checks to validate expense items;  Conduct internal/external auditing
3. <b>Sustainability/Leverage:</b> Companies have hard time getting follow-on capital	High	Network heavily with investors; regularly update core group of investors on partner progress;  Structure/finance risk-sharing arrangements with investors e.g. first-loss guarantee;

		<p>Organize Thinkshop and investor forum type-events;</p> <p>Support companies with packaging and communicating business &amp; development results</p>
<p>4. <b>Technology risk:</b> Product or service is sub-standard compared to what companies market themselves to deliver</p>	Medium	<p>Conduct thorough due diligence of hardware (e.g. site visits, certifications);</p> <p>Include certification by reputable independent organization as key milestone (within realistic timeframe);</p>
<p>5. <b>Development Impact:</b> Project falls short of achieving development impact such as women and youth outreach targets, due to the overall performance of the project to date or due to unforeseen circumstances in the environment in which the project operates.</p>	Medium	<p>Link companies to youth and women employment expertise or high women and youth employment generating value chains;</p> <p>Ensure companies have in place and put into practice client protection principles as part of PBA requirements;</p> <p>Regularly measure and review development indicator progress with companies</p>
<p>6. <b>Competition for investable partners:</b> Other funders implement their own “challenge” at the same</p>	Medium	<p>Launch first challenge window in late 2016;</p> <p>Explore combined challenges if it creates synergies;</p>
<b>Internal Risk</b>	<b>High, Medium, Low</b>	<b>Mitigation</b>
<p>7. Delay with launching three challenge windows within 2017</p>	Medium	<p>Stagger window designs and launch:</p> <p>- Launch Window One (clean cooking) in 2016;</p>

		<ul style="list-style-type: none"> <li>- Design Window Two (small solar + DFS) in parallel (start in 2016);</li> <li>- Design Window Three (large solar + productive use) in early 2017</li> </ul>
8. Synchronization issues with other collaborators such as MM4P	Medium	<p>Hire DFS Plus consultant from MM4P and CleanStart side in 2016;</p> <p>Conduct research in 2016 or early 2017 to develop high-potential collaboration areas, design for challenge and joint action plan;</p> <p>Partial MM4P staff time committed to supporting UNCDF CleanStart;</p>
9. Local consultants suitable for the job difficult to find	Medium	<p>Sign short-term agreements with national consultants;</p> <p>International consultants will mentor local consultants;</p>
10. Difficult to maintain core group of IC members; IC members are averse to innovation/risk-taking and end up selecting non-transformational “projects”	Medium	<p>Interview potential IC members and get references (openness to risk-taking/innovation, expertise, network, accessibility);</p> <p>Expand IC member candidates to flexibly change/add-on expertise based on Challenge windows;</p> <p>Report back to IC members on partner progress to keep members engaged and to encourage sense of ownership to investment decisions;</p>

### 13. Budget Summary

The Swedish funding is projected to leverage a total of USD2Million of UNCDF programmed funding for Uganda to promote energy access through CleanStart and other UNCDF programmes working in the same space. However, funds project for 2018-2020 are not confirmed yet, as CleanStart programme cycle still has to be formally

extended to those years.<sup>55</sup> Please find herewith a summary of the USD contribution of Sweden (using today's exchange rate). Details are provided in the **attached Excel sheet Annex 1 in all three currencies, UGX, SEK and USD.**

BREAKDOWN (USD)	SWEDEN						UNCDF		TOTAL BUDGET			
	2016	2017	2018	2019	2020	Total	Percentage	Total	Percentage	TOTAL	SWEDEN %	UNCDF%
GRANTS	-	395,000	830,000	830,000	695,000	2,750,000	59.2%	1,063,024	52.7%	3,813,024	41%	16%
STAFF COSTS	-	160,065	199,004	64,040	33,622	456,731	9.8%	448,460	22.2%	905,192	7%	7%
CONSULTANCY INTERNATIONAL	12,000	145,768	83,833	21,304	15,964	278,869	6.0%	110,980	5.5%	389,849	4%	2%
CONSULTANCY NATIONAL	6,000	105,900	141,750	44,321	10,419	308,390	6.6%	0	0.0%	308,390	5%	0%
EVENTS/WORKSHOPS	-	25,000	37,000	32,000	-	94,000	2.0%	55,000	2.7%	149,000	1%	1%
COMMUNICATION	-	70,000	140,000	-	-	210,000	4.5%	0	0.0%	210,000	3%	0%
RESEARCH	-	-	20,000	-	20,000	40,000	0.9%	140,000	6.9%	180,000	1%	2%
AUDIT	-	-	-	40,000	-	40,000	0.9%	30,000	1.5%	70,000	1%	0%
MIDTERM REVIEW	-	-	33,689	-	-	33,689	0.7%	0	0.0%	33,689	1%	0%
TRAVEL	3,280	13,120	13,646	14,197	14,772	59,015	1.3%	3,280	0.2%	62,295	1%	0%
OTHERS	-	11,000	6,000	8,000	5,000	30,000	0.6%	18,500	0.9%	48,500	0%	0%
Sub Total	21,280	925,853	1,504,922	1,053,862	794,777	4,300,694	92.6%	1,869,244	92.6%	6,169,939	65%	28%
GMS	1,702	74,068	120,394	84,309	63,582	344,056	7.4%	149,540	7.4%	493,595	5%	2%
TOTAL	22,982	999,922	1,625,316	1,138,171	858,359	4,644,750	100.0%	2,018,784	100.0%	6,663,534	70%	30%

Note: staffing costs for UNCDF will be difficult to adjust, as they are fixed in USD. Other items in budget can be adjusted pro-rata pending exchange rate fluctuations in future.

## 14. UNCDF Policies and Procedures relevant to RECF

UNCDF's policies and procedures relevant to the sound management of RECF is outlined in Annex 12. It contains information on the following with a number of sub-annexes:

- › Management and Organization
- › Decision order
- › Risk analysis
- › Procurement
- › Forwarding of funds
- › Financial management
- › Human Resources Management
- › Revenue Management
- › Disbursement of funds by expense category
- › Financial reporting
- › Audit
- › Evaluation

<sup>55</sup> *CleanStart Annex 2 RECF proposal budget 21OCT16* as part of the Cost Sharing Agreement is considered the definitive budget document. The UNCDF portion of budget are provisional and include UNCDF core resources, SIDA PFIS and LDGR funds allocated to CleanStart, and other funds mobilized directly by CleanStart such as Norad and Liechtenstein now and in future.

## 15. Annexes

Annex 1 – CleanStart RECF Budget (revised) further revised 08SEPT

Annex 2 – CleanStart Fact Sheet

Annex 3 – Challenge Fund Operations Manual (December 2015 version)

Annex 4 – Reflections on Previous CleanStart Challenge Round

Annex 5 – March 2016 Think-shop on Energy Access & Financial Inclusion

Annex 6 – March 2016 Think-shop Invitee List

Annex 7 - UNCDF Capability Statement

Annex 8 – CleanStart Connections magazine

Annex 9 – UNCDF 2015 Annual Report (new)

Annex 10 – Theory of Change, Logframe and Activity Gantt (*revised*) further revised 08SEPT

Annex 11 – Target numbers background (*new*) further revised 08SEPT

Annex 12 – UNCDF Policies and Procedures relevant to RECF (*new*)

Annex 13 – IC Non-Disclosure Agreement (*new*)

Annex 14 – UNCDF CleanStart Core Staff TORs (*new*)

Annex 15 – UNCDF LTA Consultants TORs CVs (*new*)

Annex 16 – E of Sweden Comment Log Replies (*new*)