



BRILHO

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Iluminamos vidas*

ENERGY AFRICA MOZAMBIQUE

Guidelines for Applicants

Market Development Fund

Call for Expression of Interest

for Green Mini-Grid Initiatives



Funded by:



Implemented by:





BRILHO aims to stimulate private sector delivery of quality and affordable off-grid energy products and services to improve the lives of low-income people in Mozambique. BRILHO is a programme funded by the UKaid through the Foreign, Commonwealth & Development Office (FCDO), to be implemented over five years (2019-2024) by SNV Netherlands Development Organisation.

This document describes the guidelines for the extension of the first Call for proposals of BRILHO's Market Development Fund (MDF), particularly for green mini-grid technology launched in February 2020. BRILHO reserves the right to implement any changes to the guidelines as deemed necessary.

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1. Acronyms

BDS – Business Development Services

BEST – Biomass Energy Strategy

CapEx – Capital Expenditures

CfP – Call for Proposals

CG – Catalytic Grants

EoI – Expression of Interest

ESL – Energy Service Level

FCDO – Foreign, Commonwealth

& Development Office

FP – Full Proposal

FUNAE – Mozambique Energy Fund

GBP – Great Britain Pound

GDPR – General Data Protection Regulation

GMG – Green Mini-grids

GoM – Government of Mozambique

ICS – Improved Cooking Solutions

LPG – Liquefied Petroleum Gas

MDF – Market Development Fund

MTF – Multi-Tier Framework

OpEx – Operational Expenditure

PayG – Pay As You Go

PU – Productive Use

QA – Quality Assurance

RBF – Result Based Financing

SHS – Solar Home Systems

TA – Technical Assistance

UA – Underserved Areas

VAI – Vulnerability Assessment Index

2. Background

With an off-grid population of approximately 4 million households, Mozambique has the seventh largest off-grid population in Sub-Saharan Africa. Mozambique is characterized by having only 37 per cent of the population currently with access to electricity¹ and more than 95 per cent of the population using traditional biomass for their cooking energy needs. A large share of the off-grid population is unaware of clean energy technologies and their benefits.

The Government of Mozambique (GoM) has set an ambitious goal to achieve universal access to energy by 2030 as reflected in the 2018 national programme 'Energia Para Todos' and the 2013 national Biomass Energy Strategy (BEST) to ensure access to Improved Cooking Solutions (ICS). The government has taken determined steps in improving the access to electricity; however, even with ambitious targets of the National Electrification Strategy aiming to see more than 370,000 new electricity connections annually by 2030, more than 14 million people will remain without access to electricity in the immediate future.

Supporting GoM goals to realize universal energy access will therefore require significant efforts amongst multiple stakeholders. GoM recognizes the need to realize its ambitions via the development of a vibrant private sector of off-grid energy service providers.

Aim is to stimulate commercial investment and open the wider potential for consumer access to renewable energy technology options including solar power, improved cooking solutions and green mini-grids.

Despite the need and potential of Mozambique's sizable off grid population, market analysis conducted by multiple stakeholders reveals that

this market continues to largely remain underserved. Only a limited array of renewable off grid energy businesses are currently operating in Mozambique to avail quality renewable energy product and services to rural off grid communities.

In response to this context, the Energy Africa Compact for Mozambique, an effort led by FCDO and the GoM, supported by other development partners, outlines the specific sector challenges, opportunities and actions needed for the off-grid energy sector to expand and strategically contribute towards universal access to energy goal.

BRILHO, a £ 22.8 million five years programme, represents FCDO contribution to Mozambique's Energy Africa Compact and universal energy access ambitions with support intended to leverage the private sector's innovation and investment capacity in a manner that triggers robust growth in underserved off grid energy markets. As part of its strategy, the programme will further work to develop a conducive ecosystem for off grid energy market development by improving the access to information, setting quality benchmarks and advocating for a better regulatory framework. By 2024, the coordinated efforts of BRILHO aim to improve access to quality energy options for families and local businesses via:

- **Improved Cooking Solutions**, inclusive of *improved biomass cookstoves, biogas, ethanol, LPG and electric stoves*, benefitting 750,000 persons
- **Off-Grid Electrification Solutions**, inclusive of *Solar Home Systems (SHS) and Green Mini-grids (GMG)*, benefitting 750,000 persons
- **Productive Use²** of off-grid energy solutions benefitting 15,000 commercial businesses



Improved Cooking Solutions



Solar Home Systems (SHS)



Green Mini-grids

¹ Source: Energy Africa Compact for Mozambique. The majority of these reside in urban areas. ² Productive/commercial use: Activities that involve the utilization of energy (both electric, and non-electric energy in the forms of heat, or mechanical energy) for activities that enhance income and welfare. In rural contexts these activities are typically in the sectors of agriculture, rural enterprise, health and education. (Source: World Bank)

BRILHO will support the private sector efforts through a **£ 14.6 million Market Development Fund (MDF)** intended to de-risk and accelerate business initiatives aiming to achieve competitive commercial returns and provide quality energy solutions in emerging off-grid markets localities throughout Mozambique.

access tailored Technical Assistance (TA) supports. Additional funding per business could be available by a. extending their contracts, based on performance and funds availability, or b. in following rounds for additional bids.

Alongside direct financing, BRILHO will pair opportunity for successfully bidding businesses to

3. Market Development Fund Support

The MDF will support commercial and emerging players that deliver off-grid energy products and services in Mozambique. BRILHO has defined a specific scope of eligible technologies based on a multi-tier classification, with required technical specifications per product category, per tier level detailed under Annex 5.1.

Financing available via the MDF is intended to be accessible to a broad range of business models, start-ups with no access to commercial finance, to leading off-grid energy businesses who are able to raise equity and debt, and are ready to scale to a new market / a new part of Mozambique. The MDF will cater for this broad range of private sector players, recognising their different market niches, business models and needs, providing a holistic set of instruments that are accessible to all businesses dealing in ICS, SHS and mini-grids, as well as tackling particular barriers per technology area.

BRILHO's MDF support will be delivered in the form of two financing mechanisms, through Catalytic Grants and Results Based Financing (RBF), along with technical support as described in the figure below.

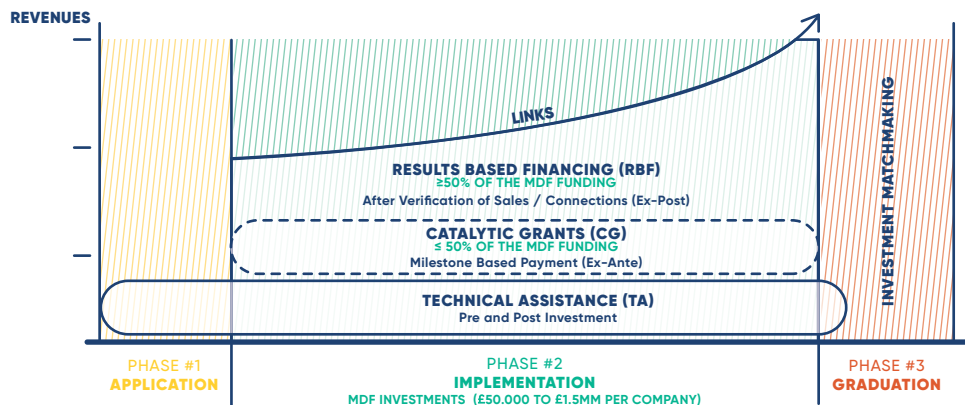


Fig. 1 MDF Support Mechanisms

Design and operational considerations for each of the MDF instruments is further elaborated in the Section 3.1 below.

The current application window is specific to GMG technology (which can include hybrid solutions, combining a centralised system with SHS) and catalytic funding up to £750,000.

3.1 Catalytic Grants (CG)

The Catalytic Grants refer to competitive milestone based grants for seed and working capital towards accelerated and scaled sales and distribution of off-grid energy products and services. This funding instrument will provide flexible financing, to be disbursed in advance (pre-financing) and/or on a reimbursement basis, to scale up operations and enable piloting of new approaches, technologies or partnerships for established enterprises in Mozambique. For new entrants into the Mozambique market, this financing is intended to defray a portion of the initial, incremental, and opportunity costs associated with market activation.

Catalytic Grant financing is intended to compensate businesses for Capital Expenditures (CapEx) and Operational Expenditure (OpEx) required in support of market combinations of development actions inclusive of, but not limited to Market assessments; Connections; Revolving funds; Local production/ assembling equipment and capacity and Skills development. Moreover, the following are not eligible items for BRILHO's MDF Catalytic Grant funding:

- a. Purchase of real estate assets
- b. Leasing of equipment or vehicles for applicant use
- c. Bank charges, cost of guarantees and similar charges
- d. Value of intellectual property rights
- e. Value of existing inventory used for the production of the business initiative goods and/ or services
- f. Intellectual property registration costs for new inventions.

Applicants for Catalytic Grants may request up to £750,000.00 based on the following conditions related to their total MDF request:

- Catalytic Grants disbursed as advance funding (pre-financing) will not be allowed to exceed at any point in time a 50% cap on the total approved Catalytic Grants value.
- Applicants are required to match the Catalytic Grants with at least the same co-investment value (1:1) comprised of their own and partner cash and in-kind contribution with the following limitations:
 - Other grant-based development programme financing is ineligible as co-investment
 - The co-investment must be specifically and directly related to the implementation of the business initiative
 - The in-kind co-investment can include CapEx and/or OpEx realized from February 2020
 - The value of the in-kind contribution must be tangible and verifiable, (i.e. based on specific supporting evidence such as contracts, invoices, etc.) so as to be confirmed for eligibility during due diligence

For applicants that will request Catalytic Grants (CG) financing in their Expression of Interest to BRILHO's MDF, they will be expected to provide the following information:

- The total projected value of the CG funds needed and
- A high level breakdown of the MDF Co-Investment related to their own and partner Cash and In-Kind contributions.

The proposed CG request by the applicant will then be assessed to determine:

- ✔ Compliance to eligibility criteria of the BRILHO program
- ✔ Cost competitiveness compared to other bids received
- ✔ Social impact of the proposed business initiative and
- ✔ Relevance of the CG bid to results and market development goals of the applicants proposed business initiative.

Applicants with successful Expressions of Interest, will be invited to prepare a full proposal wherein they will detail both financial and narrative descriptions of intended CG activities that are arranged and identified by progressive milestone indicators. Awarded CG support to firms will ultimately be contracted as milestone-based payments to be disbursed in tranches upon completion of key CG activities and attainment of specific agreed deliverables.

3.2 Technical Assistance (TA)

Technical Assistance from BRILHO's MDF is intended to enable businesses to articulate short-term needs associated with developing a bankable and executable market strategy for the business initiative who have been granted MDF support and who have requested support to develop business models, products, plans and/or operational strategies and capacity to either enter the Mozambican market or scale their existing activities within it. TA supports will come in the form of a support package of advisory services via the MDF.

TA requests do not form any portion of MDF financial bid or application budgets, and will be procured by BRILHO. Delivery of TA advisory services will take place in a phased manner through embedded programme staff and BRILHO's pool of short-term experts including BDS providers, who will provide

regular coaching and support, tailored to the needs of each market segment and technology area.

Businesses wishing to access TA supports of BRILHO will identify general areas of Technical Assistance needs in their initial Expression of Interest to BRILHO's MDF. Businesses who have placed successful EoI applications will then outline more specific areas of TA support during their elaboration of their business initiative in the Full Proposal.

The finalization of specific TA supports will be mutually agreed between BRILHO and businesses with successful full proposal during Due Diligence and Contracting stage. Should further TA supports be identified, additional packages might be prepared, reviewed, and approved as deemed needed by BRILHO.

4. MDF Admissions

4.1 Eligibility Criteria

Eligible applicants to BRILHO's MDF can include operators of quality assured energy technologies as outlined in Annex 5.1. Applicants must be able to legally operate in Mozambique. Applicants (Businesses) may include:

- Private companies,
- Social companies: Including associations, cooperatives, NGOs or similar that operate a venture to generate profits, which are reinvested internally,
- Partnerships and joint ventures between local and/or international companies and/or social enterprises that carry out activities co-operatively with aims to commercialise eligible energy technologies.

Both individual businesses and partnerships that consist of a combination of these businesses are eligible to apply to the MDF.

Parties meeting the above conditions who are further interested to apply to the MDF for financial support must also evidence the following minimum criteria for applications to be considered accepted for assessment and evaluation:

- Legally registered in Mozambique (or aiming to do so before the first disbursement takes place)
- The application is focused on for green mini-grid technology
- Companies with demonstrated capacity in the construction, management and operation of mini-grids in the national and/or international context
- The products proposed adhere to the quality standards specified by BRILHO as described in Annex 5.1
- Co-investment: for the Catalytic Grants, the applicant secures a co-investment of at least an equal value to the catalytic grant financing required, including in-kind and/or cash contributions.
- The applicant and partner(s) related to the proposed business idea are not involved in arms and gambling industries; involved in environmental or human rights abuses or corruption, as will be validated during due diligence

4.2 Assessment Criteria

Applications submitted by eligible applicants will be assessed in consideration of the following criteria, to determine the merits for the MDF financial and/or technical support:

- Potential number of beneficiaries with energy access solutions
- Potential number of businesses benefited with productive and commercial applications of the energy solutions
- Partnerships with national companies
- The cost effectiveness of the investment: level of private sector co-investment leveraged per each £1 invested by BRILHO's MDF, and the number of beneficiaries reached per £1 funded by the programme
- Energy service level according to the tier levels described in Annex 5.1
- Potential viability: market, commercial, financial and technical
- Applicant's capability and profile: Applicant's background, financial health, relevant experience, systems in place and business management and operational capacities. The suitability of the proposed team and its technical, professional and managerial skills and its potential cohesion. The participation and leadership of women within the decision-making levels of the business
- Approach towards gender equality and women's economic empowerment
- After sales services
- Sustainability and scale-up potential
- Additionality: BRILHO funding should not replace other existing commercial funding alternatives for implementing the proposed intervention, and/or duplicate the support provided by other grant-based financing development programmes
- Environmental impact: Approach to reduce the consumption of natural resources, limit green gas emissions, minimize and reuse waste, and protect and restore ecosystems
- The innovation in the business initiative. Innovation can be at the level of technology as well as business model
- Other risk factors: political, security, partnerships, amongst others. Those will be part of the risk assessment which will be performed for each business during the due diligence process

4.3 Application Process and Timeline

Eligible applicants may request MDF support organized around two (2) main submission steps with main intentions outlined below:

i. Expression of Interest (Eoi)

- a. Establish compliance to conditions of eligibility of the applicant and quality assurance of products propose
- b. Overview based on CG budget needs

ii. Full Proposal (FP)

- a. Confirm Budget values
- b. Detail CG budgets and milestone allocations-indicators
- c. Specify the business model and strategy (for applications requesting Catalytic Grants)
- d. Establish Work and Results Plan for the business initiative

All applications received will undergo assessment and evaluation in clear stages that successively enable applicants to build a robust business initiative for final submission to the MDF.

The process and information to be required will vary by technology and type of financial support required. In order to guarantee fairness and best results, all parties involved in the application process will have the same level and same type of access to information; the selection will be conducted through a competitive process.

The following table provides further details and timelines of the application process:

Table 1 MDF Application Overview 1/2

Application Stage	Description	Requirements	Timeline
Call for Proposals (CfP)	BRILHO's MDF will publicly announce opening of its application window via a combination of (inter)national press releases (print, radio, TV, online).	-	From October 20th, 2021
Application guidance	The online application portal (www.BrילוMoz.com/how-to-apply) will contain the MDF Guideline for Applicants along with all necessary forms and templates required for composing an Expression of Interest that initiates an active MDF application. BRILHO will deliver guidance to businesses as needed to complete the EoI. This will include brainstorming and clarification sessions. For those outside Mozambique, communication through virtual channels will be available.	Completed Online Registration	On-going until November 5th, 2021
Expression of Interest Submission	EoI applications must be submitted via the MDF application portal at www.BrילוMoz.com/sign-in	-EoI Narrative -CG Budget Estimate (if applicable) -Co-Investment Budget Overview	Anytime from October 20th until November 7th, 2021
Shortlisting	When the EoIs are received, they will be reviewed and evaluated. BRILHO might seek additional information or conduct fact-finding visits to some applicants as deemed needed. Short listed businesses will be invited to develop and submit a full proposal, and when needed will include specific feedback and requests for adjustments on proposed MDF financial support and targets. Non shortlisted applications can re-apply within the same or next round with an improved or a different proposal.	Completed EoI Pass Applicant and Product Eligibility Successful Financial Bid Budget Successful BRILHO Business Initiative Description	On-going

Table 1 MDF Application Overview 2/2

Application Stage	Description	Requirements	Timeline
Guidance for Full Proposal Development	The guidance for full proposal development will be inclusive of a bootcamp training and followed by coaching/guiding sessions on demand.	MDF shortlisted	To be defined
Submission of Full Proposals	The shortlisted applicants will finalise and submit their Full Proposals to the MDF within the deadline to be defined after their notification of pre-selection. All final Full Proposals must be submitted via the MDF application portal at: www.BrilhoMoz.com/sign-in	<ol style="list-style-type: none"> 1. Viability Study 2. Detailed Narrative Description 3. Detailed milestone budget 4. All Applicants Work Plan 5. Risk Register 	To be defined
Due Diligence	Due diligence ⁷ will be carried out on all short-listed applicants that have submitted a Full Proposal and is a pre-condition for contracting.	Mandatory pass to proceed to final evaluation	To be defined
Evaluation, Scoring and Selection	<p>The independent BRILHO Investment Committee will review submitted proposals together with the due diligence reports and select the best Business Initiatives for MDF support.</p> <p>Successful applicants will be notified that they have been awarded MDF financing and will proceed to contracting. Unsuccessful applicants will be notified that their application has not been approved for MDF financing.</p>	<p>Complete EoI and Full Proposal Application Package</p> <p>Due Diligence Pass</p>	To be defined
Contract Negotiation and Signing	<p>Successful applicants will be invited to enter into contract negotiations.</p> <p>The contract to be signed with the selected businesses will have an average duration for implementation of two years. The contract will be terminated at the end of the defined duration or once the maximum amount of funding agreed has been reached. Contract extensions might be considered, subject to performance and funds availability.</p>	Approved EoI and Full Proposal	To be defined

⁷ MDF team will evaluate the applicants' technical, financial and legal systems. In case the business is a start-up, the team will evaluate the applicants' previous track record. It will include a visit to the main office of the business, and potentially also a field visit.

BRILHO will undertake all necessary steps to ensure that information provided by the applicants is kept strictly confidential and will be used for screening and evaluation purposes only.

BRILHO secures a transparent evaluation and selection process by working with a multi-player independent appraisal process, so that non-single person can influence the process and/or the outcome in any way. Applicants can contact directly to the BRILHO Team Leader at jayala@snv.org.

4.4 General Instructions for Application Submission

Applicants will be required to submit applications through BRILHO's online platform: SmartME. Other modes of submission will not be accepted, including email, hard or soft copies, etc. In order to submit an online application for MDF Financing the applicant must:

1. Create a registered account on the SmartME platform by visiting the BRILHO website at the following address:

<https://BrilhoMoz.com/how-to-apply>

2. Login to the SmartME platform with the registration details (email, password) to activate the registered account. First time logins will be facilitated by an email prompt directly to the registration email as entered by the applicant. Subsequent logins can be made directly at the following web address:

<https://BrilhoMoz.com/sign-in>

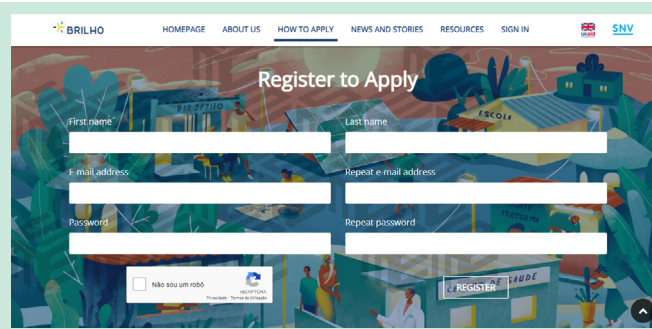
The screenshot shows the 'Register to Apply' form on the BRILHO website. The form includes fields for 'First name', 'Last name', 'E-mail address', and 'Repeat e-mail address', as well as 'Password' and 'Repeat password'. There is a checkbox for 'Não sou um robô' (I am not a robot) and a 'REGISTAR' button. The background features a colorful illustration of a community center with people and buildings.

Fig. 2 Registration Form

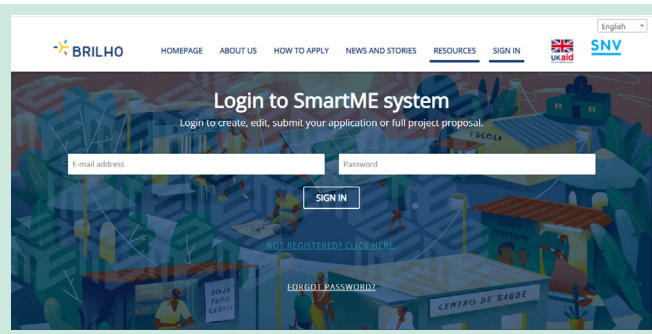
The screenshot shows the 'Login to SmartME system' form on the BRILHO website. It includes fields for 'E-mail address' and 'Password', and a 'SIGN IN' button. There are also links for 'NOT REGISTERED? CLICK HERE' and 'FORGOT PASSWORD?'. The background features a colorful illustration of a community center with people and buildings.

Fig. 3 Login Form

Successful registered users will upon login be prompted to all necessary application forms and templates. Completion of the application can be done directly on the SmartME platform over multiple sittings by applicant during the composition of their application. The BRILHO SmartME platform does support draft save of applications before final application submission. Applicants must confirm adherence to BRILHO terms and conditions before final submission of applications. All forms and instruction in SmartME are provided in both Portuguese and English. SmartME is EU General Data Protection Regulation (GDPR) compliant.

Further inquiries related to BRILHO MDF applications, may be sent via email to: support@BrilhoMoz.com

Further information regarding the BRILHO programme can be accessed at: www.BrilhoMoz.com



5. Annexes

5.1 Product Eligibility: Electrification

All eligible products for BRILHO MDF providing electrification based energy services (Solar Home Systems and Green Mini-grids) are classified according to guidance from SEforAll's Multi-Tier Framework (MTF)⁹. Determination of MTF levels is based upon Energy Service Level (ESL) for electrification (products-service-connections) for Peak Capacity as expressed in Watt Hours (Wh). Watt hour calculations are to be based on evidenced product performance in terms of the power output (Watt) and duration (day-night operational hours). Product performance must be evidenced by independent lab test results. An outline of Energy Service and Quality Assurance conditions for eligible electrification products is outline in the following table.

Table 2 Energy Service Level Quality Assurance: Electrification (Solar Home Systems & Green Mini-grids)

Energy Service Level	MTF Classification	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
	Peak Capacity (Wh)		≥12 Wh Min 1,000 Lumen Hours	≥200 Wh	≥1,000 Wh (1kWh)	≥3,400 Wh (3.4kWh)
Indicative Wattage		3W - 50W	50W - 200W	200W - 800W	800W - 2,000W (2 kW)	≥ 2kW
Indicative Duration		≥4hrs/day + ≥1hr/evening	≥4hrs/day + ≥2hrs/evening	≥8hrs/day + ≥3hrs/evening	≥6hrs/day + ≥4hr/evening	≥23hrs/day + ≥4hr/evening
Appliance Characteristics		Multi Light Point, Phone Charger/ Radio	Tier 1 + Fan, TV, optional small power appliances	Tier 2 + medium powered appliances	Tier 3 + high powered appliances	Tier 4 + very high-powered appliances
Quality Assurance	Solar Home Systems	All solar products supported by BRILHO must adhere to international quality standards (Lighting Global or equivalent), as evaluated based on results from laboratory testing at an approved, third-party test centre, according to the Quality Test Method (QTM) as defined by the corresponding IEC testing protocol (IEC/TS 62257-9-5): https://www.lightingglobal.org/quality-assurance-program/ . For each product indicated above, please attach the supporting documents as available related to catalogues and certified testing documentation. If such information is actively available online, web links are acceptable.				
	Green Mini-grids	All GMGs supported by BRILHO will be assessed on a case-by-case basis using the international Quality Assurance Framework for Mini-grids as established by the US Department of Energy National Renewable Energy Laboratory (NREL): https://www.nrel.gov/docs/fy17osti/67374.pdf . If NREL QA Framework documentation for any site indicated above has been already prepared by independent and/or certified agents, please attach the supporting documents along with your final application package. If such information is actively available online, web links are acceptable.				

⁹ For details, see: <https://www.esmap.org/node/55526>

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In partnership and collaboration with:
Governo de Moçambique

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