



BRILHO Energy Africa Mozambique Market Development Fund

Guidelines for Applicants 2022: Off Grid Solar & Improved Cooking Solutions

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Acronyms

BDS – Business Development Services
BEST – Biomass Energy Strategy
CapEx – Capital Expenditures
CCT – Controlled Cooking Test
CfP – Call for Proposals
CG – Catalytic Grants
EoI – Expression of Interest
ESL – Energy Service Level
FCDO – Foreign, Commonwealth & Development Office (United Kingdom)
FP – Full Proposal
FUNAE – Mozambique Energy Fund
GBP – Great Britain Pound
GDP – Gross Domestic Product
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
NGOs – Non Governmental Organisations
OpEx – Operational Expenditure
PAYG – Pay As You Go
PGA – Priority Geographic Areas
PU – Productive Use
QA – Quality Assurance
RBF – Result Based Financing
SHS – Solar Home Systems
Sida – Swedish International Development Cooperation Agency
SOP – Standard Operating Procedures
TA – Technical Assistance
UA – Underserved Areas
VAI – Vulnerability Access Index
WBT – Water Boiling Test

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 UK Foreign, Commonwealth and Development Office (FCDO), and the Swedish International Development Cooperation Agency (Sida) to be implemented over five years (2019-2024) by SNV Netherlands Development Organisation.

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 electricity 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.

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.

BRILHO, a £ 29.3 million five year programme, represents FCDO's and Sida's 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 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 and electric stoves, benefitting 975,000 persons

Off-Grid Electrification Solutions, inclusive of *Solar Home Systems (SHS)* and *Green Mini-Grids (GMG)*, benefitting 920,000 persons

Productive Use¹ of off-grid energy solutions benefitting 17,000 commercial businesses

¹ 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.

BRILHO will support the private sector efforts through a **£ 18.1 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.

Private sector players interested to engage in BRILHO’s MDF will be able to receive a mix of structured, **non-reimbursable financing up to a maximum of £1,500,000 per fiscal year (Apr-Mar)** over the duration of their agreement until BRILHO’s conclusion in 2024. Alongside direct financing, BRILHO will pair opportunity for successfully bidding businesses to access tailored Technical Assistance (TA) supports. As the MDF and its participating businesses continue to scale in the development of the Mozambican energy markets, BRILHO will provided firms opportunity to tailor their financing for accelerating increased participation of women in off-grid enterprises and improving quality of their customer services above industry benchmarks.

1. 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. These are detailed per tier level in Annexes 1 and 2.

Financing available via the MDF is intended to be accessible to a broad range of business models with actors ranging from solar and ICS start-ups with limited 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. **This particular call (February 2022) is restricted to ICS and SHS only.**

BRILHO’s MDF support will be delivered in the form of two financing mechanisms, Results Based Financing and Catalytic Grants, along with technical support as described in the figure below. The actual MDF funding availability for any business in the MDF portfolio in any given fiscal year is dependent on performance (measured by progress made reflected on submitted CG and/or RBF claims), rather than on projection and plans.

An interested business can apply for their preferred combination of MDF instruments (Results Based Financing, Catalytic Grants) to a maximum combined value of £1,500,000 per fiscal year (Apr-Mar) to a maximum accumulated total value of £5,000,000² for the Feb 2020- Aug 2024 period. In addition, businesses will be able to apply for specific Technical Assistance according to their needs. Design and operational considerations for each of the MDF instruments is further elaborated in the Sections 2.1-2.4 below.

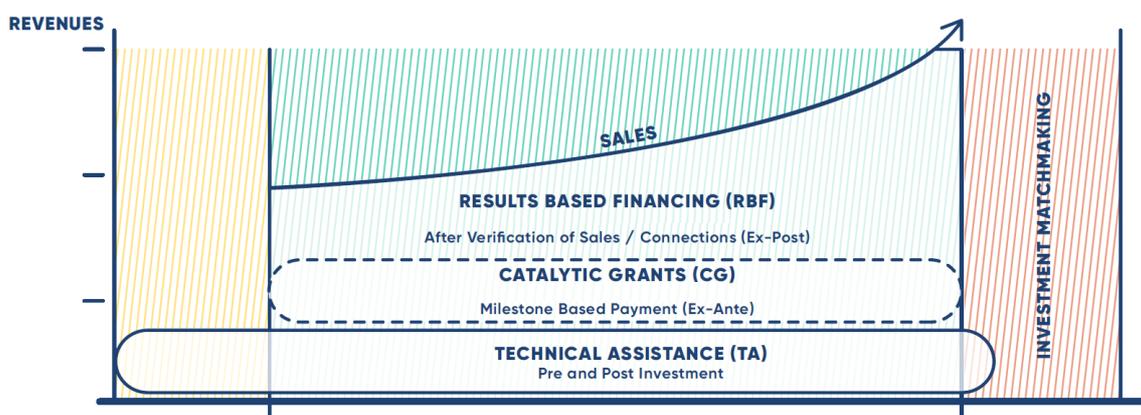


Figure 1 MDF support mechanisms

² The combined value of projected RBF needs and Catalytic Grants proposed by applicants must meet a minimum indicative value of £100,000 to be considered as eligible for application to BRILHO’s MDF.

1.1 Results Based Financing (RBF)

Results-Based Financing (RBF) provides financial incentives to businesses to overcome temporary market development risks. The key feature of RBF is payment upon delivery. Businesses take the full risk until the moment of delivery of the contracted results. This means that enterprises must access up-front financing for their business expansion, which is expected to enhance accountability and long-term impact. In the case of BRILHO, additional up-front financing can be provided by the programme itself via Catalytic Grants, to facilitate development of early-stage enterprises and markets.

BRILHO's MDF Results Based Financing (RBF) instrument will avail financial payments available to businesses upon proven, eligible sales of off grid Solar Home Systems (SHS) and Improved Cooking Solutions (ICS)³. Payments will only be provided to the private sector once sales have been achieved and independently verified⁴. Once payments are received, enterprises are free to use the RBF incentives for whatever activity they deem necessary to develop their business and reach targeted sales. RBF incentives are not intended to subsidize retail prices beyond levels that can be offered sustainably by businesses in the long run. To these ends, RBF within BRILHO's MDF will apply the following principles:

- Reverse auction approach, which allows businesses to propose the initial RBF base incentive level value, competitively indicating the incentive value businesses consider as needed to engage in the defined markets⁵;
- Flexible RBF model, with incentive levels that can be adjusted in accordance to the market needs and business stage, instead of pre-determining fixed subsidies per company or product, and
- Incentive levels reduce over time to gradually prepare the market for when RBF incentives are no longer available⁶.

The RBF mechanism in BRILHO's MDF is constructed as a competitive mechanism to accelerate sales growth and delivery of clean energy service solutions that reach underserved markets while facilitating opportunities for productive use.

Using BRILHO's online application system, businesses will therefore independently compose bids in relation to their base level incentive value (proposed incentive per unit delivery) and an indicative sales target projection for each product they intend to sell with RBF support. Upon establishing the RBF base level incentive value, BRILHO will apply RBF Bonuses per product that reward (i) Energy Service Level of the proposed unit (ii) sales targeting Underserved Areas and (iii) Productive Use, to determine the RBF Incentive rate(s) of the company's proposed product(s) (see Table 1 below). Upon approval of the RBF Bid by BRILHO's MDF Investment Committee and contract signing, a business will be immediately eligible to **submitting claims as per their individual RBF Incentive Schedule up to a maximum annual limit of £1,500,000**.

In bids to BRILHO's MDF, businesses are expected to outline their intended household (domestic) and productive use sales targets per market locality to forecast the estimated value of all RBF incentives to be required over the lifespan of their BRILHO engagement. To support competitive engagement of businesses in determining incentive values, an MDF Bid Budgeting tool will be provided by BRILHO to generate both the RBF bid value per product and the estimated annual financing needs of the business over the lifespan of their engagement with the BRILHO programme. **The maximum total RBF bid value (in combination with any intended Catalytic Grant value requests) that a company may submit over the full lifespan of their engagement with the BRILHO programme cannot exceed £5,000,000**.

³ GMG is not part of this particular call for proposals (February 2022).

⁴ Further references on requirements on RBF sales reporting and claims are included under Annex 5.

⁵ To avoid market distortion and considering total available amount of funding vs the overall programme targets, BRILHO reserves the right to negotiate revised RBF base level incentives with the businesses upon contracting and any stage throughout contract implementation.

⁶ In instances wherein the RBF incentive amounts are revised over the course of the BRILHO programme, all parties qualified to submit claims to the MDF will be notified in writing a minimum of three months (12 weeks) before any revisions are enacted.

MDF Bids for RBF by applicants will be assessed to determine (i) compliance to eligibility criteria of the programme, (ii) cost competitiveness compared to other bids received, and (iii) expected impact and viability of the proposed business initiative. Claims for RBF incentives will be rewarded on a first come, first serve basis relative to (i) the annual RBF-CG combined limit per firm of £1.5M GBP, (ii) the total maximum allowable MDF awards per firm of £5M GBP and (iii) available balance of the MDF Fund.

Table 1 RBF Incentive Schedule

| | | | |
|---|--|--------------------------------------|------------|
| <p>A. RBF Base Level Incentive: Value GBP (£)</p> <p>Proposed by the applicant as the estimated minimum incentive value per product proposed for support via BRILHO MDF Results Based Financing (RBF). Forms the central basis to calculate subsequent incentive bonus per unit and assess financial competitiveness of the applicants MDF proposition.</p> | As proposed by the applicant in its MDF Bid | | |
| <p>B. Energy Service Level (ESL) Bonus: A * ESL Bonus Rate</p> <p>This incentive will be paid on a pro-rata basis derived from the level of energy service delivered using the Multi-Tier Framework, both for electrification and cooking, taking into account quality standard considerations as described under Annexes 1 & 2. ESL bonuses are applied to base level incentives as per the brief schedule at right.</p> | Technology | SHS | ICS |
| | Tier 1 | 0% | 0% |
| | Tier 2 | 50% | 50% |
| | Tier 3 | 100% | 100% |
| | Tier 4 | 100% | 200% |
| | Tier 5 | 100% | 200% |
| <p>C. Underserved Areas Bonus: A * VAI Bonus Rate</p> <p>Rewards businesses with increased financial incentives for engaging in lesser developed, remote localities of Mozambique by applying a Vulnerability Access Index (VAI) (see Annex 3), which is constructed using existing data on market conditions and socio-economic factors.</p> <p><i>VAI 5: In conjunction with humanitarian partners, specific sub-provincial localities have been identified as supporting energy access in Humanitarian Resettlement Sites.</i></p> <p>The bonus is applied to the base level incentives as per the brief schedule at right.</p> | VAI 1 | Maputo Cidade & Provincial | 0% |
| | VAI 2 | Gaza, Nampula | 50% |
| | VAI 3 | Manica, Inhambane, Sofala, | 100% |
| | VAI 4 | Zambezia, Niassa, Tete, Cabo Delgado | 150% |
| | VAI 5 | PGA: Priority Geographic Areas | 200% |
| <p>D. Total Domestic RBF Incentive Bid Rate</p> | = A + B + C | | |
| <p>E. Productive Use (PU) Bonus : D * PU Bonus rate</p> <p>Rewards businesses to actively seek productive use applications of their products, by applying a percentage bonus to domestic incentive bids of businesses upon evidenced sales to customers that make use of their energy products for income generating activities. Eligible PU applications are inclusive of, but not limited to, small appliances powering shops through to larger appliances for agricultural production and processing.</p> | <p>Hybrid PU Systems: Domestic technologies in an enterprise setting (i.e. kiosk lighting, etc)</p> | | 50% |
| | <p>Dedicated PU Systems: Off grid energy systems powering dedicated PU appliances (solar water pumps, sewing machines, etc; institutional cook stoves, etc)</p> | | 100% |
| <p>F. Total PU RBF Incentive Bid Rate</p> | = D + E | | |
| <p>To illustrate the structuring of RBF incentives relative to the base level incentive bid of a business per single GBP upon applying RBF Bonuses, the following scenarios can be realized in terms of RBF incentive values per product:</p> <ul style="list-style-type: none"> A base level incentive bid for £10/unit for a Tier 1 solar product, to be sold in Maputo Province and without a productive use application would result in a final incentive bid value of £10/unit. | | | |

- *The same base level incentive bid for £10/unit for a Tier 3 solar product for water pumping to be sold in one of the Priority Geographic Area then the final incentive bid value will be £80/unit. ([£10 Base + £10 ESL, + £20 UA = £40 Domestic RBF] + £40 PU RBF)*

1.2 Catalytic Grants

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. For all businesses, this mechanism helps to improve access to financing for end consumers to off-grid energy solutions.

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; Sales and marketing; Revolving funds; Local production/assembling equipment and capacity; Product Development; Skills development and Stock Upscaling. Moreover, the following are not eligible items for BRILHO's MDF Catalytic Grant funding:

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

Applicants may request up to **£1,500,000 in Catalytic Grants over the full duration of their engagement in the programme in the Feb 2020 to Aug 2024** period as based on the following conditions:

- Total Catalytic Grant value cannot exceed that of the projected total RBF bid placed by the business.
- Total MDF Financing of the firm (RBF projected and CG) does not exceed £5.0M
- Catalytic Grants disbursed as advance funding (pre-financing) may not exceed at any point in time a 40% 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 August 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;
 - Value of the cash contribution (company or partner) must be at least 10% of the total MDF request.

Businesses may request CG by composing their CG application and outlining the following information: (i) the total projected value of the CG funds needed, and (ii) a high-level breakdown of the MDF Co-Investment related to their own and partner Cash and In-Kind contributions (iii) proposed milestones, including expected results, indicators and timeline. The proposed CG request by the applicant will then be assessed to determine a. compliance to eligibility criteria of the BRILHO program, b. cost competitiveness compared to other bids received, c. social impact and viability of the proposed business initiative, and d. relevance of the CG bid to results and market development goals of the applicants proposed business initiative.

CG requests may be composed by firms upon their initial application to the BRILHO MDF or at any time throughout their engagement with the BRILHO programme. 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.

1.3 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. Available TA services are eligible for provision only to enterprises who are qualified for MDF supports 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 the RBF or CG funding, 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 international and local 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 MDF Bids to BRILHO. The finalization of specific TA supports will be mutually agreed between BRILHO and businesses with successful MDF Bid and/or CG proposals during the Due Diligence and Contracting stage. Should further TA supports be identified, additional packages might be prepared, reviewed, and approved as deemed needed by BRILHO.

1.4 MDF Financing Thresholds

BRILHO’s MDF support is offered to provide a tailored selection of combined support mechanisms (CG, RBF and/or TA) for businesses. RBF will be required in all cases. Eligible (✓) and ineligible (✗) thresholds (Table 2) and scenarios of MDF financial supports (Table 3) are outlined below.

Table 2 MDF Eligible Options

| Financing Thresholds | <i>Instrument</i> | CG | RBF | RBF + CG | TA |
|-----------------------|-----------------------------------|------------|------------|------------|----|
| | <i>Min. Value</i> | £100,000 | £100,000 | £100,000 | |
| | <i>Max. Value</i> | £1,000,000 | £5,000,000 | £5,000,000 | |
| Eligible Technologies | <i>Solar Home Systems</i> | ✗ | ✓ | ✓ | ✓ |
| | <i>Improved Cooking Solutions</i> | ✗ | ✓ | ✓ | ✓ |

1.5 MDF Focal Windows

In mid-2022, BRILHO will begin the roll out of focal windows for supports to address key priorities in accelerating the maturity of the clean energy sector in Mozambique.

For RBF, the 2022 focal window will focus on the introduction a **Sustainability Incentive** wherein firms scoring above benchmark on indicators related to financial health and customer satisfaction will receive a Bonus on their Domestic and PU RBF Incentive Rates applicable to all sales for the upcoming year.

For CG, the 2022 focal window will focus on **Gender & Social Inclusion** wherein BRILHO will support firms to structure their operations for greater creation of successful employment opportunities and career paths for women.

Focal window supports will be integrated directly into RBF and CG instruments and paired with specialised TA to maximise the effectiveness of these special financing initiatives.

2. MDF Admissions

2.1 Eligibility criteria

Eligible applicants to BRILHO's MDF can include any manufacturers, import-suppliers, distributors, retailers, installers and/or operators of quality assured energy technologies as outlined in Annex 1 and 2. Applicants must be able to legally operate in Mozambique. Applicants (Businesses) may include:

- a. Private companies,
- b. Social enterprises: Including associations, cooperatives, NGOs or similar that operate a venture to generate profits, which are reinvested internally),
- c. 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.
- d. Both individual businesses and partnerships that consist of a combination a-c above are eligible to apply.

Parties meeting the above conditions who are further interested to apply to the MDF for financial support must also evidence the following minimum criteria when placing MDF Bids 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 relevant to at least one of the BRILHO eligible technologies;
- Demonstrated capacity of the business to deliver mentioned products and services in Mozambique, with adherence to processes and procedures outlined by BRILHO (incl. quality standards, capacity to track sales and report these);
- The products proposed adhere to the quality standards specified by BRILHO and have (or will have) unique identifiers (bar code / serial number);
- 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 a minimum 10% cash contributions and maximum 90% in-kind contributions. Financial leverage will be one of the factors on which applications will be competitively evaluated;
- The applicant and partner(s) related to the proposed business are not involved in arms and gambling industries; involved in environmental or human rights abuses or corruption, as will be validated during due diligence.
- Copies of mandatory documents evidencing validity of the business' operations to BRILHO standards:
 - Memorandum and Articles of Association
 - Company/ Registration (firms-companies only)
 - VAT Registration
 - Tax Clearance
 - TIN Registration
 - Trade Licence/ Business Permit
 - Audited financial statements and relevant reports from FY2019 onwards
 - Proof of payment all statutory social insurance contributions, taxes, etc.
 - Organisational Code of Conduct demonstrating provisions for corruption, fraud and safeguarding
 - CVs Lead Staff-Personnel
 - Contracts and agreements with clients/partners/suppliers

- Technical designs/specifications

2.2 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;
- The cost effectiveness of the investment: level of cash / in-kind 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 1 and 2;
- Potential viability: market, commercial, financial and technical;
- Applicant's capability and profile: Financial health and company track record; business systems in place operational capacities in places; suitability and relevant competency of the proposed team; participation and leadership of women within the decision-making levels of the business;
- Approach towards gender equality, social inclusion and women's economic empowerment;
- After sales services and warranty coverage;
- 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.

2.3 Open Intake Application Process and Quarterly Assessment Timeline

Beginning in February of 2022 and on a quarterly basis thereafter until opening of 2024, eligible applicants may request MDF support for assessment and admission to the MDF. 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.

In terms of duration of the overall process, an applicant should expect (i) an average 4-6 weeks process from the time of MDF Bid submission until contract signing for the RBF component of their MDF agreement (ii) an average 6-8 weeks process from the time of MDF Bid submission until contract signing for the RBF with CG requests.

The process and information to be required will vary by technology and type of financial support required (the bid). 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 3 MDF Application Overview

| 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) paired with public events. | - | From February 16 th , 2022 |
| Application guidance | BRILHO's online resource portal will contain the MDF Guideline for Applicants along with all necessary forms and templates required for composing an MDF Bid that initiates an active application. BRILHO will deliver guidance to businesses as needed to complete the Bid. This will include brainstorming and clarification sessions. For those outside Mozambique, communication through virtual channels will be available. | Completed Online Registration | On-going, every 3 months (Feb-May-Aug-Nov) as per announcement via web-social media |
| MDF Bid Submission | Bid applications must be submitted via the MDF application portal at https://brilhomoza.com/sign-in | Bid Narrative MDF Bid Budget -RBF Bid(mandatory) -CG Request (optional) -Co-Investment Budget Overview - Results plan Eligibility Evidence -Applicant -Products | Anytime from February 16 th 2022 and on a quarterly basis thereafter |
| Eligibility evaluation | Verification process to determine compliance against the eligibility criteria. | MDF Bid submission | Continuously from 1 st April 2022 and on a quarterly basis thereafter |
| Due Diligence | Due diligence ⁷ will be carried out on all applicants that have submitted a Bid and is a pre-condition for contracting. When the Bids are received, they will be reviewed and evaluated. BRILHO might seek additional information or conduct fact-finding visits to some applicants as deemed needed. | Mandatory pass to proceed to final evaluation | Continuously from 1 st April 2022 and on a quarterly basis thereafter |
| Investment Committee Selection | The independent BRILHO Investment Committee will review submitted Bid together with the due diligence reports to confirm the eligibility of the business to receive MDF support. | Complete MDF Bid Complete DD report | Continuously from 1st April 2022 and on a quarterly basis thereafter |
| CG Detailed planning (optional) | The applicants will finalise and submit their detailed planning following their notification acceptance of the MDF Bid. All final documents must be submitted via the MDF application portal at: https://brilhomoza.com/sign-in | CG Only Detailed Milestone Budget Work Plan Risk register | Anytime from April 2022 and on a quarterly basis thereafter |
| Contract negotiation and signing | Successful applicants will be invited to enter into contract negotiations and terms for support will be agreed upon. The contract to be signed with the selected businesses will have a duration for implementation to the close date of the MDF (30.Aug.2024). The contract will be terminated at the end of the defined duration or once the maximum amount of allowable MDF funding agreed has been reached. Applicants not meeting the conditions for pre-qualification can re-apply with an improved or a different proposal. | Completed MDF Bid Pass Applicant and Product Eligibility Successful Financial Bid Budget Successful BRILHO Business Initiative Description | Continuously from April 2022 and on a quarterly basis thereafter |

⁷ BRILHO will evaluate the applicants' technical, financial and legal systems. In case the business is a start-up, BRILHO 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.

MDF Applicants who have been contracted for either RBF and/or CG financing and who have been successfully delivering on these agreements for at least 12 months, may request further CG funds to support emerging market development needs. In these instances, a business must provide a detailed planning to justify their CG need and subsequent CG rewards will be approved for financing by the BRILHO team upon clear evidence of needs. CG financing extended to these players will be predicated with the allowable CG and MDF maximum limits as elaborated in sections 1.2 and 1.4 above.

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 or **UKaid's Whistleblower procedures** to denounce any corruption practice or case.

2.4 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>

Figure 2 Registration form

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>

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.

The image shows a screenshot of the BRILHO SmartME system login page. At the top, there is a navigation bar with the BRILHO logo on the left and links for 'HOME PAGE', 'ABOUT US', 'HOW TO APPLY', 'NEWS AND STORIES', 'RESOURCES', and 'SIGN IN' on the right. The 'SIGN IN' link is underlined. To the right of the navigation bar are the logos for the UK and SNV. The main content area has a dark blue background with a stylized illustration of a community. The heading 'Login to SmartME system' is centered, followed by the subtext 'Login to create, edit, submit your application or full project proposal.' Below this are two white input fields labeled 'Email' and 'Password'. A 'SIGN IN' button is positioned below the password field. At the bottom of the form area, there are two links: 'DON'T HAVE AN ACCOUNT? CLICK HERE TO REGISTER!' and 'FORGOT YOUR PASSWORD?'.

BRILHO

HOME PAGE ABOUT US HOW TO APPLY NEWS AND STORIES RESOURCES SIGN IN

UK SNV

Login to SmartME system

Login to create, edit, submit your application or full project proposal.

Email Password

SIGN IN

DON'T HAVE AN ACCOUNT? CLICK HERE TO REGISTER!

FORGOT YOUR PASSWORD?

Figure 3 Login Form

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

3. Annexes

Annex 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)⁸. Determination of MTF levels is based upon the 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. Tier classification of products are the basis for RBF ESL Bonuses as described in Section 1.1. An outline of energy service and quality assurance conditions for eligible electrification products is outline in the following table.

Table 4 Energy Service Level Quality Assurance: Electrification (SHS & GMG)

| MTF Classification | | Tier 1 | Tier 2 | Tier 3 | Tier 4 | Tier 5 |
|----------------------|---------------------------|--|--|---------------------------------------|-------------------------------------|---|
| Energy Service Level | Peak Capacity (Wh) | ≥12 Wh Min 1,000 Lumen Hours | ≥200 Wh | ≥1,000 Wh (1kWh) | ≥3,400 Wh (3.4kWh) | ≥8,200 Wh (8.2 kWh) |
| | 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 | ≥16hrs/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 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 listed with Verasol: https://data.verasol.org/ . If such information is actively available online, web links are acceptable. Companies participating in BRILHO will adhere to the Consumer Protection Code of the Global Off-Grid Lighting Association: https://www.gogla.org/consumer-protection | | | | |

⁸ For details, see <https://www.esmap.org/node/55526>

Annex 2. Product Eligibility: Improved Cooking Solutions

All eligible products for BRILHO MDF providing improved cooking solutions are classified according to guidance from SEforAll’s Multi-Tier Framework (MTF)⁹, Clean Cooking Alliance in conjunction with SNV’s Standard Operating Procedures (SOP) for Clean and Improved Cooking Interventions.

Determination of MTF levels is based upon an Energy Service Level (ESL) logic driven by minimum fuel efficiency improvements over intended cooking technologies to be replaced, as well as stove type definitions. Product performance must be evidenced by independent lab test results. BRILHO strives to have as much of this testing done by local, certified testing institutes, but otherwise will accept testing reports from acknowledged international testing institutes. Water Boiling Test (WBT) conducted in a certified lab will be accepted for initial evidence of fuel saving/thermal efficiency. Successful applicants must within one year of contracting further provide documentation of emissions data from a certified testing centre. Cooking specific TA packages will be considered in BRILHO to build local capacity on Controlled Cooking Tests (CCT) and Field Tests, using recognised testing protocols as published by the Clean Cooking Alliance. In case this testing has been done already by reliable partners within or outside Mozambique, the outcomes will be accepted by BRILHO as long as testing standards and procedures have been duly applied.

Tier classification of products are the basis for RBF ESL Bonuses as described in Section 1.1. An outline of energy service and quality assurance conditions for eligible cooking products is outlined in the following table.

Table 5 Energy Service Level Quality Assurance: Improved Cooking Solutions

| Multi-Tier Framework (MTF) Classification | | Tier 1 | Tier 2 | Tier 3 | Tier 4 | Tier 5 |
|---|----------------------------|--|--|--|--------------------|----------|
| Stove Type | | Simple Improved Cookstoves | Intermediate Cookstoves | Advanced Cookstoves | Non-Biomass stoves | |
| Energy Service Level | Fuel Type | Wood, charcoal | Wood, charcoal, pellets, briquettes and sustainable charcoal | | Biogas / Ethanol | Electric |
| | Stove Characteristics | Typically enclosed and with some improvement to combustion | Use improved combustion chambers (e.g. rocket stoves, highly improved charcoal stoves, natural draft gasifier) | Use forced ventilation with or without secondary combustion for gasification (e.g. fan-assisted, biomass stoves, forced draft gasifiers) * | | |
| | Performance Criteria | Fuel savings $\geq 40\%$ compared to traditional local stoves (three stones and metal sheet stove) | | | | |
| Quality Assurance | Stove Testing Requirements | All improved cooking products supported by BRILHO must adhere to international quality and performance standards (Clean Cooking Alliance or equivalent), as evaluated based by independent laboratories/using internationally approved testing methodologies related to fuel use efficiency, emissions, and safety: http://archive.cleancookingalliance.org/what-we-do/standards-testing/ . 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. | | | | |

*Stoves fitted with fans require low-wattage electric power and batteries permit

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

Annex 3. Underserved Area Bonus: Vulnerability Access Index (VAI)

To stimulate engagement of businesses in challenging and underserved localities in Mozambique, BRILHO aims to reward businesses with higher incentives for products sold in those areas. Using official public data on socio-economic characteristics and market infrastructure conditions of different provinces in Mozambique, a Vulnerability Access Index (VAI) was developed. The VAI ranks and scores provinces on socio-economic risk factors and infrastructural conditions, as a basis to establish a geographic differentiation in incentive levels. Data used include population density, GDP contribution ratio, gender equality, and poverty rate, as well as information on paved road density, distance of the province capital to the nearest port, and the electrification rate per province. At its core, the calculation of the VAI is based on harmonising both socio-economic risks and market infrastructure factors that have been expressed by businesses as directly influencing their decision making in market investments.

Table 6 VAI Calculation Framework

| Socio-Economic Risk (SER) Factors | Population | Population density | Vulnerability | Sum total of all average SER factor categories | VAI Level |
|------------------------------------|---|---|---------------|--|-----------|
| | Economy | Ration GDP contribution | | | |
| Gender | Female enrolment trend | | | | |
| Poverty | % population living below official poverty line | | | | |
| Market Infrastructure (MI) Factors | Accessibility | Paved roads density | Access | Sum total of all average MI factor categories | |
| | Remoteness | Distance from provincial capitals to nearest port | | | |
| | Electrification | % population with access to electricity | | | |

Application of the framework above has distinguished four (4) VAI Levels in provincial level markets of Mozambique. These have been integrated to the RBF incentive valuation methodology (section 2.2) to ensure that incentive values are highest in provinces with the greatest level of socio-economic vulnerability and the lowest level of market infrastructure. Conversely, regions with the lowest VAI scores (low socio-economic vulnerability and more developed market infrastructure) will receive the lowest incentive values. Taken as a whole, the VAI can further provide a discreet roadmap to broad market context for use by current and incoming businesses to the MDF.

Within these provincial market clusters, a fifth (5) VAI 5 is in place. In conjunction with humanitarian partners, specific sub-provincial localities have been identified as Priority Geographic Areas (PGA) supporting energy access in Humanitarian Resettlement Sites. The following table summarizes the classification of VAI levels:

Table 7 VAI Levels: Ranking in Mozambique

| | |
|--------------|---|
| VAI 1 | <i>Maputo Cidade & Provincial</i> |
| VAI 2 | <i>Gaza, Nampula</i> |
| VAI 3 | <i>Manica, Inhambane, Sofala</i> |
| VAI 4 | <i>Zambezia, Niassa, Tete, Cabo Delgado</i> |
| VAI 5 | <i>PGA: Priority Geographic Areas</i> |

VAI levels applied to market localities are directly related to Underserved Areas Bonus values and will be awarded per unit sale verified as delivered at rates as per the RBF incentive schedule (Section 2.2).

Annex 4. Sales Reporting

Result Based Financing (RBF) payments will be based on verified sales of eligible products. Upon signing of the BRILHO MDF Contract by the company, end consumer sales reports (RBF claims) will be accepted on a quarterly basis, with a minimum acceptable number of sales of 250 units. The RBF claim may be inclusive of any qualified and documented sales to off-grid consumers that have occurred no more than six (6) months before the date on which the RBF claim is submitted, including sales that occurred previous to contract signing (as long as these fall within the BRILHO programming period). The RBF claim submitted by the company must contain, at minimum, the following information:

Table 8 RBF Sales Claim Reporting Requirements

| Supplier Level | Retailer-Agent Level | Customer Level |
|---|--|--|
| <i>Supplier Contact</i> -Name, Phone Number | <i>Retailer Contact</i> -Name, Phone Number, Gender | <i>Customer Contact</i> - Name, Phone Number* |
| <i>Supplier Location</i> -District, City/Town | <i>Retailer Location</i> -District, Ward, Village/Town | <i>Customer Location</i> -District, Ward, Village/Town |
| <i>Total Product Sales Claimed</i> -Claim Period -#Units & Type, Wholesale-Retail Price | <i>Total Products Sold</i> -Sales Period -#Units & Type, Wholesale- Retail Price | <i>Product Purchased</i> -Date of Purchase -# Units & Type, Price* |

* When possible to collect and willingly provided by consumers

Businesses will be paid per verified unit sold at the product incentive rate as agreed in the RBF Incentive Schedule of the BRILHO MDF contract. Businesses that have **established a track record of successful claim submission(s)** with **verification pass rates exceeding an average of 95%** will be eligible to request an accelerated claim disbursement schedule for partial claims. Accelerated RBF claim disbursements will provide an **immediate payment for partial claims** (not exceeding the RBF value corresponding to the partially reported sales) upon submission of the actual customer sales claim data, which will be subject to database verification. Upon verification of the customer data reported, the final value of the claim will be determined, and the closing instalment will be paid to the firm (i.e final claim value less initial instalment). Access to the accelerated claim payment schedule will be provided upon request with evidenced need by businesses and granted on a case by case basis upon assessment by the BRILHO programme.



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*Impulsionamos empresas
Iluminamos vidas*

