

## Promotion of solar lighting

### Call for interested companies

#### In short

Participating companies receive an incentive (grant) for every **certified solar system (solar lamp or solar home system)** sold, rented or installed to end-users. The incentive is paid after sales have been reported and verified (Results-Based Financing approach - see blue information box on the next page).

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#### Who is eligible?

Private firms, private individuals, registered associations and cooperatives are eligible to apply for the support. NGOs are eligible if they pursue a commercial approach and they will be treated like companies. Charities and government organisations are not eligible for support. However, these organisations can team up with an eligible company that will be the project implementer and applicant.

EnDev supports the sale of solar systems to end-consumers on a **commercial basis**. Several business models are accepted, including Pay-As-You-Go (PAYG) and Fee-For-Service (F4S); and companies are free to choose their own business model. For more information on these business models, see the blue box on PAYG and F4S (page 4).

Companies that wish to apply for solar lighting support must fulfil the following **conditions**:

- Have a credible plan to scale up operations in rural areas through commercial approaches;
- Be an importer of Lighting Global-certified solar systems (retailers should partner up with their importers to claim their sales; retailers should not apply for incentives directly);
- Be registered with the Rwanda Development Board (RDB) as a private company, or with the Rwandan Governance Board (RGB) as an NGO;
- Have a valid tax and social security clearance certificates at the time of submission of the business plan;
- Have a commercial bank account;
- Have bank financing or own funds to finance operations;
- Comply with the conditions set out in this document.

#### If you are an importer

Importers will sign a contract with Urwego Bank, start selling systems to end-consumers and then claim results directly with Urwego Bank. Companies are guaranteed incentives according to the contract, once results are verified.

Funded by:



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## If you are a retailer

Retailers will not sign a contract directly with Urwego Bank, but need to partner with an importer to claim incentives. Retailers and Importers need to reach an agreement on how to claim and share incentives for their joint sales.

**Excluded from support** are:

- Charities and research/academic institutions operating in Rwanda or outside Rwanda
- Public institutions including REG, MININFRA, RURA and private companies owned by staff who are directly involved in the Energising Development (EnDev) programme from the above mentioned public institutions
- Private companies owned or co-owned by staff from Urwego bank, EnDev, GIZ, GVEP, SNV or any other institution directly involved in the EnDev programme.

## Which solar systems are supported?

To receive incentives for the sale of solar systems, the systems should be:

- Certified by **Lighting Global** (former Lighting Africa)
- Be sold, rented or installed to end-consumers on a **commercial basis**
- Offer a credible warranty of at least one year to end-consumers through a **working warranty system**
- Imported less than three months before the contract signing

If the system is not certified by Lighting Global yet, the company can still apply and start selling products under the EnDev programme. The table below is an overview of potential cases.

Lighting Global certification	Admission for support
Approved by Lighting Global	Full admission
Under testing at Lighting Global and no results available yet	Conditional admission
Tested by another institution or untested products	No admission

In any case, admission can be withdrawn if the Lighting Global approval of the product expires or is revoked.

## What is Results-Based Financing?

*Results-Based Financing (RBF) is a new financing approach introduced by the UK Department for International Development (DFID) and implemented by Energising Development in several countries, including Rwanda. The idea behind the approach is to reward companies for their previously-agreed and delivered results.*

*RBF is a private sector support mechanism to motivate private companies to move into new business areas in renewable energy. Results-Based Financing is different from traditional grants. The key feature is payment upon delivery. Private companies are expected to take the full risk until the contracted results – in this case the successful sale of solar products to rural customers – have been achieved. Funds are disbursed after independent verification of results. This means that participating companies will have to pre-finance their projects, either through commercial bank loans or other sources of funds.*

*RBF funding is intended to reduce or mitigate commercial market failures by providing financial incentives to the private sector to overcome typical, but temporary, market development risks. RBF is not intended to subsidise the long-term sales price of products to customers. The programme will only pay financial incentives. Large scale capacity building measures are not foreseen. The participating companies are free to use the financial incentives for whatever activity they deem necessary to develop their markets.*

## How does the conditional admission work?

- Conditional admission is valid for a period of 1 year; during conditional admission, companies can claim incentives for their products.
- The product should be certified by Lighting Global at the first claim for the claim to be accepted; if the products receive Lighting Global certification, the admission becomes full and the usual conditions of a full admission are applicable;
- The company is taking an additional risk of selling not-yet certified products and if the test results are negative, none of the products will be eligible for incentives.
- Sales or installations from the signature date of the contract are eligible for incentives.

## Which actors are involved?

### Urwego Bank

UrwegoBank Ltd. is a licensed commercial bank headquartered in Kigali, Rwanda. Urwego Bank was selected as the implementer of the programme and will execute the financial management of the fund on behalf of Energising Development Rwanda. UrwegoBank will assess the companies during the application period, realise the contractual arrangements with the private companies, administer the fund, disburse the incentives, and monitor and verify the results.

### Energising Development (EnDev) Rwanda

Energising Development (EnDev) is an energy access partnership currently financed by seven donor countries – the Netherlands, Germany, Norway, the United Kingdom, Switzerland and Sweden. The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH acts as lead agency for the implementation of the programme.

## How does it work?

### Application process

Companies can apply for support by submitting an application to UrwegoBank. If the application is successful, the company will conclude a contract with UrwegoBank that fixes the maximum results that have to be fulfilled (e.g. sales of up to 3000 systems), and the payment that can be received per system (e.g. 15 EUR per system). Companies are **guaranteed the incentives** if the sales are verified according to the contract.

The figure on the right gives an overview of the process.

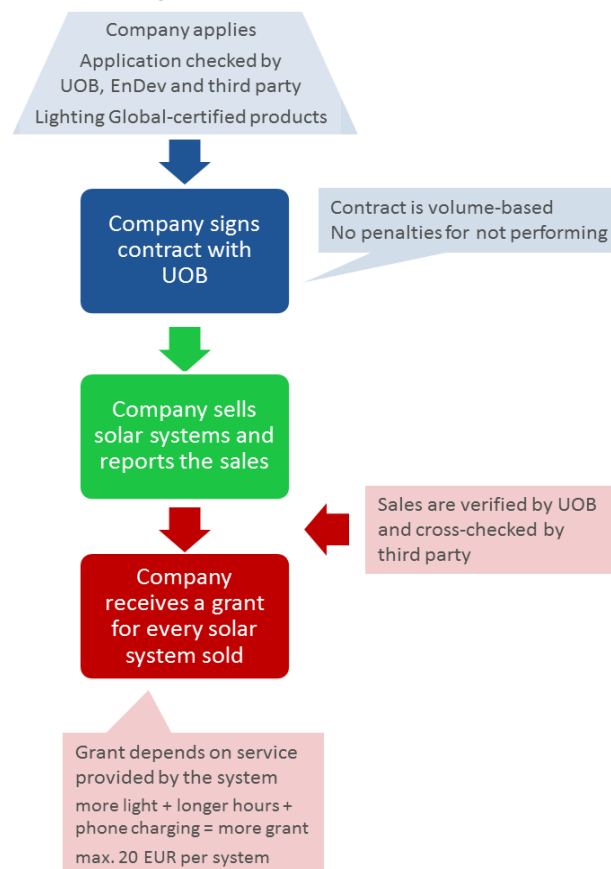
### Service Level Agreements

The contracts signed between companies and UrwegoBank are called Service Level Agreements, and will be “volume-based”. That is, companies will conclude a contract for a maximum amount of financing of EUR 50,000. This contract will be valid for one year with potential extensions of one year extra at its termination. If during the one-year validity period the incentives received by a company come

close to the EUR 50,000 ceiling, this ceiling can be increased without extending the validity period of the contract.

Once the maximum amount of incentive agreed in the contract has been reached, or the contract has expired, companies can renew the contract, under the conditions applying at signature of the new contract. No company can receive more than EUR 350,000 of incentives per calendar year.

Due to the volume-based contracts, you get rewarded for your sales – no sales simply mean no rewards. This also means, if a company signs a contract but then does not perform, it does not have any consequences. With a contract companies only receive a bonus for sales, but there are **no penalties for not selling**.



### Claims, verification and incentive disbursement

Once the contract has been signed, companies can start to sell systems under the EnDev programme. The companies can claim their sales at UrwegoBank and receive the agreed incentives. Only sales during

## Are Pay-As-You-Go (PAYG) or Fee-For-Service (F4S) business models accepted?

*Yes! The Results-Based Financing support accepts all commercial business models that target customers in rural areas. It is up to each company to define their business model and EnDev or UOB will not interfere with this.*

*While upfront sales are easiest to monitor, EnDev also accepts sales or rentals over a longer period of time, such as PAYG or even F4S.*

### **How will it work?**

*In principle, the counting approach is that:*

**Reported number of new customers =**

**New, additional customers – defaults**

*Incentives will be paid out for the reported number of new customers. One prerequisite is that a company following a PAYG or F4S model uses a database-like monitoring system that is able to track new customers and defaults on an individual customer basis.*

### **Simple example:**

*Date of contract signing: company has no customers*

*Quarter 1: company has 1000 new customers. It receives incentives for 1000 customers.*

*Quarter 2: company has 1300 new customers, thus in total it now has 2300 customers (1000+1300). However, 100 customers have defaulted on their payments. Reported number of new customers is therefore 1200 (1300-100). It receives incentives for 1200 customers.*

*While this is the standard procedure, counting methods can be negotiated during the application process based on the company business model, and will become part of the contract.*

the validity period of the contract (sales after the date of contract signing and before the expiration of the contract) are considered for incentives. Companies can claim up to four times within a contract. The minimum number of systems they can claim is 100 systems for the first claim and 200 systems for the following claims. Companies prepare the claim including information about sales (name of customer, phone number, location, type of system sold, etc.) and submit it to UrwegoBank. A special template for reporting will be used (Results form, provided by UrwegoBank and part of the contract). UrwegoBank will carry out a document check, followed by phone

verification of a sample of customers. If this verification is positive, an independent verifier will call another sample of customers and visit some customers in the field. Once these checks are done, UrwegoBank will initiate the disbursement.

### **Ensure a working warranty system**

One important requirement of the EnDev support is that the companies offer a **working warranty system** for their customers. This means that companies need to replace faulty products through a warranty system and as part of the verification and impact assessment, customers will be asked about their experience with the warranty system. In case of gross irregularities with the warranty system, companies can be excluded from the programme or individual claims can be refused.

### **What if the company receives a grant from another organisation?**

One of the rules of EnDev support is that individual solar systems cannot be double-subsidised and double-reported to different programmes or organisations promoting the same models. This means, if a product is reported to UrwegoBank and EnDev, it should not receive another grant, nor should it be reported to another (donor) organisation or programme.

Companies should be transparent about their application and receipt of other grants. To avoid any misunderstandings, EnDev advises to contact UrwegoBank for clarification once companies have applied or received support from another donor or organisation.

In general, the following rules apply:

- If companies receive technical assistance, in-kind contributions (e.g. transport for events), support of partners (e.g. cooperatives), indirect support from another donor or organisation, there are no special requirements besides transparent information exchange.
- If companies receive grants for buying stock or direct cash contributions for other models than those specified in the incentive contract, there are no special requirements from EnDev besides transparent information exchange.
- If companies receive grants for buying stock or direct cash contributions **for the same models** as the ones specified

in the incentive contract, they have to provide UrwegoBank with the same details about those sales as for the EnDev-supported sales.

If companies want to start with the same models as supported by the Energy Small and Medium Enterprises Grant Project (ESME), they have to share their report to ESME stating that they have reached their target for that model.

### How high are the incentives?

In Rwanda, Energising Development intends to support up to 350,000 people with a total subsidy of up to EUR 1.4 million until December 2017.

The maximum amount of RBF incentive per solar system sold is capped at EUR 20. This represents access to Tier 1 energy services according to the SE4All Global Tracking Framework 2015 for an entire household. The amount of incentive per solar system is based on the number of people benefitting from the service, according to the SE4All. The list of products and their incentives are available on UrwegoBank website. Therefore, the **incentive is fixed for each solar system type**, regardless of the actual household size of the customer. An annual review process will assess the market conditions and uptake of the support on a yearly basis, and will set the level of incentives for the next year. The initial incentives are higher and will likely be reduced annually. This mechanism should encourage early companies.

### How to apply?

The call for interested companies is open and applications will be assessed on a first-come, first-serve basis.

Companies that fulfil the conditions mentioned above can apply for incentive contracts with UrwegoBank. The application should be **submitted electronically only** to UrwegoBank in the form of a filled out application form (in MS Word format).

If the application is successful, UrwegoBank will contact the company to sign a Service Level Agreement that states the terms and conditions that need to be fulfilled to receive the incentives.

For further information, companies can request additional information or meeting with the RBF Officer at UrwegoBank.

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