

Question and Answer

RFA No: PAOP- RFA-2020-003

RFA Name: Catalytic Funding Window - Investment Products, Structures and Transactions for the Off-grid sector

Date: March 13, 2020

1. **Question:** Are applicants permitted to be part of more than one application / consortium? For example, would it be permissible to submit an application as a prime and be a subcontractor (or co-prime) on another one?

Answer: Applications may be submitted as a consortium however all consortium partners should meet the eligibility criteria stipulated in the request for applications. Applicants seeking grant funding are only allowed to be part of one application.

2. **Question:** We anticipate that we'll incur some of the costs within the scope of this grant agreement before the anticipated award date. Is it allowable to retroactively expense relevant costs?

Answer: USAID/Power Africa will not be able to reimburse any costs billed by third parties or incurred internally before the award date even if it could be considered within scope of funding. USAID/Power Africa is not responsible for any costs associated with the development of applications in response to this RFA. All costs incurred in the preparation and submission of applications will be for the account of the applicant and will not be reimbursed.

3. **Question:** Would a financial intermediary that is not incorporated in focus countries (per page 2 of the RFA) be eligible if it is lending to off-grid solar companies that are incorporated and based in these focus countries?

Answer: Yes, financial institutions not incorporated in the focus countries will be eligible to apply for funding as long as the proposed investment product, structure, transaction is targeting off-grid companies active in the listed PAOP target country(ies).

4. **Question:** Per pp. 4-5 of the RFA, "They [applicants] should at a minimum, be operational in their target country(ies) and prove ability to meet milestones related to the deployment of the grant." Can you please provide a definition of "operational" within this context?

Answer: See answer under Q3. Operational in this context means that the applicants must target off-grid companies that are operational in the PAOP target country(ies).

5. **Question:** In the recent past, we explored an idea of structuring a partnership agreement with an off-grid company in which we, as a bank, (1) we design the loan products targeting clients wishing to acquire solar home systems; (2) we assess and finance the individual clients both referred to us by this off-grid company and our own clients; (3) we collect loan repayments from clients. On the other hand, this off-grid company's role was to (I) source interested clients and refer them to

us; (II) provide technical assistance to install the systems for disbursed clients and handle the after sales support; (III) assist in deactivating access to solar home systems for non-performing loans clients as a means of recovery action. Our question would be to know if such partnerships would be covered under the scope of this funding opportunity? If yes, under which conditions/criteria would financial institutions benefit from it?

Answer: We have received several questions around structuring transactions for an off-grid company with multiple implementing partners including financial institutions and technical assistance providers/consultants. Such proposed structures would be considered under this funding window. However eligible awardees will only include financial institutions, who could then use the grant proceeds to pay for technical assistance providers/consultants/legal advice, etc. The grant could for example cover the transaction costs associated with the structuring of the set up/partnership agreements. If applications are submitted as a consortium all consortium partners should meet the eligibility criteria stipulated in the request for applications i.e. be considered as financial institutions.”

6. **Question:** We would be interested in knowing the cost of funds associated with this funding opportunity. Can the funds allocated to successful financial institutions be used beyond or in addition to technical assistance activities like for instance direct clients ‘needs financing (e.g. the use case mentioned in question 5 above)?

Answer: Awarded grant funding can only be used to cover the costs associated with the development and deployment of investment products, structures and transactions. Examples would include but is not limited to ‘Financial and legal structuring costs’/ Product/structure development/ Legal feasibility and enforceability/ SPV establishment and structuring/ Equity and debt documentation with off-grid companies, investors’ technical due diligence costs (third parties or internal)

7. **Question:** What is the range of amounts that would be considered (minimum and maximum)?

Answer: Individual grants awarded as a result of this RFA are intended to be within the range of USD100,000 to USD250,000.

8. **Question:** Is the grant tied to PAOP consultants if granted?

Answer: Applicants are allowed to use any service providers of choice.

9. **Question:** Are organizations based in Europe, with no formal representations or offices in eligible countries, allowed to participate?

Answer: Yes, they are eligible as long as the off-grid companies they are proposing financing for are operational in the PAOP target countries.

10. **Question:** What do you mean by “be operational in their target countries” when talking about an investment fund, does it mean having portfolio companies with HQ in the target countries; having portfolio companies with operations in the target countries; having active discussions with entrepreneurs for potential investment located in the target countries; having offices in the target countries?

Answer: Operational in the target countries refers to the investing activities that a financial institution has in one or more of the listed target countries. It does not refer to the actual legal incorporation of a financial institution in that particular country. Your off-grid investees need to be active in the target countries listed in the RFA but they themselves also do not have to be incorporated in those countries.

11. **Question:** Qualified financing institution: does this encompass investment companies that are not registered fund managers, in the sense that they are allowed to manage and distribute UCITS or AIFM investment products? At the moment we are incorporated as an investment company / self-managed investment holding with an expert investment team but is currently not a registered third-party asset manager.

Answer: We have defined a financial institution for the purposes of this RFA to be: a company, organization or consortium, whose purpose is the deployment of capital into off-grid companies whether via debt (hard currency and local currency), grants, equity and mezzanine investments. If your organizational purpose is to invest in the off-grid sector using any of those mechanisms (which we understand it is) then you would meet the eligibility criteria definition of “financial institution”.

12. **Question:** Which percentage of the project cost do you expect to fund with the grant?

Answer: Individual grants awarded as a result of this RFA are intended to be within the range of USD100,000 to USD250,000. As mentioned in the RFA cost sharing is encouraged but not required.

13. **Question:** How do you plan to decide the type of grant allocated to the project and based on which criteria? (reimbursable grant vs non-reimbursable)

Answer: PAOP will not be awarding reimbursable grants. The award mechanism will be determined by the pre-award assessment results of the selected company.

14. **Question:** Should we apply for grant for a project or could we use the grant over multiple projects?

Answer: Grants under this window can be used both for an individual project/deal/transaction, for example where the cost is large due to the size and complexity of the transaction. The applicant would have to demonstrate that the large cost is also expected to result in a large number of connections (main KPI of the PAOP program). Alternatively, it could be used for development and deployment for a specific investment instrument/structure (for example a mezzanine instrument) that can be used across multiple companies/transactions. Applicants are encouraged to look at the evaluation criteria and use their judgement to assess which one might have a better chance of selection.

15. **Question:** Could you please give some more information about the technical application? One of the documents to be delivered, was the technical application. I am not sure what you are expecting to be sent here?

Answer: The Technical applications) should be submitted in the format provided in “Annex A – Technical Application Form and completed in English and may not be more than ten (10) pages

(excluding cover page, executive summary and annexes), refer to templates on [RTI websites](#). For fillable forms and templates (Annex A to E) applicants should email paopgrants@powerafrica-offgrid.org. For an application to be considered all documents listed below should be submitted in electronic copy to paopgrants@powerafrica-offgrid.org.

1. Annex A: Technical Application Form
 2. Annex B: Grant Application MEL Template
 3. Annex C: Implementation Plan Template
 4. Annex D: Detailed Budget (in excel) and Budget Justification (in word)
 5. Annex E: Required Certifications (signed and dated)
 6. A copy of the Applicant's valid legal registration in all countries proposed to work in the application,
 7. A copy of tax compliance certificate or equivalent; and
 8. Organizational diagram showing underlying sources of capital and investment structure.
16. **Question:** Can the grant be used to create a new entity or does the new product have to be developed by an existing financial institution?
- Answer:** Yes, it is allowable. However, applicants need to consider the grant deployment timeline of 12 months—which is also the period of time in which PAOP measures results from the grant---and the horizon of the PAOP project (ending in 2022) by which our objectives are to facilitate 6 million new connections within that period of time. If the timeline for the creation and to the first deployment of capital exceeds 12months then that limits the value for money for PAOP for this RFA given our program objectives and timelines.
17. **Question:** Pipeline is quite volatile and it's hard to know enough in advance (i.e. by the deadline) which project might be eligible. Could we apply for a grant knowing our fund focuses on mezz products (i.e. matching your criteria) without having in advance the details of the project for which the grant would be used for?
- Answer:** Applicants are not expected to specifically have a deal in hand. Applicants could for example be structuring a product and be able to demonstrate in the application that the organization has received feedback from the market that this type of product or this structure is going to work well for a number of companies. So no, it does not have to be for a specific deal, though, it certainly can be for a specific transaction. But it can be for something more generalized where you see a market need but then it would be very important to demonstrate the likelihood of deploying that you know instrument or product and who needs it, and why they need it and then it would be important to document that in the in the application.
18. **Question:** Can the grant cover internal costs such as team time that goes directly into the design / structuring of the relevant financing structure, or it is only for third party costs like lawyers, specific purpose vehicles, set-up costs, etc.?

Answer: Yes, awarded grant funding can be used to cover internal costs associated with the design / structuring of a relevant financing structure given that it fulfils the merits in the RFA. However, as match funding is encouraged, we do not advocate applicants structuring an

application with only internal costs. Further, part of what we are evaluating is the “value-add” of the grant to the applicant so please keep proportions in mind regarding internal funding versus third party funding and please justify the rationale for using the grant to cover internal costs.

19. **Question:** Can this grant be used for costs to design / structure a new sector-specific fund or is it only applicable for the downstream investment transactions?

Answer: Both is allowable. Please see response in Q16

20. **Question:** Are off-grid consulting firms eligible for this?

Answer: Consulting firms are eligible to apply if they meet the definition of a financial institution. If you are a pure consulting firm without an organizational purpose to deploy capital and invest in off-grid companies then you would not qualify. Keep in mind Financial Institutions can use the grant to pay for consulting firms/advisors to help structure financial products/structures or close transactions.

21. **Question:** How long is the adjudication process for the award of a grant?

Answer: Responses to questions will be published on the RTI website on March 13, 2020. The RFA closing date/submission deadline is March 27, 2020 at 17h00 SAST (GMT +2). Anticipated award date is July 01, 2020. Applicants are encouraged to not submit at the last minute. Any applicant not meeting the deadline will be automatically disqualified.

22. **Question:** What kind of companies is this grant intended for - SHS companies or companies that fund SHS companies?

Answer: The RFA seeks applications from qualified financial institutions. The RFA defines a financial institution as a company, organization or consortium, whose purpose is the deployment of capital into off-grid companies whether via debt (hard currency and local currency), guarantees, equity and mezzanine investments.