

## United Nations Capital Development Fund REQUEST FOR APPLICATION

### Programme on Integrated Local Finances for Sustainable Urban Development in the Greater Kampala Metropolitan Area (PIFUD): Installation of 2 Solar Mini-Grids to Facilitate Local Economic Development

230420 - UG

#### SUMMARY

The United Nations Capital Development Fund (UNCDF) is the United Nations' flagship catalytic financing entity for the world's 46 Least Developed Countries (LDCs). With its unique capital mandate and focus on the LDCs, UNCDF works to invest and catalyse capital to support these countries in achieving the sustainable growth and inclusiveness envisioned by the 2030 Agenda for Sustainable Development and the Doha Programme of Action for the least developed countries, 2022–2031.

UNCDF builds partnerships with other UN organizations, as well as private and public sector actors, to achieve greater impact in development; specifically by unlocking additional resources and strengthening financing mechanisms and systems contributing to transformation pathways, focusing on such development themes as green economy, digitalization, urbanization, inclusive economies, gender equality and women's economic empowerment.

A hybrid development finance institution and development agency, UNCDF uses a combination of capital instruments (deployment, financial & business advisory and catalysation) and development instruments (technical assistance, capacity development, policy advice, advocacy, thought leadership, and market analysis and scoping) which are applied across five priority areas (inclusive digital economies, local transformative finance, women's economic empowerment, climate, energy & biodiversity finance, and sustainable food systems finance).

In Uganda, UNCDF supports the implementation of the Programme on Integrated Local Finances for Sustainable Urban Development in the Greater Kampala Metropolitan Area (PIFUD). PIFUD aims to strengthen urban governance as well as prosperity and innovation in cities. In demonstration of the Public Private Partnerships (PPP) as alternative sources of capital, the programme will allocate financing for at least two solar mini grids to be established in partnership with the host Local Governments (LGs) and private sector within the GKMA. The grids are expected to generate at least 100 KWp and connect at least 300 households, deliver local economic development impact in the locality and ensure revenue flow to the private actor as well as the LGs.

UNCDF is, therefore, inviting applications from registered entities that can collaborate with Local Governments and the Ministry of Energy and Mineral Development (MEMD) and Ministry of Finance, Planning and Economic Development (MoFPED PPP-Unit) to design, install, operate, and maintain two solar mini-grids in the districts of Mpigi, Mukono and Wakiso.

The applicants can apply to develop solar mini-grids in one or two of the proposed locations by the Local Governments. The sites are **Katikolo, Gooma and Koome in Mukono municipal and district respectively, Buyiga in Mpigi and Bussi Island in Wakiso**. However, **project developers are not limited** to these sites as long as they are within the Greater Kampala Metropolitan Area. Please clearly indicate the locations targeted in your proposal.

The PPP mini-grids will be implemented and financed in partnership with the LGs and UNCDF will contribute a grant to the project directly to the private sector, which will form part of equity contribution of the LGs in the partnership.

UNCDF's contributions can range from USD \$ 150,000 – USD \$ 300,000 , and UNCDF will award up to 2 proposals depending on the investment readiness level and outreach potential of the solution proposed and 80% of this contribution will be towards capital investment.

Selected applicants will be expected to fund at least forty percent (40%) of the total project cost in cash (for costs such as technical resources, capital investments, staff, and operational expenses).

Applications for this Request for Application (RFA) should be submitted online through UNCDF Apply platform no later than May 12<sup>th</sup>, 2023, 23:59 EDT (New York Time).

Please visit this RFA following this link:

<https://apply.uncdf.org/prog/230420 - ug - programme on integrated local finances for sustainable urban development in the greater kampala metropolitan area pifud installation of 2 solar mini-grids to facilitate local economic development>

Inquiries and queries to this RFA can be submitted via email at [uncdf.rfa@uncdf.org](mailto:uncdf.rfa@uncdf.org) cc [lynda.kasagga@uncdf.org](mailto:lynda.kasagga@uncdf.org) not later than the May 10<sup>th</sup>, 2023. Please use in the subject email **“Installation of 2 mini-grids to facilitate local economic development in Greater Kampala Metropolitan Area.”**

A document of Frequently Asked Questions (FAQ) will be shared on UNCDF website.

The overall duration of UNCDF support for successful applicants will be up to 12 months until 30<sup>th</sup> May 2024.

## 1. INTRODUCTION

In Uganda, UNCDF supports the implementation of the Programme on integrated local finances for sustainable urban development in the Greater Kampala Metropolitan Area (PIFUD). PIFUD aims to strengthen urban governance as well as prosperity and innovation in cities. It is a €4.16 million programme, funded by the European Union and co-led by Kampala Capital City Authority (KCCA) and the Global Fund for Cities Development (FMDV) over a 4-year period (2019-2023). This component is being implemented by the UN Capital Development Fund (UNCDF).

The programme builds on KCCA's experiences and successes in the areas of own resource revenue mobilization, climate change responses and innovative approaches to sustainable urban development (SDG 11). KCCA is recognized as a front runner in acting on climate change (SDG 13) issues and mobilizing local actors and working in partnerships (SDG 17). KCCA also recognizes that addressing urban challenges in Kampala requires a metropolitan approach through effective collaboration of all actors and sharing experiences.

The PIFUD provides a platform and excellent opportunities for this cooperation and will address ongoing challenges in a systemic way: **from policy dialogue level to capacity building (SDG 16), to fostering a culture of working together to find affordable, smart and sustainable solutions for low carbon energy (SDG 7) and undertake demonstrative investment activities (City Labs) and disseminate the lessons learned to other cities.**

PIFUD is also a demonstration of the solidarity that leverages city networks and the peer-to-peer learning. Throughout the project, several events will be organized in the framework of decentralized cooperation to support knowledge exchange and capacity building between KCCA, GKMA secondary cities, the City of Johannesburg, the city of Paris among other cities in Africa and Europe.

The programme has allocated financing for at least two solar mini-grids to be established in partnership with the host Local Governments and private sector within the GKMA. The grids are expected to generate at least 100 KWp and connect at least 300 households and achieve local economic development impact in the locality. All the eight GKMA Local Governments are eligible to participate in this project and the selection will be competitive based on quality of concept note, feasibility and the site selected.

## 2. SCOPE OF WORK

Through this activity, an integrated small-scale off-grid solar mini-grid energy system will be developed with a private project developer and local communities, approved by the users and technical and financial sustainability is demonstrated for scaling up. The pilot of two (2) solar-based mini-grids in the GKMA area is equally targeting fishing communities overlooking the lakefront without access to grid electricity.

The intervention means these communities will be empowered to participate in the formal economy of the city by giving them access to sustainable energy. By bringing the private sector on board, the intervention will act as a test lab for a sustainable public-private partnership business model for bringing energy to underserved communities. The UNCDF's financial models, with proven positive results, will be applied to ensure the programme is self-sustaining and is able to be scaled up in other locations.

### 2.1 Areas of intervention

For this request for applications (RFA), UNCDF invites proposals from registered entities that can collaborate with Local Governments (LG) and the Ministry of Energy and Mineral Development (MEMD) to design, install, operate, and maintain two solar mini-grids in the districts of Mpigi, Mukono and Wakiso. The proposed sites by the Local Governments are **Katikolo and Koome in Mukono municipal and district respectively, Buyiga in Mpigi and Bussi Island in Wakiso**. However, project developers are not limited to these sites as long as they are within the Greater Kampala Metropolitan Area. The Project developer in collaboration with the LG shall:

- Conduct an initial feasibility study of proposed sites to assess the viability of the mini-grid opportunity including existing and potential for electrification.
- Apply for the required permits and licenses in line with the ERA and NEMA regulations and standards.
- Design and construction of the distribution and connections in coordination with Ministry of Energy and Mineral Development especially the Rural Electrification programme.
- Develop and execute the proposal for increasing demand including community engagement, productive use of energy such as business hubs, e-mobility, and equipment financing.
- Propose a revenue-sharing model clearly stating the parties involved and how the revenue will be shared amongst the parties.
- Design, procure, and install mini-grid equipment and appliances.
- Operate and maintain the solar mini-grid for a stated period of time based on the agreements with Local Governments.
- Document and share lessons learnt about the PPP modality and other aspects of the implementation of the solar mini-grid.

## 2.2 How UNCDF works with partners

UNCDF takes a tailored approach to engagement with partners, working with each throughout to identify business and customer needs, and helping to design, pilot and scale up the solution along the way. Some examples of the ways in which UNCDF works with partners include:

- **Product Research:** Sharing market research and knowledge to deepen partners' understanding of customers' behaviours, needs, constraints and aspirations. This also includes providing transaction data analysis and training to the business teams.
- **Product design:** Providing human-centred design expertise to better understand the customer journey - physical and financial – for better product design and use-case development tailored to the needs of low-income customers and their families. The efforts may also involve analysing the transaction data from a customer lens.
- **Provisioning:** Providing technical assistance to help design, pilot, deploy, and scale up solutions for impact. Technical assistance is provided by digital finance experts who are experienced in product design, business model development and go-to-market strategies in some of the most challenging markets in Africa and Asia.
- **Partnerships:** Facilitating strategic partnerships with stakeholders – including cross-border payment hubs, mobile network operators, financial institutions, and non-bank financial institutions – to enable partners to reach last-mile customers, and to grow sustainably. UNCDF is uniquely positioned to be a neutral broker of partnerships and has a record of building strong relationships with private and public organizations across Africa, Asia, and the Pacific.
- **Policy and Advocacy:** Convening efforts to support an enabling environment and build policy and advocacy capacity for human-centred products and services to be piloted and potentially scaled.

In the RFA, applicants may identify and suggest areas where the technical support from UNCDF and its network of expertise is sought.

## 2.3 Expected results

Through this RFA, we expect to get at least **2 solar mini-grids, generating at least 100 KWp and ensure connections to at least 300 households in the GKMA area.**

All proposals must include targets on the indicators in the table below. The targets must be disaggregated for the selected target groups. Applicants who are not able to report on one or multiple indicators or provide disaggregated data should include a note with the reason. This may include additional indicators and targets, tailored to the scope of the proposed solution, activities and expected results.

## Key Performance Indicators

#	Indicator	Disaggregation	Definition Calculations
1	Installed Capacity of solar minigrid	Total	This indicator means the size of the installed solar mini-grid in kW.
2	Number of direct and indirect jobs created	<ul style="list-style-type: none"> <li>• Total</li> <li>• Youth (15-24 years)</li> <li>• Women</li> </ul>	This indicator counts the number of direct and indirect jobs created from the design, installation, operation, and maintenance of the mini-grid.
3	Number of households, with access to and using electricity	<ul style="list-style-type: none"> <li>• Total</li> <li>• Youth (15-24 years)</li> <li>• Women</li> </ul>	The indicator includes all households connected and using electricity generated from the mini-grid.
4	Number of businesses with access to and using electricity	<ul style="list-style-type: none"> <li>• Total</li> <li>• Youth (15-24 years)</li> <li>• Women</li> </ul>	The indicator includes all existing businesses such as retailers, millers, poultry farmers, workshops, and small industries among others who are connected and using electricity generated from the mini-grid
5	Number of institutions with access to and using electricity	<ul style="list-style-type: none"> <li>• Total</li> <li>• Institution</li> </ul>	The indicator includes all institutions such as schools, and health centers that are connected and using electricity generated from the mini-grid
6	Number of productive uses of energy opportunities created	<ul style="list-style-type: none"> <li>• Total</li> <li>• Opportunity</li> </ul>	This indicator includes all new business opportunities created as a result of access to electricity from the mini-grid. Opportunities such as electric mobility, agriculture value addition, and electric cooking.
7	Amount of revenue and/or cost saving flowing to local government.	Total	The indicator refers to the amount of money in UGX or USD received by the local government from the sale of electricity from the mini-grid or a reduction in costs spent on electricity and alternatives such as generators and diesel.
8	The amount of Co2 emissions reduced	Total	The indicator refers to the quantity in tonnes of estimated Co2 emissions reduced from the installation of the solar mini-grid and usage of electricity.

Please note that during the negotiations with the successful candidate(s), additional

KPI's will be agreed upon and integrated into the monitoring framework.

### **3. ELIGIBILITY FOR APPLICATION AND EVALUATION CRITERIA**

Only proposals that meet the eligibility requirements and minimum criteria for the submission will be scored.

#### **3.1 Eligibility requirements**

##### **Entity registration**

- The applicant must be a for-profit private company including social enterprises registered in Uganda with at least three operating year experience. For profit arms of not-for-profit organizations (NGOs) can also apply.
- The applicant (project developer) should have experience in developing, deploying and operating and maintenance of mini-grids and productive use of energy applications in Uganda.

##### **Relevant operation licenses (when applicable)**

- The lead applicant must have a certificate of incorporation and trading license to carry out business in Uganda.
- The lead applicant should be a member of the renewable energy industry association in Uganda.
- Country of operation: The applicant must be duly registered with physical presence and having at least one year of operations in Uganda.

##### **Project funding**

- Applicants must contribute at least 40 percent of the project's total cash costs (costs may include technical infrastructure, resources, and operations).

##### **Exclusionary criteria**

- Applicants shall not have been the subject of bankruptcy, liquidation, judicial settlement, safeguarding, cessation of activity or any other similar situation resulting from a similar procedure.
- Applicants and any of their staff or member of their board of directors shall not be included in the United Nations financial sanctions lists, particularly in the fight against the financing of terrorism and against attacks on international peace and security; and
- Applicants must not be involved in any of the following activities:
  - Manufacture, sale or distribution of controversial weapons or their components, including cluster bombs, anti-personnel mines, biological or chemical weapons or nuclear weapons
  - Manufacture, sale or distribution of armaments and/or weapons or their components, including military supplies and equipment
  - Replica weapons marketed to children
  - Manufacture, sale or distribution of tobacco or tobacco products
  - Involvement in the manufacture, sale and distribution of pornography
  - Manufacture, sale or distribution of substances subject to international bans or phase-outs, and wildlife or products regulated under the CITES
  - Gambling including casinos, betting etc. (excluding lotteries with charitable objectives)
  - Violation of human rights or complicity in human rights violations
  - Use or toleration of forced or compulsory labor

- Use or toleration of child labor
- Applicants shall have fulfilled all the obligations relating to the payment of social security contributions or obligations relating to the payment of taxes in accordance with legal provisions in force in the country of incorporation.

UNCDF will conduct due diligence on selected applicants. Applicants must have documents ready for confirmation that they meet the eligibility criteria including certificate of compliance with the tax authorities and any other documentary evidence that might be requested by UNCDF besides the application form.

### 3.2 Evaluation criteria

The Evaluation Committee will score the proposals according to the below evaluation criteria.

Only proposals that score at least 70 (out of 100) will be considered successful and move to the due-diligence stage.

Criteria	Points
<p><b>Organization's profile, experience and team:</b> The organization's profile, track record, reputation, experience in the country, team structure and experience, as well as if the applicant has successfully implemented projects with UNCDF, UN or other International organisations.</p> <ul style="list-style-type: none"> <li>● Review of registration status, tax status, licenses, etc. (including relevant certificates/documents)</li> <li>● The organization's profile, track record, reputation, experience in the country, team structure, and experience</li> <li>● Profiles/biographies of Senior management and staff</li> <li>● Governance and organization structure (organogram)</li> </ul>	10
<p><b>Team</b> Applicant's proposed team structure and experience is suited for the purpose of the RFA (development of gender-responsive innovations, skills for management, technical knowledge, on the field footprint, monitoring, and result measurement capacities)</p>	10
<p><b>Sustainability and commercial viability</b> of the company and business line for the proposed use of funds:</p> <ul style="list-style-type: none"> <li>● Is the business model of the business line for the proposed use of funds scalable?</li> <li>● Does the business model have strong potential for commercialization, including profitability and/or break-even?</li> <li>● What is the estimated market size and growth? Does the business model contribute to market development?</li> <li>● Does the UNCDF investment contribute to market additionality and positive market demonstration effects?</li> <li>● What is the exit strategy?</li> </ul>	25
<p><b>Investments raised/leverage:</b></p> <ul style="list-style-type: none"> <li>● How much in-kind and cash contribution will be made by the project developer?</li> <li>● What is the value for money<sup>1</sup>?</li> </ul>	25

<sup>1</sup> Value for Money (VfM) will be calculated as follows: VfM= A/B; where A is amount of grant requested and B is number of beneficiaries.



<p><b>Impact of the solar mini-grids on households, businesses, social entities, and local government:</b></p> <ul style="list-style-type: none"> <li>• How many beneficiaries and customers will be connected?</li> <li>• How many businesses and social entities are connected?</li> <li>• How many new businesses will be created as a result of the solar mini-grid?</li> <li>• How many jobs will be created? How many are benefitting women?</li> <li>• How much CO2 emissions will be reduced?</li> <li>• How much potential revenues will flow to the Local Governments?</li> </ul>	30
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### 3.3 Eligible costs

The criteria for eligible expenditure determine whether a cost qualifies for funding under UNCDF rules and procedures.

- At least 80% of the funds should be spent on capital investments and 20% spent on the investment servicing costs.
- Eligible costs must be incurred by the applicant during the project (after the signature of the Performance-based Agreement and up to the end of the Grant period).
- Eligible costs should be indicated in the estimated overall budget of the action attached to the Performance-based Agreement.
- Costs must be identifiable and verifiable, in particular being recorded in the accounting records of the applicant and determined according to the applicable accounting standards of the country where the lead applicant is established.
- Costs must comply with the requirements of applicable tax and social legislation.
- Costs must be reasonable, justified and comply with the principle of sound financial management, in particular regarding economy and efficiency.
- Consultancy costs – under studies, technical assistance and other advisory services under the programme carried out by international and national consultants – are eligible as follows. Professional and consultancy services are services rendered by people with a special skill, and who are not officers or employees of the organization applying for the grant. Consulting services must be justified, with information provided on their expertise, primary organizational affiliation, normal daily fee, and number of days of expected service. Consultants' travel costs, including for subsistence, are to be shown as travel expenditure. The applicant may be required to justify the daily fee.
- Workshop costs are eligible, for the workshop venue, food and beverages, and publication material.
- Training expenditure (financial education, digital education, soft skills) for the project's final beneficiaries is eligible. If applicable, this will include all related expenditure, such as the cost of the venue, participant travel, and so on. Training for the employees of the institution applying for the grant is also eligible as long as it has been demonstrated that it will link directly to the project output.
- Investment costs directly attributable to the project, relating to research and innovation, are allowable.

### 3.4 Ineligible costs

The following costs are ineligible and not accepted:

- Returns on capital and dividends paid by a beneficiary;
- Debt and debt service charges;
- Provisions for losses or debts;
- Interest owed;
- Costs declared by the applicant in the framework of another action receiving a grant financed from another donor;
- Indirect costs, also called overheads.

## 4. AGREEMENT PARAMETERS

Applicants shall give evidence that their solutions are aligned to the following parameters.

### 4.1 Applicants

The applicant will be responsible for:

- Submitting the application form and proposal.
- Reviewing and ensuring full awareness of the contents of the Application Form.
- Signing the Agreement with UNCDF and Government
- Fulfilling all obligations set out in the Agreement.

### 4.2 Target segment

The Mini-grids will be developed targeting off-grid fishing communities on Lake Victoria. On-grid options especially targeting vulnerable communities and demonstrating innovations including net-metering within the GKMA with clear cost reduction impact on the local governments, traders especially in markets can also be considered.

### 4.3 Geographical scope

Greater Kampala Metropolitan Area covering Districts of Mukono, Mpigi and Wakiso.

### 4.4 Project duration

Projects are expected to have a 12 months duration. Activities are expected to be terminated no later than May 30<sup>th</sup> 2024. Final and assessment report will have to be submitted no later than 30<sup>th</sup> May 2024.

### 4.5 Language

The deliverables and any correspondence between the applicant organization and UNCDF must be in English.

### 4.6 Budget

UNCDF will provide a grant to each of the selected applicants in accordance to the Evaluation Criteria as set forth in section 3.2.

UNCDF contributions may range from \$150,000 USD to \$300,000 USD.

Specific projects will be financed based on business needs. Depending on the maturity of the solutions and the success of the pilot, UNCDF would be able to continue its support for the mobilization of investment capital (loan and guarantee) and further technical assistance.

Proposals will need to describe how applicants will deploy the Grant and if any technical assistance or mentorship services are being sought. Additional technical assistance services will be provided by UNCDF through a separate budget line.

## **5. APPLICATION REQUIREMENTS AND PROCESS**

### 5.1 Structure of the application

The applicant must submit a complete application form online with the following required documents:

- Certificate of incorporation
- Latest audited financial statements
- Latest management accounts
- Official document confirming that the candidate is in order related to tax and social security payments
- Technical submission form (using UNCDF's template)
- Budget and workplan (using UNCDF's template) CV form (using UNCDF's template)
- Organigram
- Proof of existing licenses for mini-grids (if any)

All submissions must be completed in English.

Only proposals that follow the Submission Formats and include all the necessary documentation will be considered.

### 5.2 Application deadline

Applications for this Request for Application (RFA) should be submitted online through UNCDF Apply platform no later than May 12<sup>th</sup>, 2023, 23:59 EDT (New York Time). Through UNCDF e-investment platform.

Please visit this RFA following this link:

<https://apply.uncdf.org/prog/230420 - ug - programme on integrated local finances for sustainable urban development in the greater kampala metropolitan area pifud installation of 2 solar mini-grids to facilitate local economic development>

### Selection process:

- Step 1: Eligibility screening – eligibility will be assessed according to the eligibility requirements as set forth in section 3.1.
- Step 2: Evaluation of eligible proposals based on the evaluation criteria set out in section 3.2.
- Step 3: Due diligence – due diligence on the proposals and their applicants will be conducted on proposals that receive the minimum qualifying score (70/100).
- Step 4: Notification of applications – all applicants will be notified of the status of their proposals.
- Step 5: Pre-Grant negotiation and Agreement – the selected applicants will finalise the scope of the grant and finalise budgets, indicators and targets, workplan and disbursements of the Grant that will be released on achievement of each milestone.
- Step 6: Approval of the selected proposals by the Investment Committee will be reviewed, discussed and approved by the Investment Committee. Any further due diligence requirements, risk analysis or milestone recommendations from the Investment Committee will be followed in later steps.
- Step 7: Notification of applications - all applicants will be notified of the status of their proposals after final approval from UNCDF Management / Investment Committee.

### 5.3 Timeline

20 <sup>th</sup> April 2023	Application window opens
10 <sup>th</sup> May 2023	Deadline for questions
10 <sup>th</sup> April 2023	FAQ document published
12 May 2023	Deadline for submission

### 5.4 UNCDF Contact

Inquiries and queries to this RFA can be submitted via email at [uncdf.rfa@uncdf.org](mailto:uncdf.rfa@uncdf.org) cc [lynda.kasagga@uncdf.org](mailto:lynda.kasagga@uncdf.org) not later than the May 10<sup>th</sup>, 2023. Please use in the subject email **“Installation of 2 mini-grids to facilitate local economic development in Greater Kampala Metropolitan Area.”**