

## Promotion of village grids

### Call for interested companies

#### In short

Companies can apply for a financial incentive for the commissioning and operation of a village grid by submitting a sound project proposal. Submission deadline is December 31, 2015. UOB will sign contracts with accepted companies; and the incentive is paid after commissioning and verification of the village grid (Results-Based Financing approach - see blue box on page 2).

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#### What technologies are supported?

For companies to receive the incentive, they have to connect customers in remote rural areas with one of the following:

- **Hydro village grids:** A mini-grid based on hydro power;
- **Solar village grids:** A mini-grid based on solar or solar-diesel systems (min. 50% of energy produced from solar);
- **Distribution village grids:** A mini-grid with an

electricity transport (if needed) and distribution system only (purchase agreement among private operators, or act as a Small Power Distributor in accordance with the RURA Simplified License Regulation for Isolated Grids).

#### What is the scale of support?

In Rwanda, Energising Development intends to support up to 40 village grids with subsidies reaching up to EUR 1.3 million. **The call for proposals will close on December 31, 2015.** Based on the outcome of this round and potential for up-scaling, there is a possibility for future calls.

A single company or investor cannot, even for multiple projects, receive more than 25% of the total amount of funding, which means EUR 325,000.

#### For solar and hydro village grids

The incentive will cover **up to 70% of investment costs**, taking into consideration the profitability of the project, the technology and the service provided to customers. The calculation of the incentive will be carried out after the application is reviewed, and the Viability Gap Funding (the total amount of incentives to be given to a company) will be communicated to the company. The grant will be paid in two parts:

- A one-time payment as contribution to the investment cost after village grid completion

Funded by:



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(commissioning incentive);

- 15 EUR per quarter for every paying customer during the first year of operation (connection incentive).

The sum of both commissioning and connection incentives cannot exceed 70% of investment costs.

### For distribution village grids

Distribution village grids will receive an incentive that is **fixed at 150 EUR per paying customer**. The grant is split in two parts:

- A one-time payment as contribution to the investment cost after village grid completion (commissioning incentive) equivalent to EUR 90 per paying customer connected;
- 15 EUR per quarter for every paying customer during the first year of operation (connection incentive).

The sum of both commissioning and connection incentives is equal to EUR 150 per paying customer connected.

### Who is eligible?

Private firms, private individuals, registered associations and cooperatives are eligible to apply for the support. NGOs (those not registered as a commercial business in Rwanda), 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.

A company must fulfil the following criteria:

- Customers need to be physically connected through a grid.
- Have an agreement (accord de principe) with the district to provide electricity at the proposed site.
- The project must have a realistic commercial potential and be technically viable and safe.
- Have a clear plan for the maintenance of the village grid.
- Projects are only eligible if they receive no grant financing from other donors or donor-financed institutions; grants from Rwandese public institutions, local districts or local contributions are allowed.
- Be registered with the Rwanda Development Board (RDB) as a private company;
- Have a valid tax and social security clearance

### 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.*

*In essence, RBF is a private sector support mechanism to motivate private companies to move into new business areas in renewable energy. RBF 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 construction and operation of a village grid – 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.*

certificates at the time of submission of the business plan;

- Have clearly identifiable and accessible physical office(s) or business premises in Rwanda;
- Have a commercial bank account;
- Have bank financing or own funds to finance operations;
- Comply with the conditions set out in this document.

For **village grids with own generation** (solar and hydro), companies have to also fulfill the following requirements:

- Generation capacity of the plant is between 5-50 kW; for solar village grids it is possible to bundle several village grids in the same district to reach that capacity.
- The village grid/ village grid bundle must connect at least 40 paying customers. In the case of a village grid bundle, there must be at least 25 paying customer in each village.
- Plants with a capacity of 50-100 kW can be accepted, in line with the new RURA Simplified License for Isolated Grids. However, companies have to demonstrate high technical and managerial capacity to be accepted for such an approach.

### Excluded from support are:

- Charities and research/academic institutions operating in 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 UOB, EnDev, GIZ, GVEP, SNV or any other institution directly involved in the EnDev programme.

### What are the technical requirements?

EnDev Rwanda aims to leave as much freedom as possible to the project developers in regards to technical design and business model. However, some minimum requirements for the quality and safety of the village grid installation must be fulfilled to ensure:

- a reliable power supply within the village grid,
- the quality of electricity supplied to protect electrical appliances connected, and
- the safety of the customers and staff.

Separate guidance is provided on hydro and solar village grids as well as small power distribution projects (available from UOB). In any case, EARP construction standards should be applied for the transport (if any) and distribution network.

Additional guidance on technical requirements is provided in the Safety and Quality Guidelines (solar, hydro and distribution) and the checklist used for project commissioning (available from UOB).

### Which actors are involved?

#### Urwego Opportunity Bank (UOB)

UOB was selected as the implementer of the programme and executes the financial management of the fund on behalf of Energising Development Rwanda. UOB assesses the companies during the application period, realises the contractual arrangements with the private companies, administers the fund, disburses the incentives, and monitors and verifies the results.

### Energising Development (EnDev) Rwanda

Energising Development (EnDev) is an energy access partnership currently financed by six donor countries – the Netherlands, Germany, Norway, Australia, the United Kingdom and Switzerland. The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH acts as lead agency for the implementation of the programme. EnDev has a mandate to facilitate and finance the access of households to electricity through village grids in Rwanda.

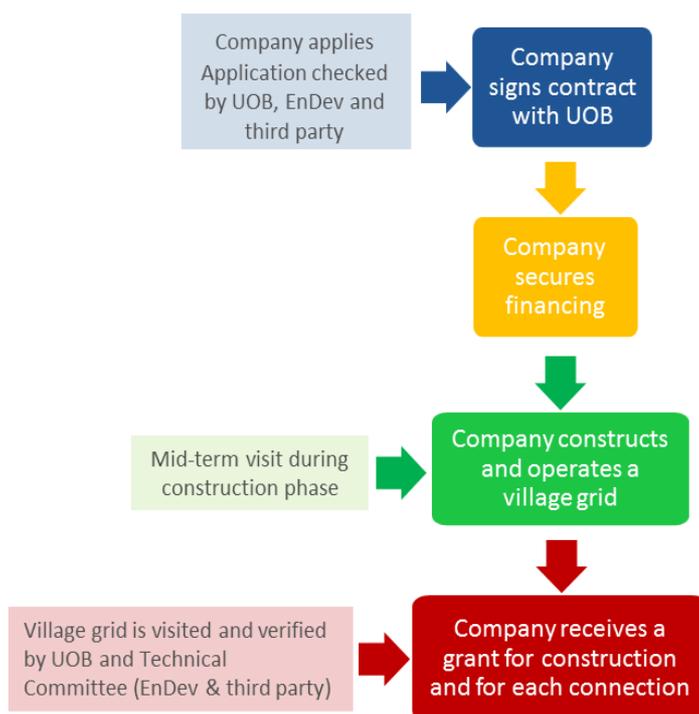
EnDev will assist UOB in the technical assessment of the projects.

### How does it work?

#### Application process

Companies can apply for support by submitting an application to UOB. If the application is successful, the company will conclude a contract with UOB that fixes the maximum results that have to be fulfilled (e.g. connecting 200 customers), and the incentives that can be received per contract (e.g. EUR 32,000). Companies are **guaranteed the incentives** after the results are verified according to the contract.

The figure below gives an overview of the process.



## Support to the application process

Companies will receive support during the application process, to bring their project proposals to maturity before the closing of this call. Scheduled meetings will take place for hydro developers, taking them through each step of the project proposal and advising them on how to collect, analyse and present their data. Solar and distribution companies are invited to contact UOB for support during the application process (and if needed UOB will include EnDev for technical support). Please note that the support contains group meetings and debates, one-on-one support, field visits, Q&A sessions, networking, etc. but does not contain monetary support.

## Claims, verification and incentive disbursement

Each participating company has **one year** from the signing of the contract with UOB to complete the village grid. UOB and EnDev will carry out a mid-term visit, if necessary, to provide additional guidance on the construction.

Once the construction is ready, the companies will claim their commissioning incentive at UOB. UOB will organise a commissioning visit together with EnDev and a third party and assess the village grid according to the Commissioning Checklist (which is part of the contract). After positive results of the verification, UOB will disburse the commissioning incentive.

Companies claim quarterly for the connections incentives. For this, they prepare the claim including the information about the customers (name of customer, telephone number, location, and tariff paid, etc.) and submit it to UOB. UOB will carry out a document check, followed by a

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

## How to apply?

Application documents are available for hydro, solar and distribution village grids separately. When applying and asking for application documents, please always specify which technology you apply for, so that the right set of documents can be provided to you. The hydro documents are available in English and French, while solar and distribution documents are available in English only.

Applications will be assessed on a first-come, first-serve basis. We expect that there will be a period of intensive exchange to reach a complete project proposal. A complete project proposal is required as this document is the basis for the contract. The project proposal will not only serve as an application for the EnDev funds, but can also be used by companies to apply for loans from banks.

The application should be submitted **electronically only** to UOB as a filled out project proposal.

If the application is successful, UOB will contact the company to sign an incentive contract 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 Programme Manager at UOB.

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