

THE UNITED REPUBLIC OF TANZANIA
MINISTRY OF ENERGY AND MINERALS
RURAL ENERGY AGENCY (REA)



FIRST CALL

**Invitation to Submit Application for Results Based Financing (RBF) Grants
for Renewable Energy Investments in Green Mini and Micro Grids**

First Call for Result Based Financing Grants Application Deadline is 11:00 East African Time (8:00 GMT) on Friday, November 4th, 2016.

1. INTRODUCTION

The Rural Energy Agency (REA) is responding to the Tanzanian Government's aim to reach the UN initiative for *Sustainable Energy for All* (SE4ALL) Agenda of universal (100%) access by 2030¹ by opening a financing window for co-funding private sector renewable energy investments. Cooperation between the Government and the private sector through different types of public private partnerships are considered key elements in the effort to rapidly expand sustainable energy access. Sweden and the United Kingdom have contributed for supporting investments in Green Mini and Micro Grids.

The private sector financing window will be used strategically to incentivize scale-oriented investors to enter the rural electrification area and/or to expand ongoing electrification activities into less-served, more remote off-grid areas of the country for economic and social development purposes.

A Results Based Financing (RBF) approach will be used where capital grant incentives will be offered to Green Mini and Micro Grid (GMMG) service providers with realistic business plans, based on the verified number of electricity connections resulting from the financing support.

¹ SE4ALL has three proposed targets: Universal energy access, doubling of renewable energy and doubling of energy efficiency by 2030.

The Rural Energy Agency (REA) invites renewable mini- and micro grid Project Developers to submit applications for result based grants to support accelerated access to sustainable energy services in unserved rural areas of mainland Tanzania.

2. OBJECTIVES OF RESULTS BASED FINANCING

The overall objectives of the Programme are:

- a) Electricity access for at least 735,000 people (147,000 households), of which 430,000 (86,000 households) through green mini and micro grids;
- b) Accelerated access to high quality solar PV-systems to over 900,000 people (188,000 households) in more remote areas of Tanzania; and
- c) Increase of private sector investments in renewable off-grid and mini-grids by use of various financial instruments.

3. FINANCING MODALITY

REA will apply the multi-tiered indicator approach of the SE4ALL initiative as a basis for the different RBF incentives. SE4ALL's tier framework measures access along a continuum of improvement for three electricity supply attributes (Table 1). Tiers 3-5 are applicable for mini and micro grids.

Examples of mini and micro grids in tiers 3-5 are shown in Table 1.

Table 1: Investments corresponding to SE4ALL tiers and service levels

Categories	Corresponding service level	Example of off-grid models in Tanzania eligible for RBF
<i>Tier 5 category</i>	More than 22 hours a day, more than 4 hours evening supply, high load, grid compatibility.	Main grid connected GMG's getting power from e.g. mini-hydropower plants or biomass plants.
<i>Tier 4 category</i>	More than 16 hours a day, more than 4 hours evening supply, high load, grid compatibility.	Isolated GMG's fed by mini-hydro and biomass-based power; GMG's being supplied by diesel/solar, PV/wind hybrids
<i>Tier 3 category</i>	More than 4 hours a day, more than 2 hours evening supply medium load, grid compatibility.	Isolated HH-only grids; PV based GMG's; GMG's fed by mini-hydro and biomass-based power; GMG's being supplied by diesel/solar, PV/wind hybrids.

4. ELIGIBILITY REQUIREMENTS

4.1 ELIGIBLE DEVELOPERS AND INVESTMENT ENTITIES

The following categories of developers and investors are eligible for RBF within the Private Sector Renewable Energy Investment Window:

- a) Any private enterprise, NGO, community, or co-operative operating in Tanzania, registered as a legal entity, and having the capacity to enter into a binding agreement under the laws of the United Republic of Tanzania is eligible, subject to REA assessment of technical, financial, management and procurement capacity to implement the proposed project according to these Operating Guidelines.
- b) For mini-grids: Project developer shall provide evidence that they have satisfied EWURA's regulatory requirements. Reputable bank or financier would confirm creditworthiness of the project developer (Applicable only for projects seeking to secure debt financing from banks).
- c) For micro-grids: Project developers shall provide evidence that they have satisfied EWURA's regulatory requirements. REA shall accredit participating companies for commercial and domestic micro-grid operation and service provision, including confirmation of creditworthiness from reputable bank (Applicable only for projects seeking to secure debt financing from banks).
- d) The Project Developer shall not have been "blacklisted" by the Government of the United Republic of Tanzania or any other regional or international authority for any reason whatsoever; and
- e) The Project Developer shall not have been declared bankrupt and should not have a bad history of mediation, arbitration or litigation relating to fraudulent business transactions.
- f) A project developer who has received a grant under this initiative shall not be eligible for another grant until he has completed all the obligations of the previous grant.
- g) For any call, project developers submitting more than one project proposals shall be considered for grant support for only one project. In a case of this kind, a proposal with more number of connections may be favored.
- h) One proposal submitted for financing consideration may be comprised of sub-projects meant to be implemented in different locations, as long as all the necessary information (including financial, technical, managerial, etc.) is provided for each sub-project in the overarching proposal.

4.2 ELIGIBLE INVESTMENT

Eligible investment proposals include mini and micro grids for the following installations:

- a) Distribution networks and consumer connections on mini-grids supplied by grid connected power generators not exceeding 10 MW using renewable energy sources.
- b) Renewable or hybrid power generators, distribution networks and consumer connections in isolated mini- and micro grids. Diesel back-up power combined with renewable sources is eligible, provided that the non-renewable energy supply part is less than 25% of the annual energy supply.
- c) Innovative distribution systems using micro-grids and/or smart grids with embedded renewable power generators, to serve domestic consumers, commercial and institutional requirements.

Extension of already existing mini or micro grids without investment in additional generation capacity is eligible for RBF financing for new connections, provided that the service level of the existing distribution network is not reduced as a result of the extension.

5. GENERAL PROCESS AND PROCEDURES

The application procedure will follow a two stage process:

5.1 STAGE 1

Based on semi-annual calls, open for 6 weeks, interested project developers and investors may submit Concept Notes, on-line, showing key project features, stage of development and financing structure. These Concept Notes will be screened by REA, and the applicants will be notified of the result of the screening within one (1) month after submission deadline. The Concept Note template can be downloaded from REA's website.

5.2 STAGE 2

Projects that successfully pass the Stage 1 screening will be invited to submit a Feasibility Study and a Business Plan with required enclosures where applicable, including a bank guarantee or other payment securities covering the advance grant payment amount. Projects which pass Stage 2 appraisal will be presented to the Rural Energy Board (REB) for approval or notification (as applicable). A Letter of Notification will be provided within one (1) week of the REB decision. Once all financing and regulatory requirements are fulfilled, an RBF Grant Agreement will be signed between REA and the Project Developer. The maximum implementation period after agreement signing is four (4) years. Applicants that do not pass Stage 2 will be notified within one (1) week of the REA Appraisal Team decision. Applicants, whose proposals were

disqualified at Stages 1 or 2, may re-apply for financing consideration in subsequent calls provided that such previous proposals have been revised to meet eligibility criteria stated herein.

6. MAXIMUM GRANT TO BE PROVIDED

The amount of the grant to be provided will be as shown below:-

<i>Category</i>	<i>RBF grant per connection</i>
Main-grid connected GMG (Tier 5)	USD 600
Isolated GMGs (Tier 4)	USD 500
Isolated GMGs (Tier 3)	USD 300

The minimum amount per RBF Grant Agreement is USD 1,500 per project. The maximum amount is 75% of total investment cost for isolated grids and 75% of total investment in the distribution network for grid connected mini-grids per each project.

7. HOW TO APPLY

Applicants are encouraged to apply online at <http://rea.go.tz.dnnmax.com/Resources/ApplicationForms/RBFOnlineGrantApplicationForm/tabid/295/Default.aspx>. To use our online proposal form, you must register and have a valid account and profile with www.rea.go.tz. Registration is free. Apply Now!

If you are not able to access the internet or our website, please contact the RBF Programme Team by phone at +255 22 2412001, +255 22 2412002 +255 788 416284 or +255 788590669; by Fax at +255 22 2412007 or via e-mail at rbf.online@rea.go.tz.

Please note that **all proposals must be submitted before 11:00 East African Time (8:00 GMT) on Friday, November 4th 2016**. Online proposals are only considered completed when they have been officially submitted (i.e., you must specifically select the option “Yes (Please SUBMIT Proposal Now)” on line #90 before clicking the “Submit Proposal Now” button).

Applications will only be accepted in English. If successfully submitted, the result Based Financing Online Application System will acknowledge receipt of your application for your records. Any proposals in draft form will not be considered for evaluation.

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