



Ministry of Energy
Malawi Electricity Access Project

REQUEST FOR EXPRESSION OF INTEREST

for

Shortlisting as Participating Organizations (POs) of Ngwee Ngwee Fund (Off-Grid Market Development Fund) for Installation of Solar Home Systems under Malawi Electricity Access Project

22 November 2022



The Consortium of Infrastructure Development Company Limited (IDCOL), Bangladesh (Lead Firm) and Africa Grant Advisors Limited (AGA), Mauritius (Partner Firm) has been engaged by the Ministry of Energy as Fund Manager for the Ngwee Ngwee Fund

1 INTRODUCTION

The Government of Malawi (GoM) has prioritized the development of the energy sector as an enabler to the achievement of Malawi 2063 and to accelerate access to reliable energy for the socio-economic development of the country. To help the GoM to achieve this access target, the World Bank has provided financing for the implementation of the Malawi Electricity Access Project (MEAP) with the objective of increasing access to electricity from 18% to 30% of the population in Malawi. MEAP is implemented by both the Ministry of Energy (MoE) and ESCOM. The MoE is specifically responsible for establishing and operating an Off-Grid Market Development Fund (OGMDF) or the *Ngwee Ngwee Fund*, which is to drive the urgent provision of energy access and to scale up the off-grid solar market.

The Ngwee Ngwee Fund is currently comprised of a USD 6 million Results-based Financing (RBF) Grant window and a USD 14 million Debt window for Off-Grid Solar (OGS) companies to reach at least 200,000 new households with OGS products in Malawi by June 2024.

2 RATIONALE FOR THE OGMDF IN MALAWI

Malawi is a landlocked country in southeastern Africa, bordered by Zambia, Tanzania and Mozambique, with a population of about 18 million people. Malawi has one of the lowest electricity access rates in the world. Currently, the electricity access rate stands at 18 percent, with 11.4 percent grid access and 6.6 percent off-grid solar. There are severe disparities between urban (42 percent) and rural areas (4 percent) for those accessing electricity from the grid.

A market assessment for off-grid solar energy supported by The World Bank suggests that up to 3.7 million households are unlikely to be connected to the grid by 2030 and thus, represent a potential market for pre-electrification solutions, such as off-grid solar. This translates to a potential market of about US\$ 265 million.

There is also an emerging off-grid solar sector, which has the potential to develop Malawi into a significant OGS market and contribute significantly to electricity access. There are over 80 companies currently operating in Malawi and an increasing trend towards selling high-quality VeraSol-certified systems¹. However, the country is facing challenges in scaling up the OGS market. Affordability and limited access to finance are the primary factors preventing the solar companies from significantly expanding their businesses and customer base.

Many solar companies are providing consumer financing through a pay-as-you-go (PAYG) model, allowing installment payments for up to 36 months (with only 20 percent up-front payment), in order to make products more affordable and to expand their customer base across market segments. This makes access to adequate finance critical. However, companies have been relying on a mix of limited equity, grants and, for those who can access it, debt from specialized impact investors, to support and grow their business.

¹ <https://verasol.org/>

In addition to funding constraints, many off-grid solar companies have recently faced currency convertibility issues. Due to the macro-fiscal challenge in Malawi, it has become difficult for companies to convert their revenue denominated in local currency to USD or other foreign currencies, which hampers their ability to import products typically designed and manufactured in the US and China.

The Ngwee Ngwee Fund will address the challenges to scaling up the off-grid market by providing debt financing in both local and foreign currency, an RBF grant window to provide end-user subsidies, and a technical assistance window.

3 OBJECTIVES OF THE OGMDF

The overall objective of the Ngwee Ngwee Fund is to provide financing and technical assistance to rapidly scale up the off-grid solar market in Malawi's rural areas. More specifically the Debt Window (up to USD 14 million) will offer working capital loans to OGS companies for them to expand their operations and speed up procurement, based on their eligibility and business plans. The RBF Grant window (up to USD 5.5 million) will provide end-user subsidies to close the affordability gap of customers that cannot afford solar home systems at commercial prices. The Fund has also created a Market Catalyst Fund (MCF) of USD 500,000 to support market-based transformative solutions to scale up the renewable energy transition, particularly by engaging the local off-grid solar companies in Malawi. MCF is intended to harness innovative business models, solutions, resources, experiences, and networks of relationships that exist across stakeholders. If there is high demand, the MCF could be expanded up to USD 1 million. The Technical Assistance Window will provide training and capacity-building support to the OGS sector and the financial institutions operating in Malawi. This technical assistance will include: promotion and awareness building; efficient financial management and monitoring of collection efficiency; training of trainers, customers, and technicians to facilitate the efficient installation and maintenance of SHS systems.

4 PURPOSE OF THE CALL

The Fund Manager, on behalf of MoE, now intends to engage private entities/social enterprises as Participating Organizations (hereafter referred to as "POs") under the Fund who will access the Debt Window and RBF Grant Window. In this regard, the Fund Manager, on behalf of MoE, seeks Expressions of Interest (EOI) from companies and organizations that have successful track records of distributing, installing, servicing and financing solar home systems or other solar related technologies in rural areas of Malawi or in similar countries.

The Fund Manager will shortlist companies based on the eligibility criteria specified in this document. Shortlisted companies will be invited in due course to participate in the next round of selection through the submission of loan and grant application packages including a detailed business plan. Based on evaluations of the application package, the Fund Manager will recommend selected firms to enter into loan and grant agreement negotiations.

A separate Request for Application (RFA) will be circulated later for the Market Catalyst Fund (MCF) to invite proposals from local off-grid solar companies in Malawi. It is to be noted that the companies selected as POs for the Ngwee Ngwee Fund will not be eligible for the MCF.

5 ELIGIBILITY CRITERIA

The applying entity must be a private entity or a social enterprise (defined as businesses that maximize benefits to society and the environment while its profits are principally used to fund social programs) and must not be government-owned, operated, or affiliated in any way. Applicants may be developers of their own systems/technology and/or may be acquiring and deploying systems/technology developed elsewhere. Applicants need to be legally registered in Malawi; registered with the Malawi Energy Regulatory Authority (MERA) for the importation and sale of solar home systems; and have to demonstrate the capacity to track and manage the project resources and operate in good standing with the local governments. For this call, foreign companies not registered in Malawi will be allowed to make a submission. However, they will be required to register in Malawi prior to loan application and will have to demonstrate their capacity to track and manage the project resources in rural areas of Malawi.

In order to be shortlisted, the applicant must meet each criterion specified below:

1. Have a good track record in the off-grid solar market (including value chain activities such as importation, distribution, retail sale and after-sale service of solar home systems) for a minimum of 2 years.
2. Have installed either more than 3,500 solar home systems in Malawi, or more than 100,000 solar home systems in other countries in Africa. The companies will furnish a list of the systems including district, system size, location etc. as an attachment to the EOI. If the applicant is a consortium, the required experiences under criteria 1 and 2 must reside within the lead firm (the company that controls the consortium or have the majority share) at its corporate level (experiences with individual employees will not be recognized)
3. Have a minimum Revenue of MWk 200,000,000/- or equivalent in the latest financial year.
4. Demonstrate a track record of profitable business. The Net Income (defined as sales minus cost of goods sold, general expenses, taxes, and interest) of the company should be positive for two out of the past three years, or the Return on Assets (defined as Net Income over Total Assets) should be higher than 5% of the last year. All required Revenue, Net Income and Assets numbers under criteria 3 and 4 should be based on audited financial statements that are audited by the Malawi Accountants Board (MAB), enlisted audit firms (for companies registered in Malawi) or enlisted audit firms from competent authority from the registration country (foreign companies).
5. Have an established and active warranty and after-sales service capability, eg. existence of a call center and Customer Management System. Applicants will have to submit pictures of the call center and screenshots of the CMS system with the EOI. The Fund Manager reserves the right to validate the operation of these systems through office visits.

6. Install high quality solar home systems that are Verasol-certified. The companies will provide a table in the EOI with their list of enlisted suppliers with product names, model numbers, country of origin, and Verasol certificate expiration date.

5 SUBMISSION REQUIREMENT

The Fund Manager, on behalf of the Ministry of Energy of the Government of Malawi, now invites prospective companies capable of meeting the Eligibility Criteria set out in Section 4 of this document to indicate their interest in accessing the Fund and become a PO of the Ngwee Ngwee Fund. Interested companies must provide information indicating their experiences and qualifications to perform the project activities. The submission is in electronic format with a copy to be delivered to the Fund Manager's office at Golden Peacock House, Level-2, Room no. 217-219, City Center, Lilongwe, Malawi. **The EOI is not to exceed twenty-five (25) pages excluding the attachments (with font size no smaller than 10-point font). Please note that the total size of all attachments should be less than 5MB in the electronic submission.**

Attachments:

1. Business registration certificates (companies registered in Malawi must provide MERA licenses)
2. Tax clearance certificate from the latest assessment year
3. Audited financial statements of the last two (2) years
4. Profiles of key management and technical personnel
5. List of SHS systems installed by district and by capacity for the last three years.
6. Pictures of the call center and screenshots of the CMS system

6 APPLICATION PROCESS

Interested companies are hereby invited to submit expressions of interest in English. The completed application package along with the required attachment should be submitted by **06 December 2022 at 4.00 pm Central Africa Time**, by email to advisory@idcol.org with a printed copy delivered to the office of Fund Manager by at *Golden Peacock House, Level-2, Room no. 217-219, City Center, Lilongwe, Malawi*. EOIs will only be accepted at the above email and postal addresses. Both email and printed copy have to be received by the deadline. Late EOI submissions will not be accepted.

Following this invitation for Expression of Interest, a shortlist of qualified companies will be formally invited to submit loan and grant applications and detailed business plans. Only those companies which have been shortlisted will receive a notification. The Fund Manager has no obligation to debrief firms that have not been shortlisted.

General inquiries can be directed to advisory@idcol.org by 30 November 2022 and will not be accepted at other email addresses. An online information dissemination meeting will be held on **28 November 2022 at 2.00 pm Central Africa Time**. Registration link for the meeting can be found [here](#) (please check the spam folder for the meeting link after registration).

7 DISCLAIMERS

Issuance of this REOI neither constitutes an award nor a commitment on the part of the Fund Manager or the Ministry of Energy to pay for costs or defray expenses incurred in the submission of the application. In addition, this REOI is not intended to replace any current or future funding agreements that the organizations may have with any government department/multilateral or bilateral agencies.