

CALL FOR PROPSAL

Financing Support for Renewable Energy Investments in Green Mini and Micro Grids

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Country: Tanzania

Description:

Rural Energy Agency (REA) has received funding from the Sustainable Energy Fund of Africa (SEFA) for establishment of Renewable Energy Investment Facility (REIF), which shall focus on decentralized renewable energy.

REIF will speed up rural electrification through innovative investment mechanisms and technical assistance support services for renewable energy mini grids. It will provide the private sector developers a mix of appropriate financial instrument for renewable energy projects. Establishment of the REIF will help in the acceleration of private sector participation in off-grid electrification in Tanzania. It will thus contribute in expanding rural electrification and increase access to renewable energy services by channeling the funds to private sector companies for the development and operation of energy access projects in rural areas based on renewable energy technologies.

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

Purpose:

The following are objectives of Renewable Energy Investment facility (REIF):

1. Providing innovative funding instruments to off-grid and mini-grid developers which ensures a sustainable and affordable source of financing
2. Improving the scalability of off-grid & mini-grid projects through use of innovative risk mitigation mechanisms
3. Facilitating and promoting investments for off-grid/mini-grid renewable energy projects by way of empowering and engaging the rural communities through capacity building interventions
4. Increasing investments in rural electrification projects through Capacity Building programs for all stakeholders
5. Ensuring scalability and sustainability of off-grid and mini-grid projects by providing Technical assistance to all major stakeholders
6. Facilitating technological interventions to reduce risk for financial institutions and provide financial muscle for developers

Scheme	About	REIF's role	Tentative Ticket Size
Matching Grants	Grants provide support for developers at the initial stage (preparatory work and/or develop new & innovative projects) of the project	Provide matching grants to developers on a costsharing basis	Maximum of USD 500,000 per project depending on the size of the project. The maximum amount that will be contributed by REA is only 80% ¹
Results based Financing (RBF)	Incentive-based model to finance project costs through grants per new connection in RE mini-grid projects of tier 4 and tier 5 (tiers as defined by SEF4All)	Provide RBF grants to developers based on service level and number of connections obtained	USD 1,300 per connection in initial years; USD 960 per connection after some years ²
Credit Line	Concessional debt financing facility to provide low-cost loans to developer	Facilitate loans to developers from the credit line facility through a Fund Manager	USD 0.5-3 Million per MW depending on the capacity of the plant
Equity & Mezzanine	Instruments Equity financing suffice equity requirements of developers for project financing; Mezzanine instruments can be leveraged if equity financing is not sufficient	Connect investors/ facilities with developers; monitor and share information with both the stakeholders about each other	Depends on investor's financing
Risk Mitigation Instruments	Instruments to mitigate risks that create hurdle in providing sufficient low-cost investment	Connect facilities/ donors with developers/ Investment/Development Bank/ Financial Institutions; monitor and share information with both the stakeholders about each other	Coverage depends on deals with the instrument provider

Eligibility requirements

Scheme is available for all renewable mini-grid projects in Tanzania. As defined by REA in its previous guidelines, categorisation into renewable energy mini grids shall be based on the following:

- a) Mini grids or isolated grids are grids that are sufficiently far from the national grid to be cost effective solutions for providing certain areas with electricity
- b) Renewable energy technologies shall include solar, small hydro, wind, biopower, and related hybrid projects
- c) Mini-grid projects shall include Small Power Projects generating and/or distributing electricity up to 10 MW (each)

For more information, please visit: <http://rea.go.tz>

¹ The amount of Matching Grants and Credit Line Financing will be depending on the size of the project

² The maximum amount of RBF grant availed shall be 75% of total investment cost of the project