

**UNITED REPUBLIC OF TANZANIA****RURAL ENERGY AGENCY (REA)**

**CALL for PROPOSAL**  
**Invitation to Submit Application for Financing and other support for**  
**Renewable Energy Investments in Green Mini and Micro Grids**

Call for Proposal Application Deadline is 11:00Hrs (East Africa Time (8:00 GMT) on Friday, September 3<sup>rd</sup>,2021.

## **1. INTRODUCTION**

The Government of Tanzania (GoT) has established the objective of increasing the total electricity access of the population from 32.8% in 2016 (in terms of connectivity) to 50% by 2025 and to at least 75% by 2033<sup>1</sup>. In addition, the National Rural Electrification Program (2013-2022), the National Energy Policy (2015), and many other acts & regulations have supported the agenda of attaining the above-mentioned target.

A majority of the population (about 67% in 2017) in Tanzania resides in the rural areas and less than 20% of the rural population has access to electricity (in terms of connectivity). In rural regions, especially the sparsely populated ones, the Government of Tanzania intends to increase access to electricity by promoting renewable powered off-grid/mini-grid electrification schemes.

For a country with a dispersed population, a mini grid can help provide constant and inexpensive electricity. It is economically unviable to connect the rural masses to the national grid and therefore it becomes all the more important to have a proper mini-grid setup.

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.

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<sup>1</sup> REA, "Rural Energy Access Situation Report" (2016)

REIF will speed up rural electrification through innovative investment mechanisms and technical assistance support services for renewable energy mini grids. REIF will mobilise and combine various sources of capital. It will provide the private sector developers a mix/complement of appropriate financial instrument/products for renewable energy projects for rural electrification.

Establishment of the REIF will not only help in addressing the existing financial gap in the market but will also help in the acceleration of private sector participation in off-grid electrification in Tanzania. It will bolster Tanzania's energy access targets and will help improve the livelihoods for the rural communities in the country.

REIF 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.

## **2. OBJECTIVES & RESULT AREAS OF RENEWABLE ENERGY INVESTMENT FACILITY**

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

Following shall be the result areas for 5 years for REIF:

1. Electrifying additional 200,000-240,000 households in rural areas

2. Attracting investments of USD 130-160 million in REIF for financing and supporting renewable energy mini-grid projects
3. Achieving additional renewable energy based mini-grid capacity of 50-60 MW in rural Tanzania

### 3. FINANCING MODALITY/NORMS

REIF shall avail/ facilitate a package of several funding instruments/ schemes, and eligible developers shall have the provision of applying for one or more schemes. The schemes are as follows:

<b>Scheme</b>	<b>About</b>	<b>REIF's role</b>
<b>Matching Grants</b>	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 cost-sharing basis
<b>Results based Financing (RBF)</b>	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
<b>Credit Line</b>	Concessional debt financing facility to provide low-cost loans to developer	Facilitate loans to developers from the credit line facility through a Fund Manager
<b>Equity &amp; Mezzanine Instruments</b>	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
<b>Risk Mitigation Instruments</b>	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

Along with these schemes, REA/REIF shall provide additional support to developers in terms of leveraging technical assistance & capacity building support, and assistance in end-to-end tendering processes & aggregation.

While facilitating financing for different projects, REIF shall following the following approach for the above schemes

1. The quantum of total financing coverage (excluding mezzanine financing) provided by REIF to a mini-grid project shall be maximum of 80% of the total project cost
2. The minimum promoter contribution shall be 15% of the project cost and the promoter can bridge financing gap (if any) through mezzanine instrument with REIF
3. The maximum Debt-Equity Ratio (DER) of a project shall not be more than 3:1
4. Maximum ticket sizes for different instruments are as follows:

<b>Instrument</b>	<b>Tentative Ticket Size</b>
<b>Matching Grants</b>	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%.
<b>Results based Financing (RBF)</b>	USD 1,300 per connection in initial years; USD 960 per connection after some years*
<b>Credit Line Financing</b>	USD 0.5-3 Million per MW depending on the capacity of the plant
<b>Equity &amp; Mezzanine Financing</b>	Depends on investor's financing
<b>Risk Mitigation Instruments</b>	Coverage depends on deals with the instrument provider

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

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

## 4. 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)

### Service level categories

Service level categories of mini-grid projects shall be tier 4 and tier 5 (as defined by SE4ALL)

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

### Project Guidelines

The following four types of projects shall be eligible for leveraging financing and technical assistance support from REA/ REIF:

Technology Type \ Sale Route	Sale to TANESCO	Direct Sale to rural community
100% Generation from renewable energy	Eligible	Eligible
Hybrid System with at least 75% of capacity from renewable energy	Eligible	Eligible

### **Eligible developers**

A developer is eligible if:

- Developer has Certificate of Incorporation for Companies from Registrar of Companies
- Developer has Taxpayer Identification Certificate (TIN) from Tanzania Revenue Authority
- The project promoter is a private enterprise, Non-Government Organization (NGO), community or co-operative operating in Tanzania, registered as a legal entity, and having the capacity to enter into a binding contract under the laws of the United Republic of Tanzania
- Developer that applies for loan/ mezzanine finance meets the requirement under normal commercial practice for availing a similar type of finance
- The Developer has adequate technical, financial management and procurement capacity to implement the proposed mini-grid project

If a Developer does not meet all the criteria at some point during project implementation, then it can still receive Technical Assistance from REA/REIF if it agrees to a time-bound action plan to again meet the performance benchmarks.

### **Environmental and Social norms**

- The project's environmental and social assessments shall comply with the National Environmental Management Council (NEMC) and REA's Environment & Social Management Framework
- The project sponsors agree to adhere to these frameworks consistent with the Tanzania Environmental and Social Safeguard Practices

### **Regulatory Requirements**

- The project complies with regulatory requirements from all concerned authorities
- For sale to TANESCO, project tariffs shall be based on EWURA's rules and tariff orders for Small Power Projects
- All equipment and instalments must comply with national safety and quality standards, interconnection standards for grid connected mini grids

## **5. SPECIAL CONCESSIONS/ BENEFITS FOR WOMEN ENTREPRENEURS**

To promote women entrepreneurship in the desired sector, additional concessions for women entrepreneurs in the credit line facility are as follows:

- 0.5% per annum rebate on interest rate
- Exemption from payment of loan application/ registration fee

- Additional concession of 5% in promoters' contribution requirement

Classification of women entrepreneurship shall be as follows:

- More than 50% of equity share holding/share capital should be with women singly or jointly, or
- Enterprise to be managed by women i.e. management vests with the women in form of majority in the governing body /council /board

## 6. GENERAL PROCESS AND PROCEDURES

The application procedure will follow a step wise process:

### Phase 1

- Submission and screening of Application form: The first stage is submission of application form. The application form shall be screened based on eligibility.
- Submission of Concept Note : Interested project developers and investors shall submit Concept Notes,, showing key project features, stage of development and financing structure. The Concept Note template can be downloaded from REA's website.
- Screening of Concept notes: These Concept Notes will be screened by REA in collaboration with the consultant, and the applicants will be notified of the result of the screening within three (3) weeks after submission deadline.
- Issue of Letter notification: A Letter of Notification will be provided within one (1) week of the REIF decision
- The process of the submission of the application form to the screening of the Concept Notes shall be wound up within 4 weeks

### Phase 2

- Projects that successfully pass the phase 1 screening will be invited to submit a detailed proposal which would include feasibility report, business plan, ESIA report and other relevant documents
- The phase 2 would be open for 8 weeks for the selected project developers to submit their detailed proposal
- The detailed proposal would be screened by REA in collaboration with the consultant and a letter of notification will be provided within 2-4 weeks
- The process of the submission of the detailed proposal to the screening of the detailed proposal and issue of letter of notification shall be wound up within a period of 10-12 weeks

REIF shall enter into Project financing/Development agreement with the developer subject to further evaluation including but not limited to the following:

- Business Plan
- Feasibility Study
- Financing Plan
- Environmental Management Plan
- Resettlement Plan
- Procurement Plan
- Due Diligence by REIF
- Any Guidance /Notification by GoT, EWURA etc.
- Any Guidance/Notification/process by the Financing partner of REIF



## 7. HOW TO APPLY

**The Proposal submission address is:** Secretary to the tender Board, Rural Energy Agency, PSSSF Building, P. O. Box 2153, Makole Road, DODOMA, TANZANIA.

The applicant must submit:

- Hardcopy Proposal: one (1) original and 1 copy; and
- DVD for softcopy

Clarifications may be requested no later than [7] days prior to the submission deadline.

The contact information for requesting clarifications is: Secretary to the Tender Board , Rural Energy Agency, PSSSF Building, P. O. Box 2153, Makole Road, Dodoma, Tanzania. Facsimile: +255 26 2323507 E-mail: [pmu@rea.go.tz](mailto:pmu@rea.go.tz) by phone at +255 262323504/6, +255 686 033243.

Please note that all proposals must be submitted **before 11:00 East Africa Time (8:00 GMT) on Friday, September 3<sup>rd</sup>, 2021.**

Applications will only be accepted in English. Any proposals in draft form will not be considered for evaluation.

Note: The contract signing for RBF will depend on Government Policy.

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