

# Productive Use Appliance Financing Facility Terms and Conditions

Updated 13 April 2023

## FACILITY OVERVIEW

The Productive Use Appliance (PUA) Financing Facility (“Facility”) aims to reduce the risk associated with PUA procurement and sales, accelerating both the scale and timeline of PUA sales for participating companies. The facility will include (1) subsidies that lower costs associated with PUA procurement and (2) a consumer financing fund for PUA distributors designed explicitly to mitigate the unique credit risks associated with PUA sales.

This document governs the terms and conditions of participation in the Facility’s procurement subsidies component only. CLASP serves as the operating agent and administrator (“Administrator”) of the procurement subsidy component of the Facility. Nithio serves as the administrator of the consumer financing fund component of the Facility. A separate administrative process overseen by Nithio governs participation in the consumer financing component.

The Facility will support companies operating across the off-grid solar (OGS), mini-grid, and grid-connected (utility) sectors that procure large quantities of high-quality and energy-efficient PUAs in target markets. To receive subsidies, all PUAs must undergo third-party testing to ensure and verify energy performance, quality, and safety. As an initiative of the Global Energy Alliance for People and Planet (GEAPP), the facility seeks to build capacity among distributors and accelerate the growth of commercial markets for PUA technologies.

The tables below show the technology and geographic scope of the Facility. All technologies can be sold in all national markets.

GEOGRAPHIC SCOPE	TECHNOLOGY SCOPE
DRC	Electric pressure cookers
Ethiopia	Fans
Kenya	Milling
Nigeria	Solar water pumps
Sierra Leone	Refrigerators/freezers
Uganda	Walk-in cold storage

Other geographies and PUA technologies may be considered on a case-by-case basis.

There is no fee to participate in the program.

Companies that apply for and/or receive procurement subsidies (“Participants”) are subject to the Terms and Conditions (“Terms and Conditions”) described in this document, which govern the operation of the Facility and the relationship between the Administrator and Participants in the Program.

By completing and submitting a subsidy request form (“Request”), Participants agree to comply with these Terms and Conditions. Violation of these Terms and Conditions may disqualify a Request and/or Participant from the Program at the sole discretion of the Administrator. Participants agree and acknowledge that the information submitted in or with a Request does not contain any confidential or trade secret information.

#### 1.1.1. Eligibility Requirements

##### **Eligible Companies**

1. PUA distributors (e.g., OGS companies that sell PUAs, companies that specialize in selling specific products like SWPs, mini-grid developers, and general appliance retailers) in Nigeria, Ethiopia, Sierra Leone, Uganda, Democratic Republic of the Congo, and Kenya that have completed the Facility’s subsidy request form and been approved by the Administrator (“Distributor”);

AND

2. Other companies that play a role in facilitating PUA procurement and distribution in eligible national markets (e.g., asset finance companies, appliance wholesalers)

Collectively, Distributors and other companies participating in the Program are sometimes referred to hereinafter as “Participants.”

Groups of two or more Distributors who wish to partner to procure Products (as hereinafter defined) may also be deemed eligible to participate in the Program with advance permission from the Administrator. Distributors that are interested in such partnerships should contact the Administrator. In such instances, a single Distributor must serve as the lead Participant (such Participant, a “Bundler”). In some cases, a third-party partner may serve as the Bundler. All Bundlers must be approved by the Administrator and will serve as the Administrator’s single point of contact. They will be responsible for their own and any of the Participants associated with the Bundle’s compliance with these Terms and Conditions. Approval of Participants and Bundlers is within the Administrator’s sole discretion and is not subject to appeal.

The Participants will bear any costs associated with engaging the Bundler. The Administrator may request information from any Participant taking part in a bundled order at any point.

## Eligible Products

The list of PUAs eligible for procurement subsidies are:

- Electric Pressure Cookers (EPCs)
- Fans
- Refrigerators
- Solar Water Pumps (SWPs)
- Solar powered Mills
- Walk-In Cold Storage Units

Requests for subsidies for products not included in this list are subject to the Administrator's sole discretion. Distributors who wish to submit such subsidy requests are encouraged to contact the Administrator first.

### PUA Products must be:

1. Winners or Finalists of the 2019, 2020, and 2022 Global LEAP Awards for solar water pumps, refrigerators, electric pressure cookers and walk-in cold storage units,

OR

2. Already included in the [VeraSol Product Database](#),

OR

3. Undergone testing according to the relevant Global LEAP test methods with performance benchmarked satisfactorily against the lowest-performing Winner or Finalist product in the same size/form factor category in the most recent Global LEAP Awards competition,

OR

4. Other PUA products that have undergone testing conducted by the Administrator using the “Rapid Product Assessment” test procedure.

All Products must be tested in an accredited test laboratory facility designated by the Administrator, according to either the relevant Global LEAP test method or the “Rapid Product Assessment” test procedure to verify the Product’s quality and energy performance (“Verification Testing”). The Rapid Product Assessment is a newly developed testing procedure that applies to a wide range of electrical and motor-driven PUA technologies (e.g., mills, egg incubators, grinders).

More information on the Verification Testing process, including test laboratory contact details and other logistical information, is available in this [summary document](#). Participants may request financial support to cover a portion of Product testing costs as part of their Subsidy Request.

Products deemed eligible by the Administrator based on this Verification Testing that fail to meet performance expectations in the field may be removed from Program eligibility at the Administrator's discretion. However, this Verification Testing is not intended to replace Participants' own technical or market due diligence, and the Administrator is not responsible for any Products that deviate from tested levels of quality and energy performance.

Products eligible for subsidies must be packaged and sold with safe operating instructions. Products shall not violate or infringe on a third party's intellectual property. After the Facility's launch, the Administrator will accept and evaluate new PUAs for inclusion in the facility's list of eligible products on a rolling basis.

Only Products approved by the Administrator will be eligible for subsidies.

### **Subsidy Structure, Amounts, and Request Submission**

Subsidies will be allocated through a reverse auction in which Participants complete and submit a subsidy request form ("Request") that lays out the amount of subsidy funds requested, the volume of Products to be procured, national markets in which these Products will be sold, and other data regarding the intended market segmentation and impacts of the PUA sales. **The reverse auction intends to maximize the number of households and businesses that gain new or expanded access to PUAs by deploying available subsidies through a competitive bidding process.**

The total subsidy payment for Administrator-approved procurements ("Subsidy") will be offered as a percentage of an eligible PUA's per-unit Free on Board ("FOB") origin price. Participants will specify their requested per-unit Subsidy levels and procurement volumes in their Request.

Subsidies are intended to enable companies to increase the speed and scale of PUA procurement and sales. Because market dynamics vary substantially across different PUA technologies, national markets, and market segments (i.e., off-grid, mini-grid, grid-connected), no minimum or maximum order thresholds are specified. It is, therefore, up to each Participant to determine the appropriate volume of PUAs to include in a Request. Determinations as to the eligibility of the volume of PUAs included in any individual Request will be at the Administrator's sole discretion.

Individual Participants are subject to an overall cap in Subsidy funding of 20% of the overall Subsidy pot, which CLASP anticipates to be approximately \$1,300,000 for the upcoming auction window. Any exceptions will be at the sole discretion of the Administrator.

## Subsidy Disbursement

Subsidies will be disbursed after milestones have been achieved by Participants, including a demonstration of compliance with the Facility’s verification process as defined hereinafter.

The disbursement schedule is shown in Table 2 below. The first payment will be made after verification that the Distributor has procured Products (e.g., that a down payment has been made and the transaction is finalized and legitimate) and that verification testing as described above is complete. The second Subsidy disbursement will be made after verification that Products have been sold to end customers.

Table 2. Subsidy Disbursement

AT TIME OF PROCUREMENT/PURCHASE	40%
UPON VERIFICATION OF PRODUCT SALE	60%

Subsidy disbursements aligned to the verification of product sales to end customers will be made on a rolling, quarterly basis upon completion of verification surveys.

## Subsidy Timeline

All products included in a Subsidy Request must be sold no later than 31 January 2024. Companies may not receive the full value of the Subsidy for any products sold after this date.

## Verification Process

The Facility’s verification process is designed to ensure that Participants comply with the Program's rules, ensure that only eligible quality-assured PUA products are sold to end consumers, and assess the Facility’s commercial and developmental impact.

The process includes two steps: 1) verification of initial PUA procurement and testing by Participants, and 2) verification of sale of PUAs to end customers.

The Administrator will initiate step 1 of the verification process immediately after a Request is approved, based on additional documentation that Participants must provide. More details will be made available to Participants on documentation requirements upon completing the evaluation process (described below).

The Administrator will engage a third-party Verification Agent to complete step 2 of the verification process. The Verification Agent will conduct telephone and/or SMS and/or in-person customer interviews to verify that Products have been sold to the end customers. In order to complete this step of the verification process, Distributors must provide customer data for all Product sales to the Administrator. The Administrator will provide formatting and submission guidelines for the customer data to Distributors. The Administrator or the Verification Agent will select customers to be interviewed.

The Verification Agent shall endeavor to complete all customer interviews within three months of receipt of customer data by the Administrator. Claimants may be deemed to have failed this step of the

verification process if reported sales cannot be confirmed in an adequate sample size of customers. The Administrator or the Verification Agent will determine sample size requirements.

### **Timeline**

The next auction window will open on 12 April 2023 and close on 21 April 2023. All Subsidy Requests must be submitted by 11:59 pm East Africa Time on 21 April. The Subsidy Request form will be available on the Program's website: [www.clasp.ngo.appliancefinancing](http://www.clasp.ngo.appliancefinancing).

Participants must sell all Products included in their Requests no later than 31 January 2024. Any Products sold after this deadline will not be eligible for Subsidy payments.

### **Subsidy Request Evaluation Criteria**

The Administrator will evaluate requests according to the following criteria:

1. *Value for Money*: A combined assessment of Product sales volumes, Subsidy levels as a percentage of the total Product cost, and the number of beneficiaries, to maximize Product sales with the lowest relative Subsidy level.
2. *Geography*: National and sub-national markets where products will be sold.
3. *Technology*: PUA technologies that will be sold.
4. *Private sector leverage*: The amount of private financing the Subsidies will unlock.

The purpose of the evaluation process is to allocate Subsidies in a way that maximizes their catalytic impact for a set of companies that will achieve a wide range of commercial and developmental outcomes. Therefore, in addition to the criteria described above, the Administrator may consider gender impacts, job creation, and market segments (i.e., the proportion of Products sold to off-grid, mini-grid, and grid-connected customers) when evaluating Subsidy Requests. Given the limited Subsidy funds available as described above, the Administrator may prioritize smaller requests that drive disproportionate commercial outcomes.

As stated above all sales must be complete by 31 January 2024. Due to the limited timeline available for product sales under this auction window, the Administrator may prioritize Subsidy Requests from companies with products that have already undergone quality assurance testing.

All Requests must also demonstrate Participants' organizational capacity and ability to comply with all Program verification requirements, including:

- a) Track record of prior sales of the same or similar products to end consumers
- b) Ability to secure any additional financing required to finalize the procurement
- c) Ability to deliver end-use customer data for all product sales to the Administrator

- d) Ability to provide an approach to after-sales service to end consumers as well as guidelines on end-of-life disposal
- e) Ability to comply with local environmental regulations
- f) Sales Timeline: A month-by-month projection of sales for the intended procurement. Bidders must demonstrate a viable plan to market and sell eligible products to end consumers by the program deadline.

A summary of the information required in the Subsidy Request forms is available [here](#). The Administrator recommends all interested Participants review this summary before the auction window opens.

The Administrator shall have complete discretion in weighing these criteria and determining which Requests are accepted. The Administrator reserves the right to refuse to consider any Request for any reason or no reason.

#### **Request Submission, Notification of Results, and Sales Forecast & Additional Documentation**

Participants should submit Requests using the online Subsidy Request form to be provided by the Administrator. Participants should expect to hear within ten days of the Request submission closing date if all or part of their Request has been accepted.

Participants with successful Requests will then be required to submit a sales forecast along with additional details and documentation related to the PUA procurement in order to confirm their participation in the Program. The Administrator will notify participants of additional documentation requirements upon completing the Request evaluation.

Participants unable to submit the Request online or by email should contact the Administrator for an offline version. The Administrator can be contacted via email at [financing@clasp.ngo](mailto:financing@clasp.ngo).

Conditions of Subsidy Request submission:

- Subsidy Request submission represents a legally binding acceptance of these Terms and Conditions.
- Program Participants may be added to CLASP and GEAPP mailing lists and contact databases and may receive information on other activities.
- Participants agree to comply with all requirements of the verification process.
- GEAPP, the Administrator, and their partners may use information regarding Subsidy transactions and related verification activities for public information purposes and to promote the Facility, and other activities via media such as websites, reports, academic analyses, brochures, and events. The information may include company names, sales figures (e.g., volume), geographic

distribution, anonymized customer verification results, and more. Information regarding product pricing, third-party manufacturing partners and/or vendors, and individual customer contact details will not be made public without the Participants' prior consent.

- The Administrator reserves the right to adjust, strike, or redefine any of the Program terms and conditions, including amounts of subsidy funding, at any time and for any reason.
- The Administrator reserves the right to reduce the overall amount of subsidies allocated to any given Participant based on underperformance against projected sales volume and timeline.
- Should a Request be submitted without all the required information, the Administrator reserves the right to reject that Request.
- Should there be any evidence of fraud or corruption, the Administrator reserves the right to pursue legal redress, and the Administrator shall not be held liable or otherwise responsible for any such fraud or corruption.
- Failure to comply with any Facility terms and conditions shall disqualify the Participant from participating in any future award or subsidy programs offered by the Administrator.
- All decisions rendered by the Administrator regarding Bids are final and are not subject to appeal.
- To the extent the laws of any jurisdiction to which Participants or Administrator are subject render participation in the Facility to be unlawful or illegal, Participants are not eligible to participate in the Facility offering.