

IDC GRANT SCHEME – TOWNSHIP ENERGY FUND

TERMS OF REFERENCE

OPEN CALL FOR PROPOSALS:

Closes 15 November 2023

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1. Introduction

South Africa is experiencing an energy shortage that is having a profound impact on the economy. Township, small town and rural enterprises are significantly affected, particularly as they do not have the means and resources to implement mitigations or to build sufficient resilience to weather these impacts.

On 9 February 2023, in the State of the Nation address, the President of the Republic declared a State of Disaster as the country grapples with the severe electricity crisis, stating that the “energy crisis is an existential threat to the economy and social fabric” of the nation. The Minister of Finance in his 2023 Budget Speech stated that “the lack of reliable electricity supply is the biggest constraint”. This comes as the country faces rolling power cuts of up to 8 hours a day, impacting on, inter alia, households, factories, businesses and farming operations. The Minister pointed out that load-shedding is “threatening the survival of many businesses”.

Further prolonged power cuts are anticipated, and it has been reported that these rolling power cuts have impacted on the country’s growth and increased the risk of recession. It is estimated that the economic costs associated with these electricity outages have reduced the country’s GDP by between 1 and 1.3 percent annually since 2007.

Put in another way, for businesses, unreliable electricity results in increased running costs and reduced productivity and profitability. It has been estimated that the loss to businesses and industries is approximately R1 billion per stage per day.

IDC is making available R200 million in the form of grant funding to end beneficiaries through strategic implementing partners (SIP’s) and Innovative agglomeration/aggregation solutions, meeting the mandate as described in paragraph 2 and eligibility criteria in paragraph 5.

2. Mandate of this Grant Scheme

- (i) IDC will appoint SIP’s that meet the eligibility criteria and that will in turn identify end beneficiary enterprises through their own calls and assessments within communities.
- (ii) Through the SIP’s, provide grant funding to township, small town and rural enterprises negatively impacted on by the energy crisis.
- (iii) Funding to be utilised to provide capital equipment, limited operational expenses, technical support and training for end beneficiaries, aggregators, and direct clients.
- (iv) SIP’s to be afforded a maximum management fee of 15%.

In the Application form (Form A) applicants must provide a background to and strong motivation for their proposal. What is the social and economic benefit of their proposal. How will it make a positive impact and meet the brief of the 'Call'?

3. Who can apply for funding?

Well-established SIP's that meet the minimum requirements in terms of network, reach and capacity to implement as well as other criteria as per paragraph 5.

4. Evaluation Process

Evaluation of applications will be done in three phases as outlined below.

4.1 Evaluation Phase 1 – Administrative Compliance, Basic Assessment and Shortlisting

Phase 1 evaluation will be based on submitted material, as per the Application Content ONLY. No additional information will be requested from applicants and failure to provide all the necessary information and documentation at the time of application will result in disqualification. This stage includes the KYC/FICA verification of the SIP.

Compliant applications will progress to Phase 2 – Due Diligence.

Non-compliant and unsuccessful applicants will be informed after completion of Phase 1.

4.2 Evaluation Phase 2 – Due Diligence

IDC will perform due diligence investigations on the shortlisted proposals. Additional information may be requested during this phase, to augment and/or substantiate the application. Applicants must note that as this is a competitive process, and should the requested information not be provided within the prescribed time then the application will be rejected. Site visits will form part of the due diligence process. Applicants must ensure their availability for the due diligence and site visits.

4.3 Evaluation Phase 3 – Selection

An IDC Credit Committee (Regional Programmes) will evaluate the recommendation from the due diligence team for approval. Once the application is approved, this will conclude the selection process, after which applicants will be informed of the outcome. The decision of the IDC Credit Committee will be final. Successful applicants will enter into an agreement with the IDC.

Note: Due to limited available funding this is a competitive process – so not all applications that make the shortlist will be funded. Only those applications deemed to be the “best fit” will be prioritised.

5. Eligibility Criteria

The following pre-determined eligibility criteria are required to ensure that outputs are maximised and that the goals and objectives of the IDC are met. Successful applications should meet the following *overarching criteria* at a minimum. All of the following terms must be met. If any are not

met at the time of application and the requisite documentation not supplied, the application will be rejected:

1.1. SIPs would be expected to cover inter alia the following in their proposal:

- How does this fit with their core mandate and/or experience as an organisation?
- Who are their partners and/or role-players – and what are their roles?
- Where will the work be undertaken?
- At what scale will the work be undertaken?
- Who are the target entrepreneurs? SIP's need to show a pipeline for at least 50% of the amount requested.
- How will the work be planned, implemented and supervised?
- What are the critical quality assurance indicators?
- How will they incorporate local/community-based installers and partners in the process?
- How will they facilitate the participation of youth and women in their respective programmes?
- Show experience and capacity in respect of the nature of work to be undertaken.
- Show financial sustainability.

1.2. Compliance and Governance

- SA Registered
- Tax clearance
- FICA/KYC compliance
- Bank Account
- BBBEE level 4 – not necessary for NPO (but adequate transformation at Board and Management levels essential)
- In existence for minimum 3 years
- Adequate governance structure
- Recent Audited Financial Statements

1.3. Capability

- Proven capacity to deliver and manage the programme.
- Proven ability to do work i.e., the organisation has a track record that gives confidence in its ability to implement the proposed work.
- Evidence of appropriate partnership arrangements with local/community-based installers and maintenance providers.
- The implementation team has the skills and experience to implement the proposed work.
- Capacity and capabilities in onboarding affected entrepreneurs. Ability to implement four distinct processes, namely:
 - Onboarding which includes verification and approvals;
 - Disbursement and payout process;
 - Reconciliation for auditing and accountability purposes; and
- Monitoring and reporting of outputs and outcomes. Provision of training and installation support on solutions provided

Competitive Features

As this is a competitive process preference will be given to applications which exhibit some or all of the following features:

- Localised involvement of partners i.r.o. installers, procurement etc.
- Localisation (SA made) procured goods and materials
- Empowered and transformed boards and management
- Employ youth and women in the process

Co-funding: The IDC aims to leverage existing resources available within the economy thus the amount of co-funding will be viewed positively. It will be preferable for applicants to demonstrate their ability to secure co-funding in the form of direct cash contributions. Co-funders must be aligned to the terms and outcomes of the IDC Call.

Transformation at SIP level: Black and/or Woman and/or Youth owned and managed SIP's will be prioritized.

Experience in energy sector:

Non-Financial Support: The extent and type of non-financial support to be provided to end beneficiaries.

6. Terms of Funding

- (i) ELIGIBILITY CRITERIA FOR END BENEFICIARIES:
 - a. Businesses that were directly affected by the energy crisis
 - b. Small and micro business within townships, small towns and rural areas. These include formal and informal traders, social businesses, small retailers and manufacturing businesses
 - c. South African-owned businesses
- (ii) SIPs must be socially and environmentally responsible, with established Environmental, Social and Governance (ESG) policies.
- (iii) The SIP to provide monthly reports, two weeks after the receipt of funding. These reports to reach IDC two weeks after every month end. The reports will include information as per paragraph 7.
- (iv) IDC will have the right to participate and/or observe in the governance structures of the SIP as it relates to the IDC funding provided.
- (v) Right for IDC to audit, review and inspect portfolio (either IDC or through appointment of service providers).
- (vi) Audits by external audit firm based on agreed procedures to confirm application of funds.
- (vii) Right for IDC to contact or visit end-beneficiaries directly.

7. Reporting Requirements

Successful applicants are expected to provide the following information on a monthly basis:

- Detailed break-down of how the grant funding has been utilised.
- Break-down of disbursements.
- Detail of training and capacity building undertaken.
- Feedback on performance against criteria (i.e. localisation, transformation matters).

Other Information (Miscellaneous) – information which should be reported as soon as the SIP is aware of them, such as details of any litigation, arbitration, administrative proceedings, and other information which would have a Material Adverse Effect and would have an impact on the financial position of the SIP.

7.1 Developmental indicators by number and value

1. Portfolio Province and regional exposure (municipal district, rural area, township)
2. Portfolio exposure iro priority groups in terms of ownership (i.e., Black, Youth & Women).
3. Sectors/value chain.

7.2 Pipeline Information

Provide detailed pipeline

7.3 Lessons learnt since implementation

Provide any key insights and lessons learnt iro progress to date.

8. Application Process

Allocations from the IDC are made using a competitive review process. Applicants must visit <https://www.idc.co.za/townshipenergyfund/> to access and complete the on-line application form. Applicant to ensure that all documents required/requested in the application form are also submitted on-line.

Applicants are urged to keep responses focused and concise, submit only necessary information and submit a single pack of information.

The IDC reserves the right to re-open this window in the event the broader objectives of the Call are not being met from the applications received. The IDC also reserves the right to amend and adjust terms within reason.

How to apply

- All documents submitted must be in English.

- Applications to be submitted to the following email address energysips@idc.co.za before the closing date.
- Application form and Annexures can be accessed at <https://www.idc.co.za/townshipenergyfund/>
- Only applications received through the prescribed processes will be accepted.
- No late applications will be accepted.
- Incomplete applications (including Annexures) will not be accepted.
- The closing date is 15 November 2023 at 17H00

If you have any queries, please contact IDC **Call Centre at 0860 693 888** or **011 269 3000** or email energysips@idc.co.za. No queries will be responded to after the closing date.

ANNEXURE A – Definitions of rural and township

A **Township** is: an area (urban, peri-urban, rural) established to accommodate residents who primarily were politically disenfranchised i.e., for non-whites (Africans, Coloureds and Indians) prior to 1994; a city/town/settlement that was included in a “homeland” or Development Trust area prior to 1994; a densely populated urban, peri-urban, informal or rural community, primarily occupied by persons defined as previously disenfranchised groups; and/or an area that has been developed for historically disadvantaged persons after 1994.

A **Rural Area**: An area that is not within an urban area is considered rural. This includes communities that are dispersed and/or smaller in size; have a low population density; main economic activity/occupation is agriculture or forestry; and/or has limited access to ordinary public services such as water and sanitation and other services.