

Results-based Financing for Solar Home Systems

Program Overview

The National Electrification Program under the Myanmar Department of Rural Development is offering Results-based Financing to companies that sell Lighting Global quality-verified solar systems to households in rural areas of Myanmar. Participating companies receive an incentive (grant) for every certified solar system sold to end-users. The incentive is paid after sales have been reported and verified. DRD is inviting companies to submit proposals that comply with the requirements below and in the attached proposal template.

Please see below for more information on the Results-based Financing program. Underlined terms are further explained in the included Frequently Asked Questions (FAQ).

1) What is Results-based Financing (RBF)?

Results-Based Financing (RBF) provides financial incentives to the private sector to overcome temporary market development risks. RBF is different from traditional grants, because payment is tied to the delivery of results—in this case the successful sale of solar products to rural customers. The incentives will only be paid after the independent verification of these sales.

Private companies are expected to take the full risk until the contracted results have been achieved. This means that companies must independently access up-front financing for their business expansion.

Companies are free to use the financial incentives for whatever activity they deem necessary to develop their business and reach targeted sales. It is not intended to subsidize retail prices beyond levels that can be offered in the long run. The primary aim of the financial incentive is to help companies to scale up their business and reach more unelectrified people in Myanmar faster.

2) Who can apply for the RBF?

All private companies are eligible. NGOs are also eligible if they pursue a commercial approach and, in this case, will be treated like companies (subsequently, the call uses companies to refer to all eligible organizations). Charities and government organizations are not eligible for support. However, these organizations can team up with an eligible company that will be the project implementer and applicant.

DRD only supports the sale of solar systems to end-consumers on a commercial basis. Several business models are accepted, including Pay-As-You-Go (PAYG), and companies are free to choose their own business model.

Companies that wish to apply must fulfill the following conditions:

- demonstrate a credible plan to scale up operations in rural areas through commercial approaches, including previous experience in off-grid solar or similar qualifications;
- demonstrate capacity to pre-finance their business (i.e. access to working capital or other funding);

- document import of Lighting Global-certified solar systems (last mile retailers generally cannot apply directly but can partner with importers/distributors to participate in the program);
- be registered in Myanmar as a private company or an NGO;
- have valid tax and social security clearance certificates at the time of submission;
- comply with the conditions set out in this document.

Excluded from support are

- Charities and research/academic institutions;
- Public institutions including DRD, MOALI, World Bank, and IFC;
- Private companies owned by staff who are directly involved in the RBF program from the above mentioned public institutions;
- Private companies owned or co-owned by staff from any other institution directly involved in the RBF program (especially companies acting as Independent Verification Agents).

3) Which solar products are supported?

Companies can claim RBF only for solar products that:

- are certified by Lighting Global;
- are sold to end-consumers on a commercial basis;
- offer at least lighting and charging of small electronic devices (e.g. mobile phones);
- have a solar panel no larger than 50 Wp;
- are offered with effective after sales service including a warranty to end-consumers of at least two years;
- have been imported less than six months before the contract signing; and
- are not directly supported by other grants.

Admission can be withdrawn by DRD if the Lighting Global approval of a product expires or is revoked, or if one of the above requirements has been violated by a company.

Conditional admission of products

If a solar product passed the Initial Screening Test of Lighting Global but full certification has not yet been completed, the company can apply for a conditional admission to the RBF program. During conditional admission, companies can sell products but need to demonstrate full certification before any incentives can be claimed. Once full certification is demonstrated, the company can claim the incentive for all products sold under the conditional admission. The company carries the full risk of selling not-yet certified products. If the test results are negative, none of the products will be eligible for incentives. Conditional admission expires after one year if no full certification has been demonstrated.

4) How can a company apply?

DRD will conduct a call for proposals approximately once per year, with a fixed deadline. The application should be submitted electronically to DRD using the provided proposal template. If the application is successful, DRD will contact the company to sign a contract that fixes the type of solar products, the targeted sales volume (e.g. sales of up to 3,000 systems) and the incentive that can be received per system (e.g. USD 25 per system).

Contract conditions

Contracts are valid for one year, for which the incentive level and volume is guaranteed provided the sales are verified according to the contract. Companies only get rewarded for actual sales – if they make no sales they receive no incentives, but there are no penalties if targets are not reached.

If during the one-year validity period a company is eligible for more incentives than the amount specified in the contract (i.e. if it sells more products than expected), it cannot submit claims to DRD for the additional incentives without a signed contract amendment increasing the total incentive amount in the contract.

5) What incentives are offered?

Incentives are set for each specific product considering the actual service provided in terms of lighting and charging/powering of appliances. Product performance is derived from the Lighting Global certification specification sheets. Larger systems that provide more service receive a higher incentive, but the maximum amount of RBF incentive per system is capped at USD 50. The list of incentives for all eligible Lighting Global products is attached to this Call for Proposals and will be updated as new products are certified.

Changes in incentives

Initial incentive levels are set for the first year and may decrease for later years. An annual review will assess market conditions and accordingly set the level of incentives for the next year.

6) How is the incentive paid out?

The companies will claim their sales quarterly to DRD using a format to be provided at contract signature. These claims will need to include detailed information on the customers, in particular location and contact details. Only sales conducted during the validity period of the contract (one year from date of signature) are considered for claims.

DRD will carry out a document check and assign an independent verification agent to check a random sample of the claims made. The verification will also include interviews with companies and local retailers. Once these checks are completed successfully, DRD will initiate the disbursement of incentives.

Results claim frequency

Companies can claim quarterly provided they reach a minimum of 500 systems sold. In exceptional cases, this minimum threshold can be waived by DRD. Companies submit the claim to DRD with information about sales (name of customer, phone number, location, type of system sold, etc.) and other business activities.

Frequently Asked Questions

Can I use the RBF to lower the retail price of the product?

Companies need to explain their business model and strategy as part of their RBF proposal, and should explain how they plan to make use of the RBF to build a sustainable business. Promotional discounts or other ways of making products more affordable are allowed, but companies need to explain their viability (e.g. if exceptionally low prices are proposed).

Is an NGO eligible if it pursues both charitable and commercial activities?

If an NGO has both charitable and for-profit branches, it needs to demonstrate that the commercial sales are not integrated into charity work and not cross-subsidized.

Why do companies need to be importers to participate in the RBF program?

For transparency and the verification of sales, companies need to submit complete import papers for the claimed products. Imports can be implemented by a service provider on behalf of the company, but the company claiming the incentive must be able to demonstrate that the products were imported legitimately and within the last 6 months before contract signing.

Can I claim wholesale products?

No, companies need to submit detailed information on end-customers with the claim for verification purposes.

What is Pay-As-You-Go (PAYG)?

PAYG describes a business model in which a company sells a solar product on credit with regular (monthly, weekly, or daily) payments until the ownership is fully transferred to the end-customer. This is similar to hire-purchase or lease-to-own models common in other sectors.

Why are systems without mobile phone charging not supported?

The RBF programs seeks to support companies providing a minimum level of electricity service to rural households, beyond what the smallest solar lanterns can provide. In addition, the transaction costs to verify sales of the smallest lanterns would be prohibitive, given the relatively small incentive they would receive. However, it is expected that companies will still be able to sell these systems through distribution channels they set up for larger systems supported by the RBF.

Why are systems larger than 50 Wp not supported?

The primary target of the program is to promote access to electricity for poor households in remote rural areas. Larger systems are more likely to benefit wealthier households and businesses in rural areas, and therefore are not a focus for the RBF.

Why are some Lighting Global products not included in the incentive list provided?

As mentioned, Lighting Global products that cannot provide mobile device charging, or that have a panel bigger than 50Wp, are not included in the RBF.

However, there are products that have been tested under Lighting Global's product family policy that are not in the incentive list, but would be eligible for the RBF. Given the large number of possible system configurations, it is not possible to calculate the incentive for all these products in advance. If a company is planning to sell a product qualified under a product family, it should contact DRD with the detailed specifications for the product and the incentive level will be calculated on a case-by-case basis.

Recently tested products also might not be included in the current incentive list. In this case companies can also contact DRD to request the incentive level for these products.

What is meant by “products not supported by other grants”?

Products sold under the RBF should not be supported by other programs or organizations as well. This means if a product is claimed to DRD, it should not receive another grant, nor should it be reported to another donor organization or program. To avoid any misunderstandings, companies should inform DRD if they have applied or received support from another donor or organization. In general, the following rules apply:

- If companies receive technical assistance, in-kind contributions (e.g. transport for events), support of partners (e.g. MFIs), or indirect support from another donor or organization, there are no special requirements besides transparent reporting.
- If companies receive grants for product models other than those specified in the RBF incentive contract, there are no special requirements besides transparent reporting.
- If companies receive grants for the same product models as the ones specified in the RBF incentive contract, they must provide DRD with the same details about those sales as for the RBF-supported sales, to ensure that the same products are not being supported by multiple grants.

What is effective after sales service and how is this verified?

Companies are expected to explain the use and maintenance of their products and to be available if customers face problems. Faulty products need to be replaced quickly within the product warranty period, and repair service and spare parts should be offered at reasonable prices even beyond the warranty period. As part of the verification and impact assessment, customers will be asked about their experience with the company service and warranty system. In case of irregularities, companies are requested to improve services, and in case of repeated problems individual claims can be rejected or companies can be excluded from the program.

When will changes to the incentive level for the subsequent year be communicated?

An annual review will be conducted in the last quarter of the first program year. The new program conditions and incentive level will be communicated by DRD by the end of the program year. Only new contracts are affected by the new conditions.