

Mobilising private sector investments towards and beyond SDG-7 impacts

A Call for Expression of Interests to select impact investors for a Sida Guarantee



Mandrena Kunda from Zambia by Adam Öjdahl

1 The Call in brief

- Through this Call for Expression of Interests (the Call), Sida seeks to unlock the potential of the private sector to engage in sustainable development and inclusive growth by mobilizing investments towards renewable energy and energy efficiency services in Sub-Saharan Africa. The initiative is based on the premise that if Sida can share risk with investors then financial intermediaries will be able to raise additional capital and take on additional risks that otherwise would not be possible. This blended finance approach enables Sida to help increase access to financing in an effort to deliver towards SDG-7 and unlock further SDG impacts from the vast potential within productivity, value chains, local market systems and other opportunities that will help drive sustainable and inclusive economic growth and income generation in Sub-Saharan Africa.
- The objective of the Call is to identify and select Implementing Partners suitable for a Sida Guarantee which is a flexible, customised and catalytic loss protection instrument, designed to share risk with public and private actors in order to mobilize additional capital and bring in new partners to reach development impact.
- The main target group for the Call is Investment funds and other financial intermediaries (including but not limited to guarantee funds and crowd funding platforms) with the objective of delivering impact results alongside financial results.
- Implementing Partners will be selected based on “best fit” with Sida’s Development objectives and Partner capacity, under strict consideration of Additionality.

Call issue date	September 10, 2021
Deadline	November 15, 2021
Closing date	Flexible
Contacts	Nicklas Näsström, nicklas.nasstrom@sida.se Maximilian Jönsson, maximilian.jonsson@sida.se Samra Pasalic, samra.pasalic@sida.se
Website	https://www.sida.se/en/for-partners/calls-and-announcements/call-for-impact-investors-within-renewable-energy/

In addition to this explanatory document, the Call contains the following annexes:

Annex 1 Expression of Interest

Annex 2 Business plan / Pitch deck

Annex 3 Indicative financing pipeline in excel

Annex 4 Contribution to Additional priority areas

Annex 5 Summary of general limitations and provisions in relation to Sida guarantees

Annex 6 List of excluded sectors and activities

Annex 7 Know Your Client (KYC)

We look forward to receiving your Expression of Interest.

2 Definitions and Interpretation

In this Call, capitalised terms and expressions have the meaning attributed to them below, unless otherwise defined.

Additionality	means the extent to which a Sida Guarantee will enable Implementing Partners to raise additional capital and take on additional risks that otherwise would not be possible
Applicant	means an entity applying to this Call as a potential, future Implementing Partner
the Call	means “this Call for Expression of Interests”
Deadline	means November 15 2021, or such later date as announced officially on Sida’s website
Gender Lens Investing	means investment strategies applied to an investment or an investment portfolio, which (a) seek to address gender disparities and/or (b) examine gender dynamics to inform better investment decisions
Implementing Partner	means Investment funds and other financial Intermediaries that are selected to implement a Sida Guarantee
Investment fund	means a pool of financial resources gathered from several investors and available for collective investments according to a defined investment strategy, often executed by a fund manager, to achieve specific investment objectives
Mini Grid	means a decentralised, sometimes isolated (i.e. “off-grid”) electricity generation, storage and distribution system supplying electricity to a localized group of customers
Portfolio company	means any company to which the Implementing Partner has provided financing (equity, mezzanine, senior debt etc) covered by a Sida Guarantee
Sida Guarantee	means a customised, and potentially subsidised, guarantee instrument provided by Sida
Ultimate beneficiary	means the underlying borrower or underlying investee company to the Implementing Partner

3 Background

Sustainable Development Goal 7 is a global goal to “ensure access to affordable, reliable and modern energy for all by 2030” including universal access to electricity and clean cooking, a greater share of renewables in the energy mix, and a doubling of the rate of improvement of energy efficiency. Universal energy access is key to achieving the Global Goals for Sustainable Development, but a huge financial gap is a crucial obstacle and more than two-thirds the population of Sub-Saharan Africa still lack access to electricity and clean cooking¹.

From a broader development perspective, whilst Universal access to affordable, reliable, sustainable and modern energy is one of the Global Goals, this goal is also essential for meeting several of the other goals - and solving this will require a sharp increase in energy access investments.



Sweden supports the Power Africa initiative, a partnership between the public and private sector that started in 2013, to bridge the financial gap and double electricity access for millions of people in sub-Saharan Africa. Sweden’s support through Sida has for a long time focused on grant-funded investments in rural electrification, capacity building, and energy sector reform. Since 2015 the strategy includes new innovative methods to mobilise capital for private investments in renewable energy and energy efficiency in sub-Saharan Africa. Our strategy emphasises risk sharing and blended finance to bridge the financial gap with methods that catalyse investments in renewable energy and increase access to modern clean energy services.

4 Brief description of the guarantee instrument

A Sida Guarantee is a loss protection instruments that shields investors from a pre-defined amount of financial losses, thus reducing the risk and improving the financial profile of an investment or an investment portfolio. For example, the instrument could be structured as a first (or second) loss layer in the capital stack and would then function as a financial position that will suffer the first (or second) economic loss if the underlying assets lose value or are foreclosed upon. In the case of a guarantee fund / facility Sida will instead issue a counter-guarantee.

¹ World Bank. 2019. “Electricity Access in Sub-Saharan Africa Uptake, Reliability, and Complementary Factors for Economic Impact”

The guarantee instrument is flexible and each Sida Guarantee will be structured according to the specific needs and requirements of Implementing Partners. The final guarantee structure will be successively designed during the selection process which, in turn, will determine the guarantee fee and the size of a potential subsidy will then be agreed upon. A Sida Guarantee should be structured in such a way that it modifies the financial profile of the underlying portfolio until it meets the risk-return requirements of prospective investors. It is important to emphasise that the guarantee may not be structured and/or implemented in such a way that it provides the Implementing Partner with an excess / above market rate return since Sida must ensure that the financial benefit from the guarantee is fully transferred to the Ultimate beneficiary.

5 Development objectives with Sida's guarantees

Sida is Sweden's government agency for international development cooperation. Through cooperation with civil society, multilateral organisations, public agencies and the private sector we work for sustainable development and help create conditions for people living in poverty and oppression to improve their living conditions. The purpose of Sida's guarantee instrument is to promote sustainable development, inclusive economic growth and poverty reduction by unlocking existing financial resources and facilitating access to financing. The guarantee instrument is therefore designed to share risk with mainly private actors in order to mobilize additional capital and bring in new partners to reach development impact.

In line with the above, the Sida Guarantee initiative is based on the premise that if Sida can share risk with investors then Implementing Partners will be able to raise and deploy additional capital and take on additional risks, for investments in renewable energy and energy efficiency services, that otherwise would not be possible. Through this blended finance approach Sida will help increase access to financing in an effort to deliver towards SDG 7 and unlock further SDG impacts from the vast potential within productivity, value chains, local market systems and other opportunities that will help drive sustainable and inclusive economic growth and income generation in Sub-Saharan Africa.

5.1 Targeted industry

Companies active in the domain of SDG 7: In this Call, the Targeted industry has been defined as *"Companies active in the domain of SDG 7; access to renewable energy and in renewable energy intensive and/or renewable energy enabled value chains which unlock other SDG impacts"*.

5.1.1 Priority segments

In addition to companies active in the domain of SDG 7 and access to renewable energy through products such as Solar Home Systems, Solar Lanterns, Mini Grid C&I, Sida wishes to particularly target three segments which can strongly contribute to reaching development objectives beyond SDG 7: Green Mini Grids, Productive use of energy and Clean cooking. Specifically targeting these segments is *not* an eligibility criteria in this Call however Sida will consider such targeting a strong advantage when evaluating applications.

- **Green Mini Grids:** Green Mini Grids can typically be defined as decentralized, non-main grid connected, electric power generation, sometimes storage and distribution systems, that provide high-quality and reliable electricity, using renewable energy as the main energy source, particularly solar photovoltaics. Mini grids are often considered the most cost effective way to address a large number of low-income families in low- and medium-density areas while providing quality energy for productive uses. In recent years Mini grids are also becoming a scalable option driven by new technologies, stronger policies, and innovative business models. ESMAP estimates that globally almost \$220 billion will be needed to connect 490 million people to 210,000 mini grids by 2030, of which, around 90% will be in Sub-Saharan Africa².
- **Productive use of energy:** Productive use of energy (PUE) is about unlocking energy-dependent value chains to increase productivity, value add, employment and income so that people's lives are improved. Productive use is not new, solar pumps have been around since the 1970s. However, the PUE ecosystem now has a confluence of maturing technology for some applications as well as more developed business models (e.g. PAYGO). In fact, ESMAP, World Bank, IFC & GOGLA research considers that Productive Use Leveraging Solar Energy (PULSE) is in the high impact quadrant in terms of game-changers for the off-grid sector³. This can be leveraged for powerful development results with catalytic contributions which address barriers in terms of risk, return, capacity, regulation and adoption. Sub-segments include, but are not limited to, PUE technologies for agricultural, industrial and commercial sectors such as applications for irrigation, cold storage, food processing, carpentry, clothing, restauration, retail cooling and transport. PUE often, but not always, refer to PULSE; there are of course also productive use applications from other sources of energy, both off- and on-grid. PUE schemes sometimes work in symbiosis with Mini Grids, enabled by the Mini Grid while providing load to make the Mini Grid viable. Within the area of PUE, capital allocation and solutions benefitting the health sector, the education sector and/or public services and administration will be viewed as particularly favourable.
- **Clean cooking⁴:** Only 15% of the population in Sub-Saharan Africa have access to modern and clean cooking alternatives. The lack of progress in making alternatives available is estimated to cost the world USD2.4 trillion per year⁵. These are costs that arise as a result of deteriorating health, climate impact, insecurity and reduced productivity for women, as well as the loss of biodiversity. Businesses operating in the clean cooking segment indeed have potential to transform the lives of low-income families but are simultaneously faced with a number of challenges including technology development, product design, marketing and distribution and identifying and scaling of business models. In addition, there is an overarching need to educate customers. This segment includes clean cooking stoves, clean cooking innovation and technology, scaling of clean and efficient cooking solutions and business models.

² ESMAP. 2019. "Mini Grids for Half a Billion People: Market Outlook and Handbook for Decision Makers". World Bank

³ ESMAP. 2020. Annual report. World Bank

⁴ With preference for fully renewable sources

⁵ ESMAP. 2020. "Cooking with Electricity: A Cost Perspective". World Bank

5.1.2 Additional priority areas

Alongside mobilising capital Sida strives to catalyse market development through systemic change and promote sustainable and inclusive economic growth. Along these lines, outlined below, are six Additional priority areas which are particularly important to Sida in this Call. It should be emphasised that activities specifically aimed towards these areas (i.e. activities outside the scope of ordinary course of business) is *not* an eligibility criteria however Sida will consider such activities a strong advantage when evaluating applications. Sida is further open to ideas of how Applicants will approach these areas and any relevant activities during pre-investment screening, post-investment company development and industry level activities will be considered.

- *Area 1: Capital allocation leading to increased provision of renewable power and productive-use solutions benefitting the health sector, the education sector and/or public services and administration*
- *Area 2: Improving gender equality.* Could, for example, include applying Gender lens investing or otherwise promoting leadership-and workplace equity
- *Area 3: Catalysing local market development.* Could, for example, include promoting market enablers, industry critical services, scaling of business models and SME investments
- *Area 4: Increased sustainability of local markets and businesses.* Could, for example, include promoting Environmental, Social and Governance (ESG) competence
- *Area 5: Improved conditions in Fragile and Conflict-Affected Areas.* Could, for example, include promoting private sector presence and engagement in such areas
- *Area 6: Increased investments and capital allocation to the Least Developed Countries (LDCs)*

Applicants that wishes to be considered in relation to the Additional priority areas need to clearly present how the relevant area has been incorporated into the investment strategy, including:

- 1) any envisaged capital allocation to the specific area(s), and/or
- 2) any measures to be implemented at portfolio company level, and/or
- 3) any activities to be carried out on industry level
- 4) any key blocking barriers, risks and levers to be addressed

5.2 Targeted countries

Applicants must target one or more of Sida's focus countries in Sub-Saharan Africa; these are listed below. Targeting the Least developed countries (LDCs) is not an eligibility criteria however Sida will consider such targeting an advantage when evaluating applications. Note that Applicants may target other countries *in addition* to Sida's focus countries.



6 Eligible Implementing Partners

Public or private Investment funds and financial Intermediaries including loan (debt) funds, equity funds, mezzanine-and quasi-equity funds (or funds using a mix of these instruments), guarantee funds and crowdfunding platforms that:

- fulfil, but not limited to, the conditions and criteria set out in Annex 1
- are planning to operate in at least one of Sida's Targeted Countries within the Targeted industry (applicants may target other countries in addition to Sida's focus countries), and
- in each case, are duly authorised to carry out investment activities according to the applicable legislation, and

In the case of Investment funds:

- have a target fund size in the range of USD 30 –200 million, and
- are currently in fundraising process, and

In the case of guarantee funds:

- have a target portfolio size in the range of USD 30 –150 million

In the case of crowdfunding platforms:

- have a target portfolio allocation to be covered by a Sida Guarantee in the range of USD 5 – 15 million

7 Capital mobilisation target

The objective of the Call is to select Implementing Partners suitable for a Sida Guarantee with the target of mobilising at least USD 100 million in capital for development purposes per year from 2022 to be implemented by one or more Implementing Partners.

8 Application procedure

The Expression of Interest shall indicate the name of the applicant and be submitted before the Deadline by email to the following recipients: nicklas.nasstrom@sida.se and maximilian.jonsson@sida.se

The Deadline is set on the 15th of November 2021 however Sida may determine that the Deadline will end on a later date and any change will be announced officially on Sida's website.

The Expressions of Interest shall be prepared in English, be specific and presented concisely and contain:

1. Annex 1 duly signed
2. Business plan / Pitch deck, in Power Point or Word (Annex 2)
3. Indicative financing pipeline in excel (Annex 3)
4. Contribution to Additional priority areas (Annex 4)

Applicants may withdraw their Expression of Interest at any time during the selection process. Applicants may also send questions regarding the Call. Sida will analyse and respond to all incoming questions and may publish from time to time the resulting answers in the form of Frequently Asked Questions document ("FAQ") posted on Sida's website. The deadline for submitting questions is set on the 15th of October 2021. Applicants are not entitled to any compensation from Sida for expenses or costs incurred in drafting an Expression of Interest or participating in negotiations during the selection procedure.

9 Selection procedure

Sida's ability to select Implementing Partners depends on the outcome of the selection procedure described below, which may result in the selection of none, one or several Implementing Partners in Sida's sole and full discretion.

Implementing Partners will be selected based on "best fit" with Sida's Development objectives and Partner capacity, under strict consideration of Additionality and Timing and visibility of closing.

The selection process will be carried out in due consideration of the general principles of transparency, equal treatment, avoidance of conflicts of interests and non-discrimination, and incompliance with Sida's statutes, policies, rules and procedures and best business practices.

Sida will assess applications on a continuous basis, using professional analysis and judgment, taking into account a specific set of assessment criteria (presented under each section below).

9.2 Process overview

The selection process is outline below.

1 Initial selection

- Compliance with all formal criteria (as outlined below under 9.2.1)
- Assessment of Development impact & Theory of change
- Assessment of Partner capacity

2 **Assessment of Additionality**

- Process considerations
- Clarification and indicative structuring of the Sida Guarantee

3 **Amended assessment**

- Amended assessment of Development impact & Theory of change, Partner Capacity and Additionality
- Timing and visibility of closing
- Draft term sheet and external assessment of expected loss
- Negotiations on size of the potential subsidy of the guarantee fee

4 **Due diligence**

- Verification of the full amended application
- Internal assessment of costs and risks
- Draft guarantee agreement

5 **Final negotiations and decision to sign**

- Final negotiations on outstanding issues
- Finalization of term sheet and guarantee agreement
- Decision and signing

After completing the assessment of each phase throughout the selection process Sida will provide Applicants with feedback on their current application status and all unsuccessful Applicants may request a conference call with Sida to receive personalised feedback on their applications.

In any phase of the selection process until and prior to entering into a legally binding agreement with an Applicant, Sida reserves the right and maintains its full discretion to consider Applicants or not, and no Applicant has any claim, or may expect, to be either considered, assessed or ultimately selected as Implementation Partner. Entering a due diligence process and/or negotiation of a term sheet or a guarantee agreement by no means entails any obligation for Sida to enter into a guarantee agreement or to agree on certain terms with an Applicant. Please note that Sida's decision to proceed or not with an Application in the selection procedure cannot be contested or appealed.

9.2.1 Initial selection

During the Initial selection phase Sida will assess Applicants on the basis of the submitted Expressions of Interest, on a "first come, first served" basis.

Compliance with all formal criteria

The first step of phase one contains an assessment of whether the Expressions of Interest has been submitted in accordance with the provisions of this Call, including:

- that the Applicant are in compliance with the eligibility criteria
- that all the requested information has been provided with the Expressions of Interest

Only Applicants that meet all formal criteria may continue to the next step of the selection process.

Assessment of Development impact & Theory of change

In the Assessment of Development impact & Theory of change Sida will assess the Applicant’s fit with Sida’s Development objectives as described in the Call. The specification for this assessment is outline below:

Assessment criteria	Specification
Development impact & Theory of change	<ol style="list-style-type: none"> 1. Ability to help create conditions for people living in poverty and oppression to improve their living conditions 2. Strategic fit with Targeted Countries, Targeted Industry and Priority segments 3. Rationale and suitability of investment strategy and approach 4. Risk profile of the envisaged portfolio including ticket sizes and number of portfolio companies 5. Type, flexibility and pricing of financing offered 6. Ability to contribute towards the Additional priority areas (Annex 4):

Assessment of Partner capacity

In the Assessment of Partner capacity Sida will assess the Applicant’s capacity to implement the Sida Guarantee and execute the proposed business plan. The specification for this assessment is outline below:

Assessment criteria	Specification
Partner capacity	<p><i>Management & Investment team</i></p> <ol style="list-style-type: none"> 1. Track record of successful impact-oriented debt and/or equity investments particularly in Sub-Saharan Africa 2. Experience of developing companies particularly in Sub-Saharan Africa <p><i>Strategic capacity</i></p> <ol style="list-style-type: none"> 3. Industry and market insight and awareness 4. Deal sourcing and pipeline⁶; Ability and timing to build the target portfolio <p><i>Operational capacity</i></p> <ol style="list-style-type: none"> 5. Delivery capability of management team, management structure and skills balance 6. Ability to leverage local knowledge and partnerships to execute the business plan 7. Ability to implement and maintain appropriate financial management and reporting processes

⁶ Due to state aid regulations specific names of private entities in the pipeline may not be disclosed to Sida.

	<i>Suitability of Fund Terms</i>
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Combining the assessment of Partner capacity and Development impact & Theory of Change

In the final step of phase one the assessments of Development impact & Theory of change and Partner capacity will be combined and based on the Assessment criteria for Initial selection, Sida will compare and rank the Applicants. The most competitive applications will pass the Initial selection of potential Implementing Partners and will go through to the next phase. Strong applications, that do not pass through to the next stage due to competitive reasons only, will be put on a reserve list. Sida maintains the right to fast track any applications with an exceptionally strong assessment or when circumstances otherwise demand. Sida may suspend or abandon the Initial selection process at any time due to unforeseen circumstances and no Applicant may claim any right to be initially selected or included on the reserve list as described above.

9.2.2 Assessment of Additionality

In this phase the focus will be on assessing, and making a reasonable estimate of, the expected Additionality enabled by the Sida Guarantee. In other words, the extent to which the guarantee will enable the Applicant to raise additional capital and take on additional risks that otherwise would not be possible. Given the inherent complexity of the guarantee instrument and the need for customisation within the capital structure this phase will comprise a series of one-to-one meetings.

Process considerations

In the initial meeting with the Applicant, Sida will explain the overall process going forward. It is important to understand that from this point and onwards the process will follow certain steps and phases but will largely be tailored towards the specific needs and fundraising situation of the Applicant. Sida envisages that the guarantee will unlock new opportunities for Implementing Partners but at the same time we appreciate that fundraising is a complex and iterative process with potential investors, and we will do our best to accommodate this.

Clarification and indicative structuring of the guarantee

During the one-to-one meetings Sida will clarify, in detail, how the guarantee instrument works including mechanisms for risk mitigation and sharing, loss layers/tranches (first loss and second loss), triggers, required risk coverage etc. In addition, Sida will further explore the information provided for the Initial selection in particular the Applicant’s business plan and fundraising progress and targets. Following the clarification part Sida, together with the Applicant, will explore potential structures for the guarantee. Once Sida and the Applicant has agreed, in principle, on a potential structure for the guarantee, an assessment of Additionality will be carried out according to the specification outlined below:

Assessment criteria	Specification
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Additionality	<ol style="list-style-type: none"> 1. The extent to which a Sida Guarantee will enable the Applicant to raise additional capital and take on additional risks that otherwise would not be possible. Particular focus will be put on the below targets and any changes made possible from the guarantee: <ul style="list-style-type: none"> - Size of fund(s) to be raised - Capital structure of the fund(s) - Risk profile of the allocated fund(s) - Pricing and ToC of the financing provided - Allocation per financial instrument (if mixed funds) - Proportion of private capital to be raised 2. Envisaged Sida Guarantee coverage and total risk coverage required 3. Risk of market distortion
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Sida’s main priority at this stage is to ensure that the Sida Guarantee will result in a significant level of Additionality and all applications that meet this threshold will pass through to the next stage.

9.2.3 Amended assessment

Based on all the information gathered up to this point in the process, Sida will perform a full Amended assessment of the remaining applications, including:

- 1) Development impact & Theory of change
- 2) Partner capacity
- 3) Additionality
- 4) Timing and visibility of closing (Applicants will be sequenced and priority will be given to applicants with closing before 3Q2022⁷)

Based on the Assessment criteria for the Amened assessment, Sida will compare and rank the Applicants. The most competitive Applicants, that are likely to receive guarantees under this program, will then be selected as pre-qualified for due diligence. Strong applications, that are not selected due to competitive reasons, will enter the reserve list. The timing of entering the due diligence process will depend, *inter alia*, on the Applicant’s fundraising progress and visibility of closing. If there are insufficient number of Pre-qualified applicants Sida will invite applicants from the reserve list to enter due diligence. Sida maintains the right to fast track any applications when circumstances demand.

Before entering due diligence a draft term sheet will be drawn up and applicants will go through an external assessment of expected loss conducted by the Swedish National Debt Office as basis for the pricing of the guarantee. This will then be followed by a negotiation with each pre-qualified applicant determining the size of any potential subsidy of the guarantee fee.

9.2.4 Due diligence

⁷ Prospective applicants with a target close during 2023 are still strongly encouraged to apply to this CEOI and will be sequenced and processed according to that year’s budget.

At this stage Applications will enter a due diligence process, carried out in accordance with Sida's internal rules and procedures, where operational matters relating to the implementation of the Sida Guarantee will be covered. Focus areas include but are not limited to:

- Verification of Development Impact & Theory of Change, Partner capacity, Additionality
- Risks, risk sharing, triggers, features, expected loss etc
- The Applicant's internal processes of origination, risk management, collection recovery/workout and the Applicant's ability to build up the envisaged portfolio and additional features
- Pricing and investment policy
- Transfer of financial benefit
- Anti-corruption, Anti-Money Laundering and Counter-Terrorist Financing systems
- ESG systems

9.2.5 Final negotiations and decision to sign

Provided that no significant obstacles have been identified during the due diligence process and largely depending on the status of the Applicant's fundraising process the next steps will include final negotiations of outstanding issues and finalisation of the guarantee agreement followed by a decision and signing.

Sida fully appreciates the challenges of a fundraising process, not least due to the on-going pandemic, and we will endeavour to keep the process transparent and, whenever required and to the largest extent possible, provide Applicants with sufficient information for them to make an informed decision of whether to continue to commit resources to the process or withdraw their applications.

10 Transparency Policy

According to the Swedish constitution and Swedish law, all documents received or sent by a government agency, e.g. Sida, are in principle available to the public. Before a document is made available to the public, an assessment is made whether any information is classified and should therefore not be disclosed. Read more here: <https://www.government.se/how-sweden-is-governed/the-principle-of-public-access-to-official-documents/>

If an Applicant considers that their Expression of Interest or other documentation provided during the selection process contains confidential information, then the Applicant must mark it clearly as "confidential" and provide a separate explanation as to which information in the document is deemed sensitive and any damage that the Applicant would likely incur if such information was to be disclosed by Sida.

Sweden has also decided on a Transparency Guarantee, which means that public information about Swedish aid, such as documents and data regarding a programme/project, is made available on Openaid.se. Read more on <https://openaid.se/en/about-openaid>

Processing of personal data is regulated by EU's General Data Protection Regulation (GDPR). Sida may process personal data of Sida's cooperation partners and its employees in order to carry out our mission as a government agency. The lawful ground for processing the personal data is to satisfy public interest. Read Sida's Privacy Notice here: <https://www.sida.se/English/About-us/about-the-website/privacy-notice/>

Annex 1

Expression of Interest

To:

THE SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
Attention: Power Africa, Africa Unit
SE-105 25 Stockholm, Sweden

EXPRESSION OF INTEREST

Call for Expression of Interest:

Implementing Partners for a Sida Guarantee

Applicant submitting the Expression of Interest:

(company name, registration number)

Herewith we are submitting our Expression of Interest on behalf of the Applicant in response to the Call for Expression of Interest to select Implementing Partners for a Sida Guarantee.

The undersigned, duly authorised to represent the Applicant, by signing this form certifies/certify and declare(s) that the information contained in this Expression of Interest and its Appendices is complete and correct in all its elements.

The undersigned, duly authorised to represent the Applicant, by signing this form certifies/certify and declare(s) that:

- We/Applicant/The Implementing Partner and our/its representatives are not domiciled in any of the countries seen on the [Common EU list of third country jurisdictions for tax purposes](#) and are not currently rated as Non-Compliant or Partially Compliant in the [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#)
- We/Applicant/The Implementing Partner and the Portfolio Companies will not be involved in any activities with regards to the Sida exclusion list in Annex 6
- We/Applicant/The Implementing confirm that Sida's contribution shall be used for the benefit of recipients in countries on the DAC List of ODA Recipients, and will target any or several of Sida's focus countries in Sub-Saharan Africa as described in Targeted countries in this Call
- We/Applicant/The Implementing Partner can provide market evidence that the use of the Sida guarantee in the vehicle does not lead to negative market distortion

- We/Applicant/The Implementing Partner confirm that all parties in the financial structure will share risk (have own skin in the game)
- We/Applicant/The Implementing Partner will have governance structures and procedures in place to handle questions regarding anti-corruption, money laundering and tax avoidance

Yours Sincerely

Name and position in capitals:

Applicant's name:

Date:

Annex 2

Business plan / Pitch deck

Applicants are asked to provide a business plan / pitch deck as part of the Expression of Interest. The business plan should provide concise information on the following items:

Investment strategy

- Targeted countries, industries and segments including detailed target allocation breakdown
- If relevant, any envisaged capital allocation to Sida's Priority segments
- Investment rationale and approach, including stage and adding-value to portfolio companies
- Expected number of portfolio companies and planned investment rate
- Strategy for deal flow generation

Management

- Fund manager team / team profile including relevant track record
- Description of the team organisation
- Description of governance and legal structure foreseen
- Information on members of the advisory or investment committees, if such to be created
- Risk management methodology, procedures and systems
- Details on the the shareholder base/ownership of the Applicant and the envisaged shareholder base for the fund management company, if it is planned to set up a new entity as a fund manager
- Independence of management team

Fund terms

- Fund target size
- Target structure of capital stack (first loss grants, equity, mezz, junior, senior)
- Fundraising progress and target for first and final close
- Legal structure
- Investment type/instruments
- Investment size
- Investment period
- Management fee
- General Partner commitment
- Minimum Limited Partner commitment
- Capital calls
- Waterfall distribution
- Main economic terms, including management fee and incentive structure proposed
- Indicative private investor commitment

Annex 3

Indicative financing pipeline in excel (strictly on a no-name basis⁸)

Applicants are asked to provide an indicative financing pipeline in excel according to the template outlined below. The template may be recreated in excel or downloaded from <https://cdn.sida.se/app/uploads/2021/09/10122620/Annex-3-EOI-Indicative-financing-pipeline.xlsx>

<i>(in KUSD)</i>									Outstanding balances at end of quarter		
Company # / Loan #	Country	Company / Loan Focus Segment*	Type of instrument	Loan or investment Amount	Start Date	Tenor , months	Interest rate / target IRR if equity	Underlying currency	Q1	Q2	...Q end
[Loan 1]	[]	[C&I - Developer]	[Senior debt]	[]	[]	[]	[]	[USD]	[]	[]	[]
[Loan 2]	[]	[C&I - End User]	[Junior debt]	[]	[]	[]	[]	[Local]	[]	[]	[]
[Loan 3]	[]	[C&I - EPC]	[Equity]	[]	[]	[]	[]		[]	[]	[]
...		[IGA - Minigrid]	[Convertible debt]								
		[IGA - Productive use]	[Other, please specify]								
		[SHS - Large]									
		[SHS - Small]									
		[IGA - On-grid Productive Use]									
		[IGA - Energy Efficiency]									
		[Mixed]									
		Other, please specify									

* [IGA: income generating activity]
 [C&I: Commercial and industrial]

⁸ Due to state aid regulations specific names of private entities in the pipeline may not be disclosed to Sida.

Annex 4

Additional priority areas

If not fully covered in the business plan / pitch deck, Applicants are asked to elaborate on any planned activities that specifically will contribute towards Sida's Additional priority areas outline in the Call. Such contribution is *NOT* part of the eligibility criteria but will be considered a strong advantage when evaluating applications. Sida is open to ideas of how Applicants will approach these areas and any relevant activities during pre-investment screening, post-investment portfolio company development and industry level activities will be considered.

- *Area 1: Capital allocation leading to increased provision of renewable power and productive-use solutions benefitting the health sector, the education sector and/or public services and administration*
- *Area 2: Improving gender equality.* Could, for example, include applying Gender lens investing or otherwise promoting leadership-and workplace equity
- *Area 3: Catalysing local market development.* Could, for example, include promoting market enablers, industry critical services, scaling of business models and SME investments
- *Area 4: Increased sustainability of local markets and businesses.* Could, for example, include promoting Environmental, Social and Governance (ESG) competence
- *Area 5: Improved conditions in Fragile and Conflict-Affected Areas.* Could, for example, include promoting private sector presence and engagement in such areas
- *Area 6: Increased investments and capital allocation to the Least Developed Countries (LDCs)*

Applicants that wishes to be considered in relation to the Additional priority areas need to clearly present how the relevant area has been incorporated into the investment strategy, including:

- 1) any envisaged capital allocation to the specific area(s), and/or
- 2) any measures to be implemented at portfolio company level, and/or
- 3) any activities to be carried out on industry level
- 4) any key blocking barriers, risks and levers to be addressed

Please provide the information in Power Point or Word and be specific and concise (preferable not more than three pages per area)

Annex 5

Summary of general limitations and provisions in relation to Sida guarantees

- a) **Sida's transparency requirements:** Sida's contributions are to be managed in a way that enables transparency, both internally at Sida as well as externally to the general public, as far possible considering secrecy and protection of personal data. Attached is a letter ("Information regarding the right of public access principle, Openaid and processing of personal data.pdf") providing more information on this topic.
- b) **Sida guarantees are unfunded:** The guarantees issued by Sida are unfunded. Please note that the Kingdom of Sweden is ultimately and to an unlimited amount responsible for Sida's commitments.
- c) **Types of risk guaranteed:** Sida is able to issue guarantees where the risks are driven by factors other than credit risks, but these processes tend to be much more challenging (due need to still satisfy the requirements in relation to right of recourse and risk quantification).
- d) **Risk sharing:** Sida seeks alignment of interest and must ensure that risks in relation to the structure/portfolio is 1) shared with other actors and 2) can be motivated.
- e) **Currency:** Sida may, in addition to SEK denominated guarantees, issue guarantees in EUR or USD, but will add a SEK ceiling (in general calculated based on historic FX rates, potentially with some buffer to account for volatility) to each guarantee agreement (so as to ensure that Sida does not breach its total guarantee ceiling, determined by the Swedish Government).
- f) **Risk quantification:** Sida's ordinance and governmental budgetary law sets out that it must be possible to reliably assess and quantify the risks, which shall constitute the basis for calculating expected loss.
- g) **Pricing:** Sida's pricing model for guarantees works in such way that Sida must reserve, and charge for, the administrative costs (based on standard amounts) and the expected loss (calculated by the Swedish National Debt Office prior to execution of the guarantee agreement). Note that:
 - i. Sida may decide to subsidize part of the guarantee fees, thereby reducing the fees to be paid by the guarantee recipient. The total fee amount must, if subsidies are used, be calculated in advance (as the present value of expected losses, based on exposure forecast and loss assumptions) but can be paid as instalments over the life of the guarantee (note that Sida has some flexibility with regards to how to distribute this total fee amount over the time of the guarantee).
 - ii. The guarantee fees are typically calculated based on actual exposure (not based on ex ante forecasted exposure) in the case of no subsidies.
- h) **State aid:** Sida must ensure that its guarantees do not result in state aid prohibited by EU law. This assessment is given particular attention whenever subsidies are provided (so as to reduce the fee burden) if any of the key parties are located in the EU. Essential for Sida is hence to ensure that subsidies (if any) are transferred for the benefit of the underlying borrowers.
- i) **Market distortion:** Sida must ensure that its guarantees do not result in negative market distortion.
- j) **Loss determination and recovery requirements:** Guarantee events may only be declared when the responsible party has taken all appropriate collection/recourse steps to recover the relevant amounts (i.e. when a loss has been determined and/or been provisioned, not necessarily at the point of default).
- k) **Claim payments:** Sida will in general require at least thirty (30) days following a claim request to make a guarantee payment.

- l) **Recourse rights:** Sida shall ensure that the guarantee recipient's right in relation to the guarantee debtor is transferred to the central government in the event that the guarantee is redeemed and compensation is paid out. Note that this requires the identification of (at least) three distinct parties: the guarantor (Sida), the guarantee recipient (e.g. a fund/SPV/bank) and the guarantee debtor (e.g. borrowers).
- m) **Ownership and voting restrictions:** Sida will in general, in its guarantees, avoid being granted (and the risk of being granted) ownership or similar control rights, and will likely need to abstain from voting rights and participation in steering groups, investment committees and the like (to ensure clear distinction between Sida as guarantor/financier and the implementing party).
- n) **Country focus:** Sida's contribution shall be for the benefit of recipients in countries on the [DAC List of ODA Recipients](#), with a preference for supporting the poorest communities.
- o) **Domicile:** Sida cannot be part of structures where the guarantee is channelled through or directed to international intermediaries (e.g. funds and fund managers) that are domiciled in any of the countries seen on the [Common EU list of third country jurisdictions for tax purposes](#) or that are currently rated as Non-Compliant or Partially Compliant in the [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) (this will be covered in Sida's due diligence, covering also ESG matters).
- p) **Exclusion list:** Sida cannot contribute to the financing of borrowers involved in any of the sectors/activities listed on our exclusion list (see below).
- q) **Reporting:** Sida needs to be granted access to financial reports of relevance (e.g. annual report, audit statements) and should be provided reports (semi-annually) setting out information in relation to the guaranteed portfolio (including e.g. exposures, arrears, defaults, losses, recoveries) and the agreed development indicators. Sida will also require reporting to monitor the development results.
- r) **Audit rights:** Sida must have the right to conduct site visits and to require that external auditors appointed by Sida or the Swedish governmental auditors (Sw. Riksrevisionen) conduct an audit of the guarantee recipient or any portfolio investment (with the costs of such audits to be borne by Sida). r) In addition we:
- i. prefer to **mobilise new and private capital** (rather than capital from MDB:s or DFI:s);
 - ii. prefer **guarantees referencing portfolios** (rather than individual projects);
 - iii. need **stronger arguments** for the need/rationale to support guarantee features/conditions implying higher levels of risk level (e.g. large guarantee amounts, high risk coverage, first loss tranches, long maturity, revolving features);
 - iv. can in general guarantee only **new investments** (not previously originated transactions);
 - v. need to secure our **subrogation rights**, ensuring that whatever is recovered (after payment of a claim) is shared with us as per our relative share;
 - vi. prefer our guarantee agreements to be governed by **Swedish law**, with disputes to be settled in Swedish courts if needed (note that Sida sometimes under special circumstances accept law of neutral jurisdiction, such as London or Paris);
 - vii. need **ability to terminate** the guarantee in certain cases (e.g. gross misconduct or material failure to comply with the provisions of the agreement or if the guarantee fee is not paid);
 - viii. need ability to, for monitoring purposes, have the **right to carry out audits/reviews/controls**; and we
 - ix. need the counterparty to the guarantee agreement (e.g. a Fund Manager or a bank) to be a **legal person**.

Annex 6

List of excluded sectors and activities

Under the Sida Guarantee the Implementing Partner shall comply with Sida's list of excluded sectors, in particular, not invest in entities which engage in, or that directly or indirectly control, another entity whose business activity is any one or more of the following:

1. Forced labor or child labor
2. Activities or materials deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:
 - a) Ozone depleting substances, PCBs (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals;
 - b) Wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES); or
 - c) Unsustainable fishing methods (e.g. blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length)
3. Cross-border trade in waste and waste products, unless compliant to the Basel Convention and the underlying regulations
4. Destruction of High Conservation Value areas
5. Radioactive materials and unbounded asbestos fibers
6. Pornography and/or prostitution
7. Racist and/or anti-democratic media
8. Illicit drugs classified products
9. Weapons and munitions
10. In the event that any of these following products form a substantial part of a project's primary financed business activities:
 - a) Alcohol beverages
 - b) Tobacco
 - c) Gambling, casinos and equivalent enterprises

Annex 7

Know Your Client (KYC)

Sida conducts a Know Your Client (KYC) review as part of our due diligence of guarantee opportunities. This review also includes a review of processes for Anti-Money Laundering (“AML”), Countering Terrorism Financing (“CTF”), Sanctions and Anti Bribery and Corruption (“ABC”). The below, but not limited to, is to be provided to Sida upon request.

- Overview of the legal structure, including relevant cash flows;
- The Fund Manager, General Partner and any other relevant party to provide:
 - Certificate of registration/incorporation;
 - Articles of association;
 - Valid license from Financial Supervisory Authority
 - List of authorized signatories (specifying name, home address and personal identification numbers);
 - Passport (certified copies) for authorised signatories representing the company;
 - Passport (certified copy) for ultimate beneficial owner(s); and
 - Ownership- and control structure chart (showing ownership percentage and voting percentage in the entity directly and indirectly with name, organisational number/personal identification number and address of owners).
- Policies and procedures for AML, CTF and ABC as well as Enterprise Wide Risk Assessment (“EWRA”)
- Complete the Due diligence Questionnaire with regards to AML, CTF and ABC