



MODERN COOKING  
FACILITY FOR AFRICA

# PRE-QUALIFICATION GUIDELINES FIRST MCFA CALL FOR PROPOSALS (MCFA1)

The Democratic Republic of the Congo, Kenya, Mozambique,  
Tanzania, Zambia and Zimbabwe

The Modern Cooking Facility for Africa (MCFA) is launching its first call for proposals (MCFA1) inviting interested private companies selling modern cooking solutions, cooking service providers (CSPs), to compete for funding. MCFA1 aims to incentivise CSPs to establish or scale up existing innovative sustainable local businesses in the targeted Project Countries and thereby create a local market and accelerate access to modern, higher-tier clean cooking technologies (CCT) for urban and peri-urban consumers in these African countries. MCFA1 plans to enable the distribution of 420,000-840,000 Tier 4-5 electric, biogas, bioethanol and solar thermal cookstoves and associated fuels in the six Project Countries and provide access to clean cooking for 2-3.8 million consumers. Tier 3+ gasifier stoves that use sustainable pellets and briquettes can also be supported.

These Pre-Qualification Guidelines:

- (i) describe the two-stage application process (Pre-Qualification and Final Application stage); and
- (ii) present the Pre-Qualification eligibility criteria and minimum requirements CSPs need to meet to be invited to take part in the Final Application stage.

The Pre-Qualification stage is expected to be completed by the end of August 2022. Applicants successfully passing the Pre-Qualification stage will be notified by September 2022 and asked to submit a full proposal shortly thereafter. Guidelines for the Final Application stage are scheduled to be published during September 2022.

Applicants will be duly informed of their progress, and the final results of MCFA1 will be communicated to the Applicants and made public.

MCFA is a #TEAMEUROPE funded programme.



# Contents

<b>1. MCFA1 FUNDING AND APPLICATION PROCESS</b>	<b>6</b>
1.1. BACKGROUND .....	6
1.2. AIMS AND OBJECTIVES OF MCFA .....	6
1.3. INCENTIVES .....	7
1.4. DISBURSEMENTS .....	10
1.5. COUNTRY PROGRAMMES .....	10
1.6. CLEAN COOKING SERVICE TIER MATRIX .....	11
<b>2. APPLICATION PROCESS</b>	<b>12</b>
2.1. PRE-QUALIFICATION STAGE.....	13
2.2. TIMING .....	13
2.3. APPLICATION INTAKE SYSTEM – SMARTME.....	14
2.4. REGISTRATION AND SUBMISSIONS .....	14
2.5. QUESTIONS AND ANSWERS .....	14
2.6. FINAL APPLICATION STAGE.....	15
<b>3. PRE-QUALIFICATION ELIGIBILITY CRITERIA AND MINIMUM REQUIREMENTS</b>	<b>15</b>
3.1. ELIGIBLE PROJECT COUNTRIES.....	16
3.2. ELIGIBLE APPLICANTS .....	16
3.3. FINANCIAL POSITION REQUIREMENTS.....	18
3.4. PROFESSIONAL CAPACITY REQUIREMENTS .....	18
3.5. MARKET EXPERIENCE REQUIREMENTS .....	18
3.6. COMPLIANCE REQUIREMENTS .....	19
3.7. ELIGIBLE PROJECTS .....	20
<b>4. SELECTION OF PROJECTS</b>	<b>24</b>
4.1. FINAL APPLICATION STAGE EVALUATION.....	25
4.2. PROOF OF COMPLIANCE .....	26
<b>5. RESERVATION</b>	<b>26</b>
<b>6. GDPR AND CONFIDENTIALITY</b>	<b>26</b>
<b>7. MISCELLANEOUS</b>	<b>26</b>

## List of abbreviations and definitions

Applicant	A for-profit CSP applying for MCFA1 funding alone or on behalf of a Project Consortium
Consortium Member	A for-profit or non-profit entity forming part of a Project Consortium
Country Programme	MCFA1 is organised into six Country Programmes, one for each of the six eligible Project Countries
CCS	Clean cooking service provided to an end-customer that has entered into a contract with a CSP for the provision of CCT using eligible fuels
CCT	Clean cooking technology eligible for MCFA1 funding, i.e. Tier 4-5 electric, biogas and bioethanol stoves or Tier 3+ gasifier stoves using sustainable briquettes or pellets
CSP	Cooking Service Provider
Final Application	MCFA1 is divided into two stages: a Pre-Qualification stage and a Final Application stage (only CSPs that successfully pass the Pre-Qualification stage will be invited to take part in the Final Application stage)
GDPR	General Data Protection Regulation
MCFA1	The first MCFA call for proposals targeted at the Democratic Republic of the Congo (DRC), Kenya, Mozambique, Tanzania, Zambia and Zimbabwe
MRV	Monitoring, reporting and verification
MTF	Multi-Tier Framework developed by the World Bank's Energy Sector Management Assistance Programme (ESMAP)

Nefco	Nordic Environment Finance Corporation, MCFA Facility Manager; Nefco has established the MCFA Programme and manages it as a separate funding facility
Pre-Qualification	MCFA1 is divided into two stages: a Pre-Qualification stage and a Final Application stage (Only CSPs that successfully pass the Pre-Qualification stage will be invited to take part in the Final Application stage)
Project Consortium	A group of for-profit or non-profit entities (led and represented by a for-profit CSP Applicant) that have formed or agreed to form a consortium to apply for MCFA1 funding and eventually implement the proposed project
Project Country	MCFA1 funding can only be used to implement projects in the Democratic Republic of the Congo, Kenya, Mozambique, Tanzania, Zambia or Zimbabwe (eligible Project Countries)
Project Partner	A for-profit or non-profit entity with a material and meaningful interest in the implementation of a proposed project (e.g. product suppliers, financial service partners, capacity building and training organisations)
Sida	Swedish International Development Cooperation Agency
SmartME	MCFA1 is organised as an online, fully paperless application process and handled via an electronic intake system called SmartME
SSA	Sub-Saharan Africa
Tier	Categorisation used to distinguish different levels of energy services; service levels will primarily be based on the MTF

# 1. MCFA1 funding and application process

## 1.1. Background

The lack of access to modern, clean cooking is a global challenge that cannot be ignored. The estimated cost of inaction on this issue totals more than USD 2 trillion a year, including some USD 1.4 trillion related to the negative health impacts alone. Household air pollution from traditional stoves and fuels causes over four million premature deaths annually, mostly of women and children. This is higher than the combined death rates of malaria, tuberculosis and HIV/AIDS.

As of 2018, over 890 million people in Sub-Saharan Africa (SSA) lacked access to modern, clean cooking solutions, an increase of 18% from the 2010 figure of 750 million. SSA is the only region in the world where clean cooking access has not kept pace with population growth. From 2010 to 2018, access to clean cooking in SSA only increased by an average of 0.4% a year, compared to an annual average population growth of 2.7%. The main barriers limiting growth in the sector are consumer cooking behaviours, affordability, access to credit and low consumer awareness.

In various African countries, households, in particular women and girls, spend between 0.8 and 5 hours a day collecting firewood, with a regional average of 2.1 hours, preventing them from participating in economic activity and attending school and in the worst cases exposing them to the risk of physical violence. Furthermore, estimates of the annual economic loss associated with time spent on cooking and collecting fuel in SSA range from USD 4 million to USD 30 million.

Global efforts to increase clean cooking access will need to put greater focus on SSA if Sustainable Development Goal 7 on affordable and clean energy is to be achieved. MCFA also contributes to the Paris Agreement on climate change mitigation as well as to adaptation and reduction of deforestation.

Against this background, Nefco, with financing from Sweden, has established and launched the MCFA programme.

## 1.2. Aims and objectives of MCFA

MCFA aims to bridge a critical gap between early-stage support, traditionally offered by challenge funds and (impact) equity, and concessional/commercial debt needed to transition to modern, clean cooking at scale in SSA. MCFA places a strong emphasis on the provision of sustainable clean cooking services that integrate the CCT and sustainable fuels.

The MCFA approach combines direct results-based financing with up-front, non-reimbursable catalytic grant financing to CSPs to unlock early structural challenges in the market, build business and investor confidence and proactively mobilise various types of downstream investment and debt financing. MCFA financing is complemented by selective technical assistance to support CSPs in developing key aspects of their business.

Applicants that take part in MCFA1 are expected to provide their own financing as well as mobilise additional co-financing. The amount of financing available to individual projects through MCFA1 will be determined during the Final Application stage through a reverse auction approach. Project

proposals will be ranked and awarded funding based on the overall value for money they are expected to provide in meeting the MCFA1 targets.

A thorough market scoping process, including extensive outreach to local energy authorities and potential CSPs, concluded that the MCFA1 approach is highly relevant and warranted and is in line with national policies.

More information on the MCFA programme is available at: [www.moderncooking.africa](http://www.moderncooking.africa).

### 1.3. Incentives

To receive MCFA1 funding, CSPs are required to deliver and sell affordable and high-quality clean cooking services (CCS) directly to end-consumers in an enduring and sustainable manner.

MCFA1 covers six Country Programmes, one for each of the six target countries: the DRC, Kenya, Mozambique, Tanzania, Zambia and Zimbabwe. Project implementation for all six Country Programmes is limited to 4 years and is expected to start in the second half of 2023 at the latest. Applicants should specify the total amount of MCFA1 funding being requested and their predicted annual MCFA1 funding requirements for the project implementation period (2023-2027).

#### **BOX 1: WHAT COSTS ARE ELIGIBLE UNDER MCFA?**

MCFA aims to stimulate new sustainable business models that incentivise and accelerate the private sector to offer access to affordable clean cooking services at scale in Africa. It provides financial incentives to selected private companies to provide higher tier cookstoves and fuels to urban and peri-urban residents in the Project Countries. The funding is a form of 'free equity', which can be used by CSPs to scale their businesses.

MCFA1 funds may be used by contracted CSPs to cover legitimate expenditure and investments related to business establishment and operational activities including, but not limited to:

- Business establishment and preparation
- Hardware costs
- Software costs for, e.g., stock management, accounting or PAYGO systems
- Stove-use monitoring (SUM) technology or related software
- Inventory and spares
- Clean fuels supply chain
- Personnel costs
- Training and capacity building
- Scale-up activities such as expanding physical distribution
- Repair and maintenance infrastructure

There are no specific exclusions, but MCFA does not cover sunk costs that have already been incurred e.g. previously deployed stoves or investments.

## Incentives for CCS

MCFA1 can support clean cooking services that are based on CSPs' sales of electric, bioethanol, biogas and solar thermal stoves that meet Tier 4-5 ratings for thermal efficiency, cooking exposure (P.M<sub>2.5</sub> and CO emissions), and safety based on ISO/TR 19867-3:2018 and/or relevant technology specific standards/benchmarks. The MCFA1 can also support clean cooking services that are based on CSPs' sales of gasifier stoves using sustainable briquettes or pellets that meet Tier 3 ratings and above for all of these same metrics.

Technical standards requirements for eligible CCT are defined in detail in Section 3.7.

Applicants are required to demonstrate a fuel supply that meets the MCFA1 requirements for eligible CCS based on biogas, bio-LPG, bioethanol or sustainably produced biomass (briquettes or pellets). An integrated 'tool and fuel' business model will be specially incentivised. Provision of CCS based on stove sales only is not eligible for MCFA1 funding.

**TABLE 1: ELIGIBLE STOVES AND FUELS FOR MCFA1 FUNDING**

	ELIGIBLE	NON-ELIGIBLE
<b>STOVE TECHNOLOGIES</b>	<b>Tier 4-5:</b> Electric Bioethanol Biogas Solar thermal <b>Tier 3+:</b> Gasifier	<b>Tier 1-2:</b> Improved Cookstoves (ICS)
<b>FUELS</b>	Green electricity Grid electricity Bioethanol Sustainable biogas Bio-LPG Sustainable briquettes or pellets	Charcoal Traditional biomass LPG

Cookstoves using stove-use monitoring (SUM), commercial and institutional stoves will be specially incentivised through a multiplier on the core underlying incentives. Individual weightings will be applied to the respective cooking service Tiers for the purposes of calculating the final value for money. The MCFA1 incentive framework is described in Section 1.6.

To support consumer affordability, CSPs already deploying pay-as-you-go (PAYGO) business models will be rewarded in the evaluation and encouraged to incorporate PAYGO overheads into their offers.

When developing their business models, Applicants are strongly encouraged to consider possible market distortion effects. MCFA strongly discourages free distribution of stoves.



## Technical Assistance

During the implementation phase, successful CSPs will be eligible to receive technical assistance funded by MCFA including advice on, for example, product and business model development (e.g. PAYGO and SUM), basic business fundamentals and formalisation, strategy and human resource management.

## Carbon Finance

Carbon finance has been an important source of funding for clean cooking companies in recent years, and it is expected that this will continue with the growth of voluntary markets, national carbon markets and credits sales related to the Paris Agreement.<sup>1</sup> With modern energy technologies, all common cooking fuels can be measured, including electricity, ethanol and biogas. In a significant development, the Gold Standard<sup>2</sup> is currently introducing an amended methodology for certifying CO<sub>2e</sub> emissions for modern cooking appliances that leverages usage data to improve and simplify emissions measurements and reporting requirements. It allows for a more efficient process for calculating emissions reductions and provides cost savings for monitoring, reporting and verification (MRV) in particular.

Switching to modern cooking solutions will result in other positive SDG impacts, particularly within the areas of health, gender, livelihood and environment, and can be expected to enable CSPs to access carbon finance to make products more affordable. Upfront cost barriers to accessing carbon finance can be overcome through providing technical assistance for CSPs to access or set up their own carbon credit programmes. If needed, MCFA can provide financial support for CSPs to access carbon credits by linking them to carbon markets and helping them align their MRV/data collection methodologies, e.g., with the Gold Standard, future carbon markets under the Paris Agreement or newer methodologies that leverage usage and fuel sales data (which such schemes may not currently support), while also making use of knowledge and methodologies gained through the Clean Development Mechanism. MCFA can also finance the provision of advisory services to CSPs seeking to establish a Programme of Activities<sup>3</sup>. These transaction costs will be covered by MCFA on a case-by-case basis as appropriate and will be recovered if carbon revenues materialise.

Neither Nefco nor MCFA and its donors will establish any claim on carbon credits. All such income should be used to benefit CSPs' end-customers in the relevant markets. Where appropriate, carbon revenues should support national climate policies and commitments such as the provision of Nationally Determined Contributions.

Nefco also reserves the right to reduce any undisbursed MCFA1 incentives should carbon finance render this excessive from a financial sustainability point of view.

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<sup>1</sup> Paris Agreement's Article 6 on carbon market mechanisms was approved at COP26 in Glasgow in late 2021.

<sup>2</sup> [https://www.goldstandard.org/sites/default/files/documents/ics\\_methodology\\_guidebook\\_v1.pdf](https://www.goldstandard.org/sites/default/files/documents/ics_methodology_guidebook_v1.pdf)

<sup>3</sup> <https://cdm.unfccc.int/ProgrammeOfActivities/index.html>

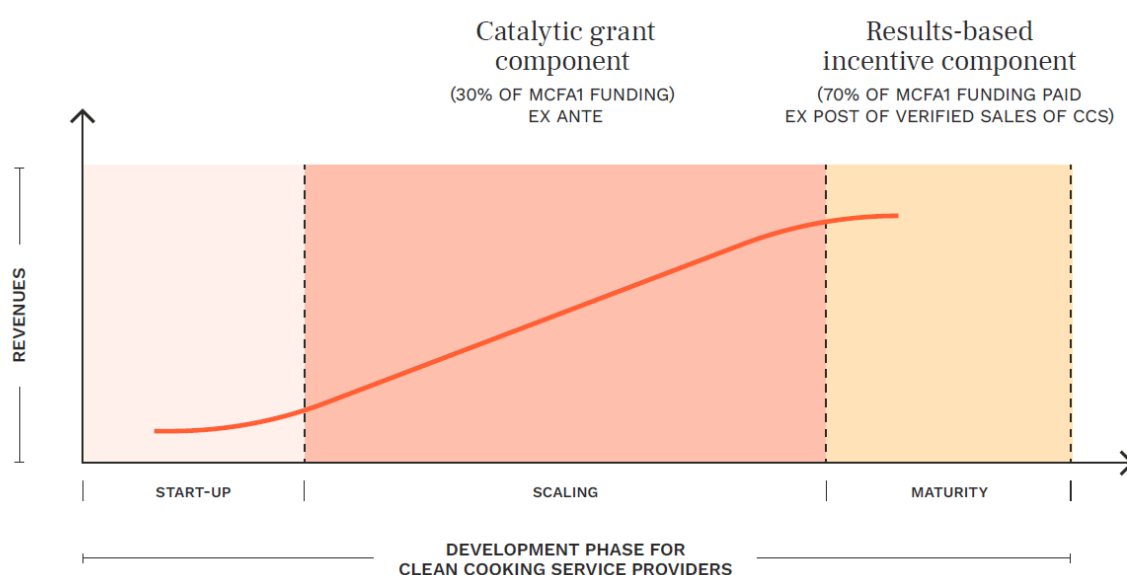
## 1.4. Disbursements

MCFA1 financing can be disbursed flexibly, including up to 30% up front as a non-reimbursable catalytic grant component and the rest as results-based finance. Up-front payments can be made for CSPs to establish their business in a new market, roll out and scale up their activities in an MCFA1 market in which they are already operating and/or launch a new Tier 4-5 or Tier 3+ product or implement a PAYGO and/or tool and fuel business model in that market.

Disbursements of results-based financing are made in return for CSPs implementing their proposed project and selling and sustaining the offered number of CCS to end-customers. Results-based finance payments will be made in arrears and against CSPs’ proven sales and the establishment of an agreed minimum number of CCS with end-customers starting from 12-18 months from the contract signing at the latest. Project proposals are evaluated based on the CSP’s capacity to implement the project with results-based financing only.

**FIGURE 1: MCFA DISBURSEMENT PROCESS**

MCFA: Disbursement process



## 1.5. Country Programmes

MCFA1 is inviting interested CSPs to compete under the following Country Programmes (See Table 1) to be disbursed during a four-year period with current funding of up to EUR 30.8 million in total.

The indicative individual contract ticket size per CSP is expected to be EUR 0.7-2 million depending on the Country Programme, with the exception of Zambia (see Table 2). Larger ticket sizes may be considered in exceptional cases.

**TABLE 2: COUNTRY PROGRAMMES**

COUNTRY PROGRAMME	AVAILABLE FUNDING (EUR MILLION)	INDICATIVE INDIVIDUAL CONTRACT SIZE (EUR MILLION)	NUMBER OF EXPECTED CONTRACTS
<b>DRC</b>	3.4	0.7-2.0	2-3
<b>Kenya</b>	3.4	0.7-2.0	2-3
<b>Mozambique</b>	3.4	0.7-2.0	2-3
<b>Tanzania</b>	3.4	0.7-2.0	2-3
<b>Zambia<sup>4</sup></b>	13.8	0.7-3.0	4-6
<b>Zimbabwe</b>	3.4	0.7-2.0	2-3
<b>TOTAL</b>	<b>EUR 30.8 MILLION</b>		

For Zambia only: Applicants selected for funding under the Zambian Country Programme may be required to comply with any EU-specific requirements in addition to Nefco rules and policies with regard to projects financed with EU funds.

## 1.6. Clean Cooking Service Tier Matrix

Applicants will be asked to provide a detailed business plan during the Final Application stage. In their plan they will be required to categorise the different types of CCS they will provide to end-customers using the Tier differentiation based on the level of energy service defined in the MTF, including whether they are targeted at residential, commercial and/or institutional customers.<sup>5</sup>

The level of energy service (Tier) of the CCS included in the proposed project will be weighted in line with the overall objectives of MCFA1. The weighting will reflect the proposed increase in the quality and type of cooking services. The provision of CCS through the so-called ‘tool and fuel’ business model will be specially incentivised.

<sup>4</sup> Pending final approval, an additional EUR 8.75 million will be made available by the European Union for the Zambian Country Programme. Allocation of the EU funding is subject to a final decision.

<sup>5</sup> Definitions:

- Residential customer: an end-customer (person or household) receiving clean cooking services for dwelling purposes.
- Commercial customer: an end-customer (businesses, including micro, small and medium-sized enterprises, industries and to some extent also the so-called informal sector) receiving clean cooking services for the purpose of the end-customer’s income-generating activity. Actors within the informal sector may qualify as commercial end-customers as long as the cooking service is used solely for an income-generating activity (i.e., not serving a residential end-customer).
- Institutional customer: an end-customer (in public or private legal entities) receiving clean cooking services to provide public services, free or at a reasonable cost, to a community for the purposes of education food security, medical equipment sterilisation and clean drinking water etc.

Cooking services using stove-use monitoring (SUM)/PAYGO functionality, stoves for commercial use and for the delivery of public services will also be especially incentivised by multipliers on the weightings applied to the respective cooking service Tiers for the purposes of calculating the final value for money. The relative cost of cookstoves will affect the weighting.

The weighting framework will be described in the Guidelines for the Final Application stage. MCFA1 funding will be awarded to Applicants that can demonstrate the best value for money during the Final Application stage, defined as the lowest average weighted cost per CCS, considering the viability of the underlying business plan.

The number of expected established CCS set out by Applicants in the business plan will be assessed, stress-tested and undergo a detailed due diligence review before contract signing.

### **BOX 2: REVERSE AUCTION APPROACH**

A reverse auction is a type of auction in which the traditional roles of buyer and seller are reversed. This is used in the case that there is only one buyer but many potential sellers.

In an ordinary auction, a number of interested buyers compete to buy goods or services by offering increasing prices to one seller. In contrast, in a reverse auction, the traditional roles of buyer and seller are reversed, because several sellers are competing for business from a single buyer. As a result, prices will typically decrease as sellers underbid each other. In a reverse auction, sellers placing the lowest bids are automatically ranked highest and contracted accordingly.

MCFA1 funding will be awarded to Applicants through a reverse auction, but project proposals with the lowest average weighted cost will not automatically be ranked highest. This is because MCFA1 is seeking not only to reward low prices (affordability) but also to incentivise CSPs to offer high-quality and sustainable clean cooking services to generate concrete and positive environmental, climate, development and health impacts during project implementation and beyond.

During the Final Application stage, project proposals will be evaluated and scored by price and the quality, sustainability and development impacts of the solutions offered, including gender aspects in particular. Accordingly, project proposals found to offer the overall best value for money to MCFA1 will be ranked highest.

## 2. Application process

The MCFA1 application process is divided into two stages:

1. A Pre-Qualification stage (described in this document)
2. A Final Application stage (to be described in detail in a later document)

## 2.1. Pre-Qualification stage

The purpose of the Pre-Qualification stage is to check Applicants’ compliance with the key eligibility criteria and minimum technical and financial capacity requirements of MCA1. Only Applicants and project proposals that meet these eligibility criteria and minimum requirements will be invited to submit applications during the Final Application stage.

During the Pre-Qualification stage, Applicants are asked to submit a limited amount of information and documentation to reduce the time and cost of preparing the application. Applicants are required to complete a short online questionnaire and Pre-Qualification Application and upload a limited amount of supporting documentation.

## 2.2. Timing

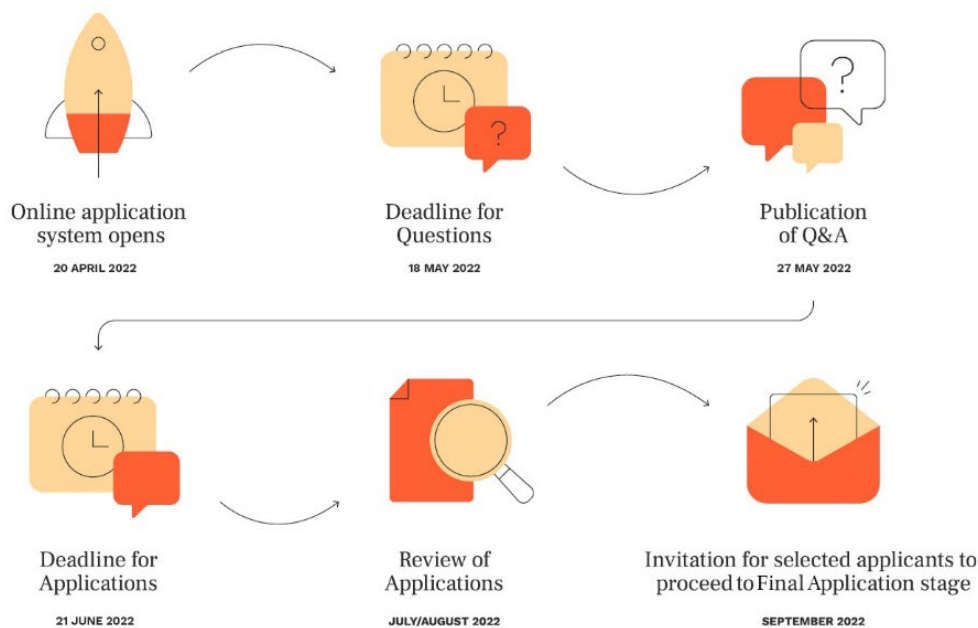
The MCA1 Pre-Qualification SmartME application intake system will open on 20 April 2022 and remain open until 21 June 2022.

Applicants that pass the Pre-Qualification stage will be notified by September 2022 and asked to submit a full proposal tentatively by November 2022. Guidelines for the Final Application stage are scheduled to be published during September 2022.

Contracts between CSPs and Nefco for MCA1 financing are expected to be signed in Q2, 2023. Projects must be initiated at the latest by August 2023.

Applicants will be duly notified of their progress and the final results of MCA1.

**FIGURE 2: PRE-QUALIFICATION STAGE TIMELINE**



## 2.3. Application intake system – SmartME

MCFA1 uses an online, fully paperless application process organised via the SmartME application intake system.

The SmartME application intake system is specifically tailored for MCFA to simplify the Pre-Qualification stage application process as much as possible. We encourage Applicants to provide feedback on the SmartME intake system to help us learn and improve our services.

## 2.4. Registration and submissions

Interested CSPs are encouraged to register and create their user accounts as early as possible and familiarise themselves with the MCFA1 application requirements. Applicants are required to submit their applications and documents via the MCFA SmartME intake system only. Applications and documents must be submitted in English. Registration for the SmartME intake system can be done via the MCFA website [www.moderncooking.africa](http://www.moderncooking.africa)

Only for-profit companies can register and submit applications, but non-profit organisations can play a supporting role in the project implementation as detailed in these Guidelines.

Applicants are required to submit all documentation in English and to denominate all financial information in EUR. Once submitted, Pre-Qualification applications will be considered final and cannot be amended.

Applications must be submitted by 21 June 2022 at 12:00 Helsinki time (UTC+3).

It is the Applicants' responsibility to ensure that all documentation is submitted and uploaded in SmartME on time and to account for Internet connection speed. It is strongly recommended to allow sufficient time to complete and submit the application well in advance of the submission deadline. The SmartME intake system will not accept submissions/uploads received after the submission deadline.

## 2.5. Questions and answers

Applicants are invited to post questions via the SmartME intake system's support section only and in order to receive an answer by the latest 18 May 2022 at 12:00 Helsinki time (UTC+3).

Questions and answers will be made available to all registered Applicants in an anonymised and redacted form by 27 May 2022.

## 2.6. Final Application stage

Applicants that pass the Pre-Qualification stage and are invited to the Final Application stage will take part in a more limited competition for MCFA1 funds and are therefore required to allocate more time and resources to preparing a comprehensive application.

During the Final Application stage, Applicants will be required to submit a full project proposal, including a detailed business plan, financial model(s) and comprehensive supporting documentation.

The Final Application stage will focus on assessing the quality of Applicants' business plans and carrying out a price per weighted cooking service calculation, resulting in an overall evaluation of the proposed project and expected value for money per established CCS.

MCFA1 funding will be awarded to CSPs using a reverse auction approach, through which project proposals will be ranked based on their overall expected value for money in reaching MCFA1 targets.

Prior to contract signing, a thorough due diligence review of each of the highest-scoring project proposals will be carried out. The due diligence will include a review of all technical, social, environmental, financial, institutional and legal aspects deemed relevant to the transaction.

A contract template will be made available at the Final Application stage and used as the basis for negotiations. Applicants are kindly requested to note that only minor deviations from the template can be made.

Nefco reserves the right not to start negotiations with any Applicants. All contracts are subject to a successful due diligence review and individual prior no-objection from donor(s).

## 3. Pre-Qualification eligibility criteria and minimum requirements

Nefco's Pre-Qualification review consists of two elements:

- (i) a completeness check – to confirm that Applicants and their project proposals meet the eligibility criteria and minimum requirements set out below; and
- (ii) an evaluation and scoring of the Pre-Qualification Application.

The completeness check is a pre-screening carried out based on answers provided through the SmartME intake system.

The evaluation is carried out based on an assessment and scoring of the Pre-Qualification Application. This evaluation will be carried out by a team of third-party, independent evaluators.

To pass the Pre-Qualification stage and be invited to take part in the Final Application stage, Applicants and project proposals must meet all of the eligibility criteria and minimum requirements below, and the Pre-Qualification Application must score a minimum of 60 points (out of 100).

### 3.1. Eligible Project Countries

Projects should be implemented in the DRC, Kenya, Mozambique, Tanzania, Zambia or Zimbabwe.

- 1 Democratic Republic of the Congo
- 2 Kenya
- 3 Mozambique
- 4 Tanzania
- 5 Zambia
- 6 Zimbabwe



### 3.2. Eligible Applicants

#### For-profit companies

Applicants (i.e. CSP companies applying for MCF A1 funding individually or on behalf of a Project Consortium) should be for-profit companies.

Applicants should be legally incorporated and included in the register of for-profit companies in the Project Country or commit to being incorporated and registered as such before signing a possible contract.

Nefco will sign a possible contract for MCF A1 funding only with the entity locally registered in the Project Country.

Applicants should be in compliance with all tax, regulatory and legal frameworks in both their home country and the Project Country (if different). The Applicant must have digital customer relationship management and accounting records that can be (independently) audited to verify sales and project costs.

Applicants may include non-profit entities, public institutions, community-based organisations or other non-commercial entities in the project implementation as Consortium Members or Project Partners.



Applicants are kindly informed that no governmental entity, public agency or donor may function as a Consortium Member or Project Partner.

## Persons

Individual persons or groups of persons (who are not legally incorporated and registered as a company in the Project Country) are not eligible for MCFA1 funding.

## Project Consortium

A Project Consortium refers to a group of companies or organisations that have formed or agreed to form a consortium for the purposes of applying for MCFA1 funding and implementing a proposed project.

To be eligible for MCFA1 funding, a Project Consortium must be represented by an Applicant. The Applicant is required to assume full responsibility for the application and project implementation. The Applicant should also act as Nefco's only direct counterparty (in a possible contract and as regards reporting, etc.). To qualify, the Applicant should be able to demonstrate that it and the Project Consortium possess sufficient management capacity.

The Project Consortium may contain different Consortium Members, including non-profit entities. All Consortium Members should be legally registered as a company or organisation in their home country and be in compliance with all tax, regulatory and legal frameworks in their home country.

The Applicant and Consortium Members shall have entered into a satisfactory Consortium Agreement or be willing to enter into such an agreement by the time of signing an MCFA1 contract. The Consortium Agreement should document the rationale for the Project Consortium, identify the Applicant and describe how the Project Consortium will be managed and work in practice.

The Consortium Agreement should provide for joint and several liability of the Consortium Members. Nefco will have a right to invoke its contractual rights and any claims for liability related to the proposed project as a whole to the Applicant only (as Nefco's only counterpart under a possible MCFA1 contract).

## Project Partner

Applicants may involve more than one Project Partner. Project Partners may be non-commercial in nature (including, but not limited to, associations, NGOs and non-profit organisations).

Applicants should be able to demonstrate that Project Partners have a material and meaningful interest in the implementation of the proposed project. Project Partners may be product suppliers, financial service partners, distributors, engineering service providers or similar.

Project Partners will not be required to have a direct commercial or economic interest in the implementation of the proposed project, but Applicants should be able to demonstrate that they are

needed to provide support and/or facilitate (on a commercial or non-commercial basis) the implementation of the proposed project (including, e.g., through the provision of sustainable fuels, awareness-raising, training, capacity building, providing financial services).

Project Partners should be legally registered and in compliance with all tax, regulatory and legal frameworks in their home country.

## Other partnership arrangements

Applicants may include distribution partnerships for the establishment and distribution of CCS.

During the Final Application stage, Applicants must demonstrate in the business plan that there is a robust relationship between the Applicant and the distribution partner.

Wholesale to a third-party retailer or 'distribution partner' that is not a Consortium Member is not eligible for MCFA1 funding.

## 3.3. Financial position requirements

Applicants must demonstrate a strong financial standing:

- (i) an acceptable current ratio, with a minimum value of 1 or higher; and
- (ii) an acceptable equity to total assets ratio (at least 15%).

The sources of data for calculating these ratios shall be clearly referenced and included in the application.

If the Applicant is a subsidiary of a parent company, and the Applicant does not meet the above financial requirements, the parent company's financials may be used instead, provided that a parental company guarantee can be issued, if required, prior to possible contracting.

## 3.4. Professional capacity requirements

Applicants should be able to show that they/the Project Consortium have/has sufficient resources, competence and experience to perform projects in the clean cooking market.

Applicants will also be required to establish a key management team responsible for performing and coordinating the project. The qualification of the team members must be adequate for the implementation of the proposed project activities.

## 3.5. Market experience requirements

Applicants should demonstrate that they have sufficient market experience of working in one or more SSA market(s).

Applicants applying for MCFA1 funding for residential CCS (regardless of their country of origin or registration) should demonstrate, by providing exact figures, the following minimum market experience in the Project Country or another (specified) SSA country at the time of submitting the Pre-Qualification application:

In the Project Country:

- That they have at least 12 months of operational experience, having established and sold a minimum of 2,500 cookstove units.

Or in another, specified country in SSA:

- That they have at least 24 months of operational experience, having established and sold a minimum of 10,000 cookstove units.

Applicants applying for MCFA1 funding for commercial and/or institutional CCS only (regardless of their country of origin or registration) should demonstrate the following minimum market experience in the Project Country or another (specified) SSA country at the time submitting the Pre-Qualification application:

In the Project Country:

- That they have at least 12 months of relevant operational experience.

Or in another, specified country in SSA:

- That they have at least 24 months of relevant operational experience

### 3.6. Compliance requirements

Contracted Applicants should follow applicable national law at all times in their operations.

During this Pre-Qualification stage, Applicants will be required to confirm that they have familiarised themselves with and are willing to comply with Nefco's general policies and guidelines, available at <https://www.nefco.int/about-nefco/legal-framework-and-guidelines/>, as relevant to the implementation of the proposed project in the case of a possible contract.

During the Final Application stage, the highest scoring Applicants will be required to complete and sign a certificate of compliance before the start of the due diligence review and contract negotiations.

As part of a possible MCFA contract, Applicants and all partners will be required to sign and submit a letter of social responsibility. A template for this letter and potential other compliance declarations will be provided for reference during the Final Application stage. During this stage, Applicants should also demonstrate that they are in good standing in the relevant country of registration/domicile and in compliance with all relevant tax, policy and regulatory frameworks in that country and in the Project Country.

## 3.7. Eligible projects

### General requirements

Proposed projects should be planned, implemented and operated in line with relevant energy plans and other strategies established at the national level as well as with local legislation.

Applicants are expected to have obtained or be able to obtain all relevant permits, certifications, licences, endorsements, approvals and similar documents needed to implement the proposed project within a reasonable time frame after contract signing.

### Technical requirements

MCFA1 will incentivise CCT sales that meet the Tier 4-5 ratings for thermal efficiency, cooking exposure (PM<sub>2.5</sub> and CO emissions), and safety based on ISO/TR 19867-3:2018 and/or relevant technology specific standards/benchmarks. Eligible Tier 4-5 CCT include biogas, electric, bioethanol and solar stoves. In addition, gasifier stoves that use sustainable briquettes or pellets that meet Tier 3 rating or above for all of these same metrics can also be incentivised.

The stoves supported with MCFA1 financing must also meet any local standards or regulations as applicable in the Project Country.

Tier 1 and 2 stoves, stoves using liquefied petroleum gas (LPG) and CCS based on the installation of new off-grid electricity generation capacity using exclusively non-renewable fuels (e.g. new proposals for diesel-based mini-grids) are excluded from MCFA1.

**TABLE 3: CCT ELIGIBILITY REQUIREMENTS AND TIER MATRIX<sup>6</sup>**

		TIER 1	TIER 2	TIER 3	TIER 4	TIER 5	
<b>Eligible CCT type</b>		Not eligible		Gasifier	Biogas, bioethanol, electric, solar, solar thermal, gasifier		
<b>MTF attributes</b>							
Cooking Exposure	ISO voluntary performance targets PM <sub>2.5</sub> (mg/MJ <sub>d</sub> ) CO (g/MJ <sub>d</sub> )				≤ 218 ≤ 7.2	≤ 62 ≤ 4.4	≤ 5 ≤ 3.0
Cookstove efficiency	ISO's voluntary performance targets				≥ 30%	≥ 40%	≥ 50%
Convenience	Fuel acquisition and preparation time (hours per week)				< 3	< 1.5	< 0.5
	Stove preparation time (minutes per meal)		< 10	< 5	< 2		

<sup>6</sup> <https://mtfenergyaccess.esmap.org/methodology/cooking>

Safety	ISO voluntary performance targets		≤ 77	≤ 86	≤ 95
Fuel availability			<u>Primary fuel available 80% of the year</u>	<u>Available 80% of the year</u>	<u>Readily available throughout the year</u>

The MCFA1 supports CCT that adhere to international quality and performance standards. To qualify for MCFA1, during the Final Application Stage or during the due diligence review at the latest, Applicants will be required to provide documentary evidence from an accredited testing centre/laboratory to demonstrate that their product(s) meet(s) the performance metrics for thermal efficiency, cooking exposure (PM<sub>2.5</sub> and CO emissions), and safety based on ISO/TR 19867-3:2018 and/or other applicable standards or benchmarks (see Table 4 for details).

- Tier 3 rating and above for gasifier stoves (briquettes and pellets)
- Tier 4-5 ratings for biogas, bio-LPG, bioethanol, solar or electric stoves

**TABLE 4: APPLICABLE STANDARDS/BENCHMARKS**

MTF ATTRIBUTE	GASIFIER: PELLETS/ BRIQUETTES	BIO-GAS	BIO-LPG	BIO-ETHANOL	SOLAR	ELECTRIC – GENERAL	ELECTRIC PRESSURE COOKERS (EPC)	INSTITUTIONAL STOVES
Cooking exposure	ISO/TR 19867-3:2018				NA	NA	Global Leap Benchmark <sup>7</sup>	Different standards applicable on a case-by-case basis <sup>8</sup>
Cooking efficiency					ASAE S580.1	NA		
Safety	ISO/TR 19867-3:2018	ISO 23550 and ISO 23551	Applicable standards and best practices		IEC 60335-2-6			

Applicants proposing to use PAYG-enabled systems, smart meters, SUM technology and other IoT devices used for monitoring the stove usage and/or enabling repayments in instalments will need to demonstrate that these systems have a sufficient track record for assessing their reliability in real-world conditions.

Costs for testing the stoves shall be covered by the Applicant.

To ensure quality and reliability, Applicants are required to employ technologically modern hardware and software subcomponents in respect of any ancillary equipment or systems in compliance with relevant technical standards (e.g. ISO/IEC, IEC IEEE or equivalent).

<sup>7</sup> Global Leap benchmark for EPCs (below 10L): EPCs included in the 'Global LEAP Awards Buyer's Guides', i.e. already named winner or finalist in a previous rounds of Global LEAP awards competitions, or eligible for financing under a Global LEAP RBF, will automatically be eligible for MCFA1 funding. Applicants selected for contract negotiation offering EPCs that were not included in the previous Global LEAP award competitions, will be required to provide evidence at the due diligence stage showing that the proposed products are at least equivalent to performance and quality benchmarks of Global LEAP Awards Finalists for each product category.

<sup>8</sup> Applicable standards for institutional stoves will depend on the technology. Applicants will be required at the Final Application stage to demonstrate that their proposed products meet state-of-the-art requirements/standards for the specific intended use.

## Commercial and institutional stoves

The primary aim of MCFA1 is to incentivise CSPs to target the sales of modern, high-energy cooking services at residential customers living in urban and peri-urban areas in the Project Countries. However, sales of energy-efficient commercial cooking services and institutional cooking services to serve critical needs related to education, food security, sterilisation of medical equipment and clean drinking water can also be supported.

## Co-financing requirements

Applicants will be required to demonstrate commensurate levels of their own financing as well as co-financing from other parties and to specify this in the application.

MCFA1 does not require contracted CSPs to have secured a minimum amount of co-financing before contract signing. However, CSPs will be required to demonstrate a viable capital structure and credible financial model, as well as a solid fundraising plan, satisfactorily showing expected co-financing equal to or greater than the funding requested from MCFA1, prior to contracting.

## Monitoring and reporting

The results-based financing component of MCFA1 is provided in return for CSPs selling an agreed number of CCS to end-customers, primarily in urban and peri-urban areas (to be defined as milestones in a possible contract). Contracted Applicants should generally be willing to provide MCFA with detailed information throughout the course of the contract, including but not limited to sales information and development impacts.

CSPs receiving MCFA1 financing for sales of CCT with SUM functionality or operating PAYGO business models should also be willing to provide data to an automated monitoring system. To provide automated data to this system, Applicants will be required, in a possible contract, to integrate automated data transfer with this monitoring system. The integration interface should be able to support the automated daily transfer of a range of data points related to customer information, cooking service specifications, geography/location, payments and transactions, usage and fuel consumption, etc. Applicants will also be required, in a possible contract, to use modern control, monitoring, metering and customer-relationship management systems in the delivery of clean cooking services. Note that Applicants must possess the internal software systems to automate the transfer of CCS data.

Contracted Applicants will further be required to enter into a data-sharing agreement. Data collection and sharing requirements can typically be met using various modern sales/loan or pay-as-you-go (PAYGO) management platforms.

Contracted Applicants will be eligible for technical support to cover reasonable expenses incurred in establishing IT links necessary for the transfer of information to an automated monitoring system.

Reporting and monitoring requirements, including those of data collection and sharing, will be described in more detail in the Final Application Guidelines.

## End-of-life management and repair

Applicants are required to offer a 3-year warranty and after-sales service on products supported by MCFA1.

MCFA generally recognises the environmental challenges facing CSPs when dealing with end-of-life products, especially as regards proper collection and recycling of waste. Effective policies, regulation and physical infrastructure to manage e-waste are lacking in many countries.

Contracted CSPs may be required to establish a sufficient repair and maintenance network in the relevant Project Country to ensure after-sales services and the replacement of parts and stoves. Investment costs associated with after-sales, repair and maintenance are eligible under MCFA.

Specific requirements apply for stoves that contain hazardous materials or may otherwise qualify as e-waste (e.g. batteries or solar panels) under national regulations:

- CSPs may be required to set up an action plan that defines the safe handling, disposal and, if applicable and possible, recycling of end-of-life stoves.
- At this Pre-Qualification stage, Applicants are only required to confirm that they are ready to prepare and implement a waste and, if applicable, e-waste management plan addressing the minimum MCFA1 requirements.
- At the Final Application stage or, at the latest, prior to a possible contract, Applicants will be required to provide a policy and a plan for their waste and, if applicable, e-waste handling, that demonstrates that they can meet the minimum MCFA requirements. The waste management policy should be tailored to the local context and include procedures for waste handling, transportation and storage.

## Environment and sustainability

As there is limited or no standardisation of eligible fuels, MCFA1 will require Applicants to demonstrate that any eligible fuels used are produced or sourced in a sustainable manner, including that any pellets or briquettes are manufactured from sustainable or renewable sources. Proof should be provided during the Final Application stage by submitting biomass resource assessments and collection plans, showing that any proposed biomass, bioethanol and/or biogas solutions are not likely to lead to deforestation or other forms of ecological degradation and will not have negative material impacts on food security, protected areas or biodiversity.

## Gender mainstreaming

Applicants are required to offer equal opportunities for men and women through their own policies and employment practices as well as in proposed projects.

This will be assessed based on the Applicants' present organisational governance (such as gender-balanced representation at all hierarchical levels and equality of pay) as well as the inclusion of gender considerations in applications submitted during the Final Application stage.

Contracted CSPs will be required to develop a company gender policy and gender action plans for both the company and proposed project, including a marketing/awareness-raising strategy that is responsive to needs and motivations of both women and men for purchasing CCS.

In the Final Application stage, Applicants will also be requested to provide information about gender representation and gender pay gap indicators. This will be described in detail in the Final Application Guidelines.

## 4. Selection of Projects

Only complete Pre-Qualification applications that fulfil all of the above eligibility criteria and minimum requirements will be evaluated. Evaluation and scoring will be done by an independent, external evaluation committee appointed by Nefco. The Evaluation criteria and score scaling are set out in Table 5 below.

Applicants that pass both the Pre-Qualification completeness check and the evaluation will be invited to take part in the Final Application stage.

**TABLE 5: EVALUATION CRITERIA**

EVALUATION CRITERIA	SPECIFICATION	POINTS	MAX POINTS
<b>Technical, governance, operational and delivery capacity</b>	General feasibility of technical/technology solution(s)	20	60
	Existing relevant operations/operations capacity	20	
	Professional capabilities of management team (including assessment of experience, skills and track record) and governance capacity of the Applicant in combination with the Project Consortium (if applicable) - including assessment of track record of other operations, length and maturity	20	
<b>Financial capacity</b>	Financial standing evidenced by existing equity and current assets level of the Applicant in relation to total funding requested/total project volume (assessed separately from the financial position requirements defined in Section 3.3)	20	40



	Level of committed co-financing already available from external sources, e.g. other donors/DFI contributions, crowdfunding platforms, commercial sources and supplier finance and credibility of fundraising plan, status of discussions/negotiations with finance providers and track record of raising finance in the past	20	
<b>TOTAL MAX SCORE</b>	<b>100</b>		

**TABLE 6: SCORE SCALING**

*(to be calculated proportionally in line with the maximum points for each scoring category/criterion)*

SCORE	CRITERIA
0	The Applicant fails to address the criterion or cannot be assessed due to missing or incomplete information (unless the result of an 'obvious clerical error')
1	Poor: the criterion is inadequately addressed or there are serious inherent weaknesses
2	Fair: the Applicant broadly addresses the criterion but there are significant weaknesses
3	Good: the Applicant addresses the criterion well but with a number of shortcomings
4	Very good: the Applicant addresses the criterion very well but with a small number of shortcomings
5	Excellent: the Applicant successfully addresses all relevant aspects of the criterion; any shortcomings are minor

Applicants and proposed projects will be required to reach a minimum average score of 60 points (out of 100) to pass the Pre-Qualification stage and be invited to submit a full application during the Final Application stage.

#### 4.1. Final Application stage evaluation

Project proposals submitted by Applicants in the form of a full application during the Final Application stage will be evaluated according to a number of additional evaluation criteria and requirements. These criteria and requirements are expected to include, but not be limited to, the following:

- Technical feasibility
- Commercial feasibility
- Market comprehension and relevance
- Management capacity and experience
- Financing structure and financial leverage
- Implementation and operational capacity
- Environment and sustainability
- Development impact potential
- Gender mainstreaming plan
- Value for money

## 4.2. Proof of compliance

Nefco will require comprehensive proof of the Applicant's compliance with all eligibility criteria and requirements during a due diligence review, which will be carried out before contract signing.

In exceptional cases, proof can be provided after contract signing but this will require a condition precedent which Applicants would need to meet before the entry into force of or first disbursement under any signed contract.

Any substantial changes in applications submitted during the Final Application stage compared with the Pre-Qualification stage may result in the rejection of the application at Nefco's discretion. Changes that improve the project design in accordance with the MCFA requirements can be acceptable at Nefco's discretion.

## 5. Reservation

Nefco reserves the right to request additional information from Applicants at any stage of the application process.

Nefco reserves the right to adjust and/or further supplement the Pre-Qualification eligibility criteria and minimum requirements, as well as any other guidance related to MCFA1, provided here or elsewhere. In case of changes, Applicants will be informed in a timely manner before the expiry of application deadlines.

The Pre-Qualification Guidelines do not constitute an offer and access to MCFA funding is always subject to funding made available by donors to Nefco.

## 6. GDPR and confidentiality

When registering with the SmartME intake system for the first time, Applicants will be required to read and agree to Nefco's as well as Adalia's (the provider of the SmartME intake system) Privacy Policy.

## 7. Miscellaneous

If you wish to make a procurement complaint, please go to the following link:

<https://www.nefco.int/contact-us/procurement-complaints/>

If you wish to report corruption or misconduct in activities related to Nefco, you should report this via our Ethics and Compliance function. The report is confidential and can be submitted anonymously at:

<https://www.nefco.int/contact-us/report-corruption-and-misconduct/>