

# Climate Aggregation Platform



## Financial Innovation Challenge

Guidelines for Applicants



Photo credit: Zambia-health centre with solar panels  
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[www.undp.org/climate-aggregation-platform](http://www.undp.org/climate-aggregation-platform)

## Contents

1. <i>What is the CAP FIC?</i> .....	5
1.1 Background.....	5
1.2 The CAP Financial Innovation Challenge (CAP FIC).....	8
1.3 Award and Budget .....	10
1.4 Duration of the Project.....	11
1.5 Target Audience.....	11
1.6 Target Innovations .....	12
1.7 Target Countries & Beneficiaries.....	13
1.8 Gender .....	14
1.9 Eligibility Criteria .....	14
2. <i>Application &amp; Selection Process</i> .....	15
2.1 How to Apply.....	15
2.2 Selection Process.....	16
3. <i>Evaluation and Selection Decision</i> .....	16
3.1 Evaluation .....	17
3.2 Awarding Decision .....	18
4. <i>Implementation and Monitoring of the Projects</i> .....	19
4.1 Implementation of the Projects.....	19
4.2 Monitoring of the Projects.....	19
4.3 Disbursement.....	19
5. <i>Impact Evaluation</i> .....	20
<i>List of Documents in the Application Package</i> .....	20

## Glossary

<b>Application</b>	Set of documents with a pre-defined format, including an application form, a project budget, CVs of experts, submitted to the <i>CAP FIC</i> in a timely manner and in accordance with the guidelines.
<b>Applicant</b>	Entity submitting an Application to the <i>CAP FIC</i> . In the case of consortia or joint ventures, this refers to the Lead Applicant with which UNDP will engage and possibly sign an Innovation Challenge Agreement.
<b>Award</b>	The financial amount (Up to \$40,000) received by the Awardee for the implementation of the Project.
<b>Innovation Challenge Agreement</b>	The Agreement between the Awardee and UNDP governing the financial award and responsibilities of the Awardee during the implementation of the Project (See Annex 3).
<b>Awardee(s)</b>	The successful Applicant(s) – The entity which signs the Innovation Challenge Agreement and is responsible for implementing the Project.
<b>Climate Aggregation Platform (CAP)</b>	<p>The <u>Climate Aggregation Platform (CAP)</u> is a Global Environment Facility (GEF)-funded project implemented by UNDP's Bureau for Policy and Programme Support (BPPS), Nature, Climate and Energy Unit, which, in partnership with the Climate Bonds Initiative seeks to promote the scale-up of financial aggregation for small-scale, low-carbon energy assets in developing countries.</p> <p>The CAP aims to advance and raise awareness for innovative solutions to market barriers for financial aggregation – with the goal to increase access to low-cost financing for low-carbon energy. In so doing, the project can contribute to improving the lives of people in developing countries, bringing about affordable, reliable and clean energy.</p>
<b>Climate Aggregation Platform – Financial Innovation Challenge (CAP FIC)</b>	The Innovation Challenge Fund established under the Climate Aggregation Platform (CAP) project with the purpose to crowdsource Innovative Financial Aggregation Structures and Models to help increase access to and lower the cost of financing for small-scale, low-carbon energy assets in developing countries.
<b>CAP Project Team</b>	Global and in-country team tasked with the management and implementation of the Climate Aggregation Platform (CAP) project and the Climate Aggregation Platform – Financial Innovation Challenge (CAP FIC).

<b>Financial Aggregation</b>	<p><u>Financial aggregation</u><sup>1</sup> can take a number of different forms. It can be generally understood as a process in which an aggregating entity standardises and bundles together multiple small-scale, low-carbon energy assets. The aggregating entity then obtains financing, or refinancing, from investors on the basis of the future cash flows from the low-carbon energy assets.</p> <p>The end result of increased financial aggregation will be significant improvements in the availability of low-cost and abundant financing for small-scale, low-carbon energy investments.</p> <p>Financial aggregation can occur at multiple levels: on the balance sheet of a sell-side project developer (e.g., PAYGO Solar company); on the loan book of a primary buy-side domestic commercial bank; and in more mature financial aggregation markets, via public securitizations from either project developers or commercial banks, in this way accessing institutional investors. In addition, financial aggregation can also be complemented through mechanisms such as carbon credits and renewable energy certificates.</p>
<b>Innovative Financial Aggregation Structures and Models</b>	<p>Innovative financing solutions (mechanisms, instruments, processes, tools, business, and financing models) that can help unlock new sources of capital, de-risk, increase access to, or lower the cost of financing for small-scale, low-carbon energy assets in developing countries.</p>
<b>Project</b>	<p>The project implemented by the Entity according to the proposed Application and financed by the CAP through the <i>CAP FIC</i>.</p> <p>The 'Project' shall consist of all the required steps to develop an Innovative Financial Aggregation Structure or Model and produce the required outputs as defined in the Innovation Challenge Agreement. The outcome of this 'Project' will be Financial Aggregation Structure or Model documented in a Feasibility Study.</p>
<b>Project Budget</b>	<p>The total budget of the project, comprising of up to US\$ 40,000 from the Award, and any matching funds from other sources, submitted as part of the application. While co-funding is not mandatory, Applications that include co-funding will receive additional points (up to 5%) during the evaluation process (<a href="#">See 3.1</a>). The <i>CAP FIC</i> will support up to 5 projects.</p>
<b>Project Plan</b>	<p>Detailed description of the Project activities on the pre-defined Application Form, as part of the application.</p>
<b>Small-Scale, Low-Carbon Energy Assets</b>	<p>The <i>CAP FIC</i> will focus on distributed, small-scale low carbon energy assets in developing countries. This includes a wide range of technologies:</p> <ul style="list-style-type: none"> <li>• On-grid solar PV (residential, C&amp;I);</li> <li>• Off-grid solar PV including PAYGO solar;</li> <li>• Mini-grids;</li> <li>• Energy efficient solutions for buildings, lighting, industrial, agricultural, and transport (e.g., e-mobility) applications;</li> <li>• Productive use appliances;</li> <li>• Clean cooking solutions.</li> </ul>

<sup>1</sup> For more information, please refer to the joint UNDP-Climate Bonds Initiative report on financial aggregation, "[Linking Global Finance to Small-Scale Clean Energy](#)"

## Sustainable Development Goals (SDGs)

SDGs refer to 17 Sustainable Development Goals adopted by all United Nations Member States in 2015. They provide a shared blueprint for peace and prosperity for people and the planet, now and into the future. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

To learn more about the SDGs, you can visit the website:

[Sustainable Development Goals \(SDGs\)](#)

## Sustainable Energy Hub

The newly established UNDP Sustainable Energy Hub (hereafter, the ‘Sustainable Energy Hub’) will be the arrowhead of UNDP’s new Strategic Plan objectives. The Sustainable Energy Hub will build on UNDP’s existing Energy Portfolio, covering over 100 countries to harness clean energy and support the energy transition as well as on UNDP’s Climate Promise, UNDP’s Sustainable Finance Hub and UNDP’s Digital offer.

The Sustainable Energy Hub will develop and operationalize, policies, programmes and partnerships to support UNDP Energy Compact, a commitment to help increasing access to clean and affordable energy for 500 million people; and accelerating and supporting the transition to renewable energy.

# 1. What is the CAP FIC?

## 1.1 Background

UNDP is the knowledge frontier organization for sustainable development in the UN Development System and serves as the integrator for collective action to realize the Sustainable Development Goals (SDGs). UNDP’s policy work carried out at HQ, Regional and Country Office levels, forms a contiguous spectrum of deep local knowledge to cutting-edge global perspectives and advocacy. In this context, UNDP invests in the Global Policy Network (GPN), a network of field-based and global technical expertise across a wide range of knowledge domains and in support of the signature solutions and organizational capabilities envisioned in the Strategic Plan.

Energy is one of UNDP’s six signature solutions – alongside poverty and inequality, governance, resilience, environment, and gender equality – to support countries towards three directions of change: structural transformation, leaving no one behind and resilience.

As per UNDP’s new Strategic Plan 2022-2025, the first objective of UNDP is increasing energy access for those furthest behind. By speeding up investment in distributed renewable energy solutions, especially for those hardest to reach and in crisis contexts, it aims to increase access to clean and affordable energy for 500 million people. The Africa Mini-grids Programme, for example, is improving the financial viability of renewable energy mini-grids in 18 countries, encouraging private investment, lower tariffs and expanded service.

Second, UNDP will work to accelerate the transition to renewable energy through systems changes that support inclusive, green economies, particularly in countries with low levels of renewable energy generation or poor energy-efficiency improvement rates. This work will capitalize on technological gains, clean energy innovations and new business models in the energy sector.

The newly established UNDP Sustainable Energy Hub (hereafter, the 'Sustainable Energy Hub') will be the arrowhead of UNDP's new Strategic Plan objectives. The Sustainable Energy Hub will build on UNDP's existing Energy Portfolio, covering over 100 countries to harness clean energy and support the energy transition as well as on UNDP's Climate Promise, UNDP's Sustainable Finance Hub and UNDP's Digital offer.

The Sustainable Energy Hub will develop and operationalize, policies, programmes and partnerships to support UNDP Energy Compact, a commitment to help increasing access to clean and affordable energy for 500 million people; and accelerating and supporting the transition to renewable energy.

Recognizing that change will be disruptive, UNDP will work to ensure that such transitions are just, and that their impact on vulnerable people is understood and duly mitigated.

A critical challenge for mobilizing investment in developing economies is often not a problem of capital availability. Instead, it is the need to address existing investor risks that affect the financing costs and competitiveness of renewable energy.

Such risks include for example: barriers in access to grids for Independent Power Producers, lengthy and uncertain processes to issue permits, limited local supply of expertise or a lack of long-term price guarantees, and clear energy plans. To compensate for these risks, the market may request for very high return rates to attract private investments, if any.

Due to their capital intensity, renewable energy projects are further penalized in high financing cost environments. This partly explains why currently Emerging Markets and developing countries (excluding China) only account for 20% of the share of clean energy investment (based on 2019 numbers).

To address these barriers systematically, drawing from UNDP's experience in renewable energy market transformation in over 80 developing economies, UNDP is assisting policymakers in developing countries to cost-effectively promote and scale up private sector investment in renewable energy, by systematically identifying the barriers and associated risks which can hold back private sector investment in renewable energy and assist policymakers to put in place packages of targeted public interventions to address these risks; either by reducing, transferring or compensating for risk.

UNDP's assistance on sustainable energy is mostly provided through national-level efforts via country-specific interventions focused on programming and policy support in the UNDPs clean energy priority areas. As one of its implementing agencies, UNDP is brokering access to climate finance sources such as the Global Environment Facility and the Green Climate Fund for its client countries. UNDP currently has a global energy portfolio of approximately 150 active GEF and GCF funded projects in energy.

### 1.1.1 The Climate Aggregation Platform (CAP)

The Climate Aggregation Platform (CAP) is a Global Environment Facility (GEF)-funded project implemented by UNDP's Bureau for Policy and Programme Support (BPPS), Nature, Climate and Energy Unit, which, in partnership with the Climate Bonds Initiative seeks to promote the scale-up of financial aggregation for small-scale, low-carbon energy assets in developing countries.

The CAP is a flagship initiative of the Sustainable Energy Hub to support the structuring and deployment of innovative business models and financial mechanisms to accelerate energy access and the clean energy transition.

The CAP aims to advance and raise awareness for innovative solutions to market barriers for financial aggregation – with the goal to increase access to low-cost financing for low-carbon energy. In so doing, the project can contribute to improving the lives of people in developing countries, bringing about affordable, reliable and clean energy.



Fig. 1 – CAP Project's Objective

Financial aggregation can be generally understood as a process in which multiple assets are bundled together, which then receive financing, or refinancing, from investors on the basis of the future cash flows from the assets. Financial aggregation for small-scale, low-carbon energy can take a variety of different forms. The CAP will seek to take a flexible approach to financial aggregation, tailoring its activities to the particular market context and market maturity in the developing country.

Within the small-scale, low-carbon energy universe, the CAP is agnostic with regard to technology sectors (e.g., solar PV, energy efficiency, electric mobility) and business models. In practice, the CAP may initially support certain technologies and business models in particular geographic markets, for example PAYGO solar, due to their relatively advanced or promising qualities.

The CAP's activities and value proposition are formulated in terms of a global offer (global awareness raising, knowledge management products and global network) and an in-country offer (showcase transactions and market development activities).

The GEF has provided initial seed-funding to establish the CAP in the form of an initial USD 2 million grant. UNDP is the project implementing entity and the Climate Bonds Initiative (CBI), as a Responsible Party to UNDP, is implementing specific pre-identified activities.

## 1.2 The CAP Financial Innovation Challenge (CAP FIC)

### 1.2.1 Objective

The overarching objective of the CAP Financial Innovation Challenge (*CAP FIC*) is to facilitate the transfer of know-how and innovative solutions that can help overcome energy-related development challenges in developing countries and contribute to the achievement of the Sustainable Development Goals (SDGs)<sup>2,3</sup>, notably:

- **SDG 7 on clean and affordable energy;**
- **SDG 13 on climate action;**

The focus of the *CAP FIC* will be on advancing solutions that can help close the investment gap to achieve universal energy access – *Annual investment in access to electricity needs to be increased to USD 35 billion and USD 25 billion for clean cooking.*<sup>4</sup>

More specifically, the *CAP FIC* responds to the objectives of the Climate Aggregation Platform and aims to support the development of **innovative solutions to market barriers for financial aggregation.**

Scaling up financial aggregation can help increase the availability and reduce the cost of financing for low-carbon energy in developing countries.

The *CAP FIC* will also contribute towards the achievement of the UNDP 2022-2025 Strategic Plan's ambitious goals of (i) supporting 500 million people to gain access to clean energy and (ii) promoting over US\$1 trillion of public expenditure and private capital investment in the SDGs.

### 1.2.2 Outcomes

Through the *CAP FIC*, UNDP will foster the development of **Innovative Financial Aggregation Structures and Models** (mechanisms, instruments, processes, tools, business, and financing models) that can help increase access to and lower the cost of financing for small-scale, low-carbon energy assets in developing countries.

This will provide **(1) a way to crowdsource financial innovations** that could later be further supported and/or deployed as part of the **Sustainable Energy Hub's** financial mechanisms or other UNDP initiatives; **(2) an opportunity for information discovery on market barriers** to financial aggregation – and possible solutions – which can in turn help guide possible interventions to address such barriers; and **(3) A 'learning by doing' experience** to capture key insights and lessons learnt in various knowledge products to be disseminated more widely.

**SDG7 is a key enabler for achieving the SDGs**

Energy is linked to over 2/3 or 125 of the 169 targets included in the SDGs.<sup>4</sup>

<sup>2</sup> <https://sdgs.un.org/goals>

<sup>3</sup> Accelerating SDG 7 Achievement SDG 7 Policy Briefs In Support Of The High-Level Political Forum 2019 [https://sustainabledevelopment.un.org/content/documents/22877UN\\_FINAL\\_ONLINE\\_20190523.pdf](https://sustainabledevelopment.un.org/content/documents/22877UN_FINAL_ONLINE_20190523.pdf)

A diagram showing the interlinkages between SDG7 and other SDGs can be found [here](#).

<sup>4</sup> [hlde\\_outcome\\_-\\_sdg7\\_global\\_roadmap\\_slide\\_deck.pdf](#) (un.org)

The supported outcome is an **Innovative Financial Aggregation Structure or Model** – UNDP will award up to **US\$ 40,000** to up to 5 Awardees to support the development of a **Feasibility Study** documenting the **Innovative Financial Aggregation Structure or Model** over a period of 4 months.

The specific content of each **Feasibility Study** will be agreed upon during the negotiation of the Innovation Challenge Agreement between UNDP and the Awardee.<sup>5</sup> At a minimum, the **Feasibility Study** should:

- ▶ *Present the key features of the novel financing model and provide among other things, a detailed explanation of the mechanisms, structures (proposed vehicle, legal structures to be put in place, etc.) and parties involved;*
- ▶ *Explain how the Innovative Financial Aggregation Structure or Model can help unlock new sources of capital, de-risk, increase access to, or lower the cost of financing for small-scale, low-carbon energy assets in developing countries;*
- ▶ *Assess the feasibility of the proposed model, its viability<sup>6</sup> and bankability and scoping of potential pipeline and target market(s) – Quantifying the opportunity and its potential for attracting investors and leveraging new funds for the sector;*
- ▶ *Outline the key market barriers (e.g., regulatory, currency or tax issues) identified in the process and how these could be addressed through the implementation of the proposed Innovative Financial Aggregation Structure or Model;*
- ▶ *Identify potential financial partners from the public/private sectors, international financial institutions, donors etc. that could be involved in the possible deployment of the proposed Innovative Financial Aggregation Structure or Model;*
- ▶ *Provide a potential implementation plan for the proposed **Innovative Financial Aggregation Structure or Model** including a high-level timeline and budget;*
- ▶ *Provide evidence and quantify the potential development impact (social, economic, environmental) of the innovation and its contribution to the achievement of the SDGs in particular SDG7 and SDG13, with a special focus on gender equity.*

The **Feasibility Studies** will be made public and shared on the CAP website, across the UNDP network and with relevant stakeholders in the energy access, climate and sustainable finance sectors.<sup>7</sup>

The CAP will promote the selected **Innovative Financial Aggregation Structures or Models** by disseminating materials and information about them within UNDP and to a broader audience during UNDP events, webinars and other national, regional or international conferences/meetings<sup>8</sup>. Especially across UNDP country offices and regional bureaus to explore whether the solution could be viable to tackle development challenges in other countries or regions.

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<sup>5</sup> UNDP will provide a checklist with all expected content. The outline of the report will be agreed upon with each Awardee since there may be specific requirements related to the proposed solution.

<sup>6</sup> Including the proposed capital structure; financial modelling and analysis of possible scenarios.

<sup>7</sup> The intellectual property rights of solicited ideas and/or solutions remain with UNDP who will issue appropriate licenses to the developer of the idea. The solution shall be made public and open exchanges, collaborative participation and community development following the challenge shall be encouraged.

<sup>8</sup> More details will be shared with Awardees.

Finally, promising solutions could be considered for further engagement as part of the **Sustainable Energy Hub**'s financial mechanisms or other UNDP initiatives at the country, regional or global level.

Ultimately, the aim is for these **Innovative Financial Aggregation Structures or Models** to lead to financially **closed financial aggregation transactions** which in turn can be translated into GHG emission reductions, and individuals or businesses in developing countries benefiting from low-carbon energy. Such transactions would also translate into additional private capital investment and/or public expenditure in the SDGs.

### 1.3 Award and Budget

UNDP will solicit innovative ideas and solutions to address development challenges which cannot be achieved through traditional solicitation processes. UNDP will award up to **US\$ 40,000**<sup>9</sup> per selected project through the *CAP FIC*. **US\$ 200,000** will be made available from the CAP's budget to support up to 5 projects.

Applicants are encouraged to complement these funds with in-kind or financial co-funding for the project. While co-funding is not mandatory, Applications that include co-funding will receive additional points (up to 5%) during the evaluation process (See [3.1](#) for more details).

The award and co-funding **shall be used by the Awardee to fund the development of an Innovative Financial Aggregation Structure or Model and deliver a Feasibility Study** (See [1.2.2](#)) to UNDP. Typical items that can be covered by the *CAP FIC* may include, but are not limited to:

- Salaries of project staff;
- Technology, design, financial modelling and analysis, business development and other consultancy services;
- Advisory inputs (e.g., legal);
- Communications, publications/other media;
- Meetings, training and workshop expenses;
- Costs including travel connected to the development of the innovation.

The expenses shown above should be captured in the Project Budget (using the provided template – ANNEX 2) and reflect the Project goals and should be clearly justified in accordance with the Project objectives – UNDP's contribution to the Project Budget cannot exceed **US\$ 40,000**. Only expenditures accrued during the Project in accordance with the Project Plan, in line with project objectives, necessary for achieving Project outcomes, and completed by the end of the Project are eligible for financing. All payments are made on deliverables, not in advance.

In the event that the Awardee requires the services of subcontractors to perform any obligations under the Innovation Challenge Agreement, the Awardee shall obtain the prior written approval of UNDP – Please refer to the Standard Innovation Challenge Agreement (ANNEX 3), Clause 7, for more details. All agreements with subcontractors or third parties must contain provision that the subcontractor(s) or third parties will not retain ownership of

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<sup>9</sup> Maximum monetary prize based on the [Innovation Challenges policy](#).

any new intellectual property or know-how that may be created during the implementation of the Project.<sup>10</sup>

Expenses that will **not** be considered for *CAP FIC* financing include but are not limited to:

- Overhead costs not directly related to the implementation of the project;
- Capital expenditures;
- Interest or debt owed to any third party;
- Expenditures and provisions for possible future losses or debts;
- Items already financed through another similar scheme, program or institution, financial awards;
- Bank and currency exchange expenses, losses, fees and penalties;
- Marketing, sales and distribution costs for promoting a technology, product or service.

Applicants will be required to submit a Project Budget (using the provided template see ANNEX 2) with their Applications.

### 1.4 Duration of the Project

The Project must be completed within **4 months** from the signature of the Innovation Challenge Agreement. A project will be deemed completed when the deliverables as defined in the Innovation Challenge Agreement are completed. These deliverables will be tailored to each specific project but will follow the structure of the Standard Innovation Challenge Agreement (see Annex 3).

For each project, the key deliverable will be a **Feasibility Study** ([See 1.2.2](#)) presenting the key features of the innovative financial aggregation structure or model and provide among other things, a detailed explanation of the mechanisms, structures and parties involved.

The document will also outline the key market barriers (e.g., regulatory, currency or tax issues) identified in the process and how these could be addressed through the implementation of the proposed solution.

### 1.5 Target Audience

As stated in the Eligibility Criteria ([See 1.9](#)) a wide range of entities can apply to the *CAP FIC* as long as they can demonstrate their capacity to develop novel aggregative approaches to financing small-scale, low-carbon energy assets. This includes but is not limited to:

- ▶ “Buy-side” actors, such as commercial banks (international or domestic), impact and mission-driven investors and non-bank financial intermediaries, development banks, digital aggregation platforms, crowdfunding platforms or FinTech’s, etc.
- ▶ “Sell-side” actors, such as project originators or developers and energy companies (e.g., distributed energy service companies (DESCOs), PAYGO solar companies, etc.)
- ▶ Other relevant entities such as government agencies, digital solutions providers, specialised consulting firms, research institutions, industry associations, credit rating agencies, etc.

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<sup>10</sup> Any existing agreements with subcontractors or third parties must be submitted with the application. If such agreements are not in place at the time of the application, the Applicant shall provide an explanation of the expected nature and terms of the agreement(s) as well as the role and capacities of the subcontractor(s).

## 1.6 Target Innovations

Through the *CAP FIC*, UNDP will foster the development of **Innovative Financial Aggregation Structures and Models** (mechanisms, instruments, processes, tools, business, and financing models) that can help increase access to and lower the cost of financing for small-scale, low-carbon energy assets in developing countries.

These can be first-of-a-kind solutions that have not yet been attempted anywhere before, or existing and proven approaches adapted to a new market/sector, geography, or context (e.g., an existing financial structure that is currently being used in another market and/or sector that could be adapted and eventually applied to the distributed renewable energy sector in a developing country for the first time).

Financial aggregation<sup>11</sup> can take a number of different forms. It can be generally understood as a process in which an aggregating entity standardises and bundles together multiple small-scale, low-carbon energy assets. The aggregating entity then obtains financing, or refinancing, from investors on the basis of the future cash flows from the low-carbon energy assets.

The end result of increased financial aggregation will be significant improvements in the availability of low-cost and abundant financing for small-scale, low-carbon energy investments.

Financial aggregation<sup>12</sup> can occur at multiple levels: on the balance sheet of a sell-side project developer (e.g., PAYGO Solar company); on the loan book of a primary buy-side domestic commercial bank; and in more mature financial aggregation markets, via public securitizations from either project developers or commercial banks, in this way accessing institutional investors. In addition, financial aggregation can also be complemented through mechanisms such as carbon credits and renewable energy certificates.

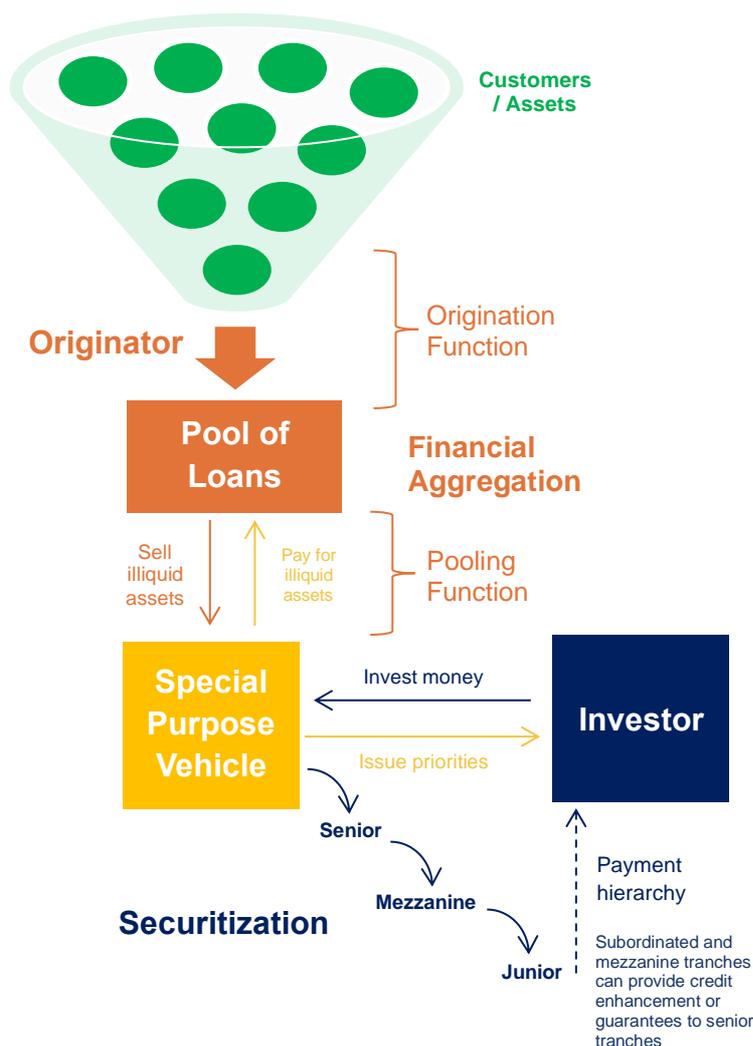


Figure 3: Diagram of Financial Aggregation and Securitisation process  
Source: Adapted from 'Green Bank Insight: Aggregation and Securitization', Green Bank Network, 2019

<sup>11</sup> For more information, please refer to the joint UNDP-Climate Bonds Initiative report on financial aggregation, "[Linking Global Finance to Small-Scale Clean Energy](#)"

<sup>12</sup> For more information, please refer to the joint UNDP-Climate Bonds Initiative report on financial aggregation, "[Linking Global Finance to Small-Scale Clean Energy](#)"

The *CAP FIC* will be open to solutions involving financial aggregation at different levels of the value chain (i.e. bundling individual assets, projects or companies, etc.) and to innovative aggregative models that do not involve asset-backed securitization. This could include innovative carbon credit solutions, renewable energy certificates, innovative models for receivables financing, as well as digital aggregation platforms, etc.

The *CAP FIC* will focus on debt aggregation transactions. The CAP will exclude equity aggregation transactions (e.g., yieldcos).

## 1.7 Target Countries & Beneficiaries

The proposed **Innovative Financial Aggregation Structures or Models** must be developed in view of being deployed in one or multiple developing countries in Eastern Africa (See Table 1 below) but may be submitted by applicants from any country – For example, an investor based in a developed country designing a novel financial aggregation structure to be implemented in one or many developing countries in Eastern Africa, or a digital aggregation platform investing in multiple projects/companies in developing countries in Eastern Africa could be considered. In such cases, the proposed Project must demonstrate the potential to lead to future financial aggregation transactions, climate and energy access related outcomes and impact in developing countries.

Table 1 – Eligible East African Countries<sup>13</sup>

Burundi	Mozambique
Comoros	Rwanda
Djibouti	Seychelles
Eritrea	Somalia
Ethiopia	South Sudan
Kenya	Tanzania, United Republic of
Madagascar	Uganda
Malawi	Zambia
Mauritius	Zimbabwe

The CAP Project budget includes up to **US\$ 200,000** to support Showcase Transactions – The *CAP FIC* will support up to 5 projects **including at least one project in Uganda and one project in Rwanda** – This could be projects implemented in or targeting one or both of these countries. Ultimately, the aim is for the supported projects to eventually lead to financially **closed financial aggregation transactions** which in turn can be translated into GHG emission reductions, and individuals or businesses in developing countries benefiting from low-carbon energy.

<sup>13</sup> Based on UNSTATS geographic regions (<https://unstats.un.org/unsd/methodology/m49/>) & <https://unctadstat.unctad.org/en/classifications.html>

## 1.8 Gender

When drafting the Application and developing the proposed Innovative Financial Aggregation Structure or Model, Applicants should pay particular attention to gender equality – This is included both in the Eligibility Criteria ([See 1.9](#)) and in the Evaluation Criteria ([See 3.1](#)):

- **Human resources:** Balance between women and men in the Project team(s) responsible for implementing and publicly presenting the Project;
- **Content:** Analysing and taking into account the possible differences between men and women, boys and girls, or males and females, in the local context and innovation content of the Project. The **Feasibility Study** will be required to include a section on gender considerations.

## 1.9 Eligibility Criteria

Entities wishing to apply to the *CAP FIC* need to meet the following Eligibility Criteria:

Table 2 – Eligibility Criteria

Eligibility Criteria	
<p><b>1. Eligible Entity</b></p> <p>Governmental agencies, development banks, private sector entities, CSO/NGOs and academia are eligible to apply. Individuals are not eligible. Associations, consortia, or joint venture applications are eligible.<sup>14</sup></p>	MEET/FAIL
<p><b>2. Expertise and Capacity to Implement the Project</b></p> <p>All Applicants must demonstrate their expertise and capacity to implement their proposed Project, and will need to demonstrate adequate financial, material, human and other non-financial resources to implement the proposed Project within the set timeframe. At a minimum, Applicants will need to have at least 2 years of experience in the relevant sector.<sup>15</sup></p>	MEET/FAIL
<p><b>3. Geographic Focus</b></p> <p>The Project must be implemented in one or many developing countries in Eastern Africa<sup>16</sup> – The <i>CAP FIC</i> aims to support at least one project in Uganda and one project in Rwanda.<sup>17</sup> The proposed Project must demonstrate the potential to lead to future financial aggregation transactions, climate and energy access related outcomes and impact in developing countries in Eastern Africa and/or specifically in Uganda/Rwanda.</p>	MEET/FAIL
<p><b>4. Proposed Innovation</b></p> <p>The proposed Project must involve an Innovative Financial Aggregation Structure or Model (mechanisms, instruments, processes, tools, business, and financing models) that can help increase access to and lower the cost of financing for small-scale, low-carbon energy assets in developing countries.<sup>18</sup></p>	MEET/FAIL

<sup>14</sup> In such a case, UNDP will only engage with the leading entity or Lead Applicant. The Lead Applicant is responsible for the Project and must warrant that the permission of the other members has been obtained. In the case of an award, the Innovation Challenge Agreement will be signed only with the Lead Applicant.

<sup>15</sup> In the case of consortia or joint ventures, this applies to the Lead Applicant. CVs of the proposed team members will be required with the application.

<sup>16</sup> The proposed solution must be developed in view of being deployed in one or multiple developing countries in Eastern Africa (See Table 1 above) but may be submitted by applicants from any country – For example, an investor based in a developed country designing a novel financial aggregation structure to be implemented in one or many developing countries in Eastern Africa, or a digital aggregation platform investing in multiple projects/companies in developing countries in Eastern Africa could be considered. In such cases, the proposed Project must demonstrate the potential to lead to future financial aggregation transactions, climate and energy access related outcomes and impact in developing countries.

<sup>17</sup> Uganda and Rwanda are the *CAP Project's* two pilot countries.

<sup>18</sup> The terms 'financial aggregation' and 'small-scale, low-carbon, energy assets' refer to the definitions in the [Glossary](#). Innovations that are not linked to 'financial aggregation' and 'small-scale, low-carbon, energy assets' will not be considered. The *CAP FIC* will focus on debt aggregation transactions. The *CAP* will exclude equity aggregation transactions (e.g., yieldcos).

<b>5. Focus on Impact</b>	All innovations must be inclusive in nature, benefit the target beneficiaries, and contribute to the achievement of the SDGs, in particular SDG 7 on clean and affordable energy and SDG 13 on climate action, rather than solely benefitting the participating Entity.	MEET/FAIL
<b>6. Gender</b>	Innovations should also include a special focus on ensuring gender equity. Applicants must ensure that gender perspectives and attention to the goal of gender equality are central to all facets of the proposed innovation ( <a href="#">See 1.8</a> ).	MEET/FAIL
<b>7. Award Amount &amp; Budget</b>	The Applicant must apply for an Award of up to <b>\$40,000</b> . The applicant has submitted a detailed budget using the Budget Template provided (Annex 2).	MEET/FAIL
<b>8. Applicants cannot be on the <u>UNDP Vendor Sanctions List</u>.<sup>19</sup></b>		MEET/FAIL

The Eligibility Criteria will be assessed as **Meet / Fail**. Only Applications that meet **all the Eligibility Criteria** will be considered.

## 2. Application & Selection Process

### 2.1 How to Apply

Click [here](#) to register and download the Application Package. Read the [Guidelines](#) carefully and follow the instructions to complete and submit an [Application Form](#) and the required attachments before the deadline.

Once completed, submit your signed Application Form via email to [cap.fic@undp.org](mailto:cap.fic@undp.org), together with all the Annexes (1&2) and supporting documents. Please include “CAP FIC” and the name of the Applicant in the Subject line. Please note attachments cannot exceed 10MB.

The deadline for submissions of Applications is **August 31<sup>st</sup>, 2022, at 12:00 PM EAT**.

UNDP will host an online information session on the *CAP FIC* on **Tuesday, 9<sup>th</sup> August 2022, 15:00-16:00 EAT ([click to register](#))**. Once registered you will receive a notification with a link to join the webinar.

#### General rules for Applications:

- A. Each Entity may submit one Application;
- B. Submissions received after the deadline will not be considered – Note that all submissions will be time-stamped;
- C. Re-submission of a modified or improved Application after the deadline is not allowed;
- D. Applications should be submitted using the provided application form, project plan, and budget templates. Applications submitted in a different format will not be considered;

<sup>19</sup> [Vendor Sanctions Policy](#) | Applicants will be required to sign a declaration to confirm they (and all members of a consortium or joint venture if applicable) are not included in the sanctions list. See Annex 1 in the Application Form.

- E. Applications that exceed the maximum number of pages (**10 pages** excluding attachments) will not be considered;
- F. All required documents and annexes must be submitted together with the Application form before the deadline. Documents submitted after the deadline or incomplete applications will not be considered;
- G. The Application and supporting documents (i.e., Extract from Public Registry) have to be provided in an electronic format. Hard copies of supporting documents may be requested.

## 2.2 Selection Process

The selection process is designed according to the principles of merit, transparency, equality, and rational use of funds: Applications are submitted and selected against clear eligibility and evaluation criteria.

Duly completed Applications, submitted before the deadline, which fulfil all eligibility criteria ([See 1.9](#)), best satisfy the evaluation criteria ([See 3.1](#)), and include all the necessary documentation, fulfilling UNDP’s requirements, are offered to sign an Innovation Challenge Agreement, subject to Management Approval.

As per the process detailed in section 3 below, the top ranked eligible Applications will be considered for an award. The *CAP FIC* will support up to 5 projects. Since *CAP FIC* seeks to support at least 1 project in Uganda and Rwanda, the top-ranking projects which include one or both countries will be given priority.

## 3. Evaluation and Selection Decision



Figure 4: Application, Evaluation & Selection Process

Additional Due Diligence of Applicants may be required prior to award decision.

## 3.1 Evaluation

### ➤ Review of Eligibility Criteria & Completeness

All duly completed Applications submitted before the deadline will be reviewed against the eligibility criteria ([See 1.9](#)). For those Applicants that fail to pass this initial review, the selection process ends here. They will be notified of the decision via email.<sup>20</sup>

### ➤ Evaluation of Eligible Applications

Only eligible and complete Applications will be evaluated by a three-member UNDP Evaluation Panel. These will be evaluated the following evaluation criteria:

Table 3 – Evaluation Criteria

Evaluation Criteria	Weight
<p><b>1. Degree of innovation (original, disruptive, transferable) with consideration for risks:</b></p> <ul style="list-style-type: none"> <li>▶ <i>Does the proposed solution have the potential to disrupt the market? Address key market barriers? Increase access to finance? Unlock new sources of capital for the sector?</i></li> <li>▶ <i>Is it a first-of-a-kind solution that has not yet been attempted anywhere before, or an existing proven solution applied to a new market/sector, geography, or context? Does it involve buy-side actors that have not traditionally been active (or had limited participation) in the energy access space?</i></li> <li>▶ <i>Solutions with a strong focus on digitalization and the use of smart data will be preferred.<sup>21</sup></i></li> </ul>	<b>15%</b>
<p><b>2. Development Impact (Social, Economic, Environmental)</b></p> <ul style="list-style-type: none"> <li>▶ <i>The applications must demonstrate contribution to the achievement of the Sustainable Development Goals (SDGs) and Targets, in particular:</i> <ul style="list-style-type: none"> <li>- <u><i>SDG 7 on clean and affordable energy;</i></u></li> <li>- <u><i>SDG 13 on climate action;</i></u></li> </ul> </li> <li>▶ Proposed solution’s potential/likelihood to:           <ul style="list-style-type: none"> <li>- Lead to economic savings due to lower financing costs;</li> <li>- Lead to GHG emission reductions and support climate adaptation/resilience;</li> <li>- Lead to increased energy access via the deployment of small-scale, low-carbon energy products (e.g., households and/or businesses connected, etc.);</li> <li>- Contribute to poverty reduction, gender equity, livelihoods creation and Covid-19 pandemic response and recovery.</li> </ul> </li> </ul>	<b>15%</b>
<p><b>3. Technical merit and feasibility</b></p> <p>Is the overall Application cohesive and realistic? Is the project well defined and does it appear to be technically feasible? Do the project management arrangements appear appropriate and sufficient to effectively deliver the project outputs and outcomes? Have risks been properly identified and addressed in the proposal?</p>	<b>15%</b>
<p><b>4. Experience of management and development team</b></p> <p>Relevant expertise, track record and organizational capacity of the Applicant and the proposed project team.</p>	<b>15%</b>

<sup>20</sup> Notifications will be sent only once the full process is completed and the award/s have been approved and signed.

<sup>21</sup> Such solutions will be given additional points – This will be detailed in the evaluation guidelines.

<b>5. Potential for scale up and replication</b>	<b>10%</b>
Potential for scale-up (incl. building on existing approach, adaptable at minimum cost, addressing bigger need in market); potential replicability (incl. easy to duplicate, adaptable to different regions and countries, applicable in other sectors); and potential of the proposed solution to leverage additional funds for financial aggregation transactions in the small-scale, low-carbon energy sector in developing countries (i.e. value of financially closed financial aggregation transaction or future transactions enabled or facilitated).	
<b>6. Long-term sustainability</b>	<b>15%</b>
Financial, social and environment sustainability, which fits the local context and is valid for the long-term.	
<b>7. Additionality</b>	<b>5%</b>
Applicants must demonstrate that (i) the activities funded by the <i>CAP FIC</i> will be additional to the Entity's existing activities and that (ii) the proposed Innovative Financial Aggregation Structure or Model can help address market barriers and close the energy access financing gap with a high degree of additionality.	
<b>8. Proposed Budget &amp; Value for money</b>	<b>5%</b>
Project costs are appropriate, justified, and commensurate with the proposed process for the development of an Innovative Financial Aggregation Structure or Model and the delivery of a Feasibility Study within the given timeframe.	
<b>9. Availability of co-funding</b>	<b>5%</b>
Applicant's in-kind or cash contribution to the total project costs. While co-funding is not mandatory, Applications that include co-funding will receive additional points during the evaluation process.	
<b>Total</b>	<b>0 – 100%</b>

### 3.2 Awarding Decision

Duly completed applications, submitted before the deadline, and passing the eligibility check will be evaluated ([See 3.1](#)) and ranked based on the evaluation score. Applications with a total score lower than **70%** will not be considered for Award.

The final decision for awarding is made according to the ranking list and contingent on approval from the NCE Management and, if applicable, additional Due Diligence. Up to 5 projects can be supported by the *CAP FIC* for a maximum of **US\$ 200,000**. The number of projects supported will depend on the quality of the submitted applications. Since *CAP FIC* seeks to support at least 1 project in Uganda and Rwanda the top-ranking projects which include one or both countries will be given priority (See Figure 5 below).

The awarding decision is guided by the principles of impartiality, transparency, and rational use of funds.

Following the award decision, the selected Applicants will be offered to sign the Innovation Challenge Agreement (See Annex 3). The Innovation Challenge Agreement contains, among other things, the final Project Plan and Project Budget – Please note that changes to the submitted Project Plan and Project Budget may be requested by UNDP following the evaluation, award decision and contract negotiations.

Prior to contract signature, UNDP and successful applicants will agree on specific activities, outputs, and timetables for the implementation of the project.

Awarding is done under the general provisions of the Innovation Challenge Agreement, and the payment is done based on UNDP rules.

Applications not selected for award will be notified of the decision via email once the evaluation and awarding decision have been completed and award/s have been approved and signed. More information on UNDP's Innovation Challenge Policy can be found [here](#).

## 4. Implementation and Monitoring of the Projects

### 4.1 Implementation of the Projects

The Awardee must carry out the Project carefully and efficiently in accordance with the Project Plan and Project Budget, respecting the provisions of the Innovation Challenge Agreement.

The Awardee is required to implement the Project in accordance with the Project Plan. Any significant deviation from the Project Plan (e.g., changes of timetables, or proposed milestones are not achieved) requires prior written consent of the UNDP.

The overall implementation will be overseen by the CAP Project Team. The CAP Project Team will also cooperate with relevant UNDP Country Offices, which will be informed about the progress of the Project and utilize their expertise to support the on-site monitoring of the Project implementation, when applicable.

### 4.2 Monitoring of the Projects

The purpose of the monitoring is: (i) to assess the progress of the successful Project implementation in terms of activities envisaged and the Project goal achievements, and (ii) to assure that financial expenditures are in accordance with the Project Budget for the given period.

Methods of monitoring include review of submitted reports and monthly calls between the Awardee and the CAP Project Team to provide updates on the project implementation. The monitoring will also ensure that key information is regularly collected and tracked so the *CAP FIC* and the CAP Project progress can be measured towards set objectives.

The Awardee must deliver a short mid-term progress report (2 pages) and a **Feasibility Study** (20-30 pages + Annexes) using templates provided by UNDP, including all key information required for tracking progress against the CAP Project targets and for the uses of Knowledge Management.

Any changes to the Project (e.g., regarding Project implementation, timelines, Project budget, deliverables, Project staff, etc.) should be communicated to the UNDP Country Office contact point and the CAP Project Team in writing as these require written consent.

### 4.3 Disbursement

Disbursement of funds will be made as per milestone deliverables specified in the Innovation Challenge Agreement (ANNEX 3). Namely, the submission and approval of a mid-term progress report (50%) and the final Feasibility Study (50%).

The Awardee is allowed up to ten percent (10%) expenses variations from the total Project Budget within any of the major budget categories. Should the expenses variations related to any major budget category be expected to exceed ten percent, a written request for funds reallocation must be submitted for UNDP approval. The total award amount cannot exceed \$40,000.

In the case that the Awardee fails to perform any of its obligations under the Innovation Challenge Agreement, the UNDP shall be under no obligation to issue any further payment upon termination of this Innovation Challenge Agreement, and may, at its sole discretion, require that all or any part of the payments made by the UNDP to the Awardee be repaid to the UNDP.

## 5. Impact Evaluation

All information collected throughout the Project implementation will be analysed and used to measure the success of the *CAP FIC* and the CAP Project. Success will be measured against the set CAP Project indicators – Awardees will be required to report on these indicators and additional indicators, specific to each project. All information, and especially lessons learnt will be documented, analysed, and shared.

## List of Documents in the Application Package

- 01 – Call for Proposals
- 02 – Guidelines for Applicants (This document)
- 03 – Application Form (Includes instructions as well as ANNEX 1 – Declaration)
- 04 – ANNEX 2 Budget Template
- 05 – ANNEX 3 Standard Innovation Challenge Agreement (Provided as a reference only)

All documents can be downloaded [here](#).

## Any questions?

Please contact us by email ([cap.fic@undp.org](mailto:cap.fic@undp.org)) for any problems or questions, we will do our best to get back to you in a timely manner. Please include “CAP FIC” and the name of the Applicant in the Subject line. UNDP will consider incoming questions until **Thursday, 18<sup>th</sup> August 2022, 12:00 PM EAT**.

Check the CAP Financial Innovation Challenge webpage for updates and announcements: <https://www.undp.org/climate-aggregation-platform/cap-financial-innovation-challenge>

The Frequently Asked Questions (FAQ) section will be updated in the coming weeks.

UNDP will host an online information session on the *CAP FIC* on **Tuesday, 9<sup>th</sup> Aug 2022, 15:00-16:00 EAT** ([click to register](#)).