

**ENERGY  
CATALYST**

# Investment Guide: Grant Funding

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## Investment Guide: Grant funding

Energy access in Asia and Sub-Saharan Africa has evolved through various funding mechanisms, innovation on business models, technology and improvements in the regulatory and business-enabling environments. Over the years, developments in funding mechanisms in renewable energy have encouraged many companies, especially start-ups, to develop new technologies and test various business models. This has contributed significantly to addressing the demand for access to energy on both continents.

Recent estimates suggest that the total financing needed to reach universal electricity access globally by 2030 is at least \$52 billion per year. The gap is primarily faced by Asian and Sub-Saharan African countries.

For start-ups operating in an ecosystem which lacks strong investor networks, and where it is difficult to raise capital from traditional financiers, alternatives must be found.

Grant funding is a donation, contribution or subsidy in cash or kind that is given by the so-called grantor: a government, organisation or foundation for specified purposes to an eligible recipient (grantee). Unlike loans, grants do not require repayment. Grants are usually conditional upon specific qualifications on the use, maintenance of specified standards, or a proportional contribution by the grantee or other grantor(s).

Most grants will require the grantee to report on how the grant money is spent. Grantors also set extensive evaluation, reporting and record-keeping requirements. Some grants require the grantee to match the grant with their own funds or funds from a third source. The grant process follows a linear lifecycle that includes creating the funding opportunity, applying, making award decisions, and successfully implementing the award.

In the renewable energy sector, grant funding helps in bridging financing gaps as well as de-risking projects. It has enabled different sector players to test and pilot projects in rural communities in some of the least developed countries, providing a base for the development of robust business cases that have fuelled economic growth and private sector development.

Currently, funding to the energy sector comes from several sources, as follows: developing countries' own budgets at 37%, multilateral organisations at 33%, private investors at 18% and bilateral aid at 12%. The private sector plays a significant role in development, including new aid mechanisms which include innovative finance, initiatives and PPPs and pooled funds. With an increased demand for the development of energy access solutions, there is increased competition for donor funds, with the sector becoming a more competitive and globalised marketplace. The organisations are more professional, with new communication channels and innovative ways to raise funds. Donors, on the other hand, have raised expectations for cost-effectiveness, seeking transparency and value for money.

The purpose of the grant funding guide is to provide guidelines on how to write successful applications and what to include in applications to increase chances of success, especially for those in the early/mid-stage phase.

The document promotes a good understanding of the application process, including the level of detail required for a successful application. The guide also helps the potential applicants understand the

dynamics of the application, determining if it is a single step process or a multi-step approach; in both cases, it is important to ensure selection for the next step.

## Types of grant funding

Start-ups need to align their funding needs with the right kind of grant and a business needs to pick the best option to increase their chances of securing funding. The following are the major types of grant funding in the renewable energy sector:

- **Public grant:** grants from governments and public entities; budgets up to \$500 million
- **Challenge funds:** a competitive financing facility to disburse grant funding for international development projects; budget: under \$5 million to over \$200 million
- **In-kind gifts:** contributions of equipment, supplies, or other property, technical or other services, as distinguished from a monetary grant
- **Budget:** depends on the value of in-kind contributions
- **Seed money:** grants or donations used to begin a new project or organisation. Seed grants may cover salaries and other operating expenses for a new project (start-up funds); budget: \$10,000 to \$2 million
- **Programme development:** grants to support specific projects or programmes as opposed to a general-purpose grant (special project grants). Budget depends on the size of the program

## Sources of grant funding

To identify as many grant funding opportunities as possible for your organisation, it is important to carefully research the primary sources of funding and understand which source is best suited for your organisation's needs. The primary sources are as follows:

**Bilateral donors:** Bilateral aid is the assistance given by a government directly to the government of another country. Bilateral aid is provided to support economic, environmental, social and political development. Examples include Department for International Development (DFID) for the UK, United States Agency for International Development (USAID), Swedish International Development Cooperation Agency (SIDA) and Japan International Cooperation Agency (JICA).

**Multilateral donors:** Multilateral aid is assistance provided by governments to international organisations like the Asian Development Bank, African Development Bank and UN agencies such as United Nations Industrial Development Organization (UNIDO), United Nations Development Programme (UNDP) and United Nations Capital Development Fund (UNCDF). These organisations seek to reduce poverty in developing nations. Their priority is predominantly socioeconomic rather than purely commercial, which explains why they have a pivotal role to play in filling the gaps left by governments and private companies concerning access to energy.

**Foundations:** A foundation is a non-profit corporation or a charitable trust, with a principal purpose of making grants to unrelated organisations, institutions or individuals for scientific, educational, cultural, religious, or other charitable purposes. E.g. Rockefeller Foundation, Shell Foundation, IKEA Foundation, David and Lucile Packard Foundation and the Puma Energy Foundations.

**Institutional donors:** These are organisations that give grants to organisations and sometimes individuals within a policy framework that reflects the mandate of the organisation. For example, Google, Facebook and Microsoft.

## How-to guide

For start-ups, writing a good grant application can be challenging and time-consuming. While there are no guarantees of winning, it is important to note the following tips to ensure you present a good application: follow directions as outlined by the grantor, do not promise what you cannot deliver, plan your programme thoroughly and tell the whole story, ensure your application is neat and presentable, and submit the application on time. Do a thorough analysis of the source of the funding: who is providing the funding, and with what objective? Ensure your application is aligned with the funders' objective. Always look at your application from the funders' perspective!

### Key considerations

- Answer all the questions asked. If you cannot answer a question because of the status of your project, or any other reason, mention it.
- Make sure your application does not have any typos or spelling mistakes.
- If you make assumptions in your application, write them out. The reviewers might not have the insights in the sector and the project that you have.
- Be prepared for disappointment. Your project might not get selected. Not because it is not a good project but simply because the funder feels it does not fit within their portfolio.
- If you submit the proposal with partners, make sure you have decided upfront who will be the lead applicant and how you will execute the project if selected.
- Know your Grantor. Understand the organisation that is providing the funds, understand their goals and align your proposal with them.
- Plan your application carefully and read the instructions. Also, ensure you complete all the required forms and submit all the necessary documents. Funding organisations generally create (and share) their templates for grant applications.
- Give a realistic timeline of your project to show reviewers that your goals are attainable within the required time.
- If necessary, give details of any ethics requirements (e.g. how you will deal with biohazardous materials.)

### Basic elements of a grant application

Different funders require different application formats, and submissions vary from online portals to email attachments. Private institutions allow for more flexibility as compared to government funders.

- I. **Cover page:** The cover page is the introduction page and should include the date, reference number, name of the organisation, contract name, the scope of the project, tasks and amount.  
*Essential Tip: Can be written on company letterhead.*
- II. **Executive Summary:** This is an overview of the proposal, and it includes all aspects of the application: a brief on the organisation, the problem statement, ability to complete the project the methodology and expected outcomes and benefits. It is the first thing reviewers see and gives them an idea of what to expect in the application. It is, therefore, crucial to do an excellent summary.  
*Essential Tip: Write the executive summary last, using key highlights from various sections of the application. It also helps to have a summary statement that guides you in writing out the application.*
- III. **Company Overview:** A description of the organisation including the history, mission and vision, current activities and accomplishment. Each grant will specify what to include in this section. This section establishes the credibility of the organisation and the ability to implement the project.  
*Essential Tip: It is advisable to edit this section to match each grant application requirements as most have strict guidelines on the content page and word count.*

- IV. Needs/Problem Statement:** As a follow-up to the company overview detailing what the organisation does, give documentation of the problem you address and provide data evidence. Discuss who you serve, why your organisation is best placed to solve the problem and what has been done previously to solve the problem. In this section, you can include other organisations addressing the same issue and gaps in solutions provided that your organisation seeks to bridge.  
*Essential Tip: Explain concerns, the negative impact of the problem and why it is happening. Link this section to the funding source's intervention strategies and goals.*
- V. Goals and Objectives:** Outline the anticipated accomplishment (goals) and specific results (objectives). Show how the situation is likely to improve as a result of the grant funding in measurable terms.  
*Essential Tip: Use the SMART method (Specific, Measurable, Attainable, Relevant and Time based) to quantify the goals for the funder.*
- VI. Methodology:** In this section, give the grantor a detailed account of how you plan to achieve goals and objectives set out. The methodology can be in three parts: Inputs (resources, research and staffing needs), Activities/Plan of actions on tasks and events, and Outputs (reports, lessons learnt).  
As part of the methodology, it is important to identify key indicators of success that will be used in monitoring and evaluating the impact of the project. This section should also outline how the grantee will communicate and engage external stakeholders to promote the funder's strategy.  
*Essential Tip: Include a timeline with details of who will do what, how and when. Some grantors require a logic model which graphically explains how parts of your proposal work together to achieve set out goals.*
- VII. Evaluation Section:** Explain how you will monitor and evaluate the programme's accomplishments. Every funder is interested in the impact of their funds. Evaluate the project's outcomes and give details of how you will monitor, verify and report data collected. You can also include the tools you will use, such as records and software.  
*Essential Tip: Hiring an independent evaluator gives an objective assessment of the outcomes and impact. Ensure that you include the evaluation costs in your budget.*
- VIII. Other Funding/Proof of Sustainability:** Describe the continuity of the project after the grant ends. How will the organisation keep funding its activities, and does the organisation have a sustainable model? Show other sources of funding, as this validates the organisation's ability to absorb grant funding.  
*Essential Tip: It is good to showcase a triple bottom line business model as this encompasses sustainability. Give a list of other current and expected funding sources and how those funds will complement the grant.*
- IX. Budget:** Outline all costs associated with implementing the project and the methods used in determining the costs.  
*Essential Tip: A budget can be as simple as one page, but you will increase chances for funding if you justify each item.*
- X. Appendices:** This section includes any additional materials that support the grant narrative. The added materials could be company information, e.g. organogram, or project-related information, e.g. data collection instruments.  
*Essential Tip: Do not include materials which are not requested by the grantor.*

## Common issues and challenges

**Log frame:** Most donors require a log frame to be included in the application, but most companies often struggle to prepare one. Liaising with the donor organisations to provide access to preferred templates, as well as training on log frame preparation, would ease this challenge.

**Safeguarding:** Donors have strict compliance requirements, especially environmental and social safeguards that need to be met by companies. This is challenging for most companies who are unable to meet these requirements and are unable to meet the eligibility requirements. Companies should

incorporate the triple bottom line approach that ensures focus and evaluation of business activities based on social and environmental impact as well as financial performance.

**Co- funding:** Some donors require companies to match their grants to ensure proper use of the grant funds. Often start-ups are unable to co-fund or match the grant amounts, and many end up missing out on such grant funding opportunities. Start-ups and donors can consider looking at in-kind contributions as a way to match grants.

## Final review

Before submission of the grant application, it is important to ensure: completeness, compliance, conciseness, consistency, clarity of narrative and language, correct computations and organised compilation. If sent electronically, follow up immediately to ensure that the funder received and can open your application.

## Overview of grant programmes

Table 1 Overview of grant programmes	
Programme	Description
<b>USAID DIV</b>	Development Innovation Ventures (DIV) is USAID's open innovation programme that tests and scales creative solutions to any global development challenge. The programme provides grant funding to test new ideas, take strategic risks, build evidence of what works, and advance the best solutions. The program looks for solutions that demonstrate rigorous evidence of impact, cost-effectiveness, and a viable pathway to scale and sustainability. Stage 1: Proof of Concept (Up to \$200,000) Stage 2: Testing and Positioning for Scale (Up to \$1,500,000) Stage 3: Scaling (Up to \$5,000,000) Evidence Grants (Up to \$1,500,000)
<b>Energy and Environment Partnership (EEP Africa)</b>	The Energy and Environment Partnership Trust Fund (EEP Africa) is a clean energy financing facility hosted and managed by the Nordic Development Fund (NDF) with funding from Austria, Finland and NDF. EEP Africa provides early-stage grant and catalytic financing to innovative clean energy projects, technologies and business models in 15 countries across Southern and East Africa. Since 2010, EEP Africa has committed more than EUR 70 million to 250 pioneering projects. EEP Africa focuses on three pillars: clean energy financing, investment facilitation and business development support, and knowledge, policy and partnerships.
<b>Africa Enterprise Challenge Fund (AECF)</b>	Through its Renewable Energy and Adaptation to Climate Technologies (REACT) window, AECF supports renewable energy technologies and businesses that have the potential to reach Africa's rural communities. Its three programmes are REACT Effective Electrification Project (EEP), REACT Household Solar (HS), REACT Sub-Saharan Africa (SSA). In six years, REACT is worth US \$161 million of investors' commitment and invested in 77 companies implementing innovative business models that provide increased access to clean energy, financial services and climate smart solutions for the rural poor across Sub-Saharan Africa. AECF supports access to low cost sources of renewable energy, technology for climate change adaptation and increased access to end user financing for clean energy.
<b>Shell Foundation</b>	The Shell Foundation works to improve access to affordable and reliable energy products and services for low-income consumers in three areas including households, businesses and off-grid utilities. They support product and service providers, as well as industry associations and non-profit market institutions to address barriers and enable deeper market penetration.
<b>Swedish International Development Cooperation Agency (SIDA) / Power Africa</b>	The Swedish Government supports the Power Africa initiative to bridge the financial gap and double electricity access for millions of people in Sub-Saharan Africa. The Power Africa: Beyond the Grid Fund for Zambia (BGFZ) is an ambitious multi-year programme aiming to increase energy access, improve livelihoods and catalyse economic activity in rural and peri-urban areas. The BGFZ aims to bring modern energy services to at least 167,000 households – translating to one million Zambians – by 2021. The programme is

<b>ENERGYCATALYST</b>	expanding into Burkina Faso, Liberia, Mozambique and a second phase in Zambia, while preparations are underway for a window in Uganda.
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<b>African Development Bank</b>	<p><b>The Green Mini Grids Market Development Program (GMG-MDP) is being implemented by the Sustainable Energy for All (SE4All) Africa Hub at the African Development Bank and participates actively in the Mini-Grid Partnership, which includes the donors, companies and public sector stakeholders active in the sector.</b></p> <p><b>The objective of the Green Mini-Grid Market Development Program is to support the scale-up of investments in commercially viable GMG projects through a broad range of interventions to improve the enabling environment. The project seeks to remove or reduce market barriers at regional scale and strengthen the ecosystem for the emergence of a thriving GMG sector in Sub-Saharan Africa</b></p>
<b>IKEA Foundation</b>	<p>The foundation supports a wide range of partners working on renewable energy projects in some of the world's poorest communities. It aims to make renewable energy access easier, quicker, more affordable, cleaner and more inclusive. Some key partnerships the foundation is involved in include: partnership with the International Finance Corporation (IFC), the Efficiency for Access Coalition (€5 million grant to promote renewable energy efficiency in communities that lack access to modern, reliable and affordable energy), and the New Energy Nexus Indonesia to support the work of an upcoming generation of renewable energy entrepreneurs. The IKEA Foundation and Sustainable Energy for All (SEforALL) have partnered to focus on supporting policy development and flows of finance in the countries where the gaps in energy access are greatest.</p>
<b>Micro grid Investment Accelerator (MIA)</b>	<p>Funded by Facebook Inc., Microsoft Corp. and venture capitalists at Allotrope Partners. Its main objective is to finance (\$50 million) the deployment of over five MW micro grid projects with qualified and experienced renewable energy service companies (RESCOs). As a blended capital platform, MIA will be leveraging grant and concessionary finance from foundations and development finance institutions to mobilise private sector capital into renewable energy micro grid projects through Request for Qualification.</p>

## References and further reading

**DIV- Sample Application- USAID**

[https://www.usaid.gov/sites/default/files/documents/15396/DIV\\_Sample\\_Application\\_01APR2020.docx](https://www.usaid.gov/sites/default/files/documents/15396/DIV_Sample_Application_01APR2020.docx)

**How to apply for grants- Grants.gov**

<https://www.grants.gov/applicants/apply-for-grants.html>

**Writing a good donor funding proposal -Blue Ocean Outsource**

<https://blueoceanoutsource.co.ke/428-2writing-a-good-donor-funding-proposal/>

**Comic Relief- Application process guide**

<https://www.comicrelief.com/funding/application-process>

## Useful Contacts

Name	Description	Information	Website
<b>DEVEX</b>	Media platform for the global development community	Uncover funding opportunities from 850+ sources combined with Devex Pro in-depth analysis, industry-insiders, access to digital events, and the latest data-driven development news you need to know. <b>Subscription \$83 monthly</b>	<a href="https://www.devex.com/">https://www.devex.com/</a>
<b>Africa Power Platform</b>	Brings all the energy sector players together creating opportunities for financing, partnerships and collaboration	Start-ups <b>Membership \$750 annually</b> Market intelligence and funding opportunities	<a href="https://www.africanpowerplatform.org/financing/grants.html">https://www.africanpowerplatform.org/financing/grants.html</a>
<b>Grants</b>	US Government Grants	Free	<a href="http://grants.gov">http://grants.gov</a>
<b>Terra Viva Grants Directory</b>	The Terra Viva Grants Directory is an online information service. We share funding opportunities for the developing world	Basic Access-Free Full Funding News All Grant Maker Profiles <b>Unlimited- \$12 annually</b> Full Funding News All Grant Maker Profiles Searchable Database Funding Alerts by Email	<a href="https://terravivagrants.org/how-it-works/">https://terravivagrants.org/how-it-works/</a>

Please contact your Client Relationship Manager if you want help with introductions to specific individuals within these institutions.