

UGANDA CLEAN COOKING SUPPLY CHAIN EXPANSION PROJECT

DISTRIBUTION CHALLENGE FUND

CALL FOR PROPOSALS

THE DISTRIBUTION CHALLENGE FUND (DCF)

The DCF is a grant mechanism under the Uganda Clean Cooking Supply Chain Expansion Project.

Ugandan stove distributors (hereinafter “distributors”), as well as local and international stove manufacturers (“manufacturers”) are the main beneficiaries of the DCF. Participating manufacturers and their stoves (hereinafter “project stoves”) are asked to form a consortium with one or several distributors with a goal to distribute or sell state-of-the-art cook stoves in Uganda with an initial minimum order of 2,500 stoves.

The selection process of distributors, manufacturers as well as the disbursements of funds from the DCF’s three different support lines outlined below will be administered by the Private Sector Foundation of Uganda (PSFU) with the support of KPMG Uganda, which is acting as an independent verification agent (IVA). The DCF comprises three lines of grant support that will be disbursed through December 2019. The lines are listed below and detailed in Annex 1.

1. Start-up Working Capital Grant (one-time)
2. Inventory Replenishment Grant (continuous)
3. Consumer Engagement Grant (continuous)

PROPOSAL GUIDELINES

The application process for the Distribution Challenge Fund is **a one step process** involving this Call for Proposals (CFP).

CALL FOR PROPOSALS (CFP)

This CFP is open to local and international manufacturers who in order to be eligible for the program will each be required to form a consortium with at least one but **up to three local distributors** for commercial distribution of project stoves¹. The candidate consortia will be evaluated by the selection committee² based on the criteria listed further below. Key criteria for

¹ For stoves to be considered for participation in the DCF, they have to meet a minimum performance equivalent of 38% thermal efficiency and have demonstrated market potential as defined in the criteria for the CFP.

²The selection committee will consist of PSFU

selecting the consortia will be the scalability and plausibility of the outlined business models and the well-documented performance of project stoves.

SELECTION CRITERIA

The CFP submissions will comprise a letter from the manufacturer and a proposal that will have details of the five components below. The application should state the legal status of the manufacturer and its proposed distributors.

The submitted proposal will be evaluated based on the relative strength of applicant of the following components expected to be supplied by the manufacturers:

1. **Advanced negotiations for the creation of consortia:** Documented relationship between the manufacturer and at least one but up to three local distributors e.g. by means of a signed Memorandum of Understanding (MoU) of preliminary agreements with each entity and/or written exchanges with qualified potential commercial distribution partner(s) with a legal presence in Uganda, including evidence of relevant marketing, distribution and sales experience in the Ugandan consumer durables sector. Additional partnerships, in particular with financial intermediaries and other complementary service providers bring will be considered as an advantage.
2. **Business Model and Marketing Strategy:** The outline of a business model for the commercial distribution of the project cookstove sales in Uganda by December 30, 2019 including a description of (i) the target market e.g. by geography, fuel type, household income profile, local cooking preferences, etc.; (ii) the proposed marketing, distribution and sales approach e.g. mechanism for tracking of sold products, provision of warranties, commitment to product trials, consumer financing schemes, etc.; and (iii) a projection of monthly sales volumes and working capital needs for inventory over the proposed timeframe.
3. **Documented market potential:** Applicants should provide evidence for the market potential of their stoves documented by certified sales reports, and provide a range for the planned retail price of the proposed stove. Applicants are encouraged to use the Willingness to Pay/Consumer Acceptance information collected as benchmarks and points of reference to estimate market potential of their respective project stoves³.
4. **Lab and field product performance evidence:** (i) Lab stove performance results under the ISO-IWA testing framework (efficiency, total emissions, and safety) per third party independent testing from an internationally recognized stove testing lab; (ii) field performance in the form of trials including but not limited to average fuel savings as collected from Kitchen Performance Tests (KPTs), and (iii) evidence of stove durability and that the product performs as advertised. Evidence of stove durability and field performance such as historical data on product returns, maintenance, service and/or warrantee claims will be accepted as proxies.

³ The report is publicly available and searchable on <https://openknowledge.worldbank.org/handle/10986/23237>

5. Utilization of the DCF lines of support: A description of how the consortium-forming members intend to utilize the different DCF lines of support to enhance their marketing and distribution strategies to achieve their targets will also be taken into account. Please see Annex 1 for a full description of DCF support lines.

ANNEX 1: DCF SUPPORT LINES

	(1) Start-up Working Capital Grants	(2) Inventory Replenishment Grants	(3) Consumer Engagement Grants
<i>Frequency</i>	One-time	Revolving	Revolving
<i>Objective</i>	Incentivize distributors to share the initial working capital risk and cost of the first major order of stoves with their manufacturers by making a significant upfront payment. The upfront payment is expected to improve the working capital and cash flow performance of manufacturers and enhance their ability to more rapidly fulfil large orders	The reinforcement of supply chains, acceleration of sales and market growth, and progressive improvement of the quality and performance of stoves sold on the Ugandan market, through targeted and competitively provided working capital support	Enhance consumer acceptance and sales growth of project stoves by accelerating the introduction of commercial marketing and promotion campaigns as well as sound warranty and service agreements
<i>Grant beneficiaries</i>	stove distributors and manufacturers	Stove distributors and manufacturers	Stove distributors and manufacturers
<i>Grant recipients</i>	stove manufacturers	Stove distributors	Stove distributors
<i>Obligations of distributors / beneficiaries</i>	The distributors shall commit to a [30%] down payment on the first order of [2,500] stoves within [1 week] of the purchase order from their designated manufacturers	Distributors shall submit [quarterly] sales reports to PSFU in order to claim grant disbursements. Sales reports must include product serial numbers and customer contact phone number for each stove sale reported	Distributors shall submit [quarterly] marketing expense (including supporting documentation) to PSFU in order to claim grant disbursements. Supporting documentation for each expense shall include the amounts, dates, places, brief descriptions, and proof of payment. Documentation has to clearly show the specific purpose of claimed marketing and sales expenses. Expenses for project stoves from different manufacturers can be claimed jointly, but shall be reported separately

Obligations of manufacturers	The manufacturers will be responsible for the timely production and delivery to the consortia's agreed warehousing facilities of a minimum of [5,000] project stoves over [5 months].		
Administration of grant disbursements by PSFU	PSFU will buy down the distributor's cost for the first order of [2,500] stoves by paying a non-reimbursable grant of 50% of the wholesale price for all stoves delivered to the consortia's agreed facilities during [5 months] following the first purchase order. The grant will be disbursed on a one-time basis and will amount to 50% of the total wholesale price of stoves delivered. All disbursements will be made directly to the manufacturer.	For the duration of the project, PSFU will disburse quarterly inventory replenishment grants to the distributor to the amount of [20%] of sales reported for the preceding 3 months.	For the duration of project effectiveness, PSFU will disburse quarterly consumer engagement grants to the distributor to the amount of 50% of marketing and sales expenses reported for the preceding 3 months.
Monitoring and verification by IVA	The accuracy of all orders, payments and deliveries will be monitored by an IVA. All disbursement of incentives by PSFU will be subject to prior confirmation by the agent of distributors and manufacturers having fully complied with all of their above obligations.	The accuracy of sales reported by distributors will be verified by an IVA through both through phone calls, random household visits and audits of stove ownership. All disbursements by PFSU will be subject to prior clearance of sales report by the IVA	The accuracy of marketing and sales expenses reported by distributors will be verified by an IVA through random spot checks, investigations and audits as needed. All disbursements by PFSU will be subject to the prior clearance of bi-monthly expense reports by the IVA.
Levels and limits of support line	The provision of grants from this support line will be capped at US\$ 100,000 per manufacturer. Grant disbursements for the same project stoves delivered to different distributors will be cumulated towards this limit	The amount of quarterly grant disbursements to distributors will be computed as a percentage of stoves sold at wholesale cost. During the first year of operations, this percentage will be [20%] of sales reported for the preceding [2 months]. At the end of the first year of operations, this percentage will be reduced by 5 percentage points every 2 months (i.e. to 15% after 12 months, and 10% after 14 months). Stoves with a proven fuel use efficiency of IWA Tier 3 and above will benefit from a performance bonus of an additional	For the duration of the project, PSFU will disburse quarterly cost sharing grants to the distributor to the amount of up to \$50,000 of marketing and sales expenses. Based on project results and disbursement progress, and subject to non-objection by the World Bank PSFU can decide to: (v) Extend the duration of the support line;

[10%] of sales added to each disbursement.

Based on project results and disbursement progress, and subject to non-objection by the World Bank PSFU can decide to:

(i) Slow the progressive phase-out of the subsidy;

(ii) Extend the duration of the support line;

(iii) Increase the disbursement percentage for any of the above stove types ;

(iv) Increase the initial overall allocation of funds of US\$ [550,000] of the support line.

Inventory replenishment grants will be disbursed on a first-come-first-served basis until the minimum overall allocation of US\$ [550,000] will be exhausted

(vi) Increase the initial overall allocation of funds for the support line.

Consumer engagement grants will be disbursed on a first-come-first-served basis until the minimum overall allocation of US\$ [250,000] will be exhausted

ANNEX 2:TIMELINES

1. DEADLINE FOR SUBMISSION OF PROPOSALS

10TH

JANUARY 2019

2. DEADLINE FOR EVALUATION OF PROPOSALS

24TH

JANUARY 2019

3. SIGNING LETTERS OF AGREEMENT

31ST JANUARY 2019