



RURAL ELECTRIFICATION AGENCY

ENERGY = EMPOWERMENT = EFFICIENCY

NIGERIA ELECTRIFICATION PROJECT

TERMS OF REFERENCE

FOR

Consultancy Services for the Engagement of Grants Administrator for the Standalone Solar Systems Component

April 2019

Terms of Reference

Nigeria Electrification Project (P161885)

Grants Administrator for the Standalone Solar Systems Component

1.0 Background

The Federal Government of Nigeria has applied for financing from the International Development Association a credit toward the cost of Nigeria Electrification Project and intends to apply part of the proceeds of this credit to payment under the contract for the Consultancy Services for Nigeria Electrification Project (NEP) Grants Administrator for the Standalone Solar Systems Component

Nigeria has the largest absolute access deficit in sub-Saharan Africa and the second-largest in the world, after India, with approximately 80 million people lacking access to electricity. The national electrification rate is 55 percent, and the rural electrification rate is only 39 percent. To achieve universal access to electricity by 2030, Nigeria would need to connect between 500,000 to 800,000 households per year.

Recognizing the need for action outside the grid-connected areas that the DISCOs currently service, the President approved the Rural Electrification Strategy and Implementation Plan (RESIP) in July 2016. The strategy states: *“The primary objective of the Nigerian Rural Electrification Policy and by extension this Rural Electrification Strategy and Implementation Plan is to expand access to electricity as rapidly as possible in a cost-effective manner. This implies full use of both grid and off-grid approaches, with subsidies being primarily focused on expanding access rather than consumption. It is assumed that private sector providers will be heavily involved in enhancing access.”*

In June 2018, the World Bank approved a \$350 million low-cost loan to Nigeria to support these objectives and provide financing for independent solar systems to rural areas that have little or no chance of getting electricity from conventional power systems in a timely manner. Approximately 2.5 million people (approximately 500,000 households), 70,000 MSMEs, seven universities, and two associated teaching hospitals will receive new or improved access to electricity services as a result of the proposed project. The project also will create an enabling environment for private sector involvement.

The project is a private-led initiative and expected to bring in more than \$400 million of private investment. The project design calls for the World Bank funds to be spent only if the private investment comes in. To accomplish this, the World

Bank funds will be used as grants paid to private firms after investing and delivering results. Some of the results could be the completion of intermediate steps or the meeting of established deliverables in the process of setting up the independent solar systems.

REA is the Implementing Agency for the project. REA was established in 2005 as a semi-autonomous organization under the FMPWH. The proposed project will be the first World Bank supported project implemented by REA. REA has obtained a project preparation advance to prepare the project. REA has created a Project Management Unit (PMU) to manage the implementation of the project.

The project has four components, all of which will be implemented by the REA:

- Component 1. Solar Hybrid Mini Grids for Rural Economic Development (US\$330 million of which IDA US\$150 million equivalent and US\$180 million equivalent from private sector funding).
- Component 2. Stand-alone Solar Systems for Homes and MSMEs (US\$305 million equivalent, of which IDA US\$75 million equivalent and US\$230 million from private sector funding).
- Component 3. Energizing Education (US\$105 million equivalent from IDA).
- Component 4. Technical Assistance (US\$25 million equivalent, of which US\$20 million equivalent from IDA and US\$5 million equivalent from counterpart funding).

Under Project Component 2: Standalone Solar Systems for Homes and Enterprises (IDA US\$75 million) two main instruments and technical assistance will be financed under Component 2:

Sub-component 2.1: Market Scale-Up Challenge Grants (IDA \$15 million): This catalytic fund will offer up-front grants to qualified, large-scale providers to accelerate their sales to households and MSMEs. A rigorous evaluation process and a tranche-based payout will be used to manage any risk of non-performance. The main purpose of this instrument is to underpin the risk to investors and help mobilize capital for well-established, leading firms to drive faster reach to consumers at scale. In this setting, the challenge grants will act to secure investments but also to cover the upfront costs of capital and growth strategies as part of their business plans including expanding opportunities for women.

Sub-component 2.2: Performance-based Grants (IDA US\$60 million): This fund will provide grants up to 15-20%¹ of the costs of the system to the grantees, for each

¹ The range of 15-20% is guided by the experience of the successful SHS programs in Sri Lanka and Bangladesh. (Both designed with WB support). It is not a subsidy on the end user price but rather an injection of additional revenue for firms

eligible system installed and verified. This support will enable the firms to finance the required investment in people, training, advertising, processes, and logistics inclusive of gender workforce integration and disaggregation as informed by the government gender program. The grant amount will be fixed for each system size/level of service category, and continually reduced over the life of the program as the market grows. The Performance-based Grants will place less emphasis than the Market Scale-up Challenge grants on evidence of the firm's ability to scale but rather initially on the firm's ability to successfully service customers. This enables strong new entrants and capable Nigerian start-ups to begin to grow.

The implementation of these sub-components will be under a direct oversight of the Rural Electrification Authority (REA)'s Project Management Unit (PMU). They will competitively select the Grants Administrator, which will be a firm with demonstrated experience managing similar programs.

2.0 Objective

The project aims to support the FGN efforts in the implementation of measures aimed at increasing access to modern energy services nationwide through the sale and distribution of certified solar home systems.

The Federal Government of Nigeria seeks to contract a firm or group of firms (the "Grants Administrator") to support REA-PMU (implementing the project) to manage the day-to-day administration of the grants for the Market Scale-up Challenge Fund and Performance-based Grants of the Standalone Solar Systems component.

3.0 Scope of work

3.1 Assignment scope

The Grants Administrator will facilitate the applications, screen applicants against eligibility criteria for pre-qualification, request and review reports of grantees, assist with the contracting of grantees, prepare disbursement forecasts and disbursement instructions for the PMU and generally administer the grants. The Grants Administrator will report to the REA-PMU. Actual grant payments to the grantees will be made by the PMU upon satisfactory presentation of requisite documentation by the Grants Administrator. The overall governance of NEP is described in the Project Implementation Manual (PIM). Specifics of the program outlined below are elements of the PIM. The PIM is updated on a regular basis.

to redeploy and expand reach. This amount will be reviewed each 6 months during the program and adjusted up or down in response to the pattern of market development.

OVERVIEW OF THE MARKET SCALE-UP CHALLENGE FUND (MSCF)

The MSCF will award a total of US\$15 million in up-front grants to a small number of strong and capable solar providers, paid against robust business plans and co-funding, to accelerate their capacity to reach and serve Nigerian households and small enterprises at scale. This instrument will receive a much smaller portion of the budget than is allocated to the Performance-based Grants (see below) but is subject to annual reviews. The overarching objectives of the MSCF are to support the growth of top tier solar companies, reduce risk to investors, and to set a foundation for high-potential solar operators to access capital to further scale in country operations.

MSCF structure. The selected Grants Administrator in conjunction with the Selection Panel (comprising members from the Grants Administrator, the REA-PMU and a commercial off grid solar sector SME expert) will award a maximum of US\$15 million in scale-up grants. The MSCF will have a maximum life of four years and will be awarded through a call for proposals process on an annual basis and disbursed to the grantees on a quarterly basis based on the agreed milestones.

The Selection Panel based on a competitive selection process will determine individual award sizes to the grantees. Each portion of the grant will be disbursed by the PMU subject to ensuring that the grantees having achieved pre-agreed milestones in the Grant Agreement. Milestones may include actions to be taken by the grantee to implement the plan, expenditures required to activate the plan, and/or outcomes in the market such as sales or number of staff trained.

Business selection. The MSCF will support businesses that can credibly demonstrate that the applicant possesses all the capabilities necessary to scale. Additional criteria will emphasize business plan and of international standards; senior management team that is deep and capable across all key disciplines including consumer marketing, consumer finance, IT, logistics, financial management, business process management; commitment to high sales targets or rapid growth in monthly sales; credible pathway to mobilizing the substantial capital required to grow, etc. Only companies that demonstrate this higher level of capacity will be eligible for a full evaluation under the Market Scale-up Challenge Grants.

The Grants Administrator may propose additional criteria in the chapter of SHS of PIM, but the MSCF is intended to support select number of top performing businesses that meet the criteria above. Grantees are not limited to a particular business model. Grantee models could include pay-as-you-go businesses, over-the-counter businesses, wholesale distributors, MFIs and other financial institutions, as well as partnerships consisting of any combination of the above.

Individual businesses will submit applications inclusive of both financial and operational details to the Grants Administrator. The proposal will present the amount of the funding sought, how funding will be used, and applicant's capacity to deliver on the proposed plan. The Grants Administrator will assess proposals for completeness and prepare a shortlist of candidates for the Selection Panel's review. Technical evaluation criteria will be outlined in detail in the SHS Chapter of the PIM, but should enable the Grants Administrator and Selection Panel to determine whether applicants have the operational and financial capacity to execute on their proposal, and to what extent proposals will lead to sustainable household energy access.

3.2 OVERVIEW OF PERFORMANCE-BASED GRANTS

The Performance-based Grants (PBG) will manage have a budget of US\$60 million to offer small incentive payments to qualified solar providers for each eligible SHS installed.

The overarching objective of the PBG is to enable capable solar providers to reach and serve larger numbers of customers more rapidly.

Eligible Solar Home Systems (SHS) refer to:

- i) SHS that include a solar panel of at least 6 Wp, and are either
- ii) Lighting Global Certified, or
- iii) accepted as complying with the Technical Standards for component-based systems.

Grant structure: The PBG will have an overall life of up to 5 years. The disbursement cycle will be determined by the Grants Administrator and REA-PMU as captured in the PIM, factoring in the best practices associated with Performance-based Grants and the timelines required by the Independent Verification Agency (IVA). Applications for Performance-based Grants will be accepted on a rolling basis. The grant amount to be paid per category of SHS will be reviewed regularly to ensure effectiveness and will reduce over the life of the program to a nominal level during the final period of the program. All business models are eligible. The Performance-based Grant amount is the same whether the SHS is provided to the customer as a cash sale, loan from a bank or micro-bank, integrated PAYG, pure PPA or operating lease, or some other variant of these basic models. Solar providers will decide how best to use the grant funds received.

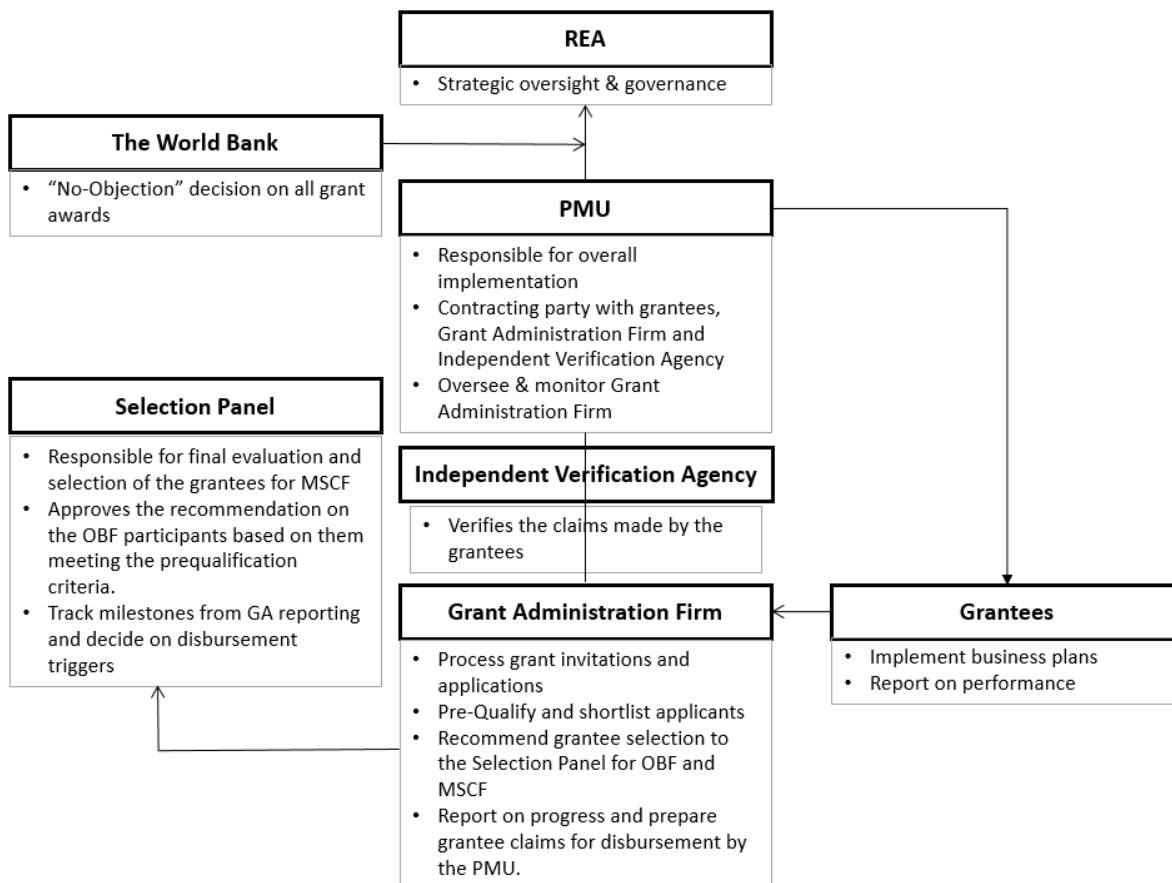
The Grants Administrator may propose additional criteria as part of updating of the PIM.

Individual businesses will submit applications for evaluation. Pre-qualified applications will then be recommended for approval to the Selection

Committee². The Grants Administrator will finalize all details of application requirements and evaluation processes in the PIM.

The Pre-Qualification will focus on technical standards of the solar PV products, business integrity, competence in financial administration, legal compliance, technical delivery, warranty and its delivery. The Performance Grant pre-qualification places less emphasis than the Market Scale-up Challenge Grants on evidence that the applicant has the ability to scale. This enables new entrants and Nigerian start-ups to begin in a smaller way with little risk for the program. Some of these participants may then become large and capable of such scale.

Governance Structure



4.0 GRANT ADMINISTRATION SCOPE OF WORK

The Grants Administrator will be responsible for the successful operationalization, launch, and administration of the PBG and the MSCF to minimize duplication of effort and documentation, including a joint application process for both grant

² The Selection Committee will comprise: one person from PMU, one person from the Grants Administrator and a SHS commercial sector specialist with previous evaluation experience.

instruments (if applicable). However, only companies qualified for the PBG will be eligible to apply for the MSCF. The scope also includes measures relative to the overall management and oversight of the two grant instruments, harmonized reporting to the PMU, and simplified and streamlined diligence and implementation support to the grantees.

Task 1 – Update PIM for component 2 and other templates

Based on ongoing guidance from REA-PMU and the WB, the Grants Administrator will update the latest version of the PIM for component 2, the operating templates, and will define key processes and responsibilities, including:

- Processes for sourcing applications, including nature and timing of any procurement events, stakeholder consultations, marketing activities, and other awareness-creating initiatives, as well as developing and maintaining ongoing industry and stakeholder relationships
- Processes and templates for applications, including RFPs, instructions to applicants, application templates, and document submission requirements (e.g. audited financials, business plans, etc.)
- Updated negative list of ineligible uses of funding
- Updated processes and templates for application evaluation, including application assessment criteria and scoring methodology, application weighting, allocation of tasks and responsibilities in evaluation process, and communication of results to applicants
- Processes and criteria for conducting due diligence on successful bidders, including any standard metrics to be captured and evaluated
- Processes for addressing environmental and social safeguard matters, as outlined in the Project Environmental and Social Management Framework (ESMF)
- Processes for handling disputes under the project (grievance redress framework)
- Processes for disbursement of funds, including further defining the milestones and contract or agreement templates
- Policies to manage delinquency, non-compliance, and non-performance (e.g. claw-back and cancellation provisions)
- Recommendations to REA-PMU on contracting and outsourcing arrangements with independent third-party verification agency, including framework on verification data points. The PMU will be responsible for competitively selecting and supervising the activities of the verification agent.
- Reporting arrangements to the PMU and to the Selection Panel, including any necessary templates (e.g. interim financial report template)
- Annual account audit arrangements
- Processes for managing conflicts of interest with partnering firms (if applicable) and independent verification agent

- Quarterly and Annual reporting process to REA, including proposed reporting templates (e.g. pipeline and financial reports; monitoring and evaluation report)

Task 2 – Coordination of grant rollout and evaluation

Based on processes developed in the PIM and PMU guidance, as well as REA approval of the PIM, the Grants Administrator will prepare materials for launch of the grant opportunity. To this end, the Grants Administrator will perform the following activities:

- Finalize procurement documents, including RFPs, proposal templates, and scoring & evaluation templates
- Generate industry awareness for NEP facilities among solar operators and other stakeholders through a workshop, bilateral conversations, use of in-house marketing and communications resources, etc., ensuring an inclusive application process
- Set application window and communicate timeline and application requirements to solar operators
- Review and evaluate incoming applications and select pre-qualified solar operators meeting the basic eligibility criteria for PBG and separating those applications also eligible for MSCF
- Recommend to the Selection Panel candidates that meet the prequalification criteria for the PBG and provide a ranking of applications for the MSCF to be further evaluated by the Selection Panel.
- Assist the Selection Panel in defining disbursement milestones, disbursements schedules, and data reporting requirements for each grantee.
- Provide feedback to high-potential but unsuccessful applicants on issues related to proposal
- Make recommendations to the REA-PMU on changes to the MSCF structure for subsequent procurement windows, if any
- Repeat activities above for subsequent procurement windows

Task 3 – Ongoing grant administration

Finally, the Grants Administrator will perform day-to-day management of the grant admin operations, including:

- Tracking performance and milestones (through interim reports)
- Ongoing monitoring of grantee performance and initiation of non-performance protocols where necessary
- Aggregating and managing of grantee operational data
- Submitting of quarterly reports (in writing, and upon request, in person) to REA-PMU (see section on preparation of SHS PIM above, as well as contracting and governance arrangements below)

- Coordinating annual review of SHS PIM Manual with REA PMU and the WB, updating processes and documentation as required

5.0 GOVERNANCE AND CONTRACTING ARRANGEMENTS

Administration of the Grants under the NEP SHS Component will be awarded jointly to a single firm or group of firms (the Grants Administrator) under a single contract. Firms bidding jointly will need to do so in one of two ways:

- (i) As a single prime consultant with any number of sub-consultants, whereby the prime-consultant enters into a contract with REA-PMU, assumes legal responsibility for all undertakings, and subcontracts independently to any number of partnering firms.
- (ii) As a Joint Venture, whereby partnering firms enter into a joint legal agreement with REA-PMU and both assume legal liability. Note that no more than two partnering firms can bid as a Joint Venture.

The Grants Administrator will be selected and contracted by the REA Project Management Unit (PMU). The PMU will make disbursements to the firms directly from its account upon the final recommendation by the Grants Administrator and the Selection Panel.

Inputs provided by REA-PMU to the selected firm will include the following:

- Draft SHS PIM
- Draft Invitation to Apply Letter (promotion of the grant opportunity)
- Draft Application template
- Draft Scoresheets for PBG and MSCF
- A list of documents that will need to be drafted by the Grants Administrator including: grant agreement template, notification letters for successful and unsuccessful applications, quarterly performance reporting template, etc.

6.0 GRANTS ADMINISTRATOR QUALIFICATIONS AND SELECTION CRITERIA

The selected Grants Administrator will have a demonstrated track record of managing and structuring similar funds in similar markets. Bidders should clearly demonstrate the following qualifications:

- Experience in, and understanding of, the off-grid solar market in Sub Saharan Africa, ideally including pay-as-you-go solar (minimum of two years)
- A track record of structuring and managing grant funds aimed at market stimulation, ideally funds created by multilateral development banks and/or development finance institutions and/or bi-lateral development assistance agencies (minimum of three years)
- Understanding of success factors of for-profit businesses

- and grant applicants/grantees (including awareness generation, sourcing, and diligence).
- Experience managing reporting relationships with government stakeholders and large development finance organizations is highly desirable

7.0 COMPENSATION FOR GRANTS MANAGEMENT

Compensation will be on a fixed fee basis and will be determined by the Grants Administrator in the financial proposal and finalized during contracting with REA. Payments will be made on a quarterly basis pending submission of quarterly reports and approval by the REA PMU. The amount of each quarterly payment will be specified during contracting based on estimated Grants Administrator level of effort during that period. Disbursement triggers will be finalized during contracting.

8.0 THE COMPOSITION OF THE CONSULTANTS TEAM

The Consultant will be a firm or consortium of firms with a demonstrated track record of managing similar performance-based grants and challenge funds in similar markets. The firm should have successfully delivered at least two similar assignments within the last 10 years. Similarity being: size, complexity, technology, operational context and economic and social settings of the client country.

The Consultant's team must include the following (at minimum):

Key Experts:

- Team Leader
- Senior Investment Officer
- Junior Investment Officer
- Analyst – Off Grid Solar

QUALIFICATION AND OTHER REQUIREMENTS FOR THE KEY EXPERTS

Team Leader

Qualifications:

- Advanced University Degree in finance, international development, management or related field.

Desired Experience:

- A minimum of 10 years or more in managing large donor or government funded programs
- Demonstrated experience in managing funds, preferably in promotion of off-grid renewable energy

- Experience in, and understanding of, the off-grid solar market in Sub Saharan Africa, ideally including pay-as-you-go solar
- A track record of structuring and managing Performance-based Grants aimed at market stimulation, ideally funds created by multilateral development banks and/or development finance institutions and/or bi-lateral development assistance agencies or
- A track record of providing financing to rural/off-grid home appliance distribution businesses and/or consumer finance businesses
- Demonstrated understanding of success factors of for-profit businesses;
- Experience managing reporting relationships with government stakeholders and large development finance organizations is highly desirable;

Senior Investment

Qualifications:

- Advanced degree in finance, economics, business administration, or related field

Experience:

- A minimum of five years' experience in origination, due diligence, structuring and monitoring of corporate and/or consumer finance grant funds
- A minimum of three years' experience in the off-grid solar market in Sub Saharan Africa, ideally including pay-as-you-go solar
- Understanding of success factors of for-profit businesses
- Design and management of grant servicing, monitoring and evaluation processes

Junior Investment Officer

Qualifications:

- Bachelor's degree in finance, economics, business administration, or related field

Experience:

- A minimum of two years' experience in origination, due diligence, structuring and monitoring of corporate and/or consumer finance grant funds
- A minimum of one years' experience in the off-grid solar market in Sub Saharan Africa, ideally including pay-as-you-go solar
- Demonstrated research, financial and sectoral analysis skills
- Understanding of success factors of for-profit businesses
- Management of grant servicing and monitoring and evaluation processes

Analyst

Qualifications:

- Bachelor's degree in finance, economics, international development or related field

Experience:

- A minimum of one years' experience in results based financing
- A minimum of one years' experience in the off-grid solar market in Sub Saharan Africa, ideally including pay-as-you-go solar in Nigeria
- Demonstrated financial, research and analytical skills
- Understanding of success factors of for-profit businesses
- Management of grant servicing and monitoring and evaluation processes

9.0 REPORTING REQUIREMENTS AND TIME SCHEDULE FOR DELIVERABLES

The PMU will review and approve the SHS PIM, any changes to operating procedures, as well as quarterly reports. The GA will initially be contracted for a 24-month period, which may be extended upon satisfactory performance of the firm or terminated due to unsatisfactory performance.

In case of demonstrable non-performance vis-à-vis contractual undertakings, the PMU, after three concurrent warnings within a six-month period, reserves the right to terminate the contract of the Grants Administrator.

The Grants Administrator will have the following contractual deliverables:

- PIM for administering MSCF and OBF grants
- Quarterly reports – MSCF and OBF
- Annual Reports for each Fund

DESCRIPTION	PAYMENT SCHEDULE
a. First month after contract signing – submit updated PIM for administering MSCF and OBF grants.	- 25% quarterly payments based on annualised payments of contract sum
b. Monthly (from 2 nd to 24 th month) – Updates on MSCF and OBF – Review of the delivery schedule and updates to the PIM (if needed)	- And upon the satisfactory approval by the World Bank for the deliverables that are due.
c. Draft quarterly reports for each fund – Months 3, 6, 9 and 12 of each year	
d. Annual Report – Month 12	
e. Regular and ad-hoc communication – with the PMU/REA	

10. SELECTION METHOD

Consultant will be selected in accordance with the Quality and Cost Based Selection (QCBS) Method set out in the Procurement Regulations for IPF Borrowers dated *July 2016 Revised November 2017 and August 2018* available on www.worldbank.org

Annex 1: Nigeria Electrification Project
Heads of Terms: Market Scale-Up Challenge Fund (MSCF)

General MSCF parameters and structure	
Objectives	<ul style="list-style-type: none"> • Support sustainable access to quality certified solar home systems countrywide • Encourage growth of high potential solar operators against robust business plans and other co-funding • Reduce risk to investors and encourage them to commit the larger investments required to accelerate company capacity to reach and serve Nigerian households and MSMEs at scale
Fund Size	<ul style="list-style-type: none"> • US\$15 million
Currency	<ul style="list-style-type: none"> • USD and Naira
Length of project	<ul style="list-style-type: none"> • Up to five years
Length of contract	<ul style="list-style-type: none"> • Anticipate that the contract will cover length of project (five years) but could be shorter based on periodic reviews. • Within duration of the contract, MSCF Grants Administrator will ensure satisfactory completion of (i) MSCF application coordination and evaluation; (ii) MSCF award and mobilization of funds; (iii) execution of awardee proposals; and (iv) verification of on-going performance.
Eligible uses of MSCF	<ul style="list-style-type: none"> • Use of funds will be limited by a negative list, to be developed by Procurement Specialist and included in SHS PIM; • Guidance will be given to applicants regarding the intended purpose of funds
MSCF structure	<ul style="list-style-type: none"> • Applications on an annual basis with grant amounts contracted only for the coming 12 months. • Proposal template from applicant includes detailed business plan, full budget for lifetime of MSCF, accompanied by milestones and timeline. Funding awarded to individual businesses in an annual grant allocation round and disbursed to grantees quarterly subject to meeting agreed milestones, unless otherwise specified in the Grant Agreement • Total grant amount awarded (subject to performance) defined in grant agreement • Grants Administrator to undertake verification of milestone completion (subject to audit activity by the IVA).

Funding window	<ul style="list-style-type: none"> • Goal to award all funds within first three years of project launch (or until funds exhausted), with potential disbursement period varying by grant agreement
MSCF grant size	<p>Initial parameters for grant size are below, to be reviewed prior to each annual round of grant allocation. Where necessary, milestones for disbursement of grant can be set to ensure the proportionate co-funding is in place prior to grant disbursement.</p> <p><u>Established firms</u></p> <ul style="list-style-type: none"> • Maximum grant award amount in a year is \$2,000,000, and • Maximum grant award amount is 30% of the amount of private co-funding for the business plan during the planning year. • Grants from any source do not count as private funding but concessional debt or equity do count toward the funding plan. • \$200,000 minimum grant size <p><u>Emerging firms</u></p> <ul style="list-style-type: none"> • Maximum grant award amount in a year is \$500,000, and minimum grant size is \$50,000 • Maximum grant award amount is 50% of the amount of private co-funding for the business plan during the planning year (that is, grant would constitute 33% of the total funding for the year: $50/(50+100)$). • Grants from any source do not count as private funding but concessional debt or equity do count.
Disbursement	<ul style="list-style-type: none"> • Disburse funds on a quarterly basis or as agreed in the grant agreement, based on meeting project milestones • Grants Administrator to define provision in PIM to allow for reallocation of funds in the event of excessive delays on the part of a grantee in achieving milestones
Business selection	
Business selection criteria guidelines	<ul style="list-style-type: none"> • Business plan for grant must be predominantly for products with PV capacity of 6 Wp (and multi-light) or more meeting the quality certification standards. Integrated businesses distributing products both above and below this minimum size may submit integrated business plans, but must demonstrate that the plan and grant support are primarily for the products sized 6 Wp or larger.

	<ul style="list-style-type: none"> • Demonstrated track record of providing solar access in SSA markets, including proof of ability to sell, distribute, and provide after sales support • Credible business plan to serve Nigerian market beyond lifetime of project • Ability and willingness to track and share basic customer data (including how awarded funds have been utilized to meet agreed upon milestones) in a form that is acceptable to grants administrator • Fund will only be open to companies registered in Nigeria that have been pre-qualified to participate in the Performance-based Grants • Grants Administrator can propose additional criteria in the PIM
Application	<ul style="list-style-type: none"> • Application template documents to be finalized by the Grants Administrator in the PIM include at a minimum: <ul style="list-style-type: none"> ○ Business Plan ○ Implementation Plan ○ Output Targets ○ Financial Plan ○ Funding Plan ○ Grant Leverage ○ Track Record ○ Risk Management
Application review	<ul style="list-style-type: none"> • Businesses awarded a score of 0-100% on application, based, inter alia, on the below (final criteria to be defined by Grants Administrator in PIM): <ul style="list-style-type: none"> ○ Scalability of business model and business plan to meet proposed targets ○ Sustainability of business model and business plan ○ Capacity to deliver on plan (track record, financial position, operational capacity) ○ Ability to adequately track outcomes for disbursement purposes • Weighting to be finalized by Grants Administrator in the PIM • Grants made in order of scores, until funds exhausted; awards whose technical proposals fall below a score of 70%, will be deemed ineligible
Governance	
MSCF approval process	<ul style="list-style-type: none"> • MSCF applications reviewed by Grants Administrator, who performs an initial evaluation and elevates successfully pre-qualified operators to the Selection Committee

	<ul style="list-style-type: none"> • All MSCF grants are made by the Selection Committee • Only PBG recipients will be considered for an MSC grant; companies applying for an MSCG will be required to submit additional materials
Contracting relationship	<ul style="list-style-type: none"> • REA-PMU enters a grant agreement with all qualified grantees, stipulating reporting and accountability relationship, and defining terms of compensation; the Grant Administrator will be in charge of the agreement's preparation and delivery
Grants Administrator responsibilities & compensation	
Key Responsibilities of Grants Administrator	<ul style="list-style-type: none"> • Finalize PIM, which will be subject to sign off by PMU and "No Objection" from the World Bank. • Build MSCF pipeline and raise awareness • Finalize MSCF proposal criteria and RfP language • Assess MSCF proposals at specified intervals, and escalate pre-qualified applicants to the Selection Panel • Provide feedback to high-potential but unsuccessful applicants (e.g., new ventures) on issues related to proposal • Conduct / manage all relevant M&E – includes quarterly reporting to REA-PMU

**Annex 2: Nigeria Electrification Project
Heads of Terms: Performance-based Grants**

General SHS PBG parameters and SHS PBG structure	
Objectives	<ul style="list-style-type: none"> • Enable capable solar providers to reach and serve larger numbers of customers more rapidly
Fund size	<ul style="list-style-type: none"> • US\$60 million
Currency	<ul style="list-style-type: none"> • Naira only
Length of project	<ul style="list-style-type: none"> • Up to five years
Length of contract	<ul style="list-style-type: none"> • Anticipate that the contract will cover length of project • Within duration of the contract, Grants Administrator will ensure satisfactory completion of (i) PBG applicant pre-qualification; (ii) management of procedures; and (iii) verification of performance in conjunction with the independent verification agency and subsequent disbursement of funds.
Eligible uses of OBG funding	<ul style="list-style-type: none"> • Use of funds will be limited by a negative list, to be developed by Procurement Specialist and included in SHS PIM; • Guidance will be given to applicants regarding the intended purpose of funds

PBG structure	<ul style="list-style-type: none"> • Proposal templates to ask for an indication of planned number of units sold / installed (if relevant) and timeline for forecasting purposes, and detailed background for due diligence. • Funding allocated to grantees on a monthly basis, assuming they have reached the minimum volume of system sales to submit a claim • The total grant amount per unit installed will be agreed upon in the PIM and specified in the Grant Agreement. These will be set for each of several categories of eligible SHS and reviewed regularly. The contract will allow for the rates to be varied upon 3 month's notice. The grant amount for systems in each category will be based broadly as a percentage of the nominal retail price for such systems. The calculation will be conducted internally and grantees advised only the amounts. • 3rd party to undertake independent verification of sales/installation before funds are disbursed. This work will be separately contracted by REA-PMU.
Funding window	<ul style="list-style-type: none"> • Solar companies will be qualified to receive OBG on a rolling basis • Funds will be disbursed to each grantee against each monthly claim as soon as possible after the verifications needed for payment of each claim is completed. Payments will not be held back to fit a payment cycle.
Duration of awards	<ul style="list-style-type: none"> • Funds must be fully disbursed six months prior to the close of the project
PBG grant size	<ul style="list-style-type: none"> • The total grant amount per unit installed will be agreed upon in the PIM and specified in the Grant Agreement and will be a percentage of the nominal retail price of the product installed • All other submission requirements will be included in the PIM
Disbursement	<ul style="list-style-type: none"> • Funds will be disbursed to each grantee against each monthly claim as soon as possible after the verifications needed for payment of each claim is completed. The actual timing for each claim will vary subject to the varying application of audit processes. • Monthly claims for grant must include a minimum aggregate PV capacity of at least 1,200 kWp. A single claim can include installations for the claim month plus the two prior months. Installations made prior to this three month window are not eligible for grant.

	<ul style="list-style-type: none"> • For systems that do not require technical installation, then installation will be deemed to occur on the date that at least the first partial payment has been made by the user. • PBG Grants Administrator to define any disqualification provisions in the PIM
Business selection	
Business selection criteria	<ul style="list-style-type: none"> • Business distributes products with PV capacity of 6 Wp (and multi-light) or larger meeting the quality certification standards (lanterns are not eligible, must be multi-light point system). • Ability to sell, distribute, and provide after sales support • Ability and willingness to track and share basic customer data in a form that is acceptable to grants administrator • Grants Administrator can propose additional criteria in the PIM
Application	<ul style="list-style-type: none"> • Documents required to be determined by the Grants Administrator in the PIM; at a minimum: <ul style="list-style-type: none"> ○ Company overview ○ Customer tracking capabilities ○ Customer service overview ○ Current and expected operational capacity ○ Skills and experience ○ Product portfolio ○ Environmental management strategy ○ Consent to a background check • Note: only pre-qualified PBG grantees will be eligible to apply for a MSC grant
Application review	<ul style="list-style-type: none"> • Businesses awarded a score of 0-100% on application, based, inter alia, on the below (final criteria to be defined by Grants Administrator in PIM): <ul style="list-style-type: none"> ○ Sustainability of business model and business plan ○ Capacity to deliver on sales targets (track record, financial position, operational capacity) ○ Ability to adequately track outcomes for disbursement purposes • Weighting to be finalized by Grants Administrator in the PIM • Applications for PBG will be reviewed on a rolling basis
Governance	
PBG approval process	<ul style="list-style-type: none"> • PBG applications will be reviewed first by the Grants Administrator for completion and recommended to the Selection Panel for approval

	<ul style="list-style-type: none"> • All pre-qualified PBG grantees will be selected by the Evaluation Panel • Where an operator applies for PBG and MSCF simultaneously, decision-making is coordinated: only solar operators that are eligible for PBG will be considered for MSCF.
Contracting relationship	<ul style="list-style-type: none"> • REA-PMU enters a grant agreement with all qualified grantees, stipulating reporting and accountability relationship, and defining terms of compensation; the Grant Administrator will be in charge of the agreement's preparation and delivery • Grants Administrator to provide quarterly reports (in writing, and upon request, in person) to PMU; • In case of demonstrable non-performance vis-à-vis contractual undertakings, the PMU, after providing adequate warnings, reserves the right to terminate contract, subject to World Bank "No Objection"
RBF Facility Manager responsibilities & compensation	
Key responsibilities of Grants Manager	<ul style="list-style-type: none"> • Finalize PIM, which will be subject to sign off by PMU and "No Objection" from the World Bank. • Build PBG pipeline and raise awareness • Finalize PBG application criteria and RfP language • Assess PBG proposals and escalate complete applicants to the Evaluation Panel • Provide feedback to high-potential but unsuccessful applicants (e.g., new ventures) on issues related to proposal • Conduct / manage all relevant M&E – includes quarterly reporting to REA-PMU- in conjunction with the independent verification agency.