



RURAL ELECTRIFICATION AGENCY

ENERGY = EMPOWERMENT = EFFICIENCY

NIGERIA ELECTRIFICATION PROJECT

TERMS OF REFERENCE

**TRANSACTION ADVISORY SUPPORT FOR THE MINI GRID COMPONENT OF THE
NIGERIAN ELECTRIFICATION PROJECT**

REF NO: REA-NEP/C/QCBS/33/18

May, 2019

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1 BACKGROUND

The Federal Government of Nigeria has applied for credit from the International Development Association 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 Transaction Advisory Support for the Mini Grid Component of the Nigeria Electrification Project.

- 1.1 It is estimated that 95 million people in Nigeria do not have access to electricity. Nigeria has the second largest population without access to electricity in the world (after India which has >240 million people without access). A significant proportion of this population without access live in rural areas; approximately 36% of Nigeria's rural population does not have access to electricity.
- 1.2 The Federal Government of Nigeria (FGN) is driving strategies to fast track development initiatives towards achieving the overall objective of the Economic Recovery and Growth Plan (ERGP) and the Power Sector Recovery Programme (PSRP). The Power Sector Recovery Programme ("PSRP") is a series of policy actions, operational, governance and financial interventions to be implemented by Federal Government of Nigeria over the next five (5) years to restore the financial viability of Nigeria's power sector, improve transparency and service delivery, resolve consumer complaints, reduce losses and energy theft and RESET the Nigerian Electricity Supply Industry for future growth.
- 1.3 The Nigerian Rural Electrification Agency (REA) is the Implementing Agency of the Federal Government of Nigeria tasked with electrification of unserved and under-served communities. REA has developed the Off Grid Electrification Strategy, which aims to provide access to clean and sustainable electricity to millions of Nigerians.
- 1.4 REA has four programmes and one cross cutting theme to support economic development and energy access: (1) stand-alone systems, (2) mini-grids, (3) Energizing Education, and (4) Energizing Economies. These four programmes are supported by the cross cutting energy database.
- 1.5 The Off Grid Electrification Strategy has a range of objectives focused on this goal of providing access to clean and sustainable electricity. The relevant objectives for the purpose of this Terms of Reference (TOR) are as follows:

- 1.5.1 To utilize the funding from the Nigerian Electrification Project (NEP) as a catalyst to scale up rapid implementation of off grid electrification across Nigeria and attract investment;
 - 1.5.2 To promote the use of decentralized, multi-demographic approach to power infrastructure delivery;
 - 1.5.3 To develop 10,000 mini grids by 2023 which will provide power to 14% of the population.
- 1.6 The World Bank board has approved the Nigerian Electrification Project ("NEP" or the "Project") to support private sector investments in solar mini grids and individual solar systems in off-grid locations. A total support of \$350 million from the World Bank, for the implementation of the NEP, has been allocated as follows; \$150 million for mini grids; \$75 million for solar home systems; \$105 million for federal university and teaching hospital captive power systems; and \$20 million for technical assistance.
 - 1.7 Specifically, within the support for mini grids, \$70 million is allocated for a minimum subsidy tender involving competitive bidding for 250 pre-selected mini grid sites clustered into 5 lots. Bidders are expected to compete on the basis of lowest subsidy requirement to build, own and operate a portfolio of mini grids. Detailed economic and geospatial data will be made available to developers, along with standardized designs, incorporating solar PV and diesel generators, as well as smart meters using a prepaid system. The Project may also consider an additional 70+ mini grids in high-risk environments such as conflict areas, which would be fully financed by the Project through EPC and management contracts. A further \$80 million is made available for connection cost subsidies, where ~\$350 will be paid for each new connection to the mini grid, with payments made upon completed milestones, and the final payment made after the connection.
 - 1.8 REA has done and is doing a significant amount of preparation work for the target communities where mini grids will be rolled out. Most importantly, this includes detailed energy audits in the villages themselves to understand energy consumption behavior within the communities. Significant work has also been carried out on the mini grid regulations, which are widely regarded as positive for encouraging the development of mini grids in the country.

2 **OBJECTIVES OF THE ASSIGNMENT**

- 2.1 The overall objective of this TOR is to provide transaction advisory support for the rollout of the mini grid programme within the NEP. The multi-part end objective of the support is to (1) help REA to complete the tender of the first 250 commercial mini grids (and potentially 70 additional mini grids in high risk environments), (2) ensure that the mini grids are actually built through appropriate tracking and monitoring, and (3) have an approved

design for the longer term process on how mini grids will be procured into the future to achieve the target of 10,000 mini grids.

- 2.2 There are several key phases that need to be included in this transaction advisory support:
 - 2.2.1 Technical review of Project and recommendations on transaction structure;
 - 2.2.2 Support the preparation and execution of the bidding process;
 - 2.2.3 Provision of support in the evaluation of proposals
 - 2.2.4 Participate in REA/PMU negotiations with proposers.
 - 2.2.5 Financial close and post-transaction reporting
 - 2.2.6 Review of post-award activities and reports from Monitoring & Evaluation Specialist in the REA/PMU.
 - 2.2.7 Design of a longer term “steady pace” process for procuring mini grids.
- 2.3 The selected transaction advisor (hereafter referred to as the Consultant) will work closely with the team at REA/PMU, the World Bank, other consultants that are supporting preparation of the mini grid tender, and potentially other individuals who are working on other donor driven programmes in collaboration with REA. The Consultant shall be expected to maintain a high degree of confidentiality throughout this assignment, especially with respect to tender documentation and processes that have not been publicly disclosed including evaluation of proposals.

3 SCOPE OF THE ASSIGNMENT

- 3.1 These terms of reference are for a transaction advisor with a team of suitably qualified and experienced financial, technical and legal staff, who will assist REA with the roll out of the mini grid programme structured around the key phases articulated in paragraph 2.2 above. The scope of work within each phase is articulated below.
- 3.2 **Phase 1 – Technical review of Project and recommendations on transaction structure.**
 - 3.2.1 Desktop review of finalized site selected: from the shortlisted sites where energy audits have been completed, select the 250 sites that will be included in this first phase of the mini grid roll out programme; also determine the relevant bundles that will be used to aggregate groups of sites that represent both higher and lower commercial value opportunities.
 - 3.2.2 Desktop review of community engagement: conducted by REA at the selected sites, relevant State and Local governments to ensure they are ready for mini grid roll out.

- 3.2.3 Identify any remaining bottlenecks in place and work with appropriate MDAs (Ministries, Departments and Agencies) to ensure bottleneck is removed. These bottlenecks could include legal / regulatory barriers, financing barriers, import restrictions, etc.
- 3.2.4 Conduct market sounding to determine and gauge market interest and inform risk allocation approaches to ensure that they correspond with private sector appetite and lender requirements. This should include, but need not be limited to, meeting with financial institutions, project developers, equipment vendors, etc.
- 3.2.5 Stakeholder engagement and syndication: support REA throughout this process in their engagement with relevant MDAs (e.g., Ministry of Power, Works and Housing; Ministry of Finance; Central Bank of Nigeria (CBN); Nigerian Electricity Regulatory Commission (NERC); etc.).
- 3.2.6 Legal due diligence to identify all contractual arrangements that will be necessary to facilitate the implementation of the mini grid projects, and preparation of key legal documents including: (1) agreement between mini grid developer and local community; (2) agreement between REA and mini grid developer; (3) agreement between REA and distribution company.
- 3.2.7 Financial due diligence to update assumptions and technical due diligence to identify risks and validate estimates and assumptions. Based on this, review and provide update to the already developed financial model to shape projections of likely subsidy required to support mini grid roll out. Test model with private sector developers, external parties and academics.
- 3.2.8 Findings from all of the above tasks must be documented in a *Project Review and Transaction Structure Report*.

3.3 **Phase 2 – Provide support in the Preparation and execution of the tendering process:**

The Consultant will be expected to provide REA with the support necessary for the procurement to be conducted efficiently and transparently and in full compliance with the World Bank Procurement Policies and Guidelines. The specific tasks this would entail is described below.

- 3.3.1 **Detailed procurement plan:** Consultant will review the detailed procurement plan and process for the tender based on applicable procurement requirements, including:
 - Advice on mechanisms to maximize competition while avoiding unrealistic proposals.
 - Review of information to be provided by REA to manage liabilities.
 - Design of key aspects of the tender procedure, such as guidance on how to handle variant and non-conforming bids,

number of bidders required to participate before the process is considered valid, and rules regarding the evaluation of bids (e.g., scoring regimes, timing of bids, rejection of excessively low bids).

- Outline of tender documentation and legal agreements to be entered into with winning bidders.

3.3.2 Provide support in setting up Bid evaluation criteria and bid process design:

The Consultant shall provide support in the bid valuation process and criteria, including determining the relevant metrics for comparison of bids (e.g., price to end user; level of subsidy required; etc.) and a protocol for communicating with bidders, that meets international best practice and engenders market confidence. A system to accommodate variant bids may be included if deemed appropriate.

3.3.3 Bidders' workshop: The Consultant shall provide support to the REA/PMU in organizing and managing bidders' workshop(s) and assisting REA in communicating effectively with bidders, including responding to bidder queries.

3.3.4 Request for proposals (RFP): The Consultant shall support the drafting of RFP document according to industry best practice and compliant with all applicable laws and regulations. This RFP should succinctly import the defined minimum technical specifications and the requirements for acceptable bids, as well as describe the bid process, evaluation criteria, disbursement mechanism and schedule, and the protocol for communication with bidders.

3.3.5 Drafting/Review of legal agreements: The Consultant must prepare the draft/review legal agreements that formalize the award of the tender and articulate the roles and responsibilities of the parties to the agreement. The legal agreement should include terms to monitor project implementation and all necessary annexes and subsidiary documentation, such as performance standards, project scope, etc. It should also reflect the risk allocation envisioned with the selected transaction structure and protect REA's interests accordingly.

3.4 Phase 3 – Evaluation of bids: The Consultant shall support REA/PMU with the evaluation of bids. More specifically, the Consultant shall be a part of the technical review committee formed for the project and will assess the bids and prepare an evaluation report to be presented to the investment committee for final decision-making. The evaluation report must clearly rank the bidders and demonstrate how the proposers were ranked and why.

3.5 Phase 4 – Negotiations: The Consultant shall advise and assist REA with the negotiations with the preferred bidders. This task will entail the formation of suitable negotiation teams and negotiation tactics and strategy.

Support required from the Consultant during negotiations may include reviewing proposed sub-contracts and advising on any proposed changes, reviewing that the preferred proposers satisfy the conditions required to enter into the legal agreement, such as validity of licenses and financial close of project financing, etc. Another set of negotiations with lenders is also expected, and the Consultant will need to provide necessary guidance, especially legal advice with respect to financial covenants and protections.

- 3.6 **Phase 5 – Financial close and post-transaction reporting.** The Consultant shall assist REA with all functions related to signing the legal agreement with the selected bidders through to financial close. The Consultant must also compile a comprehensive report that documents the tender process, activities and outcomes.
- 3.7 **Phase 6 – Post-transaction tracking and monitoring of project execution by winning proposers:** After the transaction is complete, the consultant will work in conjunction with the Monitoring and Evaluation Specialist in the REA in the tracking and monitoring the execution of the mini grid projects by developers, and ensure that any government driven barriers / bottlenecks are overcome as quickly as possible.
 - 3.7.1 Define the overall tracking and monitoring and evaluation protocol in consultation with REA, the World Bank and the e-tendering platform provider (Odyssey).
 - 3.7.2 Build the tracking system, including the templates and reports that will be used in the bi-weekly project management sessions
 - 3.7.3 Engage the private sector during the bid phase, to ensure they are aware of the tracking requirements
 - 3.7.4 Run (proposed) bi-weekly project management sessions: this will require preparation work in between the project management sessions, to ensure that the consultant is able to provide problem solving support for overcoming bottlenecks
 - 3.7.5 Stakeholder communication support: preparation of monthly reports to be shared with Minister of Power, Works and Housing, and other involved ministers; preparation of quarterly reports to be shared with the broader Federal Executive Council.
- 3.8 **Phase 7 – Design of the longer term “steady state” process for procuring mini grids:** Following successful execution of these first 250 mini grids, the consultant will support REA in developing the longer-term vision on how Nigeria will procure the full scale of 10,000 mini grids across the country. Although this is listed as Phase 7, it is not expected that this work will be done subsequent to the completion of Phase 6; the expectation is that this work will be delivered before the end of Phase 3. Key questions to be resolved include the following:

- 3.8.1 Will the rollout be structured and run centrally, or will the private sector be able to select sites they wish to pursue?
- 3.8.2 What level of subsidy, or other support, will be afforded for the later mini grid roll outs? How will this subsidy decline over time?
- 3.8.3 What role will REA play in site preparation / energy audits for the broader list of communities?
- 3.8.4 How will tracking and monitoring of execution be done?
- 3.8.5 Are the regulations sufficiently in place for when distribution companies object to mini grid roll outs within their distribution service zone?

4 **REPORTING AND DELIVERABLES**

- 4.1 The Consultant is expected to work in collaboration with the members of the Rural Electrification Agency & the PMU, the World Bank, and other consultants assisting with the mini grid tender towards successful execution of the assignment. The following deliverables will be required in Phase 1 of the assignment
 - 4.1.1 Inception Report. The consultant shall submit an inception report 1 week after commencement of this assignment. The inception report will detail out a revised work plan.
 - 4.1.2 3 weeks after initiation of the assignment, the Consultant will deliver a *Project Review and Transaction Structure Report*. This marks the conclusion of Phase 1 of the assignment.
- 4.2 The following deliverables will be required in Phase 2 of the Project:
 - 4.2.1 Completed Data Room. During Phase 2, the consultant will need to provide a complete data room image using the virtual data room to be provided by Odyssey as a core deliverable.
 - 4.2.2 A detailed implementation plan.
 - 4.2.3 Final draft of the request for qualification document.
 - 4.2.4 Pre-Qualification Report. At the end of the pre-qualification step, the consultant will develop a report recommending which companies are to be shortlisted to participate in the RFP; included in the report will be detailed rationale as to why certain companies did, or did not qualify.
 - 4.2.5 Marketing materials and presentation (and other documents as required) for roadshows
 - 4.2.6 Presentations for proposers' workshop(s)
 - 4.2.7 Final draft of the request for proposal document.
 - 4.2.8 Draft legal agreement.

- 4.3 The following deliverables will be required in Phase 3 of the Project:
 - 4.3.1 Comprehensive proposals evaluation report that includes technical and financial evaluation of proposals received and recommendations on which companies should be awarded which lot of mini grids.
- 4.4 The following deliverables will be required in Phase 4 of the Project:
 - 4.4.1 Legal Agreement revised to include all agreements reached during negotiations.
- 4.5 The following deliverables will be required in Phase 5 of the Project:
 - 4.5.1 A post-transaction report that documents the tender process, activities, and outcomes.
- 4.6 The following deliverables will be required in Phase 6 of the Project:
 - 4.6.1 A project management report to be submitted every two weeks.
 - 4.6.2 A monthly report for sharing with the Minister, and the core members of government with some oversight.
 - 4.6.3 A quarterly report that will be presented to the full Federal Executive Council as a programme update.
- 4.7 The following deliverables will be required in Phase 4 of the project:
 - 4.7.1 Project final report, to contain recommended approach(es) on how the scale up phase of the mini grid roll out project will be executed

5 TRANSFER OF KNOWLEDGE

The Consultant shall closely work with selected members of the Rural Electrification Agency (REA) and any other individuals who are selected by FGN to be full time on the team. The Consultant shall have an obligation to transfer knowledge and skills that are used during the course of the Project.

QUALIFICATIONS AND EXPERIENCES

The Consultant will be a firm or consortium of firms with a demonstrated track record of managing and structuring similar output-based funds and market scale up 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 shall be a firm, with a dedicated team of experienced experts required to complete the range of tasks set out in these terms of reference. The team should be managed by a single lead advisor who shall be responsible for

ensuring timely completion of deliverables and for the performance and professional conduct of the team. This Team Lead will also act as the primary liaison between the Consultant and REA. The Consultant may add other positions as needed to fulfil the terms of reference for this assignment, but the team must include, at a minimum, the following key experts (with the required qualifications as described):

Team Lead: Post-graduate degree in finance, economics, business or similar relevant professional qualification; at least 10 years' work experience in financial, accounting or commercial discipline in a relevant enterprise, such as a financial institution, accounting firm, or law firm; at least 5 years of international work experience in a senior capacity reviewing, structuring or advising on public-private partnership (PPP) transactions in the energy sector; demonstrated experience in structuring projects and negotiating agreements to financial close; project finance experience preferred along with experience in project planning and management.

Legal Specialist: Law degree; experience as a legal advisor on PPP transactions and demonstrated knowledge of international best practices related to renewable energy projects; at least 10 years' commercial law experience along with experience drafting PPP documents; experience with the Nigerian legal framework required.

Financial Analyst: A minimum of a Bachelor's degree in business, finance, accounting or similar relevant professional degree, but a postgraduate degree (e.g., MBA) or professional certification (e.g., CA) from a reputable institution strongly preferred; at least 5 years' work experience in a relevant financial, accounting or commercial discipline in a relevant enterprise, such as a financial institution or accounting firm; experience advising on PPP infrastructure projects; good understanding of commercial lending terms and financial markets; experience in credit risk assessment on project finance or equity and debt transactions preferred; experience developing and auditing financial models required.

Technical Specialist: A Bachelor's degree or higher in Engineering with a specialization in electrical or mechanical engineering; a minimum of 10 years of experience in energy projects and renewable energy technologies.

7 DURATION OF ASSIGNMENT

The duration of the assignment shall be twenty (20) weeks.

8 TERMS OF PAYMENT

Payment to the consulting firm will be made based on the achievement of the deliverables and upon submission of documents listed in 4 above and acceptable to Client. Reports should be in MS Word and MS Excel and submitted electronically, one hard copy and CD.

5. Deliverable and payment schedule

s/ n	Activity.	Timeline (After contract signing).	Payment (%age of Total Contract Value)
1.	<p>Acceptable Inception Report: - This should include Consultant's approach, methodology and work plan with clearly defined strategy for carrying out the assignment with timelines for the various outputs. The report should:</p> <ul style="list-style-type: none"> • indicate the objectives, and work scope of the transaction Advisory roles; • revised work plan and detailed implementation schedules <p>This should be presented in person (via Power-point presentations) by the Consultant at the PMU office. Consultant must submit (3) hard copies and a soft copy of the inception report.</p>	Two (2) weeks from commencement	15
2	<p>Project Review & Transaction Structure Report</p>	Four (4) weeks from commencement	15
3	<p>Report on evaluation and Initial Selection process</p> <p>This should be presented in person (via Power-point presentations) by the Consultant at the PMU office. Consultant must submit (3) hard copies and a soft copy of the inception report.</p>	Eight (8) weeks from commencement	10
4	<p>Complete Data Room</p> <p>Presentations for Proposer' Workshop</p> <p>Request for Proposal (RFP) Document including draft contract/legal agreement</p>	Twelve (12) weeks from commencement	10

5	<p>Technical & Financial Evaluation Reports</p> <p>Post-Transaction Report</p> <p>This should be presented in person (via Power-point presentations) by the Consultant at the PMU office. Consultant must submit (3) hard copies and a soft copy of the inception report.</p>	Fifteen (15) weeks from commencement	20
6	<p>Project Management Reports (Every 2 Weeks)</p> <p>Monthly Reports</p> <p>Quarterly Reports and</p> <p>Project Final Reports</p> <p>This should be presented in person (via Power-point presentations) by the Consultant at the PMU office. Consultant must submit (3) hard copies and a soft copy of the inception report.</p>	Twenty (20) weeks from commencement	30

9. FACILITIES TO BE PROVIDED BY THE CLIENT

The REA shall be responsible for providing physical space in Abuja for the consultant to work. Also, REA will provide the Consultant with the relevant documents and information to enable the consultant meet deliverables.

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 and revised November 2017, revised August 2018* available on www.worldbank.org/procure

11 COPYRIGHT AND OWNERSHIP

All raw and finished materials shall be owned by the REA. The Consultant shall maintain confidentiality of all information received from the REA and other sources concerning all data and insights obtained during the course of the Project.