



**RURAL ELECTRIFICATION AGENCY**

ENERGY = EMPOWERMENT = EFFICIENCY

## **NIGERIA ELECTRIFICATION PROJECT**

### **TERMS OF REFERENCE**

**FOR THE ENGAGEMENT OF A TRANSACTION ADVISOR TO SUPPORT COMPONENT  
1 OF THE NIGERIAN ELECTRIFICATION PROJECT**

**REF NO: REA-NEP/C/QCBS/05/20**

## 1. BACKGROUND

- 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 over 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. In support of the FGN's efforts to improving the country's power sector and in response to a request from the FGN, the Board of the African Development Bank (AfDB or the "Bank") approved a USD 200 million sovereign facility to support and finance the Nigeria Electrification Project (NEP). NEP will be implemented by the Rural Electrification Agency (REA or the "Implementing Agency") an Agency saddled with the responsibility of rural electrification. REA has developed the Off Grid Electrification Strategy, which aims to provide access to clean and sustainable electricity to millions of Nigerians.
- 1.3. The proceeds of the AfDB's financing for NEP will be applied across the following four components (the "Project"): (i) **Component 1**: a minimum subsidy tender programme awarding subsidies to private sector developers to catalyze the rollout of solar and/or hybrid mini-grid solutions across up to 300 sites split into 9 lots; (ii) **Component 2**: a result-based grant incentivizing solar home system installation companies and mini-grid developers to incorporate the distribution and sale of energy efficient productive use appliances in their regular line of activities; **Component 3**: phase 3 of the Energizing Education Programme (EEP), a government-led initiative that aims to install dedicated power systems for eight federal universities; and **Component 4**: technical assistance and capacity building for a wide range of public and private sector stakeholders in the country's off-grid sector.
- 1.4. REA's Off Grid Electrification Strategy has a range of objectives focused on providing off grid rural communities access to clean and sustainable electricity. The relevant objectives for the purpose of this Terms of Reference (TOR) are as follows:
  - 1.4.1. 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;
  - 1.4.2. To promote the use of decentralized, multi-demographic approach to power infrastructure delivery;
  - 1.4.3. To develop 10,000 mini grids by 2023 which will provide power to 14% of the population.
- 1.5. Specifically, within the support for mini grids, \$70 million is allocated for a minimum subsidy tender involving competitive bidding for 300 pre-selected mini grid sites clustered into 9 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.

- 1.6. A further \$20 million is made available for a results-based grant to incentivize mini grid developers to include the distribution and sale of energy efficient productive use appliances in their electrification operations. The component serves to increase the productive use of power and activate the appliance market and make mini-grids more sustainable. This will encourage developers to make productive use appliances a part of their overall strategy for mini grid viability.
- 1.7. 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 selected villages 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. Specifically, the consultant will support the Project with preparations of the minimum subsidy tender (MST) programme for mini grid development in up to 300 communities.
- 2.2. There are several key activities that need to be carried out in this transaction advisory support:
  - 2.2.1. Technical review of Project and recommendations on optimal transaction structure;
  - 2.2.2. Support the PMU in the preparation and execution of the bidding process for the 300 mini-grids. It is envisaged that tendering for the mini-grids may be in three phases, at average of 100 sites per phase;
  - 2.2.3. Support in evaluation of bids at each of the phases;
  - 2.2.4. Participate in Contract Negotiation with winning bidders;
  - 2.2.5. Providing support at Financial close and post-transaction reporting; Review financial proposals and recommend optimal financial structure.
  - 2.2.6. Post-award tracking and monitoring of project execution by winning bidders;

Note: The envisaged three phases of tendering may overlap. The tendering process shall be launched for an average of 100 sites in a batch, upon satisfactory conclusion of site identification and

verification/energy audit. It is expected that the processes involved in tendering for a phase may take a duration of six (6) months.

- 2.3. The selected transaction advisor (hereafter referred to as the Consultant) will work closely with the team at REA, the AfDB, the legal consultant and other consultants that are supporting preparation of the mini grid tender and result based finance scheme, and potentially other individuals who are working on other donor driven programmes in collaboration with REA.
- 2.4. The Consultant shall be expected to maintain a high degree of confidentiality throughout this assignment, especially with respect to tender documentation, the evaluation of bids and processes that have not been publicly disclosed.

### **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 and technical staff, who will assist REA with the roll out of component 1 structured around the key phases articulated in paragraph 2 above. The scope of work within each activity is articulated below.

#### **3.2. Activity 1 – Technical review of Project and recommendations on transaction structure.**

- 3.2.1. Conduct 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 and proliferation of productive use appliances. Test model with private sector developers, external parties and academics.
- 3.2.2. Stakeholder engagement and syndication: support REA throughout this process in their engagement with relevant MDAs (e.g., Ministry of Power; Ministry of Finance; Central Bank of Nigeria (CBN); Nigerian Electricity Regulatory Commission (NERC); etc.).
- 3.2.3. Findings from the above tasks must be included in the Project review and transaction structure report.

- 3.3. **Activity 2 – Provide support in the preparation and execution of the bidding 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 African Development Bank Procurement Policies and Guidelines. The specific tasks this would entail is described below.

- 3.3.1. **Preparation and execution of the Minimum Subsidy Tender bidding process:** The Consultant shall assist the REA to develop a complete set of pre-qualification and procurement documents that comply with Federal Government of Nigeria regulations and international best practice. This documentation shall be consistent with the recommendations of the *Project Review and Transaction Structure Report* from Activity 1, which would need to be approved prior to the initiation of Activity 2. 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 law and policy. The specific tasks this would entail:
- 3.3.1.1. Detailed procurement plan: Consultant will devise a detailed procurement plan and process for the tender based on applicable procurement requirements, including:
  - 3.3.1.2. Advice on mechanisms to maximize competition while avoiding unrealistic bids.
  - 3.3.1.3. Review of information to be provided by REA to manage liabilities.
  - 3.3.1.4. Design of pre-qualification and bidding procedures.
  - 3.3.1.5. 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).
  - 3.3.1.6. Outline of tender documentation and legal agreements to be entered into with winning bidders.
- 3.3.2. **Pre-qualification:** The Consultant shall support the REA/PMU in the pre-qualification process. It shall design and administer a request for Prequalification process that will: (1) ensure that REA's interests and the objectives of the tender are clearly communicated to the market; (2) determine the extent and nature of private sector interest in the tender; and (3) shortlist or pre-qualify a competitive number of competent bidders in an equitable and transparent manner.
- 3.3.3. **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.
- 3.3.4. **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.

3.3.5. **Request for proposals (RFP):** The Consultant shall provide technical input into the drafting of the RFP documents according to industry best practice and compliant with all applicable laws and regulations. This RFP should succinctly define the 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.

3.4. **Activity 3 – Evaluation of bids:** The Consultant shall support REA in 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 bidders were ranked and why.

3.5. **Activity 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 in collaboration with the legal consultant. Support required from the Consultant during negotiations may include reviewing proposed sub-contracts specifically the financial and technical aspects and advising on any proposed changes, reviewing that the preferred bidders satisfy the conditions required to enter into legal agreements, such as technical capability and financial close of project financing, etc. Negotiations with lenders, is also expected, and the Consultant will need to provide necessary guidance, especially advice with respect to financial covenants and protections.

3.6. **Activity 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.

## **4. REPORTING AND DELIVERABLES**

4.1. The Consultant is expected to work in collaboration with the members of the Rural Electrification Agency, and other consultants assisting with the mini grid tender towards successful execution of the assignment. The following deliverables will be required in Activity 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. 4 weeks after commencement 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 Activity 2 of the Project:
  - 4.2.1. Final draft of the request for qualification document.
  - 4.2.2. 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.
  - 4.2.3. Marketing materials and presentation (and other documents as required) for roadshows
  - 4.2.4. Presentations for bidders' workshop(s)
  - 4.2.5. Final draft of the request for proposal documents
- 4.3. The following deliverables will be required in Activity 3 of each tendering phase in the Project:
  - 4.3.1. Comprehensive bid evaluation report of technical and financial bids received and recommendations on which companies should be awarded which lot of mini grids.
- 4.4. The following deliverables will be required in Activity 4 of each tendering phase in the Project:
  - 4.4.1. A post-transaction report that documents the tender process, activities, and outcomes.
- 4.5. The following deliverables will be required in Activity 5 of the Project:
  - 4.5.1. A project management report to be submitted every two weeks.
  - 4.5.2. A monthly report for sharing with the MD REA, and the core members of government with oversight of the project.
  - 4.5.3. Project final report, to contain recommended approaches on how the scale up phase of the mini grid roll out project will be executed.

## **5. TRANSFER OF KNOWLEDGE**

- 5.1. The Consultant shall work closely with selected members of the Rural Electrification Agency (REA) and relevant staff of the Project Management Unit (PMU). The Consultant shall have an obligation to transfer knowledge and skills that are used during the course of the Project.

## **6. QUALIFICATIONS AND EXPERIENCES**

- 6.1. 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.
- 6.2. The firm should have successfully delivered at least two similar assignments within the last 10 years. Similarity in size, complexity, technology, operational context and economic and social settings of the client country.
- 6.3. 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's team must include, at a minimum, the following key experts (with the required qualifications as described):
  - 6.3.1. 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.
  - 6.3.2. 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.
  - 6.3.3. 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 THE ASSIGNMENT**

7.1. Each Tendering phase is expected to last a duration of eight (8) months, with possible overlaps. The expected duration of the total services of the anticipated phases of the assignment would be about 36 months.

## **8. REMUNERATION AND PAYMENT**

### **8.1 Terms of Payment for Consulting Services**

Payments to the Consultant shall be made based on the time inputs of the staff and the actual expenditures incurred (evidenced with appropriate receipts) under the reimbursable component of the contract, as well as submission of the reports listed in paragraph 4 and acceptable to the Client.

Reports of each deliverables will be submitted as follows: One Electronic copy and three hard copies.

## **9. FACILITIES TO BE PROVIDED BY THE CLIENT**

9.1. REA will provide the Consultant with the relevant documents and information (as may be applicable) to enable the consultant to perform the assignment.

## **10. SELECTION METHOD**

10.1. The Consultant is to be selected in accordance with the QCBS Method set out in the African Development Bank's **"Rules and Procedures for the use of Consultants" May 2008 Edition Revised July 2012**, which is available on the Bank's website at <http://www.afdb.org>.

## **11. COPYRIGHT AND OWNERSHIP**

11.1. 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.