



PROJECT IMPLEMENTATION UNIT

SOMALI ELECTRICITY ACCESS PROJECT “SEAP”

TERMS OF REFERENCE: Somaliland Off-Grid Solar Grant Facility Manager

COUNTRY: Republic of Somaliland
PROJECT NAME: Somali Electricity Access Project
PROJECT ID: P165497 GRANT NO: TF-A9095
ASSIGNMENT TITLE: Somaliland Off-Grid Solar Grant Facility Manager.
PLACE OF ASSIGNMENT: Somaliland

1. Context

The Somaliland energy sector is one of the most underdeveloped in the world. Low electrification rates, high cost of power, high technical and commercial losses, and dependence on imported petroleum products for electricity generation mean that only a very small fraction of the Somali population has access to affordable, safe, and reliable energy services.

Unfavorable economics imply that it is likely that a large part of the Somaliland population will not be reached by the national grid or mini-grids even in the long term. Standalone off-grid solar (OGS) solutions are therefore a viable alternative for electrification. A recent study commissioned by the World Bank estimated the total market size for OGS products in both Somalia and Somaliland at \$108 million. Despite its potential, however, the market for OGS continues to suffer from critical gaps and inefficiencies, including limited access to business and consumer finance, weak infrastructure, and market spoilage due to a proliferation of low-quality imitation products. Given the nascency of the sector, most Somali solar businesses are still entirely self-funded, and are unable to place larger inventory orders or invest in sales and distribution infrastructure.

To help address these challenges, the Government of Somaliland (GoSL), with support from the World Bank, is setting up a Somaliland Off-Grid Solar Grant Facility to provide grant capital to Somaliland distributors of IEC certified products. Grants are intended to provide companies with flexible capital to invest into business growth. Eligible uses will include, among others, training of staff, marketing expenses, distribution infrastructure, development of PAYG consumer finance models, development of processes and equipment for after-sales maintenance, and importation of inventories.

2. Objective of the assignment

The objective of the assignment is to manage, on behalf of GoSL, activities related to the Somaliland Off-Grid Solar Grant Facility (the “Grant Facility” or “Facility”). The Facility will offer results-based

Expansion Grants and Seed Grants to OGS companies active in the OGS sector. These activities are aimed at increasing access to electricity in Somaliland.

GoSL now seeks to contract a firm (the “Grant Manager”) to manage the Facility on behalf of the Ministry of Energy and Minerals (“The Ministry”).

3. Grant Facility Structure

The overarching objectives of the Facility are: (i) to support household and SME access to IEC verified OGS systems across Somaliland; (ii) to support the growth of earlier-stage and/or local solar companies where possible; (iii) to enable distributors to sell products on a pay-as-you-go (PAYGO) basis where possible, thus increasing affordability; (iv) to promote off-grid energy access in remote and rural areas; and (v) to set a foundation for high-potential solar operators to access future funding to further scale operations in Somaliland.

The Facility will award up to US\$700,000 to compensate OGS product distributors for the initial, incremental, and opportunity costs associated with an expansion of operations in Somaliland. This amount may increase with future co-funding from other development partners.

Under the Facility, successful grant applicants will be able to draw down on grant awards through two distinct mechanisms:

- **Expansion RBF:** Results-based financing (RBF) to OGS distributors, with a fixed per-unit payment made for each IEC approved solar system sold, paid *after* successful verification of the sale. These grants will provide distributors with much-needed capital to build internal capabilities, invest in sales and distribution infrastructure, pilot new and innovative businesses and customer service models (including pay-as-you-go models that enable customers to pay in installments), and build up liquidity to act as collateral for future debt finance from local banks. Expansion Grants will be primarily targeted at businesses specializing in solar home system distribution, or other institutions looking to enter the solar distribution market. The Facility will award up to \$560,000 in Expansion RBF.
- **Seed RBF:** Since effective results-based financing requires that recipients have access to sufficient inventory, infrastructure, and capacity to self-finance initial operations, successful grant awardees will have the option to draw down on a portion of their grant award upfront in the form of a Seed RBF. The Seed RBF will be paid out on the same per-unit basis as the Expansion RBF, but unlike the Expansion RBF will be disbursed *in advance* of actual sales. Once the sales against which the Seed RBF was awarded have been made, grant awardees will be able to submit subsequent sales for Expansion RBF disbursement. The Facility will award up to \$140,000 in Seed RBF.

In the interests of transparency and simplicity, all successful applicants will receive the same per-unit RBF award, scaled according to the functionality of the unit as per Lighting Global’s multi-tier tracking framework (MTF). The exact amounts of the RBF for each unit sold will be determined by the Grant Manager in consultation with the project coordinator in the Facility Implementation Guidelines (see 5.1 below) and are likely to evolve over time to best align incentives with changing market realities.

Both the Expansion RBF and the Seed RBF will have a single, joint application process and applications will be received, reviewed, and approved as part of a single window. Applicants will indicate in their applications how much of their funding they wish to draw on upfront through the Seed RBF (up to

20%). The Seed RBF will be disbursed upon completion of grant application evaluations by the Grant Manager and approval of the project coordinator. The Expansion RBF will be also be awarded after evaluation, but disbursement of funds will only occur after successful verification of sales by an independent verification agent (IVA). The IVA will be contracted separately by GoSL.

Successful applicants will enter into a contract with the Grant Manager upon the approval of the project coordinator to distribute a certain number of units over a certain time period in return for a commensurate amount of RBF funding. Any funds that have not been used at the end of the contract period will be returned into a Grant Facility pool, from where they will be offered to other grant awardees.

The life of the Facility will not exceed the project end date, which is currently set as June 30th, 2022. The Grant Manager should aim to have disbursed all funds no later than six months before the end of the project to allow for sufficient time for M&E and project wrap-up.

Overall, the Grant Manager will need to ensure, within the duration of the Facility contract, satisfactory completion of: (i) preparation of the Facility Implementation Guidelines (ii) Facility application evaluations; (iii) Facility contracting with eligible applicants; (iv) verification of sales and other milestones (v) payment of grants; and (vi) ongoing Facility reporting and performance evaluation.

4. Eligibility criteria

The Facility will support Somaliland businesses that can credibly demonstrate a capacity to perform the following activities:

- Sell or provide services with IEC certified pico-PV and/or solar home system products to households in Somaliland;
- Commit to a sustainable market presence and honor warranties for end-consumers;
- Track relevant customer data through adequate CRM systems.

Additional criteria may be proposed by the Grant Manager in the Facility Implementation Guidelines (see below), but the Facility is intended to be inclusive of a variety of businesses and business models that meet these minimum criteria. This could include, for instance, PAYGO businesses, over-the-counter businesses, MFIs and other financial institutions, as well as partnerships consisting of combinations of the above.

Evaluation criteria for grant applications will be determined in more detail by the Grant Manager upon approval of the project coordinator in the Implementation Guidelines (see below) and should enable the Grant Manager 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 in Somaliland.

Table 1. Minimum Eligibility Requirements for Participating Businesses

Criteria for all participating firms	<ul style="list-style-type: none"> • Established local operations – Local companies with at least a one-year track record of selling OGS products. • Financial statements – including audited statements where available. • Quality products – eligible companies will be selling IEC certified solar products up to 350Wp with a list price no more than US\$ 500. • Quality of operations – appropriate staff or commitment to deploy appropriate staff at a functional level. • Warranty and after-sales service – must offer a warranty in compliance with Lighting Global requirements for pico-PV and solar home system products and have an established and active after-sales service capability. • Business plan – including a minimum one-year forecast balance sheet and P&L showing a well-managed cost structure and a clear path to break-even and profitability. • Compliance with relevant national regulations pertaining to licensing, tax, legal, and accounting. • Recycling – must have a policy and a plan for the recycling of system components at end of life, particularly batteries. • Customer data – companies must capture and track customer data in sufficient detail to allow for reliable verification of sales.
Additional criteria for firms offering OGS products on credit	<ul style="list-style-type: none"> • Collections and portfolio management – metrics and procedures to track portfolio quality, including a minimum of PaR 30, and adequate collection practices.

5. Somaliland Off-Grid Solar Grant Facility Management Scope of Work

The Grant Manager will be responsible for the successful operationalization, launch, and management of the Facility. This will include the activities listed below.

5.1. Preparation of the Facility Implementation Guidelines

Based on the Facility objectives and ongoing guidance from GoSL, the Grant Manager will prepare Facility Implementation Guidelines defining key Facility processes and responsibilities, to include the following (as well as any additional activities deemed relevant by the Grant Manager):

- 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 instructions to applicants, application templates, and document submission requirements from applicants (e.g., audited financials, business plans, etc.);
- Finalized list of ineligible uses of funding;
- Finalized business eligibility and selection criteria;

- Finalized determination of initial per-unit RBF payment;
- Processes and templates for application evaluation, including proposal assessment criteria and scoring methodology, allocation of tasks and responsibilities in the evaluation process, and communication of results to applicants;
- Processes and criteria for conducting due diligence on successful applicants, including any standard metrics to be captured and evaluated;
- Processes for disbursement of funds, including both Seed RBF and Expansion RBF, and contract or grant agreement templates;
- List of data requirements from successful applicants;
- Working arrangements with the IVA;
- Environmental and social safeguards (E&S) risk management, monitoring, and implementation arrangements¹;
- Cooperation arrangements with GoSL safeguards staff on execution of the ESMF;
- Quarterly and semi-annual reporting arrangements to the project coordinator.

5.2. Coordination of Facility Rollout

Following the Ministry's approval of the Facility Implementation Guidelines the Grant Manager will prepare the Facility for launch. The objective of the roll-out phase will be to solicit a satisfactory number of high-quality applications for the Facility. To this end, the Grant Manager will perform the following activities:

- Finalize RFP documents including proposal templates and scoring & evaluation templates;
- Work with the Ministry to generate awareness about Facility launch, including attending procurement events, engaging in bilateral industry dialogue, and hosting a half-day procurement conference for interested bidders.
- Set the application window and communicate timeline and application requirements to the Ministry and solar operators;
- Provide guidance to applicants to strengthen applications and ensure a competitive application process, including on E&S requirements;
- Review and evaluate incoming applications;
- Inform successful and unsuccessful bidders of evaluation outcome, providing feedback on application where applicable;
- Support the ministry to finalize contracting with successful applicants ;
- Make recommendations to the Ministry on changes to the Facility structure going forward, if any.

5.3. Ongoing Facility Operations Management

Finally, the Grant Manager will perform day-to-day management of Facility operations, including:

- Tracking Facility performance and milestones;
- Disbursing Seed RBF & Expansion RBF;
- Ongoing monitoring of grant recipient performance and initiation of non-performance protocols where necessary;

¹ Interested bidders will be provided a copy of the Environmental and Social Management Framework (ESMF) prepared under SEAP, which lays out in the detail the E&S responsibilities of the Facility Manager as well as grant applicants.

- Assuring accountability and oversight for all Seed RBF & Expansion RBF finances and disbursements;
- Aggregating and managing of grant recipient operational data;
- Co-ordinating E&S risk management, monitoring, and reporting;
- Providing basic ongoing business development services to grant recipients to ensure capacity and business models are adequate to deliver on proposals and ensure grant funds are being used effectively.
- Submitting quarterly and semi-annual reports (in writing and, upon request, in person) to the Ministry (see section on preparation of Implementation Guidelines above, as well as contracting and governance arrangements below).

Prospective Grant Managers are encouraged to propose any amendments, additions, or clarifications to the scope of work in their proposals.

6. Governance and Contracting Arrangements

The Grant Manager will be selected and contracted by the Ministry of Energy and Water Resources. While awards and disbursements of the Facility will be at the discretion of the Grant Manager upon the approval of the project coordinator, the ministry will review and approve the Facility Implementation Guidelines and any changes to operating procedures, as well the reports submitted by the Grant Manager.

6.1. Grant Manager Qualifications and Selection Criteria

The selected Grant Manager will have a demonstrated track record of managing and structuring similar grant facilities in similar markets. Applicants should clearly demonstrate the following qualifications:

- Experience in, and understanding of, the OGS Somali market;
- A track record of structuring and managing grant facilities aimed at market stimulation, ideally facilities funded by multilateral development banks and/or development finance institutions and/or bi-lateral development assistance agencies;
- Understanding of the success factors of for-profit businesses;
- Strong local footprint in whole of Somaliland and Somalia to manage relationship and reporting with the Ministry and Facility applicants/investees (including awareness generation, sourcing, and diligence);
- Experience managing reporting relationships with government stakeholders and/or large development finance organizations.

Proposals shall clearly highlight the qualifications and experience of the team leader and team members of direct relevance to the conduct of the tasks outlined under the scope of work, as these dimensions will be heavily weighted in the technical evaluation of the proposals submitted. Personnel in the Consultant's team should together have demonstrably proven in-depth experience in addressing the full range of functional and technical expertise outlined in this TOR. The key functional skills are outlined below.

- **Team leader** – He/she is expected to be seasoned with significant experience and an established and recognized track record in leading teams in undertaking comparable efforts in other countries. The team leader must have effective communication and writing skills; and at least a master's degree in finance, international development, management or equivalent,

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with a minimum of 8 years of related experience in a leadership role, internationally, 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 PAYG solar required; a track record of structuring and managing RBF facilities aimed at market stimulation, ideally facilities funded by multilateral development banks and/or development finance institutions and/or bi-lateral development assistance agencies or; demonstrated understanding of success factors of for-profit businesses; and experience managing reporting relationships with government stakeholders and large development finance organizations is highly desirable.

- **Senior Officer – Off Grid Solar RBF:** Should have advanced degree in finance, economics, business administration, international development or related field; a minimum of three years' experience in development, implementation and management of results-based financing or other grant-oriented transactions; a minimum of three years' experience in the off-grid solar market in Sub Saharan Africa, ideally including PAYG solar; Understanding of success factors of for-profit businesses; and experience in design and management of monitoring and evaluation processes;
- **Environmental and Social Safeguard:** The expert will support management of environmental and social risks of the standalone solar home systems in line with the environment and social safeguards policies of the World Bank, and the legal provisions of Somalia/Somaliland, as well as on ESMF that have been prepared to guide the implementation of the environmental safeguards aspects of the project. The expert should have, as a minimum, a postgraduate degree from any recognized institution in the area of environmental/Social Sciences: Community development, Participatory Rural Appraisal, or any related discipline with combination of appropriate trainings; at least 5 years' working knowledge in the World Bank's Social and Environmental safeguards policies and IFC Environmental, Health and Safety Guidelines; experience with Community development, gender mainstreaming issues, and participatory approaches, and in particular, experience in World Bank's social safeguard policies, direct experience in working on implementation of Social Assessment, ESMF, and other environmental and social safeguard issues preferably in Conservation organization or large industries in any private or public sector are an added advantages; good communication skills both verbal and written.
- **Non Key Experts –** Suggest non key staff required for the assignment.

The CVs of key staff assigned to cover the skills categories identified above should clearly demonstrate the relevant experience of each team member by task assigned. Submissions should also highlight directly relevant and specific experience in SSA country contexts that the team collectively brings to this assignment including highlighting the relevant qualifications and expertise of the local counterpart firm and the professionals assigned to this Consultancy. Technical proposals should also indicate the person day level of effort for each proposed team member in each of the categories identified above; as well as a breakdown by home-based time and field time.

6.2. Reporting Requirements and Time Schedule for Deliverables

The Grant Manager will report to the project coordinator and will have the following contractual deliverables:

- Facility Implementation Guidelines – no later than 2 months after contract signing;
- Quarterly and Semi-annual progress reports, including any necessary amendments;
- Completion report at the end of the life of the Facility (in lieu of final semi-annual progress report).

For all deliverables, Grant Managers will be encouraged to prepare concise documents containing only the essential information to meet basic operating and reporting requirements. Given the relatively small size of the Facility, lengthy and exhaustive reports are not required.

In case of demonstrable non-performance vis-à-vis contractual undertakings, the Ministry, following the terms and conditions of the contract, reserves the right to dismiss the Grant Manager.

6.3. Grant Manager Compensation

Fees for managing the Facility will be on a fixed fee basis and will be proposed by the Grant Manager in the financial proposal and finalized during contracting with the Ministry.