

**TERMS OF REFERENCE (ToR)  
AS ISSUED WITH TENDER**

**1. About DFID**

1.1 The Department for International Development (DFID) mission is to help eradicate poverty in the world's poorest countries and this is underpinned by our set of values:

- Ambition and determination to eliminate poverty
- Ability to work effectively with others
- Desire to listen, learn and be creative
- Diversity and the need to balance work and private life
- Professionalism and knowledge

1.2 DFID wishes to work with Service Providers who embrace the above, and also demonstrate Corporate Social Responsibility (CSR) by taking account of economic, social and environmental factors. These practices, whether operated locally, regionally or internationally, should also comply with International Labour Organisation (ILO) core standards on labour and social matters.

**2. Introduction**

2.1 This programme will be implemented in two phases – Phase 1 (30 months) followed by an expansion stage (Phase 2). There will also be a Real time learning contract which will determine whether the programme scales-up to Phase 2. With this ToR, DFID seeks a Service Provider (SP) for Phase 1 of the ESRES programme to establish Mini-grid pilots, provide technical assistance (TA) to the Government of Somaliland (GoSL), Ministry of Energy and Minerals (MEM).and set the foundations for a Renewable Energy (RE) fund to support private and public projects. The SP will be able to retender for Phase 2 of the programme, subject to the requirements detailed at 5.2 below and on provision of an exit strategy as detailed in this ToR.

In summary then there will be 3 procurements:

- 1) Phase 1 of the programme (June 2015 – June 2017 approximately)
- 2) Real-time learning component to inform the decision to move to Phase 2
- 3) Phase 2 of the programme (July 2017 – July 2019 approximately)

For the avoidance of any doubt, these ToR and the associated tender process is for Phase 1 of the programme only

2.2 Value for Money is important for all DFID programmes.

**3. Objective**

3.1 The objective of this assignment is three-fold:

- a) To provide technical assistance (TA) to the Ministry of Energy and Minerals (MEM)

for the introduction of an appropriate framework for the development and operation of rural electricity including hybrid mini-grids, and capacity-building to implement this.

- b) Development of the 3-5<sup>1</sup> mini-grid pilots in association with the MEM.
- c) To create a funding platform for Renewable Energy Fund privately developed hybrid mini-grid projects, and capacity building to implement this.

#### **4. Recipient**

4.1 The recipients of the services under this programme are ultimately the peoples of Somaliland and the Government of Somaliland

#### **5. Scope**

5.1 The SP will establish 3-5 Mini-Hybrid grid pilots, as well as providing TA to MEM and co-ordinating with the implementing partners of the three components of the ESRES programme. Towards the end of Phase 1, the SP will work towards the establishment of a renewable energy fund for the expansion stage i.e. Phase 2. There will be a ring fenced budget for TA to GoSL agreed with the SP during the inception Phase. The envisaged broad scope includes, but not limited to the following functions:

#### **Steering Committee**

The SP will work with a steering committee that will have representatives from DFID and the Government of Somaliland and other stakeholders independent of the SP to provide strategic direction as and when needed.

#### **A. Pilot 3-5 Mini-hybrid grids involving Private and Public power providers (They are to function as Private Public Partnerships (PPPs) similar to Hargeisa wind power plant.**

- i. Identification and implementation of 3-5 mini-hybrid grid pilots, making sure that partners report on operational and financial progress at regular intervals to be determined in the funding agreements. Ensure that funds are properly spent on agreed activities, quality requirements are met, and expenditure statements from those in receipt of funds are accurate

#### **B. Technical Assistance to Ministry of Energy and Minerals, Government of Somaliland (GoSL) (0.5M)**

- ii. Provide long-term and short term technical support to GoSL on call-down consultancies as required by GoSL on the implementation of the introduction of a framework for the development and operation of rural electricity including hybrid mini-grids and capacity building to implement this, including representation at GoSL forums and country events. The SP with the steering committee will determine which forums and events would be most useful to attend. DFID will reserve the right to have the final say.

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<sup>1</sup> This will, in part be demand driven. The number will depend on the size of the schemes. There could for example, be 3 large ones or 5 smaller ones.

**C. Renewable Energy Fund (towards the End of the Phase 1 –exact timing to be determined)** The available budget for the fund component is £15m in total

- ii. Establish an RE fund to create a funding platform for hybrid mini-grid projects and manage its operations and activities;
- iii. Develop guidelines and assessment criteria for funding applications/proposals;
- iv. Conduct a Call for Proposals process, evaluate the proposals and identify suitable recipients of innovation funds;
- v. Carry out a fiduciary and management assessment (due diligence and appraisal of management capacity) for each proposal;
- vi. Agree disbursement schedules with grant recipient organisations as well as reporting requirements.
- vii. Open and maintain a Fund account, and prepare quarterly reports of disbursements and accounts for reporting to DFID Somalia.
- viii. Review and approve budgets, work plans and accounting systems of grantees;
- ix. Prepare and issue funding agreements for individual grantees;
- x. Maintain financial oversight of programme funds, and spending and ensure compliance with financial management regulations;
- xi. Appoint a dedicated accounts staff to support and monitor forecasting and spending by grantees;
- xii. Submit monthly forecasts by the 10<sup>th</sup> day of each month.

**D. Co-ordination with partners implementing ESRES**

- i. Securing co-ordination and synergy between the programme components;
- ii. Ensure timely and effective communication about the programme to DFID Somalia and GoSL;
- iii. Proactively assess risks at regular intervals with regard to progress of approaches to funded activities. This will include contingency plans and programming adequate flexibility to deal with unforeseen risks;
- i. Convene quarterly meetings with steering committee to discuss progress and ensure ESRES is on track to meet its overall objectives;
- ii. Prepare, collate and submit quarterly financial and narrative reports on programme progress;
- iii. Ensure all relevant indicators (ICF and performance indicators) (see attached document) are included in the quarterly reports;
- iv. Effectively co-ordinate all the programme processes while at the same time being flexible and ready to proactively adapt to the changing programme environment;

**E. Real Time Learning Process for ESRES**

- i. Work with the Implementing partner for the Real Time Learning process during the Phase 1 ensuring close collaboration and coordination.
- ii. Prepare and submit quarterly progress reports against the programme logframe;
- iii. Monitoring and reporting on the progress and performance of the programme to the DFID Somalia Climate Change Lead
- iv. Co-ordination of regular field visits, and involving the implementing partner for the RTL during such visits as much as possible.
- v. Provide overall quality assurance of the programme, develop a knowledge management system where good practices and lessons learnt are maintained and shared by partners and grantees.
- vi. Facilitate DFID's independent Annual Reviews with the Real Time Learning Process team.

- 5.2 If we decide to tender for Phase 2, the Phase 1 SP will be required to make available to market any outputs from Phase 1 including progress reports. This will allow for a level playing field and avoid any challenges around incumbent supplier advantages. For the avoidance of any doubt, none of the outputs or component elements of the outputs, or component elements of any systems that form part of or are associated with the outputs and the delivery of the requirements, as detailed within these Terms of Reference, will be restricted in any way that will prevent DFID from sharing them with market in a future tender process.

## **6. Performance Requirements**

6.1 DFID will agree a work plan, milestones and Key Performance Indicators (KPIs) with the service provider. KPIs are expected to include:

- Quality and delivery
- Financial and Personnel Management
- Innovation

6.2 Milestones have to be meaningful and linked to performance. It should not be problematic to validate milestone achievement and we would expect to see meaningful levels of payment at risk, pending DFID approval that the milestone has been achieved to our satisfaction.

6.3 You should also propose a suite of KPIs for review during the inception period as part of your bid. The KPIs for the implementation period will be agreed by the end of inception. You should note that these KPI's will be linked to a percentage of the fees payable under this contract. The percentage will be agreed by the end of the inception and is expected to be a minimum of 5%

### **Phase 1 (2015 – 2017) During this period, the SP will be expected to deliver:**

#### **Inception Phase ( 5 Months)**

A synergised and aligned approach towards the objectives of ESRES by all the partners under the programme components within the first three months;

- i. Detailed workplans from each of the partners within the first three months;
- ii. Design of the TA and detailed development plans of the 3-5 mini-hybrid grids within the first three months
- iii. Roll out of the TA by the 6<sup>th</sup> month
- iv. Development of 3-5 hybrid mini-grids during the Phase 1
- v. Programme Management structure, including partners, roles and responsibilities by the end of the inception phase
- vi. Programme Management Manual before the end of the inception phase. This should be compliant with the procurement and management practices of DFID and the key stakeholders. It should also set out roles, responsibilities and reporting lines. Particular attention should be given to:
  - a) Procedures for engaging with organisations with regard to the identification and commissioning;
  - b) Mechanisms for providing funding for implementing partners
- vii. A detailed M&E framework and strategy by the 6<sup>th</sup> month, meeting the relevant DFID standards, which will comprise of:
  - a) A clear theory of change from activities through to impacts (economic, social and environmental), identifying the critical assumptions and causal factors;

- b) A monitoring plan establishing quantified milestones against which progress can be tracked and budgeted plan for data collection activities. The plan should establish arrangements for monitoring value for money. Baselines appropriate to the subject methodology and reflecting the need to monitor environment / climate change and gender will be undertaken once intervention areas are identified;
  - c) The SP to work with the with independent RTL team to establish a real time learning plan As part of designing the evaluation approach, the SP should assess the evidence base of intervention's theory of change, and use this to inform the evaluation design.
- viii. Build on your tender submission by refining a more detailed work plan & budget for the next 12 months setting out the main tasks and the cost of activities;
- ix. Mechanism to review and approve the work plan & budget, with independent technical advice sourced;
- x. Consultation record and coordination plan with relevant programmes, policies and stakeholders;
- xi. Value for Money strategy which includes: actions/processes to maximise each of the '3 Es' (Economy, Efficiency, Effectiveness) using the VfM Actions Template that DFID will provide; completion of the budget template for VfM analysis that DFID will provide; planned values for VfM indicators of Economy, Cost Efficiency and Cost Effectiveness (building on those outlined in the VfM Measures section of the Business Case); suggested processes for collection of data to allow the cost-benefit analysis in the Business Case to be updated.
- xii. A more detailed Sustainability strategy (recommendations on how the programme will progress beyond DFID funding).
- xiii. Liaise closely with DFID Somalia staff to ensure coherent approach
- xiv. A more detailed Communication strategy with beneficiaries, GoSL and other donors.

<b>Desired outcomes</b>			
<b>Required service</b>	<b>Reference to logframe outputs / indicators</b>	<b>Performance standard / indicator</b>	<b>Monitoring method</b>
Technical Assistance to the Government of Somaliland	Electricity sector regulation (including RE policy and incentives) implemented – promotes private sector and provides incentives to IPPs to increase use of hybrid mini-grids	Development of a coherent regulatory framework covering rural electrification and isolated grids and support with implementation	Quarterly check; Annual independent audit
Fund Management	Establishment and Management of Renewable Energy Fund	Effective renewable energy funding window operational and mini-grids developed during the expansion stage	Quarterly check; Annual reviews;

		(note that because of moves toward consolidation of mini-grids, one grid that is equivalent in size to two small grids would be counted as two equivalent grids)	Independent review at the end of the first year
Programme Management	Establishment of 3-5 Hybrid Mini-grids	<ul style="list-style-type: none"> <li>Number mini-grids designed and developed during Phase 1 (note that because of moves toward consolidation of mini-grids, one grid that is equivalent in size to two small grids would be counted as two equivalent grids) and the process monitored and evaluated</li> <li>kW installed of renewable electricity generation in the target facilities</li> </ul>	Regular monitoring; Annual reviews; Independent review at the end of the first year
Monitoring and Evaluation	Real time learning process		Regular monitoring

#### Key deliverables for Implementation Phase:

- Establishment of 3-5 Mini-Hybrid grid pilots
- Development of a regulatory framework with the Ministry of Energy and Minerals
- Establishment of a renewable energy fund (towards the end of the pilot phase)
- Exit Strategy - Provide and deliver an exit strategy to ensure long term sustainability of services. This exit strategy must be provided to DFID not less than 6 months before the end of the contract in 2017 to enable DFID to have adequate opportunity to review and approve content.

## 7. Constraints and Dependencies

7.1 The SP will be required to have an operating office in Somaliland with qualified staff and equipment to co-ordinate all components of ESRES and directly manage the RE fund and TA. If practical in VfM terms, e.g to maximise existing facilities, the SP can consider spending time in Nairobi as well. However, as a minimum we expect 50% cover in Somaliland throughout the contract.

7.2 The approach to the establishment of the mini hybrid grids /TA and RE fund will include, but not limited to reviewing management practices of similar Programmes/Funds but the SP will be relied upon to use their own expertise to determine best practice as well as the most efficient and cost-effective mechanism within which the mini-hybrid grids can be established and within a reasonable timeframe. The SP should be able to demonstrate how this will be achieved.

7.3 The programme will operate in such a way as to harness the project management and administrative capability of existing, capable entities that have a mandate to engage with private sector participants.

7.4 The programme should align, but not partner with other international organisations where their existing activities are closely aligned with ESRES objectives.

7.5 Relevant payments specific to the deliverables above will be linked to successful achievement of the deliverables.

## **8 DUTY OF CARE**

8.1 DFID has recently launched the new 'Duty of Care to Suppliers' policy. This policy aims to clarify DFID's position in relation to Duty of Care (DoC) and how it will be addressed as part of our risk management and procurement processes. The policy has a particular focus on Suppliers who will be operating in dangerous environments. Further information on this policy and how it will be applied to DFID's procurement processes can be found at <http://www.dfid.gov.uk/Work-with-us/Procurement/Duty-of-Care-to-Suppliers-Policy/>.

8.2 The Supplier is responsible for the safety and well-being of their Personnel (as defined in Section 2 of the Contract) and Third Parties affected by their activities under this contract, including appropriate security arrangements. They will also be responsible for the provision of suitable security arrangements for their domestic and business property.

8.3 DFID will share available information with the Supplier on security status and developments in-country where appropriate. DFID will provide the following: [Programme to ensure the following will be available before including in the ToR]

- All Supplier Personnel will be offered a security briefing by the British Embassy/DFID on arrival. All such Personnel must register with their respective Embassies to ensure that they are included in emergency procedures.
- A copy of the DFID visitor notes (and a further copy each time these are updated), which the Supplier may use to brief their Personnel on arrival.

8.4 The Supplier is responsible for ensuring appropriate safety and security briefings for all of their Personnel working under this contract and ensuring that their Personnel register and receive briefing as outlined above. Travel advice is also available on the FCO website and the Supplier must ensure they (and their Personnel) are up to date with the latest position.

8.5 Tenderers must develop their PQQ Response and Tender (if Invited to Tender) on the basis of being fully responsible for Duty of Care in line with the details provided above and the initial risk assessment matrix prepared by DFID. They must confirm in their PQQ Response that:

- They fully accept responsibility for Security and Duty of Care.
- They understand the potential risks and have the knowledge and experience to develop an effective risk plan.
- They have the capability to manage their Duty of Care responsibilities throughout the life of the contract.

8.6 If you are unwilling or unable to accept responsibility for Security and Duty of Care as detailed above, your PQQ will be viewed as non-compliant and excluded from further evaluation.

Acceptance of responsibility must be supported with evidence of Duty of Care capability and DFID reserves the right to clarify any aspect of this evidence.

8.7 If at a subsequent stage it becomes apparent that the programme will operate in a region that had not previously been considered, then the programme team will conduct a risk assessment at that stage, share it with suppliers and satisfy themselves that the Supplier can manage the DoC.

8.8 If at any stage there are concerns that the Supplier cannot manage DoC for a region not previously considered then they may be precluded from operating in that region. The ability of the Supplier to manage DoC will be a pre-condition of the contract.

## **9 TIMEFRAME**

9.1 The contract is expected to commence in April 2015 and end in December 2017. Phase 1 total will be for 30 months with a possible extension of up to 6 months subject to project need, review recommendations and budget availability and to manage the transition to Phase 2, should we decide to continue the programme in OJEU terms. Any such extension shall be considered using the flexibility allowed by the OJEU Negotiated Procedure. For the avoidance of any doubt, this is not an opportunity to increase costs and our default position is always that contracted rates will prevail, unless cheaper options are viable.

9.2 At the end of the 5 month Inception phase, there will be a contract break point to review Inception Outputs. Progress to the Implementation Phase will be subject to the satisfactory performance of the SP, delivery of Inception milestones and the continuing needs of the Programme. There will be a further break point at the conclusion of the annual review of the programme in May 2016, to allow an on-going assessment of the successful operation of the evaluation work and progress against objectives”

### **9.3 Competency and Expertise**

7.1.1 For each of the objectives, the following skills are required:

- a) Renewable Energy Fund:  
Strong skills in:
  - Fund Management
  - Risk assessment.
  - Training and development/capacity building.
- b) Technical Assistance to GoSL for the introduction of an appropriate framework

It is envisaged that a set of empanelled consultants, as part of the resource pool, will support short-term and longer term consultancy responding to needs of GoSL relating to the implementation of the ESRES and DFID. This will be developed in consultation with GoSL. Consultancy needs are expected in the following broad thematic areas. The minimum technical requirements include:



- Climate Change Adaptation expert: should demonstrate basic qualification in climate change/livelihoods/environment with advanced training/qualification in adaptation issues. S/he should preferably demonstrate eight years of relevant experience on working on climate change information projects. Experience of working at policy level, design and implementation of programmes is desirable.
- Climate Change mitigation expert: should demonstrate basic qualification in climate change/ clean energy with advanced training/qualification in renewable energy. S/he should preferably demonstrate eight years of relevant experience on working on clean energy projects. Experience of working at policy/regulatory level and in design of energy efficiency projects is desirable.
- Climate Finance and institutional expert: should demonstrate basic qualification in institutional development/financial management with advanced training/qualification in governance and climate finance issues. S/he should preferably demonstrate eight years of relevant experience on working on climate finance and institutional design projects. Experience of working at policy level, within government systems and in preparation of rules/regulations is desirable.

In addition to the above, competence and experience in the following areas will be required:

- Working with Government,(GoSL, and its agencies)
- National planning processes
- National policy development and implementation
- Climate change mainstreaming
- Institutional strengthening
- Design and establishment of Trust Funds
- Delivery of a Climate Change Policy and related Bills
- Co-ordination with various programme implementing partners
- Representation at Government forums.

c) Co-ordinating with implementing partners for ESRES

- a. Bidders should have strong and specialised skills in:
  - Administration and programme management
  - Working in a Fragile State
  - Working with the private sector and the civil society
  - Financial Management
  - Monitoring and Evaluation
  - Stakeholder engagement and communication

9.4 Bidders should identify the specific long term experts, including a Team Leader and managers who will fill key positions and confirm their availability. Bidders are also expected to supply short term experts in low carbon development and climate change adaptation.

## 10 Reporting Arrangements

10.1 The Service Provider will co-ordinate with DFID Somalia Climate Change Lead and will be required to:

- i. Develop and agree with DFID on report format including the establishment of necessary systems required to generate reliable information;
- ii. An inception report, within three months from the start of the contract providing DFID with work plans and budget
- iii. Submit quarterly progress financial and narrative reports to DFID that including updating of a live risk matrix;

- iv. Annual reports with: progress against the Logframe, VfM indicators, updating of the VfM Actions Template, and updating of the budget template for VfM analysis;
- v. Provide timely response and feedback to grant recipients on key implementation issues that require further attention.

The intended audience for the report is DFID Somalia and the steering committee (mentioned above)

## **11. DFID Co-ordination**

The ESRES Programme Manager and the Programme Officer in DFID Somalia will be the main contact points and will oversee management of the work.

## **12. Background**

12.1 DFID Somalia is implementing the Energy Security and Resource Efficiency in Somaliland (ESRES) programme, running up to 2018/19. ESRES is a 5 year programme (2014-2019) and will be delivered in two stages:

### **Phase 1 (30 Months)**

- i. Technical assistance to the Ministry of Energy and Minerals (MEM) for the introduction of an appropriate framework for the development and operation of rural electricity including hybrid mini-grids, and capacity-building to implement this.
- ii. Grants toward the development of the 3-5 hybrid mini-grid pilots in association with MEM.
- iii. Technical assistance to the chosen fund manager to create a funding platform for privately developed hybrid mini-grid projects, and capacity building to implement this

### **Phase 2 - (Currently envisaged at 24 months)**

- iv. Grants, loans or equity investments to cover 50% of the capital costs for the development of a further 10-11 medium-sized hybrid mini-grids, to be delivered through the chosen fund manager.

12.2 The programme is aimed at helping Somaliland diversify its energy mix with the introduction of a renewable component. It aims to build resilience to resource shocks (fuel imports) and enhance the sustainable use of resources. ESRES will support innovative renewable energy and energy efficient technologies, governance approaches and business models to provide improved access to electricity – and to essential services dependent on electricity – to local communities. This will be the first intervention of its kind in a fragile and conflict affected state (FCAS).

### **12.3 Impact and outcome:**

- The intended impact of the programme will be: improved development outcomes for vulnerable communities in Somaliland through improved access to green electricity that demonstrate scalable, sustainable, economically and technically viable application of hybrid mini-grids in an FCAS environment.
- The intended outcome of the programme will be: leveraged private IPPs to adopt hybrid mini-grids, leading to improved access to electricity produced from renewable energy sources.

12.4 The main focus of ESRES is the private sector, because of its leverage potential, with supporting investments in governance and civil society engagement. DFID support to the private sector will reveal commercial opportunities for investment to a point where market incentives then take over. Substantial private sector engagement will reduce risk, increase return, test new business models and provide new financial services with focus on sustainability. The programme will have an impact beyond Somaliland, because of its vibrant private sector.

### **Key Documents**

ESRES Concept Note  
ESRES Business case and logframe  
ICF Key Performance Indicators