Section 3

TERMS OF REFERENCE
ENERGY, SECURITY AND RESOURCE EFFICIENCY IN SOMALILAND, PHASE TWO

1. INTRODUCTION

1.1. *About DFID*

The Department for International Development (DFID) manages the majority of the United Kingdom's development assistance to poor countries and leads the United Kingdom's work to end extreme poverty, building a safer, healthier, more prosperous world. DFID's approach to international development is focused on working effectively with others to deliver results, transparency and value for money in British aid particularly in fragile and conflict-affected states.

DFID launched its new Economic Development Strategy in 2017 which includes a renewed focus on energy:

"*We are doing more to help meet businesses' rising energy needs; to ensure affordable energy access for the poor; and to enhance environmental sustainability in energy use…..*"

1.2. *The Energy, Security and Resource Efficiency in Somaliland (ESRES) programme*

DFID is delivering part of its Economic Development portfolio through the ESRES programme. ESRES sits within DFID Somalia's Economic Development pillar and is an important part of the current DFID Somalia Business Plan. The ESRES Business Case was approved in 2014 by the Secretary of State for International Development. It commits the UK to provide a total of GBP 20m from the International Climate Fund to expand access to cheaper, cleaner and more sustainable sources of electricity in Somaliland, and to improve energy security and promote resource efficiency. By reducing the cost of electricity, the programme aims to help the people of Somaliland overcome one of the biggest barriers to economic development and stimulate economic activity.

ESRES consists of two pilot phases: GBP 5m pilot phase (Phase 1) which has been running since September 2015 and managed by Mott MacDonald; and a new phase (Phase 2) which is due to start in September 2018 and run until August 2021 with a budget of GBP approx. 13.5m.

1.3. DFID now wishes to work with a supplier to deliver a second phase of ESRES, building on lessons learnt from the first phase, and continuing to demonstrate results in the renewable energy sector, and disseminate learning to key audiences.

2. ESRES Phase 1

2.1. ***Phase 1 Theory of Change***

The programme theory of change (ToC) has been refined throughout the first phase. Its basic thesis, which will continue to be tested through the second phase, is that DFID co-financing to support the procurement and installation of hybrid-mini grids will deliver lower

cost, cleaner energy to a wider range of households and businesses. In light of the lack of policy and regulation in the renewable energy sector in Somaliland, the programme has combined this co-financing with helping the Ministry of Energy and Minerals (MoEM) develop the skills, information and systems it needs to play a role as a regulator: i.e. to develop regulation and policy and implement it. Financing was also provided to recipients of financing to support them to improve their business models, procure, and implement hybrid mini-grids with an aim of this supporting more progressive cost models for consumers.

2.2. *Phase 1 Activities and Results*

Phase 1 has been managed by private sector suppliers. It has provided matching grants to help finance renewable energy equipment at six urban centres – all among Somaliland's twenty largest population centres – in five of Somaliland's six regions. The emerging results from Phase 1 are:

- First successful call for proposals for hybrid mini-grid sites, with 6 proposals selected. Installation was completed at the end of 2017, and commissioning is taking place.
- These six mini-grids aim to expand access to an additional 10,307 households, and demonstrate the viability of solar energy generation.
- Technical assistance to support the MoEM to help meet its future regulatory role of the energy sector.
- Helped to develop the Electricity and Energy Act which includes an electricity commission and regulatory framework. Expected enacted in 2018.
- Baseline data and studies to inform Phase 2 design.

In addition, Phase 1 included a Real Time Learning Component, managed by a separate private sector supplier. This enabled the pilot to internalise some important lessons and test key assumptions on the initial theory of change. These lessons have strongly influenced the design of Phase 2.

2.3. *Phase 1 Lessons*

Relevant lessons from Phase 1 include:

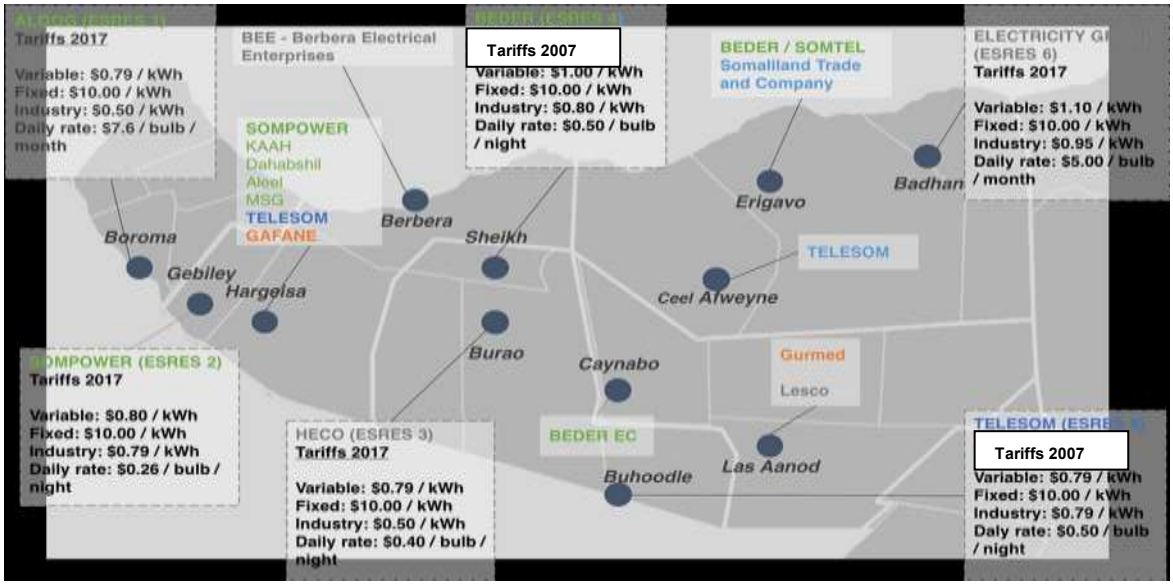
- Reducing power prices by increasing generation through hybrid mini-grids has been more challenging than expected. Reasons are: challenges working with independent power producers (IPPs) on grant agreements in the absence of robust data systems and understanding of profits and losses; the continued lack of a policy and regulatory environment; issues that go well beyond generation to distribution and transmission; recent market shift towards the consolidation of IPPs and monopolies across all major urban centres of Somaliland resulting in significant price variance across Somaliland; and a resistance to passing on lower generating costs from using renewable energy to consumers in the form of lower tariffs.
- Energy efficiency is crucial. An End Line Survey was anticipated to start in January 2018 to capture the key issues around inefficient infrastructure: poor wiring, old or damaged transformers and absence of metering. However, the delays in commissioning because of procurement and challenges implementing this new technology in six different sites meant this analysis could not take place, but its rationale remains central to improving results in Phase 2.
- The poorest energy consumers still tend to pay the highest prices. This is because of regressive tariff structures that limit choice (i.e. there is one provider or two providers that offer the same service/prices). The grant agreements are as yet unproven in

creating tariff change and further investigation is required to test the robustness of the grant agreements in helping to bring costs down.

- Low usage consumers (who are also the poorest) strictly limit consumption to basic essentials of lighting and small appliances. Tariff structures, at present, mean they pay a daily or fixed fee, meaning that per unit (Kwh) they are paying the most for energy, perhaps up to $3 or more / Kwh. Whereas higher demand consumer have lower rates (commonly $0.79/Kwh or below).
- IPPs lack experience and capacity to complete bidding processes and negotiate financial details. Weak private sector technical capacity to install and maintain increased generation capacity. Technical training programmes are almost non-existent.
- The Somaliland Electricity and Energy Act is drafted and being considered by Parliament. There are three key risks associated with this uncertain legal process that have been learned during Phase 1 and need to be considered alongside future support in Phase 2:
  - Lobbying risk – IPPs have vested interests in the status quo and continue to lobby, primarily against connections to the Ethiopian grid and to restrict investment from outside Somaliland. The Somaliland Energy Association is, however, largely supportive of the Act.
  - Procedural risk – the Bill continues to get trapped in Committee and remains stuck with limited Parliamentary incentive to push the Act to enactment.
  - Donor financing – to the energy sector in SL remains low.

3. Understanding the political economy of the energy sector

3.1. A significant amount of knowledge has been accumulated on the political economy of the energy sector in Somaliland in Phase 1. The energy sector is similar to the other major sectors in Somaliland which have grown organically since the 1990's in a unique Somaliland context, and a generally unregulated environment. The major issue facing the sector is a recent market shift towards the consolidation of IPPs and monopolies across all major urban centres of Somaliland. The challenge with such a market shift is significant price variance across Somaliland and a resistance to passing on lower generating costs from using renewable energy to consumers in the form of lower tariffs. The map below shows tariffs across the ESRES sites:



4. ESRES PHASE 2

4.1. DFID is now seeking a supplier (or consortium) with a proven track record in fund management, specific experience with the development of mini grids in Africa, and holistic approaches to servicing communities and businesses once mini grids are established. Experience is sought from supplier experienced in the implementation of renewable energy systems (explicitly solar), private sector approaches that work with local companies to make productive use from more reliable and cheaper electricity, the ability to consolidate and scale-up key results from Phase 1, and deliver further innovation and learning in the sector for a targeted audience.

4.2. ***Overall objective***

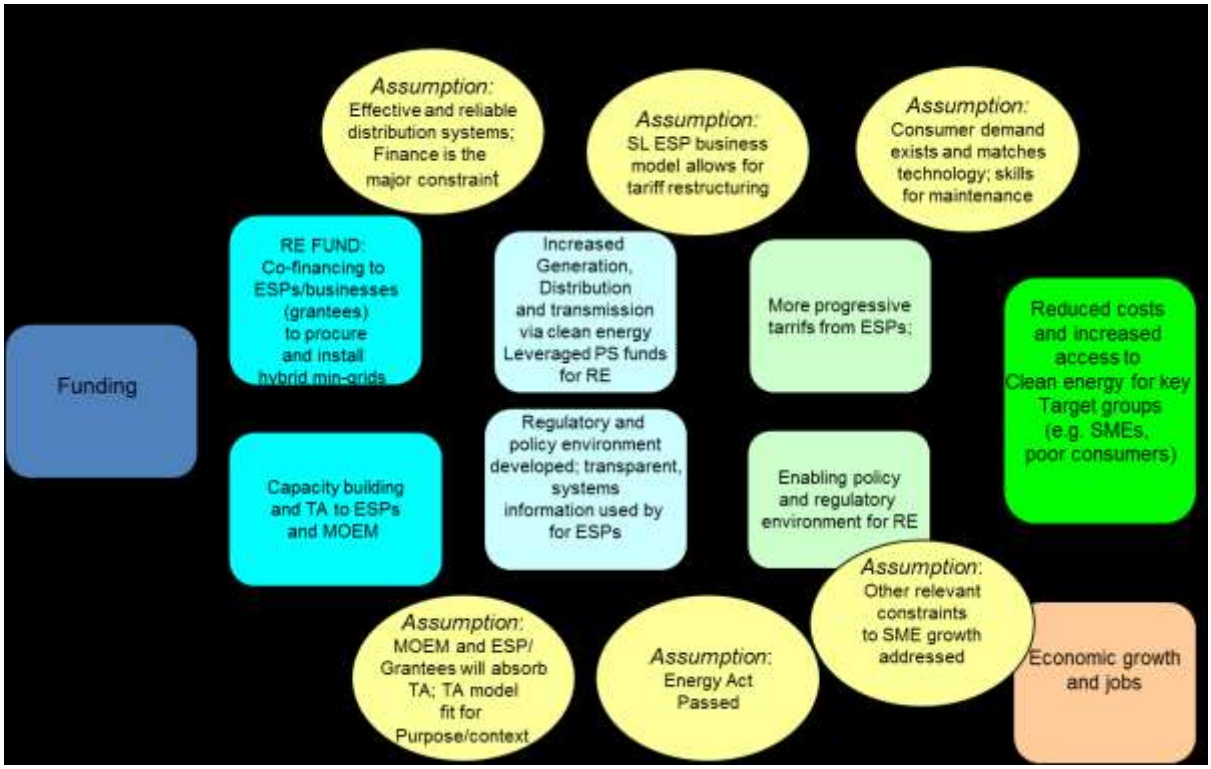
The Overall Phase 2 objective is to deliver on the programme's aim of increasing access and reducing cost. In order to make progress toward this, we expect the supplier to support two key areas:

4.2.1. Support to the future sustainability of existing mini-grid sites, ensuring progress towards improved IPP professionalization enabling progress towards improved efficiency and more progressive tariffs, with a focus on understanding aspects of impact on a range of customers. This will include a package of targeted technical assistance to the MoEM to enable it to function as a regulator.

4.2.2. Support a renewable energy fund to deliver an expansion of sustainable renewable energy infrastructure, resulting in further improvements in access, including in productive services and with a view to understanding energy as a constraint to business growth. This will operate across Somaliland and will consider both rural and urban areas. This includes supporting grant recipients to develop appropriate quality business proposals and address the key lessons around potential grant recipient capacity identified in Phase 1.

4.3. ***Working ToC for Phase 2***

The working ToC for Phase 2 is as follows. Learning and evidence (see Annex for all key products to date) from Phase 1 is directly relevant to the assumptions and causal links and evidence around this ToC. The Supplier will be expected to review the ToC, and provide a revised version as part of their bid, and link this to their chosen approach to implementation and learning and evidence (see page 16 of ITT Volume 2 Scoring Methodology and Evaluation Criteria: Technical Criteria T2?).



5. RECIPIENTS AND BENEFICIARIES

5.1. The recipients of the ESRES Phase 2 are companies applying for grants (mainly IPPs established in the energy market), local businesses, the MoEM, the people of Somaliland being the final beneficiaries.

6. SCOPE

6.1. To consolidate and expand on lessons from Phase 1 and to ensure progress towards the programme's aims of improved access and reduced energy costs in Somaliland, by working with government, IPPs, businesses and consumers. This will include:

- the use of match financing to support increased renewable energy use with a clear benefit to a clearly defined end user;
- the deployment of technical assistance to key stakeholders to accompany grant financing, and support regulatory functions within the MoEM;
- active coordination with other energy donors; and
- the development and testing of the evidence base on this approach as an integral part of programme implementation.

6.2. There is potential for the renewable energy fund to include financing for consumer demand issues if this is thought to be an essential part of the approach to energy access and reduced costs in Somaliland. Specifically, the scope of work is to achieve the programme's aims through the design and deliver two main components as elaborated below.

6.3. The scope of work includes a partnership with the MoEM to ensure knowledge transfer.

6.4. The scope of work includes ensuring a reflective approach to delivery, capturing and documenting evidence and disseminating learning to targeted audiences. However, there will be separate tender issued for specific evaluation questions to be undertaken during phase 2. The supplier will be expected to work with the evaluation provider. This is therefore not part of the scope of this tender.

6.5. Investments are expected to be used to improve renewable electricity generation capacity but also improve transmission and more efficient distribution. Local private sector co-financing must be leveraged wherever possible and deliver measurable returns against both pre-defined economic development and social development objectives.

Component 1 @ £2.5M: Improving the cost and efficiency of six mini grids

Design and deliver a package of support for the six existing mini grid sites focusing on efficiency: i.e. moving beyond the hardware installation to generation, distribution, transmission and transparency.

6.6. Resulting improvements should reduce costs, increase systems, data and transparency of the IPPs and enable consumers to make more productive use of electricity. To ensure this holistic approach, inputs will likely entail a combination of:

- Continued technical support for existing IPPs on their information systems and potentially additional hardware in light of their progress against their grant agreements from phase 1. Smart metering is likely to be an important investment within this area.
- TA to the MoEM to ensure they learn from the pilot, and are able to develop their role as a regulator.
- Continued research and evidence gathering on the impacts of increased generation and distribution for consumer use.
- A bespoke and adaptive approach which can adequately respond to the risks outlined in the learning from phase 1, the political economy of the sector, and the uncertain progress on the legal and policy side.

6.7. The supplier will be expected to explain the rationale for the emphasis they give to each area outlined above, and the detail on specific inputs expected, matched to their budget and estimated results linked to KPIs. Precise numbers and detailed results framework will be developed during an inception period.

6.8. ***Background on this component***

Phase I is revealing significant technical losses caused by poor quality distribution networks and overall inefficient operation of the existing systems. Suppliersare expected to explore the commissioned phase 1 mini-grids with the MoEM and analyse their transmission efficiencies, safety and technical standards to protect consumers. Potential investments (e.g. new wiring) will identify the central loss areas and work with IPPs to reduce these losses. Investments will be made in light of an assessment on the appropriateness of DFID grant financing alongside the potential for IPPs to make their own investments.

Based on research that is just starting at the mini grid site in Gabiley, it is becoming clear that metering technology may be an essential step in the move towards more transparency and reliable information systems required to develop a progressive tariff structure. This component will include work with IPPs on existing sites around metering approaches, potentially enabling IPPs to replicate this innovation in other sites.

Based on Phase 1, the package of technical assistance designed to support the MoEM for its future function as a regulatory body (see draft Energy Law) will need to be flexible and responsive. It must take into account current very limited skills levels within the MoEM in relation to the development of green mini grids. Skills transfer approaches must detail an approach to sustainability (i.e. knowledge transfer in key areas) articulated, and build on investments made in the Phase 1.

Support the MoEM to use the learning from this component to initiate a public debate on the cost of energy generation in Somaliland. Information is poor because IPPs record keeping around total operating costs are imprecise. MoEM will test whether making this information publically available initiates a debate that can help reduce prices to regionally comparable levels (*e.g. the average cost of generation is ~ $0.26/kwh based on a diesel price of $0.70/litre and an average unit efficiency of 25%, against a semi-official rate to consumers of $0.79/kwh in Somaliland*).

6.9. ***Requirements for bidders which may be requested updated approach in inception:***

6.9.1. Bidders must clarify their approach to (contained within ITT Volume 2: Scoring Methodology and Evaluation Criteria, technical criteria T4):

i. Identify and reach end users specified in the phase 1 grant agreements.
ii. Assessment and verification of tariff changes and structures for different customers.
iii. Ways to shift the market from a regressive to a progressive tariff system.
iv. Which economically productive sectors can be promoted with more reliable electricity and what services (e.g. loans) can support economically productive activities?

6.9.2. Bidders must specify a clear methodology and approach for addressing these issues in their bids to be further developed in the inception period. Bidders should include an approach for gathering and verifying information (e.g. informant interviews; business surveys; safety standards of connections).

6.9.3. Bidders are expected to prove their expertise in the following (contained within ITT Volume 2: Scoring Methodology and Evaluation Criteria, technical criteria T2) :

- Establishing and managing green mini grids in the region.
- Supporting generation to transmission to distribution, and working with IPPs to deliver efficiency gains and more progressive tariffs in similar contexts.
- Identifying, procuring and installing relevant hardware and software.
- Smart metering applications and the use of data to improve energy efficiency and information for domestic and business consumers.
- Accurate measurement of IPPs generation costs and recording customer usage.
- Awareness of the political economy of the energy sector, relationships between the MoEM and IPPs, and an awareness of and the ability to respond to political obstacles and opportunities.

Component 2 @ £11M: Renewable Energy Fund (Urban and Rural)

Component 2 will include an inception and implementation period. The requirement is to design and manage a Somaliland Renewable Energy Fund. The design and management should deliver programme outputs, outcomes and progress towards the impact, as highlighted in the working ToC for Phase 2. This Fund should be designed to cover both urban and rural locations.

6.10. The supplier are expected to design (inception period) and manage (implementation period) a Fund that can help plan future mini-grid projects, financial analysis, procurement and finance. This platform will free IPPs to focus on site identification, local execution, and customer-facing operations. The platform will standardise simple bidding forms to enable bids to be technically and financially evaluated through a credible platform that enables comparison across bidding organizations. This is fundamentally a planning tool for IPPs to use to generate an optimal system for a given site. Common metrics can then be applied to compare and contrast sites and evaluate which ones to fund. This would require investment in tools to assess mini grid potential, training and data collection for the sites.

6.11. During the implementation phase, the provider will be expected to monitor, report and manage the Fund's results, ensuring they meet agreed targets. These results will be drawn from each bid that is screened and successfully makes it through the robust by the Renewable Energy Fund mini grids platform. Each project, with precise targets, will be developed by the provider and agreed with DFID in the inception period.

6.12. The supplier should design a Fund that will ensure the filtering of credible projects and comparisons across projects and different business models. The Fund must enable newer energy providers and businesses to participate with easy-to-use tools in a transparent way. This will require the tailoring of tools and training on the use of tools and data gathering.

The Fund will have two windows for urban mini grids and rural mini grids. Indicative values across urban and rural are below:.

6.13. As well as the option of supporting further IPPs, the Fund should be designed to provide an option/window for support to businesses in targeted sectors to facilitate improved energy access for productive use. This could include a range of type and size of technologies, SME use and embedded approaches. A ToC for the selected targets groups (e.g. by sector/business size etc.) of each window should be developed and implemented. This would test assumptions around renewable energy and economic growth, for example: reduced operating costs, increased business profits, and in the long run increased jobs. above, the suppliershould explain their rationale for any suggested window and its size, based on their understanding of the potential grantee base in Somaliland and potential for returns. This will be developed further in the inception phase during which the Fund design will be undertaken.

6.14. The Fund should be designed to include a package of technical support and business development support for grant recipients to accompany the Fund's application process and subsequent investment. This should be targeted and designed in light of lessons learnt during Phase 1.

6.15. Grant recipients' transparency of data and information should be central and linked to any proposed financing through the Fund –

6.16. ***Additional background and considerations for the supplier***

6.16.1. The supplier may wish to consider an energy auction approach in both the rural and urban windows. Energy auctions tend to work well in more mature markets with clear information, forecasting and planning to enable IPPs to engage appropriately and provide reliable figures for a fair and transparent evaluation process. It would, in the Somaliland context, also lead to a large urban area focus because of scale and guaranteed demand. This is most likely to provide a fit for the large urban window.

6.16.2. The supplier may want to consider a hybrid financing model for future investments. Evidence points towards an advantage of payments being made for services throughout the lifetime of the scheme as an "anchor customer", rather than up front. There is merit in exploring models that partner with telecommunications tower companies, and public services such as schools, mosques and clinics as central components of the mini-grid. This may be more suitable for the rural window. For example, an approach could reassure the MoEM that the lowest achievable tariff will be guaranteed and IPPs reassured via a 10 year concession potentially coupled with low cost loan financing and guarantees to keep loan costs and risk premiums down. The supplier should also explore rural electrification platforms that can deliver direct cheap home solar lighting.

6.16.3. The supplier should consider the risk of investments in a largely unregulated and monopolistic market. The supplier should consider how Fund design – through its criteria and windows – can deliver the outputs in the original business case.

6.17. The supplier should consider Fund design drawing and proposing solutions against each of the issues below. They will be assessed as part of the technical solution.

i. Assessment of consumer demand in different sites – urban and rural.
ii. Results based financing.
iii. Marginalisation and inclusion.
iv. Pay by performance models, including full, or part, of the payment made at the end of the project when prices are significantly reduced.
v. Incentives for delivery and maintenance of the service over time.
vi. Demand side management and promoting electricity uptake.
vii. IPPs incentivised to offer ancillary services.
viii. Using UK investment as a progressive lever for the benefit of poorer consumers, while also being efficient in terms of achieving public good objectives and leveraging private investment.
ix. The use of data, research and evidence to explore innovative ways of delivering energy and lighting for rural and urban communities.
x. Managing Funds and ensuring that funds are properly spent on agreed activities
xi. Managing relationships with the World Bank on Lighting Africa, the US financed GEEL programme, and others active in this sector.
xii. Drawing on DFID's wider work on solar energy through the ACE programme and ACEF REACT fund.

7. METHODOLOGY

7.1. The ESRES objectives and outcomes can be achieved in a number of ways. The programme methodology must have a clear focus on the establishment of green mini grids that reduce the cost of electricity, prove green technologies and energy efficiency in the Somaliland context, help stimulate economic activity, and provide value for money. DFID is ready to accept innovative or high risk/high return strategies in terms of programme implementation. DFID will reward suppliers taking risks.

7.2. The programme approach must demonstrate expert-level technical knowledge on the approaches to private sector development in renewable energy and mini-grid markets, granular political economy understanding, analysing the economic benefits from increased access to affordable energy, and experience of working in fragile states and doing no harm. Attention should be paid to the way in which this intervention can address issues of marginalisation and inclusion, beyond targeting specific marginalised groups. This should be based on a thorough analysis of aspects of inclusion in relation to the intervention, and adequate responses to this supported by sufficient expertise on the team.

8. REQUIREMENTS

The supplier shall deliver:

8.1. **Phase 2 design: see ITT Volume 2 Scoring Methodology and Evaluation Criteria, technical criteria T6:**

- Design and detailed work plans for both components of Phase 2
- Programme Management structure including partners, roles and responsibilities
- M&E framework with a clear Theory of Change

- Build on tender submission to provide a refined budget setting out main tasks and activities
- Value for Money strategy.
- Sustainability strategy (how the programme will progress beyond DFID funding)
- Communication strategy with beneficiaries, GoSL and other donors

8.2. **Improvements in existing six mini hybrid grid sites:**

- Improved transmission and distribution based on baselines set in Phase 1 annex?
- Metering technology – procured and installed
- Improved tariff structure

8.3. **Fund Design, implementation and management:**

- Manage a DFID financed Fund and manage its operations and activities
- Develop guidelines and assessment criteria for funding applications
- Carry out a fiduciary and management assessment (due diligence and appraisal of management capacity) for each proposal
- Agree disbursement schedules with grant recipient organisations and reporting requirements
- Mini grids installed and commissioned

8.4. **Technical Assistance for MoEM and IPPs:**

- Electricity sector regulation, including ERC establishment implemented
- Improved efficiency and effectiveness of companies applying for ESRES grants

8.5. **General programme management to be in place by end of inception phase (see ITT Volume 2 Scoring Methodology and Evaluation Criteria: T6) :**

- Leadership and management of all programme components. Programme implementation plan revised, updated and agreed with DFID and MoEM.
- Governance, programme and financial management and reporting arrangements finalised and agreed with DFID
- Procurement strategy in place and procurement plans agreed with DFID
- Outcome and output indicators, targets and milestones for the duration of the project
- Monitoring and Evaluation strategy agreed with DFID
- Detailed VfM strategy and indicators identified
- Revised and agreed implementation payment and incentives structure (see Performance Reporting below)
- Open and maintain a Fund account and prepare quarterly reports of disbursements and accounts for reporting to DFID
- Review and approve budgets, work plans and accounting systems of grantees
- Maintain financial oversight of programme funds, and spending and ensure compliance with financial management regulations
- Appoint dedicated accounts staff to monitor forecasting and spending by grantees
- Submit monthly forecasts by the 10th of each month

8.6. **Co-ordinating with partners implementing ESRES:**

- Timely and effective communication about the programme with DFID and MoEM

- Proactively assess risks at regular intervals with regard to progress of approaches to funding activities. This will include contingency plans and programming adequate flexibility to deal with unforeseen risks
- Convene quarterly meeting with the steering committee to discuss progress and ensure ESRES is on track to meet its overall objectives
- Prepare, collate and submit quarterly financial and narrative reports on programme progress
- Ensure all relevant indicators (ICF and performance indicators) are included in the quarterly reports
- Effectively co-ordinate all the programme processes while at the same time being flexible and ready to proactively adapt to a changing programme environment

8.7. **Throughout implementation the supplier will deliver the following:**

- Annual Work Plans, to be approved by DFID
- Consistent, high quality evidence-based narrative and financial reporting meeting DFID requirements, including regular learning events with DFID and others at which the theory of change will be adjusted in the light of research and experience (see Reporting).
- Effective implementation of agreed programme strategies and work plans
- Completion of key programme milestones and deliverables
- Targeted capacity building as detailed in components 1 and 2 of this ToR
- Regular adjustment of the ToC and of programming to reflect a) inputs from sub-component technical inputs, b) lessons learned from programme implementation and M&E activities, including beneficiary feedback, and c) the changing Somaliland political context. Adjustments should include scaling up of successful initiatives and closure or modification of underperforming initiatives.

9. TEAM STRUCTURE (see ITT Volume 2 Scoring Methodology and Evaluation Criteria, technical criteria T2:

9.1. The supplier's bid should demonstrate how they will deliver the requirement, including but not limited to:

- The team structure (including roles and responsibilities across the two components) taking into consideration expertise required for each post, as well as relevant experience, and capability and capacity to work on:

- The Electricity Sector especially with renewable technology (notably solar)
- Transmission and Distribution networks, metering and end user demand in fragile and conflict affected states
- Rural energy systems and establishment of rural electrification systems e.g. *with telecommunications companies*
- Bidding platforms for mini-grid development
- Effective coordination with and across government and international agencies
- Technical assistance for grant recipients to increase efficiency and effectiveness.
- Effective approaches to technical assistance and knowledge transfer for MoEM (especially in key areas such as policy and regulatory issues)

- Embedded learning and influencing and dissemination strategies for knowledge uptake and policy making
- Adaptive programming and risk management in complex political situations
- Financial management
- Marginalisation and inclusive growth in relation to renewable energy in similar contexts
- Complex political economy issues, including relating to the energy sector in similar contexts

9.2. The supplier should specify the individuals who will take up key positions.

10. BUDGETING

10.1. Up to £13.5m (inclusive of VAT and other applicable taxes) of UK funding has been allocated to ESRES Phase 2 over 3 years. This will be split across the two components:

- Component 1 – £2.5 million
- Component 2 – £11 million (Urban and Rural)

10.2. The supplier should provide details on the distribution between mini grid development and technical assistance for the MoEM and IPPs. DFID reserves the right to adjust the balance across components depending on the effectiveness of implementation.

11. REPORTING

11.1. The supplier will primarily report to the ESRES Senior Responsible Officer (SRO) and the Programme Manager in DFID Somalia.

11.2. The supplier will be responsible for reporting progress and finances to DFID. The implementing partner will agree reporting formats and frequency for financial and technical reports with DFID.

11.3. It is anticipated that the supplier will provide the following reports:

Timeframe	Report /Meeting
Monthly	Monthly narratives (financial and results) (Virtual and face to face) Meeting with DFID ESRES SRO and programme management team. Meeting with DFID, MoEM
Quarterly	Quarterly progress reports (including financial reports) Update of risk analysis matrix.
Annual	Annual forecast of expenditures (the budget) disaggregated monthly

	– for the financial year April to March. These should be updated on a monthly basis; Annual work plans (it may be necessary to review and update this every six months). Progress in delivering Annual plans, especially at activity and output levels, shall be reported quarterly to DFID in an agreed format; Annual audited financial statements.
On-going	Document and disseminate useful results and lessons learned through a variety of media, noting that DFID funds should not be used to develop or update websites. DFID can provide exceptions on a case by case when this contributes to platforms for knowledge and sharing), acting as a conduit of information and best practice between partners, and to key stakeholders.

11.4. Payment and contracting mechanisms: the supplier is encouraged to consider the most effective payment mechanism that is appropriate to promoting flexibility, innovation *and* accountability for results and value for money and to outline the proposed mechanism as part of their commercial proposal. Final arrangements will be agreed either prior to implementation or up to six months after this date. DFID has the following guidance to offer:

- Given the need for flexibility we have a preference for a hybrid contract that incorporates some aspects of output-based contracting/payment by results (PbR), paying particular attention to ensuring that incentives to innovate and take risks are preserved.
- DFID reserves the right to periodically review the payment model to ensure it reflects programme needs.

11.5. Suppliers should specify their proposed approach as part of their bids, and should be aware that value for money criteria will factor in an assessment of the proposed PbR offer. In their proposal, the supplier should give an indication of the sorts of deliverables/payment milestones that they anticipate to put in place for implementation but definitive arrangements will be agreed prior to programme start or within the following 6 months (see 5.1 above). The supplier should bear in mind that payment milestones should make a meaningful contribution to delivery of the outputs, going beyond simply providing reports or activity based deliverables, and should show contribution to change/impact. In this way, the supplier should explicitly justify their chosen balance between short term and long term results and outline how any proposed PbR framework avoids potential perverse incentives.

12. PERFORMANCE REPORTING

12.1. The key performance indicators (KPIs) are expected to include:

- Quality and delivery
- Poverty reduction
- Economic benefits from access to energy
- Financial and Personnel Management
- Client Relationship Management

- Innovation
- Corporate Social Responsibility

12.2. The selected supplier should propose a suite of technical KPIs for review during the first three months as part of the bid and include the programme management KPIs listed below. The KPIs will be finalised during the contracting process. The KPI's will be linked to a percentage (is expected to be a minimum of 5%) of the fees payable under the contract.

12.3. It is anticipated that the deliverables will cover the following and include baselines and assessment methodologies:

Indicators	Key Performance Indicators	Baseline	Assessment methodology
Indicator 1 – Quality and Delivery	1a) Quality of deliverables and alignment of project outputs to project needs	Quality required will be agreed at commission	To be agreed on a monthly basis
	1b) Timeliness of milestone delivery	Received on or before the deadline	Milestones reviewed on a monthly basis. Delivery within 30 days
	1c) Quality and timeliness of reporting (including financial reporting)	Received on or before the deadline and containing the pertinent information in the agreed reporting format	To be delivered on a monthly basis to ensure efficiently and effectively meeting contract requirements.
	1d) Appropriate and effective identification and management of risks	Risk register and mitigation strategy agreed at design phase	Updated and refreshed quarterly showing trending
Indicator 2 – Financial Management & Forecasting	2a) Robust cost control in line with contract	Cost are in line with business, work plans and annual budgets	Financial reporting provided on a monthly basis and any deviations discussed with F
	2b) Accurate and timely submission of forecasting and invoices	Received on or before the deadline with a forecasting variance of not more than +/- 1%_	To be reviewed and agreed on a monthly basis. Invoices to be submitted within 14 c
Indicator 3 – Personnel	3a) Performance of team leader (including managing staff levels, staff performance and sub-contractors, ability to problem solve and address issues with appropriate escalation channels)	Objectives agreed within the first three months	Performance reviewed every quarter and should meet the standards of DFID staff
	3b) Performance of team and appropriate workplans	Deployment of core team identified and agreed as in the bid submitted	DFID to review and agree alternative team proposed, performance reviewed quarter standards of DFID staff
	3c) Key resources proposed at contract award still appropriately allocated to project or have been replaced by an acceptable equivalent	Deployment of core team identified and agreed as in the bid submitted or other suitable equivalent agreed by DFID	DFID to review and agree key resources or alternative proposed on a quarterly basis
Indicator 4 – Client Relationship Management	4a) Extent to which supplier is responsive and flexible to client and stakeholder needs and seeks to align with DFID priorities	Highly responsive and flexible	Monthly review and monitored continuously to ensure efficiently and effectively meet customer requirements.
	4b) Regularity of communication with DFID and delivery of agreed action points	Reporting requirements are monthly and quarterly	Reviewed within monthly reports and monthly team meetings
	4c) Project team provides a courteous, client-centred and professional service and demonstrates willingness to improve partnership with DFID and project stakeholders		Reviewed at monthly team meeting and monitored continuously
Indicator 5 – Continuous Improvement & Innovation	5a) Provider has sought to improve on the last reporting period's performance	Set by first reporting period performance	To be agreed during the first quarter
	5b) Supplier proactively promotes innovation in programme	Adapt as needs of the programme develop	Reviewed at monthly team meeting and monitored continuously to ensure efficiently meeting contractual and customer requirements.
	5c) Ability to maximise value for money for DFID including flexibility to scale up or down as quickly as appropriate	Adapt as needs of the programme develop	Reviewed at monthly team meeting and monitored continuously to ensure efficiently meeting contractual and customer requirements.
	5d) Actively capturing and sharing lessons learnt	Capturing and sharing as part of regular reporting across stakeholders as necessary	Reviewed monthly as required to ensure efficiently and effectively meeting contractual requirements.
Indicator 6 – Corporate Social Responsibility	6a) Supplier proactively implementing its environmental / corporate social responsibility policy at programme level in order to minimise its impact on the environment	Proposal from supplier to be agreed during first quarter and measured at least 6 monthly thereafter	Reviewed as part of quarterly reporting to ensure efficiently and effectively meeting customer requirements.

	6b) Supplier actively collaborates and seeks opportunities to employ local contractors and/or utilise local or regionally based expertise within the supply chain to deliver the programme. DFID will seek a 15% minimum use of local staff and/or local/regional supply chain.	Proposal from supplier to be included within bid and measured at least 6 monthly thereafter	Reviewed as part of quarterly reporting with % given. Meet 15% target

13. GOVERNANCE STRUCTURE

Based on the governance structure of ESRES phase 1:

13.1. The Joint Steering Committee will consist of representatives from DFID, the Government of Somaliland and other stakeholders independent to provide strategic direction, programme progress, and updates against programme risk. The Joint Steering Committee will initially hold monthly meetings and then shift to quarterly.

13.2. The supplier will meet with DFID Somalia ESRES Programme Management team on a monthly basis and submit monthly narrative and financial progress reports against agreed work-plan.

13.3. The supplier will meet with DFID Somalia Programme Management team and the Ministry of Energy and Minerals on a monthly basis.

13.4. However the supplier should review this structure and propose alternate structure that may be more appropriate.

14. Constraints and Dependencies

The selected supplier will be required to have an operating office in Somaliland with qualified staff and equipment to co-ordinate all components of ESRES Phase 2.

15. DUTY OF CARE

15.1. DFID has a '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/.

15.2. 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.

15.3. 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]

15.4. 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.

15.5. 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.

15.6. 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.

15.7. 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.

15.8. 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.

15.9. 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.

See Annex 1 for the current DFID Somaliland Risk Assessment

16. TIMEFRAME

The contract is expected to commence in September 2018 and end in September 2021. Phase two will run for 3 years with no extension period.

16.1. The supplier should be clear on their timeframe for results.

16.2. There will be a contract break clause at the six month point in the contract to review phase two mobilisation and initial performance. Progress beyond the break clause will be subject to the satisfactory performance of the service provider, delivery of Inception milestones and the continuing needs of the Programme.

17. UK Aid Branding

17.1. Partners that receive funding from DFID must use the UK aid logo on their development and humanitarian programmes to be transparent and acknowledge that they are funded by UK taxpayers. Partners should also acknowledge funding from the UK government in broader communications but no publicity is to be given to this Contract without the prior written consent of DFID.

18. Transparency

18.1. DFID has transformed its approach to transparency, reshaping our own working practices and pressuring others across the world to do the same. DFID requires Suppliers receiving and managing funds, to release open data on how this money is spent, in a common, standard, re-usable format and to require this level of information from immediate sub-contractors, sub-agencies and partners.

18.2. It is a contractual requirement for all Suppliers to comply with this, and to ensure they have the appropriate tools to enable routine financial reporting, publishing of accurate data and providing evidence of this DFID – further IATI information is available from; http://www.aidtransparency.net/

19. Digital Principles for Partners and Suppliers

19.1. DFID expects all partners and suppliers who manage aid programmes with a digital element to adhere to the global Principles for Digital Development. If any proposal contains a digital element this must be costed separately within the proformas and are subject to approval by DFID's digital team.

20. Ethical Principles

20.1. It is a requirement that all partners DFID commission and fund comply with the Ethics Principles. Partners will be required to include consideration of ethical issues and a statement that they will comply with the ethics principles.

21 Do No Harm

DFID requires assurances regarding protection from violence, exploitation and abuse

through involvement, directly or indirectly, with DFID suppliers and programmes. This includes sexual exploitation and abuse, but should also be understood as all forms of physical or emotional violence or abuse and financial exploitation.

•The programme is targeting a highly sensitive area of work. The Supplier must demonstrate a sound understanding of the ethics in working in this area and applying these principles throughout the lifetime of the programme to avoid doing harm to beneficiaries. In particular, the design of interventions including research and programme evaluations should recognise and mitigate the risk of negative consequence for women, children and other vulnerable groups. The supplier will be required to include a statement that they have duty of care to informants, other programme stakeholders and their own staff, and that they will comply with the ethics principles in all programme activities. Their adherence to this duty of care, including reporting and addressing incidences, should be included in both regular and annual reporting to DFID;

•A commitment to the ethical design and delivery of evaluations including the duty of care to informants, other programme stakeholders and their own staff must be demonstrated.

• DFID does not envisage the necessity to conduct any environmental impact assessment for the implementation of the Issue based programme. However, it is important to adhere to principles of "Do No Harm" to the environment.

22. General Data Protection Regulations (GDPR)

Please refer to the details of the GDPR relationship status and personal data (where applicable) for this project as detailed in App A and the standard clause 33 in section 2 of the contract.

23. BACKGROUND INFORMATION

23.1 Somaliland, which declared independence in 1991, is not formally recognised. The government of Somaliland has ensured sustained peace and stability since the late 1990's. Despite its status, Somaliland has all the institutions of a nation state: an executive, civil service, judiciary, parliament and military. However, half of its $250 million national budget is still spent on security costs, for an estimated population of 3.5 million people, and it has one of the lowest rates of domestic revenue in the world estimated at 7% of GDP[1].

23.2 The UK has close historical links with its former protectorate of Somaliland, notably through its large UK diaspora dating back to the 19th century. These links, mixed with the ability to deliver development assistance, led to the majority of UKAid being provided in Somaliland during the 2000's.

23.3 The cost of electricity is kept high in Somaliland through a combination of factors – high diesel costs, inefficient diesel generation, distributional and commercial losses, lack of significant competition on most locations (outside of Hargeisa and often oligopolistic collusion between major players on pricing) and lack of adequate regulation and

[1] WB Economic Update 2015

standards. ESRES is reducing the need for diesel in generation and did not focus on other aspects.

23.4 Access to electricity is a major barrier to development. Electricity provides efficient access to energy for many basic needs – including for example food preservation, lighting, and cooling of medicines in health centres. In addition, electricity is a vital cog in the wheel for economic development, providing energy for small business development, from most basic crop milling to service provision. For energy security, economic reconstruction and state building, sustainable sources of energy will be needed, combined with more efficient use of existing sources.

23.5 Electricity in Somaliland (as well as other Somalia regions) is predominantly provided by small independent power producers (IPPs) operating diesel-powered mini-grids covering most urban centres, with very little supplied by public utilities. In Somaliland there are estimated to be over 20 IPPs, serving most urban centres, while the Somaliland Electricity Agency provides some power to only 20% of households in the capital, Hargeisa.

Annex 1

DFID Overall Project/Intervention
Summary Risk Assessment matrix

Project/intervention title:

Location: **SOMALILAND**

Date of assessment: **20 Feb 18**

Assessing official: **Steve Slater**

Theme	DFID Risk score	DFID Risk score	DFID Risk score
	Hargeisa, Berbera	**Borama, Burao**	**Other Parts of Somaliland**
OVERALL RATING	4	5	5
FCO travel advice	4	5	5
Host nation travel advice	Not available	Not available	Not available
Transportation	4	4	4
Security	4	4	4
Civil unrest	3	4	4
Violence/crime	3	4	4
Terrorism	4	4	4
War	2	2	3
Hurricane	1	1	1
Earthquake	1	1	1
Flood	1	1	3
Medical Services	4	5	5
Nature of Project/ Intervention			

1 Very Low risk	2 Low risk	3 Med risk	4 **High risk**	5 Very High risk
			SIGNIFICANTLY GREATER THAN NORMAL RISK	

ANNEX 2

1. ESRES Concept Note
2. ESRES Business case
3. Logframe as revised February 2016
4. ICF Key Performance Indicators
5. ESRES Phase 1 Annual Reviews

Mott MacDonald Reports

6. ESRES Phase 1 Monthly Progress Reports

7. ESRES Phase 1 Quarterly Progress Reports
8. Functional Review - Jan 2016
9. Political Economy Analysis -Jan 2016
10. Policy Inventory and Gap Analysis - Jan 2016
11. Roadmap and Technical Assistance Plan - Feb 2016
    - TA Plan - WP 3.1 Report - Apr 2016
    - TA Plan - WP 1.1 Report - Jun 2016
    - TA Plan - WP 4.1 Report - Sep 2016
    - RE Fund Advisor Mission Report – ESCF – Sept 2016
    - RE Fund Advisor Mission Report – EAA - Sep 2016
    - Fund Advisor Mission Report – NDP - Sep 2016
    - TA Plan - WP 2.1 Report - Sep 2016
    - TA Plan – WP 1.7 and RE Fund Advisor Mission Report - Nov 2016
12. Call for Proposal - Guidelines for Applicants (Concept Notes) Oct 2015
13. Call for Proposal - Guidelines for Applicants (Full Proposals) Jun 2016
14. Stakeholder Mapping Jan 2016
15. Complementary Studies – Research Design Jun 2017
16. Complementary Studies – Interim Report Aug 2017

Real Time Learning Reports – WYG

17. ESRES RTL Inception Report
18. Seven Quarterly Reports
19. ESRES RTL Annual Meeting Findings (Partners, Energy Service Providers, and Technical
20. Assistance)
21. Adaptive Learning Strategy
22. RTL Learning Topic – Call for proposals
23. RTL Learning Topic – Implementing Partner Contracting
24. RTL Learning Topic – Baseline Survey

More Information on ESRES can be found on the ESRES website - http://esres-somaliland.org/real-time-learning

CB118 (April 2002)