

TERMS OF REFERENCE (TORS)-PRIVATE SECTOR CO-INVESTMENT GRANT FACILITY

Background

Sierra Leone is ranked 172/182 in the World Bank's doing business Index on access to energy. About 650,000 rural households (3,900,000 Sierra Leoneans) have no access to electricity and are highly dependent on disposable batteries, car batteries, generators, kerosene and candles to light their homes, charge their phones and carry out other basic everyday household tasks. The national grid so far connects electricity to only 1% of people in rural communities. This has affected the health, education, productivity and security of many communities with no access to light.

The weight of international evidence continues to suggest that electricity is necessary but not sufficient for economic development, meaning that the effectiveness of interventions to increase energy access (including solar mini grids) will be dependent on the degree they stimulate productive use, especially by firms.. Furthermore, FCDO's economic development 'best buys' evidence-synthesis document finds that rural/household electrification programs have [mixed](#) evidence, e.g. increased household income (42%) and expenditures (38%) in the last 10% of villages [in the Philippines](#) vs reduced welfare [in rural Kenya](#). This is because there needs to be a sufficient level of income for households to be able to afford substantial use and enough density for there to be enterprise opportunities. In general, rural areas are not a major source of growth even with electrification.

According to Energy and Environment Partnerships (EEP), Mini-grids Study, (2018), to reach financial sustainability, most mini-grid developers are focusing on productive use of energy – such as providing energy-efficient appliances or forming local business hubs – as a means to increase demand and generate sufficient revenue. The most financially sustainable mini-grids use an “ABC” strategy: first, identify and negotiate an agreement with an anchor load client (often in agro-processing); then identify, or help develop small local businesses, and target domestic consumers last. Targeting business clients offer a more secure customer base and attracts private investors, but many donor agencies focus more on the number of households connected in the short-term rather than long-term viability.

Furthermore, the Global Sustainable Development Goals (SDG7), which calls for universal access to sustainable energy by 2030, emphasises that reliable access to clean energy is essential for economic, social and environmental development.

The Rural Electrification in Sierra Leone (RESL) is an FCDO funded project implemented by the United Nations Office for Project Services (UNOPS) on behalf of the Ministry of Energy (MoE). The project, which spans from 2016 to 2022, provides clean energy access in rural communities with no access to electricity. By 2021, an estimated 360,000 people will benefit from RESL's provision of affordable, reliable and sustainable electricity. A robust impact evaluation will attribute and disaggregate the project's outcomes into four key criteria: "household income and assets, health outcomes, educational outcomes and reduction of CO2 emissions". The project will help Sierra Leone to establish itself on a pathway to meet its energy needs through renewable resources rather than fossil fuels. The RESL is developed around technical solutions designed under six Work Packages (WP). The objectives of these various work packages are summarized as follows:

Work package 1 and 1+ (WP1/1+): Installing stand-alone 6kWp solar photovoltaic (sPV) systems in a minimum of 50 communities. The stand-alone 6kWp solar photovoltaic systems, which provide electricity to the Community Health Centres, have been subsequently expanded into small mini-grids in the 50 villages and connected all other public institutions and households in the village. The 50 small mini-grids (< ~36kW) are now operated by private operators with commercial interests in order to ensure long term sustainability.

Work package 2 (WP2): The project is supporting a range of public-private sector business models for providing rural communities electrification through the installation of environmentally and economically sustainable mini-grids (> ~36kW). A minimum of 40 mini-grids will be completed by June 2021, adding up to 5 MW to the country's power generation capacity.

Work package 3 (WP3): Technical Assistance (TA) and institutional development (capacity building) to both government authorities and the private sector, as part of the holistic approach, to facilitate mini-grids development and long term sustainable operations.

Work Package 4 (WP4): The Freetown Landslide Emergency Earthworks Response and Camp Preparatory Works. The initial project budget for the RESL was amended in 2017 to include the Emergency Earthworks and Temporary works in response to the Freetown Landslide and Flooding. This work package was completed in March 2018. This work package is included in this project just to further clarify budget allocation.

Work Package (WP5): Monitoring and Evaluation and communications. A Monitoring & Evaluation plan has been developed and is being executed to ensure that the project meets the expected outcomes and deliverables. The project has a Communications Strategy.

Work Package (WP6): Productive Use. Through this work package, RESL seeks to contribute to local economic and social growth through increased productive use of energy in mini-grid catchment areas. This will be achieved by implementing a private sector engagement and strengthening strategy, underpinned by a keen understanding of local market systems, to promote productive use economies in mini-grid catchment areas; supporting both the commercial viability of the privately operated mini-grids and promoting local income improvements and local job creation.

The outcomes to be achieved under WP6 are:

1. Mini-grid communities register improved economic growth through the promotion of productive use activities
2. Improve the commercial sustainability of the mini-grids through private sector development and the promotion of income-generating activities of the mini-grid communities.
3. Improved social development for targeted communities

To achieve these outcomes, UNOPS will catalyse behavioural changes across market players including households, local community-based enterprises, MSMEs, larger businesses, public entities, relevant support services and other development stakeholders. UNOPS will primarily target strategic actors within value chains and social services to unlock value and in the process contribute to building an ecosystem around these that will ensure access to finance energy efficient technologies and business development services.

UNOPS will catalyse economic activities in the mini-grid catchment areas by promoting the Inclusive Business (IB) models. The IB models promote the incorporation of the low-income population into the value chains of commercial companies, generating a win/win relationship, creating growth, productivity and new opportunities for the participating companies and at the same time generating income and wealth for the low-income communities. Companies identify and support low income/ rural populations with potential and bring them into their economic processes for the benefit of both parties. Such companies use market-based solutions/innovations to catalyze business growth and development, create opportunities to enter new markets and expose communities to the realities of business, enabling access to input, output and service markets, business track record and new technologies. IB models typically incorporate low-income communities by helping them fill one or more of the roles;

1. **Producers:** new sources of supply of raw materials and finished goods
2. **Employees:** recruited as businesses expand into new markets
3. **Distributors:** new and cost-effective distribution channels relevant for the new markets
4. **Consumers:** new markets for affordable, relevant new goods and services

In addition, UNOPS will support local SMEs and community groups in the mini-grid catchment areas through investments in energy-efficient technology, equipment, machinery and appliances. After the intervention, SMEs should have improved its productive capacity and quality.

It is hoped that at the end of the project, there would be improved participation of households, local and external businesses in economic activities driven by a reliable supply of energy by mini-grid operators and improved access to input, output and service markets.

The overall objective of this Call For Proposals is to contribute to local economic development in the mini-grid catchment areas by supporting Inclusive businesses and MSMEs through a Co-Investment Facility

Co-Investment Grant Facility

Through a co-investment grant facility, UNOPS is seeking to partner with suitable businesses/organisations with a potential to catalyse economic activities in the mini-grid catchment areas. The most transformative interventions will be selected; particularly the ones that can address systemic issues and unblock market constraints to demonstrate best-case approaches that can be subsequently scaled up.

Below are some examples of interventions that can be funded under the Co- Investment Grant:

- Setting up processing facilities for agro- processing in mini-grid catchment areas
- Setting up cold storage facilities for agricultural produce in mini-grid catchment areas
- Setting up irrigation facilities and green- house technologies in mini -grid catchment areas
- Purchase of any business equipment that can utilise electricity from the mini- grids
- Activities that are aimed at technology improvements for local communities and SMEs. The new technology should increase the uptake of energy from the mini -grids

Below are the categories of the co-investment grants that targeted businesses/organisations can apply for:

Category 1: Inclusive Business Co-Investment Grants

Limit	\$30 000-\$50 000
Eligibility Criteria	<ul style="list-style-type: none"> ● Business/Organisation must be registered and have been operating for at least 3 years. (All registration documents (Business registration, District/City Council, NASSIT and NRA must be uptodate) ● Business/organisation must submit copies of the following: <ol style="list-style-type: none"> (1) Business shareholding including letter/board resolution confirming the business representative (2) Financial statements for the last 3 years (3) Lease agreements/ Title deeds for business premises (4) Three references from reputable organisations within the last 3 years ● Track record in working with low income communities(Documentary evidence, references, contracts) ● Letter stating how applicant intends to raise co-funding of at least 50% of total grantee budget. ● Businesses should be located at the RESL/RREP project sites (Refer to annex E) or alternatively business must have business interests/relationships with other businesses/community groups which are based at the RESL/RREP project sites ● Submission of all required documents (Grant proposal in template provided, Budget in template provided)

Evaluation Criteria

- Relevance of the proposal in relation to the objectives of the Call for Proposals
- Sustainability of proposed business models including profitability analysis
- Business/organisation must be participating in specific agriculture value chains in the mini grid catchment areas or must be based in the mini grid catchment areas
- Business models should incorporate local communities as partners in their core business(employees, suppliers, distributors, consumers)
- Evidence that one or more partners in the business model will use energy from the project solar mini grids
- Business linkages with other value chain actors, particularly local market actors
- Impact on the community including but not limited to: 1.Provision of embedded services to local actors
- Number of community members/SMEs that will be included as business partners
- Income to be generated by community members 4.Direct job creation
- Clarity/feasibility of business plan/implementation planValue for Money-Budget must be in line with proposed activities

Procurement	<ul style="list-style-type: none"> ● Grantees will be allowed to use their procurement procedures within minimum acceptable standards. These include: <ul style="list-style-type: none"> a. submission of 3 quotations and justifications for selecting a particular supplier. ● UNOPS will assume oversight to ensure value for money and application of the minimum standards.
Site Selection	<p>Specific mini grid communities and/or products will be targeted in consultation with the mini- grid operators based on their potential for success. The following should be considered when selecting the sites to implement interventions</p> <ul style="list-style-type: none"> ● Potential to increase incomes and/or jobs in the targeted communities through improvements in productivity, technology, agro-processing and access to higher value markets, and quality enhancement ● Existence of excess demand for proposed products/services and prospects for market growth and expansion into other sites. ● Existing financial services infrastructure. ● Opportunity for inclusion of large number of people/ SMEs in targeted communities ● Potential to generate employment, both on-farm and off-farm ● Potential for upstream and downstream linkages with potential for impact on related value chains
Limitations	<p>The grant will not finance building construction, rent and other categories of working capital</p>

Category 2: Co- Investment Grants for Rural Based Enterprises

Limit	\$1 000-\$10 000
Eligibility Criteria	<ul style="list-style-type: none"> ● Registered Business ● Business must have been operating for at least 1 year and must submit the following: <ol style="list-style-type: none"> (1) Business ownership records and letter confirming the representative of the business (2) Financial statements or Business records for the last year (3) Lease agreements / Proof of ownership of business premises (4) Copies of previous and current business contracts (5) 3 References from reputable organisations (6) Proof of co- funding of at least 40% of total grantee budget for male and 30% for women owned businesses demonstrated through bank statements, loan/grant agreements and other legal documents (7) Existing businesses wishing to diversify into ventures that use electricity from the mini grids are also eligible
Evaluation Criteria	<ul style="list-style-type: none"> ● Relevance of the proposal in relation to the objectives of the Call for Proposals ● Viability/Sustainability of proposed business ● Management capability and previous business experience ● Business linkages with other value chain actors ● Impact on the community including but not limited to: <ol style="list-style-type: none"> 1. Number of jobs created 2. Potential for energy offtake 3. Number of people impacted in the community 4. Profitability of business ● Clarity/Feasibility of business plan ● Value for Money-Budget must be in line with proposed activities ● Potential for energy use

Procurement	<ul style="list-style-type: none">● Grantees will be allowed to use their procurement procedures within minimum acceptable standards. These include:<ul style="list-style-type: none">b. a. submission of 3 quotations and justifications for selecting a particular supplier.● UNOPS will assume oversight to ensure that UNOPS procurement principles are adhered to, including ensuring value for money and application of the minimum standards.● UNOPS will give appropriate guidance in addition to conducting due diligence of proposed suppliers and checking the market to verify prices
Limitations	The grant will not finance building construction, rent and other categories of working capital

Category 3: Co- Investment Grants for Community Based Group Enterprises

Limit	\$ 5000-\$20 000
Eligibility Criteria	<ul style="list-style-type: none"> ● Group must be registered ● Documentary evidence of training of the group management ● Group must have a Constitution ● Group must have been operating a business for at least 1 year and the following documents must be submitted: <ol style="list-style-type: none"> (1) Letter of appointment of group representative Financial statements or Business Records for the last year (2) Lease agreements or proof of ownership of business premises (3) Constitution and meeting minutes for the last 2 meetings (4) Proof of recognised registration (5) Copies of previous and current business contracts (6) Three references from reputable organisations <ul style="list-style-type: none"> ● Proof of existing market linkages arrangements ● Proof of co- funding of at least 20% of total grantee budget demonstrated through bank statements, loan/grant agreements and other relevant legal documents
Evaluation Criteria	<ul style="list-style-type: none"> ● Relevance of the proposal in relation to the objectives of the Call for Proposals ● Viability/Sustainability of proposed business ● Markets for products/services ● Business Linkages with other value chain actors, particularly off-takers ● Potential for energy uptake ● Impact on the Community 1. Number of group members to benefit from the proposed business venture 2. Income to be generated by group members <ul style="list-style-type: none"> ● Clarity/Feasibility of business plan ● Value for Money-Budget must be in line with proposed activities
Procurement	<ul style="list-style-type: none"> ● Grantees will be allowed to use their procurement procedures within minimum acceptable standards. These include: <ol style="list-style-type: none"> c. submission of 3 quotations and justifications for

	<p>selecting a particular supplier.</p> <ul style="list-style-type: none"> • UNOPS will assume oversight to ensure that UNOPS procurement principles are adhered to, including ensuring value for money and application of the minimum standards.. • UNOPS will give appropriate guidance in addition to conducting due diligence of proposed suppliers and checking the market to verify prices
Limitations	The grant will not finance building construction, farming inputs, , rent and other categories of working capital

Category 4: Grants for Youth Groups

Maximum Limit	\$10 000
Eligibility Criteria	<ul style="list-style-type: none"> • Group must be registered • Documentary evidence that the group has gone through entrepreneurship development training • Group must have a Constitution • Group must have been running a business for at least 6 months and the following must be submitted <p>(1) Letter of appointment of Group representative (2) Business Records for the past 6-12 months (3) Lease agreements or proof of permission to use business premises (3) Constitution and meeting minutes (4) Proof of registration/recognition of group (5) Copies of previous and current business contracts (6) References from other reputable organisations</p>
Evaluation Criteria	<ul style="list-style-type: none"> • Relevance of the proposal in relation to the objectives of the Call for Proposals • Viability and Sustainability of proposed business • Markets for products/services • Impact on the community <ol style="list-style-type: none"> 1. Number of group members to benefit from the proposed business venture 2. Income to be generated by the group members • Clarity/ feasibility of business plan • Value for Money-Budget must be in line with proposed activities

Procurement	<ul style="list-style-type: none"> ● Grantees will be allowed to use their procurement procedures within minimum acceptable standards. These include: <ul style="list-style-type: none"> d. submission of 3 quotations and justifications for selecting a particular supplier. ● UNOPS will assume oversight to ensure that UNOPS procurement principles are adhered to, including ensuring value for money and application of the minimum standards. ● UNOPS will give appropriate guidance in addition to conducting due diligence of proposed suppliers and checking the market to verify prices
Limitations	<ul style="list-style-type: none"> ● Grant must be used to finance equipment and related training costs only

Grant Disbursements

Payments will be made directly to suppliers of goods and services after certification that the Grantees have paid (to the suppliers of goods and services) their part of the co- financing. Payment schedules will be agreed with each Grantee

Deliverables

1. Baseline information
2. Documented procurement processes/Files and Asset Registers
3. Final implementation reports and related documents. All activities have to be completed by December 2021. UNOPS will agree on targets and monitoring visit schedules with the Grantees.

To ensure that deliverables are met, UNOPS will work closely with and support all Grantees. Support to Grantees may include but not limited to the following:

1. Reviewing together with the grantees proposed inclusive business models, including advising the grantees on how to improve and implement the proposed business models
2. Assist with the drafting of implementation plans and agree with the grantees on deliverables and targets
3. Assist the grantees in rolling out the implementation plan, including facilitating linkages/relationship building for relevant partnerships including community partners and mini grid operators
4. Relationship building between grantees and community based partners
5. Periodic visits to the grantees to monitor activities and check with the communities on how the inclusive business model is working
6. Receive and approve quarterly reports from the grantee and capture learning /success stories
7. UNOPS will assess the grantees financial systems during the due diligence exercise and may provide training. A one to one questionnaire will be administered to learn more about each Grantee's systems.

Reporting

Grantees will be expected to submit progress reports as detailed in the Grant Support Agreement