

Terms of Reference (ToR):
Credit Officer (Full Time) for Nepal: Private Sector Led Mini Grid Energy
Access Project (MGEAP)

1. Introduction:

Alternative Energy Promotion Centre (AEPC) is the apex government body under the Ministry of Energy, Water Resources and Irrigation (MoEWRI), established to promote the use of alternative/renewable energy technology to meet the energy needs in Nepal. The Private Sector Led Mini Grid Energy Access Project (MGEAP), supported by the World Bank, is implemented by AEPC from June 2019 (tentative). The objective of the project is to increase electricity access and delivery from renewable energy mini-grids (solar, hydro, wind, and hybrid) by mobilizing private Energy Service Companies (ESCOs). The project is designed to support RE mini-grids market by introducing conditions to gradually shift from heavily subsidized to commercial model. The project will support mobilization of credit from participating Banks (PBs) to ESCOs for the development of mini-grid subprojects.

Nepal is one of six countries identified for assistance under the Scaling-up Renewable Energy Program in Low Income Countries (SREP). As one of three programs under the Strategic Climate Fund, SREP aims to demonstrate the social, economic and environmental viability of low carbon development pathways in the energy sector. In particular, the objectives of SREP in Nepal are to: (i) leverage complementary credit and grant co-financing, (ii) bring about transformational impacts through scaling up energy access using renewable energy technologies (RETs), poverty reduction, gender and social inclusiveness and climate change mitigation, and (iii) ensure sustainable operations through technical assistance and capacity building.

2. Background:

Due to the community ownership model, the development impact of off-grid solutions has remained rather low and is mostly confined to basic lighting and mobile phone charging. Customers of Nepal's main grid operator, the NEA, enjoys access to the grid and benefit not only from subsidized tariffs but also from the national electric utility taking responsibility for the entire electricity value chain, including retail supply, customer management, and operations and maintenance. In contrast, for off-grid communities, ownership of the generation assets has been transferred to households (in the case of SHS) or to communities (in the case of MHPs). Operation, maintenance, repair, and revenue collection (for example, in community-owned MHPs) are the responsibility of beneficiaries/owners. End users of MHPs (community members) have been trained in basic operation of the asset, but they lack the capacity to perform detailed maintenance or solve technical, mechanical and managerial problems. Therefore, all risks associated with equipment breakdown, battery replacement, procurement of spare parts for repair, and costs for undertaking those repairs are borne by the users who do not have sufficient expertise/capacity to do so. As a result, this approach has created serious challenge in the long run sustainability of the off-grid solutions.

To access subsidies, the Renewable Energy Subsidy Policy of 2016 requires mini-grid projects to either mobilize 20 percent credit from commercial banks and financial institutions or reach financial closure within six months of approval by the AEPC. This requirement could impede ESCO participation as historically financial institutions have been reluctant to lend to mini-grid projects on project finance basis. Therefore, there is urgent need to incentivize two players - the financial institutions and the private ESCOs - to realize the public-private-partnership model envisioned in new subsidy policy.

The World Bank, in such reality, plans to support the GoN for knowledge transfer, international experience sharing, and development of customized solutions for Nepal to new approaches to address deficiencies in the current program design for off-grid electrification. If this intervention

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proves to be successful, it could help the AEPC potentially transform the way in which it uses its larger pool of bilateral funding for mini-grid electrification and thereby achieve much greater development impact from higher consumption and productive end use of electricity. The World Bank will provide USD 8 million (subject to approval from the board) to Nepal Government to implement the proposed MGEAP. The Government of Nepal through Ministry of Finance provides the fund to AEPC which will be mobilized in mini-grid through selected banks and financial institutions. Hence, AEPC/MGEAP is looking for Credit Officer to aid the AEPC/MGEAP in credit flow to ESCOs from financial institutions.

3. Objectives:

The objective of the Credit Officer is to assist and take lead to support PIU to develop policy and strategy for attracting financial institutions for financing renewable energy sector. The Credit Officer will also facilitate project developers/ESCOs for the approval of bank loan so that financial closure is arrived at an early stage of project implementation.

4. Scope of Services (Activities):

The Credit Officer will be a part of PIU team and will be responsible for day-to-day activities related to the project. S/he should be responsible and take full ownership for the following scope of work:

- Support PIU to develop policy and strategy for attracting financial institutions for financing renewable energy sector
- Undertake capacity development needs assessment in energy financing and develop capacity building plan
- Facilitate to the participating financial institutions in enhancing their outreach for project development and monitoring capacity
- Facilitate ESCOs in enhancing their skills on financial record keeping, book keeping, tariff collection and those information that generally the loan providing bank asks from its borrower
- Provide trainings to participating financial institutions in relation to the efficient operations of energy financing projects
- Provide required capacity building packages and capacitate the local government units to develop favourable policies for renewable energy promotion
- Undertake field visits jointly with bank staff, ESCOs, local financial institutions and other stakeholders
- Develop innovative credit financing instruments such as soft loan mechanism, guarantee fund, insurance and support the banks to implement suitable instrument for MGEAP.
- Develop matchmaking events at different local places to create awareness on project financing, management and sustainability of the off-grid mini-grid systems
- Establish and maintain a knowledge-based management information system of capacity building initiatives and lessons learned and best practices developed in this field
- Facilitate ESCOs to develop financial modelling and business plan for their proposed mini-grid systems
- Facilitate ESCOs to develop project management guideline, tariff setting mechanism and local conflict resolution plans.
- Support ESCOs to prepare required loan documents and support banks for loan due diligence, monitoring and prepare loan covenants including credit risk assessment.
- Monitor loan repayment status and support the ESCOs on the ways to increase profitability

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- Provide advisory support to potential rural MSMEs to prepare business plan and successfully manage their enterprise leading to increase the plant load factor
- Work in close coordination with the Credit/Loan Officers of participating financial institutions
- Support AEPC in arriving at financial closure of projects under MGEAP.

5. Performance and Reporting Requirement (Deliverables):

The Credit Officer shall prepare monthly, quarterly, semiannual and annual report that should incorporate the Specific credit related activities among the project, ESCOs & PBs and monitoring and capacity building activities.

6. Duration of Service:

The Officer will be assigned for the project period with a provision of renew of contract each year and possibilities of further extension, in case of satisfactory performance. The officer is expected to work full time during office hours within Kathmandu valley with required travels outside Kathmandu valley within Nepal on project related matters.

7. Credit Officer's required Qualification and Experience:

Candidate should have Master's Degree in Financial Management, Business, and Commerce or in any other relevant discipline with specialization in Finance or related field and should have minimum 5 years of experience in development sector and minimum 3 years professional experiences in bank or financial institution or credit sector.

The candidate should also have:

- Excellent knowledge of the English language (both spoken and written) and excellent communication skills;
- Ability to build capacity and train various stakeholders
- Knowledge of specific gender issues and sensitivity to local culture and traditions in Nepal;
- Knowledge and/or familiarity with the country's geography and willing to travel/trek to the project sites located in remote part of the country;
- Ability to work well with Government officials and community personnel;
- Strong and demonstrated capacity for organization, management with excellent reporting and coordination skills;
- Strong leadership, technical competence and professional skills for timely implementation, coordination and management of activities;
- Ability to work in a team, develop synergies and establish effective working relations with various stakeholders;
- Strong interpersonal and communications skills, resourcefulness, initiative, tact and ability to cope with any situation;
- Openness to change and ability to receive/integrate feedback;
- The candidate should be able to legally work in Nepal.

8. Facilities and logistics to the officer by the Client:

The Credit Officer shall be provided with the office space, internet facilities, and office furniture. Necessary stationery, printing and copying facilities shall also be provided by the Client.