

CAREC Power Sector Investment Study

Proposed Regional Technical Assistance



Central Asia Regional Economic Cooperation Program

Background

- The proposed Regional Technical Assistance (RETA) is one of the deliverables under the CAREC *Energy Work Plan 2013–2015*, approved in October 2012.
- A CAREC Senior Officials Meeting in June 2013 decided to extend the study scope to cover all ten CAREC countries.
- Power sector financing requirements within the CAREC region are substantial, and could be beyond the reach of some countries, and stretch the resources of others.



Objective

- The immediate objective of the RETA is to prescribe sustainable financing approaches, and modalities, for national and regional power infrastructure development in the CAREC region.
- The RETA will thus also meet the broader objective of the *Strategy of Regional Cooperation in the Energy Sector of CAREC Countries (2008)* of enhancing energy security in the region, and promoting economic growth through energy trade, by strengthening the power infrastructure in the CAREC countries



Scope of Work Outline

- Review of national and regional power sector development plans of each CAREC country
- Assessment of the power sector in each CAREC country, including its power industry structure, institutional arrangements, and the capacity of the government and of state-owned power utilities (SOPUs) to finance its power sector infrastructure development plans
- Macroeconomic assessment, and fiscal profiling, of each CAREC country



Scope of Work Outline (continued)

- Identification of alternative sources of finance for power sector development for each CAREC country, including donor assistance, sovereign wealth funds, export credit agencies, and commercial/private sources
- Identification of power development projects in each CAREC country suitable for financing through public-private-partnerships
- Assessment of the enabling environment in each CAREC country, and identification of reforms necessary for promoting private investment in the power sector



Approach

- The RETA will be funded by the Asian Development Bank (ADB) and CAREC governments.
- The study will be conducted by a firm of international consultants, selected in accordance with ADB procedures, and will be administered by the ADB.
- The consultants will make presentations to the Energy Sector Coordination Committee (ESCC) at the Inception, Interim, and Draft Final Report stages, and ESCC will oversee the consultants work.
- CAREC countries will provide counterpart staff to support the consultants' activities in their respective countries, including senior officials from the ministries of finance and energy.



Timeframe

- Processing of the RETA, followed by the recruitment of consultants, will require a period of about 8 months.
- Consultants' services will be undertaken over a period of 12 months, tentatively June 2014 to May 2015.



Timeframe (continued)

- Consultants' reporting requirements:
 - Inception Report, within one month of commencement of services
 - Monthly progress reports
 - Interim Report, 8 months after commencement of services
 - Draft Final Report, 10 months after commencement of services



Consultants' Team Composition

- Project Finance Specialist and *Team Leader* (with specific expertise in the structuring and implementation of public-private-partnership projects in the energy sector)
- Macroeconomist
- Public Finance Specialist
- Power Sector Specialist
- Legal and Regulatory Framework Specialist



Terms of Reference (ToR)

- Review macroeconomic performance over the past five years, and assess medium to long-term economic prospects, particularly in terms of fiscal balance, international reserves, and external account.
- Analyze government budgetary allocations for, and actual expenditures on, social and physical infrastructure development projects and programs, over the past five years, and identify reasons for surpluses or shortfalls, if any.



ToR (continued)

- Examine the portfolio of national and regional power sector projects and programs (i.e., those identified in national and regional energy sector master plans, roadmaps, and studies), categorize each project and program in terms of financing options (i.e., government and SPU budgets, donor assistance, sovereign wealth funds, export credit agencies, and/or commercial/private sources) and provide the rationale for such categorization.



ToR (continued)

- Review government budgetary allocations for power infrastructure (generation, transmission, and distribution) development, for both national and regional projects and programs, and assess the sustainability of such allocations.
- Assess the capacity of state-owned power utilities (SOPUs) to finance national and regional power infrastructure development projects and programs.



ToR (continued)

- Review assistance programs of bilateral and multilateral institutions, for power sector projects and programs, including regional projects and programs, and determine residual financing requirements (i.e., in addition to government budgetary allocation, SOPS allocation, and donor assistance) to be met from other sources, including sovereign wealth funds, export credit agencies, and commercial/private sources.
- Review national and regional power sector master plans, roadmaps, and studies to determine investment requirements for power infrastructure development, and identify financing gaps, relative to government budgetary and SOPS allocations.



ToR (continued)

- Identify projects suitable for public–private–partnership (PPP). Such projects will be subsequently (i.e., as a separate exercise, beyond the scope of the current ToR) prepared/developed for inviting private sector interest by undertaking a more detailed analysis of, *inter alia*: (i) technical and economic viability; (ii) government priority; (iii) private sector interest; (iv) size of capital investment; (v) risk profile; and (vi) revenue stream.



ToR (continued)

- Undertake a review of Project Development Facilities established in countries of the Asia–Pacific region (including in India, Indonesia, Philippines, and Vietnam) and formulate recommendations in this regard for each CAREC country. The recommendations will cover, *inter alia*: (i) funding; (ii) structure; and (iii) institutional arrangements.



ToR (continued)

- Review the enabling environment for private investment in the power sector including: (i) policy and legal frameworks; (ii) regulatory framework; (iii) governance; (iv) institutional setting; (v) industry structure; (vi) supporting physical infrastructure; (vii) investment regime, including tax provisions; (viii) credit-worthiness of key stakeholders; (ix) financial sector, including market liquidity; and (x) security environment.
- Recommend specific measures to be taken, including in the areas identified above, to strengthen the enabling environment for promoting private investment in the power sector.



Cost and Financing Plan

- The study will require 40 person–months of inputs by international consultants. The total cost of these inputs is estimated at \$1.5 million including consultants' remuneration, per diem, and travel costs, meeting costs, and a contingency provision. This amount is proposed to be financed by the ADB.
- CAREC governments will provide counterpart staff, office accommodation, and local transport.

