



Technical Assistance Report

Project Number: 39402
December 2006

Proposed Technical Assistance to the Islamic Republic of Afghanistan for Support to the Interministerial Commission for Energy

CURRENCY EQUIVALENTS

(as of November 2006)

Currency Unit	–	afghani/s (AF)
AF1.00	=	\$0.020
\$1.00	=	AF49.58

ABBREVIATIONS

ADB	–	Asian Development Bank
ICE	–	Interministerial Commission for Energy
MEW	–	Ministry of Energy and Water
MOF	–	Ministry of Finance
TA		technical assistance

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting Classification	–	General intervention
Sector	–	Energy
Subsector	–	Energy sector development
Themes	–	Governance, capacity development, private sector development
Subthemes	–	Financial and economic governance, institutional capacity development, public-private partnership

NOTE

In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. In response to Afghanistan's rapidly increasing energy demands and the Government's challenges in meeting them, a cabinet meeting chaired by President Karzai was conducted in August 2006 to review the country's ongoing energy crisis and identify potential solutions. Although donors and the Government have worked together since 2003 to address certain energy issues, primary assistance has supported the physical reconstitution of existing grid connections and related generation, which never served more than 20% of the population of Afghanistan. Progress has been achieved but the Government and the energy sector still have limited ability to prepare coordinated, commercially strategic approaches that optimize indigenous and other energy and power resources. Little attention has been given to the commercial aspects of attracting and maintaining qualified private investment in the sector. The Government needs to provide coordinated leadership in this sector and requires donor assistance in this regard.

2. The August 2006 cabinet meeting agreed that critical barriers to achieving sound energy planning and strategic resource development in Afghanistan are (i) an uncoordinated array of government and institutional support for energy development, and (ii) lack of commercial capacity in the Government and Afghan energy sector to develop market-based energy strategies and to identify and implement sound energy projects. Based on these findings, the President of Afghanistan and the cabinet approved the establishment of the Interministerial Commission for Energy (ICE) to serve as a coordinating and policy-making body for energy sector activities in Afghanistan.

3. In support of ICE, the Government has requested technical assistance¹ (TA) from the Asian Development Bank (ADB) to establish ICE-related operations. This TA and scope have been discussed with and agreed by relevant government agencies and development partners during fact-finding and further consultations in September–November 2006. In addition to the donor community, the Government—in particular the core ministries—strongly supports the implementation of ICE, recognizing the immediate need for improved coordination and planning within the energy sector. The TA framework is in Appendix 1.

II. ISSUES

4. All aspects of Afghanistan's energy sector have been devastated. Hydropower plants, the country's most promising existing indigenous power resource, are severely war-damaged and inoperable, or at best, operating at very low efficiency because of decades of poor or no maintenance. Gas fields and wells have similarly been damaged and lack appropriate maintenance to harness proven reserves. Contemporary exploration and extraction of oil for refined products has not been carried out. Imported power plays an increasingly important role in supplying various parts of the country. However, destroyed or poorly functioning transmission lines, ineffective or no metering, and short-term contract arrangements result in large power losses—both technical and commercial—and increased costs to consumers. Coal mines in various parts of the country provide an important local energy resource for home heating and cooking, but the mines operate at inefficient and increasingly unsafe levels. While certain donor initiatives have emerged to support micro-hydro and solar power projects, there has not been a tradition of renewable energy use. The failed condition of Afghanistan's energy sector,

¹ The TA first appeared in *ADB Business Opportunities* on 24 November 2006. The TA, originally for \$1 million, was included in the country strategy and program update for Afghanistan (ADB. 2006. *Country Strategy and Program Update [2006–2008]: Afghanistan*. Manila).

specifically with regard to power, results in ongoing reliance on expensive diesel generation, both small and large, which is a costly hindrance to development. Industrial development is severely constrained by the lack of electricity and energy resources.

5. Although there has been significant international assistance to the energy sector, the majority of assistance has been dedicated to project-based rebuilding of damaged infrastructure. There has been relatively little assistance to improve technical, financial, legal, or commercial skills. Human capacity (technical and managerial) in the sector is low. There has been virtually no market-based commercial exposure; decades have passed without an upgrade in skill or use of modern technical approaches to sector development. Most professionals previously in managerial positions either left the country decades ago or remained in their posts under Soviet management without training. Managers and workers have not been trained in modern commercial approaches—not one Afghan market-trained lawyer, project finance specialist, regulator, or accountant works in the Afghan energy sector.

6. At present, four line ministries have direct engagement with energy development: (i) Ministry of Energy and Water (MEW) (electricity generation, including hydro, transmission, and distribution); (ii) Ministry of Mines (oil, gas, and coal); (iii) Ministry of Rural Rehabilitation and Development (rural electrification); and (iv) Ministry of Commerce (liquid fuels). The Ministry of Finance has played a strong role in determining, agreeing to develop, and providing national budget funds for energy-related projects. In addition to ministry portfolios, various national government organizations are seeking to engage in restructuring the sector, including the Priority Reform and Restructuring Program and the Afghanistan National Development Strategy, which sets ambitious goals for power distribution in Afghanistan by 2010.

7. There are at least 13 donors and contributing governments providing assistance to the Afghan energy sector. In early 2006, the energy donor community working in Afghanistan prepared a white paper circulated to the Government that supported ICE and highlighted areas for reform essential to improve energy access for Afghan citizens. ICE is intended to facilitate meaningful and strategic government action to support sustainable energy access based on this generally uncoordinated array of activity. It will be chaired by the minister of economy and include the ministries of energy and water, finance, and mines as core members; and the ministries of commerce, foreign affairs, urban development, and rural rehabilitation and development as ad hoc members. It will support teams already operating in these key ministries by building commercial capacity, developing sustainable information exchange mechanisms amongst them, and building a cadre of government professionals who understand and are committed to implementing market-oriented reforms throughout the energy sector.

8. The Government has given ICE a broad mandate for the oversight of strategically significant energy sector policy and infrastructure investments in Afghanistan, including coordination of the support provided by Afghanistan's bilateral and multilateral development partners. ICE will help coordinate government action by establishing ministry working groups to focus on specific energy sector areas, including urban and rural generation (hydropower, oil, gas, coal, renewables, and imports); transmission; distribution; and liquid fuels (diesel, petrol). This work will not duplicate the national strategy or other interministerial actions and will be narrowly focused to address energy issues. The authority of ICE does not replace the authority of individual ministers for their respective portfolios.

III. THE PROPOSED TECHNICAL ASSISTANCE

A. Impact and Outcome

9. The planned impact of the TA is improved energy supply for Afghanistan. ICE will assist the Government in the strategic approach to how Afghanistan will optimize its energy resource use and management to provide power and energy to its people, businesses, Government, and industry. The desired outcome is improved capacity and coordination of government and energy sector managers to (i) support commercial and private sector operations; and (ii) prepare and implement market-based strategic planning and policy development to include short-, mid- and long-term planning with an immediate emphasis on power. An ICE secretariat located at MEW will be established in early 2007 to serve as the point of contact for energy reform in Afghanistan to provide accurate information, facilitate market relationships, coordinate energy project development, and build regional linkages. The secretariat will develop a set of systems to (i) improve government, donor, and private sector communications to keep cabinet, parliament, and other key decision makers informed of sector developments; and (ii) target energy programs that will build capacity, investment, and energy access. The secretariat will provide quantitative and qualitative energy data based on its far-reaching coordinative capacity relating to institutions inside and outside Afghanistan. It is likely that ICE will become more of a policy-making body that coordinates inputs from key line ministries.

10. A commercial advisory team will be formed within the ICE secretariat to assist the Government in the immediate economic assessment of energy sector development to accelerate the implementation of ongoing projects and identify energy investments that will facilitate reshaping the sector to become market-based and sustainable. The commercial advisory team within ICE will improve the commercial capacity of government and energy sector managers to include market-oriented governance, legal, financial, and commercial aspects. This will help (i) coordinate ministry, donor, regional, and other relevant energy sector planning; (ii) prepare realistic budgets; (iii) build planning and project implementation capacity; and (iv) synthesize existing data to support short-, medium- and long-term energy development. In addition, the commercial advisory team will assist the Government in the development of management contracts, production sharing agreements, and power purchase agreements to stimulate private sector investment. It will also facilitate a consultation process that will assess the social, environmental, and other impacts of energy restructuring to promote sound regulation of the sector.

B. Methodology and Key Activities

11. The establishment of ICE fills a large void in the Government's current structure to understand, support, design, and monitor energy sector activities, planning, and development based on commercial principles. Since 2002, considerable reconstitution and collection of energy data as well as assessment of energy resources has been conducted. This could have been used to develop a strategic energy policy for Afghanistan. However, neither a comprehensive energy strategy nor a sufficiently coordinated donor approach have emerged to secure sustainable and cost-effective energy strategies that support private investment. Momentum from early ad hoc initiatives needs to be turned into coordinated strategic action that will (i) build commercial capacity throughout the energy ministries; and (ii) produce an integrated energy plan that optimizes available investments, promotes the use of indigenous and renewable resources, and facilitates diversity in energy supply and security. The ICE operational structure will bring together the wide array of government and donor interests to assure coordinated action, consistent information, and practical planning. This initiative is based

on the recognition of this void by government agencies and donors. ICE will not be responsible for project implementation. Rather, it will develop sound policy which is in line with fiscal requirements; government policy priorities; and international standards of safe, healthy, affordable, and reliable provision of energy services to the people of Afghanistan.

12. To establish ICE-related operations, the TA will (i) coordinate ministry, donor, sector, and key stakeholder energy activities; (ii) develop commercial understanding and planning skills among government and energy sector leaders, including sector governance along with legal, financial, and technical capacity; (iii) prepare sector plans and corresponding budgets based on demand; (iv) support the development of regulatory functions, including market-based contracting and oversight; and (v) build local capacity to oversee and monitor energy planning and development in Afghanistan through transfer of international know-how.

13. **Component 1: Establishment of the ICE Secretariat.** Component 1 will support the functionality of ICE as a new institution. It will (i) establish the ICE secretariat operations based at MEW, including office equipment and technically competent local and international experts; (ii) provide a formal setting in which interministerial dialogue and information exchange can be conducted regularly; (iii) enhance the Government's ability to interact with donors and potential investors as a coordinated counterpart through regular meetings and reviews of energy assistance portfolios; (iv) provide regularly published information updates through a national energy awareness campaign and maintain an ICE website; and (v) encourage participation of other government entities, Afghan citizens, and sector operators to disseminate how the sector is being developed for the long term, community by community. This present lack of communication and information sharing has developed a perception that the Government is not acting and that no progress has been achieved.

14. **Component 2: Establishment of a Commercial Advisory Team.** Component 2 will help to build energy sector strategic planning and commercial capacity at the government and energy sector levels. This will (i) establish a quality on-the-ground technical advisory team comprised of Afghan and international experts within the ICE secretariat to facilitate capacity building that leads to the development of baseline market-sector strategic information; (ii) prepare an emergency fuel strategy, including assessment of diesel use, coal supply and transport, kerosene, and other fuel sources for winter; (iii) develop specific energy sector planning skills to conduct economic assessments and budget planning utilizing existing data; (iv) promote regional and provincial participation in energy planning, resulting in the production of energy plans; (v) actively disseminate sector strategies to key government, donor, and private sector players; (vi) adopt and issue sector plans for public consumption; and (vii) develop sufficient legal and contracting skills. The commercial advisory team will complement work under way at key energy sector ministries to develop the capacity of Afghan experts to think strategically, use data for energy sector policy guidance and planning, and prepare project finance statements. Government capacity can be developed through ICE secretariat activities to provide market-oriented planning and risk guarantees for awarding and enforcement of market-based project contracts.

C. Cost and Financing

15. The total cost of the TA is estimated at \$2,300,000 equivalent. The Government has asked ADB to finance \$2,000,000 equivalent on a grant basis from ADB's TA funding program. The Government will provide \$300,000 equivalent to finance counterpart staff, office facilities at MEW, security, and other expenditures. Detailed cost estimates are in Appendix 2.

D. Implementation Arrangements

16. The Ministry of Finance will be the executing agency for the TA. MEW will be the implementing agency for each TA component. ADB administration of the Project will be undertaken by its Afghanistan Resident Mission in Kabul with close cooperation and support from the Central and West Asia Infrastructure Division at ADB headquarters. The TA will be implemented over a period of 25 months from February 2007 through February 2009. The ICE secretariat will be established at MEW; the TA will provide funding for office and computer equipment. This office will be headed by an executive director and include international and domestic staff. The TA will engage 60 person-months of international and 270 person-months of domestic consulting services. The international consultants will have extensive experience in energy planning, commercial operations, sector restructuring, and transition government reform. The domestic consultants will have expertise in the areas mentioned above in addition to being well versed in the current energy situation of the country. Emphasis will be placed on international expertise for the first 12 months of operations, which will be subsequently carried out by domestic experts.

17. Equipment will be procured by the ICE secretariat in accordance with ADB's *Procurement Guidelines* (April 2006, as amended from time to time) and be handed over to the implementing agency on completion of the TA. All advances will be provided and liquidated through the consultancy contract of the ICE secretariat executive director. All consultants will be engaged by ADB in accordance with *Guidelines on the Use of Consultants* (April 2006, as amended from time to time). As the TA is urgently required by the Government to support ICE startup, and at the request of the Government, consultants will be recruited as individual consultants and selected for the assignment based on qualifications.² The ADB Afghanistan Resident Mission will be responsible for the recruitment of international and domestic consultants. The outline terms of reference for consultants are in Appendix 3.

18. As part of the ICE operations, a monitoring and evaluation plan and system will be in place to catalogue and track activities, information collected, and meetings conducted. Members of ICE will conduct quarterly reviews of ICE activities with support from the ICE secretariat. Updates from those reviews will be published and disseminated through a national energy awareness campaign to the Government, donors, nongovernment organizations, interested parties, and the media; they will be available on the ICE website. ICE members will have the opportunity to comment and evaluate ICE program outcomes to be considered, as ICE evolves and seeks to enhance and modify its program.

IV. THE PRESIDENT'S RECOMMENDATION

19. The President recommends that the Board approve the provision of technical assistance not exceeding the equivalent of \$2,000,000 on a grant basis to the Government of the Islamic Republic of Afghanistan for Support to the Interministerial Commission for Energy.

² Suitable personnel—both international and domestic—are available in Afghanistan, while there are few or no qualified domestic consulting firms with the requisite experience.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Impact Improved energy supply for Afghanistan</p>	<p>Progress toward or achievement of Afghanistan National Development Strategy goals:</p> <ul style="list-style-type: none"> • Electricity will reach at least 65% of households in major urban areas by end 2010 • Electricity will reach at least 90% of nonresidential establishments in major urban areas by end 2010 • At least 25% of households in rural areas have electricity access by end 2010 • A strategy for the development and use of renewable energies will be developed by end 2007 • At least 75% of the costs will be recovered from users connected to the national power grid by end 2010 	<p>Quarterly and annual reporting</p> <p>Regular ICE member meetings, including donor participation as required</p> <p>ICE issue papers, energy reports, and reviews</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Current Afghan energy policy is not sufficiently strategic • All key stakeholders will participate <p>Risks</p> <ul style="list-style-type: none"> • ICE may extend beyond its mandate because of the lack of similar bodies • Inability to sustain operations in the long term because of funding
<p>Outcomes Improved capacity and coordination of government and energy sector managers to support commercial and private sector operations, and prepare and implement market-based strategic planning and policy development to include short-, mid-, and long-term planning with an immediate emphasis on power</p>	<p>ICE staff able to assess data; synthesize and develop energy strategy; prepare planning and policy for review</p> <p>Improved implementation of ongoing projects</p> <p>National energy sector strategic plan, regional and provincial energy strategies, line ministry energy sector strategies drafted within 6 months of startup</p> <p>Improved communication systems in place to keep key decision makers informed of sector developments, facilitate market relationships, coordinate energy project development, and build regional linkages</p> <p>Energy sector investments identified that will facilitate reshaping the sector to become market-based and sustainable</p>	<p>Monthly operations reporting and member meetings by ICE</p> <p>National, regional, and provincial energy plans and strategies; winter fuel strategy</p> <p>Number of stakeholders participating and to whom draft strategies are sent for comment</p> <p>Cost-based budget submissions from ministries for energy projects</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Strong political will to make ICE work • Reliable stakeholder participation <p>Risks</p> <ul style="list-style-type: none"> • Weak capacity • Overburdened agenda

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
	<p>Greater ability of the Government to interact with donors and potential investors through regular meetings and reviews of energy sector portfolios</p> <p>Consultation process that will assess the social, environmental, and other impacts of energy restructuring to promote sound regulation of the sector</p>	<p>Market-based contract tools in place to support energy sector project investment and return</p> <p>Donor reviews of energy sector progress</p>	
<p>Outputs</p> <p>1. Office within MEW to serve as the point of contact for energy reform and to unify energy sector in Afghanistan</p> <p>2. Inception report including 24-month work plan, priority actions, key stakeholders, methodology for promoting regional cooperation, and consultant scheduling within 1 month of startup</p> <p>3. Annual budget planning and preparation assistance for energy sector</p> <p>4. National energy use and demand baselines established; national energy sector strategic plans drafted for specific sectors, within 6 months of startup</p>	<p>Physical office space provided by MEW, office equipment and computers procured, consulting staff installed by end March 2007</p> <p>Establishment of ICE operations, related data analysis, collection, and management</p> <p>Weekly ICE secretariat update</p> <p>Monthly progress reports</p> <p>Preliminary operations guidelines, meeting schedules, budget planning</p> <p>Regularized processes for sector and sector budget planning, information exchange as inputs to sector market-based strategy development; adequate funding budgeted for energy sector projects</p> <p>Strategy as a living document for ongoing consideration; once adopted, significant modification would require review and votes of ICE members</p>	<p>Government and ADB confirm receipt of reports and provide comments</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Ministries will have office space and staff available to support ICE • Data received is accurate <p>Risks</p> <ul style="list-style-type: none"> • Ministry staff will not have sufficient time and/or be sufficiently technically competent to make meaningful contributions to work of ICE • Local and regional leaders refuse to participate

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>5. Preparation of an emergency fuel strategy for winter 2007/8</p> <p>6. Training within first year of startup to improve commercial capacity of government and energy sector managers</p> <p>7. Presentation of national energy awareness campaign; launching of ICE website</p> <p>8. Demonstrable capacity improvements in commercial strategies, specific sector planning</p> <p>9. Secretariat developed to liaise effectively with all stakeholders in country</p>	<p>Adequate fuel sources and supply for winter</p> <p>Training on market-oriented governance, legal, financial, and commercial aspects held for over 300 energy sector managers and personnel nationwide by end 2007</p> <p>Greater public awareness of government and private sector operations and initiatives in the energy sector</p> <p>Management contracts, production sharing agreements, and power purchase agreements</p> <p>Regularized donor/government meetings and donor assessments</p> <p>Private sector feedback (solicited by ICE and others)</p>		
<p>Activities with Milestones</p> <ol style="list-style-type: none"> 1. Establishment of ICE secretariat in MEW (1st week, Mar 2007) 2. Launch of ICE website (1st week, May 2007) 3. Preparation and initiation of a national energy awareness campaign (1st week, May 2007) 4. Regional and national energy use and demand baselines established (3rd week, May 2007) 5. Development of 5-year winter fuel strategy plan (1st week, Jun 2007) 6. Draft regional and provincial energy strategies, line ministry energy sector strategies (1st week, Jul 2007) 7. Draft of national energy sector strategic plans (1st week, Aug 2007) 8. Final national energy sector strategic plan in Dari, Pashtu, and English (4th week, Dec 2007) 			<p>Inputs</p> <ul style="list-style-type: none"> • ADB TA contribution: \$2,000,000 • Government contribution (in kind): \$300,000 including office space at MEW, security and support staff

ADB = Asian Development Bank, ICE = Interministerial Commission for Energy, MEW = Ministry of Energy and Water, TA = technical assistance.

COST ESTIMATES AND FINANCING PLAN
(\\$)

Item	Total Cost
A. Asian Development Bank (ADB) Financing^a	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants	1,200,000
ii. Domestic Consultants	500,000
b. Travel	30,000
2. Equipment and Furniture	
a. Computer Equipment, Software, Furniture ^b	25,000
b. Vehicles ^c	45,000
3. Training, Seminars, and Conferences	
a. Training Program	30,000
4. Surveys	15,000
5. Communications, Reports, Administration and Support Costs	10,000
6. Contingencies	145,000
Subtotal (A)	2,000,000
B. Government Financing	
1. Office Accommodation	225,000
2. Administration, Remuneration and Per Diem of Counterpart Staff	50,000
3. Security	25,000
Subtotal (B)	300,000
Total	2,300,000

^a Financed by ADB's technical assistance funding program.

^b Includes 1 photocopier, 5 desktop computers, peripherals (2 printers and 1 scanner), software for word processing, spreadsheet analysis, and internet access. Furniture purchases will include desks, chairs, filing cabinets, bookshelves, etc.

^c Includes the purchase of 1 vehicle and rental of 3 vehicles for 12 months.

Source: ADB estimates.

OUTLINE TERMS OF REFERENCE

A. Objective

1. The objective of the technical assistance (TA) is to establish a central, credible government body to support, develop, and facilitate a coherent energy and power strategy for Afghanistan. The TA will strengthen the capacity of the Ministry of Energy and Water (MEW) and the Ministry of Economy to undertake energy development oversight—particularly to coordinate donor and government programs and to optimize opportunity to leverage these programs to attract private investment. Government capacity to share information, budget sector development, and build local capacity throughout the sector will be strengthened through this initiative.

2. The TA will (i) establish the Interministerial Commission for Energy (ICE) secretariat, including trained staff and office operations; (ii) develop government and energy sector managers' capacity to conduct strategic planning that supports practical and, where useful, integrated energy development; (iii) spearhead a variety of donor initiatives, including various project implementation unit and program management unit activities that are presently engaged with different parts of the Government to assure more integrated and timely implementation of energy assistance; (iv) develop protocols for energy ministries and key stakeholders to coordinate energy development and improve information exchange; (v) build a cadre of Afghan professionals skilled in strategic planning for energy and related development impacts; and (vi) assist the Government in leading development of the energy sector, public sector plans and realistic budgets, its institutional arrangements to support the sector, financing sector development, and monitoring improvements and efficiencies as the sector continues to develop.

3. The approach of the TA is to provide intense and targeted international advisory in the first 12 months of ICE operations, followed by transfer of skills and capacity to Afghan counterparts working at ICE.

B. Scope of Work

1. Establishment of the ICE Secretariat

a. International Consultants

4. One international consultant: an executive director (24 person-months). The consultant will do the following.

- (i) Oversee management of the ICE secretariat and a commercial advisory team to be established within the ICE secretariat; day-to-day management of all ICE operations; liquidation of all payment advances; and interaction with the Government, donors, and sector investors.
- (ii) Assist in the development of the ICE directorship function and ICE member participation.
- (iii) Facilitate and develop ICE to become the focal point for energy strategy and information by working with regional energy working groups, donor and government leaders, sector managers, media, and the public.
- (iv) Assist the Afghanistan Resident Mission of the Asian Development Bank (ADB) in identifying and recruiting office secretariat and commercial advisory team domestic personnel.
- (v) Lead the development of a quantitative and qualitative set of indicators that addresses the variety of issues associated with energy development for Afghanistan.
- (vi) Liaise with key stakeholders and, in partnership with them, develop key information linkages, institutional support, and data gathering.

- (vii) Provide day-to-day assistance and advisory to the ICE members, the Government, ICE secretariat, and international advisors to ensure regularized operations, communications with ICE staff, ministries, and government/donors.
- (viii) Collaborate with the commercial advisory team and domestic ICE team to contribute to research; data collection; development of methodologies; analysis of information; strategies for optimal implementation of the ICE portfolio; and coordination with survey teams, donors, and government programs that impact or are impacted by the energy sector.
- (ix) Coordinate and consolidate the outputs of individual consultants; oversee preparation and submission of reports.
- (x) Facilitate and promote young professional capacity building in energy strategic planning skills and monitoring of strategic implementation; and in regulatory functions, contracting, licensing, project design, finance, and monitoring.
- (xi) Promote participation in power sector development, including cross-border imports, contractual arrangements, import power agreement reviews, a market-based legal and regulatory framework that supports affordable private power, and collaboration with the Government and ministries on improving use of indigenous fuels and renewable resources for power.
- (xii) Establish and coordinate ministry and regional energy working groups, and establish a national energy network of experts that will become part of the strategic planning and project oversight processes in the coming years.
- (xiii) Establish ministry working groups to include the ministries of energy and water, mines, commerce, and rural rehabilitation and development to liaise with the ICE secretariat to exchange information, provide ideas and current development plans, and supply data where necessary.
- (xiv) Assist the commercial advisory team experts to establish regional energy working groups to provide initial staff that will seek to include local government and nongovernment leadership familiar with the local energy and economy situation.

b. Domestic Consultants

5. Five domestic consultants: an office manager/accountant (24 person-months), a web master (6 person-months), a translator (24 person-months), and two administrative assistants (24 person-months), to do the following.

- (i) Provide day-to-day support to the ICE executive director, ICE secretariat, commercial advisory team, and ministry working groups. This includes provision of information, contacts, technical support, and promoting liaison among all ICE participating members.
- (ii) Establish the ICE offices; purchase and install all equipment; liquidate payment advances; establish technical operations, office protocol, and operating systems; and assist the executive director in all ICE procurement, including purchases, advance payment liquidations, training, and publications.
- (iii) Establish national and regional relationships with energy and key stakeholders to collaborate with ICE as ongoing liaisons.
- (iv) Facilitate training for ICE affiliates (ministerial and regional working groups), working with commercial advisory team experts, and seeking to liaise and broaden ICE energy partnerships.
- (v) Contribute to and draft information and policy documents, speeches, PowerPoint presentations, and other materials based on data and ministerial inputs, as required by the executive director and ICE members; prepare materials that may include data

- summaries, program approaches, contact information, donor program reviews, and other materials.
- (vi) Prepare and present a national energy awareness campaign via media, public information mechanisms, donors, nongovernment organizations, and other forums through which information will be disseminated that may include (a) energy use information, (b) government plans for developing the energy sector in Afghanistan with specific regard to power, (c) energy efficiency, and (d) women in energy.
 - (vii) Provide strategic oversight to survey teams and local staff, and coordinate activities under development of an energy strategy to support international/national collaboration.
 - (viii) Conduct 2–3 day workshops for local staff on building participation, representational issues for ICE, how to conduct focus groups and media monitoring, building a team, and identifying particular ICE staff skills to be used by the secretariat in implementation.
 - (ix) Establish and maintain the ICE website to support ICE activities in coordination with the ICE executive director, ICE staff, ICE members, and relevant stakeholders to ensure a user-friendly site in Dari, Pashtu, and English; and provide regular content updates. Liaise with data providers and users to establish a regular system for inputting useful information on the ICE website. Assist ICE staff in the preparation of web-based reporting.
 - (x) Assist in compiling and coordinating all ICE publications including design, drafting, and dissemination.
 - (xi) Carry out additional tasks as requested by the ICE executive director, ICE members, and commercial advisory team.
 - (xii) Facilitate all arrangements for exchange training and visitor programs in support of ICE, where required, including travel reservations, visas, and participant materials.
 - (xiii) Subscribe ICE secretariat and members to relevant energy journals, news, and information sources.

2. Establishment of a Commercial Advisory Team

a. International Consultants

6. Three international consultants: a commercial energy expert, an energy legal and governance expert, and an energy finance expert (12 person-months each). The overall responsibility of the consultants will be to guide the process of building commercial capacity at the line ministries and among energy sector managers toward developing sector strategies, to be based in the ICE secretariat at MEW, and coordinating with the ministerial and regional working groups. Each consultant will also address the following tasks, providing input based on their specific areas of expertise.

- (i) Provide international and domestic experience on governance of the energy sector as it currently exists and as it can evolve to be more market-based. Developing and transition economy energy governance experience are required. Specific tasks will include the following.
 - (a) Review existing energy demand data, market demand, and market prospects including dialogue with interested investors, the Government, ministries, and donors to confirm current and project operational costs, willingness to pay, and timing for project financing and implementation.
 - (b) Review existing governance, legal, and regulatory frameworks to identify critical path issues; recommend areas for amendment and approaches to

- resolve them toward attracting sustainable investments while assuring social safeguards in sector reform.
- (c) Develop a cost-effective energy sector development action plan, in coordination with energy strategic planning experts, based on assessment of priority energy projects for the immediate-, short- and mid-term as well as measures that the Government needs to take now to secure funding for these projects.
 - (d) Review existing donor and government support; identify areas for improved collaboration, reduced duplication, and priority actions to be completed.
 - (e) Prepare a pilot regional energy project, if useful, that reflects a cost-effective approach to energy planning and project implementation.
- (ii) Provide inputs and compilation support to the executive director for all reporting requirements.
 - (iii) Develop detailed terms of reference for domestic consultant assignments, and assist in their recruitment.
 - (iv) Prepare an emergency fuel strategy in close coordination with domestic consultants, including assessment of diesel use, coal supply and transport, kerosene, and other sources for winter.
 - (v) Compile and review existing energy information; identify information gaps; and review current projects funded by the Government, private sector, and donors.
 - (vi) Oversee and assist in the formulation of training on market-oriented governance; and legal, financial, and commercial aspects for energy sector managers and personnel.
 - (vii) Coordinate with ministry and regional energy managers, donors, and potential sector investors.
 - (viii) Design, draft, and implement targeted regional and provincial energy strategies as well as sector-specific reports in collaboration with relevant ministry, regional, and sector leaders with support from ICE.
 - (ix) Draft issues papers based on international experience, in coordination with the ICE secretariat, on aspects of commercial-based energy policy as they emerge during the course of implementing ICE.
 - (x) Prepare benchmarks for implementing sector improvements to be reviewed and agreed by key government and donor participants (1-, 5-, and 10-year targets) which may include sales, revenues, and efficiency.
 - (xi) Prepare an assessment by region of the issues, barriers, and potential for development of their expert sector, based on review of data and expert international experience, including a basic assessment of costs.
 - (xii) Review existing budgets in collaboration with line ministries, and amend where useful to optimize national and development budget funds.

b. Domestic Consultants

7. Seven domestic consultants: an energy strategic planning expert, a commercial expert, an energy legal and governance expert (24 person-months each), and four regional energy liaisons (24 person-months each). The consultants will do the following.

- (i) Collect data and assist the international consultants in collecting information and data, and translate them into English as required.
- (ii) Design questionnaires and other survey tools with translation into Dari/Pashtu to conduct field-based surveys, research, and studies as instructed by the ICE secretariat; compile and analyze the results.
- (iii) Prepare issues papers as required.

- (iv) Compile all energy assistance activities ongoing in-country; develop a software-based data system to update this information.
- (v) Assist the ICE secretariat and line ministry staff in identifying regional counterparts and establishing viable regional and provincial energy strategy networks, information channels, and data collection.
- (vi) Identify institutional gaps in supplying energy at regional, provincial, and local level; make recommendations for immediate technical, commercial, and institutional improvements.
- (vii) Prepare and deliver 2–3 day training sessions on technical topics for ICE members, secretariat staff, and energy-sector managers—including written materials, PowerPoint presentations, and other training tools.
- (viii) Prepare and deliver training on market-oriented governance; and legal, financial, and commercial aspects for energy sector managers and personnel nationwide.
- (ix) Prepare national energy assistance and targeted regional assistance programs that may include energy efficiency, least cost planning, etc.
- (x) Assess data available and how donor, government, and private sector programs are functioning with an emphasis on areas outside Kabul.
- (xi) Assess cross-border energy aspects and recommendations for optimizing energy relations.
- (xii) Assist in drafting and review of sector, regional, and national energy strategy documents.

C. Reports

8. ICE secretariat reporting, including the commercial advisory team and ministry working groups, will be an essential part of its operations based on regularized systems for information exchange, dialogue with ICE members and stakeholders, and assessment of existing data. The following reports, all in the English language (some reports will also require translation into Dari and Pashtu), will be submitted by the consultants to the Government and ADB.

- (i) **Inception report.** Within 1 month of startup of ICE operations, the secretariat will prepare a report that includes the proposed work plan for 24 months, priority actions, key stakeholders to participate in ICE activities, methodology for promoting regional participation, and cost-effective consultant scheduling required to fulfill the terms of reference.
- (ii) **Weekly ICE update.** A brief weekly electronic update will be prepared for ADB and ICE members that reflects information about the establishment of ICE, contributions of its members, consultant activities, and general findings on energy development in Afghanistan.
- (iii) **Monthly progress reports.** These should be submitted within the first 10 days of the following month and show the progress of all terms of reference initiatives as well as identify barriers to implementation, suggestions for enhancing the program, and opportunities to improve the cost-effectiveness of implementation.
- (iv) **Issues papers.** In accordance with the ICE work plan, some identifiable issues papers will be prepared by the consultants in addition to issues that are raised during the course of implementing ICE. The ICE secretariat will determine the dissemination of these papers, which may include ICE members, stakeholders, donors, private sector, media, and the public.
- (v) **Winter fuel strategy.** Based on existing efforts, a commercially based 5-year emergency fuel plan will be developed which includes cost, resource use, and transport of fuel.
- (vi) **Line ministry energy sector strategies.** Compilation of sector specific strategies prepared by ICE and ministry staff for each line ministry engaged in energy,

including benchmarks, cost projections, market-based investment projections, institutional framework, and gaps in legislative framework.

- (vii) **Draft regional and provincial energy strategies.** In accordance with the work plan, regions as identified by the members of ICE will be prepared by ICE secretariat consultants in close collaboration with regional stakeholders. These drafts will be entered into the content of the national energy strategy and may provide leverage for more targeted energy assistance in particular regions.
- (viii) **National energy sector strategic plans.** Within 6 months of ICE startup, a set of draft plans for specific energy sectors will be prepared by the ICE consultants in close collaboration with relevant ministerial counterparts with final compilation of planning and strategy prepared by the end of 2007 in accordance with the goals of the Afghanistan National Development Strategy for the energy sector. This document will be clearly drafted in Dari, Pashtu, and English.
- (ix) **Draft TA evaluation report.** To be submitted 1 month prior to TA completion and to list all activities undertaken by ICE, development and exchange of information and other resources, stakeholder participant information, training provided, and final outcomes of implementing this TA.
- (x) **Final TA evaluation report.** To be submitted on CD ROM within 1 month of comments from the Government and ADB.