



Technical Assistance Report

Project Number: 39521
October 2006

Republic of the Fiji Islands: Improving Infrastructure Services

(Financed by the Japan Special Fund)

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 30 September 2006)

Currency Unit	–	Fiji dollar(s) (F\$)
F\$1.00	=	\$0.5787
\$1.00	=	F\$1.7280

ABBREVIATIONS

ADB	–	Asian Development Bank
AusAID	–	Australian Agency for International Development
CSPU	–	country strategy and program update
DOE	–	Department of Energy
FEA	–	Fiji Electricity Authority
GDP	–	gross domestic product
MOFNP	–	Ministry of Finance and National Planning
MPEPSR	–	Ministry of Public Enterprise and Public Sector Reform
REP	–	Rural Electrification Policy
TA	–	technical assistance

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting Classification	–	General intervention
Sectors	–	Multisector: energy; transport and communications; water supply, sanitation, and waste management
Subsectors	–	Energy sector development, telecommunications and communications, water supply and sanitation
Themes	–	Sustainable economic growth, private sector development
Subthemes	–	Fostering physical infrastructure development, policy/institutional/legal/regulatory reforms

NOTE

- (i) In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. During an Asian Development Bank (ADB) consultation mission to the Fiji Islands in June 2006, the Government of the Fiji Islands confirmed its request for technical assistance (TA) to support reform processes in three key infrastructure sectors: power, water and sanitation, and telecommunications. The TA was included in ADB's country strategy and program update (CSPU) 2005–2006 for the Fiji Islands.¹ The TA will support reforms to improve infrastructure service delivery through the establishment of a multisector regulatory commission and the development of a rural electrification strategy.

2. Following a Cabinet decision on 4 July 2006 to proceed with scoping for a multisector regulator, a TA fact-finding mission was fielded to the Fiji Islands from 4 to 8 September 2006 and reached an understanding with the Government on the TA's outcomes, outputs, financing plan, implementation arrangements, and outline terms of reference.² The design and monitoring framework is in Appendix 1.

II. ISSUES

3. The Fiji Islands' economic performance has been mixed. Following an exceptionally high growth in gross domestic product (GDP) of 9% in 1999, the economy experienced a sharp economic contraction as a result of the political turmoil in 2000. Annual growth for the period 2000–2005 averaged about 1.8%, well below average global growth rates. The Government recognizes that the development of key infrastructure is essential to diversify the production base, reduce the country's vulnerability to adverse global market events, create employment opportunities, and promote sustained economic growth and poverty reduction. To promote development and sustainable economic growth, the Government has embarked on a reform process and has identified private sector participation as the key factor for improving the performance and delivery of infrastructure services.

4. In the power sector, the Government has reformed the Fiji Electricity Authority (FEA), improving the cost efficiency of its operations. However, the Government recognizes that major challenges remain to reduce the cost of electricity, meet growing demand, and improve access to electricity services. A recently approved fuel surcharge has greatly improved FEA's ability to recover costs and reduce its risk exposure, but has left consumers exposed to foreign exchange risks and global fuel price hikes. The development of indigenous and renewable resources for power generation is urgent to sustain affordable services and promote economic growth. The Government recognizes that the private sector has a vital role to play in the power sector. It undertook a regulatory review in 2005 that made a number of recommendations to improve governance, increase investor confidence, and improve performance in the sector.

5. Over 30% of the population in the Fiji Islands does not have access to the electricity grid. Of these, about 40% have access to intermittent and unreliable electricity supply from stand-alone diesel generators administered by the Department of Energy (DOE). About 300 households have solar home systems, which provide lighting for 4–6 hours per day. To extend the electricity grid to rural areas which do not meet FEA's commercial criteria and to provide for off-grid electrification in remote areas, the Government, under the Rural Electrification Policy (1993), subsidizes investment costs. While there has been progress in rural electrification, the DOE's ability to provide affordable and reliable electricity services has been hampered by

¹ ADB. 2005. *Country Strategy and Program Update 2005–2006: The Republic of the Fiji Islands*. Manila.

² The TA first appeared in *ADB Business Opportunities* as "Preparing a Power Sector Road Map" on 5 July 2006.

financial, institutional, and staff constraints; the lack of sustainable delivery mechanisms; and the high cost of fuel and transport. Project preparation, management and monitoring remain weak and the lack of competitive bidding in grid electrification has led to poor cost control.

6. The water and sanitation sector remains critically important for public health and the quality of life. However, it is characterized by deteriorating infrastructure, low cost recovery (requiring large subsidies by the Government), lack of technical capacity, and low operational efficiency. With ADB support, the Government has embarked on a major upgrade of water supply and sewerage facilities in the heavily populated Suva–Nausori corridor and a reform process to corporatize the water and sewerage department, improve cost recovery, and amend legislation.³

7. The telecommunications sector has steadily grown over the last decade and demand is expected to continue to grow. However, coverage is limited and costs remain high, despite a sharp reduction in international prices. Rural services are particularly costly and are too expensive for most people living in rural areas. The government recognizes the critical role that telecommunication plays, and has identified the absence of competition as a significant constraint. With support from the World Bank, the Government prepared a sector road map which was approved by the Cabinet in December 2005. New legislation outlining arrangements to liberalize entry, broaden services, and promote technological progress is being considered by the Government.

8. The Government recognizes the significance of the financial and human resource constraints in the economy. To promote cost-efficient regulation and to capture synergies and economies of scale through the ongoing reforms in the three sectors, on 4 July 2006 the Cabinet approved a proposal to proceed, in principle, with a multisector regulator. With support from the Australian Agency for International Development (AusAID), the Government is beginning a study to evaluate appropriate options for the structure, roles, functions and legal authority of the proposed multisector regulatory commission. Consideration by Cabinet is expected during 2006.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

9. The objective of the TA is to promote good governance and a conducive environment for investments and competition in three infrastructure sectors: power, water and sanitation, and telecommunications. The TA will provide assistance to the Government's reforms to improve the efficiency and capacity of infrastructure services and increase access to services by all consumers.

B. Methodology and Key Activities

10. The TA will require continuous stakeholder consultations throughout the implementation process. Implementation will be phased to allow for such consultations and for the political process and legislative amendments. Two steering committees consisting of stakeholders from

³ ADB. 2003. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Technical Assistance Grant to the Republic of the Fiji Islands for Suva-Nausori Water and Sewerage Project*. Manila (Loan 2055-FIJ). ADB. 2003. *Technical Assistance to the Republic of the Fiji Islands for Capacity Building in Water and Sewerage Services*. Manila (TA 4270-FIJ).

involved ministries will be established to guide the work under the TA. These committees will be kept informed of the implementation process. Consultations will also be held with a wider set of stakeholders and development partners. Throughout the implementation process, workshops and presentations will be held to ensure that stakeholders understand the rationale behind proposed approaches and options. To increase awareness and exposure to international best practice approaches, resource persons from regulatory authorities and rural electrification programs in the Asia and Pacific region will be invited to give presentations.

11. The TA has two components. Component A covers the establishment of a multisector regulatory commission covering the three infrastructure sectors. Component B covers the development of a strategy for grid and off-grid rural electrification.

12. The Cabinet decision on the roles, functions and legal authority of the multisector regulatory commission will guide the work to be undertaken under component A, which will be undertaken in two phases. Phase 1 will comprise proposals for amendments to existing legislation and the preparation of guidelines for enabling legislation to establish the regulatory commission's legal status and its roles and functions for consideration by Cabinet and Parliament. The output of phase 2 will be a regulatory road map. The key activities will include: (i) the establishment of market structures, licensing, and contract arrangements to implement the regulatory regime; (ii) capacity building, including workshops on international best practice for infrastructure regulation and tariff methodologies; (iii) assessment of institutional structure, resource, and personnel requirements for the regulatory commission; (iv) annual operating budget; and (v) an implementation plan.

13. Component B will also be implemented in two phases. The first will include (i) an analysis of the progress and gaps in rural electrification in the Fiji Islands, and (ii) a capacity-building workshop to increase awareness of international best practice arrangements for rural electrification. The second phase will include an assessment of options for institutional, financial, and implementation arrangements for rural electrification. Stakeholder consultations will be undertaken to reach consensus on a realistic master plan for rural electrification.

C. Cost and Financing

14. The total cost of the TA is estimated to be \$1,000,000 equivalent. The Government has requested ADB to finance \$700,000 equivalent. The TA will be financed on a grant basis by the Japan Special Fund, funded by the Government of Japan. The Government will finance the balance of the TA, equivalent to \$300,000, by providing office accommodation and facilities and counterpart staff. The details of the cost estimates and financing plan are in Appendix 2.

D. Implementation Arrangements

15. The Ministry of Finance and National Planning (MOFNP) will be the Executing Agency for the TA and has assigned the Ministry of Public Enterprises and Public Sector Reform (MPEPSR) and Department of Energy as the implementing agencies for components A and B, respectively. MPEPSR will chair a steering committee for component A. The steering committee, which will be set up before the beginning of the AusAID-supported study, comprises senior representatives of MOFNP, DOE, the Commerce Commission, the Ministry of Information and Telecommunications, FEA, and the Water and Sewage Department. The steering committee will provide guidance to the consultants. MPEPSR will oversee implementation, allocate competent counterpart staff, including an in-house lawyer, and provide office space for the component A work.

16. DOE will chair the steering committee to guide the work for component B. DOE will be responsible for establishing the steering committee, which will consist of senior representatives of MOFNP, FEA, and MPEPSR, before work begins. DOE will oversee implementation and provide counterpart staff and office space for work on component B.

17. A firm will be engaged to provide 15.5 person-months of international and 1 person-month of national consulting services. The firm will be engaged by ADB in accordance with ADB's *Guidelines on the Use of Consultants*. The firm will be recruited using quality- and cost-based selection procedures. Simplified technical proposals will be requested. Outline terms of reference for consultants are in Appendix 3.

18. The TA will be implemented with intermittent consultancy services over a period of 18 months from March 2007 to September 2008. It will be closely coordinated with ADB's ongoing work in the water and sanitation sector and the work in the telecommunications sector supported by the World Bank. In addition to drafting Cabinet and Parliament proposals and legislation amendments, the consultants will have ongoing communication with and receive guidance from the steering committees and ADB on the progress of work.

19. The consultants will prepare a series of working papers under component A, including (i) a review of existing laws and regulations; (ii) the scoping, structure, and resource and financing requirements; and (iii) the tariff methodologies. The draft final report, containing the regulatory road map, will be finalized in a publishable format after incorporating discussions from a stakeholder workshop. For component B, an interim report covering the scope of work during the analytical phase will be prepared. The draft final report containing the rural electrification strategy will be finalized in a publishable format after a final workshop.

IV. THE PRESIDENT'S DECISION

20. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$700,000 on a grant basis to the Government of the Fiji Islands for Improving Infrastructure Services, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Impact Good governance and a conducive environment for investments and competition</p>	<p>Increased infrastructure investments in power, water and sanitation, and telecommunications</p>	<p>Sector disaggregated investment data</p> <p>Number and capacity of independent water, power, and telecommunications producers and service providers</p>	<p>Assumption</p> <ul style="list-style-type: none"> Government commitment to reforms
<p>Outcome Improve efficiency, capacity and access of infrastructure services to all consumers of power, water and sanitation, and telecommunications</p>	<p>Increased coverage and reliability of services</p> <p>Reduction in costs</p>	<p>Number of people with access to reliable services</p> <p>Tariffs</p>	<p>Assumptions</p> <ul style="list-style-type: none"> Government commitment to effective regulation Effectiveness and comparative advantage of a multisector regulator Available resources to establish a regulatory commission Effective stakeholder consultations and consensus
<p>Outputs Component A: Establishment of a regulatory commission</p> <p>Phase 1: Enabling legislation</p> <p>Phase 2: (i) Defined market structures, licensing and contract arrangements</p> <p>(ii) Capacity building for regulatory structures, procedures and</p>	<p>Legal proposals submitted to Parliament</p> <p>Agreement among stakeholders on the scope and structure of the regulatory commission</p> <p>Submission of proposal to Cabinet</p>	<p>Parliament consideration</p> <p>Workshops</p> <p>Tripartite meetings</p> <p>Consultants' reports and communications</p> <p>Cabinet consideration</p>	<p>Assumptions</p> <ul style="list-style-type: none"> Government's timely decision to proceed with reforms Approval by Cabinet of the functions, roles and legal authority of a regulatory commission prior to drafting legal amendments Effective stakeholder consultations and consensus High-quality advisory services Capacity of counterpart staff

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
tariff methodologies (iii) Exposure to international best practice regulation in infrastructure (iv) Institutional structure, resource and personnel requirements (v) Budget for annual operation (vi) Implementation plan	Draft proposal submitted to Parliament	Parliament consideration	
Component B: Development of a rural electrification strategy Phase 1: (i) Diagnostic of progress in rural electrification, financial and institutional arrangements and sustainability (ii) Capacity building to introduce best practice rural electrification programs (iii) Rural electrification strategy for off-grid and grid systems with identified implementation plan, financing requirements and institutional arrangements	Improved awareness of the costs, subsidy and sustainability issues of rural electrification Stakeholder agreement on rural electrification Strategy Submission of rural electrification Strategy to Cabinet	Workshops Consultants' working papers and reports Tripartite meetings Communication with Government, stakeholders, and development partners Consultants' reports and ongoing communication Cabinet consideration	Assumptions <ul style="list-style-type: none"> • Government commitment to rural electrification • Availability and capacity of counterpart staff • High-quality consultancy inputs • Effective communication and stakeholder consultations • Coordination with development partners

Activities with Milestones	Inputs
<p>1. Component A: Scoping of multisector regulation (March 2007 – September 2008)</p> <p>1.1 Phase 1: (March – May 2007):</p> <p>1.1.1 Enabling legislation</p> <p>1.1.2 Steering committee meetings and consultations</p> <p>1.1.3 Tripartite meeting</p> <p>1.2 Phase 2 (August 2007 – September 2008, intermittent):</p> <p>1.2.1 Full scoping study of the regulatory commission, including market structures, institutional structure, resource and financing requirements, funding mechanisms</p> <p>1.2.2 Capacity building and workshops on tariff setting and regulatory structures and procedures</p> <p>1.2.3 Implementation Plan</p> <p>1.2.4 Steering committee meetings</p> <p>1.2.5 Tripartite meetings</p> <p>1.2.6 Wider stakeholder and funding agency consultations</p> <p>2. Component B: rural electrification strategy for off-grid and grid rural electrification (March – November 2007)</p> <p>1.3 Phase 1: (April – July 2007):</p> <p>1.3.1 Diagnostic</p> <p>1.3.2 Outline of master plan scenarios</p> <p>1.3.3 Stakeholder workshop</p> <p>1.3.4 Resource and capacity building workshop</p> <p>1.3.5 Steering committee meetings</p> <p>1.4 Phase 2 (September 2007– February 2008):</p> <p>1.4.1 Detailed assessment of master plan scenarios</p> <p>1.4.2 Rural electrification strategy</p> <p>1.4.3 Sector stakeholder workshop</p> <p>1.4.4 Wider consultation workshop</p> <p>1.4.5 Steering committee meetings</p>	<ul style="list-style-type: none"> • ADB: \$700,000 • Government of the Fiji Islands: \$300,000 • Sector stakeholders • Civil Society • Private sector • Development partners • Consultants: 16.5 person-months – \$472,000

ADB = Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Total Cost
A. Asian Development Bank Financing^a	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants	450.0
ii. National Consultants	22.0
iii. Resource Persons	24.0
b. International and Local Travel	100.0
c. Reports and Communications	5.0
2. Workshops	6.0
3. Workshop Facilitators	20.0
4. Data Collection	5.0
4. Miscellaneous Administration and Support Costs	6.0
5. Representative for Contract Negotiations	6.0
6. Contingencies	56.0
Subtotal (A)	700.0
B. Government Financing^b	
1. Office Accommodation and Transport	100.0
2. Remuneration and Per Diem of Counterpart Staff	150.0
3. Others	50.0
Subtotal (B)	300.0
Total	1,000.0

^a Financed by the Japan Special Fund, funded by the Government of Japan
Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The team of experts will provide advisory services to support the Government to (i) establish a multisector regulatory commission covering power, water and sanitation, and telecommunications; and (ii) prepare a master plan for rural electrification. The experts will perform the tasks on an intermittent and phased basis that will allow for the political process and legislative amendments. The work will integrate ongoing work on reforms and tariff reviews in the sectors. The experts will provide capacity building services, conduct workshops and presentations, and ensure continuous stakeholder involvement to enable stakeholders to understand the rationale behind the proposed approaches and options. Capacity building services will include identifying, inviting and arranging for authorities and agencies from the Asia and Pacific region to present regulatory and rural electrification approaches and models appropriate for the Fiji Islands.

2. A firm will provide 16.5 person-month of consulting services, comprising (i) a regulatory and institutional expert (international, 6 person-months); (ii) legal experts (international, 2 person-months, and domestic, 1 person-month); (iii) a financial expert (international, 3 person-months); (iv) a power system planner (international, 2.5 person-months); and (v) a power economist (international, 2 person-months). The firm will propose an appropriate resource allocation between the two components and a team leader. The team leader will coordinate the work and act as a focal point for the Government and the Asian Development Bank (ADB). The firm's contract will include a provision for resource persons with experience in infrastructure regulation and management of rural electrification programs in the Asia and Pacific region. Resource persons will be identified by the firm and confirmed by ADB during implementation. Workshop facilitators will be hired on an individual basis and fielded as needed.

A. Scope of Work for Component A: Scoping for a Multisector Regulatory Commission

1. Phase 1: Legal and Regulatory Frameworks

3. The phase 1 work will be guided by the outcomes of a forthcoming Cabinet consideration on the roles, functions and legal authority of the proposed regulatory commission.¹ The work will involve the following.

- (i) In consultation with stakeholders from the three sectors, prepare a review of existing laws and regulations that govern the sectors, highlighting potential issues affecting the establishment and legal authority of the regulatory commission.
- (ii) Propose amendments to existing legislation as necessary and prepare drafting guidelines for enabling legislation to establish the legal status and the roles and functions of the regulatory commission for submission to Cabinet and Parliament. The work will consider and integrate ongoing legal and reform work in the telecommunications and water and sanitation sectors.

¹ The Ministry of Public Enterprises & Public Sector will be undertaking a study to define the roles, functions, and legal authority for Cabinet consideration by December 2006. This study is funded by AusAID.

2. Phase 2: Economic Policy and Institutional Aspects

4. The specific tasks will be as follows:

- (i) propose the appropriate market structures for each of the sectors and recommend instruments and procedures to implement the regulatory regime;
- (ii) define appropriate licensing and contract arrangements for investors to participate in the sectors;
- (iii) review existing tariff settings, outline tariff regimes and appropriate methods for tariff setting to protect consumers; promote competition and investment in the three sectors, define methods for linking tariffs to investment needs;
- (iv) recommend tariff setting policy frameworks and prepare model calculations for tariffs, prepare a working paper outlining the advantages and disadvantages of the various tariff-setting methods;
- (v) in consultation with the Ministry of Public Enterprises & Public Sector Reform, define areas where capacity building for stakeholders is needed, arrange stakeholder workshops and invite representatives of regulatory bodies for each of the three sectors from the Asia and Pacific region;
- (vi) arrange internal workshops to ensure that stakeholders have a clear understanding of the rationale and methodology for setting tariffs;
- (vii) define the institutional structure, resource and personnel requirements, and appropriate outsourcing functions for the regulatory commission, define appropriate bidding and contract arrangements for outsourced functions;
- (viii) specify terms of references for key positions and divisions of the regulatory commission;
- (ix) prepare a detailed budget for the annual operations of the regulatory commission;
- (x) recommend appropriate funding mechanisms for the regulatory commission, define legal requirements in accordance with proposed funding mechanisms;
- (xi) prepare a working paper for the phase 2 work and recommend a realistic time-bound implementation plan, specifying actions needed, for establishing the regulatory commission;
- (xii) recommend transitional arrangements for appropriate regulatory functions that the Government could implement immediately using existing resources and legal authority;
- (xiii) assist the Ministry of Public Enterprises & Public Sector Reform to draft proposals for Cabinet decision;
- (xiv) prepare the scope of work and draft terms of reference for additional work and advisory or capacity building services that may be needed to establish the regulatory commission; and
- (xv) prepare a final report containing the regulatory reform road map in a publishable format (the outline of the publication to be agreed by the Government of the Fiji Islands and ADB).

B. Scope of Work for Component B: Rural Electrification Master Plan

5. The experts will ensure continuous consultation and dialogue with all stakeholders, including in particular the Ministry of Finance & National Planning, Department of Energy, and the Fiji Electricity Authority. At least two wider stakeholder workshops will be held to disseminate information on work progress and receive feedback on proposals. The experts will arrange for an experienced leader of a successful rural electrification program and rural

electrification fund to be invited to one workshop to present institutional and implementation aspects, financing options, private sector participation, and lessons learned.

1. Phase 1: Diagnostic

6. The specific tasks will be as follows.

- (i) in the context of the Government's strategic development planning, ascertain government objectives for rural electrification and identify progress and gaps in rural electrification development;
- (ii) review the Rural Electrification Policy (1993) and related legislation, as well as current financing and implementation approaches and project designs for both on-grid and off-grid electrification projects, assess gaps in the delivery of electrification services in rural areas under current programs, institutional arrangements and policy;
- (iii) provide benchmark indicators for rural electrification to show progress over time, including service coverage and consumption patterns, and provide an international benchmarking comparison in the context of gross domestic product;
- (iv) review the Fiji Electricity Authority's plans for grid extensions; assess the existing policy and criteria for grid extension, least cost, and approaches to finance capital investments and operations and maintenance costs; prepare a detailed budget outlining capital, operations and maintenance costs that illustrate funding, subsidy and revenue arrangements across different stakeholders;
- (v) provide an assessment of the existing policy and criteria for off-grid projects; identify current expansion plans with associated budgets and funding arrangements in line with (iv) above; assess the current planning capacity and implementation and financing and reporting arrangements and identify resource and institutional constraints (to include both ongoing funding agency and Government-supported rural electrification projects); assess the potential for using renewable energy service companies; ascertain the sustainability of off-grid projects;
- (vi) prepare a rural demand forecast for electricity that is consistent with government objectives for extending services to rural areas, including assessment of such parameters as rural household electricity use and likely patterns of appliance saturation in newly electrified areas;
- (vii) assess the affordability of poor households to overcome up-front costs, including deposits, connection fees and wiring, and ability to pay for cost recovery tariffs; assess subsidy requirements; determine whether existing arrangements for addressing connections for the rural poor are sufficient;
- (viii) prepare a working paper on lessons learned that will address progress on rural electrification, institutional aspects, implementation arrangements, and the existing situation of rural electrification projects; and
- (ix) conduct a workshop for stakeholders to discuss the working paper prepared under (viii) above, institutional and implementation arrangements; present and receive feedback from stakeholders for the work program for the rural electrification scenarios under phase 2, and arrange for resource persons to disseminate experience of best-practice rural electrification programs in the Asia and Pacific region.

2. Phase 2: Master Plan

7. Based on the analysis carried out under phase 1 and in close consultation with stakeholders, phase 2 will identify options for institutional, financing and implementation arrangements for rural electrification with associated scenarios for feasible master plans to electrify the rural areas. The specific tasks will be as follows:

- (i) review best practices in international rural electrification, with case studies, that may be appropriate for replication in the Fiji Islands, propose appropriate approaches, and outline the legal, institutional and financing arrangements and business and management procedures;
- (ii) prepare an assessment of the potential for a rural electrification fund under a semi-autonomous board of directors; recommend the composition of the Board of Directors and define its roles and functions; assess the required institutional and implementation arrangements and resources, financing, subsidy and fund-flow requirements; review existing legislation to identify legal requirements and amendments to allow for the establishment of a rural electrification fund; provide a time-bound implementation plan, clearly identifying the steps to be taken by various stakeholders;
- (iii) prepare feasible scenarios to electrify rural areas in the Fiji Islands to be developed under (a) existing implementation and institutional arrangements and (b) using at least two different feasible rural electrification approaches (as outlined in (i) and (ii)); prepare detailed financing requirements outlining annual capital resources, maintenance and operations and subsidy requirements; particular emphasis to be placed on the sustainability of rural electrification projects;
- (iv) based on the consultative process and outcomes of the work above, prepare a draft rural electrification strategy document; and
- (v) conduct workshops for all stakeholders to discuss the proposed institutional and implementation arrangements and the rural electrification strategy; revise the strategy as appropriate for consideration by the Government and the Cabinet.

C. Reporting

8. In addition to drafting Cabinet and Parliament proposals and amendments to legislation, the consultants will have ongoing communication with the steering committees and ADB on the progress of work. They will prepare the following reports and working papers for the two components.

1. Component A

- (i) **Phase 1.** A working paper will review existing laws and regulations, identify gaps, and suggest the amendments that will be required for the establishment of a regulatory commission. The working paper will be submitted to the Government and ADB within 6 weeks of the beginning of services.
- (ii) **Phase 2.** A working paper will describe the proposal on scoping, structure and resource and financing requirements. Another working paper will cover tariff methodologies. Both will be submitted within 2 months of the beginning of phase 2. Final versions of the working papers will incorporate feedback from stakeholder workshops and consultations. The consultants will also prepare workshop reports, as requested. A draft final report comprising phase 2 work

(e.g., a draft regulatory road map), will be submitted within 5 months of the beginning of phase 2. The final report will be submitted after a final stakeholder workshop and within 4 weeks of the receipt of comments from the Government, funding agencies, and ADB. The consultants will clearly indicate how comments have been addressed and incorporated into the final report.

2. Component B

- (i) Reporting for component B will comprise an interim report covering the outputs specified under the analytical phase. The report should specify the options to be considered under phase 2. The interim report will be submitted within 8 weeks of the beginning of component B. The draft final report will be the draft rural electrification strategy and will be submitted within 3 months of the beginning of phase 2. The final report will be submitted in a publishable format within 3 weeks of the final workshop. Workshop reports will be submitted within 1 week of each workshop.