



# Technical Assistance Report

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Project Number: 38183  
October 2007

## Independent State of Samoa: Technical Assistance Cluster for Implementing the Samoa National Energy Policy

(Financed by the Government of Australia, the Government of  
Finland and the Japan Special Fund)



## CURRENCY EQUIVALENTS

(as of 09 October 2007)

Currency Unit	–	Samoan Tala (ST)
ST1.00	=	\$0.391
\$1.00	=	ST2.558

## ABBREVIATIONS

ADB	–	Asian Development Bank
CEF	–	clean energy fund
CDM	–	clean development mechanism
DNA	–	designated national authority
EPC	–	Electric Power Corporation
MOF	–	Ministry of Finance
PDD	–	project design document
RFMA	–	resident financial management advisor
TA	–	technical assistance

## WEIGHTS AND MEASURES

GWh	–	gigawatt-hour
MW	–	megawatt

## TECHNICAL ASSISTANCE CLASSIFICATION

<b>Targeting Classification</b>	–	General intervention
<b>Sector</b>	–	Energy
<b>Subsector</b>	–	Energy Sector Development, renewable energy generation
<b>Themes</b>	–	Sustainable economic growth, Capacity development
<b>Subthemes</b>	–	Fostering physical infrastructure development, promoting economic efficiency and enabling markets, institutional development

## NOTE

The fiscal year (FY) of the Government and its agencies ends on 30 June.

<b>Vice President</b>	C. L. Greenwood, Jr., Operations Group 2
<b>Director General</b>	P. Erquiaga, Pacific Department (PARD)
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## I. INTRODUCTION

1. During the Asian Development Bank (ADB) loan fact-finding mission for the proposed Power Sector Expansion Project in May 2007, the Government of the Independent State of Samoa (the Government) confirmed its request for a technical assistance (TA) cluster for the development of sustainable and reliable electricity services to support economic growth. Following the Government's request, an understanding was reached on the TA cluster impact, outcome, outputs, implementation arrangements, cost, financing arrangements, and terms of reference.<sup>1</sup> The TA cluster is included in the Country Operations Business Plan (2007–2009) for Samoa.<sup>2</sup>

2. The TA cluster forms part of the Government's power sector development program and is included in the Power Sector Expansion Project. The TA cluster will provide support for (i) the establishment of a clean energy fund (CEF); (ii) the establishment and capacity building of a designated national authority (DNA) for the clean development mechanism (CDM) of the Kyoto Protocols; (iii) regulatory and policy reform in the power sector; and (iv) resident financial management advisors (RFMAs) to the Electric Power Corporation (EPC). The design and monitoring framework is in Appendix 1.

## II. ISSUES

3. Despite vulnerabilities to external shocks, the Independent State of Samoa has experienced a stable economic growth over the last 5 years. Real gross domestic product grew at around 4% per annum, well above the average growth rate of the Pacific region economies. Economic growth is mainly driven by agriculture, construction, finance, and business services. Samoa is also benefiting from an increase in tourism. Further broadening of economic activity and private sector development are key strategies to sustain economic growth rates and reduce poverty. The Government's Strategy for the Development of Samoa 2005–2007 lays the foundation for sustainable and broad-based economic growth supported by continued reforms and private sector development to improve the quality of life for all people in Samoa. Ensuring that sufficient power is available to meet growing demand is essential to achieve a broader economic base and reduce the country's vulnerability to external shocks.

4. Samoa has undergone a rapid transformation over the last decade towards an energy supply based on imported petroleum and hydropower-generated electricity. This transformation has been driven by economic growth that has resulted in increasing demand for electricity and transportation. Energy demand in Samoa is met by three main sources: biomass (47%), fossil fuel (45%), and hydropower (8%). Biomass is mainly used for cooking, whereas imported petroleum is used for transportation and power generation. Fuel imports have increased by more than 30% since 1998. In 2006, imports of petroleum products accounted for 15% of Samoa's total import expenditure. The transport sector accounts for about 80% of imported fossil fuels while power generation absorbs the remaining 20%.

5. Developing clean, indigenous, and renewable energy resources, and promoting energy conservation to reduce the economy's risk exposure to foreign exchange fluctuations and fuel price increases is a high development priority for Samoa and articulated in the Strategy for the Development of Samoa 2005–2007. Likewise, the Samoa National Energy Policy, approved in

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<sup>1</sup> The TA first appeared in *ADB Business Opportunities* on 4 July 2007.

<sup>2</sup> ADB. 2007. *Country Operations Business Plan (2007–2009): Independent State of Samoa*. Manila.

June 2007, identifies the need to promote clean and renewable energy resources and efficiency in the energy sector to reduce Samoa's heavy reliance on imported fossil fuel. Renewable energy initiatives in Samoa have been funded by international donors on an ad-hoc basis with little coordination between the various activities. In response to the need for greater coordination, the Energy Unit of the Ministry of Finance (MOF) has been mandated with the overall responsibility for policy and strategic planning for the energy sector. Despite Samoa's active involvement in a number of clean and renewable energy efficiency initiatives, the institutional arrangements for participating in the clean development mechanism has yet to be established.

6. EPC is a wholly owned government corporation and vested with all operating responsibilities for the power sector. The EPC Act (1980) and the EPC Amendment Act (2001) mandate EPC with the authority for generation, transmission, and distribution of electricity throughout Samoa. The utility operates as a separate entity and is defined as a public trading body under the Public Bodies Act (2001), with the principal objective of operating as a commercial business.

7. Appropriate arrangements for tariff setting, technical regulation, and private sector participation are becoming increasingly important for improving the performance of the power sector in Samoa. The Government has recognized that the existing arrangements are a key development constraint for the power sector and is considering reforms to improve the performance of the sector and encourage cost-effective private sector participation. Discussions on regulatory options for the power sector have been taking place as part of project preparation for the proposed power sector expansion project.<sup>3</sup> The need to amend the EPC Act has been identified in the Samoa National Energy Policy (2007) and the Government has requested ADB's support for the development of an electricity act to govern all stakeholders on the power sector in Samoa. The electricity act would establish a regulatory body to (i) remove existing regulatory functions out of the EPC, (ii) provide appropriate arrangements for tariff setting, and (iii) enable private sector participation to reduce public sector investment requirements and promote least cost generation to meet growing electricity demand.

8. Over the past 6 years, EPC has struggled to improve its financial performance to satisfactory levels. Due largely to inadequate tariff levels and poor collections performance, EPC has been unable to meet both its debt service obligations and fund capital investments. To ensure that timely adjustments to tariffs can be made in response to increases in EPC costs, there is a need to establish a more formal mechanism for determining tariffs within the context of an overall regulatory framework for the electricity sector. There is also an opportunity to improve the existing tariff structure and introduce bulk purchase arrangements with large consumers to provide incentives for energy conservation and demand-side management. This is particularly important during the growing daily peak in demand when EPC relies most heavily on expensive diesel generation.

9. A financial management assessment of EPC's internal controls, accounting, and audit procedures were undertaken in preparation for the power sector expansion project. Although EPC's financial management practices and procedures are considered to be generally adequate, the assessment concluded that EPC would benefit from strengthening its financial controls, accounts, and reporting structures. There is also a need for EPC to strengthen longer term planning and ensure that future investment needs contribute to improving its financial performance.

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<sup>3</sup> ADB. 2006. *Technical Assistance to Samoa for Preparing the Power Sector Expansion Program*. Manila.

### III. THE PROPOSED TECHNICAL ASSISTANCE CLUSTER

#### A. Impact and Outcome

10. The TA cluster forms part of the Government's power sector development program and is included in the proposed Power Sector Expansion Project. The objective is to improve access to sustainable and reliable electricity services to all consumers in Samoa by improving the quality and reliability and cost-effectiveness of power supply. The TA cluster will (i) promote the development of clean energy resources in Samoa through the establishment of a CEF; (ii) enable Samoa to participate and benefit from carbon market trading through the establishment and capacity building for the DNA; (iii) develop effective regulation of the power sector and promote demand-side management and energy conservation through support to regulatory and policy reform in the power sector; and (iv) help improve EPC's financial performance through provision of RFMAs.

#### B. Methodology and Key Activities

11. The TA cluster supports the Government's priorities for the power sector through four components. Component 1 comprises the establishment of a CEF and a CDM sub-fund. Component 2 will establish and build capacity of a DNA. Component 3 will support the Government in undertaking regulatory and policy reform in the power sector. Component 4 will provide two RFMAs to EPC. Capacity building is an integral part of all components.

12. **Component 1:** Establishment of the CEF. The CEF will help improve the coordination of financing sources for clean energy resources in Samoa and is envisaged as a revolving fund. Component 1 will help establish the governance and operational structure, human resources, and working and reporting guidelines of the CEF and a CDM sub-fund, identify a project pipeline, and increase public awareness on clean and renewable energy. The CDM sub-fund will help finance initial transactions costs associated with getting eligible projects additional financing under CDM. This may include preparation of project design documents (PDD), validation of PDDs by an operational entity or independent third party validator, and registration of projects with the CDM Executive Board.

13. **Component 2:** Establishment and Capacity Building for the Designated National Authority. The establishment of a DNA will enable Samoa to benefit from CDM. Component 2, which will be implemented jointly with Component 1 to ensure that the two components are well coordinated, will, through a consultative process, establish the operational structure and resource requirements, and develop working guidelines and procedures for the DNA; provide capacity building and hands-on training for stakeholders and DNA staff in procedural requirements using a pilot project (identified in the project pipeline under Component 1); and raise public awareness on the role, functions, and requirements of the DNA.

14. **Component 3:** Regulatory and Policy Reform in the Power Sector. Component 3 comprises support for the development of a demand-side management and energy conservation strategy and a legal framework to govern all stakeholders in the power sector and establish a regulator. The demand-side management and energy conservation strategy will focus on the policy environment and tax incentives to promote energy efficiency. Support to regulatory reform will be implemented in three phases allowing for stakeholder consultation and political decision processes. The first phase will focus on the scoping of a regulatory framework that will allow the Government to make a decision in principle on the roles, functions, and structure of a regulatory agency, including the independence, authority for tariff regulation, and

accountability of the regulator and the scope for multi-sector regulation. The first phase will guide the direction of subsequent phases. Phase 2 will develop the regulatory framework, including the drafting of new legislation and amendments to existing legislation for consideration by Cabinet and Parliament and the preparation of a detailed budget and resource assessment for approval in the forthcoming budget year. Once the Government has approved the legislation and the budget for the regulator, recruitment of a suitable regulator and initial capacity building and development of working guidelines of the regulator can commence.

**15. Component 4: Resident Financial Management Advisors to the Electric Power Corporation.** Two RFMAs, one accountant and one analyst, will be engaged to assist EPC in improving internal budgeting and expenditure controls; consolidating accounts and financial reporting and forecasts to the EPC Board, Government, and ADB; and developing peak and off-peak tariffs and bulk purchase agreements with EPC's major customers. Capacity building and training is an integral task of all aspects of the work. Component 4 will help EPC improve longer term least cost planning, ensure that investments are affordable and contribute to improving financial sustainability and improve the transparency of costs and tariff setting and accountability to the Government and consumers.

### **C. Cost and Financing**

16. The total cost of the TA cluster is estimated to be \$2,185,000 equivalent. The Government has requested ADB to finance \$1,850,000 equivalent. \$900,000 equivalent will be financed by the Government of Australia; \$350,000 equivalent will be financed on a grant basis by the Government of Finland; and \$600,000 equivalent will be financed on a grant basis by the Japan Special Fund, funded by the Government of Japan. The Government of Samoa will finance office accommodation, remuneration and per diem of counterpart staff in the equivalent of \$335,000. The details of the cost estimates and financing plan are in Appendix 2.

### **D. Implementation Arrangements**

17. The MOF will be the Executing Agency for the TA cluster and has assigned the Energy Unit of the MOF as the implementing agency for Component 1, Component 2, and Component 3. The Energy Unit will oversee day-to-day implementation of the consultants and facilitate coordination of activities, training, and workshops. Counterpart staff has been assigned from the Attorney General's Office for drafting of legislation under Component 3. The Attorney General will be responsible for submission of draft legislation to Cabinet and for Parliamentary consideration. EPC has been assigned as the implementing agency for Component 4 and will provide office space and counterpart staff for the RFMAs. The Chief Executive Officer of MOF will provide overall strategic guidance for the TA cluster components and facilitate submission of draft Cabinet papers. The terms of reference for consulting services is in Appendix 3.

18. To improve coordination and take advantage of the synergies between Component 1 and Component 2, one consulting firm will be engaged to provide 14.5 person-months of consulting services for Component 1 and Component 2, comprising (i) clean energy sector specialist (international, 4 person-months); (ii) financial management specialist (international, 2.5 person-months); (iii) communications and outreach expert (national, 4 person-months); and (iv) CDM advisor (international, 4 person-months). The works under Component 1 and Component 2 will be implemented with intermittent consulting services over a period of 12 months. The international experts will have significant demonstrated experience working on clean and renewable energy and CDM, and will have demonstrated up-to-date experience in the establishment and operations of renewable and clean energy funds. The firm will be engaged by

ADB in accordance with the *Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers* (2007, as amended from time to time) and other arrangements satisfactory to ADB for the engagement of national consultants. The firm will be recruited using fixed budget selection procedures. A simplified technical proposal will be used.

19. The TA cluster will be implemented with intermittent consulting services over a period of 24 months from 15 February 2008 to 14 February 2010. A firm will be engaged under Component 3 to provide 18 person-months of consulting services, comprising (i) regulatory advisor (international, 6 person-months); (ii) economist and policy advisor – energy demand-side management (international, 2 person-months); (iii) participation and consultation expert (international, 3 person-months); and (iv) two legal experts (international, 7 person-months). At least one of the legal experts will have in-depth documented experience of Samoan legislation. At least one of the legal experts will have significant documented experience in power sector reform and power and/or multi-sector legislation. The work will be implemented with intermittent consulting services over a period of 20 months. The firm will be engaged by ADB in accordance with the *Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers* (2007, as amended from time to time). The firm will be recruited using quality- and cost-based selection procedures. A simplified technical proposal will be used.

20. Two individual consultants, one RFMA accountant and one RFMA analyst, will be engaged under Component 4 to provide a total of 10 person-months of consulting services on an intermittent basis to EPC over a period of 2 years commencing in February 2008. The RFMAs will be engaged by ADB in accordance with the *Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers* (2007, as amended from time to time). The consultants will be expected to spend most of these inputs in Samoa and work closely with EPC's finance department and the Project Management Unit for the Power Sector Expansion Project. The accountant will have significant experience in financial management accounting systems and corporate governance of power utilities in developing countries. The analyst will have significant experience of financial analysis of power sector investment plants, tariff planning, and participation by independent power producers.

## DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p><b>Impact</b> Access to sustainable and reliable electricity services</p>	<p>Consumer satisfaction ratings of EPC's services</p> <p>Complaints to EPC's consumer service division</p>	<p>Annual reports on consumer satisfactions</p> <p>Number of complaints over 1 year</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Cost of power supply are reflected in timely electricity tariff adjustments</li> <li>• Timely payment of arrears and electricity bills by government entities</li> </ul>
<p><b>Outcome</b> Improved quality and reliability and cost-effectiveness of power supply</p>	<p>System average duration interruption index baseline established and verified by Q4 2008 and reduced by 20% by 2015</p> <p>Average interruption frequency index baseline established and verified by Q4 2008 and reduced by 20% by 2015</p> <p>Cost of generation established and published by Q1 2009</p>	<p>EPC's quarterly progress reports and annual financial report</p> <p>ADB missions' back-to-office reports</p> <p>Indicators published in EPC's annual corporate plans and financial reports by FY 2009 and onward</p> <p>EPC's Corporate Plan</p> <p>Reporting by the Energy Unit</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Effective regulation of the power sector is established</li> <li>• Effective monitoring and reporting of EPC's costs</li> <li>• EPC implements independent consumer satisfaction surveys</li> </ul>
<p><b>Outputs</b> 1. Development of clean energy resources</p>	<p>Number of clean and renewable energy projects financed classified by energy sub-sector</p> <p>Fossil fuel reduced by financed projects by energy sub-sector</p> <p>Electricity produced by clean energy resources (baseline 2006: 45.0 GWh)</p>	<p>Annual reports of the clean energy fund</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Effective promotion of clean energy resources</li> <li>• Effective stakeholder consultations and participation</li> </ul>

<p>2. Participation in the clean development mechanism</p>	<p>Installed electricity capacity from clean energy resources (baseline 2006: 12.5 MW)</p> <p>Number of eligible projects for clean development mechanism</p>	<p>Annual reports of the designated national authority</p>	<ul style="list-style-type: none"> <li>Stakeholder awareness of the clean development mechanism</li> </ul>
<p>3. Effective regulation of the power sector and demand-side management strategy established</p>	<p>Electricity Act to govern the power sector established by end of 2009</p> <p>Amendments of the EPC Act consistent with the Electricity Act by end of 2009</p> <p>Regulatory Agency established by end 2010</p>	<p>Parliament consideration of the draft Electricity Act</p> <p>Parliament consideration of amendments to the EPC Act</p> <p>Government communication with ADB</p>	<ul style="list-style-type: none"> <li>Political commitment to power sector reforms</li> </ul>
<p>4. The financial performance of EPC improves</p>	<p>Consistent application of debt write-off and disconnection policies</p> <p>Timely tariff adjustments</p> <p>EPC's collection performance improves such that accounts receivables are below 2 months of sales</p> <p>Self-financing ratio is minimum 20%</p> <p>Debt service ratio is minimum 1.3</p>	<p>Number of consumers in arrears by more than 30 days and number of those consumers disconnected</p> <p>Amount of accounts receivables aged more than 60 and 90 days are written off</p> <p>EPC's monthly fuel audits</p> <p>EPC's audited annual financial compliance reports to ADB</p>	<ul style="list-style-type: none"> <li>Effective implementation of pre-payment system and disconnection policy</li> <li>Stable or lower international fuel prices</li> <li>Tariffs are adequate to cover all operating expenses, depreciation, taxes and interest expense</li> <li>Introduced safeguards for fuel management are effective</li> <li>Consumer's acceptance of prepayment meters</li> <li>Government commitment to utilize prepayment meters or to sufficient budgetary allocations for electricity consumption by government entities</li> </ul>

<b>Activities with Milestones</b>	<b>Inputs</b>
<ol style="list-style-type: none"> <li>1. Component 1: Establishment of a Clean Energy Fund (March 2008–February 2009)               <ol style="list-style-type: none"> <li>1.2. Establishment of the governance and operational structure and working guidelines for the clean energy fund and the clean development mechanism sub-fund</li> <li>1.3. Identification of a project pipeline</li> <li>1.4. Public awareness campaign</li> </ol> </li> <li>2. Component 2: Establishment and Capacity Building for the Designated National Authority (March 2008–February 2009)               <ol style="list-style-type: none"> <li>2.1. Establishment of the operational structure and working guidelines for the designated national authority</li> <li>2.2. Capacity building and training</li> <li>2.3. Public awareness campaign</li> </ol> </li> <li>3. Component 3: Regulatory and Policy Reform in the Power Sector               <ol style="list-style-type: none"> <li>3.1. Development of an energy demand-side management policy (March –July 2008)</li> <li>3.2. Regulatory framework for the power sector (March 2008–November 2009)                   <ol style="list-style-type: none"> <li>3.2.1. Phase 1: Scoping for a regulatory framework</li> <li>3.2.2. Phase 2: Development of the regulatory framework and legislation</li> <li>3.2.3. Phase 3: Implementation of the regulatory framework</li> </ol> </li> </ol> </li> <li>4. Component 4: Resident Financial Management Advisors to the Electric Power Corporation (February 2008–January 2010)               <ol style="list-style-type: none"> <li>4.1. Financial management</li> <li>4.2. Financial and management accounting</li> <li>4.3. Financial analysis and planning</li> <li>4.4. Private sector participation</li> </ol> </li> </ol>	<ul style="list-style-type: none"> <li>• ADB (Japan Special Fund): \$600,000</li> <li>• Government of Australia: \$900,000</li> <li>• Government of Finland: \$350,000</li> <li>• Government of Samoa: \$335,000</li> <li>• Sector stakeholder: participation in workshops and training</li> <li>• Consultants: 42.5 person-months - \$1,143,000</li> <li>• Resource experts and facilitators: \$50,000</li> </ul>

ADB = Asian Development Bank, EPC = Electric Power Corporation, GWh = gigawatt-hour.

## COST ESTIMATES AND FINANCING PLAN

**Table A2.1: Summary Cost Estimates and Financing Plan by Financier  
(\$ '000)**

Item	ADB		Government of Australia		Government of Finland		Government of Samoa		Total Amount
	Amount	%	Amount	%	Amount	%	Amount	%	
<b>A. Technical Assistance Financing Category<sup>a</sup></b>									
1. Consultants									
a. Remuneration and Per Diem									
i) International Consultants	388.00	35.2	545.00	49.41	170.00	15.41	0.00	0.0	1,103.00
ii) National Consultants	0.00	0.0	0.00	0.00	40.00	100.00	0.00	0.0	40.00
b. International and Local Travel	144.00	41.0	168.00	47.86	39.00	11.11	0.00	0.0	351.00
c. Reports and Communications	5.00	31.3	9.00	56.25	2.00	12.50	0.00	0.0	16.00
2. Publications and Printed Materials	0.00	0.0	0.00	0.00	5.00	100.00	0.00	0.0	5.00
3. Public Awareness Campaign	3.00	23.1	10.00	76.92	0.00	0.00	0.00	0.0	13.00
4. Workshops	7.00	9.2	57.00	75.00	12.00	15.79	0.00	0.0	76.00
5. Miscellaneous Administration and Support Costs	4.00	28.6	5.00	35.71	5.00	35.71	0.00	0.0	14.00
6. Representative for Contract Negotiations	6.00	50.0	6.00	50.00	0.00	0.00	0.00	0.0	12.00
7. Contingencies	43.00	19.5	100.00	45.45	77.00	35.00	0.00	0.0	220.00
<b>Subtotal (A)</b>	<b>600.00</b>		<b>900.00</b>		<b>350.00</b>		<b>0.00</b>	<b>0.0</b>	<b>1,850.00</b>
<b>B. Counterpart Contribution Category</b>									
1 Office Accommodation	0.00	0.0	0.00	0.0	0.00	0.0	175.00	100.0	175.00
2 Remuneration and Per Diem of Counterpart Staff	0.00	0.0	0.00	0.0	0.00	0.0	140.00	100.0	140.00
3 Other	0.00	0.0	0.00	0.0	0.00	0.0	20.00	100.0	20.00
<b>Subtotal (B)</b>	<b>0.00</b>		<b>0.00</b>		<b>0.00</b>		<b>335.00</b>		<b>335.00</b>
<b>Total</b>	<b>600.00</b>		<b>900.00</b>		<b>350.00</b>		<b>335.00</b>		<b>2,185.00</b>

<sup>a</sup> Component 1 and component 2 will comprise one consulting services contract; component 3 will comprise one consulting services contract; and Component 4 will comprise of two individual consulting services contracts

ADB = Asian Development Bank.

Source: Asian Development Bank estimates.

**Table A2.2: Component 1: Establishment of a Clean Energy Fund**  
(\$'000)

Item	Total Cost
<b>A. Government of Finland Financing<sup>a</sup></b>	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants	170.00
ii. National Consultants	40.00
b. International and Local Travel	39.00
c. Reports and Communications	2.00
2. Publications and Printed Materials	5.00
3. Workshops	12.00
4. Miscellaneous Administration and Support Costs	5.00
5. Contingencies	77.00
<b>Subtotal (A)</b>	<b>350.00</b>
<b>B. Government Financing</b>	
1. Office Accommodation	35.00
2. Remuneration and Per Diem of Counterpart Staff	30.00
<b>Subtotal (B)</b>	<b>65.00</b>
<b>Total</b>	<b>415.00</b>

<sup>a</sup> Administered by the Asian Development Bank.  
Source: Asian Development Bank estimates.

**Table A2.3: Component 2: Establishment and Capacity Building  
for the Designated National Authority**  
(\$'000)

Item	Total Cost
<b>A. Asian Development Bank Financing<sup>a</sup></b>	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants	100.00
b. International Travel	24.00
c. Reports and Communications	1.00
2. Public Awareness	3.00
3. Workshops and Training	5.00
4. Miscellaneous Administration and Support Costs	2.00
5. Representative for Contract Negotiations	6.00
6. Contingencies	9.00
<b>Subtotal (A)</b>	<b>150.00</b>
<b>B. Government Financing</b>	
1. Office Accommodation	20.00
2. Remuneration and Per Diem of Counterpart Staff	10.00
<b>Subtotal (B)</b>	<b>30.00</b>
<b>Total</b>	<b>180.00</b>

<sup>a</sup> Financed by the Japan Special Fund, funded by the Government of Japan.  
Source: Asian Development Bank estimates.

**Table A2.4: Component 3: Regulatory and Policy Reform in the Power Sector**  
(\$'000)

Item	Total Cost
<b>A. Government of Australia Financing<sup>a</sup></b>	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants	545.00
b. International and Local Travel	168.00
c. Reports and Communications	9.00
2. Public Awareness Campaign	10.00
3. Workshops and Presentations	
a. Facilitators/Invited Experts	50.00
b. Workshops	7.00
4. Miscellaneous Administration and Support Costs	5.00
5. Representative for Contract Negotiations	6.00
6. Contingencies	100.00
<b>Subtotal (A)</b>	<b>900.00</b>
<b>B. Government Financing</b>	
1. Office Accommodation	70.00
2. Remuneration and Per Diem of Counterpart Staff	70.00
3. Others	20.00
<b>Subtotal (B)</b>	<b>160.00</b>
<b>Total</b>	<b>1,060.00</b>

<sup>a</sup> Administered by the Asian Development Bank.  
Source: Asian Development Bank estimates.

**Table A2.5: Component 4: Resident Financial Management Advisors  
to the Electric Power Corporation**  
(\$'000)

Item	Total Cost
<b>A. Asian Development Bank Financing<sup>a</sup></b>	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants	288.00
b. International Travel	120.00
c. Reports and Communications	4.00
2. Training Workshops	2.00
3. Miscellaneous Administration and Support Costs	2.00
4. Contingencies	34.00
<b>Subtotal (A)</b>	<b>450.00</b>
<b>B. Government Financing</b>	
1. Office Accommodation	50.00
2. Remuneration and Per Diem of Counterpart Staff	30.00
<b>Subtotal (B)</b>	<b>80.00</b>
<b>Total</b>	<b>530.00</b>

<sup>a</sup> Financed by the Japan Special Fund, funded by the Government of Japan.  
Source: Asian Development Bank estimates.

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

### A. Component 1: Establishment of a Clean Energy Fund and

#### Component 2: Establishment and Capacity Building for the Designated National Authority

1. The team of experts will provide advisory services to the Government of Samoa for the establishment of the governance and operational structure of a clean energy fund (CEF) and for the establishment of a designated national authority (DNA). Component 1 will include consultancy services for: (i) the establishment of the governance, financing and operational arrangements of a clean energy fund; (ii) the establishment of clean development mechanism (CDM) capacity through a CDM sub-fund; (iii) identification of a project pipeline; (iv) development and implementation of a dissemination and communications strategy; and (v) capacity building and training. Component 2 will include consultancy services for the establishment and the operational structure of the DNA and for capacity building in preparing project design documents (PDD). The experts will ensure a participatory process and continuous stakeholder involvement in all aspects of the work. The advisory services will include preparation of Cabinet and policy and technical background papers as requested by the Government.

2. A firm will be engaged to provide 14.5 person-months of consulting services for components 1 and 2, comprising (i) clean energy sector specialist (international, 4 person-months); (ii) financial management specialist (international, 2.5 person-months); (iii) communications and outreach expert (national, 4 person-months); and (iv) CDM advisor (international, 4 person-months). The international experts will have significant demonstrated experience working on clean and renewable energy and CDM, and will have demonstrated up-to-date experience in the establishment and operations of renewable and clean energy funds. The firm will be engaged by ADB in accordance with the *Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers* (2007, as amended from time to time). The firm will be recruited using fixed budget selection procedures. A simplified technical proposal will be used.

3. The firm will propose the team leader among the specialists. The firm will propose an appropriate allocation of inputs to provide the identified output under the detailed scope of work, noting that no less than 85% of total time of international consultancy inputs will be required in Samoa. The team leader will coordinate the work among the experts, be responsible for quality assurance of outputs of team members and for preparing and undertaking workshops and presentations, and act as the focal point for the Government, the Asian Development Bank (ADB) and other development partners as required.

4. The Ministry of Finance (MOF) is the executing agency and has assigned the Energy Unit as the implementing agency. The consultants will work under the guidance of the Chief Executive Officer and the Energy Unit of the MOF, and liaise with other government ministries and agencies, including the Electric Power Corporation (EPC), as needed. The work will be carried out over a 12-month period on an intermittent basis to allow for a political and decision process as necessary. The work will be completed by July 2009.

## 1. Scope of Work under Component 1: Establishment of a Clean Energy Fund

5. The consultants will undertake the scope of work to produce the outputs and objectives as follows: (i) establishment of the governance and operational structure and working guidelines for the CEF and CDM sub-funds; (ii) identification of a project pipeline with cost estimates and financing plan; and (iii) implementation of a public awareness campaign. Capacity building and training of staff and stakeholders are an integral part of all tasks. The consultants will ensure that the complementarity, additionality, and synergies with other ongoing and planned work on regulation and policy in the energy sector is fully accounted for, and that the arrangements with the DNA are fully consistent. The scope of work includes:

- (i) Prepare a stakeholder assessment, i.e., identify all relevant stakeholder representatives and their interests for the development and promotion of clean energy in Samoa. Prepare a detailed consultation strategy for the engagement of stakeholders in the establishment of the CEF and CDM sub-funds to be implemented in all aspects of the scope of work. This will also include the establishment of the DNA under Component 2.
- (ii) Through a consultation process with government agencies and state owned entities, private sector, and civil society, identify the appropriate government agency and the governance and decision structures to manage and coordinate activities under CEF and the CDM sub-fund for approval by Government. This will include identification of the Board of Directors and preparation of a Cabinet paper with appropriate justifications and documentation of the consultation process.
- (iii) In accordance with international best practice and Samoan legislation, establish the management and operational guidelines and accountability mechanism for the CEF and CDM sub-fund managements and Board of Directors.
- (iv) Provide recommendations for staffing and management resources. Develop terms of reference for assigned staff and assess training, resource and funding requirements for the day-to-day operations by the two funds. Prepare an annual budget for the operations of the two funds for approval by the Government.
- (v) Develop the selection and eligibility criteria, procedures and templates for the approval process of proposed projects for financing by the two funds, for approval by the Government.
- (vi) Develop sustainable financing procedures and models for eligible projects.
- (vii) Establish the accounting procedures and reporting frameworks for the funds.
- (viii) Prepare a transparent public dissemination process to be included in the project approval process.
- (ix) On operational aspects of the CEF and CDM sub-funds, prepare manuals to be used for the training sessions and to guide future operations.
- (x) In accordance with international best-practice and Samoan regulations and requirements, prepare monitoring, reporting and evaluation guidelines and templates for projects and guidelines to Government, stakeholders, and donors.
- (xi) In collaboration with stakeholders, prepare a pipeline of potential projects, with representation across the energy sub-sectors in Samoa, for financing by CEF and the CDM sub-fund for approval by Government. This will include at least two technically feasible projects, for which full project assessments will be completed in accordance with the developed criteria and requirements for approval by the Board of Directors. These will serve as sample projects for training and testing the procedures developed by the consultants.

- (xii) Prepare a financial management model with relevant forecast income and financing requirements over a planning period of 5 years. Train staff in updating the model and on the reporting requirements.
- (xiii) Prepare training materials and provide ongoing hands-on training and at least three training workshops to all stakeholders, including Government agencies and state owned entities, private sector and civil society, on project selection requirements and procedural and operational assessment of eligibility of projects, monitoring and evaluation of requirements. Revise operational and monitoring guidelines, templates and procedures as appropriate. The final procedures and templates will be developed by the consultants for approval by Government.
- (xiv) The consultants will be fully responsible that all relevant documentation is fully prepared for approval by Government (Cabinet, where applicable) and that all operational and monitoring requirements are in place for fully functional funds; all aspects of the work on the CEF and CDM sub-funds will be coordinated and consistent (as appropriate) with the operations of the DNA.
- (xv) Prepare, for approval by Government, and undertake a public awareness campaign on clean energy, energy efficiency, and demand-side management to promote and create awareness of the CEF, CDM sub-fund, and the roles and functions of the DNA, and corresponding selection and eligibility criteria.
- (xvi) Assist the CEF and CDM sub-funds in initial engagement with international donors and prepare relevant documentation for future funding requirements for clean energy projects.
- (xvii) Prepare recommendations to (a) support the operations of the CEF and CDM sub-funds, and (b) promote renewable energy, which should be considered in the development of the new electricity act.
- (xviii) Prepare a detailed financing proposal for the initial capitalization of the CEF and CDM sub-fund; and assist the Government in preparing requests for financing from international donors.
- (xix) Provide recommendations to promote renewable energy through specific economic or regulatory policy measures.

## **2. Scope of Work under Component 2: Establishment and Capacity Building for the Designated National Authority**

6. The consultants will undertake the scope of work to produce the following outputs and objectives: (i) establishment of the operational structure and working guidelines for the DNA; (ii) capacity building and training of DNA staff and stakeholders in procedures and requirements; and (iii) development of a public awareness program on CDM requirements and the role of the DNA. The consultants will ensure that the complementarity and additionality with other ongoing and planned work on regulation and policy in the energy sector is fully accounted for, and that the arrangements with the CEF and CDM sub-funds are fully consistent. The scope of work includes:

- (i) In conjunction with the consultation process and stakeholder assessment under Component 1, undertake consultations and information dissemination to stakeholders.
- (ii) Establish the operational structure and resource requirements of the DNA that is fully compliant with international eligibility requirements and procedures. Prepare detailed terms of reference for staff positions.
- (iii) In accordance with best international practice, establish the operational regulations, guidelines, and reporting and monitoring structure of the DNA and

for eligible projects. Prepare corresponding manuals and a Samoa DNA operational handbook in a publishable format. This will include the preparation of templates for reporting and monitoring and operational aspects of projects and the DNA.

- (iv) Establish the approval process for PDDs.
- (v) Provide comprehensive training, through special training sessions, workshops and hands-on work designed for targeting DNA staff and “user” on the overall process requirements of CDM.
- (vi) Review relevant policies, laws, and regulations, and identify specific legal requirements that need to be amended or established to facilitate the operations of the DNA. Recommend policy measures to (a) support the operations of the DNA and (b) promote renewable energy and demand efficiency initiatives.
- (vii) Prepare a sample PDD for a proposed biogas project (or other project as applicable) for hands-on training of the DNA staff and Samoa Water Authority that meets the objectives: (a) review of the sample project and understanding what the parameters of the project are and the eligibility requirements; (b) understanding key concepts such as additionality, methodology, etc; (c) undertaking the certified emission reduction calculations for the project; (d) preparation of a full detailed PDD for submission; and (e) forwarding the PDD to the operational entity or independent third party validator for validation, registration, and implementation. The training will also include preparation of documentation to meet the requirements and submission to the Clean Energy fund and CDM sub-fund (utilization of the resources under the CDM sub-fund will be assessed prior to this work and eligibility will be established).
- (viii) Design and undertake a public awareness campaign, including workshops and presentations and publication in the local press to raise awareness of the role and functions of the DNA. This should be undertaken in conjunction with the public awareness campaign for the CDM.

### **3. Reporting Requirements**

7. The reporting requirements for the establishment of the clean energy fund are as follows:
- (i) The interim reporting containing (a) the stakeholder consultation strategy, (b) a preliminary outline of the governance structure, (c) financing and reporting arrangements for the funds, (d) draft dissemination and public awareness proposals, and (e) an outline of any issues and remedial actions will be submitted within 1 month of commencement of services.
  - (ii) The draft final report, comprising the detailed draft proposal for all aspects of the CEF and CDM sub-funds, financial model and resource requirements will be submitted within 4 months of commencement of services.
  - (iii) The final report addressing all comments will be submitted within 2 months of receiving comments on the draft final report.
  - (iv) In addition to the above milestone reporting requirements, the consultants will prepare background papers and Cabinet/Government papers on an ongoing basis as requested by Government and a detailed financing proposal. A separate booklet in a publishable and edited format on the establishment of the CEF and DNA in Samoa will be submitted in conjunction with the draft final report. The consultants are also responsible for documenting feedback from stakeholders and for submission of workshop and training reports after each workshop which will detail the major training components, issues, outcomes, and a list of people

trained. The consultants will maintain ongoing communication with ADB and the Government throughout the period of implementation and produce progress reports as requested.

8. The reporting under Component 2 will be consistent with the requirements of reporting for Component 1. However, reporting for Component 2 will be stand-alone documents (separate inception, draft final and final reports).

## **B. Component 3: Regulatory and Policy Reform in the Power Sector**

9. The team of experts will provide advisory and legal services to support the Government in (i) developing an energy demand-side management and energy conservation strategy with actionable milestones; (ii) determining a regulatory framework; (iii) establishing a regulator; and (iv) drafting legislation. The team of experts will be assisting the Government to meet the following time-bound milestones: (i) the enactment of an electricity act that will govern all stakeholders in the sector and amendments to the EPC Act (1980); (ii) Cabinet consideration for a financing mechanism and resource allocations for a regulatory agency; and (iii) the establishment of a regulatory agency by 31 December 2010. The experts will perform the tasks on an intermittent and phased basis that will allow for a political process, stakeholder consultations, and informal consultations with Cabinet and Parliament on draft legislation. The experts will provide advisory services, conduct workshops and presentations, and ensure continuous stakeholder involvements to enable stakeholders and decision makers to understand the rationale behind the proposed approaches and options. Advisory services will include preparation of Cabinet paper and other policy papers as requested, and identifying, inviting, and arranging for authorized agencies and authorities from the Asia-Pacific region to present regulatory and tariff setting approaches and models appropriate for Samoa. The work will build on the diagnostic assessment of regulatory and governance issues prepared under the technical assistance for Preparing the Power Sector Expansion Project.<sup>4</sup>

10. A firm will be engaged to provide 18 person-months of consulting services comprising (i) regulatory advisor (international, 6 person-months); (ii) economist and policy advisor – energy demand-side management (international, 2 person-months); (iii) participation and consultation expert (international, 3 person-months); and (iv) two legal experts (international, 7 person-months). At least one of the legal experts will have in-depth documented experience of Samoan legislation. At least one of the legal experts will have significant documented experience of power sector reform and power and/or multi-sector legislation. The firm will be engaged by ADB in accordance with the *Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers* (2007, as amended from time to time). The firm will be recruited using quality- and cost-based selection procedures. A simplified technical proposal will be used.

11. The regulatory advisor will be assigned as the team leader. The firm may propose an alternative team leader together with a justification. The firm will propose an appropriate allocation of inputs to provide the identified output under the detailed scope of work, noting that no less than 85% of total time inputs will be required in Samoa. The team leader will coordinate the work among the experts, be responsible for quality assurance of outputs of team members and for preparing and undertaking workshops and presentations, and act as the focal point for the Government, ADB and the Australian Agency for International Development (AusAID). The firm's contract will include provision for resource persons with significant experience in

<sup>4</sup> ADB. 2006. *Technical Assistance to the Independent State of Samoa for Preparing the Power Sector Expansion Project*. Manila (TA 4791-SAM, approved on 25 May 2006, for \$750,000).

regulation of the power sector and multi-sector infrastructure regulation and workshop facilitators, which may be engaged for the workshops and presentations in Samoa. The resource persons will be identified by the firm and approved by ADB during implementation.

12. The MOF is the executing agency. The consultants will work under the guidance of the Chief Executive Officer of the MOF and the Attorney General, and liaise with other government ministries and agencies, including EPC, as needed. The regulatory reform work will consider ongoing and planned reforms in other infrastructure sector to determine the most appropriate regulatory and governance structure for the power sector.

### **1. Phase 1: Scoping for a Regulatory Framework**

13. Phase 1 work will, through a stakeholder consultation process, prepare a Cabinet/Parliament paper and necessary detailed background papers that will allow Cabinet/Parliament to consider and take initial guiding decisions on the model, location, roles, functions, and legal authority of a regulatory agency. The work will involve the following:

- (i) Based on good-practice, international experience, and taking into account the existing policy, performance, structure and operations of the power sector, ongoing structure and reforms in other sectors, capacity and resources in Samoa, evaluate appropriate options for the structure, roles, functions and legal authority of the proposed regulatory commission. Prepare background working papers and a Cabinet/Parliament paper outlining the justifications, financing opportunities, advantages and disadvantages of each option for consideration by stakeholders. Develop the most appropriate institutional structure and personnel requirements of the regulatory body, including outsourcing needs by the regulatory commission. Each option will clearly identify resource and annual budget requirements, and the feasible financing sources to meet the resource requirements in the long and short terms. The Paper will seek Cabinet decision in principle to proceed with a specific recommended option.
- (ii) Determine the accountability and reporting requirements and procedures of the regulatory commission and prepare detailed working guidelines and reporting templates.
- (iii) Determine the requirements for mandated stakeholder consultation procedures for tariff setting and other relevant aspects that affect electricity consumers.
- (iv) Define mechanisms for appropriate licensing and contract arrangements, procedures for cost-effective private sector participation, and technical standard and monitoring requirements and procedures.
- (v) Prepare a stakeholder assessment, i.e., identify all stakeholders, their interests, and perceived losers and winners of reforms, and various regulatory options. Prepare a background paper outlining stakeholder interests, gains and losses with various regulatory options, and where possible, benefits and costs should be quantified.
- (vi) Prepare a detailed communication, dissemination and consultation strategy addressing stakeholder interests, to be implemented under the scope of work of the consultants. The strategy will be subject to approval by Government and ADB prior to implementation.
- (vii) Prepare a time-bound roadmap for the regulatory reform process outlining key consultancy outputs and government decision milestones.

- (viii) Undertake a presentation to the Cabinet Development Committee and other stakeholders on the findings of phase 1 and the roadmap to outline the work ahead.

## **2. Phase 2: Development of the Regulatory Framework**

14. Phase 2 work will be guided by the outcomes of Phase 1 and the Cabinet decision on the roles and functions of the regulatory agency. The scope of work includes:

- (i) Conduct workshops involving all stakeholders to present and discuss the proposed options for the structure, roles, functions and legal authority of the regulatory agency. Resource persons will be invited with the objective of exposing the Government to good-practice regulation, including tariff setting and technical and license regulation for the power sector. Relevance to small country cases and multi-sector regulations must be taken specifically into account. The consultant will draft the agreed outcomes of each of the workshops and circulate to ADB, Government and workshop participants.
- (ii) Based on the outcome of the workshops, draft a proposal/Cabinet paper on the guiding principles of the regulatory framework and the structure and legal authority of the regulatory agency for consideration by Cabinet. Upon request by Government, undertake consultations to support the decision process for the regulatory reform.
- (iii) In consultation with stakeholders, particularly the Attorney General's Office, prepare a detailed review and interpretation of existing laws and regulations, assess how these are being used, and determine the changes needed to support an improved governance structure for the power sector, a new electricity act and related legislation, and the establishment of the regulatory commission and its proposed roles and functions.
- (iv) Prepare draft instructions outlining the (a) required amendments to existing legislation, (b) approach to new legislation, and (c) consistency with other relevant legislation, for approval by Government.
- (v) Based on the approved draft instructions, (a) prepare a new comprehensive Electricity Act and necessary implementing legislation required to establish a regulatory agency to perform the agreed roles and functions; and (b) amend the EPC Act, to be consistent with the new Electricity Act, and any other relevant legislation required to support the new regulatory framework for the power and/or infrastructure sector in Samoa, in each case, appropriate within the existing legal framework.
- (vi) Submit a preliminary draft legislation for review and comments by the Attorney General's Office; prepare amendments, as required, for submission for consideration by Cabinet and for Parliamentary approval.
- (vii) In consultation with the MOF, prepare a detailed regulatory budget and funding requirements from the fiscal budget for the forthcoming financial year to be included during the budget process.

## **3. Phase 3: Implementation of the Regulatory Framework**

15. Phase 3 work will be guided by the outcomes of Phase 2 and Cabinet and Parliamentary approval of legislations. Phase 3 will assist the Government in establishing the regulatory agency.

- (i) Assist the Government in implementing the communications and information strategy developed in Phase 1.
- (ii) Based on the identification of resource requirements, prepare detailed terms of references and reporting and accountability mechanisms for key positions and the regulator, and for outsourcing functions.
- (iii) Assist the Government in advertising, identifying and recruiting a suitable candidate for the regulator and other key positions of the regulatory agency.
- (iv) Once the regulatory agency is established and the regulator appointed, prepare working guidelines and procedures for performing the roles and the functions of the regulatory agency.
- (v) Prepare and undertake a series of training and workshops for regulatory staff and for relevant stakeholders and policy makers on areas of (i) technical standards monitoring and reporting; (ii) tariff setting models; and (iii) consumer consultations. Resource persons will be invited as appropriate.
- (vi) In consultation with EPC, prepare templates for tariff submissions and establish procedures for approval of tariffs, taking into account a public consultation process.

#### **4. Energy Demand –Side Management Strategy**

16. The scope of work includes:

- (i) Provide a detailed diagnostic and quantitative up-to-date assessment of Samoa's energy resources and use by sector and user as appropriate for preparing targeting of demand-side management measures. Based on economic drivers and population growth, prepare a 10-year forecast of energy requirements and, in particular, implications for dependence on global oil prices and balance of payments, under a "without" demand-side management scenario.
- (ii) Review taxation and import duties and other relevant policy areas that may affect the use of energy. Provide an assessment of measures to promote demand-side management together with a cost-benefit analysis.
- (iii) Design a public awareness campaign and a social consultation process on energy demand-side management.
- (iv) Prepare a presentation to the Government on international good-practice demand-side policy and measures and the findings of (i) and (ii), and to seek endorsement for implementation of the public awareness campaign to be implemented with assistance of the consultants. Make recommendations for sustained public awareness on demand-side management.
- (v) Prepare an energy demand-side strategy in the format of a government document with technical background papers that details the analytical work and outcomes of the diagnostic and the cost-benefit analysis.

#### **5. Reporting Requirements**

17. In addition to drafting Cabinet Papers, background documents and legislations, the consultants will have ongoing communication with Government stakeholders, ADB, and AusAID on the progress of work. The reporting requirements for the regulatory framework are as follows:

- (i) Within 4 weeks of fielding, the consultants will submit an inception report outlining the outputs and any issues encountered along with proposed remedial measures. The inception report will outline the workshop topics and timing along

- with resource requirements and proposed resource persons for Phase 1 and Phase 2.
- (ii) The interim report, covering Phase 1 works, will be submitted within 2 months of commencement of services. The interim report will also outline any issues encountered along with proposed remedial measures.
  - (iii) The draft final report, addressing and incorporating comments on the interim report, comprising Phase 3 works, will be submitted within 6 months of commencement of services.
  - (iv) The final report will incorporate comments arising from the draft final report, and comprise outputs from the Phase 3 works. The final report will be submitted within 4 months of commencement of Phase 3.
  - (v) The firm will submit monthly progress reports to the Government and ADB throughout the duration of TA implementation.
  - (vi) Working papers, Cabinet papers/proposals and draft legislation, as required by the terms of reference and final draft legislations should be prepared in a version and format that is acceptable to the Attorney General's Office and will be subject to review and approval by ADB prior to submission to the Government.
  - (vii) The consultants will prepare workshop outlines prior to workshops for approval by ADB and submit workshops reports summarizing the main discussions and outcomes within 1 week after each workshop.

18. The reporting requirements for the demand-side management strategy is as follows: (i) the interim report containing the detailed diagnostic will be submitted within 1 month of commencement of services; and (ii) the draft final report, addressing comments on the interim report and comprising draft of the public awareness campaign and the energy demand-side strategy with technical background papers, will be submitted within 3 months of commencement of services.

### **C. Component 4: Resident Financial Management Advisors to the Electric Power Corporation**

19. Two resident financial management advisors (RFMAs) will be engaged to assist EPC in improving internal budgeting and expenditure controls, consolidating accounts and financial reporting and forecasts to the EPC Board, Government, and ADB, and developing peak and off-peak tariffs and bulk purchase agreements with EPC's major customers.

20. The RFMAs will be engaged by ADB in accordance with the *Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers* (2007, as amended from time to time). International consulting services will be provided for a total of 10 person-months on an intermittent basis over a period of 2 years commencing in February 2008. The consultants will be expected to spend most of these inputs in Samoa and work closely with EPC's finance department and the Project Management Unit for the Power Sector Expansion Project. The accountant will have significant experience in financial management accounting systems and corporate governance of power utilities in developing countries. The analyst will have significant experience in financial analysis of power sector investment plans, tariff planning, and participation by independent power producers. Experience from working in the Pacific and Samoa is an advantage.

21. Training and capacity building are integral tasks of all aspects of the work. The scope of work is as follows:

**Financial Management Advisor 1 – Accountant** (international, 5 person-months, intermittent)

**1. Financial Management**

- (i) Provide advice for strengthening internal control procedures and monitoring of major functions such as billing and revenue, credit and collection, receivables and payables, provision of doubtful debts, the write-off of bad debts, and financing of future capital investment projects.
- (ii) Review adequacy of internal checks especially on meter reading, billing, collection, control of fuel and inventories, security of accounting data, and data backups.
- (iii) Review existing procedures for the approval, implementation, billing and payment of rechargeable works, both by Government and private sector clients. Support EPC in implementing improved procedures for rechargeable works that ensure such works do not have a negative financial impact on EPC.
- (iv) Assist EPC to improve its billing system and other control and audit procedures for establishing and monitoring technical and non-technical system losses.

**2. Financial and Management Accounting**

- (i) Review EPC's existing financial accounting standards and procedures and make recommendations for improvements. Assist EPC in the implementation of these recommendations.
- (ii) Assist EPC in the design and implementation of the revisions needed to its financial accounting systems so that it can separately account for the costs of generation and transmission/distribution. The purpose of this separation is to support the anticipated future development of a competitive power market.
- (iii) Review and assess the organizational structure and staffing presently responsible for EPC's financial and accounting functions. Make recommendations for modifications to the organizational structure, both to improve management and to achieve consistency with the proposed overall EPC reorganization. Make recommendations for the strengthening of staff capacities including recruitment guidelines and training requirements. Assist EPC in the implementation of these recommendations.
- (iv) Assist EPC in strengthening its management and monitoring of its existing external auditor and the audit process. Review the existing terms of engagement of the auditor and make recommendations for any necessary improvements to these terms. This should include a requirement for the auditor to determine compliance with the project financial covenants agreed to with ADB.
- (v) Review and assess the application of management accounting systems and reporting within EPC. Support EPC in defining objectives and guidelines for management accounting systems and reporting. Based on these objectives and guidelines, assist EPC in the design and implementation of these systems.
- (vi) Assist EPC in the design and implementation of improved financial and operational reporting.

**Financial Management Advisor 2 – Analyst** (international, 5 person-months, intermittent)

**1. Financial Analysis and Planning**

- (i) Assist EPC in the development of a longer-term financial planning capacity using the existing EPC financial model. Support EPC in the preparation and update of annual financial forecasts using this model. Provide training to EPC staff in the management and update of the model.
- (ii) Using the financial model, determine existing and future tariff requirements needed to provide for the financial viability of EPC and meet all relevant financial objectives and agreed legal covenants.
- (iii) Assess the existing tariff structure, and develop recommendations for amending the structure that will more effectively promote energy conservation and reduce existing peak demand by moving demand to off-peak periods. This should specifically include consideration of bulk power purchase agreements for large consumers with differential peak and off-peak pricing.
- (iv) In coordination with the work on the establishment of a regulatory agency, prepare recommended mechanisms for tariff setting that ensure EPC's financial viability, particularly in terms of enabling timely adjustments in response to changes in EPC's cost structure, while also promoting efficiency improvements by EPC.
- (v) Assist in developing the annual budgeting process, particularly in terms of setting a realistically achievable budget for capital investments.
- (vi) Assist EPC in integrating the longer-term financial planning function with the annual budgeting process.

**2. Private Sector Participation**

- (i) Assist EPC in developing policies and guidelines for private sector participation in the power sector consistent with the emerging regulatory framework for the sector.
- (ii) Advise EPC, as may be required, on the evaluation of proposals submitted to it by private investors for private sector participation in the Samoa power sector.

**3. Reporting Requirements**

- (i) The consultants will provide back-to-office reports after each field mission and quarterly reports for submission by the end of each quarter. The quarterly reports will serve as progress reports and detail the inputs and outputs of the consultant. The consultants will also assist EPC and the Government in the preparation of Cabinet papers and Board papers as requested. A draft final report outlining the assessment of EPC's progress and achievements, including an assessment of the impact and effectiveness of the capacity building will be submitted 3 months prior to the finalization of services. A final report will be submitted within 1 month of receiving comments on the draft final report.