

REPUBLIC OF RWANDA



MINISTRY OF INFRASTRUCTURE

TERMS OF REFERENCE FOR CONSULTANCY SERVICES TO UNDERTAKE INSTITUTIONAL REFORM AND PERFORMANCE REVIEW FOR REG AND EDCL FINANCIAL SUSTAINABILITY

1. Introduction and Background

The Government of Rwanda (GoR) through the Ministry of Infrastructure (MININFRA) from 2014 has been implementing comprehensive reforms in the Energy Sector.

These reforms have revolved around the institutional restructuring and governance arrangements that led to the former Energy, Water and Sanitation Authority (EWSA) that provided energy, water and sanitation services in Rwanda being split into the Water and Sanitation Company (WASAC) and a holding energy group the Rwanda Energy Group (REG) with two affiliate companies: Energy Utility Corporation Ltd (EUCL) and Energy Development Corporation Limited (EDCL).

These reforms in the energy sector further seek to improve the efficiency of the energy supply industry, increase access to electricity services and accelerating private investment.

REG Group Ltd is mandated to oversee the development of energy resources, undertake access projects primarily through grid extension and efficiently operate and maintain generation plants, networks and adjoining facilities to meet the growing energy supply requirements of the country.

EUCL was is the trading arm of the group that delivers electricity supply services to end users whilst also buying bulk from independent power producers (IPPs) and other generators.

EDCL's key mandate is to spearhead development of new projects (including resource assessment and other planning activities) aimed at increasing generation, transmission of the installed capacity and electrification of the country.

The reform programme initiated by MININFRA had the following objectives as follows;

- i) to enhance operational efficiency of the sector mainly through creating new performance driven institutions leading to reduction of system and commercial losses, improve operations, field service delivery and customer service
- ii) Attract more private sector investments and reduce the industry's dependency on government subsidies
- iii) Expand the generation supply capacity with more sustainable and affordable sources of generation in line with the Government objectives enshrined in the EDPRS II and other sector policies
- iv) Strengthen the planning function in the sector to ensure that projects are based on detailed plans taking account of short, medium and long-term requirements and are executed within planned time frames and budgets
- v) Expand coverage for energy, to meet the Government access objectives
- vi) Review energy tariff structure and rates to progressively arrive at a cost reflective tariff regime

The reform programme was anchored by 7 key pillars.

- 1) Establish new Governance and Organizational Structures- realized through the incorporation of REG and its subsidiaries EUCL and EDCL in July 2014 and approving the associated organization structures, policies and procedures
- 2) Staff Job Descriptions, Transfers and Recruitment- realized through setting up new job profiles and person specifications; Skills assessment of seconded former EWSA staff, staff transfer and fresh recruitment to fill the new positions
- 3) Asset and Liabilities verification, Separation and Valuation- involved taking stock of assigned assets and liabilities separating them amongst EWSA successor entities and valuation completed in 2015
- 4) Design and Installation of Business Management Information Systems- included conducting a system assessment and establishing gaps and scoping of a new Integrated Business management system based on benchmarking best practices in utility management currently in the final phase of installation

- 5) Financial Management Efficiency and Reporting – Focused on setting up transitional plans and systems to address improvement in financial management, improve timeliness of Financial Reporting and addressing Auditor general recommendations as the Group builds towards full blown IBMS operations
- 6) Sector Plans – Least Cost Power Development Plan; Sector Financial Sustainability and Recovery Plan; Corporate Strategic and Business plans; Performance Improvement Plans (PIP)- Aimed at ensuring the energy sector is run based on planned approaches that seek to optimize energy resources, increase electricity supply from cheaper sources to improve affordability and progressively improve utility operational efficiency

Review of Tariff Structure and Rates- involved the revision of the then tariff structure to introduce speciated categories and introduce time of use parameters to enhance efficient energy consumption. It also aimed at creating a tariff trajectory for medium term and long-term tariff reduction. Most of the activities under the 7 pillars have been concluded although some are still ongoing like the implementation of IBMS, Least Cost Power Development Plan and Tariff reviews being a continuous process.

It is against this background, MININFRA would like to hire a qualified consultancy firm to carry out comprehensive Institutional Reforms and Performance Review for REG and subsidiaries plus advice on EDCL's transition to financial sustainability. The consultant will help to establish the progress achieved so far in implementing the reforms with the aim of identifying issues that need to be addressed and proposal recommendations on potential improvements in the Governance, structural alignments and enhance operational efficiency.

2. Objective of the Assignment

The objective of the assignment is twofold; 1) to review the institutional and operational performance of REG considering the reform objectives and determine the extent to which these have been achieved, what the key challenges were and how these could be overcome to achieve better performance of the sector, 2) review the financial position of EDCL and advise on formidable strategies to support EDCL's transition to financial sustainability.

3. Scope of work

The Consultant will focus on the following under this review assignment:

- a) Examine the REG Group organizational structure vis-a-vis the institutional mandates and operations to date and advise on the suitability of the Corporate model versus the Agency model for REG and or its subsidiaries
- b) Review the functional roles assigned to each entity vis-a-vis the practical and legal realities and advise on any appropriate modifications to ensure efficiency
- c) Review the institutional relationships between REG and Government (MININFRA and MINECOFIN) considering existing laws, procedures and practices and advise on best way forward for REG Examine intra-Group operations and related procedures and advise on the best approach to maximize corporate performance and efficiency
- d) Review the functional set-up within each company and advise on any structural re-alignment to ensure efficiency of operations considering the distinct energy supply value chain i.e. Project planning and development on one hand; and operations of generation, Transmission, System operator, Distribution and Retail responsibilities
- e) Review the current reporting requirements both strategic and financial for the Group and its Subsidiaries to identify any impediments and conflicts and advise on the best way forward considering the existing, legal and regulatory framework.
- f) Advise on the adequacy of the institutional set-up with respect to staffing, deployment and related collaborative arrangements and the extent to which these can.....be streamlined to achieve sector targets and objectives.
- g) Review the Governance practices and organs at Board and Management level and advise the best approach to ensure resource efficiency and responsiveness to sector requirements
- h) Review and advice on cost-cutting mechanisms across the EDCL service chain including; Project planning, projects implementation (generation, Transmission and distribution)
- i) Review and advise on revenue-generating potentials across the mandate of EDCL service chain, indicating potential opportunities from which EDCL can raise revenues to finance its own budget requirements
- j) Advise on the company on the appropriate steps to manage the transition from the current business model where EDCL works as a semi-autonomous entity owned and fully financed by the government and requirements of effective corporate governance

4. Expected Outcomes of the Assignment:

The consultant will produce a detailed report on;

1. The legal and regulatory framework applicable to REG and its affiliate companies, including mandate, competences and responsibilities of each entity.
2. Assessment of current implementation of REG. Identification of eventual gaps with legal/regulatory mandate. Recommended improvements and roadmap for implementation.
3. Assessment of current implementation of EDCL and performance of the company in all business areas: power sector planning (generation and transmission expansion, electrification), assessment of primary energy resources, etc. Review of approaches adopted for operations in key areas, availability and effective application of supporting tools. Identification of gaps with best practices in international experience relevant to Rwanda. Proposed improvements and roadmap for implementation.
4. Assessment of current implementation of EUCL and performance of the company in all business areas: electricity supply to customers, commercial operations, corporate planning, management of corporate resources. Review of approaches adopted for operations in each business area, availability and effective application of supporting tools (information systems, revenue protection, etc.). Identification of gaps with best practices in international experience relevant to Rwanda. Proposed improvements and roadmap for implementation.

5. Proposed schedule of Deliverables

| Deliverables | Tentative Date |
|----------------------------|-----------------------------------------------|
| Draft Report Tasks 1 and 2 | month after date of contract effectiveness |
| Draft report on Task 3 | 2 months after date of contract effectiveness |
| Draft report on Task 4 | 3 months after date of contract effectiveness |
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6. Qualification Requirements

Interested firms are requested to present references showing their experience in the preparation of strategic plans, Institutional performance reviews and Restructuring assignment for large institutions or electric utilities.

Eligible firm should have performed similar or related work in a power Utility or energy services company preferably covering the entire value-chain from generation through transmission to retail.

Firm should have demonstrable experience in provided consultancy services for utilities in emerging markets (non-OECD) with preferences for Sub-Saharan Africa.

Each firm should provide a list of its staff, indicating, for each member:

- (i) professional qualifications, fields of expertise and experience; (Expert with at least 10-year experience in power sector planning in emerging (non-OECD member) countries, Utility expert with at least 10-year experience in management of power utilities (distribution and retail companies) in emerging (non-OECD member) countries. Any of the two experts above can be appointed as the Project Director/Manager. The team should also include a local legal expert with specific experience in application of Rwanda Company Law. Each of this expert should demonstrate the role played each of the projects mentioned.
- (ii) studies with similar scope to the project described in these TORs in which the expert participated in the last 5 years;

7. Facilities to be provided by client

MININFRA and REG will provide the consultants with all the data required and request for successful completion of the assignment within time frame give.

8. Reporting

The firm will report to the Ministry of Infrastructure.