

Terms of Reference for Appointment of Financial Consultant for Power Sector

Background

Electricity is pivotal to the socio-economic development of a country. Realizing this fact Government has declared its vision 2021 to provide electricity to all. Since 2009 due to the relentless efforts of the Government presently 74% population have access to electricity. When the present Government assumed power in 2009, installed power generation capacity was 4,942 MW which is now 13,265 MW (including 2,000 MW captive generation). At present maximum average generation is 7,500-8,500 MW against maximum demand 8500 MW. Literally there is no load shedding though still there are power cuts due to the transmission and distribution bottleneck. Per capita generation has been increased from 220 KWh to 381 KWh. It is worthy to note that about 220 thousands new consumers are provided electricity connection connected every month. All these successes had been possible due to visionary leadership of the present Government. It may be further mentioned that power sector has started taken-off in late 90's through reforms, restructuring and corporatization programs during the tenure of the then Awami League Government. Under this reforms program vertically integrated power sector unbundled into appropriate business lines constituting several generation, transmission & distribution companies under Companies Act, 1994. The objectives of company formation were that the newly born entities will run business independently in a competitive environment unlike traditional government organizations. Experience says that public sector corporatized entities capacity building and business expansion could not be achieved at desired level because of the dependence on the public exchequers budget. Project financing through borrowing are inadequate and repayment capacity are also seldom. Fund raising from capital market has not been practiced as yet.

In Bangladesh private sector investment in power generation as IPPs first opened in late 90's. Within one decade capacity of private sector has developed tremendously. Private sector without having fund from the Government manage project financing through borrowing from IFIs and raising fund from capital market. Project negotiation skill, loan borrowing and repayment, project implementation and risk mitigation capacity have been improved significantly. At present about 50% of power generation (MWh) is contributed by private sector.

With this backdrop, Government intends to appoint a Financial Consultant (firm) to review the financial positions, upcoming development plans and obligations of the power utilities; and to indentify the financial and management strengths; and to recommend means of financial resource mobilization for future expansion and system improvement.

Scope of Work

The main objective of the assignment is to review the financial positions, upcoming development plans and obligations of the power utilities and suggest for improvement for all public sector companies through project financing from various sources, loan borrowing and repayment, project implementation, cash flow and risk management. To fulfill the above objectives followings will be the scope of work of the Consultant.

Shawar

1. The Consultant will review the financial positions, balance sheets and obligations of the power utilities;
2. The Consultant will review the upcoming development plans such as entities procurement plan, Power System Master Plan, 7th Five Year Plan etc and study the resource requirement ;
3. The Consultant will also review Power Sector Financial Restructuring & Recovery Plan and Balance Cleaning Study prepared before;
4. The Consultant will identify the weaknesses of the power utilities' in respect of financial management such as project financing, loan borrowing and repayment, project risk management and cash flow etc;
5. The study will focus on the barriers on borrowing money from different IFIs and other commercial banks and suggest measures remove those barriers;
6. The Consultant will also recommend on how to raise fund from capital market and financial instruments;
7. The Consultant will recommend for financial and strategic management improvement for better business operation.

Time Period

6 (six) months from the date of signing of the Contract.

Source of Fund

The cost will be borne by the power sector entities' own fund.

Reporting Requirements:

- (1) Inception Report: Consultant will prepare and submit an Inception Report within 15 (fifteen) days from signing of the Contract, stating their understanding of the assignment, work plan, methodology, resource requirements for the assignment and their readiness to undertake the project.
- (2) Interim Report: Consultants will submit Interim Report within 2 (two) months from the date of signing of the Contract.
- (3) Draft Final Report(DFR): Consultants will submit Draft Final Report within 4 (four) months from the date of signing of the Contract.
- (4) Final Report: Final Report shall be prepared within 6 (six) months from the date of signing of the contract.

Stakeholders' Workshop

Shant

- 1) The consultant will organize a stakeholders meeting on the Inception Report
- 2) The consultant will organize a stakeholders workshop on the Draft Final Report

Facilitation and Reporting

Utilities will ensure access to the available information pertinent to the assignment and Power Cell facilitate. The Consultant would basically work in close association with all utilities while Power Cell will coordinate, provide guidance and advice. A concerned person will be designated from all utilities to provide relevant data, arrange discussions and assist as required. Consultant will work under the guidance of Power Cell. The day to day work would be monitored by a designated officer of Power Cell.

Key Staff Requirement

The Consultant should propose following key professionals:

- (a) Team Leader:** Must have PhD in Economics, Financial Management or Management with minimum 20 years experience in public sector utility management, reforms, restructuring and corporatization. Should have specific experience in public and private sector project financing and risk management
- (b) Capital Market Specialist:** At least Master degree in Economics with minimum 15 years working experience in public and private sector project financing.
- (c) Sr. Financial Management Specialist:** At least Master degree in Financial Management with minimum 15 years experience in international financial institution specially for power sector project financing.
- (d) Sr. Power Sector Specialist:** At least Master degree in Engineering with minimum 15 years experience in power sector specifically in private sector generation project management.
- (e) Management Specialist:** At least Master degree in Management with minimum 10 years experience in utility management and performance improvement.
- (f) Legal Adviser:** At least Master degree in Law with a minimum 10 years working experience in financial institution and corporatized entities.

