



United States Energy Association

Request for Proposal: Afghanistan Electricity Sector Governance and Management Assessment – Afghanistan

REQUEST FOR PROPOSAL– Afghanistan Electricity Sector Governance and Management Assessment – Afghanistan

Closing date of RFP: February 1, 2019

Implementing Agency: United States Energy Association (USEA)

Funding Agency: United States Agency for International Development (USAID)

The United States Energy Association is inviting prospective organizations through this Request for Proposal (RFP) to submit proposals for providing consultancy services deployed to Kabul, Afghanistan, to assess the country’s electricity sector. The project will be for 6 weeks in the Spring 2019.

Proposals are due by 17:00 hours EST of the closing date. Please submit all proposals with a read receipt to Ms. Sarah Thorne, Senior Program Coordinator, at sthorne@usea.org. Proposals must be in digital format (PDF).

As this is a USAID-funded program, the RFP follows USAID Procurement Regulations and Laws. All bidder details will be kept confidential.

I. INTRODUCTION

The United States Energy Association (USEA), headquartered in Washington, DC, is an association public and private energy related organizations, corporations, and government agencies. USEA represents the broad interests of the U.S. energy sector by increasing the understanding of energy issues, both domestically and internationally.

Through a cooperative agreement with the USAID Bureau for Economic Growth, Education and Environment (E3), USEA implements the Energy Utility Partnership Program (EUPP), available to all USAID-assisted countries and USAID Missions. EUPP supports the efforts in USAID-assisted developing countries to increase environmentally sustainable energy production and to improve the operational efficiency and increased financial viability of their utilities and related institutions, with the goal of increasing the access of these countries to safe, reliable, affordable and environmentally sound energy services.

II. SUMMARY

Lack of reliable, and affordable power is a fundamental constraint to economic growth in Afghanistan. Data from the 2017 World Bank Doing Business Report shows that Afghanistan gets the lowest possible score on “reliability of supply and transparency of tariff” (a score of 0 out of 8) and for “quality of supply” (0 out of 8).

The primary contributors to Afghanistan’s power sector challenges are insufficient supply to meet growing demand, a financially weak utility, and inadequate sector governance and management. Among USAID’s chief priorities is to “build the capacity of Da Afghanistan Breshna Sherkat (DABS) to operate as an effective, financially sustainable, and transparent national utility.” This assessment will identify, analyze, and provide prioritized recommendations to improve DABS’ corporate governance, DABS senior management¹, electricity sector governance [including the roles of the Ministry of Energy (MEW) and Water, the Ministry of Finance (MOF), and other key Government of Afghanistan (GOA) institutions], and regulation to support the large-scale private investment and improved commercial performance needed to power the country’s economic growth.

III. BACKGROUND

Da Afghanistan Breshna Sherkat (DABS) is Afghanistan’s national power utility. It is a government corporation established under Afghanistan’s Law of Corporations and Limited Liabilities, equity shares of which are owned by the Government of Afghanistan (GOA). DABS was incorporated on May 4, 2008 to replace the Da Afghanistan Breshna Mossessa (DABM), a state-owned enterprise. DABS is an autonomous state-owned company run on a commercial basis with the authority to operate and manage electricity generation, transmission and distribution in Afghanistan. In practice, its independence and ability to manage its commercial affairs is circumscribed by multiple GOA stakeholders with vested interests in the power sector. The energy sector legal and regulatory framework requires DABS and the Ministry of Energy and Water (MEW) to follow global industry standards for governance of commercial utilities. In practice however, sector governance procedures are impairing DABS’ corporate and operational performance.

Financial viability is essential to any utility’s success. While data on DABS’ financial status varies by source, it is clear that the utility is not yet financially viable as an offtaker. After several years of generating enough revenue to cover operating costs, DABS again fell into the red in 2017, and the Afghanistan Ministry of Finance (MOF) anticipates several years of additional losses. The utility currently has nearly \$135 million in debts². Additionally, DABS has sub-optimal revenue collection; technical and commercial losses resulting from outdated and poorly-maintained equipment, electricity theft, and improper billing and collection are estimated to be as high as 30-35%³. While this represents significant progress from the 50-80% losses DABS sustained at the outset of USAID’s engagement with the utility in 2009, it remains over twice what would be considered sustainable for a functioning utility. Given these high losses, DABS will be unable to afford the large-scale generation additions needed to provide reliable power, even as cheaper power from neighboring countries becomes available in the near future.

Another element is the potential establishment of an independent regulatory authority by the GOA. There may be a need for USAID assistance to ensure that the regulatory body is sufficiently autonomous, engages effectively with stakeholders to set tariffs, and supports increased private sector participation and competition in the sector.

Finally, the GOA is in the process of establishing an electricity regulatory agency. In the U.S. Afghanistan Compact, there is a related requirement for the GOA to “operationalize a power sector regulator.” However, at this point in time, USAID is not aware of the status of this new agency, its scope, authorities and resources.

The purpose of this RFP is to solicit proposals from various candidate organizations, conduct a fair evaluation, and select one (1) team/company deemed most suitable to provide assistance to USEA within the framework of this activity.

¹ DABS senior management refers to the officers appointed directly by the Board of Directors.

² Conversation with DABS CEO, December/November 2017

³ Conversations with DABS CEO, Advisor to the President, and Deputy Director of the MOF’s Public-Private Partnership (PPP) Unit, December/November 2017.

IV. IMPLEMENTATION AND APPROACH

The Power Sector Governance and Management Assessment will identify, analyze, and provide actionable and prioritized recommendations for future USAID programming along two work streams to improve (1) DABS corporate governance oversight and senior management performance, and (2) electricity sector governance and regulatory framework of the sector.

In this RFP, “governance” refers both to DABS corporate governance (as defined below) and to broader electricity sector governance. These recommendations should address governance⁴ and senior management⁵ actions that will lead to improvements to utility operations, management, and business processes resulting in increased electric reliability, reduced losses, improved capital planning and management, and increased profitability.

The analysis should assess challenges related to adherence to current sector and corporate governance obligations. The analysis will also assess the current senior management organizational structure and the Board of Directors oversight responsibilities qualifications. In addition, the analysis should comment on the role and status of the new regulator to improve sector electricity sector performance and governance. Ultimately, USAID’s goal is to help create a viable energy sector, where DABS can meet the country’s rapidly growing electricity demand with reliable, affordable service.

This assessment should result in actionable, prioritized governance and senior management team recommendations for future USAID programming. The assessment should focus on the DABS Board of Directors (the Board), other DABS governance boards (audit, appointment, procurement, etc.) and DABS senior management positions, with recommendations related to senior management performance improvements in operations, financial management and strategic planning. The full range of best practices to improve governance and senior management performance should be considered, including potential private sector participation in utility management and service delivery. The recommendations should consider the political willingness and potential commitment from DABS senior management, the Board of Directors, MEW, MOF and other sector stakeholders.

The assessment should determine the degree to which the Board and its constituent shareholders are willing to establish key performance objectives for the DABS senior management team, and to use their legal authority to monitor and take necessary actions in achievement of DABS key performance goals. This reflects the traditional role of a board of directors in appointing senior managers, establishing high level business objectives, and monitoring achievement of these objectives. The assessment should also consider capacity building related to governance and the senior management team that the Government of Afghanistan, the board and DABS need to strengthen corporate governance oversight and senior management performance. The assessment should also determine the degree to which the Executive Board is structured and functions in a manner that meets best practices for public power utilities.

In addition to the objectives stated above, USAID also intends to use this assessment to determine what steps related to corporate and sector governance can be taken to increase private sector participation in Afghanistan’s electricity sector.

V. TASKS

1. *Desk review/research*: This period will focus on review of the following to determine specific key constraints to effective power sector governance and management:

⁴ Governance refers in this RFP to the standard utility industry concepts of the governance arrangements, procedures and actions associated with a public utility. Key features establishing governance regimes for utilities include articles of incorporation, shareholders agreements, corporate bylaws, national companies laws. In addition, boards of directors play a central role in utility governance by holding and exercising the authority to establish corporate objectives, approve strategic actions, and appoint senior management for a utility.

⁵ Senior management in this RFP refers to the officers appointed by the board of directors. These are usually the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer and the Chief Commercial officer of a utility.

- Current corporate governance structure of DABS, including review of existing corporate governance documents.
 - The policy and regulatory framework governing the Afghan power sector, with specific review of the current and proposed laws establishing a regulatory process for setting tariffs and incentivizing efficient utility operations.
 - Previous and ongoing donor-led activities to improve the capacity of DABS and create the framework for regulation of the energy market, determining root causes for successes and failures.
 - Performance reports, project evaluations, and other sector assessments related to DABS operations, financial management, planning and other management and executive responsibilities stated in its Articles of Incorporation.
2. *Assessment implementation:* The assessment will focus on answering the following questions aligned to two work streams and offer actionable recommendations for both short-term and long-term interventions:
- **Workstream 1: DABS corporate governance and senior management:**
 - To what extent are current corporate governance arrangements being implemented? What are the key areas of governance and senior management⁶ weakness? This will include consultation of important Afghan stakeholders directly involved in DABS corporate governance and senior management matters.
 - What are the possible USAID interventions in governance that would enhance viability of DABS? Interventions refers to two separate categories of USAID action: advocacy and technical assistance. Advocacy may include USAID and U.S. Embassy engagement with key electricity sector stakeholders on matters related to improved corporate governance and management.
 - Are there any specific improvements are necessary to DABS governance structure, such as to DABS Articles of Incorporation and Corporate Bylaws?
 - What major challenges exist within DABS governance and senior management processes for capital planning, financial management, and operations that impact the financial viability of the utility?
 - What role can DABS Executive Board, other DABS boards, shareholders and senior management take to encourage greater private sector participation in the electricity sector? Are there major barriers that need to be addressed at these levels, including lack of planning?
 - How can building the capacities of DABS employees in corporate governance and strategic planning be best delivered for sustainable results?
 - Do senior management positions have job description? Are there performance goals for senior managers? Do the senior managers have performance goals for their direct report? How are those goals measured, monitored and reported? Do senior managers have assigned budgets and how are those budgets tracked and reported to the Board? Are levels of authority clearly defined by the Board and communicated to the senior managers? Do senior managers participate in developing strategic goals for DABS? How are those strategic goals communicated throughout DABS? How do senior managers communicate goals and objectives down through their organizations? Are their feedback mechanisms for senior managers to gain understanding of issues in their organizations?
 - **Workstream 2: Broader power sector governance and regulation:**
 - How can the varying roles and responsibilities within the energy sector be aligned with international best practices?
 - How should the roles of MEW, MOF, DABS, and other key associated institutions be aligned and/or clarified?
 - What is needed to ensure regulatory statutes and industry best practices are implemented?
 - Is there a national energy strategic plan? What responsibilities are assigned to MEW, MOF, and DABS for implementing that plan? Is that plan supported politically?
 - What barriers interfere with effective governance and implementation of regulation?

⁶ In this RFP, “senior management” refers to DABS senior management team and the high level senior management activities and systems, such as corporate financial management and reporting, independent financial audit, corporate planning and budgeting.

During implementation of the assessment, the team should hold roundtable discussions with key stakeholders involved in DABS corporate and sector governance. In addition, the team should also consult Afghan private sector corporate executives involved in the electricity sector to gain an understanding of their views on both corporate and sector governance.

3. *Out-brief with Mission and report writing:* The team will conduct an out-brief with the Mission and write a report that outlines the core components of the assessment, including specific next steps that explain how the assessment can be implemented. A draft shall be submitted to USEA 20 business days after the start of this task. USEA and USAID will provide comments back to the contractor after 10 business days and then a final draft will be sent to USEA five days after receiving USEA's and USAID's comments.

VI. DELIVERABLES

The following deliverables are anticipated:

- Assessment work plan. The work plan will include: the overall assessment design, proposed methodology, data/information collection, analysis plan, and timeline.
- Desk document review
 - **Appendix 1** lists the available/relevant studies and reports for reference of the Assessment Team. Likewise, **Appendix 2** lists the relevant laws and regulations, many of which overlap with one another.
- In-briefing, mid-briefing, exit-briefing to USAID/Afghanistan
- Report – including Executive Summary, findings, conclusions, prioritized recommendations, and annexes – maximum 20-25 pages without attachments. Report process will include submission of a draft and then final report.
- PowerPoint presentation (high level presentation for purpose of presenting the findings and recommendations to the senior management of USAID/Afghanistan and USAID/Washington)

VII. RESPONSIBILITIES

USEA will be responsible for all logistical arrangements, including:

- All travel related logistics and costs for the team, in compliance with Fly America Act and the US Federal Travel Regulations; this includes:
 - Roundtrip economy airfare;
 - Per diem calculated according to the Federal Travel Regulations, and using U.S. Department of State rates;
 - Visa costs;
 - Airport transfers;
 - Lodging;
 - Health and accident coverage.
- Security services while in Afghanistan;
- Interpretation services while in Afghanistan;
- On the ground support in Afghanistan to help arrange meetings and appointments, accompany members of the team to scheduled meetings, take detailed at meetings, serve as local point of contact, and other administrative duties as needed.

VIII. REPORTING

The contractor will report to USEA.

IX. SCHEDULE AND LOCATIONS

The overall period of this project will be between April 1, 2019 and June 30, 2019. The actual duration of the assignment will be six (6) weeks to include:

- 2 weeks – reading docs & consultations (in the US); in-person meetings to be held at USEA offices in Washington, DC
- 4 weeks – conduct assessment in Afghanistan including in-out travel time
- 1 week – draft the report (in the US); in-person meetings to be held at USEA offices in Washington, DC
- 1 week – revise the final report upon USEA and USAID comments (in the US); in-person meetings to be held at USEA offices in Washington, DC

These tentative assignment dates are provided solely for information purposes and the benefit of bidders. Modification of these assignment dates will not constitute a change in scope.

X. ASSESSMENT TEAM COMPOSITION

A team of up to two technical experts with knowledge in the following areas:

1. Electric utility governance (Senior Level)
2. Electric utility management (Senior Level)
3. Power sector governance, regulation and private sector participation (Senior Level)

The consultants will be assisted by a senior advisory panel of two designated local electricity sector experts. This panel will provide technical input on Afghanistan electricity sector political economy, management, and governance, and will support organizing and conducting interviews and discussions with senior Afghan power industry officials to obtain information related to the current corporate and sector governance situation. It is intended that these local consultants be sufficiently senior level to enable meaningful dialogue on corporate governance and senior management issues. These may include, retired senior government officials.

The team will also consist of the USAID implementing partner project manager, local logistics staff person, translators, and security and transport services.

XI. PROPOSAL CONTENT

The proposal must contain the following:

- a) A cover letter to the proposal, including:
 - A bidder's Data Universal Numbering System (D-U-N-S) number and proof of a current registration in the System of Award Management (SAM);
- b) Statement of qualifications
- c) A technical proposal, including:
 - Demonstration of an understanding of the issues to be addressed under the proposed scope of work specified above by providing a summarized technical approach for each of the tasks listed (Maximum 2 pages).
 - Proposed project schedule to perform the tasks under this project highlighting any deviations to the proposed scope of work specified above.
- d) A financial proposal, including:
 - Detailed justification (i.e. line item budget)

- Labor, other direct costs, indirect costs, and level of effort for each employee proposed for this project
- e) Bio sketches of personnel, including at least 1 – 2 subject matter experts including team leader that will be dedicated to the project
 - f) Summary of relevant experience within the past 10 years.
 - g) Completed USAID Contractor Employee Biographical Data Sheet forms for each employee proposed for this project (<https://www.usaid.gov/forms/aid-1420-17>)
 - h) Summary of the work to be performed by each employee proposed for this project

XII. EVALUATION CRITERIA

All bidders are required to provide a DUNS number and maintain a current SAM registration. Proposals without a DUNS number or proof of SAM registration will not be considered.

Selection of an offer for a contract award will be based on an evaluation of proposals against qualifications, subject matter expertise and budget justification. Proposals shall first be evaluated from a technical standpoint (qualifications and subject matter expertise) without regard to proposed budget justification. For those proposals determined to be technically acceptable, budget justification will be evaluated.

Evaluation Criteria: 20%: Experience with similar projects
 40%: Subject matter expertise
 25%: Technical Approach
 15%: Cost

XIII. CONTRACT MANAGEMENT/OVERSIGHT

A subcontract agreement between USEA and the winning bidder shall be subject to all USAID Special Terms and Conditions, including all mandatory FAR Flow-Down clauses, where applicable, and the provisions included in 2CFR200 and 2CFR700. All bidders are strongly encouraged to review these provisions prior to submitting a proposal.

- Standard Provisions for U.S. Nongovernmental Organizations: <https://www.usaid.gov/sites/default/files/documents/1868/303maa.pdf>
- 2CFR200: <https://www.gpo.gov/fdsys/pkg/CFR-2014-title2-vol1/pdf/CFR-2014-title2-vol1-part200.pdf>
- 2CFR700: <https://www.gpo.gov/fdsys/pkg/CFR-2015-title2-vol1/pdf/CFR-2015-title2-vol1-part700.pdf>

Subcontract agreement management, oversight, and payment will be carried out by USEA.

XIV. PROPOSAL TIMEFRAME

All questions related to this RFP should be submitted via email to Sarah Thorne at sthorne@usea.org no later than January 15, 2019. All questions and answers will be provided to all prospective bidders.

Interested parties are requested to submit final proposals no later than February 1, 2019. Proposals should be sent via email with a read receipt to Sarah Thorne at sthorne@usea.org.

For all questions and clarification requests please contact Ms. Sarah Thorne, Senior Program Coordinator, at sthorne@usea.org. All questions and answers will be provided to all prospective bidders.

END OF RFP

Appendix 1: List of Relevant/Available Documents

1. Available DABS Board Minutes
2. USAID/Afghanistan Energy Sector Technical Assessment Final Report: March 1, 2018 incl. its attachments:
 - a. Overview of Afghanistan’s Electric Power Sector System in 2017: Dec. 16, 2017
 - b. Account of Ongoing Power Sector Infrastructure Projects: Dec. 16, 2017
 - c. Mapping of Donor Support for Afghanistan’s Power Sector: Dec. 16, 2017
3. Financial Analysis of DABS: Initial Findings and First Recommendations: October 2017 (WB presentation)
4. Mid-Term Performance Evaluation: Power Transmission Expansion and Connectivity (PTEC) Commercialization Activities: October 2017 (USAID Report)
5. World Bank report Doing Business in Afghanistan 2017
6. Customer Feedback Survey at DABS: Report and Findings: July 2017 (USAID funded, implemented by Democracy International)
7. Vulnerability to Corruption Assessment Report on DABS, not dated (apparently recent) conducted by the Independent Joint Anti-Corruption Monitoring & Evaluation Committee (MEC), funded by USAID, DFID, Norwegian Ministry of Foreign Affairs, and DANIDA/Danish International Development Agency
8. Short report – Capacity Assessment for the Afghan Energy Sector Institutions MEW and DABS: November 2014 on behalf of GIZ and KfW, financed by German Federal Ministry of Economic Cooperation and Development (BMZ)
9. Assessment and Strategy Report for Development of DABS Main PMO: 1/10/18, revision 2.0
10. Guidelines for Private Investment in Afghanistan Power Sector (GIZ) (two documents)
11. Kabul Electricity Service Improvement Program (KESIP) final report, June 2012
12. Kandahar Commercialization Support final report, January 2013
13. Load Flow Analysis Report: NEPS – SEPS Connector Supply, Final Version March, 2018 (recently released, three PDF files)
14. World Bank Financial Evaluation of DABS

Appendix 2: List of Relevant Available Laws and Regulations

1. Power Services Regulation Act (a.k.a. Electrical Energy Services Regulating Law) approved by the Parliament in January 2016
2. DABS Articles of Incorporation
3. DABS Corporate Bylaws
4. Law of Corporations and Limited Liabilities
5. Public Private Partnerships Law 5th October 2016
6. Energy Services Management Law
7. Comprehensive Agreement between DABS and Ministry of Finance dated 22 February 2009
8. Agreement Between Ministry of Energy & Water, Da Afghanistan Breshna Sherkat, and Ministry of Finance dated 30 September 2009 (the Side Agreement)
9. PTEC Program conditions related to DABS corporate governance (for example, PTEC Implementation Letter 22)
10. "Power selling" and other services policy of DABS
11. Afghanistan National Integrated Energy Policy, Final Draft: March 2016
12. USAID report: Laws, Policies, and Regulations Pertaining to Power Sector Investment (attachment to Energy Sector Assessment): Dec. 16, 2017
13. Draft Regulation for National Energy Regulatory Authority (NERA)
14. Regulations for Terms and Conditions for Determination of Tariff from Energy Generation Sources
15. Regulations for Licensing Process for Generation/Transmission/Distribution/Import/Export of Electricity
16. Regulation for Net Metering of Rooftop Solar PV Grid Interactive Systems
17. Regulatory Authority - Structure Operating and capacity development