

Operational Support – Technical Cooperation (OS- TC)

Support to the Preparation of Loan GY-L1038

GY-T1095

▪ Country/Region:	Guyana/CCB
▪ TC Name:	Support to the Preparation of Loan GY-L1038
▪ TC Number:	GY-T1095
▪ Associated Loan/Guarantee Name:	GY-L1038
▪ Team Leader/Members:	Alejandro Melandri (INE/ENE) team leader; Jesus Tejada (ENE/CEC) alternate team leader; Malaika Culverwell (INE/ENE); Carlos Echeverria (INE/ENE); Clevern Liddell (CCB/CGY); Javier Bedoya (LEG/SGO);
▪ Date of TC Abstract authorization:	September 26, 2012
▪ Beneficiary:	Guyana; Guyana Power and Light Inc. (GPL) and The Office of the Prime Minister (OPM)
▪ Executing Agency and contact name:	Inter-American Development Bank, through the Energy Division (INE/ENE).
▪ Donors providing funding:	Window I of the Small and Vulnerable Countries fund (SVC)
▪ IDB Funding Requested:	US\$952,980.00
▪ Local counterpart funding, if any:	N/A
▪ Disbursement period (which includes Execution period):	42 months
▪ Required start date:	December 2012
▪ Types of consultants (firm or individual consultants):	International Firms; National & International individual consultants
▪ Prepared by Unit:	INE/ENE
▪ Unit of Disbursement Responsibility:	INE at Headquarters
▪ TC Included in Country Strategy (y/n):	Y
▪ TC included in CPD (y/n):	N
▪ GCI-9 Sector Priority:	This project is aligned with the IDB's Framework of a New Institutional Strategy under its sector priorities and preferential support to less-development LAC countries. It will contribute to the goal of: (i) supporting development in small and vulnerable countries; and (ii) assisting borrowers in dealing with climate change, sustainable energy, including renewable energy and environmental sustainability

I. Description of the Associated Loan

Guyana is expected to experience a significant growth in electricity demand. Demand forecasts and market analysis predict that electricity consumption in the main power grid is likely to more than double in the next ten years. Guyana Power and Light (GPL), the state-owned, vertically integrated utility, is the main provider of electricity and is therefore faced with the challenge to produce, distribute and commercialize the necessary energy to supply such demand under adequate quality standards and economic conditions.

GPL's Development and Expansion Plan (D&E) identifies numerous investments in infrastructure to expand and upgrade the network, as well as GPL's generation capacity. Other studies have analyzed GPL's ability to adequately manage its business and operations within minimum international standards, focusing on GPL's capacity to perform its obligations in a sustainable manner, in light of increased energy demand and expanded supply. In general, these studies have revealed the need to undertake specific actions to improve operational and corporate capacities of GPL.

Even though GPL is currently implementing several actions that aim to address key operational issues, these corporate capacity investments would be insufficient to raise GPL's performance to the expected level. For this reason, an investment loan (GY-L1038) for GPL is being devised with support from the Inter-American Development Bank (IDB). The objective of GY-L1038 is to implement an agreed Corporate Development Program (CDP) whose aim is to help GPL start the shift from its present operative status to that of an organization better suited to supply a two-fold increase in energy demand.

The investment loan GY-L1038 focuses on operationalizing the CDP in specific areas, such as: (i) human resource capacity; (ii) information technology; (iii) infrastructure requirements; and (iv) commercial operations. These components will provide resources, new staff, training, capacity building, management information, power system planning, information technology, as well as associated hardware and infrastructure. By supporting the improvement of GPL's performance, GY-L1038 can help to improve the sustainability of any project that supports the growth of Guyana's energy sector.

Before the CDP can be operationalized, it will need to be designed in detail and phased into execution via transition arrangements. The main objective of this Operational Support-Technical Cooperation (OS-TC) is to provide for that detailed CDP design and transition. This OS-TC will: (i) analyze GPL's present state and critical processes; (ii) identify external management staff; and (iii) propose GPL's target state, implementation strategy and financial plan. Together, these interventions will prepare GPL for the execution of the CDP through the proposed GY-L1038 loan.

II. Objectives and Justification of the Technical Cooperation (TC)

GPL and the Government of Guyana (GOG) have considered different demand growth scenarios in light of forecasts highlighting the substantial growth in electricity demand in Guyana. The required investments in infrastructure and capacity to meet this demand, point to substantial efforts that will need to be sustained over a number of years within GPL and include: (i) increases in Capital Expenditures Investments (Capex); (ii) enhancement of corporate capacities; (iii) achievement of performance targets; and (iv) strong political commitment from GOG and GPL to ensure the needed consistency among these three areas.

GPL is implementing different types of interventions in order to address its Capex requirements, and is currently executing investments to help reduce technical losses with additional financial support from the IDB. It is purchasing energy supply through Power Purchase Agreements

(PPA) and is expected to complete the remaining investments included in its D&E plan financed with its own cash-flow.

However, with regards to corporate capacities, there are still areas that require reinforcing. Studies have revealed the need to undertake specific actions to improve operational and corporate capacities within GPL, including: (i) system planning; (ii) project management; (iii) loss reduction; (iv) network design; (v) quality of service; and (vi) collection rates, among others. Improving corporate capacities will not only enable GPL to implement its D&E plans in a proper and timely manner, but will also improve its overall performance and sustainability. Furthermore, enhanced corporate performance would improve GPL's risk profile, facilitating its access to improved financing conditions.

The objective of this OS-TC is to support the preparation of GY-L1038 that will improve operational performance through a process of change management. The strategy for how that process can unfold will be detailed in a CDP, whose design process will be dynamic, taking into account management experience as well as lessons learned.

The preparation of GY-L1038, and therefore this OS-TC, entails assistance to GPL and the Office of the Prime Minister (OPM) as two of key organizations involved in the reform of the energy sector. Specifically, the OS-TC provides for: (i) the design of a detailed CDP; (ii) support to transition arrangements within GPL to start reforms outlined in the CDP; and (iii) advisory support for IDB oversight, monitoring and risk management of the change-management process. This OS-TC will therefore detail priority interventions and accompanying activities together with a time-bound and budgeted proposal and performance targets that will contribute to GPL's efforts to increase its skills base and capacity to manage and distribute energy effectively.

By identifying the needs and activities required to improve corporate capacity within GPL, this OS-TC will contribute to strengthening operational performance and enable GPL to function to its required capacity within the energy sector. The OS-TC is aligned with the priority area of "Sustainable Energy" as defined in the new Guyana Country Strategy (2012-2016).

III. Description of activities/components and budget

The components of the OS-TC include:

Component I. Development of the CDP for GPL: With resources of Component I, an international consultancy firm specializing in business process re-engineering will be contracted to assess and design a detailed CDP for GPL. This design will be dynamic, drawing from management experience, lessons learned and comparative country examples. The key areas that the CDP will address are: (i) technical and management staffing; (ii) information technology; and (iii) infrastructure provisions and commercial operations. The aim is to identify the main areas of operational and corporate governance reforms for GPL, along with associated performance indicators, a cost-schedule, operational sequence and time-line for executing reforms. Within these proposed interventions, consideration must be made for GPL's current state, target state, financial plan as well as previous assessments and alternatives. Once designed, the CDP will

provide the blue-print for the execution of a change-management program in GPL which in turn should benefit GPL's capacities to improve its performance under scenarios of increased energy generation.

Component II. Support to Transition Arrangements towards implementation of the CDP:

Component II focuses on the expert technical and operational assistance to senior management in GPL and OPM, as GPL begins the change-management process. It provides for a contracted international consultancy firm specializing in staffing and change management to place highly qualified professionals within GPL. The staffing and recruiting consultancy firm will: (i) develop professional profiles and Terms of Reference (TORs) for technical and managerial posts; (ii) select and contract international technical and managerial experts, using performance-based contracts; and (iii) provide follow-up support and monitoring in OPM of the new hires. Once in place, this layer of technical and managerial professionals will support senior management in decision-making on the CDP, hastening reforms and organizational transformation in GPL.

Component III. Expert Advisory and Technical Support for the preparation of GY-L1038:

Activities within Component III focus on the hiring of individual consultants or consulting firms to assist with the preparation of GY-L1038. Technical areas covered will include: (i) economic analysis (ex-ante and ex-post); (ii) risk analysis; and (iii) monitoring and evaluation analysis, among others. Another aspect of Component III is the implementation of a high level focal-point based within GOG and GPL to follow up and support the reform activities in GPL, coordinate with multiple stakeholders involved in all operations, and ensure that design of the CDP aligns with other developments in the energy sector in Guyana, particularly as it relates to the preparation and implementation of IDB financial instruments. The main output will be the reports and studies that will support the structure and processing of GY-L1038 and the recruitment of two Project Coordinators (PC) for, at least 1 year, as well as other temporary support. The main outcome of Component III will be to have dedicated advice and support from skilled and experienced managers to coordinate the smooth transition of the reforms proposed in the CDP, ensuring that they align in principle with other energy sector reforms in Guyana.

Table 1. Indicative Results Matrix

	Unit	Baseline	Year 1	Year 2	Target	Data Source
Component I						
Detailed CDP Produced	#	0	1	0	1	GPL
Component II						
Professional Profiles and Terms of Reference (TORs), for technical and managerial posts	#	0	1	0	1	GPL
Performance Based Contracts for Technical & Senior management Staff	#	0	1	0	1	GPL
Transitional Arrangements Monitoring & Evaluation Report	#	0	0	1	1	GOG
Component III						
Focal Points established within GOG and GPL	#	0	2	0	2	GOG
Annexes for GY-L1038 prepared covering economic analysis , risk analysis, monitoring and evaluation	#	0	3	0	3	GOG

Table 2. Indicative Budget

Comp onent	Description	IDB/ Funding US\$	Counter- part Funding	Total Funding US\$
I.	Development of the CDP for GPL	200,000	N/A	200,000
II.	Support to Transition Arrangements towards of the CDP	500,000	N/A	500,000
III.	Expert Advisory and Technical Support for the preparation of GY-L1038	180,000	N/A	180,000
Administration and monitoring		40,000	N/A	40,000
Contingencies		32,980	N/A	32,980
TOTAL		952,980		952,980

IV. Executing agency and execution structure

The GOG requested technical and financial assistance from the IDB for the design and implementation of a Corporate Development Strategy on behalf of GPL.

Given that the TC comprises the design of a corporate strategy for GPL and development plan which, among other processes within the public Utility, is expected to be partly financed with resources from the associated operation GY-L1038, the GOG has requested the IDB to execute the TC in order to coordinate activities between government agencies.

The Energy Division (INE/ENE) of the IDB will have overall technical responsibility for the execution of this OS-TC, thus the procurement of consultancy services will be carried out in accordance with IDB Policies for the Selection and Contracting of Consultants (GN-2350-9) and the respective procurement plan. INE/ENE will coordinate GOG input to the final products. INE/ENE, in close coordination with GOG, represented by the Ministry of Finance as signatory of this TC, and the OPM as the head of the energy sector in Guyana and other appropriate institutions assigned by the GOG, will perform the technical review of the products.

The supervision of the consultancy works contemplated as part of this TC, as well as coordination support, will be carried out by the Team Leader and Alternate Team Leader supported by a Project Team that will comprise contribution from project analysts and dedicated consultants in Headquarters (HQ) and Guyana, according to the program workload flow.

The IDB will be monitoring the execution of contracts financed with resources of the TC, both from the INE/ENE and CCB/CGY. The technical review of deliverables will be done in close coordination with GOG. A consultant based in CCB/CGY will be hired to contribute with the monitoring activities and coordination of inputs from GOG. This activity will be financed with the Administration and Monitoring resources of the TC. Annual reports will be prepared by the monitoring consultant to provide updates regarding the status of main outcomes under each component.

V. Major issues

Due to the need to ensure appropriate coordination and flexibility in the execution of each component, a dedicated source of administration and monitoring support will help to mitigate operational risks.

One of the main issues associated with this project is the difficulty in adapting to change and GOG and GPL's limited availability of dedicated capacity and resources to undertake the multiple tasks associated with a major change management process. In order to transform GPL and prepare it to meet growing demand for its services, it is necessary to ensure the organization is equipped with appropriate expertise and experienced staff who are empowered to implement change in a timely fashion. It is also important that a "culture oriented towards change" be embedded in GPL to facilitate the reform management process. This is necessary to ensure the successful implementation of the CDP.

Another key issue is the need to ensure that the components of the CDP (e.g., information and technology management, training, infrastructure, commercial operations, among others) are aligned with future energy operations in discussion within GPL and GOG more generally.

To mitigate these risks, the TC will include financing for consultants based in GOG and IDB to support technical coordination and change management processes. These consultants, as well as other temporary support, will manage several of the initiatives that are part of this TC in order to carry them out effectively. After this TC is completed, a relevant sector institution may employ these consultants to continue its work in Guyana's energy sector.

The GOG [requested the IDB](#) to allocate the sum of US\$1.6 million for capacity building in the Energy Sector, resulting in two technical cooperation products designed to address the needs for technical support. This TC GY-T1095 is structured as an OS-TC in support of GY-L1038. In parallel, GY-T1096 within the framework of a Client Support product will finance activities related to sector strengthening. Both TCs are funded by 2012 Small and Vulnerable Countries (SVC) resources, and the total amount of both products is consistent with the original request from the GOG.

VI. Exceptions to Bank policy

None.

VII. Environmental and Social Strategy

This TC has been classified as "C". The TC does not have associated social and environmental risks as it is based on a set of consultancies and studies to improve corporate performance.

Required Annexes:

- Request from the client
- Terms of Reference
- [Procurement Plan](#)