

Kingdom of Cambodia

Rural Electrification Fund (REF)

Operational Manual: REF GOVERNANCE

Draft

Version: May 2004

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Abbreviations

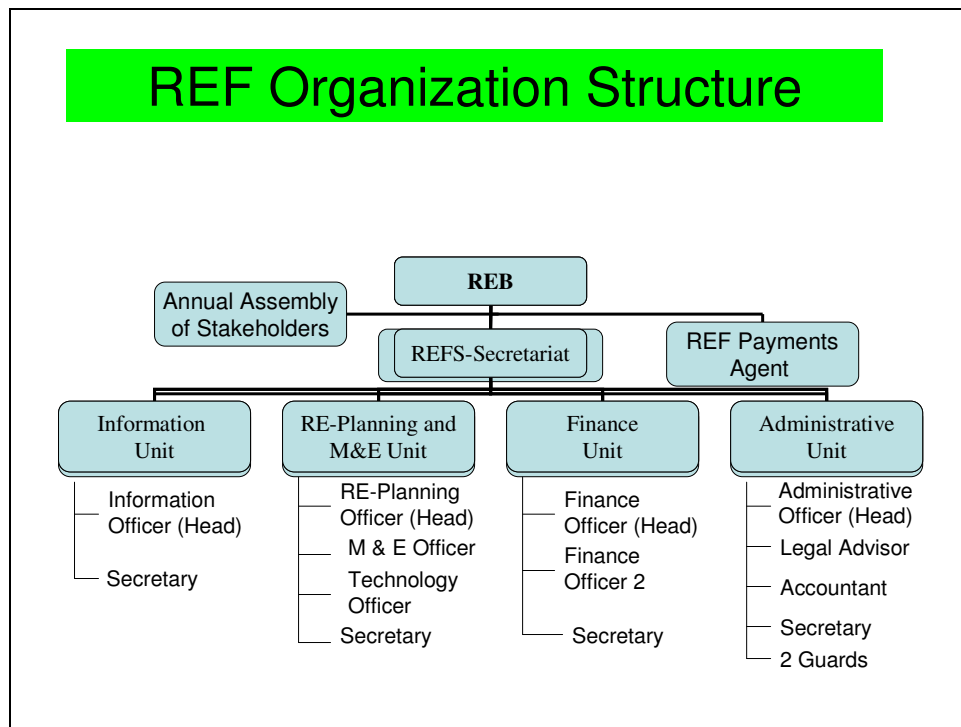
ACLEDA	Association of Cambodian Local Economic Development Agencies
AREC	Association of Rural Electricity Companies
CBO	Community based organization
EAC	Electricity Authority of Cambodia
FMP	Financial Management Report
FU	Finance Unit
GEF	Global Environmental Facility
IFC	International Finance Corporation
IEMP	Indicative Rural Electrification Master Plan
MoF	Ministry of Finance
MIME	Ministry of Industry, Mines and Energy
NGO	Non-governmental Organization
LIREP	Locally Initiated Rural Electrification Project
PCF	Prototype Carbon Fund
PECC	Provincial Electricity Council of Cambodia
PFI	Participating Financial Institutions
PIU	Public Information Unit
PREP	Priority Rural Electrification Project
RGC	Royal Government of Cambodia
REB	Rural Electrification Board
REE	Rural Electrification Entity
REF	Rural Electrification Fund
REFS	Rural Electrification Fund Secretariat
REPMEU	Rural Electrification Planning, Monitoring & Evaluation Unit
TA	Technical Assistance

1 REF ORGANIZATION STRUCTURE

1.1 REF Organization Chart

The governance / management structure of the REF, is composed of three layers:

- (i) *The Board of Directors of REF, called the Rural Electrification Board, REB* provides the strategic management for REF-operations.
- (ii) *The Executive Director of the REF-Secretariat* is in charge of operational management; while the *REF- Payments Agent*, under contract with REB, administers the disbursement of REF-subsidy payments to supported projects.
- (iii) *The Annual Assembly of Stakeholders* called by the *Minister in charge of Energy* has no formal decision making powers. But it has a strong advisory role and is important for transparency in the decision taking by REB on major issues.



The Energy Minister defines national RE-policy, which provides the reference framework for what activities the REF undertakes and how. The Minister of Finance inscribes the REF-fee into the national budget proposal.

The stakeholders are donors, finance institutions, RE-enterprises, suppliers of RE-goods and services, ministries and agencies involved in rural development and NGOs. The *Annual Assembly of Stakeholders* is called by the Energy Minister to discuss the REB’s annual report on RE-progress and REF activities. The report includes the draft proposal for the upcoming year’s REF-budget, activities and subsidy rates. The minister concludes the session with a decision on what changes, if any, the REB should make in its proposal.

The Board of Directors of REF, called the Rural Electrification Board, REB decides the optimal use of the REF-budget, translating the Minister's policy objectives into operational goals and procedures for the REF. The REB consists of nine part-time members appointed by Sub-Decree of the Prime Minister on the basis of a proposal by the Ministers in charge of Energy:

The *Executive Director of the REF-Secretariat*, contracted by REB, is in charge of operational management; while the REF- *Payments Agent*, under contract with REB, administers the disbursement of REF-subsidy payments to supported projects.

The REF-Secretariat is expected to have a professional staff of seven (including the Director) and a support staff of 7-8 persons. The Secretariat has one administrative unit (composed of an administrative officer and a part-time legal officer) and three functional units:

- The *Public Information Unit (PIU)* answers requests for information from investors, government agencies, project promoters and consultants, NGOs and communities, and conducts awareness campaigns. The unit is also responsible for promoting cross-sectoral coordination, keeping in close contact with relevant officials from the Ministries of Rural Development, Water Supply, Health, Education, Transport and Telecom.
- The *RE Planning, Monitoring and Evaluation Unit (REPMEU)* maintains an updated RE-database containing, inter alia, all information on REF-supported projects. It monitors and evaluates the performance of REF-supported RE-projects and of REF-support programs. Assisted by the Finance Officer and the Information Officer for aspects related to activities carried out in their units, it drafts the annual RE status report, which contains the recommendations for REF subsidy rates and capacity building activities. It assists the EAC and the FU in reviewing major feasibility studies for priority RE projects (PREPs), and, if necessary, arranging tenders for these in collaboration with EAC.
- The *Finance Unit (FU)* processes subsidy applications from local RE projects (LREPs), from generation projects making use of renewable energy technology (RET) and from solar home dealers claiming the quarterly payment of per system subsidies. The FU draws up the subsidy contracts for LREPs and for PREPs, defining the milestones, which trigger a payment to the project developer. The FU monitors the performance of the Payments Agent. The FU maintains close contacts with banks that co-finance RE-projects, and evaluates the need for credit stand-by and credit guarantee facilities.

1.2 Payments Agent

On behalf of REFS, the REF Payments Agent administers the disbursement of payments to:

- *recipients of REF-investment subsidies* (for feasibility studies, sales of PV-systems, investments in electricity systems);
- companies and institutions, which under contract by the REFS, act as *executing agencies* for REF-financed RE-support programs.

The payment of some REF grants is done in tranches linked to the achievement of a specific milestone as defined in the subsidy contract.¹ Release of a payment of a tranche requires verification that a given milestone has been achieved.

The remuneration for the services of the Payments Agent are fixed as a basic fee per project (subsidy award contract) plus an additional fee for each payment tranche, which is fixed in the subsidy award contract for the project.

The agent is supervised by and reports to REB. The Finance unit of the REFC monitors the individual payments.

1.3 Start-up PMU

One PMU will be hosted by MIME, to be responsible for TA activities related to MIME and REF while the REF is not yet established; and for setting-up of the REF. Once the REF Board has organized the REF Secretariat to run day-to-day operations of the REF, the PMU would cease to exist.

¹ See the detailed procedure described in chapter 3.

2 PROCEDURES FOR THE RURAL ELECTRIFICATION BOARD (REB)

2.1 No objection clause from IDA / World Bank

During the first five years of operation, changes to the composition of the Board and in hiring and replacing the Executive Director of REFS are subject to no objection from the World Bank / IDA. From year six changes no longer need World Bank / IDA acceptance.

2.2 Nomination of Board Members and of substitutes

Board Membership is personal. The Board decides by Board resolution whether a member can be represented by a substitute at a Board meeting, and, if yes, how often during a year a member can be absent from board meetings without having his/her continued membership submitted for consideration by the Minister in charge of energy. If substitutes are accepted, each board member will nominate one fixed substitute for a year at a time.

Donors contributing funds to REF decide on the procedure for nominating their board member and his/her substitute.

Until such time that the Confederation of the Association of Rural Electricity Enterprises, or similar organization, and an organization such as Association of Communities has been established, the Minister in charge of Energy shall select appropriate industry, NGO and community representatives. The representative of rural consumers, selected among the chiefs of rural communes, shall be appointed by the Minister in Charge of Energy based on a nomination from the Minister of Interior. If an Association of Communes is established in the future, it will take over the nomination.

2.3 Duration of Appointment

The representative of donors shall be member of the Board for a period of two years and shall upon the end of this period be replaced by another nominee of the donors or have his or her term extended at the request of the donors for another two years.

Board Members that are nominated ex-officio remain on the Board until they are replaced in their ministerial function.

The representatives of the REEs, financial sector and suppliers of RE-products and services hold Office three years, which upon expiration may be renewed once for another three years.

2.4 Formal Form and Status of Board Decisions

The Board decides by Resolution the approval instrument for specific types of decisions. The formal form of REB decisions and their hierarchy is as follows:

1. *Board Resolutions* are required for:
 - a. major REF management and organization issues;
 - b. the fixing of the annual REF subsidy rates, application procedures and eligibility conditions for investment subsidies and
 - c. the adoption of the annual REF budget.

Board Resolutions are attached to the Minutes of the Board Meeting, where they were approved.

2. *Agreed Board Minutes* record the decisions of the REB on REF operational decisions that are forwarded by the Director of the REFS to the Board for approval. They comprise:
 - a. approval of the initiation of tenders for priority projects REF, and of the investment subsidy contract that is signed with the winning bidder;
 - b. approval of REF investment subsidy contracts above a certain size² with project developers for locally initiated projects;
 - c. major sub-contracts above a threshold to be signed by the REFS³;
3. *Signature by the REB-Chairman or his Deputy, cosigned by the Executive Secretary of the REFS* is the approval instrument for routine decisions where, for matter of expediency, instant decision taking is required that cannot wait for the calling of a Board meeting. They comprise:
 - a. investment subsidies to locally initiated projects below the threshold level for referral to the Board;
 - b. minor sub-contracts above a threshold to be signed by the REFS⁴.

2.5 Procedures for Board Meetings⁵

The *Director of REFS* participates in REB meetings as observer and as Secretary for the Board, responsible for preparing the draft minutes and other administrative matters related to the preparation of Board Meetings and their follow-up.

The Board can invite *specialists* to participate in Board Meetings, providing their opinion on Board matters related to their area of expertise. The REB shall appoint a person with knowledge of the marketing and financing of renewable energy technologies to advise the Board on renewable energy issues.

² The threshold amount will be fixed by resolution of the Board.

³ The Board defines by resolution the threshold amount.

⁴ The Board defines by resolution the threshold amount, below which a signature by the REFS Director and one of his officers is sufficient.

⁵ A draft Board resolution adopting business procedures for Board meetings is found in Annex Section B: Annex I.

The REB *schedules its meetings* according to the needs imposed by project applications and other conditions that require decision taking by the REB.

Quorum for decision taking is five.

Decision taking on adoption of Board Resolutions and other matters requiring the formal approval of the Board is by simple majority. When there is equality of votes, the vote of the Chairman prevails. In matters that are covered by conditionalities in the Covenants in the loan and grant agreements with donors providing funds to the REF, the approving vote of the donor representative is required for adoption.

The Board shall by Board resolution establish a condition for minimum participation in Board meetings during a year as a qualification for continued membership status. The Board Chairman shall report to the Ministers in charge of Energy and of Finance on board members who fail to fulfill their work obligations so that appropriate action for dismissal can be taken.

2.6 Organization of REB's preparatory work by committees

The REB may by resolution establish specialized Committees, composed of board members for in-depth treatment of key issues before the REB takes a position and/ or decides on these. Potential Committees are:⁶

- (a) The *Financial Management Committee*
- (b) The *Committee for Investment Subsidies*
- (c) The *Committee for RE Business Support Services*

The Committees meet when relevant. The REFS-Director will be member of all Committees, acting as Secretary to the Committee.

⁶ Refer to REF Manual Vol 1. "Subchapter 6.3 Organization of Work"

3 PERSONNEL POLICY

3.1 Length of Contract and Remuneration

Staff is recruited through publication of the individual professional position and/or through the assistance of a placement firm.

An *Evaluation Committee* composed of the Board Chairman, the Executive Officer and the Administrative Officer decide on the selection of staff for professional positions.

Support staff are selected by the Executive Officer in consultation with the Administrative Officer.

Staff are hired on two-year contracts with a three months trial period, except for the REFS-Director and the Administrative Officer who are hired on three year contracts. The contracts can be extended at the end of the period subject to satisfactory job performance, and the staff qualifications needs of the REFS at that time.

In order to attract high caliber staff, salary scales are competitive with potentially competing offers from private sector organizations.

The compensation structure – salaries and perks - of energy of power companies such as EdC, private utilities and oil companies and of commercial banks is a logical point of reference for fixing the remuneration levels at REFS. The REB in consultation with the Executive Director of REFS may decide to fix the salaries and the annual adjustments in these with reference to the compensation packages of a weighted basket of reference companies from the private sector. An upward adjustment factor of 10-15% may be included to reflect the absence of career prospects in a small organization such as REFS.

3.2 Staff Qualifications

The Executive Director of the REFS is responsible for matching of job skills and employee skills.

The review of the qualifications of applicants to professional positions in the units shall pay equal attention to (i) the educational background and previous working experience and (ii) the personality of the applicant.

The ability of staff to work in cross-functional working groups, ability at networking – establishing productive working relationships with outside institutions – and creativity in developing innovative solutions are key success factors for the work of the REF. The REFS Director undertakes annual performance interviews with staff, where the staff report on what kind of collaboration/information exchange networks they have established and/or maintained during the year and what new initiatives they have attempted to develop.

3.3 Manpower Development

The budget of the REFS has a budget line for manpower development. It finances the participation of staff in relevant training courses and in national and international seminars.

The REFS Executive Director reports annually to the REB on the use of the funds for manpower development, including:

- the principles for the application of the funds,
- the identification of relevant training needs and training courses and
- the selection of staff for participation in national and international seminars.

4 REB DECISION TAKING ON MANAGEMENT AND USE OF FUNDS

4.1 Checklist for Allocation of REF Resources

When approving the budget proposal and REF activity program for an upcoming fiscal year, the REB reviews the scope and efficiency of the REF's investment subsidy and REF-financed support programs. The checklists below serves as a guide for REB discussions on the subject.

4.1.1 Checklist for the REB's annual review of RE-support projects

- 1) The adequacy of efforts to strengthen the banking sector's involvement in the financing of RE-projects:
 - (i) Does the REF have a good understanding of the concerns of the financial sector in the RE-business?
 - (ii) Is the REF doing enough to get the financial sector engaged in the financing of RE-projects?
 - (iii) Does the REF give enough TA to the financial sector in the technical evaluation of RE-projects and the understanding of RE-risks?
 - (iv) Does the EAC's regulation of RE-companies decrease the risk profile of RE-projects in the eyes of RE-investors and financial intermediaries?

- 2) The scope and effectiveness of project activities that address weaknesses in the technical infrastructure:
 - (i) Are the targeted cost-reductions in rural electricity supply being achieved by the support activities?
 - (ii) What kind of projects and activities give good results?
 - (iii) Which agencies and companies, that carry-out support activities under contract with the REF, perform well?
 - (iv) Are any new activities needed?

- 3) The scope and efficiency of REF financed demand side projects:
 - (i) Do activities to promote a rapid build-up of demand in RE-projects give results that justify the investment?
 - (ii) Has the REFS/REB been able to get relevant sector-ministries to implement follow-up activities that increase the productive use of electricity?

4.1.2 Checklist for the discussion on investment subsidies

- 1) When evaluating the proposed subsidy schedule, the REB:
 - (i) checks the quality of the analysis about the demand-supply balance, which lead to the proposed average rate;

- (ii) looks at the trends in subsidy applications,
- (iii) approves the average rate;
- (iv) approves the rate structure.

2) *Should the REF use regionally differentiated subsidy rates, offering higher rates to projects in disadvantaged regions?* The answer depends:

- on the emergence of regional imbalances during the implementation of the RE-program;
- on whether intensive TA and information campaigns are more effective in increasing the number of projects in marginal areas;
- on the political importance, which is attached to a regionally balanced development; a trade-off is involved: the higher rates in disadvantaged regions reduce the total number of RE-projects that can be financed.

4.2 Decision on Subsidy Rates and Eligibility Criteria for Grants

The annual schedule of subsidy rates and application procedures for REF investment subsidies are adopted by Board Resolution.

The draft Board Resolution for REF subsidy policy for the coming financial year is attached to the Annual Rural Electrification Status Report, which the REB submits to the Minister for Energy and to the Annual Assembly of Stakeholders. The report establishes the division of the annual REF budget between funds for investment subsidies, support programs and REFS operational expenditures. It proposes for the next financial year (i) the schedule of REF subsidy levels, (ii) the eligibility criteria for funding, (iii) the procedures for the processing of applications and (iv) the procedures for the disbursement of awarded subsidies to projects.

5 REPORTING TO MINISTER AND ANNUAL ASSEMBLY OF STAKEHOLDERS

The REB takes no decisions on major REF management and strategy issues before they have been discussed at the Annual Assembly of Stakeholders.

The REB reports once a year at the Annual Assembly of Stakeholders to the Minister for Energy and to the key stakeholders.

The Minister for Energy fixes the Agenda of the Assembly Meeting, calls and chairs the Assembly, and summarizes at the end of the Meeting the recommendations of the Assembly.

The REB Chairman, through his position in the Ministry, keeps the Minister in charge of Energy informed regularly about REF issues.

6 COORDINATION WITH EAC

EAC and the REF coordinate policies and procedures, including their project specific appraisal processes in areas of overlapping work.

6.1 Design and Content of Application Forms

The REFS aligns the applications forms with the forms used by the EAC in the license applications - *requested technical, institutional, financial and other information* - to minimize the transaction costs for developers and for the REF-EAC appraisal process. The coordination of *conditions in the license document and the subsidy award contract* comprises:⁷

- The *technical and service standards* to be used in the project as an eligibility condition for receiving a subsidy and a license to the project.⁸
- The *treatment of subsidies in tariff regulation* (whether full depreciation will be allowed or only on the cost of investment minus the subsidy).
- The *compensation rules for take-over of assets* owned by the operator of an isolated grid system when the national grid gets extended to the license area.

6.2 Project Appraisal

The REFS-officer processing an application for an investment grant is to coordinate his project appraisal with the appraisal done by the EAC. Whenever possible, consultants, contracted to appraise the feasibility study and other material, are to be hired jointly on a cost-shared basis.

6.3 Tenders for PREPs

If more than one investor expresses interest in an announced "PREP" after a pre-feasibility study has been published in the REF and EAC websites, a feasibility study must be prepared and a tender organised for the project. The REB will consult The tender for the license and the REF investment subsidy for the project is organized and published jointly, albeit under the chairmanship of EAC. REF gets the feasibility study prepared, calculates the subsidy entitlements included in the bid; and signs the subsidy convention with the winner of the bid while EAC signs the license.

⁷ An alternative is that the subsidy award contract refers to the conditions of the license, and that the license defines how REF subsidies are to be treated in the tariff calculation schedule.

⁸ Pursuant to Article 45 of the Electricity Law, "the Ministry of Industry, Mines and Energy shall develop and notify performance, technical, safety and environment related standards for electric power."

6.4 Control of Compliance by REEs with Contract Award Conditions

REF and EAC cross-check information given in the applications for disbursement of investment subsidies with the information given by the REE to EAC about number of connected customers and installed generating capacity. REF and EAC collaborate in carrying out – or sharing information about - in-situ verification by consultants and REF/EAC staff of projects.

7 COLLABORATION WITH FINANCIAL INSTITUTIONS

7.1 Project Appraisal

The commercial bank co-funding the project, will during its loan appraisal undertake a due diligence review of (i) the creditworthiness of the project developer, (ii) of his implementing capacity and (ii) of the financial viability of the RE-project. Although the letter of intent for the project loan, attached to the grant application, in itself indicates a positive outcome of the appraisal, the REFS officer administering the grant application is encouraged to meet with loan handling officer or consult on his/her appraisal by phone. The REB may decide to make joint project finance meetings obligatory for larger projects involving grant finance above a certain limit.

7.2 Accreditation of PFIs in Case of Refinancing Scheme.

If an IDA *refinancing scheme for loans given to investments in rural electrification projects* is established, the Loan Supervision Committee defines criteria for establishing which commercial banks or non-bank institutions are eligible for accessing the loan. Financial institutions meeting the eligibility criteria sign a *Participation Agreement* with the Ministry of Finance⁹ enabling them to access the refinancing window.

⁹ Or with the or Bank of Cambodia, depending on the procedure chosen by the Government of Cambodia.

8 COORDINATION WITH INSTITUTIONS INVOLVED IN RURAL DEVELOPMENT

8.1 Introduction

The REF/REFS's cross-sector coordination is done through collaboration agreements reached at REB-and stakeholder meetings, through the ability of REFS staff in day-to-day networking and through pressure by the Ministry of Finance on relevant agencies.

Coordination is established through:

- Regular exchanges of information and ideas through informal contacts;
- Joint organization of rural development seminars and of promotional and capacity building activities
- Preparing PREPs for rural regions where other agencies are about to implement major development activities.

8.2 Exploiting synergies with Internet and Communication Technology

The accelerated role out of information & communication technologies into rural areas creates demand for solar and other energy sources to power public telephones and permit the charge-up of cellular telephones. Energy and ICT services interact with respect to the benefits they bring to businesses, with energy raising enterprise productivity and ICT services improving the ability of businesses to market their produce.

The REF can reinforce the impact of its investments by getting agencies to sign agreements that they will invest in telephone and internet services in rural areas that are being electrified, and where voice telephony is available.

8.3 Collaboration with Ministry responsible for rural water supply

The REFS assists the Ministry in charge of water in improving the water supply coverage, by identifying the least cost energy solutions to communities where water schemes have been or are to be installed.

REF may finance a study on the energy needs in the water sector giving details and recommendations on the best energy solutions in the form of standard energy packages for water supply systems.

The REF may co-finance capacity building in the districts for planning, implementing and monitoring energy supply for water. The main constraints include lack of trained staff and lack of capacity to engage and supervise the private sector. The TA would include information on the recurrent costs of water pumping so that the annual budgets are realistically prepared, allowing the water supply company to pay its electricity bills.

8.4 Collaboration with Ministry of Health

Sporadic programs/projects are implemented to address the problem of energy supply in the rural health sector. The Ministry of Health does not have an energy policy for the health sector and therefore no guidelines on the energy needed at different levels of Health facilities. The projects are ad-hoc and technology specific – e.g. the diffusion of solar PV-systems for health applications. There is a lack of technical skills to install, operate and maintain energy equipment at District level.

The REF may co-finance a study in collaboration with MoH on the energy needs in rural health facilities, covering the needs of the Health centres and of staff accommodations, which could help retain staff in remote rural areas – where it is often difficult to get staff to stay, due to lack of modern living conditions. The Ministry in charge of Health would incorporate the results in its infrastructure development and maintenance plan.

PV-applications are expensive and their recurrent costs are often underestimated by the health clinics receiving the systems. The study, therefore, defines solar PV energy packages, which are tailor made to cover the energy needs of specific types and sizes of clinics and provide precise information on the investment and recurrent costs of each package.

8.5 Collaboration with Ministry of Education

Unlike the use of electricity for water pumping, the consumption of electricity in education has “no” impact on the financial feasibility of a RE-project. But, if used properly, the provision of electricity supply can substantially increase the socio-economic rate of return of a RE-project. The availability of electric lighting allows evening classes to be arranged for adult literacy classes. Lessons in physics and chemistry can benefit from new laboratory equipment. PCs linked to the internet provide access to the largest library in the world and allow to take down teaching materials from schools in other countries. Students can be trained in the use of PCs. Use of teaching materials on CD-ROMs and on video-cassetts can lift the quality of education. The availability of electricity in teachers’ accommodations can attract quality teachers to stay who otherwise would have left.

These benefits will only be realized if the Ministry of Education makes finance available for the internal wiring of educational institutions and for their connection fees, for purchase of equipment

and for the recurrent costs – electricity bills and replacement - and has a project to produce education programs for use on CD-ROMs and/or video-tapes.

The REF and the Ministry in charge of energy can encourage this development by signing cooperation agreements with the Ministry of Education, under which the latter agrees to have an annual budget for financing a minimum investment package for educational institutions in communities that are being electrified. In addition, the REF with the RET Department of the Ministry in charge of Energy as technical advisor can assist the Ministry of Education in identifying least-cost energy solutions for educational institutions in communities located in “off-grid” areas.

It is recommended that the REF co-finances a study to identify energy and ICT needs in post-primary education institutions. Based on this study, energy packages to cover the energy needs in post-primary education will be designed and the investment and recurrent costs of each package calculated. Most of these are expected to be solar PV packages. As most of the energy packages will be based on renewable energy, solar PV, the investment cost can be lowered with a grant from the Global Environmental Facility (GEF) made available through the REF.

8.6 Collaboration with Ministry of Agriculture and SMEs

Agriculture itself is not an energy-intensive industry. But, electricity/energy is a critical input for agro-processing and in some cases for post-harvest storage.

The REF will collaborate with the Ministry of Agriculture and with the Ministry in charge of industry in providing communities, where an electrification project takes place with information packages about productive uses of electricity, their costs and benefits, means of financing, possibilities for getting technical assistance to prepare small business plans for investments in electricity using equipment.

8.7 Collaboration with Local Governments

The hierarchy of local Government in Cambodia comprises:

- Provincial Development Council,
- District Development Councils,
- City
- Commune
- Village. As of Dec. 31, 1999, *Village Development Committees*, VDCs, existed in 17 of 24 provinces (in varying degrees of village coverage within the provinces). Within the VDCs, there are village water committees. VDC guidelines were developed by the Ministry of Rural Development.

So far, the local administration has been part of the problems for private REEs rather than part of the solutions. EAC and REF, therefore, will gain from carrying out joint capacity building activities to strengthen the capabilities of local Governments in RE. Local governments could for example,

receive TA in preparing local RE-plans as part of the preparation of local development plans and local / regional physical plans.

Local governments are potentially important collaboration partners for REFS during the whole project cycle:

- The Provincial and District Development Councils have a key partnership role in the outreach and information activities that are implemented by the IU
- Local governments may be a major driving force for the identification and preparation of LIREPs.
- Information in applications for disbursement of grant funds about completion of physical investment and of number of connected customer is sent to local governments for information; enabling them to point out incompatibility with de facto conditions in the project and inform REFS about it.
- The councils must ensure that occupants of lands located in areas to be affected by the construction of the power system infrastructure are properly informed and consulted by the project developer.
- Investments of supported electrification projects must be compatible with the conditions established by local and regional physical plans.

8.8 Links with AREC

MIME intends to create an *Association of RECs (AREC)*. All registered/licensed RECs will be required to be members of the AREC. The membership fee could be fixed according to annual kWh sales. AREC's functions would be training of RECs in all relevant operational issues through in-house and external consultants, and to be contact partner for MIME and ERC to express industry views and needs. AREC would be an obvious partner/contract holder for relevant training programs supported by the REF.

ANNEXES

Annex I. Job descriptions for REFS Staff and Qualification Profiles

TOR Executive Director for Rural Electrification Fund Secretariat

1. Background

Electricity is currently available to about 8% of rural households, which make up 85% of the population in Cambodia. The Government of Cambodia (GoC) has decided to set up a Rural Electrification Fund, REF, as its key instrument for accelerating the pace of national rural electrification.

The REF, which is cofinanced by donors and by GoC through a rural electrification fee on bulk sales of electricity, utilizes targeted subsidies to buy down investment costs, risks and information barriers to public or private initiatives in rural electrification projects.

The *Rural Electrification Board, REB*, appointed by Sub-Decree upon nomination by the the Ministers in charge of Energy and for Finance, is the Board of the REF. The *Rural Electrification Fund Secretariat, REFS*, reports to the REB; while a *Payments Agent* under contract with REB administers the payments of approved REF subsidies to projects.

2. Conditions of employment

The Director is hired by REB on a three year contract subject to a six months trial period. The contract is renewable subject to satisfactory performance of duties.

The Director will be offered a salary, which is competitive with salaries offered by private industry.

The Director reports to the REB.

3. Tasks and responsibilities of the Director

The responsibilities and tasks of the Director can be divided into institution building and daily management.

Tasks for institution building

The Director is expected in close dialog with REB to develop the *strategic goals* for REFS – the competencies, strategy and culture of the organization – and design the appropriate *steering instruments* for the organization: its structure, its systems, its staff policy and his management style for REFS.

The Director, will, during the initial years, be supported in his institutions building by a team of consultants composed of one long-term advisor and a number of short-term specialists.

Tasks for daily management

- 1) To provide all required assistance for Rural Electrification Board to ensure its efficiency, inter alia by:
 - organizing and preparing the meetings of the REB and drafting their minutes
 - recommending the project selection criteria and annual schedule of subsidy rates for approval by the REB
- 2) Strategic management of REFS, by:
 - preparing the annual work program of REFS
 - preparing the annual budget of REFS
 - by establishing efficient an efficient MIS (management information system)
 - by developing manpower policies for REFS
 - by hiring and firing the staff of REFS
- 3) To ensure efficient operation of the work of units by
 - providing thought leadership to guide the work of REFS units
 - peer reviewing the draft RE Strategy and draft annual RE Status reports before presentation to the REB
 - fixing performance standards for the processing of applications from project promoters for funding support
 - signing and supervising the correct conclusion of contracts with consultants and other -sub-contractors
 - by monitoring the budget situation of REFS throughout the year
- 4) To establish strong linkages with relevant stakeholders in RE, by:
 - maintaining close working relationships with senior staff at the most important public institutions involved in rural electrification such as: EAC, Ministry of Rural Development, Ministry of Health, Ministry of Education, Ministry of Telecommunication;
 - maintaining close working relationships with senior staff at the most important private sector institutions involved in rural electrification such as interest organization representing the views of the financial sector, the utility sector, the construction industry, consultants;
 - maintaining close informative contacts with relevant donor representatives
- 5) To provide advice to EAC on RE regulatory issues

4. Qualification Profile of the Director

The three key success factors for REFS, which decide whether or not REFS will fulfill the role assigned to it are: (i) ability to generate quality information for stakeholders in rural electrification; (ii) ability to facilitate the financing of rural electrification projects through well-designed subsidy

instruments that interact with the lending activities of the financial institutions; (iii) ability to identify institutional, legal and technical bottlenecks and implement programs to solve these.

Credibility: in the eyes of stakeholders - the business community involved in rural electrification, the finance sector, the local governments and local communities that actively prepare rural electrification projects.

Strong communication skills in direct person to person contracts and at public meetings and conference presentations, as well as in imposing the value of creating an open information environment on REFS.

Strong administrative and organizational skills to build and maintain an efficient organization.

Ability to work in an inter-disciplinary environment, relating not only upwards to the REB and to the Ministry in charge of Energy but also outwards to the Ministries of Health, Education, Rural Development, Telecommunication, the finance sector, project developers, consultants and local communities.

Political savvy to operate in a private-public-partnership environment.

Education: University degree - M.A. level as minimum - in economics, engineering, finance or business administration. The ideal would be an engineer with an MBA in finance or business administration.

Professional Experience minimum ten years. It must include experience with working in the private and in the public sector, preferably with business support services, and include substantial exposure to rural development and to national electrification issues. Management capabilities have been proven in previous senior position in public and private sector. Solid analytical, negotiating and communication skills.

TOR Legal Officer

The Legal Officer is hired on a one year contract for a half-time position. The contract is renewable, subject to satisfactory performance of duties. The Legal Officer reports to the Director.

1. Job Description for Legal Officer

- 1) To be REFS's expert on legal issues in RE projects and regulation, inter alia, by:
 - in close consultation with the EAC, assisting the Head of the Public Information and Capacity Building Unit to develop draft standard formats for contracts LREP developers sign with consumers for the supply of electricity
 - inform the Director of regulatory issues that call for consultation with EAC.
- 2) Legal quality control of legal documents used by REFS in its promotion work by:
 - verifying the legal consistency of all standard forms for application documents issued by REFS for subsidy support to eligible activities
 - by preparing in cooperation with the Head of the Finance Unit standard contracts (formats) for subsidy contracts signed with promoters of Locally Initiated Rural Electrification Projects (LREP)
 - by preparing in cooperation with the Director and the Heads of Units standard formats for contracts with subcontractors and other suppliers.
- 3) Legal quality control of legal transactions performed by REFS, by:
 - Reviewing procurement procedures
 - reviewing for legal consistency, before signature, all contracts made by REFS with subcontractors and suppliers and all subsidy contracts with LREP-promoters;
 - reviewing for legal consistency draft employment contracts
 - reviewing for legal consistency draft contracts signed by REB/Minister in charge of Energy for donor support to REF.
- 4) Verifying policies on warranties and guarantees
- 5) Personnel contracting
- 6) Dispute resolution and agreement negotiation

2. Qualification Profile

Education: University degree in law passed with high academic marks.

Professional experience: minimum of five years after graduation, preferably in private sector, especially in a law firm; previous exposure to contract issues.

TOR Administrative Officer

The Administrative Officer is hired on a three year contract. The contract is renewable, subject to satisfactory performance of duties. The Administrative Officer reports to the Director, and is Head of the Administrative Unit.

1. Responsibilities and Tasks of Administrative Officer

The Administrative Officer would be in charge of general administration, personnel, accounting (assisted by the Accountant in his Unit), financial planning and management of REFS, carrying out the financial and administrative operations involves in the REFS business in an efficient and economical manner. The tasks of the Administrative Officer comprise:

- 1) To ensure the efficient performance of daily routine tasks at REFS, comprising:
 - hiring and supervising the performance of repair personnel (electricians, plumbers, PC or photocopier repair men, etc.)
 - timely payment of bills for office rental and for utility services (water, electricity, telecommunications)
 - maintaining stocks of basic office materials, such as paper for printing
 - drawing up weekly work schedules for the drivers in accordance with requests from the Heads of Units
 - ensure regular maintenance of the car pool
 - prepare and deliver the personnel pay role
- 2) To perform the daily financial management control and reporting, comprising
 - responsibility for the design, implementation and management of REFS administrative personnel and financial procedures
 - development and implementation of internal control rules and regulations
 - the daily maintenance of financial ledgers
 - quarterly reports to the Director on the financial status of REFS and its budget situation
 - assistance to the Director in preparing the annual budget for REFS
 - approve administrative and sub-project disbursements following the decision of the Executive Director

2. Qualification Profile of Administrative Officer

Education: Accountant or business administration

Professional experience: minimum of five years of work in public or private sector. Administrative skills proven in previous position.

TOR Rural Energy Planning Officer

The Rural Energy Planning Officer is hired on a two years contract as Head of the Rural Energy Planning and Monitoring Unit, REPMEU. The contract is renewable, subject to satisfactory performance of duties. The Rural Energy Planning Officer reports to the Director.

1. Responsibilities and Tasks of Rural Energy Planning Officer

The responsibilities and tasks of the *Rural Energy Planning Officer* are:

- 1) To prepare the draft RE Policy Strategy and Plan for the Minister in charge of Energy, when an update is asked for presentation to the Cabinet and Parliament
- 2) To prepare in close collaboration with the other two officers in the unit, the draft for Ministry for Energy's annual report on Status of RE Plan Fulfilment, which entails:
 - to review with the officers of the other three units all information and data of relevance for their activities, and their analysis of the situation and lessons learned from the experience accumulated during the year
 - to provide quantitative information on the RE program (investments during year, number of new communities being connected, new consumers being connected, financing of investments: equity, loans, subsidies)
 - to inform about regulatory issues that require political attention and taking of action
 - to analyze the cost-benefit effectiveness of the balance between REF funds used (i) for General support and promotion activities and (ii) for direct investment subsidies to RE projects
 - to analyze whether there is a need to make any adjustments in the portfolio of promotion and capacity building activities; expanding existing activities and/or adding new; cutting back and/or terminating others
 - to analyze in the light of the experience accumulated during the year, the appropriateness of the average level of published subsidy rates with regard to matching the expected demand and supply for subsidy funds the next year
 - to analyze in the light of the experience accumulated during the year, whether there is a need to make any adjustments to individual rates of the published subsidy schedule
 - to analyze in the light of the experience accumulated during the year, the effectiveness of the adopted criteria for the selection of rural electrification projects and for the selection of support programs
 - based on the above analysis, to prepare motivated recommendations to the REB concerning any need for changes in the selection criteria and in the subsidy rates to be used during the next financial year
- 3) Preparation of feasibility studies for the Priority RE Projects, for which no operator has applied for a license and of tender material for their concessions, which entails:
 - based on the project priorities identified in the Indicative RE Master Plan to select the list of PREPs to be implemented during the next financial year

- develop methodologies for permitting Sub-District and District Authorities to prepare local rural electrification plans as part of their General physical planning activities
 - for PREPs that are not taken up already by a project promoter, writing of TOR for consultants to prepare the local rural electrification plan and feasibility studies for the projects
 - tendering of the feasibility studies and selection of consultants
 - review of the feasibility studies for approval
 - preparation of tender material for each prepared project
 - assisting EAC in selecting the winning bidder
- 4) Provide assistance to Ministry in charge of Energy and the system Operator in the periodic updating of the Indicative RE Master Plan

2. Qualification Profile of Rural Energy Planning Officer

Education: University degree as economist, engineer or physical planner passed with high academic marks.

Professional experience: Minimum of seven years after graduation working on rural energy, energy and power planning issues. In-depth working experience with preparation of feasibility studies. Strong modeling capabilities.

TOR Monitoring and Evaluation Officer

The Monitoring and Evaluation Officer is hired on a two years contract. The contract is renewable, subject to satisfactory performance of duties. The Monitoring and Evaluation Officer reports to the Head of the Rural Energy Planning and Monitoring Unit, REPMEU.

1. Responsibilities and Tasks of Monitoring and Evaluation Officer

- 1) To build and maintain the REFS's GIS-based RE Database, which entails:
 - to define which information (investment and socio-economic data) will be included in the RE Data Base
 - define in consultation with the Heads of the Finance and of the Public Information and Capacity Building Units the breakdown on cost data that is needed to be provided in applications for funding¹⁰ and the presentation of costs in comparative tables on cost differences between regions¹¹
 - define in consultation with the Information & Promotion Officer what kind of data is to be made available to the public and in what form
- 2) Monitoring & evaluation of REFS's RE program, its progress and impact, covering issues such as (i) fulfilment of Government/Ministry for Energy strategic plan targets, (ii) cost-effectiveness of support programs and of investment subsidies, (iii) socio-economic impacts, (iv) regional equity, (v) productive uses of electricity, (vi) effectiveness of inter-agency coordination in promoting rural transformation.
- 3) Monitoring & evaluation of relevant RE programs that are performed outside REFS's annual RE program by other government agencies, donors and NGOs, which entails:
 - acting as REFS's contact point for donors and NGOs wishing to keep inform REFS informed of their activities
 - maintaining close contacts with relevant officers from donors and NGOs engaged in RE projects to encourage them in signing cooperation contracts with REFS for exchange of data
 - reviewing regular progress reports forwarded by donors and NGOs and providing REFS's points of views and comments
 - drawing from the activities lessons learned of relevance for REFS's programs and activities
- 4) Monitoring and evaluation of renewable energy programs and projects, in particular the promotion of solar home systems, that are performed outside REFS's initial core activity: the promotion of grid based electricity.

2. Qualification Profile of Monitoring and Evaluation Officer

Education: University Degree in engineering, science, system analysis, economics, sociology, or political science with high academic marks.

¹⁰ Since the subsidy rates are linked to individual cost items, it is obvious that project promoters as a minimum must provide the breakdown of the total cost of investment by these.

¹¹ The information is useful to project promoters to check whether the result of bids – or negotiations – is acceptable.

Professional experience: Minimum of five years after graduation working on rural development issues. In-depth working experience with the development and use of data bases, preferably including work with GIS-based systems. Strong analytical skills.

TOR RE Technology Officer

The RE Technology Officer is hired on a two years contract. The contract is renewable, subject to satisfactory performance of duties. The RE Technology Officer reports to the Head of the Rural Energy Planning and Monitoring Unit, REPMEU.

1. Responsibilities and tasks of RE Technology Officer

1) *Promotion of cost savings*, which entails:

- to keep abreast of international experiences and advances in developing and introducing low-cost technologies for RE, and to encourage the transfer of promising experiences to Cambodia
- to get technical manuals developed and promoted on low-cost designs and technologies for RE
- to get technical manuals developed and promoted on best practices for the organization and operation of local utilities
- to assist in regional seminars on low cost designs and on best utility practices
- in close consultation with the Data Bank Officer and the Information Officer to analyze regionalized data on the cost performance of supported projects and to establish benchmarking figures for the cost of typical investment items that communities can refer in the evaluation of project proposals by developers and of service offers from construction firms and consultants

2) *Promotion of institutional sustainability*, which entails:

- to monitor the need for and performance of capacity building activities for financial intermediaries performed under the program management of outside institutions
- prepare TOR and contracts for capacity building activities that are outsourced and monitor the effectiveness of these
- get feasibility studies done on the cost effectiveness of introducing “licensing or classification of RE Operators and consultants” and of the establishment of an Association of Rural Electricity Companies (AREC)
- to implement annual monitoring visits to projects by selected consultants / control bureaus to verify whether the operation experience gives raise to concern about the sustainability of the operation

2. Qualification Profile of RE Technology Officer

Education: University Degree in Engineering, preferably Power Engineer:

Professional experience: Minimum of seven years after graduation working with electrification issues, including in-depth experience with rural electrification and the preparation of feasibility studies. Solid knowledge of rural electrification designs and technologies.

TOR Information Officer

The Information Officer is hired on a two years contract. The contract is renewable, subject to satisfactory performance of duties. The Information Officer is head of the Unit the Information Unit. The Information Officer reports to the Director.

1. Responsibilities and tasks of Information Officer

- 1) To develop a *communication policy and strategy* for REFS in close consultation with the Director, which is submitted to the REB for approval. It covers:
 - defining the key messages to communicate
 - deciding the roles and use of printed material, mass media, seminars and internet/website for awareness raising campaigns and for informing about REFS services
 - maintaining the website up-to-date with information of relevance for project promoters, communities and consultants.
- 2) Organization of *National RE Awareness Raising Campaigns*, which entails:
 - organizing regular regional seminars for local stakeholders in RE
 - developing campaign materials, including, in consultation with the Head of the Finance Unit, information material to communities about technology options, contract negotiations, setting and regulation of tariff levels and benefits of electricity
 - to prepare TOR and the contracts for outsourced public awareness activities that are and to conclude contracts with mass media and information bureaus for specific information activities.
- 3) Organization of *REFS information services*, which entails:
 - to develop technical manuals to guide investors and consultants in identifying least cost solutions
 - in consultation with the Head of the Finance Unit to develop standard application forms and decide on proper dissemination strategies to inform about possibilities for REF/REFS subsidy support
 - in collaboration with EAC, develop information packages for local authorities on regulatory issues
- 4) *Social intermediation*, which entails:
 - informing at regional seminars local populations and LGUs about what the RE program is offering, the REFS's rationale for selecting and preparing PREP projects, and explain decisions that for one REFSSon or another has given raise to controversy
 - to get feedbacks from local population and from LGU-representatives on the needs and views of the local population
- 5) *Promotion of productive uses of electricity*, which entails:

- to develop close collaboration procedures with other rural development agencies and promote *inter-institutional linkages* between RE projects and other rural development projects
- to ensure that promotion, information and needed TA is provided to rural consumers/small scale entrepreneurs for the identification of commercially feasible investments in electricity consuming equipment and preparation of business plans for presentation to banks

2. Qualification Profile of Information Officer

Education: University Degree in Marketing, in Journalism, Communication, Political Science or Sociology having achieved very high grades.

Professional experience: at least two years of professional experience upon graduation, preferably in communication, public relations or journalism. Strong written and verbal communication skills and convincing negotiating capability.

TOR Finance Officer

The Finance Officer is hired on a two years contract to head the Unit. The contract is renewable, subject to satisfactory performance of duties. The Finance Officer reports to the Director.

When the volume of annual applications has become too large to be handled by one officer, an additional officer reporting to the first will be hired.

1. Responsibilities and Tasks of Finance Officer

1. *Processing of subsidy applications*, which involves the following steps; the FU:
 - (i) verifies that the grant application fulfills the formal requirements imposed by the instructions for the application, and if not, asks the applicant to provide missing information;
 - (ii) verifies that the eligibility criteria for project support are fulfilled;
 - (iii) checks the investment cost figures against benchmarking figures and informs the project promoter if the costs seem out of proportion;
 - (iv) calculates the subsidy entitlement for the project;
 - (v) drafts the contract for the subsidy contract and forwards it after review by the legal advisor to the next REB meeting for approval together with a short information note
 - (vi) once the contract is approved and signed by REB, the contract is forwarded in three signed copies to the applicant for signature
 - (vii) upon receipt of two signed copies of the contract from the applicant, the FU forwards one copy to the REF Trust Agent together with an authorization for the processing of payments according to the schedule established in the contract
 - (viii) a copy of the subsidy contract is forwarded to EAC for information
 - (ix) within REFS, the FU follows-up on the processing of an application by providing the RE Data Bank officer with all required information about the project.

2. *Promoting the supply of financial services for RE investors*,. Within REFS, the FU is the knowledge center for issues related to the financing of RE projects. This involves:
 - maintaining close contacts with financial intermediaries involved in RE funding and AMFIU, the Association of Microenterprise Finance Institutions of Cambodia, for exchange of information and opinions on experiences with the financing RE projects and the needs of project promoters
 - Reaching agreement with relevant RE financing intermediaries on common approaches to the evaluation of project proposals for funding, in particular, concerning the institutional and financial viability of the project
 - closely consult relevant financial intermediaries on the design of the application forms for investment subsidies in order to ensure that the asked for information is similar to the information required by the financial intermediaries in their parallel appraisal of the project for the loan application
 - active participation as official REFS representative in seminars on RE financing issues and options
 - to keep up-to-date on international and national discussions on new financing concepts and institutional modalities and assist in developing and adjusting RE financing concepts that are used and tested in Cambodia

- to encourage financing institutions to assist project developers in co-financing the initial up-front investment costs to consumer for internal installations and connection charges
- to promote linkages between commercial banks and micro-finance institutions
- to seek agreements with donors and NGOs on coherent and long-term sustainable approaches to RE financing also in projects, where the REF is not involved
- in close consultation with specialized national institutions to identify needs for capacity building projects for financial intermediaries in RE project appraisals and financing, assist in designing and setting up projects, sub-contract institutions for implementing these and monitoring and evaluating their performance

The FU assists the Rural Planning Officer and EAC with the preparation of tenders for PREP concessions by:

- (i) calculating the subsidy entitlements for the concession,
- (ii) drafting the subsidy contract to be signed by REB with the winner of the tender

Proposing Annual subsidy rates and eligibility criteria

The FU will provide key information concerning the need to adjust individual subsidy rates and the eligibility criteria to the preparation of the annual RE status report. The FU will:

- monitor and evaluate the demand trend and make a forecast for the likely demand for subsidy funds the next year based on the present level of subsidy rates;
- if demand based on these rates is expected to exceed or to fall short of the funds for investment subsidies that are expected to be available the next financial year, to propose the adjustment in the average rate that is needed to balance supply and demand;
- to monitor, based on feed-backs from project promoters and consultants, the rationality and adequacy of individual subsidy rates within the ovEACII schedule and, if needed, to suggest amendments in these.

2. Qualification Profile of Finance Officer

Education: University Degree in Economics, Finance or Business Administration, having achieved very high grades.

Professional experience: at least two years of professional experience upon graduation, preferably in a financial sector organisation.

Annex II: Draft Board Resolutions

II.1. Business Procedures for Rural Electrification Board

1. Board Meetings

- (a) The Board shall meet at least once every second month
- (b) The standard agenda for Board meetings is attached as Annex I.
- (c) Board Meetings are called by the Chairman
- (d) The Executive Secretary of the REF-Secretariat participates in Board Meetings as non-voting Secretary
- (e) Minutes of Board Meetings are drafted by the Executive Secretary of the REF-Secretariat and issued and signed by the REB Chairman.
- (f) Copies of the minutes are distributed to the Ministers in charge of Energy and for Finance, to all members of the Board, to the local representative of all donors that contribute funding to the Board, and to the Executive Director of the REF-Secretariat.

2. Quorum for meetings

- (a) the quorum for meetings of the Board shall be five;
- (b) decisions shall be made by simple majority vote
- (c) in the case of split vote, the vote of the Board Chairman prevails;
- (d) donors may have included a clause in the their conventions with the Government for support to the REF that continued funding from their side is dependent on acceptance by the donor representative on the Board of any proposed changes in project eligibility criteria and levels of subsidy support; the vote of the donor representative on these issues shall be duly recorded in the minutes.

4. **Co-option of persons to meetings.**

(i) The Board may co-opt persons to its meetings whose experience is considered relevant to enable the Board execute its functions;

(ii) Such persons shall not vote during the meetings on any decision to be made by the Board but will be free to attend and contribute to the meetings of the Board.

Annex I to Resolution: Standard Agenda for Board Meetings

1. Approval and signature of minutes from last Board Meeting
2. Presentation by the Chairman of key RE (rural electrification) and REF policy issues, including the status of negotiations with donors for funding of investments and of technical assistance.
3. Summary information by the Executive Director of the REF-Secretariat about signed REF-contracts with project sponsors and sub-contractors supported by copies of contracts and individual contract fact sheets.
4. Presentation by the Executive Director of the REF-Secretariat on the performance of the REF-Secretariat since the last Board Meeting and the status of the national RE-program, including, inter alia:
 - (i) Number of received applications for funding and total requested funding support
 - (ii) Number of processed applications for funding and total granted fund support since beginning of fiscal year
 - (iii) Average time for processing of applications and reasons for delays
 - (iv) Status of information activities: answered requests for information and pro-active information activities undertaken by REF either directly or through sub-contracts with outside institutions
 - (v) Status of technical assistance activities undertaken by institutions under sub-contract to the REF
 - (vi) Status of preparation of feasibility studies and tender rounds for priority RE-projects
 - (vii) Coordination with projects and activities of Government agencies and NGOs involved in rural development
 - (viii) Observations from RE-monitoring and evaluation work

(ix) Summary conclusions on status of RE-work, on the effectiveness of chosen instruments and programs, and on the appropriateness of subsidy levels

5. Presentation by the Payments Agent on the status of the administration of payments, including, inter alia:

(i) Status of payments to approved projects

(ii) Summary conclusions on effectiveness of monitoring and contracting arrangements

6. Other matters

7. Date of next Board Meeting and issues to include under “Other Matters”.

II.2 Board Resolution on Procedures for REF Payments Agent

- (1) **Selection of Payments Agent.** The REF Payments Agent is the Bank of Cambodia.

- (2) **Bank Account for Payments Agent.** A bank account will be opened in the name of the Payments Agent into which on a periodic basis funds necessary for the short-term execution of his REF payments obligations will be transferred from the REF-account at the Foreign Trade Bank of Cambodia.

- (3) **Disbursement of Payments to Beneficiaries.**
 - (a) The REF Payments Agent shall disburse payments to beneficiaries according to the schedule established in the subsidy contract signed between the project developer and the Executive Director of the REF-Secretariat.

 - (b) The REF Payments Agent shall be authorized by REF Finance Officer, countersigned by REFS Executive Director to disburse a payment

- (4) **Monitoring by REF-Secretariat and EAC.** The REF-Secretariat and EAC undertake ad-hoc in-situ verification of projects after completion to verify compliance with subsidy award contract and with license.

II.3. Draft Board Resolution: Procedures for allocating REF Funds to Programs and Projects

- 1. Operational objectives guiding the Use of REF financial support.** The operational objectives for the provision of financial support from the Fund are:
 - a) to expand the rural population's access to modern electricity services in Cambodia;
 - b) to facilitate private sector and local community investments in rural electrification;
 - c) to facilitate financing of rural electrification projects through financial intermediaries;
 - d) to facilitate the participation by local beneficiaries in the identification of local electrification needs and priorities, and in the preparation and execution of rural electrification projects;
 - e) to promote the economic and social development of Cambodia by directing grant funds to those rural electrification projects that provide the highest social and economic returns taking into consideration regional equity in allocation of funding for rural electrification projects; and
 - f) to make efficient use of grant funds for rural electrification by providing for a transparent and non-discriminatory framework for investment and financing decisions, and by targeting grant funds to projects that are commercially non-viable without grant support.

- 2. Intervention Areas eligible for Support**
 - a) Fund subsidies may be used to co-finance:
 - (i) pre-investment studies for rural electrification projects;
 - (ii) investments in rural electricity supply;
 - (iii) financial support to renewable energy investments that make these technologies commercially viable and which are economically justified due to external benefits of these technologies not reflected in their market price;
 - (iv) rural electrification capacity building, information and other support programs for rural electrification;
 - (v) the cost of Fund management (cost of operation of the Board, the REF-Secretariat and the REF Payments Agent); and
 - (vi) innovative projects promoting the use of renewable energy and rural energy savings when donors make special purpose funds available for these.

3. Principles for Allocation of Fund to Programs and to Individual Projects

- a) the allocation of the annual REF-budget to *RE-support programs* and to *investment subsidies* will be done according to a careful evaluation of which competing uses enable maximum progress to be reached in the Government's RE-program;
- b) the *selection by the REF-Secretariat of projects for funding* and the *calculation of the level of financial support* to a project shall be *rule-based*, done on the basis of *published criteria* that are transparent and give the applicants the right for funding provided that they fulfill the formal eligibility criteria for REF-support;

4. Monitoring and Evaluation

- a) the use of REF-funds for support programs and for investment support will be monitored and evaluated, the M&E methodology to be used must be described in the project document for any program, which is initiated;
- b) changes in the composition of funding by area of intervention and/or in the level of subsidy support for investments are done in the light of results from the M&E reports.

5. Authority for Use of REF funds

- (a) Financial commitments from the REFS budget shall be made by signature of the Executive Director, cosigned by the Administrative/Accounting Officer of the Fund.
- (b) Requests for quarterly release of funds from the REF to the account of the REF Payments Agent shall be authorized by signature of the REB Chairman, cosigned by the Executive Director of the RESF.
- (c) Requests for quarterly release of funds from the REF to the special project accounts of Implementing Entities contracted by the REF for the management of REF-financed programs shall be authorized by signature of the REB Chairman, cosigned by the Executive Director of the RESF.

6. Publication of Eligibility Criteria and of Subsidy Rates

- a) In December of each year the REF-Secretariat shall publish the rules and conditions that apply from January 1, the following year concerning:
 - the subsidy schedules for categories of investments;
 - project eligibility criteria; and
 - the procedures for the submission and processing of applications for funding.

- b) for purposes of regional equity, higher subsidy rates may be fixed for areas in the country that have been classified as disadvantaged in the Indicative Rural Electrification Master Plan IREM). The classification may be subject to review in periodic updates of the IREMP or be updated in the Government's Rural Electrification Policy Statement.

7. Processing of Funding Applications from Locally Initiated Projects

- a) At the beginning of each fiscal year, the REF-Secretariat shall issue a notice of advertisement inviting project developers to submit applications for receiving REF-subsidy support for the preparation of feasibility studies and for investment projects.
- b) The applications shall be assessed by the REF-Secretariat against the published eligibility criteria and approved if the published conditions are fulfilled. The REFS shall communicate the result of the evaluation within 10 working days for feasibility studies and 20 working days for investment subsidies after having received an application
- c) The results of processed applications are submitted to the Board for information together with a copy of the subsidy contract signed by the Executive Director with the project sponsor.
- d) Within three days of signing a Subsidy Contract, the Executive Director shall send a copy thereof to the REF-Payments Agent instructing the Agent to avail funds to the Project Sponsor in accordance with project milestones set out under the Subsidy Contract.

8. REF Tenders for National Priority Rural Electrification Projects

- a) With reference to the long-term Indicative Rural Electrification Plan prepared by the Minister in charge of Energy, the REF-Secretariat shall prepare pre-feasibility studies for annual rural electrification priority projects.
- b) The subsidy entitlement for priority projects shall be calculated on the basis of the investment program defined in the particular feasibility study and the adopted subsidy schedule for the particular year.
- c) The subsidy amount and investment program shall be included in the bidding documents for the tender and shall also be included in the application for a license for the project from the EAC.
- d) The content of the subsidy contract shall be in accordance with the conditions established by the EAC in its license to the project developer.
- e) The basic information to be included in the subsidy contract comprises:
 - Description of the project;
 - Place of execution of the project;
 - The legal status of the Project sponsor;
 - Financing scheme for the project including the investor's own equity contribution and sources and conditions of loan finance;
 - Disbursement schedule for Fund subsidy payments against project development milestones;
 - Mechanisms for project supervision and control, including regular reporting requirements during the implementation of the support investment program;
 - Guarantees / contracts for project development, operation and maintenance;
 - The commitment to transfer the project if the project developer is incapable of implementing it;
 - Consequences in case of non-fulfilment of the investment program; and
 - mechanisms for conflict resolution.

9. Monitoring and Evaluation at Project Commissioning

- (a) The REF-Secretariat shall undertake independent monitoring of project completion at the time of commissioning and shall liaise with the EAC in monitoring satisfaction of project conditions.
- (b) For smaller projects, the eligibility size of which will be determined by the Board, REF-verification can be done on an ad-hoc basis.

II.4 Draft Board Resolution on Structure for REF-Secretariat

1. The Executive Director

a) The REF-Secretariat shall be headed by an Executive Director

b) The Executive Director is responsible for:

- (i) executing REF policies defined by the Board and referred to the REF-Secretariat for execution;
- (ii) establishing the organizational structure for the REF-Secretariat, and develop personnel policies and internal work procedures for approval by the Board;
- (iii) preparing the annual work program of the REF-Secretariat for approval by Board;
- (iv) preparing the annual budget of the REF-Secretariat for approval by the Board;
- (v) providing relevant advice to the EAC on Rural Electrification regulatory issues;
- (vi) establishing work and information linkages with relevant stakeholders in rural electrification;
- (vii) representing the REF-Secretariat legally in contracts made by the REF-Secretariat in accordance with a delegation from the Board; and
- (viii) *propose performance benchmarks to the Board against which REF-Secretariat performance is to be measured.*

2. Preliminary Organization Structure. The Executive Director is authorized to work towards for the establishment of an organization structure for the REF-Secretariat, see Annex I, composed of:

a) *Office of Director and Administrative Unit*

b) *The Information Unit (IU)* to answer requests for information from investors, government agencies, project promoters and consultants, NGOs and communities, conduct awareness campaigns, seek feedback from rural population on the RE program; promote productive uses of power and maintain close cooperation and information-exchange links with ministries and agencies involved in rural development projects.

- c) The *Rural Electrification Planning, Monitoring and Evaluation Unit (REPMEU)* to prepare prefeasibility studies for priority RE investments (PREPs), draft the annual RE status report with recommendations for use of REF funds, organize the monitoring and evaluation activities of the REF, and maintain the rural electrification data base, and capacity building TA to REEs, SHS-dealers and to service, equipment and construction providers to RE-projects.
- d) The *Finance Unit (FU)* to process the subsidy applications from Locally Initiated RE Projects (LREPs), for approval of the subsidy by the REB.

3. Personnel Policy.

- (1) The Executive Director and REF-Secretariat staff in the professional category shall be hired on the basis of five year employment contracts, that are renewable subject to satisfactory job performance.
- (2) All other staff except the Administrative Officer who is hired on a three year contract, are offered two-year employment contracts, that are renewable subject to satisfactory job performance.
- (3) The Executive Director is authorized to recruit a first year staff composed of 8 professional staff and 8 support staff.
- (4) Salary scales proposed by the Executive Director for the staff of REF-Secretariat must be competitive to attract highly qualified staff and shall be subject to approval by the Board.
- (5) The Executive Director will prepare detailed job descriptions for each staff member and develop performance criteria for evaluating the fulfillment of their functions. Preliminary draft TOR for the professional staff are attached as Annex II.

4. Accounts. The REF-Secretariat shall keep proper accounts of its incomes and expenditure and records in relation thereto.

5. Preliminary First Year Budget.

- (1) The Executive Director is authorized to organize the structure and the activities of REF-Secretariat under the assumption that the first year budget is US\$.....
- (2) The Executive Director must present a detailed annual budget to the Board for approval.