

Petroleum and Energy Authority

Strategic Gap Assessment of Institutional Capacity

Terms of Reference (ToR)

Under PRIME-1

January 2025

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1. Background

The Federal Democratic Republic of Ethiopia has secured financing for the first project under the Power Sector Reform Investment and Modernization in Ethiopia (PRIME) multiphase program. The project contains multiple components including technical assistance and capacity building of the national energy regulator: the Petroleum and Energy Authority (PEA).

PEA as beneficiary shall manage the activity while Ethiopian Electric Power (EEP) shall be the funding channel for activities under this component of the PRIME-1 project. The World Bank shall support the project financing through IDA credit towards the costs of the activity.

2. PEA's Mandates

The following PEA mandates are as established by regulation No. No. 521/2022.

- Formulate legal framework for the energy and petroleum sectors and implement upon approval.
- Issue business license and professional competency certificates to persons engaged, regulate, renew, suspend, replace, revoke, impose and administrative penalty.
- Prepare directive for tariff study determination in the national grid and in the off grid for electricity services and approve.
- Review national electricity tariff submitted by licensees and prepare recommendation to the council of ministers for approval.
- In cooperation with the relevant body determine the required volume of national fuel reserve and ensure the implementation of this,
- Prepare wholesale and retail price, profit margins and transportation tariffs directive and the tariff, of petroleum products applicable on market participants; and submit to the Ministry for approval.
- Prepare long term, medium- and short-term energy efficiency and conservation strategy and program.
- Issue; energy audit code, efficiency standard code, national grid code, customers service code, building electrical installation code, inspection code, service quality standard code, technical standard code, and other codes and follow-up their implementation.
- Ensure that the regulatory systems and procedures of the petroleum and energy sectors are supported by modern technology,
- Approve power purchase and electrical network service agreements.
- Establish laboratories for petroleum and energy efficiency testing, issue and implement testing procedures.

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- Coordinate, pursuant to the Arbitration proclamation, the resolution of disputes arising among parties working in the energy sector covered by the scope of this regulation and if such is presented to the Authority in agreement by the disputing parties.
 - As may be necessary, establish professional panels, to mediate or arbitrate disputes as may be claimed by licensees or customers related to service fee or quality of services.
 - Confirm implementation of rights and obligations of service providers and consumers in the sector.
 - Collect service fee for the regulatory services in accordance with the approved fee structure by the government.
 - Cause the setting of a mandatory standard for petroleum products and monitor its implementation.
 - Support the development of market logistics infrastructure for the petroleum and energy sector in collaboration with the concerned authority.
 - Determine institutional standards for storing transporting and distributing petroleum products,
 - Support the development of adequate market and logistical infrastructure for energy and petroleum products.
 - Review the direct bulk fuel purchase request for self-use of institutions from petroleum distribution companies and grant them permits as appropriate.
 - Collect service fee for the regulatory services in accordance with the approved fee structure by the government.
 - Ensure that newly established retail fuel service providers and depots meet the requirements before starting service.

3. Rationale of the Assignment

Over recent years, Petroleum and Energy Authority has faced several challenges that impede its operational effectiveness. These include rapid technological advancements, regulatory shifts, resource constraints, capacity gaps with increasing demand for its services. Addressing these challenges necessitates a comprehensive approach that combines global expertise, tailored capacity- building programs, and practical, context-specific solutions. As part of its commitment for continuous improvement, the organization aims to enhance its technical capacity and institutional resilience to adapt to dynamic challenges and optimize its performance.

The consultancy services detailed in this Terms of Reference (TOR) aim to address critical operational challenges within the Petroleum and Energy Authority (PEA) by conducting a comprehensive analysis of PEA's gaps and limitations in undertaking its **energy-sector** mandates effectively. The analysis doesn't cover its regulatory performance on petroleum.

This analysis will identify shortcomings, inefficiencies, and opportunities for improvement across key areas, including the regulatory framework, institutional capacity, performance benchmarking, workforce development, strategic planning, data management practices, and technology adoption. As the energy industry undergoes rapid transformation driven by technological innovation, sustainability imperatives, and growing consumer demands, ensuring that the Authority is equipped with the right tools, systems, and expertise is paramount.

By systematically addressing these gaps, it will enable the Authority to enhance its operational efficiency, improve its autonomous regulatory oversight, and adapt to the dynamic demands of the sector. This initiative is integral to the Authority's ability to manage day-to-day responsibilities while anticipating and responding to emerging challenges in the energy landscape. Moreover, the findings and recommendations from this gap analysis will serve as the foundation for strategic interventions, ensuring alignment with global standards, value-for-money outcomes, and sustainable development objectives.

Supported under the World Bank's PRIME-1 project, this initiative highlights the critical role of institutional strengthening in achieving broader national energy goals. By bridging operational gaps, PEA will not only bolster its regulatory and operational capacity but also position itself as an autonomous regulatory institution to drive sustainable energy solutions in a fair and transparent environment to attract investment for the sector in this rapidly evolving industry.

At the core of this project is the goal to strengthen the Petroleum and Energy Authority's operational framework, enabling it to meet both current and future demands while fostering sustainable development and positioning itself as a benchmark institution in the energy sector.

Implementation of Institutional capacity strategic gap analysis aims to achieve several key objectives such as but not limited to: -

- a.** To enhance the Petroleum and Energy Authority's regulatory capacity by aligning its framework with international standards and emerging industry demands.
- b.** To improve institutional efficiency through optimized organizational structures and processes.
- c.** To strengthen performance measurement mechanisms by developing and implementing robust benchmarks and key performance indicators (KPIs).
- d.** To build technical and managerial capacity across all levels of the Authority through targeted training and development programs.
- e.** To establish a comprehensive long-term strategic roadmap that guides the Authority's operational improvement and reforms over the next decade.
- f.** To modernize data management systems and practices for better decision-making and operational transparency.
- g.** To accelerate technology adoption by integrating innovative tools and platforms those enhance operational efficiency.

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- h.** To foster effective collaboration with stakeholders through improved engagement and communication frameworks.
 - i.** To ensure the Authority is equipped to address current and future challenges through a prioritized and actionable implementation plan.

4. Project Location

The project location for the project will be the consultant's office in Addis Ababa.

5. Specific Objectives of the assignment

The objectives of this assignment are but not limited to:

- **Regulatory-Framework Assessment**
 - Analyze the existing regulatory frameworks to identify strengths, gaps, and opportunities for improvement to ensure effective and **autonomous** governance and adaptability to sectoral changes.
- **Institutional-Capacity Evaluation**
 - Examine the organizational structure, facility adequacy, human resources and management practices to determine their capability for fulfilling the authority mandate
- **Performance Benchmarking-and International-Best Practices Review**
 - Compare the authority performance against similar regulatory bodies globally and regionally to identify areas for enhancement and set achievable performance standards.
- **Training-and Development-Needs Assessment**
 - Assess staff competencies and identify skill gaps, recommending tailored training programs to build capacity across critical functions.
- **Long-Term-Strategic Planning Assessment**
 - Examine the authority strategic plans to determine their robustness, alignment with sectoral goals, and readiness to address future challenges in the energy landscape.
- **Data-Management Practices and Technology Assessment**
 - Assess the adequacy and efficiency of data collection, storage, analysis, and reporting systems to ensure informed decision-making and transparency.
- **Technology-Adoption Assessment**
 - Evaluate the extent to which the agency has adopted modern technological tools and solutions, recommending advancements for enhanced operational and regulatory capabilities.
- **Preparation-of-Bid Documents and Terms of Reference**
 - To prepare Terms of Reference (ToR) for consultancy services, procurement aimed at addressing identified capacity gaps through capacity building programs.
 - To prepare a comprehensive bid document for the procurement of goods necessary to address the technological or infrastructural gaps identified during the assessment phase.

6. Scope of the Consultancy Service

The consultancy assignment entails a detailed analysis of the electricity regulatory authority frameworks, capacity, and operational practices to deliver actionable insights and recommendations. The scope of services includes, but is not limited to, the following:

- **Regulatory-Framework Assessment**

The Consultant shall review identify inconsistencies and gaps, taking into consideration international practices and perform the necessary additional analyses to do including the following tasks but are not limited to:

- Conduct a thorough review of the existing regulatory frameworks governing the electricity sector.
- Identify gaps, redundancies, or areas of improvement in current policies and regulations.
- Provide recommendations to enhance regulatory effectiveness, adaptability, and alignment with sectoral demands.

- **Institutional-Capacity Evaluation**

The Consultant shall review identify inconsistencies and gaps, taking into consideration international practices and perform the necessary additional analyses to do including the following tasks but are not limited to:

- Assess the organizational structure and functional distribution of the authority.
- Evaluate the sufficiency and effectiveness of human resources, including staffing levels, roles, and responsibilities.
- Analyze management practices and internal communication mechanisms for decision-making and coordination.
- Assess the overall facilities adequacy of the authority to implement its regulatory mandate

- **Operational-Efficiency Analysis**

The Consultant shall review identify inconsistencies and gaps, taking into consideration international practices and perform the necessary additional analyses to do including the following tasks but are not limited to:

- Map and review the authority key operational workflows and processes.

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- Identify bottlenecks, inefficiencies, and delays in service delivery or regulatory oversight.
 - Recommend process optimization strategies to enhance efficiency and responsiveness.
 - **Performance Benchmarking- and International-Best Practices Review**

The Consultant shall review identify inconsistencies and gaps, taking into consideration international practices and perform the necessary additional analyses to do including the following tasks but are not limited to:

 - Compare the authority performance with similar electricity regulatory bodies at regional and international levels.
 - Develop key performance indicators (KPIs) to measure progress and effectiveness.
 - Provide insights on best practices and benchmarks to elevate performance standards.
 - **Training-and Development-Needs Assessment**

The Consultant shall review identify inconsistencies and gaps, taking into consideration international practices and perform the necessary additional analyses to do including the following tasks but are not limited to:

 - Conduct a skills gap analysis of the authority staff across various functions.
 - Identify priority areas for capacity building and professional development.
 - Propose tailored training programs and initiatives to equip staff with the required competencies.
 - **Long-Term-Strategic Planning Assessment**

The Consultant shall review identify inconsistencies and gaps, taking into consideration international practices and perform the necessary additional analyses to do including the following tasks but are not limited to:

 - Evaluate the authority long-term strategic plans, including vision, mission, and sectoral alignment.
 - Assess readiness to address emerging challenges and trends in the electricity sector.
 - Propose enhancements to the strategic planning process to ensure sustainability and resilience.

- **Data-Management Practices and Technology Assessment**

The Consultant shall review identify inconsistencies and gaps, taking into consideration international practices and perform the necessary additional analyses to do including the following tasks but are not limited to:

- Assess current systems for data collection, storage, analysis, and reporting.
- Evaluate the accuracy, accessibility, and security of data management practices.
- Propose upgrades or improvements in data management systems to support informed decision-making and transparency.

- **Technology-Adoption Assessment**

The Consultant shall review identify inconsistencies and gaps, taking into consideration international practices and perform the necessary additional analyses to do including the following tasks but are not limited to:

- Analyze the current use of technology within the authority operations and regulatory functions.
- Identify gaps in the adoption of modern technological tools and solutions.
- Recommend technologies to enhance monitoring, reporting, and operational efficiency.

- **Preparation of Bidding Documents and Terms of Reference**

The Consultant shall review identify inconsistencies and gaps, taking into consideration international practices and perform the necessary additional analyses to do including the following tasks but are not limited to:

- Based on the identified capacity gaps, prepare a well detailed ToR for consultancy services procurement, outlining specific training, skill development, and capacity enhancement initiatives required.
- Prepare the bidding documents using the relevant and latest versions of WB's Standard Bidding Documents for the acquisition of goods (e.g., technology solutions, data management systems) identified as critical during the gap analysis phase.

7. Methodology

The consultancy will adopt a robust and systematic methodology to ensure the objectives of the assignment are achieved effectively. The approach will be participatory, evidence-based, and aligned with international best practices. Below are the detailed steps and suggested tools to be used in each phase.

Inception Phase: - This phase will focus on understanding the project scope, refining objectives, and setting up the project plan.

- **Kick off Meeting** Conduct an initial meeting with the client and key stakeholders to clarify objectives, expectations, and deliverables.
- **Document Review** Analyze all relevant documents, including policies, regulations, strategic plans, and performance reports, to gain foundational knowledge.
- **Stakeholder Mapping** Identify and categorize stakeholders (internal and external) to ensure comprehensive engagement during the assignment.

Data Collection & Assessment Phase: - This phase involves collecting qualitative and quantitative data using a mix of methods to cover the different areas of assessment

- **Regulatory Framework Assessment**
 - Review legislative documents, policies, and regulatory instruments.
 - Conduct comparative analysis against regional and international frameworks.
 - Engage with legal experts to understand the practical challenges of implementation.
- **Institutional Capacity Evaluation**
 - Use organizational diagnostic tools to assess the authority structure, staffing, and resource allocation.
 - Conduct interviews and focus group discussions with leadership and key staff to understand organizational challenges
- **Operational Efficiency Analysis**
 - Map and analyze workflows using process mapping techniques to identify bottlenecks and inefficiencies.
 - Conduct time-motion studies or simulations where feasible to quantify inefficiencies.

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- **Performance Benchmarking- and International-Best Practices Review**
 - Collect performance data from similar regulatory agencies.
 - Use established benchmarking tools to compare KPIs and identify gaps.
 - Review global best practices and extract lessons relevant to the local context.
 - **Training-and Development-Needs Assessment**
 - Design and administer surveys or skills inventories to identify competency gaps among staff.
 - Conduct Interviews with technical managers to understand training priorities
 - **Long Term Strategic Planning Assessment**
 - Review existing strategic plans, including vision, mission, and objectives.
 - Assess alignment with sectoral trends and long-term goals through scenario analysis.
 - Propose Long –Term Strategic Plan
 - **Data Management Practices and Technology Assessment**
 - Evaluate current data management systems and technology adoption through system audits and user feedback.
 - Use IT maturity models to benchmark technology and data management practices.
 - **Preparation of Bidding Documents and Terms of References**
 - Conduct meetings and discussions with relevant departments and stakeholders to ensure the ToR reflects actual capacity-building needs.
 - Conduct market analysis to inform the preparation of bid documents, ensuring they align with technological trends and available solutions.
 - Ensure that both the ToR and bid documents adhere to national procurement laws and international best practices.

Analysis & Synthesis Phase: - This phase will focus on synthesizing findings, conducting in-depth analyses, and validating preliminary results.

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- **Gap Analysis** Identify discrepancies between current practices and desired outcomes for each area of assessment.
 - **Root Cause Analysis** Use tools like the Fishbone Diagram or Five Whys to explore the underlying causes of identified gaps
 - **SWOT Analysis** Evaluate the agency's Strengths, Weaknesses, Opportunities, and Threats to frame strategic recommendations.
 - **Stakeholder Validation** Share preliminary findings with stakeholders through workshops or focus groups to ensure accuracy and relevance.

Reporting & Recommendation Phase: - This phase will focus on consolidating findings into actionable reports and recommendations.

- **Draft Reports** : Prepare individual reports for each area of assessment with detailed findings, insights, and preliminary recommendations.
- **Comprehensive Final Reports** : Consolidate all findings into a single report, including a prioritized action plan, implementation roadmap, and key performance indicators.
- **Validation Workshops** : Present the draft report to stakeholders in a workshop to collect feedback and finalize recommendations.
- **Submission of Final Deliverables** : Deliver the final reports, presentations, and other agreed outputs.

Tools and Techniques to Be Employed

- **Stakeholder Engagement** : Structured interviews focus group discussions, and participatory workshops.
- **Data Analysis Tools** : Statistical software (e.g., SPSS, R) and benchmarking frameworks for performance data analysis.
- **Process Mapping Tools** : Tools like Microsoft Visio or Lucid chart for operational workflow mapping.
- **Technology and System Evaluation Models** : Statistical IT maturity frameworks and comparative technology assessments.
- **SWOT and PESTEL Analyses** : Strategic tools to evaluate organizational and external environmental factors.

Collaboration and Reporting Approach

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- **Regular Updates** : Provide bi-weekly progress updates to the client to ensure transparency and alignment.
 - **Capacity Building** : Engage client staff during data collection and analysis phases to transfer skills and knowledge.
 - **Adherence to Standards** : Ensure all methodologies and outputs align with national and international regulatory and operational standards.

8. Deliverables

8.1. Inception Report

The inception report will be delivered one month after the kick-off meeting and will include the following:

- A detailed work plan outlining the methodology, timeline, key milestones, and stakeholder engagement strategy.
- Initial observations and understanding of the electricity regulatory agency's context and challenges.
- Identification of critical focus areas for the assignment.
- The workplan shall provide recommended weights for each activity to ease monitoring of progress.

8.2. First Interim Report - Assessment Findings

The first interim report shall cover consultant's findings on the assessments with respect to Regulatory-Framework in terms of performance and autonomy, Institutional-Capacity to undertake mandates such as review and approval of tariff and long-term planning, Operational Process Efficiency, Data-Management Practices, and Technology-Adoption. The consultant shall conduct a stakeholder workshop to present its findings after submission of the report.

8.3. Second Interim Report - Recommendations

The second interim report shall, include consultant's recommendations documents for strengthening the regulatory framework, trainings and capacity building activities, process-optimization, enhancement of data management practices, implementation of advanced technologies and tools. The recommendations shall correspond with each of the gaps identified and based on international best practices after carrying out a comparative analysis of the agency's performance against regional and international regulatory agencies.

8.4. Draft Final Report

The draft final report shall cover the assessment findings and recommendations with clear roadmap and solicitation documents for subsequent implementation. The roadmap shall provide the sequential timing and financial resources that will be required to implement all the activities to be proposed. The report shall attach solicitation documents with the Bank's standards for each recommended activity such as ToRs (for all consultancy services document detailing the objectives, scope, methodologies, expected outcomes, and qualifications requirements) and bidding document for procurement of

goods and works (including technical specifications, evaluation criteria, and compliance requirements for the identified goods).

8.5. Final Report

The consultant is expected to conduct validation workshops to PEA and stakeholders in convenient venues acceptable to PEA after receiving comments on each report submitted. The consultant shall submit the final report after addressing the comments to be provided on the final draft report and the last workshop.

All the report deliverables will be submitted in electronic and hard copy formats with Supporting appendices, including data sources, benchmarks, and detailed methodologies used during the assignment., as per the PEA's requirements, and will undergo review and approval at each milestone to ensure alignment with project objectives and stakeholder expectations.

9. Progress Report

A progress report shall be submitted bi-weekly during the assignment. Each progress report will include information on work in progress and completed, staff strength, time spent by each staff member on each task, estimated percent of work completed by task.

The percentage of completion of each task shall be shown computed on weighted average. The overall percentage of completion for the work shall also be shown.

The list of any problems that are causing or may cause delays, including proposed measures to correct the problems shall also be reported. Reports shall also include a financial summary indicating amounts invoiced.

The consultant shall submit the Progress Report in digital file and one hardcopy of the same with an official cover letter.

10.PEA Staff Trainings

The consultant shall provide on-job trainings for PEA counter-staffs on best international energy regulatory practices.

11.Staffing and Man – Month Allocation

The Consultant is required to indicate in his proposal sufficient man-months for proper execution of the project showing the levels of efforts by its proposed personnel. The consultant should clearly indicate the man-months to be spent on each activity. Considering the technical and financial evaluation, contract shall be awarded to a consultant scoring the highest combined score based on quality and cost selection method. Data collection & any other related investigations shall progress in parallel and coordinated and monitored as envisaged below.

The Consultant shall provide a schedule with breakdown for the various activities called for in the TORs, including the home office and site activities. The consultant should clearly indicate the man- months to be spent on field activities, and project Office.

The consultant shall demonstrate that it has the skills, qualifications and experience that are required to complete the deliverables. The required qualification and experience of the consultant for this assignment shall be:

Qualification

- ☐ Minimum of Master's Degree in the field of : Power Economics, Energy Economics, Finance, Mechanical/ Electrical Engineering, power system engineering and related.
- ☐ Excellent English language skills, both in written and oral.

Experience

- ☐ 10 years proven professional experience in energy sector regulatory functions, energy sector reform, energy sector program development.
- ☐ The consultant is expected to demonstrate at least two similar assignments completed.
- ☐ The consultants shall submit documentary evidence (list of contracts awarded, including description, value, and year of commencement and completion, client and its contact person for reference)
- ☐ Fully available during the tentative timeframe for achieving the milestones

Key Experts Required	Team Member Expertise	Man-Months
Team Leader		
Regulatory Expert		
Sector Technical Expert		
Procurement Specialist		
Process Optimization Specialist		
Human Resources Development		
Financial Analyst		
Total Man-Months Required:		

13. Project Implementation duration

The assignment of the consultant is expected to be completed in 6 months from the commencement date.

14. Consultants Fee & Facilities

a. Fees and Expenses of the Consultant shall include the Consultant's own costs related to:

- Home and site Office activities and coordination;
- All travel expenses;
- All personnel expenses;
- All field expenses including working equipment and materials, vehicles running cost, house accommodation, etc.
- Expenses of the workshop Meetings including, travel expenses, accommodation, meals, international transport, allowances/per diem, travel insurance cost of venue, etc.

The Financial Proposal shall be clear and formal as possible with breakdowns of each subtotal into remuneration, reimbursable, miscellaneous and grand total. The evaluation will take care of to consider all items on the same basis and on equal ground for comparison. All items in the Technical Proposal incurring expense must be supported with a corresponding financial proposal.

b. Data, Local Services and Facilities to be provided by the consultant

Transportation in Ethiopia

PEA will not provide transportation for the consultant.

c. Office & Facilities

PEA will not provide office & facilities for the consultant.

d. Communication

All communication related costs made by the Consultant from each project office to Home Office (telephone, fax, Internet, Courier, etc.) shall be covered by the Consultant. Looking into the different activities of the Project, the Various Groups to be involved in communication and the many Documents to be handled, a Secure Electronic Document Management System is recommended besides routine emails, telephone and faxes.

15. PEA's Role and Responsibility

The Client (PEA) will be responsible to manage the consultant's activities and provide the following services-

- Provide access to its facilities.
- Avail to the consultant all the necessary documents including policies, strategies, regulatory frameworks, by laws, reports, guidelines, information and previous studies.
- Will liaise the consultant with EEP, EEU, sector ministries, agency and the World Bank regarding financing and payments.
- Arrange with the government and facilitate requirements/supports needed, such as entry visas and permits for the Consultant to perform its duties
- Shall review, along with stakeholders of submitted documents and provide feedback within 10(ten) working days after the formal submission to PEA
- Will support arrangement of validation workshops with the required stakeholders at the

different stages