

## TECHNICAL ASSISTANCE COMPLETION REPORT

Division: BRM

<b>TA No., Country and Name</b> TA 3801-BAN: Corporatization of West Zone Distribution Operations of Bangladesh Power Development Board		<b>Amount Approved:</b> \$900,000	
		<b>Revised Amount:</b> \$900,000	
<b>Executing Agency:</b> Ministry of Power, Energy and Mineral Resources	<b>Source of Funding:</b> ADB's TA funding program	<b>Amount Undisbursed:</b> \$70,599.85	<b>Amount Utilized:</b> \$829,400.15
<b>Date</b>		<b>TA Completion Date</b>	
<b>Approval</b> 17 December 2001	<b>Signing</b> 19 January 2003	<b>Original:</b> 31 March 2003	<b>Actual:</b> 31 August 2007
<b>Fielding of First Consultant(s):</b> 10 August 2003		<b>Account Closing Date</b>	
		<b>Original:</b> 31 March 2003	<b>Actual:</b> 31 October 2007
<b>Description</b>			
<p>The power sector in Bangladesh faced numerous problems characterized by lack of supply capacity, frequent power cuts, unacceptable quality of supply, and poor financial and operational performance of the sector entities. To address these issues, the Government of Bangladesh (the Government) adopted in 1994 a policy paper titled the Power Sector Reforms in Bangladesh (PSRB), which was formulated in consultation with the major development partners in the power sector. The PSRB outlined the reform process to gradually remove constraints in the sector through (i) separation of sector regulation and operation; (ii) autonomy and commercial orientation of the sector entities; (iii) unbundling of generation, transmission, and distribution; and (iv) increased private sector participation. One of the goals of PSRB was to corporatize distribution assets in the power sector and eliminate monopolies and foster competition, and thereby achieve improved operational performance of the sector entities.</p> <p>The distribution operations of Bangladesh Power Development Board (BPDB) are organized into four zones: central zone, east zone, west zone, and north zone. With a view to improving operating efficiencies of these zones as well as their consumer orientation, BPDB intends to reorganize its distribution systems in these zones and introduce modern management systems. As part of this effort, BPDB wishes to organize each zone as a separate company, governed by its own board of directors, and managed independently. The first zone to be corporatized will be the west zone by establishing a new company West Zone Power Distribution Company Limited (WZPDCL) with its headquarters at Khulna. In this context the Government has requested ADB to provide TA to BPDB and new company for west zone distribution to conduct studies necessary to effect the corporatization of BPDB's western zone, as well as develop systems for efficient Operation &amp; Maintenance (O&amp;M). At the request of the Government, ADB approved the above advisory TA in December 2001 to conduct studies and facilitate the corporatization of west zone distribution operations of BPDB.</p> <p>The scope of work is divided into two parts. The first part covers the development of the overall approach to corporatization, the legal accounting formalities required to transfer of the assets and personnel of the west zone distribution system of BPDB to an independent company; and details the operational and management information systems (MIS) required in the new company and help in implementing this corporatization. The second part comprises engineering assistance to the new company by way of developing expansion and modernization programs, preparing specifications and bid documents; assistance in bid evaluation; and improvement of operation and maintenance standards by implementing a quality assurance program, preparing manuals, and conducting training.</p>			
<b>Expected Impact, Outcome and Outputs</b>			
<p>Impact: Modernized and upgraded power network of western zone  Outcome: (i) Corporatize BPDB's distribution in the west zone; (ii) introduction of modern management systems and establishment of quality assurance practices in the new company  Outputs: Reviews, reports</p>			
<b>Delivery of Inputs and Conduct of Activities</b>			
<p>An international consulting firm was engaged to carry out the TA and the contract was signed on 3 July 2003. The consultants were mobilized on 10 August 2003. The Government and BPDB provided necessary documents and information, and counterpart staff and necessary logistics support to undertake the TA. The consulting team had the appropriate technical skills to carry out the assignment. Inception Report was submitted by the Consultant in September 2003 and a tripartite meeting was held in January 2004 at Dhaka, attended by BPDB officials, ADB representatives and the Consultant. Mid term report and final report were submitted in May 2004 and December 2004 respectively. ADB provided close supervision through regular review missions and correspondence. The start up of the TA implementation was delayed</p>			

by 13 months due to delay in signing of the TA letter. Though the final report was submitted in December 2004, the consultant had to work until 20 November 2005 to support the procurement of MIS system for WZPDCL at their request. This involved additional man-months for which contract variation was processed and additional time was required for processing final payment.

### **Evaluation of Outputs and Achievement of Outcome**

The consultants submitted the inception, mid term and final report as required. The consultants made recommendations in the reports on the corporatization plan of West Zone Distribution Operations of BPDB, covering summary of existing legal framework, power purchase agreement, transfer of assets document, staff transfer agreement, fixed asset assessment, inventory records, bank accounts, cash flow model & forecast, review of transferred debt, specification for financial management system, review and recommendation of Management Information System, staffing and training review and recommendation, MIS Implementation Plan, organization structure, manpower review and future requirements including impact of corporatization on staff and creation of an employee database, sample job description for key personnel, review of HR policy and guidelines for WZPDCL including preparation of draft service rules, identification of training & development needs and proposals for employee appraisal system. WZPDCL has already used many of the recommendations of the TA and is in the process of implementing others. The TA could successfully help the corporatization process of the WZPDCL. Following successful corporatization of the western zone operation of BPDB, north west zone is also being corporatized and a new company North West Zone Distribution Company Limited (NWZPDCL) has been incorporated. Corporatization of the southern zone and central zone are also under processes which are being supported by the World Bank and the Japan Bank for International Cooperation (JBIC) respectively.

### **Overall Assessment and Rating**

The TA is rated successful. This was a challenging TA, involving the difficult reforms process. It helped in the corporatization of the west zone power distribution operations, first of its kind involving countrywide BPDB distribution. There was an initial long delay in the TA letter signing by GOB because of extra fear of resistance (political, trade union, vested groups) of the difficult reforms. Also, during the implementation phase, Government moved very cautiously on the implementation of consultants important recommendations. Consultants produced many valuable reports and manuals. The overall objectives of this pioneering TA, as designed, have been achieved, despite the delays at different stages during implementation. The TA has successfully helped the corporatization process of the WZPDCL and paved the corporatization of the remaining BPDB distribution. The north west zone is being corporatized, NWZPDCL has been established, and the other key development partners (World Bank and JBIC) are proceeding to corporatize the southern and central zones, respectively, following the same pattern.

### **Major Lessons**

ADB's engagement in the power sector with a long term reform program contributed to successful TA implementation. However, delegation of adequate powers to WZPDCL management after corporatization was significantly delayed due to reluctance of BPDB. There has been significant change in the management staff in the earlier stage of corporatization. All the three executive Directors including the Managing Director appointed in April 2003 had resigned or been removed by early 2004. Though a new MD was appointed later, regular Technical Director and a Finance Director were not in place during the implementation of the TA. The above changes in the key management staff at the early stage greatly created hindrance in the corporatization process. The corporatization process could have been done much more expeditiously and efficiently if the Government and BPDB were fully aware of the rationale of the corporatization process from an early stage.

### **Recommendations and Follow-Up Actions**

Adopting a more commercial and responsive style of doing business is an essential ingredient of successful corporatization, and for those who are willing and able to adapt, the change can be positive and rewarding.

The Government and the WZPDCL need to continuously improve financial and operational viability of the company. WZPDCL may concentrate on communication with staff and other stake holders; safety and the progressive introduction of safe working practices; improved working environment and cleanliness; adherence to (professionally produced and presented) standards; training of staff; and creating a culture in which those who are supplied with electricity were treated as 'customers' to be served and valued for better performance as a corporatized entity.

ADB needs to follow up the performance of the WZPDCL.

**Prepared by** Ali Kausar Muhammad Firoz

**Designation** Procurement Officer, BRM