

TECHNICAL ASSISTANCE COMPLETION REPORT¹

Division: CWEN

TA No., Country and Name TA 4881-PAK: Renewable Energy Policy Formulation and Capacity Development of the Alternative Energy Development Board			Amount Approved: \$800,000	
			Revised Amount: N/A	
Executing Agency: Alternative Energy Development Board (AEDB)		Source of Funding: Technical Assistance Special Fund	Amount Undisbursed: \$142,930.58	Amount Utilized: \$657,069.42
TA Approval Date: 1 December 2006	TA Signing Date: 8 March 2007	Fielding of First Consultants: 13 Aug 2007	TA Completion Date Original: 31 May 2008 Actual: 31 December 2008 Account Closing Date Original: 31 May 2008 Actual: 10 July 2009	
<p>Description: The TA is piggybacked to Loans 2286/2287(SF)-PAK: Renewable Energy Development Sector Investment Program (REDSIP) under ADB's Multitranche Financing Facility (MFF) of \$510 million approved in November 2006. Following the Government of Pakistan's (the Government) policy implementation roadmap, the short-term Renewable Energy (RE) policy became effective in 2006. A medium-term policy needed to be in place before the expiry of this policy. The Alternative Energy Development Board (AEDB) is the central agency for RE, covering policy, regulation and RE project promotion. The existing institutional capacity of AEDB could not fulfill the RE central agency and MFF executing agency role. The Government requested a technical assistance (TA) to formulate the medium-term RE policy and strengthen the AEDB's institutional capacity to implement the MFF.</p>				
<p>Expected Impact, Outcome and Outputs: Expected impact of the TA is the increased use of RE sources in Pakistan and decreased reliance on fossil fuels. The expected outcome is a Government-endorsed medium-term RE policy and enhanced capacity of AEDB. The TA outputs are (i) medium-term RE policy proposal for on-grid and off-grid and needs assessment (Phase 1); (ii) capacity development assistance (Phase 2); and (iii) due diligence review for REDSIP MFF Tranche 2. The TA objectives were appropriate; however, the schedule and terms of reference were ambitious. Stakeholders were consulted in each step of the TA and support was provided to augment the immediate capacity needs of AEDB.</p>				
<p>Delivery of Inputs and Conduct of Activities: The detailed terms of reference (TOR) budgeted for 19 person-months international consultant and 34 person-months national consultant over 18 months. The actual utilization was 14 person-months international and 38.3 person-months national consultants' inputs. The plan for Phase 2 was revised to meet the immediate needs of the client since the prerequisite conditions—procurement for the eight hydro-plants financed under Tranche 1 and submission of the institutional and capacity assessment report under Phase 1— was delayed.</p> <p>The Medium Term RE Policy proposal was drafted under Phase 1. The estimated cost was \$603,000 with 17 person-months international and 10 person-months national consultants for the policy development. The consultants satisfied most of the TOR with 14.4 person-months international and 13 person-months national consultants' input. An individual legal consultant (2 person-months national) was hired in addition to the original team to investigate proposed changes in tariff setting, specifically requested by the National Electric Power Regulatory Authority (NEPRA). The consultants were not able to deliver the manuals and model documents for project investment since draft policy development was delayed. The consultants had the expertise and client orientation for their TOR. However, they had conflicting commitments with other ADB assignments which may have contributed to the delay in the draft RE policy. There are a limited number of qualified consultants willing to work in Pakistan and delays made the implementation of the assistance coincide where there should not have been any timing conflict.</p>				

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Phase 2 consisted of 2 person-months international and 34 person-months national consultants budgeted at \$197,000 for capacity development. The funds were used for (i) the due diligence of REDSIP Tranche 2 (19 person-months national), (ii) a grid specialist (3 person-months national), and (iii) a national Resident Project Management Coordinator (3.3 person-months) to facilitate the endorsement of the draft RE policy. The total utilization was 25 person-months of national consultancy. The consultants were satisfactory and completed their tasks except for the endorsement of the draft RE policy.

The EA was satisfied with the input provided but asked for additional resources to augment the capacity constraints and longer time period for implementation. Despite external factors, performance of the EA was satisfactory. The Chief Executive Officer of AEDB was replaced three times during the implementation which made coordination and decision making difficult. AEDB was short of staff and was in dire need of more skilled professionals to lead and coordinate RE related matters. Performance of ADB was satisfactory. The officer who designed the TA was not a part of the implementation for ADB. The REDSIP Tranche 1 loan was only signed a year after approval which made the procurement prerequisite for Phase 2 difficult to achieve.

Evaluation of Outputs and Achievement of Outcome: The TA was extended by 7 months and utilized 82.13% of the funds. The TA effectively delivered most of the revised outputs and achieved the overall objective. EA is satisfied with the outputs and outcome; however, they requested longer term support to complete the capacity development. The consultants produced high quality reports. It submitted six Working Papers and two proposed position papers (on-grid and off-grid) to the Government and ADB. However, its delayed submission of the TA findings and reports, especially on AEDB's capacity assessment, adversely affected the timely implementation of Part B. Out of several policy recommendations, only the 1-year extension of the short-term policy until 31 December 2009 was achieved. A two-day stakeholders' workshop was organized on 10-11 November 2008. Favorable reviews were received from the participants. The proposed policy recommendations for on-grid and off-grid RE applications were shared with the participants. All the important features of medium-term policy, such as technology-based feed-in tariff and federally-assisted off-grid RE programs were discussed. No major issues were identified. The revised Phase 2 components were delivered on time and were satisfactory. The Resident Project Management Coordinator did not add as much value as expected since the policy was not promulgated.

Overall Assessment and Rating: The TA is rated successful since it delivered the draft Medium-Term RE Policy and provided timely and demand driven capacity development assistance. Despite the best efforts of the EA, consultants, and ADB, the Policy was not promulgated within the time of the TA but the work done through the TA made substantial progress towards promulgation.

Major Lessons: Pakistan had undergone major political change, security threat, and economic distress at the time of TA implementation. The Minister of Water and Power is the Chairman of AEDB. While this may be an advantage, it also hampers major operational decisions, which necessitates his physical presence. Also, in between administration shifts, AEDB Chief Executive Officer was replaced three times. Longer commitment and a larger financial assistance may be necessary to sustainably support AEDB. Conflicting commitments of the consultants caused delays that affected the timely delivery of the assistance as well.

Recommendations and Follow-Up Actions: Additional support is necessary to have the Medium-Term RE policy approved by the Cabinet before the short-term policy expires at the end of 2009. The additional consultant inputs are considered mandatory for NEPRA to design, vet, and finalize regulatory, legal, and procedural guidelines and other instruments for the technology-based feed-in tariff system proposed in the draft medium-term RE Policy. The consultants provided a draft RE feed-in tariff calculation model; this needs to be adopted and further internalized by NEPRA.