



Draft Design and Monitoring Framework

Project Number: 36107
July 2006

BAN: Sustainable Power Sector Development Program

A design and monitoring framework is an active document, progressively updated and revised as necessary, particularly following any changes in project design and implementation. In accordance with ADB's public communications policy (2005), it is disclosed before appraisal of the project or program. This draft framework may change during processing of the project or program, and the revised version will be disclosed as an appendix to the report and recommendation of the President.

Asian Development Bank

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Indicators/Target	Monitoring Mechanism	Assumption and Risks
<p>Impact Contribute to Government's plan for sustained economic growth through providing increased capacity and reliable power supply.</p>	<ul style="list-style-type: none"> • Gross domestic product increases maintained on a sustainable basis • Access to electricity from 38% now to 60% of national population by 2015 • No load shedding by 2015 	<ul style="list-style-type: none"> • Government economic statistics and reports • National statistics on power supply 	<p>Assumptions</p> <ul style="list-style-type: none"> • Political and socioeconomic conditions remain stable • Stable economic growth in the region • Stable supply of imported energy resources at appropriate price
<p>Outcome <u>Program Loan:</u> Improved power sector sustainability through financial and organizational restructuring</p> <p><u>Project Loan:</u></p> <p>(i) expansion of electric power supply capacity and improvements in the reliability and quality of supply</p> <p>(ii) transmission system expansion</p> <p>(iii) upgrading of distribution system.</p> <p>(iv) Capacity Building</p>	<ul style="list-style-type: none"> • Establishment of a long-term planning mechanism of power sector operations based on a detailed sector reform roadmap, a long-term power system master plan, and a sector-wide capacity building program by December 2007. • Fully staffed BERC and licensing and tariff regulation in place by 2007 • Financial self-reliance of power sector entities by 2010. • BPDB and DESA converted to corporatized entities by 2007. • Initiation of fund raising from local capital market by 2006 for power sector development, and a half of new generation capacity from private sector by 2008. <ul style="list-style-type: none"> • Increased peak load power generating capacity by 150MW by 2009. <ul style="list-style-type: none"> • Expansion of power transmission capacity by 400 MVA by 2009 to enhance network reliability. <ul style="list-style-type: none"> • Augmentation of power distribution system in Great Dhaka area to serve estimated additional demand of 2,000 GWh by 2009. <ul style="list-style-type: none"> • Enhanced competitiveness of power sector entities in sector 	<ul style="list-style-type: none"> • Quarterly program/project progress reports • Reports from power sector entities and regulatory commission. • National statistics on power supply • Power sector entities' annual report 	<p>Assumptions</p> <ul style="list-style-type: none"> • Continued government commitment for evolution of an enabling policy and regulatory framework to facilitate commercialization of utility company operations • Level playing field through BERC for corporatized sector entities, and independent power producers <p>Risks</p> <ul style="list-style-type: none"> • Tariffs kept below cost-recovery levels • Delay in approval of BERC organogram and recruitment of staff, and appointment of the remaining commissioners. • Delays in development of domestic capital and financial market • Mismatch between generation and network upgrade

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	governance, corporate management capacity, financial management and audit capabilities, and technical expertise.		
<p>Outputs</p> <p><u>Program Loan:</u></p> <p>(i) National action plan for power sector reform</p> <p>(ii) Functional legal and regulatory framework</p> <p>(iii) Financial restructuring of power sector entities.</p> <p>(iv) Continued organizational restructuring of power sector entities.</p> <p>(v) Promotion of private sector participation and public-private partnerships.</p> <p><u>Project Loan</u></p> <p>(i) Addition of power generating capacity</p>	<ul style="list-style-type: none"> • 3-year roadmap for power sector reforms and implementation of a regular monitoring system. • Power system master plan for 2006-2025 • Approval of BERC organogram. • Appointment of BERC's remaining commissioners • Gazette notification of licensing and tariff regulations. • Implementation of public disclosure system of sector entities' operational/financial performance. • Preparation of a financial restructuring plan of BPDB and DESA, and implementation of the first phase of the financial restructuring plan. • Settlement of unfunded pension liabilities and gratuities for the newly corporatized entities. • Reduction of government and its agencies' outstanding electricity bills. • Constitution of board of directors and appointment of management of the newly corporatized entities. • Establishment of a new generation company to implement, own, and operate Sirajganj power station. • Establishment of BPDB holding company. • Promotion of private sector participation and public-private partnerships. • Partial off-loading of PGCB and DESCO shares • Development of a national action plan for promotion of public-private partnership. • Construction of a 150MW peaking power plant in Sirajganj 	<ul style="list-style-type: none"> • Quarterly program/project progress reports • Reports from power sector entities and regulatory commission. • Power sector entities' annual report • Review missions • Field visits 	<p>Assumptions</p> <ul style="list-style-type: none"> • Timely project implementation • Counterpart funds of project components made available <p>Risks</p> <ul style="list-style-type: none"> • Approval for construction of project components is not obtained in a timely manner • Increase in prices raw materials exceeds contingency and inflation forecasts. • Unwillingness of power sector companies to reform

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<p>(ii) Transmission capacity improvements.</p> <p>(iii) Distribution system augmentation</p> <p>(iv) Capacity building</p>	<ul style="list-style-type: none"> • Construction of 50km, 400 kV D/C transmission from Meghaghat to Aminbazar and associated bay extensions • Construction of 10 km, 230kV D/C transmission line from Aminbazar to Old Dhaka Airport and associated substations • Construction of 158km, 132kV single-circuit (S/C) transmission line and associated substation in western and northwestern part of the country • Dhaka power distribution system upgrade in DESA area • Dhaka power distribution system upgrade in DESCO area <p><i>[Capacity building outputs to be determined upon preparation of the Government's sector-wide capacity building program – to be prepared during appraisal]</i></p>		
<p>Activities with Milestones</p> <p><u>Program Loan:</u></p> <p>1.1 The a 3-year Roadmap for Power Sector Reforms is approved by July 2006.</p> <p>1.2 The BERC organogram approved by the Government by July 2006.</p> <p>1.3 Gazette notification of the licensing regulations by July 2006.</p> <p>1.4 Finalization of the electricity generation tariff regulation in Bangla by August 2006.</p> <p>1.5 The public disclosure plan implemented by January 2007.</p> <p>1.6 First phase of financial restructuring plan for BPDB and DESA implemented by December 2007</p> <p>1.7 Budget allocation of Tk.1.8 billion by December 2006 and another Tk.1.8 billion by December 2007 to settle unfunded pension and gratuities for the newly corporatized sector entities</p> <p>1.8 Initial offloading of PGCB and DESCO shares in the stock market by May 2006.</p> <p>1.9 National action plan for public-private partnership formulated by June 2007.</p> <p><u>Project Loan</u></p> <p>2.1 Field surveys for all project components completed by April 2006.</p> <p>2.2 Completion of acquisition of land by February 2008.</p> <p>2.3 Recruitment of consultants for preparation of bidding documents, bidding, construction supervision, and commissioning and testing for Sirajganj peaking power plant and 400kV transmission line by December 2006.</p> <p>2.4 Design and engineering procurement and construction: starts July 2006, and construction completed by December 2009.</p> <p>2.5 Preparation of a sector-wide capacity building program by July 2006, and key training started from June 2007.</p>			<p>Inputs</p> <p><u>Program Loan:</u></p> <ul style="list-style-type: none"> • ADB: \$60.0 million • Government: \$123.0 million <p><u>Project Loan:</u></p> <ul style="list-style-type: none"> • Consultancy services for project management, design, implementation of safeguards, and construction supervision • ADB: \$255.0 million • Government: \$206.8 million

ADB = Asian Development Bank.