

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: SAEN

TA No. and Name TA 3857-SRI: Restructuring the Power Sector – Phase II			Amount Approved: \$800,000																														
			Revised Amount: \$1,050,000																														
Executing Agency: Ministry of Power and Energy (MOPE)		Source of Funding: TASF/SIDA	TA Amount Undisbursed \$15,445.63	TA Amount Utilized \$1,034,554.37																													
<table> <tr> <td colspan="2">Date</td><td rowspan="2">Fielding of Consultants</td><td colspan="2">Completion Date</td></tr> <tr> <td>Approval</td><td>Signing</td><td>Original</td><td>Actual</td></tr> <tr> <td>15 April 2002</td><td>14 May 2002</td><td>3 October 2002</td><td>30 December 2003</td><td>7 February 2005 (Final Report)</td></tr> <tr> <td colspan="3"></td><td>Closing Date</td><td>Closing Date</td></tr> <tr> <td colspan="3"></td><td>Original</td><td>Actual</td></tr> <tr> <td colspan="3"></td><td>15 March 2004</td><td>24 March 2006</td></tr> </table>			Date		Fielding of Consultants	Completion Date		Approval	Signing	Original	Actual	15 April 2002	14 May 2002	3 October 2002	30 December 2003	7 February 2005 (Final Report)				Closing Date	Closing Date				Original	Actual				15 March 2004	24 March 2006		
Date		Fielding of Consultants	Completion Date																														
Approval	Signing		Original	Actual																													
15 April 2002	14 May 2002	3 October 2002	30 December 2003	7 February 2005 (Final Report)																													
			Closing Date	Closing Date																													
			Original	Actual																													
			15 March 2004	24 March 2006																													
<p>A. Description</p> <p>In 1998, the Government of Sri Lanka decided to reform and restructure its power sector, through unbundling of the Ceylon Electricity Board (CEB) into independent generation, transmission and distribution companies, and the establishment of a regulatory commission. This reform and restructuring program was developed under ADB-funded technical assistance (TA 3141-SRI: Power Sector Restructuring–Phase I). It was evident that the power restructuring process would require technical guidance for the implementation phase, hence, the Government requested for additional TA. The TA was approved on 15 April 2002 with provision for parallel cofinancing. In October 2002, the Swedish Government, through Swedish International Development Cooperation Agency (SIDA), offered to provide parallel cofinancing in the amount of \$250,000 but changed its position to participate instead in a joint cofinancing arrangement with ADB. The change in scope and implementation arrangements was approved by Management on 14 October 2002. The revised TA amount was \$1,050,000.</p> <p>B. Objectives and Scope</p> <p>The TA was an integrated part of the Government's commitment to power sector reforms as it formed the implementation support based on the roadmap agreed and approved as part of the Loan 1929-SRI: Power Sector Development Program loan, which was approved by ADB on 18 October 2002.</p> <p>The purpose of the TA was to support the actual unbundling of CEB's vertically integrated operations into separate Government-owned entities, each incorporated under the Companies' Act, and help establish and develop generation, transmission, and distribution companies. The TA's objective would be considered achieved when these new companies and the regulatory commission have been established and are functioning in accordance with sound commercial business practices.</p> <p>Under this TA, the Government was supported by international and local consultants and the scope of work focused on six interrelated work packages. The first was to provide advisory and project planning and management support to the steering committee. Other work packages were designed to (i) provide specialist support to the teams establishing the new companies; (ii) provide customer and financial management systems to ensure prompt collections and efficient management of financial resources; (iii) design and promulgate sound and effective governance procedures for directors, managers, and civil servants; (iv) develop and assist the introduction of detailed private sector style organization structures, recruitment procedures, and remuneration practices; (v) implement investigations to identify and ensure proper allocation of assets and liabilities among the new companies, to identify material risks and appropriate risk management actions, and to advise on appropriate capital structures and working finance; and (vi) design technical operational parameters, and procurement procedures as required for each new company.</p> <p>Evaluation of Inputs</p> <p>The TA envisaged 24-person months of international consultants and 25 person-months of domestic consultants, totaling 49 person-months over an 18 month-period. The person-month input was adjusted following the SIDA cofinancing to 30.25 person-months for international consultants and 26 person-months for domestic consultants. The consultants were mobilized on 3 October 2002. Actual inputs were 32.4 person-months of international consultants and 33.8 person-months of domestic consultants. The TA closing date was extended once from 15 March 2004 to 14 March 2005.</p>																																	

Evaluation of Outputs

The consultants commenced the TA on 3 October 2002 and several of the TA deliverables were undertaken in accordance with the original scope. The Consultants provided high-quality output and due to severe delays by the Government in actual implementation of its activities required for a complete unbundling of the power sector the Consultants agreed to update a number of tasks already completed earlier in the implementation period. This was the case with the financial modeling work as well as the financial reporting requirements establishing the starting point for the envisioned companies in the sector. The facilitation and input to each of the working groups were satisfactory and the workshops provided an avenue for stakeholders to discuss freely the details and concerns related to the specific topic.

The work of the Consultants was hampered by the frequent change of governments, and the overall lack of progress in the implementation of the power sector reforms and restructuring. The Government has, to date, not been able to make the necessary decisions required for unbundling to take place, and it may be questionable if it would be able to make the required decisions. Accordingly, the Consultants were unable to see unbundling work through to a stage where the new companies had been established and operating according to the laws, rules, and guidelines envisioned in the TA.

Inception Report submitted on 19 December 2002; Final Inception Report on 24 Feb 2003; Progress Reports submitted regularly as per the contract; Draft Final Report received on 20 September 2005 and Final Report submitted and accepted by ADB on 7 February 2005. Overall the performance of the Consultants and ADB is regarded as satisfactory.

Overall Assessment and Rating

The TA is rated as unsuccessful in meeting the objectives of the TA, as the reforms and unbundling have not taken place. It should be noted that the slow or no progress was mainly due to lack of commitment to the reform process by the Government and other major stakeholders in the power sector.

During the TA implementation, the Government changed three times. The two most recent Governments did not support the reforms as required.

Major Lessons Learned

In terms of TA design and implementation, some minor issues were found and they were corrected. However, in the future when Government changes, the overall environment for a TA needs to be evaluated to ensure continuity of the work done and optimize utilization of the output of the TA. This is more important for TAs that are supposed to deal with policy issues.

Recommendations and Follow-Up Actions

No further action is required.

Prepared by Rune Stroem Designation Principal Energy Specialist, CWID