



Completion Report

Project Number: 38458
Loan Number: 2178-PAK
July 2011

PAK: Infrastructure Development

Asian Development Bank

CURRENCY EQUIVALENTS

Currency Unit – Pakistan rupee/s (PRe/PRs)

		At Appraisal (14 July 2005)	At Project Completion (31 March 2010)
PRe1.00	=	\$0.0165	\$0.0117
\$1.00	=	PRs60.50	PRs85.50

ABBREVIATIONS

ADB	–	Asian Development Bank
EA	–	executing agency
IA	–	implementing agency
IMU	–	infrastructure management unit
IPD	–	Irrigation and Power Department
MFF	–	multitranchise financing facility
MOLG&RD	–	Ministry of Local Government & Rural Development
MOPS	–	Ministry of Ports and Shipping
MOR	–	Ministry of Railways
MOWP	–	Ministry of Water and Power
NHA	–	National Highway Authority
NTDC	–	National Transmission & Despatch Company
PDD	–	Planning and Development Division
PEPCO	–	Pakistan Electric Power Company
PMPIU	–	Project Management & Policy Implementation Unit
PPIB	–	Private Power and Infrastructure Board
PPP	–	public-private partnership
RRP	–	report and recommendation of the president
SSTA	–	small-scale technical assistance
TA	–	technical assistance
UET	–	University of Engineering and Technology

NOTE

- (i) In this report, "\$" refers to US dollars.

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BASIC DATA

A. Loan Identification

1.	Country	Pakistan
2.	Loan Number	2178-PAK
3.	Project Title	Infrastructure Development
4.	Borrower	Islamic Republic of Pakistan
5.	Executing Agency	Planning and Development Division
6.	Amount of Loan	SDR17,163,000 (\$25,000,000 equivalent)
7.	Project Completion Report Number	PCR: PAK 1249

B. Loan Data

1.	Appraisal	Appraisal not required.
	– Date Started	
	– Date Completed	
2.	Loan Negotiations	
	– Date Started	13 July 2005
	– Date Completed	14 July 2005
3.	Date of Board Approval	18 August 2005
4.	Date of Loan Agreement	12 September 2005
5.	Date of Loan Effectiveness	
	– In Loan Agreement	12 December 2005
	– Actual	9 February 2006
	– Number of Extensions	2
6.	Closing Date	
	– In Loan Agreement	31 March 2010
	– Actual	30 June 2010
	– Number of Extensions	1
7.	Terms of Loan	
	– Interest Rate	1% per annum during grace period; 1.5% per annum thereafter
	– Maturity (number of years)	32
	– Grace Period (number of years)	8
8.	Terms of Relending (if any)	Not applicable
	– Interest Rate	
	– Maturity (number of years)	
	– Grace Period (number of years)	
	– Second-Step Borrower	

9. Disbursements
a. Dates

Initial Disbursement 09 March 2007	Final Disbursement 30 June 2010	Time Interval 39 months
Effective Date 9 February 2006	Original Closing Date 31 March 2010	Time Interval 49 months

b. Amount (SDR'000)

Category or Subloan	Original Allocation	Last Revised Allocation	Amount Canceled	Net Amount Available	Amount Disbursed	Undisbursed Balance
Enabling Environment	858,000	77,792	780,208	77,792	77,792	0
Power	4,634,000	3,029,743	1,604,257	3,029,743	3,029,743	0
Transport	7,552,000	2,336,859	5,215,141	2,336,859	2,336,859	0
Water Resources	4,119,000	182,757	3,936,243	182,757	182,757	0
Total (\$ Equiv)	17,163,000	5,627,151	11,535,849	5,627,151	5,627,151	0
	25,000,000	8,617,428	16,382,572	8,573,897	8,617,428	0

10. Local Costs (Financed)		
- Amount (\$'000)	2,710,522	
- Percent of Local Costs		38%
- Percent of Total Cost		32%

C. Project Data

1. Project Cost (\$ million)

Cost	RRP Estimates	Actual
Enabling Environment		
Foreign Exchange Cost	0.85	0.05
Local Currency Cost	0.80	0.08
Power		
Foreign Exchange Cost	4.92	2.54
Local Currency Cost	4.08	2.11
Transport		
Foreign Exchange Cost	8.14	3.25
Local Currency Cost	6.54	0.31
Water Resources		
Foreign Exchange Cost	4.24	0.07
Local Currency Cost	3.76	0.21
Interest During Implementation		
Foreign Exchange Cost	0.34	0.00
Local Currency Cost	0.00	0.00
Total	33.67	8.62

RRP = Report and recommendation of the president.

2. Financing Plan (\$ million)

Cost	RRP Estimate	Actual
Implementation Costs		
Borrower Financed	8.67	2.15
ADB Financed	25.00	8.62
Total	33.67	10.77

ADB = Asian Development Bank.

3. ADB Cost Breakdown by Project Component (\$ million)

Component	ADB's Share of RRP Estimate	ADB's Actual Share
Enabling Environment	1.25	0.121
Power	6.75	4.651
Transport	11.00	3.567
Water Resources	6.00	0.278
Total	25.00	8.617

4. Dates of Contracts with Consultants

Item	Appraisal Estimate	Actual
Enabling Environment		
Mr. Waqar Ahmed Saleem Qazi		16 Oct 06 – 31 Mar 10
Mr. Syed Mahar Hussain Kazmi		12 Oct 06 – 31 Mar 10
Mr. Tahir Parvaiz Dar		1 Sep 07 – 31 Mar 10
Mr. Hussain Parvez		10 Sep 07 – 31 Mar 10
Power		
British Power International		04 Jun 07 – 01 Aug 07
Mirza Associates Engineering Services		02 Feb 09 – 31 Mar 10
British Power International		02 Feb 09 – 20 Oct 09
Socoin Ingeniera and Nespak Industrial SLU		28 Jul 09 – 31 Mar 10
Transport		
Mr. A. Rehman		15 Sep 07 – 17 Oct 09
Mr. M. Hayat		05 Dec 07 – 04 Dec 09
Mr. A. Baig		18 Mar 08 – 31 Oct 10
Mr. A. Muzaffar		27 Dec 07 – 01 Jul 08
Mr. M. Mahmood		14 Jan 08 – 20 May 08
M/s Minconsult		22 Oct 08 – 31 Mar 10
M/s Roughton		14 Jan 09 – 15 Oct 10
M/s McKinsey		17 Apr 09 – 30 May 10
M/s Mott McDonald		12 Dec 09 – 22 Nov 10
Water Resources		
Mr. Qamar Hussain Qamar		02 Jan 09 – 31 Mar 10
Mr. Muhammad Salman Afzai		23 Apr 09 – 22 Jun 09
Mr. Abdul Majeed		17 Aug 09 – 18 Mar 10
Mr. Muhammad Asad		15 Aug 09 – 03 Sep 09
M/s UET, KP		01 Aug 09 – 31 Mar 10
M/s Indus Associates		15 Jan 10 – 31 Mar 10
M/s AAB Pvt. Ltd.		15 Jan 10 – 31 Mar 10

5. Project Performance Report Ratings

Implementation Period	Ratings	
	Development Objectives	Implementation Progress
<u>Enabling Environment</u>		
From 01 January to 31 December 2007	Satisfactory	Satisfactory
From 01 January to 31 December 2008	Satisfactory	Satisfactory
From 01 January to 28 February 2009	Satisfactory	Unsatisfactory
From 01 March to 31 December 2009	Satisfactory	Satisfactory
From 01 January to 30 June 2010	Satisfactory	Satisfactory
<u>Power</u>		
From 01 August to 31 December 2006	Satisfactory	Satisfactory
From 01 January to 31 December 2007	Satisfactory	Satisfactory
From 01 January to 31 December 2008	Satisfactory	Satisfactory
From 01 January to 28 February 2009	Satisfactory	Unsatisfactory
From 01 March to 31 December 2009	Satisfactory	Satisfactory
From 01 January to 30 June 2010	Satisfactory	Satisfactory
<u>Transport</u>		
From 09 February to 31 December 2006	Satisfactory	Satisfactory
From 01 January to 31 December 2007	Satisfactory	Satisfactory
From 01 January to 31 December 2008	Satisfactory	Satisfactory
From 01 January to 31 December 2009	Satisfactory	Satisfactory
From 01 January to 31 March 2010	Satisfactory	Satisfactory
From 01 April to 30 June 2010	Partly Satisfactory	Partly Satisfactory
<u>Water Resources</u>		
From 09 February to 31 September 2006	Satisfactory	Satisfactory
From 01 October to 31 December 2006	Satisfactory	Highly Satisfactory
From 01 January to 31 December 2007	Satisfactory	Highly Satisfactory
From 01 January to 31 May 2008	Satisfactory	Highly Satisfactory
From 01 June 2008 to 30 November 2009	Satisfactory	Satisfactory
From 01 December 2009 to 31 March 2010	Partly Satisfactory	Partly Satisfactory
From 01 April to 30 June 2010	Partly Satisfactory	Partly Satisfactory

D. Data on Asian Development Bank Missions

Name of Mission	Date	No. of Persons	No. of Person-Days	Specialization of Members
Fact-Finding Mission	25 Nov–2 Dec 04	3	24	a,b,c
Inception Mission	07–11 Mar 06	9	15	a,c,d
Review Mission 1	14–15 Dec 07	1	2	A
Review Mission 2	13–15 Mar 08	3	9	a,b
Review Mission 3	10–19 April 2008	1	10	A
Review Mission 4	28 Jun 08	2	2	a,b,e
Review Mission 5	23 Jul–08 Aug 08	1	17	A
Review Mission 6	26–28 Aug 08	5	15	A
Review Mission 7	3–7 Feb 09	2	10	a,c
Review Mission 8	10 Feb 09	5	5	a,b
Review Mission 9	1–4 May 09	1	4	A
Review Mission 10	9 May 09	4	4	a,b
Review Mission 11	1–4 May 09	1	4	A
Midterm Review Mission	7–8 Oct 09	4	8	a,b
Project Completion Review	14–20 Feb 11	3	7	a,b

a = project officer or specialist; b = project analyst; c = programs officer; d = project implementation officer; e = consultant.

I. PROJECT DESCRIPTION

1. On 18 August 2005, the Asian Development Bank (ADB) approved a multisector technical assistance (TA) loan of \$25 million from ADB's Special Funds,¹ and a complementary small-scale TA (SSTA) grant of \$150,000 from ADB's TA funding program,² to help the Government of Pakistan define, plan, prepare, and implement a program for infrastructure development. The project aimed to (i) strengthen the environment for, and improve the sustainability of, infrastructure investment; (ii) outline an infrastructure investment program for the short, medium, and long term; and (iii) prepare investment and institutional capacity interventions for major infrastructure sectors—power, transport, and water resources. The investment programs were intended for future ADB public and private financing, as well as for non-ADB financing.

2. The project had four components: one each for the power, transport, and water resources sectors, and one for enabling environment.³ Each sector component included three categories—institutional capacity building, project preparation, and policy and institutional development. The government was the Borrower, and its Planning and Development Division (PDD) was the Executing Agency. An infrastructure management unit (IMU) was established within the PDD to manage the increased activity resulting from the government's focus on infrastructure. The IMU was to steer infrastructure development and coordinate with government ministries and agencies. The TA loan's organizational chart of sector components and its project flow diagram are in Appendixes 1 and 2, respectively.

II. EVALUATION OF DESIGN AND IMPLEMENTATION

A. Relevance of Design and Formulation

3. The TA loan was developed in December 2004, following a series of consultations with the government in order to ensure ownership and agreement on its coverage.⁴ Subprojects were developed for the power and transport sectors, but not as yet for the water resources sector.⁵

4. This TA's concept was considered innovative. It departed from those of typical project preparatory TAs in that it included a design and specified the requirements for each subproject. Lessons learned from previous projects were incorporated into the design, especially those regarding safeguards and management. The project framework is in Appendix 3.

5. The TA was included in the country strategy and program update.⁶ The TA was sound and relevant, focusing on physical infrastructure under the government's Medium-Term Development Framework 2005–2010. The government's vision for economic growth and poverty reduction set ambitious targets, and required that 54% of total anticipated development

¹ ADB. 2005. *Report and Recommendation of the President to the Board of Directors: Proposed Technical Assistance Loan and Technical Assistance Grant—Infrastructure Development Project in Pakistan*. Manila.

² ADB. 2005. *Technical Assistance to Pakistan for Support of Infrastructure Development*. Manila.

³ "Enabling environment" means improving the environment for infrastructure investment by working to lessen or remove any legal, fiscal, organizational, political, or cultural constraints and obstacles that may be hindering or discouraging such investment.

⁴ A fact-finding mission was done in three phases: (i) the transport sector mission visited Pakistan from 21 to 28 October 2004, (ii) the water resources sector mission from 26 October to 5 November 2004, and (iii) the power sector mission from 25 November to 2 December 2004.

⁵ Each component eventually started with at least two subprojects.

⁶ ADB. 2004. *Country Strategy and Program Update: Pakistan, 2005–2006*. Manila.

expenditure be allocated to infrastructure. The government recognized that it could not fund more than a third of the specified infrastructure investments, and thus needed substantial support from development partners. The TA design included enabling environment activities, infrastructure investment, and capacity development (for obtaining additional funds from the private sector). The design of the TA remains relevant. Since the closing of the loan, the government has continued to fund some of the projects prepared under the TA. This indicates ongoing relevance and commitment by the authorities.

B. Project Outputs

6. The TA was meant to help with: (i) feasibility studies; (ii) detailed designs; (iii) project bidding documentation and evaluation; (iv) capacity building for the development of public-private partnership (PPP) models for the financing, construction, and operation and maintenance of infrastructure facilities; and (v) capacity building for execution of policy. The IMU was to use the SSTA, which would complement the sector components.

7. Out of 30 subprojects in the original long list, 14 were completed, including related feasibility studies and capacity building. The breakdown of completed subprojects by component is given in Table 1.

Table 1: Subproject Targets and Completions

Component	Long List of Subprojects	Subprojects Completed	Completion Ratio
Enabling Environment	2	1	50%
Power Sector	7	5	71%
Transport Sector	10	5	50%
Water Sector	11	3	27%
Total	30	14	47%

Source: ADB review missions.

8. **Enabling environment outputs.** The envisaged outputs, to be achieved by the IMU, were capacity building and the integration of PPPs into the planning of the overall infrastructure project. The IMU was set up in February 2006, and its tasks were concluded by the time the loan closed. The PPP aspect was not started until April 2008, at which point a project management unit was set up within the IMU. Because there were other TAs and projects promoting PPPs within Pakistan, the subproject for integrating PPPs was eliminated from this component to avoid duplication. The other TAs and projects (mainly program loans) had not existed when the TA loan was first approved. They came into being afterward, mostly in response to the effects of the worldwide economic recession. The decision to cancel the PPP subproject was the correct one. PPP work has continued under other auspices, especially under federal loans, infrastructure program loans, and provincial government program loans.

9. **Power sector outputs.** The expected outputs included (i) improvements in the effectiveness of the National Transmission and Despatch Company (NTDC) and the Pakistan Electric Power Company (PEPCO), and (ii) the preparation of feasibility studies, detailed project designs, and bidding documents for five investment subprojects, including: two hydropower generation plants, one thermal power generation plant, one power transmission enhancement scheme, and one power distribution investment scheme. By project completion, all power sector subprojects were finished except for the two involving institutional capacity building, which were canceled at the request of both companies. The institutional capacity building subprojects were then continued under various multitranche financing facilities (MFF). The reasons for their

cancellation were: (i) funds for capacity building had already been secured through other ongoing loans from ADB and other donor institutions, for larger amounts and longer periods; (ii) a delay in the initial stage had shortened the loan utilization period; and (iii) the costs of the feasibility studies had increased. A portion of the canceled loan proceeds were reallocated to the feasibility studies for hydropower subprojects.

10. **Transport sector outputs.** The TA originally targeted 10 subprojects for the transit sector component: six under the National Highway Authority (NHA), one under the Ministry of Local Government & Rural Development, two under the Ministry of Railways (MOR), and one under the Ministry of Ports and Shipping (MOPS).

11. The planned outputs were reduced over time, however, mainly because relevant work was already being done under MFFs. All projects initially assigned to MOR and MOPS were canceled, and ADB and the World Bank refinanced them separately. However, a new subproject was developed for MOR. The revised list of subproject outputs, which were all completed, included: a PPP initiative for national highway development, NHA capacity building, a district road resource management project, a PPP strategy for railway policy, and a national trade corridor strategy study.

12. **Water resources sector outputs.** No subprojects were specified at inception for this component. In mid-2007, however, the PDD and the implementing agencies provided a list of 11 recommended subprojects to ADB, of which one was implemented, two were partly implemented, and eight turned down. Three studies were conducted under the two partly implemented subprojects. The fully implemented subproject financed research at an engineering university. The partially implemented ones conducted two seminars; developed a website; and recruited an individual consultant to look at discharge measurements at a canal head regulator, to resolve an inter-provincial dispute .

13. The government asked ADB to cancel a large part of the allocation for the water resources component. Although this led to lower-than-projected outputs, work in water resources continued, though via separate facilities, in particular MFFs.

14. The late start of the work on water resources and the imposed reduction in its scope caused delays in TA implementation. Another problem was the time it took to hire consultants: a full year.

C. TA Cost and Disbursements

15. The original total cost was \$33.67 million, including ADB's original allocation of \$25 million and the government's counterpart funding of \$8.67 million. ADB's allocation was to be split in the following way: \$6.75 million for the power sector, \$11 million for the transport sector, \$6 million for the water resources sector, and \$1.25 million for creating an enabling investment environment.

16. Because of a restructuring of the TA, ADB ended up disbursing \$8.62 million (or 34.5%) of its original allocation, with this amount divided as follows: \$4.65 million for power, \$3.57 million for transport, \$0.28 million for water resources, and \$0.12 million for the IMU's enabling environment activities. The list of projects and funding is in Appendix 4.

D. Project Schedule

17. The project was to be implemented over 4 years—from 9 February 2006 to 31 March 2010. The actual loan closing date was 30 June 2010, after an extension of 3 months.

E. Implementation Arrangements

18. The implementation arrangements were mostly well formulated. The implementing agencies for the power component were the Ministry of Water and Power (MOWP), PEPCO, NTDC, and the Private Power & Infrastructure Board (PPIB). In the case of transport, they included the Ministry of Local Government & Rural Development (MOLG&RD), MOPS, MOR, and NHA. The water resources component was implemented by the MOWP and, in the provinces, by the Irrigation and Power Department (IPD).

19. The weak spot was the IMU, which was the implementing agency for the enabling environment component. As mentioned in paragraph 2, it was also supposed to oversee the infrastructure project as a whole, coordinating with government ministries and the other implementing agencies. But despite government assurances that highly qualified staff and sufficient resources would be mobilized, the IMU remained inadequately staffed and equipped, causing many delays in subproject development. ADB raised this matter with the government on numerous occasions, mostly without success.

20. The IMU was to be staffed with a director and specialists in infrastructure and planning. It was to report to the secretary of the PDD and be responsible for day-to-day implementation works, as well as monitoring and reporting. In the end, the IMU was staffed with just one coordinating director and a few assistants. Other staff were resourced from the implementing agencies, i.e., individual subproject directors, most of whom had limited experience. This affected project implementation.

21. Regarding the enabling environment component, the TA's subproject promoting PPP integration was dropped because MFFs were already active in that area, rendering the TA's efforts redundant. In this situation, it was right to restructure the TA loan to avoid any duplication of work and to ensure consistency in priority operations. Another reason for canceling some TA-related consulting contracts was the rapidly worsening economic situation in Pakistan. Starting in 2008, the government budget was badly constricted, and preparing new subprojects without taking this into account would have yielded little or no value.

F. Conditions and Covenants

22. Except for one, the loan covenants for the three sector components and for enabling environment were identical, addressing organizational structures and monitoring and reporting. The covenants for water resources also included the formation of a steering committee to oversee the activities of multiple implementing agencies. The covenants for power and transport were generally complied with. However, this was not the case for water resources: out of the 10 loan covenants, two were fully complied with but late, five were partially complied with, and three were not complied with at all. The status of compliance for the all components is detailed in Appendix 5.

G. Other Technical Assistance

23. The TA loan was backed by an SSTA grant of \$150,000 from ADB's TA funding program.⁷ The purpose was to analyze infrastructure investment constraints. A report was finalized in July 2007 after intensive consultations with private and public sector agents. The report contains details on the impediments to investment, including generic PPP constraints. Following the final submission of the report, seven seminars on PPPs were conducted to raise awareness across Pakistan. The SSTA was successful. All outputs were achieved, and the seminars, along with a public relations exercise, created considerable interest in the private and public sectors. The dissemination of PPP knowledge notes helped to create a PPP network in the country. Moreover, two power projects are now ready for financing as independent power producers. The TA completion report is attached as Appendix 6.

H. Consultant Recruitment and Procurement

24. ADB's *Guidelines on the Use of Consultants* was followed during the recruitment of consultants. Out of the 31 consulting packages envisaged, 17 were successfully awarded. Others were canceled for the reasons given in paragraph 21.

25. The implementing agencies remained unfamiliar with ADB's procedures for consultant selection and administration. ADB conducted training on recruitment, and expected the IMU to continue this work, but the IMU failed to do so.

26. Another significant problem was taxation required on various consultancy contracts. According to the Loan Agreement, the consultants' taxes and duties shall be covered by the government's counterpart funding rather than by the ADB loan. This misunderstanding took 8 months to clear up with the Federal Board of Revenue. Moreover, some consultants were also reluctant to work in Pakistan because of security concerns. The implementing agencies were forced to change arrangements and delivery times in several cases because of these complications.

27. The capacity building subprojects required the procurement of goods and equipment. However, this was not possible under the TA because the loan agreement specified only one category, consulting services. This was contested by some agencies, but ADB maintained that such costs should be funded under the government's portion of the financing plan.

I. Performance of Consultants, Contractors, and Suppliers

28. Overall, most consultancy services proved to be satisfactory, with the exception of two consultancy services in the transport component.

29. **Power.** The performance of the consultants in the power component was satisfactory. The consultants carried out feasibility studies for two hydropower projects, both of which are located in difficult areas in the Chitral region. To meet the strict deadlines, the consultants mobilized additional resources and finished the studies by the original project completion date.

30. **Transport.** The performance of the consultants in the transport component was mixed. The performance of the consultants working on the PPP initiative for national highway development was unsatisfactory. The performance of the consultants working on the district

⁷ ADB.2005. *Technical Assistance to Pakistan for Support of Infrastructure Development*. Manila.

road resource management feasibility study was also unsatisfactory. It was observed that, although the consultancy was a joint venture, international presence was lacking. The local partner conducted most of the work, the first and final drafts of the reports were substandard, and the road design did not proceed. However, the performances of the consultants working on the PPP policy mandates for the railway and national trade corridor strategies were satisfactory. These consultants behaved professionally and completed their work on time.

31. **Water Resources.** The consultants' work for the water resources component was satisfactory. They performed according to their terms of reference.

J. Performance of the Borrower and the Executing Agency

32. The performance of the IMU was poor, and that of the PDD only partly satisfactory.

K. Performance of the Asian Development Bank

33. ADB's performance was partly satisfactory. Insufficient monitoring and tardy responses were the two notable weaknesses. ADB staff responded well to the work duplication caused by the involvement of MFFs in promoting private-sector integration, which overlapped some of the TA's activities. However, ADB staff could have acted earlier, especially by canceling the TA's involvement in these areas. This would have saved money, in part by reducing administrative expenses. Nonetheless, some of the consultancy mandates were sound and added value to the agencies. Staff undertook frequent missions and reported accurately on TA performance.

III. EVALUATION OF PERFORMANCE

A. Relevance

34. The rationale and formulation of the project were sound and relevant. The TA was aligned with ADB's country strategy and program updates on infrastructure development, a priority for the government.

B. Effectiveness in Achieving Outcome

35. Although parts of the TA loan were canceled, and the TA loan thus failed to reach all its main targets, the remaining components did deliver some outcomes. And these outcomes are still being realized through other modalities, including various MFFs. The important role of the MFFs was one of the reasons for the cancelation of several parts of the TA loan.

C. Efficiency in Achieving Outcome and Outputs

36. The TA loan was not efficient in achieving its desired results.

D. Preliminary Assessment of Sustainability

37. Overall, at least some of the work done under the TA is likely to be sustainable. The participating government agencies recognized the importance of project preparation, and handled this task mostly on their own, sometimes with donor support. And there was substantial progress in project preparation and policy reform in the power and transport sectors.

38. The enabling environment in Pakistan has changed radically in recent years, however, not for the better. Economic conditions in Pakistan have worsened dramatically since 2008. The

skyrocketing costs of fuel and food have worsened the balance of payments problem, creating the need for an IMF program. And the economic transition was soon complemented by a political transition, which further complicated the conditions for investment, budget policy, and project financing. The realization of projects depends on the availability of financing, and on the readiness of the agencies to utilize this financing. It depends not only on external sources of funding, but also on domestic sources, especially to cover land acquisition and resettlement costs. And it needs the right policy supports, especially on tariffs and circular debt (power), budgets for maintenance (water and transport), and the efficiency of local institutions (water). While the TA loan could have prepared a long list of subprojects within the specified period, many of them would have resulted in reports rather than in real operations. Canceling consultancy contracts in order to focus on priority operations was the sensible thing to do. The option of delegating some of the priority operations to the MFFs further justified the cancelations.

E. Impact

39. The TA loan outputs were not effective.

IV. OVERALL ASSESSMENT AND RECOMMENDATIONS

A. Overall Assessment

40. The TA loan is evaluated as only partly successful.⁸ The consultancy mandates that were carried out were generally sound, resulting in new subprojects. The cancelation of some TA consultancy contracts reduced duplication of the MFFs' work, and stopped the agencies from approving projects that could not have been funded in any case because of Pakistan's economic problems.

B. Lessons

41. The major lessons learned from the project are as follows.
- (i) The PDD's lack of capacity to assist the implementing agencies delayed the issuance of consultant mandates, thus slowing down work on some priority subprojects. The choice of the PDD as the executing agency was a mistake. The PDD lacked qualified staff, access, and a track record. The setting up of new units to manage consultancy contracts does not work and should not have been proposed in the first place.
 - (ii) ADB should have restructured its TA loan much earlier, taking into account two events: (i) the approval of new MFFs with project-preparation components that duplicated some of the TA's work, and (ii) dramatic changes in the economy that made some subprojects irrelevant and/or unfundable. The review missions reported on consultant services and their performance, and they did propose a major restructuring of the TA over time. If the restructuring had been done earlier and more extensively, however, all concerned would have saved time and money. The important lesson here is that one must take changing circumstances into account.

⁸ The overall rating was calculated as the weighted average of funds allocated to each sector component and to the IMU.

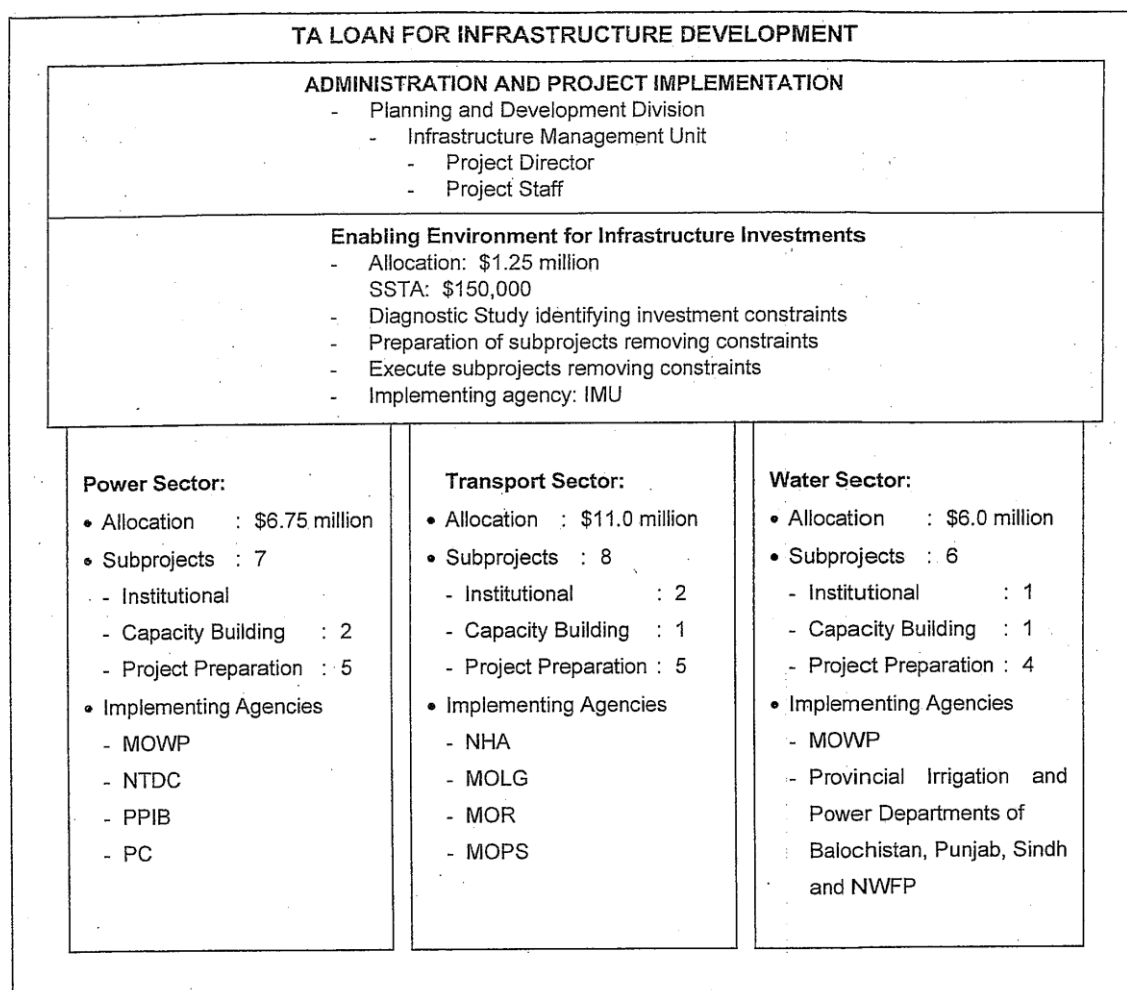
- (iii) While the project-preparation facilities made sense, the TA loan itself was spread too thinly. The funds were dispersed across three sectors, and were handled by numerous agencies managing subprojects in many locations. This made coordination a challenge right from the outset, especially given the absence of an experienced and capable local coordination team. It did not work. In retrospect, the multi-sector design of the TA was wrong, and approval should not be given for similar TA loans in the future. The important lesson learned here is to restrict loans to one sector at a time.
- (iv) When projects cross ministerial boundaries—as was the case with the national and provincial stakeholders in the water resources sector—there must be a clear commitment at the design stage to avoid disputes. Otherwise, such projects should be avoided altogether.
- (v) Where a large capacity-building component precedes project preparation, reviews by ADB should be more frequent. The consultants should also produce verifiable and detailed reports on progress and staff training. This will allow a more timely response to problems by both ADB and the Borrower.

C. Recommendations

42. The main recommendations are as follows:

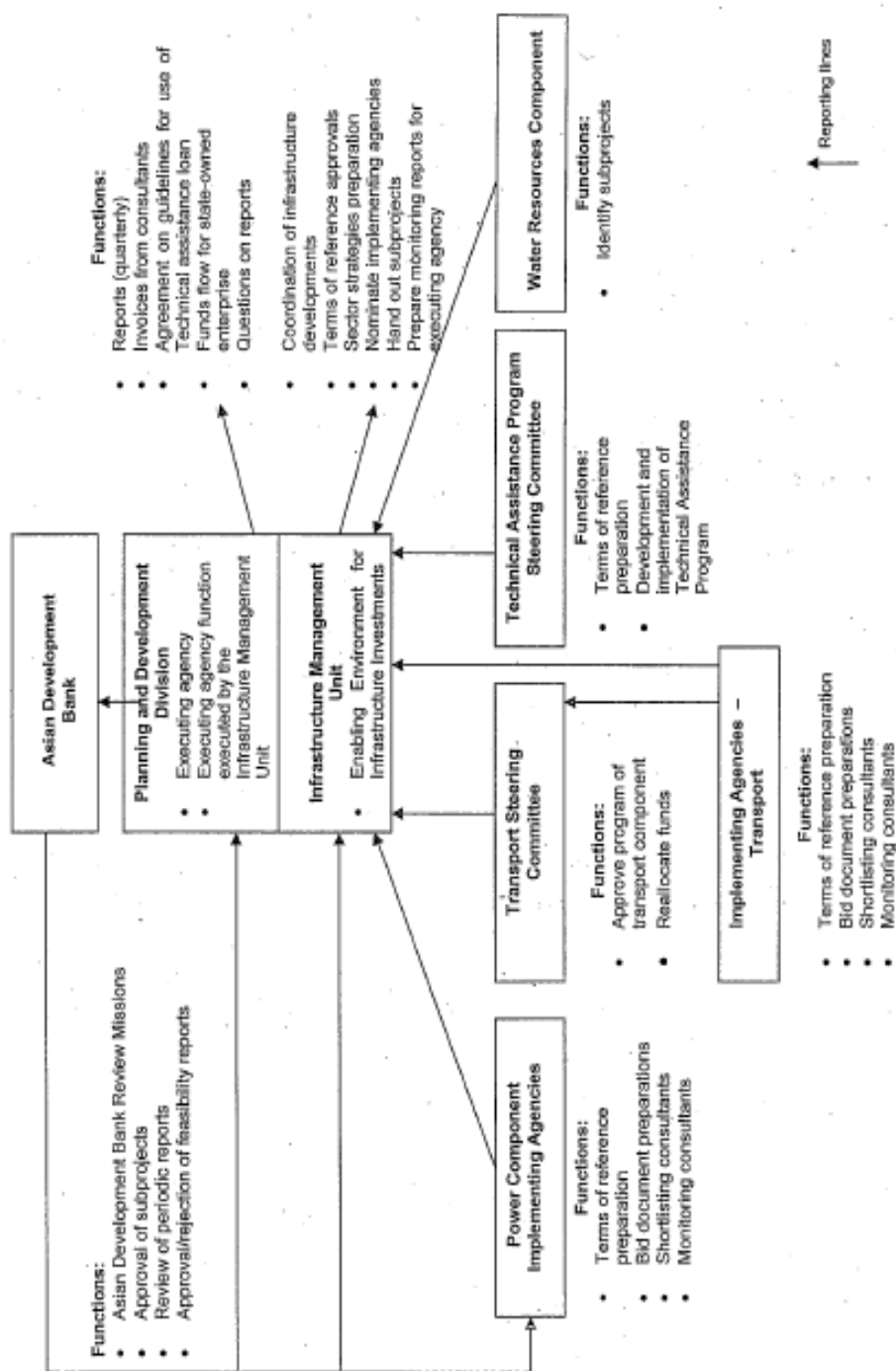
- Avoid TA loans with multi-sector, multiagency, and multilocation scopes. Otherwise, the work will be difficult to manage and even more difficult to monitor. It is also advisable to avoid multitasking. Project preparation could have been the sole focus of the TA loan. Capacity building is a different job altogether. The decision to do both at the same time was not a wise one.
- Avoid institutional arrangements—such as new units—that lack properly qualified and motivated staff. Such arrangements will likely result in delays, poor work quality, and inadequate monitoring and reporting. This wastes time and money, and compromises credibility.
- Take note of changing circumstances earlier and respond to them faster. The MFFs came into being after the TA loan had been approved, creating duplications in project preparation. Moreover, economic developments negated the rationale for many projects under the TA loan. ADB and the authorities should have made adjustments immediately.

ORGANIZATIONAL CHART SECTOR COMPONENTS



IMU = Infrastructure Management Unit, MOLG = Ministry of Local Government, MOPS = Ministry of Ports and Shipping, MOR = Ministry of Railways, MOWP = Ministry of Water and Power, NHA = National Highway Authority, NTDC = National Transmission and Despatch Company, PC = Planning Commission, PPIB = Private Power and Infrastructure Board.

PAKISTAN: INFRASTRUCTURE TECHNICAL ASSISTANCE LOAN PROJECT FLOW DIAGRAM



DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Indicators/Targets		Data Sources/ Monitoring Mechanisms	Assumptions and Risks	
	Appraisal	Actual		Appraisal	Actual
Impact The population of Pakistan has access to more and better infrastructure services in the power, transport, and water resources sectors.	Greater amount of infrastructure services in Pakistan in the power, transport, and water resources sectors. Sector indicators: 15% net increase in generation capacity. 10% of additional roads.	Considerable amount of infrastructure services in power supply and transportation sectors achieved. Water resources sector could not achieve envisaged infrastructure services. Additional roads were not constructed.	Pakistan Energy Sector Yearbook. Statistics provided by PPIB. New licenses for power generation projects issued to NEPRA. Annual reports of the provincial Irrigation and Power Department. Statistics provided by government ministries and research institutions.	Assumptions Continued focus by the government on infrastructure development to reach its economic growth and poverty alleviation targets. Private developers and investors view the investment climate as conducive. Specified projects reach financial closing and are implemented. Government will approve the recommended changes in policies and regulations.	Government continues to fund projects after loan closing. Strong interest in IPP projects, PPP inputs and seminars attracted strong interest from private sector. Not achieved, but possible in power sector. Five subprojects were financially closed and implemented with varying degrees of achievement for transport sector. Fully achieved. Adoption of policies for PPP and for transport.
Outcome Detailed enhanced infrastructure investment policies, plans, and projects are available and ready for consideration and implementation by non-public developers and investors.	Sequenced action plan to address the investment constraints by end 2006.	Sequenced action plans to address the constraints on power transmission, distribution, railways, and national trade corridor were developed.	Government policy statements and regulatory determinations.	Assumptions Actual implementation of the policies and regulations recommended under the TA loan.	Fully achieved. Adoption of policies for PPP and for transport.

Design Summary	Performance Indicators/Targets		Data Sources/ Monitoring Mechanisms	Assumptions and Risks	
	Appraisal	Actual		Appraisal	Actual
	At least 7 subprojects with primary focus on sector planning, project identification, development, and implementation.	A total of 14 subprojects on sector planning, project identification, development and implementation completed.	Statistics provided by PPIB, government ministries, and research institutions New licenses for generation projects issued by NEPRA. Periodic progress reports to IMU. Project completion reports.	Specified projects reach financial closing and are implemented. Risk Civil society groups oppose the defined projects and/or investments.	Partly achieved in power sector. For transport, five specific subprojects reached financial closing and were implemented. Risk mitigated through participation of private sector in PPP. Other projects included social and environmental mitigation.
Outputs 1. Constraints for investments in infrastructure projects are assessed and prioritized for removal. Policy recommendations and regulations for infrastructure investments are enhanced. 2. Power Sector: NTDC and the new distribution companies have greater capacities, and feasibility reports for generation projects are ready for financing.	Diagnostic study identifying constraints for non-public investments in infrastructure, leading to at least 2 subprojects removing identified constraints. At least 2 institutional capacity building subprojects and 5 feasibility reports for the power sector.	Private-public partnership initiative for national highway and railways development were implemented. Diagnostic study identifying constraints for private investments in other sector was implemented from other funding sources. Five feasibility reports for the power sector completed. Two institutional capacity building subprojects were implemented from other ADB- financed projects.	Consultants' diagnostic study of the constraints. Signed Subproject Agreements and project completion reports. Improved policies and regulations as issued by the government. Pakistan Energy Sector Yearbook (issued annually), PPIB statistics, and Power System Statistics	Assumptions Government agencies are able to retain qualified staff. Sufficient resources, equipment, and management available in each infrastructure agency. Effective operation of the executing and implementing agencies, and IMU. A sufficient and environmentally sound pipeline of infrastructure projects can be	Too early to assess. Except for the water sector, resources were made available but in some cases, delayed. Water sector too fragmented. IMU and Power sector effective, Transport, less effective, water, ineffective. In all sectors, pipeline of projects exceeded targets, but implementation fell short

Design Summary	Performance Indicators/Targets		Data Sources/ Monitoring Mechanisms	Assumptions and Risks	
	Appraisal	Actual		Appraisal	Actual
3. Transport sector: NHA's PPP planning and project preparatory capacities are enhanced, and road, port, and railway feasibility reports are ready for financing.	At least 3 institutional capacity building subprojects and 5 feasibility reports for the transport sector.	Transport Sector: One institutional capacity building and three feasibility subprojects were implemented with varying degrees of success.	issued by WAPDA. Progress reports. ADB review missions	determined. Land disputes and resettlement issues can be resolved. Risk Delays in project identification, development of terms of references, feasibility study exercise, and project implementation of infrastructure projects.	due to delays. Continued government support beyond loan closure ensures continued emphasis on project development. Problems did not arise. This risk resulted in water and transport sectors, and could not be adequately be addressed within the loan timeframe. Some project subsequently transferred to MFF.
4. Water resources sector: sector structure is enhanced and project feasibility reports are available for financing.	At least 3 institutional capacity building subprojects and 5 feasibility reports for the water resources sector.	Three institutional capacity building subprojects were implemented. No feasibility report was prepared.			
Activities with Milestones 1.1 Contract consultants for the IMU by 1 October 2005. 1.2 Assess the constraints that prevent investors from funding infrastructure projects, through a diagnostic study to be completed by first quarter 2006. 1.3 Define subprojects and activities to remove constraints that negatively affect the investment climate and strengthen the sustainability of investment options in infrastructure sectors by end first quarter 2006. 1.4 Complete at least 3 subprojects removing identified constraints by end 2007. 2.1 Prepare at least 5 project feasibility studies by end 2007. 2.2 Prepare at least 2 institutional capacity-building subprojects and complete by end 2008. 3.1 Prepare at least 5 project feasibility studies and complete by end 2007. 3.2 Prepare at least 3 Institutional capacity-building subprojects by mid-2008. 4.1 Prepare at least 5 feasibility studies and complete by mid-2008. 4.2 Prepare at least 3 institutional capacity-building and policy development subprojects, and complete by end 2007.				Inputs ADB: \$25.0 million in ADF loan - 600 person-months (pm) of international and 1,500 pm of domestic consultants. ADB: SSTA of \$150,000 - 32 pm of domestic consultants. Project management: 25 ADB review missions, and 16 pm of ADB staff oversight. Government: In-kind contribution of \$8.67 million.	

IMU = infrastructure management unit; NEPRA = National Electric Power Regulatory Authority; NHA = National Housing Authority; NTDC = National Transmission and Despatch Company; PPIB = Private Power and Infrastructure Board; PPP = public-private partnerships; WAPDA = Water and Power Development Authority

LIST OF PROJECTS AND MONETARY UTILIZATION

Sr. No.	Subprojects	Implementing Agency	Original Allocation (\$ m)	Revised Allocation (\$ m)	Utilization (\$ m)	Utilization (%)
	Enabling Environment					
1	IMU capacity building	IMU	0.250	0.25	0.12	48.0
2	Execution of subprojects: (i) Integrating and streamlining PPP into planning process (InStepp) (ii) Optimizing earnings potential of low-revenue railway lines through private sector participation	IMU	0.55 0.45	0.00 0.00	0.000 0.000	0.0
			1.25	0.25	0.12	48.0
	Power					
3	Hydropower feasibility study (2 subprojects)	PPIB	2.10	3.55	3.13	86.0
4	Thermal power plants based on gas from small fields in Pakistan	PPIB	0.75	0.75	0.74	99.1
5	Subproject preparation—power transmission enhancement	NTDC	0.60	0.60	0.60	100.0
6	Subproject preparation—power distribution enhancement	PEPCO	0.60	0.60	0.18	29.2
7	Institutional capacity building of NTDC	NTDC	0.70	0.00	0.00	0.0
8	Institutional capacity building of PEPCO	PEPCO	2.00	0.00	0.00	0.0
			6.75	5.50	4.65	83.1
	Transport					
9	Road project preparatory facility (2 subprojects) ¹ —	NHA	5.40	0.40	0.05	12.5
10	Road subproject preparatory facility ² —	NHA	2.00	0.60	0.10	16.7
11	Railway subproject preparatory facility	MOR	0.80	0.00	0.00	0.0
12	PPP initiative for NHA development	NHA	1.20	0.00	0.00	0.0
13	Capacity building for NHA	NHA	0.60	0.00	0.00	0.0
14	Policy development and capacity building for MOR and Pakistan Railways	MOR	0.50	0.00	0.00	0.0
15	Policy development and capacity building for MOPS	MOPS	0.50	0.00	0.00	0.0
16	District road resource management subproject (Package 6)	MOLG& RD	0.00	1.17	0.10	8.5
17	PPP policy for Pakistan Railways (not predefined, but an additional project)	MOR	0.00	0.34	0.32	94.1
18	National trade corridor strategy study	IMU	0.00	3.00	3.00	100.0
			11.00	5.51	3.57	64.8
	Water Resources					
19	Establishment of project management and policy implementation units	MOWP	2.28	0.00	0.00	0.00
20	Strengthening and capacity building of IRSA	MOWP	0.67	0.05	0.03	60.0
21	Study of losses and gains in the Indus Basin	IRSA	0.56	0.00	0.00	0.00

¹ Includes contract packages 1 and 4 of the roads subproject.² Includes contract package 3 of the roads subproject.

22	Strengthening and capacity building of Centre of Excellence in Water Resources Engineering, UET Lahore	MOWP	0.35	0.00	0.00	0.00
23	Capacity building of Water Resources Research Department of Civil Engineering, UET Peshawar	MOWP	0.10	0.10	0.07	70.0
24	Strengthening the regulatory capacity of MOWP Dams and Barrages Safety Council	MOWP	0.20	0.10	0.10	100.0
25	Policy studies to be executed by PMPIU	MOWP	0.07	0.07	0.06	85.7
26	Feasibility study of four subprojects in Sindh	Sindh IPD	0.50	0.00	0.00	0.00
27	Hill Torrents Management Plan along right bank of Kachhi Canal in D.G. Khan and Rajanpur districts	Punjab IPD	0.44	0.00	0.00	0.00
28	Strategic review and program formulation for water sector in NWFP	NWFP IPD	0.39	0.00	0.00	0.00
29	Consultancy services for four storage dams in Balochistan	Balochistan IPD	0.44	0.00	0.00	0.00
30	National seminar on PPP mode of financing and on implementation of water sector and hydropower projects	PMPIU	0.00	0.02	0.007	35.0
31	National Seminar: "Water Conservation, Present Situation and Future Strategy"	PMPIU	0.00	0.02	0.007	35.0
32	Consultancy services for two seminars and three workshops	PMPIU	0.00	0.07	0.00	0.00
33	Website development for PMPIU	PMPIU	0.00	0.01	0.007	70.0
			6.00	0.44	0.28	64.0
	Grand Total		25.00	11.70	8.62	73.7

IMU = infrastructure management Unit, InStepp = Integration and Streamlining PPP in Planning Process, IPD = Irrigation and Power Department, IRSA = Indus River System Authority, MOLG&RD = Ministry of Local Government & Rural Development, MOPS = Ministry of Ports and Shipping, MOR = Ministry of Railways, MOWP = Ministry of Water and Power, NHA = National Highway Authority, NTDC = National Transmission & Despatch Company, NWFP = North-West Frontier Province, PEPCO = Pakistan Electric Power Company, PMPIU = Project Management & Policy Implementation Unit (MOWP), PPB = Private Power and Infrastructure Board, PPP = public-private partnership, UET = University of Engineering & Technology.

STATUS OF COMPLIANCE WITH LOAN COVENANTS

Covenants	Reference in Loan Agreement	Status of Compliance
<p>Project Execution and Implementation Arrangements. The Infrastructure Management Unit (IMU), headed by a Director, or at least Joint Secretary level and supported by experts, with substantial experience in infrastructure sectors, shall be established within Planning and Development Division (PDD) prior to the effectivity date. The IMU director shall report to the Secretary, PDD. The IMU shall be responsible for the day-to-day operational management of project implementation, and monitoring the progress of individual subprojects for all components. More specifically, the IMU shall, on behalf of the Project Executing Agency: (i) develop each Component's program; (ii) coordinate with the Borrower's ministries and agencies; (iii) liaise with the Asian Development Bank (ADB) on all Project administration matters; (iv) consolidate progress reports submitted by the Implementing Agencies; (v) consolidate subproject completion reports; (vi) prepare the project completion report; and (vii) assist the Implementing Agencies (IA) in carrying out their respective responsibilities.</p>	Schedule 6, para. 1	<p>Enabling Environment and Power: Complied.</p> <p>Transport: Complied.</p> <p>Water Resources: Partly Complied. Quality of experts appointed was not up to mark and assistance to IAs was weak.</p>
<p>Each IA shall be responsible for the detailed preparatory activities and implementation of each subproject, and shall report on the progress of each subproject to the Project EA.</p>	Schedule 6, para. 3	<p>Enabling Environment, Power, and Transport: Complied.</p> <p>Water Resources: Partly Complied. IAs were given responsibilities but they delayed activities for various reasons.</p>
<p>Each IA shall appoint a subproject director, acceptable to ADB, to administer the respective subproject. The Borrower shall ensure that each subproject director shall have the capacity to oversee social, resettlement, and environmental issues as well as engineering aspects included in the subproject. The Borrower shall ensure that each subproject director shall have the necessary resources and facilities for implementing their respective obligations under this Loan Agreement.</p>	Schedule 6, para. 4	<p>Transport: Partly Complied.</p> <p>Water Resources: Not Complied Subproject directors were appointed, but they did not have the capacity to perform the envisaged role.</p>
<p>The Borrower shall ensure that adequate resources and facilities are made available in a timely manner and in the amount required to enable the Project EA and each IA to discharge their responsibilities under the Project.</p>	Schedule 6, para. 5	<p>Enabling Environment: Complied.</p> <p>Transport: Not Complied.</p> <p>Water Resources: Partly Complied. Adequate resources were provided, but PDD and IAs did not discharge their responsibilities as envisaged.</p>

<p>A Transport Sector Steering Committee (TSSC) shall be established to oversee the activities of the Borrower's agencies concerned. The TSSC shall discuss and review the program related to the implementation of Component C, including approval of subprojects. TSSC shall ensure effective implementation and utilization of available funds, by creating an opportunity to reallocate funds between the 3 transport subsectors, and between project/programs. TSSC shall meet as required, but at least semi-annually.</p>	<p>Schedule 6, para. 7</p>	<p>Transport: Partly Complied. Meetings were held, but not on a regular basis.</p>
<p>Subproject Selection Criteria. The Borrower and each IA shall ensure that all subprojects meet, and all follow-on projects are prepared to meet, to the satisfaction of ADB, the following general criteria: (i) each subproject and follow-on project must be consistent and prepared in accordance with the Borrower's relevant sector strategy, master plans or roadmaps; (ii) each subproject and follow-on project must be consistent with ADB's Country Strategy Program or Country Strategy and Program Update; (iii) each subproject and follow-on project must be organizationally and technically feasible; (iv) each subproject and follow-on project must be prima facie economically and financially viable, and sustainable; (v) each subproject must be, and each follow-on project must be prepared to be, in accordance with the Borrower's environmental requirements and ADB's Environment Policy (2002), Policy on Involuntary Resettlement (1995), and Policy on Indigenous People (1998); (vi) each subproject must be, and each follow-on project must be prepared, in accordance with ADB's Public Communications Policy (2005).</p>	<p>Schedule 6, para. 9</p>	<p>Power: Complied.</p>
<p>Project Performance Monitoring and Evaluation Systems. The Project EA and each of the IAs shall develop a project performance evaluation monitoring system for the Project and each subproject, including (i) setting performance targets; (ii) monitoring performance against the performance targets; (iii) benefits monitoring; and (iv) performance evaluation, acceptable to ADB.</p>	<p>Schedule 6, para. 10</p>	<p>Power: Complied. Coordination meetings were held for this purpose.</p> <p>Transport: Not Complied.</p> <p>Water Resources: Not Complied.</p>
<p>Reports and Reviews. The Borrower shall ensure that quarterly progress reports of the IAs shall be consolidated by the IMU and shall indicate, among other things, (i) progress made against established targets; (ii) problems encountered during the period and remedial actions taken or proposed to resolve the problems; (iii) proposed activities to be undertaken and progress expected during the succeeding implementation period, including detailed contract awards and disbursement projections. Each IA shall prepare a subproject completion report for each subproject within 3 months of complete disbursement under the subproject. The IMU shall</p>	<p>Schedule 6, para. 11</p>	<p>All sector components: Not Complied. Only one quarterly progress report was submitted (Oct-Dec 2009).</p> <p>The EA's project completion report was submitted on 25 June 2010.</p>

submit the Project Completion Report within 3 months of complete disbursement of the loan.		
ADB may review implementation of the Project, performance of the IAs, and the activities under each subproject annually or as needed. In addition, a midterm review of the project shall be carried out on or about 2 years after the Effective Date to review the overall progress of the implementation and achievements of the Project.	Schedule 6, para. 12	All sector components: Partly Complied. Midterm review not fielded.
Review Mechanism. The Borrower shall cause the Project EA and IA to submit on a timely basis a copy of the draft final feasibility report of each subproject to ADB. ADB shall review the report. The Borrower will present follow-on loans to ADB for ADB's consideration for financing. ADB intends to consider for financing any subproject or follow-on project that meets technical, financial, economic, environmental and other social safeguards standards, acceptable to ADB. ADB may finance any follow-on Project.	Schedule 6, para. 13	Power: Complied. Feasibility studies for two subprojects were submitted to ADB. Transport: Complied. Water: Not Complied.
The Borrower and the IAs shall ensure that adequate environmental measures, in accordance with (i) the Borrower's applicable environmental laws and regulations, and (ii) ADB's Environment Policy (2002) and environmental operational procedures, are incorporated into all subproject and follow-on project designs and these measures are incorporated during subproject preparation.	Schedule 6, Para. 14	Power: Complied.
The Borrower shall (i) maintain or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements (balance sheet, statement of income and expenses, and related statements) audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; and (iii) furnish to ADB, as soon as available but in any event not later than 6 (six) months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto, all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.	Article IV, Section 4.02 (a)	All sector components: Complied.
The Borrower shall enable ADB, upon ADB's request to discuss the Borrower's financial statements for the Project and its financial affairs related to the Project from time to time with the Borrower's auditors, and shall authorize and require any representative of such auditors to participate in any such discussion requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Borrower unless the Borrower shall otherwise agree.	Article IV, Section 4.02(b)	All sector components: Complied.

The Borrower shall enable ADB's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, and any relevant records and documents.	Article IV, Section 4.04	All sector components: Complied.
Fielding of Consultants. The selection, engagement and services of the consultants shall be subject to the provisions of this Schedule and the provisions of the "Guidelines on the Use of Consultants by ADB and Its Borrowers" dated January 2005, as amended from time to time, which have been furnished to the Borrower. Selection and engagement of the consultants shall be made without any restriction against, or preference for, any particular consultant or any particular class of consultants.	Schedule 5, para. 2	All sector components: Complied.

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: CWEN

TA No., Country and Name			Amount Approved: US\$150,000	
TA 4635-PAK: Support of Infrastructure Investments			Revised Amount: N/A	
Executing Agency: Planning and Development Division (PDD)		Source of Funding: TASF	Amount Undisbursed: US\$27,169.57	Amount Utilized: US\$122,830.43
TA Approval Date: 18 Aug 2005	TA Signing Date: 18 Aug 2005	Fielding of First Consultant: 11 Sep 2006	TA Completion Date Original: 31 Aug 2007	Actual: 31 Aug 2008
			Account Closing Date Original: 31 Jan 2009	Actual: 31 Jan 2009
<p>Description</p> <p>On 18 August 2005, the Asian Development Bank (ADB) approved a multisector technical assistance loan (TA Loan)¹¹ comprising \$25 million from ADB's Special Funds resources and a small-scale TA (SSTA) grant of \$150,000 from ADB's TA funding program, to help the Government of Pakistan define, plan, prepare, and implement a program for infrastructure development. This would (i) strengthen the environment for and improve the sustainability of infrastructure investment; (ii) outline an infrastructure investment program for the short, medium, and long term; and (iii) prepare investment and institutional capacity interventions for the infrastructure sectors that cover power, transport, and water resources. The investment program was intended for future ADB public and private financing as well as non-ADB financing.</p> <p>The SSTA was the first part of the components intended to improve the enabling environment for investment included in TA Loan 2178-PAK: (i) investigation and diagnostic work regarding constraints to infrastructure investment; (ii) development of subprojects using \$1 million in funds from the environment-enabling component to redress such constraints; and (iii) assistance in implementing subprojects and disseminating their results.</p> <p>The rationale of the SSTA was sound and relevant in view of Pakistan's need to build nationwide physical infrastructure under the government's Medium-Term Development Framework 2005-2010. The government's vision for economic growth and poverty reduction set ambitious targets that required 54% of total forecast development expenditure to be allocated to infrastructure. The government recognized that it could not fund more than a third of the specified infrastructure investments and thus needed substantial support from development partners. The SSTA design incorporated the development of an enabling environment for the needed infrastructure investment and for the government to obtain additional funding from the private sector, and from multilateral and bilateral institutions.</p>				
<p>Expected Impact, Outcome, and Outputs</p> <p>The goal of the SSTA was to identify gaps in removing infrastructure investment constraints and to prioritize constraints that need removing. The planned interventions were to include such activities as policy and legal reforms, better access to information, sector-specific studies, and capacity development activities. The outputs would include detailed plans to redress the constraints and were expected to lead to more and better infrastructure services in the water, power, and transport sectors.</p>				
<p>Delivery of Inputs and Conduct of Activities</p> <p>The government was the recipient of the SSTA grant, and the Planning and Development Division (PDD) of the government was the executing agency. An infrastructure management unit (IMU) within the PDD was to manage the increased activity resulting from the government's focus on infrastructure. Established in February 2006, the IMU was to steer infrastructure development and coordinate with government ministries and agencies. It had a pivotal role in coordinating and implementing infrastructure development in Pakistan as envisioned in the government's development framework. The IMU was to be staffed with a director and infrastructure specialists with substantial experience in various infrastructure sectors, as well as overall planning exposure.</p> <p>The grant was to support the costs of consultants who would assist the IMU in prioritizing the constraints to be redressed. Terms of reference for consultants were developed in conjunction with ADB, and the diagnostic study was begun in October 2006, when ADB engaged a legal expert and an investment specialist.</p> <p>The completion of the report was expected by the end of the first quarter of 2006. An initial report was submitted in April 2007 after 46 meetings with public and private stakeholders across the country, and the report was finalized in July 2007. The delay in the outputs was due to the late signing of the loan (effectivity was delayed by 5 months) and consultant selection was not completed until September 2006.</p>				

¹¹ TA Loan 2178-PAK: Infrastructure Development

The report and recommendation of the President implicitly assumed that there would be advance consultant recruitment. However, as the IMU responsible for this had not been formed until loan effectiveness, the milestone could not be achieved. On the other hand, the study was completed within the allocated time.

Evaluation of Outputs and Achievement of Outcome

The study contains comprehensive detail on the impediments to investments in the water, power, transport, and finance sectors, as well as generic public-private partnership (PPP) constraints. Following final submission of the report, seven seminars in PPP were conducted to raise general awareness of PPP across Pakistan.

The outputs of the SSTA have been fully achieved, and the outcome from the seminars and public relations exercise has created considerable interest in the private and public sectors. The dissemination of PPP knowledge is being used to increase the PPP network in the country and to develop two power projects ready for financing under TA Loan 2178. Further, the government has set up a committee on the "Removal of Constraints to Private Sector Investment in Infrastructure" to implement the recommendations of the study. Hence, the intended outcome has been fully achieved.

Overall Assessment and Rating

Overall, the SSTA is *highly successful*. The SSTA was *highly relevant* to the government at inception and continues to receive undiminished support. Its outputs and outcome were delayed but fully achieved; hence, the SSTA is rated *efficient* and *highly effective*. The preliminary assessment of sustainability is high, since the project outputs continue to be implemented by the government and the expertise gained has been applied to future power projects, which will be developed in conjunction with the private sector.

Major Lessons.

The SSTA was an excellent foundation for the TA loan implementation that followed. The good design led to full ownership by the government, and subsequent inclusion in its five-year plan. The participatory consultation with the private and public sectors ensured that the recommendations developed were fully accepted. Further dissemination of the results served to gain widespread acceptance of the recommendations.

Recommendations and Follow-Up Actions.

Policy dialogue conducted by ADB with its borrowers, which is followed up with a TA for policy development to include the full participation of private and public sectors, is likely to have far-reaching impacts, as was seen by the follow-on actions to this TA. This modality should be widely encouraged whenever widespread acceptance of new infrastructure and financing policy is necessary.

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