

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: SAEN

TA No. and Name TA 3573 - IND: Reorganization Plan for Gujarat Electricity Board				Amount Approved: \$600,000	
				Revised Amount: \$600,000	
Executing Agency: Gujarat Electricity Board				Source of Funding: TASF	
				TA Amount Undisbursed \$30,003.45	TA Amount Utilized \$569,996.55
				Completion Date	
				Original 18 May 2001	Actual 01 April 2003
Date Approval 13 Dec. 2000 Signing 18 May 2001 Fielding of Consultants 25 October 2001				Closing Date	
				Original 30 Nov 2002	Actual 30 June 2003
Description <p>This TA was provided in conjunction with the program loan (IND-1803) and project loan (IND-1804) for the Gujarat Power Sector Development Program. The purpose of this TA was to prepare a reorganization plan for the Gujarat Electricity Board (GEB).</p>					
Objectives and Scope <p>The original objectives of the TA were to (i) help establish the optimal model for the sector structure and prepare a reorganization plan; (ii) identify the distribution area for privatization, or other modes of reorganization as recommended by the plan; (iii) conduct the necessary studies and prepare the documents necessary for inviting bidders; and (iv) help in evaluating the offers received for purchase of shares in the distribution entity.</p> <p>The TA also had the objective of assisting in matters relating to (i) rationalization of GEB's personnel; (ii) unfounded liabilities of GEB; and (iii) costs of adjustments.</p> <p>The TA involved developing: course material for workshops on regulatory issues and change management; draft terms of reference for a management information system and preparation of tender documents for system implementation; position descriptions for senior management and other human resource materials; desegregation of GEB balance sheet to reflect unbundling; and financial projections.</p>					
Evaluation of Inputs <p>The cost estimates in the RRP anticipated a total of 10 person-months of time from the international consultants. The original contract was for \$555,000. This included 11.25 person-months for the international consultants and 13.25 person-months for the domestic consultants. The final revised contract total (after the third contract variation) was \$596,199.</p> <p>The actual consultant time for the international consultants consisted of 4.95 person-months in the field and 8.15 person-months at home, for a total of 13.10 person-months, as approved in subsequent contract variations. For the domestic consultants, the actual time consisted of 4.60 person-months in the field and 13.90 person-months at home, for a total of 18.50 person-months, as approved in subsequent contract variations. However, because of other economies in expense (such as substituting time at home for time in the field, or utilizing a less expensive consultant), the total disbursed funds were only 569,996.55, or \$30,003.45 less than the final approved amount.</p> <p>ADB made one review mission to the TA on 4–5 February 2002. Excellent communications with the consultants were maintained through e-mail and telephone.</p>					
Evaluation of Outputs <p>The consultants provided high-quality reports and successful training programs, in accordance with the schedules determined by the original contract and/or the contract modifications. These covered the topics: Distribution Reform Strategy, Implementation/Transition Management Approach, Support in Privatization of the Selected Distribution Zone, and Additional Requirements (including balance sheets, key performance measures</p>					

Memoranda of Association, Articles of Association, and position descriptions for the unbundled companies). The Final Report provides a clear guide to their fulfillment of the TOR and the location of the deliverables within the Inception report, Interim Report, Draft Final Report, and Final Report. Presentations are included in appendices to these reports. The consultants made five missions to the field, worked closely with the GEB, and generally enjoyed a good relationship with them.

Conditions (iii) and (iv) of the original objectives (above) concerned support for privatization of at least one distribution company. However, since the recommended plan did not include privatization (because the consultants judged that it would not be successful at this time), these conditions were moot; accordingly, there is no associated output beyond a discussion in the Inception Report.

The TA experienced delays beyond the control of the consultants. These resulted from delays in decision-making by GEB and from the poor law and order that prevailed in the State of Gujarat in 2002. Three contract variations were granted, with the result that the TA ended seven months later than expected. Nonetheless, the consultants produced outputs of high caliber and maintained the continuity of the TA. Despite the extended duration of the TA, the work was completed under budget.

It should be noted further that agreement on the Reorganization Plan by the State, GEB, and ADB was a condition for the release of the third tranche of the associated program loan, Loan 1803-IND, Gujarat Power Sector Development Program. Although the tranche release experienced significant delays, and the loan deadline was extended several times, the Reorganization Plan was not a constraint, as it was accepted considerably before several other tranche release conditions were met.

Overall Assessment and Rating

The overall rating of the TA was successful. The TOR was met in a highly satisfactory manner, the client (GEB) was satisfied with the outcome, and it is ADB's judgment that the reorganization plan can be successfully implemented. The consultants managed the uncertainties of the situation in Gujarat without compromising the quality of the TA and without assistance from ADB, and completed the TA below budget.

Major Lessons Learned

The principal lesson learned was that the TA design would have benefited from a more flexible budget. The consultants' TOR recognized that the team might or might not recommend privatization as part of the reorganization plan, but the budget did not reflect this uncertainty. The budget was drawn up to allow them to conduct studies preparatory to privatization, prepare bidder documents, and help evaluate offers. Since the proposed plan did not include privatization, these actions were not necessary.

Accordingly, the design of the TA might have been improved if either (a) the budget were presented modularly, so that a specified amount of money would be spent only if the privatization were undertaken, or (b) alternative activities were specified in the case that privatization was not recommended (e.g., consultant studies making recommendations that would prepare the distribution company for privatization, combined with presentations and/or training to GEB).

Recommendations and Follow-Up Actions

The Reorganization Plan must now be implemented. Some of the steps have already been taken, in accordance with the tranche release conditions for the program loan, but some of the steps are not scheduled to occur until 2005. The complete path of implementation should be followed, and assisted as necessary, as part of a policy dialog with the Government of Gujarat and the GEB.

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