



Pakistan: Energy Sector Reforms and Financial Sustainability Program (Subprogram 1)

Project Name	Energy Sector Reforms and Financial Sustainability Program (Subprogram 1)	
Project Number	53165-001	
Country	Pakistan	
Project Status	Proposed	
Project Type / Modality of Assistance	Loan	
Source of Funding / Amount	Loan: Energy Sector Reforms and Financial Sustainability Program (Subprogram 1)	
	concessional ordinary capital resources lending / Asian Development Fund	US\$ 300.00 million
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth	
Drivers of Change	Governance and capacity development Partnerships Private sector development	
Sector / Subsector	Energy - Energy sector development and institutional reform	
Gender Equity and Mainstreaming	Some gender elements	
Description	<p>The proposed Energy Sector Reforms and Financial Sustainability Program aims to address fiscal, governance, technical, and policy deficits in Pakistan's energy sector. These arrears have adversely impacted the sector's quality and efficiency of services, and the sustainability of energy infrastructure and finances, thereby challenging Pakistan's fiscal balance and macroeconomic stability. The program incorporates lessons learned from similar policy-based interventions by the Asian Development Bank (ADB) and draws on the recommendations and lessons in the sector assistance program evaluation. The program is conceived in close coordination with key development partners, and underpins the International Monetary Fund's recently approved \$6.0 billion extended fund facility to curtail the sector's burden on the annual budget and to stem quasi-fiscal losses and associated negative impact on economic growth.</p>	
Project Rationale and Linkage to Country/Regional Strategy	<p>The programmatic approach and policy-based loan will finance three subprograms to be implemented in 2019-2023. Through interlinked policy actions, reform areas of the three sequenced subprograms are underpinned on three pillars: (i) securing financial sustainability, (ii) strengthening governance, and (iii) reinforcing infrastructure improvements. In line with these pillars, subprogram 1 will (i) check the accumulation of circular debt through cost-reflective tariffs with automatic quarterly adjustments and notification mechanism, fully budgeted subsidies, a credible circular debt management plan, and investor-friendly national electricity and renewable energy policies; (ii) streamline integrated planning and bolster governance through appointment of professional heads and autonomous boards, separation of hydrocarbon policy and regulation functions, and development of a privatization road map for liquid natural gas plants; and (iii) enhance infrastructure investments to reduce line losses, rationalize generation cost, increase private sector participation with frequent bidding rounds, finalize a road map to reduce unaccounted-for gas, and set up an alternative dispute resolution mechanism for appeals on regulatory decisions. Subsequent subprograms will build on the earlier initiated interventions and reforms, focusing on settling the stock of circular debt and past taxation issues, instituting multiyear tariffs, unbundling the gas sector, increasing private sector participation, functional outsourcing and management contracts in distribution sector and rolling out distributed generation and off-grid solutions. The program is consistent with ADB's current country partnership strategy for Pakistan, and the under preparation strategy for Pakistan, 2020- 2024; and, it is included in the country operations business plan.</p>	
Impact	Financial sustainability and self-reliance of energy sector achieved (Vision 2025)	
Outcome	Financial, technical, and governance deficits in energy sector reduced	
Outputs	Securing financial sustainability Strengthening governance (institutional and regulatory)	
Geographical Location	Nation-wide	
Safeguard Categories		
Environment		C
Involuntary Resettlement		C
Indigenous Peoples		C
Summary of Environmental and Social Aspects		
Environmental Aspects		
Involuntary Resettlement		
Indigenous Peoples		
Stakeholder Communication, Participation, and Consultation		
During Project Design		
During Project Implementation		

Responsible ADB Officer	Asad Aleem
Responsible ADB Department	Central and West Asia Department
Responsible ADB Division	Energy Division, CWRD
Executing Agencies	Ministry of Finance Q-Block, Finance Division, Pak Secretariat, Red Zone, Islamabad, Pakistan

Timetable	
Concept Clearance	09 Sep 2019
Fact Finding	09 Sep 2019 to 13 Sep 2019
MRM	04 Oct 2019
Approval	-
Last Review Mission	-
Last PDS Update	10 Sep 2019

Project Page	https://www.adb.org/projects/53165-001/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=53165-001
Date Generated	13 September 2019

ADB provides the information contained in this project data sheet (PDS) solely as a resource for its users without any form of assurance. Whilst ADB tries to provide high quality content, the information are provided "as is" without warranty of any kind, either express or implied, including without limitation warranties of merchantability, fitness for a particular purpose, and non-infringement. ADB specifically does not make any warranties or representations as to the accuracy or completeness of any such information.