



United States Department of State

Washington, D.C. 20520

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UNCLASSIFIED

ENDORSEMENT MEMO FOR HENRIETTA FORE

FROM: George Deikun, Mission Director, USAID/India 

SUBJECT: Fiscal Year 2007 Performance Report for USAID South Asia
Regional Program

I endorse the FY 2007 Performance Report for the USAID South Asia Regional Program, including the validity of performance data.

By promoting energy exchange between the countries of South and Central Asia, the USAID South Asia Regional Program addresses energy security of countries in both regions and the vital USG interest of regional stability. Inter- and intra-regional energy collaboration among the countries of Central and South Asia fosters regional economic and political stability by developing mutual energy interdependencies. Furthermore, it facilitates the countries of these regions to enter into global political, economic, and social structures. The program achieves these goals by supporting energy sector reforms that improve the functioning of markets, introduce sector restructuring and increase private sector participation, expand access to energy services, and bolster regional energy trade and integration. The recent program accomplishments such as the establishment of the Indian power exchange, increased Bhutan-India power trade and the proposed Indo-Sri Lanka electricity submarine cable transmission project have already demonstrated the benefits of national and regional energy trade and market mechanisms in harnessing public and private sector investment.

Significant new opportunities have recently emerged to foster regional integration between South and Central Asia. The opening of Afghanistan has transformed it from an obstacle separating Central from South Asia into a bridge connecting the two, presenting exciting new possibilities. Both intra- and inter-regional trade have the potential to help break Afghanistan out of its geographic isolation and give it access to global markets. The USAID South Asia Program together with the USAID Regional Energy Markets Assistance Program (REMAP) for Central Asia is a critical part of the USG link into the Secretary of State's Central-South Asia Energy Corridor Initiative. These two regional programs plan to combine initiatives in coordination with USAID/Afghanistan to develop competitive energy markets, facilitate inter-regional energy trade and enhance institutional capacity. Towards the latter, a team from Afghanistan will soon travel to India to study regulatory, policy and electricity utility distribution, energy trading and marketing models developed by USAID/India's country partners.

The security situation in Afghanistan and Pakistan has affected FY 2007 program performance. Efforts to provide the requisite technical assistance have been curtailed because of travel restrictions. Nevertheless, program-supported training exceeded FY 2007 targets due to the rapidly growing regional interest in energy markets. However, the targets for people with access to modern energy services and public-private dollars leveraged by USG for energy infrastructure projects were not achieved primarily because of the absence of an institutional contractor for most of the reporting period. The institutional contractor commenced work only in late August 2007. Now that our implementing partner has been mobilized, their work plan finalized and key task orders issued, intended results will be realized in FY 2008 and beyond.

Proposed FY 2008 Budget Level Not Conducive To Support South Asia Program and Energy Corridor Initiative

The FY 2008 Congressional Budget Justification (CBJ) level of \$2.7 million DA for the USAID South Asia Regional Program is not sufficient to support ongoing activities that promote regional energy security, trade and investments in South Asia. This 46% cut in our FY 2008 level will prohibit us from accomplishing key objectives in the eight-country region and hurt our partnership initiatives to reach scale and have sustainable impact. Therefore, we request an increase of \$2.3 million in FY 2008 funding to bring the level to \$5 million, which will be consistent with the FY 2007 actual and FY 2009 OMB request levels.

Additional funds, on top of the \$5 million for South Asia, are needed to turn the Secretary's "Energy Corridor" initiative into a reality and implement activities envisioned in the South and Central Asia Energy Corridor Initiative to foster inter-regional energy collaboration - with Afghanistan playing an important bridging function as an energy trade transit route and take-off point.

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ACRONYM LIST

ADB	Asian Development Bank
BPC	Bhutan Power Corporation
CBJ	Congressional Budget Justification
CERC	Central Energy Regulatory Commission
CEB	Ceylon Electricity Board
MES	Modern Energy Services
OMB	Office of Management and Budget
PPP	Public Private Partnership
REMAP	Regional Energy Markets Assistance Program
SARI/E	South Asia Regional Initiative/Energy
SAARC	South Asian Association of Regional Cooperation
SA	South Asia
USG	United States Government

South Asia Regional 2007 Performance Report

Operating Unit Performance Summary

USAID South Asia Regional Program made significant progress in facilitating cross-border trade, catalyzing energy market development and advancing the development of clean energy in the South Asia region. Capacity building efforts assisted India's Central Energy Regulatory Commission to launch the national power exchange in India, promoted the development of the South Asian Association of Regional Cooperation's energy center in Islamabad, catalyzed the proposed transmission interconnections under a public private partnership between Nepal and India, completed a pre-feasibility study of the 250-500 MW Bangladesh-India Power Interconnection project and fostered greater governmental consensus on regional energy issues. The program elicited Asian Development Bank's interest in supporting a feasibility study for implementing the Sri Lanka-India transmission connection via submarine cable. The program promoted the growth of business operations to develop clean energy resources. Development of a wind atlas for Sri Lanka, coupled with feasibility studies and peer exchanges with South Indian wind farms, have catalyzed the private development of 34 MW of wind farms in Sri Lanka's west coast. High resolution wind and solar resource maps were developed for Afghanistan and Pakistan with project planners and engineers in these countries benefiting from training on how to conduct pre-feasibility assessments of renewable energy in specific locations. Finally, in Bhutan an observation tour to study best practices in power distribution among utilities in South Africa, Philippines and the South Asia region led to the successful development and deployment by the Bhutan Power Corporation of an incentive scheme that reduced energy losses and provided better consumer service.

The major challenge for the program was a delay in the mobilization of an institutional contractor for the most part of FY07. This has been resolved, and the program's institutional contractor has been mobilized and work plan and key task orders have been issued. The benefits will be realized in FY08 and beyond.

USG development and diplomatic resources work in tandem to achieve program results. Program efforts are coordinated with the Department of State's South and Central Asia Bureau and the Central Asian Regional Mission on the South Central Asia Energy Corridor initiative. Close coordination is standard practice with U.S. Embassies throughout South and Central Asia.

Website: www.SARI-Energy.org.

Program Area Performance \ 4 Economic Growth \ 4.4 Infrastructure

USAID South Asia Regional Program achieved progress in facilitating cross-border trade, catalyzing energy market development and advancing clean energy development in the South Asia region. The capacity building efforts assisted India's Central Energy Regulatory Commission in launching the national power exchange in India, promoted the development of SAARC's energy center in Islamabad, catalyzed the proposed transmission interconnections under a public private partnership between Nepal and India, completed the pre-feasibility of the 250-500 MW Bangladesh-India Power Interconnection Project, and developed governmental consensus and elicited ADB interest in supporting a feasibility study on the Sri Lanka-India transmission connection via submarine cable.

All of the above achievements are covered under the Modern Energy Services program element, the sole program element for this program.

The prospects for achieving long term impact with robust trade in energy among the South Asian countries will bring tremendous, far-reaching economic, social development and security benefits to the region. Significant new opportunities have recently emerged to foster regional integration between South and Central Asia. The opening of Afghanistan has presented exciting new possibilities, transforming the country from an obstacle separating Central from South Asia into a bridge connecting the two. Both intra- and inter-regional trade have the potential to break Afghanistan out of its geographic isolation with increased access to global markets. The program strengthens regional linkages through expanded energy markets. It promotes the resolution of regional points of conflict between India and Pakistan, and is therefore critical to promoting regional security. It promotes regional and intraregional cooperation in energy development and forms a solid foundation for eventual trade in clean energy resources among South Asian countries. The only obstacle to achieving long-term impact is the 46 percent reduction in FY08 budget request levels. An additional \$2.3 million is needed to support existing activities that promote regional energy security, trade and investments in South Asia. Additional funds, on top of the \$5 million for South Asia, are needed to meet the Secretary's "Energy Corridor" Initiative.

This is a regional program covering eight South Asian countries. Therefore, the question of moving the country to the next category is not applicable.

Program Element Performance \ 4 Economic Growth \ 4.4 Infrastructure \ 4.4.1 Modern Energy Services

USG achieved significant progress in facilitating cross-border trade, catalyzing energy market development and advancing clean energy development in the SA region. Its energy security initiatives in advancing cross-border trade and development of energy markets was facilitated through a progressive increase in the region's participating in executive level seminars, training, and peer exchanges to power exchanges operating in North America, South Africa and Europe. These targeted capacity building efforts assisted the CERC in launching the national power exchange in India, promoted the development of SAARC's energy center in Islamabad, catalyzed the proposed transmission interconnections under a public-private partnership between Nepal and India, completed the pre-feasibility of the 250-500 MW Bangladesh-India Power Interconnection project and developed governmental consensus and elicited ADB interest in supporting a feasibility study on the Sri Lanka-India transmission connection via submarine cable. As against a target of 90 in FY07, the actual number of people who received training in regulatory and policy practices was 204.

Furthermore, the program is impacting the growth of business operations in the development of clean energy resources. Development of a wind atlas for Sri Lanka, combined with conduct of feasibility studies and peer exchange with South Indian wind farms, have catalyzed the private development of 34 MW or wind farms in that country's west coast. High resolution wind and solar resource maps were developed for Afghanistan and Pakistan with project planners and engineers in these countries being trained to conduct pre-feasibility assessments of renewable energy in specific locations. A preliminary assessment of renewable (wind, solar) energy potential in these two countries is far in excess of the program goal of identifying 20,000 MW of clean energy resources. A more relevant target would be monitoring clean energy projects implemented. Finally, in Bhutan a visit to study best practices in power distribution among utilities in South Africa, Philippines and the SA region led to the successful development and deployment by the BPC of a incentive scheme that reduced energy losses and provided better consumer service. The FY07 target of at least two

energy enterprises having benefited with improved business operations was met with the growth in commercial wind power development by the CEB and through BPC's improved performance.

Element Indicator Narrative \ 4 Economic Growth \ 4.4 Infrastructure \ 4.4.1 Modern Energy Services

USG-supported training exceeded FY07 targets due to rapidly growing regional interest in energy market development and improved performance of several parastatal and private energy enterprises. There has been no causal linkage reported between improved access to modern energy services and the development of regional power/fuel markets. This is partly due to the absence of an institutional contract for most of the reporting period. The institutional contractor commenced work only in late FY07, leaving little time to address some of the targets. Now that the contractor is mobilized, the work plan finalized and key task orders issued in FY07, these benefits will be realized in FY08 and beyond.

While capacity building efforts are reliably measured, improved energy security, energy access or investments in energy infrastructure are not monitored through the standard indicators. Therefore, we have developed a new custom indicator "No. of energy security indicators that show a positive trend in majority of SA countries" that represents information/insights that drive business decisions. Women participants, though improving, has fallen short of the target due to their relative absence in energy enterprises. Total clean energy resources potential identified is a reliable indicator of the potential for improved energy security. Clean energy projects implemented is a direct measure of the level of energy security achieved/energy markets developed.

Element Indicator Narrative \ 4 Economic Growth \ 4.4 Infrastructure \ 4.4.4 Program Support (Infrastructure)

During FY07, two feasibility studies were conducted: (i) on Indo-Bangladesh Power Interconnection Pre-feasibility Study, and (ii) the Indo-Sri Lanka Power Transmission Grid Inter-connection Study. Two monitoring plans were developed to continuously evaluate the performance of the program's institutional contractor (PA Government Consulting) and a grantee (United States Energy Association). Also, a special study was completed on the program's strategy and future direction.

Key Issue Performance \ Local Organization Capacity Development

The USAID South Asia Regional Program has emphasized capacity building at a regional level. There is considerable experience in South Asia in the field of power sector reform, particularly in India where conceptual planning, functional development and implementation have led to corporatization and commercial functioning of several state and central power utilities. The program provides design assistance, field-level exposure and hands-on training to Power Sector Managers in the eight South Asian countries. The program exposes power sector managers to the best institutional systems and corporate practices for power utilities in South Asian countries. The executives responsible for key operating functions, such as officials in corporate services, finance, legal, human resources, accounts and technical aspects, are exposed to state of the art training programs, round tables and conferences, including site visits to reformed utilities in the region.

Key Issue Performance \ Clean Energy

The USAID South Asia Regional Program promotes regional energy security through increased trade,

investment and access to clean energy. Activities address Global Climate Change through development of clean energy sources to meet increasing energy demand in the South Asia region. The objective is achieved through policy intervention, feasibility studies and demonstration projects promoting use of clean energy resources. In FY07, the program completed energy resource assessment maps of Pakistan and Afghanistan for wind and solar power. Following a request from the Government of Pakistan, a National Policy Framework for liquefied natural gas was prepared to address clean energy regulatory management, revenue and tariff related issues. In Sri Lanka, the Ceylon Electricity Board signed letters of intent with four commercial developers to build 34 MWs of wind power on the island's west coast. In India, the program was helpful in the launch of a nationwide power exchange that would serve as a platform for clean energy trading.

Key Issue Performance \ Global Climate Change

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Key Issue Performance \ Public-Private Partnerships

Energy security depends on balancing and harnessing market forces and incentives in enabling sustainable choices for clean energy. It is only through investment and expansion of the energy sector that access can increase, bringing relief to the 60% of South Asians who have no electricity. Public-Private Partnerships facilitate implementation and leveraging of additional funds. Small grants enable catalyze larger projects in each area. Replication and scale-up of successes are accomplished through partnerships with the private sector, governments and other donors. In FY07, program efforts led to the Ceylon Electricity Board signing letters of intent with four commercial developers to build 34 MW of wind power in the island's west coast. Other results through PPPs include: three energy enterprises with improved business operations, proposed transmission interconnections under a public-private partnership between Nepal and India, and ADB interest to support a feasibility study on the Sri Lanka-India transmission connection.

4 Economic Growth - South Asia Regional

4.4 Infrastructure\4.4.1 Modern Energy Services

Number of energy enterprises with improved business operations as a result of USG assistance

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	2	3	3	3

4.4 Infrastructure\4.4.1 Modern Energy Services

Number of people receiving USG supported training in energy related business management systems

					Number of women					Number of men				
2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
255	100	56	100	150	12	20	1	20	20	243	80	55	80	130

4.4 Infrastructure\4.4.1 Modern Energy Services

Number of people receiving USG supported training in energy related policy and regulatory practices

					Number of women					Number of men				
2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
87	90	204	90	90	6	18	10	18	10	81	72	194	72	80

4.4 Infrastructure\4.4.1 Modern Energy Services

Number of people with increased access to modern energy services as a result of USG assistance

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
313	250	-	250	250

4.4 Infrastructure\4.4.1 Modern Energy Services

Total public and private dollars leveraged by USG for energy infrastructure projects

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	1,000,000	-	2,000,000	2,000,000

1463
chars

4.4.1 Modern Energy Services narrative (no more than 1500 characters)

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4.4 Infrastructure\4.4.4 Program Support (Infrastructure)

Number of baseline or feasibility studies

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	1	2	-	-

4.4 Infrastructure\4.4.4 Program Support (Infrastructure)

Number of evaluations

					process					results					
2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *
-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-

4.4 Infrastructure\4.4.4 Program Support (Infrastructure)

Number of information gathering or research activities

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	1	-	1	-

4.4 Infrastructure\4.4.4 Program Support (Infrastructure)

Number of monitoring plans

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
1	1	2	1	1

4.4 Infrastructure4.4.4 Program Support (Infrastructure)

Number of sector assessments

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	environmental					conflict				
					2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	1	-	1	-	-	-	-	-	-	-	-	-	-	-

4.4 Infrastructure4.4.4 Program Support (Infrastructure)

Number of special studies

2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	1	1	1	-

481

4.4.4 Program Support (Infrastructure) narrative (no more than 1500 characters)

chars

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impact				other				
FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target	2006 *	FY 2007 Target	FY 2007 Actual	2008 Original Target	2008 Revised Target
-	-	1	-	-	-	-	-	-

