

ISLAMABAD: Major water sector projects of strategic nature are facing serious bottlenecks because of cost overruns and financing constraints that could delay their targeted economic benefits to the nation. Officials told Dawn on Sunday that one of the most important projects – Diamer Bhasha dam – was facing cost overruns and financing gaps even before construction could be taken in hand. Over Rs25 billion had been released but that would be used for land acquisition.

Another strategically important project – Neelum Jhelum hydropower project of 969MW – is facing serious financing problems and even finding it difficult to pay for the services being provided by foreign contractors.

Sources said that in view of slower progress on Diamer Bhasha dam and urgent financing needs of the Neelum Jhelum project, the government had decided to divert about Rs5bn from Bhasha dam to Neelum Jhelum project but the process stopped because of a general restriction imposed by the Election Commission (ECP) of Pakistan on diversion of funds.

The ministries of finance and water and power have requested the ECP to relax the ban as a special case in order to meet the urgent financial needs of the Neelum Jhelum project.

The two ministries are also in the process of allowing Wapda to shift its borrowing limit of Rs20bn from Bhasha to Neelum Jhelum project in the form of two Islamic Sukuk bonds through domestic banks.

Wapda had originally been given permission to issue two Sukuk bonds of Rs10bn each for Diamer Bhasha dam but it would now be able to raise Rs20bn during the current fiscal year for Neelum Jhelum project whose estimated cost has increased from the original Rs84bn to about Rs275bn as a result of change of its design after the earthquake, involvement of tunnel boring machine and overall project delays.

According to a presentation given to the Asian Development Bank recently, major water and power sector projects, which are in different stages of construction, need a total of Rs1.67 trillion between 2014 and 2020 for which over Rs960bn financing required from international lenders is un-committed.

About Rs220bn has been estimated to be arranged through the Public Sector Development Programme, while Rs200bn has been committed by international lenders. An amount of Rs18bn has to be arranged through self financing in the share of hydel tariff and Neelum Jhelum surcharge being charged to the consumers, while Rs110bn would be borrowed from commercial banks and private investments by local parties before 2020.

Provided the financing becomes available, these 12 projects would be able to add about 15,896MW to the national grid by 2022.

The estimated cost of the 4,500MW Diamer Bhasha dam has recently been revised to about \$14.5bn (Rs1.43tr), up from \$11.5bn (Rs894bn) about a year ago, showing an increase of more than 26 per cent. In terms of local currency, the project cost has increased by over 60pc. The project that was originally estimated to be completed by 2016-2017 is now expected to be delayed till 2023.

The cost of land acquisition and resettlement of affected people from the site has increased from Rs60bn to Rs116bn on account of additional safeguards recommended by the ADB. The cost of construction of the dam and transmission line is estimated at \$5.7bn (about Rs565bn).

On completion, the mega project is estimated to provide recurring annual economic benefit of about \$5.2bn (Rs515bn at the current exchange rate), including \$3.3bn on account of more than 19,000 gigawatt hours replacing four million tonnes of furnace oil.

It would increase the share of hydropower in the electricity supply to almost 54pc from the current 33.6pc and the contribution of expensive oil-based power projects would drop to less than 15pc from the current 35pc.

The electricity cost of Diamer Bhasha dam has been estimated at eight cents per unit, compared with the current average tariff mix of about 12.5 cents.

The dam will also add live water storage capacity of 6.4 million acre feet.

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Subsequent to initial bickering from almost all international lending agencies, the government has requested the ADB to act as lead financier and sought its board's approval on an urgent basis so that physical work on the dam can be started. The ADB is reported to have promised to speed up the approval process.

Courtesy: Dawn