

MANAGEMENT RESPONSE TO THE SECTOR ASSISTANCE PROGRAM EVALUATION OF THE ENERGY SECTOR IN THE GREATER MEKONG SUBREGION

On 19 February 2009, the Director General, Independent Evaluation Department, received the following response from the Managing Director General on behalf of Management:

I. General Comments

1. We appreciate the comprehensive evaluation that was made of ADB's Greater Mekong Subregion (GMS) energy strategy and program, which consisted of top-down (strategic) evaluation, and bottom-up (project-level) assessment. We commend IED for the relevance and usefulness of the criteria that were used in both evaluations, which correctly pointed out the strengths of the energy strategy and program, while helping focus on areas where improvements are clearly needed.

2. We note the Energy Sector Assistance Program Evaluation's (SAPE) overall assessment of "successful", and similar "successful" ratings for both the top-down and bottom-up evaluations. This affirms the findings of earlier evaluations of the GMS Program, which can be appreciated more fully when taken in the context of the considerable challenges being faced by the GMS energy sector. These include the uneven access to modern energy sources in the subregion, and the marked differences in technical and institutional capacities between the GMS countries. The issues, lessons identified, and recommendations of the SAPE emphasized the importance of consolidating the sector's achievements and realizing the full potential of subregional cooperation in the energy sector.

3. We would like to stress anew the SAPE's finding that, although we will likely not see multilateral power trading being realized at least for another decade, significant economic benefits have already flowed from the development of bilateral power arrangements, such as the export of power from Lao PDR to Thailand. The latter has been credited with giving rural communities in both countries better access to low cost electricity, while providing the substantial foreign exchange earnings that the Lao PDR needs for its development programs.

4. We agree that future ADB assistance to the energy sector should be more mindful of the need to address social and environmental costs, given the dependence of a substantial proportion of the GMS population on natural land and water systems. The Midterm Review of the GMS Strategic Framework (2002-2012) (MTR) earlier raised the need to effectively address the social and environmental impacts of hydropower projects through (i) early consideration of such impacts in the project planning process, and (ii) enhanced collaboration between the Working Group on Environment and the Subregional Energy Forum (SEF).

II. Comments on Specific Recommendations

5. **Recommendation 1(i). Promote Other Energy Investments besides Power Trading.** We agree with this recommendation. The ADB-assisted GMS energy strategy study looked at feasible energy mix scenarios to help determine the areas for expanding GMS cooperation beyond electricity into other sources. On this basis, a proposed Road Map for expanded GMS energy cooperation, which details the specific activities for cooperating in other energy forms, was presented to the SEF in November 2008, and is being reviewed by the GMS countries, and will be presented for the consideration of the 15th GMS Ministerial Conference to be held in Thailand in mid-2009. We are also preparing a climate change implementation plan for Southeast Asia to promote energy and renewable energy initiatives.

6. **Recommendation 2. Expand Cofinancing.** We agree with this recommendation. We will leverage our role as the lead coordinating agency for the GMS Program in mobilizing funding support from both traditional and new donors, including the more developed GMS member countries. In this regard, we already have mobilized cofinancing support from France (AFD), the Republic of Korea (KEXIM), Sweden, Nordic Investment Bank and World Bank for some ongoing TAs and loan Projects. We will endeavor to mobilize more resources by enhancing private sector buy-in of large energy projects through further demonstration of the elements of public-private partnerships that have worked well in the past. We will use appropriate instruments, such as partial guarantees to mobilize commercial funding and enhance project viability, particularly for energy efficiency and renewable energy projects. We will also tap available climate change funds for renewable and clean energy development.

7. **Recommendation 3. Pay Attention to Safeguard Implementation.** We agree with this recommendation. Please note that we are giving special attention to social and environmental impacts of power projects to ensure both long-term positive benefits occur for the affected people and sustainability of the projects. In addition, the GMS Core Environment Program is earmarking resources to promote the use of the Strategic Environmental Assessment (SEA) in the early stages of project planning. The Environment Operations Center (EOC), which is the secretariat of the Working Group on the Environment, is helping Viet Nam in undertaking an SEA for the hydropower sector as part of preparing the 7th Power Development Master Plan. In partnership with the Regional Power Trade Coordination Committee (RPTCC), the EOC will also implement SEAs for the power development program in Cambodia, and ADB-assisted hydropower projects in Lao PDR for 2009-2011.