

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: MKID

TA No. and Name TA No. 3763-VIE: Roadmap for Power Sector Reform			Amount Approved: \$400,000	
			Revised Amount: \$400,000	
Executing Agency: The Ministry of Industry, Vietnam	Source of Funding: Government of France		Amount Undisbursed \$9,055.08	Amount Utilized¹ \$390,944.92
Date			TA Completion Date	
Approval	Signing	Fielding of Consultants	Original 31 Aug 2003	Actual 15 Jun 2004
6 Nov 2001	2 May 2002	30 Oct 2002	Account Closing Date	
			Original 31 Dec 2003	Actual To be determined.
Description				
<p>The Government of the Socialist Republic of Vietnam requested an advisory technical assistance (TA) from ADB to prepare a roadmap for reform of the power sector in Vietnam. A fact-finding mission was fielded in May 2001 and reached an understanding with the Government for the TA to identify the major issues involved in reforming the power sector and to prepare a plan or roadmap to resolve them in a progressive manner. The executing agency (EA) for the TA was the Ministry of Industry (MOI).</p>				
Objectives and Scope				
<p>The objective of the TA was to prepare and reach agreement with the Government on detailed plans for reform of the power sector structure in Vietnam through (i) finalization of the new Electricity Law which included unbundling of power sector operations, (ii) establishment of an independent and transparent sector regulation, (iii) depoliticizing tariff setting, and (iv) encouraging more private sector investment.</p> <p>The scope of the TA was to prepare a roadmap to establish plans for power sector reform and for the implementation of these reforms. In preparing the roadmap, the consultants were to review (i) power market structure, (ii) power sector regulation, (iii) power tariff and pricing principles, and (iv) institutional capacity to carry out reforms. In doing so, they provided workshops for each of the above topics and conducted a study tour to Australia, New Zealand, Thailand, and the Philippines.</p>				
Evaluation of Inputs				
<p>The terms of reference (TOR) were comprehensive and proved adequately designed to meet the TA objective. The estimated input of 12.5 person-months was adequate to cover the TOR, and the study was completed within the budget. Overall, the performance of the consultants was satisfactory. They interacted well with the reform working group (RWG) setup by the Government to assist in the sector reforms. Further, their workshops proved to be effective and created substantial discussion among government member participants. The study tour to Australia, New Zealand, Thailand, and the Philippines by various members of the RWG was instrumental in the Government's acceptance of major recommendations of the report.</p> <p>The performance of the EA and ADB staff was overall satisfactory. The EA's contribution to the final report was significant as the quality of its comments on each of the 4 draft reports produced by the consultants was high.</p> <p>The delay on the TA completion was mainly due to the RWG taking a long time to review and provide comments to the reports produced by the consultants. This was compounded by the consultants needing to provide 2 versions of the draft final report.</p>				
Evaluation of Outputs				
<p>The main deliverable of the TA was the final report containing the roadmap and a set of TORs for TAs in a time bound action plan outlining the steps towards achieving reforms in the power sector.</p> <p>Significant recommendations contained in the roadmap were to (i) unbundle and commercialize Electricity of Vietnam (EVN), (ii) establish tariff regulation for a power market, (iii) create a power market (single-buyer model) by 2007, (iv) create a wholesale power market by 2012, and (v) create a retail competition market by 2018. In addition, a set of TAs in a time bound action plan was prepared for the Government.</p>				

¹ As of 16 September 2004. Awaiting final liquidation.

Overall Assessment and Rating

The objective of the TA, namely, to reach agreement with the Government on a detailed plan to reform the power sector in Vietnam has been achieved. The recommendations contained in the Final Report and the steps outlined to achieve reforms have been accepted by the RWG and the Ministry of Industry. Further, the RWG will not be disbanded and the Government has agreed to follow the roadmap provided under the TA.

Overall, the Ministry of Industry (MOI) was pleased with the results of the TA and has already implemented recommended changes to the electricity law with respect to the setting up of the regulator. Further in August 2004, EVN submitted to MOI, for approval, its restructuring master plan based on the TA's recommendation. The TA, therefore, is considered to be successful.

Major Lessons Learned

One of the key factors that contributed to the effective implementation of the TA was the ownership of the TA by MOI. This was brought about by the early setting up of the RWG that drew its members from a number of Government ministries. The RWG proved to be successful in disseminating information and reaching agreement on the recommendations made by the consultants. However, the RWG could have been made more effective if its composition did not include so many personnel and organization experts. As these members of the RWG were not familiar with the technical and operating aspects of the power sector and EVN's internal ongoing restructuring activities, it was sometimes very difficult to obtain effective interaction between the consultants and the RWG. The RWG should have included more power sector operations experts.

Recommendations and Follow-Up Actions

Tariff reform is critical to ensure credit worthiness and profitability of EVN particularly in the context of introducing OCR lending in Vietnam and improving access to financial markets. Unfortunately, the present tariff system discourages new investments to the power sector and hinders reform efforts. The tariff setting methodology and procedure must be transparent so that investors will know the potential rewards and risks of investing in the power sector. The current uniform tariff policy must therefore be phased out to facilitate reform. This should be one of the earliest tasks of the regulator, once set up.

ADB must continue with technical assistance to Vietnam to realize the reforms outlined in the roadmap. Over the next 3 years, prior to the setting up of a power market in 2007, ADB and the donor community need to coordinate their assistance to the Government so that the reforms are implemented in a systematic and effective manner.

Prepared by

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Designation

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