

Management Response on the Technical Assistance Performance Audit Report (TPAR) on Advisory Technical Assistance for Power Sector Institutional Strengthening in Viet Nam

On 23 November 2004, the Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

1. Management and staff reviewed the report with interest and found it very well written. The report highlights some important lessons learned from the past Advisory TA for power sector in Viet Nam. The findings would be very valuable for future endeavors.
2. The report emphasizes the importance of the passage of the Electricity Law as a key milestone in implementing the reform process to improve the efficiency of the sector entities. The ADTAs (TA 2888-VIE: Improvement of the Power Sector Regulatory Framework and TA 3763-VIE: Road Map for Power Sector Reform) have made valuable contribution to the finalization of the Electricity Law and to the protracted consensus building among different stakeholders that preceded the finalization of the law (effective 1 July 2005).
3. The TA 3763 has also formed the basis for the proposed strategy for power sector reform, currently being evaluated by the Ministry of Industry (MOI). This involves the conversion of generation plants of the Electricity of Viet Nam (EVN) into either independent accounting units or partially privatization of some of the units. The distribution companies would also be further commercialized under this proposed reform strategy and some of the provincial distribution units would be partially privatized. This process would incorporate some of the key recommendations of TA 2345-VIE: Improvement of Financial Management of Power Companies and TA 2897-VIE: Commercialization of Power Companies, though with considerable delay. The working group formed at MOI under TA 3763 is responsible for implementing this reform strategy.
4. Management agrees with the recommendation given in the OED report that ADB should discuss with the Government and reach an agreement on the reform strategy. If the reform program deviates substantially from the road map developed under TA 3763-VIE, ADB should revisit its sector operational strategy in the light of lessons learnt from past TAs provided to the power sector. This would ensure that the expected results are achieved, and adequate consensus on the reform strategy will be reached between ADB, Government, and other stakeholders.