



Concept Paper

Project Number: 49196-002
October 2016

Proposed Programmatic Approach and Policy- Based Loan for Subprogram 1 Viet Nam: Market-Oriented Power Sector Reform Program

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 22 September 2016)

Currency unit	–	dong (D)
D1.00	=	\$0.000044
\$1.00	=	D22,323

ABBREVIATIONS

ADB	–	Asian Development Bank
AFD	–	Agence Française de Développement
DSR	–	demand-side response
ERAV	–	Electricity Regulatory Authority of Viet Nam
EVN	–	Vietnam Electricity
GENCO	–	generation corporation
GDE	–	General Directorate of Energy
MOIT	–	Ministry of Industry and Trade
MPSRP	–	Market-Oriented Power Sector Reform Program
PDP	–	power development plan
SMO	–	system and market operator
VCGM	–	Viet Nam competitive generation market
VWEM	–	Viet Nam wholesale electricity market

NOTE

- (i) In this report, "\$" refers to US dollars.

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PROGRAM AT A GLANCE

1. Basic Data		Project Number: 49196-002	
Project Name	Market-Oriented Power Sector Reform Program, Subprogram 1	Department /Division	SERD/SEEN
Country Borrower	Viet Nam, Socialist Republic of Ministry of Industry and Trade	Executing Agency	Ministry of Industry and Trade
2. Sector		ADB Financing (\$ million)	
✓ Energy	Energy sector development and institutional reform		200.00
		Total	200.00
3. Strategic Agenda		Climate Change Information	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change impact on the Project	Low
4. Drivers of Change		Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional development Institutional systems and political economy Organizational development Public financial governance	No gender elements (NGE)	✓
Partnerships (PAR)	International finance institutions (IFI) Official cofinancing		
Private sector development (PSD)	Conducive policy and institutional environment		
5. Poverty and SDG Targeting		Location Impact	
Project directly targets poverty and SDGs	No	Nation-wide	High
6. Risk Categorization:		Complex	
7. Safeguard Categorization		Environment: C Involuntary Resettlement: C Indigenous Peoples: C	
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		200.00	
Sovereign Programmatic Approach Policy-Based Lending (Loan): Ordinary capital resources		200.00	
Cofinancing		390.00	
Agence Francaise de Developpement - Loan		100.00	
KfW Bankengruppe - Loan		90.00	
World Bank - Loan		200.00	
Counterpart		0.00	
None		0.00	
Total		590.00	
9. Effective Development Cooperation			
Use of country procurement systems		Yes	
Use of country public financial management systems		Yes	

I. THE PROGRAM

A. Rationale

1. Viet Nam's revised seventh power development plan (PDP VII) aims to improve efficiency and reliability of electricity supply to support socioeconomic development.¹ The proposed Market-Oriented Power Sector Reform Program (MPSRP) will support achievement of this objective by developing a competitive electricity market, implementing power sector reforms, and encouraging private sector participation. Subprogram 1 of the MPSRP is included in ADB's country operations business plan 2017–2019² and aligned with the country partnership and strategy for 2016–2020.³

2. **The development problem.** Electricity demand in Viet Nam is growing faster than in any country in Southeast Asia: twice as quickly as economic growth.⁴ Meeting demand and raising financing for capacity expansion is a key challenge. The public sector—primarily state-owned Vietnam Electricity (EVN)—has supported rapid power system expansion, but the government recognizes that the state-owned monopoly must end to reduce inefficiencies and reliance on public financing. The revised PDP VII estimated investment needs of about \$188 billion during 2016–2030, including \$150 billion to create new generation capacity. Of this amount, 65% is expected to come from the private sector and the rest from the EVN. This implies annual private investment of \$6 billion, an amount unprecedented for Viet Nam. If this investment is not made, the adequacy of power supply is in danger.

3. **Binding constraints.** Viet Nam's power sector development is constrained by limited competition, inefficient state-led operations, below-cost electricity tariffs, and a lack of demand-side regulation. Only 50% of generation capacity is participating in the Viet Nam competitive generation market (VCGM), which does not optimize the use of all generation assets.⁵ Non-EVN generation projects originate through unsolicited proposals rather than through competitive tenders and therefore, they are slow, inefficient, and prone to delays or cancellations. EVN is effectively a monopoly in the whole electricity supply: it generates more than 60% of Viet Nam's power, constraining competition; and its transmission and distribution functions are unbundled only within EVN's holding company structure. Although retail tariffs have recently risen,⁶ they are still lower than costs and therefore, weaken the sector's viability, discouraged investment, and stimulated excess demand. Delays in modernizing infrastructure and a lack of regulations to reduce peak demand lead to inefficient energy supply and usage.

4. **The government's reform agenda.** The government approved the Electricity Law in December 2004,⁷ which set out a vision for a competitive electricity market, power sector unbundling, and market-based tariffs. A road map for developing the electricity market was approved in 2006 and implemented with commencing the VCGM as a single buyer market in

¹ Government of Viet Nam. 2016. Prime Minister Decision No: 428/QĐ-TTg, Approval of the *Revised National Power Development Plan 2011–2020, with the Vision to 2030*. Ha Noi.

² ADB. 2016. *Country Operations Business Plan: Viet Nam, 2017–2019*. Manila.

³ ADB. 2016. *Country Partnership and Strategy: Viet Nam, 2016–2020*. Manila.

⁴ Viet Nam's gross domestic product per capita increased from \$699 in 2005 to \$2,109 in 2014 at an average rate of 6.1% per annum. During the same period, electricity demand grew 12.2% per year.

⁵ Optimizing generation resources includes managing and scheduling available generators—based on factors of their cost and ramp-up characteristics—to meet fluctuating electricity demand, maximize efficiency, and reduce costs.

⁶ The average retail tariff increased to D1,058 per kilowatt-hour (kWh) in 2010 from D948.5/kWh in 2009. Tariffs were D1,622/kWh in 2015.

⁷ Law 28/2004/QH11 was approved in December 2004. This law was later amended and supplemented by Law No. 24/2012/QH13 in November 2012.

July 2012.⁸ Following this roadmap, the Viet Nam wholesale electricity market (VWEM) is scheduled to be established by 2019 and a fully competitive retail market by 2024. The VWEM intends to allow multiple buyers—including EVN’s five distribution companies (known as power corporations) and large consumers—to purchase electricity directly from generators, enabling competition. To reduce initial market risks, a set of long-term contracts will be allocated between generators and power corporations. The government is also committed to improve competitive tendering for new generation projects. Market-based retail tariffs were initiated in 2010, have been amended to reflect changes in supply costs. The national energy efficiency program was approved in 2006 and time-based tariffs were introduced for large consumers in 2009.

5. Asian Development Bank’s value-added and development partner coordination. Since the late 1990s, ADB and the World Bank have jointly led policy dialogue for Viet Nam’s power sector reform. As part of a coordinated approach, the World Bank supported early development of the VCGM. ADB later helped the government prepare the VWEM and initiated policy dialogue in coordination with the World Bank for the VWEM. ADB also assessed Viet Nam’s power sector reforms in 2015.⁹ ADB’s added value includes (i) identifying and addressing key challenges in developing the VWEM; and (ii) enhancing the capacity of key agencies—including the Electricity Regulatory Authority of Viet Nam (ERAV) and the General Directorate of Energy (GDE) under the Ministry of Industry and Trade (MOIT), and new market participants such as the system and market operator (SMO) and power corporations—to implement the VWEM. KfW and Agence Française de Développement (AFD) recently joined this policy operation, which demonstrates the significance of these reforms and a unified approach.

6. The policy-based loan and budget support. ADB will use a programmatic, policy-based loan to support power sector reform as this reform has large sector impacts and its process is complex and long-term. A policy-based loan will allow ADB to provide efficient and flexible assistance by translating reform objectives into implementable policy actions.

B. Impact, Outcome, and Outputs

7. The overall program impact is improved efficiency and adequacy of power supply and the outcome is an operationalized VWEM. The program complements a separate multi-donor climate change initiative¹⁰ that includes feed-in tariffs and other policy measures to promote renewable energy and energy efficiency.¹¹ Through this complementarity, the program supports Viet Nam’s efforts to meet its greenhouse gas emissions reduction targets.¹²

8. Output 1: VWEM’s policy and operating framework completed. To allow power corporations and large consumers to buy power directly from generators, the government will develop the VWEM design in subprogram 1, market rules in subprogram 2, and market systems in subprogram 3. The government will also improve competitive tendering for new generation

⁸ Prime Minister’s Decision 26/2006/QĐ-TTg dated 26 January 2006; amended in Prime Minister’s Decision 63/2013/QĐ-TTg dated 8 November 2013.

⁹ ADB. 2015. *Assessment of Power Sector Reforms in Viet Nam*. Manila.

¹⁰ The Support Program to Respond to Climate Change is a multi-donor supported program, which started in 2009 and is now at the third phase for 2016–2020. Participating development partners are AFD, Japan International Cooperation Agency (JICA), World Bank, and other bilateral donors.

¹¹ A well-functioning market can encourage competition among service providers; improve investment processes and decisions in new generation; and increase energy efficiency and savings through market-based tariffs, incentives, and regulations. As a result, additional generation expansion needs can be reduced and renewable energy development can be promoted, which then contributes to the reduction of carbon intensity in the sector.

¹² The Vietnamese government is committed to reducing greenhouse gas emissions by 8% using domestic resources and by 25% with international support by 2030.

projects to attract private sector in the VWEM by reviewing existing regulations in subprogram 1, improving regulations in subprogram 2, and implementing new regulations in subprogram 3.

9. **Output 2: Power sector restructured.** To reduce state participation in the VWEM, the government will complete the equitization¹³ of EVN's generation corporation (GENCO) 3 in subprogram 1, GENCO 1 in subprogram 2, and GENCO 2 in subprogram 3. The government will also develop a strategy to divest EVN's remaining generation assets in subprogram 3. To ensure a transparent and fair market operation, the government will define the SMO's roles and responsibilities and develop a road map to make SMO fully independent from market participants in subprogram 1. The government will implement this road map in subprograms 2 and 3.

10. **Output 3: Electricity tariff framework reformed.** To reflect efficient costs of power supply, the government will issue a new mechanism to adjust retail electricity tariffs and new performance-based transmission tariff regulations in subprogram 1. The government will also develop a new electricity retail tariff structure and set a mechanism for distribution tariffs in subprogram 2; and implement new tariff frameworks in subprogram 3. To improve the transparency of determining electricity tariffs, the government will assess existing procedures in subprogram 1; issue new procedures in subprogram 2; and implement those procedures in subprogram 3.

11. **Output 4: Quality of service and demand side response increased.** The government will prepare, issue, and implement the regulations to measure and monitor power corporations' operations and quality of service in subprograms 1, 2, and 3 respectively. The government will also develop a road map for the demand-side response (DSR) program¹⁴ for all power corporations in subprogram 1, issue regulations for DSR in subprogram 2, and implement the DSR program in subprogram 3.

C. Program Costs and Financing

12. The program cost is estimated based on (i) the economic benefits of reforms, (ii) the costs of the government's reform program, and (iii) sector development financing needs. A tentative financing plan is shown in Table 1.

Table 1: Tentative Financing Plan

Source	Amount (\$ million)				Share of Total (%)
	SP1	SP2	SP3	Total	
ADB (loan)	200.0	200.0	200.0	600.0	33.9%
World Bank (loan)	200.0	200.0	200.0	600.0	33.9%
AFD (loan)	100.0	100.0	100.0	300.0	16.9%
KfW (loan)	90.0	90.0	90.0	270.0	15.3%
Total	590.0	590.0	590.0	1,770.0	100.0%

ADB = Asian Development Bank; AFD = Agence Française de Développement; SP = subprogram.
Sources: ADB, World Bank, AFD, and KfW.

¹³ Equitization in Viet Nam means turning a state-owned enterprise ownership into a joint stock company and selling some shares to private investors. Majority share ownership does not necessarily change.

¹⁴ Demand side response program enables consumers to reduce peak demand in real-time based on appropriate incentive schemes and pricing signals.

D. Indicative Implementation Arrangements

13. MOIT will be the executing agency, and ERAV and GDE will be the implementing agencies. A multi-donor group comprising ADB, World Bank, AFD, and KfW will coordinate with each other and to conduct joint missions to prepare and monitor key policy actions.

II. DUE DILIGENCE REQUIRED

14. The program due diligence will include: (i) a sector assessment, including (a) the legal and regulatory framework, (b) bottlenecks to private sector participation, and (c) opportunities to increase renewable energy; (ii) an economic and financial analysis, if needed; (iii) a risk assessment and management plan to allocate appropriate risks among the public and private sector; (iv) a program impact assessment that considers climate change; (v) a governance and public finance management assessment; and (vi) an assessment of adjustment costs associated with the program. The program is assessed as Category C for environment, involuntary resettlement, and indigenous peoples as it triggers no concerns related to the ADB Safeguard Policy Statement (2009).

III. PROCESSING PLAN

A. Risk Categorization

15. The program is categorized as complex as the loan amount for each subprogram exceeds \$50 million.

B. Resource Requirements

16. The program will be supported by ongoing technical assistance projects provided by ADB and other development partners. The estimated resource requirements are: a mission leader (6 months), a legal and regulatory expert (3 months), an electricity market expert (3 months), an energy economist (2 months), an energy specialist (2 months), a public-private partnership expert (1 month), and a public finance specialist (1 month).

C. Processing Schedule

17. Major milestones agreed with the government are in Table 2.

Table 2: Proposed Processing Schedule

Milestones	Expected Completion Date
Concept Paper Approval	September 2016
Fact-finding Mission	October 2016
Management Review Meeting	February 2017
Loan Negotiations	May 2017
Board Consideration	June 2017

Sources: Asian Development Bank, World Bank, and the government.

IV. KEY ISSUES

18. No key issues have been identified that require additional due diligence or support or that might affect program implementation.

PRELIMINARY DESIGN AND MONITORING FRAMEWORK

Impacts the Program is aligned with:

Efficiency and adequacy of power supply improved (Revised PDP VII, 2011–2020).

Program Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome VWEM operationalized	By 2021 a. 100% of generators that have installed capacity of greater than 30 MW participate in the VWEM (2015 baseline: ~50%) b. 100% of power corporations purchase electricity directly from generators (2015 baseline: 0%) c. Generation capacity factor increases to 75% (2015 baseline: ~50%)	a–b. SMO assessment reports ^a c. EVN annual report	Legislative actions required for sector reform are delayed
Outputs 1. VWEM's policy and operating framework completed	By 2020 1a. VWEM market systems have been certified and tested independently against full VWEM rules and infrastructure specifications 1b. Regulations related to competitive tendering process for new generation projects are implemented (2015 baseline: 0) By 2017 (Subprogram 1) 1c. A detailed design for VWEM has been established (2015 baseline: 0) 1d. Existing regulations related to competitive tendering process for new generation projects have been assessed for improvement (2015 baseline: 0)	1a. SMO assessment report 1b. MOIT website 1c. ERAV website 1d. MOIT report	Market participants lack the technical capacity to support market operation Delays in procuring an ICT system for VWEM and DSR Global economic recession weakens foreign investment in the power sector Strong public resistance to tariff increases
2. Power sector restructured	By 2020 2a. EVN's GENCOs are turned into joint stock companies and at least 10% of their shares are sold through initial public offerings (2015 baseline: 0) 2b. EVN issues a strategy for divesting its remaining generation assets (2015 baseline: 0) 2c. NLDC restructured as an independent accounting unit to function as an SMO within EVN (2015 baseline: NLDC functioning as a system operator)	2a-1. EVN website and annual reports 2a-2. Audited financial reports of GENCOs 2b. MOIT website 2c. EVN website and annual report	

Program Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	<p>within EVN)</p> <p>2d. Implementation plan for SMO to become fully independent from EVN (2015 baseline: NLDC was functioning as a system operator within EVN)</p> <p>By 2017 (Subprogram 1)</p> <p>2e. EVN's GENCO3 is turned into a joint stock company and at least 10% of its shares are sold through initial public offerings (2015 baseline: 0)</p> <p>2f. Road map for SMO independence has been developed (2015 baseline: 0)</p>	<p>2d. MOIT website</p> <p>2e. EVN website and annual report</p> <p>2f. MOIT website</p>	
3. Electricity tariff framework reformed	<p>By 2020</p> <p>3a. Retail tariff structure is improved and simplified: - time-based tariffs are introduced to large residential consumers (2015 baseline: none) - Residential tariff structure is reduced to three categories. (2015 baseline: six)</p> <p>3b. Cross-subsidies among power corporations under bulk supply tariff are replaced with new mechanism to determine power corporations' energy purchases and tariff equalization. (2015 baseline: bulk supply tariff mechanism).</p> <p>3c. Tariffs are adjusted and determined in a more transparent manner (2015 baseline: no regulation related to transparency)</p> <p>By 2017 (Subprogram 1)</p> <p>3d. The threshold for automatic adjustment of tariffs reduced to 3% (2015 baseline: 7%)</p> <p>3e. Transmission pricing regulation revised using economic asset lives and allowing performance-based returns on equity. (2015 baseline: transmission pricing regulation using accelerated asset lives and allowing little return on equity)</p>	3a-e. ERAV website	
4. Quality of service and demand side response increased	<p>By 2020</p> <p>4a. ERAV is monitoring power corporations' quality of service using an information system (2015 baseline: 0)</p>	4a-d. ERAV internal reports	

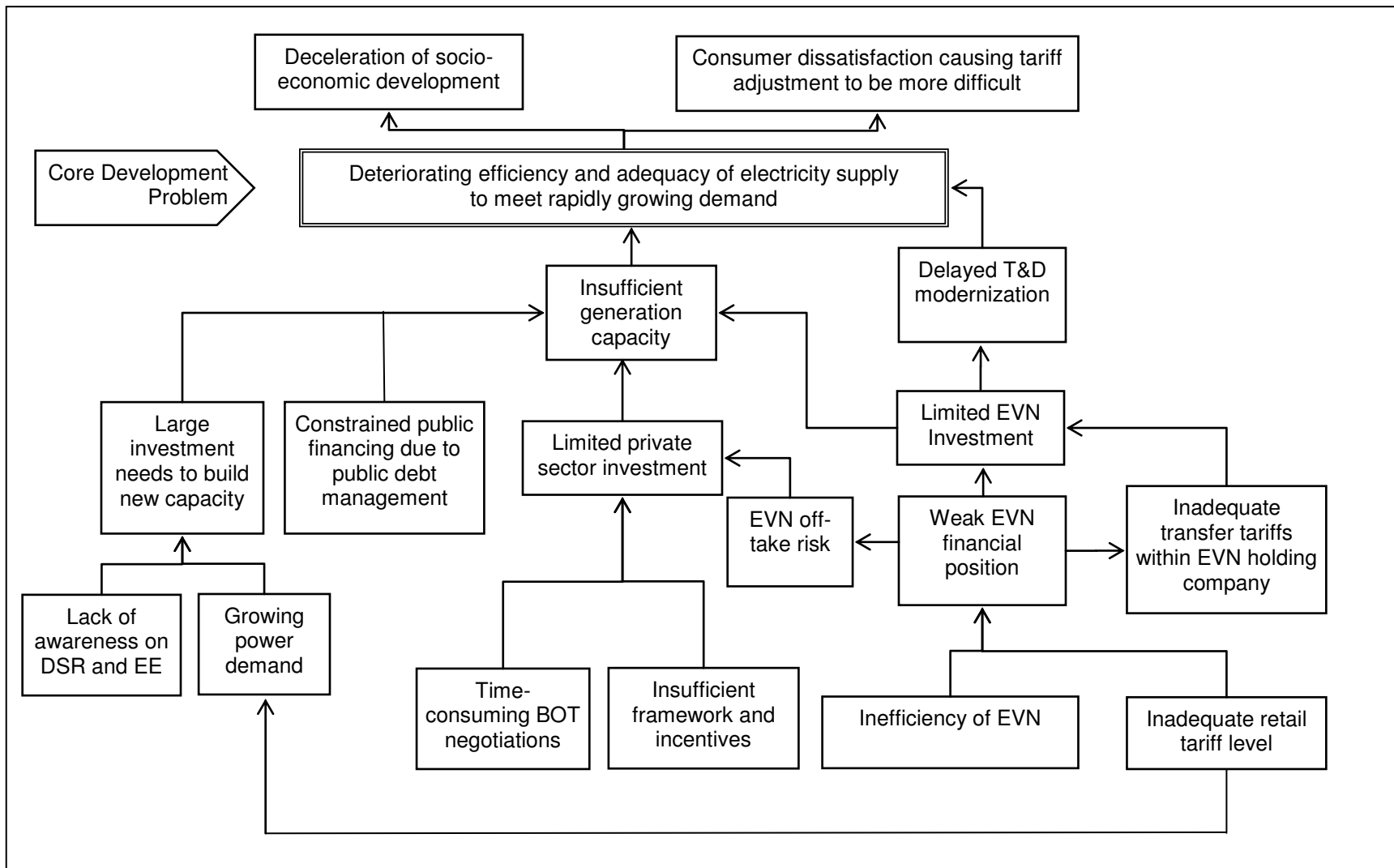
Program Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	<p>SAIDI reduced by an amount to be determined (2015 baseline: 3,000–9,000 minutes of interruption per customer per year)</p> <p>SAIFI reduced to less than 10 interruptions per customer per year (2015 baseline: 16–53 interruptions per customer per year)</p> <p>4b. All five power corporations implement DSR, reducing peak loads by 4% (2015 baseline: No DSR implemented)</p> <p>By 2017 (Subprogram 1)</p> <p>4c. ERAV approves road maps for all power corporations to implement DSR (2015 baseline: 0)</p> <p>4d. ERAV accepts a report outlining requirements for an information system that measures and monitors the quality of service (2015 baseline: 0)</p>		
<p>Key Activities with Milestones</p> <p>Not applicable</p>			
<p>Inputs</p> <p>Subprogram 1: ADB \$200 million (regular OCR loan)</p> <p>Subprogram 2: ADB \$200 million (regular OCR loan)</p> <p>Subprogram 3: ADB \$200 million (regular OCR loan)</p>			
<p>Assumptions for Partner Financing</p> <p>Subprogram 1: World Bank \$200 million, AFD \$100 million, and KfW €80 million.</p> <p>Subprogram 2: World Bank \$200 million, AFD \$100 million, and KfW €80 million.</p> <p>Subprogram 3: World Bank \$200 million, AFD \$100 million, and KfW €80 million.</p> <p>Outputs necessary to reach outcomes not administered by ADB include those largely financed by the government and those financed by the World Bank, AFD, and KfW. The government has sufficient resources for power sector reforms. Government financing is expected to be available as and when required during implementation.</p>			

ADB = Asian Development Bank; AFD = Agence Française de Développement; DSR = demand-side response; ERAV = Electricity Regulatory Authority of Vietnam; EVN = Vietnam Electricity; GENCO = Generation Corporation; ICT = information and communication technology; MOIT = Ministry of Industry and Trade; NLDC = national load dispatch center; PDP = power development plan; SAIDI = system average interruption duration index; SAIFI = system average interruption frequency index; SMO = system and market operator; VWEM = Viet Nam wholesale electricity market.

^a The SMO must submit an assessment report to the government once each subprogram is complete.

Source: Asian Development Bank.

PROBLEM TREE



BOT = build–operate–transfer; DSR = demand-side response; EE = energy efficiency; EVN = Vietnam Electricity; T&D = transmission and distribution

Source: Asian Development Bank.

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Socialist Republic of Viet Nam	Program Title:	Market-Oriented Power Sector Reform Program
Lending/Financing Modality:	Policy-Based Lending	Department/Division:	SERD/SEEN

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

An efficient, reliable, and stable power supply is vital to Viet Nam's fast-growing economy. Viet Nam's electricity demand is growing almost twice as fast as economic growth. The government and state-owned enterprises (SOEs), especially Vietnam Electricity (EVN), play a major role in rapid power system expansion. While Viet Nam's per-capita gross domestic product increased from \$228 in 1995 to \$2,052 in 2014, per-capita electricity consumption grew from 159.3 kilowatt-hours (kWh) in 1995 to 1,415 kWh in 2014. Total installed generation capacity increased from 4.1 gigawatts (GW) in 1995 to 34.1 GW in 2015. Demand for electricity is expected to grow by an average of 10.5% per year and national power consumption is expected to reach 235 terawatt-hours in 2020.

The government is committed to developing a power system that supports sustained economic growth, which in turn creates employment and incomes and reduces poverty. The government's Socioeconomic Development Plan 2011–2015 (SEDP) describes the importance of expanding power sector infrastructure. Asian Development Bank's (ADB) country partnership strategy 2016–2020 supports SEDP. The Viet Nam Energy Sector Assessment, Strategy, and Road Map recognizes the importance of ADB's support to reforms that will improve power supply for all consumers. The program aligns with ADB's Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific (2014, Manila), which emphasizes the need for inclusive economic growth and infrastructure development in middle-income countries. This program is also aligned with the ADB's draft country strategy and partnership for 2016–2020, which is being prepared for approval in 2016.

The proposed market-oriented power sector reform program (MPSRP) builds on power sector reforms that began in 2005. It is designed to support the development of the wholesale electricity market (WEM) through (i) completing a policy and operating framework for the WEM, (ii) restructuring the power sector, (iii) reforming electricity tariffs, and (iv) improving the quality of service and demand-side response. The program will help supply adequate, efficient, and quality electricity for industrialization, modernization, and economic development countrywide.

B. Poverty Targeting

General Intervention Individual or Household (TI-H) Geographic (TI-G) Non-Income MDGs (TI-M1, M2, etc.)

The program will provide more efficient and reliable electricity to sustain economic growth and alleviate poverty. The program also frees up fiscal resources that used to be spent on power sector for more spending on education, health, and other basic social services.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. Less than 50% of Viet Nam's population had access to electricity in 1995, a rate that rose to 93% in 2004 and 98% in 2014. Tariffs have not kept pace with the costs to supply electricity to such a rapidly expanding user base. As a result, the power sector's financial viability has deteriorated. One area of MPSRP that has the potential to affect poverty is tariff reform. Tariffs need to rise to cover the costs to produce electricity, which has implications for the poor. However, electricity expenditure accounts for 2–3% of total household expenditure. If tariffs rose 10% per year until 2018, electricity would still account for less than 4% of total household expenses, a level well below an international guideline of 10%. Lower-income electricity users' power bills are subsidized, however. All households' first 50 kWh is priced at 92 per cent of the national average price and the second block (50–100 kWh) at 95 per cent of the national average price. Any usage over 100 kWh is priced above the average tariff. Poor households and those eligible for social welfare who use less than 50 kWh of electricity per month receive monthly cash subsidies to cover the first 30 kWh of electricity on their bill. With these subsidies in place, tariff increases are not likely to disproportionately affect the poor. Higher tariffs will fund system improvements and lead to a more reliable, sustainable power supply that benefits industrial, agricultural, commercial, and residential power users.

2. Impact channels and expected systemic changes. The program will contribute to improving the power supply. The tariff framework will reflect the cost of supply and incentivize utilities to improve efficiency, passing through only

efficient costs to retail users. A market system will optimize existing generation resources and dispatch them based on the lowest costs. Improving demand-side response will reduce peak demand and the need to build new generation capacity, which will in turn reduce the cost of supply. Since unreliable power supply hampers household activity and incomes, poor and vulnerable groups will benefit from improved electricity services and lower real cost of supply. More reliable power will boost economic activity and incomes for these groups given that higher-value income generation hinges on the use of electricity.

3. Focus of (and resource allocated in) the project preparatory technical assistance (PPTA) or due diligence.

Not applicable. MPSRP targets development constraints identified through past and ongoing ADB engagements as well as the work of other development partners.

4. Specific analysis for policy-based lending. The MPSRP has a high level of impact, improving the power supply and contributing to sustained economic growth, more and better employment and incomes, and reductions in poverty. The impact of these reforms will be felt over the medium to long term (4–10 years) through strengthened financial viability and increased private sector participation. In the short term (1–3 years), reforms will improve the efficiency of the power sector.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this program?

Women can support their families' basic needs with household-based, income-earning activities. Reliable, sustainable, and affordable electricity will lower production costs and increase revenue for home industries, businesses, and other enterprises run by women. Provision of reliable power supports women.

2. Does the proposed program have the potential to make a contribution to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making? Yes No

This program aims to improve the power supply for all. Benefits will be generalized and there are no specific opportunities for gender design features. The program will not specifically promote gender equality or empower women.

3. Could the proposed program have an adverse impact on women and/or girls or widen gender inequality?

Yes No

Strengthening power distribution networks will support the population as a whole. There are no anticipated adverse impacts to women or girls, nor is the program anticipated to contribute to greater gender inequality.

4. Indicate the intended gender mainstreaming category:

GEN (gender equity) EGM (effective gender mainstreaming)

SGE (some gender elements) NGE (no gender elements)

III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the program, including beneficiaries and negatively affected people? Identify how they will participate in the program design. The main stakeholders are the government, EVN, and its subsidiaries (generation corporations, National Power Transmission Corporation, the system and market operator, and five power corporations), and private sector participants. All electricity customers are beneficiaries

2. How can the program contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable and excluded groups? What issues in the program design require participation of the poor and excluded? The stakeholders will be consulted through meetings, interviews and surveys in order to increase awareness about the program in relation to competitive power market development, private sector participation, and tariff reform and seek inputs to the program. Consultation with the poor, vulnerable, and excluded groups will focus on issues associated with tariff reform, if any, and other social issues that may affect them.

3. What are the key, active, and relevant civil society organizations in the program area? What is the level of civil society organization participation in the program design?

Information generation and sharing Consultation Collaboration Partnership

Because the program's social benefits are primarily indirect, civil society organizations (CSOs) relevant to social impact and development will have a limited role in the program. If any CSOs express interest in being involved, the program will share information transparently and will seek their advice as appropriate.

4. Are there issues during program design for which participation of the poor and excluded is important? What are they and how shall they be addressed? Yes No

IV. SOCIAL SAFEGUARDS
<p>A. Involuntary Resettlement Category <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p> <p>1. Does the program have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The program does not foresee large scale involuntary resettlement or land acquisition</p> <p>2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process? <input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
<p>B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p> <p>1. Does the proposed program have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>3. Will the program require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process? <input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social Impact matrix <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
V. OTHER SOCIAL ISSUES AND RISKS
<p>1. What other social issues and risks should be considered in the program design? <input checked="" type="checkbox"/> Creating decent jobs and employment <input type="checkbox"/> Adhering to core labor standards <input type="checkbox"/> Labor retrenchment <input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input checked="" type="checkbox"/> Affordability <input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability <input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____</p> <p>2. How are these additional social issues and risks going to be addressed in the program design? Not applicable</p>
VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT
<p>1. Do the terms of reference for the PPTA (or the due diligence) contain key information needed to be gathered to better analyze (i) poverty and social impact; (ii) gender impact; (iii) participation dimensions; (iv) social safeguards; and (v) other social risks. Are the relevant specialists identified? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis and participation plan during the PPTA or due diligence? Not applicable.</p>

Source: Asian Development Bank.