

Opportunities and challenges to transmission infrastructure developments in Vietnam

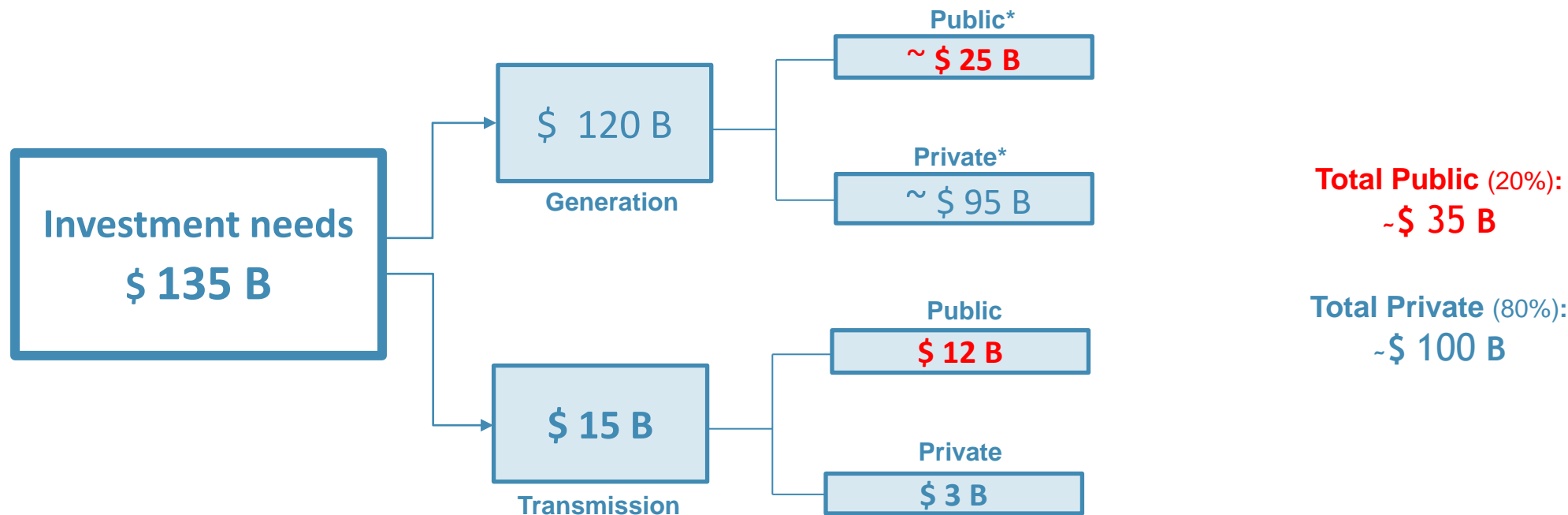
- VEPG TWG3



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





June 2024

PDP8 has Large Funding Needs and Limited Sources of Financing



| | | | |
|--|--|---------|---|
| Commercial Banks Charter Capital: US\$ 39 billion | Total public investments as % of total charter capital | ~92% | Public investments needs almost equal total charter capital |
| | ABL (25%) of charter capital, US\$, billion | ~\$10 b | Max credit available, but EVN Group already close to ceiling (waiver for EVN in 2021) |
| | ABL as % of total public investments | ~28% | If available, total liquidity could finance ~28% of public investments of the power sector (\$35 million overall needs) |

REACH has longer tenure essential for financing transmission assets

| Facilities Compared: |  IBRD Facility | & |  Canada Facility |  VND Commercial loan |
|--|--|---|--|--|
|  Interest Rate | SOFR + 1.44% | | 0.75% (fixed) | 7.07% (deposit rate 4.95%* + 2.1%) |
|  Tenor (years) | 30 | | 25 | 12 |
|  Grace Period (years) | 10 | | 5 | - |
|  Front-end fee | 0.25% | | - | - |
|  MoF markup for on-lending | 0.25% | | - | - |
|  Commercial markup | 1.5% | | - | - |

| | |
|--------------------------|---|
| Revenue alignment | Transmission assets typically have an average life of 35 years. The 30 years tenure offered by REACH aligns the cashflows of debt service with the assets' revenues |
| Grace period | Allows for stabilization of operations and cashflow management during the gestation period of the assets |
| Stability | A longer repayment period flattens debt service costs improving financial covenants like DSCR enabling higher debt approvals |
| Refinancing | Shorter tenor loans front loads debt service putting significant pressure on liquidity, typically requiring refinancing during revenue gap years and causing working capital issues to meet the debt service/operational cash flows. Further, domestic loan cannot be refinanced to extend the initial tenure as per Circular 08/2023 and Circular 39/2016 of State Bank of Vietnam (SBV) |

* Average 12-month VND deposit rate of BIDV, Vietcombank, Vietinbank and Agribank for Q4 of 2023

REACH/ODA Comparative assessment summary

| Comparison Summary: | REACH option 1 (IBRD + blended financing from Canada Facility) | REACH option 2 (Only IBRD) | Domestic loan option |
|---|---|-------------------------------|----------------------|
| IBRD Facility | 160 | 208 | - |
| Canada Facility | 48 | - | - |
| VND Commercial loan | - | - | 208 |
| Total Facility Size (US\$ mn) | 208 | 208 | 208 |
| NPV of Total Cost for EVN (US\$ mn) | + 40 | + 14 | + 16 |
| NPV with no commercial markup scenario (US\$ mn) | +63 | +44 | + 16 |
| NPV with no commercial and MoF markup scenario (US\$ mn) | + 67 | + 49 | + 16 |

Challenges:

- ❖ **Decree 114:** project proposal processing for ODA lending
- ❖ **Decree 97:**
 - ❖ Concessionality
 - ❖ Credit limits
 - ❖ Decreased tenure

*1.5% (Decree 97)

**1.75%

Concessional Funds Opportunities and Monetization of Carbon Assets



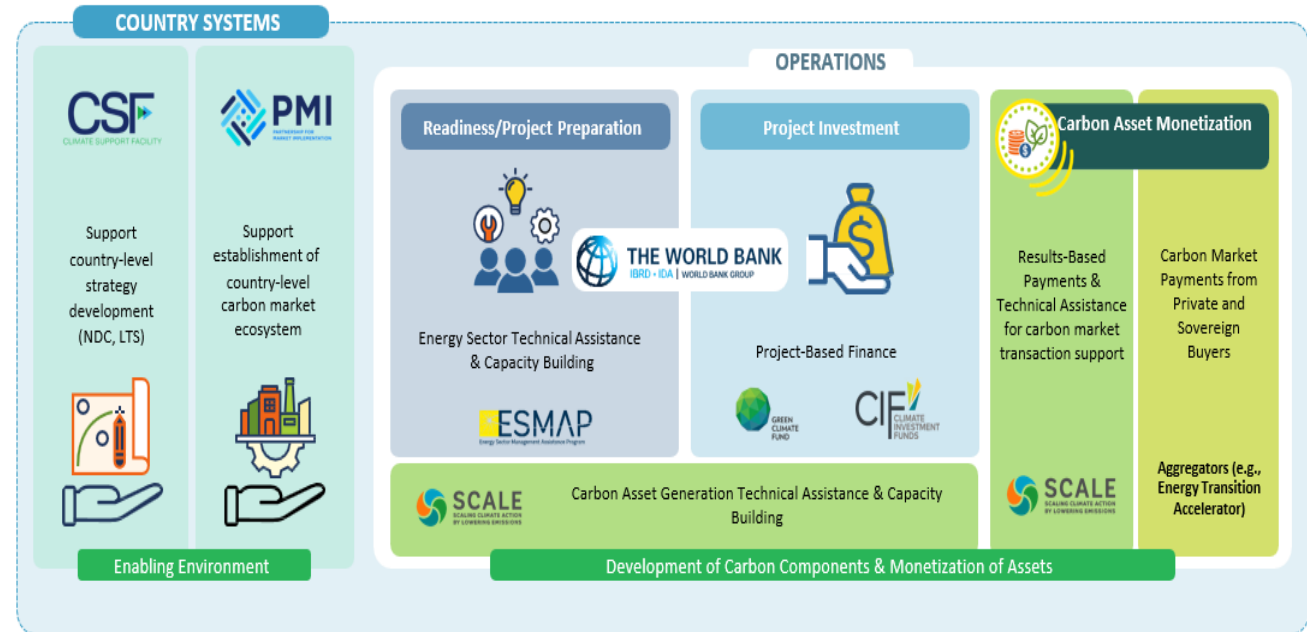
US\$12.8 billion,
226 projects



US\$7.5 billion,
398 projects

Accelerating Coal Transition (ACT) Investment Program

E.g., Indonesia:
US\$500mln mobilizing US\$5 billion in private sector investments



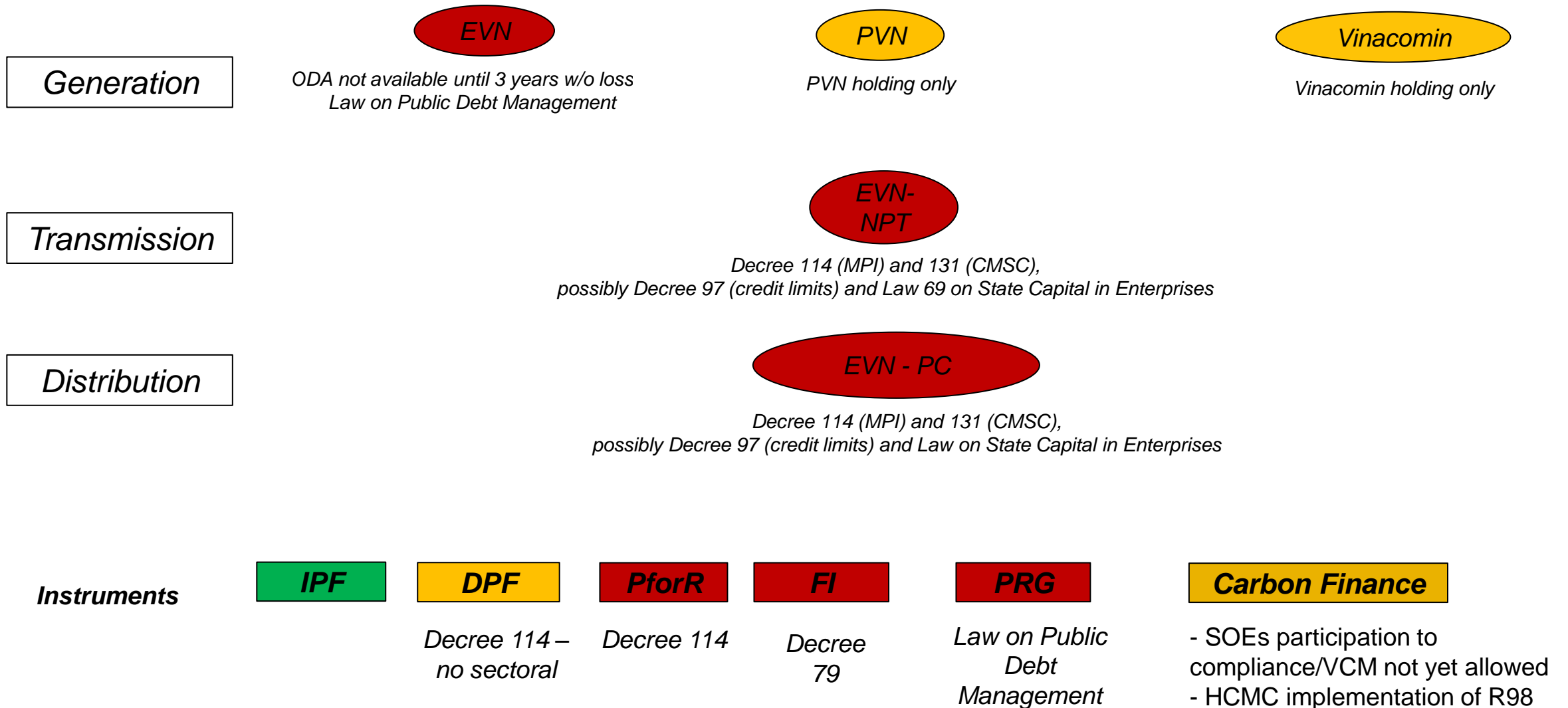
Concessional funding plays a key role to decrease the cost of capital and LCOE impacts

WB Menu of Financing Instruments (excludes IFC and MIGA)

- **Investment Project Financing (IPF)**: provides financing to governments for activities that create the physical/social infrastructure.
- **Program-for-Results (PforR)** links disbursement of World Bank funds directly to the delivery of defined results, helping countries improve the design and implementation of their own development programs and achieve lasting results by strengthening institutions, enhancing systems, and building capacity.
 - Include support to Financial Intermediaries (FI) (e.g., commercial banks)*
- **Development Policy Financing (DPF)**: provides budget support to governments or a political subdivision for a program of policy and institutional actions.
- **Project-based Guarantees (PRG)** applied in the context of specific investment projects where governments wish to attract private investment (equity and/or debt). Provide risk mitigation for the viability of the investment
 - **Loan Guarantees** –risk mitigation to commercial lenders with respect to debt service payment defaults caused directly or indirectly by government failure to meet specific payment and/or performance obligations arising from contract, law or regulation.
 - **Payment Guarantees** –risk mitigation to private projects or to foreign public entities with respect to payment default on non-loan related obligations by government.
- **Carbon Finance**: Scaling Climate Action by Lowering Emissions (SCALE) Results Based financing; transaction support access to VCM and compliance markets

Ongoing Challenges for Channeling WB and ODA Financing

■ Not possible
■ Potential
■ Possible



Thank you!
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