

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. The Asian Development Bank (ADB) has provided long-term, consistent, and coordinated support to Viet Nam’s energy sector with a combination of public and private sector loans for generation, transmission, and distribution, as well as technical assistance and policy dialogue for planning reform and designing the power market. Since 1994, ADB has provided financing of \$2.32 billion to Viet Nam’s energy sector, of which \$1.28 billion supported the augmentation of generation capacities, \$0.71 billion the transmission system, and \$0.33 billion the distribution system. ADB helped initiate sector reforms through six technical assistance projects between 1995 and 2009, while other technical assistance projects helped prepare the design of investment projects, build capacities of power utilities, and manage safeguard issues by building capacity for environmental assessment.

2. ADB has coordinated its energy sector intervention with development partners such as Agence Française de Développement (AFD), Japan International Cooperation Agency (JICA), KfW, and the World Bank, which are the most active in the sector. The World Bank has a large presence in the energy sector of Viet Nam with an outstanding commitment of \$1.9 billion. It leads the policy dialogue through its development policy operation series for power sector reform in Viet Nam, of which the third one was approved in June 2014. ADB is collaborating with the World Bank in its technical assistance on Strategic Options for the Financial Recovery of the Power Sector, which helps assess the options for improving the financial positions of the state-owned power enterprises.¹

Major Development Partners

Development Partners	Project Names	Duration	Amount (million)
Conventional Energy Generation			
ADB	Phu My 3 BOT Power Company	2002–2004	\$75 ^a
ADB	Phu My 2.2 Power Project (co-guaranteed by the World Bank)	2002–2005	\$75 ^b
ADB	Mong Duong 1 Thermal Power Project–Tranche 1	2007–2013	\$27
ADB	Mong Duong 1 Thermal Power Project–Tranche 2	2009–2016	\$902
JBIC	Hai Phong 2 Thermal Power Plant	2007	¥7,300
JICA	Phu My Thermal Power Plant Project	1993–1999	¥61,932
JICA	Pha Lai Thermal Power Plant Project	1993–1999	¥72,826
JICA	O Mon Thermal Power Plant Unit 1 and Mekong Delta Transmission Network Project	2001–2007	¥53,183
JICA	Ninh Binh II Thermal Power Plant–Loan 1	2005–2011	¥4,433
JICA	Ninh Binh II Thermal Power Plant–Loan 2	2006–2011	¥29,421
JICA	Nghi Son 1 Thermal Power Plant–Loan 1	2007–2014	¥20,943
JICA	Thai Binh 1 Thermal Power Plant	2009	¥20,737
JICA	Nghi Son 1 Thermal Power Plant–Loan 2	2011–2014	¥29,852
JICA	Nghi Son 1 Thermal Power Plant–Loan 3	2011–2014	¥40,330
JICA	O Mon Thermal Power Plant Unit 2 Construction Project	2013–2017	¥27,547
World Bank	Viet Nam Guarantee Project (Phu My 2.2 partial risk guarantee)	2003	\$75
Large Hydropower Generation			
ADB	Song Bung 4 Hydropower Project	2008–2015	\$198
AFD	Huoi Quang Hydropower Plant Project	2010–2015	\$10
JICA	Ham Thuan–Da Mi Hydropower Project	1993–1998	¥53,074
JICA	Da Nhim Power Plant Rehabilitation Project	1997–2001	¥7,000
JICA	Dai Ninh Hydropower Project	1998–2003	¥33,172
JICA	Thac Mo Hydropower Station Extension Project	2004–2009	¥5,972

¹ World Bank. 2013. *Technical Assistance on Strategic Options for the Financial Recovery of EVN and its Subsidiaries*. Ha Noi.

Development Partners	Project Names	Duration	Amount (million)
Sida	Construction of Song Han Multipurpose Hydropower Plant	1995	SKr213
World Bank	Trung Son Hydropower Plant	2011–2017	\$330
Renewable Energy Generation			
ADB	Renewable Energy Development and Rehabilitation for Remote Communes Sector Project	2009–2015	\$151.0
GiZ	Support for the Development of Renewable Energy in Vietnam	2009–2012	€2
GiZ	Renewable Energy Support Programme	2012–2015	€3
GiZ	Support to the Up-Scaling of Wind Energy in Vietnam	2014–2019	€7
JICA	Energy Efficiency and Renewable Energy Promoting Project	2009–2015	¥4,682.0
KfW	Phu Lac Wind Power Plant	2013–2016	€35
World Bank	Renewable Energy Development Project	2009–2014	\$202
Electricity Transmission and Distribution			
ADB	Power Distribution and Rehabilitation Project	1995	\$80
ADB	Central and Southern Viet Nam Power Distribution Project	1997	\$100
ADB	Northern Power Transmission (Sector) Project	2004–2011	\$120
ADB	Northern Power Transmission Expansion Sector Project	2005–2014	\$360
ADB	Power Transmission Investment Program–Tranche 1	2011–2015	\$120
ADB	Power Transmission Investment Program–Tranche 2	2012–2016	\$110
AFD	Rural Electrification Project	2000–2006	€19
AFD	Northern Power Transmission Project	2004–2011	€40
AFD	Pleiku – My Phuoc – Cau Bong 500 kV Transmission Line	2012–2017	\$75
JICA	Phu My–Ho Chi Minh City 500 kV Transmission Line Project	2001–2005	¥13,127
JICA	Power Sector Loan 1	2004–2006	¥3,190
JICA	Power Transmission and Distribution Network Project	2008–2015	¥10,906
KfW	Improvement of Energy Efficiency in Rural Areas	2010–2014	€120
KfW	Decrease of the Emissions Intensity in Electric Power Supply	2013–2017	€120
KfW	500 kV Son La - Lai Chau Transmission Line and Expansion of 500 kV Son La substation	2014–2017	€105
Sida	Ha Tinh 500 kV Substation	1998	SKr55
Sida	Power Distribution Project in Central Area	1999	SKr60
Sida	Upgrading Rural Substations	2000	SKr60
World Bank	Power Sector Rehabilitation and Expansion Project	1995–2000	\$165
World Bank	Transmission, Distribution, and Disaster Reconstruction	1998–2007	\$199
World Bank	Rural Energy Project	2000–2006	\$150
World Bank	Second Rural Energy Project	2004–2014	\$220
World Bank	Second Transmission and Distribution Project	2006–2010	\$180
World Bank	Rural Distribution Project	2008–2013	\$150
World Bank	Rural Energy II–Additional Financing	2009	\$200
World Bank	Second Transmission and Distribution- Additional Financing	2011–2014	\$180
World Bank	Distribution Efficiency Project	2012–2017	\$449
Energy Efficiency and Conservation			
KfW	Decrease of Emission Intensity in Electric Power Supply	2013–2016	€120
Energy Sector Development and Institutional Support			
World Bank	Power Development Project	1996–1999	\$180
World Bank	System Efficiency Improvement, Equitization and Renewable Project	2002–2012	\$225
World Bank	Viet Nam Power Sector Reform Development Policy Operation	2010–2011	\$311
World Bank	System Efficiency Improvement, Equitization and Renewable Project (Additional Financing)	2010–2012	\$26
World Bank	Viet Nam Power Sector Reform DPO2	2012–2013	\$200
World Bank	Viet Nam Power Sector Reform DPO3	2014-	\$200

^a Consisting of \$40 million loan and \$35 million political risk guarantee.

^b Consisting of \$50 million loan and \$25 million political risk guarantee.

ADB = Asian Development Bank, AFD = Agence Française de Développement, BOT = build–own–transfer, DPO = development policy operation, GiZ = German development cooperation through Deutsche Gesellschaft für Internationale Zusammenarbeit, JBIC = Japan Bank for International Cooperation, JICA = Japan International Cooperation Agency, kV = kilovolt, Sida = Swedish International Development Cooperation Agency.

Sources: ADB, AFD, GiZ, JBIC/JICA, KfW, Sida, and World Bank.

B. Institutional Arrangements and Processes for Development Coordination

3. The Ministry of Planning and Investment is responsible for the general coordination of development partner financing. For their part, ADB, AFD, JICA, KfW, Export-Import Bank of Korea (KEXIM), and the World Bank have been particularly active in aligning their lending pipelines, jointly managing implementation issues, and jointly advising the government on how to improve its policies, and legal and regulatory frameworks.

4. In the energy sector, frequent formal and informal meetings are held to exchange information and to seek cofinancing opportunities. ADB initiated and organized the first energy sector development partner meeting in recent years, which seven development partners attended in 2013. The proposed Ha Noi and Ho Chi Minh City Power Grid Development Sector Project has been formulated in consultation with, and designed to complement the efforts of, development partners active in the sector.

C. Achievements and Issues

5. ADB has mobilized €120 million of energy sector cofinancing—e.g., from AFD for tranche 2 of the Power Transmission Investment Program, for which ADB and AFD have entered into a framework cofinancing agreement—while discussions are ongoing with KfW to cofinance tranche 3, which is expected for ADB Board consideration in 2015. ADB has also mobilized \$510 million in cofinancing from KEXIM for tranche 2 of the Mong Duong 1 Thermal Power Plant Project.

6. Cofinancing with KfW was also considered for the Ha Noi and Ho Chi Minh City Power Grid Development Sector Project, but did not materialize due to differences in the processing schedules. Nonetheless, it was agreed to share the project preparatory resources and to jointly raise project design issues with the executing agencies, such as encouraging the consolidation of procurement packages into fewer but larger contracts to improve project implementation performance. This project will instead mobilize \$100 million from the ASEAN Infrastructure Fund,² which marks the first application of the fund in Viet Nam.

D. Summary and Recommendations

7. The energy sector continues to require vast investments to meet rapidly growing electricity demand. Development partners should further coordinate for efficient and effective support through their sovereign operations. They also must combine efforts to promote private sector investment, initially in the generation subsector, while supporting sector reform to create an enabling environment, e.g., by helping streamline the laws for build–own–transfer and public–private partnership modalities. Engagement with commercial banks should also be accelerated to utilize credit enhancement products such as guarantees to help diversify the power utilities' access to financial resources. At the same time, development partners will also strengthen collaboration to improve the financial positions and the performance of power utilities, while cautiously encouraging gradual retail tariff increases to ensure their financial sustainability, and to attract more private sector interest for power generation investments, particularly in renewable energy.

² Financing partners: the governments of Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam. Administered by ADB. (ASEAN stands for Association of Southeast Asian Nations.)