

VIETNAM

Credit Rating Readiness and Preparation for Vietnam Electricity

GIF FUNDING & LEVERAGE

GIF Approved Project
Definition Support:

\$500,000

Estimated Project Support:

\$1,000,000 to 2,000,000

Potential Private Investment
Mobilized:

\$500,000,000

Vietnam Electricity (EVN) aims to issue an international bond and obtain a credit rating as the first step. The GIF is providing a grant and technical assistance to help EVN with its strategy and approach.

EXPECTED PROJECT OUTCOMES

- ◆ EVN will take steps to comply with International Financial Reporting Standards to improve transparency
- ◆ EVN will obtain a credit rating
- ◆ EVN will diversify its financing sources through an international bond issuance

TECHNICAL PARTNERS



THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP

* Based on World Bank Group classification by income

BACKGROUND

Vietnam is experiencing double digit growth in domestic demand for electricity. To meet this growing demand, state-owned enterprise (SOE), EVN will need to contribute a significant amount towards the Government of Vietnam's broader investment program in the energy sector. EVN has been accustomed to operating on a public-sector financing model complemented by Overseas Development Assistance (ODA). Yet, constrained ODA flows, the Government of Vietnam's limited ability to offer government guarantees, and the large amounts of investments needed, dictate that EVN pursue more commercial financing opportunities.

EVN aims to issue an international bond, and to do so it will have to obtain a credit rating. The GIF is providing a grant and technical assistance to help EVN with its strategy and approach.

The project is co-led by the World Bank's Energy Global Practice and the GIF. EVN will be the counterpart of this GIF activity, with close communications with Ministry of Industry and Trade (MOIT), Ministry of Finance (MOF) and other organizations as needed in the credit rating preparation and execution process.

PROJECT FEATURES

The GIF will provide a grant and technical assistance to help EVN define and articulate its overall strategy for issuing an international bond. It will review legal and regulatory requirements, enhance EVN's existing documents readiness for rating execution, survey historical ratings of comparable SOEs and private companies, conduct a rating

simulation, the actual rating process and provide recommendations on next steps.

Accomplishing this will position the GIF to further assist EVN with structure any necessary credit enhancements that may be needed, carry out the issuance of its first international bond, and mobilize financing from long-term institutional investors and other commercial sources.

WHY GIF

The GIF's core expertise is where public-sector infrastructure meets private financing. To help EVN obtain a credit rating, the GIF brings knowledge of what has worked elsewhere and what eventual EVN bond investor may seek. Specifically, the GIF can help EVN:

- 1. Identify improvements needed to enhance EVN's creditworthiness, helping chart the best course forward.** EVN has a huge financing needs. Undertaking a credit rating assessment will help EVN establish a baseline and preparing it to access international commercial financing with longer tenors.
- 2. Diversify its financing sources through international bond issuance.** The GIF team's experience in infrastructure finance and partnership with GIF Advisory Council members interested in investing in Vietnam will benefit EVN as it develops its bond issuance strategy. This will enable the GIF to pinpoint solutions to challenges that need overcoming for EVN to obtain a credit rating, and throughout the process to provide on demand support and counsel.

The Global Infrastructure Facility, or GIF, is a partnership of governments, multilateral development banks and private sector financiers that facilitates private-sector investment in complex infrastructure projects in emerging economies. We serve as a platform through which governments collaborate with international financial institutions and private sector investors to design, structure and implement these complex projects.

The comprehensive project-preparation support provided by the GIF draws on the expertise of its advisory partners which includes commercial banks and institutional investors. The broad partnership ensures that well-structured and bankable infrastructure projects are brought to market in a way that meets the needs of governments and service users in a sustainable way.