

Document of
The World Bank

FOR OFFICIAL USE ONLY

Report No. P-6675-VN

MEMORANDUM AND RECOMMENDATION
OF THE
PRESIDENT OF THE
INTERNATIONAL DEVELOPMENT ASSOCIATION
TO THE
EXECUTIVE DIRECTORS
ON A
PROPOSED CREDIT
OF SDR 121 MILLION
TO
THE SOCIALIST REPUBLIC OF VIET NAM
FOR A
POWER DEVELOPMENT PROJECT

JANUARY 2, 1996

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

Currency Equivalents

(As of October 1995)

Currency Unit = Dong (D)
US\$1 = 11,100
D1 = US\$.00009

Weights and Measures

Gwh - gigawatt-hour (1 million kWh)
kWh - kilowatt - hour (1,000 watt-hours)
MW - megawatt (1,000 kilowatts)
MVA - megavolt-amperes

Abbreviations and Acronyms

BOT - Build-Operate-Transfer
CC - Combined Cycle
EIA - Environmental Impact Assessment
EIRR - Economic Internal Rate of Return
ESMAP - Energy Sector Management Assistance Program
of the World Bank
EVN - Electricity of Viet Nam
GDP - Gross Domestic Product
HV - High voltage
MOE - Ministry of Energy
MOI - Ministry of Industry
p.a. - per annum
PSREP - Power Sector Rehabilitation and Expansion Project
(IDA Credit No. 2724-VN)
RAP - Resettlement Action Plan

FISCAL YEAR

January 1 to December 31

Viet Nam
Power Development Project
Credit and Project Summary

Borrower: The Socialist Republic of Viet Nam.

Implementing Agency: Electricity of Viet Nam (EVN).

Beneficiary: Electricity of Viet Nam.

Poverty: Not applicable.

Amount: SDR 121 million (US\$180 million equivalent).

Terms: Standard IDA terms with a maturity of 40 years.

Commitment Fee: 0.50% on undisbursed credit balances, beginning 60 days after signing, less any waiver.

Onlending Terms: The Credit will be on-lent to EVN in US dollars at a fixed interest rate of 6.9% per annum, with repayment over 20 years, including a grace period of 5 years, and foreign exchange risk being borne by EVN.

Financing Plan: See Schedule A.

Economic Rate of Return: Phu My Power Component 17%.
Transformer Additions 40-43%.

Staff Appraisal Report: 14893-VN.

Map: IBRD No. 27314.

Project ID. No.: 42236.

**MEMORANDUM AND RECOMMENDATION OF THE PRESIDENT OF IDA
TO THE EXECUTIVE DIRECTORS ON A PROPOSED CREDIT
TO THE SOCIALIST REPUBLIC OF VIET NAM
FOR A POWER DEVELOPMENT PROJECT**

1. I submit for your approval the following memorandum and recommendation on a proposed development credit to the Socialist Republic of Viet Nam (Viet Nam) for SDR 121 million, the equivalent of US\$180 million, on standard IDA terms with a maturity of 40 years, to help finance a project for meeting the urgent requirements for power in Viet Nam. The proceeds of the credit would be on-lent in US dollars to Electricity of Viet Nam (EVN) with repayment over 20 years, including 5 years of grace, with a fixed interest rate at 6.9% p.a. EVN will bear the foreign exchange risk.

Background

2. Viet Nam began the transition from a centrally planned to a market economy in 1986, at the Sixth Congress of the Vietnamese Communist Party. This process was accelerated in 1989 with the devaluation of the Dong and the decontrolling of most prices. In 1993, Viet Nam obtained access to concessional international finance, while the US embargo was lifted in early 1994. All these events provided a stimulus to the economy, which responded with a rapid growth of about 8% p. a. over 1992-1994. The gross domestic product (GDP) is forecast to continue growing at this rate for the rest of the decade. In the economy's continued transition and growth, the energy sector, which provides approximately one third of the nation's foreign exchange earnings, will play a vital role. Viet Nam's economic development will be closely linked to growth in energy supplies in general, and electricity in particular.

3. The power sector in Viet Nam faces a number of challenges, the most significant being the ability to finance an investment program of almost US\$6.5 billion from 1995-2001, to meet the unprecedented growth in electricity demand. Presently, the power system is technically stretched to its limit and, owing to years of underinvestment in assets and in maintenance, the system is inefficient and unreliable. Further, with only 78% of the population having access to electricity and a per capita consumption of less than 300 kWh, there is a large amount of pent-up demand in the country.

4. Recognizing the need for drastic rationalization of sector policies to meet these challenges, the Government has prepared, in consultation with IDA, a Power Sector Policy Paper that lays out its sectoral objectives, its reform strategy and a reform implementation plan. The principal elements of the Government's power sector policy are to: (a) rationalize power sector institutions and functions; (b) commercialize the operations of sector entities through financial and management restructuring; (c) introduce an appropriate legal and regulatory framework for the sector; (d) adopt appropriate bulk and retail electricity tariffs, both in terms of tariff level and tariff structure; (e) encourage and introduce private sector capital and direct participation in the sector; (f) introduce electricity conservation and load management practices; and (g) prepare and implement a plan to bring electricity to rural areas.

5. Sector restructuring was initiated in January 1995, with the establishment of EVN, a holding company for the different power sector entities. At the same time the Ministry of Energy (MOE, subsumed under the Ministry of Industry (MOI) in October 1995) was significantly rationalized, and consistent with the Government's policy for all line ministries, made responsible for policy and oversight functions only. The core functions of generation and transmission were separated under several regionally-oriented business units all of which were grouped under EVN as *dependent (cost-based) accounting units*. Distribution was entrusted to five business units which function as

independent (cost- and revenue- based) accounting units. This restructuring has set the stage for consolidation of a transmission business unit as a separate profit center and progressive commercialization of the distribution companies.

6. Much work remains to be done by the Government to achieve an increasing commercial orientation of the sector, including: (a) separating more sharply the function of government oversight and regulation from that of sector ownership and management; (b) establishing a commercial arms-length ownership policy vis-a-vis EVN, in terms of financial responsibilities and operational performance; (c) strengthening the administrative and management practices of EVN and its enterprises; and (d) allowing adequate financial and management autonomy to the distribution companies. Technical assistance in institutional strengthening is being provided under the Power Sector Rehabilitation and Expansion Project (PSREP) (Credit No. 2724-VN). It includes improving organizational structures; streamlining administrative and management practices; improving reporting and information flows between entities; and defining budget and financial control systems. The proposed project would provide for additional strengthening of EVN through management training.

7. An important element of the power sector policy is the establishment of an effective and credible body of sector-specific legislation and regulations, which is a prerequisite for the orderly introduction of private power. This would comprise: (a) defining the scope of regulation and the agency to carry out this function; (b) drafting of an electricity law and its subsequent approval by the National Assembly; (c) preparation and operationalization of a Grid Code; and (d) promulgation of the Electricity Law and Regulations. In support of the proposed project, the Energy Sector Management Assistance Program (ESMAP) group of the Bank would provide extensive technical assistance to the Government in developing an appropriate legal and regulatory framework for the power sector.

8. As a key objective to encourage private sector participation, the Government issued Decree No.87/CP on Build-Operate-Transfer (BOT) contracts to facilitate private investment in infrastructure, including power. Despite this policy initiative, significant impediments to promoting and implementing private power remain, including: (a) the lack of a proper legal and regulatory framework; (b) the unfavorable credit-risk of EVN stemming from low tariffs and the lack of financial disclosure; and (c) uncertainty regarding a domestic dispute resolution mechanism. Under the proposed project, assistance will be provided by the Bank Group to help structure the second phase of the Phu My power station as a BOT type project. This work would include: (a) improving the overall framework to solicit private investment; (b) training for structuring and negotiating project agreements with foreign investors and lenders; and (c) providing project specific legal and financial consulting services.

9. In support of the policy elements concerning: (a) energy conservation, a study to evaluate energy conservation and demand side management potentials and formulating concrete programs is being conducted under PSREP; and (b) electrification of rural areas, technical assistance in developing a strategy and a master plan for rural electrification of the whole country is being provided under the proposed project.

10. In 1991, Viet Nam adopted the National Plan for Environment and Sustainable Development: A Framework for Action. This provides a comprehensive framework for establishing the necessary policies, institutions, laws, regulations and programs for addressing environmental issues. The Government is now preparing a National Environmental Action Plan, building on the Bank's report entitled Environmental Program and Policy Priorities (Report No. 13200-VN). Viet Nam has also begun to establish the legal and institutional framework required to implement environmental

management programs. The Department of Environment and Natural Resources is the Government's main environmental arm. A Law on Protection of the Environment was enacted in December 1993. Amongst other provisions it: (a) identifies in general terms the responsibilities of the state organizations and individuals to prevent and remedy environmental deterioration; (b) provides for the development of environmental standards and submission of environmental impact reports on new and existing facilities; and (c) requires responsible parties to pay compensation for environmental damage.

Project Objectives

11. The main objectives of the proposed project are to: (a) help meet the rapid growth in electricity demand in the south of Viet Nam through the addition of new gas-fired generating capacity; (b) strengthen the high voltage (HV) transformation capacity in Viet Nam; (c) assist the Government in the introduction of private power in the country; (d) strengthen the institutional capability of EVN through technical assistance and training; and (e) assist in the formulation of a national strategy and master plan for rural electrification. The achievement of these project objectives would be monitored during and after project implementation through specific project performance indicators, such as the annual output and availability of the gas turbines, the development of demand, the progress in introduction of private power and the institutional strengthening of EVN.

Project Description

12. The proposed project would finance: (a) the installation of 2x150 MW gas turbines for the first 450MW Combined Cycle (CC) power block of the Phu My power station; (b) addition of about 900 MVA of high voltage transformer capacity at existing sub-stations in the South of Viet Nam and about 1,350 MVA of such capacity in other parts of the country; (c) resettlement and compensation of persons affected by the Phu My plant; and (d) consulting services for: (i) project design and supervision for Phu My; (ii) development of a BOT type of arrangement for the second CC power block of Phu My on the basis of competitive bidding; (iii) technical assistance and training for EVN managerial staff; (iv) master plan for rural electrification; and (v) technical studies for the Dai Ninh hydropower project. In addition, technical assistance for development of the legal and regulatory framework for the power sector would be provided by the Bank's ESMAP group.

13. Total financing required for the project is US\$242 million equivalent (including interest during construction), with a foreign exchange cost of US\$180 million. The proposed Credit would finance the full foreign exchange cost of the project, or 74.3% of total project cost. Local costs would be financed by EVN through internal cash generation and local borrowing. A breakdown of costs and the financing plan are shown in Schedule A. Amounts and methods of procurement and disbursements, and the disbursement schedule are shown in Schedule B. Retroactive financing is recommended to the extent of US\$15.0 million equivalent for payments made, prior to the date of the Credit Agreement but after appraisal start of October 1, 1995, for contracting goods and consulting services urgently needed to meet the project schedule. A timetable of key processing events and status of Bank Group operations in Viet Nam are given in Schedules C and D, respectively. A map is also attached. The Staff Appraisal Report, No.14893-VN, dated January 2, 1996 is being distributed separately.

Project Implementation

14. EVN, through its appropriate business units, would have full responsibility for implementing the physical components of the project, including the Resettlement Action Plan (RAP) for

Phu My. MOE (now MOI) and EVN would be responsible for managing the technical assistance associated with the project's policy aspects. Steering committees would be formed and representatives from relevant line ministries would be involved in the development of the legal and regulatory framework and in the solicitation of private power proposals. Consultants have been employed for providing comprehensive assistance in the implementation of the Phu My project component. With EVN's considerable in-house expertise in implementation of transformers, consulting assistance for this component is unnecessary.

15. EVN has prepared a Project Implementation Plan in line with Bank guidelines. Most of the project would be implemented over the 1996-1997 period. Vietnamese institutions are technically well experienced in implementing the project components and with the consulting assistance provided under the project for Phu My, no substantive problems are foreseen for efficient and timely implementation of the project. The implementing arrangements are satisfactory to IDA.

Project Sustainability

16. The technologies for all project components are well proven and the project agencies are adept in their application. Training would be imparted to selected personnel for operation and maintenance of the gas turbine (combined cycle) plants. The project's physical sustainability would be thus assured. The project components form part of the least-cost power development plan and have robust economic rates of return. The project would be economically sustainable. The management of EVN is being strengthened through technical assistance. Financial performance will be progressively improved through improvements in system efficiency and rate adjustments under PSREP and under the proposed project. These measures will enhance to the project's financial sustainability.

Lessons from Previous IDA Involvement

17. IDA's first operation in the Viet Nam power sector (PSREP) has just commenced. An important lesson has been the need for detailed preparation of the RAP with a clear definition of project affected persons and the legal framework for resettlement, and assuring the active participation of the affected people in the project and the RAP. Another significant lesson from power projects, in general, is the need for thorough investigations in the preparation of technologically and managerially complex projects. The proposed project includes development of a large gas-fired thermal power complex; adequate field investigations have been made, alternatives studied, and foreign consulting assistance has been availed of from the feasibility stage and will be continued during implementation. Being a fast-track project, adequate safeguards have been provided to achieve timely completion, including construction on a turnkey basis.

Rationale for IDA Involvement

18. The project would be fully consistent with the Bank's Country Assistance Strategy (Report No. 15053-VN), discussed by the Board on November 21, 1995, which sees IDA's role for the power sector as filling an important niche not covered by other players in the sector. This includes financing of environmentally sustainable hydropower, transmission and distribution, and thermal power to the extent that the Bank Group could be instrumental in introducing private power while simultaneously working with the Government in improving the legal and regulatory framework. The policies and programs that the Government proposes to follow in the sector are consistent with the Bank's policy guidelines for the power sector.

19. Viet Nam's needs for financing its infrastructure are large (the power sector alone requiring almost US\$6.5 billion over 1995-2001) and the Government clearly recognizes the necessity for private direct financing. However, to permit the private sector to participate in power development on the required scale and in a sustainable manner, Viet Nam needs a conducive policy, legal and regulatory framework. The present situation does not permit such participation because of an almost total lack of such a framework. Accordingly, IDA's dialogue with the Government over the past two years has been to agree on a shift in its policy on private sector participation, help create a proper legal and regulatory framework and to move the power sector increasingly towards commercialization and corporatization. Various units of the Bank Group - FIAS, IFC, ESMAP and the Region - have participated in this dialogue. Notable among the Bank Group's efforts so far have been: (a) the collaborative work of ESMAP and the Government through the Power Sector Reform and Restructuring Study (ESMAP Report No. 174/95); (b) the seminar held by ESMAP in July 1995 to sensitize the Government to issues relating to Private Financing of Power; and (c) the holding of a high level seminar by FIAS and IFC in Hanoi in September 1995 on Impediments to Direct Investment in Infrastructure.

20. Preparing and implementing a sound policy, legal and regulatory framework will, however, take time, in part because there is not yet a completely uniform view on private sector power development within the Government. In the meantime, the demand for power is increasing rapidly. Therefore, in parallel with the efforts to develop the framework, the Government is willing to consider private power development under BOT arrangements on a case-by-case basis, provided it is done in a competitive and economic manner. This preparatory work will take time. The Government believes that it needs to make some immediate investments in power generation through EVN to head off a looming power crisis in the southern part of the country, an assessment with which IDA concurs. The Bank Group is satisfied with the appropriateness of the overall strategy which will be implemented first in the development of the Phu My complex.

21. Phu My, with an ultimate capacity of 2,400 MW, will be the largest thermal power generation complex in the country. EVN has invited bids for the first two 150 MW gas turbines while it has also, in parallel, received some private power proposals. EVN did not find the latter acceptable for technical and economic reasons. There were also concerns that negotiations and finalization of project arrangements, in the absence of a proper framework, would require considerably more time than was available (the initial capacity increase needs to be completed by December 1996). The Government, therefore, requested IDA to finance these two gas turbines. The approach taken by IDA was to predicate IDA financing on a clear up-front policy decision by the Government to introduce private power for the second CC block of Phu My. After considerable debate at the highest political level, the Government adopted the policy decision recommended by IDA. IDA's strategy has, thus, succeeded in creating a breakthrough in the introduction of private power in Viet Nam. While reiterating its desire to work with IDA in establishing the proper legal and regulatory framework (which should significantly facilitate large scale and sustainable private sector involvement in power development), the Government has sought Bank Group's assistance in realizing a BOT type of installation for the second CC block of Phu My. IDA and IFC consider the Government's approach to be reasonable, and are satisfied that their involvement will help introduce private power in an orderly manner.

Agreed Actions

22. During negotiations, agreement was reached with the Borrower and EVN on: (a) an annual review of the power development plan and the electricity tariffs; (b) gas supply arrangements for Phu My; (c) financial covenants for EVN: (i) generation of funds from internal sources equivalent to 30% of annual average investment for three years; and (ii) maintaining a debt service coverage ratio of not less than 2; (d) implementation of the environmental impact mitigation plan and RAP for Phu My as detailed in documents agreed with IDA; (e) implementation of technical assistance and training to strengthen EVN; (f) undertaking a review of the legal and regulatory framework for the power sector including drafting of the Electricity Law and Grid Code; measures for implementing the regulatory framework and Grid Code; and actions in passing the Electricity Law; and (g) development of the second CC block of Phu My through a BOT type of arrangement following a competitive bidding process.

Environmental and Resettlement Aspects

23. A detailed environmental impact assessment (EIA) for Phu My has concluded that, with proper design and mitigation measures, atmospheric and aquatic impacts would be within acceptable limits. The EIA has been approved by the Government and is acceptable to IDA. EVN has agreed to design the plant and follow mitigation measures as outlined in the EIA document.

24. All transformers under the project would be installed in existing substations which have space provision for expansion. No acquisition of new land would be necessary. An environmental analysis has shown that the installations, following appropriate environmental and safety regulations, would pose no significant environmental hazards.

25. About 18 ha of land are being acquired for the Phu My power station. The total number of families that would be affected is 55, of which nine will need to be resettled and the remaining 46 compensated and rehabilitated. A RAP has been prepared by EVN and approved by the Government. The RAP will be implemented by EVN with the involvement of the affected people and the peoples' committees at the provincial, district and commune levels. Adequate mechanisms have been provided for the redressal of grievances and for external and internal supervision and monitoring. The RAP is in compliance with the Bank's operational directives and is acceptable to IDA.

Project Justification

26. The looming power shortage in the southern part of Viet Nam from the end of 1996 makes it imperative to add generation within a short period of about 15 months. This is feasible only with internal combustion turbines. The discovery of large offshore gas reserves and the expected availability of this gas onshore by end-1998 makes gas-fired CC generation a least-cost, and environmentally least-objectionable, option for power generation. The investment in HV transformers is long overdue. Many transformers are operating at or above their rating incurring high energy losses; the prospects of transformer failures and unserved energy are alarming. While PSREP supports the reinforcement of distribution systems, complementary investment in the HV transformers is vital to meet the demand growth.

27. The estimated economic internal rate of return (EIRR) for the Phu My power component is 17%. The economic analysis takes into account the investments in the power plant as well as downstream investments in distribution. The tariff is used as a proxy for economic benefits, which are

understated in the absence of consumer surplus. Sensitivity studies have indicated the project's economic viability for several adverse circumstances such as higher gas prices, lower electricity demand and delays in the availability of gas. The project remains economically viable (EIRR exceeding 12%, the opportunity cost of capital in Viet Nam) for gas prices up to about US\$3.4/1,000 cu. ft. or for electricity demand falling by 20%. In regard to the HV transformers, the analysis takes into account the capital cost of the transformers as well as the high capital costs of downstream investments in sub-transmission and distribution. The penalties for not undertaking this project component are at best an increase in losses and unserved energy and at worst damage to equipment and load shedding. The EIRRs, conservatively evaluated, are robust at levels of 40-43%.

28. The Phu My component of the project faces two significant potential risks: First, delays in commissioning of the power plant, which could result in curtailing demand in the south; Second, delays in securing the gas supplies and the uncertainty about the gas price. The Government is conscious about the need to take all measures possible to avoid implementation delays. The contract for the gas turbines is in place and construction is progressing satisfactorily. Gas supply arrangements for the initial project years are being finalized; the plant is not expected to burn distillate oil for more than six months from start, and the EIRR is robust enough to tolerate burning of distillate for a year longer. With regard to the long term gas supply arrangements, the Prime Minister has directed that gas should be available at Phu My by the end of 1998 and negotiations between gas suppliers and EVN are well under way. The project requires short-term gas arrangements to be finalized before credit effectiveness and long-term arrangements by end-1996. It is expected that the price of gas could be satisfactorily negotiated in the range of US\$2.5-3.5/1,000 cu. ft., within which the project is economically viable.

29. The only tangible risk associated with the transformer additions component is that of delay in procurement which could result in overloading of transformers and/or shedding of load. EVN is well aware of this situation; bids have already been invited, and appropriate arrangements have been made for timely procurement decisions. The risk of demand not materializing is small; in this case, the downstream investments in distribution could be delayed, besides the EIRR is robust enough to tolerate lower demand growth rates.

Recommendation

30. I am satisfied that the proposed development credit would comply with the Articles of Agreement of the Association and recommend that the Executive Directors approve it.

James D. Wolfensohn
President

Attachments
Washington, D.C.
January 2, 1996

VIET NAM
POWER DEVELOPMENT PROJECT
Estimated Costs and Financing Plan /a

Item	Local	Foreign	Total	Local	Foreign	Total	Foreign as % of Total
	Dong billion			US\$ million			
PHMY2-1, 2x150 MW GTs Installation	99.9	999.0	1098.9	9.0	90.0	99.0	90.9
HV Transformer Installation	131.0	680.4	811.4	11.8	61.3	73.1	83.5
Base Cost	230.9	1679.4	1910.3	20.8	151.3	172.1	87.9
Physical Contingencies	22.2	167.6	189.8	2.0	15.1	17.1	88.3
Price Contingencies	30.0	51.1	81.1	2.7	4.6	7.3	63.0
Installation Cost	283.1	1898.1	2181.2	25.5	171.0	196.5	87.0
Resettlement and Compensation	11.1	0.0	11.1	1.0	0.0	1.0	0.0
Eng. & Admin. Overheads	77.7	0.0	71.0	6.4	0.0	6.4	0.0
Duties & Taxes	183.2	0.0	189.8	17.1	0.0	17.1	0.0
Sub-Total Project Cost	555.0	1898.1	2453.1	50.0	171.0	221.0	77.4
Consulting Services							
PHMY2-1	0.0	50.0	50.0	0.0	4.5	4.5	100.0
Dai Ninh Hydropower Project: Engineering	0.0	22.2	22.2	0.0	2.0	2.0	100.0
Technical Assistance							
For Strengthening EVN	0.0	5.5	5.5	0.0	0.5	0.5	100.0
Development of PHMY2-2 on BOT-JV Basis	0.0	16.7	16.7	0.0	1.5	1.5	100.0
Rural Electrification Master Plan	0.0	5.55	5.55	0.0	0.5	0.5	100.0
Total Project Cost	555.0	1998.0	2553.0	50.0	180.0	230.0	78.2
IDC	133.2	0.0	133.2	12.0	0.0	12.0	0.0
Total Financing Required	688.2	1998.0	2686.2	62.0	180.0	242.0	74.3

/a September 1995 price levels.
Exchange rate US\$1 = VN Dong 11,100

FINANCING PLAN
(US\$ million)

	Local	Foreign	Total
IDA	-	180.0	180.0
Internal Cash Generation and Local Borrowing	62.0	-	62.0
Total	62.0	180.0	242.0

VIET NAM

POWER DEVELOPMENT PROJECT

Summary of Procurement Arrangements /a
(US\$ million)

	ICB	Other /b	NIF/c	Total Cost
Goods				
2x150 MW GTs and Auxiliaries for PHMY2-1 /d	109.0 (99.0)	-	-	109.0 (99.0)
Transformers	32.0 (32.0)	-	-	32.0 (32.0)
Switching/Control Equipment	39.0 (39.0)	-	-	39.0 (39.0)
Testing Equipment, Computer H/W and S/W	-	1.0 (1.0)	-	1.0 (1.0)
Consultancies				
Design/Supervision: PHMY2-1	-	4.5 (4.5)	-	4.5 (4.5)
Engineering: Dai Ninh Hydropower Project	-	2.0 (2.0)	-	2.0 (2.0)
Technical Assistance and Training				
Strengthening of EVN	-	0.5 (0.5)	-	0.5 (0.5)
Development of PHMY2-2 on BOT-JV Basis	-	1.5 (1.5)	-	1.5 (1.5)
Rural Electrification Master Plan	-	0.5 (0.5)	-	0.5 (0.5)
Miscellaneous				
Eng. and Admin. Overheads	-	-	7.0	7.0
Duties and Taxes	-	-	16.5	16.5
Resettlement and Compensation	-	-	1.0	1.0
Local Civil and Erection Work	-	-	15.5	15.5
Total	180.0 (170.0)	10.0 (10.0)	40.0 (0.0)	230.0 (180.0)

/a Figures in parenthesis refer to amounts to be financed from the IDA credit.

/b Others - Procurement through Limited International Bidding or International Shopping for equipment and procurement of consulting services.

/c NIF - Not IDA Financed.

/d Single Responsibility Supply and Erection basis; comprising civil works of about US\$10 million equivalent.

Disbursements

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in Thousand SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods	108,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 50% of local expenditures for other items procured locally.
(2) Consulting Services	6,000	100%
<u>Sub-Total</u>	<u>114,000</u>	
(3) Unallocated	7,000	
<u>Total</u>	<u>121,000</u>	

Estimated Disbursements
(US\$ million)

<u>IDA Fiscal Year</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
	----- (US\$ million) -----				
Annual	30.0	90.0	30.0	20.0	10.0
Cumulative	30.0	120.0	150.0	170.0	180.0

VIET NAM

POWER DEVELOPMENT PROJECT

Timetable of Key Project Processing Events

(a)	Time taken to prepare:	7 months
(b)	Prepared by:	EVN with the assistance of consultants and IDA missions
(c)	First IDA Mission:	June 1995
(d)	Appraisal Mission Departure:	October 1995
(e)	Negotiations:	December 1995
(f)	Planned Date of Effectiveness:	March 1996
(g)	List of Relevant ICRs and PPARs:	Nil

This report is based on the findings of an appraisal mission to Viet Nam in October 1995, comprising Darayes Mehta (Principal Power Engineer), Rebecca Sekse (Financial Analyst), Ranjit Lamech (Restructuring Specialist), Mangesh Hoskote (Private Power Specialist), Anil Malhotra (Energy Advisor), Bent Svensson (Gas Specialist), Lars Lund (Resettlement Specialist), Walter Schwermer (Project Advisor), Anthony Toft (Principal Counsel) and Apinya Suebsaeng (Principal Investment Officer, IFC). Peer reviewers were Anil Malhotra (ASTDR), Peter Cordukes (IENPD), and Pierre Vieillescazes (CFSPF). The project was cleared by Mr. Callisto E. Madavo, Director, EA1 and Mr. Jayasankar Shivakumar, Chief, EA1IN. Ms. Theresa Gamulo (EA1IN) provided substantial support in the preparation of this report.

STATUS OF BANK GROUP OPERATIONS IN VIET NAM

A. STATEMENT OF BANK LOANS AND IDA CREDITS /a
(As of September 30, 1995)

Loan or Credit Number	Fiscal Year	Borrower	Purpose	Amount (US\$ million)/b (less cancellations)	
				IDA/b	Undisbursed
One credit fully disbursed				59.70	
2548	1994	Viet Nam	Primary Education	70.00	68.94
2549	1994	Viet Nam	Highway Rehabilitation	158.50	160.72
2561	1994	Viet Nam	Agriculture Rehabilitation	96.00	36.92
*2657	1995	Viet Nam	SAC 1	150.00	61.85
2711	1995	Viet Nam	Irrigation Rehabilitation	100.00	100.09
2724	1995	Viet Nam	Power Sector Rehabilitation	<u>165.00</u>	<u>165.22</u>
Total				799.20	593.73
of which has been repaid				4.18	
Total Now Held By Bank and IDA				<u>795.02</u>	
Amount sold	0.00				
Total Undisbursed				<u>593.73</u>	<u>593.73</u>

* Indicates SALISECAL loans and credits.

/a The status of the projects listed in Part A is described in a separate report on all IBRD/IDA-financed projects in execution, which is updated twice yearly and circulated to the Executive Directors on April 30 and October 31.

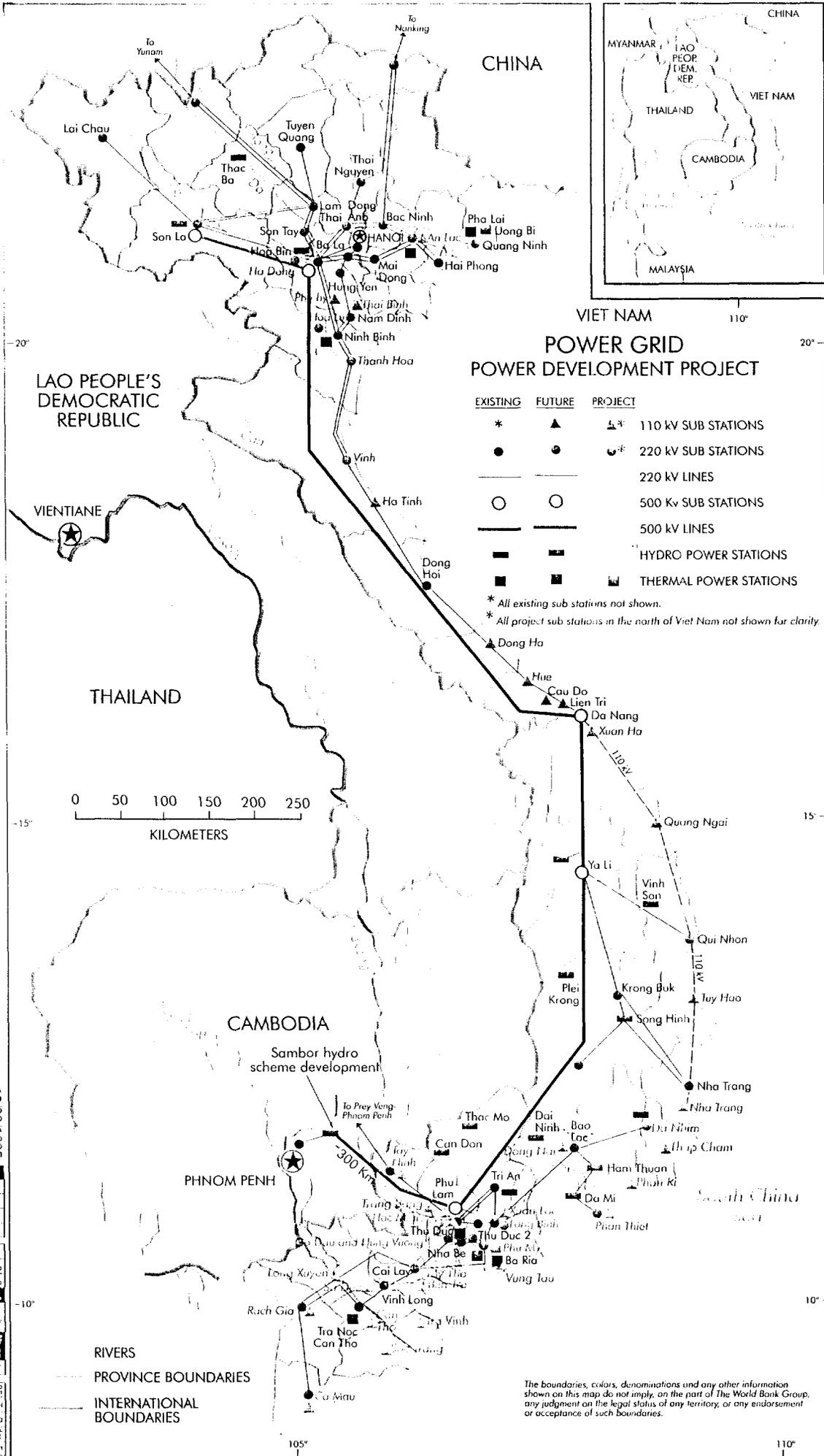
/b Principal amounts in US\$ equivalent at date of negotiations, and undisbursed amounts in equivalent are valued at exchange rate applicable on the date of this statement.

B. STATEMENT OF IFC INVESTMENTS
(As of September 30, 1995)

Year	Fiscal Obligor	Type of Business	Original Gross Commitments				Undisbursed Including	
			IFC Loan	IFC Equity	Parti- cipant	Total	Held by IFC	partici- pants' portion
			----- US \$ million -----					
1994	Hanoi Sofitel Metropole	Tourism	8.5	-	17.5	26.0	8.5	5.3
1995	Baria Port	Industrial Services	3.0	-	2.0	5.0	3.0	5.0
	Total Gross Commitments <u>a/</u>		11.5	-	19.5	31.0	-	-
	Less Cancellations, Terminations, Repayments & Sales		-	-	-	-	-	-
	Total Commitments Now Held <u>b/</u>		<u>11.5</u>	-	<u>19.5</u>	<u>31.0</u>	<u>11.5</u>	<u>10.3</u>
<u>Pending Commitments</u>								
1995	Foremost Dairy	Dairy Products	8.0	-	7.0	15.0		
1996	VimafLOUR	Agribusiness	8.0	-	3.0	11.0		
1996	Morning Star Cement	Cement	30.0	-	66.6	96.6		
	Total Pending Commitments		46.0	-	76.6	122.6		
	Total commitments held & pending Commitments		<u>57.5</u>	-	<u>96.1</u>	<u>153.6</u>		
	Total Undisbursed Commitments		<u>3.1</u>	-	<u>7.2</u>	<u>10.3</u>		

a/ Gross commitments consist of approved and signed projects.

b/ Held commitments consist of disbursed and undisbursed investments.



12/20/1995 2:11 PM C:\G\12201995\12201995.PRT

The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of The World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.

IBRD 27314

IMAGING

Report No: E- 6615 VN
Type: MCF