

Country: Vietnam

Project Name: Rural Energy Project (P056452)

Date Effective: November 29, 2000

Closing Date: December 31, 2006

Project Description: The Project aimed to bring electricity to more than 2 million people in 970 rural communes across Vietnam to enhance people's income-earning capacity and help alleviate poverty. To do this, the national grid was extended. The project also included institutional support to ensure Vietnam's rural electrification effort could be sustained.

Impact: *More than 550,000 households (or around 2.7 million people) in some of the poorest, rural areas of Vietnam now have a reliable electricity supply for the first time in their lives. They report higher incomes, improved health conditions, better quality of education, less time spent on housework and more business development opportunities.*

Some Highlights:

An on-gong impact study on the project, with surveys conducted in 2002 and 2005, found a 'better electricity supply' among the top reasons people in rural areas felt their lives had much improved compared with 15 years ago. It also found:

- More than 30 percent of men and 29.8 percent of women in recently electrified rural households reporting higher incomes.
- A major increase in new small businesses and many new jobs created in newly electrified areas.
- People reporting that their lives are more 'hygienic' after electricity is connected and that they get better care when sick. Health clinics report better conditions for diagnosis and treatment and improved communication about community health care.
- Children studying more because of access to lighting at night and teachers reporting that they are being more effective as they can prepare better for classes and use more visual aids.

Total Financing: Total project costs: US\$216.3 million of which US\$150 million came from IDA and US\$66.3 million from counterpart funds (US\$44.5 million from Electricity of Vietnam, US\$6.2 million from project provinces and US\$15.6 million from customers).

IDA Contribution:

IDA has been involved in Vietnam's power sector since the early 1990s and in the rural electrification program since 1998 through dialogue with government on reform and providing project financing. IDA helped the Government to prepare a Master Plan for Rural Electrification, pulling together government, user and ODA financing into a single, coordinated 10-year program. It contributed to the creation of a sound framework and

conditions for technically, commercially and financially sustainable rural electrification; and it assisted the Government to set up technical standards for rural networks.

Linkages:

As a result of the Government's broader rural electrification program, nearly 12 million out of around 13 million rural households in Vietnam now have electricity. In 1996, only 50.7 percent of rural households had electricity. By 2005, the reach was 90.7 percent. The project has enabled the Government to improve management systems of the rural electrification program.

Next Steps: Building on the success of this first project, IDA plans to continue to support rural electrification in Vietnam A Second Rural Energy Project, with US\$220 million from IDA until 2010, aims at improving service standards and the institutional framework for delivering rural electricity. Two additional IDA interventions are

- *Rural Distribution Project (RDP – Proposed FY08)*. This will remove bottlenecks in the power system between the transmission and the low voltage distribution system.
- *Third Rural Energy Project (RE3 – Planned FY10)*. The focus of RE3 will be to complete coverage to isolated or scattered households and communities in mountainous areas and on islands.