

# The Vietnam Development Bank

Involvement of Japan's export credit agency NEXI aids crucial highway project

## Case Study

**The Client** The Vietnam Development Bank (VDB) is 100 percent owned by the Vietnam Government and is mandated to support the country's strategic infrastructure development.

**The Challenge** Hai Phong is the only international port in northern Vietnam, accounting for over 80 percent of the trade in the region (which includes Hanoi and Hai Phong). These two major cities are connected by National Highway 5 (NH5), but rapid economic growth has led to severe congestion and serious accidents on the road in recent years. Vietnam's Government recognized this problem as a bottleneck for further economic growth and committed to building a new expressway between Hanoi and Hai Phong.

Finance was needed for VDB so that it could lend money to a project company to construct the new expressway. Given the strategic importance of the project, it benefited from an unconditional guarantee from the Ministry of Finance of Vietnam.

**The Solution** A USD270 million term loan facility with insurance from Nippon Export and Investment Insurance (NEXI), the official export credit agency of Japan, was structured. Citi acted as mandated lead arranger and sole NEXI Coordinator. The loan carries a tenor of 15 years and the NEXI risk insurance covers payments of principal and interest on the facility amount, for up to 100 percent of political risk and commercial risk under the Trade and Investment Insurance Act. The financing was the first road infrastructure project for NEXI under its Overseas Untied Loan Insurance in Vietnam.

**The Result** VDB obtained the financing it needed to facilitate the construction of the NH5 highway following Citi's successful syndication of the 15-year loan despite turbulent financial markets.

The project will greatly benefit Vietnam's economic development and is expected to help improve logistics and productivity of more than 200 Japanese companies operating in the area. Citi conducted on-site interviews with Japanese companies to establish the importance of the project to their operations, which proved important in gaining NEXI's support for the financing and therefore crucial to the successful completion of the financing.