



FINANCING INFRASTRUCTURE IN VIETNAM AMIDST DEVELOPING LEGAL FRAMEWORK

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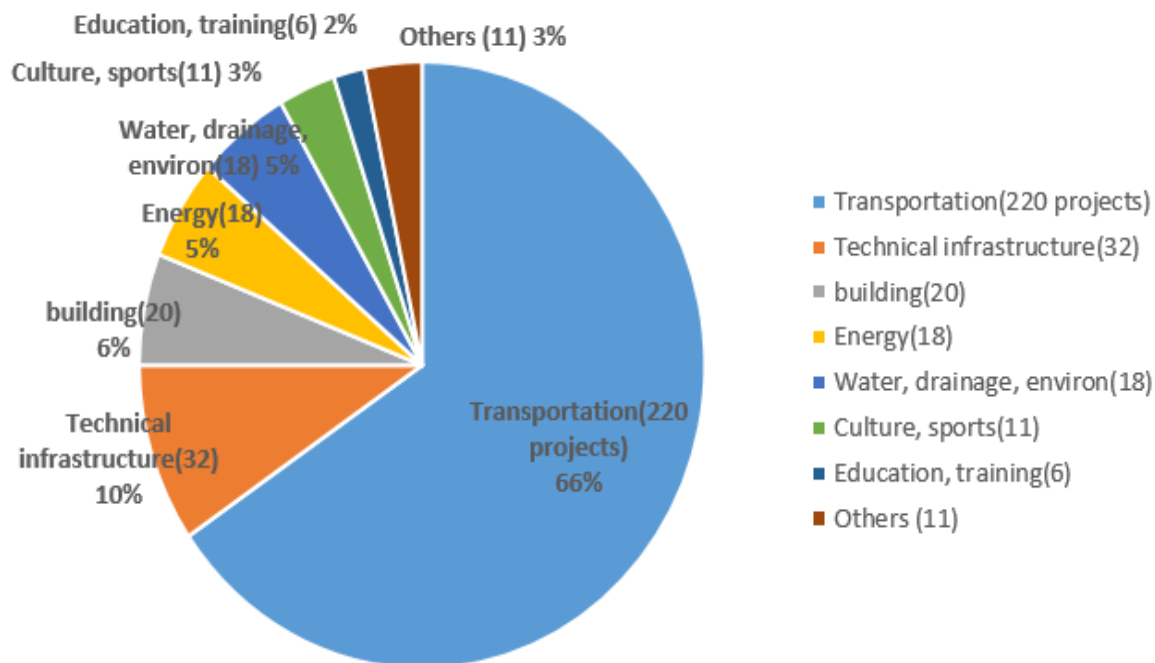


PPP OVERVIEW AND EVOLUTION OF PPP REGULATORY FRAMEWORK

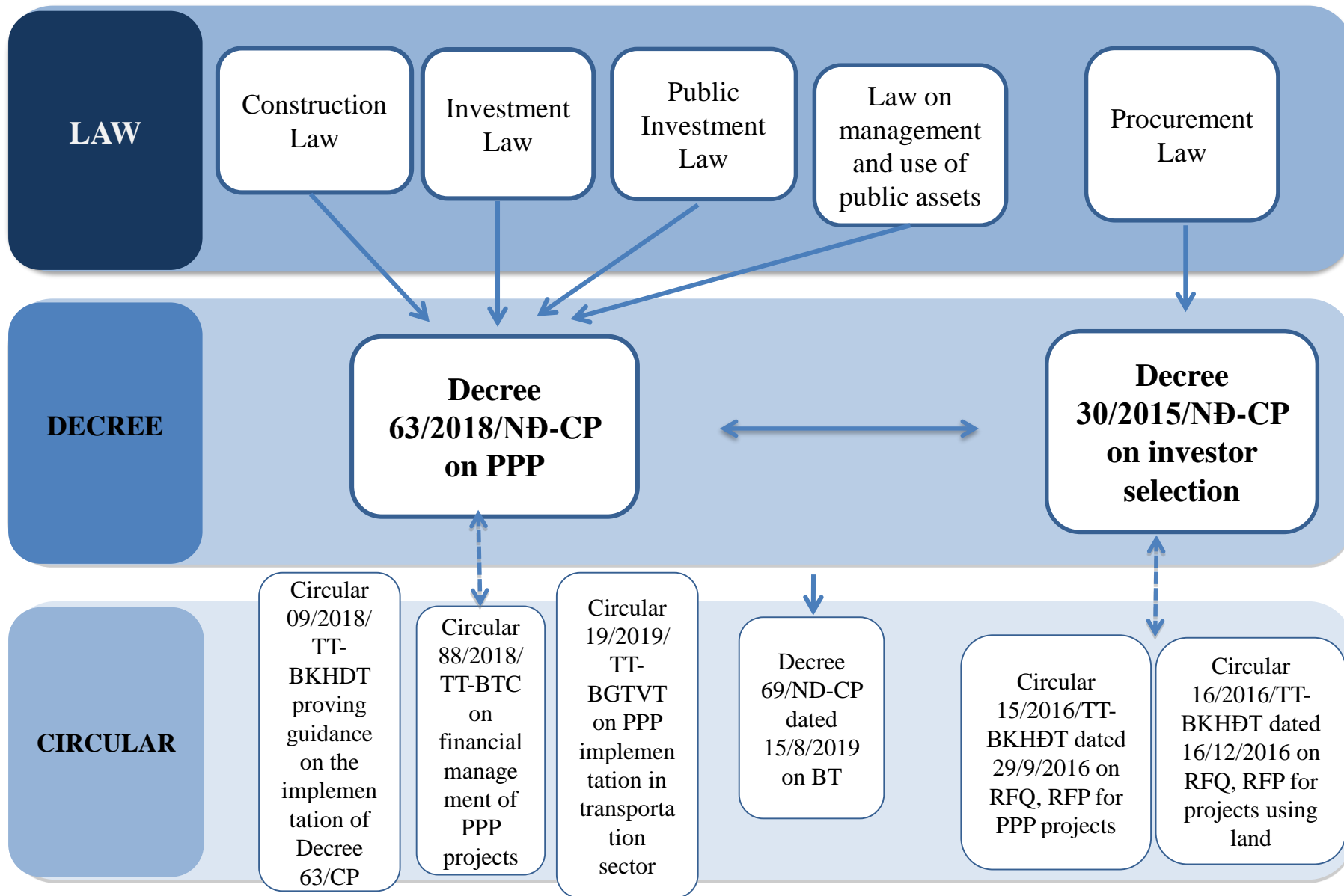
336 PPP projects, USD 70billion investment (VND1,609Trillion) in Vietnam

- By contract type: BOT(41.6%) and BT(56.0%)
- By sector : Transportation(220 projects, 65.47%)

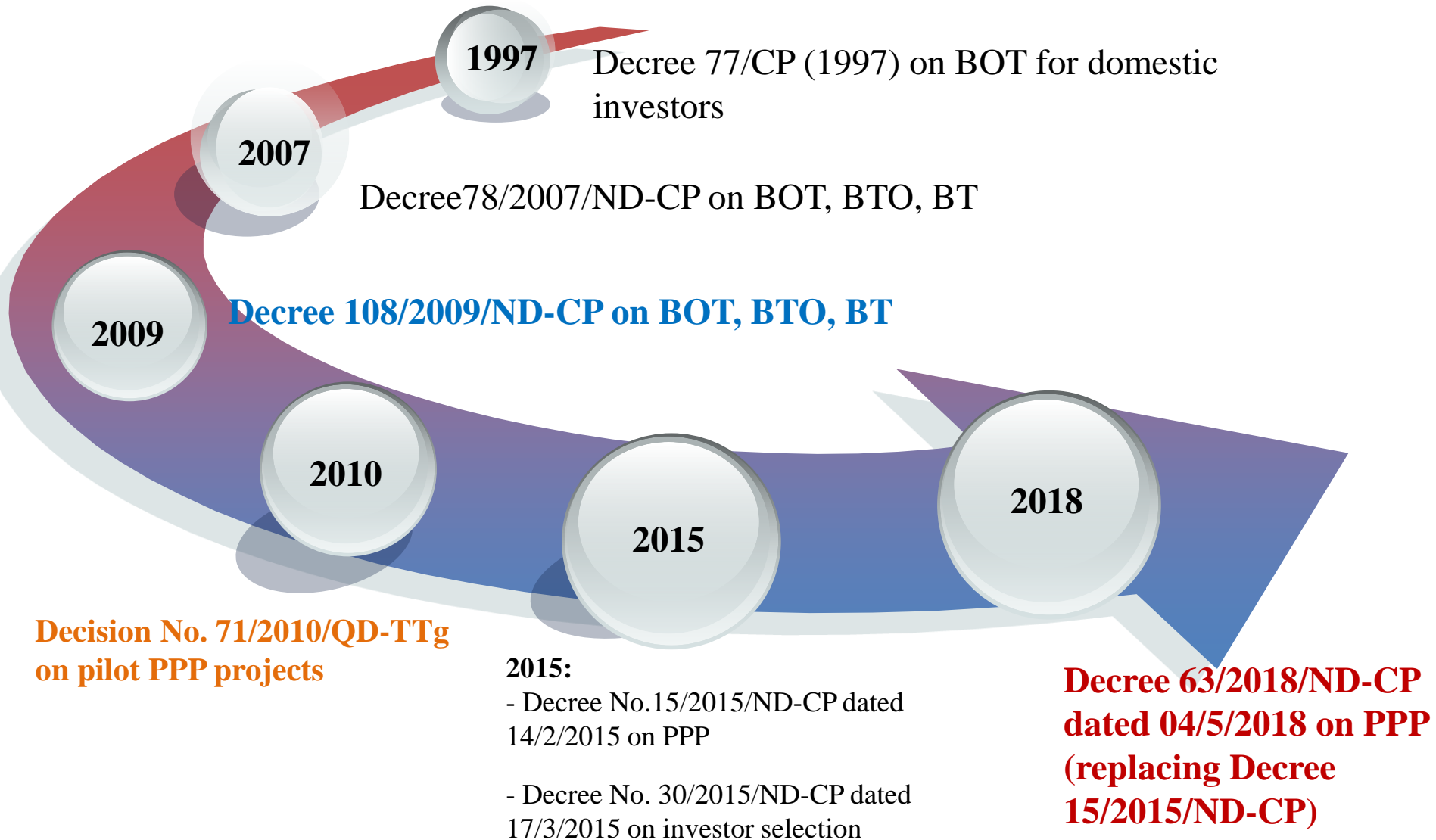
Contract types	Num. of Projects	Share (%)	Total Investment (Bill. VND)	Share (%)
BOT	140	41.6	1,138,538	70.7
BT	188	56.0	465,118	28.9
BOO	5	1.5	2,116	0.1
BLT	1	0.3	423	0.0
BOT+BT	2	0.6	3,140	0.2
Total	336	100	1,609,335	100



Evolution of PPP regulatory framework



Evolution of PPP regulatory framework



Progress of PPP Law development

Until now, draft PPP Law has been submitted to the National Assembly

Upcoming plan:

11/2019 (First round)

- National Assembly will review and provide opinions on the draft PPP Law)

5/2020 (Second round)

- Finalize PPP Law and submit it to the National Assembly for approval and adoption (2nd submission)



FINANCING INFRASTRUCTURE: MAIN ISSUES TO BE DISCUSSED

Draft Law

Inheriting the provision of Decree 63/2018/ND-CP:

- (i) Contract that collecting fees directly from end-users (BOT, BTO, BOO, O&M);
- (ii) Contract paid by the Agencies signing the contract based on the quality of products and services provided by the investor (BTL, BLT);
- (iii) BT.

(i) State contribution for project construction (Article 64)

Allocation resource:

- State capital or state asset value;
- Budget lines for public investment in PPP project in medium-term public investment plan

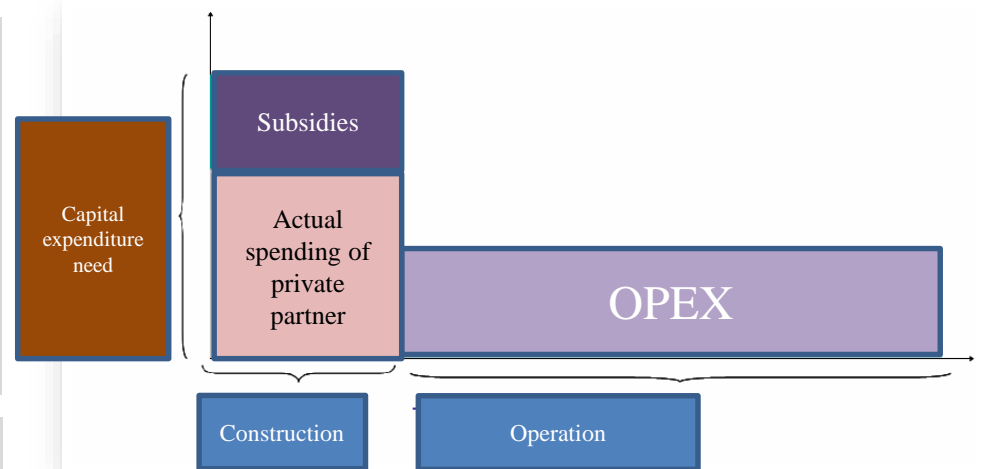
Disbursement method (Article 64.5)

Mechanism 1: Separate the VGF portion to invest in component project under the PPP project.

State
invests
20km

Investor
invests
60 km

Route A (developed under PPP)



Mechanism 2: VGF portion is combined and disbursed according to the specific item (package), percentage, value, schedule and conditions specified in the contract

Combine the VGF portion and private investment to invest 80 km

Route A (developed under PPP)

(i) Finalization of construction cost (Article 55)

For the public investment part is separated into a component project

Carry out finalization procedures in accordance with the law on public investment

For public investment capital disbursed according to specific items (package)

The value of the disbursed bidding package for the project enterprise is aggregated as the settlement value on the basis of periodic audit results.

For investor's capital

The finalized investment cost is the work construction cost determined in the contract based on the investor selection results and interest expenses and provisions (if any).

(ii) Payment for BLT, BTL contract (Article 65)

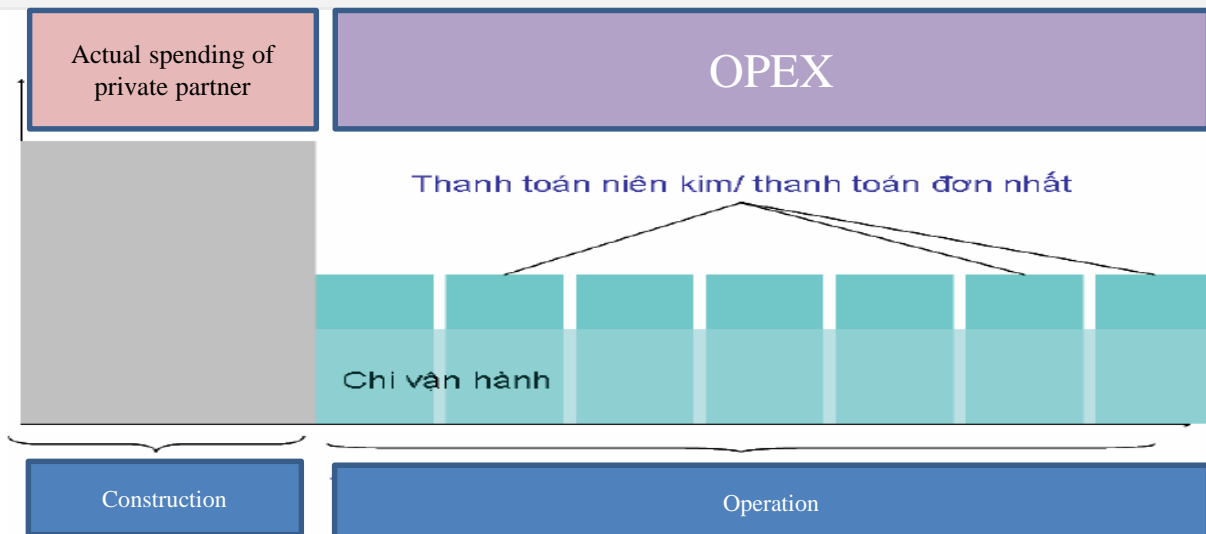
(1) State capital

- The public investment capital will continue to be allocated in the subsequent medium-term terms based on the term of PPP contracts for payment to project enterprises

(2) Recurrent expenditures

(3) Revenue from provisions of public services

- These capital portions are made with annual budget estimates for payment to project enterprises
- Revenues from the provision of public services only apply to BLT and BTL projects of public non-business units.



(iii) Payment for BT Contract

Current practice

- Implemented 188 BT projects, accounting for 55.9%, total value of VND 460 trillion
- Determination of the land fund used as payment to BT investor
- Lack of transparency and competitiveness in investor selection

Current regulation

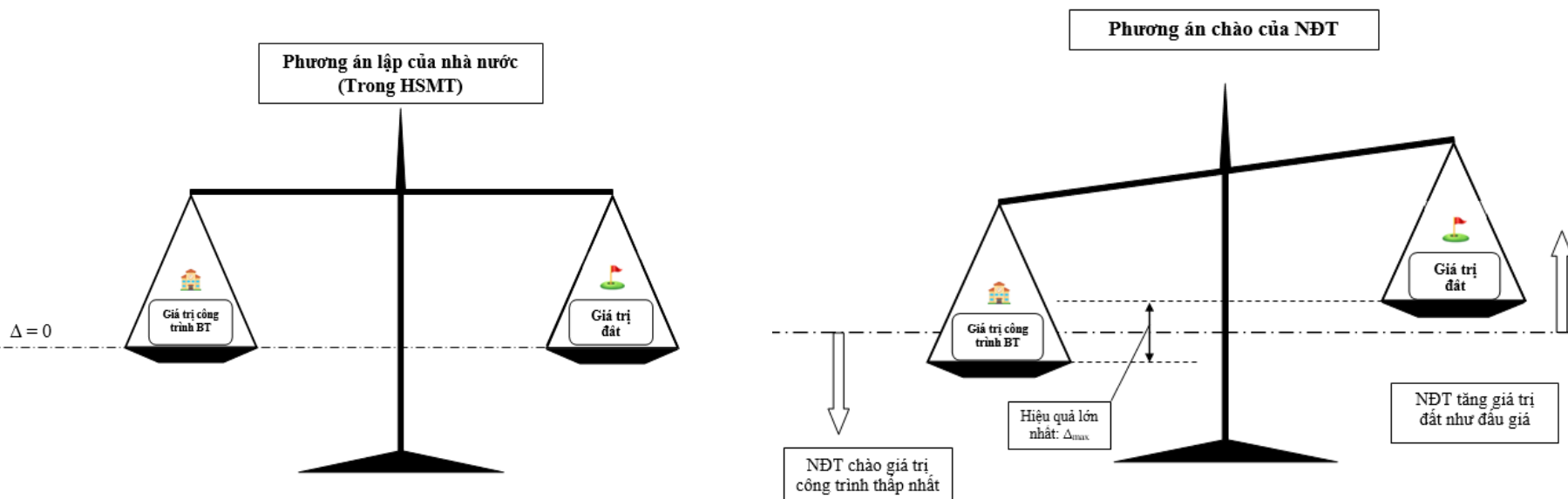
- Payment for BT project by public resources. Since 1997, there have been 4 major changes in the form of payment (in cash, *land fund*, *public asset*, *exploitation right*).
- Principle: Equal value, one time

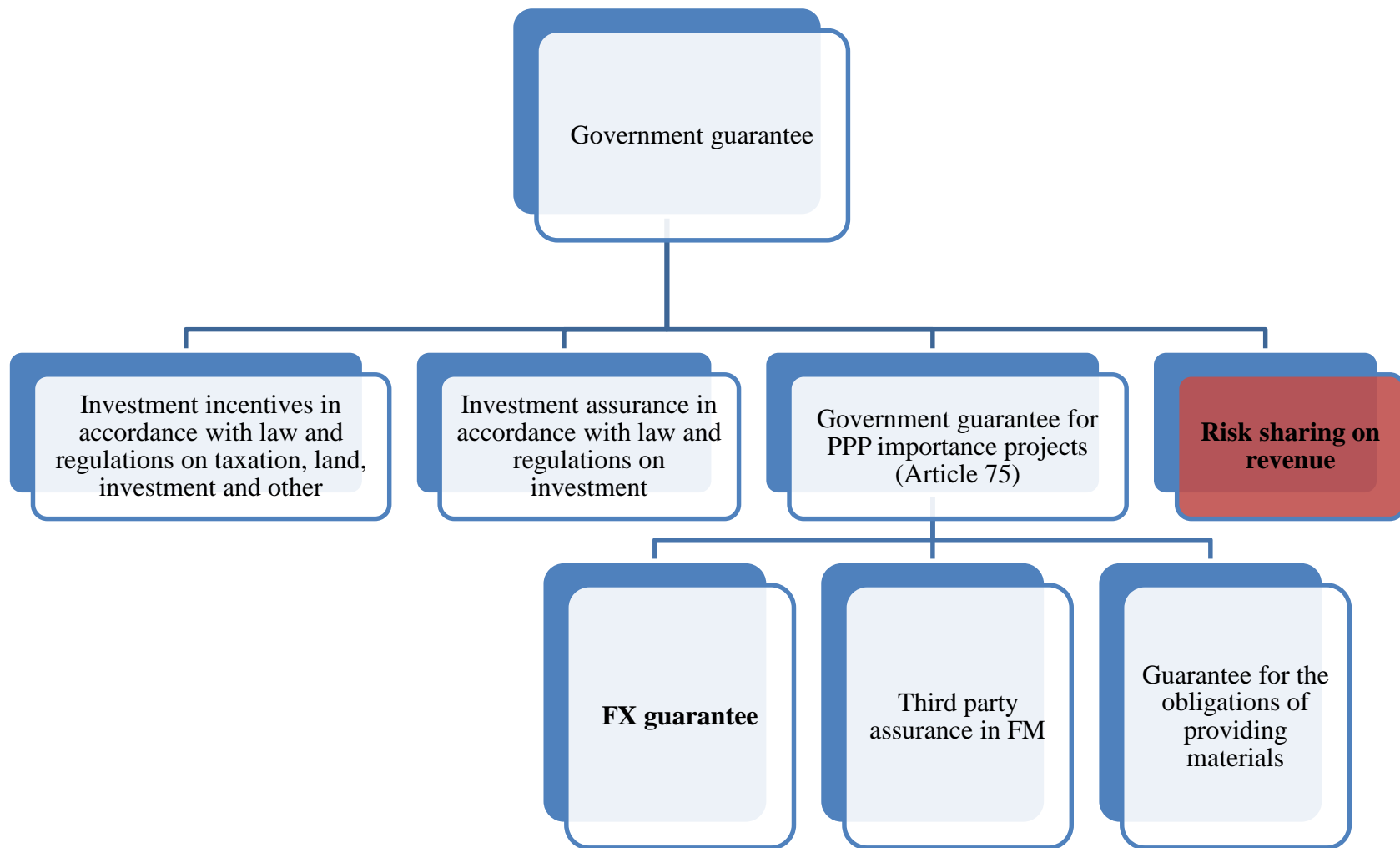
(iii) Payment for BT Contract

Draft Law

Continue BT Contract

- **Option 1:** Payment by public property. Through this mechanism, bidding is carried out in combination with two criteria, in which investors simultaneously offer the value of paid public assets and BT project value. The value of public property is determined in the contract
- **Option 2:** Payment by proceeds from public property auction. Through this mechanism, bidding for BT projects, investors pay in advance land clearance cost; after the revocation of public properties and site clearance, auction of public properties to pay for BT project

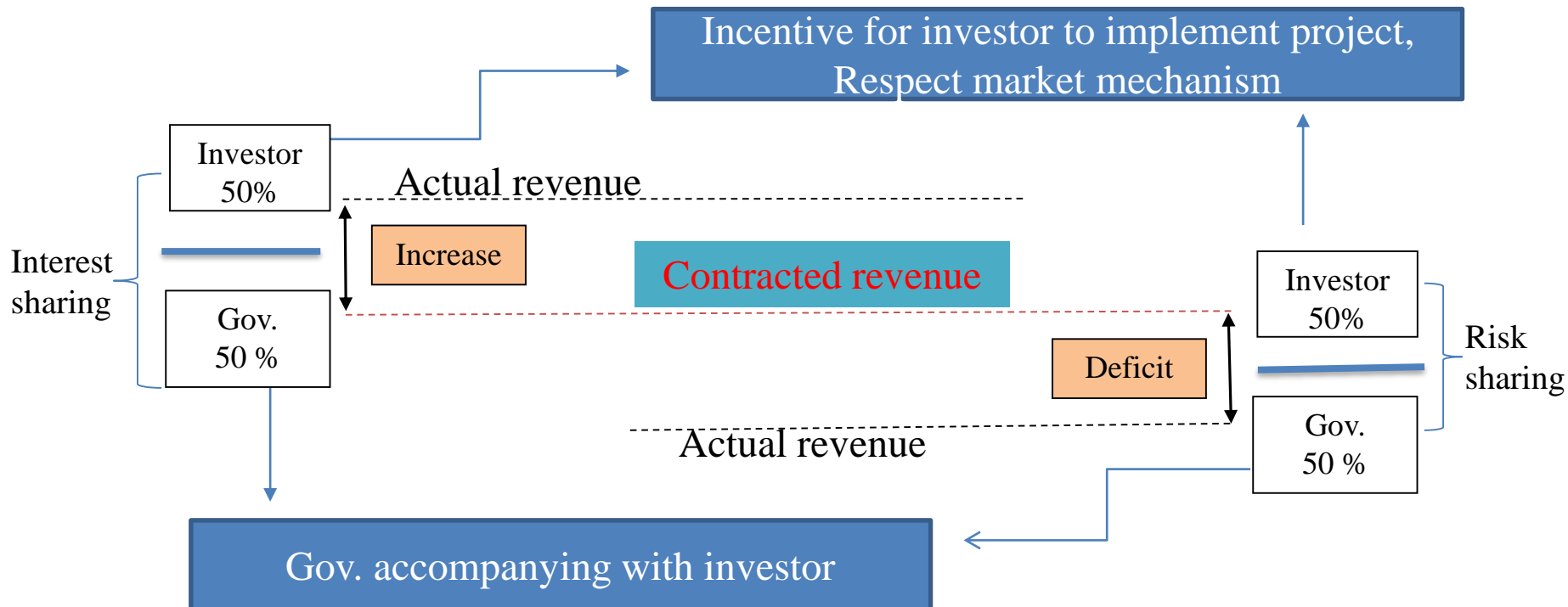




Risk sharing on revenue (Article 76)

Draft Law

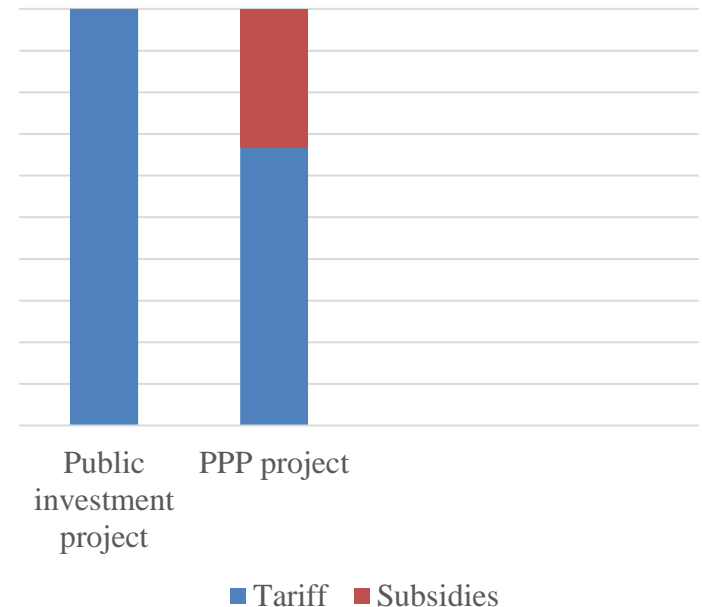
- By learning Korea's experience (BTOs)
- Discussion:
 - How to revenue monitoring
 - Source for guarantee risk sharing (a stand-by fund or on-call fund)



Tariff comparison between Public project vs. PPP project

- **Current practice:** Difference between tariff in PPP project vs. Public investment project (particularly in water supply, waste water treatment, social infrastructure...) results from subsidies
- **Discussion:**
 - International practice
 - Financial mechanism for providing subsidies

Tariff comparison between public project and PPP project





THANK YOU!