

Abstract

SESSION 3

From Vision to Reality:
Aligning the Global
Agenda with Local
Benefits

WORKSHOP 1:

Matching the Societal
Aspiration for a Blue
Ocean through Public-
Private Partnerships

LEGAL AND INSTITUTIONAL FRAMEWORK FOR PUBLIC-PRIVATE PARTNERSHIP IN VIETNAM

PhD. Dinh Trong Thang

Director, Department on Investment Policy
Central Institute for Economic Management
Ministry of Planning and Investment Viet Nam

Vietnam has an increasing need to mobilize financial source from the private sector for development. Given the declining state budget funding capacity and the rise of public debt, traditional funding channels are incapable of support the soft and hard infrastructure development of Vietnam. According to the Ministry of Transportation, total funding needed for transportation infrastructure development in the period of 2016-2020 are approximately 1,015 trillion Vietnam dong, but the State budget can only support 28% of this amount. Hence, institution and policy breakthroughs to mobilize private sector's resource for infrastructure development are critical. Public Private Partnership (PPP for short) is considered one of the most effective mechanisms to mobilize private investment in many countries, including Vietnam.

The number of PPP investment in infrastructure has been increasing. According to the World Bank, in the period of 2000-2014, the private sector participated in 74 infrastructure development projects in Vietnam with total invested capital of USD 12.64 billion. Of this, 40 projects with total invested capital of USD 6.1 billion were implemented from 2010 to 2014. Most investment went for electricity infrastructure developments with 60 projects belong to this industry, accounting for USD 7.63 billion, mostly in the period of 2000-2014. These projects were implemented under new partnership platforms (mostly BOT and BOO).

Together with the increase in number of PPP projects, the legal and policy framework for PPP has been gradually improved. Firstly, the Government issues two decrees to provide general guidance regarding the PPP and the bidding process for PPP projects (Decree No. 15/2015/ND-CP and Decree 30/2015/ND-CP). These are two important developments that help unify the legal framework in regulating PPP projects. Secondly, there are financial mechanisms to support PPP projects to enhance projects' feasibility and provide certain assurance for investors. Forms of financial supporting mechanisms include tax reduction, loan guarantee, site clearance, etc. Thirdly, the Government has gradually enlarged the list of industries/sectors in which PPP is allowed, attracting more investors, especially foreign investors.

However, there are certain limitations in the legal and policy framework for PPP that need to be adjusted in near term. Firstly, there is a lack of a law that regulates PPP to act as a reliable legal base for investors. The implementation guidance for Decree 15 and Decree 30 and other guiding documents of line ministries are still being developed. Secondly, no effective public investment administration system exists to ensure socio-economic efficiency of PPP projects. Thirdly, financing mechanisms for PPP projects are still underdeveloped. The current regulations and policies on capital mobilizing channels for PPP projects are insufficient (with regard to project development fund, local development fund, capital market mobilization, etc.) Also, the risk management mechanisms for investors are limited (for example a minimum revenue guarantee, exchange rate risk guarantee and foreign currency provision). Exchange rate policies and service costs are heavily stipulated by the State authorities. Fourthly, forecasting and planning capacity are limited, thus causing difficulties in prioritizing investment projects in form of PPP.

In conclusion, there is an increasing demand to improve legal and institutional framework for PPP in order to mobilize the private sector's investment for infrastructure development to meet the needs of economic growth and social development in Vietnam.



THE EAST ASIAN SEAS CONGRESS 2015
16-21 November 2015 • Danang, Vietnam

Global Targets
Local Benefits
Setting the Sustainable Development Agenda for
the Seas of East Asia beyond 2015