

APPLICATION OF PPP IN INFRASTRUCTURE DEVELOPEMNT OF DANANG CITY

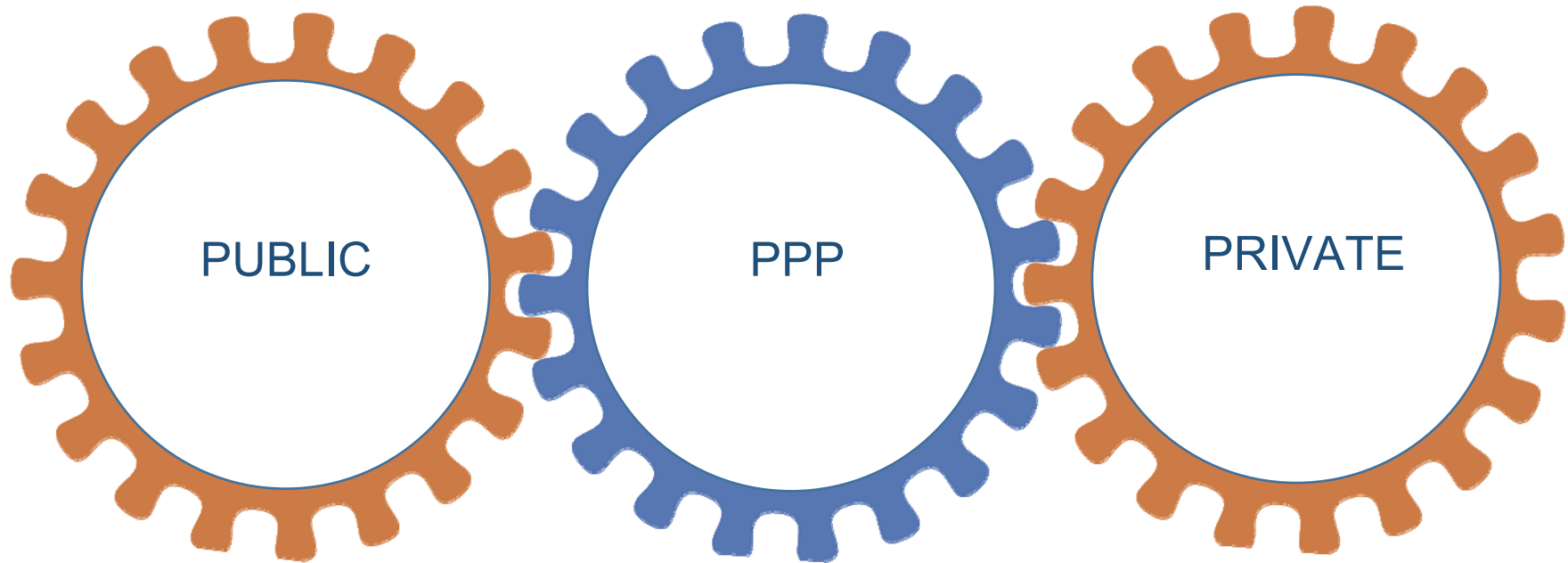


Contents

- 1- Understanding about PPP
- 2- Legal basis on PPP in Viet Nam
- 3- Application of PPP in Da Nang
 - a. Advantages
 - b. Disadvantages
- 4- List of PPP projects are being promoted
- 5- Recommendations for Da Nang City
- 6- Recommendations for Sponsors and Investors
- 7- Conclusions

1. Understanding about PPP

What is PPP?



1.1 The necessities of PPP model

- The shortage in investment capital for infrastructure leads to the reducing of public investment
- Difficulties mobilizing ODA capital
- Enhance capacity and using of existing resources more effectively
- Innovation of state management mechanism
- Division of risks between public and private partners

2. Legal basis on PPP

<p>Decree No.108/2009/NĐ-CP dated 27th Nov, 2009</p>	<ul style="list-style-type: none"> • Encourage the participation of private partners in investment of infrastructure development projects following the BOT, BTO and BT models. • The Government will not participate not more than 49% of the total investment • The project contract will be developed by investors and assessed by the Government • At the end of contract period, the project will be hand over to the Government • There will be decentralization in issuing investment license
<p>Decision No.71/2010/QĐ-TTg</p>	<ul style="list-style-type: none"> • Enhance the role of the Government • The Government will not participate not more than 30% of the total investment • Improve the selection of contractors • MPI issues investment license
<p>Procurement Law No. 43/2013/QH13</p>	<ul style="list-style-type: none"> • Regulates concretely the selection process of contractors for PPP (international procurement)
<p>Public Investment Law No. 49/2014/QH13</p>	<ul style="list-style-type: none"> • Prioritize the application of PPP investment towards capable revenue project. • Prioritize capital investment for PPP projects
<p>Decree on PPP No.15/2015/NĐ-CP</p>	<ul style="list-style-type: none"> • Accomplishment of legislation arrangement for PPP • Unify Decree No. 108 and Decision No. 71
<p>Decree 30/2015/NĐ-CP on selection of contractors</p>	<ul style="list-style-type: none"> • Guidance on selection process of PPP contractors

2

Application of PPP model in Da Nang city

2.1 Advantages

The attention of Local leaders	<ul style="list-style-type: none"> • Aware the importance of PPP model • Direct strongly the implementation of PPP projects in Da Nang city • Related departments and sectors are enthusiast in assessing and promoting PPP projects
Technical assistance of IFC, JICA, CDIA, SCE sponsors	<ul style="list-style-type: none"> • The Government will not participate not more than 30% of the total investment • Enhance the role of the Government • Improve the selection of contractors • MPI issues investment license
The attention of Government	<ul style="list-style-type: none"> • Regulates concretely the selection process of contractors for PPP (international procurement)
The support from DPI	<ul style="list-style-type: none"> • Prioritize the application of PPP investment towards capable revenue project. • Prioritize capital investment for PPP projects

2.2 Difficulties

<p>Legal legislation and mechanism on PPP has not been accomplished and comprehensively</p>	<ul style="list-style-type: none"> • Decree on PPP has just been newly published • There has not issued any concrete guidance for local government • Meet difficulties with regulations on cost price of public service
<p>Limited human resources</p>	<ul style="list-style-type: none"> • Do not have specialized and experienced officials in PPP investment • Public partners are still lack of experiences
<p>Limited public investment capital</p>	<ul style="list-style-type: none"> • Shortage of budget to ensure the involvement of public partners
<p>The complexity of PPP project</p>	<ul style="list-style-type: none"> • The project preparation (the development of feasibility study) is very complex, we do not have the knowledge and experience on project assessment • The negotiation and procurement lasts longly • It takes lots of time to solve the conflicts, disputes

3

Some PPP projects are being promoted

3.1 Some PPP projects are being promoted

Hoa Lien Water Factory



- Governing body: Water Supply Limited Company
- Total cost of construction: 1817 billion
- Scale: 120.000m³ / day.
- Objective: To supplement water shortage for the whole city by population growth and the effects of climate change.
- - Status: completed feasibility study report
- - Pending the opinion of the Ministry of Foreign Affairs of Japan on VGF grants for the project.

3.3 Some PPP projects are being promoted

Industrial wastewater management



- Governing body: Industrial Zone Management Board
- Total cost: \$ 15 million
- Scale: Wastewater in 6 industrial zones in the city.
- Objective: Improve wastewater treatment capacity in the industrial zones.
- Status: completed pre-feasibility study
- Pioneering PPP projects
- Obstacles: financial plan and settlement agreement with the current investors

3.3 List of PPP projects in Da Nang city

1. Waste water treatment plant in Hoa Khanh Industrial Zone
2. Construction of Lien Hoa Water Factory
3. Construction of Northwestern Axis I route
4. Roads and bridges accrossing Co Co river
5. Construction of Hoa Trung lake Water Supply Factory
6. Construction of Lien Chieu Port
7. Construction of Software Park No. 2 zone
8. Investment in construction of wholesale markets for cattle, poultry, agricultural products
9. Solid Waste Management in Da Nang city
10. Septic tank and sludge treatment

3.3 List of PPP projects in Da Nang city (cont'd)

11. Ngu Hanh Son Cultural historical Park
12. Technical Tunnel for communications cabling
13. Tourism Attraction Peak in Hai Van Pass
14. The automatic parking fee collection system
15. City Theatre
16. Investment project on construction of medical diagnosis center
17. Construction of Dentomaxillofacial Hospital
18. Construction of Geriatric and Endocrinology Hospital
19. Construction of Training Centre belonged to Da Nang Hi-tech Zone

4

Solutions - Recommendations

4.1 Recommendations for Da nang city

- ❑ Determination of the leaders of the city;
- ❑ Consistency in policies and investment decisions from stages on ideation, design to implement the project.
- ❑ Enlist the assistance of the Governmental capital for PPP projects.
- ❑ Continue to promote and mobilize donors to support research PPP projects in the field of : Industrial park wastewater treatment, healthcare, telecommunications infrastructure etc ...
- ❑ Training and capacity building for staffs working in PPP
- ❑ Annually allocate capital to implement PPP projects

4.2 Recommendations for donors and investors

- ❑ Support Da Nang city to undertake research potential PPP projects
- ❑ Continue to support Da Nang city in implementing infrastructure projects, especially projects on Hoa Lien water factory, industrial zone wastewater treatment and other potential PPP projects
- ❑ Continue to share experiences on promoting the potential PPP projects through diplomatic channels and international forums
- ❑ Linkage between Da Nang and businesses to support the implementation of PPP projects in Da Nang

5. Conclusion

- ❑ PPP is not the feasible solution for all projects
- ❑ PPP is always at risk of unsuccess, however: Da Nang can not stand outside because the implementation of PPP can share budget burden
- ❑ No experience of PPP => To succeed => requires careful and meticulous preparation, consistency and determination of the city's government.
- ❑ It should start from the pilot small scale PPP projects before implementing large scale PPP projects.
- **The technical support of donors and interest of investors is essential for Da Nang to gradually implement PPP successfully**

SINCERELY THANKS!

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