LESSONS FROM VIETNAM’S EXPERIENCE IN PUBLIC-PRIVATE PARTNERSHIPS*

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LNT & PARTNERS
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OUTLINE

1. UNDERSTANDING PPP IN VIETNAM
2. CURRENT STATUS OF IMPLEMENTING PPPS IN VIETNAM – LESSONS LEARNT
3. RENEWED EFFORTS – NEW GATEWAY FOR FOREIGN INVESTORS
I. UNDERSTANDING PPP IN VIETNAM

PUBLIC PARTNER + PRIVATE PARTNER

PPP - INF

BT  BOT  BTO  BOO  DBFMOT  BFOM  O&M

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**I. UNDERSTANDING PPP IN VIETNAM**

**PPP PROCESS - INITIATIVE TO CONTRACT**

<table>
<thead>
<tr>
<th>Step</th>
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<tbody>
<tr>
<td>Master plan (socio-economic impact)</td>
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<tr>
<td>Tender selection</td>
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<tr>
<td>PPP contract negotiation &amp; project documents signed</td>
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<tr>
<td>Lenders selection</td>
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<tr>
<td>Termsheet, due diligence, negotiation</td>
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<tr>
<td>Security arrangement</td>
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<td>Finance documents signed</td>
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</table>
II. CURRENT STATUS OF IMPLEMENTING PPPS IN VIETNAM – LESSONS LEARNT

1. Initial Excitement and Fade-out

1994 - 2009
32 new projects

2010
6 new projects

2013
1 new project
– stop new BT
– Govt desperate
II. CURRENT STATUS OF IMPLEMENTING PPPS IN VIETNAM – LESSONS LEARNED

2. Unwelcoming Environment for BT Projects

Risks in time management

- Delay in approvals, handing over the site clearance, delay in constructing access to the Project

Risks in cost management

- Investment expenses (inflation, forex)
- Land-price fluctuation, supply & offtake prices

High risks, low return = infeasible
3. Lessons from Case Studies of the Past - Transportation

**Tan Son - Nhat Binh Loi and Saigon South Exp Way**
- High cashflow (direct/indirect) and smaller projects are more likely to be sustained.

**GS TSN Binh Loi Exp Way, Phu My Bridge, Binh Trieu Bridge**
- Lack of commitment (in reality) from the Gov or investors will lead to loss.
- Hybrid approach: each party should contribute capitals. Cashflow partly from the project and partly from the state. Risk sharing during construction period. Strong enforcement of contracts.
3. Lessons from Case Studies of the Past - Energy

Capex Risks (completion risks):
delay, cost overruns, insufficient availability, capacity inefficiency, co-ordination risks, substantial completion.

Opex Risks (cashflow risks):
O&M costs, take or pay, tariffs (input/output) calculation, insolvency (offtaker), forex, force majeure, default, political risks, termination.

Phu My 2.2 & 3 Power Plant (BOT)
II. CURRENT STATUS OF IMPLEMENTING PPPS IN VIETNAM – LESSONS LEARNT

4. Lessons from Case Studies of the Past - Remedies

- **Stable return, controlled risks, enforceable contracts**

- **Common risks (force majeure, political):**
  Export insurance, Gov’t guarantee, stabilization clause, incentives, extension.

- **Capex risks (time, cost):**
  capable investor/lenders, Gov’t indemnity, adjustment, CPs for interconnection, contingencies.

- **Opex risks (input, cashflow):**
  Gov’t guarantee and favorable policy, take-or-pay, Gov’t risk/benefit sharing, step-in rights, security assets, price adjustment
3. Lessons from Case Studies of the Past

- Gov’t should bear political risks (anything non-market eg SOE, forex, tax etc.)
- Investor should bear technical risks (completion)
- Both should share financial risks (cashflow)
- Lenders should have no risk (unless securitization)
- Transparent law and enforcement
### III. RENEWED EFFORT – NEW GATEWAY FOR FOREIGN INVESTORS

<table>
<thead>
<tr>
<th>5 transportation-related PPP megaprojects &amp; other energy projects (US$5 billion from the state budget as capital in PPP projects for 2014 – 2015)</th>
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<tbody>
<tr>
<td>Dau Giay – Phan Thiet</td>
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<td>Ninh Binh – Bai Vot</td>
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<td>Bien Hoa – Vung Tau</td>
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<td>Trung Luong – My Thuan</td>
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<td>Long Thanh Int’l Airport</td>
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Draft PPP Decree and Public Investment Law

- Cleared the confusion among different forms of PPPs
- Allocated risks to the best risk managers
- Allowed to use ODA/budget to fund PPP, and request investors to deposit 1-2%
- Provided sample PPP contracts
- Allowed to apply foreign law and foreign arbitration, guarantee minimum revenue
Draft PPP Decree and Public Investment Law

*Show financial success to the investors and lenders, reduce bureaucracy*

*Protection of Lenders (remove restrictions on interest, clear asset on handover etc)*

*Clear principle of risk allocation and more autonomy to investors (tender, price etc.)*

*Bonds-finance and refinancing to be regulated*

*Transparent law and enforcement*
Questions and Answers
Thank you for your attention!

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