



Completion Report

PUBLIC

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Viet Nam: Support for Public–Private Partnership (PPP) in Viet Nam

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TECHNICAL ASSISTANCE COMPLETION REPORT

TA Number, Country, and Name: TA 7759-VIE: Support for Public–Private Partnership (PPP) in Viet Nam		Amount Approved: \$225,000	
		Revised Amount: Not applicable	
Executing Agency: Ministry of Planning and Investment	Source of Funding: Technical Assistance Special Fund (TASF IV)	Amount Undisbursed: \$16,938.65	Amount Used: \$208,061.35
TA Approval Date: 7 December 2010	TA Signing Date: 7 December 2010	TA Completion Date	
		Original Date: 31 July 2011	Latest Revised Date: 31 July 2012
		Financial Closing Date: 31 August 2012	Number of Extensions: 1
TA Type: Small-scale capacity development TA			

Description

The Viet Nam Government's Socio-Economic Development Plan, 2006–2010 aimed to reduce poverty incidence to 10%–11% by 2010, following substantial progress in reducing poverty from 58% in 1993 to 15% in 2008. The plan indicated that there would be a continued emphasis on public–private partnerships (PPP) for infrastructure investment. This technical assistance (TA) was intended to help the government move forward with its pilot PPP program and to provide analytical inputs to the Asian Development Bank's (ADB's) proposed Viet Nam Public–Private Partnership Support Project, which was envisaged to be the basis for generating greater participation in PPPs. In addition, the TA provided support to the proposed Viet Nam Public–Private Partnership Support Project (P3SP).¹

Expected Impact, Outcome, and Outputs

The expected impact was increased PPPs to generate the public infrastructure investments needed to accelerate Viet Nam's economic growth. The expected outcome was an improved enabling environment to catalyze PPP infrastructure investments. The intended outputs were: (i) legal and regulatory framework enhanced; (ii) PPP process institutionalized; (iii) bankable infrastructure PPP projects developed; and (iv) awareness of importance of PPP by the government and general public increased.

Implementation Arrangements

The Ministry of Planning and Investment (MPI) was the executing agency working in coordination with other relevant agencies and ministries who were implementing agencies. The original implementation period was from December 2010 to July 2011, but the completion date was extended from 31 July 2011 to 31 July 2012 to support the Viet Nam Public–Private Partnership Support Project loan, which was processed in 2012. The total implementation period was 20 months.

The TA planned to engage three international consultants for six person-months, and three national consultants for six person-months. During implementation, changes in the implementation arrangements were approved to include additional consultants: (i) a national government project management expert to help the executing agency prepare the internal documentation related to the TA and ensuing loan; (ii) a national infrastructure expert to coordinate with the executing agency and other agencies to prepare the ADB loan; and (iii) an international public–private partnership expert to provide analytical inputs related to the Viet Nam Public–Private Partnership Support Project.

Overall, the TA delivered a total of 15.22 person-months of consultancy services. These included 7.22 person-months of international consultant inputs: (i) a PPP legal and regulatory expert (2.5 person-months); (ii) an institutional project finance development expert (1.5 person-months); and (iii) a PPP policy expert (3.22 person-months). The TA also delivered 8 person-months of national consultant inputs: (i) a project management expert (2.5 person-months); (ii) a PPP legal and regulatory expert (2.5 person-months); and (iii) a senior infrastructure expert (3 person-months). All experts were engaged using the individual consultant selection method.

Conduct of Activities

The TA activities included: (i) a review of the institutional, legal, and regulatory frameworks for PPP as compared to international best practices; and (ii) the development of a financial and institutional mechanism for the establishment, operation, and funding of a project development facility (PDF).

Output 1: Legal and regulatory framework enhanced (achieved). In August 2011, the PPP legal and regulatory expert provided a review of the Viet Nam PPP framework and the business case for the PDF. The expert also identified areas of the existing framework that required strengthening: (i) establishing a PPP unit in MPI with a mandate to create

¹ ADB. 2012. [Report and Recommendation of the President to the Board of Directors: Proposed Loan to Social Republic of Viet Nam: Public–Private Partnership Support Project](#). Manila.

a single window for approvals; (ii) creating a National Committee for PPP Infrastructure Development to provide high-level institutional support for PPP and to coordinate it across sectors; (iii) establishing PPP cells within the Authorized State Agencies (ASA) to function as focal points for developing, monitoring and managing PPP; (iv) creating project teams to develop, appraise, and provide transaction advisory to PPPs; (v) ensuring the Ministry of Finance is fully integrated with the project development and procurement processes; and (vi) mainstreaming procurement within ASA.

Output 2: PPP process institutionalized (partially achieved). The consultant report identified the key objectives of the PDF as: (i) raise the standard of project proposals developed by ASA by applying rigorous project evaluation criteria; (ii) build capacity within the PPP unit and ASA; (iii) develop pilot projects with investor outreach and bring them to financial close; (iv) develop a set of standardized contractual terms and contracts for the pilot sectors; (v) create a pipeline of bankable PPP projects for procurement; and (vi) demonstrate transparent and realistic procurement timeframes. In determining the most suitable structure for the PDF, consideration was given to whether it could meet these objectives and whether it had the right skill sets and experience to deliver on its mandate. A key aspect highlighted in the consultant's report was the need to attract and retain a high-caliber team by providing commercially competitive remuneration. Three options were considered for the structure of the PDF management team: (i) option A was for PDF management services to be contracted out; (ii) option B was for PDF management to be integrated within the PPP unit; and (iii) option C was to establish a stand-alone PDF enterprise. The consulting team recommended option B, an autonomous non-business unit under the PPP unit.

Prior to TA commencement, decision 71/2010 of the Prime Minister laid the foundation for further improvements of policies and laws concerning PPP projects, with MPI as the lead coordinating ministry. Under the TA an inter-ministerial PPP task force was established, composed of representatives from MPI, Ministry of Finance, Ministry of Justice, Ministry of Industry and Trade, Ministry of Transport, Ministry of Construction, State Bank of Vietnam, and other relevant agencies. In March 2012, the MPI minister issued Decision 392/2012, which established a PPP office in the MPI's Public Procurement Agency, and in April 2012 Decision 135/2012 outlined the functions of the PPP office. Decision 392/2011 established the PPP office with a staff of 13. Decision 135/2011 of the MPI minister established the functions and duties of the PPP office as follows: (i) act as lead agency for the implementation of MPI's PPP tasks; (ii) serve as a standing agency for the PPP inter-ministerial task force; (iii) provide support for PPP project proposals and preparation; (iv) coordinate implementation of activities related to technical assistance, capacity building and training on PPP; (v) promote PPPs; (vi) receive, manage and use funds for project development; (vii) organize PPP communication; (viii) PPP international cooperation; (ix) develop a PPP database; and (x) implement other PPP related tasks. The weakness of the causal chain lay in the outputs only requiring a review of regulations and processes, rather than in operationalizing them. However, it was overly ambitious to fully institutionalize PPP process through the small-scale TA. This has not been achieved even in sophisticated PPP markets.

Output 3: Bankable infrastructure PPP projects developed (partially achieved). Only PPP projects in the energy sector had made progress by 2015. These projects included the financial close of the Vinh Tan 1 coal plant and the Coc San Hydropower project, both in 2014. In December 2017, the North-South Expressway (NSE), with a total length of 1,300 km, passing through 23 provinces and cities from the north to the south of the country, with an estimated cost of \$5 billion in phase 1, was approved by the National Assembly. Of the 11 NSE projects, the government applied PPP procurement to eight (the PDF supported four of these).

Output 4: Awareness of the importance of PPP by the government and the general public is increased (achieved). Viet Nam's Socio-Economic Development Strategy, 2011–2020 emphasized the need to address infrastructure bottlenecks to ensure continuing rapid socioeconomic development. Similarly, the government's Socio-Economic Development Plan, 2011–2015, cited the importance of establishing policies to promote PPPs as an effective way to attract private sector investment in infrastructure.² Reflecting these government priorities, ADB's country partnership strategy for Viet Nam, 2012–2015 and its Strategy 2020 recognized the importance of PPPs in promoting inclusive economic growth.³

The undisbursed amount of \$16,938.65 reflects savings from the training and workshop budget (36.73% utilized), the miscellaneous TA administration budget (17.34% utilized), and savings under contingency costs (0% utilized). A minimal amount of \$7,000 was allocated for seminars, workshops, and training. Only one PPP-related capacity building activity was charged against this TA (\$2,571). Of the miscellaneous TA administration budget of \$3,500, only \$607 was spent for field visits in 2012 and other administration-related expenses.

The minor changes in scope of November 2011 and April 2012 included analytical work to support the proposed Viet Nam Public–Private Partnership Support Project. The project established the PDF and the TA provided guidelines

² Viet Nam's Socio-Economic Development Strategy, 2011–2020, approved by the 11th Party Congress in January 2011, emphasized the need to accelerate the reforms, and to address infrastructure bottlenecks as two of the three 'breakthroughs' the country needs to achieve in ensuring its continuing rapid socioeconomic development.

³ ADB. 2012. [Country Partnership Strategy: Viet Nam, 2012–2015](#). Manila; ADB. 2016. [Country Partnership Strategy: Viet Nam, 2016–2020](#). Manila.

on governance, project screening and funds flow. The consultants under the TA recommended that the project management unit (PMU) be responsible for the PDF's operations. The loan proceeds from P3SP will be deposited in a dedicated imprest account in a commercial bank and the PDF would be funded from this amount. Likewise, a disbursement from MPI out of its allocation of \$2 million would be placed in a separate account. The Public Procurement Agency of MPI would instruct the commercial bank to transfer the funds from the imprest account.

On disbursement, the ADB imprest account would be replenished once a request was submitted by the PMU to ADB for liquidation and replenishment. The ASA would be the originator of all PPP projects and responsible for procuring the consultants based on ADB procurement procedures with the support of the PDF technical team and the PPP office. The ASA was to be responsible for implementing PPP projects.

The Viet Nam Public–Private Partnership Support Project was to be implemented from May 2013 to June 2019. It would provide \$26.6 million to establish and operate a project development facility (PDF) as a funding mechanism to support project preparation activities, which would include prefeasibility studies, detailed feasibility studies, and bidding and contract documentation. These significantly contributed to heightened awareness of the PPP modality.

Technical Assistance Assessment Ratings

Criterion	Assessment	Rating
Relevance	<p>The small-scale TA modality was appropriate given the specific purpose of the TA: to provide advice on the legal and regulatory PPP environment and to help establish the PDF. However, indicating a firm number of developed PPP projects in the 'Outcome' is likely beyond the scope of the small-scale TA. Nevertheless, the TA was the first attempt to address systemic gaps in the PPP framework in Viet Nam. It was aligned with Viet Nam's Socio-Economic Development, Strategy, 2011–2020, which emphasized the need to address infrastructure bottlenecks for rapid economic development. Similarly, the government's Socio-Economic Development Plan, 2011–2015 cited the importance of establishing policies to promote PPPs to attract private infrastructure investment. The TA provided inputs to the PPP Law, 2020 which is a fundamental and long-term piece of legislation governing PPPs. The rationale for increasing infrastructure investments by improving the enabling environment by enhancing institutional and legal process was sound.</p> <p>ADB's thematic evaluation in support of PPPs for 2009–2019 recommended that ADB should strategically engage with developing member countries from an early stage of project development to enhance capacity for screening and selection of projects, including for PPP, using cost–benefit and value-for-money analysis.⁴</p>	Relevant
Effectiveness	<p>A task force under MPI was established and inputs on the operational modalities of the PDF were provided. These complemented parallel reforms which resulted in projects achieving financial close. Prior to the TA, there were few credible PPP projects in Viet Nam, and they were restricted to the energy sector. Since the commencement of TA implementation, a few non-energy PPP projects have achieved financial close. The TA suffered from start-up delays due to the lengthy consultations needed to bring the PDF reimbursement mechanism into compliance with law, the complex processes required to register PPP projects in the medium-term investment plan, and the change from international to national competitive bidding for the NSE PPP projects. As a result, the TA did not achieve the proposed ramp-up in PPP activity. In addition, the PPP process was not fully institutionalized within the TA implementation period.</p>	Less than effective
Efficiency	<p>Consultants were rapidly engaged. Approval was in December 2010 and the consultant report was ready by the following August. Savings of close to \$17,000 show that the TA activities were completed within budget. The dissemination of findings was done through workshops and outreach. A matrix of development assistance was prepared in coordination with MPI, to avoid duplication of assistance.⁵</p>	Efficient
Overall Assessment	<p>The TA achieved its objectives by consolidating existing PPP-related regulations which had previously been scattered across various decrees. In addition, the TA supported the establishment of the PDF and provided a business plan and operational modalities. After a change in scope, the TA supported the Viet Nam Public–Private Partnership Support Project loan.</p> <p>The project was developed in consultation with MPI, which was the executing agency;</p>	Successful

⁴ ADB. 2020. *ADB Support for Public–Private Partnerships, 2009–2019*. Manila.

⁵ ADB. *Social Republic of Viet Nam: Public–Private Partnership Support Project. Summary Poverty Reduction and Social Strategy (accessible from the list of linked documents in Appendix 2)*. Manila.

Criterion	Assessment	Rating
	the State Bank of Vietnam and the Ministry of Finance; and other key agencies. These consultations were effectively supported by a detailed assessment of PPPs jointly conducted by ADB and Agence Française de Développement (AFD) in May 2010. The PDF was an innovative mechanism to promote the development of a pipeline of bankable PPP projects. The hands-on approach to implementing the PDF was an effective way of helping government officials to acquire knowledge and experience in identifying and preparing projects. PPP pilot projects were used to test the limitations of the existing regulatory framework for PPPs, and to fine-tune the framework.	
Sustainability	As a result of the TA, the PPP framework in Viet Nam was established and it set the stage for subsequent PPP-related decrees and legislation. However, low tariffs and weak willingness-to-pay continue to pose challenges to PPPs, particularly in priority sectors such as transport, energy, and water supply. Moreover, more remains to be done to improve the general business environment and reduce country risks, to attract private investment, including in PPPs, in Viet Nam.	Likely sustainable

Lessons Learned and Recommendations

Design and/or planning	<i>Lesson:</i> A key aspect of the sustainability of the PPP modality is the financing of projects and risk-sharing arrangements, such as annuities. Some of these aspects are still missing in Viet Nam. The TA could have included an overview of financing availability and risk to dovetail governance aspects. <i>Recommendation:</i> Such TA should include a review of available financing options.
Implementation and/or delivery	<i>Lesson:</i> It would have been useful if the financial specialist in the consultant team had provided some perspective on the financing instruments that are available for PPP projects. This would have provided guidance on the challenges in achieving financial close of projects. <i>Recommendation:</i> The terms of reference for consultants in future projects should include the provision of guidance on financing instruments.
Management of staff and consultants	<i>Lesson:</i> The terms of reference of consultants should have included a review of financing options. <i>Recommendation:</i> An overview of risk mitigation due to governance reform may have been useful.
Stakeholder participation	<i>Lesson:</i> The specialized PPP unit established in MPI led the activities under which the PPP Law was passed in 2020, as well as the decree on PPP Investment in April 2015. However, if project structuring had been included in the tasks of the PPP unit, this may have resulted in a more realistic assessment of the PPP project pipeline. <i>Recommendation:</i> In the future, finance specialists should focus more on structuring aspects.
Replication and/or scaling up	<i>Lesson:</i> The long-term focus on supporting actual transactions would have benefited the achievement of TA objectives. <i>Recommendation:</i> To scale up the scope of the TA, activities under the ongoing regional TA Support to the Association of Southeast Asian Nations Economic Community ⁶ on the introduction of new financing instruments should be used to develop viable transactions.
Post-TA financial resource	<i>Lesson:</i> The TA was followed by the Viet Nam Public–Private Partnership Support Project loan to establish the PDF. However, the loan did not take a holistic review of the PPP framework or seek to expand the limited financing options available. <i>Recommendation:</i> There is a need to expand the financing options used in Viet Nam, including subordinate debt instruments, take-out finance, and capital market instruments backed by guarantees.
Other lessons	<i>Lesson:</i> The TA focused exclusively on the PDF and a review of regulations. While this limited scope may have been justified at the time, it would have been useful if the TA had tried to explain the PDF's role with respect to investors, guarantors, bidders, operation, and maintenance contractors. <i>Recommendation:</i> An integrated approach would have resulted in greater value addition.

Follow-up Actions

A review of international experience on the functioning of PDFs would be helpful in fine-tuning the PDF operations. In particular, the feasibility of establishing a viability gap fund and the processes required to integrate the PDF with such a fund should be examined.

Prepared by:
Vivek Rao
Florissa V. Barot

Designation and Division:
Principal Financial Sector Specialist, SEPF
Project Analyst, SEPF

⁶ ADB. 2016. [Technical Assistance for Support to the Association of Southeast Asian Nations Economic Community](#). Manila.

DESIGN AND MONITORING FRAMEWORK

Impact: Increased PPP to generate public infrastructure investments		
Results Chain	Performance Indicators with Targets and Baselines	Achievements^a
Outcome Improved enabling environment to catalyze PPP infrastructure investments	a. PPP projects increase by 2–3 projects per year; baseline 2 PPP projects as of 2008 b. By 2011, at least 3–4 infrastructure projects developed and ready for implementation using PPP	Partially Achieved a. Not achieved. Only two power sector PPP projects had been successfully bid out by the July 2012 target date, far short of the called for increase in PPP projects. However, 12 power projects had reached financial close by 2014. b. Achieved. 43 projects had reached financial close by 2011. This was achieved through Decree 108/2009, and government decision 71/2010 of November 2010 on PPP piloting, complementing TA support. However, several projects did not proceed due to implementation issues.
Outputs 1. Legal and regulatory framework enhanced 2. PPP process institutionalized 3. Bankable infrastructure PPP projects developed 4. Awareness of importance of PPP by the government and the general public is increased	1. By March 2011, legal and regulatory change is proposed 2. By April 2011, standardized PPP model is developed and endorsed by the government 3. By 2011, a PDF is established 4. By 2011, a greater consensus to PPP approach and transactions will evolve and PPP capacities developed	Achieved 1. An inter-ministerial PPP task force was established at the director level in MPI to facilitate the piloting of PPP projects. A review of the legal framework and the PDF-related inputs was completed by August 2011. Partially Achieved 2. In March 2012, the MPI minister issued Decision 392/2012, which established a PPP office in the MPI's Public Procurement Agency, and in April 2012 Decision 135/2012 outlined the functions of the PPP office. The government was to provide resources to the PPP office for capacity building. However, during implementation, resources and measures were insufficient to address issues that arose during the project, due to which integration with broader PPP processes were not achieved. Partially Achieved 3. The PDF was established under the Public–Private Partnership Support Project loan. A business plan and a governance framework were established under the TA. However, few projects were developed outside the energy sector. Achieved 4. The government issued Decision 71/2010 to regulate pilot investments under PPP and to enable the private sector to engage in PPP transactions. Decisions 392/2010 and 135/2012 established a PPP office with specified functions.
Actual Key Activities with Milestones 1. Legal and regulatory framework enhanced 1.1 Reviewed existing policy and regulatory framework in August 2011. 1.2 Proposed changes to the policy and regulatory framework in March 2011. 2. PPP process institutionalized 2.1 Developed institutional model for PPP in Viet Nam in April 2011. 2.2 Determined resource requirements for establishing PDF in August 2011. 2.3 Established PPP unit in May 2011. 2.4 Undertook capacity building initiatives for government staff from January–July 2011. 3. Bankable infrastructure PPP projects developed 3.1 Developed criteria for “bankable” PPP projects in May 2011. 3.2 Identified potential infrastructure projects for PPP in June 2011. 3.3 Developed bankable PPP projects in July 2011. 4. Awareness of importance of PPP by the government and the general public is increased 4.1 Conducted sensitization workshops for the government and the general public from January–July 2011. 4.2 Identified PPP best practices and disseminate them to the government and the general public in March 2011.		

Actual Inputs

Asian Development Bank: \$225,000

Government: \$50,000 estimated in-kind contribution from the government in the form of counterpart staff, office and housing accommodation, and domestic transportation.

MPI = Ministry of Planning and Investment; PDF = project development facility; PPP = public-private partnership, TA = technical assistance.

^a World Bank PPI Data Base.; ADB and AFD. 2012. [JICA assessment of Viet Nam PPP projects](#).; and Socialist Republic of Viet Nam. Ministry of Planning and Investment. 2017. [JICA VGF Survey of Viet Nam](#).

Source: Asian Development Bank.

TECHNICAL ASSISTANCE COST

Table A2.1: Technical Assistance Cost by Activity
(\$'000)

Item	Amount ^a		
	Original ^b	Revised	Actual
1. Consultants	201.5	201.5	204.9
2. Training, seminars, and/or conferences	7.0	7.0	2.6
3. Miscellaneous TA administration	3.5	3.5	0.6
4. Contingency	13.0	13.0	0.0
Total	225.0	225.0	208.1

TA = technical assistance

^a Includes ADB-financed funds and/or ADB fully administered cofinanced funds.

^b Original estimated cost in the TA report.

Source: Asian Development Bank estimates.

Table A2.2: Technical Assistance Cost by Fund
(\$'000)

	TASF IV	Total Cost
1. Original ^a	225.00	225.00
2. Revised	225.00	225.00
3. Actual	208.06	208.06
4. Unused	16.94	16.94

TASF = Technical Assistance Special Fund.

^a Original estimated cost in the TA report.

Source: Asian Development Bank estimates.