Making Markets Work Better for the Poor

PUBLIC PRIVATE PARTNERSHIPS






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Contens

Opening remarks for M4P workshop on "Public Private Partnerships to deliver infrastructure services to the poor in Viet Nam"

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Country Director, Viet Nam Resident Mission,
Asian Development Bank

Vice Minister Sinh

Friends and colleagues,

I am very pleased to welcome you all to this workshop on promoting public private partnerships in infrastructure for the poor. I would like to extend a particular welcome to those who travelled a long way from US, Europe, India and the Philippines, representing development agencies and infrastructure facilities, to share their knowledge and experience with us today.

The subject of this workshop is particularly timely for Viet Nam. Over the past decade Viet Nam has provided an excellent example of how infrastructure investment and services can underpin high rates of growth and poverty reduction. But as Viet Nam continues its transition to a more globally integrated, more urban, more industrial economy, and in order to sustain the desired 7-8% level of economic growth, there is a growing consensus that infrastructure investments will need to rise from their current levels of 8-9% to around 11-12% of GDP. However, looking at the financing needs and the anticipated availability of budgetary and ODA resources, we can see a possible investment gap of around $2.5 billion per year. That gap must be filled by private sector sources if the infrastructure investment needs are to be met and Viet Nam's growth is to be sustained. In other words, the private investments in infrastructure hold the key, if Viet Nam's growth target is to be achieved.

Last week, I was at the mid-term informal meeting of CG in Nha Trang and emphasized the urgency for the Government to respond to the concerns raised at the Viet Nam Business Forum held on Monday last week, including the infrastructure "bottlenecks" in power generation and port capacity. These constraints could have a strong negative impact on growth and poverty reduction if not dealt with now. In addition, if we want to see more inclusive patterns of growth in Vietnam, or to ensure "the quality of development" as discussed at the interim CG, that means extending access to infrastructure networks to poorer and more remote regions, especially in terms of roads and improved water and sanitation services.

Although the financing gap is already a very compelling reason for making more effort to attract private sector investment in infrastructure, actually there are even more important reasons to seek private sector participation in infrastructure. Private sector service providers often perform better than public ones within the right incentive and regulatory environment. The injection of private sector management capacity, modern technology and customer orientation can bring performance gains and better development outcomes. These private investments in infrastructure are essential for improving the "efficiency" of the investment itself and ensuring that Vietnam's growth is sustainable.

As I see it, the challenge of public private partnerships is to combine the relative strengths of the public and private sides in a way that also rewards good performance. The risks and rewards need to be tailored to suit the different preferences of the different players. Donors like ADB, as well

as the various facilities here today, can help to catalyse the public-private partnership process by playing an "honest broker" role. We can offer specific instruments to absorb and mitigate different types of risk. Our involvement can help the Government of Vietnam to successfully attract the financial, managerial and technical resources of the private sector.

The recent joint ADB/World Bank/JBIC study called "Connecting East Asia" presented a new framework for infrastructure based on the three pillars of (i) inclusive development, (ii) accountability and risk management and (iii) coordination. Public private partnerships make a good fit within this framework. Indeed, the new ADB country strategy for Viet Nam, which is currently under preparation, envisages to place "business-led" development as its central strategy, and harnessing opportunities for public private partnerships would be our key interventions to ensure the delivery of essential infrastructure services in Viet Nam.

Let me leave you with one final observation on PPPs. You may already have noticed from the agenda - and the fact that this event is being supported by our "markets for the poor" project that we are using this workshop to introduce a much wider concept of PPPs. The typical perception of PPP in Vietnam is that PPP can be considered only in the context of a large infrastructure BOT project. Certainly PPP is a good solution for a large scale infrastructure project. But we will see during the course of this workshop that, in addition to large infrastructure projects, PPPs can also offer solutions across the whole range of infrastructure services. For example,

- Service contracts with private contractors for urban waste collection
- Private providers of water and sanitation services in smaller towns and cities as well as in rural areas
- The increased use of renewable energy technologies in rural areas
- Connecting the unconnected to information and communications technologies.

Indeed, one of the visiting facilities - the Asia Private Infrastructure Financing Facility is looking specifically for partners in smaller-scale green-field projects in these sectors.

Output based subsidies are another innovative approach that provides incentives for the private supply of essential services in a way that also supports access for the poor. Public private partnerships are also being used to promote better public health outcomes. Two case studies will be presented that feature the promotion of helmet use amongst motorcycle riders and the promotion of handwashing with soap to prevent diseases.

So in summary, if Vietnam wants to sustain its current levels of growth it needs to increase the levels of private sector participation in infrastructure services. It needs private capital to fill the investment gap. And it needs private sector management capacity to improve the efficiency of Vietnam's infrastructure investments. But private sector participation isn't only suited to large BOT projects. PPPs can deliver better outcomes in rural services too. Our challenge is to find practical ways to make this happen.

I wish you all a successful workshop

Storyline for the Viet Nam Public Private Partnership event

12/13 June Hanoi; 15/16 June Ho Chi Minh City

Alan Johnson, M4P project Co-ordinator

Public-private partnerships (PPP) are a way to improve the quality and coverage of infrastructure services by bringing in the resources and expertise of the private sector. PPP approaches can be used in a diverse range of sectorsat different levels of scale. But in order to realize the efficiency, accountability and value-for-money gainsthat are possible through PPP-type procurement, real political commitment needs to be shown by Central and Local Governments. Capacity constraints need to be resolved to promote PPPs. A priority list of PPP projects could be developed, publicized and discussed with potential private sector partners. A dedicated PPP focal point in Government could reduce complexity and duplication within the PPP project approval process. Reforms and capacity development in public procurement systems would enable PPPs to be implemented in a wider variety of sectors and localities than at present.

Why private participation in infrastructure service provision in Vietnam?

The role of infrastructure services in facilitating economic growth and poverty reduction is now well documented with strong empirical evidence available in a variety of studies, including the recent JBIC WB and ADB Connecting East Asia study.

In Vietnam, infrastructure investments at an average annual level of 9-10% of GDP over the last decade have made strong contributions towards annual GDP growth per capita of 7% and a dramatic fall in poverty incidence from 58% to 29%. But there is an emerging consensus that in order to sustain this level of growth over the coming decade, infrastructure investments will need to rise to around 11-12% of GDP. Concerns have already been raised about emerging infrastructure "bottlenecks" in power generation and port capacity that could have a strong negative impact on growth. Some analysts are already estimating a "financing gap" for infrastructure of US$ 2.5 billion per year.

Over the next decade the continuing changes in Vietnam's economy, including urbanization, industrialization and global integration, will mean increasing demands for infrastructure services in critical areas such as power, transportation, telecommunications, water and housing. In addition, a desire for more inclusive patterns of growth means extending access to infrastructure networks to poorer and more remote regions, especially in terms of roads, improved water and sanitation services.

Growing demand for infrastructure services over the foreseeable future combined with emerging limits to the state budget and Vietnam's impending graduation beyond concessional sources of donor financing (e.g. IDA and ADF) mean that Vietnam must begin to look for more diverse sources of infrastructure service provision if the country's planned infrastructure needs and outcomes are to be met. Greater private sector involvement in the provision of infrastructure and related services will undoubtedly be a key part of delivering Vietnam's overall infrastructure needs.

There are three main reasons why increased private sector participation may be desirable.

1. Better outcomes. Private sector participation in infrastructure service provision can potentially bring better performance, greater coverage and more sustainable service delivery. These advantages can result from more efficient private sector management, stronger customer orientation, higher levels of cost recovery and the use of more advanced technology. Private providers are also considered to be more responsive to incentives and competition than their public sector counterparts.

2. Additional finance from private sources can alleviate financing gaps and capital budget constraints for key infrastructure projects. Moreover, in cases like Vietnam, where public expenditure is pro-poor, additional private finance for infrastructure may free up budgetary resources for pro-poor investments elsewhere.

3. Improved public procurement. The use of PPP approaches can help improve the results of public procurement by focussing on outcomes rather than inputs and by introducing greater competition amongst a bigger pool of potential suppliers. In addition, the use of procedural innovations such as the use of "whole life of asset" costing can help to address longer-term quality and maintenance issues. In "whole life of asset" approaches, Government pays for the provision of infrastructure services of an agreed measurable quality specification over the whole economic life of the asset. This means that the service provider is obliged to consider the cost implications of longer term operation and maintenance costs in order to meet the quality specifications. Often this will lead to a higher quality initial investment and development in order to minimise maintenance costs later. In summary, by putting private sector capital "at risk" to long-term performance, PPP procurement may obtain better value for money than conventional procurement.

What is a Public Private Partnership (PPP)?

There is no single definition of a PPP which is more of a generic term for introducing private resources and/or expertise to help more effectively provide and deliver public sector assets and services which have traditionally been delivered by the public sector. The term PPP is used to describe a wide variety of working arrangements from loose, informal partnerships, to more formalised design-build-finance-operate and transfer (DBFOT) type service contracts and joint venture companies. The range of public private combinations is shown in Table 1 below:

Table 1: Different Public-Private Combinations in Infrastructure Service Provision

Option	Typical Duration	Asset Ownership	Capital investment	Commercial risk	Operations and maintenance
Service contract	1-2 years	Public	Public	Public	Public and private
Management contract	3-5 years	Public	Public	Public	Private
Lease	8-15 years	Public	Public	Shared	Private
Concession	25-30 years	Public	Private	Private	Private
BOT/BOO	20-30 years	Private and public	Private	Private	Private
Divestiture	Indefinite	Private	Private	Private	Private

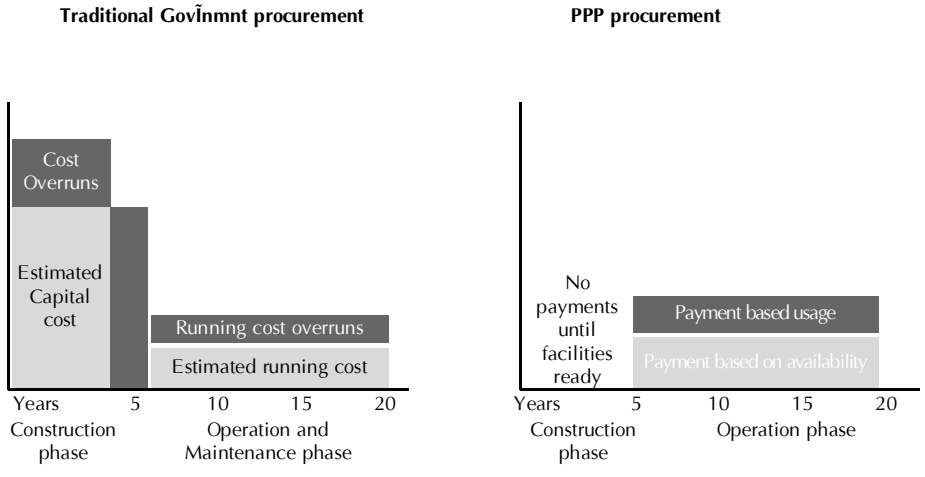
Source: derived from Coulthart presentation at M4P week

A useful definition used by the European Commission considers PPP projects to be characterised by:

- Relatively long relationships, involving cooperation between the public partner and the private partner on different aspects of a planned project.
- Funding structures that combine private and public funds.
- The operator playing an important role at each stage in the project (design, completion, implementation, funding).
- The public partner concentrating on defining the objectives to be attained.
- The distribution of risks between the public sector partner and the private sector partner.

PPP procurement has become popular partly because of the budgetary attractions. PPP can radically change the cost profile for providing infrastructure services. For example, in the Private Finance Initiative (PFI) models used in Europe and Australia, Government pays a periodic (e.g. monthly) single charge for the delivery of agreed outputs (services or assets) over the whole life of a project. In addition to improved transparency, this changes the budgetary cost burden from a traditional pattern of high upfront payments to a more manageable and predicable series of payments over the life of a PPP project (see below)

Figure 1 comparison of traditional and PPP procurement, Source: PWC: delivering the PPP promise



Pros and Cons of PPPs

PPP approaches should not be seen as a "magic bullet" and may be best suited to specific cases. The main reasons for PPP procurement of infrastructure services are to obtain better infrastructure outcomes and to provide better value for money relative to traditional public sector procurement. The main advantages and disadvantages of PPP are summarized in Table 2 below:

Table 2: Advantages and Disadvantages of PPP procurement

Key advantages of PPPs	Key Challenges facing PPPs
• Make use of private sector skills, modern technology and efficiency • Forces the public sector to focus on outputs and benefits (rather than inputs) from the start • Bring in private capital and make projects affordable • Risks are shared by the different parties • Budgetary certainty • Private providers are more accountable for service delivery within the right incentive environment • (In PFI models) the public sector only pays when services are delivered	• PPPs imply a loss of management control by the public sector and therefore may be politically unacceptable • Does the public sector have sufficient capacity and skills to adopt the PPP approach and set the correct incentive and regulatory environment? • Does sufficient private sector expertise exist to warrant the PPP approach? • Do not achieve absolute risk transfer • Procurement can be lengthy and costly • Long-term relatively inflexible structures

What are the instruments on offer to attract private involvement?

In order to encourage private sector involvement in infrastructure service delivery, donors can play a useful "honest broker" role. In this PPP event, the following multi-donor facilities are featured. Each facility is designed to address a different potential constraint to private sector involvement at a different point in the typical project cycle (see Table 3 below). Short descriptions of each facility are provided as attachment 1.

Table 3: Multi Donor Facilities for overcoming different constraints to infrastructure service provision

Part of Project Cycle	Constraint	Facility/Solution
Pre investment	Poor Enabling Environment	PPIAF
Project Development	Lack of "bankable" projects	DevCoF InfraCo
	Need for subsidies to ensure network includes the poor	GPOBA
Project Financing	Foreign currency risk	Guarantco
	Limited access to long-term finance	AsPIFF Specialist PrivateEquity Firms

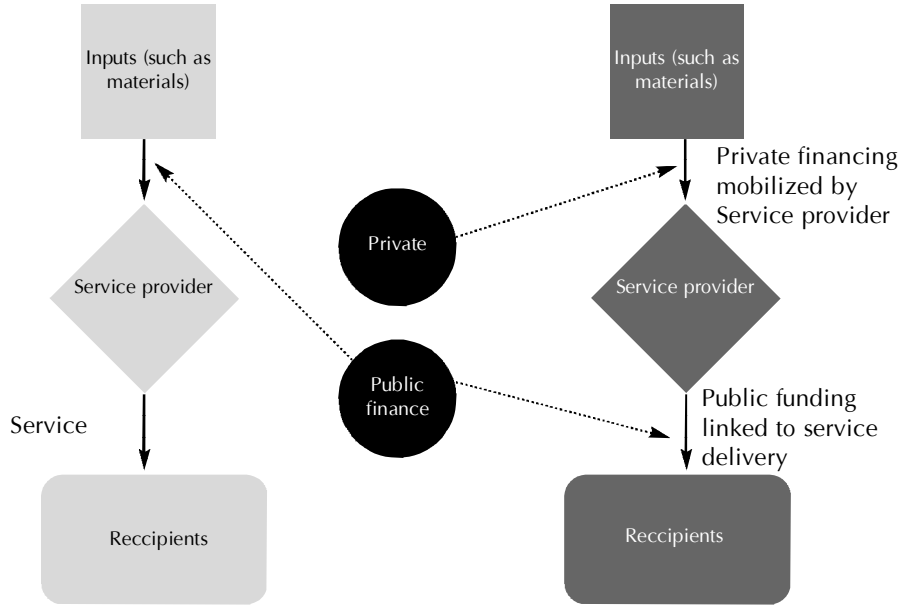
Note: ADB, World Bank, IFC and JBIC are not listed in this table as they provide a variety of inputs at all stages of the project cycle

How can PPP approaches be used to help the poor? - The intelligent use of subsidies

There are circumstances where including the poor in PPP service delivery will not be compatible with market-based cost recovery tariff or fee structures. Output-Based subsidies are a strategy for using explicit performance based subsidies at the point of delivery to ensure that basic services are provided to the poor. In these cases, public funding is used to complement or replace user fees, so the service provider is still able to achieve a sustainable level of payment for the services provided. This approach has the advantage of retaining the overall incentive framework for service providers and avoids undermining longer term market development and private sector service delivery.

Output subsidies should provide explicit recognition of why the subsidy is being provided, who is receiving the subsidy and who is providing it, and what is being subsidized-both the activity and the financial sums involved. Output based subsidies strongly link payment of service providers to their delivery of specified services, or outputs. This payment on outputs transfers performance risk to the service provider. The provider largely self-finances the service, receiving reimbursement mostly after the verification of successful delivery.

Figure 2 (below) shows how the output-based approach can effectively combine public and private financing for service delivery.



Source: GPOBA

A further important element in designing "intelligent" subsidy regimes is ensuring that competitive pressure remains to continue to incentivise good performance. Examples include least subsidy bidding approaches in which potential service providers bid for the minimum subsidies required to provide a certain service in targeted areas.

What is the experience of PPPs in Vietnam? What is the potential for PPP development?

In Vietnam, the concept of PPP has been mostly applied in the form of Build-Operate-Transfer (BOT) projects and Business Cooperation Contracts (BCC). Over the past 12 years, there have been 18 of these projects - mostly in the energy or

telecommunications sectors. This modest number of projects accounts for around 15% of total infrastructure investments. And half of this total is devoted to a single large gas investment. PPPs will continue to evolve as a means of mobilizing international private capital for large infrastructure projects. The recent draft BOT decree reflects Government efforts to attract private investors. However further improvements are still required as reactions to the initial draft show that gaps remain between the expectations of Government and of potential investors.

Some initial stocktaking work supported by M4P suggests that PPP approaches can be used in a much more diverse way. PPP approaches are not just limited to BOT contracts in energy. They can cover a wider range of sectors, operate at a smaller-scale, and can make better use of the emerging market for Vietnamese contractors and enterprises.

Some existing examples are summarized below:

Transport Services:

- The Hanoi People's Committee has been able to open new bus routes to competitive bidding attracting private suppliers for five year contracts.
- Asia Injury prevention, an NGO, and the ProTec Helmet company have helped catalyse public-private cooperation to promote helmet wearing amongst motorcycle riders. The number of motorbikes - and the number of accidents - have increased by around 30% per year since 1992. Around 60-80% of traffic accident fatalities result from Head injuries.

Water and Sanitation:

- Danang and other coastal cities have been able to successfully contract out solid waste collection and septage management to local private providers, dramatically increasing the coverage and efficiency of these services.
- Innovative "Design, Build, Lease (DBL)" contracts have enabled private contractors to participate in the provision of clean water to small towns in four Northern Provinces even where the assets remain owned by public sector entities.
- Local Departments of Health, IDE (an NGO) and donors have been able to develop markets for low cost hand pumps and latrines that can be provided by local private sector suppliers in the poorer rural areas of the Central Region of Vietnam.

Public Health

The Ministry of Health, the World Bank Water and Sanitation Programme and a number of large international corporations have combined resources in a public private partnership to promote handwashing with soap. This is likely to have a significant impact in terms of reducing the incidence of diarrhea and respiratory infections - two of the biggest causes of death amongst young children in rural Vietnam

Financing PPPs

The Ho Chi Minh City Fund for Urban Development (HIFU) through its role as a "pioneer investor" is able to mobilize long-term private capital for various projects including water supply, toll roads and low cost housing.

Output Based Aid

An example of output based aid in Vietnam is urban water supply to the poor in Ho Chi Minh City. A program of targeted service expansion to the poor is being made possible by a combination of water loss reduction and connection subsidies for poor households. An "output based aid" scheme funds the Saigon Water Company (SAWACO) for each new working connection to a poor household made using water saved from reduced leakage. In addition, the task of water leakage reduction in one of the six zones in the city is being contracted out to private sector entities on the basis of a competitive, performance-based service contract.

Key Barriers to PPP Development in Vietnam

Barriers to PPP development exist at all stages of the project development cycle and at different levels of Government. But the main ones can be categorized as follows:

1. Lack of clear enabling legal framework for private participation in infrastructure. The role of private companies in relation to commercial operations involving state assets remains

unclear. For example, suitable contractual arrangements still need development to allow private sector participation in certain sectors involving public utilities.

2. Inadequate levels of project development. Strong "bankable" projects are absent in Vietnam. A number of infrastructure projects have high potential but their actual priority status and the credibility of project feasibility work are often unclear. In addition, the relative roles of Government and private developers in bearing the costs and risks of project development are also ambiguous.

3. Investors and state authorities have different views on cost recovery approaches ("socialization") and "user pays" principles.

4. Lack of / limited access to long-term financing options.

5. Limited Capacity on both the Government and private sector sides to develop and implement PPP approaches. The government needs the capacity to design projects with a package of risks and incentives that make them attractive to the private sector and to be able to oversee these long term arrangements over the life of the contract.

Recommendations

In order to facilitate the adoption of PPP approaches in Vietnam, a number of next steps are recommended:

1. Clear signals from Central and Local Government agencies that they are serious about using PPP procurement. A number of activities could be started that would send positive signals including (a) the development and publication of a clear list of priority PPP projects, (b) undertaking and/or commissioning credible feasibility studies of the proposed PPP projects, and (c) Creation of a PPP centre or focal point to expedite PPP processing and streamline various steps in PPP project processing.

2. Capacity development in public procurement and PPP management, including: (a) clear legal framework for PPP including policy and guidelines covering specific technical, environmental, social and legal requirements by sector where necessary; (b) options for structuring PPP projects and managing risk; (c) reform of public procurement systems to enable PPP in service delivery including the use of model or standardized contracts, (d) staff training and human resource development, especially within provinces and line ministries.

3. Project Development - the establishment and implementation of pilot PPP projects in each of the main infrastructure sub-sectors for lesson-learning and future replication.

4. Developing a range of suitable financing mechanisms such as bonds, credit rating systems for utilities[1] etc.

5. Market Development for PPP including i) public information campaigns on the full economic costs of service provision; ii) the promotion of a "user pays" culture amongst richer consumers; iii) developing and publicizing a greater range of opportunities for private sector providers to participate in PPP procurement; and iv) the development of standards in small-scale infrastructure to facilitate the growth of certified and good quality suppliers who can begin to build brands and achieve economies of scale in their production.

[1] Credit rating systems are used to improve the operations of capital markets by providing better information to investors about the quality of investments. The rating assesses the credit worthiness (or the risk of loss) of issuers of certain types of debt obligations such as companies, cities, non-profit organizations, or national governments.

Attachment 1 / Multi-donor infrastructure facilities

The Public-Private Infrastructure Advisory Facility (PPIAF) is a multidonor technical assistance facility that helps developing countries improve the quality of their infrastructure through public-private partnerships. PPIAF can finance a range of advisory and related activities in a single country or across multiple countries. These activities include: framing infrastructure development strategies; consensus building around policy, regulatory and institutional reforms; designing and implementing specific reforms in these areas; supporting the design and implementation of pioneering projects and transactions; and, building government capacity to design and execute private infrastructure arrangements and regulate private service providers.

PPIAF provides governments with technical assistance for strategies, policies and specific advisory inputs to enable them to tap the full potential of private sector involvement in infrastructure.

See http://ppiaf.org/

Global Partnership of Output Based Aid (GPOBA)

Output-Based Aid (OBA) is a strategy for supporting the delivery of basic services-such as water, sanitation, electricity, telecommunications, transport, education, and health care-where poverty reduction and social objectives justify using explicit performance-based subsidies to complement or replace user fees. There are many advantages in providing such subsidies at the point of delivery, rather than as a subsidy at the supply end. To address these issues the World Bank, with DFID support, is implementing GPOBA, a programme to develop, demonstrate and disseminate output-based approaches to supporting the sustainable delivery of basic infrastructure services. In order to facilitate the scaling-up of the approaches developed, the GPOBA has recently been expanded to include a "Challenge Fund" which is open for applications, on a competitive basis, for the funding of specific subsidy programmes to enable the provision, by private sector suppliers, of infrastructure services to the poor. GPOBA continues to grow with pledges from the IFC and the Bank Netherlands Partnership Program (BNPP). The IFC has pledged US$35 million for projects in the infrastructure, health and education sectors that involve the private sector. The BNPP pledge of US$28 million will be used toward water and sanitation projects, with a focus on Africa.

See www.gpoba.org

PIDG Initiatives

Project Development Facility (DevCo)

High up-front transaction costs, risk and poor information, are important factors in deterring the private sector from investing in working up prospective infrastructure projects in developing countries in the manner undertaken by commercial companies in OECD countries. As a result, there is a paucity of infrastructure projects structured in a way attractive to private sector involvement. To address this, in 2003 the PIDG augmented an existing project development facility operated by the IFC to give greater emphasis to the development of projects for private sector investment in the poorer developing countries. The PIDG and the IFC have now committed US$ 40m to this facility.

See http://www.ifc.org/

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Infrastructure Development Company (InfraCo)

Although DevCo (see above) can help governments structure infrastructure services to be more conducive to private sector investment and

assist in attracting investors, it cannot replace the private sector developer, who takes on the entrepreneurial risk of developing a project and then selling this on the market to an implementation company. Such private sector developers have, however, all but disappeared from developing country markets in recent years. In order to give a lead to reintroducing this entrepreneurial approach to encouraging increased investment in infrastructure, in late 2004 the PIDG launched a new Infrastructure Development Company with a mandate to initially pilot project development in two countries in Africa and two countries in Asia. The PIDG has allocated US$ 20m as an equity contribution to this facility.

Managing Director: richard.parry@infracolimited.com

GuarantCo Local Currency Guarantee Facility

THE GUARANTCO INITIATIVE

A group of bilateral donors within the Private Infrastructure Development Group (PIDG) have established a local currency finance company ("GuarantCo"), specialising in credit enhancement. The purpose of GuarantCo is to promote economic and social development by facilitating access to domestic financial markets for infrastructure companies that need to borrow local currency funds for their investments.

Rationale: Even in very poor countries, institutional capital has in recent years started to accumulate with pension funds, insurance companies and employees' provident funds. It would be suitable for these institutions, with their long-term liabilities, to lend their funds to infrastructure projects that require long tenors. However, these institutions may have capacity and/or regulatory limitations that constrain them from lending to such projects, even if they are commercially viable. Through the credit support offered by GuarantCo, it will be easier for investors to overcome the constraints and lend funds to infrastructure projects. The latter will benefit from financing of longer tenor that better match the currency of their revenues, thereby improving viability and reducing exchange rate risks.

Offer: GuarantCo provides partial credit guarantees for the benefit of local institutional investors to enable them to invest in debt (bonds, notes) issued by infrastructure companies. Local bank loans are also eligible for guarantees. GuarantCo may support refinancing if foreign currency is substituted by local currency debt. GuarantCo charges a market based guarantee fee and customary up-front fees.

Besides risk capacity, GuarantCo may also provide technical assistance grants to help prepare projects and structure local currency transactions, by drawing on the PIDG Technical Assistance Facility (TAF).

Clients: These include private firms, municipal utilities or municipalities engaged in infrastructure projects in lower income countries. Eligible sectors are telecoms, power, water/waste services; transportation; infrastructure components of industrial or agro-industrial projects. GuarantCo has targeted up to 20% of the portfolio, subject to the availability of suitable opportunities, to urban regeneration projects, i.e. economic and social infrastructure in cities (incl. housing).

Modus operandi: GuarantCo will build its business in partnership with bilateral and multilateral development finance institutions as well as commercial banks. The partners will front for the guarantees, on the back of counter guarantees provided by GuarantCo. Co-guarantees and, after a pilot period, direct guarantees may also be issued.

Initially, it is envisaged that the average size of GuarantCo's risk participation in a single project will be in the range of US$5m-US$12m. The total volume of local currency financing raised for the project in question may be significantly higher, as the risk capacity of the partner(s) and the local funding institution would be leveraged in.

An initial pipeline of transactions has already been developed by GuarantCo's interim management, and the first guarantees are under preparation. GuarantCo's operations are now being outsourced to an external service provider, with a transaction advisory team based in the United Kingdom.

Contact: For further information, please contact Mr Stefan Jansson, acting Managing Director, at sjansson@guarantco.com.

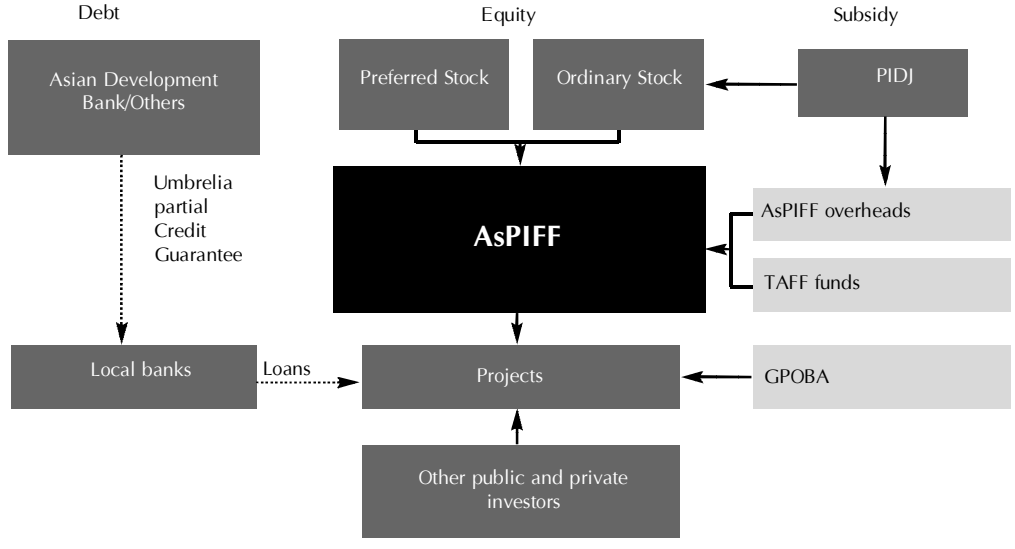
Asian Private Infrastructure Financing Facility

The Asian Private Infrastructure Financing Facility (AsPIFF) will be a developer of, and investor in, green-field infrastructure projects, providing equity and quasi-equity investment products alongside other private and public sector investors and lenders. Its focus will be on projects of a scale in the range of US$5m to US$75m, which are commercially operated and sustainable, but which are the most challenging to develop and finance. AsPIFF will consider projects in all infrastructure sectors, but will focus on projects with strong economic and social impacts, particularly for poorer groups.

AsPIFF is seeking to raise a minimum of US$75m in subscriptions from bi-lateral donors, together with development finance institutions and/or development banks. Because of the need of these latter institutions for a more commercial risk/return profile than the former, they may be provided with a 'senior' or preferred investment position. Using these subscriptions, AsPIFF will aim to develop and / or invest in up to 25 projects during the first 5-6 years of operation and mobilise up to ten times this amount - US$750 million in commercial finance.

The fact that AsPIFF will be an equity investor in projects means that there will be potential to leverage debt at the project level. In many projects it is preferable that this debt is denominated in local currency. Therefore, in parallel to the main core facility, a partial credit guarantee facility could be used to support the local currency debt financing of projects in which AsPIFF invests. The providers of this parallel facility, possibly led by the Asian Development Bank, will share in project risks with reputable commercial banks.

The additional costs and risks associated with mobilising green-field projects, particularly those with the most pronounced pro-poor benefits, may require a number of carefully structured subsidy arrangements at the development phase: first, some of the overhead costs of running AsPIFF could be paid for directly by participating members, so as to heighten returns to other investors; second, Technical Assistance funds might be used to address some of the disproportionately higher costs of developing green-field and smaller projects; and third, where appropriate, performance-based subsidies could be used to target the poor, possibly through accessing Global Partnership for Output-Based Aid (GPOBA) funds. The figure below summarises these arrangements.



In conclusion, AsPIFF will stand out from other public and private investor and developer entities in Asia due to its focus on smaller-scale, green-field projects. Moreover, AsPIFF will be more of a strategic, rather than a pure financial investor and, as such, will be a more patient, long term, investor relative to private equity infrastructure funds.

Local Capacity Technical Assistance Facility (TAF)

In 2003 the PIDG, with funding support from the World Bank, established the TAF to assist in the building of local capacity and capability associated with private sector investment in infrastructure. Technical assistance is provided to both the public and private sectors in support of the planning and implementation of projects and programmes of any of the facilities or funds undertaken under the PIDG umbrella on a "challenge fund" basis. The PIDG have so far allocated US$ 10m to this facility.

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Currency Liquidity Facility

Infrastructure projects are subject to a range of risks that impact on their attractiveness to private developers and financiers. The fundamental mismatch between local currency revenues and foreign debt service payments is an impediment to non-export infrastructure investments in developing countries. The usual way that this risk has been mitigated is to index tariffs to foreign exchange rates, thus transferring all of the risk and economic cost to the offtaker and ultimately the consumer. This pre-empts the use of scarce foreign exchange for other higher priority uses, increases the risk of contract renegotiation and is unfair to the consumer.

While funding from local capital sources avoids the currency mismatch, they are by themselves insufficient to meet investment needs, even with guarantee support. The PIDG has commissioned a feasibility study for a financial product designed to mitigate foreign exchange risk in an efficient manner, thus promoting access to international debt markets for projects that do not earn foreign exchange and whose tariffs are not indexed to foreign exchange rates.

The 'Currency Liquidity Facility' is not a hedge or currency derivative contract as it is not tied to a specific nominal exchange rate. It is best described as a standby, subordinated, revolving loan that is included in the financial structure of a project financing and participates in the security structure with other lenders. The Facility provides funds to the project only if there is a shortfall in senior debt service caused by a real currency depreciation beyond a pre-agreed limit.

The fundamental premise underlying the Facility is the theory of 'purchasing power parity'. The Facility would only be applicable in countries with flexible exchange rate regimes and not in countries with pegged or tightly managed currency regimes. The PIDG is considering further work to develop the concept with potential

Facility providers.

Asian Development Bank

Financing and Risk Mitigation Instruments for PPP Projects in Infrastructure

The participation by ADB in infrastructure projects involving public-private partnership (PPP) is intended to catalyze financing from local and/or foreign sources, not to compete with or displace them. ADB can provide direct funding assistance as well as assist in mobilizing additional debt from commercial banks or the capital market by means of its risk mitigation instruments.

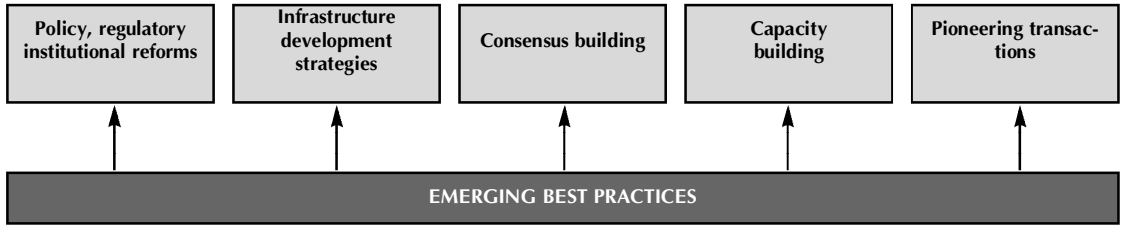
- Equity investments and loans without sovereign guarantees are forms of direct assistance available from ADB for PPP projects.
- Complementary Financing Scheme (CFS) loans are made in the name of ADB as "lender of record" but funded by commercial lenders, such as banks, who retain all the risks. CFS loans enjoy the same privileges and immunities given to ADB direct loans, including no restriction on currency conversion and transfer, and exemption from withholding taxes. In addition, CFS loans share in ADB's preferred creditor status, and thus have the least chance of debt-rescheduling.
- Political Risk Guarantee (PRG) is used to cover the debt service for cross-border loans up to 100% of loss from nonpayment due to such risks as, expropriation, currency inconvertibility, political violence, and breach of contract. The PRG may or may not require the counter-guarantee of the host government.
- Partial Credit Guarantee (PCG) provides cover against all events of nonpayment for a designated part of the debt service for commercial loans or bond issues denominated either in foreign or local currency. It is designed to help extend the loan maturity of commercial debt finance or ensure availability under reasonable terms.
- Sovereign public sector loans can be considered by ADB to finance the host government's equity in a joint venture infrastructure project, if needed.
- Local currency financing is available for selected countries. This is intended to mitigate the risk of currency mismatches. ADB generates local currency funds by issuing local currency denominated bonds, as it has done in the People's Republic of China, India, Malaysia, Philippines, and Thailand. ADB can also generate local currency funds by doing cross currency swaps in the market. ADB's PCG can be used to credit enhance local currency borrowings or bond issues by project companies.
- Subsovereign and nonsovereign public sector financing is a new initiative that is designed to enable ADB to better finance projects of provincial and municipal governments, and state-owned enterprises. This supports decentralization that is happening in a number of Asian countries and the devolution to local governments of responsibility for delivering basic services and providing physical infrastructure. Financing must be accompanied or preceded by policy and institutional reforms.

Vietnam PPP Workshops 12-16 June 2006

Paul Reddel
Regional Program Leader, East Asia & Pacific

Overview of PPIAF

- PPIAF is a multidonor technical assistance facility
- Helps developing countries improve the quality of infrastructure
- Supports efforts of governments to realise the full potential of private sector involvement in infrastructure
- Can finance a range of advisory and related activities in a single country or across multiple countries



Overview of PPIAF (cont)

- Has special emphasis on poverty alleviation with links to the Millennium Development Goals
- But what is a public private partnership (PPP)?
- Can have a very precise meaning in some markets (UK)
- However, often used more generally to describe a sharing of risk between governments and the private sector to deliver infrastructure and related services
- All forms of private involvement
- Ownership, operation and/or management
- Sectors defined widely
- Power, gas transmission & distribution, telecom, water & sanitation, rail, airports, seaports, roads

PPIAF in East Asia & Pacific

- Manila regional office opened November 2005
- EAP covers high growth (China, Vietnam), emerging (Laos, Cambodia), and economies severely affected by the Asian Economic Crisis (Indonesia), as well as small Pacific Island nations
- ADB, a key PPIAF partner in this region, is also based in Manila
- EAP portfolio profile
- 19% of historical global portfolio
- $19.7 million; 88 activities
- 39 projects active; 49 completed/closed
- Sectors

Multi – 27%	Energy – 24%
Water – 22%	Trans – 14%
Telecom – 13%	

- Overall, strong regional growth with increasing focus on infrastructure needs by many countries
- Activity levels still low... but increasing investors have long memories ('97-'98)
- Strong rhetoric from many governments in support of private sector involvement in infrastructure, with the challenge ahead to translate this into strong projects
- Nonetheless some projects are happening (e.g. water, energy) with regional players and some international investors
- Project development and 'bankability' a continuing area of focus

PPIAF in Vietnam

WATER SECTOR

- Preparation of pilot Design-Build-Lease (DBL) water supply projects
- International study on performance based non-revenue water contracts
- Development of charter, legal framework and template business plan for rural WSS enterprises
- PPP adviser to Ministry of Construction in preparation of Urban Water Decree
- PPP adviser to three coastal cities on use of private sector in septage management and solid waste collections

OTHER SECTORS

- Development of investment policies for Local Development Investment Funds (LDIFs)
- Establishing a legal and regulatory framework for downstream gas
- Expanding rural electrification
- Options for multimodal transport regulation
- Supporting the establishment of an electricity regulator
- Bus operations in Hanoi and Ho Chi Minh City
- Assisting contract negotiations for Phu My 2-2 BOT power project

TOTAL FUNDING TO DATE OF $2.655 MILLION

Select PPIAF Current Activities

- EAP REGION: Capacity Building for Performance Based Contracting in the Philippines and Indonesia
- PPIAF funded training course on performance based contracting (PBC) for road maintenance delivered in Bangkok and China during early 2005
- Request to conduct similar training for the Philippines and Indonesia which are considering including PBC in their national roads programs
- Cambodia has now also been included
- Training courses commencing late May
- Training has provided opportunity for consensus building and increased government commitment to PBC (e.g. tender packages in Thailand)

INDONESIA: Infrastructure Risk Management

Advice to MoF on provision of government support, including guarantees and subsidies, to private infrastructure projects

- Set caps on cost and exposure
- Develop a methodology to estimate fiscal cost and risk of support
- Allow government to monitor (and disclose) financial obligations assumed and assess whether best served by creating a ring-fenced guarantee fund
- Complements 2005 PPIAF activity ($75,000) for set up of PPP program

Some Outcomes

PHILIPPINES: Small Power Utilities Group Privatization

- Objective to improve reliability of supply and reduce cost in three remote off-grid islands
- IFC managed transactions competitively bid for 15 year PSAs
- Full cost recovery through affordable tariff and government-funded subsidy (from nationwide levy on electricity users)

- Consensus building for rural co-ops (the purchasers of power) to explain PSA
- Contracts awarded in Sept 2005
- 11 further pilot areas pre-selected
- Increased Investment: $28 million
- Government Budget Savings: $6 million pa
- Expansion of Service: 100,000 new connections over 5-10 yr period

LAOS: Nam Theun II Power Project

- Legal advisers for the final negotiations and completion of project agreements
- Project reached financial closure in FY06
- Provides Lao PDR with $2 billion of nominal revenues over the concession period
- Provides Thailand (995MW) and Laos (75MW) of dedicated & efficient capacity at reasonable cost
- Significant demonstration of public private partnerships in infrastructure in East Asia region
- Promotes bilateral integration between Laos and Thailand
- Largest FDI in Laos – almost 12.5% of '05 GDP
- Largest private sector hydroelectric project financing

VIETNAM: Pilot DBLs for Water Supply to District Towns

- Demand-responsive approach, extensive social intermediation
- Bundling phases of activities into a single package
- Creating opportunities for public-private partnerships and supporting local SMEs to participate
- New to Vietnam and will take time to develop and implement; need to build capacity in both public and private sectors
- Contracts signed Jan 2006, completion early 2007
- Improved quality of water at lower cost for communities
- Pilot approach being implemented elsewhere in country
- Mobilized support from other bilateral & multilateral sources

Contact Details

PPIAF WEBSITE

See http://ppiaf.org/

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PPP Workshop Ho Chi Minh City, 15-16 June 2006

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Public-Private Partnerships: lessons from experience and what ADB can offer

Alfredo E. Pascual
Advisor (Public-Private Partnership)
Southeast Asia Department
Asian Development Bank

What is PPP?

- PPP is collaboration between the public and private sectors based on a contract for provision of assets or services.
- Sensible division of roles and fair sharing of responsibilities, costs, and risks between the public and private sectors.
- Risk is assign to the partner best able to manage it.
- Optimal, not maximum, assignment of risk to private sector.
- Private sector to contribute not only capital, but also technology and management (PPP is not just about finance).
- Expected results: availability, quality and efficiency of service; efficiency of capital utilization.

PPP is a relatively new approach to procurement. Few general lessons have yet been drawn from developing country experiences.

Why do developing countries go for PPP?

- Huge investments in infrastructure needed to sustain growth.
- Public funds not sufficient for building new infrastructure, and for maintaining new and existing facilities.
- PPP can attract private financing to support needed investments without adding to government debt at the outset.
- User fees can reduce, if not eliminate, annual budget outlays.
- Efficiency gains possible from private sector innovation and whole-life project cost optimization (with the same firm responsible for design, construction, and operation).
- Efficiency gains can offset the higher cost of private financing.

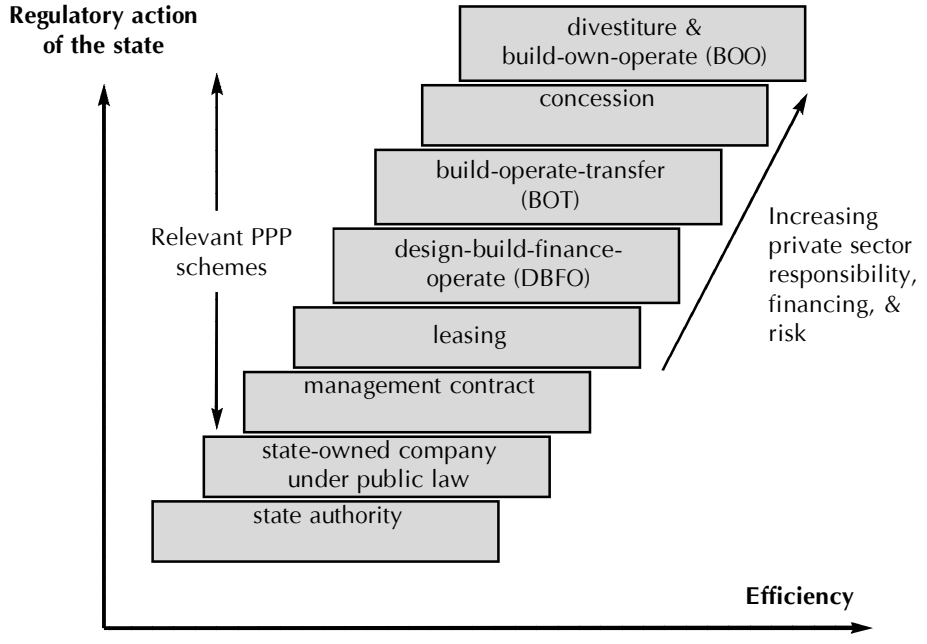
Governments have been unsuccessful in providing needed infrastructure. Private firms cannot meet the need on their own either. Closer partnership between the public and private sectors is essential.

Where can PPP work?

Project or sector is commercially viable & attractive to the private sector?	Approach to ownership, financing, management and/or operation	Typical Example
Yes, even without government support	Private Sector	Mobile telephone
Can be made so with government support	Public-Private Partnership (PPP)	Power plant in an unbundled market
No, difficult to make commercially attractive	Public Sector	Rural road

Private sector participation works best where competition is feasible and desirable. Where there is little scope for competition, incentive-based regulation is important.

How are PPPs structured?



The PPP project company is sometimes structured as a public-private joint venture, but with control and management by the private partner.

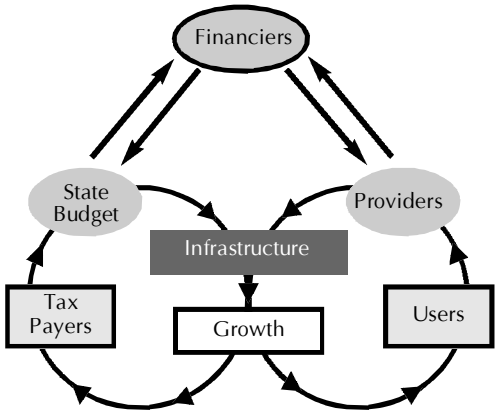
Who pays for PPP investments?

- Ultimately there are only two (2) sources funding for infrastructure:

1. Consumers (via user changes)
2. Taxpayers (via subsidies).

- Financiers – can change the requisite time profile of taxes or user charges,
- But eventually their contributions have to be repaid or remunerated (and if no, the consequences will generally rebound on consumers or tax payers at some later point).
- Donor grant can be a source of funding that need not be repaid, but is rarely available.

PPP is not free infrastructure !



Source: Connecting East Asia: A New Framework for Infrastructure, ADB-JBIC-WB, 2005

Can PPP delivery service for the poor?

- A private sector entity can sometimes be engaged on a contractual basis to deliver basic infrastructure and services, e.g., electricity, water, sanitation, transport, and even education and healthcare.
- Private sector provision with public funding to supplement or replace user fees is justified if there are concerns of affordability for particular groups of users.
- Payment to the private sector contractor is tied to the services or outputs actually delivered. Hence, the name Output Based Assistance.
- With proper regulation, private sector management is often more efficient than public and can deliver better and innovative service at a lower cost.

How should PPP contracts be awarded?

Advantages of competitive tender (for award of exclusive concessions)

- Transparency and political sustainability – withstand public scrutiny in the longer term.
- Competitive tariff – efficient mechanism for discovery of "right tariff"
- Competition for the market – when competition in the market is not possible

Limitations of competitive tender (can be remedied)

- Need for legal structure and institutional capacity – not always in place.
- High cost of project preparation – costly to government (5%-10% of project cost). TA support from donors can help (e.g., project development fund).
- May deter bidder participation – high cost of preparing a competitive bid. To encourage bidders some governments agree to share in the bid costs.
- May restrict innovation – considerable specificity of technical and contractual terms is required to facilitate bid evaluation.
- Lowest bidder's obligations may not be met – too low a price. Can lead to substantial renegotiations of terms after the bid is awarded.

PPP programs: conditions for success (1)

- Enabling legal and regulatory environment – Enforcement of contracts; dispute resolution; BOT/PPP law; sector regulatory framework.
- High-level political support and good governance – Assurance that government will meet its commitments under PPPs.
- Strategic planning by government – Anticipate needs and prioritize projects to avoid supply crisis situations.
- A centralized PPP unit in government – A "one-stop" shop; nodal point for facilitating cooperation among different ministries and tiers of government; To assure consistency of approach.

PPP programs: Conditions for success (2)

- Capacity building in government – Needed at central and, more particularly, sub-national levels. Use advisors, if needed (to match advantages of private sector)
- Economically viable projects – Essential, demand-driven, affordable, and profitable PPP will not make a bad project good.
- Project development by government – Bankable projects often in short supply. Well-prepared projects reduces cost of bids & attract more bidders. Government needs to invest in project development. Project development cost can be recovered from winning bidder.
- Public communication – Explain to media, NGOs, consumer groups, etc., the objectives and benefits of the PPP program and specific PPP projects.

Asian Development Bank (ADB)

- A multilateral financial institution dedicated to reducing poverty in Asia and the Pacific
- Tackles poverty by helping stimulate economic growth, while promoting social development and good governance, in developing countries of the region
- Sees the private sector as the engine of growth and supports its development, to create jobs and provide incomes
- Encourages closer partnership between the public and the private sectors to meet the region's huge investment needs
- Supports private sector participation in delivering traditionally public sector infrastructure facilities and/or services

Examples of ADB-supported PPP projects

- BAN: gas-fired power plant
- BAN: rural telephone system
- PRC: bulk water supply
- PRC: coal-fired power plant
- IND: gas distribution networks
- IND: LNG terminal
- IND: power transmission lines
- LAO: hydropower projects
- NEP: hydropower project
- PAK: gas-fired power plant
- PHI: coal-fired power plant
- PHI: toll expressway
- SRI: container port terminal
- SRI: combined-cycle power plant
- THA: coal-fired power plant
- VIE: gas-fired power plants

ADB's Advantageous Position to Support PPP Projects

- ADB provides financial assistance to governments and to public and private enterprises.

- ADB's public sector activities and private sector investment operations are done under one roof.
- Synergy is possible between policy work and private sector investments.
- ADB can dialogue with government on the enabling environment for private sector investment.
- ADB can invest to catalyze specific PPP projects using its financing and guarantee instruments.

Sources of ADB Strength

- An Asian institution with headquarters in Asia
- Seen as an honest broker given its multilateral ownership
- Close relationships with member governments
- Committed to be engaged for the long-term
- Market knowledge and financial expertise
- Triple-A credit rating
- A wide range of products to provide finance and mitigate risks

ADB's financing instruments

- Equity investment

- Minority stake

- Right to a board seat

- Also through equity funds

- Loan without sovereign guarantee

- In foreign or local currency

- Long tenors

- Market terms

- Sovereign loan

- To finance host government's equity in a project, if needed.

ADB's risk mitigation instruments

- Complementary Financing Scheme (CFS)

- ADB as a lender of record for commercial lenders who retain all the risk

- Political risk guarantee (PRG)

- Protection for lenders against non-commercial risks:

Confiscation, Expropriation, Nationalization (CEN)

Currency Inconvertibility (CI)

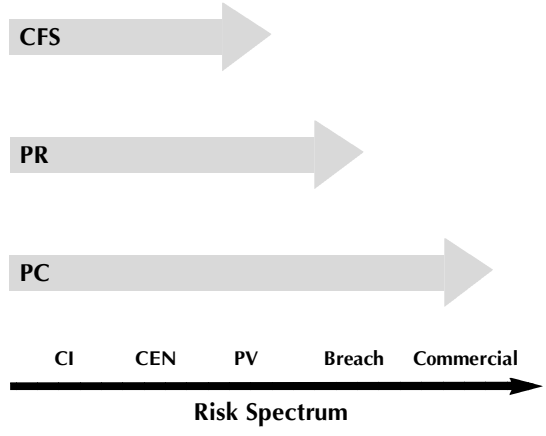
Political Violence (PV)

Breach of Contract

- Partial credit guarantee (PCG)

- Protection against all risks for part of the debt service

Extent of ADB's risk mitigation



ADB's new financing initiatives

- Local currency financing

- Intended to mitigate the risk of currency mismatches.

- Funded via ADB bond issues in local currency (e.g., PRC, India, Malaysia, Philippines, Thailand), and

- cross currency swaps in the market.

- Subsovereign and nonsovereign public sector financing

- Intended to support projects, including PPPs, at the provincial and municipal level and state-owned enterprises (utilities).

- Financing must be accompanied or preceded by policy and institutional reforms.

For more information:

On ADB's private sector development & finance
http://www.adb.org/PrivateSector/default

Or contact Alfredo E. Pascual

apascual@adb.org

Legal environment for public private Relationship

Pham Manh Dung
Director of Legal Department
Ministry of Planning and Investment

1. State Policies

The State encourages all economic sectors to invest in building and providing infrastructure services for the social community

Encourages investors to invest in areas with difficult and specially difficult socio-economic conditions by granting specific incentives.

2. Legal system on investment and business

Law on market participation

Law on Investment

Law on Enterprises

Documents applied in the investment and business implementation: Land Law, Bidding Law, Construction Law, Tax Law...

3. Law on Investment

Number 59/2005/QH11

Ratified by the National Assembly at its 8th session, Legislature XI on 29 November 2005

Effective since1 July 2006

4. Purposes of the law

Expand investment freedom

Create a level playing ground, equality for investors

To comply with international commitments

Improve effectiveness of state administration of investment

5. Gverning Scope

1. State capital;

2. Private capital;

3. Direct Investment;

4. Indirect Investment;

5. Foreign investment in Vietnam;

6. Offshore investment.

6. FORMS of investment

Domestic and foreign investors apply the same forms of investment:

100% domestic owned capital or 100% foreign owned capital

Joint ventures between domestic and foreign investors

BCC, BOT, BTO, BT

Investment in business development

Purchase of shares, or contribution of capital (percentage shall be regulated by the Government)

Merger and acquisition of an enterprise

7. State Guarantee

Invested capital and legal assets of investors shall not be nationalized or confiscated by administrative measures

In a case of real necessity for the purpose of national defense and security or in the national interest, if the State acquires compulsorily or

requisitions an asset of investors, the State shall compensate such investors ensuring their lawful interests and on the basis of non-discrimination between investors

8. government guarantee

The Government will guarantee important projects on :

Loans

Supply of raw materials

Sale of products

Payment

Performance of other contractual obligations

9. Dispute resolution

Ability to approach international courts and arbitration bodies in dispute resolution

Ability to apply foreign law in case the law of Vietnam does not regulate, if the foreign law is not contrary to the fundamental principles of the law of Vietnam

10. decentralization in investment administration

Projects below VND 600 or 800 billion in value are to be decentralized to local authorities for granting permits

Central authorities will only grant permits for major and important projects having great impacts on socio-economy, or relating to many sectors, localities.

11. Draft Decree on investment under BOT, BTO and BT contracts

Applicable entities:

Applied for both foreign and domestic investors.

Incentive investment sectors

Express way, inter-provincial, inter-district roads, bridges, tunnels, and related work and facilities

Railways, tramways

Airports, seaports, river ports, ferry

Water supply, drainage, and waste treatment

Power plants, electricity transmission lines

12. Draft Decree on investment under BOT, BTO and BT contracts

12.1. Project implementation procedures.

- There are three levels :

The Prime Minister approves and MPI grants permits

MPI grants permits

Provincial people committees grant permits

12.2. Application of foreign law to govern project contractual relations:

For foreign invested project contracts, the parties can agree on the choice of foreign law, if such law is not contrary to regulations of the law of Vietnam

12.3. Obligations to provide services and operate the facility

Equal treatment for all lawful users of products and services

Periodical maintenance, operations in accordance with design

Provision of products and services in the quantity and quality as agreed in the Contract

12.4. Transfer of Facility

At expiry of the business period stated in the Contract

Transfer procedures

Transfer conditions: status of facility when transferred, list of transferred properties, inspection certificates of transferred facilities' quality.

12.5. Investment incentives and guarantees for project enterprises

Tax Incentives: corporate income tax, import-export tax, land tax

Guarantees for performance of contractual obligations:

The Government guarantees the performance of commitment of financial obligations by enterprises engaging in project implementation

Peoples Committee of Ho Chi Minh City Department of planning and investment

Mr. Luong Van Ly
Deputy Director.

1- What are the infrastructure projects in HCM-City?

2- How are they identified/How is the priority order set?

3- How are they financed?

4- Why PPP Projects from government perspective?

5- What are the incentives offered to the private sector?

6- What are the private partners's obligations?

What are the infrastructure projects in HCM-City?

- Transportation
- New Townships
- Healthcare
- Hi-tech park

How are they identified/How is the priority order set?

- Infrastructure First

(A Prerequisite to further development))

- Public Transportation

- Alleviating the population burden in inner-city districts

- Housing (especially for the low-income people)

- Healthcare

- Environment Protection

- Shifting to high-technology-based industries

How are they financed?

- ODA
- Budget
- BOT

(Private Investment)

Why PPP Projects from government perspective?

- Shortage of budget resources
- Transfer of Risk
- Government's control

What are the incentives offered to the private sector?

- CIT: 20% in 10 years, 4 years tax holiday and 50% tax reduction in following 9 years applicable for BOT, BT and BTO (Decree 164/2004/ND-CP dated 22/12/2003)
- Land rental exemption granted to: i/ education, healthcare, culture, sport, science – technology projects, ii/ technical and social infrastructure building projects to be handed over to the Government or of non – profitable character, iii/ housing projects for low-income people

What are the private partners' obligations?

- Public interest
- Observance of Government's specifications
- Completion on time

Public Private Partnerships (PPPs) Framework for Infrastructure Development in Vietnam

Dr. Anand Chiplunkar
ADB Staff Consultant on PPP in GMS
Senior Vice President

Coverage

- Vietnam – Required Infrastructure Investments
- Why Public Private Partnerships (PPPs)?
- Vietnam - Sectoral Review in Context of PPP
- Legal Framework on BOT
- Experience of PPPs in other Greater Mekong Sub-region (GMS) Countries
- Way Forward

Vietnam – Required Infrastructure Investments

Stable political regime, but

- Consensus in decision making – delays or absence of key decisions
- Transition to WTO*
- Legal, regulatory and institutional mechanisms under development
- Numerous (~ 4845) State Owned Enterprises (SOEs) that have preferential treatment
- Very limited local private sector capacity for infrastructure dev.
- Private sector required to undertake project feasibility studies at their own cost
- PSP selection process - Negotiated contracts
- Private sector operates informally
- Govt. loses out on transparent selection and competitive delivery of services

Recent Laws

- United Enterprise Law (Nov. 2005)
- Provisions on establishment, organizational management and operations of limited liability co., share-holding co., partnership and sole proprietorship
- Law on Investment (Dec. 2005)
- Regulates investment activities for business purposes
- Rights and obligations of investors
- Guarantee of lawful rights and interests of investors
- Encouragement of investment and investment incentives
- Licensing requirements and prohibited sectors
- State administration of investment activities

Constraints to PSP

- Limited Access to Credit
- Limited Access to suitable land/business premises

* World Economic Forum – Global Competitiveness Report 2004-05: Vietnam's ranks 79/103 in Quality of National Business Environment

- Limited access to information
- Lack of level playing field
- Excessive inspection regime
- Plethora of laws, decrees, ordinances and regulations
- Absence of reliable dispute resolution mechanisms

Source: ADB: Vietnam – Private Sector Assessment, November 2005

Investment requirements 2006-10

SOE Investment: VND 336.5-356.0 trillion

Private investment: VND 568.0-607.1 trillion

Foreign Direct Investment: VND 252.7-277.5 trillion

Source: Draft Five-Year Socio-Economic Development Plan 2006-10, Ministry of Planning and Investment

- Total Investment for country VND 2,200 trillion (2005 prices) i.e. US$ 139.4 billion
- 70% is for Economic Sector, of which

  44.5%: industry and construction

  13.5%: farming, forestry and fisheries

  11.9%: transport and post

  Balance for social activities

SOE Investment VND 336.5-356.0 trillion

Private investment: VND 568.0-607.1 trillion

Foreign Direct Investment: VND 252.7-277.5 trillion

Source: Draft Five-Year Socio-Economic Development Plan 2006-10, Ministry of Planning and Investment

Sector-wise Investment Requirements upto 2010

Power	~ US$ 2.5 bn/year
Water and Sanitation	~ US$ 2 bn in Hanoi & HCM City
Telecom	~ US$ 4-6 bn
Roads	~ US$ 15.5 bn
Railways	~ US$ 13.7 bn
Urban transport	~ US$ 12.3 bn Hanoi & HCM City
Sea transport infra	~ US$ 1.3 bn
Air	~ US$ 1.1 bn

Expected shortfall after govt. & ODA funding to be bridged through viable PPP is US$ 2.5 bn/year

Why Public Private Partnerships (PPPs)?

Five General Principles

1. Private Capital is neither necessary nor sufficient for success of PPP

2. Commercial viability is neither necessary nor sufficient for success of PPP

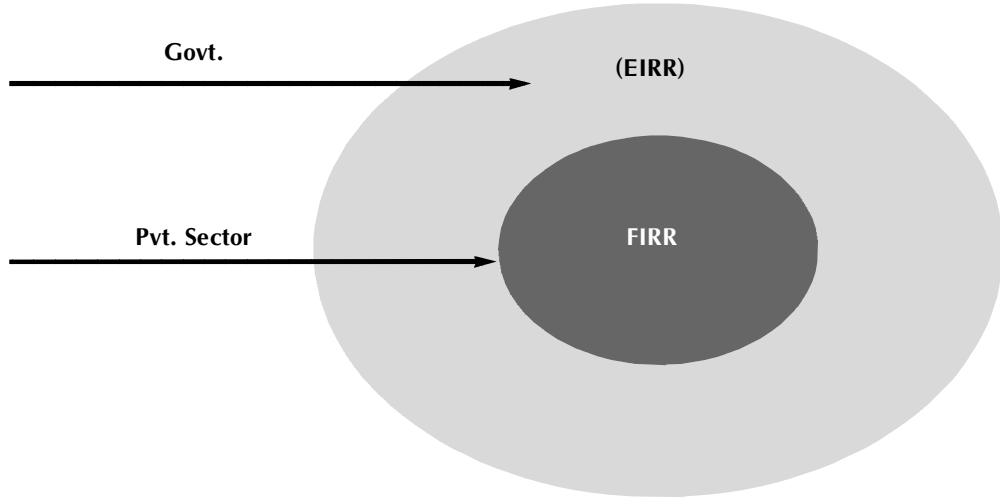
3. Project Development is the name of the game

4. Risk Transfer is the aim of the game

5. The Last "P" is the most important "P" – "Partnership": The need for Institutional, Policy and Legal Frameworks for cooperation

Return of Investment

Commercial Viability NOT a Necessary Condition



- Issue: Structure projects
- Supplement Private funds with public funds
- Private intervention makes 100% investment deliver efficiently
- Private funding thereby get viable returns
- PPP are more expensive on "Landed Cost Basis"
- Cost of sovereign borrowing is lower

Goal	• Attract private investments for infrastructure projects
Need	• Lack of Budgetary Resources • Need to improve efficiency in service delivery
PPP approach	• Private Sector contribution for: - Financial investments - Management practices - Efficiency in service delivery • Public Sector contribution limited to: - Financial gap funding - Providing institutional commitment to project
Advantages	• Attracts market investments • Reduces cost to public sector • Improves service delivery

The Challenge of PPP

The Missing Link – Project Development

Why Private Sector Involvement?

- Respond to sector requirements that are not being met through existing arrangements
- Seek PSP to

- Meet growing consumer expectations

- Improve quality of services

- Attract investments for funding gaps

- Improve efficiency of service provision

leakage reduction, energy savings, billing and collections, etc.

- Introduce technological innovations

- Enhance coverage over time

- Implement projects within time

- Enhance the image of the public authority and making country competitive for economic growth

Typical Risks

- Risk assessment and mitigation is the key in successful PPP projects to manage adverse impacts

- Delay/stoppage of project implementation

- Funding shortfall e.g. increase in the project cost

- Inadequate Recovery/Returns on investment

- Assess and mitigate risks

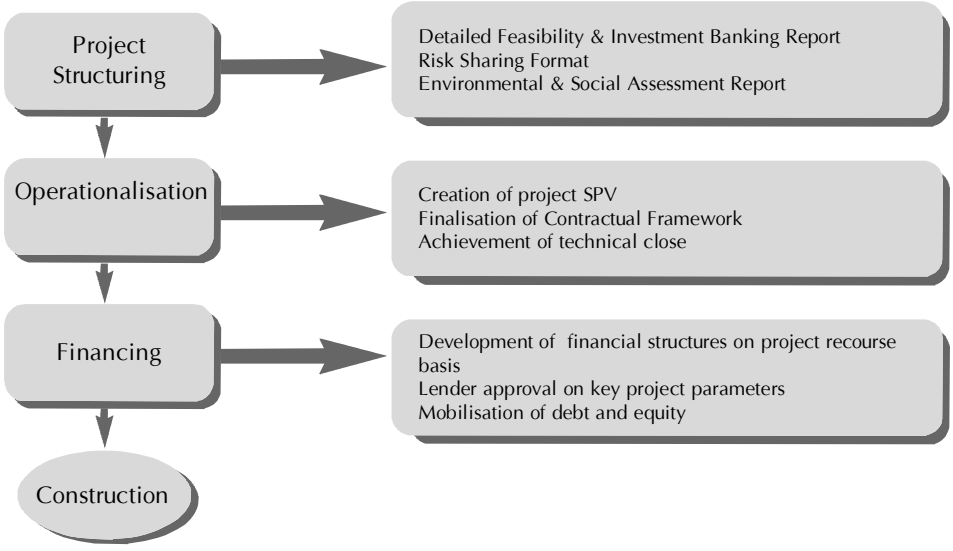
- Project Development e.g. Land Acquisition, Approvals & Clearances, Legal and Contractual Framework etc.

- Construction period e.g.Design and Technology risks, Construction Time and Cost Overruns

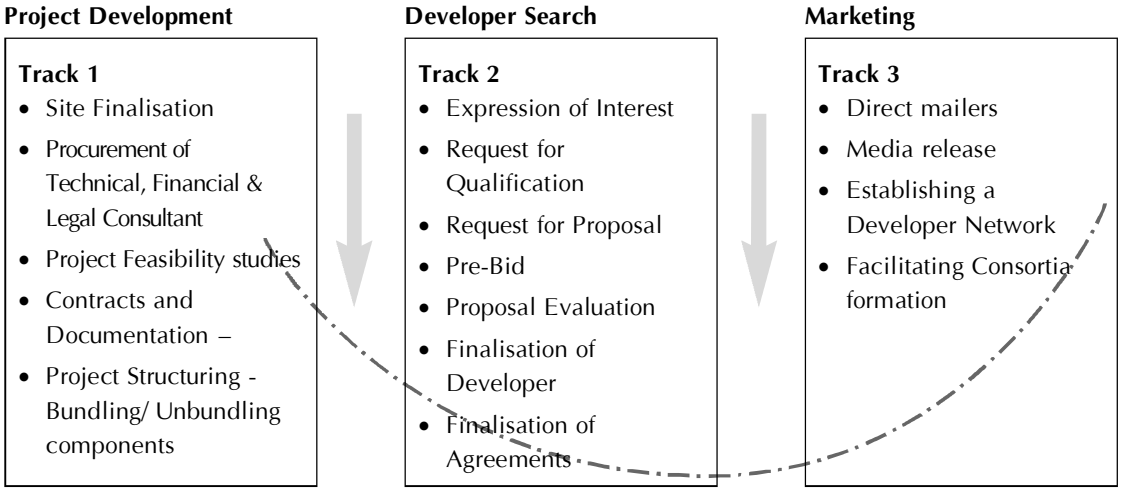
- Operations period e.g. Commercial, Performance, Design and Technology, Regulation, O&M, Financial

- Other risks – Force Majeure, Env. & Social, Change of Law, Termination

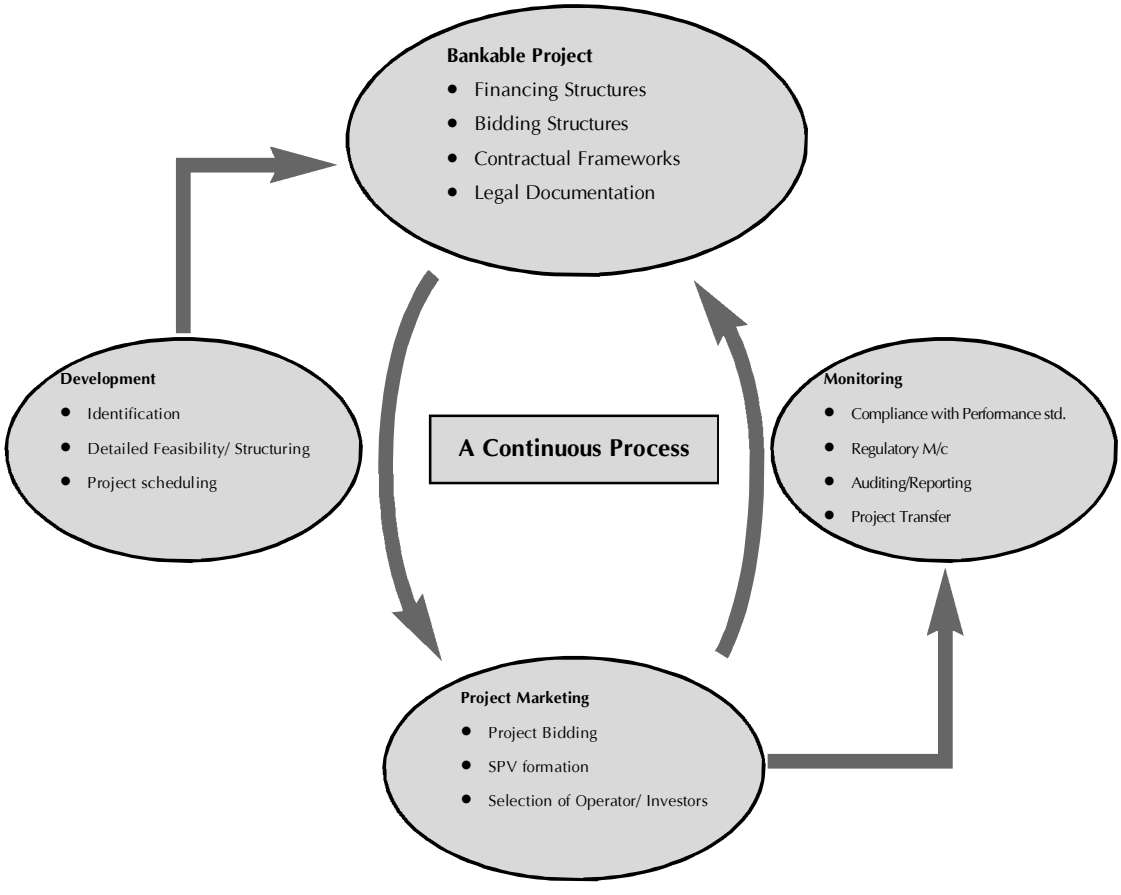
Risk Transfer is the Aim of the game



Project Development Process



Project Delivery Process



Forms of PPP

Types of Contracts	Asset Owner-ship	O&M	Capital Invest-ment	Commercial Risk	Dura-tion (Yrs)
Service Contract	Public	Private & Public	Public	Public	1-2
Management Contract	Public	Private	Public	Public	3-5
Lease	Public	Private	Public	Shared	8-15
Concession	Public	Private	Private	Private	25-30
BOT/BOOT	Private & Public	Private	Private	Private	25-30

Sectors Amenable to PPP Approach

- Urban Infrastructure
  - Water Supply and Sewerage
  - Waste Treatment and Recycling
  - Solid Waste Management
- Urban Transportation
  - Roads
  - Bus Terminals, Parking Areas
  - Commercial District Development
  - Financial Strengthening and
  - Municipal Bonds
- Tourism and Recreation
  - Convention Center
  - Hotel and Golf Course
  - Games Stadium and Village
  - Ropeway
- Industrial Parks & Area Development Projects
- Transportation
  - Airport
  - Port
- State Roads and Bridges
- Power
- e-Governance
- Health
- Capacity Building and Training
- Any other sector mutually decided

Vietnam - Sectoral Review in Context of PPP

Power Sector Overview...1

- Electricity of Vietnam (EVN) dominates
- Generates 90% or power, owns and operates all transmission and distribution infrastructure
- Electricity Law (Dec. 2004) envisages unbundling of sector and create competitive markets
- Equitise EVN units and privatise some
- Private sector participation:
- Hiep Phuoc (375 MW) captive Taiwanese plant for HCMC industrial zone
- Phu My 2.2 and 3 (gas based) first two major foreign funded IPPs under BOT Law
- O Mon 2 under development

Power Sector Overview…2

- Procurement of private sector by negotiations
- PPAs guaranteed by govt.
- ADB provided financing (direct loans and political risk guarantees) to both Phu My 2.2 and Phu My 3
- Phu My 2.2 has World bank Partial Risk Guarantee
- Ministry of Industry acts as Licensor and Regulator
- Domestic tariffs cover EVN operating costs, but
- EVN unable to invest from internal accruals

Power Sector Overview…3

- Sector specific issues
- Establishment of competitive power market
- Implementing regulations under Electricity Act to clarify mechanisms from single buyer to competitive power pool
- Reluctance of govt. to issue guarantee for PPA
- Scope for development through PPP
- Projects identified by EVN in hydropower, gas-fired and coal-fired power plants till 2015

Telecom Sector…1

- Ministry of Posts and Telematics
- Vietnam Posts and Telecommunications Corporation (VNPT) dominates with 90% market share
- Market completely controlled by SOEs
- No direct private sector provisioning of services
- Private participation only through
- JVs with SOEs: <50% foreign equity, or
- Business Cooperation Contracts (BCCs) with SOEs
- Players – Vietel, Saigon Postel, ETIC, Vinaphone, Mobiphone, S-Fone, VDC, FTC

Telecom Sector…2

- Telecom infrastructure investments through negotiation of terms
- MoPT acts as Regulator but significantly influenced by VNPT in licensing, tariff setting, interconnection charges
- Sector specific issues
- Setting up an independent regulator
- Bringing in competitiveness through market
- Scope for development through PPP
- Opening of sector due to accession to WTO and Bilateral Trade Agreement with the USA
- Management control to PSP by privatization of SOEs - exit through valuation of their stock in JVs

Water and Sanitation Sector…1

- Ministry of Agriculture and Rural Development sets policy and approves major projects
- Decentralised water supply
- Urban areas: SOEs provide piped supply
- SOEs controlled by provincial people's committees
- Rural areas - People's Committees (Water Resource companies) also SOEs
- No specific governing law and
- In year 2000, govt. issued decision prohibiting BOT water projects involving foreign investors but doemstic water companies allowed
- PM Decision (155 of 2004) – restricts private participation
- management and maintenance of sewage treatment works in large cities to be with the State
- 50% State capital in large urban water cos.

Water and Sanitation Sector…2

- Private Sector Participation
- Two unsuccessful bulk water supply BOTs to HCMC

- Lyonnaise des Eaux (French) and Binh An Water Corporation (Malaysian)
- Disagreement on take or pay terms
- Success limited to small scale water retailers
- State Price Committee (SPC) acts as Regulator
- Maximum tariff set by SPC
- Covers operating costs but not maintenance costs or investment requirements

Water and Sanitation Sector…3

- Sector specific issues
- Absence of clear policy on target investments
- Legality of PSP
- Tariff setting in BOT projects
- Take or Pay agreements
- Scope for development through PPP
- Efficiency and Cost Reduction interventions in existing systems
- Bulk Water Supply projects
- Possible PPP options
- Management Contracts with existing SOEs
- BOTs for augmentation of Bulk Water supply

Roads Sector…1

- Ministry of Transport (MoT)
- Vietnam Road Administration (VRA) – Dept. with MoT – responsible for all national roads, highways and bridges
- Provincial and District Transport Dept. manage other roads
- Governing Laws
- Very limited Private Sector Participation
- Tan Thuan EPZ – Highway no. 1 toll road by Central Trading and Development Group of Taiwan (70%) with HCMC (30%)
- Other two toll roads operated by SOEs
- Phu My bridge also by SOEs

Road Sector…2

- Sector specific issues
- Difficulty in land acquisition
- Viable roads having traffic with SOEs
- Non-viable toll rates
- Access to information for bids
- Absence of qualifying experience with private sector shuts them out of competitive bidding where SOEs qualify
- Scope for development through PPP
- BOTs in 4 highway projects:
- 176 kms HCMC - My Thuan - Can Tho highway
- 160 kms Da Nang – Quang Ngai highway
- 48 kms Noi Bai – Ha Long highway
- 106 kms Hanoi – Hai Phong highway
- Scope for rehabilitation and maintenance contracts with private sector investments

Port Sector…1

- Ministry of Transportation
- Vietnam National Maritime Group (Vinamarine) – SOE
- Controls planning, construction and management
- Operates Haiphong, Danang and HCMC ports
- Vinaline operates other 7 major ports
- Issues: Decision 155 of 2004 restriction
- Management and maintenance of national rail network, large airports and seaports with the State
- Large companies [State capital>VND 30 bn and annual contribution to State budget > VND 3 bn] to remain 100% State owned
- Restricts private participation in a meaningful way

Port Sector…2

- Greenfield BOT port projects
- Beria Serece – bulk cargo port with 60% foreign investment and 40% by SOEs
- VICT – container handling terminal in HCMC with 65% foreign equity
- Dinh Vu – small private terminal to serve industrial zone
- Private ports at Cai Map and Cailan
- Govt. seeking investments in two large transshipment ports – Ben Dinh – Sao Mai and Van Phong
- Tariff same for all ports and regulated by MoT but
- Container charges set by individual ports
- Scope for development through PPP
- Management contracts with PSP for ports
- Lease contracts
- Expansion - creation of berths, container terminals

Railway and Airport Sectors

- Decision 155 of 2004 restrictions
- Railway
- National rail network with Vietnam Railway
- No significant PSP to date, but scope for
- BOT invited in 4 corridors
- HCMC underground metro - unsolicited bid
- Scope for PSP in Management and Lease Contracts to improve efficiency
- Airports
- No PSP
- Phu Quoc and Thang Long potential candidates for BOT

Legal Framework on BOT

BOT Decrees

- Decrees issued 77/1997 (domestic investments), 62/1998 (foreign investments), 02/1999 (amendments to 62/1998)
- Areas of concerns that remained were:
- Foreign exchange risk
- State guarantees
- Loan security
- Lender's step-in rights
- Dispute resolution mechanism
- Preference for negotiated and not competitively bid contracts
- Prolonged negotiations
- Absence of regulatory regime
- Draft Decree (2005) on BOT under consideration

Comments on draft BOT Decree 2005…1

- Need to review basic philosophy in BOT
- Approval mechanism by govt. for design and construction inputs, supervision during construction etc. must be appropriate to risk transferred
- e.g if design risk is with private sector, monitor the performance not approve the design
- Exercises significant control and monitoring of inputs rather than specifying output performances
- Risk transfer to private sector not efficient due to above
- Project development including funding requirement kept with private sector
- Prevents govt. from inviting competitive bids and weakens negotiating strength in absence of own feasibility assessments

Comments on draft BOT Decree 2005…2

- Critical to recognize that in PPP projects

"Project Cost" must include all expenses till project is ready for commissioning

- Includes capital cost, project development expenses (including land cost), financing fees, taxes and duties, construction management fees, interest during construction, insurance etc.
- Private sector needs to achieve financial close based on this
- Sectors for investment vis provision of Decree 155/2004 need to be streamlined
- Options for PSP to be made flexible to include variations of BOT

Comments on draft BOT Decree 2005…3

- Need to bring in level playing field and transparency by defining selection process options
- Treatment of unsolicited bids to ensure competitiveness to be included e.g. Swiss Challenge route
- Provision for supporting project development and viability gap to be included
- Creation of Project Development Fund and Viability Gap fund to be included
- Policy on off-site infrastructure/ connectivity to be provided
- cost of off-site infrastructure usually not a part of project cost
- provided by the government at its cost
- absence can be affect project operations and viability

Comments on draft BOT Decree 2005…4

- Concept of performance bonds to be reviewed considering that private sector already takes investment risk
- Appropriate to include covenants in concession contract for non-performance leading to penalties and event of default leading to step-in rights
- Basis for setting tariff must be specified upfront before bidding or same be competitively bid and than left to contract negotiations stage
- Need to be consistent with Article 9 of the Investment Law - repatriation of capital, investment or sale of assets and profits

Comments on draft BOT Decree 2005…5

- Securitisation of rights of Lenders is essential
- Commitment needed to enter into State Support Agreement as may be required by the financial institutions providing debt to the foreign private investor
- Conditions for lender/govt. Step-in rights need to be better defined and linked with events of default
- Regulatory mechanisms need to be specified

Experience of PPP in Other GMS Countries

Thailand, Laos and Cambodia

Thailand – PPP Status…1

- Act on Private Participation in State Undertaking (1992)
- Procedurally found to very prescriptive on inter-department /ministerial reviews and time consuming
- Uncertainty regarding applicability of the Act due to absence of definition of the project scope e.g. land cost
- Subjectivity in decision-making due to absence of definition of thrust areas
- Undefined Procurement Process
- Undefined provisions for government support or obligations
- Regulation of the Office of the Prime Minister on the Undertaking of the Public Mega-Project (2005)
- Formulated to speed up investments outside ambit of BOT Law
- Excludes proposals involving joint ventures, participation or concessions under the Law on Private Participation

- results in excluding cost efficient and competitive procurement/ contracting options that can provide cheapest cost of services
- Allows Bidders to offer completely different proposals after initiating formal bidding proposals

Thailand – PPP Status…2

- Current PPP projects are in Toll Roads, Water Supply and Distribution, Power IPPs, Telecom
- Mega projects identified for investments worth Thai 1.5 tn baht in 2005-08
- Transportation mainly MRTS (PPP)
- Energy (own revenue)
- Agriculture and Irrigation
- Real estate (domestic loans)
- Telecom
- Water for consumption
- Issues: project structuring for Value for Money (VFM) approach with life cycle costs, funding project development across sectors, raising project finance from private sector

Lao – PPP Status

- Law on Promotion and Management of Foreign Investment 2004
- Focuses on inviting foreign investments in promotion of export (hydropower and mineral resources), construction of infrastructure, agro-business, industrial processing, tourism services
- No project development done by govt.
- Negotiated contracts
- Major sectors having PPP are:
- Hydropower – Nam Theun II, Theun Hinboun. Houay Ho, Nam Ngun II
- Mining – Lang Xang Minerals (Gold and Copper)
- Rural electrification – Sunlabob NGO – very good
- Rural Water Supply – GRET NGO – very good
- Issues: absence of legal framework for PPP, project development and project finance

Cambodia – PPP Status

- Anukret on BOT Contract 1998
- Draft Law on Concessions under discussion and finalization by Dec. 2006
- Focuses on inviting private investments in power, transportation, water supply and sewerage, telecom and IT, tourism, oil and gas
- No project development done by govt.
- Negotiated contracts
- Major sectors having PPP are:

Airport – Phnom Penh, Siem Reap

- Toll Road - Phnom Penh to Sihanoukville, small BOTs
- Power – Fuel Oil based IPPs, Hydropower (Kamchay)
- Rural Water Supply – GRET NGO – very good
- Phnom Penh Municipality Garbage collection
- Issues: Absence of legal framework for PPP, project development and project finance

Way Forward

Way Forward…1

- Create a Project Development Fund
- Prepare policy and guidelines for PPP covering
- Broad sector-specific technical, environmental, social and legal requirements
- Financial and economic analysis
- Risk identification and mitigation
- Options for structuring PPP projects
- Procurement
- Model Contract frameworks for different PPP models

- Create Viability Gap Fund
- Establish nodal agency such as an Infrastructure Authority for development of cross-sectoral projects through a PPP approach
- Specialized PPP project development dept.
- Contracting and monitoring agency – Line Depts.

Way Forward…2

- Establish Regulatory mechanisms
- Establish a PPP Center
- Prepare an appropriate policy
- Provide institutional support during project development and implementation
- Undertake capacity building of senior and mid-level local staff
- Provide Technical Support to the govt. to:
- Prioritize multi-sectoral infrastructure projects
- Quick pre-feasibility studies necessary
- Develop initial projects through PPP to demonstrate the process

InfraCo – Innovative Developer of Infrastructure Projects: Managing upfront costs and mitigating risks To realize sustainable growth

Jonathan Hoffman
Director, InfraCo

Innovative: Developing Projects with a greater risk profile

- How is InfraCo innovative?
- Managing and funding upfront costs
- Mitigating risks
- Sustainable Growth

Breaking Barriers

InfraCo's platform – Finding Solutions:

- Lack of creditworthiness of offtakers
- Ability of consumers to pay full tariff
- Legal system's lack of clarity
- Land rights
- Changing regulatory system
- Stability of political leadership
- Corruption
- Currency: Depreciation, Convert & Repat

InfraCo as a Barrier Breaker

- Funds high risk development capital from project origination
- Brings experience from numerous projects, markets and economic cycles
- Gets local
- Accesses ministries, SOEs and market drivers

InfraCo

- Privately managed infrastructure project development company funded through the Private Infrastructure Development Group (PIDG) comprising:
  - DGIS (Netherlands)
  - SIDA (Sweden)
  - SDC (Switzerland)
  - DFID (United Kingdom)
  - World Bank
- Cooperation Agreement with IFC International Finance Corporation
- Operates in South Asia, South East Asia and Sub-Sahara Africa
- Develops Infrastructure Projects in the Power, Transportation and Water sectors
- Creates privately financed infrastructure projects balancing the interests of host governments, private sector investors and financiers

Scope of Activities

- Development and Structuring of Bankable Infrastructure Projects as a "Principal" not an "Advisor"
- InfraCo shoulders the upfront costs of early stage project development and deploys its development resources to each Project
- Secure in-principle commitments from providers of finance to support investments subject to entry by a competent private sector sponsor

- Prior to Financial Close, offer structured investment opportunities to private partners
- Exits at Financial Close but Retains a Carried Interest

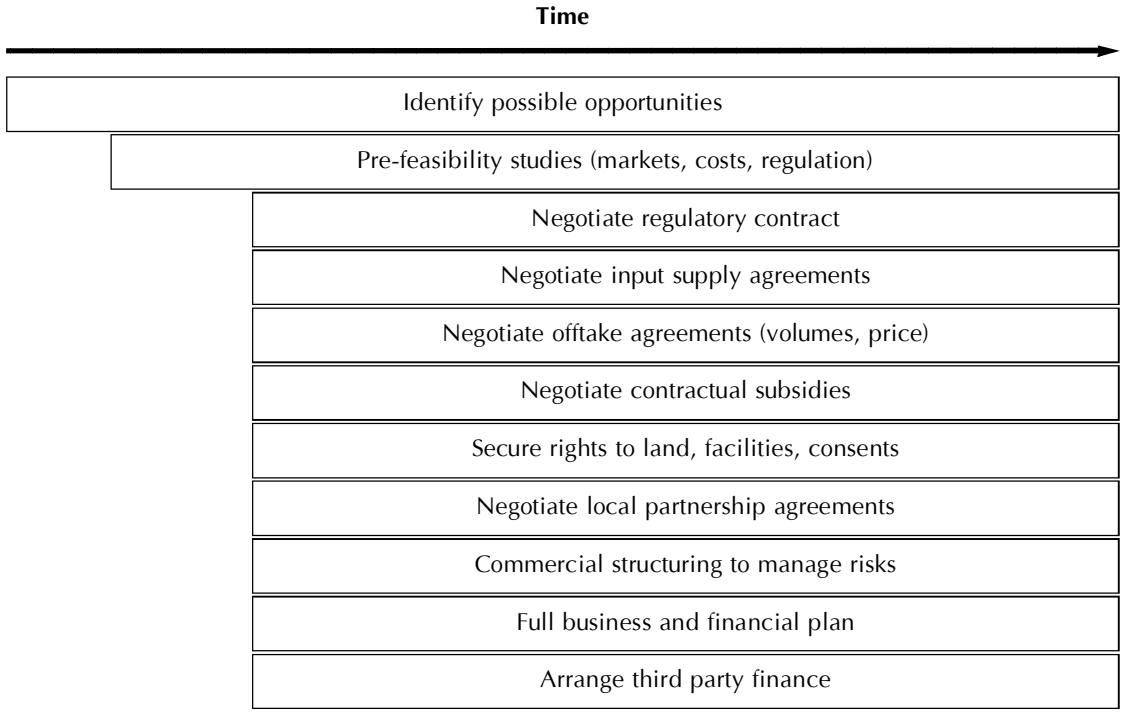
Infrastructure Development and Poverty Alleviation

- Measurably Pro Poor
- InfraCo's portfolio of projects will have significant direct and indirect impacts on poverty alleviation
- Enthusiastic Response
- The response to the launch of InfraCo has been strong from regional and national stakeholders and its potential to deliver results is increasingly appreciated

Project Development Process

Early stage infrastructure development

- Is a complex, protracted and risky process



Projects Under Development

- Kalangala – InfraCo is developing the infrastructure required for this integrated agribusiness project in Uganda
- Cenpower – InfraCo is developing a greenfield 300 MW IPP in Tema that will use gas from the West Africa Pipeline
- Sunyani Housing – InfraCo has agreed to develop housing in an area of Ghana that is short of adequate and affordable housing
- Aba Power – InfraCo has agreed to develop this 120 MW IPP in SE Nigeria

Vietnam Status

Current Focus:

- Identify priority infrastructure projects;
- Partner with local companies who have project rights and recognize the benefits of working with InfraCo; and,
- Continue to develop relationships with ministries, SOEs, capital providers and business leaders.

Breaking the Barriers: Vietnam

- Power demand

- Growth of approx 15% pa

- Electric consumption 2002: 392 kwh/person

- CROSSROADS!

- Support private sector investment Vs. Stifle growth

Barriers

- Overly complex

- Inadequate local law

- Local partners reluctant to cede control

- Sector reform – potentially premature

Efforts to break barriers

- Know the people
- MOJ support int'l law & arb
- Transfer knowledge
- Consistent/clear message
- Minister/SOE roundtable

Conclusion

- Leaders recognize – Embrace private investors
- Patience, Patience, Patience

Innovative Measures

- Get local – be an insider
- Establish realistic, shared goals
- Consider pilot projects
- Have a flexible game plan
- Share knowledge and experience
- Learn and enjoy the ride
- Realize the uniqueness of your project

Capital Requirements

Break the barriers before you go broke!

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Overview Asian Private Infrastructure Financing Facility (AsPIFF)

Introduction

Introduction to AsPIFF

- The Asian Private Infrastructure Financing Facility (AsPIFF) is a new investment facility being considered with a focus on smaller-scale, greenfield, infrastructure projects in the emerging Asian markets.
- The initial facility size is in the region of US$90-95m, and the major investor is the Private Infrastructure Development Group (PIDG) who have committed US$50m
- PIDG is a multi-donor organisation whose core objective is to provide financial, practical, strategic support to encourage private participation in infrastructure in developing countries.
- Current PIDG members: the UK Department for International Development (DFID), the Swiss State Secretariat for Economic Affairs (SECO), the Netherlands Ministry of Foreign Affairs (DGIS), the Swedish International Development Cooperation Agency (Sida) and the World Bank.

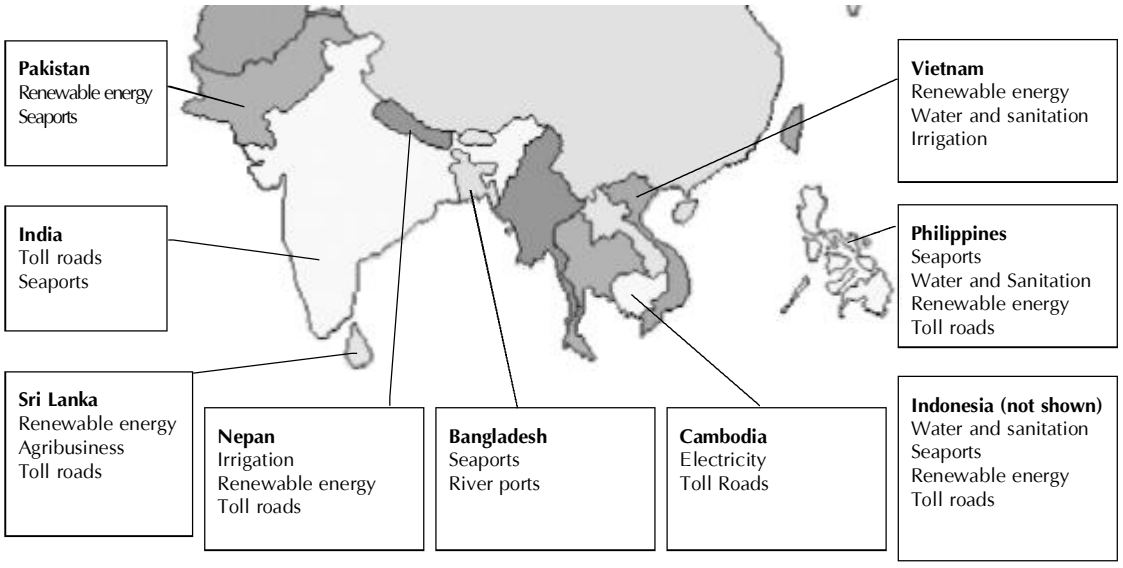
PIDG has committed US$50m to AsPIFF, and seeks a further US$15m from governments and US$25-30m of preferred equity from commercial investors

The AsPIFF concept is the result of prior PIDG success

- January 2002: PIDG established the US$305m Emerging Africa Infrastructure Fund (EAIF). Standard Bank Group, Barclays Bank plc, FMO NV (together the SBL group), DBSA and DEG provided senior and subordinated loans to EAIF.
- Spring 2005: Based on the positive commercial success of the EAIF fund, PIDG commissions a feasibility study into an investment facility for Asia. Study suggests market gap for an equity facility in South and South East Asia and recommends establishment of AsPIFF.
- February 2006: In principle decision by PIDG to invest US$50m in AsPIFF and seek co-investors for the balance of funds.

PIDG's commercial success with EAIF led to interest in establishing an infrastructure facility focused on Asia

AsPIFF will consider investments in target countries that show significant project pipeline potential



Existing trends in smaller scale infrastructure provide opportunities for AsPIFF

Trends in Smaller Scale Infrastructure

- Growing interest from local infrastructure companies
- Municipal government seeking private participation
- Industrial companies seeking their own non-utility solution to energy, water, waste, etc.
- Renewable power is a primary growth sector

Opportunities

- Local companies aware of opportunities but do not have balance sheet capacity/development expertise to progress small projects
- AsPIFF target of US$5-75m is in the range of municipal water, waste biomass projects, renewable energy
- Potential projects where off-take is supported by private entity

Initial AsPIFF facility size set as US$90-95 million approximately

Estimated initial funding sources of AsPIFF	**US$m**
Private investor	10-15
Int'l Institution (eg ADB)	10-15
Total Preferred equity	25-30
Donors-Common Equity	50
PIDG-Grants	15
Total PIDG funding	65
Total	90-95

- Market research indicated US$90-95m should be sufficient to fund development and investment pipeline over 5-6 years
- Of the above, PIDG would provide funding, say $15m, to cover overhead / development expense as a grant

- Donors would provide further $50m as common equity to fund project investment
- Other investors provide balance of funds ($25-30m) in the form of preferred equity investment
- Option to convert preferred to common equity

Market yield proposed for preferred equity and potential conversion to equity at par

Market for AsPIFF

An outline concept for AsPIFF was tested during a series of consultations

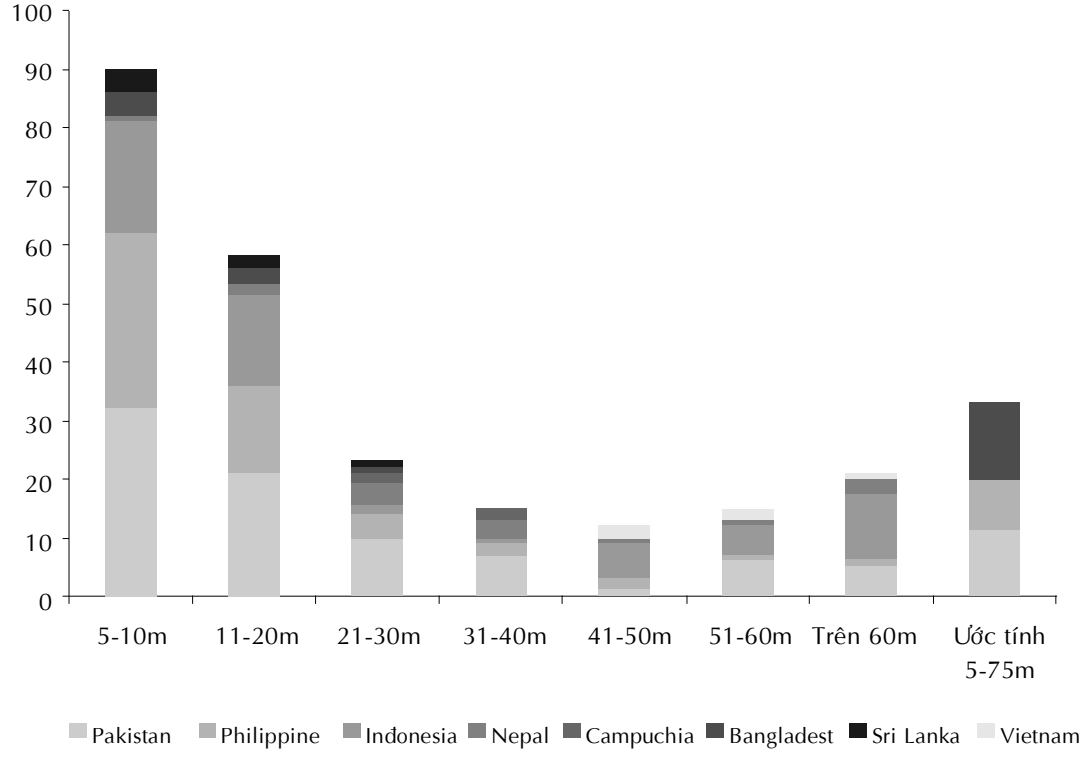
Outline concept

- Developer/Investor with Operations outsourced to co-investor
- Investments in emerging South/SE Asian countries
- Equity/quasi-equity investments
- Focus on projects in range US$5m to US$75m
- Parallel dedicated local currency guarantee facility from the Asian Development Bank

Initial research identified more than 250 potential PPI projects requiring finance between US$5m and US$75m

- Projects can be found across a wide range of sectors, with a large number of renewable energy projects in Pakistan and the Philippines
- There are opportunities for water & sanitation projects, particularly in Indonesia
- Many projects require financing of less than US$20m

This large untapped market requires development/finance skills for mobilisation



There is a market gap for private finance

Private Finance	Particularities behind market gap
International sponsors	• Large withdrawal following Asian crisis and recession in USA and Europe
Regional and local investors	• Filling the gap left by international sponsors and less risk averse - but less experienced in project structuring and financing
International lenders	• Large-scale projects (typically minimum US$100m), with off-shore structures • Prefer low credit risk countries (Korea, Taiwan, Malaysia)
Local and regional lenders	• Consider smaller projects, but prefer 'named', well-known borrowers • Capacity for due diligence limited, particularly for infrastructure and green-field investments • Tenor and currency constrained for large projects, with high interest rates
Private equity funds	• High expected rates of return • Very limited interest in green-field projects, particularly small scale projects

Public providers of finance, despite apparent objectives, are often not in this market

Public Finance	Particularities
Bi-lateral and multilateral DFIs	• Often as commercial as the private sector • Typically conservative • Can be seen as too bureaucratic for private sector projects • Often not willing to take majority stake • Can still be restricted to certain project size (i.e. IFC always >US$10m)
'Public' Private Equity Funds	• Prefer well-proven concepts, foreign currency provision, close-to commercial rates of return, and less risky countries and sectors. • Limited interest in green-field opportunities

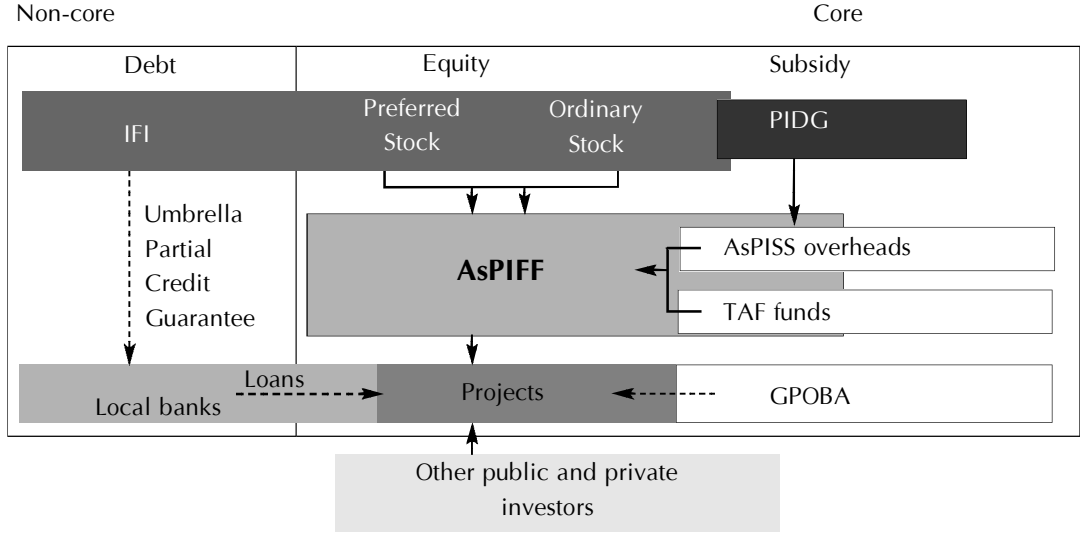
Conclusion: there is a significant gap in the market for a new entity

Design and operations

AsPIFF should be a 'strategic' rather than financial investor:

- AsPIFF will have a corporate structure, rather than private equity fund structure
- Mandated for exposure to projects with development and green-field risk
- Greenfield project developer role with dedicated development resources
- Ability to act as a 'patient investor'
- Ability to raise local currency debt at project level
- Project operations to be outsourced to joint venture partners
- Access to subsidies for specific purposes

The AsPIFF structure has a number of elements



AsPIFF team

- Permanent CEO: to be hired in agreement with all groups of investors
- Development team: initially outsourced to InfraCo with option to recruit other developers on a case-by-case basis
- InfraCo are a professional, incentivised team with extensive private sector experience
- Start in one location initially, such as Singapore or Kuala Lumpur, before spreading to satellite offices
- Natural division may be two offices: South Asia and South East Asia

Investment policy

AsPIFF investment objectives

- Ensure focus is on projects that have fundamental economic viability – where subsidy is required it should be explicit and will not be sourced from AsPIFF equity funds
- Ensure AsPIFF has a manageable geographic focus
- Ensure projects have independent management/operating team
- Ensure viable exit or sell-down strategy for certain projects

Proposed target countries

Category within DAC list of ODA recipient countries

Region	Emerging	Low Income	Lower-Middle Income
East Asia	Cambodia Laos	Vietnam	Indonesia Philippines
South Asia	Bangladesh Bhutan Maldives Nepal	India Pakistan	Sri Lanka

- Maximise use of non-recourse leverage, leveraging credit enhancement facilities
- Balance the risk-return profile and diversify over countries and sectors

Development returns are enhanced by relatively long time horizons of facility

Option to extend to poorer Pacific Islands

Sectors targeted

Included:

- Civil & municipal infrastructure
- Electricity generation
- Electricity distribution
- Health and education infrastructure
- Information and Communication Technology
- Ports
- Toll Roads
- Mining
- Gas transportation, storage and distribution
- Transport logistics
- Water distribution and/or treatment

Excluded:

- Oil and gas exploration and production
- Oil transportation
- Nuclear power generation or nuclear waste treatment
- Military infrastructure

Portfolio limits

- The AsPIFF portfolio will be subject to the following limits:
- Invest no more than 15% in any one project
- Invest no more than 25% in any one country
- Invest no more than 40% in any one sector
- Initial phase financing of $90-95m – possible second phase financing within 3-5 years
- Commercial emerging market hurdle-rates (approximately 12-20% return on equity) required on projects

Investment objectives

- 'Material' co-investor required with exposure equivalent, pari-passu, to AsPIFF
- AsPIFF can take primary development role where appropriate
- Non-traditional partners – small, unlisted local companies, cooperatives, etc.
- Preference for less than 49% shareholding in projects
- Avoid consolidation of investment
- Obtain "JV" level of governance:

- AsPIFF director on the board of the investee company
- Veto power on major decision:
- Approval of major partners
- Approval of contractual agreements
- Capital expenditure and operating plan
- Annual budget

Environmental, social and health and safety policies

- The Company support should be to the development of commercially sound infrastructure projects which contribute to the elimination of poverty
- The Company shall seek to ensure that its activities are only in support of projects which comply with local laws and regulations or the appropriate World Bank guideline, whichever is more stringent, on the environment, social issues and occupational health and safety matters.
- Where prudent or necessary, a satisfactory Environmental Impact Assessment, undertaken in accordance with World Bank guidelines and, where applicable, the requirements of the local environmental agency of the host country, will be required.
- In the event that certain areas of the project fall short of the relevant World Bank guidelines on the environment, social issues and occupational health and safety matters, these areas should be clearly identified in the relevant Company board approval paper together with the proposed mitigating measures. Should the analysis show that the project is unlikely to meet the required standards in a reasonable timeframe, then the project may be deemed inappropriate for support by the Company.

Summary – why AsPIFF

- Infrastructure provision key to achievement of MDGs
- AsPIFF addresses areas typically neglected by international investors
- Project scale and poorer, higher risk countries
- New infrastructure not trade in infrastructure assets
- Commercially orientated management to ensure viability / bankability… But access to targeted subsidies to improve pro-poor reach
- Potential mobilise considerable private capital flows at facility and project levels
- Especially local and south-south investment

Financial aim of ordinary stock to maintain its value, not to make return…

Guarantco Limited Description of purpose & Operational structure

Rationale for GuarantCo

1. GuarantCo has been conceived to address failures in the market supply of domestic capital to private infrastructure and municipal/urban regeneration projects in low and lower middle income countries in Africa, Asia and Latin and Central America.

2. The role of GuarantCo is risk mitigation to help match the demand of local long-term funding from infrastructure companies and municipalities with the supply of funding from commercial banks, institutional investors, such as insurance companies and pension funds, as well as individual bondholders. This is captured in Figure 1.

3. The decision to create GuarantCo followed extensive consultations with the private sector, government institutions and development finance institutions ("DFIs"). The strong view of the great majority of those consulted was that GuarantCo could play an important role in overcoming existing constraints to local currency debt financing of infrastructure in low income developing countries.

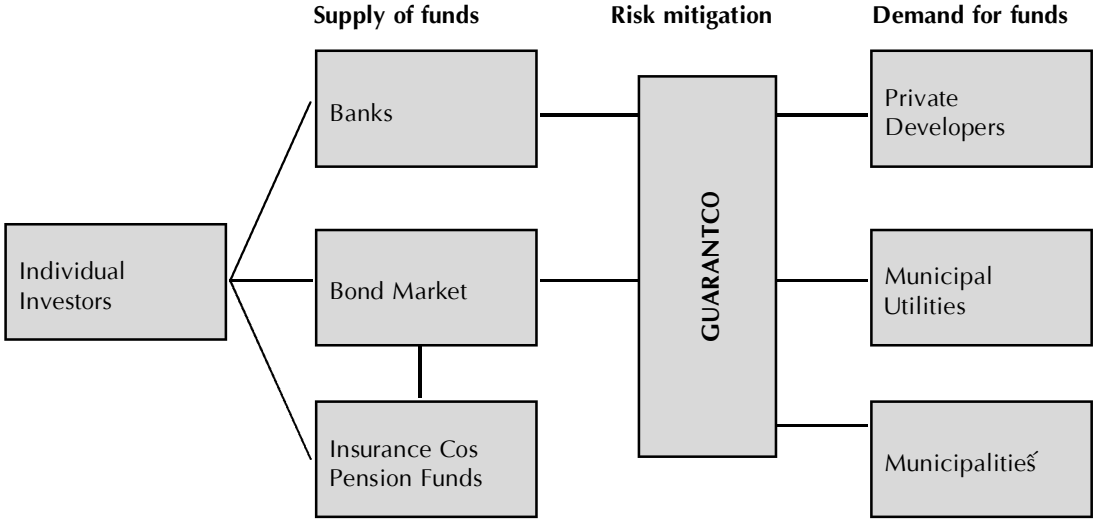
4. The usefulness of the GuarantCo concept and the nature of demand for its guarantees were tested by way of a multi-country market assessment (Senegal, Tanzania, Sri Lanka, Vietnam and Bolivia). These are not so much 'target' countries, but rather indicative of the type of countries that GuarantCo is intended to operate within.

What is GuarantCo?

5. GuarantCo's role is to contribute and leverage risk capacity to facilitate local currency debt financing. GuarantCo will work in partnership with bilateral and multilateral development finance institutions as well as commercial banks. GuarantCo will not seek nor accept sovereign counter-guarantees. GuarantCo will also constitute a centre of excellence focused on local currency financing solutions that partner institutions can draw on.

6. GuarantCo and its partners will provide partial credit guarantees for the benefit of local investors to enable them to invest in debt (bonds, notes) issued by infrastructure

Figure 1: Conceptual framework



companies. The latter (issuers/borrowers) may be private firms, municipal utilities or municipalities engaged in infrastructure projects in lower income countries. The lenders may be institutional investors in bond issues or local banks, and will be the beneficiaries of the guarantees.

7. The World Bank is funding a Technical Assistance Facility that can be drawn on by GuarantCo and its partners. GuarantCo can therefore act as a facilitator and, in addition to risk capacity, also provide technical assistance to help prepare and structure local currency transactions.

8. GuarantCo will be able to provide support to projects in all low income and lower middle income countries in Africa, Asia, Latin and Central America and the Caribbean, as listed in columns I, II and III of Part I of OECD's current "DAC List of Aid Recipients" (see Annex I). No particular country in this list is excluded, but GuarantCo will make extra efforts to source projects in the least developed countries ("LDCs").

9. GuarantCo is an initiative of the Private Infrastructure Development Group (PIDG). PIDG is a group of bilateral donors (at present being The Netherlands, Sweden, Switzerland and the UK) and the World Bank, constituted to stimulate private infrastructure investment in lower income developing countries. It has created the PIDG Trust, which invests directly in the PIDG corporate vehicles described below.

10. GuarantCo is currently wholly owned by the PIDG Trust; the PIDG donors subscribe via the Trust in the ordinary share capital of GuarantCo. GuarantCo will operate as a private sector limited liability company with a Board of Directors made up of individuals with senior private sector development credentials. It will operate at arm's length from the PIDG, subject to agreed policies and procedures to achieve clearly prescribed objectives.

11. GuarantCo is one of a number of related PIDG initiatives. Others include:

- Emerging Africa Infrastructure Fund - a US$305m long term debt finance facility for sub-Saharan Africa.
- DevCo Advisory - a project development and advisory facility linked to the Private Sector Advisory Services Department (PSAS) with in IFC, which advises on the preparation of infrastructure projects in reforming developing countries.
- InfraCo, a project development facility that will identify and conduct the early stage development of infrastructure projects.
- PIDG Technical Assistance Fund ("TAF") - set up to provide World Bank-funded TA support for PIDG infrastructure investment vehicles.

Further details about the PIDG, its activities and related donor activities can be found at the PIDG web page - www.pidg.org.

Implementation approach

12. The Board's intention is that GuarantCo will start operating for an initial pilot phase of up to 3 years, during which GuarantCo will:

- Participate in credit guarantees issued by DFIs/third parties ("fronting partners") through counter guarantees to and cash collateral arrangements with the fronting partners but typically not issue primary guarantees directly to project financiers in its own name[1];

- Outsource management advisory and administration support services.

The issue of whether GuarantCo should issue primary guarantees directly to local financiers in its own name will be revisited towards the end of the pilot period.

13. GuarantCo will act as a channel for local currency financing through fronting partners, who will have the contractual relationship with the beneficiaries. GuarantCo will enter into financial agreements with the fronting partners, specifying how the risk will be shared between GuarantCo and the fronting

[1] In some cases, GuarantCo may provide a guarantee/indemnity directly to a project lender, secured against cash collateral.

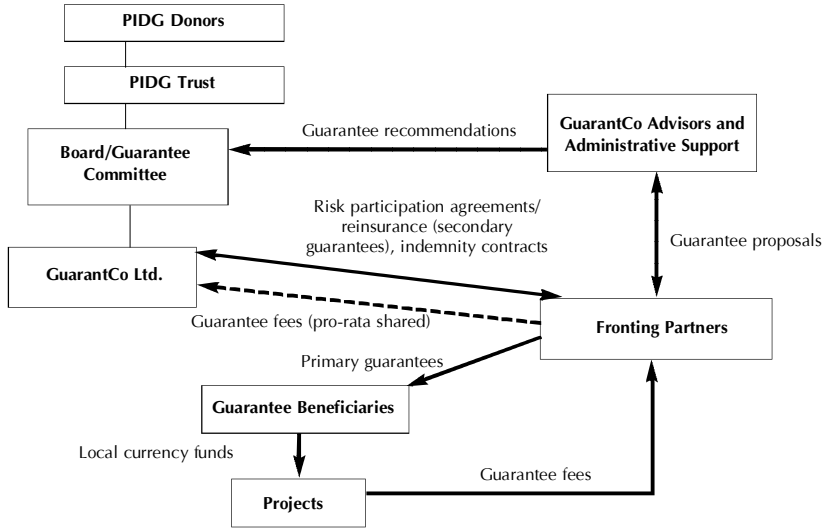
partner. GuarantCo will offer counter guarantees or cash collateral to back up its share of the risk. The fronting partners will typically retain a portion of the risk for their own account and have the responsibility for structuring and pricing the guarantees, credit assessment and due diligence as well as for claims processing and recoveries. The responsibility for sourcing of transactions would be shared between the Fronting Partners and GuarantCo's contracted advisors. The latter would be indirectly involved in negotiating the terms of the primary guarantees, since these will be back-to-back with the terms of the secondary guarantees to be issued by GuarantCo Ltd (Mauritius). The contracted advisors will also carry out complementary credit assessment and due diligence, and look into capital/credit market issues as related to specific transactions. In this respect, GuarantCo's advisors will be able to obtain financial support from the PIDG Technical Assistance Facility ("TAF").

14. The PIDG has initially incorporated a limited company in the UK, for the purpose of carrying out start-up activities. GuarantCo Limited (UK)[2] is being used to prepare the ground for a licensed finance company - "GuarantCo Ltd (Mauritius)" - to be incorporated and licensed in Mauritius[3]. GuarantCo Ltd (Mauritius) will have a Board that will outsource management advisory and administration support activities to an experienced entity/team[4].

15. The following diagram provides an overview of the proposed governance and operation structure of GuarantCo.

16. A project pipeline already exists as a result of identification of opportunities by GuarantCo Limited's interim management. The interim management has also worked over the past year at establishing a business framework - incl. A Guarantee Policy & Operating Guidelines as well as an initial Business Plan and a standard form of Guarantee Agreement - and on establishing a network of potential fronting and operating partners (see par. 22).

Proposed Governance and operational structure



2 GuarantCo Limited (UK) is to be wound up in the second half of 2005.

3 GuarantCo was set up as a Mauritius based company on August 9, 2005 and was registered under The Companies Act 2001 as a private company limited by shares on August 25, 2005. The company has a global business license category 1 issued by the Financial Services Commission in Mauritius with a stated mission to provide financial guarantees.

3 Standard Infrastructure Fund Managers (SIFMA) is the preferred bidder for the management services contract. SIFMA is owned by the Standard Bank Group; FMO; and EMP (Emerging Markets Partnership).

17. If the results achieved during the pilot programme were promising then it is expected that GuarantCo will continue beyond the pilot phase, its activities be expanded and additional equity be made available.

Funding

18. GuarantCo is foreseen to be capitalized as follows[5]:

Donor/investor	Equity contributions
DFID	USD 25 million
Sida	USD 15 million
Seco	USD 8 million
FMO	USD 25 million
Total	USD 73 million

19. The guarantee writing capacity may be further increased once the initial capacity is committed. Beyond the 3-year pilot phase the medium term target capacity would be in the region of US$200m, including expected underwriting capacity to be obtained through reinsurance and/or syndications.

20. There are also distinct possibilities for co-operation with International Financing Institutions ("IFIs") (such as the IFC-WB Municipal Fund, EIB and EBRD), DFIs (such as FMO), bilateral agencies (such as USAID's and Sida's respective guarantee programme) as well as various commercial banks. There are thus good prospects for leveraging additional risk capacity (on top of GuarantCo's own resources) for co-financed projects

THE GUARANTCO INITIATIVE

A group of bilateral donors within the Private Infrastructure Development Group (PIDG) have established a local currency finance company ("GuarantCo"), specialising in credit enhancement. The purpose of GuarantCo is to promote economic and social development by facilitating access to domestic financial markets for infrastructure companies that need to borrow local currency funds for their investments.

Rationale: Even in very poor countries, institutional capital has in recent years started to accumulate with pension funds, insurance companies and employees' provident funds. It would be suitable for these institutions, with their long-term liabilities, to lend their funds to infrastructure projects that require long tenors. However, these institutions may have capacity and/or regulatory limitations that constrain them from lending to such projects, even if they are commercially viable. Through the credit support offered by GuarantCo, it will be easier for investors to overcome the constraints and lend funds to infrastructure projects. The latter will benefit from financing of longer tenor that better match the currency of their revenues, thereby improving viability and reducing exchange rate risks.

Offer: GuarantCo provides partial credit guarantees for the benefit of local institutional investors to enable them to invest in debt (bonds, notes) issued by infrastructure companies. Local bank loans are also eligible for guarantees. GuarantCo may support refinancing if foreign currency is substituted by local currency debt. GuarantCo charges a market based guarantee fee and customary up-front fees.

Besides risk capacity, GuarantCo may also provide technical assistance grants to help prepare projects and structure local currency transactions, by drawing on the PIDG Technical Assistance Facility (TAF).

Clients: These include private firms, municipal utilities or municipalities engaged in infrastructure projects in lower income countries. Eligible sectors are telecoms, power, water/waste services; transportation; infrastructure components of industrial or agro-industrial projects. GuarantCo has targeted up to 20% of the portfolio, subject to the availability of suitable opportunities, to urban regeneration projects, i.e. economic and social infrastructure in cities (incl. housing).

5 The current (December 2005) status is that DFID has already paid in its total contribution of USD 25 million, and FMO's Board had recently approved an investment of USD 25 million in GuarantCo.

Modus operandi: GuarantCo will build its business in partnership with bilateral and multilateral development finance institutions as well as commercial banks. The partners will front for the guarantees, on the back of counter guarantees provided by GuarantCo. Co-guarantees and, after a pilot period, direct guarantees may also be issued.

Initially, it is envisaged that the average size of GuarantCo's risk participation in a single project will be in the range of US$5m-US$12m. The total volume of local currency financing raised for the project in question may be significantly higher, as the risk capacity of the partner(s) and the local funding institution would be leveraged in.

An initial pipeline of transactions has already been developed by GuarantCo's interim management, and the first guarantees are under preparation. GuarantCo's operations are now being outsourced to an external service provider, with a transaction advisory team based in the United Kingdom.

Contact: For further information, please contact Mr Stefan Jansson, acting Managing Director, at sjansson@guarantco.com.

Public Private Partnerships Lessons learned from the UK

A brief history…

- The UK first experienced private participation in public infrastructure in the late 1980s
- The 'private finance initiative' was developed in 1992, being the foundation of the modern UK PPP
- Early PPPs did not provide the public with value-for-money:
- Insufficient capacity within the government to effectively negotiate and manage PPPs and to appropriately value risks
- Excess profits earned by private investors
- The Bates Review (1997) recommended the establishment of the Treasury Taskforce, a central body to facilitate PPPs
- Develop a PPP framework, policies, procedures and training
- Assist in the implementation of significant PPPs
- The Treasury Taskforce continues today as Partnerships UK

UK's PPP experience

- To date, about 750 PPPs worth US$90 billion have been signed in the UK. Over 500 projects are now operational
- Recent reviews have found the UK PPP program to be very effective
- 96% satisfaction amongst public sector contract managers and 80% satisfaction amongst PPP end users eg. motorists, pupils
- Almost 90% of projects have been delivered on-time or early
- Tendering/procurement timetables have reduced significantly
- Stakeholders in the UK PPP sector have gained considerable experience and intellectual capital from the PPP program
- Much of this experience is applicable to countries like Vietnam which has an emerging PPP sector
- The UK Government is accountable to the public for the successes and failures of the PPP program. It continually monitors and reviews the costs and benefits of PPPs and publishes its findings
- See www.treasury.gov.uk for detailed analysis of the UK's PPP program

Lesson #1 – PPPs are not appropriate for all projects

- PPPs are best suited to large and complex projects with significant ongoing maintenance or other costs
- Characteristics of successful projects:
- Sufficiently large to justify the costs and efforts
- Well defined scope of works
- Benefits to be achieved from applying sophisticated private sector project management, design/technical and financial skills
- PPPs are not suited to small projects where the parties' transaction cost exceed the efficiency benefits of private sector participation
- PPPs are also not suited to projects where the public's requirements are rapidly changing; for example, information technology services

Lesson #2 – Appropriate allocation of risks is the key

- To be 'bankable', risks must be allocated to the party best able to manage them

- Maximum value for the public sector will be achieved where commercial risks are borne by the private sector, for example:
- Design
- Construction and completion
- Operations
- Financial
- However, the private sector cannot bear policy or regulatory risks, or where project scope changes to accommodate public requirements
- Risk appetite is dynamic. The government should regularly consult with private sector participants

Lesson #3 – The government should create a PPP-friendly environment

- The public sector will benefit from a coordinated and consistent approach to PPPs
- A central body should be responsible for facilitating PPPs
- Accumulate intellectual capital and PPP experience
- Develop relationships with PPP stakeholders including advisors, financiers and multilateral agencies
- Consult to local governments and other agencies, many of which will have limited PPP experience
- Monitor and review PPPs to provide a basis for continuous improvement
- Developing a standard set of precedent documents will enhance efficiency. It sets a base-line for risk allocation and avoids 're-inventing the wheel'
- There is also an important role for government in communicating the benefits / achievements of PPPs to the public

Lesson #4 – Economies of scale will improve PPP quality

- A well publicised 'pipeline' of PPP transactions will maximise investor interest
- Increased commitment and interest from experienced, credible stakeholders
- Public and private sector sunk-costs amortised over a greater number of transactions
- Projects below a certain value threshold will not be economical due to the significant transaction costs
- However, small projects of a similar character can be bundled and tendered as a single package

About Macquarie

- Macquarie is a global investment bank with a major presence in Asia
- Capitalised on the Australian Stock Exchange at ~US$12 billion
- 47 offices in 26 countries
- Macquarie advises companies and governments on PPPs, mergers & acquisitions and equity & debt capital raisings
- The Macquarie Group is focussed on infrastructure and is a major investor in the sector
- Over 100 assets with an enterprise value of > US$120 billion
- World's largest toll road owner; second largest airport owner
- We are seeking quality assets in Vietnam to add to our portfolio
- Toll roads, pipelines, airports, water treatment, rail, ports, energy etc.

Affordable infrastructure services through Output-Based Aid (OBA) Approaches

Iain Menzies
Infrastructure, Economics and Finance Department
World Bank

Contents

Context

- How to attract more investment in the infrastructure sectors so that the poor have access and so MDGs can be reached by 2015?
- Total cost recovery of services through user fees difficult
- How to ensure greater efficiency and sustainability of infrastructure service provision?
- How to ensure that operators are accountable, and rewarded for outputs and reaching the intended beneficiaries?
- How can aid be more effective?

What is Output-Based Aid?

A strategy for supporting the delivery of basic services – such as water, electricity, health – where policy concerns would justify explicit performance-based subsidies to complement or replace user fees.

Policy concerns for use of subsidies include:

- limited affordability (cost recovery gap) public goods (difficult to charge)
- positive economic externalities (e.g. public health considerations)
- Contract out services to third party, paid after delivery.

Public funding can come from donors, governments, other users (e.g. cross subsidies).

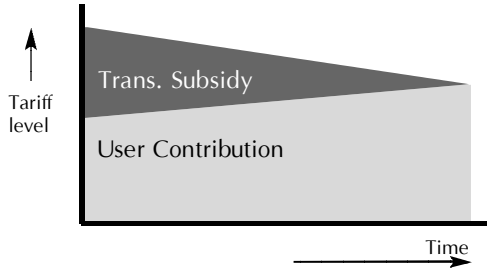
OBA Core Concepts

- Explicit subsidies: Ensures transparency - who provides subsidies for what. Encourages targeting to reach intended beneficiaries, typically low-income households.
- Payment on output delivery: Shifts performance risk to provider by making him accountable.
- Innovation and efficiency: Competition => value-for-$.
- Pre-determined subsidy paid on agreed output provides incentive for innovation and efficiency.
- Mobilizing the private sector: Encourages private sector to serve (usually poor) targeted customers; opportunity to leverage private finance and expertise for non-subsidized customers as well.
- Sustainability: Stresses source of future funding

Choosing A Subsidy Structure...

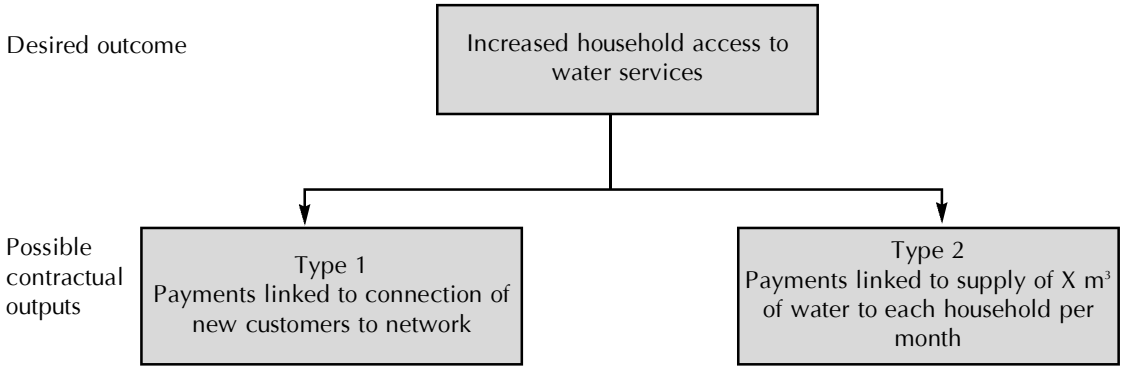
...that is sustainable, can be targeted and linked to outputs:

- One-off subsidies, for example to expand access to targeted households through new connections (most OBA schemes to date), and/or
- Transitional subsidies to cushion the move to cost recovering tariffs for targeted households, and/or

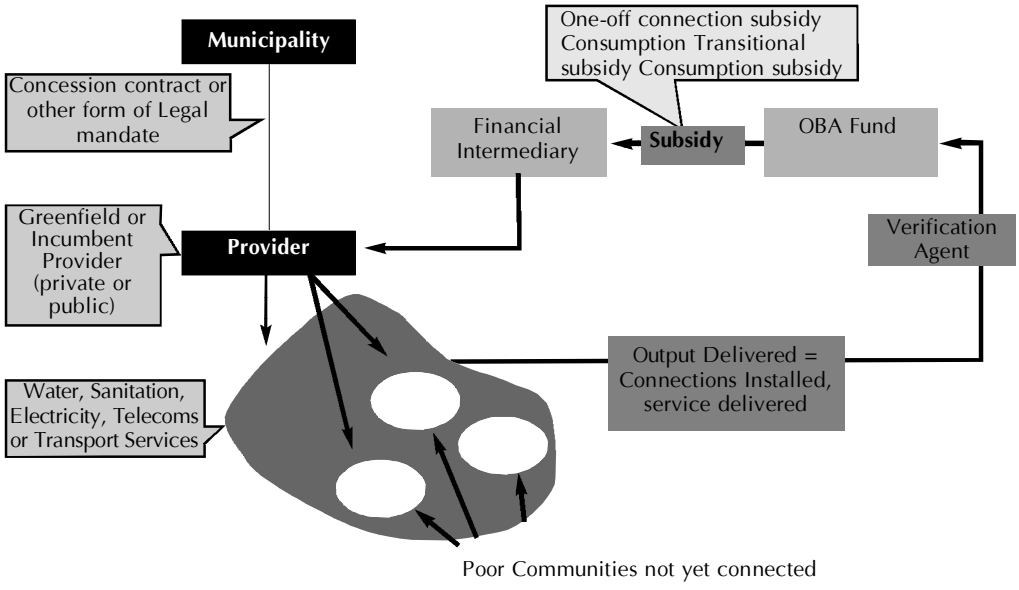


Choosing an Output that...

- Is clearly definable
- Is easy to verify and measure
- Is as close to the desired outcome as is feasible



Example of a typical OBA Project



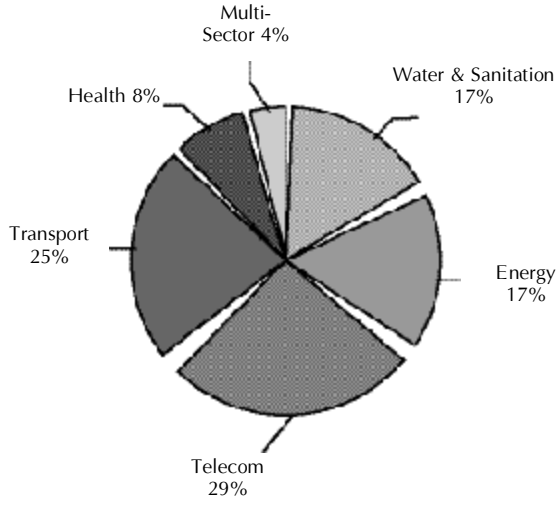
Experience To Date

- Over 50 Bank projects to date.
- Also non-Bank – TBD.
- Mainly infrastructure.
- Mainly rural.
- About 60% design, 15% bidding process, 25% under implementation
- Mainly small-scale

- Many at $1m-$2m

- Avg known $7m

- ICT and roads larger



Analysis Of Some initial projects

Evaluation Criteria	Pilot results
Targeting	- Mostly geographic targeting to poor communities (e.g. Paraguay water, Mozambique energy, Pamir power project)
Accountability	- Mostly ex post connection payment tied to service contract
Innovation & efficiency	- Providers paid bid price but free to design (meeting quality specs) - Cambodia water: $366 v. $500; Paraguay water: $166 v. $300
Mobilizing private sector	- Cambodia water: up to 1:3.5 subsidy : private finance - Mozambique energy: approx. 1:3 subsidy : private finance
Sustainability	- Most projects involve a one-time connx subsidy

Key Design Issues

- Mapping of beneficiaries - to target or not to target, and how
- Capacity to take on pre-financing risk
- Minimizing payment risk
- Design of monitoring regime, and local capacity
- A new way of working, and initial start-up costs
- Initial transactions costs due to "learning"
- Procurement issues at the Bank and possibly elsewhere – an output-based scheme in an input-based system

GPOBA

- Established in January, 2003 by DFID and World Bank.
- Purpose: fund, demonstrate and document OBA approaches to support the sustainable delivery of basic services to targeted households in developing countries.
- Current sectors covered:

- Water and sanitation

- Energy

- Telecommunications

- Transport

- New donor funds for more sectors - US$90 million
- Project grants up to US$7 million

Some GPOBA Future Goals

- Scale up by working with both private and public sector incumbents
- More pilots using community-based organizations and/or NGOs
- Increase sector coverage – e.g. sanitation, solid waste disposal
- Utilize risk mitigation products to support payment commitments as well as pre-financing credit risk to engage private sector and mobilize private financing

Targeted service expansion through water loss reduction - Ho Chi Minh City Vietnam - A GPOBA Initiative

Ho Chi Minh City

- Largest city in Vietnam with 5.6 million registered inhabitants
- High GDP growth & track record of successful social programs

- BUT, pockets of deep poverty, including 89,000 'DOLISA' households and 1.2 million unregistered migrants

The Basic Idea

The OBA scheme will provide a subsidy to the water utility company (SAWACO) for each new working connection to a low-income household made using water saved through reduced leakage

IDA funded NRW management project

- Projected savings of 120,000m3/day through:

- Network Zoning and Restructuring: physical works to establish water supply zones and district metered areas

- NRW Reduction with emphasis on physical leakages: Work focused on two zones, one of which will be outsourced, the other operated by in house team; and

- Improvement of SAWACO NRW Capability: training and technology transfer, establishment of NRW Management Departments.

Demand for connections and availability of water from reduced leakage

- Leakage reductions:

- Total projected savings 120,000m^3

- 1m^3 of water saved is sufficient to serve one house connection (5.5 persons/HH consuming 120l/h/d and 35% losses)

- Leakage savings sufficient to serve 120,000 households

- Demand

- Gross demand of 91,000 'poor' households in HCMC who lack an individual house connection

- Net demand for new connections is estimated to be 52,000 households

Household Eligibility

- HCMC Department of Labor, Invalids and Social Affairs defines the poverty line at VND6,000,000 per person per annum (approximately US$1 per day).
- Regular surveys identify "DOLISA" households
- Under the OBA scheme any DOLISA household not currently in possession of an individual household connection will be eligible to apply for a subsidized connection
- Households will express demand through payment of a US$30 connection fee

OBA payment

Total cost of serviced connection is US$470 – US$800

- HH contribution is US$30
- OBA subsidy will pay portion of the net remaining cost.

- INFILL: flat payment of US$150

- EXTENSIONS: variable payment of US$150 plus the pro-rated cost of extensions. Total subsidy cap of US$400 per DOLISA connection in extension areas.

- SAWACO contribution will cover remaining costs
- Average OBA payment per person served: US$31

The OBA scheme – other design issues

- Household eligibility
- Location of new connections
- OBA payment
- Source of leakage reductions
- Definition of an "established"
- connection
- Institutional arrangements
- Monitoring and evaluation

Summary and Rationale for GPOBA funding

- Poverty Focus
- Increased access to water supply has immediate positive impact on health, wellbeing, education and economic opportunities
- Utility focus
- The project is designed to promote NRW management and to link leakage reduction to pro-poor system expansion

- Replication

- DOLISA is part of a national structure for poverty alleviation and delivers GOV subsidy programs

- HCMC and SAWACO have credibility to demonstrate the effectiveness of the approach

Delivery of waste water services to poor households in Ratmanlana, Moratuwa - Colombo - Sri Lanka - A potential GPOBA Initiative?

Ratmalana/Moratuwa Wastewater Disposal project

- Stage 1 plans to serve 6600 households, 200 industries and 140 institutions; first stage builds treatment plant and concentrates on pipelines under main roads where industries are located.
- Stage 2 plans to serve an additional 3360 households, 30 industries and 45 institutions; second stage concentrates on providing access to premises located on side roads, with some upgrades required to treatment plant to service larger customer base.

Funding of Ratmalana/Moratuwa Waste Water Disposal Project

- Wastewater treatment plant funded by SIDA – concessional financing on input basis
- Project costs include connection cost of main pipes to interceptor manhole on private property belonging to household
- BUT, will project result in service delivery? Households to finance connection from interceptor manhole to dwelling and connection costs inside dwelling. Cost estimated at $250-300 per household. Monthly average income is $120 per household. How affordable?

Analysis for GPOBA eligibility

Evaluation Criteriá	Comments
Targeting:	- More poor focused? – currently mainly lower middle class - Ability to pay (ATP)? - Willingness to pay (WTP)? - Positive externalities may justify geographical targeting where WTP is an issue, even if ATP.
Accountability	- Ex post connection payment tied to service contract with NWS&DB - Transitional subsidy required for tariff covering O&M?
Innovation & efficiency	- NWSDB paid subsidy (based on benchmarked unit cost) but free to design (meeting quality specifications)
Mobilizing private sector	- Outsourcing of connections to private contractors - Pre-financing obtained from local commercial banks
Sustainability	- Connection subsidies involve a one-time subsidy - Transitional subsidy?

Proposed GPOBA involvement

- Design and fund an OBA scheme that will provide a subsidy to the NWS&DB for each new working connection to a household in the Ratmalana/ Moratuwa area.

- BUT, does the proposed scheme meet GPOBA's eligibility criteria?

Possible Design of OBA Scheme

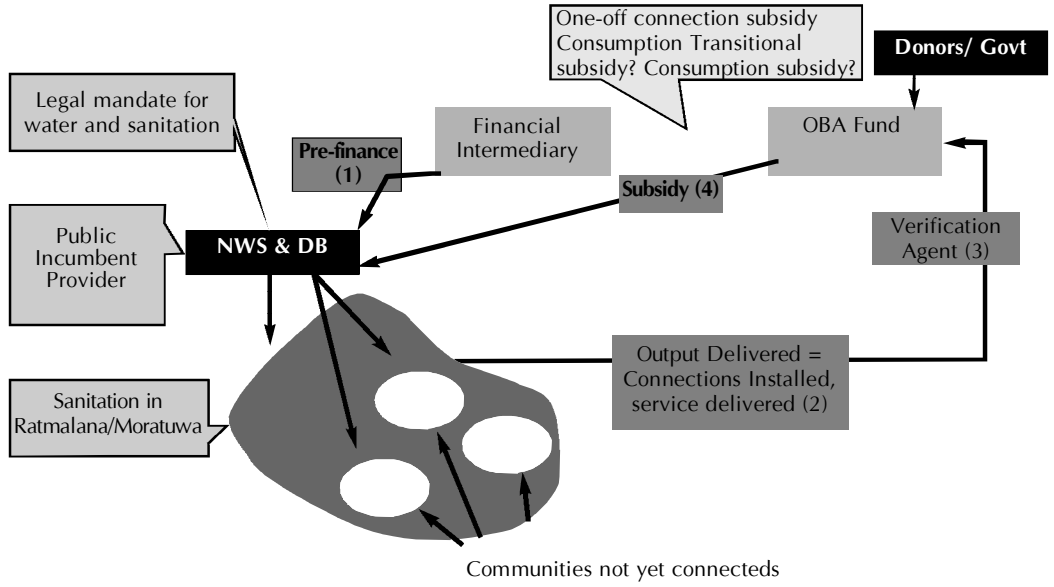
Total cost of working connection is US$250-300 (range as working connection may include a toilet)

- HH contribution is US$20 upfront
- OBA subsidy will pay portion of the net remaining cost, say $150, payable to NWS&DB upon verification of a working connection
- NWSDB provides installment payment scheme for remainder, payable over 24 months, say US$3.5-5.5 per month
- Average OBA payment per person served: US$30
- GPOBA grant of approximately US$1 million would ensure that households in stage 1 will have access to services, i.e. 35,000 people

Issues

- Timing - connections under stage 1 only to be made in 3-4 years – is GPOBA willing to commit funds that far in advance? In-principle approval based on availability of funds?
- Cost-recovery tariffs for at least O&M – will these be in place by the time that connections are made?
- Prefinancing by NWS&DB
- Would households be able and/or willing to pay the tariff covering O&M (say $1 per month?) – if not, GPOBA transitional subsidy?
- What about the households in the side roads? Could GPOBA provide a grant to finance the extension of the sewer system rather than wait for stage 2?
- What about the very poor communities who may require an appropriate low-cost alternative providing ecological sanitation? Could GPOBA provide a grant for this?

Possible structuring of OBA Project



Case Study Vadodara-Halol Toll Road BOOT Project in Gujarat, India

Dr. Anand Chiplunkar
ADB Staff Consultant on PPP in GMS
Senior Vice President

Coverage

- Issues in Infrastructure Financing
- Case Study: Vadodara Halol Toll Road Project
- Background
- Project Structuring
- Project Financing
- Post-construction
- Experience
- Way Forward in Vietnam

Issues in Infrastructure Financing

The Economic Reality

- Level of economic activity and local GDP in influence area must decide project size & scope
- Infrastructure costs need to be competitive
- When desire is to create world class assets, interventions and costs are likely to be higher, commensurate with global practices
- Infrastructure projects typically need support from Government
- Financial - preferably on a one time basis
- Not necessarily as a grant, but depends on the project viability and cash flow/liability matching requirements
- Regulatory - throughout the project life cycle

Issues in Commercialisation of Infrastructure

- Monopolistic
- Economies of scale and scope favour supply by single provider - fears of monopolistic exploitation
- Large capital investments, low operating costs
- Long cost recovery periods
- High uncertainty of revenue streams
- Lack/absence of asset backed security
- Sunk costs
- Physical assets cannot be moved or utilized elsewhere
- Complex, multiple linkages, the need to exercise sovereign authority
- High dependence on other sections of political economy

Risks in Infrastructure…1

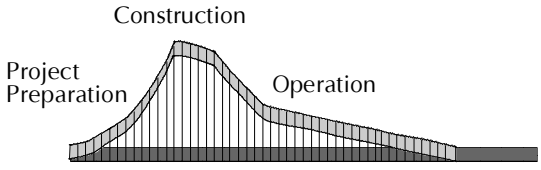
- Allocation of risks is key difference between government and private implementation
- Traditionally all risks absorbed by the government
- Risks in an infrastructure project include
- Project Development e.g. Land Acquisition, Approvals & Clearances, Legal and Contractual Framework etc.
- Construction period e.g.Design and Technology risks, Construction Time and Cost Overruns
- Operations period e.g. Commercial, Performance, Design and Technology, Regulation, O&M, Financial

- Other risks e.g. Force Majeure, Env. & Social, Change of Law, Termination
- The most difficult risk for the private sector to absorb are environment and social risks

Risks in Infrastructure...2

- Risk profiles of infrastructure projects vary with the stage of the project cycle
- Development of institutional and financing strategies are closely linked to each phase of the project cycle
- Mobilisation of debt is particularly sensitive to the phase and risk management strategy

Risk Expectancy



Basic Features of Infrastructure Financing

- Governments prefer shorter concession periods at affordable charges. Hence need fiscal and project incentives to meet market return expectations
- Limited recourse and not pure project recourse funding
- Government providing tax exemptions to infrastructure projects – passes to all stakeholders
- Banks and Financial Institutions are the main sources - very little appetite in retail sector
- Multilateral lines (ADB/WB) available for long tenor financing of upto 20+ years
- Helps to match project cash flows and liabilities
- Takeout financing provided by IL&FS proved to be successful in the retail sector

What is a Successful Project?

- Lending institutions want cap on construction costs and reliable debt servicing mechanism
- Implementation to cost and time
- Debt service coverage (typical DSCR 1.3)
- Equity investors want assured return on investments
- Environmental and social impact mitigation
- Realisation of projected revenues
- Government wants performance
- Implementation to time and quality services
- Acceptability to users

Case Study Vadodara Halol Toll Road

- To provide an overview of the development process undertaken for the Vadodara-Halol project
- To outline the main issues in the development of the Vadodara-Halol Road Project
- To provide an insight into the experience of operating the project

Background of VHTRP

Genesis

- In 1994, Roads & Buildings Department (R&B), Government of Gujarat (GoG), India found need to improve the existing State road network on a commercial format

Actions taken by the GoG:

- Strategic Options Study to identify and prioritise State roads that require upgradation based on economic considerations
- Road Policy to outline the development and implementation framework to enable private sector participation
- Amending the Bombay Motor Vehicle Tax Act 1958, to permit the levy of toll on new/ strengthened road sections by non-government entities

Partnership for Project Development

- R&B, GoG signed a Memorandum of Agreement with Infrastructure Leasing and Financial Services (IL&FS) on October 31, 1995 to jointly develop two road projects viz. Vadodara - Halol and Ahmedabad - Mahesana
- Special Purpose Vehicle (SPV)– Vadodara Halol Toll Road Limited (VHTRL) formed by GoG and IL&FS to develop and implement the project
- IL&FS funded the project development expenses that were treated as part of project cost and recovered from successful bidder with returns
- Involved Pre-Feasibility, Detailed Feasibility and Investment Banking Report, Procurement of Bidder, Project Agreements and Contracting of works

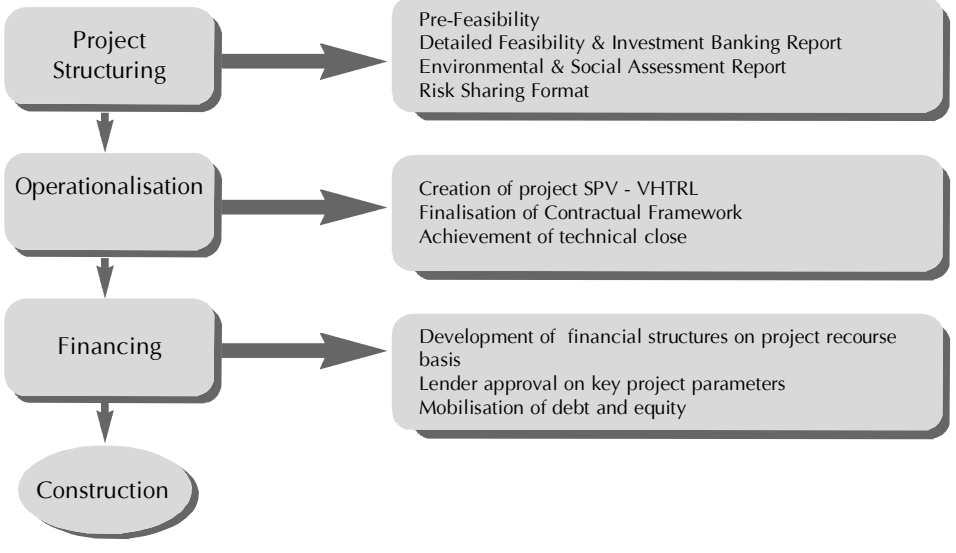
Project Specifications

- Existing two lane road was widened to four lane divided carriageway toll road
- Provision of toll free service roads for local and slow moving traffic on both sides

Pre-Feasibility and Detailed Feasibility Studies

- IL&FS prepared a Pre-Feasibility Report (PFR)
- Sector and local economic assessment
- Examination of Technical, Environmental & Social, Legal aspects with estimation of landed (delivered/commissioned) project cost (+/- 20%)
- Plant red flags for further examination of critical aspects in further studies
- Technical Design Report and identification landed project cost (+/- 10%)

Road Length	32 km
AADT in 1997	20000 PCUs
Project Cost	Rs 1611 mn (USD 35 mn)
Project Viability	ERR : 32%
IRR: 20%	
Project Structure	BOOT
Implementation Format	VHTRL (A Joint venture of GoG and L&FS)



- Iterations between technical design and environmental and social mitigation aspects
- Detailed Feasibility and Investment Banking Report (DFIBR)

Planning with a Conscience

- IL&FS, the project developer, is the first Institution in India to have developed and adopted an explicit environmental and social policy framework
- The Environment and Social Assessment Report (ESAR) provides detailed operational directives for developing infrastructure projects and is in compliance with the Govt. of India/World Bank norms
- Implementation and monitoring of the EASR is undertaken by a separate group
- ESAR formed the basis for the E&S Report for the Vadodara - Halol Road project

Environmental and Social Plan…1

- VHTRL was contractually bound to implement covenants of the Environmental and Social Management Plan
- Alignment and mitigation measures considered environmental and social aspects, air and noise pollution during construction and operation e.g.
- Ensuring compliance with emission norms
- Noise barriers near school
- Creating wetlands
- Restricting hazards to neighborhood communities
- Voluntary relocation of temples, schools, and environmental infrastructure

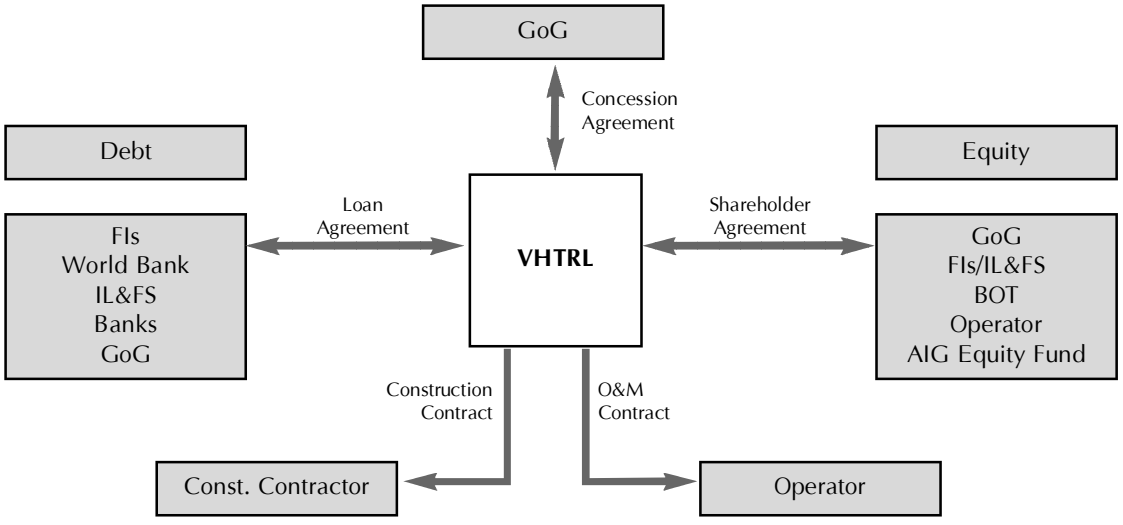
Environmental and Social Plan…2

- Rehabilitation Scheme was evolved after a number of public consultations spanning over 12 months
- As part of social rehabilitation measures:
- VHTRL paid out rehabilitation assistance to compensate for the difference in land price between govt. Acquisition price and market price
- Emphasis was on ensuring livelihood provision through creation of assets using NGOs rather than giving cash compensation
- Created additional facilities such as service roads, pedestrian subways, compound walls and provided additional houses for relocation of communities

Risk Categorization

Risk Type	Sensitivity	Risk Period	Primary Risk Bearer
Delays in land acquisition	High	Development	Govt
Delays in project development	Ext High	Development	Govt
Natural calamities and other acts of god	High	Throughout	Govt/Insurance
Political risk, including abrogation of agreements, war; and social risks	High	Throughout	Govt
Regulatory administrative delays	High	Operations	Govt
Changes in standards and regulations	Medium	Throughout	Govt
Completion risk	High	Construction	SPV
Technology risk	Medium	Operations	SPV
Project risk	High	Start Up	SPV
Financial risk, which includes inflation rate risk,interest rate risk and exchange rate risk	High	Throughout	SPV

Implementation Structure



Concession Agreement

- VHTRL entered into a Concession Agreement with GoG to design, finance, build, operate, maintain and transfer the facility after recovery of a pre-determined return
- The Concession Agreement provided for
- Completion of construction within 18 months
- Maintenance of the road at predetermined standards (Roughness, Toll Queue lengths, Cracks, Structural strength etc)
- Post transfer warranties
- Independent regulatory mechanisms through the appointment of Independent Auditor/Engineer

Procurement of Contractor / Operator

- There were no previous examples in India of Request For Proposal (RFP) to invite bidders to design, construct, finance, operate and maintain roads and tolling systems
- A new RFP document was therefore developed which outlined:

- Obligations of VHTRL, GoG, IL&FS

- Performance requirements from selected Bidder

- Project Design basis

- Performance standards during construction, operations and maintenance

- Contractual obligations

- Compliant technical and financial bids

Selection Basis

- Project would be awarded to the bidder who complies with
- Technical and Financial proposal requirements
- Offers the lowest price
- Lowest price is the NPV calculated on the bidders' estimate of:
- Fixed price of construction
- Interest During Construction (IDC)
- O&M costs during the concession period on:
- Routine Maintenance
- Periodic Maintenance (Renewal and Overlay)
- Toll Systems
- Toll Augmentation

Selected Contractor/Operator

- VHTRL through a transparent International Competitive Bid (ICB) process selected a Joint Venture of Punj Lloyd and IRCON to

- Construct

- Operate and

- Maintain the project facilities

Project Financing

- The project was appraised and syndicated by IL&FS
- The financial plan was structured based on the following:
- Traffic forecast and revenues
- Acceptable gearing
- Status of financial markets and appetite
- Terms of financing
- Risk profile
- Anticipating low levels of traffic in the initial years, significant financial engineering was undertaken to increase the robustness of the project

Financial Structuring

- The Project financial structure included:

- Obtention of Section 10(23G) status – payment of interest on equity during construction

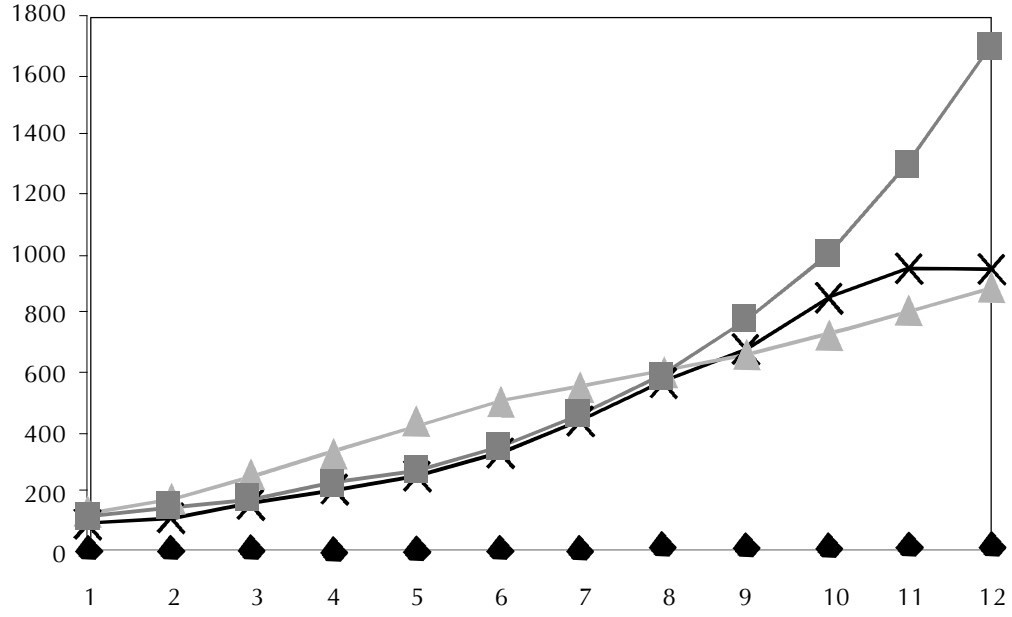
- Approval from Company Law Board for Sinking Fund Method of depreciation

- Innovative treatment of GoG debt

- Subordinate debt by IL&FS

- Deep Discount Bonds with Take-out Financing

- Long Tenor funding with moratoriums extending beyond the construction period



Sources of Finance

- Equity (Rs. 679 million) was raised from

- GoG

- IL&FS

- American Insurance Group (AIG)

- Consortium of Contractors

- Debt (Rs. 932 million) was raised from

- IDBI

- IDFC

- IFCI

- IL&FS

- SBI

- CBI

- BoB GIIC

- Subordinate debt was provided by IL&FS

- Completed 4 months ahead of schedule and within budgeted cost (Rs. 1611 million at prices 2000 ~ USD 35 mn at current prices)
- Public Interest Litigation (PIL) during construction
- Removal of trees – applicability of environmental law
- Compensation for Land acquisition, demolition of Structures
- Resettlement & Rehabilitation of Project Affected Persons
- PIL rejected by the Court due to excellent environmental and social mitigation
- Commissioned in October 2000 and fully operational since then

VHTRL Experience

Strengths

- GoG's support and involvement – key to success

- World Bank involvement - comfort to GoG and investors
- Project documentation – replicable framework (Environmental Assessment acknowledged as best in India as reviewed by The World Bank)
- Project contracts – bankable proposition
- Procurement – internationally acceptable
- SPV - A risk sharing example
- IL&FS - Strong project development support

Issues of Concern

- Equity investment - risks high and delayed returns
- Lenders - varying levels of comprehension of technical and hence assessed at top of band risk profile
- Govt. of India fiscal incentives - benefits passed on to the project in varying degrees
- Access to long term funds - need to open up insurance and PF sectors for direct access
- Project recourse financing – a long way to go

Current Government Perspective

- It has taken 10 years, but there is evidence of progress being made in infrastructure development and financing in India
- Telecom sector is mature: financing is more akin to conventional corporate finance as compared to the physical and practical constraints that are common in other sectors
- Due to the Indian PM's Golden Quadrilateral Programme, the road sector is very active
- Given operational difficulties, the move is now to have specific regulatory and provisioning regimes on risk assessment framework for the infrastructure sector

Govt. of India Scheme (2006)

- Finance Minister, Govt. of India announced the incorporation of an SPV – "The India Infrastructure Finance Company Ltd." (IIFCL) – to fund infrastructure projects in India
- Incorporated on January 5, 2006 with a paid up capital of Rs.100 million (USD 2.2 mn) and an authorized capital of Rs. 10 billion (USD 222 mn), with a borrowing limit of Rs.100 bn (USD 2.2 bn) for the current fiscal
- Objective:

- The company will funds projects in roads, power, railways, ports, airports and tourism.

- IIFC will also fund projects that need viability gap funding under a government scheme

Way Forward in Vietnam

Emerging Trends...1

- Private finance, as required, can be mobilised for infrastructure projects by structuring them to meet the investors' requirement
- Private financing and management can deliver better service performance than public sector management and provide rapid response and innovative solutions
- Capital market is a critical link to infrastructure financing
- Steps need to be taken to ensure access to domestic and international capital markets

Emerging Trends...2

- Better environmental risk management could be a source of competitive advantage
- First private projects are important to create replicable models
- BOT or its variants need not be the only solution
- Annuity model adopted in India where project viability is weak
- Private sector bids and gets paid an annual sum for design, construction, operation and maintenance over an agreed concession time
- Govt. assumes traffic risk and retains toll revenue
- Applicable to Vietnam and GMS countries having low traffic volumes

Principal Prerequisites

- Governments' active support and involvement throughout project cycle
- The need across sectors:

- Extensive project preparation

- Evaluation of techno-economic factors

- Willingness to pay surveys

- Mitigation of adverse environmental and social impacts

- Robust project documentation – replicable framework
- Project contracts – Bankable

Key Recommendations

- Govt. should do project development

- Identify project deliverables and performance stds.

- Allows informed decision-making in competitive bids

- Facilitates provision of services at optimal cost

- Can hold project company accountable for performance and penalize it for the lack of it

- Lastly leverages budgetary resources so more projects can be done through Public Private Partnership (PPP) approach

- It takes time but is sustainable in long run as govt. gets best Value For Money

- Create enabling framework for PPP:

- Define PPP Policy, Enact PPP Laws, Set up Project Development Fund and Viability Gap Support Fund

PPP Experience of HCM city Investment fund for urban development (HIFU)

Mdm Giao Thi Yen
General Director of HIFU

With more than 7 million inhabitants, HCM City is one of the biggest economic centers of Vietnam. The city's GDP accounts for nearly 40% of the country's GDP. The socio-economic development of the city leads to a huge and urgent demand for infrastructure development. Demand for development investment of HCMC is estimated at about VND30,000-50,000 billion a year.

Like in other localities nationwide, most of the urban infrastructure development projects of HCMC are funded by the State Budget, and the fact is that the state budget could not meet this demand. In such a circumstance, in 1997, inspired by the need to establish a financial institution aiming at improving the efficient use of the state budget funds and mobilizing other sources of capital apart from the state budget in order to finance the urban infrastructure development projects, the Government has issued the decision to establish the Investment Fund for Urban Development of HCM City (FIFU) - which is under the authority of HCMC People's Committee - as a pilot model.

HIFU's mission is "promoting the development of the capital market and socializing investments in HCMC", serving the course of development of the city - especially in the field of infrastructure. HIFU's activities are deployed in two main fields:

- Credit Financing, and
- Direct Investment

During the past time, HIFU has successfully deployed the credit financing activities via syndicated loans with other banks for 195 infrastructure development projects in the fields of transport, health and education with a total released capital amount of more than VND4,000 billion.

Since 2001, with the approval granted and favorable conditions created by the HCMC People's Committee, HIFU has taken the chance to apply a new method of capital mobilization, i.e. direct mobilization from the public via the equity contribution to establish new companies that will invest in projects as a new model of Public Private Partnership. This model aims at socializing investment and attracting capital (mostly under the form of shares and bonds) for concentration in urban development of the city via the establishment of a competent unit with financial, technical and management expertise and capacity.

With this model, the State is not necessarily required to finance the total capital investment of a project. Investment responsibilities and risks are transferred to the private sector while the society can still enjoy the service delivered through the project output. With some notable features such as improved project management efficiency with the participation of the private sector, not-too-high but stable rate of returns, this model has motivated the people's active participation in investment activities.

With the above-mentioned criteria of operations, upon making equity investment to establish new economic entities, HIFU shall determine:

- Eligible projects for investment: being the projects under the City's planning, attached with importance, having high sense of urgency as well as good potential of returns and economic efficiency while investment from State Budget fund is not necessarily required.

- Investment objectives, which include:

- First, to be able to mobilize capital for project implementation. This is the decisive factor for an infrastructure project.

- Second, to create opportunities for private investors to participate in infrastructure projects of the City, to implement the State policy of socializing investment.

- Thirdly, to have an capital exit plan from the project while the project should be able to mobilize capital from various sources in the society. Accordingly, to link the capital mobilization activities of the project with the contribution to the development of the capital market, to create more products for the securities market

In the role of a "pioneer investor", HIFU's overall strategy in establishing these joint stock companies is to invest not more than 30% of the company's equity, the balance will be raised widely from other individuals and entities. The establishment of these joint stock companies will ensure the minimum counter-capital as provided by law (30%), thereafter the balance of 70% shall be mobilized via credit financing for project implementation. After a period of stable operations of the project, HIFU will implement the exit strategy regarding the portion of HIFU's capital contribution in some companies and will use this fund to continue investing in other projects. The exit plan of HIFU will also be linked to the securities market in terms of creating additional goods and contribute to the development of the capital market.

The investment efficiency of this model will further be extended and developed once these joint stock companies grow strong and continue to participate in other project investment activities - especially other infrastructure projects. With this process, each dollar of HIFU's investment will be fully exploited and bring in multiplied effects, at the same time it will help resolve the capital constraints of some key projects of the city where state budget investment is not necessarily required. HIFU's experience in terms of establishment, capital contribution and management in CII is a typical example.

HCMC Infrastructure Investment Joint Stock Company (CII) is the first joint stock company founded by HIFU, with the main function of entering into concession agreements to collect user fees of the infrastructure projects having been developed, selecting and investing in revenue-generating urban infrastructure projects with various types of investment such as BT, BOT, etc. This is the first and typical model of socializing investment of HCM City.

Accordingly, in 2002, the City has granted a concession to the Company for toll collection in the two roads of Hung Vuong and Dien Bien Phu, which are the main entrance gates of HCM City. These two roads were invested by the City Authorities and undertaken by designated contractors. The initial concession period was 9 years with concession value of VND1.000 Billion and repayment period of 18 months. As at 3/2004, CII has fully repaid the amount to the City Authority.

Among the owner's equity of CII, HIFU as a founder contributed VND45 Billion or 15% equity, and has openly called for capital contribution from the public in order to form the initial chartered capital of the company of VND300 Billion. CII was the first joint stock company to organize an open and public sale of shares to the people, implementing the policy of socializing investment of the City. CII is also the joint stock company with biggest charter capital amount and number of shareholders in HCMC as at 2001 (more than 900 shareholders)

The establishment of CII has created a new channel of mobilizing capital for infrastructure development projects. The specific benefits of the concession agreement for toll collection of the two roads of Hung Vuong and Dien Bien Phu are as follows:

- First, it speeds up the capital cycles of the investors and banks who has granted credit financing for these two projects. In addition, the

City can soon recover the loan plus the surplus income for continuing investments in other projects.

- Second, it creates a mechanism whereby capital is mobilized from the people for investment in revenue-generating infrastructure projects.
- And third, it enhances the operating efficiency and improves the transparency of the technical infrastructure projects

Presently, CII continues to invest in other infrastructure development projects of the City, such as: Phu My Bridge BOT Project (invested capital of VND1,800 billion), Kenh Dong Water Treatment Plant project (invested capital of VND1,050 billion), Tan Phu Trung Industrial Zone project (invested capital of VND1,300 billion), Thu Duc Water Plan construction project (invested capital of VND1,500 billion), Hoa Phu automobile industrial zone project (invested capital of VND500 billion). As such, it is estimated that one dollar of HIFU's investment in CII can help mobilize another 152 dollars of investment from the society via the investment activities of CII.

CII has been maintaining an unbroken profit track record over the past 4 years, with dividend rate of 11% to 12%. The company's management and control activities are well conducted, with healthy and transparent financial standings. The toll collection activities are improved and modernized for users' convenience. This model has also been disseminated and applied by the Ministry of Transportation in the tender for toll-collection in some roads under the control of the Ministry.

In an unceasing effort to expand its scale of operations and to meet the capital requirements, CII has recently been listed in the HCMC Stock Exchange Center in May 2006. This movement is under HIFU's capital exit plan, and at the same time it creates new products for the securities market.

In conclusion, the experiences gained in CII indicate that one of the decisive factors for the success of the Public Private Partnership in infrastructure is the Local Authorities' supports and determination to fulfill their commitments to protect the legitimate benefits of the investors. Besides, the private sector investors also play an important role. It would be necessary for the private investors to improve their financial transparency as well as to enhance their management efficiency in order to better meet the demands of public-private partnership.

North Luzon Expressway Project (a public - private partnership in the Philippines)

Alfredo E. Pascual
Advisor (Public-Private Partnership)
Southeast Asia Department Asian Development Bank

Project Description

The North Luzon Expressway (NLEX) Project

A concession

- For the rehabilitation, expansion, operation, and maintenance of the existing 84 km NLEX that connects Metro Manila to Central Luzon
- Signed in June 1998
- Expiring in December 2030

Completed on time and within budget

Commenced operation in February 2005

The Project Construction Components

Rehabilitate and expand NLEX

- resurface 295 kms of existing lanes
- Add of 138 lane-kms of new road capacity
- Build 4 new interchanges
- Upgrade 10 other interchanges
- Improve and redesign 26 exits
- Construct 4 new toll plazas
- Install a computerized tollway management system

The Project Company and Sponsors

The concession is held by Manila North Tollways Corporation (MNTC), the project company which is a joint venture of the following sponsors:

First Philippine Infrastructure Development Corporation (FPIDC)

- One of the leading infrastructure companies in the Philippines
- Owned by the Lopez Group through First Philippine Holdings Corp. (FPHC) and Benpres Holdings Corp. (BHC)

Philippine National Construction Corporation (PNCC)

- The original operator and franchisee of both the NLE and the SLE tollways
- A leading domestic construction company, with a track record in the construction of bridges, toll roads and other civil works projects.

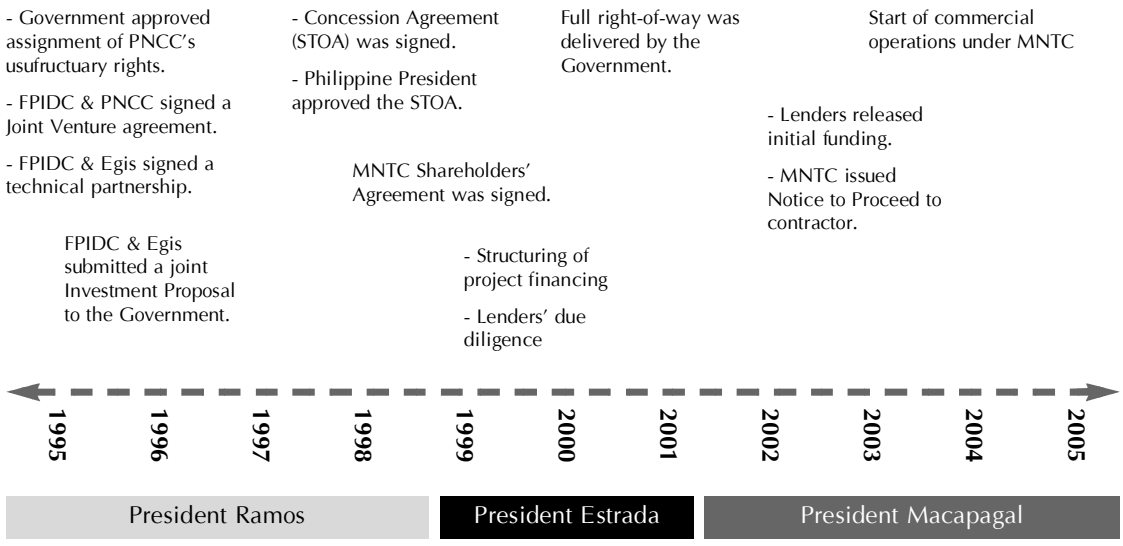
Egis S.A. of France

- World largest toll road operator with over 6,000 km in managed toll roads
- Over 40 years of experience across the world.

Leighton Asia Ltd. of Australia

- Australia's largest construction company
- Experienced in civil works and toll road projects

The Project Milestones



The Concession Agreement: an Overview

- The concession was granted under a Supplemental Toll Operations Agreement (STOA), signed in 1998 by:

- Republic of the Philippines (ROP) through the Toll Regulatory Board (TRB) as GRANTOR

- Philippine National Construction Corp. (PNCC) as FRANCHISEE

- Manila North Tollways Corp. (MNTC) as CONCESSIONAIRE

- The STOA replaces the original 1977 Toll Operations Agreement held by PNCC and extends the concession period of the original 30-year franchise (set to expire 2007) through to December 2030.
- The STOA transfers to MNTC all the rights of the original 30-year franchise held by PNCC for the NLEX.
- The Grantor (ROP) recognizes and accepts the assignment to MNTC of PNCC's usufructuary rights under the original NLEX franchise.

The Concession Agreement: Basic Terms

- MNTC will put up the money (invest and borrow) on its own without government financial guarantee.
- MNTC will build the tollway and take full construction risk.
- MNTC will operate, maintain and manage the tollway for 30 years (or until 31 December 2030) in accordance with government standards with no funding support from the Government.
- The Project roads are owned by the Grantor subject to the rights and privileges of MNTC to construct, operate and maintain the tollway system.
- Government will not take market risk. If revenues are not sufficient, government will not bail out MNTC.
- To recover the investment, MNTC will collect tolls thru the authorized toll rates and the approved adjustment formula.

The Concession Agreement: Key Obligations

GOVERNMENT OBLIGATIONS

Provide right of way (ROW) at government cost.

Issue all permits/approvals/licenses.

Help MNTC implement the Project.

Assure MNTC of continued support and public acceptance.

Implement the agreed toll rates.

Recognize Lenders' step-in rights if something goes wrong.

Compensate MNTC if it decides to cancel the project (thru no fault of MNTC) unilaterally.

Compensate MNTC for any loss of revenue due to failure to implement agreed toll rate formula.

PNCC OBLIGATIONS

Assign its usufructuary rights to MNTC

Turn over possession of tollway to MNTC upon completion of construction.

MNTC OBLIGATIONS

Raise financing on its own without government guarantee

Rebuild and modernize the NLE tollway system according to government required standards and levels of service.

Complete the construction within the time required.

Operate the tollway meeting government standards.

Maintain the pavement and the toll collection system properly.

Return the tollway system to government at no cost after concession period ends.

Initial Authorized Toll Rates

Large increases in toll rates were made using agreed adjustment formulas to fix the initial authorized toll rates applied at the start of commercial operations of NLEX in February 2005.

Financing of the Project

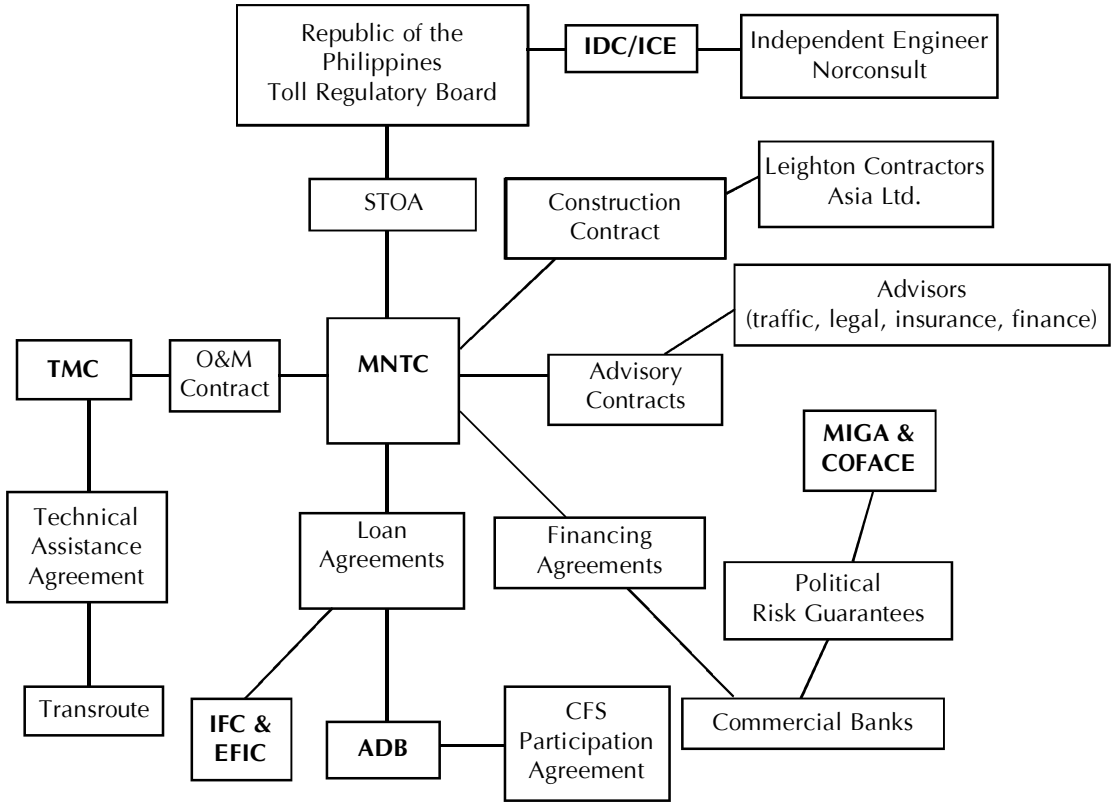
Debt finance was raised on a limited recourse basis from international commercial banks, multilateral financial institutions, and bilateral agencies.

- Funded by commercial banks, totaling 106.8

- The guarantees cover political risks only.

Key Project Risks

Risks During Operation	Impact / Mitigation
Traffic Risk	- Existing traffic with capacity reached on certain segments
	- More than 20 years history as tolled road
	- No comparable alternative road (MacArthur Highway is not viable)
Joll rate adjustments	- Conservative forecasts, robust cash flows
	- Automatic approval under the STOA
	- Toll rates to be revised every two years
	- Grantor compensates in case toll rates not increased
Currency devaluation	- Projected tolls lower than in comparator roads
	- Significant pass-through in the application of the toll adjustment formula
	- Starting toll rate is fully hedged
	- Cash flow strong enough to take care of sensitivities
O&M Risks	- O&M expertise from Transroute via technical assistance agreement
	- Regular / periodic maintenance planned
	- Bonus / penalties to minimize leakage of toll collections



Enabling Condition

A Policy & Legal Framework for PPP

- The NLEX Project falls within the Philippines' policy of attracting private sector participation in infrastructure development.
- The policy is to recognize the indispensable role of the private sector as the main engine for growth and provide appropriate incentives to mobilize private resources for development of projects normally undertaken by the Government.
- Such incentives are to include providing a climate of minimum government regulations and procedures and specific government undertakings in support of the private sector.
- The policy is stated in the Philippine BOT Law enacted in 1994.

Enabling Condition

A Legal Framework for Tollways

Presidential Decree 1112 (Tollway Operations Decree of 1977):

- created the regulatory agency known as the Toll Regulatory Board (TRB)
- authorized creation of tollway facilities (e.g. roads, bridges, etc.)
- authorized concession agreements (TOA, STOA) with the private sector
- authorized collection of toll fees at agreed rates to attract private sector investment
- prohibited financial guarantees by the Government

A Regulatory Framework for Tollways

- The Toll Regulatory Board (TRB) is a multi-sectoral agency, the members of which come from:

- Department of Transportation and ommunication

- Department of Public Works and Highways

- Department of Finance

- National Economic Development Authority

- The Private Sector

- The functions of the TRB are:

- To identify the toll facilities to privatized and the required level of service

- To screen and select the private sector developer

- To enter into Toll Operating Agreements with qualified entities

- To set toll rates

- To conduct toll rate hearings following set rules of procedure

Success Factor

A Clear Need for the Project

- NLEX is the main transport corridor from Metro Manila to Central and Northern Luzon, which have lagged behind Southern Luzon – infrastructure needed to boost regional economic progress.
- Population growth and economic activity along the NLEX corridor were putting a strain on ageing infrastructure – transport demand expected to grow at 3.0% to 3.5% annually.
- NLEX was in a state of disrepair due to decades of neglect.

A Comprehensive Communication Program

- Objective: To gain public acceptance for the increased toll rates.
- Strategy: Implement information and education campaign to reach:

- National and Local Government Units

- National and Local Media (TV, radio, print)

- Grassroots thru NGOs (representing population sectors: labor, women, food and agriculture, and regional development)

- Organized Transport Groups (jeepneys, bus operators, truckers)

- A key element: Third party studies and endorsements
- Key message: The value derived from the rehabilitated and improved NLEX more than offsets the increases in toll rates.

The communication program helped the Project Company hurdle the challenge of gaining public acceptance for the increased toll rates.

Project Benefits

Other Economic and Social Benefits

- Acceleration of the development of Clark and Subic Special Economic Zones in Central Luzon
- Decongestion of Metro Manila
- Enhanced regional tourism with better access to tourist attractions
- Increases in employment opportunities arising from greater mobility of people, goods, and services
- Lower incidence of road accidents due to better road pavement and better traffic control

Hanoi transport and public work service
center for urban transpost managerment and operation

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Socialization of public Passenger Transport by bus in Hanoi

Basis to implement

- Decision Number 34 approved in February 13th 2003 by the 12th Hanoi People's Assembly at the 8th session
- Policy set out by the Municipal Party Committee and People's Committee.
- Targets of the public passenger transport by Bus in Hanoi:

- Quick and sound development of the public passenger bus transport system in Hanoi

- Mobilizing resources in the society to participate in development investment, gradually reducing investment from the State budget.

- Creating healthy competition, improving service quality, lowering costs, and gradually cutting subsidy.

Create legal environment for enterprises to participate in public passenger bus transport

- Hanoi People's Committee has issued Decision No 71/2004/Q§-UB on temporary status of enterprises participating in Public passenger bus transport in Hanoi and Decision No 130/2005/Q§-UB on additional amendment to some contents of Decision No 71.
- Hanoi People's Committee issued and added some economic and technical standards and unit prices for bus services.
- Regulations on inspection and supervising, and regulatory documents on printing, publishing, managing, ticketing and product approval relating to the Public passenger bus transport in Hanoi.
- Prepare prequalification documents (Consulting WB and ASIATRANS project experts).

Selected point of view on tendering

- Put each route out to tender :

- New routes are put out to tender.

- A roadmap is to be set up later for existing routes.

- Reasons :

- To minimize operating cost

- More competent bidders to take part

- More chances for competition

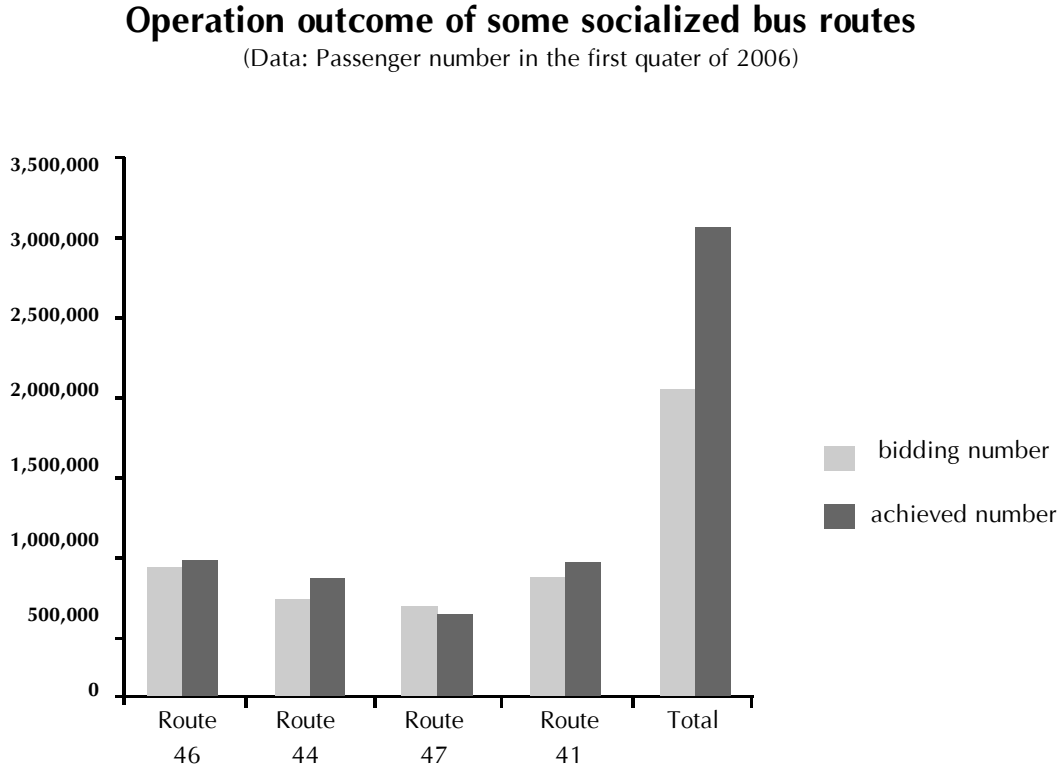
Type of contract

The contract is based on total cost combined with route income, the route exploitation time is 5 years and subject to adjusting.

	Route name	RouteNo	Private	Joint stock company	TranSerco	Operation time
Year 2004	Nghi Tam – Giap Bat Station	41	x			28/12/2005
	Kim Nguu - Duc Giang	42	x			29/4/2006
	Hanoi Station – Dong Anh town	43	x			27/1/2006
	Tran Khanh Du - My Dinh Station	44	x			24/10/2005
	Tran Khanh D- - Dong Ngac	45		x		29/4/2006
	My Dinh Station – Co Loa	46				
Year 2005	Long Bien – Bat Trang	47			x	12/3/2005
	Tran Khanh Du - Tu Hiep	48			x	18/12/2005
	Hoang Quoc Viet - Dong Anh	53			x	29/4/2006
	Tran Khanh Du - My Dinh residence area	49		x		19/4/2006
	Tran Khanh Du - Trung yen Residence area	51		x		29/4/2006
	Hanoi Station – Tu Hiep Residence area	52		x		

10 out of 12 routes are operational

Operation Outcome of some socialized bus routes **(Data : Passenger number in the first quarter of 2006)**



Review

- Achievements :

- Enabled enterprises to participate in public passenger bus transport

- Achieved the goals set out by the Municipal Authority (without investment for more transport means – 164 vehicles equivalent to 130 billions VND)

- Gradually lowering operating costs

- Shortcomings :

- The deployment is not comprehensive, not keeping up to the expected progress

- Various sectors of the economy are not treated fairly (interest rate support, land lease ...)

Enterprise's difficulties

- Financial difficulty (Investment in transport means is required…)
- Difficulty in term of facilities (Garage, maintenance shop, Depot…)
- Mechanism to encourage enterprises
- Fair treatment between state-own and private-own enterprises

Recommendation

- More attention should be paid to mechanism and policy to encourage enterprises to participate in public passenger bus transport (Interest rate, land lease…).
- To create environment for fair competition between enterprises participating in Public passenger bus transport.
- Pilot tendering of some existing routes

Investment in the form of public-private partnership in transport industry

Distinguished guests,

On behalf of the Ministry of Transport, I would like to present a summary report on the investment in the form of Public -Private Partnership in transportation projects.

1. Development targets of transport industry by year 2020

The Prime Minister has issued Decision No. 206/2004/Q§-TTg dated 10/12/2004 approving the Development Strategy of Vietnamese transport sector by year 2020, in which the point of view and the development strategy of transport sector by 2020 are as follows:

- Transport is an essential part of the socio-economic infrastructure. It needs to receive priority in investment for a high-speed, one step-above and sustainable development, in order to form a premise for socio-economic development, to strengthen national security and defense, to serve the course of industrialization and modernization of the country.

- Transport development should be synchronous in terms of infrastructure, transportation and transport industry in the direction of industrialization and modernization, creating a complete and uninterrupted transport network, connecting various types of transports with nation-wide convenience, meeting the standard of other advanced countries in the region, meeting the demand for international and regional integration.

Based on the point of view and the development strategy, the key targets to be achieved by the Vietnamese transport sector by 2020 are detailed as follows:

Specialized sector	Key targets to be achieved by 2020
Land Road	
Infrastructure	- Total length of highway: 20.000 km (to increase by nearly 30%) Of which: + New construction of 4.000 km of expressway + Connecting, new construction of 1.000 km of highway. - Upgrading of entire highway system, renovate and upgrade to the appropriate technical level.
Transportation	- Cargo transportation speed: 60-80 km/h - Passenger transportation speed: 70-80 km/h - Cargo transportation capacity: 3.200Tkm/TPT/month - Passenger transportation capacity: 3.500pas.km/seat/month - Curbing road accidents - Minimizing pollution.
Industry	- To set up the automobile industry of Vietnam, to satisfy about 60-80% of the domestic demand for motorbike, construction machinery and loading/unloading machines , to have some types of products for export. - Localization ratio of above 60%

Railway	
Infrastructure	- The entire railway system meeting national and regional technical standards. - New construction of 1.630 km of high-speed North-South railway, dual lane, electrifying, width of 1,435 mm. - Renovation and new construction of about more than 500km of high speed, dual-lane, electrified railway, width of 1.435 mm.
Transportation	- Passenger train speed: 120 km/h - Cargo train speed: 80 km/h - Running time for North-South passenger train to be reduced to less than 10 hours (on the North-South high-speed railway) - Engine capacity 2.200 CV, modern coaches
Industry	- Manufacturing and building of modern cargo and passenger coaches for domestic use and export. - Installation and step-by-step manufacturing of modern engines.
Maritime	
Infrastructure	- Total length of port wharfs: 48,000-50,000 m - Upgrade 6.000m of port wharf - New construction of 26,000m of port wharfs, including: + 3 deep water ports in 3 areas which can receive ships of 50.000 - 80.000 DWT + 1 international transshipment port which can receive ships of 4.000 - 6.000 TEU - All national ports meeting international standard.
Transportation	- Speed of inshore domestics vessels to reach 14 sea mile/hour - Speed of ocean vessels to reach 18 sea mile/hour - Average transportation productivity to reach 25 T/DWT/year. - Average productivity of general port to reach 4.500 T/m ship bridge/year. - Total load of ship team: 4.720.000 DWT. - Average age of ships: 15 years. - Market share in import-export marine: 35%.
Industry	- Able to build new dry cargo ship of 30,000 - 50,000 DWT - Able to build new liquid cargo ship of 100.000 DWT - Able to repair ships of up to 200.000 DWT
Inland Waterway	
Infrastructure	- Total length under control 16.500 km. - The whole river waterway network and main river ports meeting the required technical standard. - Modernization of the information and signal system to meet regional and international standard.

Transportation	- Transportation speed of Barge group: 10-12 km/h Self-propelled ships: 20 km/h Express passenger ships: 45 km/h - Transportation Capacity of Cargo ship: 40-45 T/TPT/year Passenger ship: 1.000 passenger/seat/year - River-ship team with power of 5,359,000 CV - Total load of 4,865,000 TPT and 480.000 passenger seats - Average age of ships: 5-7 years.
Industry	- Able to repair and built all type of river ships.
Aviation	
Infrastructure	- Airport system includes: + 3 regional transit points (Noi Bai, Tan Son Nhat and Long Thanh) + 3 medium and small-scale international airports in 3 regions of North, Center and South. + 22 domestic airports and some other service airports - All international and domestic airports meeting international standard.
Transportation	- Domestic transportation productivity to reach 600 passengers/seat/year. - International transportation productivity to reach 450 passengers/seat/year. - Expansion of domestic and international air routes. - Increase the number of aircrafts in service (including army aircrafts) to about 120 units, of which ownership rate to reach 70%. - Long-distance aircraft will be those with huge load, above 400 seats.
Industry	- Able to maintain and repair common aircrafts for domestic and international transport. - Able to manufacture some common aircraft spare parts and components, terrestrial equipments. - Able to assemble military and specialized aircraft.
Urban Transport	- Public passenger transport ratio to reach 50-60% - Land areas serving urban transportation purpose to reach 15 - 25%. - In Hanoi and HCMC, to develop means of mass-transportation (terrestrial tramcar, elevated railway, metro)
Rural Transport	- Car roads to reach all communes and most of possible village/hamlets - Ensure smooth transport all year round. - Asphalt-coated and Cement-coated ratio of 50%.

2. Demand for Investment Capital by Transport Industry by year 2020

In order to achieve the above-mentioned targets, the emand for investment capital by the Transport Industry by year 2020 is detailed as follows :

Item	Period 2002-2010	Period 2011-2020	Period 2002-2020	Annual Average 2002-2020
Land Road	245.990	328.530	574.520	31.918
Of which: Expressway	56.570	158.530	215.100	11.950
Highway	139.420	125.000	264.420	14.690
Provincial Road	50.000	45.000	95.000	5.278
Railway	218.661	393.576	612.237	34.013
Of which: Express railway	204.000	361.500	565.500	31.417
Normal railway	14.661	32.076	46.737	2.596
Maritime	20.387	65.000	85.387	4.744
Inland Waterway	4.673	4.507	9.180	510
Civil Aviation	17.880	36.330	54.210	3.012
Urban Traffic (Hanoi and HCMC)	195.886	423.595	619.481	34.416
Of which: Land road	129.385	221.448	350.833	19.491
Railway	56.501	193.147	249.648	13.869
Public Transport Subsidy	10.000	9.000	19.000	1.056
Rural Traffic	86.500	77.850	164.350	9.131
Total	**789.977**	**1.329.388**	**2.119.364**	**117.744**

3. List of prioritized projects calling for private investments

The demand for investment capital in transport infrastructure by year 2020 is substantial, with an average demand of VND117,744 thousand billion, (equiv. USD7.4 billion), while the supplying capacity from the existing sources including State Budget, Government bonds etc.. is only about 2-3 USD billion, meeting about 20%-30% of the capital demand.

In order to meet the demand for investment capital, the Ministry of Transport's policy is to attract funds from diversified sources, including the private sector, local and overseas financial institutions. Capital from private sector will be attracted via the issuance of project bonds, direct investment (BOT, BT..). Capital from financial institutions will be attracted via loans at the market interest rates.

3.1 Criteria for the selection of prioritized projects calling for private sector investment.

- The project is in the approved plans.

- The project is of large-scale and can influence and promote the socio-economic development.

- The project is of large scale, locating in key cities, having substantial impact on the traffic system, helping reduce traffic jam.

- The project can general income for payback. The economic Internal Rate of Return must reach 12% and above. The financial Internal Rate of Return must be higher than deposit interest rate.

3.2 List of prioritized projects calling for private sector investments

Total amount of capital demand: about VND226,688Billion (equiv. USD14.2 Billion), with the list of projects as per attachment.

4. Status of investment capital mobilization from private sector in Transport Industry

Presently, ADB is supporing the Ministry of Transport by providing technical assistance to the project of 'Planning for the Development of the Expressway Network' with total value of USD1.1Million. One of the contents of the projects is studying and selecting projects with Public-Private Partnership, with the following activities:

- Establishing the procedures, methods and implementation of investment under Public-Private Partnership.

- Setting up the criteria for selecting prioritized projects under Public-Private Partnership investment.

- Studying some specified projects, selecting 1 project and recomending for the project owner to implement Public-Private Partnership.

Upon having research results, the Ministry of Transport will carry out the pilot project with Public-Private Partnership investment.

Capital resource from the private sector is substantial. However, attracting capital from this sector for jointly participation with the public sector in socio-economic projects, especially in infrastructure projects, is still a challenging task with various obstacles ahead. Those challenges and obstacles are resulted from the fact that this is a new model in Vietnam and there has not yet been sufficient experiences and a clear and firm legal framework.

In order for the Public-Private Partnership model to success, it is necessary to receive the supports and assistance from many sponsors, especially from ADB, in the construction of institutional framework, policy, implementation model, dissemination of experience, training of human resource etc.

List of projects calling for private sector investment

No	Project	Location	Scope/Quantity	Cost estimation (Billion VND)	State Management Authority	Status
Land Road						
1	Ninh Binh - Thanh Hoa Expressway Project	Ninh Binh, Thanh Hoa	80 km, 4 lanes	5120	VEC	Preparing Feasibility Study
2	Hanoi-Haiphong Expressway	Hanoi, Haiphong	4-6 lane, 100km	7000	PMU B.Dong	Preparing Feasibility Study
3	Noibai - Halong - Mongduong Expressway	Hanoi, Haiduong, Quangninh	4 lane, 146km	7850	PMU 18;	Preparing Feasibility Study
4	Mongduong - Mongcai Expressway	Quangninh	4-6 lane, 80km	4900	Quangninh Province	Preparing Feasibility Study
5	Danang - Quangngai Expressway	Danang, Quangnam, Quangngai	4 lane, 140km	12600	PMU 85	Preparing Feasibility Study
6	Deo Ca Tunnel	Phuyen, Khanhhoa	5,5 Km	3500	PMU 85	Preparing Feasibility Study
7	Dauday - Dalat (Lienkhuong) Expressway	Dongnai, Lamdong	4 lane, 189 km	8277	PMU1	Preparing Feasibility Study
8	Saigon - Longthanh - Dauday Expressway	Saigon, Dongnai	4-6 lane, 55km	6000	PMU - M.T	Preparing Feasibility Study
9	Bienhoa - Vungtau Expressway	Dongnai, BR-VT	4-6 lane, 90km	10800	PMU - M.T	Planed
10	Trung Luong - Can Tho Expressway	Tien Giang, V.Long, C.Th	4-6 lane, 80km	8000	VEC	Preparing Feasibility Study
11	Nhontrach Bridge (Dong Nai River)	HCMC, Dongnai	4 lane, L=1500m	1240 (GĐ1)	PMU - MT	Preparing Feasibility Study

Maritime						
12	International Port in Northern region (Lach Huyen)	Hai Phong	30 millions Ton/year	3400	Maritime Department	Preparing Feasibility Study
13	International Port in Central region (Lien Chieu)	Da Nang	1.9 millions T/year	1850	Maritime Department	Planned
14	Vanphong Transshipment Hub port	Khanh Hoa	2 terminals 700m, 500.000 TEU/years	3150	Maritime Department	Preparing Feasibility Study
15	SoaiRap Channel Upgrading/Renovation	HCMC	30 km for 30000DWT ship	2000	Maritime Department	Preparing Feasibility Study
16	Ring road 4 - Hanoi	Hanoi, Hatay, Hungyen, Bacninh, Bacgiang, Vinhphuc	6-8 lane, 130km	9800	PMU T.Long	Preparing Feasibility Study
17	Yen Vien-Ngoc Hoi elevated Raiway	Hanoi	National Railway/ Urban Railway	15000	Railway Corp.	Preparing Feasibility Study
18	Dawoo - Lang - Hoalac urban railway	Hanoi, Hatay	Urban Railway, 32km	12000	Railway Administration	Preparing Feasibility Study
19	Hanoi - Noi Bai urban railway	Hanoi	Urban Railway 25km		Hanoi city	Planned
20	Giapbat - South Thang Long urban railway	Hanoi	Urban Railway 19km		Hanoi city	Planned
21	Buoi - Donganh-Socson urban railway	Hanoi	Urban Railway 24km		Hanoi city	Planned
22	Cobi-Kim No urban railway	Hanoi	Urban 26km		Hanoi city	Planned

Urban transport in Hochiminh City						
23 24	Ring road 3	HCM, Dongnai, Longan, Binhduong, Tayninh	6 lane, 91km	26000	PMU - MT	Preparing Feasibility Study
25	Ring road 4	HCM, Dongnai, Longan, Binhduong, Tayninh	4-6 lane, 113 km	19000	PMU 85	Preparing Feasibility Study
26	Benluc - Longthanh Expressway	HCM, Dongnai, Longan, Binhduong, Tayninh	4-6 lane, 100km	13000	HCM city	Planned
27	Binhtrieu - Hoahung evaluated railway	HCM	National Railway/ Urban Railway	3869	Railway Corp.	Preparing Feasibility Study
28	Thuduc-Benthanh-Anlac urban railway	HCM	Urban Railway 26,6km	15232	HCM	Planned
29	Thuthiem-Benthanh-Baqueo-Hocmon urban railway	HCM	Urban Railway 16,3km	10032	HCM	Planned
30	Binhphuoc-M.dong - Cholon - District 8 urban railway	HCM	Urban Railway 19.8km	9792	HCM	Planned
31	District 12-Govap-Phunhuan-District 4- southern Saigon urban railway	HCM	Urban Railay 18.9km	10560	HCM	Planned
	Dienbienphu-Truongson-Lythuongkiet-Cholon	HCM	Urban Railway 14.6km	9616	HCM	Planned
Airport						
32	Duongto Airport	Phuquoc (Kiengiang)	International airport	2100	Aviation Department	Planned

PPP in Transport MMW4P workshop

Simon Lucas
The World Bank

This morning

- Overview of need
- Tollway Project experience from India
- QA on investment and opportunities Vietnam

Break

- Hanoi Bus services
- Road safety
- QA and wrap-up

Overview

- Growth rate 10% p.a.
- Investment

  High - $7.5bn

  Medium - $ 5Bn

  Last 5 years - $ $1.6Bn

Debt and already committed project =

No new spend from GoV budget – 5 yrs.

Achieving financial sustainability

Financiers of infrastructure and services

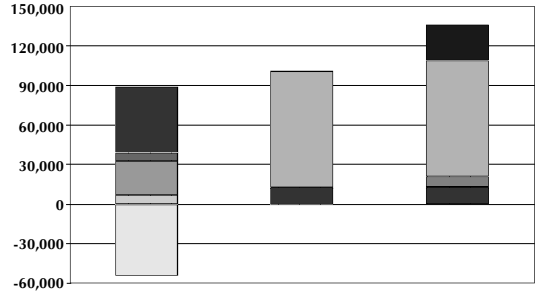
- Develop a framework for private sector participation in infrastructure finance

- The risk/reward tradeoff

- Managing contingent liabilities

- Institutional and regulatory structures

- Develop a framework for the use of national government bonds
- Develop a framework for municipal finance



Develop capacity to manage private sector in all forms

- Investment = Vietnam Expressway Corp.
- Performance based maintenance
- Road user charging
- Traffic safety
- Urban transport

Vietnam Expressway Corporation

- Formed 1 September 2004
- 7,785Km
- Focus on high volume (+ 20-80k pcu)
- N-S backbone
- E-W links
- Urban ring roads/relief
- $1-2Bn per year
- 61,000 Ha land for network

Overview of urban transport infrastructure in HCM city

a. Present situation

1. Road transport

- Transport road system is insufficient and incomplete
- Low road ratio, distributed unequally:

  In downtown area: 11,9 %

  In suburb area: 2.9 %
- Incomplete ring road system
- Lack of key roads: main roads, radial roads, centripetal roads.
- Number and area of stations, parking area is limited, making up only about 0.1% of urban land area

2- Railway Transport

- No urban railway, only 1 National railway

3- Waterway Transport

- Most of seaports locate in downtown area, with low capacity
- River ports are dispersed, with poor material facilities.

4- Public Transport by Bus

- Number of means of communication: 3.183
- Satisfy 3.8 % transport demand

b- Objectives

1. Urban transport to be planned in a "Open City" concept.

2. To ensure synchronous development of the urban transport system, to serve the purpose of socio-economic development.

3. To ensure that by year 2020, land area used for urban transport system to account for 15-25% urban land area.

c- Orientation for development

1. To make complete investment for the ring roads, main roads, radial roads and centripetal roads

2. To build up a parking system (on the ground and underground)

3. To develop public transport, of which to concentrate on mass-transport such as tramcar, metro etc. By year 2015 to meet 25% transport demand of the City.

Projects calling for PPP investments

I. METR ROUTE NO. 4 (Go Crossroad – District 4)

II. SAI GON - CHO LON - MIEN TAY COACH STATION TRAMCAR PROJECT

III. RING ROAD NO. 2 (From An Lac Cross-road to Nguyen Van Linh avenue)

IV. ELEVATED ROAD ALONG NHIEU LOC – THI NGHE CHENNEL (From Cha Ca Tomb to Thi Nghe 2 Bridge)

Metro route No 4 project (From Go Vap crossroad – District 4)

Scale, designed capacity:

- Total estimated investment capital: USD392.48

- Total Length: 11.7 km

(of which underground: 10.6 kn, on the ground: 0.4km and elevated: 0.7km)

- 8 stations
- Route direction: District 4 – Nguyen Thai Hoc – Ben Thanh market – Pham Ngoc Thach – Hai Ba Trung – Phan Dinh Phung – Nguyen Kiem – Nguyen Oanh

Assessment of Project Investment:

- Output: 350 thousand passenger participations (127.7 millon participations/year)
- Passenger transport in the North-South axis, via Tan Son Nhat Aport and connecting with the City centre and Thu Thiem new urban area.
- Reduction of transport pressure in downtown area, saving transport time, improving safety and avoiding environmental pollution

TRAMWAY

Route No. 1: SAIGON – CHO LON – MIEN TAY COACH STATION

Scale, designed capacity:

- Total estimated investment: USD100 Million
- Total Length: 12.5 km
- Itinerary: Bach Dang station – Ben Nghe Channel – Dong Tay Avenue – Lo Gom kennel - Ly Chieu Hoang – Mien Tay Coach Station

Investment Assessment

- Providing public transport service with mass scale and safety, connecting two town centers (Cho Lon and Sai Gon)
- Reducing environmental pollution, reduction of traffic jam

Land road

1. RING ROAD NO. 2 (From An Lac Cross road to Nguyen Van Linh road)

2. ELEVATED ROAD ALONG NHIEU LOC – THI NGHE CHANNEL

(From Cha Ca Tomb – Thi Nghe 2 Bridge)

Ring road No. 2 project (From An Lac Cross road to Nguyen Van Linh road)

- Route Direction: From An Lac Crossroad to Nguyen Van Linh road
- Scale

- Total length: 5200 m

- Width: 60m

- Grade: Urban road Grade 1

- Designed speed of vehicles: 80-100 km/h
- Total investment capital: VND2,300 Bililion (USD150Million)

Works along the ring road

- 3 Bridges:

- Ba Tieng Bridge, length: 50m

- Phu Dinh Bridge, length: 750m

- Ba To Bridge, length:100m

- Expected crossroads

- Starting point of road: trumpet crossroad

- Junction with Kinh Duong Vuong road, level crossroad

- Junction with Dong Tay Avenue, rosette crossroad

- Junction with Pham The Hien road, overpass bridge

- Junction with Nguyen Van Linh Road, complete rosette crossroad

- Completing and bringing in effects for Ring Road No. 2
- Connecting seaports system with Cuu Long Delta
- Developing urban areas along the road, connecting residential areas, cultural centers, administrative centers in District 8 and surrounding area.
- Reasonable Redistributing of population

Elevated road long Nhieu Loc – Thi Nghe Changel (From Cha Ca Tomb - Thi Nghe 2 Bridge)

- Route Direction: Along Nhieu Loc – Thi Nghe channel

- Scale:

- Total Length: 8.2 km

- Width: 16.5 m

- Designed load: HL93

- Designed speed of vehicles: 80 km/h
- Total investment: VND3,500Billion (USD150Million)

Investment Project Assessment

- Creating an additional corridor in North-South axis in order to reduce transport pressure for the downtown area
- Serving the economic development target of the City, connecting Tan Son Nhat airport with City center.

Public Private Partnership (PPP) in Vietnam Water & Sanitation Sector

Nguyen Cong Thanh
Country Team Leader, WSP
World Bank, Hanoi

Contents

- Water sector in Vietnam and investment needs
- Pilot district town Water Supply Project on DBL approach
- Application of lessons leant from the Pilot Project
- Impact of the Pilot Project to water sector
- Some conclusions
- Next steps

Water sector in Vietnam

- Urban: 67 water utilities, 26.8% of population

- Coverage: 61% - 76%

- Non-revenue Water: 35%

- Working ratio: 0.63

- Number of staff/1000 connections: about 60% higher than well run systems in developing countries (8 staff/1000 connections)

- Small towns: 627 district towns

- About 200 district towns have piped water supply, with three main issues

- Over design capacity

- Imbalance between production and distribution capacity

- Poor construction of systems by contractors who don't have to operate them

- Rural: 73.2% of population

- Coverage 40%

- Fragmentation and lack of clear institutional models

- A number of local private service providers have recently established in response to market demand

Water & Sanitation Sector Investment needs to meet MDGs/VDGs

- The investment needs to meet the Vietnam MDGs in both rural and urban water and sanitation by 2020 are at level of $600 millions annually – World Bank estimation;
- Roughly 4 times the annual investment in the last 10 years;
- How to achieve the government committed MDGs in the context of unlikely massively increase donors supports?

- Improve efficiency by PPP models?

- Mobilize international capital markets?

- Mobilize local private capital?

Pilot district town Water Supply Project on DBL approach

Keys Principles:

- Demand responsive approach
- Bundling phases of activities (Design, Build, and Lease) into a single package (DBL) to overcome earlier mentioned three main issues of district town water supply

- Over design capacity

- Imbalance between production and distribution capacity

- Poor construction of systems by contractors who don't have to operate them

- Intensive social intermediation (social/economic surveys, willingness to connect surveys - WTC) and the results show:

- People affords to pay more than current provincial town water tariff

- Almost 90% of households signed off the WTC form in both towns

Pilot district town Water Supply Project on DBL approach

Advantages:

- Cleared OWNERSHIP of water supply facilities – Public ownership;

- Public Sector (Provincial Water Supply Companies) can easier to access to financing, banking institutions and ODA funding agencies;

- Different with BOT or BOO schemes, where private sector has to finance for construction of the facilities and this normally led to high tariff that people can not afford to pay or city government have to subsidy (HCMC);

- Creating opportunity for LOCAL PRIVATE SECTOR (SMEs) to participate in water sector on PPP basis;

- Newly established SMEs are egger to improve both investment and operation efficiencies

- Public Resources will be used more effectively by DBL contractors;

- This approach is suitable for district town water supply systems (2000 -5000 customers), which is a high priority of the Government at this time.

Pilot district town Water Supply Project on DBL approach

Implementation Progress:

- DBL Contracts signed in January 2006 with private firms in both towns;

- It is expected to complete construction and put into operation in early 2007;

- New to Vietnam and will take time to develop and implement as need to build capacity in both public and private sectors;

Application of lessons leant from the Pilot Project

1. WB financed Urban Water Supply Development Project – District Towns:

- $56 million investment to district towns water supply

- DBL technical/social design approach being applied

- Water supply system assets belong to public sector (PWSCs), but O&M will be contracted out to LOCAL PRIVATE SMEs

- If the full implementation of the pilot DBLs proves successful, then this approach will be applied more widely

2. WB financed Red River Delta Rural Water Supply & Sanitation Project:

- $46 million investment for pipe water supply systems in 120 communes in four Red River Delta provinces: Ninh Binh, Nam Dinh, Thai Binh and Hai Duong

- DBL technical/social design approach being applied

- Water supply system assets belong to a provincial JSC, but O&M will be contracted out to local private SMEs

- Rural Water Supply and Sanitation Enterprise (JSC) Charter, Legal Framework and template Business Plan are being developed

3. Small Town Water Supply and Sanitation Program, financed by MoFA of Finland

- €20 million grant funding from MoFA, covering 12 district towns in four provinces of Thai Binh, Hung Yen, Hai Phong and Bac Kan

- DBL technical/social design approach being applied

- O&M for both water supply and sanitation systems in small towns will be contracted out to local private SMEs

Impact of the Pilot Project to water sector

1. WB financed HCMC non-revenue water reduction project

- Outsourcing contract to INTERNATIONAL PRIVATE SECTOR for leak control, being procured by SAWACo
- Hanoi Water Business Company expressed its willingness to apply the same model to Hanoi's water supply system

2. New Urban Water Supply Decree:

- New urban water supply decree expected to be approved by Government by end of this calendar year
- Will provide a legal basis for both INTERNATIONAL AND LOCAL PRIVATE SECTORS to participate in water service provision

3. Outsourcing in Coastal Cities Sanitation Project:

- Agreement to use of outsourcing of solid waste collection in three wards in each of three cities
- Agreement to use of outsourcing of septage collection in one ward in each of three cities

Some conclusions

On DBL Pilot Project

1. WTC surveys showed that consumers are willing to pay higher tariffs when linked with improved services;

2. Local private sector is interested in water sector (two DBL contracts awarded to private firms);

3. Experience gained from the pilot projects are being applied to the design of main urban and rural water investment projects funded by the Bank and other donors;

4. New urban water decree is creating a strong, sustainable legal basis for private sector participation in water sector in Vietnam.

5. Outsourcing of solid waste collection and septage in three cities under coastal cities sanitation project will test the market for expansion possibilities across the rest of the country;

On PPP in Water Sector

1. There are two windows for private sector participation

- Public Private Partnership (PPP) in service delivery
- Mobilization of private capitals to supplement limitted public resources

2. A broad range of PPP in water sector

- Management contracts;
- Operating contracts;
- Leasing contracts;
- Conssesional contracts;
- BOT, BOO contracts, etc…

3. The PPP type selection should be based on many factors, but the bottom line is to balance the interests of all three parties: Water Users; Operators; and Facilities Owners

Next steps

- Mobilization of private capital for water sector – For example through bond issuance or utility credit rating system
- To increase the mobilization of private sector in the provision of sanitation services – for example through broader range of service contracts with the public sector service providers

Making Markets Work Better for the Poor

Jaime Frias

Presentation overview

1. Objectives

2. Conceptual framework

3. Case studies from Vietnam

4. Reflection on lessons and findings

5. Questions & answers

Objectives

1. To present ways to enhance the effectiveness of infrastructure investments through utilizing the strengths of water & sanitation markets.

2. To propose viable investment alternatives for water and sanitation development in comparison to existing conventional approaches.

Rationale

- Public water & sanitation infrastructure will not bring the expected benefits if the population lack household sanitation facilities and appropriate hygiene practices.
- Environmental benefits will only be achieved when service coverage rate is considerable.
- Public water and sanitation infrastructure coupled with household level facilities and appropriate hygiene practices will further extend health benefits to the population.

The case for public & private participation

1. Water & sanitation Infrastructure

- Regulate market structure conducive to a single provider
- Ensure service standards & minimum coverage rates
- Protect population from environmental externalities

Some advantages of PSP

- Can bring additional investment & operating cash
- Management & administration more flexible and cost-effective
- Normally has better of, access to, technology
- Can lead to improved efficiency due to competition

2. Water & sanitation markets for household-level product and services

Initial market development phase

- Product development, adaptation & testing
- Licensing & government approvals
- Consumer research
- Design of communication & promotion plans
- Transferal of supplying capacity to local distribution networks

Ongoing phase

- Sales promotion & merchandising
- Working capital financing
- Costs of trade pf product & servicing

The case for market development

Condition 1: The profit margins during the ongoing market phase are not enough to allow vendors to recover investments in market development done during the initial phase

Condition 2: Profit margins for vendors & manufacturers exceed the COC during the ongoing phase

Factors that hinder cost recovery of initial investments in MD

1. Target market segment

- High ROIC to compensate risk
- Initial investments incorporated into the price structure (premium)
- The need for low-priced products & services to penetrate poorest consumer segments

2. Water & sanitation product & services

- Commoditization of product and service components
- Fragmentation & informality of service provision
- Extensive & costly regulatory processes

3. Developing business environment

- Lack of venture capital to put into long-range, speculative projects
- Fewer individuals or organizations with the knowledge, ability & resources to develop water & sanitation markets
- Lack of effective enforcement of intellectual property rights of technological improvements

Case Studies

Assisted development for low-cost hand-pumps markets

In a nutshell

- Working provinces: Thanh Hoa, Quang Nam & Hue
- The project executing agencies MARD, CERWASS and IDE
- Period: 1994-2002
- Total investment: US$2.1m
- Funding Agency: ICCO

Background

Existing product: UNICEF pump #6

- Approximate cost/unit: US$100
- Financing: Heads by UNICEF, installation by CERWASS
- Demand expressed through local political networks
- Centralized procurement

Actions

- Development of a hand-pump smaller in size than the No.6.
- IDE worked with mass organizations to set up a network of pump promoters, drillers and suppliers.
- Training commune-based well drillers on the low-cost sludger drilling method

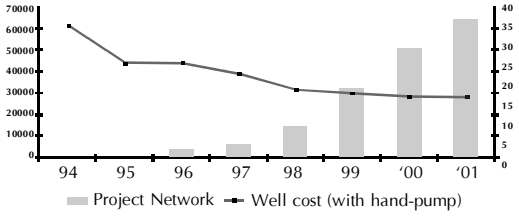
Powerful marketing campaign: Based on issues of convenience, safe water, domestic sanitation and health.

- Customer education and dissemination of information to potential users to assist them in making an informed decisions.
- The lighter pump heads led to cost reduction even further.
- A simpler drilling method allowed establishing privatized drilling and distribution networks, which cut costs dramatically

Results

In the experimental group of communities:

Hand-pumps cummulative sales & cost reduction for household installation of hand-pumps & well in selected areas during 1994-2001



Assisted development for low-cost sanitation markets

In a nutshell

- Quasi-experimental design frame
- Working provinces: Thanh Hoa & Quang Nam
- Project executing agencies VWU, District Health Department and IDE
- Period: 1993-2006
- Total investment: US$0.6m
- Funding Agency: DANIDA

Background

- Consumers had a biased perception of costs for sanitation
- Market needed new sanitation masonry skills
- Investment in sanitation was not a consumer priority
- Few incentives for service providers to enter & develop the market

Communities	Households	Poor households as % of total population	% of households owning a safe latrine
Experimental group	53.886	19,1	16,0
Control group	5.440	19,7	18,3

Actions

Standardized a range of affordable options (demonstrations)

- Brought technical expertise on sanitation engineering
- Reverse engineering for affordability & scalability of options

Built supply sanitation network

- Trained 600 village masons on construction of affordable latrine options
- Trained 200 masons on consumer driven sales-promotion
- Endorsed technical skills with certification of credentials

Delivered a powerful advertising and promotion campaign

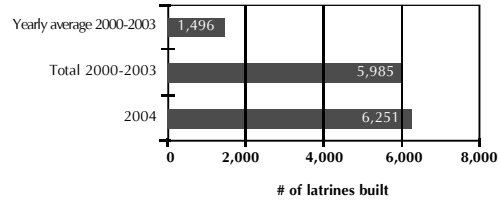
- Radio broadcast, news program, 54 radio advertisement, loudspeaker, television and outdoor billboards.
- Estimated coverage of target group: 70 percent
- Linked supply and demand through customer meetings
- Implemented peer influence mechanisms

Results: Increased access to improved sanitation

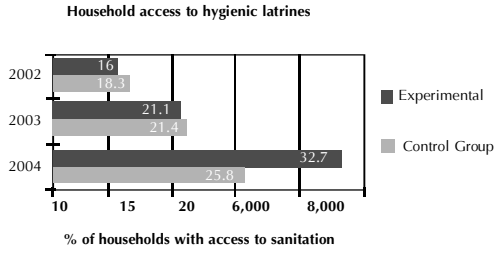
In the experimental group of communities

- latrine construction grew fourfold

Lantrines constructed in the project areas



Results: Increased access to improved sanitation



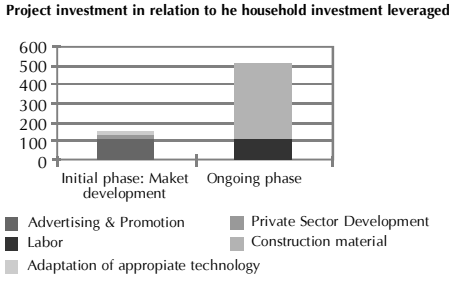
Results: The market reached the rural poor

% of poor households in the total population (Dec 02)	% of poor households among all latrine buyers (Sep 03 – Dec 04)
19.1	10.7

Population category	Household annual income (US$)	Average household investment in sanitation (US$)	Investment as % of annual household spending
All latrine buyers	592	66	11.1
Poor latrine buyers	362	55	15.2

Results: A cost effective approach

The market value of capital investment leveraged by 2004



Analysis: Impact of market development investments

Area	Strategy	Impact
Product development, adaptation & testing	• Modified the price/performance format of existing water and sanitation products & services to meet the needs of the poorest segments • Increased consumer choice by expanding the existing range of product and service options and purchasing flexibility. • Examples: smaller hand-pump heads, wider range of scalable latrines & differed payments and credits.	• Increased capacity of the poor to consume sanitation product and services that were affordable and desirable. • Enabled full capital cost recovery, leveraging of resources. • Leveraged on the increase in demand despite of cash constrains
Transferal of servicing & promotion capacity to local networks	• Transferred appropriate skills into the local distribution network to provide what customers wanted and could afford • Enabled the local network to perpetuate development of consumer base through sales promotion capacity • Enabled improved trust between the provider and the customer	• Increased choice and availability of affordable options for the poor market segment • Increased competitiveness and consumer accountability of service provision • Leveraged on private sector incentives to develop the market
Stimulating demand for products & services among poor market segments	• Triggered the powerful motivational drivers of demand: Benefits based on peoples' aspirations & dreams. Reframed the value of sanitation in relation to competing household purchases. • Dispelled the myth of the excessive cost of sanitation • Created mechanisms for market information flow and peer pressure • Developed rigorous mechanisms to reach the poor	• Increased willingness to invest in sanitation among the poor • Raised the awareness of the new price performance formats among the poor • Increased understanding of product usage & key features • Reached a significant portion of the poorest segments of consumers

Conclusions

Without the initial market development, some products and services will never make it to the ongoing-phase

These markets have proved to benefit the poor

A comparison with conventional approaches

- Increased access to product & services
- Improved appropriateness of product & services
- Cost-effectiveness & leveraging of financial resources
- Improved sustainability through utilization of the local system

Sector development agencies should start looking at market development of water & sanitation services to:

- Further leverage the impact of investments of water & sanitation infrastructure
- Enhance "hardware" investments with sustainable and market oriented "software" strategies
- Reduce capital cost subsidies, community development and micro-credit programs that do not consider the role and functions of markets for the poor

National Handwashing Initiative

A Public Private Partnership

Why Handwashing?

- Reviews suggest that handwashing can reduce the risk of:

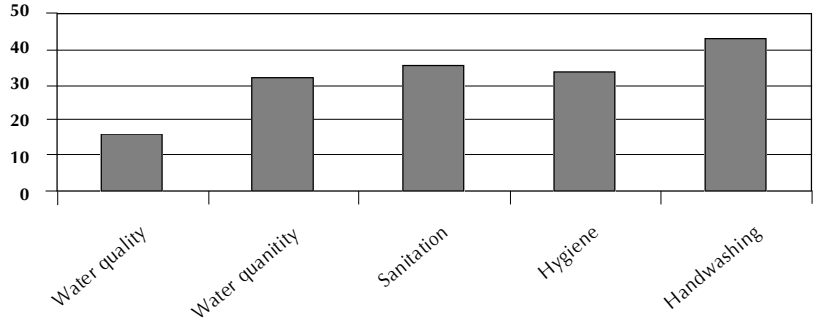
- Diarrhoeal infections by 47%

- Respiratory tract infections by 19-45%

- Intestinal infections by 48%

- Handwashing can save over a million lives
- Feasible and cost effective
- The "do-it-yourself" vaccine
- And can prevent SARS and Avian Flu

Effectiveness of water and sanitation interventions in reducing diarrhea



The Problem

In Vietnam:

- Each year, an estimated 14,000 children die from diarrhea
- Diarrhea is the second leading cause of illness among children under five, accounting for almost 18% of morbidity and mortality cases in hospitals
- Acute respiratory infections caused over 30% of child hospital deaths in 1998
- 34% of children under five suffer from malnutrition

Sources:

1. Global Illness and Deaths Caused by Rotavirus Disease in Children CDC , 2003

2. Demographic and Family Health Survey, INEI, 2002

3. & 4. Growing up Healthy, GOV, 2001

5. State of the World's Children, Unicef, 2005

How can we catalyze behavior change?

In Vietnam, we need a modern, consumer-based approach built upon

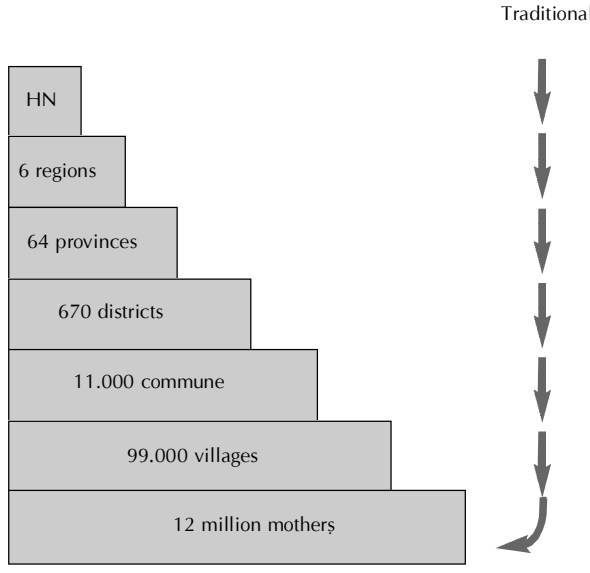
what the consumer does and wants

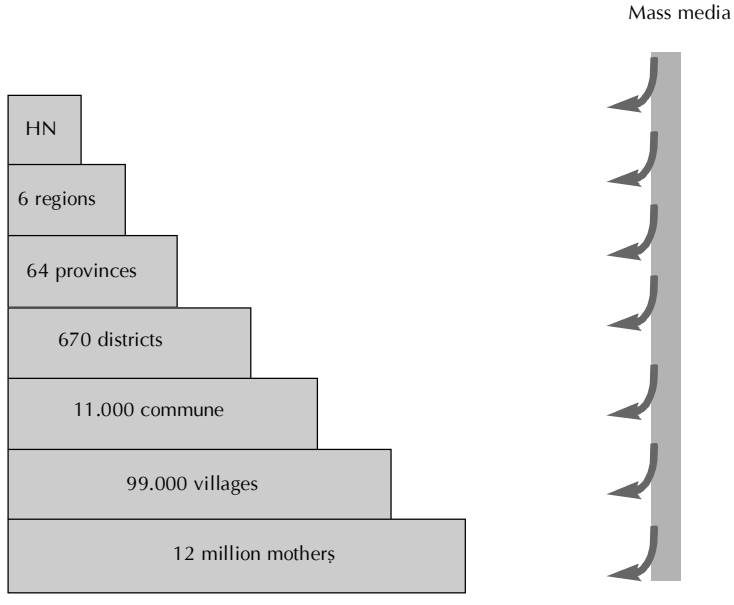
Objective of Handwashing Initiative

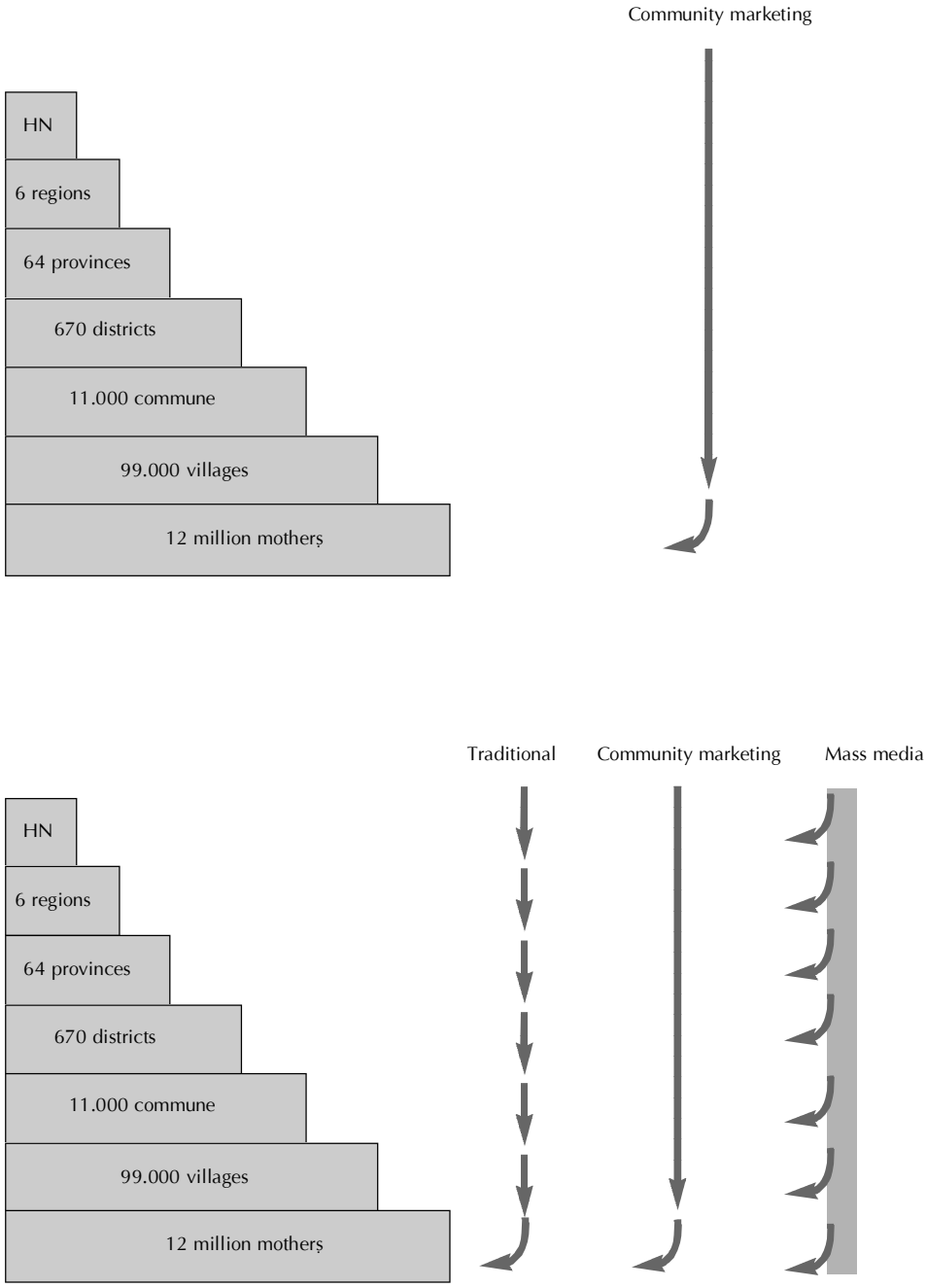
- To reduce morbidity and mortality among children under five through an integrated communications campaign promoting handwashing with soap to prevent diarrhoeal diseases.
- It utilizes Public-Private-Partnerships to promote handwashing with soap.

How is the PPP HWI special?

- Treats people as consumers, not as victims
- Is large-scale, replicable and likely to be cost-effective
- PPP a model for other sectors
- Is serious






Community marketing
HN
6 regions
64 provinces
670 districts
11.000 commune
99.000 villages
12 million motherș
Traditional
Community marketing
Mass media
HN
6 regions
64 provinces
670 districts
11.000 commune
99.000 villages
12 million motherș

What's new here?

- Maximising reach & impact

- 12 million Vietnamese mothers with children under 5

- School program in 50% of primary schools

Consumer focus

- Campaigns

- Single idea

- Emotional impact

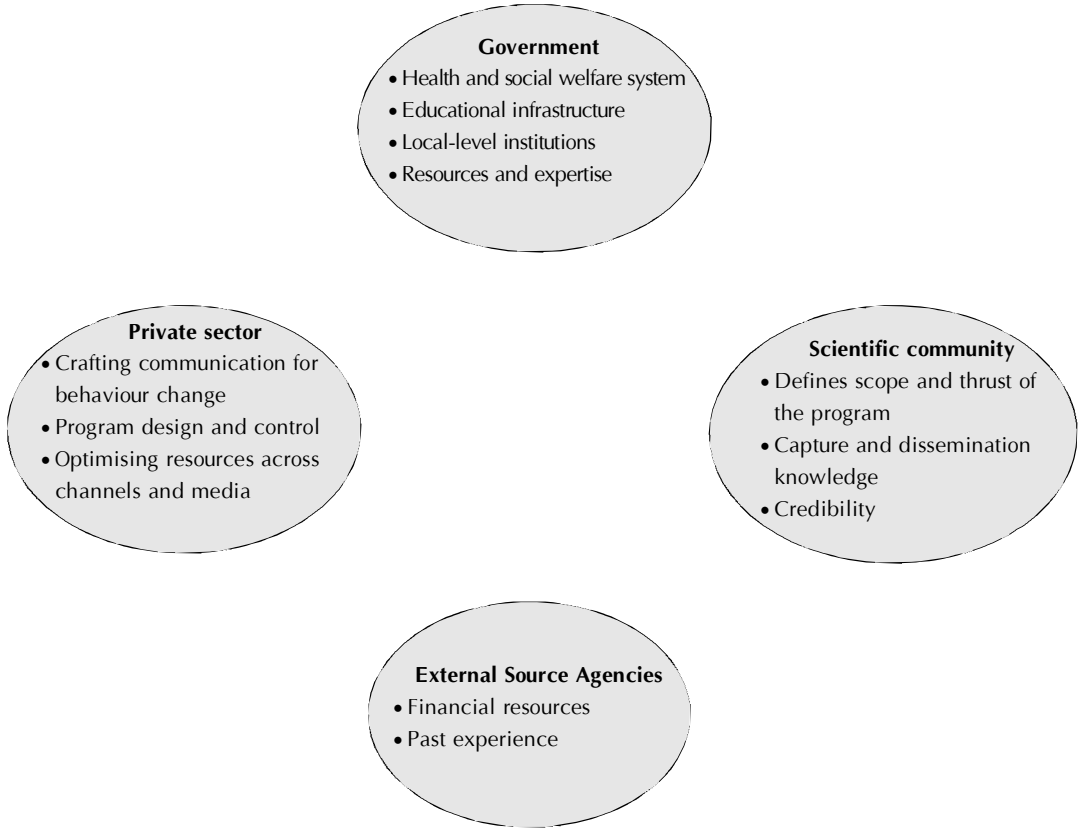
- Industrial strength marketing

Benefit to industry

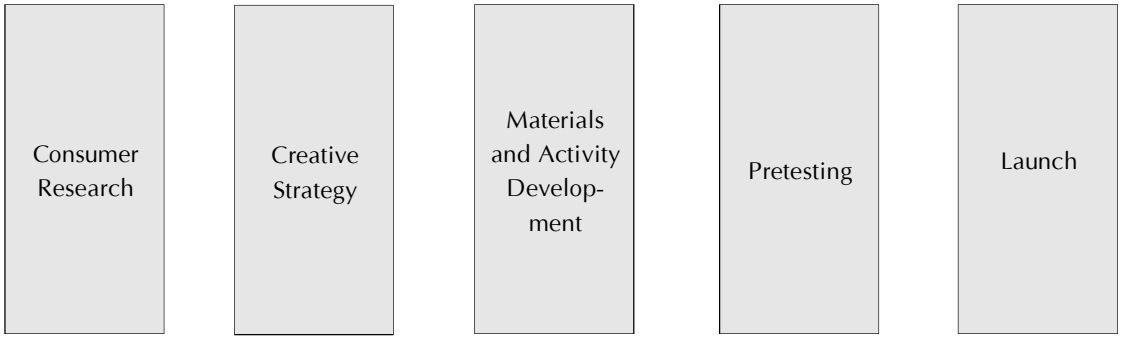
- Soap Volume
- New Markets
- Influence
- Motivation
- Good citizenship

Benefit to the public health

- Efforts towards achieving the Millennium Development Goals
- Reduce infections
- Increased resources
- Expertise



Next Steps for Viet Nam Handwashing Initiative



Partners in the HWI

Public Sector	⇨	Ministry of Health - Lead Agency Women's Union
Private Sector	⇨	Soap: Unilever Vietnam, Lix Detergent Co.
NGO's	⇨	**Health Promotion:** Plan Vietnam, Church World Service, International Development Enterprises, other NGOs
International Cooperation	⇨	Water & Sanitation Program, World Bank, UNICEF, London School Hygiene & Tropical Medicine, Asian Development Bank, WHO & UNDP

Join the initiative!

- Offer your private sector expertise
- Contact

Nga Nguyen, Coordinator Handwashing Initiative
Coordinator, National Handwashing Initiative
Water and Sanitation Program
World Bank in Vietnam
7th Floor, 63 Ly Thai To St., Hanoi
Tel: (84 4) 934 6600 ext. 390
Fax: (84 4) 934 6597
email: nnguyen4@worldbank.org

- Global Handwashing website
  www.globalhandwashing.org

Vietnam Biogas Programme

What is Biogas?

Underground "dome", made of concrete and bricks

Input: dung and nightsoil

Anaerobic digestion

Output: bioslurry and biogas

A Biogas Farm

- Input:

Organic material

(animal dung & night soil)

- Process:

Anaerobic fermentation

- Output:

Biogas + Slurry

Benefits of Biogas: Environment

- Improvement in sanitation of farm and HH
- Prevent water pollution from farming
- Reduction in indoor air pollution
- Provision of potent organic fertiliser, improve soils
- Reduction in use of fossil fuel
- Reduces need for biomass: forest protection
- Green house gas emission reduction

Benefits of Biogas: Social

- Creation of jobs in rural areas
- Eases hard work for women and children
- Reduction cooking/cleaning time: 4day/month
- Reduction time on fuel collection: 1day/month
- More gender diversity in the kitchen
- Health: prevention of eye and lung deceases
- Livelihood improvement!!!

Benefits of Biogas: Economical

- Business development, job creation, income generation
- Energy costs savings: 4,000 to 24,000 VND/Day
- Saves expenses on chemical fertilizer
- Reduction in GHG emissions 2.5-5.0 kT CO2 eq per plant/year
- CDM revenues 6-12 USD per kT CO2 eq.

Objective Asia Biogas Programme

- Access to sustainable energy

  for 1,300,000 people
- Development of a sustainable domestic biogas sector

Achievements Vietnam Biogas Programme

Phase I, 2003-2005

- Skilled biogas technicians: 250
- Mason teams: 350
- Biogas plants constructed: 18,000
- Sound demand for biogas in 12 Provinces
- Continuation of biogas plant building

Objective Vietnam Biogas Programme

Phase II

- Development of a commercial viable domestic biogas sector
- Up scaling to 58 Provinces

- Construction of 150,000 biogas digesters
- 650 trained technicians
- 1400 Biogas companies

Finance biogas plant in phase 1

Investment farmer:	5 million VND
Subsidy:	1 million VND
Programme cost per plant:	1 million VND

Strengths of subsidies

1. Promotional tool
2. Support to finance farmers investment
3. Close relation between program and clients
4. Extra linkage to quality control
5. Highly appreciated by farmers and programme officers!

Weaknesses of subsidies

1. To get the finance for subsidies
2. Free-market distortion
3. Limited number of biogas plants (and clients) due to financial boundaries

Subsidies phase 2:

Some dilemma's

- What is the role of subsidies?
- What is the price elasticity of our product?
- How to define its effects on quality control?
- How does it influence poorer households?
- How strong is the promotional factor?

Vision:

- Establishment of sound demand and supply without external support
- Biogas institutionalized in policies and law
- Business development in Renewable Energy and Water and Sanitation Technologies

Partnerships are needed:

- Micro finance
- Business support for biogas constructors
- Financial support to continue the programme in 2007-2010 !!! (linked to CDM?)

Bastiaan Teune

Biogas Programme Division

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298 Kim Ma, Da Binh, Hanoi, Vietnam

Tel. (84.4) 726.1771, Mob. 09 1332 7915

bwteune@snvworld.org

www.biogas.org.vn

Project for water loss reduction in HCsM city and application of public-private partnership contract

The project of water loss reduction in Ho Chi Minh city is a green-field project under the second phase of the Vietnam Urban Water Supply Development Project, financed by loans from the International Development Association of the World Bank.

Total investment: 44 millions USD

Time: 2007 – 2012.

1. The Project's Objectives

Main objectives are defined as following :

- Dividing and reconstructing the city's water supply network into 6 zones and setting up 2 DMA zones to control flow rate, pressure and water loss.

- Water loss reduction: visible (loss due to practical leakage) in 2 zones and invisible (commercial loss) in all 6 zones.

- Improving water loss management capacity: training, technology transferring to SAWACO.

- Forming basis for the reduction of water loss in the remaining areas, controlling and maintaining water savings level.

2. Project of water loss Reduction and Application of PPP

2.1. Zoning, network division and water loss reduction

- Under the project, 6 zones of the Ho Chi Minh City Water distribution system will be established by building networked facilities to measure the rate of water flowing into these zones.
- Zone 1: Districts 1, 3, 5 and 10.
- Zone 2: Districts 11, Tan Binh and Tan Phu.
- Zone 3: Existing Gia Dinh, Trung An branch.
- Zone 4: Existing Thu Duc branch.
- Zone 5: Existing Nha Be branch
- Zone 6: Districts 6, 8 and Binh Tan.

2. Application of PPP Contract

The WB has funded for its water loss experts to prepare prequalification documents/Contract of Performance-Based Leakage Reduction and Management Service, a kind of PPP contract applied for Zone 1. It's expected that the WASACO will organize international bidding to select international private professional leakage reduction firms to carry out practical leakage reduction works and services in the Zone 1. The SAWACO takes charge of Zone 2.

- Contractor of Zone 1 will carry out following works:

- Conduct survey and detailed designs

- Carry out new connection installation

- Improve old connections

- Install measurement equipment

- Manage DMA

- Reduce leakage and maintain the level of savings

- The contract costs includes 2 types: fixed and efficient. The contract duration is 03 years and a 1 year Maintenance Period in which the level of savings has to be maintained.
- The contractor will be paid on total amount of practical leakage reduction.
- This is reasonable, because the contractor's responsibility will be raised and closely tied to

profit which it enjoys from implementing the Contract of Performance- Based Reduction and management Service.

2.3. Investment capital to reduce water leakage in Zones 3, 4, 5 and 6:

- 4 remaining zones also need investment to reduce water loss and they are invested with an estimated total amount of 40 millions USD, implementation time from 2007 to 2014.

- SAWACO is now studying to apply joint venture form to reduce practical water leakage in each area and share profit on performance basis.

2.4. Some obstacles are still remaining in applying Public-Private partnership. *However, SAWACO is well aware that promoting partnership with private sector in water reduction in particular and in infrastructure in general is a positive direction which helps developing urban infrastructure service including Ho Chi Minh City Water Supply industry.*

Sincerely thanks for your interest!

Public Private Partnership in the development of Telecommunication service for the poor in Vietnam

Presented by Nguyen Ngoc Hai
(Department of Financial Planning, Ministry of Post and Telecommunication)

I. Introduction

Before 1998, the telecommunication market in Vietnam was dominated by only one service provider, VNPT. Being a monopolist in telecommunication service business, VNPT was assigned by the Government of Vietnam with the task to develop the telecommunication infrastructure in remote areas under a non-discriminative tariff structure, and has brought the chance of using telecommunication service to the poor. In such a circumstance, VNPT has arranged to offset the financial expenditures for services between urban and rural areas in order to ensure supplying services in a self-contained business process, applying consolidated financial accounts for its whole system.

Vietnam has been implementing the open-policy for telecommunication market since 1998, with the granting of business licence in telecommunication service for Viettel. Subsequently, the Ministry of Post and Telecommunication has granted business licences to other enterprises in telecommunication industry. As at date, there are 8 enterprises being granted with license to establish network infrastructure and to trade in telecommunication service business. Vietnamese telecommunication market has become competitive since 2000, when Viettel officially offered the VoiP service with competitive pricing.

Together with the economic development of the country, since 2004 the telecommunication market of Vietnam has been developing fast, especially in terms of those services that are considered "high-class" services, such as: mobile phones, broadband Internet access. The competition process has been severe in urban area, where there is a high demand for service and high payment capacity.

The process of development and competition between telecommunication enterprises is taking place and targeting the middle and high-income earners, concentrating mainly in urban areas. This has placed a challenge for the ability to access basic telecommunication services by the poor, most of whom live in rural and mountainous areas.

The Vietnamese Government is implementing market-regulatory policies in order to ensure supplying the poor with essential telecommunication services in an effort to overcome the failures of the market economy.

II. Existing Situation Regarding the Telecommunication The development in Vietnam and the Popularisation of Pro-poor Telecommunication Services

1. Telecommunication Market in Vietnam

1.1. Situation of the Telecommunication Market in Vietnam

1.1.1. Opening of the market

By the end of 2005, the Ministry of Post and Telematics had granted licenses for 8 investors to establish the network infrastructure and to trade in telecommunication service business.

- Vietnam Post and Telecommunication (VNPT);
- Army Telecommunication Corporation (Viettel);

- Vietnam Electricity Telecommunication Company (EVNT);

- Hang Hai Electronic and Information Company (Vishipel);

- Hanoi Telecom

- Saigon Post and Telecommunication Joint-stock Company (SPT);

- FPT Joint Stock Company

- Multimedia Telecommunication Corporation (VTC)

1.1.2. Development of the service provider network:

Resulting from the establishment and development process of the enterprises, in terms of business scale and service-providing network capacity, VNPT is still the enterprise with largest telecommunication service providing network. As at date, VNPT has introduced telephones to 100% number of communes in the country. However, in many mountainous areas, telephones are only installed in the commune centre to meet the information demand of the commune authorities. The people's, especially the poor's access to telecommunication services in these areas is still the target ahead for the coming time.

New telecommunication enterprises are in the process of investment for the development of network and services. Some service-providing enterprises such as Viettel, SPT etc have made encouraging subscriber growth rate and are step-by-step taking control of the market, especially the mobile phone market.

1.1.3. Clientele base and Market share development

With a population of 80 million, Vietnam telecommunication market is still a very potential one. For period 2001-2005, the number of telephone subscribers has increased quickly. By the end of 2005, number of telephone subscribers has increased by more than 3.3 times as compared to that of 2001. The most remarkable improvement was observed in the number of mobile phone subscribers, which increased by 6 times as compared to 2001. With regards to fixed telephone, although the demand in rural market is elevating, the large investment requirement and difficulties in installation have hampered the increase in number of subscribers, which increased by only 2.5 times as compared to 2001.

As at date, VNPT is still holding a dominating market share for most of the telecommunication services. For example: regarding some basic telecommunication services such as: fixed telephone (above 90%), mobile phone (the two networks of Vinaphone and Mobilephone dominate above 70% market share), leased lines (60%) In the coming time, the development of new enterprises are expected to change the market share of VNPT. However, VNPT will still be the largest provider of public telecommunication services in the coming years.

1.2. Popularisation of services and the gap between the rich and the poor in accessing telecommunication services.

1.2.1. Popularisation of telecommunication services:

a) Telephone density

Table 1: Subscriber development and country-average telephone density

STT	Service	2001	2004	2005
	Number of subscribers	4.421.000	10.328.000	14.700.000
	- Subscribers / 100 inhabitants	5,4	12,5	17,9
	Number of fixed telephone subscribers	2.971.000	5.428.000	6.500.000
	- Subscribers / 100 inhabitants	3,7	6,6	7,9
	Number of mobile telephone subscribers	1.450.000	4.900.000	8.200.000
	- Subscribers / 100 inhabitants	1,7	5,9	10

According to the figures in table 1, the telephone subscriber density increased by 3.3 times for period from 2001 to 2005. Of which, the most significant increase was observed in the number of mobile phone subscribers, with an average annual increase of above 50%. This is an evidence that the market demand for telecommunicating services in Vietnam is still substantial.

b) Regarding the popularisation of Internet, according to VNIC's assessment, there are about 12.5 million peoples (about 15% population of Vietnam) is using Internet.

Table 2: The Development of Internet Access

STT	Indicator	2003	2004	2005	April 2006
	Number of telephone subscribers	804.500	1.659.000	2.478.000	3.400.000
	Number of people using Internet	3.098.000	6.345.000	9.213.000	12.500.000
	Percentage of population using Internet	3,8%	7,7%	11,1%	15%

Ratio of Board Band Internet Subscribers by regions is as follows:

+ Urban area: 92.4%

+ Rural Area: 7.6%

1.2.2. The gap between the rich and the poor in accessing basic telecommunication services

a) The difference in terms of telephone density between urban and rural areas, between delta and mountainous areas

Figures on the number of fixed telephone subscribers per 100 inhabitants in the following table shows the level of popularisation of telecommunication services:

Table 3: Average population distribution and fixed telephone density in various areas

STT	Area	Population contribution (%)	Number of telephones/100 inhabitants (2005)	Number of telephone/100 inhabitants as compared to country average (%)
1	Urban	17	15.97	281
2	Delta	59	4.01	70
3	Mountain - Island	23	2.34	41

(Country average number of fixed telephone subscribers in 2005: 5.69 subscribers/100 inhabitants

The above figures show that in 2004, the telephone density in urban area is 3.8 times the density in rural areas, 6.8 times the density in mountainous area. In many remote areas, telephone service is not really close to the people. The people still have not got the chance to access the basic telecommunication services. Presently, there are about 200 districts in the whole country where there are less than 2,5 fixed telephone subscribers per 100 inhabitants.

Table 4: Districts with low average fixed telephone density

STT		Total	Of which	
			Delta	Mountainous area
1	Districts with less than 1,5 subscribers/ 100 inhabitants	55	6	49
2	Districts with 1.5 to less than 2 subscribers/ 100 inhabitants	40	9	31
3	Districts with 2 to less than 2.5 subscribers/ 100 inhabitants	67	34	33
4	Districts with 2.5 to less than 3 subscribers/ 100 inhabitants	57	31	26
	Total	**219**	**80**	**139**

b) Internet Service

Research results at some localities in 2004 show that, similar to telephone service, there is still a big difference between the number of Internet subscribers in rural and in urban areas. The following figures regarding the number of internet subscribers represent the very limited utilization of Internet in rural area: Urban area makes up 91.7% number of subscribers, Rural-Delta area makes up about 6,7%, mountainous area makes up only 1.6%.

c) Reasons

The gap between regions and between population classes in terms of telecommunication service access is due mainly to:

- Profit targets of enterprises in a competitive environment have fostered the investment in telecommunication infrastructure in urban area.

- There is a difference in demand and in payment capacity of different consumers.

- There is not yet a good coordination between the public sector and the private sector in the development of pro-poor telecommunication service.

III. Public-Private Partnership in the Development of Pro-Poor Telecommunication Service in the coming Years .

1. Legal environment

The policy of supplying pro-poor telecommunication service in Vietnam is regulated in the provisions regarding the supplying of public-benefit telecommunication services in the Post and Telecommunication Ordinance (2002) and the relevant documents guiding the implementation of the Ordinance.

2. Post and Telecommunication Ordinance

The State policy regarding the supply of public-benefit telecommunication services has been regulated in Article 49 of the Post and Telecommunication Ordinance (promulgated in 2002) as follows:

"Public-benefit telecommunication services include:

1. Popularised telecommunication service means the telecommunication service supplied to every people according to the conditions, quality and tariff regulated by the relevant state authorities.

2. Compulsory telecommunication service means the telecommunication service supplied at the request of the State in order to serve the socio-economic development, to ensure country defence and public security."

In order to ensure the supply of these services, Article 50 of the Ordinance regulates:

"1. The State has the following policies in order to ensure the necessary conditions for the enterprises supplying public-benefit telecommunication services:

a) To fix the connection fee on the principle of cost plus the contribution to the supplying of public-benefit telecommunication services.

b) To set up the Fund for public-benefit telecommunication services with sources from contribution by the telecommunication enterprises and other financial resources."

In the course of implementation of the Post and Telecommunication Ordinance, the Government has promulgated the following legal documents:

- Decree No. 160/2004/ND-CP by the Government providing details for the implementation of the Post and Telecommunication Ordinance regarding telecommunication, in which it is regulated in details the implementation of the policy on supplying public-benefit telecommunication services.

- Decision No. 191/2004/QD-TTg by the Prime Minister on the establishment of the Public-benefit Telecommunication Service Fund of Vietnam, in order to mobilize financial resources and to supply pro-poor telecommunication services.

- Decision No. 74/2006/Q?-TTg by the Prime Minister approving the Plan for the Supply of Public-benefit Telecommunication Service by the year 2010.

2. The targets regarding the supply of pro-poor telecommunication services (The plan for the Supply of Public-benefit Telecommunication Service by the year 2010 in accordance with Decision No. 74/2006/Q?-TTg by the Prime Minister) which is to be obtained based on public-private partnership include:

By year 2010, to ensure that:

- Telephone density in the areas being supplied with public-benefit telecommunication services to reach more than 5 subscribers/100 inhabitants

- 100% number of communes in the whole country has public telephone service points.

- 70% number of communes in the whole country has public Internet access points.

- Every people can have free-of-charge access when utilizing compulsory telecommunication service.

3. Contribution responsibility for the implementation of the target regarding the development of pro-poor telecommunication service

3.1. To regulate the contribution obligation by the telecommunication enterprises in order to implement the policy of pro-poor telecommunication service.

The Government has issued the Public-benefit Telecommunication Service Fund of Vietnam (in accordance with Decision No. 191/2004/Q?-TTg), or VTF for short, with the objective of mobilizing capital and financing the development of pro-poor telecommunication service, with the following regulations: All telecommunication enterprises legally operating in Vietnam have to fulfil their contribution obligations of supplying public-benefit telecommunication service in Vietnam via financial contribution to VTF. This obligation is determined as follows:

a) Contribution based on service revenue:

- As for mobile telecommunication services, contribution is 5% of revenue.

- As for long-distance international telephone service, long-distance international leased lines, contribution is 4% revenue.

- As for long-distance domestic telephone service, long-distance domestic leased lines, contribution is 3% revenue.

3.2. State Responsibilities regarding financial supports for the development of pro-poor telecommunication service

- To support the chartered capital of VTF upon its establishment.

- To allow telecommunication enterprises to account into its expenditures the financial contributions to VTF.

- To exempt VAT for the utilization of popularised telecommunication services.

- To call for other domestic and international sponsor sources for the implementation of the pro-poor telecommunication projects

- With the above policies, the partnership between the public sector and the private sector is clearly determined:

- Enterprises from all economic sectors are free to

compete, to seek profit, however they are obliged to make financial contributions to VTF.

- The State will provide partial financial support for VTF, will implement regulatory regimes in order to develop the pro-poor telecommunication service through its decisions on the utilization of financial resources of VTF under an equal and transparent mechanism.

4. Selection of pro-poor telecommunication development projects

4.1. Selection of community to be supplied with essential telecommunication service:

a) Areas to be supplied with public-benefit telecommunication services

Areas to be supplied with public-benefit telecommunication services are determined as provincial or communal administrative units according to the administrative borders, under the following criteria:

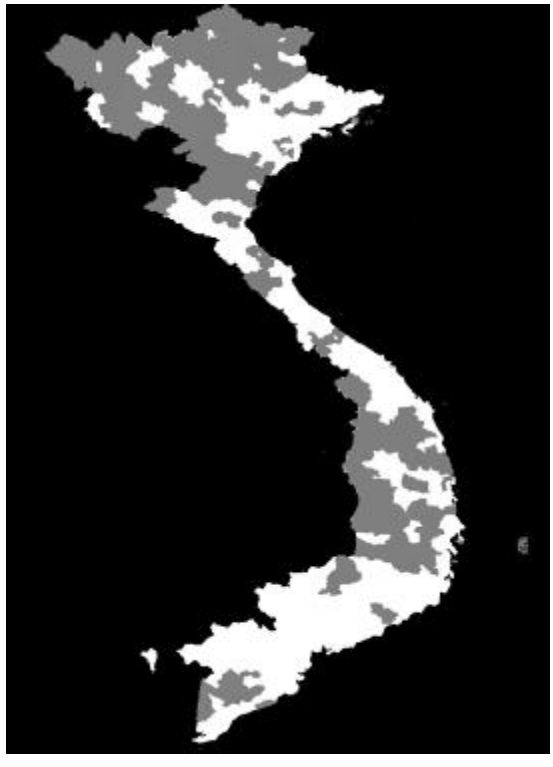
- Provinces entitled to be supplied with public-benefit telecommunication service are those having the fixed telephone density as at the time of determining of less than 2.5 subscribers/ 100 inhabitants.

- Communes to be supplied with public-benefit telecommunication services are those:

+ Locating in the province entitled to be supplied with public-benefit telecommunication service

+ Having specially difficult socio-economic conditions pursuant to regulations by the Prime Minister, locating outside the provinces entitled to be supplied with public-benefit telecommunication services.

With the above criteria, Areas entitled to be supplied with public-benefit telecommunication services for period 2006-2010 include about 200 provinces shown in the following map.



b) As for those communes locating outside the areas which are entitled to be supplied with public-benefit telecommunication services and having no public telephone and internet access point, the Program will assist in the investment for the development of public access points in order to popularise these services all over the country so that the poor can have access to essential telecommunication services.

According to the above criteria, areas to be supplied with public-benefit telecommunication service will not be limited to the mountainous areas, but there are also other provinces in the delta area which have difficult conditions for the development of the telecommunication system.

c) Objects entitled to be supplied with public-benefit telecommunication service

Objects entitled to be supplied with public-benefit telecommunication service include mainly the individuals, households residing in the areas being supplied with public-benefit telecommunication service.

4.2. Selection of essential telecommunication services to supply for the poor

Vietnam focuses mainly on the popularisation of the following basic telecommunication services for the poor:

- Fixed telephone service (including wire and wireless fixed telephone).

- Internet access service.

4.3. Selection of the pro-poor telecommunication service approaching method

- To give priority for the development of public telecommunication service access points This is a good chance for the poor to access and utilize telecommunication service when they cannot afford private subscribing charges.

- With this target, from now till 2010 Vietnam needs to develop and maintain about 4,000 public telephones and 3,000 internet access points at provinces locating in areas entitled to be supplied with public-benefit telecommunication service.

- To assist in the development of individual and household subscribers with low charges. It is estimated that from 2006 to 2010, there will be additional 600,000 to 800,000 new subscribers by the poor.

5. Selection of enterprises undertaking pro-poor telecommunication projects.

5.1. Selection of enterprises undertaking pro-poor telecommunication projects.

- To organize tender for project implementation between telecommunication enterprises;

- To place order for service providing with telecommunication enterprises (when unable to conduct tender because the requirement on minimum number of qualified tenderers could not be met)

Telecommunication enterprises legally operating in Vietnam all enjoy equal treatment in the bidding process, the placement of orders for the development of telecommunication infrastructure, and the supplying of services to the poor in compliance with the provisions of law.

5.2. Benefits from the implementation of pro-poor telecommunication projects.

5.2.1. Benefits for the poor people, poor areas:

- Having the chance to use essential telecommunication services, which is attributed to the presence of the service-providing network at places where the poor live in.

- Can have access to the essential telecommunication services with affordable prices, which are within their payment capacity, through the tariff fixed by the State and the VAT exemption policy.

5.2.2. Benefits for telecommunication enterprises:

- Can be assured of the cost-recovery for their investment on the development of network infrastructure and service maintained at areas with low output and high cost.

- Can expand their market, improve their reputation and trademark, create long-term source of revenue.

- Be treated equally when participated in the telecommunication market, on the basis that the state does not impose discrimination regarding the fulfilment of contribution obligation for the popularisation of pro-poor telecommunication service.

5.2.3. Benefits for the State:

- Able to implement the policy on the nation-wide telecommunication development; to achieve the target of telecommunication development together with pro-poor growth.

- Have financial resources in hand for the pro-poor telecommunication development, including infrastructure development and network

maintenance for essential telecommunication services; help reduce the public sector's investment burden regarding telecommunication infrastructure for the poor through a non-tax regulatory regime.

- Foster the growth of telecommunication service output, to help create a long-term source of revenue for the national budget.

- Ensure the equality, transparency in the management of pro-poor telecommunication development; to clearly differentiate between business activities and public-benefit activities in telecommunication industry.

- Suitable with international practice on the popularisation of telecommunication services.

6. The State's role in the implementation of pro-poor telecommunication development targets.

6.1. To coordinate the prioritised targets: To determine the priority of telecommunication service popularisation when setting up annual plans; criteria to be considered include prioritising by region, by service and by implementation method. Among these, community access is a method of service popularisation that need to be prioritised.

6.2. To connect the public-benefit telecommunication service program with other programs

The public-benefit telecommunication service program is part of the overall national socio-economic development target. Therefore, this program is related to other programs and can be joined-up, connected with other pro-poor programmes such as the target poverty deduction program (by the MOLISA), the 135 program (the Minority Ethnic Committee); etc

6.3. To encourage individuals and organization to jointly participate in the establishment and supplying of public telephone and internet access points.

Enterprises providing public-benefit telecommunication service are responsible to establish and develop the network infrastructure to the public access points, based on the bidding results or on the order by the state.

6.4. To fix the tariff and control the service quality Telecommunication service-providing enterprises are allowed to choose the technique, technology for the supplying of services. However, they are to ensure meeting the service quality requirement. The Ministry of Post and Telematics shall fix the public-benefit telecommunication tariff so that the poor can afford, and will monitor the implementation of these regulations.

6.5. To propagandise the State policy on public-benefit telecommunication service; to publicise the public-benefit telecommunication service providing activities.

6.6. To conduct annual assessment on the program implementation

7. Assurance of rights and responsibilities of telecommunication enterprises when participating in pro-poor telecommunication projects.

- To have equal access to information and bidding process for the implementation of public-benefit telecommunication plans and projects of the State; to implement the public-benefit telecommunication plan and projects at the order of the Ministry of Post and Telematics

- To comply with State regulations regarding the provision of public-benefit telecommunication services

- To be responsible to use the state-financed capital effectively for the right purpose in the implementation of State public-benefit telecommunication projects.

In conclusion, the opening of the telecommunication market of Vietnam over the last few years has obtained many important achievements: telecommunication infrastructure was developed quickly, with diversified services, increased number of subscribers and improved service quality etc However, the development has also revealed the gap between regions and areas in terms of subscriber density, as well as the limited access by the poor to telecommunication services.

Therefore, the Vietnamese Government and the Ministry of Post and Telematics is implementing important solutions in order to shortened the gap between regions and areas, as well as to create favourable conditions for the poor to use essential telecommunication services. The solutions introduced have illustrated the public-private partnership in the fulfilment of obligations and responsibilities regarding pro-poor telecommunication infrastructure development, especially the responsibility to mobilize funds, to make financial contribution, to organize and to monitor the implementation. The participating regimes by telecommunication enterprises in these type of projects have proved their equality, transparency and fair competition.

Workshop: Public Private Partnerships (PPPs) to deliver essential infrastructure services to the poor in Viet Nam.

Hanoi, 12-13 June 2006
Horison Hotel, 40 Cat Linh

Monday 12 June / Co-Chair: MPI and ADB		
Time	**Presentation**	**Person**
08h00'-08h30'	Registration	
08h30'	**Welcome and Introduction**	
08h30' - 08h45'	Introductory Remarks	Vice Minister MPI
08h'45 - 09h00'	Introductory Remarks	Auymi Konishi, Country Director, ADB VRM
09h00'	**Session 1: The Enabling Environment for PPP in Viet Nam**	
09h00' - 09h20'	The current enabling environment for PP partnerships in Vietnam	Pham Manh Dung, Director of Legal and Environmental Department, MPI
09h20' - 09h40'	The role of the Public Private Infrastructure Advisory Facility (PPIAF)	Paul Reddel, PPIAF Regional Program Leader, East Asia & Pacific
09h40' - 10h00'	Panel Discussants: Mara Folz, Senior Associate, Freshfields Bruckhaus Deringer, International Lawyers. Oliver Massmann, Partner, Baker and McKenzie	
10h00'	**Session 2: Project Development**	
10h00' - 10h20'	Vietnam's priority projects for PPP. How such projects are selected. Areas where assistance could develop and improve the PPP project pipeline.	Pham Quoc Tuan, DDG, Dept. of Infrastructure and Urban, MPI
10h20' - 10h50'	PPP Framework for Infrastructure Development in Vietnam.	Dr Anand Chiplunkar, Asian Development Bank Staff Consultant and Senior Vice President Infrastructure Development Corporation Limited

10h50′ -11h00′	**Discussant: Jane Radford, Mott MacDonald Ltd.**	
11h00′	**Coffee Break**	
11h30′	**Session 3: Financing PPPs**	
	Long term loan finance and the role of the Asia Private Infrastructure Financing Facility (AsPIFF)	Mark Cockburn CEPA consultants.
11h30′ - 11h50′	The role of GuarantCo	Irving Kuczynski, GuarantCo Board Chairman
12h20′ - 12h20′	Panel Discussants and open discussion: Luu Thi Bich Thuy, Expert, BIDV Nguyen Thi Thu Thuy, Expert, BIDV Johan Nyvene, Head Corporate and Institutional Banking and Hanoi Branch Manager, HSBC	
12h20′ - 13h00′	**Lunch**	
13h00′ - 14h00′	**TThe Facilities "Market Place" -** This will be an informal unstructured session in which each of the participating facilities will set up a "market stall" in the main conference area displaying books, leaflets, pamphlets etc that describe their main products and expertise. Staff from the facilities will be available to answer questions and arrange follow-up meetings and discussions. **Coffee available**	
	Session 4: Subsidies for targeting the poorCoffee Break	
	Affordable infrastructure services through Output-based Aid (OBA) Approaches	Iain Menzies, Infrastructure Advisory Services, World Bank
	Open discussion	

Tuesday 13 June: Facilitating Public Private Partnerships for Infrastructure provision - case studies		
Morning: Groups A and B in parallel sessions		
Group A: transport services Co-chaired by Mr. Ha Khac Hao, DDG, Dept. of Planning and Investment, Ministry of Transport (MOT) and Simon Lucas (World Bank)		
09h00′	Pham Thanh Binh, Expert, Dept. of Planning and Investment, MOT	
09h30′	Questions/Discussion	
10h00′	Case Study 1: Tollway Project	Dr Anand Chiplunkar, Asian Development Bank Staff Consultant and Senior Vice President Infrastructure Development Corporation Limited
10h30′	Questions Discussion	
11h00′	Coffee break	
11h30′	Private Sector Participation in Transport Services	Tramco; Simon Lucas (World Bank) Asia Injuries
12h00′	Questions/Discussion	
12h30′	Lunch	

Group B: Water and Sanitation		
Group B: Water and Sanitation Co-chaired by Mr. Pham Quoc Tuan, DDG, Dept. of Infrastructure and Urban, MPI and Alan Johnson (ADB, M4P project coordinator)		
09h00′	MPI/MONRE presentation on project list	
09h30′	Questions/Discussion	
	PPP in Water in Vietnam	Nguyen Cong Thanh, Senior Operations Officer, the World Bank, and Country Team Leader, Water and Sanitation Programme
10h00′	Questions Discussion	
10h30′	Coffee break	
11h00′	Private Sector Participation in Water and Sanitation Service Delivery	Jamie Frias, IDE Nguyen Kim Nga, Handwashing Initiative Coordinator
12h00′	Public Private Partnership Handwashing Initiative BioGas	Bastiaan Teune, SNV Advisor Biogas/Renewable Energy
12h30′	Questions/Discussion	
12h30′- 14h00′	Lunch	
13h30′ - 14h00′	**Lunch Break**	
	The Facilities "Market Place" (reprise) - This will be an informal unstructured session in which each of the participating facilities will set up a "market stall" in the main conference area displaying books, leaflets, pamphlets etc that describe their main products and expertise. Staff from the facilities and ministries will be available to answer questions and arrange follow-up meetings and discussions.	
Afternoon - Groups C and D in parallel sessions **Group C Telecomms and Information and Communications Technology** **Co-chaired by Mr. Tran Vi Hieu, DDG, (MPT) and Alan Johnson (ADB, M4P project Co-ordinator)**		
14h00′	MPI/MPT presentation on project list	
14h30′	Questions/Discussion	
15h00′	Connecting the Unconnected Mobile Telephony in Rural Vietnam	
15h30′	Questions Discussion	
16h00′	Coffee break end of day 2	

Annex: Workshop Agenda Public Private Partnerships (PPPs) to deliver essential infrastructure services to the poor in Viet Nam.

Ho Chi Minh City, 15-16 June, 2006
Sofitel Plaza Sai Gon
17 Le Duan, District 1, Ho Chi Minh City

Thursday 15 June in HCMC/ Co-Chairs: Mr. Hoang Viet Khang, DDG, Dept. of Economic and External Relations, MPI and ADB		
Time	**Presentation**	**Person**
08h00′ - 08h30′	Registration	
08h30′	Welcome and Introduction	
08h30′ - 08h45′	Introductory Remarks	HCMC People's Committee
08h45′ - 09h00′	Introductory Remarks	Alfredo E. Pascual, Advisor (Public-Private Partnership Advisor), Asian Development Bank (on behalf of donors)
09h00′	**Session 1: The Enabling Environment for PPP**	
09h00′ - 09h20′	The current enabling environment for PP partnerships in Vietnam	Pham Manh Dung, Deputy Director General, Legal and Environment Dept., MPI
09h20′ - 09h40′	The role of the Public Private Infrastructure Advisory Facility (PPIAF)	Paul Reddel, PPIAF Regional Program Leader, East Asia & Pacific
09h40′ - 10h00′	Panel Discussants: HIFU	

10h00′ - 10h20′	**Coffee Break**	
10h20′ - 10h40′	**Session 3:**	
10h40′ -11h00′	What have we learnt from PPP experience to date?; Trends in infrastructure financing through PPPs; what ADB can offer.	Alfredo E. Pascual, Advisor (Public-Private Partnership), Asian Development Bank
11h00′	Long term loan finance and the role of the Asia Private Infrastructure Financing Facility (AsPIFF)	Mark Cockburn CEPA consultants.
11h00′ - 11h30′	The role of GuarantCo	Irving Kuczynski, GuarantCo Board Chairman
11h30′ - 11h50′	Panel Discussants and open discussion Neil Arora, Head of Macquarie Singapore and Infrastructure Asia	
11h50′ - 12h10′	Lunch	
12h10′ - 13h00′	**The Facilities "Market Place" -** This will be an informal unstructured session in which each of the participating facilities will set up a "market stall" in the main conference area displaying books, leaflets, pamphlets etc that describe their main products and expertise. Staff from the facilities will be available to answer questions and arrange follow-up meetings and discussions. **Coffee available**	

Friday 16 June in HCMC: Facilitating Public Private Partnerships for Infrastructure provision - case studies		
Morning: Groups A and B in parallel sessions Group A: transport services Co-chaired by Department of Transport (DOT) and Alan Johnson (ADB, M4P project coordinator)		
09h00′	DPI/DOT presentation on project list	**DPI/DOT**
09h30′	Questions/Discussion	
10h00′	PPP experience of HCMC investment fund for urban development (HIFU)	Giao Thi Yen, General Director
10h30′	Questions Discussion	
11h00′	Coffee break	
11h30′	Case Study 1: Manila North Tollways Corporation,	Alfredo E. Pascual, Advisor (Public-Private Partnership), Asian Development Bank
12h00′	Questions/Discussion	
12h30′	Lunch	
Group B: Water **Co-chaired by XXX from DONRE and from the donors/facilities**		
09h00′		
09h30′	Questions/Discussion	
10h00′	PPP in Water	Nguyen Cong Thanh, Senior Operations Officer, the World Bank, and Country Team Leader, Water and Sanitation Programme
10h30′	Questions Discussion	
11h00′	Coffee break	
11h30′	PPP Handwashing Initiative GPOBA project in HCMC	Nguyen Kim Nga, Handwashing Initiative Coordinator GPOBA project
12h00′	Questions/Discussion	
12h30′	Lunch	

M4P PUBLICATIONS

The Asian Development Bank-Vietnam Resident Mission is currently implementing a regional project covering Cambodia, Laos and Viet Nam entitled "Making Markets Work Better for the Poor" (MMW4P). The purposes of the project are to: (a) conduct analytical work on the functioning of markets and the extent to which the poor are able to benefit from them, and (b) to build capacity to support pro-poor market development through research activities, networking and the promotion of policy dialogue in the three project countries.

In order to make the results of the various research activities more widely available, the project produces the following types of regular publications. These are:

- The **Markets and Development Bulletin**, a bimonthly newsletter on topical market-related issues produced jointly with the Mekong Private Sector Development Facility (MPDF) and the Central Institute for Economic Management (CIEM).
- **M4P Briefing Papers** - Short, four page, summaries of research work aimed at a general non-technical audience
- **M4P Discussion Papers** - more in-depth 20-30 page reports on research projects covering methodologies, results and policy implications. These are aimed at practitioners and policy makers in the subject area of the research.
- Other reports

MARKETS AND DEVELOPMENT BULLETIN (MDB)

No. 1 Adding Values to Vietnam's rice industry and Improving the Incomes of the Poor

No. 2 Linking farmers to Markets through Contract Farming

No. 3 Empowering the Poor by Strengthening Formal Rural Land Titles

No. 4 Pro-poor Branding Labeling and Trademarks for Agricultural Products

No. 5 Taking the next step: what influences the Decision of Household Businesses to Formalize into companies

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No. 14 Industrial and commercial markets and their impact on the Poor

No. 15 Facilitating Market Integration of the Upland Poor into Bamboo Value Chains: Upgrading Strategies for Local Producer Groups

No. 16 Rural labour markets and Migration

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No 7 Agricultural Commercialization, Value Chains, and Poverty Reduction

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OTHER PUBLICATIONS

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2 Institution workshop: Which institutions are critical to sustain long term growth in Viet Nam?
3 Inception Workshop: Making Markets Work Better for the Poor, November 2003
4 Linking Farmers to Markets through Contract Farming
5 M4P week 2005 - workshop proceedings
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8 Entrepreneurs - successful links to markets
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10 Participatory Markets and Livelihoods Assessment (PMA) Handbook
11 Value Chain Handbook
12 Contract Farming - 30 case studies book
13 Public-Private Partnerships (PPPs) workshop proceedings
14 M4P week 2006
15 Base of Pyramid (BOP) workshop proceedings
16 Market and Development Bulletin book

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