

Manila Water's PPP Experience in Vietnam

October 3, 2017

Hanoi



Key Messages



PPP PROJECTS IN VIETNAM

Manila Water was able to reach the Vietnam Market, growing its portfolio of investments in the water sector through different public private partnership schemes



OUTPUT BASED CONTRACT AS A GOOD PPP FRAMEWORK

The 2008 performance-based leakage reduction and management services project for SAWACO Zone 1 HCMC proved that the output-based framework is a good and effective PPP mechanism



EQUITIZATION IS A CLEAR OPPORTUNITY FOR PPP

The Government's equitization program is a clear opportunity for PPP, if done correctly

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MWC's Existing Projects PPP Projects in Vietnam

Bulk Water Supply:



Thu Duc Water B.O.O. Corp.
Better Service for Life

49% ownership of TDW which supplies 300 MLD of clean water to Ho Chi Minh City and serves 2 million customers.



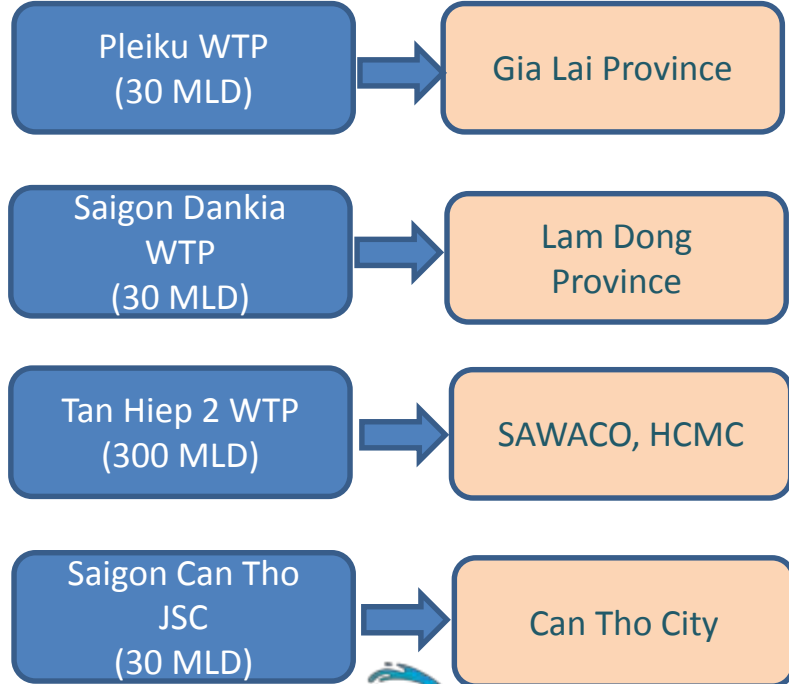
CÔNG TY CỔ PHẦN CẤP NƯỚC KINH ĐÔN
KENH DONG WATER SUPPLY JSC

47.35% ownership of Kinh Dong Water Supply JSC (KDW) which supplies over 150 MLD to Tan Hiep and Cu Chi District and serves 1.3 million customers



Saigon Water

38% ownership of Saigon Water Infrastructure Corp; This is the company's investment arm, having 4 other subsidiaries focused in bulk water supply

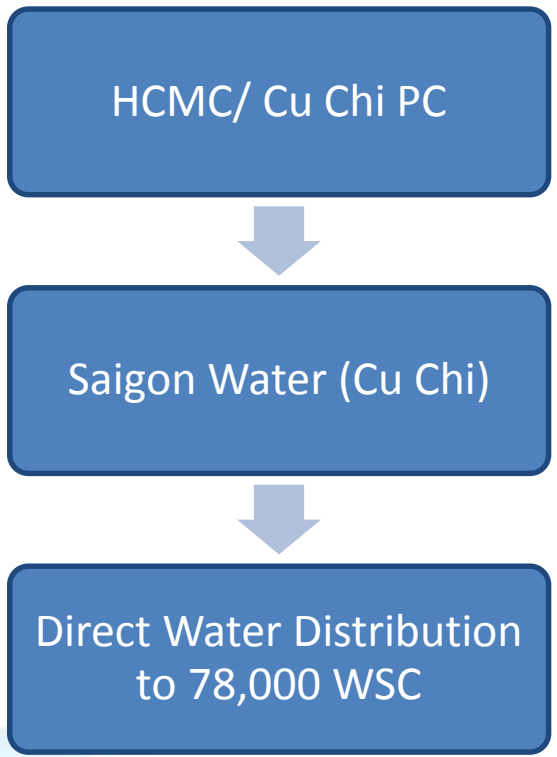


MWC's Existing Projects PPP Projects in Vietnam

Water Distribution:

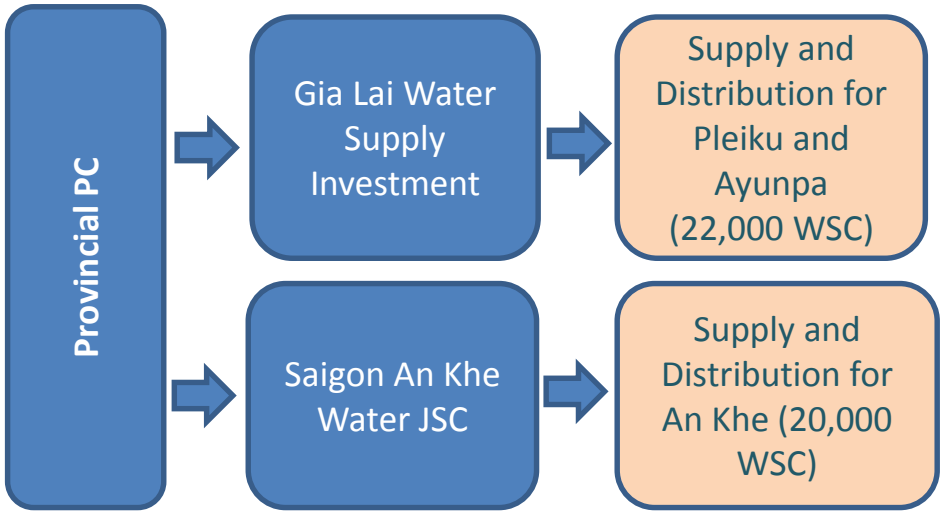
Saigon Water (Cu Chi Water)

24.5% ownership of Cu Chi Water which started to supply and distribute clean water to the whole of Cu Chi District in Ho Chi Minh City, Vietnam.



Saigon Water

38% ownership of Saigon Water Infrastructure Corp; This is the company's investment arm, having 2 other subsidiaries focused in water distribution



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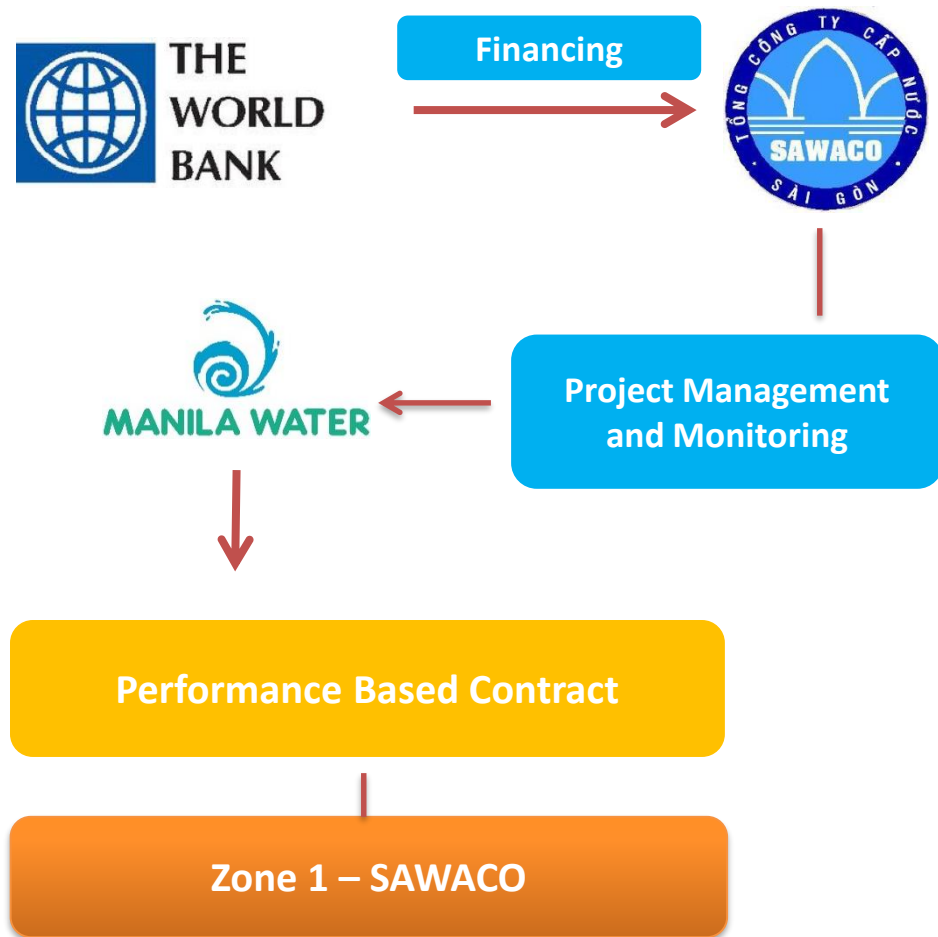


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The SAWACO Zone 1 Project

FRAMEWORK



💧 Saigon Water Corporation (SAWACO)

- Manages the water network system in HCMC
- Divided into 6 hydraulic zones

💧 Zone 1 :

- 835 km of pipe network and 139K connections
- Covers 23 square kilometers
- Leakage Level at 60% before project implementation

💧 Contract Deliverables:

- Started late 2008 and ended in 2014
- DMA Formation & Leakage Reduction – 4 years
- Maintenance Period – 1 year

💧 Preliminary Works

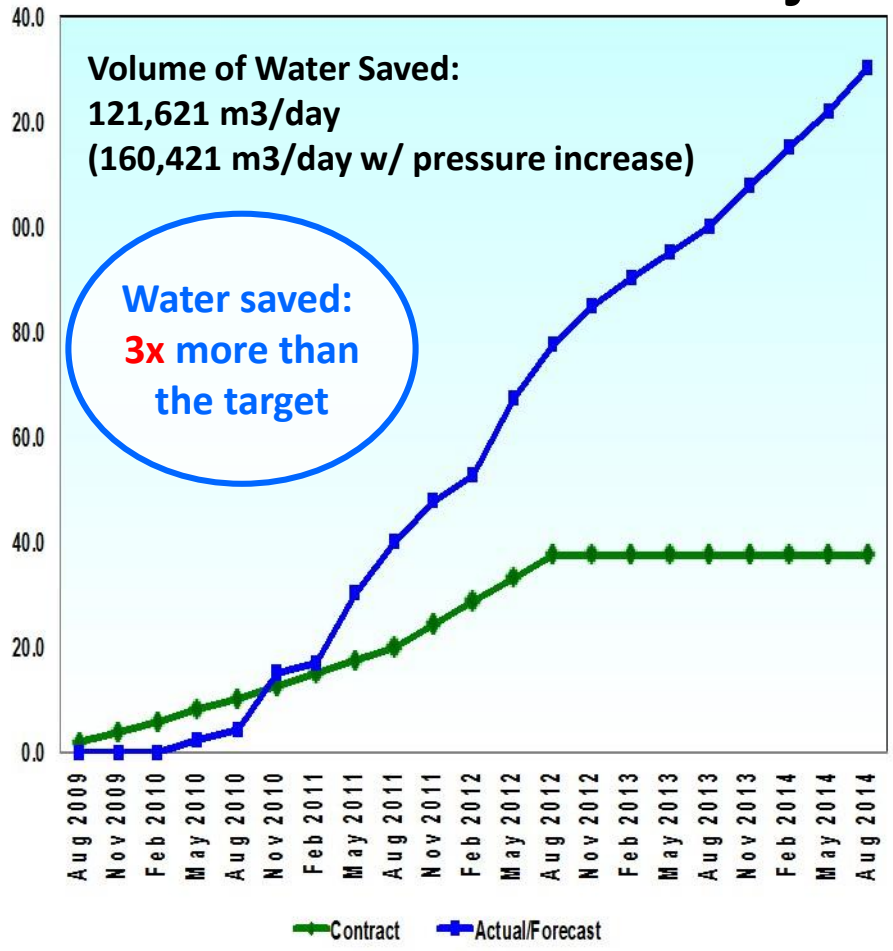
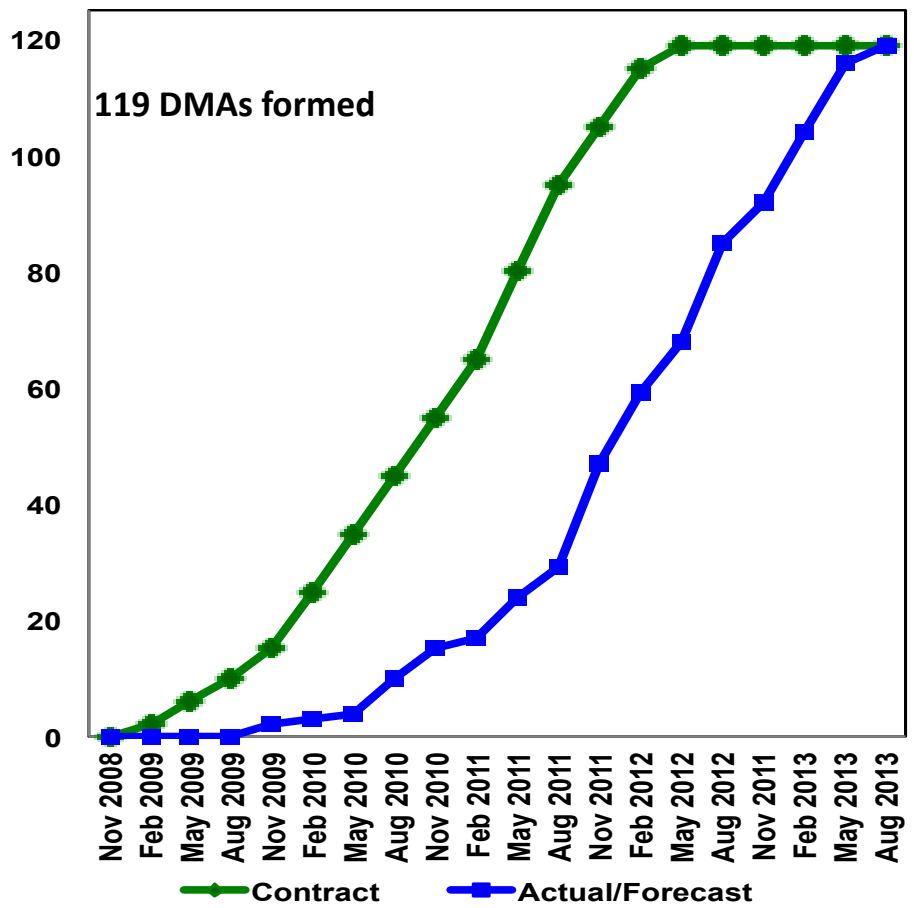
- DMA Establishment
- System Expansion Works
- Emergency & Unforeseen Works

💧 Leakage Reduction/Management

- Leak Detection
- Leak Repair
- DMA Control & Monitoring

The SAWACO Zone 1 Project

Result of the Performance-based NRW Reduction Project



The SAWACO Zone 1 Project

Lessons learned



Know and manage the stakeholders for the success of the project.



There is no one-size-fits-all solution; local settings require local approaches.



Key to effective management contract is contractor flexibility on project design and implementation.

Output based contract as a good PPP framework

- 💧 Output based specification
 - Specifying the project result as outputs allow innovation to take place
- 💧 Performance measurement and incentives
 - Linking performance to payment provides the service provider the vital incentive to deliver the required standards as defined in the output specification. Performance measurements reflects risk transferred to the private sector
- 💧 Private sector management skills
 - Infrastructure investments in the government will have access to new skills
- 💧 Time to delivery savings
 - Caused by a greater private incentive to generate revenue as soon as possible

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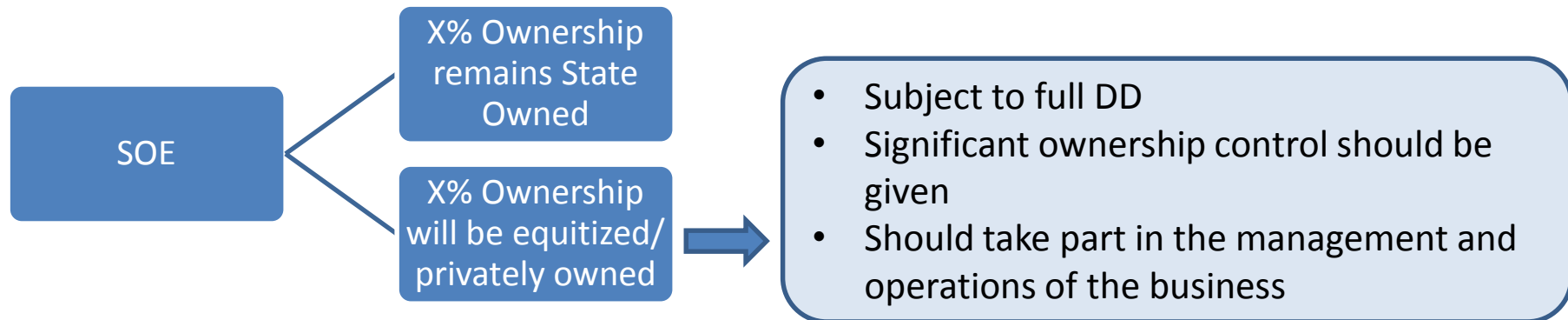


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SOE Equitization as an avenue for PPP

- Vietnam launched the privatization program in 1992
- Equitization is a process of transforming an SOE into a joint-stock company
- The government continues to hold controlling role through investment management in some large SOEs (in some special industries. E.g. Electricity, Oil and Gas, etc)
- Equitization in Vietnam is considered as partial privatization



Towards the Future

- 💧 Key to successful PPP are the following:
 - solid partnership and equal responsibility between the public and private sectors
 - clear legal, regulatory and policy framework
 - tariff setting mechanism are in place
 - observance of the contract
 - key Performance indicators and business efficiency measures are monitored
- 💧 Equitization will be a good venue for PPP if both the government and the private sector are given responsibility to create value
- 💧 The entry of international players will help boost PPP
- 💧 PPP needs to have continuous success stories which should be replicated in other areas

Thank You!
