

## National Workshop on Infrastructure Financing Strategies in Viet Nam

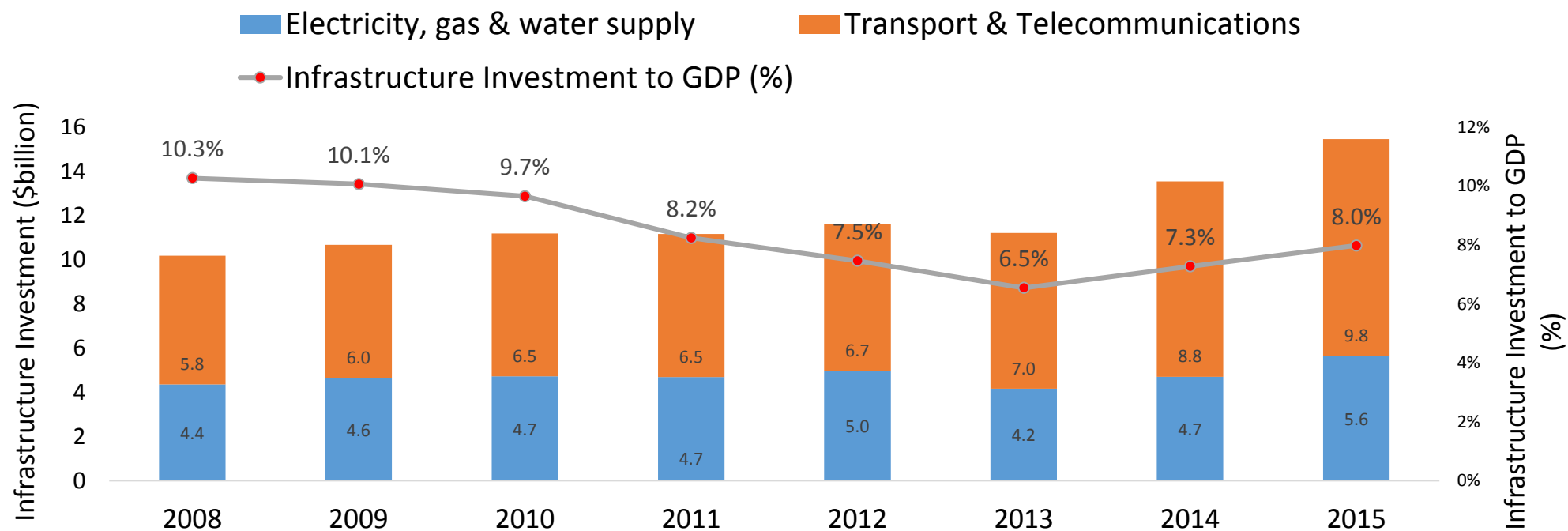
Hanoi, 3rd October 2017

### Infrastructure Financing in Viet Nam: **Challenges**

Hung Tran

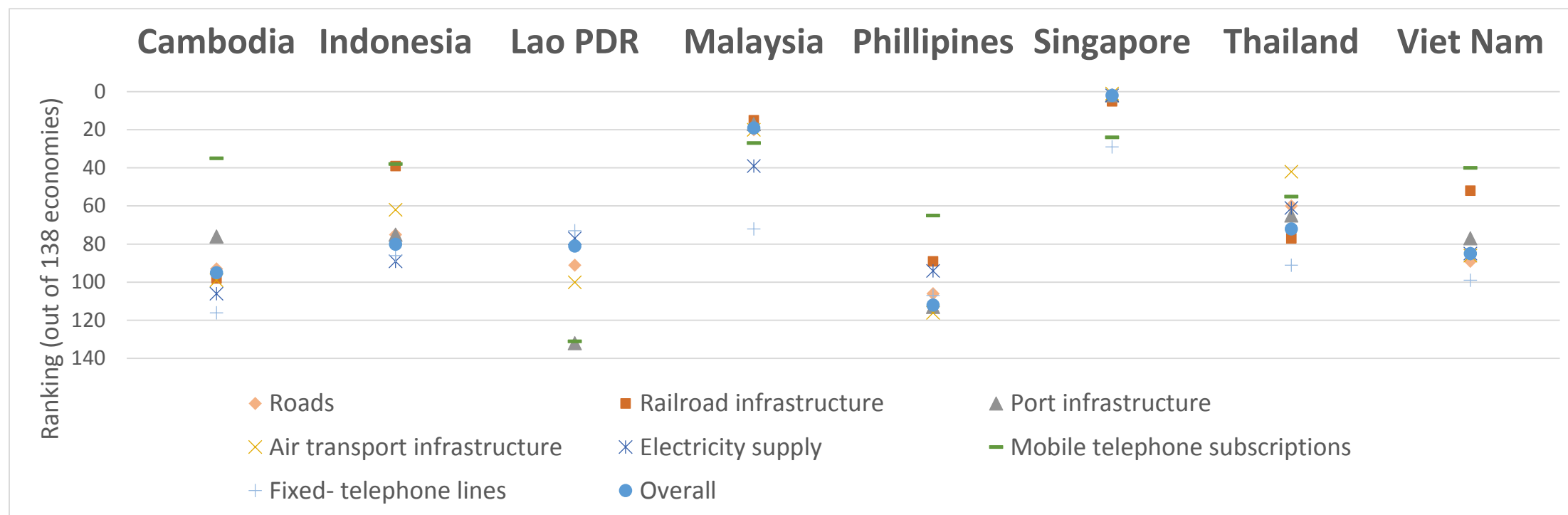
CEO – Monitor Consulting

## Viet Nam has successfully sustained a high level of infrastructure investment in recent years



Source: Vietnam General Statistics Office, World Bank, Bloomberg and Author's Research and Analysis

However, its infrastructure competitiveness needs to be improved



Source: World Economic Forum, Global Competitiveness Index Report 2016-2017

## Projections of infrastructure investment demand in Viet Nam

Source of Estimation	Time horizon	Infrastructure investment needs (\$ billion)	Annual average (\$ billion)
ADB	2015-2025	167	16.7
WB	Annual average	25	25
HSBC	2016-2030	259	17.2
KPMG	2013-2020	170	24.2
Author	2016-2020	116.9	23.4

# Financing gaps in infrastructure investment in Viet Nam

- Annual infrastructure investment in 2011-2015 is \$12.6 billion
- Infrastructure investment demand in 2016-2020 is projected about \$24 billion- **almost twice the previous 5 years**

## Key Challenges:

1. Fiscal constraints and less room to finance large transport projects by state funding
2. Inefficient investment planning and public finance allocating
3. Undeveloped capital markets
4. Lack of necessary in-country capacity
5. Lack of enabling environment for private investment

## Challenge #1: Fiscal constraints and less room to finance infrastructure by state funding

- High budget deficits and less budget allocated for infrastructure investment
- High level of government debt and pressure to reduce
- Less concessional ODA access as a middle income –status
- Decline tendency of capital expenditure in State budget

## Challenge #2: Inefficient investment planning and public finance allocating

- Shortcomings in its planning and budgeting processes
- ADB(\*) noted: *“Within the development budget, investment projects are not well aligned with the government’s Socio-Economic Development Plan, 2016–2020”*.
- As decentralization emerges, provinces are incapable of enabling efficient planning of infrastructure development

(\*) ADB, *Sector Assessment (Summary): Public sector management (Public expenditure and Fiscal management)*



## Challenge #3: Underdeveloped capital markets

- Limited capacity of domestic banks to provide long-term loans in local currency
- Small bond markets mainly with short-term maturities
- Inactivity of institutional investors in infrastructure-related assets
- Securitization schemes are not prevailing

## Challenge #4: Lack of necessary in-country capacity

- Weak project preparation and appraisal
- Lack of bankable infrastructure projects
- Poor coordination among government agencies

## Challenge #5: Lack of enabling environment for private investment

- Complexities and incomplete legal system including PPP legal framework
- Governance in policy making and project procurement : SOE treatment and vested companies
- Competitive bidding is not prevailing in the procurement of infrastructure projects

**Hung Tran – CEO**  
**Email: [hung@monitor.com.vn](mailto:hung@monitor.com.vn)**  
**Mobile: (84) 903443690**

**Monitor Consulting**  
**16<sup>th</sup> Floor, Icon4 Tower, 243A De La Thanh Street,**  
**Dong Da District, Hanoi, Vietnam**  
**[www.monitor.com.vn](http://www.monitor.com.vn)**