



**RISK ALLOCATION UNDER PPP  
CONTRACT IN VIETNAM**

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# **RISK ALLOCATION UNDER PPP CONTRACT IN VIETNAM**

## **Outline of Presentation:**

1. Vietnam's PPP context
2. Risk allocation in PPP projects
3. Building risk allocation mechanism

# PPP CONTEXT IN VIETNAM

- **Legal framework**

1993

- Degree No 87 on investment regulations on BOT contract

1997

- Degree No 77 on investment regulations on BOT contract applicable for domestic investors

1998

- Degree No 62 on investment regulations on BOT contract applicable for foreign investors

# PPP CONTEXT IN VIETNAM

- **Legal framework (con't)**

2007

- Degree No 78 on investment regulations on BOT, BTO, BT contract

2009

- Degree No 108 on investment regulations on BOT, BTO, BT contract

2015

- Degree No 15 on regulations on public private partnership investment
- Degree No 30 on guiding investor selection according to The Act on Bidding

# KEY FEATURES OF PPP MODEL

- BOT contracts
- Roads (domestic investors), power plants (foreign investors)
- Unsolicited form
- Little competitive bidding
- Weak capacity of local investors

# OUTCOMES

Sectors		Total	Completed	Under Construction	Under Preparation
Road	Number	78	23	35	20
	Amount (\$B)	19	3.8	4.2	11
Electricity	Number	19	3	02	14
	Amount (MW)	25.000	2.600	2.400	20.000

*Source: Ministry of Finance*

# RISK ALLOCATION IN PPP CONTRACT

Risk	The private	The public	Both
1. Legal and political risk		X	
2. Site risk	X	X	X
3. Supply risk			
- Road	X	X	
- Electricity	X	X	
4. Construction risk	X		
5. Foreign currency risk			
- Foreign exchange rate	X		
- Foreign currency convertibility	X		X
+ Road			
+ Electricity		30%	
6 . Demand risk			
- Road	X	X	X
- Electricity		X	
7. Revenue risk			
- Road	X	X	X
- Electricity		X	

# **BUILDING RISK ALLOCATION MECHANISM**

- Risk allocation scheme is regulated by law.
- Understanding optimal risk allocation is one of the key to PPP successful projects.
- Learning good international experience in building risk sharing mechanism.





**THANK YOU FOR ATTENTION**