

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC3298

Project Name	Dau Giay-Phan Thiet Expressway Pilot PPP Project (P149484)
Region	EAST ASIA AND PACIFIC
Country	Vietnam
Sector(s)	Rural and Inter-Urban Roads and Highways (100%)
Theme(s)	Infrastructure services for private sector development (100%)
Lending Instrument	Investment Project Financing
Project ID	P149484
Borrower(s)	Government of Vietnam
Implementing Agency	Ministry of Transport
Environmental Category	A-Full Assessment
Date PID Prepared/ Updated	14-Aug-2014
Date PID Approved/ Disclosed	14-Aug-2014
Estimated Date of Appraisal Completion	08-Dec-2014
Estimated Date of Board Approval	15-Mar-2016
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

1. Vietnam has had an impressive record of economic growth and poverty reduction in the past 25 years. Political and economic reforms (Doi Moi) launched in 1986 have transformed Vietnam from one of the poorest countries in the world, with per capita income below US\$100, to a lower Middle-Income Country (MIC). At the end of 2013, Vietnam's per capita income was estimated at US\$1,730. Using the 'basic needs' criterion, the poverty headcount fell from 58 percent in the early 1990s, to 14.5 percent by 2008 and, by these standards, was estimated to be under 10 percent in 2012.

Sectoral and Institutional Context

2. The demand for infrastructure in Vietnam is increasing rapidly as the country copes with rapid urbanization and a high rate of growth. At around 9% of GDP, the public sector investment in infrastructure in recent years has already been at a significantly high level. However, most demand forecasts indicate that the total investment in infrastructure will have to far exceed the current levels

if Vietnam is to maintain its growth trajectory to become an industrialized country within this generation. Vietnam has, to date, not been able to appropriately leverage private capital (via the capital market, banking sector or direct investment) into infrastructure development. Importantly, an estimated 35% of the total investment in infrastructure is currently financed through concessional ODA, which may not be easily available to Vietnam in the coming years given its transition to a Middle Income Country (MIC). Over the last few years, Vietnam's public service investments have been increasingly viewed as inefficient, unaffordable and, therefore, unsustainable. It is therefore critical for Vietnam to improve both the quality and quantity of infrastructure investment. A key priority is for Vietnam to consider alternative financing models which can leverage private capital into the construction and operation of public service infrastructure, both as an additional source of financing and as a means to achieving greater efficiency and innovation.

Relationship to CAS

3. The GOV recognizes these challenges and wants to develop the Dau Giay-Phan Thiet Expressway Project (DPEP) as a pilot PPP transaction with WB support. The GOV has assigned the Ministry of Transport (MOT) as the lead government agency to prepare and manage the project. The project preparation and financing mechanism developed for the DPEP pilot PPP, and lessons learnt from implementation, are expected to inform and refine the legislative provisions for channeling private investments into Vietnam's infrastructure in the future.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

10. The Project Development Objective (PDO) is to support the GoV attract private sector expertise and capital for the construction and operation of the Dau Giay-Phan Thiet Expressway. This would be the first transaction under the GoV Public-Private Partnership (PPP) Pilot Program for infrastructure investments.

Key Results (From PCN)

11. The PDO will be measured by the following performance indicators:

- (i) achievement of financial close of the DPEP transaction on a PPP basis;
- (ii) length of the expressway constructed, in kilometers;
- (iii) average weekday number of passenger car equivalent units (PCUs) using the DPEP expressway;
- (iv) reduction of travel time, in minutes, from Dau Giay to Phan Thiet, on weekdays; and
- (v) development of the capacity of the PPP Unit of the Ministry of Transport to bring to market, close, and supervise future PPP transactions (specific indicators and milestones to be identified during preparation).

III. Preliminary Description

Concept Description

6. The proposed lending operation will help finance the Dau Giay-Phan Thiet Expressway Pilot (DPEP) PPP Project to support GOV efforts to make the PPP Financing Framework operational. This will be Vietnam's first major PPP in the highway sector, and it will build the capacity of the GoV to handle future PPP transactions and demonstrate to prospective investors the GoV's commitment to the PPP concept. The proposed Dau Giay-Phan Thiet Expressway Project (DPEP) PPP includes the construction, operation and maintenance of 100 km of expressway

connecting Ho Chi Minh City (HCMC) to Phan Thiet, in Binh Thuan province. The DPEP will join the expressway system being developed around HCMC, and will connect the industrial and commercial center of HCMC to the major tourism areas developing around Phan Thiet. It is anticipated that, when completed, the expressway will significantly reduce travel time between the two cities, and facilitate the development of new industrial areas, creating new employment opportunities.

7. The DPEP has been approved by GOV per Directive No: 1169/TTg-KTN from the Prime Minister, dated July 13, 2010, which also confirms the Binh Minh Import-Export Limited Company (Bitexco) as the first investor in the project. The second private investor will be selected via international bidding after the pilot project is ready for international bidding as a PPP. The sources of financing for the DPEP will include equity contributions from the Bitexco (the first investor) and the competitively-selected second investor, plus a proposed financing package of IBRD/IDA made available to the project by the GOV.

8. The WB's lead counterpart agency for the DPEP will be Ministry of Transport (MOT). The Task Team has identified the Specific Investment Loan (SIL) to be the lending instrument for financing. The WB will: (i) jointly appraise the pilot PPP along with the GOV, including for compliance with the WB's and GOV's safeguards policies; and (ii) provide TA to the GOV to help negotiate the PPP project with the investor consortium.

9. Project Components. The project will consist of two components, as follows:

- (i) Component 1: Assistance with the construction of the DPEP Expressway, through a proposed financing package consisting of IDA funds to provide Viability Gap Financing (VGF); and (b) IBRD funds to be on-lent by the GoV to the DPEP Project Company.
- (ii) Component 2: Capacity Building, to enhance the capacity of MOT to manage and supervise the DPEP transaction. It is envisaged that such enhanced capacity will help MOT to prepare and take future PPP transactions to market.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	x		
Natural Habitats OP/BP 4.04			x
Forests OP/BP 4.36			x
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11	x		
Indigenous Peoples OP/BP 4.10	x		
Involuntary Resettlement OP/BP 4.12	x		
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

V. Financing (in USD Million)

Total Project Cost:	881.00	Total Bank Financing:	625.00
Financing Gap:	0.00		
Financing Source			Amount
BORROWER/RECIPIENT			104.00
International Bank for Reconstruction and Development			348.00
International Development Association (IDA)			277.00
Foreign Private Commercial Sources (unidentified)			152.00
Total			881.00

VI. Contact point

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