

Foreign interest in infrastructure remains strong: expert

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CA - Foreign investors still show strong interest in infrastructure development in Vietnam despite the global economic downturn, said a PricewaterhouseCoopers executive.

"The strong correlation between the growth of a country's economy and the investment in infrastructure development is well known," explained Andrew Chan Yik Hong, PricewaterhouseCoopers executive director of corporate finance leading the infrastructure, government and utilities practices in Vietnam, Malaysia, Thailand, Cambodia and Laos.

What Hong said in a statement sent to the Daily yesterday was in line with the trend of foreign direct investment in Vietnam in recent times, when many foreign companies have expressed keen interest in infrastructure development in Vietnam.

For instance, Malaysia-based Giant Group Ltd. is looking to developing a railway section linking Dong Ha City to Lao Bao border gate in central Vietnam with Laos, the My Thuy deep-water seaport, and the small - scale Quang Tri airport.

Much FDI has recently pledged for the projects to develop facilities and services in support of Vietnam's tourism industry.

Earlier this year, Ba Ria-Vung Tau Province licensed seven FDI projects with combined investment capital of more than US\$5 billion for the developments in tourism, real estate among others in the southern province.

Hong said that in Vietnam infrastructure investment as a percentage of gross domestic product (GDP) had been three percentage points higher than Vietnam's GDP growth since 1996. But, he stressed much more needed to be done to improve the quality of infrastructure when Vietnam compared itself to more developed countries.

"Vietnam will need to increase the levels of infrastructure investment at twice the growth rate of GDP to leapfrog up the 'quality of infrastructure' curve to increase its overall national competitiveness."

Hong forecast the private sector would lead the way in the development of infrastructure in Vietnam. He also shared this view in his presentation at a seminar organized by the British Business Group Vietnam (BBGV) in HCMC on Tuesday.

He said the funding for Vietnam's infrastructure investment was likely to evolve, and that Vietnam would not be able to rely on official development assistance (ODA) as much as it had in the past as the economy grew and the GDP per capita increased.

Therefore, Hong insisted new sources of long-term finance would need to be developed as alternatives to ODA so as not to over-rely on public sector funding.

"The demand for infrastructure in emerging economies like Vietnam continues to put intense pressure on government budgets whilst the Vietnamese Government is having a higher priority on the development of other important sectors including education and health," Hong said.

He underscored the growing importance of public private partnerships (PPPs) in government procurement around the world to ensure that infrastructure projects are delivered as efficiently and cost-effectively.

"The Government needs to decide what use they wish to make of PPPs, identify appropriate projects and ensure that they have the capabilities to procure them in an efficient and effective way," Hong said.

Hong stressed that the quality of long term projections of government revenues and expenditures were also crucial in facilitating PPPs.

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