

Building Road Infrastructure Under Public-Private Partnership Method in the World - Some Proposals in Vietnam

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ARTICLE INFO	ABSTRACT
Received: 24 Dec 2024 Revised: 12 Feb 2025 Accepted: 26 Feb 2025	<p>The road transport system plays an extremely important role in maintaining and promoting the socio-economic development of the country and localities. The development of transport infrastructure, especially road transport, is an essential factor to facilitate sustainable development. A synchronous, modern and efficient road transport system will have great positive impacts. It helps facilitate the movement of people and goods, reducing transportation time and costs. This helps to enhance connectivity between regions, reduce the development gap between regions, expand the market and create healthy competition. Therefore, in the socio-economic development strategy of the country or locality, investment and development of road transport infrastructure should be considered a top priority. Only with a modern, synchronously developed and advanced road transport system can the country and localities achieve great potentials and benefits in economic and social development.</p> <p>Keywords: Public Policy, Road Infrastructure; Public Private Partnership; Vietnam.</p>

INTRODUCTION

Road infrastructure development often faces the problem of a lack of funding from the state budget compared to actual needs, as stated in Yescombe's study (2007). In this situation, the application of the Public Private Partnership (PPP) model has been considered an effective solution to increase investment capital, build and maintain a modern, synchronous road transport system, while meeting the sustainable development goals of each country.

By using the PPP model, the government and private enterprises cooperate to invest in road transport infrastructure projects. Private enterprises often commit to investing capital, technology and efficient management to build, operate and maintain transport infrastructure, while the government promotes and facilitates this activity through management mechanisms and legal support.

PPPs offer many benefits to road infrastructure development. First, they help increase private investment, reduce the burden on the state budget, and help balance resources for important projects. Second, private enterprises often have experience and expertise in infrastructure management and operation, helping to optimize efficiency and quality of projects. Third, PPPs promote transparency and accountability in project management, as both parties have a common interest and must comply with common regulations and standards.

However, the implementation of PPPs requires careful consideration and caution, ensuring that agreements are promoted in a fair, transparent manner and ensure long-term benefits for both the state and private enterprises. Close cooperation between the parties and effective monitoring mechanisms are the keys to success in using PPPs to develop road transport infrastructure, contributing to promoting the country's sustainable development goals .

2. THE ROLE OF STATE MANAGEMENT IN MANAGING THE PPP FORM IN FOREIGN ROAD TRAFFIC INFRASTRUCTURE

The role of the state in managing the PPP form in road transport infrastructure is considered very important. From attracting, using, monitoring to inspecting, the state plays a leading role. In addition, there have been many international studies on the role of the state and the state management mechanism for PPP in this field.

A study by the United States Agency for International Development (USAID) in 2017 focused on the PPP method in the construction of transport infrastructure, especially road transport in APEC member countries. This study focuses on

capturing the experiences and practices of these countries in improving state management institutions, thereby making specific recommendations to improve the legal framework, build and improve policies to attract private sector resources in investment in transport infrastructure. At the same time, this study also proposes institutional improvements in the inspection, monitoring and evaluation of related projects.

The role of the State in developing and managing investment in road infrastructure construction is considered extremely important. If the institution is not suitable and there is weakness in management, it can lead to the failure of the PPP method in this field (Yescombe, 2007; Maluleke, KJ, 2008). Thus, the function of the State is to establish a reasonable institution for the PPP method, with the following specific points:

Firstly, in order to create a complete policy and legal framework, State support is considered extremely important, especially in developing countries, to attract capital from investors (ADB, 2008). The role of the State in determining the development of the PPP investment method in road infrastructure construction is undeniable. The State must create a favorable environment for this method by building a policy and legal framework, establishing implementation procedures, providing capital and using financial instruments, as well as mechanisms related to arbitration in case of disputes, and issues of evaluation and monitoring (Yescombe, 2007). The PPP method is encouraged by the State's function, which is responsible for creating infrastructure for socio-economic development under the condition of limited budget resources. Many studies have shown that building a solid institution, along with a complete and transparent legal framework, can lead to the success of the PPP method (Yescombe, 2007; Maluleke, 2021). Accordingly, transparency and a complete and stable legal system, reasonable risk allocation, predictability and avoidance of potential risks, are important conditions to increase investor confidence when deciding to participate in the PPP method.

Second, the creation of a favorable investment environment needs to be adjusted to suit the socio-economic conditions and characteristics of each country to attract investor participation. In addition, it is necessary to consider providing special support or establishing appropriate guarantee mechanisms to increase investor attractiveness.

Third, the study by Koch, C. and Buser, M. (2006) has shown that the establishment of a monitoring and cooperation agency related to PPP investment, especially in the field of road transport infrastructure, is necessary in some countries. This is due to the diversity and complexity of this type of investment. It may even be necessary to establish an intermediary agency to mediate conflicts and create a bridge between investors and the State (Maluleke, 2008).

Henrik and colleagues (2010) conducted a study on the policy, legal and economic aspects of PPP. They conducted an institutional analysis of the PPP model of the European Union (EU), China and the World Trade Organization (WTO). In this study, a theoretical framework of PPP was developed, including the concept and differences between traditional public investment projects and PPP investment projects. The study also mentioned approaches to improve the PPP model in infrastructure investment, especially in the road transport sector. According to them, the role and experience of the private sector in participating in infrastructure investment under the PPP model can bring high efficiency in investment. The study also pointed out specific experiences in improving the institutions of countries in the EU and China.

3. EXPERIENCE OF SOME COUNTRIES IN THE WORLD IN MANAGING THE PPP FORM IN ROAD TRAFFIC INFRASTRUCTURE

3.1 Experience in Korea

As one of the countries that has used the PPP method in providing public services, especially in the field of road infrastructure, for a long time, we have recorded significant successes. We have succeeded in building a synchronous and influential transport infrastructure, while reducing construction costs and increasing investment efficiency by taking advantage of the management and financial experience of private partners. Studies by Paul Numba UM and Severine Dinghem (2005) together with ADB (2011) have shown that experience in perfecting the state management institution on investment under the PPP method in infrastructure construction, including road infrastructure, includes the following elements:

First of all, in establishing, implementing and executing strategies, plans and schemes related to infrastructure construction and management, Korea has demonstrated clarity and consistency through the adoption of specific measures and policies. For example, in 1994, the country passed the Law on Promotion of Privatization of Investment in Infrastructure, followed by the PPP Law in 1998. In addition, giving priority to the PPP Law in cases of conflicts with other regulations is also a consistent and decisive measure. In addition, in each stage of the strategic plan, Korea has

clearly defined the types of infrastructure to which PPP should be applied, as well as the scale and implementation methods of the projects, ensuring efficiency and uniformity in the development process.

Second, in formulating, promulgating and implementing legal documents related to public-private partnership investment in the field of transport infrastructure construction, Korea has focused on developing a legal system closely related to strategy, planning and planning. In addition to adjusting and supplementing the PPP law many times, the country has also introduced other legal measures, such as the State Property Law, the Road Traffic Toll Law and the National Land Use and Planning Law, to ensure the appropriateness and effectiveness in the management and implementation of public-private partnership projects.

Third, Korea has continuously improved the institutional organization of the state management apparatus for public-private partnerships (PPP). Notably, in 1999, the country established the PPP Research and Implementation Center. Then, in 2005, the Center was merged with the Private Infrastructure Investment Management Center (PIMAC), becoming the agency responsible for formulating the annual PPP plan. Their task is not only to direct and provide detailed guidance on PPP projects related to transportation infrastructure, but also to create transparency and consistency in policy implementation. The higher management agency in the system is the PPP Project Supervision Committee, which is responsible for formulating policies, plans, and designating projects applying PPP, as well as selecting participating partners, controlling and evaluating participants. The committee includes the Minister of Strategy and Finance along with personnel from relevant ministries, as well as representatives from the private sector.

Fourth, in order to attract financial resources and other resources for investment in the form of public-private partnerships in road infrastructure construction, Korea has focused on perfecting related institutions. This includes implementing tax reduction and exemption measures to encourage investors, and developing simple bidding procedures to facilitate investors when participating in projects. During the implementation process, PPP-related contracts have been established in a transparent and clear manner, with clear distinctions between the rights and responsibilities of both the State and investors.

Five, the basic content of the Korean Public-Private Partnership (PPP) Act in the field of transport infrastructure construction also clearly stipulates the types of projects that apply the PPP method, the implementation procedures, the methods of measuring efficiency and resolving disputes. These regulations are applied and monitored from the preparation and signing of contracts until the project is implemented and put into use.

3.2 Experience in China

China's economy grew faster than expected at a rate of 5.3% year-on-year. A series of recent economic indicators in April, including factory output, trade and consumer prices, showed that the \$18.6 trillion economy has overcome some short-term recession risks, the demand for investment in transport infrastructure, including road transport, is huge, while budget resources are limited, so China attaches great importance to attracting private investment through the PPP method to invest in road transport infrastructure, from the research of Ing-Feng Yaun, Qiming Li & Jin Shan (2010), Pham Phuong Thao (2013), showing that the experience in perfecting the state management institution related to this content in China is:

Firstly, regarding the development of planning and plans related to the PPP method in road infrastructure investment, China has always perfected the institution on this content, accordingly, it has publicly announced the planning and plans of specific lists of road infrastructure investment projects in need of investment under the PPP method to call for capital. This was demonstrated from the 16th Party Congress (2002) of the Communist Party of China with the strategic goal of "Comprehensively building a moderately prosperous society" on the occasion of the 100th anniversary of the founding of the Communist Party of China. On the basis of the general strategy, ministries and branches proposed specific strategies for their ministries and branches. In which, the Ministry of Transport and the State Development and Reform Commission proposed the planning for the development of transport infrastructure, then submitted it to the Government for approval by the State Council, based on that planning and plan, localities developed specific plans and plans for their localities.

Second, in terms of policy and law enforcement, China has continuously improved the legal framework on the PPP method in road infrastructure investment. Up to now, there have been more than 50 management regulations and many legal documents on investment techniques under the PPP method in road infrastructure construction, thereby allowing

the State to effectively control the process of construction, management and synchronous development of the road traffic system nationwide.

Third, regarding the organization of the management apparatus, the Chinese Government has focused on perfecting the institutions related to this content. Although China currently does not have a specialized unit at the national level to manage investment in road infrastructure construction under the PPP method, China has promoted decentralization to local authorities in the process of proactively implementing road infrastructure development. At the same time, authority is linked to the specific responsibilities of the head.

Fourth, regarding the institution of attracting investment capital, because investment in road infrastructure is often large-scale and long-term, China has focused on site clearance and maintaining investment funds according to planning to help implement projects quickly, thereby attracting investors to participate. Regulations on capital sources are specifically regulated, linked to many sources such as bank capital, bond issuance, transfer of exploitation and business rights, the State completes and supports legal policies on credit, and establishes a Road Construction Fund. China also decentralizes financial responsibility (loans and budget) to local authorities.

Fifth, the Chinese Government has focused on perfecting the inspection and control process. However, up to now, due to many reasons, the institutions related to the monitoring system for PPP investment in road infrastructure construction have not been completed, and the lack of transparency in the decision-making process is a factor that hinders effective inspection and control.

4. SOME PROPOSALS IN VIETNAM

Decision No. 1454/QĐ-TTg issued on September 1, 2021 by the Prime Minister approved the road network planning for the 2021-2030 period and vision to 2050. This Decision emphasizes the role of road infrastructure development in socio-economic infrastructure, and clearly identifies the importance of implementing three strategic breakthroughs. This not only creates a foundation for socio-economic development but is also closely linked to ensuring national defense, security, social security, climate change adaptation and sustainable development. Therefore, resource mobilization is a key factor. Therefore, it is necessary to focus on promoting the following solutions:

Firstly, basically complete inter-regional expressways, including international gateway seaports, international airports, and important international border gates with large import and export demand, as well as special and class I cities. National highways will be conveniently connected to class II seaports, international airports, large inland waterway ports, and key railway stations, along with traffic hubs of class II and below cities, speeding up and focusing on site clearance and construction.

Second, focus on improving the road system by upgrading road surfaces, strengthening traffic safety measures, fixing black spots, and renovating and upgrading weak bridges on national highways. At the same time, upgrade a number of important national highways connecting to major transport hubs (seaports, inland waterway ports, airports, railway stations) that do not have parallel expressways.

Third, build a complete, synchronous and modern national road network, ensuring reasonable connections between modes of transport. The quality of transport and services will be improved, ensuring convenience, safety and reasonable costs.

Fourth, develop, promulgate, and organize the implementation of strategies, plans, and projects on investment under the public-private partnership method in the construction of road traffic infrastructure.

Regarding the strategic institution for developing the PPP method, in the coming time, it is necessary to continue to improve in the spirit of unity and steadfastness with the policy of attracting private investment capital through the PPP method to develop infrastructure; in which clearly demonstrating the political determination of the highest leaders of the Party, National Assembly, and Government in implementing the PPP investment model; at the same time, clearly stating the roadmap and plans of all levels in perfecting policies, allocating resources, forming apparatus, selecting national priority projects and orienting the correct understanding and implementation of PPP.

Fifth, continue to improve the institution in mobilizing financial resources and other resources in investment under the public-private partnership method in road infrastructure construction, thereby helping to mobilize all resources to invest in developing the road infrastructure system, especially expressways; promote the form of public-private partnership, in which state capital plays a supporting and leading role to attract maximum resources from other economic sectors;

institutionalize solutions on decentralization and delegation of authority in resource mobilization and implementation organization for localities.

5. CONCLUSION

Developing transport infrastructure is an important and top priority task in the process of industrialization and modernization of the country, playing a fundamental role in promoting rapid, stable and sustainable socio-economic development. Transport is considered the lifeblood of the economy, therefore, rapidly developing the transport infrastructure system with the motto "one step ahead" is an urgent requirement in the current development stage.

Therefore, in recent times, the Party and State have paid special attention to investing in developing transport infrastructure. The Resolution of the 11th National Party Congress (January 2011) set a target of building 2,000 km of expressways by 2020. Following that, the Resolution of the 13th National Party Congress and the 10-year Socio-Economic Development Strategy for the period 2021-2030 set a target of completing 3,000 km of expressways by 2025 and 5,000 km by 2030. However, to achieve the targets of investment in road infrastructure, it is necessary to mobilize a huge amount of capital. With the need for investment capital for the road network by 2030, attracting investment under the public-private partnership (PPP) method is considered an effective solution to reduce pressure on the budget, while mobilizing large capital sources from the private sector, contributing to solving the urgent need for infrastructure investment, especially transport infrastructure, thereby enhancing the competitiveness of the economy and improving the quality of life. quality of life of people in the region and around the world.

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