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Mobilize investment capital on road transport infrastructure development in the world and suggestions for Hanoi city

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Abstract

Mobilizing investment capital for road transportation infrastructure development is a necessary condition for the economy's socio-economic development. Examining the experience of countries around the world and some localities

in Vietnam in mobilizing investment capital to develop road transport infrastructure teaches Hanoi a valuable lesson in attracting capital investment for road transport infrastructure development.

Keywords: Mobilizing, investment, infrastructure, Hanoi city

1. Introduction

1.1 Related Concepts

Originating from the fundamental concept, management is defined as "the subject's influence over the object of management through the use of tools to accomplish predefined goals." The term "state management of investment capital in the development of urban transportation infrastructure" refers to the continuous, organized, and targeted impacts of competent and functional state agencies on organizations and individuals involved in the process of mobilizing and utilizing investment capital via government mechanisms and policies to develop an effective urban transportation system.

Several critical points in this concept are worth noting

To begin, the management of state investment capital in developing urban transportation infrastructure occurs at two levels: central and local. The National Assembly and the Government, with functional ministries such as the Ministry of Planning and Investment, the Ministry of Finance, the Ministry of Transportation, and the State Treasury, are the central government entities responsible for investment capital in developing urban transportation infrastructure. Locally, state administration is carried out at the city and district levels.

The People's Council and People's Committee oversee investment capital used to develop urban transportation infrastructure at the municipal level. Whereas the Department of Planning and Investment, the Department of Transportation, the Department of Finance, and the State Treasury are the functional agencies reporting to the City People's Committee in charge of managing investment capital to develop various aspects of transportation infrastructure. For instance, the Department of Planning and Investment is responsible for capital planning, the Department of Finance is responsible for capital allocation, and the City-State Treasury is responsible for capital settlement management.

Second, the objects of state management of investment capital in urban transportation infrastructure development are organizations and individuals that engage in investment capital-related activities in urban transportation infrastructure development (including the sources: state budget, ODA, capital of domestic and foreign private enterprises, and savings of the population through intermediary financial institutions). The process of mobilizing and deploying capital for urban transportation infrastructure development includes mobilizing and deploying capital for urban transportation development projects.

Thirdly, state management is proactive only concerning state budget capital; for other capital sources, the Government must adopt policies and mechanisms that foster favorable business and social conditions.

The City People's Committee is responsible for managing projects funded by state budget capital. These projects may fall into any of the three categories: A, B, or C, depending on their scope and ability to balance the local budget after being approved at the same level by the People's Council. The City People's Committee manages the entire mobilizing, allocating, and utilizing capital for these projects, from establishing investment policies, developing projects and investment decisions, estimating and selecting contractors, to acceptance, handover, and commissioning the works. When a project is composed of multiple component projects, each can be managed independently, following the division and agreement between the parties and the investor.

The City People's Committee is responsible for managing ODA capital invested by the City. However, because donors also manage these projects, their management mechanisms will be more distinct.

For projects financed through alternative sources of capital, such as private capital in the form of PPP, the City People's Committee is primarily responsible for approving the investor's capital investment capacity, while the investor determines the project's implementation process.

The City People's Committee will manage the investment policy and scale for projects utilizing Government-guaranteed credit capital, Government-guaranteed development investment capital, and SOE-guaranteed development investment capital. While the Enterprises are accountable for planning, implementing, and managing projects under applicable laws.

Investment capital is managed in constructing urban transportation infrastructure works by planning for network development, establishing a legal framework, promulgating and implementing mechanisms and policies. Appoint personnel to supervise, inspect, and control construction site activities.

1.2. Factors affecting the Government's management of investment capital for the development of urban transportation infrastructure

To begin, the legal system and investment management policies governing the nation's and cities' development. These legal documents and procedures serve as the investment capital management "guidelines." As a result, it has a significant impact on the management of investment capital in developing the City's urban traffic zones.

The legal documents of the Government are objective factors that have a significant impact on how investment capital is managed in urban transportation infrastructure development. It fosters the active exercise of management subjects' and objects' rights, responsibilities, and obligations in the process of managing and investing in urban transportation projects. It will facilitate investment capital management and generate high-quality outputs with an asynchronous, comprehensive, and non-overlapping legal document system. Additionally, it works to limit, control, prevent, and control investment capital losses and waste in investment projects, ensuring that investment capital is used more efficiently following market mechanisms and international practices.

Secondly, the extent to which modern management processes are being applied to managing investment capital used to develop urban transportation infrastructure. Investment capital management encompasses the planning, mobilization, and allocation of capital for the development of urban transportation infrastructure and the inspection and supervision of investment capital implementation. Each stage of the management cycle has its own set of rules.

A modern management process is capable of covering all stages of the process, increasing coordination between departments and the ability to check, monitor, and detect inadequacies that need to be adjusted at each stage, avoiding the phenomenon of interest collusion, or "group benefits," in the management of investment capital for the development of urban transportation infrastructure. Simultaneously, modern management processes will enable the application of information technology to control, which will result in time savings, apparatus streamlining, and cost savings.

Thirdly, organize the Government's investment capital management apparatus for urban transportation infrastructure development. The organization of the management apparatus is critical to management success. Effective management requires, first and foremost, a capable management apparatus. From a city-level management perspective, the investment capital management apparatus for the construction of urban transportation infrastructure is the subject of investment capital management for the construction of local urban transportation infrastructure and functions and powers.

A sound management apparatus is synchronous, with fully functional agencies managing all stages of capital investment to develop urban transportation systems. These agencies work in close collaboration to resolve implementation-related issues. On the other hand, if the management apparatus is insufficiently organized, does not cover all stages of the management process, or is cumbersome, management activities will encounter numerous difficulties with overlapping functions and tasks. The openness or duplication of management in these agencies will not eliminate all errors or create challenges for implementing units.

Fourthly, the City's planning and development strategies for transportation infrastructure. The City's design and planning and its transportation development plan serve as the foundation for capital planning for developing urban transportation infrastructures, including capital requirements, capital sources, and capital mobilization solutions that are developed and approved. Thus, the quality of the City's transportation development strategy, planning, and plan significantly impacts the capital investment plan for urban transportation infrastructure development.

Fifthly, the City's economic, political, and social characteristics and the characteristics of its urban transportation infrastructure. This is an objective factor that directly affects the demand for and investment capital in developing the City's urban transportation infrastructure. Each locality is unique, owing to its distinct economic, political, and social characteristics, which dictate its particular needs and investment capital resources.

A city that holds a significant political position within the country will attract more investment than other cities and localities. Particular emphasis will be placed on the capital city, which serves as the country's economic, political, and social center. The City will be prioritized in allocating resources such as the state budget to development, mainly infrastructure development, with the primary focus continually on the development of the transportation system. Economic conditions also affect the investment capital resources available to cities and municipalities. Investing in transportation, particularly urban transportation, is more convenient for cities and municipalities with strong economic development and an abundance of budget capital. On the other hand, it is easier to mobilize investment capital in developed cities, businesses, and people with high incomes than in cities and localities with numerous difficulties.

Rapid urbanization also affects the capital required to build, upgrade, and develop urban transportation infrastructure to match the stage of urban development. Additionally, the trend toward urban centralization results in a population shift from rural to urban areas, resulting in increased population density and traffic congestion. This issue highlights the importance of capital investment to develop traffic to meet the population's growing travel and transportation needs.

As can be seen, all of the factors mentioned above have impacted the state's management of investment capital in developing the City's urban transportation infrastructure system, particularly in terms of capital mobilization and allocation.

2. Experience in other countries and localities in Vietnam

2.1 World's experiences

At the moment, the world has three significant sources of capital mobilized to invest in infrastructure development and meet development needs: public investment from the state budget; domestic capital mobilized through the banking system, enterprises, and the issuance of bonds; and foreign capital (international loans, international bond issuance, foreign direct investment...). To be precise:

Due to the fiscal constraints in some Asian countries and the need to spend and invest in various other areas, a significant portion of the investment capital for infrastructure development is raised from abroad (primarily through ODA loans) and domestic and foreign private investors. The Government's role in enacting mechanisms and policies is limited to promoting a favorable investment environment by creating conditions and encouraging many sectors of society, particularly members of the public and private sectors, to invest in infrastructure development.

Additionally, several countries, including Korea, Malaysia, Singapore, and Thailand, determined that the state budget is not the primary source of capital for infrastructure development. These countries have made a concerted effort to enlist the private sector and foreign investors.

Furthermore, private enterprises and foreign investors are urged to seize business opportunities. Besides that, the public-private partnership (PPP) structure is used in conjunction with various support tools, including construction subsidies, credit guarantees, minimum revenue guarantees, operating subsidies, and the extension of transfer deadlines...

The Philippines passed Republic Act No.6957 (Law on Build Operate and Transfer - BOT...) in 1900 to establish a legal framework for BOT and Build Transfer (BT) projects. In 1994, this Act was amended to become Republic Act No.6958. In 2012, the Philippines issued a Code of Regulations based on the BOT Law, establishing special incentives for PPP projects.

On the other hand, the Philippine Government has preferential policies for the development of road transport infrastructure, including no limit on PPP in any sector; selection of investors through public bidding or selection based on investor-proposed projects; and government guarantees, which include: direct guarantees from the Government; guarantee of third-party contract performance; and the Government's support and contributions to the project.

Between 1990 and 2008, the Philippines attracted over USD 19 billion in private enterprises to invest in electricity, water supply, and transportation infrastructure... Since mid-2014, seven PPP projects have been approved, including a highway project, an international airport project, and a metro automatic toll collection system project.

Private investment in road infrastructure construction in Japan has resulted in developing a high-quality, synchronous road transport system. Japan's Expressway System Development Fund is funded through road taxes and fees, profit adjustment from the portion of the road that is capable

of returning investment capital and subsidizes the remaining sections that must be invested to create a complete system with high socio-economic efficiency.

Because there is no national legislation governing PPPs, the minister or provincial agencies issued detailed policies and implementation guidelines in Canada. The Canadian Government has established specialized agencies to manage and supervise the implementation of PPP projects to ensure their success.

To effectively mobilize investment capital for road transport infrastructure development, the Government of Canada has implemented outstanding policies such as encouraging the use of public-private partnerships in all sectors, but particularly in transportation and health care; selecting investors primarily through competitive bidding; allowing investors to propose their projects but not encouraging them to ensure broad competition, and providing the project's regular monthly payments.

Canada has developed extensive PPP projects to construct infrastructure at all levels due to PPP implementation since the 1900s. Canada has grown into one of the most dynamic, thriving, and sustainable PPP markets globally, with over 200 projects in various stages of development, construction, or investor selection.

In Australia, the Government has established a national PPP policy and guidelines for implementation. Several prominent policies include encouraging the use of PPP in all sectors as long as the project achieves a favorable VFM index - an indicator that compares the costs of a PPP project to a traditional project; Select investors through a competitive bidding process or direct selection...

As a result, PPP projects implemented in recent years have experienced rapid growth, particularly in transportation and social infrastructure. The Australian Government intends to invest AUD 750 billion over the next decade in projects ranging from roads to railways, airports, and schools.

2.2 Vietnam's local experience

The City of Ho Chi Minh's experience in raising capital through the issuance of government bonds demonstrates that it is the leader in economic development and transportation infrastructure and the number of successful bond issuances. Since 2003, Ho Chi Minh City has issued over VND 400 billion in municipal bonds through the Ho Chi Minh City Investment Fund for Urban Development (HIFU, now is the Ho Chi Minh City Finance and Investment state-owned Company- HFIC). Ho Chi Minh City has issued approximately VND 1,000 billion to VND 2,000 billion in bonds each year between 2007 and 2017, with maturities ranging from 15 to 20 years.

In comparison, Hai Phong city issued VND 174.41 billion in five-year term bonds in 2017 and VND 969.052 billion in 2019.

The legal framework for issuing municipal bonds was established in 2003 by Government Decree No. 141/2003/ND-CP dated November 20, 2003. Decree No. 141/2003/ND-CP found a critical legal corridor for local governments to issue bonds.

However, the contents of this Decree are still quite hazy and have not kept pace with current incidents. To address market deficiencies and constraints, the Government issued Decree No. 01/2011/ND-CP on government bonds, government-guaranteed bonds, and local government bonds on January 5, 2011.

The Ministry of Finance then issued Circular No. 30/2019/TT-BTC on May 28, 2019, regulating the registration, custody, listing, trading, and payment of government debt instruments, government-guaranteed bonds issued by the bank for social policy, and local government bonds.

Experimentation with land, natural resources, and minerals to supplement investment capital for road infrastructure development in localities reveals that: measures to increase investment capital for road infrastructure development in localities include the following:

- Land exchange for construction: If investors invest in road infrastructure, they will be granted additional land by local governments to invest in business projects to recoup their investment.
- To implement this form, many municipalities have concentrated their efforts on land planning, allocating a portion of their land fund to implement the land exchange policy.
- Shift the land allocating system from one in which the state allocates land using a land-use levy based on the state-issued land unit price to one in which the state allocates land by auctioning land use rights for areas with commercial advantages and flexibly combining them with land allocation and collection of land use fees in less advantageous regions. This is how the province of Hoa Binh allocates its land. Annual revenue from land has increased significantly as a result of this method.

Parallel to the solution of capital mobilization from the land, provinces with natural resource, mineral, and cultural heritage advantages also focus on capital mobilization from these assets, with a portion of the proceeds going toward road transport infrastructure development.

On the one hand, these localities must develop an appropriate mining plan under government regulations; on the other hand, and they must establish priority policies to attract external projects and, initially, invest in exploiting local strengths, thereby increasing revenue for the local Government. Thua Thien Hue and Ninh Binh make the most of their tourism assets. Hoa Binh and Quang Ninh take advantage of their comparative advantages in forest and mineral resources.

Experiments in the exploitation of foreign capital, particularly ODA, in Ho Chi Minh City, Bac Ninh, Nghe An, and a few other locations have varied. However, the following points are noteworthy:

- Conduct proactive research and creative application of central regulations governing the use and management of ODA in the local community through institutionalizing regulatory documents that are responsive to local realities.
- Develop specific road infrastructure investment portfolios that are integrated with poverty reduction programs that require ODA support.
- Reorganize and consolidate the local ODA capital management boards.

Contribute actively to allocating reciprocal capital from the local budget by preparing annual local budget estimates...

3. Capital mobilization experiences in Hanoi's road infrastructure development investment

Using the experiences of the countries as mentioned above and typical localities, the following lessons can be drawn

about mobilizing capital for the development of Hanoi's road infrastructure:

First, diversifying capital sources to mobilize investment through capital source socialization from the private sector via domestic and international PPPs.

Second, develop a strategy for raising capital through the issuance of local government bonds to reduce reliance on the state budget, increase fiscal autonomy for the City, and generate significant capital for infrastructure development.

Thirdly, there should be a strong link between capital mobilization and effective management, as well as the appropriate use of capital.

Fourthly, develop capital mobilization mechanisms and policies appropriate for the current situation to maximize capital mobilization efficiency.

Fifthly, capitalize on the area's land value. Simultaneously, promote the spirit of collaboration among organizations and communities in conjunction with state funding for rural transportation infrastructure.

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