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FINANCE

VND depreciates another 1% against USD, no more room for forex policy maneuver

TuoitreNews

The State Bank of Vietnam (SBV), the country's central bank, on Thursday devalued the Vietnamese dong by another one percentafter already doing so earlier this year.

The SBV decided to pull the trigger and allowed the local currency to lose value against the greenback following mounting pressure from the dollar's appreciation both in the banking system and in the free market starting in March this year, which reappeared earlier this week.

With the new decision from the SBV, the interbank average foreign exchange rate between the dong and U.S. dollar has increased from VND21,458 to VND21,673 per dollar.

The decision was announced this morning in the context of pressure on the dong devaluation building up again after the six-day holiday ended on Sunday and the official figure of a US$3 billion trade deficit in January-April was announced by Vietnamese authorities.

The pressure first appeared at local banks on Monday, and spread to the black market on Wednesday, bringing the unofficial rate to VND21,730 per dollar.

The SBV said in a statement that recent pressure on the dollar/dong rate was "psychological" and "in market expectations," adding its latest move was to help meet socio-economic targets and cope with negative impacts from global markets, *Reuters* reported.

With the new adjustment, the quotes offered by local banks will be within the range of VND21,456-21,890 per dollar, as the lenders are allowed to let the greenback fluctuate one percent higher or lower than the official rate set by the central bank.

"The market had expected this change right after the government released data on the trade deficit," a money market dealer at a Vietnamese bank in Ho Chi Minh City told *Reuters*.

"The (market) expectation is more depreciation as the dong is down just two percent while other currencies in the region have fallen 4-5 percent now," he added.

The central bank took a similar move on January 6, shifting the midpoint for trading the dong from VND21,246 per dollar, a level the SBV set last June, to VND21,458 per dollar.

As the SBV has devalued the Vietnamese dong by another one percent against the greenback, there is no more room for it to maneuver its foreign exchange policy from now to the end of this year.

Foreign exchange policy to be consistent?

The SBV late last year confirmed its consistency in managing the foreign exchange policy so that the dong will not be devalued by over two percent against the greenback in 2015, as the central bank successfully did in 2014 when the dollar was allowed to appreciate by only 1.1 percent over the dong.

SBV Governor Nguyen Van Binh reconfirmed the policy for 2015 in the middle of January, stating that the central bank was buying foreign currencies from the local market to increase the national foreign exchange reserves, a move it had stopped for five months then.

The measure was taken after the exchange rate between the Vietnamese dong and the U.S. dollar was stabilized, following the SBV devaluing the dong by one percent to stop market expectation of further depreciation, Binh added.

With national foreign exchange reserves at over $35 billion, this helps the central bank to make any necessary intervention at any time it wants to stabilize the market, Binh asserted.

In a newly published study, the Vietnam Institute for Economic Research and Policy (VEPR) under the National University system in Hanoi estimated that the current foreign exchange reserves reach $36.7 billion.

In December 2014, the central bank sold more than $1 billion to stabilize the local foreign exchange market.

But VEPR forecast in the study published on its website on April 27 that the next devaluation would only come by the end of this year, given ample reserves, an idea shared by the Vietnam business of the Hong Kong and Shanghai Banking Corporation in its macro-economic report for the Southeast Asian country, also released late last month.

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Commercial Banks Unexpectedly Lack VND

Saigontimes

The State Bank of Vietnam (SBV) has had to pump a large amount of dong through the open market operation (OMO) to ease a “dong fever” in the interbank market.

The dong fixed-term (overnight to one-week) lending interest rates in the interbank market for the first time in the last two years returned to the 5.7 percent per annum threshold last week.

The dong shortage incurred by commercial banks was the reason why SBV on April 21 had to pump VND17 trillion into the market through OMO, a very high amount, if noting that it only pumped VND3 trillion per day over the last year.

The dong interbank market has been heating up on the banks’ dong demand and tightened liquidity. There are fewer lenders while the dong demand has been increasing, which has pushed interest rates up to 5.3-5.6 percent.

SBV pumped VND7 trillion through OMO last Monday, April 20. Meanwhile, it only pumped VND13 trillion in total a whole week before, from April 13 to April 17.

Two weeks before that week, SBV applied measures to tighten liquidity, which made it very difficult for credit institutions to borrow money on OMO. The move is believed to control the exchange rate and curb inflation.

Therefore, analysts said there is no sign that high inflation may return, adding that domestic demand and businesses' competitiveness remain weak. A low inflation rate of 0.2 percent in April was reported for Hanoi.

The dong liquidity tightening has brought negative impacts. The dong liquidity became so weak that a bank was reported as proposing VAMC (the Vietnam Asset Management Company) to refinance banks, so that it could get dong from special bonds.

Tens of commercial banks have asked the State Bank to lift the ceiling on credit growth rates.

The southern banks are allowed to have a credit growth rate of 7-12 percent this year. However, some banks have gained the growth rate of six percent this year.

BIDV, the bank which is believed to be one of the three banks with abundant dong capital, has raised the one-month deposit from 4 percent to 5 percent, starting from April 21. This showed that banks are short of dong.

The move by BIDV could be the reason why the central bank decided to pump another VND5 trillion through OMO on April 21 afternoon, after it pumped VND12 trillion on the morning of the same day.

Meanwhile, some commercial banks still say they find it difficult to access dong capital source on OMO, even though they hold large amounts of government bonds.

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ECONOMY

New Regulations On Public Private Partnerships (PPP) In Vietnam

Jdsupra

The government of Vietnam recently issued new regulations on PPP under decree No. 15 (the New PPP Regulations). The New PPP Regulations will take effect from 10 April 2015 (the Effective Date) and replace the previously issued pilot PPP regulations (the Pilot PPP Regulations) and the existing regulations on build-operate-transfer (BOT) projects, build-transfer-operate (BTO) projects and build-transfer (BT) projects issued under decree No. 108 on 27 November 2009 (the BOT Decree).

The New PPP Regulations establish a legal framework for both the PPP and the BOT/BTO/BT projects regimes and are intended to attract more non-Government investment towards the development of national infrastructure. This note looks at some of the key changes brought by the New PPP Regulations.

PPP projects

The New PPP Regulations remove the requirement under the Pilot PPP Regulations that a PPP project must be an important and large-scale project (as previously set out in decision No. 412 issued by the prime minister on 11 April 2007). The New PPP Regulations therefore allow the relevant governmental authorities to provide detailed guidance on a broader range of PPP projects falling within the following sectors:

- transportation infrastructure facilities and related services;

- lighting systems, clean water supply systems, water drainage systems, waste water and waste collection and treatment systems, social housing, resettlement housing and cemeteries;

- power plants and power transmission lines;

- infrastructure facilities for healthcare, education, training, vocational training, culture, sport and related services, and offices of state agencies;

- infrastructure facilities for trade, science and technology, hydrometeorology, economic zones, industrial zones, high-tech zones and concentrated information technology zones, and information technology applications;

- agricultural and rural infrastructure facilities and development services for connecting production with processing and sale of agricultural products; and

- other sectors as decided by the prime minister.

The New PPP Regulations do not expressly cover certain other projects of interest to potential investors in Vietnam, such as those relating to upstream oil and gas, mining, petrol refineries and plants, steel mills and aluminium refineries.

PPP projects are classified by way of importance, being (i) projects of national importance or (ii) into Groups A, B or C. Feasibility studies for those projects classified under (i) will need to be approved by the prime minister and the National Assembly and it appears that (i) will be eligible to receive the highest level of incentives. For Group A, projects require the prime minister's approval and, for Groups B and C, projects require approval by a relevant ministry or a provincial people's committee. The New PPP Regulations do not contain any express guidance as to which group a project will be categorised. However, the Law on Public Investment (effective from 1 January 2015) provides certain criteria for classifying projects under (i) or (ii) above. In brief, the categorisation of projects will depend on factors such as size of capital investment, potential environmental impact, location, likely impact on the surrounding community and the specific industry sector into which the project falls.

Project contracts

For a PPP project, the relevant governmental authority is expected to enter into project contracts with investor(s) for the purposes of developing, managing and operating the project. Since the New PPP Regulations regulate both BOT/BTO/BT projects and the PPP regimes within a single legal framework, the New PPP Regulations cover not only traditional projects (i.e. BOT projects, BTO projects or BT projects under the BOT Decree) but also expressly provide for additional project structures typically seen in PPP regimes.

Sequence for implementing PPP projects

Except for those projects classified under Group C, the New PPP Regulations provide for the following sequence to be adopted in the implementation of a project and guidance is provided in relation to each of these steps:

1. formulation, evaluation, approval and then announcement of the project;

2. formulation, evaluation and approval of the feasibility study report;

3. co-ordinating selection of investor(s), negotiation and signing of an investment agreement and negotiation of the project contracts with Vietnam government parties;

4. application for and issuance of an investment registration certificate and establishing the project enterprise;

5. commencement of implementation of the project (including both construction and operation); and

6. accounting finalisation and transfer of the project facility.

The investment agreement, referred to in (3) above, is intended to be made between the relevant authorised Vietnam state agency and the investor(s) in order to, among other things, provide confirmations on the draft project contracts, the rights and obligations of each party in the implementing process for obtaining the investment registration certificate and to establish the project company, and other matters to be agreed between the parties.

For projects classified within Group C, the New PPP Regulations provide that the sequence for implementation will be the same, except that there is no requirement to follow procedures (2) or (4) above and there is no requirement for an investment agreement to be signed as referred to in item (3) above.

Private sector investment capital

Investment capital contributed or arranged by investors into a PPP project typically consists of equity capital and loans and other debt from the investors themselves or third party financiers. Under the New PPP Regulations, the equity capital contribution of the non-governmental investors in a PPP project must be at least 15 percent of investment capital up to VND1,500 billion (currently approximately $70 million) plus at least 10 percent of the portion of any investment capital exceeding VND1,500 billion. Any capital contribution from the government is not counted towards investment capital for the purpose of determining the equity capital contributed by investors. These requirements are generally similar to those under the BOT Decree but are more relaxed than those under the Pilot PPP Regulations (which required at least 30 percent of the investment capital).

The New PPP Regulations focus more on contribution from the government rather than providing extensive guidance on private sector investment capital. For example, use of sponsor subordinated loans or equity bridge loans and raising finance through the issuance of preference shares or other types of share are not mentioned. However, the New PPP Regulations do provide more generally that an investor is responsible for contributing equity and raising other capital sources to carry out a particular project in accordance with what has been agreed under the relevant project contracts which could broadly cover such other forms of investor contributions.

Government contribution

The government may make a state capital contribution to a PPP project. The BOT Decree and the Pilot PPP Regulations limit the state capital contribution to no more than 49 percent and 30 percent respectively of the total investment capital. The New PPP Regulations remove such limits and, instead of providing fixed limits to state capital contribution, the New PPP Regulations allow the relevant governmental authorities to flexibly determine how much capital will be contributed by the government based on the financial plan for the project, the ability to raise funds by the government and the laws on public investments. This development is significant and signals the government's willingness to participate alongside the private sector in the improvement of national infrastructure. Whether we will see significant co-funding of infrastructure and other PPP projects in Vietnam by the Vietnamese government remains to be seen. The New PPP Regulations do, however, incorporate a restriction on the types of project in respect of which state capital contributions can be made. This restriction only permits state capital contributions in the implementation of projects that have been proposed by a government ministry, branch or provincial people's committee or a project falling within the category eligible to use official development assistance and concessional loan capital from a foreign donor.

The New PPP Regulations are silent on whether a government capital contribution in a PPP project, in which such government capital contribution is allowed, can be used as collateral for raising finance.

Investment incentives and guarantees

Generally, the investment incentives and government guarantees are not substantially different to those provided for under the existing regulations and are high level in their nature. Broadly speaking, the areas of investment incentive/government guarantee mentioned in the New PPP Regulations include tax incentives, rights to mortgage project assets, rights to use land, rights relating to the purchase of foreign currency and foreign currency balancing, rights to utilise public services and rights relating to ownership of assets. The New PPP Regulations suggest that the government will give incentive/guarantees in these areas and that such guarantees will be granted in accordance with applicable law.

Notably, the government guarantee relating to the availability of foreign currency will be for (i) projects falling within investment policy approved by the National Assembly in accordance with the Law on Public Investment and certain other related regulations, (ii) infrastructure projects as approved by the government and (iii) such other important projects as decided by the prime minister. The New PPP Regulations do not provide guidance as to what is an "important project" nor as to what government ministry, agency or authority is being referred to in (ii), but it does seem clear that only projects of a certain importance (to be clarified in future implementing regulations or with the government at the time) are intended to benefit from government guarantees of foreign currency availability (and presumably also convertibility and remittance).

Selection of investors

Under the Pilot PPP Regulations competitive tendering was always required for the selection of investors whereas under the BOT Decree direct appointment of investors is allowed in some circumstances. The New PPP Regulations have relaxed this position by expressly providing that selection shall be conducted either by open tender or direct appointment for all the PPP project regimes. The New PPP Regulations do not change current restrictions on ownership by foreign investors in certain industries or types of projects, which continue to be governed by existing laws.

Security and step-in rights

Step-in rights are critical to lending banks in allowing them to preserve essential contracts entered into by the project company in the event of a default by such project company. However, under the Pilot PPP Regulations and the BOT Decree, step-in rights must be subject to approval from the relevant competent governmental authority. This approval mechanism is obviously not acceptable to lending banks and may affect the ability of the investors to raise funds for a PPP project. The New PPP Regulations remove this approval mechanism and instead require that lending banks and the relevant governmental authority will determine the timing for execution of the agreement providing for step-in rights. Whilst the New PPP Regulations do not legislate as to the timing of this, typically project lenders require that appropriate direct agreements with government and other project counter-parties are in place by financial close for a project.

The New PPP Regulations do not deal with the ability of PPP projects to give security over all their statutory land interests, which continues to be uncertain in Vietnam in the case where land is conferred on a rent-free basis for a project.

Transfer of the investor's rights and/or obligations under a project agreement

The BOT Decree and Pilot PPP Regulations allow an investor to transfer its rights and/or obligations under a project agreement subject to approval from the relevant governmental authority. This approval mechanism has been removed under the New PPP Regulations. However, the New PPP Regulations do require a transfer to be documented under an agreement between the parties (including the relevant governmental authority) to the relevant project document and the transferee. It is not clear whether in practice the relevant governmental authority will impose any conditions or requirements on the transfer of an investor's rights and obligations under a project agreement at the time of the transfer, although it can be expected that the government authorities will require consent rights or transfers to third parties.

Selection of foreign governing law for project documents

Under the BOT Decree, selection of foreign governing law in project contracts and certain project documents entered into with foreign investors is expressly allowed. By contrast, the Pilot PPP Regulations require application of foreign law to be determined on a case by case basis which, of course, creates uncertainty. The government has addressed this issue under the New PPP Regulations by bringing the PPP regime in line with the BOT Decree and permitting the parties to select foreign governing law by contractual agreement in all cases.

Transitional provisions

Generally, projects announced prior to the Effective Date must be reviewed and reapproved in accordance with the relevant provisions of the New PPP Regulations unless that project has already been approved by the prime minister. The New PPP Regulations do, however, incorporate the following provisions to cover projects at varying stages of implementation:

- Project contracts initialled prior to the Effective Date are not required to be renegotiated.

- Projects for which an investment certificate has been issued or project contracts which are officially signed prior to the Effective Date shall continue to be implemented in accordance with the provisions of the investment certificate or project contract.

- Projects for which a written undertaking or agreement was made by the prime minister or by a ministry, branch or provincial people's committee on the use of state investment capital for project implementation, on investment incentives and guarantees, and on other matters relevant to project implementation prior to the Effective Date shall continue to be implemented in accordance with such written document (i.e. even if the final project contracts have not been signed).

- Other cases shall be implemented in accordance with a decision of the prime minister on the basis of a proposal from the Ministry of Planning and Investment.

In view of the above, and from a practical perspective, for those investors or developers currently seeking to finalise project agreements on existing large-scale projects in Vietnam (for example, some of the BOT power projects currently being negotiated), it is suggested that those investors and developers keep negotiating and/or try to obtain the appropriate written undertakings/agreements (as specified in the third point above) prior to the Effective Date, to avoid the risk of such projects having to be reviewed and reapproved under the New PPP Regulations.

Conclusion

The New PPP Regulations codify both the BOT Decree and the Pilot PPP Regulations within a single legal framework so as to ensure a level playing field for investors in PPP projects. In addition, the New PPP Regulations bring the legal framework on PPP more in line with international practice and address certain key weaknesses in, and inconsistencies between, the BOT Decree and the Pilot PPP Regulations. It is therefore anticipated that the New PPP Regulations will attract more non-Government investment capital into national infrastructure projects which should, in turn, contribute to economic growth of Vietnam. However, it remains to be seen how the New PPP Regulations will be implemented in practice, and so consideration of any further implementing laws, regulations or directives will be key.

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Russia, Vietnam About to Complete Draft Free Trade Agreement – Kremlin Aide

Sputnik News

Russian president's aide said that draft free trade zone agreement between Russia and Vietnam is about to be completed and will soon be ready for signing.

The draft free trade zone agreement between Russia and Vietnam is about to be completed and will soon be ready for signing, the Russian president's aide said Wednesday.

"The draft is about to be approved. We expect to agree on signing it in the near future," Yuri Ushakov said.

He added that Vietnam would become the first country to sign a free trade agreement with the Eurasian Economic Union (EEU), comprising Russia, Armenia, Belarus, and Kazakhstan.

Russian prime minister Medvedev said in April that Moscow and Hanoi should consider using national currencies instead of US dollars in trade after agreeing in principle to establish a free trade zone.

Also last month, Vietnamese prime minister Nguyen Tan Dung said that Hanoi planned to sign the agreement with the EEU by the end of June, adding that Vietnam looked to increase its goods turnover with Russia to $10 billion by 2020.

In 2014, EEU Trade minister Andrey Slepnev said that the creation of a free trade zone between the union and Vietnam could boost the trade between the parties from the current level of $4 billion to $10 billion within a few years.

The EEU, which came into force on January 1, aims to achieve the free flow of goods, services, capital and labour across its member states.

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INVESTMENT

Viet Nam To Solidify Big-Name FDI Projects

VNS

Viet Nam expects a number of foreign direct investment (FDI) projects worth billions of US dollars currently under negotiation to be finalised this year and in 2016, experts have said.

After separating its LCD and OLED businesses, Samsung Display is considering moving its LCD module (LCM) plant in South Korea to China or Viet Nam as labour expenses in South Korea have been rising dramatically, according to the Korean-language AJU Business Daily report.

Since the assembly of LCD modules requires manual labour, Samsung Display wants to move production lines out of South of Korea to save costs. The manufacturing of the cell, which is highly automated, will stay in the country.

Local experts said that it was likely that Samsung Display would choose Viet Nam to save costs in comparison with China.

Samsung Display opened its US$1 million plant in March in the northern province of Bac Ninh to produce a high-resolution display to supply Samsung smartphone manufacturers in Viet Nam and around the world.

Recently, the Bac Ninh Province's People's Committee asked the Bac Ninh Industrial Park to negotiate and sign agreements with Samsung Display to develop a project to expand production of Samsung in Viet Nam.

If the plan is successful, there will be billions of US dollars poured into Viet Nam.

In addition, Prime Minister Nguyen Tan Dung has decided to also give priority to the Victory-Nhon Hoi petrochemical and oil refinery project, valued at $22 billion.

The project, located in Binh Dinh Province's Nhon Hoi Economic Zone, is to be funded by the Petroleum Authority of Thailand (PTT) and its strategic partner, the Saudi Arabian oil company Saudi Aramco.

The chairman of the Provincial People's Committee, Ho Quoc Dung, speaking to a meeting held last week with local authorities and ministry leaders, said he would work with PTT's representatives to complete the investment license, scheduled to be issued in the second quarter of this year.

The Ministry of Industry and Trade is also expected to sign a build-operate-transfer (BOT) contract and complete investment registration procedures for the 2,640MW Van Phong Thermal Power Plant 1 in the third quarter of this year.

When the investment certificate is issued, at least $2 billion worth of FDI would be poured into Viet Nam.

In addition, a $5billion complex will be built by a South Korean firm on land near the Ba Son Shipyard. South Korea's EUNSAN & OUE Group is expected to begin construction of the project on National Day (2 September).

This is one of the key projects that would help develop the city in line with an adopted master plan. But as the location is special in terms of national defense, the Government and the Ministry of Defense will decide on further procedures before the project is executed.

There are also many other projects worth billions of US dollars, especially power projects under the BOT model, experts have said.

Dang Xuan Quang, deputy head of the Foreign Investment Department under the Ministry of Planning and Investment, said there was a drop in FDI investment in the first four months because many of the big projects have not been issued investment certificates.

"Some large projects worth billions of US dollars are now under negotiation," he said.

In a related issue, disbursement of existing FDI recorded a year-on-year rise of 5 per cent to hit $4.2 billion in the first four months of this year, according to the Foreign Investment Department. Tran Tuan Anh, deputy minister of Industry and Trade, said within the first four months, disbursement of two projects of Formosa and Samsung, to import machinery for production, reached more than $1 billion. Also on May 19, work will start on a Samsung project in HCM City with investment of $1.4 billion. It is estimated that the disbursement of FDI would continue to rise in the coming time.

Although FDI and the disbursement of FDI are showing positive signs, experts are concerned how to fully take advantage of FDI investment for socio-economic development.

Tran Dinh Thien, director of the Viet Nam Institute of Economics, has raised concerns about what would happen when FDI businesses no longer find Viet Nam an advantage for their investment.

FDI is a main resource and driver of the country's economic growth.

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Ha Noi Seeks More Foreign Investment

VNS

Ha Noi has been tackling obstacles overseas investors face in a bid to draw more foreign direct investment (FDI) and boost socio-economic development.

Nguyen Ngoc Tuan, vice chairman of the Ha Noi People's Committee, said the city asked relevant branches and ministerial departments to listen to the complaints of foreign-invested enterprises and offer solutions in a timely manner in a meeting with members of the Viet Nam Chamber of Commerce and Industry (VCCI) yesterday.

The city asked foreign investors to implement their licensed projects on schedule – otherwise their licences would be withdrawn. It also urged site clearance steering boards to work closely with investors on eight projects that were having trouble getting the needed clearance.

City authorities would also promote administrative reform, improving the processes of planning, investment, building and taxation to support businesses. Numerous trade promotion activities would also be held to attract more domestic and foreign investment.

According to statistics from the municipal People's Committee, by the end of 2014 Ha Noi attracted 3,169 FDI projects with a total investment of US$26.3 billion. It ranked third nationwide. Of those projects, 2,988 worth a combined $21.7 billion are still valid. About $11.3 billion has been disbursed.

In the first quarter of the year, an additional $160.2 million poured into the city.

South Korea is the number one foreign investor in Ha Noi, with 893 projects worth $4.77 billion. It is followed by Japan with 683 projects valued at $4.64 billion. The real estate sector has become the most attractive sector for investment in the city, accounting for 46.6 percent of total capital, followed by manufacturing and processing with 28.5 percent.

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INFRASTRUCTURE

VN to develop over 2,000 km of highways by 2020

VGP

Viet Nam plans to put some 2,200 km of highways into operation by 2020, Deputy Minister of Transport Nguyen Hong Truong told our reporter in a recent interview.

Transport infrastructure development is among the three breakthroughs that the Vietnamese Government is now focusing on.

He said that the plan is feasible after the Ministry has completed the construction of 600 km of highways, including Noi Bai-Lao Cai and Ha Noi-Hai Phong.

To reach the target, the country needs to mobilize nearly VND 500 trillion from non-budget sources such as official development assistance and credit loans.

The Ministry is now selecting highways sections with high volume of vehicles to call for investment in terms of build-operate-transfer (BOT) and public-private-partnership (PPP) models, Mr. Truong said.

Regarding the PPP model, the Government has issued Decree 15/2015/ND-CP and Decree 30/2015/ND-CP on investment in the form of PPP and selection of investors to implement this model projects.

Under these Decrees, the State shall contribute up to 70-80% of the total investment capital of a PPP project and ensure site clearance.

Mr. Truong said the Ministry is mulling over a legal framework to transfer operation rights of certain infrastructure projects to domestic and foreign investors in order to raise funds for other infrastructure projects.

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City seeks NA nod for Metro 5

VNS

The HCM City administration wants the Government to seek approval from the National Assembly for Metro Line No 5 linking Bay Hien Intersection in Tan Binh District with Sai Gon Bridge in Binh Thanh District.

Plans for phase 1 of the project, to cost 1.56 billion euros (US$1.73 billion), has been submitted to the People's Committee, according to the HCM City Management Authority for Urban Railway (MAUR).

MAUR said funding for the line had been arranged with loans of 475 million euros ($527 million) from the Asian Development Bank, 275 million euros ($305 million) from the Spanish Government, 200 million euros ($222 million) from the German Bank for Reconstruction – KfW, and 150 million euros ($166.5 million) from the European Investment Bank and counter capital of 463 million euros ($513 million) from local sources.

Preparations for the 8.9km first phase have been accelerated so that construction can start in 2017.

Metro Line No 5 was scheduled to be completed in 2023, Tuoi Tre (Youth) newspaper quoted MAUR as saying.

It is designed to be 23.4 km long in all, running from Sai Gon Bridge to Can Giuoc Bus Station in Binh Chanh District.

It is the third line in the city to tie up funding after Line No 1 between Ben Thanh Market in District 1 with Suoi Tien Tourism Park in District 9 and Line No 2 from Ben Thanh Market to Tham Luong Bus Station in District 12.

The four others planned are Line No 3A from Ben Thanh to Tan Kien in Binh Chanh District and No 3B from Cong Hoa Intersection in District 3 to Hiep Binh Phuoc in Thu Duc District; No 4 from Nguyen Van Linh Avenue in District 7 to Ben Cat Bridge in District 12; and No 6 from Ba Queo intersection in Tan Binh District to Phu Lam Roundabout in District 6.

Preparations are underway for all of them.

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ENERGY – OIL & GAS – MINING

Vietnam cuts import duties on gasoil, fuel oil to support Dung Quat sales

Platts

Vietnam's Ministry of Finance has cut import tariffs on gasoil and fuel oil in a bid to support sales from the country's sole 130,000 b/d Dung Quat refinery, a PetroVietnam official said Tuesday, May 5.

The taxes were cut to 12% from 20% for gasoil and to 13% from 25% for fuel oil effective Monday, while the duties for gasoline and kerosene remain unchanged at 20% and for jet fuel at 10%, the ministry said in a statement late Monday.

The move is aimed at supporting sales of Dung Quat's output, particularly gasoil, the PetroVietnam official said.

It is possible the government will slash the tariff on gasoil further to around 5% in June, he added.

Binh Son Refining and Petrochemical, the operator of Dung Quat, in April urged oil importers in Vietnam to consider buying oil products, especially gasoil, from its refinery.

It expressed concern that the import tax rates imposed on the refinery's output were much higher than those set by the ASEAN Trade in Goods Agreement, or ATIGA, "jeopardizing" spot sales.

Under ATIGA, the import tariff on gasoline from ASEAN nations is currently at 20%, and at 5% for diesel, kerosene and fuel oil.

Prior to Monday's tax cut, oil products from the Dung Quat refinery were subject to the higher import tax rates levied on products from countries that Vietnam does not have free trade agreements with.

Vietnam consumes about 7 million cubic meters/year of gasoil, while Dung Quat produces about 3.5 million-4 million cu m/year, BSR said in March.

The country imported 1.463 million mt of gasoil over January 1-April 15, up 11.1% year on year, latest customs data showed.

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Gazprom and PetroVietnam prepare Vietnam offshore deepwater drill

Oil and Gas Technology

The Gazprom headquarters hosted today a working meeting between Alexey Miller, chairman of the company's Management Committee and Nguyen Xuan Son, chairman of the PetroVietnam National Oil and Gas Group board of directors

In 2014 Gazprom and PetroVietnam signed the Framework Agreement on terms and conditions of the joint development of the Nagumanovskoye and Severo-Purovskoye fields.

The meeting addressed the main issues of the bilateral cooperation in hydrocarbon development, particularly the joint activities in blocks Nos. 129–132 in the continental shelf of Vietnam.

The geological and geophysical data was processed and hydrologic studies were completed at the drilling sites. The drilling of a prospecting well in block No. 129 is scheduled to start in the second half of 2015. It would be the first deepwater well offshore Vietnam with the sea depth exceeding 1,600 metres at the drilling sites.

The participants also paid attention to the progress with the Heads of Agreement on developing the Nagumanovskoye (Orenburg Region) and Severo-Purovskoye (Yamal-Nenets Autonomous Area) fields.

In addition, the meeting touched upon the possible acquisition of a stake in Vietnam's Dung Quat oil refinery by Gazprom and its participation in the refinery upgrade. It was noted that the Heads of Agreement on the oil refinery stake provided Gazprom with an exclusive right to negotiate the deal.

Vietgazprom, joint operating company of Gazprom and PetroVietnam, is engaged in exploration activities in blocks No. 112, 129, 130, 131, 132 located on the continental shelf of Vietnam. In 2013 Gazprom and PetroVietnam launched commercial gas production from the Moc Tinh and Hai Thach fields of licensed blocks 05.2 and 05.3 offshore Vietnam, with recoverable gas and condensate reserves amounting to 35.9 billion cubic meters and 15.2 million tons respectively.

In 2014 Gazprom and PetroVietnam signed the Framework Agreement on terms and conditions of the joint development of the Nagumanovskoye and Severo-Purovskoye fields.

The Nagumanovskoye oil, gas and condensate field holds 5.8 billion cubic meters of proven in-place gas reserves, 1,683 thousand tons of recoverable condensate reserves and 960 thousand tons of recoverable oil reserves. The proven in-place gas reserves of the Severo-Purovskoye gas and condensate field account for 45.5 billion cubic meters, the recoverable condensate reserves – 6,826 thousand tons. Gazpromviet holds a subsurface use license for both fields (Gazprom – 51 per cent, PetroVietnam – 49 per cent).

Dung Quat, Vietnam's only oil refinery, has an output of 6.5 million tons per year.

In late 2014 Gazprom Neft and Binh Son Refining and Petrochemical signed the long-term agreement on delivering ESPO oil to Dung Quat.

In April 2015 Gazprom Neft and PetroVietnam signed the Heads of Agreement on acquiring a stake in the oil refinery by Gazprom Neft.

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REAL ESTATE

Caution over instant foreign property boom

VIR

With just two months remaining before the implementation of the amended Law on Housing which increases the rights of foreigners to buy houses in Vietnam, many concerns still persist among potential foreign property buyers.

Hoang Quynh Phuong, head of the residential sales department under Savills Vietnam, said that although the new regulation would likely increase the sale of property amongst foreigners in Vietnam, the majority of domestic developers were hesitant to formulate a plan to capitalise on this opportunity until the detailed guidelines for this discerning market segment were revealed.

"Developers are mostly waiting for the detailed guidelines from the authorities before announcing their strategy to attract buyers for this segment of the market," Phuong said.

Foreigners are generally regarded as requiring solid, good quality developments, and developers must have time to prepare their products to meet this need, Phuong added.

Doan Chi Thanh, chairman of the Hoang Anh Sai Gon Real Estate Company said that developers were not yet targeting foreigners buyers.

The supply of high-end properties does not yet meet the demands of the foreign market. Also, even when the rights are relaxed, many foreigners are likely to lease instead of buying a property outright.

Reiterating Thanh's reading of the market, the chairman of CEN Group Pham Thanh Hung said that the current products available are mostly only meeting the demand of domestic buyers, and as such the number of foreigners likely to buy houses in the near future is not likely to increase dramatically.

"Out of nearly 100,000 foreigners who are living and working in Vietnam, I estimate that only 10 per cent are interested in buying houses here," Hung said.

In his recent visit to Vietnam, Desmond Sim, head of CBRE Research of Southeast Asia, said that although the amended Law on Housing increased the rights of foreigners to buy houses in Vietnam, many other related issues needed to be outlined to reassure foreign buyers. Chief among these concerns is what will happen once the 50 years of ownership rights expires, or if foreigners want to withdraw from their investments.

"What rights will they have? Will be they able to transfer their investment value abroad? These are outstanding questions which need to be addressed," Sim said.

Despite these concerns, there is still some hope that the incoming amended Law on Housing will attract more foreigners to buy houses either for personal use or sub-leasing in Vietnam.

If this happens to be the case, it may go some way towards reducing the huge stockpile currently existing in the real estate market.

According to Ministry of Construction – the body which have framed the amended law – this move will drive larger amounts of foreign currency into the market, and will help drive up the quality of housing across the board.

Figures from the Land Management General Department under the Ministry of Natural Resources and Environment, however, show that towards the end of 2014, out of the official figure of 80,000 foreigners living and working in Vietnam, less than 200 registered to buy houses here. Meanwhile, about 600 overseas Vietnamese registered to buy property.

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Metro line to greatly impact property market: CBRE

VNS

The first metro line in HCM City will become operational in 2020 and will greatly impact the city's property market, a CBRE Viet Nam report released on Wednesday in HCM City revealed.

Marc Townsend, Managing Director of CBRE Vietnam, said the report had concluded that the introduction of a metro system will bring about a number of benefits. In particular, it will improve the ability of the population to access employment, retail and recreational activities.

The experience among other countries also suggested that one of the most significant impacts of a metro line project was the effect it would have on property values, he said. Rail transit development would bring many noticeable changes to areas around transit stations: land prices would surge, real-estate development would boom and retailers and offices would relocate.

"In theory, a home located near a public mass transit system would command a higher rent or sales price than the one that was further away because good public transport allowed those living nearby to travel more easily to and from destinations that are important to them," he said.

"This has been well proven through experiences of other countries where the premium for housing prices in locations close to public transport ranged from 6 per cent to 45 per cent."

However, he also said, "The impact of a new public transport system on housing prices depended on a number of mediating factors, including housing tenure and type, the extent and reliability of the public system, the strength of the housing market, the nature of the surrounding developments and so on. In a metro area, with a strong housing market and a reliable public transport system that effectively connected residents with jobs and other destinations, the price premium may well be much higher than the average."

CBRE believed that in the future, when the metro line became operational, the premium for land prices on sites located within a 10-minute walk from stations could be up to 10 to 20 per cent against sites in other areas.

In terms of new launches, CBRE expected that condominium supply in District 2 and District 9 would surge by 58 per cent and 200 per cent in 2017, respectively. Similarly, a 10 per cent increase in retail podium gross floor area (GFA) would be reported in District 2 in the next three years.

Regarding land-use impact, Duong Thuy Dung, Head of the Research and Consulting Department, said: "Better connectivity will allow commercial activities to be decentralised away from the congested Commercial Business District (CBD). This will also allow occupancy costs for the city to be controlled and managed by being able to offer alternative locations away from the CBD, but it will still be well connected. It is expected that new clusters of commercial properties will arise along the metro lines, especially for properties in the mid-end levels."

With 186,000 riders per day expected for the first line in HCM City, obvious opportunities will be seen in the retail sector where a retail mall is usually incorporated in a community to benefit from commuter traffic. On the other hand, the metro line will also help in expanding the retail catchment area by providing vehicle cost savings to remote shoppers, encouraging them to come to the city centre for shopping.

"The first metro line in 2020 will cut journey times by at least half meaning that anywhere with decent access to these lines will really benefit. For this reason, we can expect mixed-use developments along the metro line to include condos, apartments, offices, hotels, restaurants, shops, outdoor activities, educational institutions and cultural and other attractions, just as can be seen today in cities, such as Hong Kong, Bangkok or Singapore."

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LEGAL

New policies take effect in May

VGP

New policies on unemployment insurance, selection of investors and one-stop shop mechanism will come into effect since May 2015.

Unemployment insurance

The government has issued Decree No. 28/2015/ND-CP dated March 12, 2015 to guide the implementation of some articles of the Law on Employment.

Under the Decree, employers shall be provided with financial assistance with the maximum volume of VND 01 million/person/month to cover expenses of training, improving working skills in order to maintain employment for workers.

To be eligible for the financial support, employers shall have to fully meet the following conditions to:

– Having fully paid unemployment insurance premiums for labourers obliged to participate in unemployment insurance for at least full 12 consecutive months by the time of request for support;

– Meeting difficulties due to economic recession or other force majeure causes, forcing them to undergo restructuring or change production and business technologies;

– Lacking funds for organising training and re-training to improve occupational skills qualifications for labourers;

– Having a plan on training and re-training to improve occupational skills qualifications for job maintenance, approved by an authorised state agency.

The duration of support for training and re-training to improve occupational skills qualifications for job maintenance for labourers must comply with the approved plan, but must not exceed six months.

Selection of investors

The government's Decree No. 30/2015/ND-CP dated March 17, 2015 guides detailed implementation of the Bidding Law regarding investor selection.

The Decree shall be applied to public-private partnership projects and projects using land of high commercial value specified in the lists approved for construction in urban and new urban centers, commercial housing construction and multipurpose complexes which are not under PPP projects.

National occupational certificate

Decree No. 31/2015/ND-CP on detailed implementation of some articles of the Law on Employment covers regulations on conditions, assessment and grant of national occupational certificates.

The Decree also includes the list of jobs that directly affect the safety and health of labourers and community.

One-stop-shop mechanism

PM Nguyen Tan Dung has signed Decision No. 09/2015/QD-TTg0020 promulgating the Regulation on implementation of one-stop-shop (OSS) and inter-level OSS mechanisms in state administrative agencies at local level.

The Regulation specifies the definitions and processes and agencies responsible for deploying the mechanisms.

The Receiving and Returning Unit (RRU) is the focal point of contact which provides instructions of administrative procedures, receives task portfolio from individuals, organisations, and sends them to related functional organisations or authorised level of government for being proceeded, then takes the results and returns to the individuals and organisations.

Pilot online social insurance transactions

According to the Decision No. 08/2015/QD-TTg on pilot performance of online social insurance transactions, state enterprises and agencies and non-business units and organisations are allowed to carry out the online registration of social, health and unemployment insurance and application for grant of social insurance books and health insurance cards.

The move also allows insurance-covered employees to see their insurance transaction results online, simplifying procedures for them and their employers.

Under the new regulation, online insurance transactions will be conducted through the e-portal of the Vietnam Social Security or websites of e-transaction service providers in the field of social insurance.

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New decree to resolve barriers to FIE operations

VIR

A decree that the Ministry of Planning and Investment is drafting to guide the implementation of the 2014 Law on Investment includes a separate chapter on how the rules will be applied specifically to foreign investors.

The ministry's drafting committee hopes to abolish conditions that do not fit the current context, and remove policies issued by government agencies that are not within their authority to issue, as well as amend and add conditions in order to ensure the freedom for foreign investors to do business in sectors they are entitled to operate in.

Besides conditions that are common for both domestic and foreign-invested enterprises (FIEs), FIEs have to satisfy a range of other conditions. According to Deputy Minister of Planning and investment Nguyen Van Trung, that's because before setting up an economic entity the foreign investor also has to have an investment project and secure an investment certificate and in order to do so they have to meet a list of other requirements such as providing capital and being able to meet the requirements of specific investment projects.

“These requirements are very necessary, not only to formalise the application of conditions to do business for foreign investors but to also contribute to raising the transparency of the legal system concerning investment and business,” Trung said.

Of the 267 sectors and fields subject to conditions stipulated in the new Law on Investment, there are 72 for which Vietnamese laws already stipulated conditions to do business and invest, 46 for which Vietnam’s international agreements have stipulated conditions to invest applying to FIEs, 128 for which no law has stipulated conditions for investment for FIEs and 21 for which no law has stipulated conditions to invest and to do business for FIEs.

In addition, there are 35 sectors which international agreements stipulate limited participation by FIEs but Vietnamese laws still do not.

As a result, there has been much confusion over the current list of conditions. For example, one of the many conditions for the insurance and reinsurance sector requires foreign non-life insurers wishing to set up a branch in Vietnam to have the total asset of at least $2 billion and have operated in the non-life insurance business for at least 10 years. But these conditions do not meet Vietnam’s commitments in free trade agreements and the Trans-Pacific Partnership. Will these conditions be changed?

Plastic surgery is one of the 21 sectors and fields that have yet to have any conditions to invest and do business. According to Vietnam’s WTO commitments, foreign plastic surgery service providers are allowed to provide this service by establishing a 100 per cent foreign-owned hospital, a joint-venture hospital with a Vietnamese partner or by entering a co-operation contract with a Vietnamese partner. The minimum investment for a hospital is $20 million, while that for a clinic is $2 million. But as of now Vietnam has yet to have any conditions on business in this field. What will regulate plastic surgery and the remaining 20 sectors and fields?

Casinos are on the list of 128 sectors and fields for which no law has stipulated conditions for investment for FIEs. As of now, the decree on casinos is still being drafted.

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