

**A CASE STUDY OF PUBLIC PRIVATE
PARTNERSHIP IN THE CONSTRUCTION
SECTOR IN HO CHI MINH CITY, VIETNAM**

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A CASE STUDY OF PUBLIC PRIVATE PARTNERSHIP IN THE
CONSTRUCTION SECTOR IN HO CHI MINH CITY, VIETNAM

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ABSTRACT

Public Private Partnership PPPs in developed countries exhibit a successful strategy along with the framework that while appealing the private sector, the role for state in ensuring that social responsibilities have been met and successful sector reforms and public investment achieved. PPPs depicts a number of recognized benefits for the public sector to exploit especially in terms of benefiting the public infrastructure. This also caters the aptitude to promote the additional finance in an environment of budgetary restrictions, also ensure the effective use of private sector operational efficiencies for reducing the cost and further to increase the quality of services provided to the public and the ability to speed up infrastructure development. The purposes of this study are to assess the existing conditions that are enabling and disabling the applying of PPP arrangement infrastructure in Ho Chi Minh city with focusing on legal, regulatory, and policy framework, institutional framework, technical issues, investment and socioeconomic issues, stakeholders consultation, financing requirements, risk management and managing the interface between public and private partners, to identify key factors for influencing successful Public-Private Partnerships in infrastructure projects and the constraints and up to now the features of a good relationship management of PPP projects. The findings show the lack of readiness of infrastructure sector for implementing large-scale PPP projects and the study recommended according to analysis that the state should take actions for enabling a successful PPP in infrastructure and mitigating the gap which is required for PPP project's development and implementation. The important steps are establishing a sound of legal and institutional framework, develop policies and guidelines, creating a stable environment and conducive to investment with the aim of encouraging private sector investments in the water and wastewater sector, developing a strategic framework for relationship management of PPP projects to enable both public and private sectors to manage these important PPP relationships successfully. There was the total of 150 questionnaires were sent out, and the total of 400 valid answer was obtained for data analysis tool. As major successful ingredients to be indicated to the most crucial factor for evaluating the public and private sectors. Moreover, the effectiveness related to the cost and also the financial attraction have been taken as highly recognised evaluation factors which could ranked by the public sector and private consortium respectively. In addition, the "existence of a long-term demand for the proposed services", further availability of "strong private consortium", alignment with state's "strategic objectives", as well as reliable "service delivery" need to be rated as highly important to the success of PPP schemes. On the other side, the tripartite expectations need to be ensured as indispensable for making the feasibility and successful delivery of public services and infrastructure projects via PPP scheme in Ho Chi Minh City in infrastructure projects. This study enables international and domestic construction companies to better understand how success and constraints should be assessed and allocated for PPP project in Ho Chi Minh City in infrastructure. It also assists in constraints and success response planning and control for future PPP projects in Ho Chi Minh City in infrastructure projects.

Keywords: Public private partnership, cost, constraints, civil engineering project, critical success factors

APPROVAL

This is to certify that this thesis conforms to acceptable standards of scholarly presentation and is fully adequate, in quality and scope, for the fulfilment of the requirements for the degree of Doctor of Philosophy

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DECLARATION

I hereby declare that the thesis submitted in fulfilment of the PhD degree is my own work and that all contributions from any other persons or sources are properly and duly cited. I further declare that the material has not been submitted either in whole or in part, for a degree at this or any other university. In making this declaration, I understand and acknowledge any breaches in this declaration constitute academic misconduct, which may result in my expulsion from the programme and/or exclusion from the award of the degree.

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A handwritten signature in blue ink, appearing to read 'D.V.V.', with a long horizontal stroke underneath.

Signature of Candidate:

Date: 10 November 2021

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LIST OF ABBREVIATION

ADB	Asia Development Bank
BOO	Build Operate Owner
BOT	Build Operate Transfer
BLT	Build Lease Transfer
BTL	Build Transfer Lease
BT	Build Transfer
CSFs	Critical Success Factors
DOC	Department of Construction
DPI	Department of Planning and Investment
DMC	Developing member country
DOFC	Department of Finance
DONRE	Department of Environment and Natural Resources
DPI	Department of Planning and Investment
EIA	Environmental Impact Assessment
EIRR	Economic Internal Return Rate
EOI	Expression of Interest
EMP	Environmental Management Plan
ENPV	Economic Net Present Value
FS	Feasibility Study

GOV	The Government of Viet Nam
GDP	Gross Domestic Product
HCM	Ho Chi Minh city
IDA	International Development Association
LIA	Low-Income Area
MOC	Ministry of Construction
MOF	Ministry of Finance
MONRE	Ministry of Natural Resources and Environment
MPI	Ministry of Planning and Investment
OandM	Operation and Maintenance cost
PC	People's Committee
PPP	Public-Private Partnership
RFP	Request for Proposal
WB	World Bank

CHAPTER 1

INTRODUCTION

1.0 Introduction

In this modern era of globalization, there has been a population explosion with an enhanced system of both information and communication in the sector of traveling and public awareness. Although this increasing population trend has increased the spiral demand for public services and infrastructure which has resulted in high involvement of the private sector for both financial aspects and the development aspect of public infrastructure along with a highly sustainable model from the last several years. Different approaches have been initiated and introduced in the context of these ‘public-private partnerships’ (PPPs) for developing linkages and the relationship between public and private sectors together along with their risks and rewards sharing. Approaches include diversified projects with high contracting-out of services involving private sectors like financing, designing of the infrastructure, operational methodologies, maintenance, and all sectors related to public services and infrastructure. Focusing on the report ‘NAO’ (National Audit Office, 2001), public-private partnerships (PPPs) have successfully completed more than 75 percent of projects in time along with near to 80 percent completion in the allocated budget (Tieman, 2003).

All public sector and key stakeholders around the world have been finding difficulty in meeting the spiral demand in comparison with an increased growth rate of population especially in developing countries of Asia and Africa. On the other side, developed countries have successfully overcome this issue. Although the public sector always looks to the private sector for building up these PPPs regarding funding

constraints for hospitals, schools, roads, water supply, and other infrastructures for attaining desired outcomes. According to UNDP Public-Private Partnerships for the Urban Environment & Bennett (1998) who exhibited the World Bank that private sector funding of public projects has brought a revolution in enhancing public infrastructure and services according to the increased demand. Mainly in developing countries building up new public infrastructure has been a key issue along with other indicators like the alleviation of the poverty rate and infant mortality which could only be attained through effective PPPs. On the other side, developed countries have nothing to do with World Bank funding for the reduction of poverty and infant mortality so the funding might result in inadequate and ineffective outcomes. In developed countries, banks directly provide funds to the public sector for projects execution and whereas, in developing countries, these funds could be left up with high debts over the public sector with incomplete or never-even started projects, which could be due to the false initiatives of corrupt officials and also leaving incomplete projects requirements. Here, corruption could be a major factor that exhibits the poor impression of developing countries over the donors and agencies in the context of building successful PPPs between the public and private sectors. Focusing on these circumstances, trust and commitment have been the mandatory elements for initiating private and public funding or partnership as a strong solution for developing countries for driving demand for return over investments and also in achieving the desired goal with the completion of the project.

It is important to note that there is no presumption that the public or the private sector provides a better route for public service delivery. However, experts have suggested that partnerships between the two sectors should be central to any government's aim of establishing first-class public services and infrastructure and

promoting economic growth and regeneration. A system is required that makes the best use of what both sectors have to offer in public/ private partnerships. There is still uncertainty as to what a PPP is, what are their strengths and weaknesses and how to manage risks under the system (DOFSA, 2000).

In this context, many developing countries have initiated PPPs in various sectors including infrastructure, manufacturing, and services. Investment in infrastructure projects with private sector participation in developing countries by sector is depicted in Figure 1.1 (Roger, 1999). Evidently, the telecommunications and energy sectors led the growth in private activity in the 1990s. Although private sector participation is increasingly invoked in the context of developing countries, the success or failure of PPP projects has not been systematically assessed (Roseneau, 1999). The PPP debate is still conducted in the terms “public bad, private good”, based on selective evidence (Spackman, 2002) (Broadbent and Laughlin, 2003). According to Love et al. (2000), two basic fundamental attributes are required for PPP in terms of procuring the successful infrastructure of the project; first is the high commitment and second is the mutual trust at both ends (Love et al., 2000).

Public-private partnership (PPP) came into being as a result of the continued budgetary constraints faced by the various governments and the exhaustion of opportunities for outright privatization of public infrastructure (Jones, 2004). Federal and State governments began to explore subtle alternatives for accessing private sector resources in the delivery and operation of public facilities. Policy discourse turned away from an emphasis on public sector restructuring and towards the search for innovative solutions and a more precise analysis of exactly how governments can most effectively meet infrastructure requirements (Yahaya, 2008). These, therefore, brought

about the involvement of the private sector in the provision of infrastructure in developed and developing parts of the world to partner with the government.

The provision of adequate and reliable physical infrastructure is important given the role it plays in supporting the growth of the industry, delivery of social services, enabling the movement of people and goods, amongst others (Akampurira et al., 2008). Physical infrastructure has long been identified as a catalyst for economic growth. In developed countries, the involvement of the private sector in the development and financing of public facilities and services has increased substantially over the past decade (Li et al., 2005). For instance, many PPP projects in the UK and other developed economies are regarded as successful (Qiao et al., 2001); (Jefferies et al., 2002); (Li et al., 2005) but on the other hand in the case of developing countries, unsuccessful projects ratio is found high.

The rapid growth of the population in many developed and developing countries has led to a substantial demand for the provision of infrastructural facilities. However, the conventional provision of infrastructure funded by the government leads to inefficiencies and subjected infrastructural development to the availability of government funds (Jin and Doloji, 2008). Babatunde & Opawole (2005) opined that as a mechanism to balance such anomalies, the concept of providing concession to the unattractive project has been used and enabled governments to maintain a strategic interest in the infrastructure (Babatunde & Opawole, 2005). The study further identified a range of PPP arrangements is being preferred by many governments throughout the world to provide public services. Therefore, no matter the successful implementation of PPPs, the needs still arise for the continuous evaluation of the performance of the project success factors such as cost, time, and quality with client satisfaction.

In addition to the debate over optimal funding mechanisms, institutional constraints affect the success of these programs and of investment in infrastructure in general. Factors include the constitution (Barbara, 2014), the political party system (Henisz and Zelner, 2001) and the legislature (Pargal, 2003); (Spiller, 1996).

Despite the worldwide application of PPP and the considerable efforts by governments towards the policy implementation during the past couple of years, a significant number of failed or distressed cases have been recorded in both developing and developed countries. Some examples include the Sydney Cross City Tunnel (Australia), Trakia Motorway project (Bulgaria), Western Harbour Crossing (Hong Kong), Hangzhou Bay Cross-sea Bridge (China), The Ngone bridge project (Lao PDR), M7 Toll Road (Hungary), Bangkok Elevated Road System (Thailand), Pitesti–Bucharest–Constanza motorway (Romania), Ghana National Housing Project (GNHP; Ghana), Lekki toll road project (Nigeria) and Highway 407 (Canada) (Soomro and Zhang, 2013); (Tam, 1999); (Kumaraswamy and Zhang, 2001); (Monsalve, 2009); (Liu et al., 2016). Therefore, the need to assess the potential constraints in PPPs has become very important for both research and practice. However, considering that the PPP concept has become a global practice, where private investors, consultants, and financiers are engaged irrespective of their cultural background and geographical differences; the potential constraints in PPPs need to be empirically evaluated and compared among developing and developed economies/countries. This is crucial during this period because such empirical investigation will enable international private bidders to be fully aware of the potential challenges and the mitigation measures to adopt when engaging in PPP arrangements in different economies, whether developing or developed economies. Moreover, governments that are yet to

adopt the PPP policy will be informed of the preventive actions to take to record more successful cases.

The government has been finding difficult to provide and sustain.

1.0.1 PPP in Viet Nam

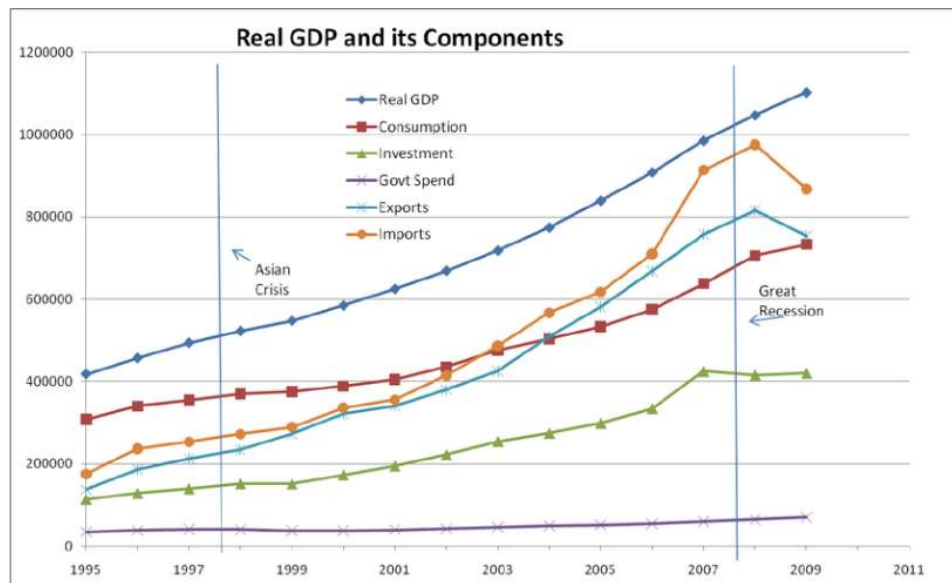
The current study focuses on the Viet Nam in terms of challenges and constraints faced by the local people regarding public private partnerships and how these partnerships have benefited the state in terms of better economic activities, employment generation and more business opportunities for the local people associated with the construction projects. This paper is going to focus on identifying the key success and constraints in the Viet Nam, with a particular reference to the implementation of PPP in the construction industry. Both the Asian Development Bank (ADB) and the Agence Française de Développement (AFD) in the year 2010 initiated a public-private partnership framework agreement in the context of strengthening institutional and operational cooperation in Viet Nam.

The objective was to identify the constraints and opportunities in-country for further consideration of attaining corporation and assistance from ADB and AFD (Asian Development Bank, 2006). Through Public-Private Partnership (PPP), could be the best tool for the procurement process regarding the strong execution of public sector projects among the entire world that includes Viet Nam also. Viet Nam has been the top listed country among donors for building up its public infrastructure and services through these PPPs. In a broader scenario, it also holds the financial and operational arrangement according to their mutual agreements between the public sector and the private sector for providing and ensuring public services and attaining desired results of the project.

Generally, Viet Nam has a rich economic and historical background that is shaped by millennia of foreign influences, civilizations, and economic reforms. It is worth noting that Vietnam has a long history that dates back thousand of years with old of the oldest cultures in the world. It is often speculated that the first Vietnamese state was developed in 2879 BC. It was influenced extensively by the Chinese governance systems and culture for centuries (Corfield, 2008). The Vietnam War was backed by China and the Soviet Union and served as a significant conflict and issue of the mid-20th century. The war ended in the late 20th century with the reunification of the South and North Vietnam under the communist rule. It is worth noting that after the war, Vietnam primarily underwent a period of political and economic isolation. However, the government began the implementation of market-oriented reforms, recognized as the Doi Moi reforms in the late 1980s. These reforms played a vital role in opening up the economy and attracting the foreign market (Taylor, 2013).

The Doi Moi economic reforms played a vital role in shifting the country to a socialist-oriented market economy from a centrally planned economy after the failures of state-owned enterprises. This shift played a vital role in the liberalization of different sectors including the expansion of the private sector and increased foreign trade. In addition, Vietnam also experienced extensive economy growth in the decades that followed the economic reforms. For instance, the nation transitioned from an agrarian, war-torn society to an innovative and emerging market economy with a significant focus on export-oriented, services, and manufacturing industries. Some key sectors included tourism, agriculture, electronics, and textiles. The growth in the GDP after the economic reforms can be seen in the figure below (Diez, 2016).

Figure 1.1: GDP growth of Vietnam



In recent times, Viet Nam has acquired significant FDI or foreign direct investment from different Asian countries and even multinational companies. For instance, its strategic location in Southeast Asia and economic reforms made it quite an attractive destination for foreign investments. At the same time, Viet Nam pursued extensive trade agreements with other regions and countries. Some important agreements include the European Union-Vietnam Free Trade Agreement and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. There is no doubt that with these social and economic reforms, the idea of PPPs began to acquire attention in Viet Nam (Diez, 2016).

In the early 90s, Viet Nam initiated the first PPP as a new model and successfully completed the project. During this time, a shift was witnessed from state-owned enterprises to PPPs. In fact, Viet Nam gradually expanded the scope of PPPs to include public services and infrastructure development. However, these initiatives were quite small and required foreign participation and an early PPP project was the development of the Hai Van Tunnel. It is worth noting that as the idea of PPPs acquired attention, the government recognized the need for the development of a legal framework for the

facilitation of such partnerships. Thus, key legislations were created such as the Investment Law, which played a vital role in forming the foundation for PPPs. Gradually, with an improvement of the legal framework, the application of PPPs improved in the country and it covered water supply, education, healthcare, energy, and transportation (La, 2016).

According to Phu My Hung, projects like Build Operate Transfer (BOT) and transferring land for receiving of the infrastructure were successfully completed under urban PPPs in the early 90s in the country. The reason of successful completion of these projects along with effective design and operations in all aspects was due to the highly skilled and professional stakeholders from the private sector who opted Government for strong implementation of this PPP (Li et al., 2005); (Li, 2003); (Akintoye et al., 2000). Similarly, Coulson and Lewis (2008) stated that the Government needs to facilitate and monitor the progress of the PPP projects for attaining good healthy results and better serving of the public through maximum time saving, administration and healthy dedication (Coulson and Lewis, 2008); (Burger & Hawkesworth, 2011).

During the years 2006–2010, Viet Nam Government through Socio-Economic Development Plan (SEDP) focused on the achievement of alleviating poverty incidence up to 10 percent as the main goal by the end of the year 2010. Focusing on the goal, the government also planned for attaining substantial progress for a declining share of the population below the poverty line near 60 percent in the early 90s to almost 15 percent till 2008. Besides this global economic crisis, Viet Nam heavily focused on an average annual growth rate of 6.6% during three year time 2007 to 2009 with Gross domestic product (GDP) growth acceleration near to 6.5% till the year 2010. The government also focused on the business development aspect in the context of

providing equal opportunities to all the sectors and stakeholders like increased competitiveness and increased private sector investment for increasing economic opportunities and employment under the SEDP. Furthermore, Government also encouraged National Public Administrative Reform Project (Project 30) for enhancing their ongoing efforts for a reduction in regulatory costs and risks for businesses through extensive and comprehensive reforms through government ensuring administrative policy and procedures. In addition, SEDP has been strengthening by the Government through the formulation of policy and procedures during the tenure of the year 2011 to 2015. The government also enlightened its strong emphasis on building a relationship between the public sector and the private sector for investment and associated opportunities in attaining PPP for better outcomes and results.

Focusing on the Vietnam's PPP Law, which has been taken as key recent legislative for projects that have been undertaken for attracting private finances towards the public projects and assignments. The content of the law have been taken with broader trend, covering all the promotion of legal reform as basis for development. Further, law covers the global and historical context with prior focus on attracting the people towards these PPPs. The first section of the law illustrates the evolution of "law and development" movements, covering an extensive framework for powerful international actors, maximising the acceleration of economic growth. Similarly, the second section reviews the recent raise in the PPPs, which can be used as a tool for international efforts regarding development. In the third section, Vietnam's transition process have been discussed for reaching out to the market economy. The law covered the Vietnamese governance and policy-making, and the regulatory regime for PPPs in order to guide all the parties while moving into the PPPs,

with prior attention on successful completion of these PPPs in the Viet Nam (Viet Nam PPP Law, 2020).

In comparison with other countries, Viet Nam has been an emerging economy across the globe for more than a decade. It is due to the increasing trend of PPPs with strongly integrated projects and on the other side, an increasing number of exports with a day-to-day basis has driven economic growth. Foreign investments have also supported the economy as buoyant over the years with rising importance for the private sector along with significant progress in public financial management. The government has also ensured a strong check and balance for building up the private sector trust like the National Assembly has been the governing body for approval of all PPP projects within Viet Nam that also includes allocation of the funds for the Government's lower small scale projects and initiatives. Viet Nam has successfully ensured decentralizing this key aspect for ongoing institutional transition among the country. Another key initiative that the government has taken is the strong and effective planning process with ensuring its execution through strong monitoring, check and balance. Considering the current challenge in economic policy of Viet Nam is the increased inflation rate and stabilizing of the exchange rate during the promoting activities of economic growth like there was near to 10 percent decline in budget in year 2009's GDP according to fiscal policy of the country which has been targeted to remain slight high during the 2010–2011 as the government will try to continue its spending with high number on public infrastructure project and public social welfare programs and initiatives. Contrary, in the year 2010-2011, the deficit in the budget was expected with a 7.5 percent average of the GDP with high and significant consequences over the government shoulders in terms of financial aspects like how this would be managed as the government already borrowed fund for off-budget