ABSTRACT

Since the lifting of the trade ban in November 1991, Singapore firms' investments in Vietnam has increased substantially. The Straits Times' commentary titled "One Foreign Project in Seven Fails in Vietnam" on 07/09/1993 advises potential investors that failures have resulted from inaccurate and inadequate feasibility study, spiralling construction costs and poor planning.

Like the tax statutes, Vietnam's "Laws on Foreign Investment" (LFIV) is relatively new which is kept on revising and is not well supported by an effective administration structure. The concept of oral or implicit contracts are not recognised and no oral agreement can ever be enforced. It is therefore important to confirm in the Investment/Business Licence all provisions (such as tax status, import/export quotas etc) relating to the investment or otherwise there will be no established general laws or procedures to rely on. Provisions related to implementation of construction works as part of the capital investment are often neglected and such failures have in some cases caused serious project delays and additional costs.

The relative low land cost in Vietnam has made it critical to have an accurate forecast of construction cost in determining project feasibility. Given the abundant supply and low cost of labour at around one-tenth of Singapore's cost, the reported cost for an office development in Hanoi is comparable to Singapore's price. On the other hand, a 4-star hotel in Ho Chi Minh City is reported to cost around 40% lower than in Singapore. Such substantial difference is due mainly to the different project management approaches adopted.
The Traditional (design then construct) Approach adopted in the office development is not compatible with an immature and rather backward construction industry. Resource problems, lack of reliable cost and productivity data together with the inherent risks and the high preliminaries costs of working in a developing country pose difficulties on tendering contractors in quoting a firm price over a 2-3 year contract period. It is obvious that a substantial premium has to be paid for adopting the Traditional Approach.

According to the Vietnam Association of Architects there is no formal planning and building regulations. Only a set of general plans and elevations is required for obtaining a Construction Permit. Under such circumstances, the adoption of the Construction Management Approach in the hotel project has achieved substantial time (by overlapping design and construction) and cost (by calling tenders direct from subcontractors and material suppliers) savings. The emphasis on management function by separating same from design and construction has enhanced the ability to manage a hostile and unstable environment.

Notwithstanding the conditional reflex of developers and consultants in clinging to the "traditional" method of building procurement which is contrary to the Contingency Theory of Management, there is an immense need to adopt more flexible and adaptive project management approach in Vietnam for improving construction performance.