

Improving Project Bankability to Raise Capital through the Vietnam International Financial Centre (VIFC): Lessons from GIFT City (India)

This report was prepared by FiinRatings based on the presentation by Mr. Pradeep Ramakrishnan – Executive Director, International Financial Services Centres Authority (IFSCA) at GIFT City (India) – and on the discussions among speakers at the Vietnam Green Finance Conference 2026, co-hosted by Nam A Bank, FiinGroup, the Vietnam International Financial Centre in Ho Chi Minh City (VIFC-HCMC) and the Global Green Growth Institute (GGGI) Vietnam on 6 August 2026 in Ho Chi Minh City.

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This commentary does not constitute a rating action.

Key Takeaways:

- **05 factors Vietnam may consider in designing the capital-channelling capability of an international financial centre:** (i) establishing a single-window regulatory and supervisory authority instead of working through line ministries; (ii) specific incentive mechanisms, including tax incentives for capital-raising transactions; (iii) a clear and facilitative framework for foreign-currency flows; (iv) an international arbitration mechanism; and (v) permitting a controlled regulatory sandbox for new products and business models.
- **Capital is not the bottleneck, but rather the structural limitations of projects that affect their ability to absorb capital (bankability).** This was the point that drew the widest consensus at the Conference. Three groups of limitations stand out: project cash flows are not yet ring-fenced and secured to a level international investors can appraise; corporate governance and the ability to execute plans have not been demonstrated over time; and the market lacks a reference pricing benchmark by tenor and rating level.
- **India's GIFT City is one of the models worth studying:** not only for its operating model and the policy framework built for IFCs, but also for green banking, ESG fund management, commercial borrowing and the raising of green bonds in international markets through the financial-centre framework. Indian corporates have raised bonds with a cumulative value of USD 70.9 billion, of which USD 16.8 billion are green bonds labelled under international standards. GIFT City permits the application of international standards (Climate Bonds Initiative, EU, ASEAN, ICMA) while India has yet to finalise its own green taxonomy.
- **The domestic market has already demonstrated that long-term funding structures for infrastructure projects are feasible, but only at the level of individual transactions and without products standardized for international markets.** A number of green bond transactions were executed before the international financial centre framework came into existence. However, to scale up to the volume of capital that the national infrastructure project pipeline requires, the market needs an organised capital-channelling conduit with sufficient transaction frequency, and this is precisely the role that VIFC could serve in Vietnam.

Analytical and Research Team:

Nguyen Quang Thuan

Chief Executive Officer

thuan.nguyen@fiinratings.vn

Le Hong Khang

Lead Analyst

Director, Analytical & Research

khang.le@fiinratings.vn

Nguyen Thao Hanh

Lead Researcher

Assistant Manager, Research & Investor Services

hanh.nguyenthao@fiinratings.vn

Nguyen Tho Khang

Assistant Manager, Analytical & Research

khang.nguyenthao@fiinratings.vn

Overview

In our report [Improving Bankability for Projects in Vietnam: A Structuring Issue Before a Capital Issue](#), we assessed Vietnam's infrastructure funding gap as first and foremost a question of how cash flows, the security package and risk allocation are designed within a project's contract suite, rather than simply a question of the size of available capital. The same asset may fail to meet financing criteria under one transaction structure yet prove fundable under another.

The discussions at the Conference confirmed and added to that assessment. Specifically, representatives of the participating institutions, including the International Finance Corporation (IFC), Norfund, responsAbility Investments AG, KPMG Vietnam and Cambodia, ERM, GuarantCo and Optima Wealth Partners, all conveyed a common view in different formulations: capital is not what is missing. The core message is that the effectiveness of an international financial centre is determined not only by the volume of capital it attracts, but also by the mechanism that converts that capital into funds actually disbursed to domestic infrastructure projects.

The context makes the question more concrete. Resolution 222/2025/QH15 has established the legal framework for the International Financial Centre in Ho Chi Minh City and Da Nang, and the implementing decrees are being issued. The market therefore has a new instrument, and the practical question for infrastructure investors is how to use that instrument effectively relative to today's traditional funding channels, namely domestic bank credit and corporate bond issuance.

VIFC creates a legal corridor and transaction infrastructure to attract international capital flows, but what matters most is the bankability of the projects. That corridor does not in itself change a project's credit profile, including the degree of certainty and predictability of project cash flows, the quality of the security package and the enforceability of lender rights. Where the operating mechanism remains incomplete, two situations may arise that make capital raising and capital circulation for infrastructure projects challenging: projects that need funding but are not yet bankable enough for international investors to assess and appraise, or a market that has not yet developed products matching the tenor, rating and security-structure requirements of this capital.

Building VIFC therefore involves two sets of issues that must be resolved. The first is attracting international capital to the international financial centre, which depends on the legal framework, the tax regime and the transaction infrastructure. The second is converting the capital attracted into funds disbursed to large-scale domestic infrastructure projects, which depends on a capital-channelling conduit clearly defined in law, the treatment of foreign-exchange risk and the ability to perfect security interests domestically. India's experience in building and developing GIFT City clearly demonstrates the importance of addressing both sets of issues simultaneously.

International capital-raising experience from GIFT City (India)

GIFT City was established with objectives similar to VIFC

GIFT City, short for Gujarat International Finance Tec-City, is India's first international financial centre, located in the state of Gujarat. It was established in 2012 with an objective that VIFC is also pursuing: to bring back onshore the international financial transactions that Indian corporates previously had to execute in Singapore, Dubai or London, under a legal framework separate from the domestic market.

The operating mechanism has three features. The zone transacts exclusively in foreign currency and does not use the rupee. Participants are treated as non-residents under the foreign-exchange management framework. And all activities fall under the oversight of a single authority, the International Financial Services Centres Authority (IFSCA).

The early stage of GIFT City's development was not straightforward. The zone became operational between 2015 and 2016 but was subject to fragmented oversight by four authorities responsible for banking, securities, insurance and

pensions. Mr. Pradeep Ramakrishnan, Executive Director of IFSCA, observed that each authority operated according to domestic market practice, which made a unified approach difficult to achieve. Only in October 2020, when IFSCA was established with reference to the Monetary Authority of Singapore model, did the zone become active with capital-raising activity. In other words, GIFT City spent roughly its first eight years taking shape and has genuinely developed only over the past five years or so.

How do commercial banks operate at GIFT City?

Banking assets at GIFT IFSC reached USD 106.7 billion in February 2026, more than seven times the USD 14 billion recorded in September 2020, immediately before IFSCA was established. There are currently 37 banks operating there, comprising 20 foreign banks and 17 domestic banks, through International Banking Units.

Notably, banks at GIFT City are required to allocate at least 5% of their new annual lending portfolio to green/sustainable projects in India.

Figure 1: Banking assets at GIFT IFSC before and after the establishment of IFSCA

Unit: USD billion

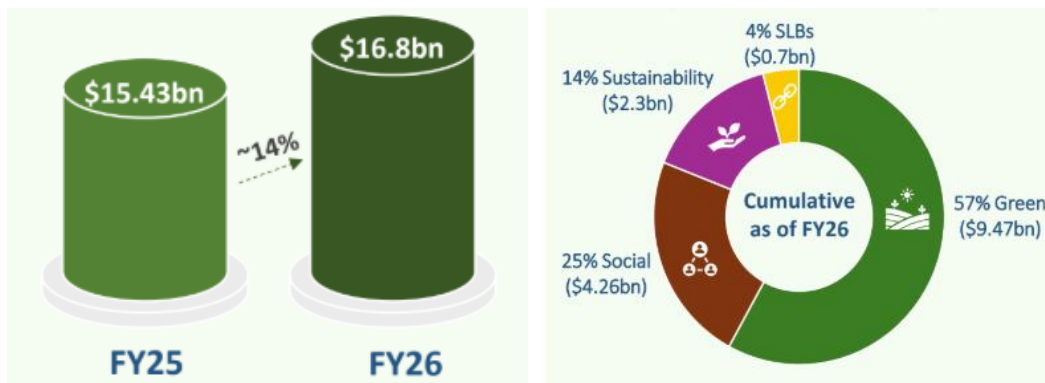


Source: FiinRatings compiled from GIFT City disclosures, March 2026.

Green bond issuance through the GIFT City framework

As at end-2025, international bond issuance by Indian corporates through GIFT City reached more than 200 bonds listed, with a total value raised of USD 70.9 billion, of which USD 16.8 billion were green bonds labelled under international standards. GIFT City permits the application of international standards (Climate Bonds Initiative, EU, ASEAN, ICMA) while India has yet to finalise its own green taxonomy.

Figure 2: Cumulative value and composition of green bond issuance at GIFT City



Source: International Financial Services Centres Authority (IFSCA), India

The fund management industry at GIFT City

Other indicators point to a comparable scale. As at March 2026, IFSCA had granted approximately 1,147 licences and operating approvals. Average monthly turnover on the exchanges within the IFSC reached about USD 112 billion in the

fourth quarter of fiscal year 2025-2026. The fund management industry recorded cumulative commitments of approximately USD 39 billion.

IFSCA also permits the registration and listing of Infrastructure Investment Trusts at GIFT IFSC, raising capital through public or private offerings and listing on an exchange within the international financial centre. This instrument allows institutional investors to hold a portfolio of operating infrastructure assets through a rated, tradable legal entity, rather than lending directly to individual projects. Vietnam does not yet have an equivalent instrument and, in FiinRatings' view, this is the most notable gap when comparing GIFT City with VIFC-HCMC.

Foreign-currency borrowing by corporates through GIFT City

The scale of capital raised at an international financial centre only matters when that capital reaches domestic enterprises and projects. This is the issue India addressed through a specific channel, and it is also the most notable lesson for VIFC.

That channel is External Commercial Borrowing, which allows Indian enterprises to borrow foreign currency from non-resident lenders, including International Banking Units located at GIFT IFSC. Cumulative external commercial borrowings executed through GIFT IFSC reached USD 55.7 billion as at December 2025. More notable is the pace of migration: in the first nine months of fiscal year 2026, India's total external commercial borrowings reached USD 27.5 billion according to Reserve Bank of India data, of which approximately USD 18 billion, or nearly two-thirds, was executed through GIFT IFSC. That share was only 36% in fiscal year 2025.

Figure 3: Share of India's external commercial borrowings executed through GIFT IFSC

Unit: % of total external commercial borrowings



Source: FiinRatings compiled from Reserve Bank of India data and GIFT City disclosures, February 2026.

The external commercial borrowing channel is not a concession; it is a legal framework that clearly defines who may borrow, how much, the minimum tenor, the permitted use of proceeds and the reporting regime. It is precisely that clarity that allows capital raised at the international financial centre to flow through to domestic enterprises at a scale of tens of billions of US dollars, rather than stopping at transactions merely booked on site.

The point that matters for infrastructure is that this framework does not apply uniformly across sectors. Infrastructure enterprises and infrastructure-focused finance companies are classified as a separate category under the external commercial borrowing rules, with a different minimum average maturity and different hedging requirements from ordinary corporates. In other words, this funding channel has a window designed specifically for infrastructure, rather than a common window that infrastructure must squeeze into.

Set against the Vietnamese context, converting and channelling capital between the international financial centre and domestic infrastructure projects requires three specific mechanisms, in order to increase flexibility and certainty for international investors.

First is the currency, which must be considered when converting international capital. An infrastructure project in Vietnam earns revenue in Vietnamese dong. If capital raised through the international financial centre reaches the project in foreign currency, foreign-exchange risk arises on the project side, both at the point of conversion into local currency for disbursement and at each debt service date. India's experience shows that the external commercial borrowing channel

does not eliminate this risk but places it with the borrower, together with hedging requirements. In our report dated 7 August 2026, we noted that the practice of linking power tariffs to the US dollar under earlier renewable energy programmes addressed most of this mismatch, and that such an approach falls within the remit of the monetary authority. What remains is the question of who bears the portion of risk that is not addressed, and that needs to be determined in the contract rather than left open.

Second is security. Wherever the capital comes from, the security package is still perfected domestically under Vietnamese law, while land use rights cannot be mortgaged to a foreign lender. Two approaches have been applied in other markets and merit study: a structure in which bonds are the only source of external funding, so that no other creditor has a claim over the land; and negative pledge covenants ensuring that assets are not pledged to third parties other than the identified creditors, or pursuant to arrangements approved by the participating parties.

Third is the capital transfer mechanism. Ms. Deedee Panuvatvanich, Senior Investment Manager at Norfund, set out four conditions that international capital considers before committing: policy stability over time, the ability to repatriate capital, foreign-currency convertibility, and the dispute resolution mechanism. These four conditions matter greatly because an international investor's return is only realised when capital is withdrawn from the market. Policy stability allows a financial model to hold its assumptions over 15 to 20 years. The ability to repatriate capital and to convert foreign currency determines whether book returns become returns actually received. The dispute resolution mechanism is the last resort when the other three conditions are not assured.

Five factors that determine the ability to channel capital to infrastructure, viewed from GIFT City

A single regulatory authority is the precondition, because the remaining four factors can only function where there is one approval point and one consistent interpretation. On that foundation, the following five factors determine whether an international financial centre can channel capital to infrastructure projects. This ordering follows what international infrastructure lenders require, rather than the criteria used to assess an international financial centre in general.

(i) The mechanism for channelling capital to domestic enterprises. This is the factor set out above. The external commercial borrowing framework clearly defines eligible borrowers, limits, minimum tenor, permitted use of proceeds and the reporting regime, with infrastructure treated as a separate category. Without this channel, capital raised stops at the transaction-booking stage.

(ii) Tax incentives for loans and bonds. Withholding tax applied to bonds issued and loans disbursed from the international financial centre is significantly lower than the rate applied to equivalent domestic transactions. This differential translates directly into a higher after-tax yield for investors, or a lower cost of capital for the issuer, depending on how the two sides share it. For an infrastructure loan with a 15- to 20-year tenor, this differential accumulates into a meaningful amount of the project's whole-life cost.

(iii) Foreign-currency transaction arrangements and non-resident status. All activity at GIFT IFSC is conducted in foreign currency, and participants are treated as non-residents under the foreign-exchange management framework. International lenders therefore disburse, receive interest and recover principal in the very currency they hold, are not subject to the foreign-exchange controls applied to the domestic market, and have their tax obligations clearly determined from the outset. In exchange, foreign-exchange risk is pushed to the project side once capital is transferred onshore, so this mechanism is only effective when accompanied by a contractually defined treatment of the currency mismatch.

(iv) An international arbitration mechanism located at the international financial centre. IFSCA is moving to establish an independent arbitration centre at GIFT City, and a regulatory representative described this as the most significant reform under way and a key condition for the success of this model. For infrastructure project finance, this is not an

ancillary matter. Ms. Deedee Panuvatvanich of Norfund identified the dispute resolution mechanism as one of the four conditions international capital considers before committing, and for a loan with a two-decade tenor against a non-relocatable asset, the enforceability of creditor rights determines the risk premium the lender demands.

(v) A controlled regulatory sandbox. This is also the direction Vietnam is taking. According to discussions at the Conference, VIFC in Ho Chi Minh City and Da Nang may operate a sandbox mechanism, and products that demonstrate their effectiveness will be brought into the general legal framework.

Figure 4: Success factors at GIFT City and the items requiring specification at VIFC

Factor at GIFT City	Specific benefit	Items requiring specification in Vietnam
External commercial borrowing channel routing capital to domestic enterprises	Capital raised at the international financial centre reaches domestic projects at a scale of tens of billions of USD	Legal framework defining eligible borrowers, limits, minimum tenor, permitted use of proceeds and the reporting regime
International arbitration located at the international financial centre	Enforceability of creditor rights, reducing the legal risk premium	Jurisdiction, scope of cases and the mechanism for recognising awards in Vietnam
Transactions in foreign currency, participants treated as non-residents	International lenders transact in the currency they hold, with clearly defined tax obligations	Mechanism for handling the currency mismatch when capital is channelled to projects earning revenue in Vietnamese dong
Tax incentives for loans and bonds	Higher after-tax yield or lower cost of capital	Level of incentive and eligible parties

Source: FiinRatings compiled from presentations at the Conference on 6 August 2026 and GIFT City disclosures.

Credit enhancement to strengthen the ability to arrange long-term funding

The section above set out how to build the mechanisms and structures that improve an international financial centre's prospects of success in raising capital. In the afternoon panel of the Conference, speakers set out the role of, and experience with, payment guarantees in arranging long-term funding for infrastructure projects in Vietnam.

A payment guarantee substitutes credit quality, not project quality

Mr. Nishant Kumar, Managing Director for Asia at GuarantCo, made clear that a project must stand on its own cash flows, with every other component built around that foundation. What a guarantee does is substitute the guarantor's credit quality for the project's credit quality within the guaranteed scope.

The impact is measurable. For the bonds issued by Hoa Binh Xuan Mai Clean Water Company Limited, FiinRatings assigned the issuer a rating of BB with a Stable outlook, while the bonds were rated AAA on the strength of a full, unconditional and irrevocable payment guarantee from GuarantCo, an institution rated A1 by Moody's and AA- by Fitch Ratings. This guarantee mechanism lifted the instrument rating 11 notches above the issuer rating.

In FiinRatings' view, a payment guarantee must be distinguished from instruments that pay out after a payment default has already occurred. The latter group changes the creditor's recovery but not the probability of default, so its impact on

rating outcomes is far smaller. This is why a payment guarantee produces effects on tenor and cost of capital that post-default protection instruments cannot deliver.

Mr. Nguyen Quang Thuan, Chief Executive Officer of FiinRatings and moderator of the panel, expressed the view that without a risk-sharing mechanism or the participation of a highly rated third party during the construction phase, an infrastructure project will struggle to become either bankable or investable.

Corporate governance and execution capability are accompanying conditions

A payment guarantee only works when the supporting components are assured. Mr. Nishant Kumar made clear that corporate governance is the most important factor, for a notable reason: an insurance company buying a 20-year instrument is appraising how the business operates and how the issuer will behave over many years ahead, not simply the issues present at the time of issuance. In FiinRatings' view, financial data at a single point in time reflects only one cross-section; what long-term investors are really buying is risk management capability, internal control and execution capability sustained throughout the life of the investment.

Discipline and the ability to execute and deliver projects reflect the credit strength of the issuer of the debt instrument used to raise capital. In Mr. Nishant Kumar's view, an issuance rescheduled from September to October may still fall within contingency planning. However, where changes or delays extend over several years, all of the assumptions and plans of the parties change, and this is the biggest obstacle they encounter in terms of discipline and the ability of Vietnamese enterprises to execute their business plans.

Mr. Ngo The Trieu, Founder and Chief Executive Officer of Optima Wealth Partners and former Chief Executive Officer of Eastspring Vietnam, emphasised the fundamentals: a project is a legal entity separate from its sponsor, and due diligence covers the legal basis, risks during the design and construction phase, and operation and maintenance risk. He stressed that these factors determine a project's debt service capability, independently of any other classification criteria.

Related Research

1. Vietnam Green Finance Conference 2026 Commentary [August 06, 2026]

- Commentary 01: Improving Project Bankability to Raise Capital through the Vietnam International Financial Centre (VIFC): Lessons from GIFT City (India)
- Commentary 02: Five Key Messages from the Vietnam Green Finance Conference 2026
- Commentary 03: From Ambition to Investable Assets: Positioning Vietnam's International Financial Centre as a Green Finance Hub

2. Market Commentary

- [\[August 07, 2026\] Making Projects Bankable in Vietnam: A Structuring Problem Before a Capital Problem](#)
- [\[July 31, 2026\] Early Warning Indicators of Bank Default Risk in Vietnam: A Credit Rating Perspective](#)
- [\[March 13, 2026\] Vietnam Economic Outlook 2026: Positioning Capital for High Growth Targets 2026 and Beyond](#)
- [\[February 26, 2026\] Vietnam Corporate Credit Conditions 2026 | Navigating Crosswinds: Growth at a Crossroads](#)

3. Sector Spotlight

- [\[July 16, 2026\] Vietnam's Securities Companies Sector Spotlight: Credit-Led Growth and Funding Resilience into 2026](#)
- [\[April 17, 2026\] Banking Sector 2026 Spotlight: Capital Strength and Liquidity will Shape Vietnam Banking Outlook](#)
- [\[October 03, 2025\] Vietnam's Banking Sector Spotlight First Half of 2025: From Growth to Resilience – Capital Strength Will Shape Vietnam Banking Outlook](#)

4. Vietnam Corporate Bond Market Forum 2026 Commentary [April 02, 2026]

- [Commentary 01: Five Key Messages from the Vietnam Corporate Bond Market Forum 2026](#)
- [Commentary 02: C-Bond Market: Progress and Challenges](#)
- [Commentary 03: Deepening Vietnam's Corporate Bond Market: Insights from International Experience](#)
- [Commentary 04: Expanding the Institutional Investor Base – Policy Direction and International Experience in Infrastructure Investment Trusts in Vietnam](#)
- [Commentary 05: Vietnam's Growth Perspectives and Financing Needs for High-Growth Targets](#)
- [Commentary 06: Green Bonds: Costs, Benefits and Role in the Future of Vietnam](#)
- [Commentary 07: Developing the Bond Yield Curve and Pricing Infrastructure – A Driver for the Bond Market](#)
- [Commentary 08: Deepening Vietnam's Corporate Bond Market – Voices from Market Makers](#)

5. Bond Spotlight

- [\[May 08, 2026\] Q1/2026 Vietnam Corporate Bond Market Spotlight: Issuance Activity Under Pressure from a High-Interest-Rate Environment](#)
- [\[September 25, 2025\] August 2025 Bond Spotlight: Strong Rebound in Real Estate Bond Issuance](#)
- [\[August 18, 2025\] July 2025 Bond Spotlight: Issuance volume slowed down after a surge in June](#)

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- Email: support@fiinratings.vn
- Tel: (84-24) 3562 6962

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