SECTOR ASSESSMENT (SUMMARY): TRANSPORT, AND INFORMATION AND COMMUNICATION TECHNOLOGY

A. Sector Performance, Problems, and Opportunities

1. Investment in the transport sector in Viet Nam more than doubled during 2004–2009, reaching 4.5% of gross domestic product (GDP). The road subsector predominated, accounting for about 3.6% of GDP. From 1993, when the Asian Development Bank (ADB) resumed operations in Viet Nam, through 2008, transport received the largest share (39%) of total ADB loan disbursements of about $6 billion, and the vast majority was invested in roads.

2. The government’s Socio-Economic Development Plan (SEDP), 2011–2015 identifies transport development as key to sustaining socioeconomic development. In 2009, the Ministry of Transport (MOT) submitted its 5-year plan for inclusion in the SEDP. In the plan, which is updated on an ongoing basis to reflect changes in investment and rehabilitation programs, the MOT identified five core problems: (i) an incomplete and disintegrated institutional system and development plans; (ii) unsatisfactory quality, capacity, and operation and maintenance of transport services; (iii) poor quality and quantity of transport infrastructure in urban and rural areas, including multimodal transport systems; (iv) insufficient state budget and other financing; and (v) complications from the regional and global economy. These problems, along with ongoing policy, institutional, and operating inefficiencies, and lack of competitiveness are causing environmental and social degradation and hampering socioeconomic development.

3. During 2006–2009, the government made significant progress in improving the efficiency of the road and highway network, and in 20xx it began to improve the expressway network. With the assistance of ADB and other development partners, the country is making considerable progress in upgrading and completing major links in its national road network.

B. Government’s Sector Strategy

4. The government’s national planning strategy reflects the SEDP for each 5-year planning period. The SEDP, 2006–2010 laid out for the first time a path to transition from a rigid, centrally controlled economy to a market economy. It also highlighted for the first time the national importance of transport in promoting economic growth, poverty reduction, safety enhancement, environmental protection, and human resource development. It envisioned a transport system that would promote competitiveness, integration and inclusion, and sustainability and safety. The development strategy for the transport sector until 2020 is best summarized in a 2004 decision by the Prime Minister, which refers to the need to (i) minimize transport costs; (ii) pursue a synchronous, rational, and gradual modernization program; and (iii) maintain the existing transport infrastructure.

5. The SEDP, 2011–2015 places greater emphasis on overall protection of the environment and improvement of the business environment, and stresses the need for more effective management of the transport sector. During 2011–2020, the planned development of infrastructure is expected to require about $16 billion annually, or about 20% of GDP. Based on current estimates, less than half of that amount is projected to be available. The government’s primary source to make up this very significant shortfall is the private sector. This requires the

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1 This summary is based on ADB. 2012. Transport Sector Assessment, Strategy, and Road Map: Viet Nam. Manila
development, in the very near future, of an effective legal framework for public–private partnerships.

6. In March 2009, the Prime Minister approved Adjustments to the Transport Development Strategy up to 2020 with a Vision toward 2030 (Transport Strategy 2020). To implement the strategy, seven parallel areas were identified, around which specific solutions and policies were to be formulated: transport development, raising of capital, transport industrial development, international integration and competition, reform, new sciences and technologies, and human resource development. The government designated the MOT to implement Transport Strategy 2020.

7. In 2002, the Prime Minister approved a master plan for the development and modernization of the railway network. The objective was to significantly increase the railways’ share of the transport market to 25% of freight tons and 20% of passengers. About $7 billion was projected to be invested by 2020. Recognizing the deterioration of railways and the need for significant investment, the plan was very ambitious and all-encompassing, including rehabilitating, upgrading, and constructing new rail lines and repair facilities. It even included new facilities for the manufacture and export of rolling stock. However, in the ensuing 8 years little progress was made on any of the major components.

8. In 2009 and 2010, the Prime Minister issued two decisions that contain project details in support of the policy outlined in Transport Strategy 2020. The Road Transportation Development Plan established a road development concept that sets out a series of planning and policy components for the road subsector. It designated 114 specific national highway, ring-road, expressway, provincial, and rural transport projects to be implemented by 2020, and additional urban road projects to be implemented in Ha Noi and Ho Chi Minh City. The Detailed Master Plan for the North–South Expressway—Eastern Side divided the 1,811-kilometer expressway into 16 sections, approved the alignment and technical standards, and provided details of required land acquisition. The decision set a 14-year schedule for implementation (2010–2023). The master plan is expected to cost about $17.9 billion, or about $10 million per kilometer, and will require an average annual investment of about $1.3 billion during implementation. Very few details are included in the decision on an appropriate investment plan for a project of this size and complexity, except to state that funding is expected to come from both the public and private sectors. To respond to changing circumstances, the Prime Minister issued a decision in February 2013 approving adjustments to Transport Strategy 2020. According to these adjustments, high priorities are (i) early completion of improving and expanding the existing National Highway No. 1 to a four-lane configuration, and (ii) improving connectivity along other key national highways.

9. As part of the overall road reform process and transition to a more sustainable maintenance program, in 2012 the government abolished the toll collection system on the

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9 The decision establishes that the sources of investment will be (i) state budget through loans or loan guarantees; and (ii) investors under build–operate–transfer, build–transfer–operate, build–transfer, or public–private partnerships, including partial funding from state budgets.
national highway network (leaving toll collection only on expressways) and established a road fund to be financed by revenues from annual vehicle fees and budgetary allocations.11

C. ADB Sector Experience and Assistance Program

During 1993–2002—the first decade after ADB resumed operations in Viet Nam—the primary challenge in the sector was to restore transport infrastructure damaged during the war. Current challenges are to achieve sector outcomes that will sustain Viet Nam’s growth and development, as well as increase the country’s regional and global competitiveness. The primary goals of investments in the transport sector are to elevate the country’s competitive performance and to adopt international best practice. ADB has supported improvement of national and regional connections mainly through enhancement of Greater Mekong Subregion (GMS) corridors, national highways, and rural road networks. ADB encourages more active involvement in urban transit and railway subsectors.12

Recent ADB experience in Viet Nam has been mainly in (i) project preparatory and project advisory technical assistance, (ii) implementation of expressway and road projects, and (iii) a railway upgrading project. The first of a series of loans for improving provincial and district roads in the northern region was completed in 2009.13 A second loan for improving roads in the central region was completed in 2011.14 Two GMS loan projects were completed,15 and three other loans approved during 2007–2010, are being implemented.16 ADB is one of the first development partners to initiate and assist the government in developing a master plan and implementing a national expressway network. The first technical assistance and investment projects are for sections Ho Chi Minh–Long Thanh–Dau Giay and Ben Luc–Long Thanh under the North–South National Expressway axis. ADB has financed one project in the maritime subsector dealing with capacity constraints at Saigon Port;17 one project for railways for the Yen Vien–Lao Cai Railway Upgrading Project;18 and two projects for urban transit.19

Lessons from past projects indicate that project preparation and implementation should be improved to ensure timely achievement of project outcomes. Project start-up delays can be

15 The GMS Southern Corridor (Phnom Penh–Ho Chi Minh City Highway) Project and the GMS East–West Corridor Project.
19 ADB. 2010. Report and Recommendations of President to the Board of Directors: Proposed Multitranche Financing Facility Socialist Republic of Viet Nam: Ho Chi Minh City Urban Mass Rapid Transit Line 2 Investment Program and its first tranche for Ho Chi Minh City metro line 2 and Tranche 1. Manila was approved in December 2010; and ADB. 2011. Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Loan Socialist Republic of Viet Nam: Ha Noi Metro Rail System Project (Line 3: Nhon – Ha Noi Station Section). Manila. was approved in March 2011.
reduced by streamlining procedures and regulations required for loan effectiveness, applying advance actions and retroactive financing, and approving detailed design and procurement. Efforts are also needed to minimize procurement inefficiencies that are often caused by inadequate packaging of contracts, substandard bidding documents, unclear eligibility criteria, and cases of underbidding. Land acquisition and resettlement activities are often delayed because of unavailability of counterpart funding, ill-defined implementation responsibilities, and inadequate implementation capacity. The execution of contracts has proved problematic because of resettlement implementation delays, and contractor cash flow and performance problems. Delayed project implementation coupled with high rates of domestic inflation has directly contributed to significant cost overruns. An essential part of the solution to these issues lies in strengthening the institutional capacity of executing and implementing agencies for better management of consultants, contractors, and safeguard compliance monitoring. Through the delivery of policy, advisory, and capacity building support as well as by closely coordinating with counterparts in project identification, design, and implementation, ADB is improving project readiness and project implementation performance in Viet Nam’s transport sector.

13. Improvements in the GMS transport corridors have led to a significant increase in cross-border trade between Viet Nam and GMS countries. Rehabilitation of national highways and trunk and rural roads has contributed to rapidly increasing flight and passenger traffic. However, management of the transport sector is still inefficient and transport costs are relatively high. Large-scale projects, such as expressways and urban mass transit, do not progress as rapidly as the government had planned.

14. The World Bank has completed and is in the process of implementing several initiatives and projects that complement ADB’s involvement in the transport sector. As a pilot project for public–private partnerships for expressways, the Dau Giay–Phan Thiet expressway project was assessed in close coordination with the Ministry of Planning and Investment, but implementation is slow.

15. The Japan International Cooperation Agency has been, and continues to be, a major bilateral funding agency for transport in Viet Nam, supporting policy issues and infrastructure development. ADB and the Japan International Cooperation Agency are cofinancing the Ho Chi Minh–Long Thanh–Dau Giay Expressway, and preparing to cofinance the Ben Luc–Long Thanh Expressway.

16. ADB’s active cooperation with other development partners in transport is also significant, including cofinancing with (i) Agence Française de Développement and Direction Générale du Trésor on the GMS Ha Noi–Lao Cai Railway; (ii) Australian Aid and the Export–Import Bank of Korea on the GMS Southern Coastal Corridor; (iii) Agence Française de Développement, Direction Générale du Trésor et de la Politique Économique, and the European Investment Bank on the Ha Noi Metro Line 3; and (iv) the European Investment Bank and German development cooperation through KfW on the Ho Chi Minh City Metro Line 2.
Problem Tree for the Transport Sector

- National impacts
  - Inefficient socioeconomic development, industrialization, modernization, and integration into regional and international economy

- Sector impacts
  - Lack of subregional transport efficiency
    - Internal Factors (ADB outputs)
      - Lack of national and subregional transport network
      - Lack of urban transport in major cities (Hanoi and Ho Chi Minh City)
      - Insufficient physical and operating capacity of existing national and subregional transport networks
      - Lack of maintenance of national and local transport networks
      - Lack of emphasis on multimodal facilities
    - External Factors (Risks and assumptions)
      - Poor transport conductivity across international borders, and lack of cross-border facilities
      - Insufficient cross-border agreements with neighboring countries

  - Urban congestion and environmental and social degradation
    - Internal Factors (ADB outputs)
      - Insufficient coordination of transport planning
      - Lack of strategy for administrative reform and project prioritization
      - Road designs are not cost effective or socially and environmentally acceptable
      - Slow and inefficient project implementation
      - Inadequate and inconsistent application of safeguard protections
    - External Factors (Risks and assumptions)
      - Lack of transparency and competitiveness in procurement
      - Lack of capacity and quality control of private sector
      - Lack of transparency in use of state-owned enterprises
      - Bureaucratic government approval processes
      - Cumbersome budgeting process

  - Unsafe transport systems and transport network operations
    - Internal Factors (ADB outputs)
      - Lack of proper implementation of traffic safety devices, hardware, and measures
      - Lack of strategy toward proper modal mix
      - Insufficient mitigation of unsafe road conditions
      - Lack of paved and all-weather access of local road network
      - Insufficient knowledge and experience in mainstreaming climate change
    - External Factors (Risks and assumptions)
      - Public’s lack of knowledge and appreciation of traffic laws and regulations
      - Poor enforcement of traffic laws and regulations
      - Large number of old vehicles
      - Insufficient rural development
      - Lack of international agreement to deal with climate change

- Core sector problems
  - Inefficiency in the transport sector

Outputs, Risks and Assumptions
- National impacts
- Sector impacts
- Core sector problems
### Sector Results Framework

<table>
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<tr>
<th>Country Sector Outcome</th>
<th>Indicators with Targets and Baselines</th>
<th>Country Sector Outputs</th>
<th>Indicators with Incremental Targets</th>
<th>Planned and Ongoing ADB Interventions</th>
<th>Main Outputs Expected from ADB Contributions</th>
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<tr>
<td>Increased efficiency in the transport of goods and people</td>
<td>All national highways are upgraded to grade III or above by 2020 (2004 baseline: 83.5% of rural population accessible)</td>
<td>Subregional and national transport networks are improved.</td>
<td>Length of expressway 2,381 km by 2020 (2010 baseline: 0 km)</td>
<td>(i) Planned key activity areas</td>
<td>(i) Planned key activity areas 540 km of expressway constructed; 3,500 km of national and provincial roads constructed or rehabilitated; 450 km of railways rehabilitated; 20 km of MRT lines constructed</td>
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<td>All district and commune roads are accessible all year and maintained properly by 2020 (2010 baseline: 3%–14%)</td>
<td>Transport agencies and private transport industry are developed and strengthened institutionally, financially, and operationally.</td>
<td>Expressway management streamlined through establishment of VEA by 2011</td>
<td>(ii) Pipeline projects with estimated amounts GMS expressway projects ($1.0 billion)</td>
<td>(ii) Pipeline projects Construction of 180 km of expressway; construction or rehabilitation of 2,000 km of national and provincial roads; rehabilitation of 160 km of railways; construction of 13 km of MRT lines</td>
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<td>Passenger share by public transit in Ha Noi and HCMC increases to 22%–26% by 2015 (2010 baseline: 3%–14%)</td>
<td>Traffic safety and social and environmental sustainability are improved.</td>
<td>Road maintenance fund established by 2011 and a PPP project begun by 2015 (2010 baseline: none)</td>
<td>Traffic accident fatalities reduced by 23%–30% by 2015 (2007 baseline: 12,800)</td>
<td>(iii) Ongoing projects with approved amounts GMS expressway projects ($1.4 billion)</td>
<td>(iii) Ongoing projects Construction of 360 km of expressway; construction or rehabilitation of 1,500 km of national and provincial roads; rehabilitation of 285 km of railways; construction of 10 km of MRT lines</td>
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<td>Passenger share by rail increased to 8% by 2020 (2007 baseline: 6.5%)</td>
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<td>Gender target in civil works will be considered in ADB projects based on gender assessment of the project area</td>
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<td>Cargo share by rail increased to 2% by 2020 (2007 baseline: 1.6%)</td>
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ADB = Asian Development Bank, GMS = Greater Mekong Subregion, HCMC = Ho Chi Minh City, km = kilometer, MRT = mass rapid transit, PPP = public–private partnership, VEA = Vietnam Expressway Administration.