

SECTOR ASSESSMENT (SUMMARY): TRANSPORT¹

Sector Road Map

1. Sector Performance, Problems, and Opportunities

1. Investment in the transport sector in Viet Nam is expanding rapidly. As a percentage of gross domestic product (GDP), investment more than doubled from 2004 to 2009, when it reached 4.5% of 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—to 2008, transport received the largest share (39.0%) of total ADB loan disbursements of \$6 billion, the vast majority invested in roads.²

2. Improved transportation is key to improving rural populations' access to social and economic opportunities, as raising spending on infrastructure by an additional 1% of GDP has reduced the poverty rate by 0.5%.³ The impact of improved access is larger in poorer provinces. Improved access and increased mobility directly correlate to improved gender equality and economic well-being. The overriding challenge for the government entering the next 5-year planning period (2011–2015) will be to continue mobilizing sufficient resources to implement the ambitious transport infrastructure program as envisioned under various transport master plans.

3. The greater urban areas of Ha Noi and Ho Chi Minh City are home to 14 million people, of whom almost 6 million are employed and generate 20 million passenger trips per day, over 90% of them by private vehicle. These two cities are the only urban centers that already require mass urban transit services, as all secondary cities have fewer than 1 million people, for which lower-volume transit services suffice. Efficient transportation in these two cities is nonetheless essential for their continued economic growth, which has been above the national average, and to allow them to serve as important hubs that provide critical support and services for many sectors.

4. Rapidly expanding private vehicle ownership and traffic volumes cause more than 10,000 fatalities annually. Traffic accidents disproportionately affect the poor and vulnerable, who are likely to be pedestrians and motorcyclists. More than half of traffic fatalities are younger than 30 years old. Traffic accidents are widely believed to be significantly underreported, particularly in rural areas.

5. During the first decade after ADB resumed operations in Viet Nam (1993–2002), the primary transport challenge was to restore transport infrastructure damaged by war. The current challenges are to achieve sector outcomes that will sustain Viet Nam's growth and development, as well as raise the country's regional and global competitiveness. The primary goals of transport investments are to elevate the country's competitive performance and to adopt international best practices. ADB has supported the improvement of national and regional connections mainly by enhancing Greater Mekong Subregion (GMS) corridors, national highways, and rural road networks. ADB's Strategy 2020 and Sustainable Transport Initiative encourage more active involvement in the urban transit and railway subsectors.⁴ In view of Viet

¹ This summary is based on Asian Development Bank. 2011. *Socialist Republic of Viet Nam: Transport Sector Assessment, Strategy, and Roadmap*. Manila. (Available on request.)

² ADB. 2009. *Country Assistance Program Evaluation Report (CAPE) for Viet Nam*. Manila.

³ Vietnamese Academy of Social Sciences. 2006. *Vietnam Poverty Update: 2006*. Ha Noi.

⁴ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila; ADB. 2010. *Sustainable Transport Initiative Operational Plan*. Manila.

Nam's transport sector needs and ADB's experience, strength, and strategy, ADB's transport operations in Viet Nam focus on three subsectors: (i) roads and expressways, (ii) railways, and (iii) urban transit.

6. Core problems, issues, and strategic solutions to be addressed in the transport sector in Viet Nam—(i) subregional transport efficiency; (ii) institutional, organizational, and financial development in transport; (iii) traffic safety and social sustainability; and (iv) mainstreaming climate change mitigation and adaptation—align with those developed in ADB's Sustainable Transport Initiative.

2. Government's Sector Strategy

7. The government's national planning strategy is reflected in the Socio-Economic Development Plan (SEDP), 2006–2010. It laid out for the first time a path to transition from a rigid, centrally controlled economy to a market economy. It highlighted the importance of the national transport sector to promoting economic growth, poverty reduction, safety enhancement, environmental protection, and human resource development. In general terms, the SEDP envisioned a transportation system that promoted (i) competitiveness, (ii) integration and inclusion, and (iii) sustainability and safety. The development strategy for the transport sector until 2020 was best summarized in a decision by the Prime Minister in 2004 that referred to the need to minimize transport costs; pursue a synchronous, rational, and gradual modernization program; and maintain the existing transport infrastructure.⁵

8. The SEDP, 2011–2015 places greater emphasis on protecting the environment and improving the business environment, stressing the need to more effectively manage transport. It is expected that the continued planned development of infrastructure from 2011 to 2020 will require \$16 billion annually, or 20% of the country's GDP. Current estimates project less than half of that amount to be available. The government's primary option to make up this very significant shortfall is the private sector, which requires in the very near future the successful development of an effective legal framework for public–private partnership (PPP).

9. In March 2009, the Prime Minister approved Adjustments to the Transport Development Strategy up to 2020 with its Vision toward 2030 (Transport Strategy 2020).⁶ Transport Strategy 2020 followed an ambitious, forward-looking, top–down planning strategy. It can be inferred that the SEDP, 2011–2015 closely adheres to official pronouncements from the Prime Minister and incorporates the following major principles of Transport Strategy 2020: (i) transportation development, (ii) raising capital, (iii) transport industrial development, (iv) international integration and competition, (v) reform, (vi) new sciences and technologies, and (vii) human resource development.

10. Viet Nam's Prime Minister approved a railway master plan in 2002 for developing and modernizing the railway network. The objective of the plan was to significantly increase the railway's share of the transport market to 25% of freight tonnages and 20% of passengers. The plan calls for \$7 billion to be invested by 2020. It recognizes that railways in Viet Nam have deteriorated and require significant investment. The railway master plan is very ambitious and all-encompassing, including rehabilitation, upgrading, and the construction of new rail lines and

⁵ Government of Viet Nam. 2004. Decision No. 206/2004/QD-TTG of December 10 2004 approving the Strategy on Development of Viet Nam's Communication and Transport till 2020. Ha Noi.

⁶ Government of Viet Nam. 2009. Decision No. 35/2009/QD-TTg of 3 March 2009 approving the Adjustments to the Transport Development Strategy up to 2020 with its Vision toward 2030. Ha Noi.

repair facilities. It even included new facilities for the manufacture and export of rolling stock. However, little progress has been made in the intervening 8 years on any of the major components.

11. The Prime Minister has issued two decisions that contain specific project details in support of the policy outlined in Transport Strategy 2020.⁷ One decision, the Road Transportation Development Plan, established a road development concept that sets out a series of planning and policy components for the road subsector. The second decision, 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 on required land acquisition. The decision set a 14-year schedule for implementation, from 2010 to 2023. The detailed master plan is expected to cost \$17.9 billion, or \$10 million per kilometer, and will require an average yearly investment of \$1.3 billion during implementation.

3. ADB Sector Experience and Assistance Program

12. The ADB strategy in the country strategy and program (CSP), 2007–2010 was to support the government’s investment program to improve transport infrastructure and reduce transport costs. The proposed investment program had three thrusts, in line with the SEDP, 2006–2010:

- (i) Address social equity aspects of Viet Nam’s transport needs through the Asian Development Fund by developing provincial and district roads.
- (ii) Support investment projects to address critical transport needs that constrain economic growth in the main development centers. This thrust was to help develop infrastructure to attract business investment and development in an environmentally sound manner.
- (iii) Bring subregional dimensions to the development of the transport network in terms of connectivity, including multimodal transport modes and competitiveness.

13. The comparative advantage of ADB in the transport sector includes (i) a track record as a major sector funding agency since the early 1990s, (ii) a GMS dimension brought to sector development, (iii) recognition by the government and other funding agencies that ADB is a major partner, and (iv) capacity to provide Asian Development Fund and ordinary capital resources loans for major projects and policy reform programs. ADB should continue to utilize these historical advantages and broaden its range of experience to bring value-added expertise to issues such as traffic safety and climate change. ADB should expand its efforts to support private sector participation in transport programs and strengthen good governance in both the private and the public sector.

14. Based on ADB’s assessment of the transport sector and Viet Nam’s Transport Strategy 2020, the forward strategy will be to improve planning, implementation, and operational efficiency throughout the sector. The strategy proposes three key strategic investment areas: expressways and roads, railroads, and urban transit. Common binding strategies are to (i) improve subregional and domestic transport efficiency; (ii) strengthen the institutional, organizational, and financial development of government transport entities; (iii) promote traffic safety and social sustainability; and (iv) mainstream climate change mitigation and adaptation.

⁷ Decision No. 1327/QĐ-TTg.24August2009. *Approval of Vietnam Road Transportation Development Plan by 2020 and vision toward 2030*. Ha Noi; Decision No. 140/QĐ-TTg.21January2010. *Approval of the Detailed Master Plan for North–South Expressway—Eastern Side*. Ha Noi.

15. **Public–private partnership.** Although PPP is still in its infancy in Viet Nam, it is gaining recognition at the highest levels of the government as an indispensable source of investment capital. In the recent decree, three types of investment are regulated in Viet Nam: build–operate–transfer, build–transfer–operate, and build–transfer, but a pilot project incorporating the basic premises of PPP has yet to be fully implemented.⁸ For PPP to generate significant investment capital, the primary need in the coming years is a comprehensive and consistent legal framework for PPP. This will require acceptance of the “partnership” component of PPP as being an integral component of the legal framework, requiring the government to share risks and responsibilities reasonably with private partners in PPP projects. The Government of Viet Nam has issued regulations on pilot investment for PPP projects.⁹

16. **Governance.** Continued progress in policy and reform issues under the broad umbrella of governance underpins the successful implementation of transport infrastructure projects. The government has undertaken reforms, including the implementation of the Revised Law on the State Budget, which became effective in 2004; the implementation of improvement policies for all government agencies, including state-owned enterprises and public investment projects; and the establishment of State Audit of Vietnam as a technically independent unit under the National Assembly. In December 2009, the World Bank approved a loan whose core objective was to support modern governance to strengthen the selection, preparation, implementation, and supervision of public investment projects.¹⁰ ADB addresses the issues of SOE governance and involvement in road transport projects through policy and advisory technical assistance.

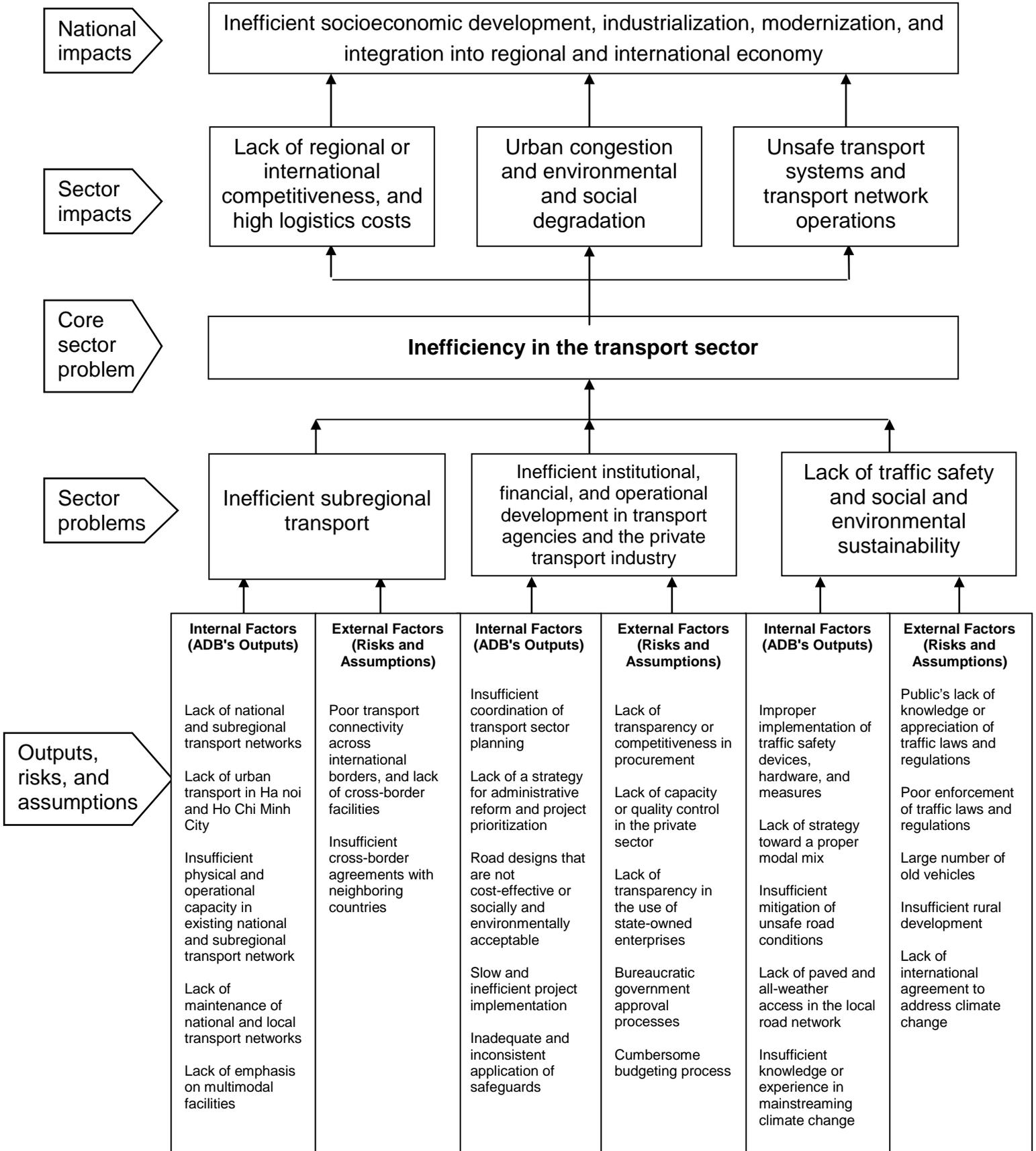
17. **Gender.** ADB interventions will improve roads and transport services to increase women’s access to social benefits, including health and education services, markets, and increased trading opportunities. All projects will ensure that gender analysis informs road, urban transport, and railway infrastructure design and construction to maximize women’s equitable access and benefit. Gender-specific design features of projects will include (i) targets for generating the employment of women for civil works, maintenance, and operations; (ii) gender-sensitive physical design features such as women-only waiting spaces, separate toilets, child-friendly access and facilities, and shop spaces for female-run businesses; (iii) increased awareness and prevention of HIV/AIDS and the trafficking of girls and women; (iv) increased awareness of road safety in local populations, including women and children; (v) gender-sensitive resettlement plans that provide affected households with secure, improved access to compensation and livelihoods; and (vi) targets for women’s employment and developing the capacity of female transport staff to promote the role of women in the transport sector.

⁸ Decree 108, Law on Investments, which took effect from 15 January 2010.

⁹ Decision No.71/2010/QĐ-TTg. 9 November 2010, which approved Regulations on Pilot Investment under the Form of Public–Private Partnership.

¹⁰ First Public Investment Reform Development Policy Loan, approved on 22 December 2009 for \$500 million.

Problem Tree for Transport



ADB = Asian Development Bank.
Source: Asian Development Bank.

Sector Results Framework (Transport, 2011–2015)

Country Sector Outcome		Country Sector Outputs		ADB Sector Operations	
Outcomes with ADB Contributions	Indicators with Targets and Baselines	Outputs with ADB Contributions	Indicators with Incremental Targets	Planned and Ongoing ADB Interventions ^b	Main Outputs Expected from ADB Contributions
More efficient and safe transport of people and goods	<p>95% of rural population with access to an all-season road by 2015 (2004 baseline: 83.5%)</p> <p>Share of passengers using public transit in Ha Noi and HCMC increasing to 11 % by 2015 (2011 baseline: 8%)</p> <p>Road accident fatalities reduced to below 9,000 by 2015 (2007 baseline: 12,800).</p>	Subregional and national transport infrastructure and systems expanded, improved, and well-managed	<p>Length of expressway 700 kilometers by 2015 (2012 baseline: 190 kilometers)^a</p> <p>Length of MRT lines 12 kilometers by 2015 (2012 baseline: 0 kilometers)</p> <p>Viet Nam Expressway Administration established by 2013 to streamline expressway management (2012 baseline: null)</p> <p>Road fund established by 2013 and a public–private partnership project commenced by 2015 (2012 baseline: null)</p>	<p>Planned Key Activity Areas: Expressways (49% of funds) National and provincial roads (20% of funds) Railways (4% of funds) Urban transit (27% of funds)</p> <p>Projects in the Pipeline with Estimated Amounts Expressway projects (\$1.0 billion) National and provincial road projects (\$850 million) GMS railway project (\$80 million) Ha Noi and HCMC MRT projects (\$1.2 billion)</p> <p>Ongoing Projects with Approved Amounts Expressway projects (\$1.8 billion) National and provincial road projects (\$320 million) GMS railway project (\$160 million) Ha Noi and HCMC MRT projects (\$330 million)</p>	<p>Planned Key Activity Areas: 300 kilometers of expressway constructed 1,650 kilometers of national and provincial roads constructed or rehabilitated 450 kilometers of railways rehabilitated Gender-sensitive design incorporated in 2 MRT projects. (2012 baseline: 0 projects)</p> <p>Ongoing Projects 300 kilometers of expressway constructed 1,200 kilometers of national and provincial roads constructed or rehabilitated 285 kilometers of railways rehabilitated Gender-sensitive design incorporated in 2 MRT projects (2012 baseline: 0 projects)</p>

ADB = Asian Development Bank, GMS = Greater Mekong Subregion, HCMC = Ho Chi Minh City, MRT = mass rapid transit.

^a Length of expressway includes national highways constructed to expressway standards (sections of Noi Bai–Bac Ninh, Ha Noi–Bac Ninh, and Ha Noi 3rd Ring Road in the baseline).

^b The amounts are not to be disbursements during the period but are total project costs.

Sources: Government of Viet Nam. 2009. Decision No.1327/QD-TTg. 24 August 2009. Approval of Vietnam Road Transportation Development Plan by 2020 and Vision toward 2030. Ha Noi; ADB. 2011. *Key Indicators 2011*. Manila; Asian Development Bank estimates.