

SECTOR UPDATE:

TRANSPORTATION

The transportation sector has been identified as a key area for development. It is expected that through the provision of adequate facilities, investment will diversify from large urban centres and coastal facilities thereby reducing the trend towards urbanization. Inter-regional trade will also be facilitated between provinces and their neighbours. The Government of Vietnam aims to raise \$3.5 billion over the next six years for transportation related projects as this amount is required to transform current infrastructure into an efficient transportation system. It also forms part of the Government's goal to double annual GDP from \$220/year to \$440/year by the year 2000.

Donor activity in infrastructure investment was heightened with the development of the Public Investment Program (PIP), a document produced for the State Planning Committee by the UNDP. It structured the Government's expenditure budget for in all sectors of the economy. With respect to transportation, subsector investment programs were developed with a prioritized list of projects to implement.

The subsector investment mix is the most controversial area facing decision makers. The main problem is to determine the role of Vietnam National Railways. The World Bank's investment plan allocates \$500 million less to railways than does the PIP. This is due to the debate over the validity of rehabilitating North-South links in both the rail and road subsectors. World Bank recommendations include money for emergency repairs and overall maintenance of railways, while the PIP tries to rehabilitate the whole system. A Transportation Conference to be held in Hanoi in October 1994, will bring together the Government of Vietnam and Donor organizations to discuss the World Bank's recommendations.

Attempts at reforming the decision making process for transportation planning in Vietnam have met with limited success. Donor reports recommend that all departments concerned with transport be brought under the control of the Ministry of Transportation. Currently, small transportation related departments exist in many different Ministries, thus delaying decision making. Once reform of the Ministry of Transportation is complete, delegation of authority should take place to allow decisions to be made efficiently.

Budget cuts have forced transportation organizations to rationalize operations and develop market oriented practices. Although this has been helpful in determining the competitiveness of subsectors, these cuts have postponed maintenance and repair programs.

The Vietnamese Government is facing many challenges in transportation rehabilitation. The Donor Community and foreign investment will supply the majority of the funding required for infrastructure rehabilitation and development, while the Government will provide the direction to where these funds will flow.