

**JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)
MINISTRY OF TRANSPORT, VIETNAM**

**THE COMPREHENSIVE STUDY
ON THE SUSTAINABLE DEVELOPMENT OF TRANSPORT SYSTEM
IN VIETNAM
(VITRANSS 2)**

**Subsector Report No. 06
INSTITUTIONS**

May 2010

**ALMEC CORPORATION
ORIENTAL CONSULTANTS Co. LTD.
NIPPON KOEI Co. LTD.**

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Exchange Rate Used in the Report

USD 1 = JPY 110 = VND 17,000

(Average Rate in 2008)

PREFACE

In response to the request from the Government of the Socialist Republic of Vietnam, the Government of Japan decided to conduct the Comprehensive Study on the Sustainable Development of Transport System in Vietnam (VITRANSS2) and entrusted the program to the Japan International cooperation Agency (JICA)

JICA dispatched a team to Vietnam between November 2007 and May 2010, which was headed by Mr. IWATA Shizuo of ALMEC Corporation and consisted of ALMEC Corporation, Oriental Consultants Co., Ltd., and Nippon Koei Co., Ltd.

In the cooperation with the Vietnamese Counterpart Team, the JICA Study Team conducted the study. It also held a series of discussions with the relevant officials of the Government of Vietnam. Upon returning to Japan, the Team duly finalized the study and delivered this report.

I hope that this report will contribute to the sustainable development of transport system and Vietnam and to the enhancement of friendly relations between the two countries.

Finally, I wish to express my sincere appreciation to the officials of the Government of Vietnam for their close cooperation.

May 2010

HIROYO SASAKI,
Vice President
Japan International Cooperation Agency

May 2010

HIROYO SASAKI

Vice President

Japan International Cooperation Agency

Tokyo

Subject: Letter of Transmittal

Dear Sir,

We are pleased to formally submit herewith the final report of the Comprehensive Study on the Sustainable Development of Transport System in Vietnam (VITRANSS2).

This report compiles the results of the study which was undertaken both in Vietnam and Japan from November 2007 to May 2010 by the Team comprising ALMEC Corporation, Oriental Consultants Co., Ltd., and Nippon Koei Co., Ltd.

We owe a lot to many people for the accomplishment of this report. First, we would like to express our sincere appreciation and deep gratitude to all those who extended their extensive assistance and cooperation to the Team, in particular the Ministry of Transport of Vietnam.

We also acknowledge the officials of your agency, the JICA Advisory Committee, and the Embassy of Japan in Vietnam for their support and valuable advice in the course of the Study.

We hope the report would contribute to the sustainable development of transport system and Vietnam.

Very truly yours,

IWATA Shizuo

Team Leader

The Comprehensive Study
on the Sustainable Development
of Transport System in Vietnam
(VITRANSS2)

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ABBREVIATIONS

3E	Enforcement, Engineering and Education
ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
ATM	Air Traffic Management
ATN	Air Traffic Navigations
BOT	Build-operate-transfer
BRT	Bus Rapid Transit
BT	Build-transfer
BTO	Build-transfer-operate
CAAV	Civil Aviation Administration of Vietnam
CATCV	Civil Aviation Training Centre of Vietnam
CIENCO	Civil Engineering Construction Corporation
DME	Distance Measuring Equipment
ESCAP	Economic and Social Commission for Asia and the Pacific
GC	General Corporation
GCAA	General Civil Aviation Administration
GDP	Gross Domestic Product
GDRA	General Department of Road Administration
GO	Office of the Government
GOV	Government of Vietnam
GRA	General Road Administration
GVRA	General Vietnam Road Administration
HCMC	Ho Chi Minh City
HRD	Human Resource Development
HSR	High Speed Railway
ICAO	International Civil Aviation Organization
ISO	International Standards organization
ITS	Intelligent Transport System
IWT	Inland Waterways Transport
JICA	Japan International Cooperation Agency
JV	Joint venture
LRT	Light Rail Transit
MOC	Ministry of Construction
MOF	Ministry of Finance
MONRE	Ministry of Natural Resources & Environment
MOT	Ministry of Transport
MP	Master Plan
MPI	Ministry of Planning and Investment
MTRR	Multimodal Transport Regulatory Review
NDB	Non Directional Radio Beacon
NPTS	National Program on Traffic Safety
NTSC	National Traffic Safety Committee
O&M	Operations and Maintenance
ODA	Official Development Assistance
PC	Peoples Committee
PCD	Provincial Communications Department
PDOT	Provincial Department of Transport
PIP	Public Investment Program
PMO	Project Management Office
PMU	Project Management Unit
PPC	Provincial People's Committee
PPP	Public Private Partnership
PSP	private sector participation
PTSC	Provincial Traffic Safety Committee
RRMC	Regional Road Maintenance Companies

RRMU	Regional Road Management Unit
SEDP	Socio-Economic Development Plan
SFC	Service Flight Corporation
SMS	safety management system
SOE	state-owned enterprise
TCQM	Transport Engineering Construction and Quality Management Bureau
TDSI	Transport Development and Strategy Institute
TSN	Tan Son Nhat
UCT	University of Communication and Transport
UNCTAD	United Nations Conference on Trade and Development
USD	US Dollar
VAA	Vietnam Aviations Administration
VAC	Vietnam Airline Corporation
VASCO	Vietnam Air Service Company
VATM	Vietnam Air Traffic Management
VEC	Vietnam Expressway Corporation
VGf	Viability Gap Funding
VGRA	Vietnamese General Road Administration
VICT	Vietnam International Container Terminals
VIMARU	Vietnam Marine University
VINALINES	Vietnam National Shipping Lines
VINAMARINE	Vietnam Maritime Administration
VITRANSS	The Study on the National Transport Development Strategy in the Socialist Republic of Vietnam
VITRANSS 2	The Comprehensive Study on the Sustainable Development of Transport System in Vietnam
VIWA	Vietnam Inland Waterway Administration
VND	Vietnam dong
VNRA	Vietnam Railway Administration
VOR	VHF Omni Direction Range
VR	Viet Nam Register
VRA	Viet Nam Railway Administration
VRA	Vietnam Road Administration
VRC	Vietnam Railways Corporation
WB	World Bank
WTO	World Trade Organization

1 INTRODUCTION

1.1 Purpose and Structure of the Report

The purpose of this report is to review the current situation of institutions and transport sector legislation in Vietnam, identify current weaknesses and areas for future improvements, and propose a general plan for the continued development and enhancement of institutions. It takes into account the underlying specific transport policies and proposed plans in the different transport sub-sectors of roads, railways, ports and shipping, inland waterways, and aviation.

This report is divided into the following chapters:

Chapter 1 – Introduction provides an overview of the report's contents, areas of emphases, as well as the rationale for further enhancing Vietnam's transport sector institutions and transport sector legislation.

Chapter 2 – Overview of Institutional Responsibilities provides an overview of different components of the current institutional framework in Vietnam.

Chapter 3 – Present Conditions, describes the current institutional arrangements in the sub-sector, at the central level and thereafter by mode. Present legal bases and mandates are considered.

Chapter 4 – Further discussion of existing Issues and Problems, this Chapter presents some of the major institutional and legislative issues confronting the sector. References to lessons learned from Chinas' experiences are made, where appropriate.

Chapter 5 – Organizing for the Future, this Chapter describes the proposed improvements to enhance Vietnam's transport sector institutions and sector legislative and regulatory reforms. In particular capacity development and Human Resource Development are stressed.

Chapter 6 – Conclusions and Recommendations, this chapter summarizes specific institutional recommendations of the Study in the sector.

1.2 Areas of Emphases

The main focus of the review lies in Infrastructure development and maintenance, largely because the development of transport services has already been well-established in all modes. Due to the continuing need for significant new investments in virtually all aspects of transport infrastructure, as identified by the present Study, an institutional framework to support a larger role for PPP/PSP has also been considered.

This report necessarily has, as its principal focus, the 'higher-level' transport strategy, policy, legislative and regulatory areas of Government. There is consequently, therefore, less emphasis on 'lower level' activities, such as program management and service delivery. This emphasis follows the overall philosophy of strategy, policy formulation and definition of main development priorities being undertaken by the higher levels of Government and (management) and operations increasingly being decentralized and/or undertaken by the private sector.

In line with the above, and due to the broad scope and diversity in the sector and the resultant need to set some broad boundaries, the main focus of the institutional review lies at the national and/or provincial level, thereby excluding the tertiary level.

1.3 Rational for Change

As in many other parts of the economy, Vietnam's transport infrastructure has been undergoing rapid development in recent years. The system of governance of Vietnam has been in a state of transition from a centralized command model to a de-centralized one, typical of evolving democracies. All sectors of transport: roads, urban, railways, air, inland waterways, ports and logistics- have seen major investments to meet the growing demands for transport services. This has resulted in a transformation of Vietnam towards world class transport infrastructure in virtually all sectors.

The need for significant change in the regulatory and institutional framework of Vietnam's transport sector has been widely recognized within the Government. The Government's reform program has required major changes to its role in the transport sector. To perform the new state management functions required for the market economy requires a considerable institutional strengthening effort over many years (decades). At the same time, there is a need to reform state-owned transport businesses, through increased commercialization and, in many cases, equitization.

At the strategic level, the VITRANSS 2 study continues to see good governance as an important development goal and regards the strengthening of transportation sector management capacity through improved planning, wider inter-agency coordination, deeper stakeholder involvement, strategic funding, and a clearer role for government, i.e. that of an enabler rather than merely as a provider of infrastructure and services. Good governance is especially important to the transport industry because of its size and complexity, the strong public interest in its performance, and the heavy involvement of both public and private sectors in its delivery. Whether transport contributes effectively to development and whether it is safe, clean, and affordable often depend on the wisdom of Government policies and the capacity of the Government to implement those policies.

Many Transport Ministries around the world have decided it is appropriate to separate the functions of policy, planning, regulation and public finance (core activity), from the functions of operations and service delivery. This has become particularly important as the models for service delivery become more complex and involve both public and private sector organizations. The highest mandate and role of the core is to set policy following the direction of the Minister, to issue revised legislation as needed and to determine appropriate regulations to protect the public interest and to adhere to the international commitments of the Government. Strategic planning has hence always been a function of top management, e.g. a responsibility of the upper echelons of government and will continue to be so. Further, it is the role of the core to ensure that the Government policy and regulations are followed up by the implementing units of the transport system and that public funding provided is used in a fiscally prudent and cost effective manner.

Public ownership of transport infrastructure is of course a legitimate public policy choice. The public sector is the owner and usually the "manager" of nearly all the world's roads, inland waterways, navigable airspace, and shipping channels, as well as most of the basic port, airport, and navigation infrastructure, most metro and tram networks, and most national railway infrastructure (including over 95% of the rail network outside North and Latin America)¹. But there are often ways for governments, as custodian of such assets, to

¹ World Bank 2007

seek the benefits of greater private sector participation in their financing, management, and operation. The VITRANSS 2 team has identified two important institutional issues facing the transport sector. Firstly, some government institutions are in need of further reform and modernization² to enable them to face present and future challenges in the sector. Secondly, there continues to be attention focused on projects, rather than on policies or institutions, which are, ultimately, of greater importance in achieving sector efficiency.

In such a fast changing environment, conventional models developed elsewhere are not so easily applied. Somewhat fortunately, there is one base for comparison located reasonably close by - in China - where the economy has been developing at a similarly fast rate, and where the adjustments towards the 'market economy' have also required considerable institutional strengthening efforts. Pertinent examples are therefore quoted in the report, where comparisons can shed some light and/or point to the future directions for institutional and legislative enhancement in Vietnam. The following chapters of the report include reference to policy, legislative and institutional reforms.

² For instance, in the IWT, Ports and Coastal Shipping sub-sectors.

2 BACKGROUND- INSTITUTIONAL FRAMEWORK

2.1 Introduction

The Transport sector has wide ranging impacts and requires a broadly-based agenda because transport makes a multi-faceted contribution to development that includes passenger and freight operations, spans urban and rural areas, includes public and private transport, meets economic and social needs, and serves domestic and international demands. Because of this diversity, there is a consequent need to adopt a simple model (one that is in common usage internationally), in order to assist our understanding of the main institutional developments and changes.

As background material, the current political structure in Vietnam is indicated in Appendix 2.1. The Flow Chart of Vietnamese Polity referred to the '*Troika*', which is an important political feature.

2.2 Framework- Overview of Institutional Responsibilities

The activities undertaken by transport institutions can be categorized into four main groups of activities and responsibilities (see also Figure 2.1 below). The model referred to (although of a strategic nature) is being adopted throughout the World.

1) Owner/ Strategy, Policy and Planning

This involves identifying future strategic needs and developing the policies and plans required to achieve government objectives. As Custodian: the Owner is responsible for the good stewardship of public assets, including deciding how they should be financed, operated, and maintained]. The Owner should monitor and evaluate the performance of outcomes against government objectives, and utilize this information to refine strategies, and identifying strategic resource needs;

In future, while the ownership role remains with the MOT, it is anticipated that some of the other planning responsibilities will be increasingly delegated (and decentralized) to other agencies.

2) Administration and Regulation

The task of the institution(s) responsible for ensuring that the Owner's policies and strategies are implemented through establishing and applying rules and technical standards for safety, security and environmental performance of transport, and economic regulation needed such as market entry to the various transport sub-sectors industry, the investigation of the exercise of market power and anti-competitive practice, and influence on price and service levels, where justified.

In Vietnam, as in many other countries, responsibility for setting standards and developing strategic plans is, in theory, vested in modal authorities at central government level (to ensure that common standards apply throughout the country and to coordinate local plans at national level). However in practice MOT retains certain functions concerned with setting standards. MOT has also delegated implementation of internationally-funded projects, not to the modal agencies, but through special PMU's.

To allow an effective bottom-up planning and implementation process, responsibility for proposing plans and their implementation (especially concerning infrastructure maintenance) should be delegated to the lowest appropriate level, provided that effective coordination mechanisms between government agencies are in place.

In accordance with the function of the infrastructure, it is appropriate for responsibilities for developing and implementing plans to be assigned to central and local responsibilities as follows:

- (i) Primary and secondary infrastructure is administered and regulated mainly by central government, through the specialized departments of MOT such as GVRA, VRA, CAAV, VIWA and VINAMARINE.
- (ii) Tertiary infrastructure is administered mainly by provincial and district government (within guidelines established by central government).

3) Program Development and Management

The institution(s) responsible for translating strategies, policies and regulatory requirements into specific actions such as programs and projects, providing oversight and monitoring of their delivery and for specifying and controlling operational and maintenance activities involved in implementation, and

In other countries the functions of administrator and manager are sometimes performed by the same agency. However there is an increasing trend to delegate management to private sector managers to achieve efficiency gains. In Vietnam most management functions are presently performed by the modal agencies or by local government agencies.

The main scope for the delegation of the program development and management functions is in the railway, sea ports and river ports, motorways and aviation.

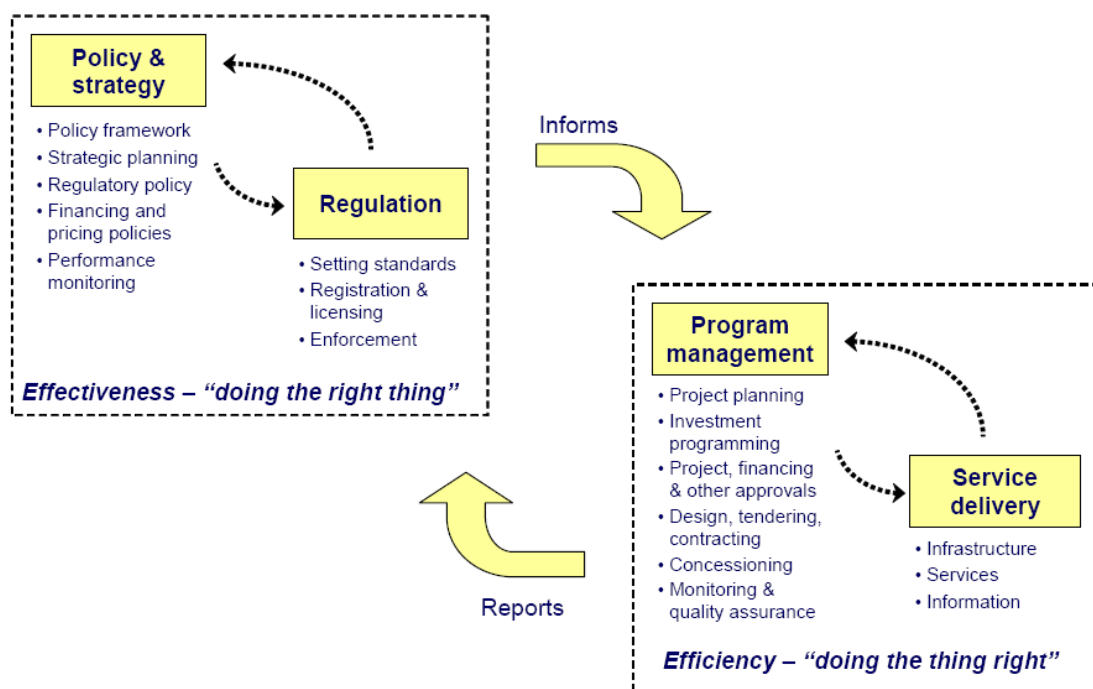
In these cases, public infrastructure can be funded, straightforwardly, on a self-financing basis from user charges. This makes it feasible to assign investment planning and tariff responsibilities to business units (the railway, port and airport companies, which are almost entirely state-owned at present but will be increasingly privately-owned in future). Motorways/ expressways and other special roads can be managed on this sort of basis, encouraging private investment in transport infrastructure.

4) Service Delivery

Institution(s) which deliver, or ensure the delivery, of transport infrastructure and services such as construction, maintenance and transport operations.

It is common in most countries for construction-related services to be supplied to management agencies on the basis of contracts which are awarded competitively. In Vietnam, such concepts have been introduced, but there remains enormous scope to improve the basis of competition (for example by increasing the number of contractors) and to extend contracting to other areas (for example infrastructure maintenance).

Figure 2.2.1 Graphical Outline of Main Institutional Responsibilities in the Transport Sector



Source: Strategic Urban Transport Policy Directions for Bangkok, World Bank 2007

This approach has a number of implications for institutional development, for example, it:

- (i) identifies the need to establish clear strategies and policies so that those involved in regulating and delivering transport infrastructure and services have an explicit understanding of what is expected of them.

- (ii) shows a need to separate conflicting functions, in particular to separate regulatory from operational activities, to avoid the conflict of interest that arises from institutions regulating themselves;
- (iii) indicates the need for performance management systems that are transparent and hold managers and contractors accountable for delivery of agreed outputs;
- (iv) separates commercial activities from non-commercial activities (with the former being undertaken on a commercial basis; and
- (v) Reinforces the need for clear allocation of tasks to institutions to avoid ambiguity about which institution is responsible for each of them.

2.3 Distinction between Transport Services and Transport Infrastructure

The treatment of the institutional development is further assisted by drawing a broad distinction between transport services (for example, road haulage companies, shipping companies, airlines) and the transport infrastructure that service suppliers use (for example, roads, seaports, and airports). Further details are provided in the section below.

1) Transport Services

The public sector supply of transport services worldwide has often been disappointing. Experience suggests that private operation of transport services leads to a better outcome, if markets are competitive (or periodically contestable) and if the regulatory framework protects public interests from any misuse of market power. To ensure that transport is safe and clean, regulations are required, whether assets are under public or private ownership. To ensure that it is affordable, competition among private suppliers is likely to lead to the greatest efficiencies, with government acting as a customer when appropriate (for example, in public passenger transport) to contract for specific social services.

2) Transport Infrastructure

State-owned infrastructure companies face an enduring challenge to maintain adequate efficiency incentives. But many countries are uncomfortable with fully private ownership or free-market operation of transport infrastructure. The discomfort arises from the presence of natural monopolies (for example, rail and waterway networks); the existence of market power due to exclusive location (some ports and airports); the practical or economic difficulty of fully recovering costs from user charges (road networks, waterways, passenger railway networks, and metro systems); and the “lumpy,” long-term, and risky nature of much transport investment (which limits private financing). In some countries there is also a public perception that transport infrastructure is an inherent part of the public patrimony and should be run for the public good rather than for commercial gain.

3) Separating Services and Infrastructure

Countries usually are able to improve performance by separating infrastructure and services. Examples include the separation of national airlines from their host airports, stevedoring from port infrastructure, and ports from shipping companies. In these cases, both private participation and competition in transport services can be facilitated to the benefit of customers and development, while leaving infrastructure under public control.

Separation of service and infrastructure is a more complex issue for railway systems. The technological, operational, safety and economic interfaces between railway infrastructure and train services are not always benign and, in practice, require active management. Separation of the institutions that manage each side typically adds complexity, transaction cost, and regulatory burden to achieve clear and effective responsibility and accountability at the interfaces. Some 97% of the entire world's railway traffic is carried on vertically integrated railways, either public or private.

The Institutional Framework has been presented conventionally according to the major modal areas as indicated in Table 2.1 below. Infrastructure and Services have been separated.

Table 2.3.1 Categorization of main Transport sub-sectors in Vietnam

Infrastructure
Roads Infrastructure and Safety (excluding Motorways)
Road Infrastructure Motorways
Railway Infrastructure and Safety
Aviation Infrastructure and Safety
Maritime Port Infrastructure and Safety
IWT Port and Channel Infrastructure and Safety
Services
Roads Services
Railway Services
Aviation Services
Maritime Port Services
IWT Port and Channel Services
Shipping Services
Ship Building

Source: VITRANSS 2 Team

The distinction between transport ‘infrastructure’ and transport ‘services’ marks a point of departure from VITRANSS 1, when they were bundled together. Furthermore, the VITRANSS 1 Team lumped Ports, Shipping and Shipping Industry together within the Maritime sub-sector.

2.4 Transport Sector Institutional Landscape–Vietnam 2008/9

The four-pronged transport institutional activity categorization framework (commonly applied by the World Bank world-wide) as indicated in Figure 2.1 above has been used as the basis to categorise the current institutional landscape in the transport sector at end 2008.

This institutional landscape is indicated in Appendix 2.2. As has been noted, with the possible exception of urban transport, the basic institutional structure is now in place within each transport sub-sector. However, some additional steps need to be finally defined. These include the definition of the future framework for the introduction of new PSP options in the transport sector.

2.5 Overview of Transport Policies and Policy Implementation Prevailing in Vietnam

In mid 2007, the World Bank carried out an assessment on the progress of the introduction of the basic transport policies and policy implementation currently prevailing in Vietnam¹ using the VITRANSS 1 format. The detailed assessment, with some minor elaboration², is reproduced herewith in Appendix 2.3.

2.6 References from Recent Institutional Developments in China's Transport Sector

How can China's recent transport sector experience serve to understand current and future institutional changes in the transport sector in Vietnam?

Since 1978, when it began its "open-door" policy, China has made extensive investments and institutional reforms to align its transport system with the demands of a market economy. Outstanding achievements in economic growth and poverty reduction over the last fifteen years have been well documented. One strong contributor to that success has been on the development of China's transport infrastructure. All modes of transport have seen their networks expanded and/or improved, to provide the capacity needed by the transport and logistics industries to offer services that support broader development goals. The transport infrastructure improvements were made possible by rapid increases in public funding. All modes of transport experienced rapid growth in demand in recent years. Whereas Highways now carry the most passengers, Railways remain by far the dominant mode for freight transport—especially bulk goods.

Đổi Mới is the name given to the economic reforms initiated by the Socialist Republic of Vietnam in 1986. As a result of Đổi Mới, many free-market enterprises were permitted and encouraged and Vietnam has also made large achievements in economic growth and poverty reduction over the last fifteen years.

As in Vietnam, transport infrastructure has been playing an important role in China's development. It has provides the foundation for the country's economic development and has been pivotal in reducing poverty. It connects industry with markets and markets with people. It facilitates communications, and provides the poor with improved access to employment, education, and health facilities. In recent years China has seen an unprecedented transformation of its transport sector. It has created one of the world's most comprehensive expressway networks. It has significantly increased the capacity of its railway network. Ports and inland waterways have also seen major investments. There have been major improvements in airports. A similar pattern has evolved in Vietnam with increased investment in all sub-sectors, although the scale and pace in some sub-sectors,

¹ Chapter 1 Overview, Transport Strategy Transition, Reform and Sustainable Management, Vietnam World Bank 2007

² Such as the separation of Transport Infrastructure and Services.

such as railways, has been quite different. At the same time, there have been changes to transport policies across all sectors to attract private sector investment and to help China be competitive. Despite remarkable progress in new infrastructure development and existing infrastructure improvements, China's transport sector still faces many challenges. Similar trends are being observed in Vietnam and comparisons are useful.

Both China and Vietnam will have a continuing need to expand infrastructure capacity and quality. Increasing demand for passenger and freight movements will call for continued upgrading of the infrastructure. Significant capacity upgrades are required for railways. Airport and related infrastructure, as well as the provision of modern warehouse facilities and logistics facilities, are needed to meet air, port, and general logistic demands. Financing future transport infrastructure investments and maintaining existing infrastructure will be a challenge for both China and Vietnam.

A recent World Bank Strategy review of the Transport sector in China³ stated that *'Institutional reforms have been widespread with much still to be done'*. In order to improve efficiency, reduce costs, and invite the transparent participation of the private sector, further institutional reforms are necessary in most transport sectors in China. The bureaucratic processes and lack of consistent national regulations have often resulted in organizational inefficiencies. In terms of a development comparison it was found that:

'Vietnam is more exposed to the international economy⁴ in terms of both exports and foreign direct investment as a percentage of GDP', (Feenstra and Hanson 1996, Aghion and Williamson 1998, Reuveny and Li 2003, IMF 2007); has a higher population density (Yorukoglu 2002); possesses a proportionally larger rural population (Yorukoglu 2002, Cornelious and Trueblood 2002, Anand and Kanbur 2003); has a larger share of agriculture in GDP and exports (ADB 2007, World Bank 2007), and contains a more heterogeneous population in terms of both ethnicity and culture (Knack and Keefer 1997, Zak and Knack 2001, Easterly and Levine 1997, Alesina et al. 1999, Alesina et al. 2003).

³ An Overview of China's Transport Sector – 2007 EASTE WORKING PAPER No. 15 Transport, Energy and Mining Sector Unit Sustainable Development Department East Asia and Pacific Region December 2007

⁴ Source: Accountability and Inequality in Single-Party Regimes: A Comparative Analysis of Vietnam and China, Regina Abrami, Edmund Malesky, Yu Zheng, Harvard Business School, June 4, 2008

3 CURRENT INSTITUTIONAL ARRANGEMENTS IN THE TRANSPORT SECTOR

3.1 Introduction

The transport sector has contributed positively to the economic growth of Vietnam over the past decade and has helped reduce poverty through better linkages to markets, education and health facilities. Fast economic growth has brought high rates of urbanization and rapid growth in transport infrastructure and services creating new demands, as well as new challenges for the transport sector such as capacity constraints and increasing traffic accidents.

A brief overview of the principal Central Government institutions covering transport issues is followed by a more detailed description of the arrangements for each main transport mode, together with organigrams, (organization charts). The section includes an update and analysis of the organizational structure, functions and duties of the administrations approved by the Ministry of Transport and the Prime Minister. However it is necessary to recognize an important caveat on the status of current legal and organizational arrangements. There has been a considerable state of flux in the policy, legal and organizational arrangements, particularly over the past two years. It is quite likely, therefore, that what is written in this section now will be out of date within a further two year period. It therefore represents a 'snapshot' of current arrangements in the sector.

3.2 MOT and the Public Sector Universe

1) Transport Related Organizations in the Government

The Government of Vietnam placed priority in transport infrastructure in its 2001-2005 Public Investment Program (PIP) and the total transport expenditure to GDP for the period of 2001-2005 was estimated as 3.8%¹. According to the statistics transport expenditure grew three times as fast as the economy and real expenditures on transport increased 21% per annum from 1994 to 2002². These statistics clearly reflect the strong commitment of the GoV to the transport infrastructure development.

The Socio-Economic Development Plan (SEDP) 2006-2010 continues to place high priority in the investment to the transportation sector, especially in the establishment of essential transportation network of highways, railway routes and waterway routes together with the modernization of international terminals in airports and sea ports. Strong focus is on urban traffic system in Hanoi and HCMC to resolve traffic jams³.

The Ministry of Transport (MOT) has the responsibility for planning, managing and maintaining national transport infrastructure. The Ministry coordinates its planning function with some other central government agencies such as the MPI, The MPS, and the MRLG. It reports to the Government Office/GO, which have direct responsibility for some major transport sector actors such as VINALINES, etc.

The responsibility also extends to assist Local Governments in project selection. The long term transport strategy is prepared by MOT, which prepares a five year Public Investment Program and receives annual State Budget.

The Provincial Department of Transport (PDOT) in each province under the People's Committees of Provinces and Cities has responsibility for transport issues in the Province and in the Municipality; in particular the development and management of the provincial and district roads.

For the transport related issues the co-operation of several central government ministries is prerequisite. Some of the relevant governmental organizations covering transport issues are listed as follows:

- (i) Office of the Government (GO),
 - (ii) Ministry of Planning and Investment (MPI),
 - (iii) Ministry of Construction (MOC),
 - (iv) Ministry of Finance (MOF), Department of Public Asset Management, MOF
 - (v) Ministry of Agriculture and Rural Development
 - (vi) Ministry of Industry and Trade
 - (vii) Ministry of National Defence
 - (viii) Ministry of Public Security (under which the Traffic Police and Other Police Departments are organized, and
-

- (ix) National Traffic Safety Committee (NTSC) (together with the Provincial Traffic Safety Committees (PTSC's).

The organization chart of the overall Government of Vietnam is described in Appendix 3.1.

1) Office of the Government (GO)

The national plan, the state budget and the policies related to transport are first reviewed by the Office of the Government before they are submitted to the National Assembly for approval.

2) Ministry of Planning and Investment (MPI)

The Ministry of Planning and Investment reports to the Prime Minister and submit major policies, plans and large projects for approval. Transport related proposals and draft plans prepared by MOT are reviewed by MPI before they are submitted to the Prime Minister.

3) Ministry of Construction (MOC)

The Ministry of Construction issues construction standards that relate to transport.

4) Ministry of Finance (MOF)

In addition to the state budgeting issues, the Department of Public Asset Management of the MOF has the function of managing state asset in the field of finance at the state organizations and agencies. The Ministry has the prime responsibility for the Provincial level People's Committee's in estimating and implementing the funding for road management, maintenance, and protection of road traffic infrastructure.

5) Ministry of Agriculture and Rural Development, Ministry of Industry and Trade, Ministry of National Defence

These Ministries both own and operate ports and own-account transport companies.

6) National Traffic Safety Committee (NTSC) and Provincial Traffic Safety Committees (PTSC's)

The NTSC was established to coordinate all efforts for traffic safety in lieu of the Inter-ministerial Central Steering Committee on Traffic Safety. A Standing Board, the core team with members at the level of ministerial agency head, carries out regular meetings to comply with NTSC's task as an advisory board.

PTSC's were established in the whole of Vietnam to coordinate traffic safety activities in local areas and to monitor and report traffic safety situation in local areas to the NTSC.

7) Ministry of Public Security⁴

The ministry is composed of several major departments including the People's Police Department, responsible for general law enforcement, the Traffic Police Department, responsible for traffic control; The Department inspects and handles violations of legislation on the protection of road traffic infrastructure and plans for the protection thereof. The Traffic Police Department is in charge of vehicle registration and issues registration numbers and number plates. Other Modal Police forces exist, for instance, Maritime and IWT Traffic Police, Railway Police, etc. The Ministry has no website and published materials are scarce.

4 (akin to a Ministry of Interior)

8) Ministry of Industry and Trade

The Ministry plays a role in the planning and construction of the road side facilities.

9) Organization of the Ministry of Transport [MOT]

The charter of the MOT is contained in Government Decree No. 34/2003/ND-CP. Organization chart of MOT is described in Appendix 3.2. The development of the transport infrastructure in Vietnam is under the responsibility of Ministry of Transport (MOT). Through its different modal administrations and departments, MOT has a mandate in the following issues;

- (i) Policy setting include developing legislation and regulation;
- (ii) Planning, managing and maintaining national infrastructure;
- (iii) Assisting Local Governments in developing transport plans and selecting transport projects;
- (iv) Oversight of public bus transport development/ master plans;
- (v) Developing long and medium terms transport sector strategies and plans; and
- (vi) Integrating and prioritizing investment plans prepared by modal administrations for submission to MPI for inclusion in the PIP and to MOF for inclusion in the state budget for transport infrastructure maintenance.

The implementation of national transportation construction projects in all sub sectors is managed by Project Management Units (PMU's). Construction of national projects is typically carried out by SOE's attached to MOT and Provincial Governments, as well as private sector companies. Overall organization in the transport sector is complicated; MOT has over 200 SOE's-most of which are grouped in 12 corporations (including the 5 Civil Engineering Construction Corporations-CIENCO's). The primary activity of over 100 of these SOE's is construction.

The regulatory and institutional framework of Vietnam's transport sector has been in a state of transition with the move to the market economy.

The latest Decree 51/2008/ND-CP on MOT's function, task, and authority and organization structure was signed by Prime Minister on 22nd April 2008. In accordance with the Decree, MOT established three new organizations 1) Department of Transport Infrastructure, 2) Department of Environment and 3) Department of Traffic Safety and Vietnam Road Administration (VRA) was transformed into a general department.

Following the implementation of the Decree 51/2008/ND-CP, MOT also issued the Decision on restructuring of the PMU's under MOT and VRA.

Local level projects are carried out by provincial and district SOE's and private companies. The Transport Development Strategy Institute is a key agency under MOT charged with development of Strategy and Master Plan Development. The organization chart of TDSI is described in Appendix 3.3.

3.3 Organizations by Transport Modes/ sub-sectors

The current organizational structure has some complex mechanisms, which can make the responsibility and financing status somewhat vague. For example, some state corporations, such as VINALINES, have a reporting line to the MOT while their administrative line is directly to the Prime Minister's Office. Some PMU's, mainly road related, are under the direct control of MOT while others are under control of MOT's subordinate modal administrations. PMU's are established for the construction of certain project; however, many PMU's remain

in existence even after the completion of project objectives.

The latest version of the construction law recommends moving PMU's under the modal administrations such as VRA and VIWA. On May 6th 2008, MOT issued the Decision to transfer PMU18, PMU5, PMU9 and PMU Bien Dong to VRA. In response to this Decision, the new PMU2 was established by merger between former PMU2 under VRA and PMU18. PMU5 and PMU Bien Dong were consolidated into PMU6. PMU7 was newly established through the merging former PMU7 under VRA and PMU9.

3.4 Road Sector Institutional Development

The improvements in the road network in the last decade are notable. This was because the road sub-sector received the bulk of the funds going to the transport sector. Roads have received more than 80% of the funds allocated for transport development, which is equivalent to around 2.2% of GDP. Much of the funding went to road construction and improvement, while funds for road maintenance have been substantially lower than requirements. Road development is funded through the "General Account", and it also covered maintenance works. However recently, the National Assembly approved a law to establish a Road Fund. The operational parameters of the Road Fund are currently under discussion.

In recognition of the importance of transportation safety, a nationwide vehicle inspection system covering 4-wheel vehicles was established and the National Traffic Safety Committee (NTSC) was created. For expressway development, the Vietnam Expressway Corporation (VEC) was established in 2004.

1) Legal Base

In the last decade, most laws and regulations related to road and road transportation were revised, while many were newly established. These are provided in the Sub-sector Report for Roads.

The principal governing law for road transport is the Law on Road Traffic (No. 26/2001/QH10) enacted by the National Assembly on 29 June, 2001. It contains provisions on road infrastructure and road use. The six administrative classifications of roads are set out in this document, including responsibilities for their financing and management. This was followed in 2004 by Government Decree No. 186/2004/ND-CP; its key provisions include technical standards for the different road classes, principles for planning and project approval, regulations to govern BOT schemes for roads, acquisition of land and environmental assessment. The creation of VRA was set out in MOT Decision No. 3525/1998/QD-BGTVT, while that of VEC is MOT Decision No. 3030/QD-BGTVT issued in October 2004.

In recognition of the importance of transportation safety, MOT Decision No. 4134/2001/QD-BGTVT established a nationwide vehicle inspection system covering 4-wheel vehicles, while PMD No. 718/TTg created the National Traffic Safety Committee (NTSC).

There were also other significant institutional developments in the road sub-sector. Various legal documents were enacted that govern road administration, technical standards, expressway development, principles for planning and project approval, regulations to govern BOT schemes for roads, acquisition of land and environmental assessment.

The Ministry of Transport and the Ministry of Construction have updated related laws, regulations, specifications, and guidelines. The privatization of the road construction industry has also progressed. Private contractors now account for 40% of the number of awarded contracts, compared to almost none in the 1990s. The role of private contracts is however is still low. Maintenance standards of national highways are stipulated in "Technical Standards

for Road Routine Maintenance” and the “Road Maintenance Routine Standards”.

2) Traffic Safety Organization

The Prime Minister issued Directive No. 718/TTg dated September 01, 1997, and the National Traffic Safety Committee (NTSC) was established to coordinate all efforts for traffic safety in lieu of the Inter-ministerial Central Steering Committee on Traffic Safety. The core team of the NTSC is a Standing Board with members at the level of ministerial agency head. This Board carries out regular meetings to comply with NTSC’s task as an advisory board.

Based on the NTSC’s Official Letter No. 160/UBATGTQG dated July 22, 1998, the Provincial Traffic Safety Committees (PTSC) have been established to coordinate traffic safety activities in the local areas and monitor and report traffic safety situation in the local area to NTSC.

3) Vietnam Road Administration VRA/GVRA

The planning and development of all national roads rest with the Vietnam Road Administration (VRA), one of many semi-autonomous modal agencies under the Ministry of Transport. Its internal organizational structure is shown in Appendix 3.4. The Vietnam Road Administration (VRA) was established to manage the development and asset preservation of the national road network. The VRA provides maintenance support to some 16,760 km of national highway, of which some 8,000 kms of important national highways are directly managed by the VRA. Recently the VRA was upgraded and renamed as a General Road Administration (GVRA). The internal organizational structure of the GVRA is shown in Appendix 3.5. New regulations on GVRA operational charter and organization are being submitted to the GO by the MOT for consideration. There is reportedly some overlap with the Ministry of Construction.

The VRA’s Regional Road Management Units (RRMU’s) maintain some 50% of the national road network, and the Provincial Departments of Transport (PDOT’s) maintain the rest, as provincial roads under their jurisdiction. VRA also plans the maintenance of the national network and comments on PDOTs’ national road maintenance plans. Previously, VRA has concentrated on improving the RRMUs’ performance. Under the VRA there are four regional road Management Units (RRMU’s) in charge of national highway maintenance works in their duty areas. The RRMU’s are responsible for the administration of 48 maintenance companies. The maintenance works is mainly undertaken by SOE’s through force account and restrictive bidding among SOE’s. VRA is responsible for O&M of national highways and the organization chart is shown in the Subsector report for Roads.

Since August 2008, the MOT has handed over four PMU’s charged with road development projects to the VRA (GVRA). This means that the mandate of VRA has now expanded to include (a) investments in road development projects and (b) management and maintenance of the national highway.

In the past, VRA directly managed freight and passenger transport companies (from the earlier Automobile Transport Administration). In 2008, these companies moved to Vietnam Motor Industry Corporation (VinaMoTor). In addition, VRA is in charge of the administration of several vocational and driver training schools.

4) Mandate

For national roads, GVRA plans and manages the development of national road network. Investment finance is allocated by the Ministry of Planning and Investment (MPI) through MOT annually plan. For local roads, the complexity of the institutional arrangements is

greater with the involvement of the provincial departments of transport. GVRA performs a central planning and advisory role for the local road network. The Provincial Departments of Transport (PDOT's) develop provincial, district and commune transport strategies. They also plan and manage the construction of provincial road networks and maintain provincial road networks. PDOT's support district and commune governments in planning the maintenance of their networks. Provincial People's Committees (PPC) approve provincial transport strategies and plans.

Small to medium maintenance works on national roads are awarded directly to Regional Road Maintenance Companies (RRMC) within GVRA and for large maintenance works RRMC's compete with other SOE's. The planning and maintenance function of expressways remains under the GVRA.

5) Vietnam Expressway Corporation VEC

The Vietnam Expressway Corporation (VEC) is a state-owned company formed through MOT's decision number 3033-QD-BGTVT on October 6, 2004 to set up a public expressway corporation at the regional (or the national) level.

The Vietnam Expressway Corporation is a fully-owned SOE. The VEC was established with a remit to develop the expressway network by means of concessions. The internal organizational structure of the VEC is shown in Appendix 3.6.

The major functions of VEC are; investment, construction and including toll collection of expressways.

One of the important legal documents governing VEC's operation is "the Law on State Enterprise" and the article 166 of which requires the conversion of state owned companies into a limited liability companies or shareholding companies before 1 July 2010.

One of the establishment ideas of VEC was to mobilize private funds for expressway and to attract foreign investors. Decision 155/2004/QD-TTg provides that the levels of equity and budget contributions for the two sectors should be increased and VEC would appear to fall into the sector requiring 50% plus state ownership. Although the process of equalization is not clear, what is clear is that in order for VEC to be able to tap into the infrastructure funding market as we understand it to operate, it will need to:

- (i) Create daughter companies, either alone or with partners; and
- (ii) Award concessions or otherwise transfer its rights to operate the roads to the daughter companies so that they can sell equity/ float or securitize the debt.

3.5 Railway Sector Institutional Development

1) Structural Reform of Vietnam's Railways

In 2003, the Vietnamese government decided to introduce a separated structure for the Vietnam Railways with the Vietnam Railway Administration (VNRA) and the Vietnam Railways Corporation (VNR). The progress at this stage includes ongoing renovation of railway structures under a new enterprise law and a new railway law.

Under the 2003 decision the VNR should own the following assets:

- Station: land and facilities in station such as buildings, warehouses, and ground facilities, etc.; and
- Locomotive and car depots: land, depot facilities.

The infrastructure entity, named Vietnam Railway Administration (VNRA), should own the following properties and the corresponding activities:

- Bridges, tunnels, tracks including related land areas and superstructures; and
- Signals and telecommunication systems.

The re-structuring process appears to be on-hold with the railway still operating as follows:

2) Administrative Framework

The Vietnam Railways comprise a railway network of approximately 2,600km and 42,000 employees. The total number of employees was approximately 42,400 as of the end of 2007. This employee is almost same as the 42,000 employees in 1998.

Appendix 3.7 shows the VNR headquarters sections and numbers of personnel. The general director and 6 vice-directors work with the support of headquarters, which is under their management. Vietnam Railways Corporation organization is shown in appendix 3.8. VNR is organized into the headquarters and several branch organizations. The Headquarters is located at Hanoi.

The Branch organizations are categorized into seven sections by financing and kinds of work, as follows:

- Transport section: consisting of Transport Operation Center / Hanoi Passenger Transport Company, Saigon passenger Transport Company, Freight Transport Company and Rail traction Union
- Infrastructure section: organized into 15 Railway Management Companies and 5 Telecommunication and signalling management companies.
- Construction section: consisting of Construction companies and Material of construction companies.
- Industry section: consisting of Gia Lam Company, Hai Phong Car Joint Stock Company, Di An Train Company;
- Material & Service section: consisting of various Material companies, Hotels, Tourist & Service Companies, Print companies, Health care...
- Project Management section: consisting of PMU of railway projects and 3 regional PMUs
- Non-production section: Railway vocational colleges

The railway service and train operation sections are managed by three Transport companies as are mentioned above and a Railway traction company. VNR has established a study team for the selection of optimum reform ideas and aims to implement reform from 2009. This team has prepared four alternatives for the reform plans; however no final determination has been reported.

Vietnam Railway Corporation (VNR) is the sole supplier of rail services in Vietnam. Following corporatization, VNR's internal business has been restructured into four main business groups: two passenger train operating entities (North and South), a freight train operating company and a looser grouping of regional infrastructure administrations. The train operating entities are quasi-independent management and accounting entities. Former VNRA or VRA today plans and manages the development of the sub sector and also regulates the railway subsector.

Vietnam Railways is the sole provider of rail service and manages enterprises that carry out construction and maintenance activities and other relevant commercial activities. In practice, although the separation of infrastructure and operation has established, actual operation and maintenance of infrastructure is still being made by the railway management

companies under Vietnam Railways.

3) Legal Base

In 2003, VRF changed to Vietnam Railway Corporation (VNR) as the railway operating company by the Prime Ministerial Decision 34/2003/QD-TTg and Vietnam Railway Administration (VNRA) with the policy and regulatory functions by Decree 34/2003/ND-CP and MOT decision 1891/2003/QD-BGTVT. In 2008, new decree 51/2008/ND-CP is replaced to 34/2003/ND-CP and new decision of MOT 33/2008/QD-BGTVT is replaced to 1891/2003/QD-BGTVT; under this decision, Vietnam railway Administration is abbreviation called VRA.

In 2005 the Law on Railways was approved by the National Assembly. Vietnam's railway system has established separation of infrastructure operation organization and train operation organization. On the basis of the Prime Minister's Decision (No. 34/2003/QD-TTg) issued in March 2003, the railway administration was reorganized from the SOE's to a single corporation (Vietnam Railway Corporation). The more autonomous management and a stronger commercial motivation in the railway subsector provide: less government interference in and greater independence of management and staffing, as well as management reorganization and improvement of management efficiency to achieve target performances due to the Vietnam railway's expanded management discretion.

The legal document system of the Vietnam government on the railway development strategy includes:

- Decision No. 06/2002/QD – TTg dated January 07, 2002 on approving The Vietnam Railway Development Master Plan up to 2020;
- Decision No.412/QD – TTg dated April 11, 2007 on approving investment portfolio of significant infrastructures in the period to 2020;
- Decision No.1686/QD – TTg dated November 20, 2008 on approving the Vietnam Railway Development Strategy up to 2020 and Vision to 2050;
- Decision No. 35/2009/QD – TTg dated March 03, 2009 on approving the Revised Transport Sector Master Plan up to 2020 and Vision to 2030.

Wide ranging railway sector reform has been ongoing since the early 1990s. Since 2000 this has been provided with technical assistance by the Government of Germany. The railway sector reforms have gradually modernized the structure and legal foundation of the railway subsector. The ongoing technical assistance from Germany is centred on

- Preparing implementing regulations for the new Railway Law;
- Further reorganizing VNR Corporation,
- Implementing efficient infrastructure access charging, and
- Modernizing railway regulations.

VRA's organization chart is included in Appendix 3.9.

3.6 Ports and Shipping Sector Institutional Development

1) Overview

PM decision 26/2009/QD-TTg is promulgated functions, responsibilities and competences of Vinamarine: being one of various semi-autonomous modal agencies under the Ministry of Transport, acting as a state authority advisory on maritime sub-sector to MOT minister to control and enforcement of maritime development in all country.

It has 23 local branches (called Local Maritime Administrations) which act as Harbour Master in regulating vessel traffic at ports, in enforcing maritime safety and environmental standards, and related concerns.

Search and rescue operations, which in other countries fall under the Coast Guard, are also included within its mandate.

VINAMARINE has PMU's involved in the construction of ports and sea channels which are invested by Gov. Budget (consisting of ODA and local GB).

The major gateway ports of Hai Phong, Saigon, and Cai Lan, however, are under port management enterprises of different ownership and management forms. Some provinces and cities own and operate their own ports. The VICT ports in HCMC, and the Ba Ria Serece Port in Vung Tau province, are managed by joint-venture arrangements of local and foreign partners. The Ministry of Defence owns a SOE which operates a container terminal at Cat Lai in Ho Chi Minh City. It is also developing a new container terminal (Tan Cang Cai Mep) in the Cai Mep-Thi Vai area in Vung Tau.

VINAMARINE, however, is involved in approving port plans, and port operation permission. However the license of land use or concession for the port itself is issued by the local Peoples Committee or Municipal Government. Port investments are overseen by the MPI.

One of key players in the development of Vietnamese ports is VINALINES, a multi-faceted SOE engaged in the shipping business. It holds equity interests in several large port projects such as Hai Phong port, Cai Lan port, Saigon Port, and also the proposed Lach Huyen and Van Phong ports.

In port construction, VINAMARINE has two PMU's to supervise maritime projects implementation by Gov. Budget and a Maritime Construction Consultant Company.

The provision of coastal shipping services is restricted to Vietnamese enterprises. While there are many domestic shipping enterprises, VINALINES holds a near monopoly position through such substantial subsidiaries as VOSCO, VI-TRANSCHART, VINASHIP, and FALCON which, in turn, manage about 7 shipping companies.

Administratively, it is classified into three types (ports class 1, class 2 and class3). There are 49 classified ports which are rated into:

- (i) Class 1, which number 17, are primary ports with high traffic and serving larger vessels operating on foreign and long domestic inter-regional routes;
- (ii) 23 Class 2 ports, which are functioning as secondary feeder ports with medium traffic and smaller hinterlands;
- (iii) Class 3 are crude oil ports which are oil tanks adjacent to oil derrick at sea.

2) Integrated Planning, Development, and Management of Ports and Hinterland

On the national level, the current system of having a multiplicity of investors and port developers – central ministries, local governments, SOE's and private sector – On the aspect of individual used of ports which are developed by Gov. Budget, it is not conducive to a systematic port development strategy under limited funding.

On the port level, the seaside falls under local maritime authorities, the land side is administered by the port owner-operator, while the land adjoining the port is under the jurisdiction of local People's Committees. The provision of road access to the ports is the obligation of either the MOT or the locality's People's Committee.

3) Legal base

The fundamental laws and regulations for maritime activities in Vietnam are provided in the Maritime Code of Vietnam, which was enacted by the National Assembly in June 1990 and the Viet Nam Maritime Law/ including Chapter IV Sea Ports that the National Assembly had approved on June 14, 2005 is considered to be latest fundamental law.

VINAMARINE and VINALINES have proposed and have continuously executed structural reform for better operations and development. Based on the MOT's issuance of Directive No. 356/1998/CT-BGTVT dated 3 November 1998, which addresses the intensification of administrative reform in the transport sector, VINAMARINE issued notification 1950/TB-CHHVN dated 14 December 1998 to units under its direct administration in compliance with the MOT directive. The notification plans to implement administrative reform specifically on the following issues;

- Reform of administrative mechanism,
- Reinforcement of maritime administrative apparatus at all levels, and
- Training of government officers

4) Vinamarine

Port management bodies consist of various stakeholders such as VINALINES, several public company in other ministries, Department of provincial and municipal government, SOE's and Joint venture corporations with foreign investors.

Among those various stakeholders, Vietnam's administration of maritime activities is under the mandate of VINAMARINE.

5) Mandate

Major responsibilities of VINAMARINE are as follows;

(i) General

- Plan the sub-sector of port and shipping,
- Develop and maintain channels and buoys,
- Manage pilotage and port administration

(ii) Regulate port operations

(iii) Plan for developing the shipping industry

(iv) Issues registry certificates for sea going vessels over 100 DWT

VINAMARINE's administration is limited to that of maritime, therefore excludes inland waterways and its relevant ports, which is under the jurisdiction of Vietnam Inland Waterway Administration (VIWA). VINAMARINE supervises ports and maritime sector and

has 23 local arms; i.e. Port authorities (PAs) which act as harbour masters who regulate port entry, maritime safety, and maritime environmental affairs and so on.

In the past, VINAMARINE also has terminal operation arms and operates terminals at Nha Tran Port, Quy Nhon Port, Qua Lo Port and so on, now they are handed over to VINALINES.

Historically, the responsibilities of development and management for individual terminals belong to various entities that include state owned enterprises (SOE's) under the supervision of Ministry of Transport (MOT) and other ministries, joint venture companies (JVs) founded by SOE's and private companies, local governments and so on. Day by day, Law of Enterprise is became major state regulated tool, dependent relationship between these port entities with their supervisors are loosen.

Appendix 3.10 (Figure 2) shows the current situation of Maritime administration in Vietnam for VINAMARINE.

6) Shipping: VINALINES

Vietnam National Shipping Lines (VINALINES) is a State Corporation established in April 1995, with its official business initiation in January 1996.

In 2006, VINALINES totally transformed itself into a holding company and then took a first step towards a group model. Since 2001, VINALINES has been under the process of equalization of its member and affiliated companies, while establishing some new companies and joint-ventures with foreign and local partners. As the result, at present time, VINALINES consists of 26 Subsidiary Companies, 31 Associated Companies and 11 Branches.

VINALINES is the largest shipping company with currently 135 fleet. Since its establishment it has expanded its business activities in shipping, port operation and other services to improve cargo-handling capacity and increase transportation capacity. Together with its member companies, VINALINES has become a major stockholder in several joint venture and holding companies in the maritime industry.

Appendix 3.10 show current situation of shipping administration in Vietnam for VINALINES.

7) Mandate

Major responsibilities of VINALINESS are as follows;

- Operates the Vietnam's major ports,
- Operates seven shipping companies accounting for the majority of the national fleet.

3.7 Inland Waterways Transport [IWT] Sector Institutional Development

1) Overview

The VIWA is responsible for the provision of infrastructure along rivers, lakes and aids to river navigation (ATN) along the waterways classified as national (which is about 6,574 km). Maintenance, essentially dredging works, is contracted to VINAWACO, an SOE under the MOT that specializes in dredging. In some cases, dredging is initiated by local authorities, e.g., HCMC.

The remainder of the navigable waterways, including small ports, are managed by the relevant Peoples Committees of provinces and centrally-run cities.

IWT projects are implemented by a PMU under VIWA, or a PMU under MOT.

Two regional enterprises report directly to the MOT, namely the Northern Inland Waterway Transport Corporation and Southern Inland Waterway Transport Corporation.

VIWA is sub-divided into four local Port Authorities, which are each responsible for various common-use river ports. Not all river navigations are under the control of VIWA.

VIWA has 15 river management stations looking after localized river navigations, including enforcement. In 5 of these 15 stations, the responsibility is exercised by joint stock companies.

River vessels, mainly barges and tugboats of different sizes, are registered with VR (Vietnam Register). Theoretically all vessels are required by law to be registered, in practice, many smaller river vessels are not. A similar situation exists for pilots of such vessels.

VIWA also has three technical schools, aside from publishing a trade Magazine.

3.8 Aviation Sector Institutional Development

1) Overview

The institutional arrangements in the air transport sub-sector have been reformed further than in other sub-sectors. All the **22** airports are under the supervision of the Civil Aviation Administration of Vietnam (CAAV). Actual management of airports are delegated to three semi-autonomous regional airport authorities – Northern, Middle, and Southern.

The air traffic function is the responsibility of the Vietnam Air Traffic Management of CAAV.

In addition, the CAAV exercises supervision over ancillary organizations, such as the Vietnam Aviation Academy, Aviation Medicine Centre, and the Vietnam Aviation Magazine.

2) Legal Framework

The July 2006 Vietnam Civil Aviation Law was promulgated by Order No. 08/2006/L-CTN which repealed the Law on Civil Aviation of Vietnam on December 26 1991 and the Law amending the Civil Aviation Law of Vietnam on April 20 1995. This new law contains major changes in civil aviation regulation in Vietnam⁵ such as;

- (i) Completely separating regulatory functions from business operations;
- (ii) Encouraging and ensuring fair and equal participation of all economic sectors in the airport and air transport business operation;
- (iii) Protecting legitimate interests of consumers;
- (iv) Developing general aviation;
- (v) Specifying in details the rights in aircraft;
- (vi) Meeting the international standards in aviation safety and security.

Six decrees and sub-law regulatory papers detailing the enforcement of the Vietnam Civil Aviation Law (revised) were issued in 2007, to guide the initial enforcement. Most key organizational changes to subsector institutions are already in progress.

3) Civil Aviation Administration of Vietnam

The Civil Aviation Administration of Vietnam (CAAV) was formed as a wholly state-owned entity in 1992. CAAV plays a role of regulator in the air transport sector in Vietnam. It was under direct authority of the Office of the Government until it was transferred to MOT by Prime Minister Decision No.121/2002/QD-TTg in September 2002. The Prime Minister Decision No. 267/2003/QD-TTg on December 19, 2003 “Regulating the Functions, Duties and Responsibilities and Organizational Structure of the CAAV.” Stipulate functions of CAAV. The Civil Aviation Administration of Vietnam (CAAV) used to be under the direct authority of the Office of the Government. Under Prime Minister Decision No. 121/2002/QD-TTg on 19 September 2002 (“Transferring Vietnam Civil Aviation Administration to the Ministry of Communications and Transport”), the CAAV was transferred to the Ministry of Transport.

4) Mandate

The functions and responsibilities of CAAV are contained under Prime Minister Decision No. 267/2003/QD-TTg on 19 December 2003 (“Regulating the Functions, Duties and Responsibilities and Organizational Structure of the CAAV”). It also stipulated the following departments:

⁵ Statement presented by CAAV in 36th session ICAO Assembly on 19th September, 2007 (A36-WP/261)

- Planning & Investment Department;
- Science & Technology Department;
- Airports & Aerodromes Management Department;
- Flight Safety Standards Department;
- Air Transport Department;
- Air Navigation Department;
- Aviation Security Department;
- Personnel Department;
- Finance Department;
- Internal Inspection Department
- Administration and International Affairs Department

Appendix 3.13 depicts the organization structure of CAAV, as of October 2007. It has 150 staff. Under its supervision also are the following semi-autonomous entities:

- Vietnam Air Traffic Management;
- Northern Airports Authority;
- Middle Airports Authority;
- Southern Airports Authority.

In addition, the CAAV exercises supervision over ancillary organizations, such as the Aviation Medicine Centre and the Vietnam Aviation Magazine.

5) Airport Authorities

The different airports are clustered into 3 groups and managed by 3 semi-autonomous bodies as defined under Article 59 of the Law on Civil Aviation of Vietnam. Airport authorities are seen as “an agency performing the state management of civil aviation in an airport or airfield”.

6) Mandate

Its specific roles and responsibilities are stipulated in Article 60, namely:

- To manage entire land areas of airports and airfields
- To organize and manage construction in airports and airfields
- To supervise civil aviation activities in airports and airfields
- To implement emergency and rescue plans
- To decide to temporarily close airports and airfields
- To control obstacles nearby airports and airfields
- To suspend flights, to order aircraft to land at airports or airfields, to search and detain aircraft, to execute warrants or arrest of aircraft, and to stop acts of member of flight crews which fail to meet aviation safety and security requirements
- To collect, manage and use charges and fees in airports and airfields

The Ministry of Transport Decision No. 27/2007/QD-BGTVT on 22 June 2007 (“The Organization and Operation of Airports Authority”) detailed the organization and operation of the Airport Authority. There are three airport authorities: Northern Airports Authority, Middle Airports Authority and Southern Airports Authority. Each airports authority manages and operates following airports.

(i) Northern Airport Authority with 6 airports:

- Noi Bai International Airport – Hanoi
- Cat Bi Airport – Hai Phong City
- Dien Bien Phu Airport – Dien Bien Province
- Vinh Airport – Nghe An Province
- Na San Airport – Son La Province
- Dong Hoi Airport – Quang Binh Province (New airport opened in May 2008)

(ii) Middle Airport Authority with 6 airports:

- Da Nang International Airport – Da Nang City
- Phu Bai International Airport – Hue City
- Chu Lai Airport – Quang Nam Province
- Phu Cat Airport – Binh Dinh Province
- Tuy Hoa Airport – Phu Yen Province
- Cam Ranh Airport – Khanh Hoa Province

(iii) Southern Airport Authority with 8 airports:

- Tan Son Nhat Airport – Ho Chi Minh City
- Buon Me Thuot Airport – Dac Lac Province
- Lien Khuong Airport – Lam Dong Province
- Rach Gia Airport – Kien Giang Province
- Phu Quoc Airport – Kien Giang Province
- Ca Mau Airport – Ca Mau Province
- Con Don Airport – Ba Ria – Vung Tau Province
- Can Tho Airport – Can Tho Province (New airport will be opened in 2008)

The three Airports Authorities are currently under-going reorganization that will separate its previous conflicting roles of regulator and operator. The Airports Corporation will be the operator, while the Airports Authority will perform the regulatory functions. Once completed, there will be 3 Airports Authorities and 3 Airport Corporations. As of May 2008, Southern Airports Corporation is already established. The Northern and Middle Airports Corporations are planned to be established by the end of 2008. The Airports Corporations will be under the supervision of MOT.

7) Air Traffic Management

Vietnam Air Traffic Management (VATM) is established in 1993 from the General CAAV and being income non-productive units. Decision No. 15/1998/QD-TTg dated 24 January 1998, it turns to be public SOE. Contrary, air navigation Department is an assistant body of CAAV leadership.

The services that VATM provides include: air traffic control, aeronautical information and maintenance of facilities used in the aforesaid services.

En-route facilities, such as radar and VOR/DME, are maintained by VATM. Airport facilities, such as NDB, airfield lighting, markers, etc., are maintained by each airport authority. The airport authority could enter into contract with VATM for the maintenance of equipment at the airport, should it find it necessary.

8) Vietnam Aviation Academy

The Civil Aviation Training Centre was converted into the Vietnam Aviation Academy (VAA) in 2007 per Prime Minister Decision No. 168/2006/QD-TTg on 17 July 2006. VAA is under the authority of MOT and is located in Ho Chi Minh City. The conversion made VAA into a

university. It currently has a faculty of 168, including 27 PhDs and 41 Masters. The average number of students is 1800. There are 2 campuses - in Ho Chi Minh City and Cam Ranh airport.

There are 3 levels of schools in VAA: University and College, Vocational High School, Vocational Secondary and Primary School.

Courses provided by VAA are:

- Business Management Administration
- Aviation Technical Engineering
- Air Traffic Controller Training Course
- Flight Attendant Training Course

In addition to the above, a pilot training program will be started in 2008. The pilot training facility is located in Cam Ranh (Nha Trang) Airport. The training program is being assisted by the French Government.

Industry sources revealed that 30% of Vietnam Airlines' pilots are foreigners, while all of Jetstar's and 99% of Indochina Airlines are non-residents.

9) Airlines

Vietnam Airline was incorporated as a state airline enterprise in 1989 when the General Civil Aviation Administration (GCAA) was divided into Civil Aviation Administration of Vietnam (CAAV) and Vietnam Airlines. It is a state-owned airline company and has been dominant in the Vietnam air operation. In addition to Vietnam Airlines two companies, Jetstar Pacific (Pacific Airlines) and Vietnam Air Service Company (VASCO), are in operation. Organization chart of Vietnam Airlines is described in Appendix 3.14.

Jetstar Pacific is the only low cost airline of Vietnam, which was transformed from Pacific Airlines to Jetstar Pacific on 23 May 2008 under the business service agreement and the branding management between Pacific Airlines and Jetstar Airways of Australia.

Vietnam Air Service Company (VADSCO) was established 1987 as an air service enterprise and changed to air carrier as a member of subsidiary company of Vietnam Airlines in 1997. VASCO operates part of domestic routes of Vietnam Airlines from Tan Son Nhat Airport to Co Ong, Ca Mau, Chu Lai, and Dong Tac by ATR72. VASCO also provide chartered air service.

There is Service Flight Corporation of Vietnam (SFC), which is state owned enterprise under military, and they are operating helicopter service in Vietnam.

3.9 Organization of State Owned Transport Enterprises

There are SOE's directly under MOT and also under its subordinate administrations such as VNR, G RA, VINAMARINE, etc. According to the World Bank report in 2007 there are 226 SOE's in MOT and many of which, especially construction related SOE's are short of funds.

To improve the situation, MOT and the Government of Vietnam have several plans for the SOE reforms. Equitization is the MOT's plan to change SOE's organization structure into corporation with stocks. MOT has some elements of a phased equitization plan for its SOE's in place⁶. The List of four State Corporations under Decision 91 TTg/ 1994 and the List of twelve State Corporations under Decision 90 are provided in Appendix 3.15.

3.10 Organization Structure PMU

The implementation of national transport construction projects in all sub sectors is managed by Project Management Unit (PMU's). Construction is carried out by SOE's attached to MOT and provincial governments as well as private sector companies. MOT has over 200 SOE's and the primary activity of over 100 of these SOE's is construction.

Because of the structure of organizations their role and responsibility is not clear. For example, PMU continue to exist looking for other projects even after its initial objective has completed. Some of the PMU's do not belong to any subordinate modal administration of the MOT but report directly to the Minister, while the majority of them are under subordinate administrations.

3.11 Overview of Legislative Aspects

The legal framework is the foundation upon which all other aspects of the development and delivery of sustainable transport depend. In addition to the development of long term policy, legislation and plans, it is also in the public sphere of responsibility to manage and monitor development activity, through regulation.

To date, the transport sector has been equipped with a relatively complete legal and regulatory framework which supports and improves performance of public administration within the sector.

The implementing regulations for these laws require strengthening to ensure that the principles of competition and transparency govern all business and investment licensing matters, and that private sector participation, both domestic and foreign, is encouraged to enhance operational and managerial efficiency and quality, and increase investment.

New laws been approved in the Transport sector, and in some other sectors important laws have been approved, supplemented and modified in the process of joining the WTO, Government have signed and joined international agreements related to Transport and meanwhile the national economy has grown remarkably.

The transport laws passed in the past five years provide a sound basis for the efficient operation of transport sub sectors. Since VITRANSS 1 in 2000, all major transport sector laws have changed. Each of the five main sub-sectors has reviewed the laws, namely:

- (i) The RT law was updated in 2001;
- (ii) The IWT Law was updated in 2004;
- (iii) The Maritime Code and the Rail Law were updated in 2005;

- (iv) The Port Law was updated in 2005; and
- (v) The Aviation Law was updated in 2006.

Besides the sub-sectoral law, there have been a wide range of important extra-sectoral laws ('Special Laws') promulgated since 2000 following the need to adapt to WTO compliance, such as the Enterprise Law in 2005 and the Investment Law of 2006.

It is noted that there is no general (or sector) law which defines the overall basis of state management of the transport sector, including general responsibilities for planning, policy-making, regulation, infrastructure provision, and the role of the MOT, subsector agencies and provinces.

3.12 Further Information on Legislative and Organizational Aspects

1) Legal Frameworks

During the last 10 years (since VITRANSS I), many of the legal frameworks and organizational structure regulations have been changed.

For example for the legal framework, all basic laws for the five (5) transport sub-sectors were enacted and promulgated. They are:

- Road Traffic Law (51/2001.QH10 and revised and adjusted by 23/2008/QH 12); The road traffic law (23/2008.QH12) was enacted in November 2008 and from 01.07.2009 has been in effect)
- Railway Law: 35/2005/QH 11 (new enacted and promulgated in June 2005 , and has been in effect from 01.01. 2006)
- Inland Waterway Traffic Law : 23/2004/QH11 (new enacted and promulgated in June 2004 and has been in effect since 01.01.2005)
- Maritime Code : 40/2005/QH11 (revised and adjusted based on maritime Code 51/2001/QH10) , enacted in June 2005 and has been in effect since 01.01.2006);
- Civil Aviation Law: 66/2006/QH11 (revised and adjusted based on civil aviation law 51/2001/QH10 dated 25.12.2001). This law was enacted on June, 29, 2006 and has been in effect since January, 1, 2007.

Under these basic laws and codes, many implementation regulations are now in place.

Related to the transport sector, many other laws are also of importance such as the Investment Law, the Enterprise law, the Construction law, the Procurement law, the Environmental protection law.

The Comparison of Status of Sub-sectoral Regulations Progress is provided in Appendix 3.16.

2) Organizational structures

Starting with the Decree No. 178/2007/ND-CP (replaced Decree No. 86/2002/ND-CP) dated 3.12.2007 on the regulation of functions, tasks, responsibilities and powers of Ministries and Ministerial Agencies, the Decree No. 51/2008/ND-CP Government (replaced Decree No. 34/2003/ND-CP dated 04.04.2003) dated 22 .04.2008 on the regulation of functions, tasks, responsibilities, Powers and Organizational Structure of the Ministry of Transport was issued. Through these new Decrees, the following new structure of the Ministry of transport was regulated:

- To meet the importance roles and requirements of traffic safety, transport infrastructure and Environment, three new departments were decided to be established. These are (i) Department of Infrastructure; (ii) Department of Traffic Safety and (iii) Department of Environment;
- The Vietnamese Road Administration becomes the General of Vietnam Road Administration (GVRA).

Followings these Decrees, a lot new decisions of Prime Minister and Minister of Transport on the regulating of functions, responsibilities, tasks, powers and organizational structure of Functional Departments of Ministry of Transport as well as Subsector Administrations were made. For the Departments of Ministries, and Subsectors, these decisions are represented in the following Table 3.11.1

Table 3.12.1 Decision regulated functions, tasks, responsibilities, powers and organizational structures of Departments/Subsectors

Department/Subsectors	Decisions Nr.	Approved by	Date of Issue
Department			
Ministry's Administration Office	3566/QD-BGTVT	Minister	25.11.2008
Planning and Investment Department	3993/QD-BGTVT	Minister	31.12.2008
Financing Department	3569/QD-BGTVT	Minister	25.11.2008
Organization and Personal Departments	3565/QD-BGTVT	Minister	25.11.2008
Science and Technology Department	3704/QD-BGTVT	Minister	5.12.2008
Legal Department	3568/QD-BGTVT	Minister	25.11.2008
Transportation Department	3567/QD-BGTVT	Minister	25.11.2008
International Relation Department	3994/QD-BGTVT	Minister	31.12.2008
Infrastructure Department	2674/QD-BGTVT	Minister	01.09.2008
Traffic safety Department	2675/QD-BGTVT	Minister	01.09.2008
Environment Department	2676/QD-BGTVT	Minister	01.09.2008
Sub-Sectors			
Vietnamese General Road Administration (GVRA)		Prime Minister	Under Drafting
Vietnam Maritime Administration (VINAMARIE)	26/2009/QD-TTg	Prime Minister	20.02.2009
Viet Nam Railway Administration (VRA)	33/2008/QD-BGTVT	Minister	31.12.2008
Vietnam Inland Waterway Administration (VIWA)	27/2008/QD-BGTVT	Minister	04.12.2008
Vietnam Civil Aviations Administration (CAAV)	94/2009/QD-TTg	Prime Minister	16.07.2009
Transport Engineering Construction and Quality Management Bureau(TCOM)	34/2008/QD-BGTVT	Minister	31.12.2008
Viet Nam Register (VR)	26/2008/QD-BGTVT	Minister	04.12.2008

Comments

- (i) There is little point in a further review of the overall management of the transport sector in general and of the functional department/ sub sector arrangements in particular. Suffice to say that the new above-mentioned decisions on functions, tasks, responsibilities and organizational structure are now in place, and are expected to be incrementally modified over the course of the coming plan period. The purpose of the Transportation Masterplan is to ensure that the principal interventions are put in place at the strategic level. Hence detailing of the tasks and responsibilities of the three new departments of the MOT, for instance, would be the work of an Implementation Phase or Working Group.
- (ii) Two other important sub sectors should be noted. These are the Vietnam Register (refer to Maritime Sector Reports) and the Transport Engineering Construction and Quality Management Bureau (refer to Roads Sector Reports).

3.13 Overview of Existing HRD Facilities

MOT is heavily involved in human resource development and has fifteen institutes and schools directly under the Ministry, namely;

- (i) Transport Development and Strategy Institute (TDSI)
- (ii) Research Institute for Transportation Science and Technology
- (iii) Information Technology Centre
- (iv) Vietnam Maritime University
- (v) HCMC Transport University
- (vi) Transport Management Personnel School
- (vii) Transport College
- (viii) Transport College No. II
- (ix) Transport Technical Professional School No.1
- (x) Transport Technical Professional School No.2
- (xi) Transport Technical Professional School No.3
- (xii) Mekong Delta Transport Technical Professional School
- (xiii) Transport College Region 3
- (xiv) Transport Newspaper
- (xv) Transport Magazine

Subordinate Modal Administrations are also involved in HRD and almost all the administration organizations have training schools within their organizations.

GVRA: Even though GRA was established to manage the development and asset preservation of the national road network, the responsibilities are fragmented between GRA and other departments within MOT. To raise the efficiency and effectiveness of planning in the road sector, the capacity of its staff needs to be developed. Under the organization of GRA, there is the Vocational Training School Block, in which three technical schools (Northern Road, Central Zone Transport, and Southern Road Technical Professional Schools) and one driving school (Driving Training School).

VNR: VNR has Vietnam Railway Vocational College in Ha Noi and Ho Chi Minh. Being the interdisciplinary and vocational schools as well as the centres of research application and railway transport technology transferring, the Railway Vocational College No.1 and its Southern branch are active factors contributing to progress the development and integration of VNR⁷.

The new urban mass transit project, which requires brand new skill sets when compared to the classic rail operation in VNR, is underway in Ho Chi Minh City. A new urban mass transit system is proposed for Hanoi. Also the discussion on the construction of the new high speed railway (HSR) is underway. This would also require different and sophisticated techniques and skill sets from traditional rail operations.

Port, Shipping and IWT Sector: Vietnam Marine University (VIMARU) is under VINAMARINE. VINASHIN has Training Centre. VIWA has two IW Colleges and a Technical Worker School.

CAAV and Vietnam Airlines: There is a Civil Aviation Training Centre of Vietnam (CATCV) – HCMC under CAAV and Vietnam Airline has Flight Training Centre. Environmental issues for airport such as aircraft noise and emissions should be included in the curriculum of the training centres.

⁷ Referred to the VNR web-site at http://www.vr.com.vn/English/edu_training.htm

Some other recommendations are proposed:

- (i) The minimum level of budgetary support for training in the fields of aviation security, safety management system (SMS), airport management and accident investigation, as recommended by the ICAO Audit Team, should be assured.
- (ii) Foreign assistance may be required in relation to the ICAO Language Proficiency Requirements for airline crew and air traffic controllers.

Others: The University of Communication and Transport (UCT) is under the Ministry of Education and the Hanoi University of Civil Engineering is under the Ministry of Construction. Vietnam Register (VR) has a Training Centre.

3.14 Project Management and ODA

A number of laws and regulations have been revised and developed to enhance the effectiveness of ODA and public investment management. These include:

- (i) Decree 131/2006/ND-CP on ODA Management and Utilization issued in November 2006 providing further decentralization in project approvals and management;
- (ii) The Strategic Framework on ODA Attraction and Mobilization approved in December 2006 providing directions for the mobilization and utilization of ODA in support of Vietnam's Socio-economic Development Program 2006-2010;
- (iii) Circulars guiding the implementation of Decree (circulars on project management and ODA management and utilization have been issued and circulars on financial management and international treaty are under preparation);
- (iv) The Public Investment Law which is under preparation.

There is a need for Strengthened Government Systems for the Management of Public Investment and ODA.

4 CURRENT INSTITUTIONAL ISSUES AND PROBLEMS

4.1 Introduction

Further discussion of existing Issues and Problems, this chapter presents some of the major institutional and legislative issues confronting the sector. References to China's experiences are made, where appropriate. The increasingly important issue of urban transport institutions is reviewed. Some of the regulatory issues and problems are described.

4.2 Road Sector: Some Institutional and Legislative Issues

1) Introduction

National roads planning in Vietnam is undertaken within a fragmented framework, with many players (MOT, VRA and other sectoral departments, VEC, MPI, and PDOT's, among others) preparing different levels of plans by mode and geographical area, which are not well integrated and consistent with each other. This tends to lead to gaps and overlaps in investment decisions within and among transport modes.

VRA is supposed to be responsible for the integrated planning of the national roads network. In practice, however, VRA planning is limited to regular national roads, and excludes expressways.

The integrated planning of the national network by VRA is already implemented through the "road master plan up to 2020 and directions up to 2030" prepared by VRA/TDSI, reviewed by MOT and now submitted to Prime Minister for approval. The existing Masterplan for expressways was formulated and approved almost independently of the national roads program.

BOT toll roads are mostly unattractive for foreign investors because few transport projects in Vietnam offer sufficient traffic volumes to make the projects financially viable from user tolls alone.

The VRA has done little to improve planning, budgeting, and monitoring of maintenance activities. Other improvements therefore have had little effect on asset management practices, and RRMUs have had little incentive to collect road condition and traffic information regularly.

It is noted that, as of February 2008, there were no legal documents for the O&M of Expressways.

With the creation of VEC, the government has strengthened plans to accelerate development of Expressways. Two problems have been identified: (a) the relationship between GRA and VEC with regard to road network planning, and (b) the fact that VEC is both toll operator and toll regulator.

The first issue became apparent when the Expressway Master Plan unveiled a target of 5,873-km of expressways. Such a scale would lead to an imbalanced – and inefficient - road network. A road hierarchy usually has an expressway at the top level of the hierarchy, with national, provincial roads and tertiary at lower levels with proportionately greater coverage. The road network should be planned by the GRA, including the identification of higher class of roads classified as Expressways. Thereby the VEC would need to scale back the size of its target Expressway network. Expressways cannot be viewed in isolation from the other main roads that feed into it.

The second issue involves the dual function of regulator and operator. Some experts have proposed the creation of another agency – a Vietnam Expressway Authority – in order to remove this ambiguity. Should the regulatory role be undertaken by the GRA (once VEC has been converted into a shareholding company in 2010) could be another option.

Vietnam/ China: Comparison of Road Policy and Institutional Developments

China has adopted a decentralized model of road infrastructure delivery. The Ministry of Transportations (MOT) gives guidance and technical support in the form of national policies, regulations, design and construction standards, and plans for the roads sub-sector. Responsibility for road administration, which includes road transport regulation and management, as well as road infrastructure development and maintenance, was decentralized to the provincial governments under the 1997 Highway Law. The Provincial Communications Departments (PCD's) plan, develop, and maintain the highway networks in provinces, with the provincial planning commission approving plans on most large projects. Lower-level network responsibilities lie with county and township communications bureaus.

In China, decentralization has been a key factor in the successful delivery of road network improvements. As in all decentralized structures, this also represents a challenge for the center in terms of providing effective guidance and policy. The central government is currently seeking financial and non-financial mechanisms to influence policy decision making at the provincial and municipal levels on such matters as toll rates and project choices.

In comparison with China, Vietnam has been much slower to decentralize the delivery of road network improvements.

2) Some Key Issues Road Transport Sub-sector:

Under the Resolution No. 32/2007/NQ-CP dated June 29th, 2007 on urgent measures to curb traffic accidents and congestion, the Ministry of Transport issued a number of legal documents for enforcement such as Plan No. 4359/BGTVT-VT dated July 13th, 2007 for implementation of Resolution No. 32; Directive No. 09/CT-BGTVT dated July 16th, 2007 on strengthening of professional patrol and inspection over road projects to improve road traffic safety, etc. Soon, the Ministry of Transport shall issue a “Regulation on Conditions and Administrative Responsibility of Commercial Drivers”. The road traffic law was enacted in November 2008. The implementation regulations are ongoing to be promulgated.

The 2001 Road Traffic law was ‘rushed’; hence the MoT will submit a new law (planned for March 2008) to the National Assembly. It is expected that the new Road Transport law will be passed in 2008/09. Once the law is approved, all decrees inside the existing law will need to be changed. This activity is ongoing. Implementing guidelines for safety preservation in road corridors are proposed. The regulation and enforcement procedures for control of vehicle overloading need to be strengthened.

Vietnam/ China: Comparison of Road Transport Policy and Institutional Developments

Provincial Transport Departments (PTD) are responsible for road-related functions at the provincial level and they regulate the road transport industry by licensing transport operators, trucks, buses, drivers, and inter-city bus services through their transport administration bureaus.

The Chinese Government is opening up road transport services to foreign participation. As part of its World Trade Organization (WTO) commitments, the Chinese government

now allows foreign participation in the provision of road transport sector transport services. These include: road transport enterprises, warehousing, road freight stations, terminals, and vehicle maintenance and repair services. Foreign investors may participate in road transport, through either an equity joint venture with a Chinese company in the case of passenger transport, through an equity or contractual joint venture, or as a 100% foreign owned company in the case of road freight transport, cargo handling, storage and other services relating to road transport and vehicle maintenance.

In comparison with China, in Vietnam there has been slower foreign participation in the provision of road transport sector transport services, perhaps due to the much smaller size of the domestic market in Vietnam.

4.3 Rail Sector Institutional and Legislative Issues

1) Introduction

The restructuring of VNR has started and the separation of infrastructure and operation has been implemented. However, the actual implementation of the reform has not yet executed and VNR has established a study team for the selection of optimum renovation ideas and aims to implement the renovation from 2009.

At present, railway infrastructure in general has been in a very poor state and many railway lines have not been rehabilitated to reach the required technical standards. Therefore, full separation of management and maintenance function and operation function will lead to many difficulties in train operation and securing train-running safety for Vietnam Railway Corporation. The separation will depend on the rehabilitation and modernization of railway sector.

2) Transition to a new organizational culture

The business model for the railway sub-sector has already been changed – separating track infrastructure from rolling stock operations. It is a necessary step towards a more sustainable railway. However, progress has been such that:

Commercial development of each of the market segments is still minimal, with the focus of attention more on decreasing costs rather than on increasing revenues;

Business development planning is still inchoate, as the organizational culture is still stuck into the old mould;

The separation of the old monolithic railway entity into two (VNR and VNRA) has not yet been fully digested, resulting in information gap between operations (VNR) and track conditions (VNRA). The corresponding devolution of responsibilities into each of the separated companies has not yet been fulfilled.

VNR and VNRA are still saddled with excess employees, with no clear downsizing plan and performance-driven human resource management system;

The delay in the re-structuring of the railways cast further postpones the longer-term move towards a sustainable railway sub-sector. It is expected that in due course proposals for HSR and the construction of new urban metros will further impact the existing railway organization. In addition, the construction of Expressways could further erode the railways market share of intercity passenger traffic.

It would appear that the Euro model - which separates the track infrastructure from the service or operation component – is not practical, and that the railway is currently engaged in the search for another business model. The search for a new railway business model that is appropriate to Vietnam will need to take into account the necessary levels of State budget support or subsidy, and the need for railway to improve its service level and market performance.

3) Vietnam/ China: Comparison of Railway Policy and Institutional Developments

In terms of industry structure, railways in China remain largely monolithic and centrally controlled. It seems inevitable that the government will split the policy-making functions of government from the commercial functions of railways. At the same time it would be desirable to establish a separate regulatory mechanism, independent of either policy-makers or commercial operators that will protect rights and enforce obligations of a wider

range of participants in a fair and transparent way. Such rights and obligations are themselves not yet well defined in regard to matters such as track access rights and charges, arrangements for interchanging rolling stock between adjacent operators, and division of revenue from a through passenger trip or freight consignment between say a China Railways operation and an adjacent private operation.

New industry participants: from the mid-1990s the MOR has supported the establishment of 34 new joint-venture railways that are owned by national and provincial governments and private investors. In 2006 these accounted for 75.6% of the new railway projects. About two-thirds of these railways are independently profitable. The central government is seeking to expand this approach, with greater private participation, to new high-speed dedicated passenger lines that would free up freight capacity on existing lines.

Non-core Businesses: separation of non-core activities as enterprises (construction, manufacture, telecoms, design, education and social activities) and staff reductions from 3.4 million in 1992 to 2.1 million in 2006, a period during which traffic increased by over 70%. Many of these enterprises now provide services to China Railways on a competitively tendered basis.

The comparison of the railways in China is only illustrative, since the railways in China are managed by a single ministry and is largely centrally controlled. Other models can also be more appropriate for Vietnam (such as the European model and the Japanese model). These are elaborated within the sub-sectoral reports.

It is noted that the separation of the policy-making functions of government from the commercial functions of railways has already been accomplished in Vietnam. Railway regulations are being modernized. In comparison with China there has been no or little promotion of joint-venture railways. The extent of the spin-off of non-core rail businesses in Vietnam is unknown.

4.4 Ports and Shipping Institutional and Legislative Issues

Please note that following the Decree Nr. 63/2003/QD-TTg on the approval the overall alternative of the restructure, renovation/renewals of the SOE's under MOT, several decrees, Instructions, Decisions of Prime Minister and Minister of Transport were issued. They are:

- Decision Nr. 95/2005/QD-TTg dated 06.05.2005 of Prime Minister on the Adjustment of the overall alternative on the restructuring and renovation/renewal of SOE's under MOT for 2005-2006;
- Decree Nr. 31/2005/ND-Cp of Government dated 11/03.2005 on the production and delivery of public products and services;
- Decision Nr. 1729/QD-TTg of Prime Minister, dated 29/12/006 on the approval of groups list and public corporations (SOE's) to be equitized during the period 2007-2010; and
- Instruction Nr. 03/2007/CT-BGTVT of the Minister of Transport on the Strengthening of the re-arrangement, restructuring, renewal, development and upgrading the effectiveness of the enterprises in the transport sector.

In the maritime and shipping sub-sectors, shipping poses less of a complex institutional issue than does port development. The latter involves the complex roles of VINAMARINE, VINALINES, and other port owners. VINALINES has been effective in the realization of State objectives in the shipping sub-sector. But its resources for port investment may be over-stretched. Further large investments in ports can only serve to reduce the resources available for the development of international and domestic shipping.

There are several structural models available that address this separation. In most countries, the port owner and developer is separate from the shipping company. The port authority leases out and grants concessions over individual ports to terminal operators and companies. Another model is the so-called local port authority model. Whichever model is eventually adopted for Vietnam, the good features of the current arrangement – where local port bodies function autonomously and involve the private sector - should be retained. It is sensible for VINAMARINE to evolve into the single national port authority, and port regulator, without any participation in port operations or the management of the business aspects of ports.

1) Lack of port hierarchy

The difficult natural conditions confronting seaports in Vietnam – whether existing or new locations – suggest more careful evaluation and greater selectivity, so that the traffic volume gets aggregated to a few number of high-productivity terminals that can be maintained with less money. The limited resources can then be concentrated in developing the select few into world-class standards.

On the national level, the current system of having a multiplicity of investors and port developers – central ministries, local governments, SOE's and private sector – is not conducive to a systematic port development strategy under limited funding. The multiplicity of players makes coordination and integrated development of ports quite problematic.

The current institutional arrangements are not conducive to this kind of selectivity – because each of the players wants to outdo the other with a bigger and more prestigious infrastructure than the others. A province wants to have its own landmark port, so does

the others. This natural tendency should be tempered, by an overall national port development framework with a defined port hierarchy.

Concerning the port hierarchy, there is the decision 16/2008/QD-TTg of the Prime Minister dated 28.01.2009 on the classification of the port system in Viet Nam. There are regulated 17 primary ports (class I), 23 secondary ports (class II) and 9 tertiary ports (class III) made in this decision. Detailed analysis of the decision is provided in the sub-sectoral report (Maritime).

2) Poor HRD for Management and Crewing

The skills of crewmen, officers, and management are below international standards – which explain the high detention rate. The problem will become more acute with fleet expansion, and as the industry becomes bigger, and as international shipping recruits more Vietnamese seamen. The government has already launched training programs; and with foreign assistance, it is improving the capacity of VIMARU and MTTTS.

3) Uncompetitive Environment for Provision of Port Services

The current procedure in the approval of investment plans for ports is initiated by a prospective developer. The government will approve the proposal if the plan conforms to the national port master plan. This system gives advantage to proponents who submitted the proposals first. This would result to a monopolistic port operator in a region if the developer submits a number of proposals ahead of others, and stifles the opportunity of other groups to present a counter proposal, which may be more advantageous.

4) Poorly Integrated Planning, Development, and Management of Ports and Hinterland

The system for integration of plans, the development and the management of the port facilities and the surrounding water and land area, administrative systems needs to be established.

Although the MOT and VINAMARINE have issued Directive No. 356/1998/CT-BGTVT and Notification 1950/TB-CHHVN to intensify administrative reform in management activities, there has been no distinct change.

On January 1, 2007 the Prime Minister approved the project on the Simplification of state Administration Procedures period 2007-2010 by Decision Nr. 30/QD-TTg. Following it, the degree Nr. 178/2008/ND-Cp of Government dated 03.12.2007 regulating the functions, tasks, responsibilities, powers of Ministries and Ministerial Agencies was issued. The Ministry of Transport also prepared regular reports (monthly, quarterly, and annual) on the implementation of decision Nr. 30/QD-TTg. So did also the maritime sub-sector, including VINAMARINE. Then the Decisions of the Prime Minister regulating the functions, tasks, responsibilities, powers and organizational structure of the MOT and VINAMARINE were promulgated (Nr. 51/2008/QD-TTg, dated 22.04.2008 and Nr. 26/2009/QD-TTg, dated 20.02.2009).

5) Some Key Issues Maritime Sub-sector

Decree No. 63/2003/QD-TTg placed VINALINES and VINASHIN under MOT supervision, unifying the entire port administration under VINAMARINE through an autonomous management of service providers such as Hai Phong and Saigon Ports.

Further initiatives are required to improve maritime sector management and operational organization for effective port management. Meanwhile, other steps are needed for the further unification of port management administration.

There is a need to establish clear responsibilities of organizations, such as specialized port operators, to provide the key investment, cost and operational statistics required by VINAMARINE to monitor the subsector, and to formulate regulations defining management processes in key areas such as inspecting foreign vessels and handling compensation claims arising from oil spills.

6) Vietnam/ China: Comparison of Maritime Policy and Institutional Developments

China has become one of the most dynamic global shipping markets in the world. Deepening of port reforms will also help improve efficiency there. The reform of China's port sector has gone a long way since 1991 when China began to open its port to the private sector. Hutchison Whampoa took over the development and management of container facilities in Shanghai that year. By 1998, 13 ports facilities in China were managed by the private sector generally as joint ventures with the public port authority.

Large state enterprises, including COSCO, Sinotrans and China Shipping still dominate this sector which tends to diminish effective competition in intermodal markets. In 2003 China launched a reform package for Shanghai Harbor, the country's largest port to increase efficiency in port administration and management. The Shanghai Municipal Port Bureau and the Shanghai International Port Croup have been establish in order to separate the administrative and commercial functions which were previously handled by the same port authority. Other major ports are likely to adopt similar approaches.

Some clear parallels can be seen with dominance of (COSCO) VINALINES which tends to diminish effective competition in intermodal markets in Vietnam and with the move in China to separate the administrative and commercial functions of ports.

4.5 Inland Waterways Transport [IWT] Institutional and Legislative Issues

1) Introduction

The organizational focus should complement the aim of promoting the active use of the inland waterway system.

There appears to be little to reform or change in the institutional arrangements for inland waterways transport. There is a potential problem arising through the amorphous delineation of responsibilities over sections of the inland waterway networks between VIWA and VINAMARINE. Where does one agency's area of responsibility (jurisdiction) start and the other's end? The major seaports of Vietnam are physically located on rivers. Thus there is some ambiguity as to where IWT ends and coastal shipping starts. IWT sometimes seeks to attract ocean-going vessels to bigger up-stream ports, or stake out routes into islands or routes that combine both river and sea journeys. Conversely, the coastal shipping industry wants rivers to be dredged deeper so as to operate ocean going vessels further upstream.

2) Focus on Port Services

The role of IWT in the future needs to be clarified to guide investment strategies in ports. At present all market segments are catered to.

3) Management and Administration changes

Introduction of market principles in the IWT sub-sector need to be intensified. The sub-sector has already made some progress towards promoting private-led and market oriented IWT market. Some state-owned companies have been transformed to joint-stock companies on a trial basis, and some ports are being operated by the private sector.

4) Vietnam/ China: Comparison of IWT Policy and Institutional Developments

Achieving an integrated inland waterways policy in China will require sustained policy and management attention. The effective utilization of inland waterway transport generally depends on policies that deliver effective investment in, and upkeep of, navigation infrastructure (dredging, navigation aids, locks etc) together with an institutional regime that encourages an efficient and competitive private barging industry. For some years, inland waterways were given limited policy or management attention compared with highways or railways, although the 11th 5-year Plan now elevates this attention. A clear parallel can be seen with the limited policy or management attention to inland waterways in Viet Nam, when compared with the highway or railway sub-sectors, for example.

4.6 Aviation institutional and Legislative issues and reforms

The recent re-structuring of air transport institutions – Civil Aviation Administration for the overall regulation of aviation, and 3 regional Airport Corporations for airport development and operation - is well on course.

Because of the institutional reforms already adopted in aviation, there is little further institutional development that needs to be done in the aviation sector. The main thrust is seen as a need to accelerate the full re-structuring and to fill the skills gap.

An issue that could become problematic in due course is the relationship between the Southern Airports Corporation that runs Tan Son Nhat airport and the newly-formed joint-stock company for the (new) Long Thang International Airport. If they proceed independently without coordination, there could be some problems in the eventual transfer from one airport to the other. There would be no incentive on the part of the existing TSN management to promote a transfer that could abolish their organization.

The challenge has shifted into staff development to ensure that aviation sector institutions can execute their mandates.

The new structure has to be followed by a review of the cost recovery framework. As an independent regulator, the CAAV needs to establish proper charging system for various certifications and services. The same applies to the fees imposed by the three airport corporations. It is necessary to review and update charges to remove distortions. This can be the starting point for a sustainable financing scheme of most requirements of the sub-sector. Likewise, a policy needs to be defined on funding support for airlines and airports obligated to operate on non-economical low-volume routes (but which are justified on social and equity grounds).

Whilst the three regional airport corporations are free to expand capacities and/or build new airports, the CAAV should ensure that overlapping hinterlands is minimized and that the requirements of safe air traffic navigations are not sacrificed. It is understood that Vietnam Airlines may not become a joint-stock company until 2010.

Environmental standards for airports such as aircraft noise and aircraft emissions should be established.

Vietnam/ China: Comparison of Aviation Policy and Institutional Developments

In China in 2004, CAAC gave the 70 airports under its control to local governments so it could focus on its role as a regulator rather than operator of airports. Consequently, China's provinces are becoming increasingly involved in detailed planning, construction, operation, and financing of civil airways and airports. In 2005, the first truly private commercial airline started up. Regulatory constraints on general aviation (corporate and personal planes), previously tight, have been loosened somewhat. Currently there are seven private airlines, accounting for 4% of domestic market share. At least 10 private air carriers, including three cargo airlines, are preparing to enter the market. In comparison, Vietnam has also progressed well in a similar direction through the establishment of regional Airport corporations and with encouragement of new market entrants.

4.7 Some Key Issues Urban Transport sub-sector

1) Introduction

City responsibilities are excessively fragmented: both Hanoi and HCMC have different agencies planning and implementing rail and bus systems with limited coordination among them. The Ministry of Construction (MOC) is the central agency that leads in formulating the Metropolitan Regional Plans for Hanoi, HCMC, and Danang. There is weak central-local government coordination exhibited by a lack of coordination in policy formulation among MOT, MPI, and MOC.

There is a lack of metropolitan/regional institutions that can coordinate between and among local governments to minimize the incentives for jurisdictional boundaries to distort development and hamper a coordinated planning approach.

2) Vietnam/ China: Comparison of Urban Transport Policy and Institutional Developments

Urbanization has been accompanied by an unprecedented rate of motorization. Large numbers of newly middle-class urban households have bought their first car. There is still very little tax on automotive fuels. Car availability and relatively cheap fuel offer huge advantages in terms of enhanced personal mobility. City transport authorities have mainly responded by building urban roads. China's cities have invested massively in building and improving urban street and expressway networks in the last decade. However, it is recognized by city planners that it will not be physically possible in the long term to cater for a wholly unrestrained use of private vehicles. Public transport is now receiving more attention. Buses provide the majority of public transport service in China. Sustainable urban transport requires strong city institutions and management capacity.

In comparison, Vietnam has also progressed rapidly in improving public transport systems, notably in Hanoi and in Ho Chi Minh, but has also started the implementation of metro lines in HCMC with further projects under planning in Hanoi.

4.8 Some Cross-cutting Issues

Some cross-cutting institutional issues have been identified as follows.

1) Planning Co-ordination

In all transport sub-sectors, long-term transport planning is characterized by 'silo-thinking' wherein the lead modal agency looks only at its mode, in disregard of other transport modes. Therefore railways are planned without considering competition from Expressways within the same corridor. A multi-modal framework of co-ordinated transport planning is missing. The MOT could take a lead role in this matter.

2) Insufficient Competitive Tendering

In the construction of infrastructure, the usual practice has been to assign the engineering design to an affiliate Engineering SOE, and the construction works to another affiliate CIENCO without a competitive tender.

There has been no arms-length or impartial contractual relationships between the three parties – the owner (i.e., the project-owning agency), the design group, and the construction company since control and ownership of the three agencies belongs under the MoT or its agencies.

A conflict occurs when the project is funded by ODA, since Donor's regulations often specify competitive tendering. A solution could be to equitize or move the engineering and construction companies out of the agency's (and MOT's) influence.

3) Role of PMU's

Ideally, when a project or programme has been completed, the assigned Project Manager and project team should return to their lead agency. In practice, this has been difficult and complex to implement. The PMUs somehow have managed to continue in operation even after their remits have been completed.

The return to lead agency may be seen as a demotion – if not in rank, at least in remuneration and perks. A challenging new assignment may often not readily be available within the lead agency.

If the project personnel are released at the conclusion of the project or programme, then the agency would lose valuable talents whose experience would be beneficial to the agencies and to MOT.

4.9 Some Key Issues for Development of PSP in the Transport Sector

1) Introduction

PPP is also seen as a cross-cutting issue. At present there are no formal PSP/PPP institutions in the Infrastructure/ Transport Sectors, although plans are currently being formulated. Vietnam has recently established the basis for a PPP Unit in the MPI and has established a steering committee with members from MOF, MPI and MOT. This could form the basic framework for implementation of future PSP/PPP's in infrastructure projects.

A draft decree on PPP was under preparation with World Bank financing. Suggested PPP institutional arrangements were made in the Draft Final Report (World Bank, DHV Consultants). The BOT Law (Decree No. 78) was regarded as inappropriate since it did not consider more recent forms of PSP such as O&M contracts. It is thought that the scope for PSP might be greatest within the road sector; however other sectors are being considered. In the road sector viability gap funding is expected to be required.

The institutional framework for PPP is still at the preparatory stage. Vietnam has a BOT law, Decree No62/1998/ND-CP Issuing Regulations on Investment in the form of BOT, BTO and BT Contracts Applicable to Foreign Investments in Vietnam, dated on August 15 1998, as amended by Decree 77/CP of the Government dated June 18 1997. This decree was considered too restrictive and a new BOT law was issued on May 11 2007, as Decree 78/2007/ND-CP.

In case of expressways, an ADB report expressed concern over the status of VEC as both owner and investor of expressways. The role of VEC, its powers, the relationship with GRA and other independent toll road developers needs to be specified clearly.

2) Vietnam/ China: Comparison of PSP Policy and Institutional Developments

The aviation industry has been opened up to private participation. Since China opened the aviation infrastructure sector for foreign and domestic investment there have been many takers. Foreign investors are active in several airports. The French airport operator Aeroports de Paris is playing a major role in the expansion of Beijing Capital International Airport, after buying a 9.9% share in 2000. Copenhagen airport purchased 20% of Hainan's Meilan Airport in 2002. Private sector participation in financing road infrastructure is also considerable. Private sector participation in the growth of China's highway system is high by world standards; indeed in absolute terms China has probably attracted more private finance to roads than any other country. Over the last decade, more than 80 joint venture transactions between Hong Kong and mainland developers and their mainland-counterpart highway agencies in 14 provinces have raised an additional \$10 billion from private sources. Further, asset securitization 3 raised a further \$2 billion through 19 transactions. However, public investment dominates; private financing has contributed less than 10% of China's total commitment to new construction since the early 1980s.

In China, therefore the development of PPP/PSP has been regarded as a success. In Vietnam, by contrast, apart from a few joint-ventures in the port sector, the development of PPP/PSP in the transport industry is in its infancy.

4.10 Some Key institutional and Legislative Issues Multi-modal Transport and Logistics

1) Introduction

Logistics is also seen as a cross-cutting issue. A Decree on multi-modal transport was approved in 2003 based on the Framework Agreement of norms in ASEAN countries. There is a need to change and review some of the decrees, since some are not in conformance with WTO. The completed Multimodal Transport Regulatory Review (MTRR) in Vietnam indicates that new and revised laws and regulations provide a good facilitating environment but implementation mechanisms need to be strengthened and clarified.

A common understanding between the Ministries of Transport, Trade, and Planning and Investment on the definition and coverage of logistics services as referred to in the 2005 Commerce Law is lacking.

The freight forwarding business in Vietnam is developing, is quite competitive, and there is an active Vietnam Freight Forwarders Association. However, the industry is still handicapped by various constraints such as:

Lack of a legal basis for freight forwarders to act as principals or multimodal transport operators (MTO's) who are responsible for cargo transported by more than one mode of transport. Rather, each carrier is separately responsible to the cargo owner under the general provisions of the Ordinance on Economic Contracts (1989),

lack of other legal provisions in Vietnamese law in accordance with international practice (especially various ESCAP, ADB and UNCTAD proposals), lack of legal frameworks for road, inland waterway and railway transport, outdated maritime law provisions (the legal liability is defined in terms of an obsolete unit of currency used in colonial times rather than the conventional SDR's), and the lack of ratification of certain international conventions, such as the Hague Rules and Hague VISBY Rules, concerning bills of lading, provisions concerning certain maritime transport aspects about regulating ships and defining liabilities in case of ship collisions and oil spills,

Insufficient coordination among the MOT, Ministry of Trade, MOF, General Customs Department over policy matters to establish regulations and procedures for handling trade and transport matters (the customs department does not appear to understand the role of freight forwarders in efficient transport).

Although 'Logistics' is determined in Commercial Law, its major service contents are defined in Decree No. 140/2007/ND-CP as well as the liberalization schedule for foreigners. This decree does not define required entry conditions for logistical businesses, particularly in including required facilities, equipment, tools, technical standards, and personnel qualifications. This qualification is need for logistical services, especially for consolidation, loading/unloading, warehouse service targeting containerization, as well as wholesale delivery. Basically the entry barrier should be lower; however excessive free entry is likely to produce disordered confusion.

Commercial laws do not identify what registrations are necessary, or the permissions needed for licenses required for business entry. Clarity is required.

2) Vietnam/ China: Comparison of Multi-modal/ Logistics Policy and Institutional Developments

China's international trade has stimulated a rapidly developing logistics industry as China's international trade has grown dramatically. By 2013 this industry is estimated to reach almost \$29 trillion. The industry has increased five-fold in the last decade, and can be anticipated to continue growing rapidly. The logistics industry invested some \$150 billion in 2006. Over 80% of the investments were in transportation and only 3.9% in warehousing and storage. The logistics industry is dominated by small-scale operations. In 2006 there were over 300,000 registered logistics companies most of which evolved from local road transport or warehousing companies.

In 2004 the State Council promulgated its "Opinions on Promoting the Development of a Modern Logistics Sector in China". This document encouraged Chinese firms to associate with foreign firms and major foreign logistics firms to establish subsidiaries in China. China has taken significant steps towards liberalizing its transportation and logistics markets. Under its 2001 WTO accession commitments, domestic trucking and warehousing sectors were opened gradually to international investors. Courier and freight forwarding services were opened by the end of 2005. By the end of 2007, with the exception of some protected sectors (cross-border trucking, inland water transport, airfreight and postal services), foreign enterprises will be able to compete freely with domestic competitors. Competition is likely to stimulate improved standards at lower costs.

Chinese firms tended to manage their own supply chains. According to one estimate, in 2003 3PL's accounted for 2% of the total logistics activities in China. As Chinese firms show a growing willingness to outsource their supply chain activities, rapid growth is expected in 3PL's business, with the total market size estimated to be 6% or more of the total logistics activities by 2010.

The 3PL market can be categorized into four types of operations:

- Former Chinese State-Owned Enterprises (SOE) such as Sinotrans;
- Internal logistics departments of Chinese companies;
- Private Chinese logistics firms; and,
- Multi-national logistics firms.

Many of the multi-national firms started in China with joint-venture (JV) operations but since the 2005 full opening of the Chinese market to foreign firms, many have been breaking up or buying out the equity shares of their JV partners. For example, in 2006 FedEx took control of a joint venture begun in 1999 with the Tianjin Datian W. Group. In 2007 TNT announced the completion of the acquisition of Hoau, a leading freight and parcels delivery company in China. Full ownership tends to speed up operations and simplify accounting procedures— e.g. a JV company in China cannot issue invoices itself, needing to do so through a third party.

There is a shortage in China of modern warehousing facilities. Much of the warehouse capacity is rather dated, lacking computerized stock supervision systems or the ability to use multiply racking systems. It is estimated that some 30% of China's fruit and vegetable harvest is damaged every year by the inability to store and move it appropriately.

Air Freight services: in response to the rapidly growing demand, improvements have been made in air cargo related infrastructure in the airports of Chengdu, Kunming, Xi'an, Wuhan, and Shenyang, which have been selected to become regional hubs. Moreover, the provincial governments have realized that good airfreight facilities are important in attracting fast-growing, high value-added industries.

Rail Freight services: in 2003 specialist companies were formed to operate container services, mail and parcels, and special freight. In 2007 the MOR completed negotiations with several private firms, including large foreign companies, to set up a joint venture to develop and operate 18 expanded regional container hubs.

In comparison, Vietnam has also progressed more slowly but in a similar direction.

4.11 Some Regulatory Issues and Problems

The main objective of the development of transport organizations is the realization of more market based, competitive and sustainable organizations. The government has established the restructuring of the regulatory framework by relaxing entry control, allowing private sector investment in transport infrastructure, liberalizing tariffs, etc. However, there still remain problems and organizations have not yet achieved sufficient competitiveness in the market mechanism.

Apart from the laws, decisions and decrees that define the organizations of the transport sector, there are legal provisions defining important functions within the transport sector which can be grouped as follows:

- specific implementing regulations, usually for each mode, giving the precise rules for general transport activities (traffic regulations, inspection and registration of equipment)
- business regulations (transport licensing, tariff setting etc.) which define the legal basis for commercial transport services
- other aspects (safety, planning and provision of infrastructure, insurance)

Nonetheless, the implementing regulations for these laws require strengthening to ensure that the principles of competition and transparency govern all business and investment licensing matters, and that private sector participation, both domestic and foreign, is encouraged to enhance operational and managerial efficiency and quality, as well as increase investment.

While laws have provided the broad framework for the sector, it is regulation that will provide the guidance for how the laws are to be interpreted and further, who and how it will be done. Regulation is not a panacea. Regulation that replaces the functions of markets needs to be well considered and proportionate. It should not be the knee-jerk response to every market imperfection that may arise. Economic regulators are also rarely perfect and can be costly, ineffective, or influenced by special interest groups.

Synopsis of current situation

1) Basic Principle

The subject of economic regulation touches on the entry of providers and the consequent competition and pricing policy to recover the investments. There are two aspects of transport sector that is the object of economic regulation – the provision of transport infrastructure by non-state entities, and the provision of transport services.

The provision of transport infrastructure by non-state entities is usually undertaken by BOT arrangement or through PSP – where a private company could be authorized to build, finance, and operate the fixed infrastructure and collect tolls for a period sufficient to recover the capital invested plus some reasonable profits. Other forms of PSP include O&M and ROT concessions.

The provision of transport services is usually undertaken by private sector carriers or private providers of transport services.

In the past provision of transport services, both infrastructure and service provision was done by state-owned enterprises (SOE's), under the Socialist economy. The private sector was virtually non-existent, hence, Government had to regulate itself – through the merger of regulatory and operator functions with a single entity. Inefficiency inevitably resulted with such an arrangement, as it confuses social and economic objectives.

With the opening up of the economy, the old regulatory arrangements are becoming increasingly outdated.

The market economy model has as one of its fundamental principles the separation of the regulatory and operational functions. Therefore, if a government enterprise engages in the same line of business as the private sector, it must do so on the same level playing field – without any unfair advantages. Under the market system, Government cannot be both a referee and a competing player. The Vietnamese economy is still in a transition from the old to the new market models, and the participation of the private sector in some sub-sectors is much more advanced than in others.

2) Road sub-Sector

There has been some change in the road sub-sector during the last 5 years when Vietnam Expressway Corporation has been organized to handle all expressways and to organize separate entities for specific toll roads, in joint venture with private investors. In its present form VEC is the planner and the regulator that awards the concession to each separate toll road operator – not through a transparent tender but through selection.

By holding equity interest in the toll operator, it could be confronted with a potential conflict of interest – as an investor who wish to maximize his profit, and as a regulator who wishes to minimize the toll rate for the benefit of the public.

3) Rail sub-Sector

The purposed of the rail re-structuring programme was to remove the conflict between commercial and social objectives. At present the railways regulates itself. Internal cross-subsidies between the various profit and cost centres are not well specified, thereby reducing the likelihood of private sector participation.

4) Port sub-sector

The technical regulations of VINAMARINE appear to have been followed, without major issues.

The regulatory situation in the ports sub-sector is not very clear. There are many different port operators, with not overall economic regulation. There has been some form of government price regulation, although this is not set by the market.

5) IWT sub-Sector

The conflict between the social and commercial objectives has been resolved, more or less, in the IWT sub-sector. This came about naturally because of market forces. VIWA no longer operates a large fleet and has not the resources or inclination to expand the transport business. The dominant users of the waterways – the industries - have set up their own transport operations or outsourced the same to third party barging operators. There are common-use ports that VIWA owns and operates, but now are handed over to IWT Transport General Companies and they are also open to competition from ports owned by local government units and competition from road transport. The transporters of bulk commodities do not use these ports. It is possible, but remote, for a private enterprise to build a canal – perhaps to shorten the journey, bypass a congested waterway section, and charge tolls similar to an expressway. While it is unclear if VIWA is empowered to grant such a concession; it is also doubtful whether such a project can be financially-viable as to attract private investors.

6) Aviation sub-Sector

The regulator of the airline business is CAAV, which neither owns nor engages in airline transport operations. Airports are by nature monopoly businesses, and need to be regulated. In Vietnam there are three regional airport authorities which perform this role.

4.12 The Problems of Human Resource Development (HRD)

As previously discussed, the transport sector of Vietnam has recognized the several challenges for the improvement of overall capacity, which include efficiency in resource utilization, funding capacity and human resource development. Since objective of organization reform and restructure is the establishment of efficient and productive form, it requires broad human resource development from management class to staff level.

Another issue that the current transport sector will be shortly confronted will be derived from the issue that the sector is in a stage of transition to modernized systems such as the establishment of the modern expressway system and the construction of public transportation system in major cities as Ho Chi Minh City and Hanoi. These up-to-date systems require totally different knowledge and skill sets when compared to the traditional systems. This issue also applies to other subsectors such as modern traffic control system in aviation sector and port sector. Especially for operation and maintenance of the modern systems, management needs to prepare sufficient training for the smooth and safe operation.

Safety is another important issue when considering a human resource development. A National Program on Traffic Safety (NPTS) was developed and a comprehensive program of work has been specified. Nevertheless, accidents and fatalities remain a problem, particularly the high levels of motorcycle-related accidents in large cities as Ha Noi and HCMC. It is reported that ministries, development partners, private organizations, and non-governmental organizations are engaged in road safety issues and much work has been done, however, it is not difficult to find lack of basic 3Es of traffic safety, Enforcement, Engineering and Education, in the cities especially Ha Noi and Ho Chi Minh. A comprehensive capacity development framework with a realistic long term view for implementation at three main levels needs to be developed without delay: 1) Enabling environment (policies and laws), 2) Organizational development and 3) Human resource development.

On the other hand, private participation in infrastructure projects has been promoted and suggested in the past. Efficient and proper utilization of PPP/PSP schemes may be inevitable due to the constrained public budgetary situation. To take this opportunity, it is worth for the human resource issues considering diversification of training schemes and encouraging private participation in training activities to improve quality and capacity of managers, experts and workers since private organizations is considered to possess efficient and economic skills.

Also recognition of the role and importance of the ISO (International Standards organization) has started to prevail in Vietnam. An improvement of administrative procedures in the transport sector through applying ISO and information technology and thereby enhancing transport planning capacity is considered to be sensible. ISO places importance on the management system for quality control and environmental management. Without full understanding of the executive/management level to the required quality importance on the current transportation sector problems described above, it is impossible to get necessary budget and to start solving the problem. Therefore it is appropriate to start implementing the ISO system in the transport sector of Vietnam.

1) The Problems of HRD in Road Sector

Even though GRA was established to manage the development and asset preservation of the national road network, the responsibilities are fragmented between GRA and other

departments within MoT. To raise the efficiency and effectiveness of planning in the road sector, GRA needs to be empowered and the capacity of its staff developed. Under the organization of GRA, there is the Vocational Training School Block, in which three technical schools (Northern Road, Central Zone Transport, and Southern Road Technical Professional Schools) and one driving school (Driving Training School), which could be strengthened.

With the creation of VEC, the government has strengthened plans to accelerate development of Expressways. However, two problems have been identified: (a) the relationship between GRA and VEC with regard to road network planning, and (b) the fact that VEC is both toll operator and toll regulator. The VEC currently concentrate on construction of the planned and approved Expressway section. Therefore it does not have planning capacity of development of the future Expressways. It needs to develop human resources on planning capacity for the coming projects. The second issue involves the dual function of regulator and operator. Some experts have proposed the creation of another agency – a Vietnam Expressway Authority – in order to remove this ambiguity. Should the regulatory role be undertaken by the GRA (once VEC has been converted into a shareholding company in 2010) could be another option. Since so far there is no section in operation for the North – South Expressway, these capacities as regulator and operator also need to be developed.

Following the implementation of the Decree 51/2008/ND-CP, MOT also issued the Decision on restructuring of the PMUs under MOT and GRA. On May 6th 2008, MOT issued its Decision to transfer PMU18, PMU5, PMU9 and PMU Bien Dong to GRA. The new PMU2 was established by merger between former PMU2 under GRA and PMU18 under MOT. PMU5 and PMU Bien Dong were consolidated into PMU6. PMU7 was newly established through the merging of former PMU7 under GRA and PMU9 under MOT. Since August 2008, the MOT has handed over four PMU's charged with road development projects to the GRA. This means that the mandate of GRA has now expanded to include (a) investments in road development projects and (b) management and maintenance of the national highway. With all these recent changes in relevant organizations in road sub sector, required human resource development needs is quite huge. With the expansion of its role, human resource development of GRA and road sub sector is urgently required.

For the better decision making at the local level requires further capacity development of Provincial Department of Transport (PDOT). PDOT is the responsible organization for local transport network, therefore it is their responsibility to manage local transport infrastructure efficiently. For the effective preservation of local transport networks it is necessary to develop information database of existing assets and their conditions. As described in the section 2.6 1) Financial Issues, TIF is used as a funding tool for the municipality. PDOT and People's committee of province might also need capacity development of this funding issue. Developing the capacity of local governments to better manage their assets needs to be a priority. MoT is the ideal candidate to play a central role in building capacity of local governments in this area.

2) The Problems of HRD in Rail Sector

As mentioned in Chapter 2, restructuring of VNR has started and the separation of infrastructure and operation has implemented. However, the actual implementation of the

reform has not yet executed and VNR has established a study team for the selection of optimum renovation ideas and aims to implement the renovation from 2009.

It is not too much to re-emphasize that the renovation is to mix the strength of private organization into the public sector, which also possesses its strength. The basic idea in “Private sector participation in infrastructure project” or public sector is to bringing the competition in marketing theory, efficiency and better service. However, today’s management system in the typical western style private corporation simply seek to maximize dividend to shareholders, which results in placing the priority of the management strategy in making maximum profit in short term, resulting no space for long term strategy. Public infrastructure projects require long term national development plan therefore public funding source, which does not pursue only short term profit, is inevitable. The past failure of privatization and its following several tragic rail accidents in European rail-sector explains the importance of balancing private and public mechanism when restructuring railway sector.

VNR has Vietnam Railway Vocational College in Ha Noi and Ho Chi Minh. Being the interdisciplinary and vocational schools as well as the centers of research application and railway transport technology transferring, the Railway Vocational College No.1 and its Southern branch are active factors contributing to impulse the development and integration of VNR.

The new urban mass transit project, which requires totally brand new skill compared to the classic rail operation in which VNR has long experience and the strength, in Ho Chi Minh and Hanoi are going on. Also the discussion on construction of the new high speed railway (HSR), which also requires totally different sophisticated technique and skill than the traditional rail operation, is under way.) The VNR/VNRA and other high ranking officials in Viet Nam are in hurry to build and complete the North –South high speed railway (before 2020) and it will cost a huge amount of capital. But even with the capital available, the human resource development in this sector is an important problem.

Being part of the trans-Asia railway network and considering the above mentioned transition in Vietnam, VNR needs to consider updating the system of training institution urgently.

3) The Problems of HRD in Aviation Sector

The air transport sector has taken the basic institutional reforms that separate regulatory functions from operational or commercial pursuits. The biggest problem in the sub-sector is the shortage of people in nearly all aspects of aviation – whether in private or in public sector.

The ICAO Audit Team recommended the training in the fields of aviation security, safety management system (SMS), airport management and accident investigation. It is required to pursue at least minimum level of budgetary support for this recommendation.

Since air traffic communication requires English proficiency, foreign assistance may be required in relation to the ICAO Language Proficiency Requirements for airline crew and air traffic controllers.

The re-organization process for aviation institutions should be hastened to allow the human resource development issues to be addressed appropriately. The recent installment of new private air traffic operator with foreign capital is considered to be the good trial which provide opportunities to learn advanced foreign operation and management skills.

There is a Civil Aviation Training Centre of Vietnam (CATCV) – HCMC under CAAV and Vietnam Airline has Flight Training Centre. Together with the requirement mentioned above, environmental issues for airport such as aircraft noise and emissions should be included in the curriculum of the training centers.

4) The Problems of HRD in Maritime and Shipping Sector

Various dedicated domestic ports are constructed and in operation for the specific industries. Hence capacities required for these ports are biased to the specific industries that need them.

The JICA supported study, Port Management System Improvement Project proposed that the environment for port services is considered weak and competitive bidding should be introduced into the approval procedure. Planning, development, and management of ports and hinterland are not integrated. In order to the integration, the development and the management of the port facilities and the surrounding water and land area, administrative systems needs to be established. To reform and improve the administration and management of seaport system, a draft plan for Port Administration & Management in Vietnam was developed by VINAMARINE in 2008 with technical assistance of JICA.

As described, organizations in port sector are not well regulated. Role and responsibility are not clear and various organizations own and operate port activities. New public oversight framework and planning function with two-tier system, national and local, is required. At national level, central government should regulate port policy and regulation framework and at local level, port management body is expected to manage, implement and maintain infrastructure and operation.

Vietnam Marine University (VIMARU) is under VINAMARINE. VINASHIN has Training Centre. VIWA has two IW Colleges and a Technical Worker School.

In the Shipping sub-sector, regulations should be strengthened to permit new actors, technologies and multi-modal aspects. It is expected that VINALINES will eventually become a joint-stock company.

5) The Problems of HRD in Inland Waterways Transport Sector

The role of IWT in the future needs to be clarified to guide investment strategies in ports. It is clear that IWT will play a key role in bulk transport. It is expected that much of the port activity will be done in industrial ports, which is the responsibility of the port users. Privatization should focus on key areas of ship building, vessel operation, and port operation. The operation of the public ports is recommended to be concessioned to private operators. Public agencies would then focus primarily on planning and technical regulation. Measures to enhance the organizational capacity of VIWA, including human resource development, equipment, technical know-how, and database should be given priority.

6) The Problems of HRD in Multi-Modal Transport Sector and others

Coordination between the three ministries (the Ministries of Transport, Industry and Trade, and Planning and Investment) is necessary before the implementing regulations for the Commerce Law are finalized. The role of MOT's Transport Department in integrated multimodal transport planning needs to be clearly defined, and the department's capacity strengthened.

University of Transport (UoT) is under Ministry of Education and Hanoi University of Civil Engineering is under Ministry of Construction. Vietnam Register (VR) has a Training Centre.

Coordination between the three ministries (the Ministries of Transport, Industry and Trade, and Planning and Investment) is necessary before the implementing regulations for the Commerce Law are finalized. The role of MOT's Transport Department in integrated multimodal transport planning needs to be clearly defined, and the department's capacity strengthened.

5 ORGANIZING FOR THE FUTURE

5.1 Introduction

The purpose of this chapter is firstly to define a Strategy for Capacity Development in Transport Sector, followed by summarizing the general findings of the VITRANSS2 Team in re-organization and capacity building for each sub-sector. It is noted that in a strategic study such as VITRANSS2, it is not possible, or indeed sensible to delineate very specific proposals on organizational structure, functions and duties of the transport sector administrations. These could be elaborated in follow-up implementation stages of the Masterplan, perhaps focusing on specific sectors. (However, key missing strategic areas, such as PSP in the sector must be high-lighted).

Finally, some cross-cutting issues are investigated, such as SOE Reform, the establishment of an appropriate framework for PSP in the sector and the identification of improvements to the regulatory environment. It is expected that some technical assistance on capacity building and strengthening of departments/ sub-sector/ and in cross cutting areas should be provided in due course. This will depend upon the availability of donor funding and the priorities of the Government of Vietnam, after the Transport Masterplan has been approved.

5.2 Strategy for Capacity Development in Transport Sector

The transport sector of Vietnam has recognized the several challenges for the improvement of overall capacity, which include efficiency in resource utilization, funding capacity and human resource development. Since an objective of organization reform and restructuring is the establishment of efficient and productive forms, it requires broad human resource development from management level to technical staff level.

As categorized in the Supporting Institutional Framework section, framework of institutional responsibilities should be considered as four components, which are; Policy & Strategy Formulation, Regulation, Program Management and Service delivery. When considering capacity development, it is necessary to consider at which level the personnel to receive capacity development belong to. The Transport Development Strategy up to 2020 focuses on infrastructure development and development of transport modal plans. The key institutional and administrative recommendations were expressed as:

“A comprehensive capacity development framework with a realistic long term view for implementation needs to be prepared. This would address needs at three main levels: the enabling environment (policies and laws)-building on the findings from the recently completed regulatory review, organizational development, and human resource development”¹.

Another issue to be considered when making strategy for capacity development in the transport sector is that the sector is in a stage of transition to modernized systems. With the establishment of the VEC, the road sector is on the way to forming a modern expressway system. The railway sector has started construction of metro system in Ho Chi Minh City and also another system is under preparation in Hanoi. These up-to-date systems require totally different knowledge and skill sets when compared to the traditional systems.

(1) Management Capacity Improvement and Administrative Reform

Restructuring of organizational structure is important for the purpose of efficient administrative management. Unclear roles and responsibilities make the structure and the activities of organizations weak. It is inevitable to clarify the state’s management function provided by government agencies and production/business function of the enterprises and re-organize management units based upon their functions.

According to the new organizational structure in Decisions (see Table 3.1) and in VINALINES and VINASHIN the restructuring is ongoing.

Recognition of the role and importance of the ISO (International Standards organization) has started to prevail in Vietnam.

An improvement of administrative procedures in the transport sector through applying ISO and information technology and thereby enhancing transport planning capacity is considered to be sensible. ISO places importance on the management system for quality control and environmental management.

(2) Human Resource Development

Private participation in infrastructure projects has been promoted and suggested in the past. Efficient and proper utilization of PPP/PSP schemes may be inevitable due to the constrained public budgetary situation. It is worth considering diversification of training

¹ 7.5 Institutional and Human Capacity Development, Transport Strategy Transition, Reform, and Sustainable Management, World Bank, July 2006

schemes and encouraging private participation in training activities to improve quality and capacity of managers, experts and workers.

Another important issue that also requires institutional and human resource development is safety management. Some performance targets have been set and coordination arrangements have been put in place with the establishment of the National Transport Security Committee (NTSC) as the inter-ministerial committee under Prime Minister.

A National Program on Traffic Safety (NPTS) was developed and a comprehensive program of work has been specified. Nevertheless, accidents and fatalities remain a problem, particularly the high levels of motorcycle-related accidents in Ha Noi and HCMC. It is reported that ministries, development partners, businesses, and non-governmental organizations are engaged in road safety issues and much work has been done, however, it is not difficult to find lack of basic 3Es of traffic safety, Enforcement, Engineering and Education, in the cities especially Ha Noi and Ho Chi Minh. Lack of adequate finance, proper coordination and planning, a serious lack of capacity, resources and skills within the agencies responsible is apparent. Responsibilities and accountabilities within and across agencies and levels of government also remain unclear. A comprehensive capacity development framework with a realistic long term view for implementation at three main levels needs to be developed without delay: 1) Enabling environment (policies and laws), 2) Organizational development and 3) Human resource development.

5.3 General HRD Actions for Future

It is recommended that actions to be taken for more efficient use of the existing facilities and for updating the quality. These reforms should be considered in line with the strategies to reform PMU's and SOE's. The latest version of the construction law recommends this move, since the advantages of implementation through central (or integrated) units far exceeds those of autonomous units, in terms of ownership, learning and sustainability. Recognition of the complexity of capacity building is important when referring to the process of enhancing human resource development.

Regarding traffic safety, it is not only at the training school or college in transport sector, but also in the general education system, that citizens need to get education about the traffic safety and traffic rule. Also rules need to be established when and how traffic need to be regulated and how they will be punished if they break the rule. Without enforcement it is not possible to implement a policy to reduce the number and severity of traffic accidents.

(1) Actions for the Short Term - "Policy & Strategy and Regulation" group

- (i) With the restructuring of the relevant organization schemes, MOT should strengthen the Labor and Personnel Department to assess the human resource development needs. TDSI, DPI and the three new Departments within the MoT should be also strengthened.
- (ii) MOT should identify the areas of necessary training and education where it is necessary to raise levels and standards towards international levels.
- (iii) In line with the restructuring of the organization structure for the preparation of proposed PPP schemes, training is required to upgrade the skill for PPP and finance.
- (iv) Speed up the implementation of measures to strengthen governance
- (v) Strengthen enforcement and compliance
 - Develop and implement a system for vehicle inspection starting with cities with severe problems
 - Identify and assess new approaches to manage vehicle overloading; and experiment with pilot programs.

The "Policy & Strategy and Regulation" group include MOT and the planning function of each sub-sector. In these areas, capacity development should be implemented basically through on-job-training type technical transfer rather than academic style of class lectures.

(2) Actions for the Short Term – "Program management and Service delivery" group

- (i) Strengthen implementation capacity
 - Consider alternative project management structures and design sound incentive systems clearly defining the responsibilities of PMUs, contractors and supervision consultants and prepare a transition plan
 - Simplify the project approval process
 - Harmonize resettlement policies
- (ii) Enhance GVRA management skills, prepare a phased plan for capacity development and start implementation
- (iii) Start a phased program for developing capacity at the local level by providing training and developing simple information databases of existing assets in a few provinces
- (iv) Speed up SOE reform

5.4 Roads Sector Re-organization and Capacity Building

1) Summary of Findings and Recommendations

If the decision of Prime Minister regulating the function, tasks, responsibilities, power and organizational structure of **General of Vietnam Road Administration** will be approved, this sub-sector will become a mega subsector. All divisions will become departments. All PMU's involved in road projects will be transferred to this sub sector. So human resource development will be urgent needed.

- (i) **GVRA** needs to enhance its capability to undertake the integrated planning of roads, particularly at the network level.
- (ii) **MOT/GVRA** should mount an intensive and continuing program to develop their capability in road planning and related fields focusing on key aspects. These should include the establishment of appropriate modern planning systems and processes, as well as the training of staff to implement and operate them on a sustained basis.
- (iii) **Need to Build GVRA's Institutional Capacity for Road Maintenance Management:** The institutional framework of the road maintenance program needs to be improved. The Government's strategy is for **GVRA** to take the lead in setting a strategic vision for the national road system, implement a planning and monitoring framework, and introduce improved business practices.
- (iv) **Reforming Road Sector SOE's:** Maintenance SOEs should be redefined as business enterprises (similar to construction SOEs), instead of public interest SOEs, in order to increase their management autonomy and make them operate along business lines. As in the case of construction SOEs, the government should expedite its plan to equitize maintenance SOEs.

At the local level, local governments will play an important role as the number of transportation projects in the provinces and rural areas, which share more than 90% of the total road network, increases. In this context, the role of the Provincial Departments of Transport (PDOT's) will be of particular importance and the coordination between the PDOT and the MOT needs to be further strengthened. The main medium- to long-term strategy would adopt a phased approach to institutional reform including the following:

- Streamlining the roles of MPI, MOT, PMU'S, SOE's, and provincial and municipal governments;
- Strengthening the VEC in order to manage construction, operation, and maintenance of expressways primarily through PPP.

2) O&M Organization: Expressways future

As of February 2009, there is yet no expressway open to the public; therefore no O&M organization for an expressway exists in Vietnam.

5.5 Rail Sector Re-organization and Capacity Building

1) Transition to a new organizational culture

The logic behind the separation was to inject a commercial, financially-driven, culture into VNR. On the other hand, **VRA** is expected to be more technical and service-oriented organization.

For example, the task assignment between Vietnam Railway Administration and Vietnam Railway Corporation is regarded as an internal affair of the MOT and over a period of time, the MOT will have different task assignments for the Vietnam Railway Administration and the Vietnam Railway Corporation. It is expected that the **VRN** will eventually become a joint-stock company. Further support to administrative and regulatory decrees is expected.

2) Business development plan for each of the strategic markets

Because of bureaucratic inertia, the impetus for transitioning into a commercial culture is unlikely to come from within the railway organizations. This may have to be grafted from the outside, or outsourced.

3) High Speed Rail Project

Following the strategy of building the North-South High Speed railway (even it will be planned in operation by 2026 for some sections) will need modern management and technical skills/know-how, so the capacity of **VRA** and **VRN** should also strengthened.

5.6 Maritime and Shipping Sector Re-organization and Capacity Building

1) Re-examine Ports Hierarchy

A review of the port hierarchy is recommended to re-calibrate all plans for seaports (and inland ports). This should bring out opportunities for complementation and integration of various domestic ports. All dedicated ports can be excluded from the review, since capacities for these can be left to the specific industries that need them. VINAMARINE is in the best position to formulate and enforce the proposed national port development framework.

2) Enhance Maritime Administration and Operations

In addition to physical development, institutional improvement to the maritime sub-sector is also needed.

(1) Provision of Competitive Environment for Provision of Port Services

Competitive bidding should be introduced into the approval procedure, as proposed in the JICA supported study, Port Management System Improvement Project.

(2) Integrated Planning, Development, and Management of Ports and Hinterland

In order to integrate the plan, the development and the management of the port facilities and the surrounding water and land area, administrative systems needs to be established. The administrative body would coordinate stakeholders and the management of infrastructure including planning, construction, maintenance, upgrading, etc. together with the establishment of mechanisms for providing financial resources for administrative systems.

(3) Enhance Public Oversight

A draft plan for Port Administration & Management in Vietnam was developed by VINAMARINE in 2008 with technical assistance of JICA. The purpose of this plan is to reform and improve the administration and management of seaport system. The basic direction of institutional setting of this plan is based on the landlord port management model, where the public sector plays a role of landlord and SOEs or private sector plays a role of terminal operator.

The Maritime Team has drawn attention to the provision of Implementing Decrees, esp. for Port Management Boards. The Port Management Body will be required at the Local Level.

Some organizational challenges lie ahead, such as setting up organization schema to complement the port network development strategies (international gateway ports, key domestic ports, others).

(4) Modernizing Management and Crewing, Strengthen Regulations

VINAMARINE should be the principal organization to oversee maritime transport as authorized by the central government and the MOT.

In the Shipping sub-sector, regulations should be strengthened to permit new actors, technologies and multi-modal aspects. It is expected that VINALINES will eventually become a joint-stock company.

5.7 Inland Waterways Transport Sector Re-organization and Capacity Building

Public ports are recommended to be devolved to local governments or competitively concessioned to private operators. The local government and the private operators will be more responsive to the demands of shippers, and investments can be recouped from port fees rather than from the state budget.

The role of IWT in the future needs to be clarified to guide investment strategies in ports. It is clear that IWT will play a key role in bulk transport. It is expected that much of the port activity will be done in industrial ports, which is the responsibility of the port users. Privatization should focus on key areas of ship building, vessel operation, and port operation.

Public agencies would then focus primarily on planning and technical regulation. Measures to enhance the organizational capacity of VIWA, including human resource development, equipment, technical know-how, and database should be given priority.

5.8 Aviation Transport Sector Re-organization and Capacity Building

The air transport sector has taken the basic institutional reforms that separate regulatory functions from operational or commercial pursuits. The foundation for sustainable development has therefore been laid. Its weakest link is the shortage of people in nearly all aspects of aviation – whether in private or in public sector. This will constrain its future development. There are on-going measures underway to enhance human resource development, and this effort should be continued and intensified.

Over the next decade, the sector will continue to be pre-occupied with airport development – principally, on the three international airports of Noi Bai, Da Nang, and Tan Son Nhat in response to high growth in air traffic demand. The air navigation system needs to be modernized in response to the growth in the sector.

Budgetary support for training in the fields of aviation security, safety management system (SMS), language proficiency requirements for airline crew and air traffic controllers, airport management and accident investigation - as per recommendation of an ICAO Audit Team - needs to be sustained.

5.9 Multi-Modal Transport and Logistics Transport Sector Re-organization and Capacity Building

Coordination between the three ministries (the Ministries of Transport, Trade, and Planning and Investment) is necessary before the implementing regulations for the Commerce Law are finalized. The role of MOT's Transport Department in integrated multimodal transport planning needs to be clearly defined, and the department's capacity strengthened.

Multimodal transport and Logistics will require further training and capacity building, in particular the human resource development.

5.10 Urban Transport sub-sector

The need to establish metropolitan and regional institutions with clearly defined roles and responsibilities should be studied. The primary focus for growth and industrialization are the northern, central, and southern economic zones to motivate the development of large and modern industries which can serve as the platform by which Vietnam can be competitively linked to the global economy. The development of industrial and export processing zones, as well as high-tech industrial zones will be promoted. In support of these focal economic zones, comprehensive infrastructure systems will be developed, especially highways and interregional roads, to encourage regional development and boost international competitiveness. Furthermore, the development of modern urban systems and the establishment of medium-sized cities to support industrial activities will be crucial.

VITRANSS2 advocates that institutional schemes be developed in concert with the pace and scale of these developments. The first priority would be for the construction of metro lines in HCMC.

5.11 SOE Reform

1) Introduction

There are lots of foreign examples in the reform of governmental organization and what is important for the reform is to have;

- (i) Clear and transparent objective of equitization, the methodology for enterprise selection and the details.
- (ii) Accurate accounting report, which shows detail financial status of the SOEs.
- (iii) Reasons and implications of starting orders for equitization of SOEs.
- (iv) A firm timetable for this process together with strict monitoring of its implementation

Nearly three quarters of the Top 200 Domestic Companies are state firms most of which are members of General Corporations (GC's). The 120 firms in General Corporations (in 2007) are indicated in Table 5.1 below.

Table 5.11.1 Domestic Top 200 General Corporations in 2007

General Corporation	Abbreviation	# Firms
Viet Nam National Coal and Mineral Industries Group	Vnacomin	15
Viet Nam National Textile and Garment Group	Vinatex	11
Viet Nam National Cement Corporation	VNCC	9
Viet Nam Rubber Group	Geruco	8
Viet Nam National Chemical Corporation	Vnachem	6
Viet Nam National Shipping Lines	Vinalines	5
Viet Nam Shipbuilding Industry Group	Vinashin	5
Viet Nam Insurance Group	BeoViet	4
Viet Nam Oil and Gas Group	PetroVietnam	4
Viet Nam Post and Telecommunications Group	VNPT	4
Hanoi Construction Corporation	HACC	3
Viet Nam Airlines	Vietnam Airlines	3
Viet Nam National Petroleum Import Export Corporation	Petrolimex	3
Viet Nam Paper Corporation	Vinapaco	3
Civil Engineering Construction Corporation No. 5	Cienco 5	2
Electricity of Viet Nam	EVN	2
Hanoi Electronics Corporation	Hanel	2
Song Da Construction Corporation	Song Da	2
Viet Nam Engine and Agricultural Machinery Corporation	VEAM	2
Viet Nam Industrial Construction Corporation	Vinaincon	2
Viet Nam Railways	VNR	2
Viet Nam Steel Corporation	VSC	2
Other GCs		19
Total		120

2) Continued Reform of Main SOE's (Vinashin, Vinalines, Vietnam Airlines, VNR, etc.)

VINASHIN and VINALINES have been involved in many non-core businesses. On March 25, 2009 new legislation was passed to tighten State Corporation's Investments. Under the legislation, State corporations are allowed to proactively mobilize capital to support their production but only when their debt is not to exceed their charter capital by three times.

State corporations are allowed to contribute capital to banking, insurance and securities businesses but their investment is required not to surpass 20 percent of those businesses' charter capital. In case they want to increase their stake, these corporations need to submit their proposal to the Prime Minister for consideration and approval.

It is also important to recognize the contribution of an equitization other than the sale proceeds such as the improvement of services, the provision of new capital and management know-how, the expansion of entrepreneurship and many other indirect benefits leading to faster economic development. The equitization process of subsidiary companies in the transport sector is proceeding in fits and starts, driven in part by WTO agreements. State Corporations are reportedly unconcerned if equity holdings in subsidiary companies dropped below 50%, because of so-called 'golden shares' and the ability to control subsidiary companies even through minority shareholdings.

3) Reform of PMU's CIENCOS's

The government should accelerate its program to equitize or corporatize construction SOEs under defined and transparent rules and a firm schedule. This should include the joint stock companies between SOEs and private companies. Equitizing the SOEs will immediately remove the conflict of interest of MOT as client of SOE services and as controlling owner of SOEs. The equitized SOEs are expected to operate along business lines, which will drive them to be financially self-sustaining and efficient in their construction operations. The equitized SOEs should compete with private companies on equal footing. In the meantime, MOT/VRA should raise the qualification standards for SOEs participating in the bidding and increase their training incentives. Just changing the structure from public corporation to private company never solves the problem.

When planning the necessary funding it is inevitable to get precise financial position in each SOE and overall financial situation of MOT include relevant PMU's and SOE's. There are too many SOE's in the sector. For the efficiency and limitation of resources, which include budget and human resources, restructuring of organizations should be considered immediately.

5.12 Determining an Appropriate Framework for PSP

The GoV should begin to establish appropriate institutions for the promotion of transportation sector PPP/PSP. This activity should be done after a full scoping study has been prepared. The issues of policy, institutional development and PSP are strongly inter-related and cannot easily be considered separately. The long-term goal must be to develop institutional arrangements that can best support the desired policies and that will best meet the objective of attracting maximum PSP to the sector. In the longer-term, a comprehensive legal and regulatory PPP/PSP framework might be required.

1) PSP in Road Sector

Given the pressing needs in the road sector and limitations on debt and official development assistance, MOT needs to explore approaches that leverage private sector know-how, efficiency, and resource for managing and financing road infrastructure. The government has changed the legal and regulatory framework and succeeded in attracting private foreign investment in the energy sector and private participation in road construction, but it should take full advantage of the potentials of PPP and BOT schemes. For example, since BOT toll roads are mostly unattractive for foreign investors because few transport projects in Vietnam offer sufficient traffic volumes to make the projects financially viable from user tolls alone, the government should develop a framework for revenue and cost sharing between the public and private sectors to make the projects financially viable, provided that the projects are economically feasible. Furthermore, government policies should clearly define the risk sharing and management rules, particularly to address the investor's concerns about regulatory and political risks which should be assumed by the government. A detailed program for private sector participation in the national road sector should be established in the context of the proposed road development strategies and plans.

In this regard, the government, with WB assistance, is preparing a PPP model which would include the (1) guidelines and processes for developing, evaluating and implementing PPP projects, (2) model bidding documents and contracts, and (3) institutional arrangements. This initiative should be fully supported by all concerned, and should be done in consultation with key stakeholders, including private sector groups that could be involved in investment, construction, and operation of PPP facilities. This undertaking could profit from a review of successful PPP practices in other countries which would be adapted to Vietnam.

Establishing an inter-ministerial PPP Committee to authorize policies, guidelines, oversee the preparation of all national projects and grant approval is recommended. Alongside PPP Units, experiences in many countries recommend to establish PPP Cells within the line ministries to support a PPP program and to strengthen capacity to identify, initiate, evaluate and monitor projects.

2) PSP in Railway sector

Private sector participation in railway is desirable to the extent that it brings in a more commercial culture to that specific railway segment that gets privatized. It also leads to infusion of additional capital that would otherwise have been shouldered by the State.

There are basic steps, or foundations, that must be put in place before the tendering can succeed. For one, the re-structuring process mentioned earlier must be accelerated and nearly finished, before the private sector can confidently come in. Secondly, the business case for each of them must be studied beforehand, and the contractual structure defined

for guidance of prospective bidders. There is a strong probability that the projects would still require capital shares from the State, or from VNR or VNRA. Thus, a public-private-partnership (PPP) model is more suitable.

3) PSP in Aviation Sector

In addition to the above, and to drive the efficiency and financial viability of the sector, the government should adopt a policy of maximizing private sector participation (PSP). It can start with the development of air cargo terminals in Noi Bai and Tan Son Nhat. Vietnam Airlines can also seek private capital and expertise as it tries to expand in the domestic and international markets.

Often, the Air Traffic Management (ATM) is the last segment of air transport that is considered for privatization. This is largely because of the difficulty of charging cost-based fees and the concern over public safety. Nevertheless, some aviation authorities in the world have succeeded in privatizing ATM operations to such an extent that an industry association – called Civil Air Navigation Services Organization – has already emerged. Vietnam may be constrained to consider the private-option for ATM, because of the sophisticated technology and the expertise required to operate and maintain the system.

5.13 Improvements to the Regulatory Environment

There are many ways through which regulatory control can be exercised. In some cases, the regulatory authority is housed within the Ministry concerned. In others, regulatory activity can be grouped with other functions, such as land acquisition and ownership, concessioning monitoring and environmental management in a single organization.

Where the regulatory function is housed within the Ministry concerned there is often a conflict where the Ministry as owner or license issuer which have to judge disputes with concessionaries or contractors. As a result, it is more common to establish separate bodies with a degree of independence from the Ministry to act as a regulatory authority. In considering the range of issues noted and the models followed in different countries, it is clear that there is no one right approach. However it also clear that a foundation structure is very important and that any institutional changes should have a solid legal foundation for ownership, operating rights, concessioning, safety, environmental impacts, etc.

It is important to justify regulation by its expected benefits relative to its costs. Competition does not need to be perfect to be effective. And some customers, particularly large companies involved in freight services, have the countervailing economic power to protect their own interests against infrastructure suppliers.

A legal scheme needs to be established to provide the overall framework for regulating the transport sector. This could:

- (i) Define the principles for regulating transport, especially coordination and competition between modes,
- (ii) Define terms which are to be used in other, subordinate transport legislation, such as "public" or "common-use" transport, "multimodal" transport,
- (iii) Define regulatory principles involved in activities that cross modes, especially freight forwarding,
- (iv) Provide the basis for regulating multimodal transport.

Road sub sector/legal frameworks: Please note that the new revised, adjusted road traffic law (23/2008/QH12) has been in effect since July 2009. All implementing regulations should be speeded up to issue, including the decree on the creation and management of the road maintenance fund which was regulated in this law (section 1, clause 49).

Road sub-Sector: The conflict of interest between planner/owner and regulator is not insurmountable, and may resolve itself if the conversion of VEC into a shareholding company happens in 2010 as required by the law that created it. As a shareholding company, the VEC would irreversibly move into the toll operator position. When that happens, the issue as to who will assume the role of a toll regulator becomes urgent.

Aviation sub-sector: With this set up, the CAAV could equitized or let a private concessionaire manage the operations of an airport.

6 MAIN RECOMMENDATIONS AND LOOK AHEAD

6.1 Introduction

The main recommendations are listed in section 6.2 below. The recommendations are categorized into four main areas, namely:

- (1) Policy, Planning and Programming
- (2) Administrative, Legal and Regulatory
- (3) Programme Management; and
- (4) Service Delivery.

Capacity Building stretches across all four of these categories.

6.2 Main Recommendations

The principal organizational, regulatory and service delivery recommendations are listed by mode and cross-cutting category below. Many of these recommendations require firm agreement on the policy direction. Since in some cases, it is unclear when firm policy decisions will be made, no specific timelines are provided. Despite this, the ten year plan period is considered long enough for all of these recommendations to be effected.

1) Road Sub-sector

The key interventions proposed are as follows:

No	Road sub-Sector Proposals	Institutional Category
1	VRA to increase network planning capacity	A Planning
2	MOT/VRA to mount an intensive and continuing program to develop their capability in road planning	A Planning
3	Build VRA's Institutional Capacity for Road Maintenance Management	C Management
4	Establish O&M organization for an expressway	C Management

These interventions fall into the 'Planning' Category and the 'Management' Category. The key interventions are described below.

(1) Systematize Road Administration/ Planning

In order to carry out the Five-Year Road Development Program effectively, several institutional arrangements are necessary. Currently roads are planned by various agencies and levels of government, making the coordination of road investment, maintenance, and operation difficult.

Only one organization should manage and control the development of roads within the context of a long-term development strategy. Therefore to address the coordination issue, the enhancement of the role of the General Road Administration under MOT is recommended to manage all classes of roads in a united and consistent manner. The agency would manage the primary network including expressways, urban roads, national highways, provincial roads, district roads and commune roads.

With the creation of Vietnam Expressway Corporation (VEC), the government has

strengthened plans to accelerate development of expressways. Then, as mentioned earlier, the two problems, the relation between GVRA and VEC on planning and the function of VEC as both toll operator and toll regulator, have been identified. For the first issue, it is recommended that GVRA to strengthen its planning function as its definition, “the planning and development of all national roads rest with the GVRA”. Several options could be considered for the second issue such as creation of Vietnam Expressway Administration to separate the functions. The operating company could be separated further into fund raising organization, toll collection organization, operation & maintenance organization, etc. The decision making process for this issue should be done at the earliest, as the construction work has already started and the administrative issues such as human resources training for safe and smooth operations takes time.

The operation of modern expressways require totally different sophisticated techniques and skills such as ITS, when compared to classical road operations. In this sense, it is a good option to work jointly with the existing operating company in other countries in which there already exists modern expressway operations. On-job training is the easiest and fastest way to achieve advanced techniques especially in the case of emergency and safety issues. Then the training could be introduced step by step. This training could be arranged by contract as joint venture/concession in operations or donor organizations could arrange some technical assistance programs.

(2) Improve Road Maintenance Systems Management

The institutional framework of the road maintenance program needs to be improved. For the future Expressway network, the possible options are as follows:

- (i) Directly managed by MOT,
- (ii) Through an O&M subsidiary company established under MOT, and
- (iii) Through an O&M concession.

2) Rail Sub-sector

The key interventions proposed are as follows:

No	Rail sub-Sector Proposals	Institutional Category
1	Make transition to a new organizational culture	D Service Delivery
2	Prepare regulatory arrangements and framework to operate a north-south high-speed railway in Vietnam in due course	A Planning and B Administration and Regulatory
3	Provide further support to administrative and regulatory decrees	B Administration and Regulatory
4	Develop business development plan for each of the strategic markets	D Service Delivery

These interventions fall into the ‘Planning and Administrative’ Categories and the ‘Service Delivery’ Category. The key interventions are described below.

(1) Service Delivery: make transition to new organizational culture/ develop Business Plans

The transformation process needs to be accelerated, in order to realize the long term benefits. There are 3 strategic markets for railway: long distance passenger market, freight market, and short-distance commuter market. Each of these segments needs to formulate a practical business development plan, execute them, and periodically adjust the plan depending on results and evolving markets.

(2) Administrative and Regulatory Support

It will also be necessary to prepare regulatory arrangements and framework to operate a north-south high-speed railway in Vietnam in due course, once the extent of the forecast traffic is elaborated, funding is in place and the context of the connections with the existing railway network have been agreed. Given the importance of this project, it is likely that a number of decrees and Decisions would need to be formulated over the coming five year period.

3) Maritime Sub-sector

The key interventions proposed are as follows:

No	Maritime sub-Sector Proposals	Institutional Category
1	Re-examine Ports Hierarchy	A Planning
2	Enhance Maritime Management and Operations	and D Service Delivery
3	Provide a Competitive Environment for Provision of Port Services	B Administration and Regulatory
4	Undertake Integrated Planning, Development, and Management of Ports and Hinterland	A Planning
5	Enhance Public Oversight through institution of Port Management Bodies	B Administration and Regulatory

These interventions fall into all four categories. The key interventions are described below.

(1) Re-examine Ports Hierarchy Integrated Planning, Development, and Management of Ports and Hinterland

This approach will force a more rigorous selectivity in ports expansion, identify overlapping hinterlands and inland ports threatened by aggressive road build up. Upgrading of ports from a lower to a higher class should be driven by plans of shipping companies. With a new port hierarchy among common-use public ports, investments in upgrading and expansion can also be selective. Those that feed into the two gateway ports deserve higher priority, followed by secondary ports.

The development and the management of the port facilities and the surrounding water and land area, administrative systems need to be established. The administrative body would coordinate stakeholders and the management of infrastructure including planning, construction, maintenance, upgrading, etc.

(2) Enhance Public Oversight / Enhance Maritime Administration and Operations

A draft plan for Port Administration & Management in Vietnam was developed by VINAMARINE in 2008 with technical assistance of JICA. The draft plan recommended a two-tier system of national and port group level administrative body.

A new public oversight framework and planning function with two-tier system (national and local level) is proposed. At the Central Government (National Level) the institution (VINAMARINE) will work out the national port policy, will establish the main sector regulations to be enforced by Port Management Bodies and will create a reasonable framework for port development.

At the Port Management Body (Local Level) the institution will supervise and coordinate all of the investment projects at each port, will formulate a long term port plan for each port and will provide for the needs of port business of each port in a timely manner, will manage concession contracts including the collection of concession fees and supervision of achievement of performance targets of the operators, will manage port land premises and the port water area of each port and will implement maintenance of state-invested infrastructure.

Further initiatives will be required to improve maritime sector management and operational organization for effective port management.

4) Shipping Sub-sector

The key interventions proposed are as follows:

No	Shipping sub-Sector Proposals	Institutional Category
1	Modernize Management and Crewing	C Management and D Service Delivery
2	Strengthen Regulations to permit new actors, technologies and multi-modal aspects	B Administration and Regulatory

These interventions fall into the 'Administrative' Category and the 'Management' Category. The key interventions are described below.

(1) Modernizing Management and Crewing

Human resources for shipping operations, including management and crews need to be developed in line with fleet modernization. To complement and accelerate these efforts, it would be important to adopt and implement international standards.

(2) Administrative and Regulatory Support

Over coming years regulations should be strengthened to permit new actors, technologies and multi-modal aspects.

5) IWT Sub-sector

The key interventions proposed are as follows:

No	Inland Waterways Transport sub-Sector Proposals	Institutional Category
1	Devolve the operation of major inland ports to a private operator under a landlord port arrangement. Introduction of market principles in the IWT sub-sector need to be intensified. Privatization should focus on key areas of ship building, vessel operation, and port operation.	B Administration and Regulatory
2	Prioritize measures to enhance the organizational capacity of VIWA, including human resource development, equipment, technical know-how, and database	General HRD

These interventions fall into the 'Planning' Category and the general HRD Category. The key interventions are described below.

Devolve major inland port operations to local governments or competitively concessioned to private operators

For the IWT port operation to be modernized it is therefore recommended to devolve the operation of major inland ports to a private operator under a landlord port arrangement. Introduction of market principles in the IWT sub-sector need to be intensified.

While VINAMARINE is in charge of the ports where ships come/go from/to the sea, VIWA is in charge of the ports along the river except the ones in charge of VINAMARINE. Therefore the segmentation of the ports to which (VINAMARINE or VIWA) belong to, depends on the logistical network of the ports rather than their geographic location.

According to VIWA, in its newly prepared master plan, the ports in charge of VINAMARINE will be identified as Hub ports and the ports in charge of VIWA will be Feeder ports in the logistics network. So the hub ports (VINAMARINE) and feeder ports (VIWA) will function to supplement each other in the network. Therefore in the understanding of the Maritime Sector Expert, there is no overlapping.

The segmentation of the above mentioned ports by VINAMARINE and VIWA is similar to the US Coast Guard administration system, which is typical in its ports along Mississippi River.

6) Air Transport Sub-sector

The key interventions proposed are as follows:

No	Air Transport sub-Sector Proposals	Institutional Category
1	Continue efforts to intensify and enhance human resource development	General HRD
2	Modernize the air navigation system in response to the growth in the sector.	A Planning

These interventions fall into the ‘Planning’ Category and the general HRD Category. The key interventions are described below.

(1) Modernize the air navigation system

In line with the high growth in air traffic demand it is expected that the air navigation system will need to be modernized.

7) Multi-modal and Logistics Transport Sub-sector

The key interventions proposed are as follows:

No	Multi-Modal Transport and Logistics Transport sub-Sector Proposals	Institutional Category
1	Improve coordination between the three ministries (the Ministries of Transport, Trade, and Planning and Investment) before the implementing regulations for the Commerce Law are finalized.	B Administration and Regulatory
2	Clearly define the role of MOT’s Planning Department in integrated multimodal transport planning, and strengthen the department's capacity	A Planning and HRD

These interventions fall into the ‘Planning’ Category and the ‘Administrative’ Category.

8) Urban Transport Sub-sector

The key interventions proposed are as follows:

No	Urban Transport sub-sector Proposals	Institutional Category
1	Study the establishment of metropolitan and regional institutions with clearly defined roles and responsibilities	A Planning
2	Develop Institutional schemes in concert with the pace and scale of these developments. The first priority would be for the construction of metro lines in HCMC.	A Planning and B Administration

These interventions fall into the ‘Planning’ Category and the ‘Administrative’ Category. The key interventions are described below.

(1) The Study of Establishment of Metropolitan Transport Institutions

There are two (2) major metropolitan areas in Vietnam, the capital Hanoi and Ho Chi Minh City (HCMC). Effective transport development in those metropolitan areas is essential in the national socio-economic development, and therefore, should be given special attention.

Hanoi and HCMC presents a different challenge compared to other cities, primarily because of their scale and traffic density. Urban Highway development needs to be closely coordinated with land-use development, other modes of transport including public transport need to be planned in an integrated manner, and other urban services, such as electricity, sewerage and water supply services should be part of integrated development plans.

In these two cities, an organization that covers only the road sub-sector will be ineffective. It is therefore recommended that the “Hanoi / HCMC Metropolitan Development

Authorities” be established in due course. These Development Authorities would have broader control and responsibility within their respective territories, allowing better management and development of roads, public transport subsystems, as well as other infrastructures and services. Inter-agency coordination will be required at the interface of the national road ANR rail networks and the urban road and rail networks of Hanoi and HCMC. It is likely that the Metropolitan planning and transport arrangements will need to be prioritized in both of these cities, since major urban railway and LRT/ BRT systems are under implementation.

9) SOE Reform Proposals

The key interventions proposed are as follows:

No	SOE Reform Proposals	Institutional Category
	Continue Reform of Main SOE’s (Vinashin, Vinalines, Vietnam Airlines, VNR, etc.)	
1	Withdraw from non-core businesses	A Planning
2	Accelerate the equitization process of subsidiary companies in the transport sector	B Administration and Regulatory
	Reform PMU’s, CIENCOS’s	
1	Accelerate the programme to equitize or corporatize construction SOEs under defined and transparent rules and a firm schedule.	B Administration and Regulatory
2	MOT/VRA to raise the qualification standards for SOEs participating in the bidding and increase their training incentives.	B Administration and Regulatory

These interventions fall into the ‘Planning’ Category and the ‘Administrative’ Category. The key interventions are described below.

(1) Continued Reform of Main Transport Sector SOE’s (Vinashin, Vinalines, Vietnam Airlines, VNR, etc.)

The phased equitization scheme of SC’s/ SOE’s should be continued. This is a large and complex topic, since whilst on the one hand rationalization of the shipping sub-sector is required, through the separation of port operations from shipping operations [for Vinalines and Vinashin, for instance], on the other hand it is recognized that there is a need to build up state champions (or Chaebol’s) such as Vinalines. It is expected that an increased focus on core business will in any gradually work towards the separation of Port operations from Shipping Operations.

(2) Continued Reform of PMU’s, CIENCOS’s

The equitized SOE's are expected to operate along business lines, which will drive them to be financially self-sustaining and efficient in their construction operations. The equitized SOE's should compete with private companies on equal footing. In the meantime, MOT/GVRA should raise the qualification standards for SOE's participating in the bidding and increase their training incentives. Just changing the structure from public corporation to private company never solves the problem.

6.3 Proposed Changes in Organizational Framework: PSP

The key interventions proposed are as follows:

No	An Appropriate Framework for PSP Proposals	Institutional Category
1	Prepare a full scoping study	A Planning
	Road sub-sector- example	
1	MOT to explore approaches that leverage private sector know-how, efficiency, and resource for managing and financing road infrastructure	A Planning
2	Government policies to clearly define the risk sharing and management rules, particularly to address the investor's concerns about regulatory and political risks which should be assumed by the government	B Administration and Regulatory
	Rail sub-sector- example	
1	There are basic steps, or foundations, that must be put in place before the tendering can succeed. The re-structuring process should be accelerated and nearly finished before the private sector can confidently come in	B Administration and Regulatory
	Aviation sub-sector-example	
1	Adopt a policy of maximizing private sector participation (PSP). It can start with the development of air cargo terminals in Noi Bai and Tan Son Nhat	A Planning

These interventions fall into the 'Planning' Category and the 'Administrative' Category. The key interventions are described below.

(1) Scoping Study and Selection of a Pilot PSP Project

As the action program for interim phase, as the basic framework for implementing PPP's in the transport sector in Vietnam the World Bank funded study team recommended the establishment of the following functions as soon as possible:

- (1) Establish inter-ministry PPP Committee to authorize policies, guidelines, project pipe-lines and project implementation.
- (2) Establish central PPP unit in MPI
- (3) Establish PPP cells in MOF and MOT

It is understood that the first two steps have been taken. Prior to the establishment of a PPP cell in the MoT, the selection of a suitable transport sector 'pilot project' is being considered. Most likely it would be an expressway project. It is also likely that candidate expressway PSP projects would require substantial levels of Viability Gap Funding (VGF) support.

The legal document, decree No. 78 (BOT law), needs to be broadened to enhance private sector investments in transport. Currently it includes BOT and BTO models, but does not accommodate Viability Gap Funding (VGF) or other forms of PSP such as O&M concession contracts. MPI is currently drafting a new PPP decree, but this should be approved by higher levels of Government before implementation.

It is not possible to elaborate the institutional arrangements for the establishment of PPP in the Transport Sector more formally since the present arrangements are not yet agreed.

6.4 Proposed Changes in Regulatory Framework

The key interventions proposed are as follows:

No	Improvement of the Regulatory Environment Proposals	Institutional Category
1	Establish a legal scheme to provide the overall framework for regulating the transport sector:	
	(i) Define the principles for regulating transport, especially coordination and competition between modes,	B Administration and Regulatory
	(ii) Define terms which are to be used in other, subordinate transport legislation, such as "public" or "common-use" transport, "multimodal" transport,	A Planning
	(iii) Define regulatory principles involved in activities that cross modes, especially freight forwarding,	B Administration and Regulatory
	(iv) Provide the basis for regulating multimodal transport.	B Administration and Regulatory

These interventions fall into the 'Planning' Category and the 'Administrative' Category.

6.5 Proposed Capacity Building /HRD

The key interventions proposed are as follows:

	Capacity Development and Organizational Reform	Institutional Category
1	Enhance Road Traffic Safety management	General HRD
2	Encourage private participation in training activities	General HRD

These interventions fall into the General HRD Category.

The main short-term recommendation is to tap ODA funding for technical assistance to continue sub-sector reform and capacity building. A study on the possible options of the reform and the institutional reorganization is required.

Some key interventions are listed below.

- (i) Undertake capacity building in the roads sub sector through the strengthening the GVRA;
- (ii) Undertake capacity building in the road traffic safety management; and
- (iii) In line with the preparation of proposed PSP schemes, undertake training to upgrade the skill sets in PSP/PPP and financing.

In addition, the MOT should identify areas of training and education that is sees as Important to undertake current policy reforms.

APPENDIX 2

APPENDIX 2.1 Political Structure – Viet Nam

Official name

Socialist Republic of Vietnam

Form of state

One-party rule

The executive

The cabinet is constitutionally responsible to the National Assembly, which is elected for a five-year term

Head of state

The president, currently Nguyen Minh Triet

National legislature

The unicameral 493-member Quoc Hoi (National Assembly) meets biannually; an election takes place every five years. The Assembly appoints the president and the cabinet

Local government

Centrally controlled provinces and municipalities are subdivided into towns, districts and villages, which have a degree of local accountability through elected people's councils

Legal system

The regional people's courts and military courts operate as courts of first and second instance, with the Supreme Court at the apex of the system

National elections

Elections for the National Assembly and People's Councils took place in May 2007; the next are due in 2012

National government

The Communist Party of Vietnam, and in particular its politburo, controls both the electoral process and the executive

Main political organizations

The Communist Party of Vietnam (general secretary: Nong Duc Manh); the Vietnam Fatherland Front

Main members of the cabinet

Prime minister: Nguyen Tan Dung

Deputy prime ministers: Nguyen Sinh Hung; Pham Gia Khiem; Hoang Trung Hai; Nguyen Thien Nhan; Truong Vinh Trong

Key ministers

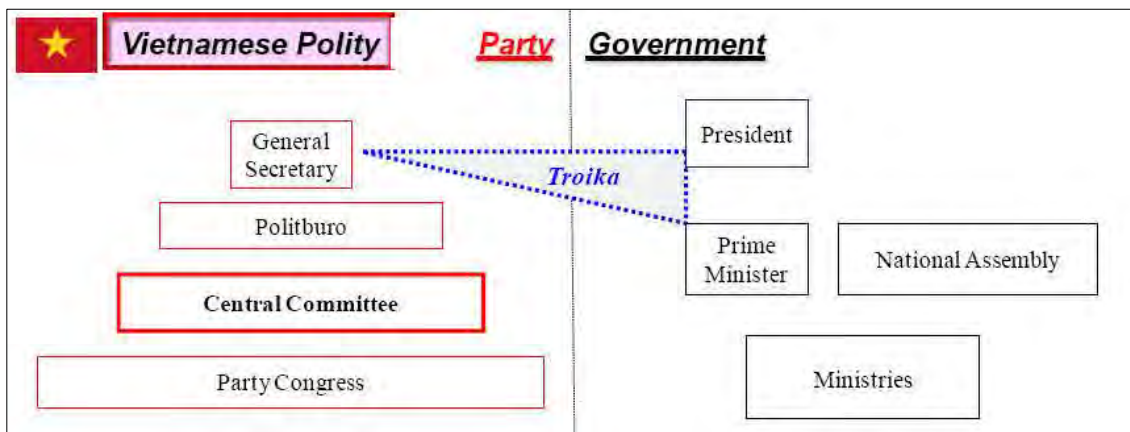
Agriculture & rural development: Cao Duc Phat

Construction: Nguyen Hong Quan

Culture, sports & tourism: Hoang Tuan Anh
 Education & training: Nguyen Thien Nhan
 Finance: Vu Van Ninh
 Foreign affairs: Pham Gia Khiem
 Industry & trade: Vu Huy Hoang
 Information & communications: Le Doan Hop
 Home Affairs: Tran Van Tuan
 Justice: Ha Hung Cuong
 Labour, war invalids & social affairs: Nguyen Thi Kim Ngan
 National defence: Phung Quang Thanh
 Natural resources & environment: Pham Khoi Nguyen
 Planning & investment: Vo Hong Phuc
 Public health: Nguyen Quoc Trieu
Transport: Ho Nghia Dung
 State bank governor Nguyen Van Giau

Source: Country Report, The Economist Intelligence Unit, June 16th 2008

Figure Q.1 Flow Chart of Vietnamese Polity



Source: Accountability and Inequality in Single-Party Regimes: A Comparative Analysis of Vietnam and China Regina Abrami, Edmund Malesky, Yu Zheng, Harvard Business School, June 4, 2008

APPENDIX 2.2 Current Institutional Landscape in Transport Sector in Vietnam

	ROADS	RAILWAYS	INLAND WATER	PORTS/SHIPPING	AIR TRANSPORT
A Planning and Policy					
- Multimodal	MOT	MOT	MOT	MOT	MOT
- Sectoral	Vietnam General Road Administration (GVRA), reports to MOT	VRA report to MOT Vietnam Railways Corporation (VNR), reports to PM	Vietnam Inland Waterway Administration (VIWA), reports to MOT	Vietnam National Maritime Bureau (VINAMARINE), reports to MOT, VINALINES reports to PM	Civil Aviation Administration of Vietnam (CAAV), reports to MOT
B1 Regulation: Technical					
- Safety, Standards, etc	GVRA	VRA	VIWA	VINAMARINE	CAAV
- Licensing	Drivers licensing by Traffic Police	Drivers licensing by VRA	Drivers, Pilots licenses by VIWA	Seafarers licensing by VINAMARINE	Pilots and aircraft technicians licensed by CAAV
- Registration Inspection	Motor vehicles registered by Traffic Police; VR inspection	Vehicles registered VRA; inspection VR	Registered by PC's ; Inspection by VR	Vessel registered by VINAMARINE; Vessel inspection by VR	CAAV registers & inspects aircrafts
B2 Regulation: Economic					
- Entry & Competition	SOEs freight, bus transport companies, and Privates	Monopoly: VNR	Most barges are private for own-use; otherwise SOEs	Unclear on ports; shipping services from VINALINES	VN Airlines, JESTAR, VASCO
- Pricing	Fares on public transport set by respective Peoples Committees (PCs)	VNR set fares, subject to MOF approval	VIWA sets river fees; subject to MOF approval; PC's sets port charges	Vinamarine sets Fees, fares, charges subject to MOF approval	CAAV sets Fees, air fares, charges subject to MOF approval
C Program Management					
- Investment and maintenance annual planning	MOT, MPI, MOF	MOT, MPI, MOF	MOT, MPI, MOF	MOT, MPI, MOF	MOT, MPI, MOF
D1 Infrastructure Delivery					
- Construction	PMU's under MOT and under GVRA (excl. expressways & local roads)	New track infrastructure, to be spun off to PMU of VRA. Existing track to be spun off to PMU of VNR	Channels, signals by PMU's under VIWA. Major ports under North&South SOEs (except LGU ports and local rivers)	Channels, navigation Aids by VINAMARINE; ports owned, built & maintained by Port Enterprises with varied ownership	By 3 Regional Airport Corporations, under CAAV (MOT)
- Maintenance	GVRA (excl. expressways & local roads)	VNR set up annual plan and maintaining by it self	VIWA channels and signal system	VINAMARINE channels and signal system	By 3 Regional Airport Corporations
- Concessioning	Vietnam Expressway Corp. (VEC)	In theory VNR	No single agency	No single agency	By 3 Regional Airport Corporations
D2 Service Delivery					
- Carriers	Bus operators owned by LGU's, cooperatives, private companies	Rolling stock and services, to be spun off to Vietnam Railway Corp (VNR)	Barging service by private companies & SOE's and small private boats	Vietnam National Lines (VINALINES), different smaller shipping companies	Vietnam Airlines Corp, Jetstar Pacific, VASCO, Service Flight Corp (heli)
- Public Users	Private cars, trucks, motorbikes	None	Bancas and small craft	Bancas and small craft	Private aircraft
Basic Law	Land Road Traffic Law 23/2008/QH12	Vietnam Railway Law No. 35/2005/QH11	Inland waterway Law 23/2004/QH11	Maritime Code of Vietnam 51/2001-QH10	Civil Aviation Law 66/2006/QH11
Enforcement	Road Traffic Polices and Transport Inspectors of GVRA and PDOT	Rail Transport Polices VRA Transport Inspectors	IWT Polices and IWT Inspectors	Vietnam Marine Polices and Maritime Inspectors of Vinamarine	Police: na Vietnam Air Traffic Management under CAAV

APPENDIX 2.3

Policy Implementation Status Summary

Table 1 World Bank Overview of Transport Sector Policies and Policy Implementation: at mid 2007

	Basic Policies					Policy Implementation				Outcome / Overall Performance
	Market Entry/ Licensing	Competition/ SOE role	Safety Environment	Planning and Investment	Pricing /Cost Recovery	Legislation	Institutional Structure	Implementing Regulations	Implementing Mechanisms	
Infrastructure										
Roads	n.a.	n.a.	Poor	Poor	Poor	Poor	n.e.	In Progress	Poor	Poor
Ports	Fair	Fair	Good	Poor	Fair	Good	n.e.	In Progress	Poor	Fair
Railways	Fair	Fair	Fair	Fair	Fair	Good	n.e.	In Progress	Fair	Fair
Inland Waterways	n.a.	n.a.	Fair	Poor	Poor	Good	n.e.	Fair	Poor	Fair
Air Transport	Fair	Fair	Good	Good	Fair	Promising	n.e.	In Progress	Fair	Good
Urban Transport	Fair	Poor	Poor	Poor	Fair	Fair	n.e.	In Progress	Fair	Fair
Multi-modal	Good	Good	n.a.	n.a.	n.a.	In Progress	n.e.	In Progress	In Progress	Fair
Services										
Road Transport	Good	Good	Poor	n.a.	Good	Poor	n.e.	In Progress	Poor	Poor
Port Services	n.e.	n.e.	n.e.	n.e.	n.e.	n.e.	n.e.	n.e.	n.e.	n.e.
Railways	Fair	Fair	Fair	Fair	Fair	Good	n.e.	In Progress	Fair	Fair
Inland Waterways	Good	Good	Fair	n.a.	Good	Good	n.e.	Fair	Fair	Fair
International Air Transport Services	Good	Good	Good	Good	Good	Promising	n.e.	In Progress	Fair	Good
Domestic Air Transport Services	Fair	Fair	Good	Good	Good	Promising	n.e.	In Progress	Fair	Good
International Shipping	Good	Good	Good	n.a.	Good	Good	n.e.	In Progress	Fair	Good
Coastal Shipping	Fair	Fair	Promising	n.a.	Good	Good	n.e.	In Progress	Fair	Fair
Urban Transport	n.e.	n.e.	n.e.	n.e.	n.e.	n.e.	n.e.	n.e.	n.e.	n.e.
Multi-modal services	Good	Good	n.a.	n.a.	n.a.	In Progress	n.e.	In Progress	In Progress	Fair

Sources: World Bank Urban Sub-Sector June 2007, Meyrick and Associates 2006 Multi-modal Transport Regulatory Review

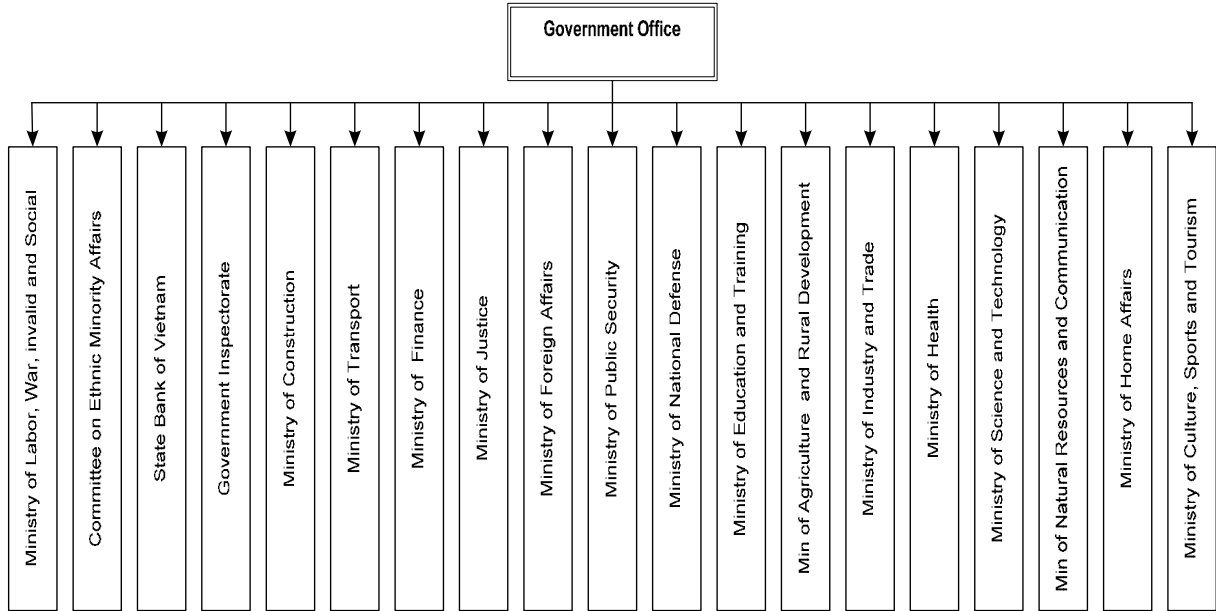
n.a. = not applicable, not significant

n.e. = not evaluated

APPENDIX 3

APPENDIX 3.1

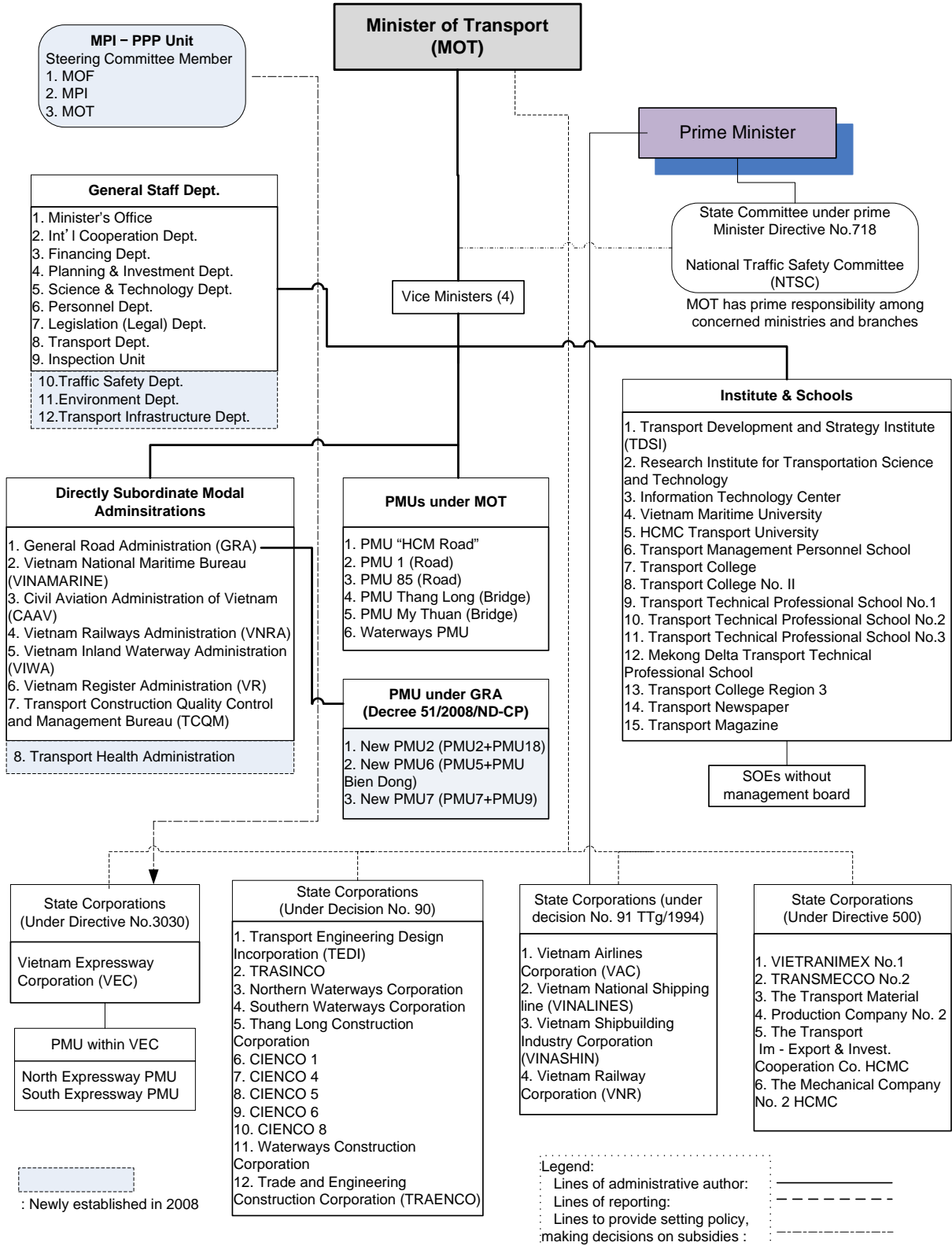
Organigram of Overall Government Vietnam



APPENDIX 3.2

MOT Organization Structure

Figure 1 Organization Structure of MOT

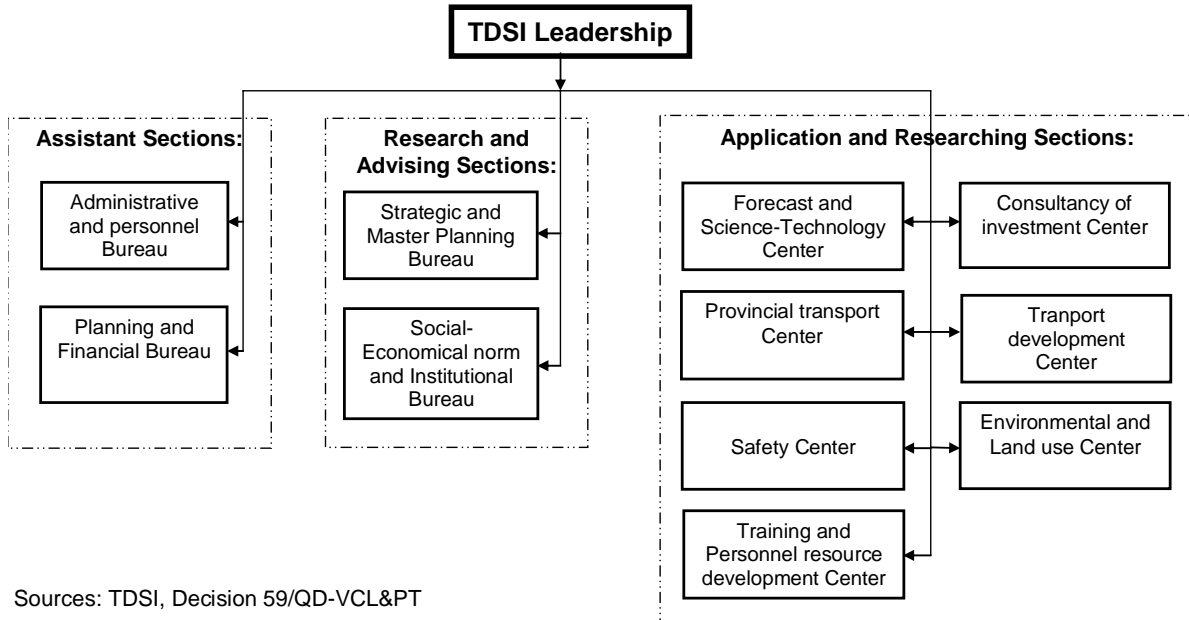


Source: VITRASNS-2 Study Team

APPENDIX 3.3

TDSI Organization Structure

TDSI Organization chart

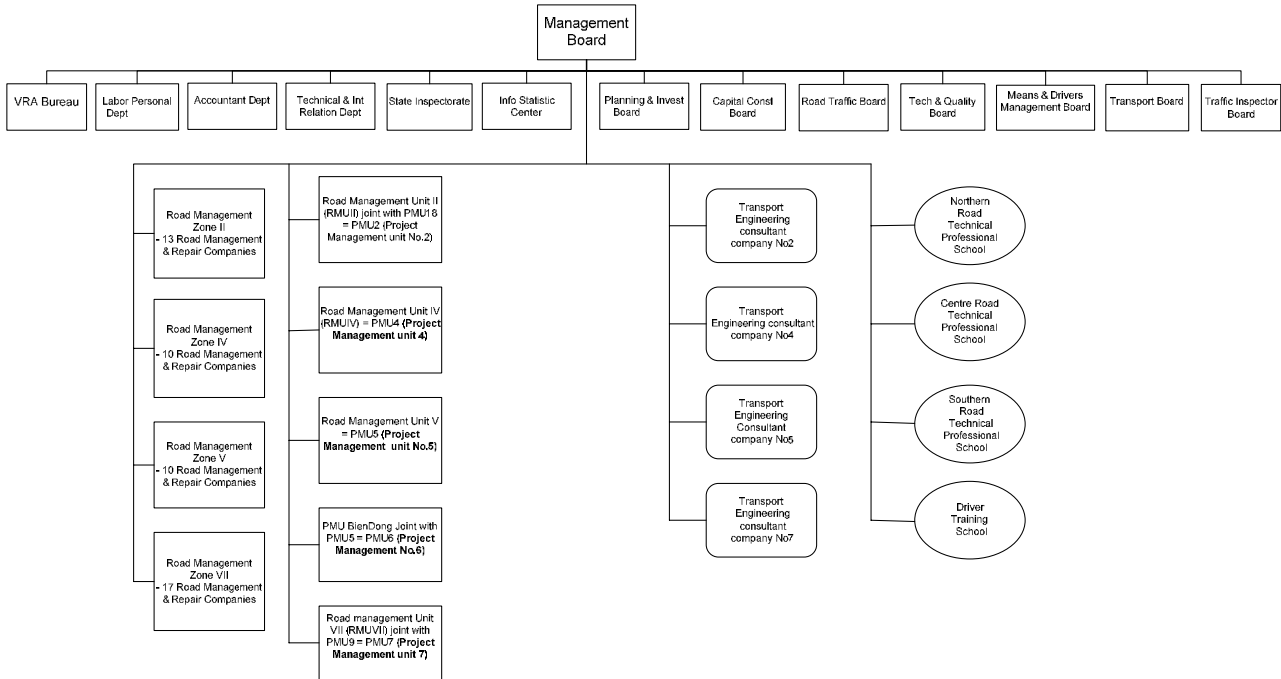


Sources: TDSI, Decision 59/QD-VCL&PT

APPENDIX 3.4

VRA Organization Structure- Vietnam Road Administration

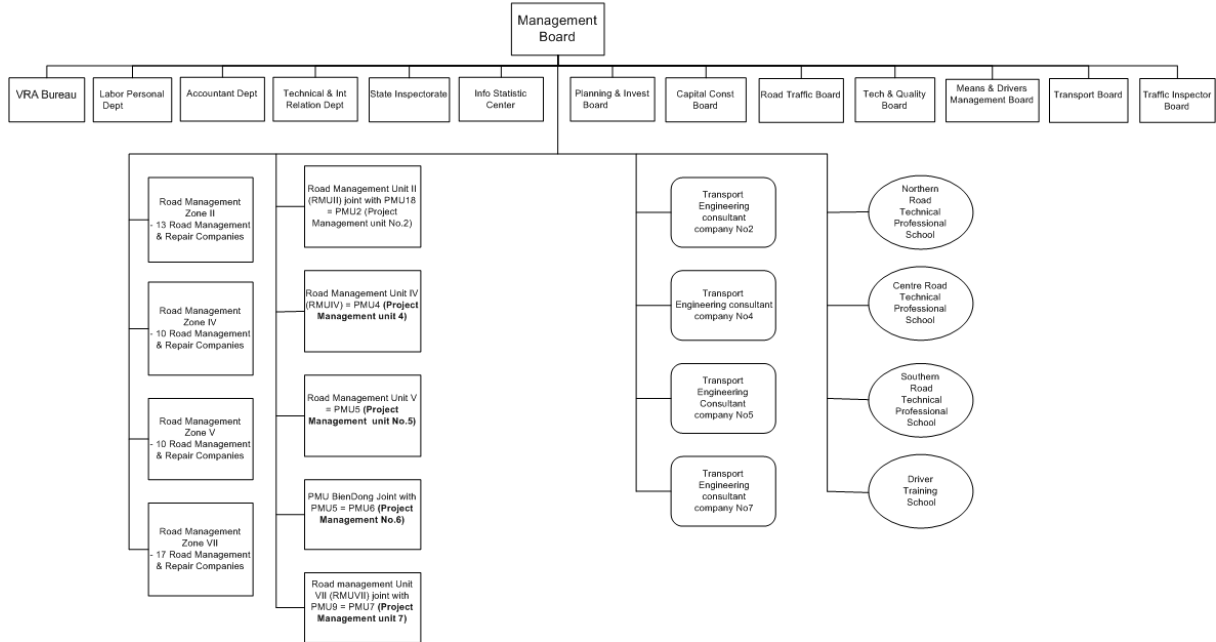
Figure 1 Organization Structure of VRA



Source: VITRANSS-2 Study Team

APPENDIX 3.5

GVRA Organization Structure - General Road Administration

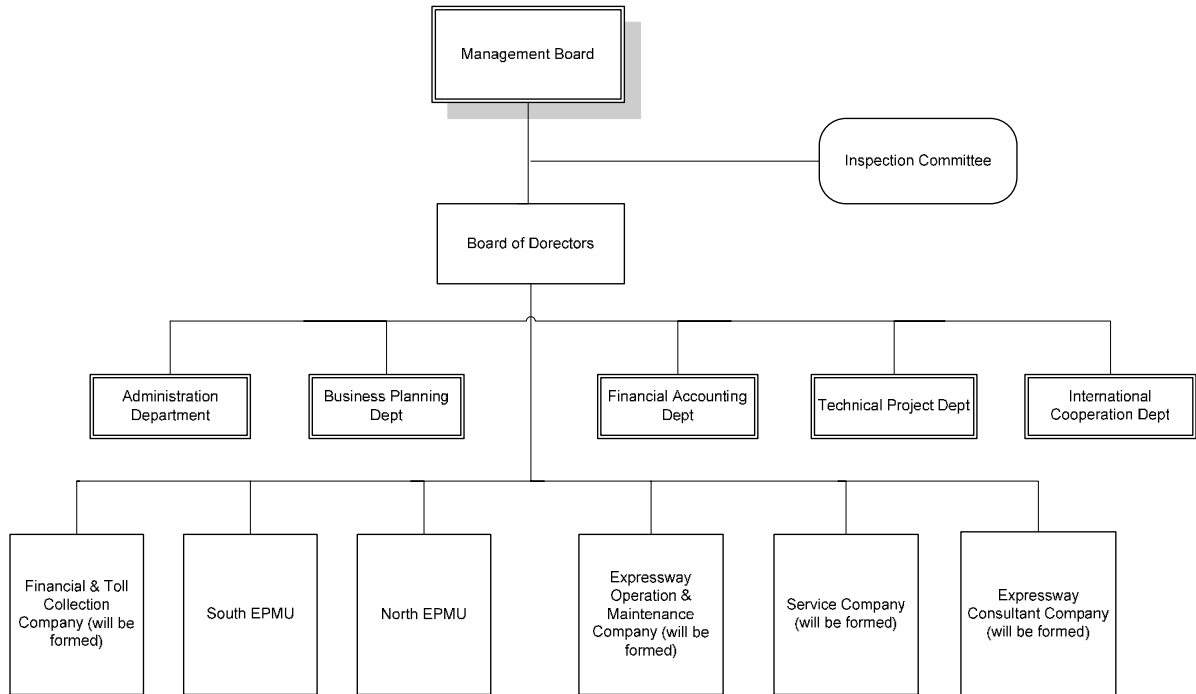


Source: VITRANSS-2 Study Team

APPENDIX 3.6

VEC Organization Structure

Figure 1 Organization Structure of VEC

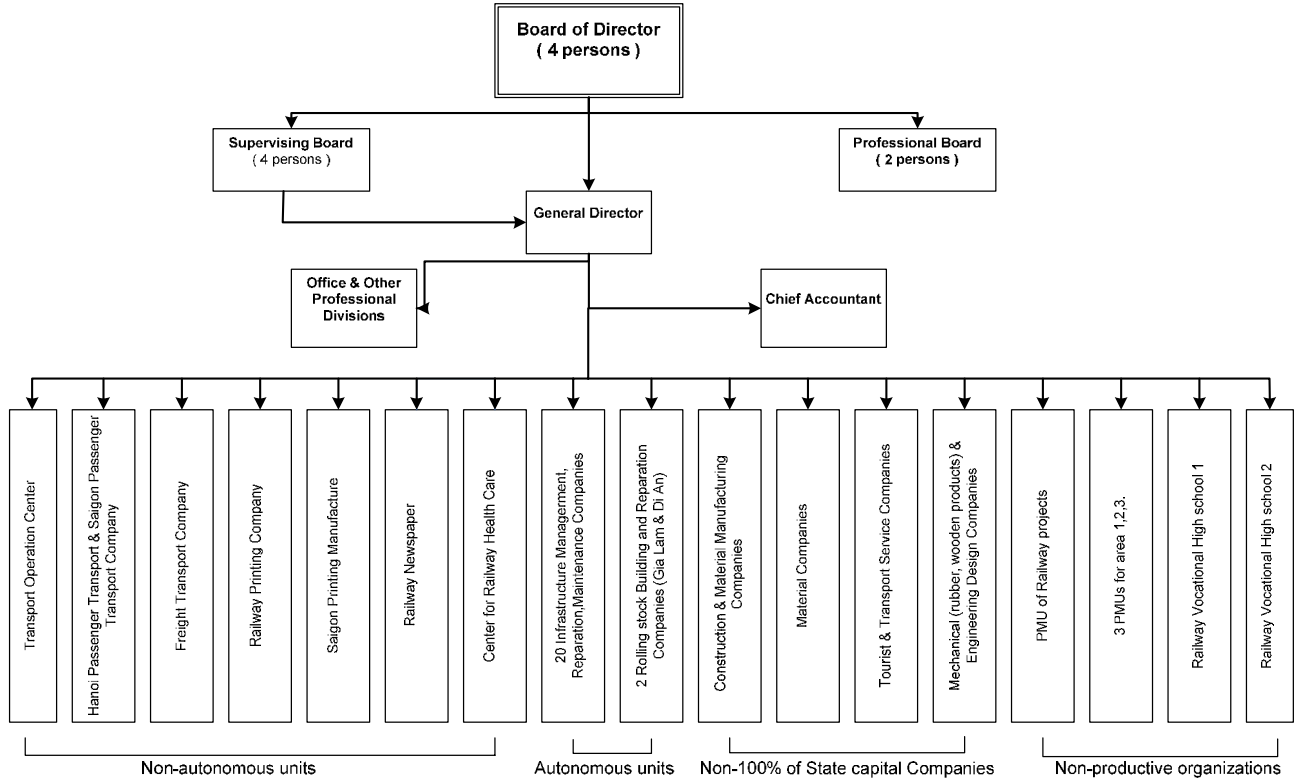


Source: VEC Web-site

APPENDIX 3.7

VNR Organization Structure

Figure 1 VNR Organization

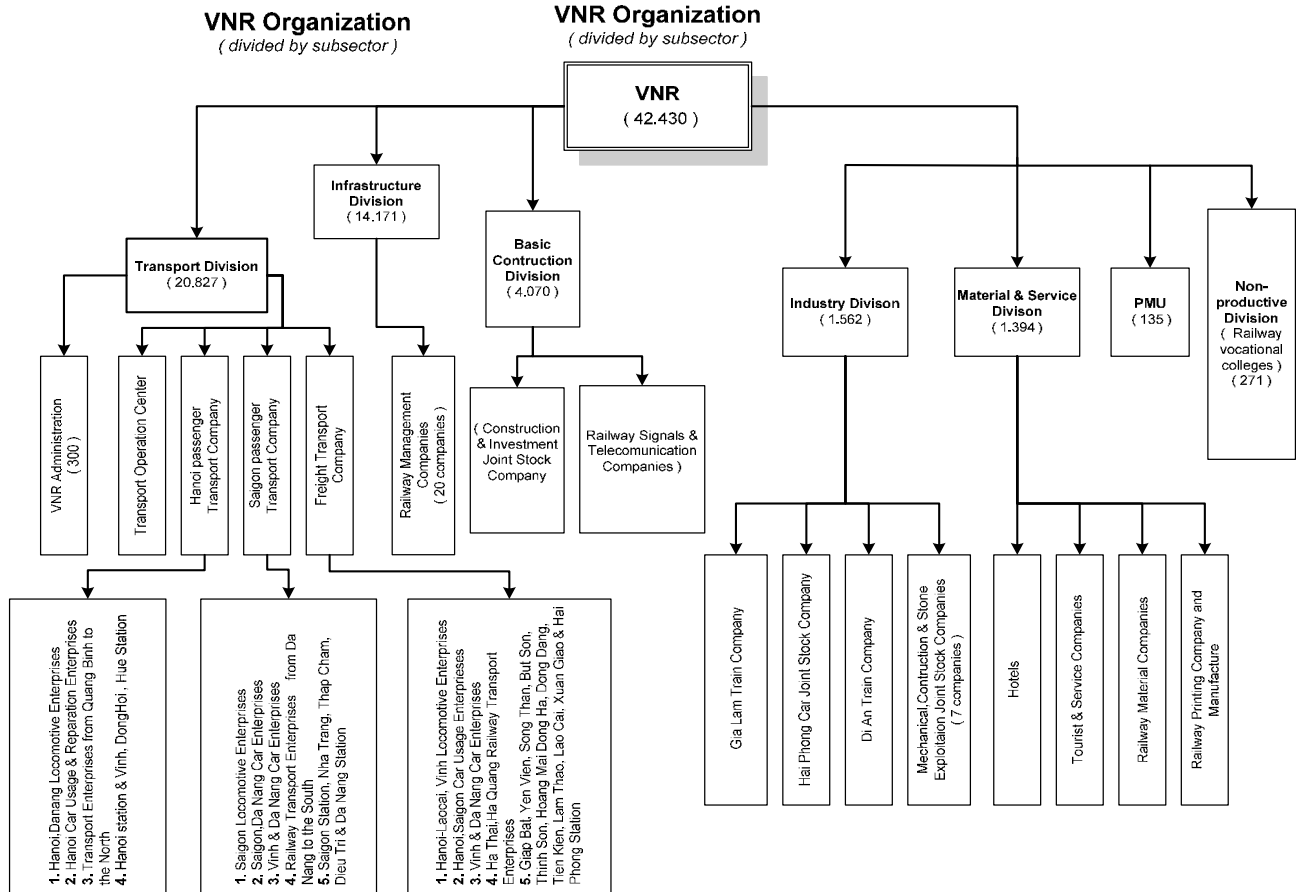


Source: VITRANSS-2 Study Team

APPENDIX 3.8

Vietnam Railways Organization Structure

Figure 1 Vietnam Railways Organization

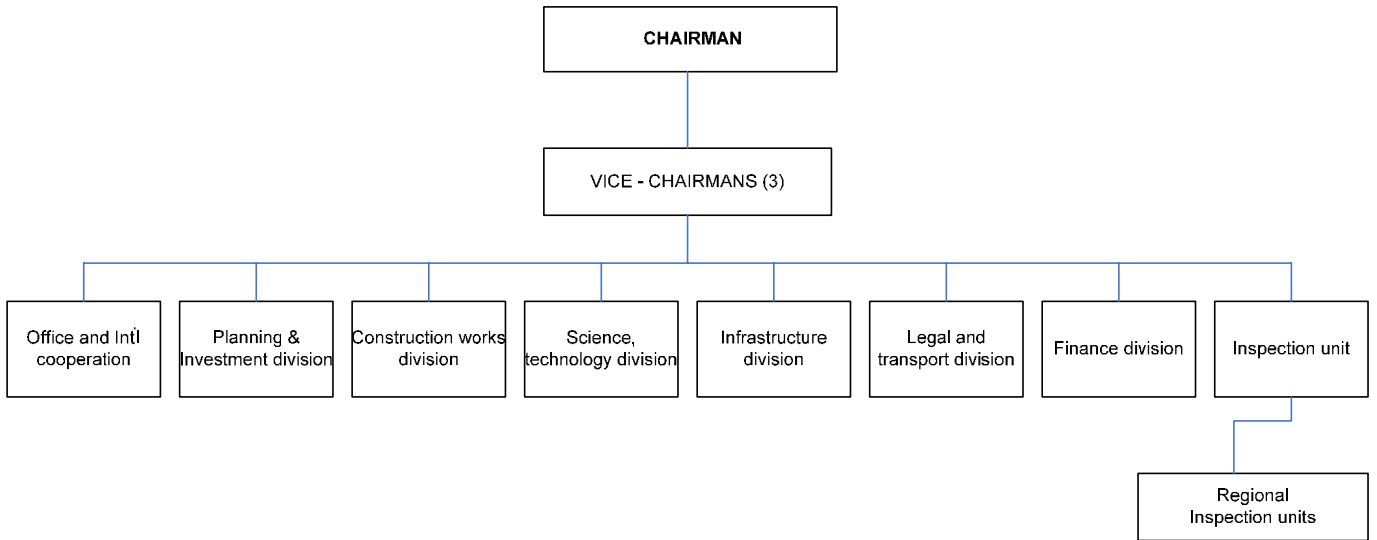


Source: VITRANSS-2 Study Team

APPENDIX 3.9

Vietnam Railway Administration Organization Structure

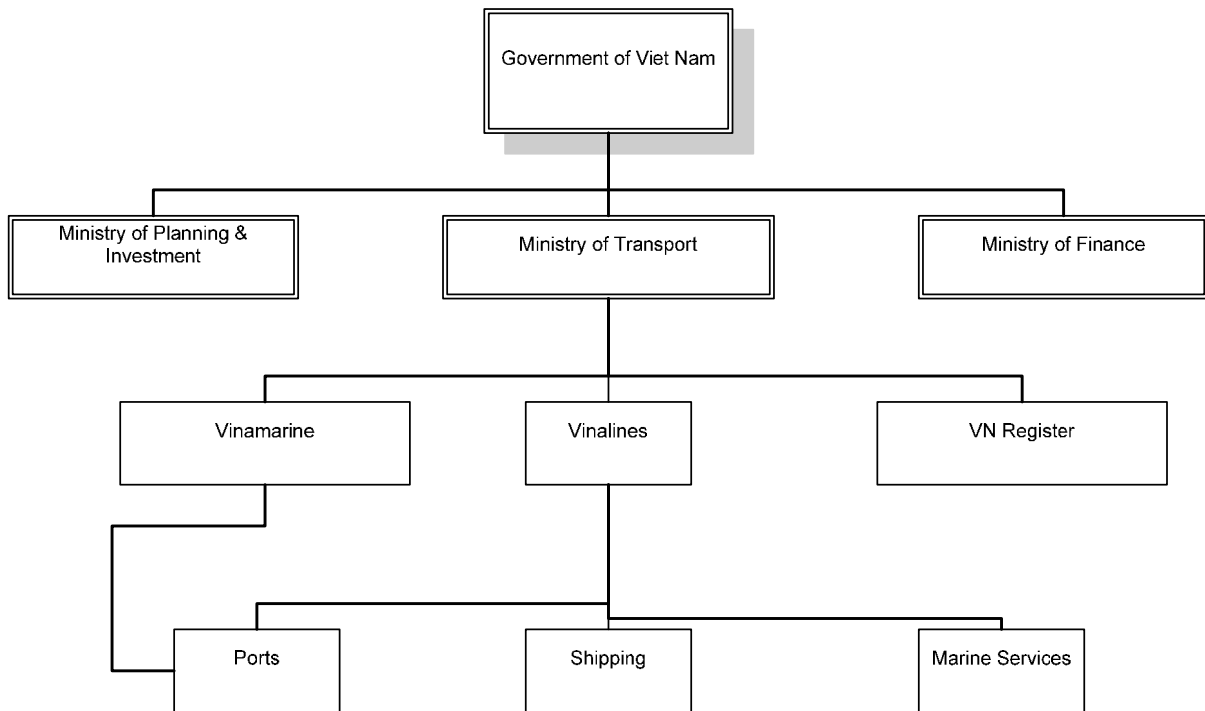
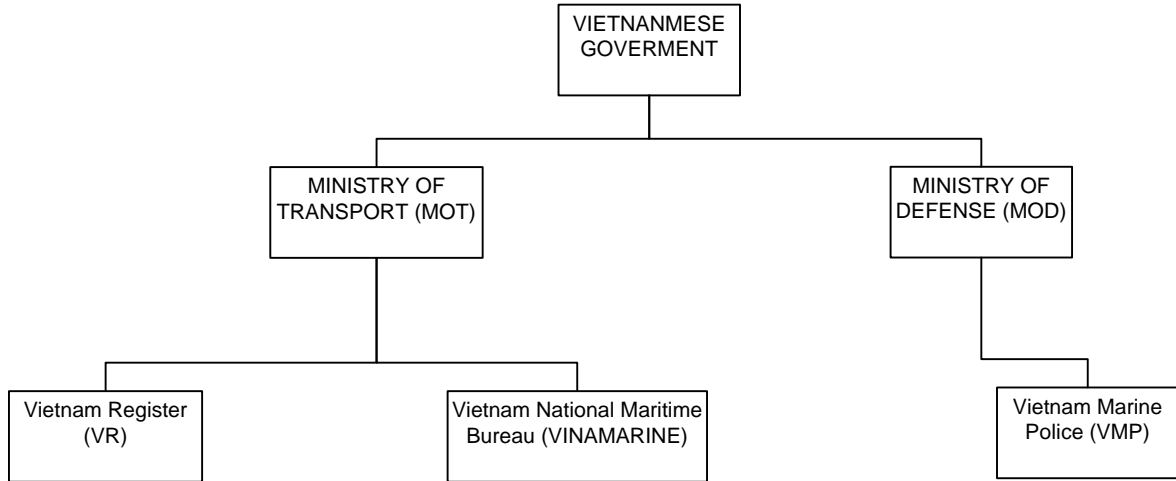
Figure 1 Vietnam Railway Administration (VRA)



APPENDIX 3.10

Maritime Administration of Vietnam

Figure 1 Maritime Administration of Vietnam

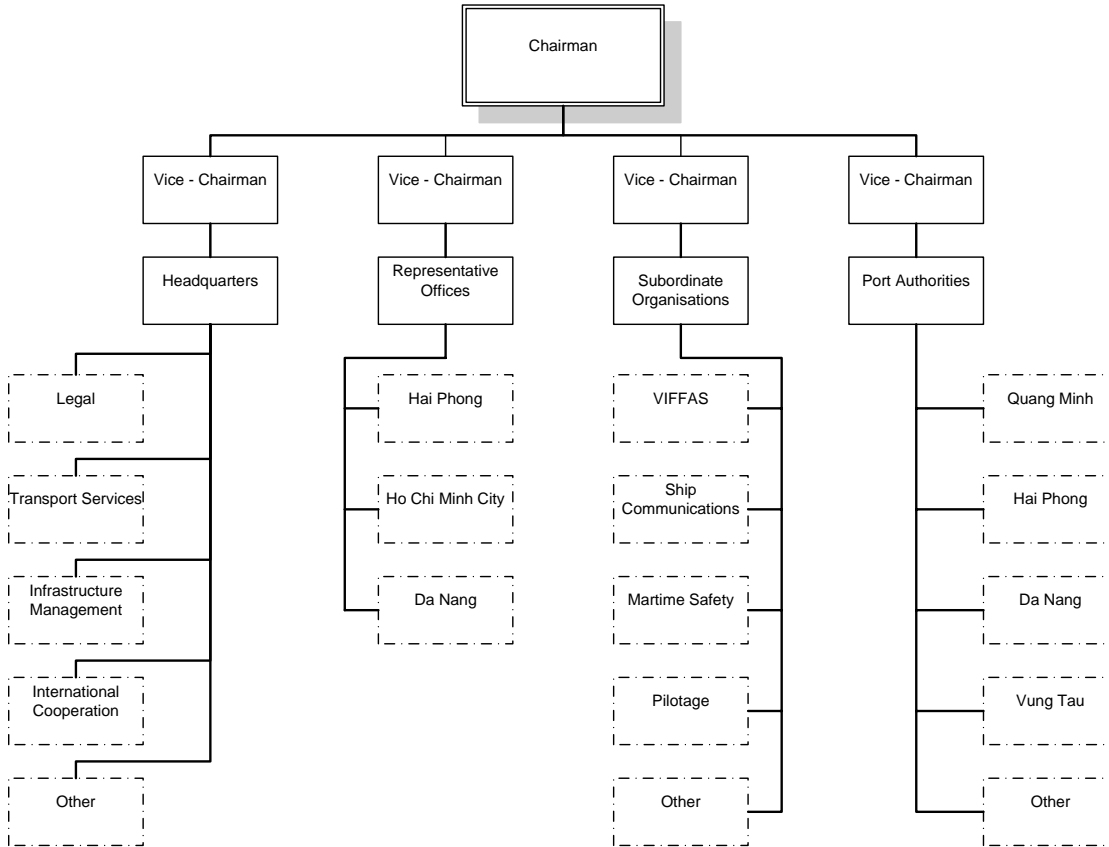


Source: VITRANSS-2 Study Team

APPENDIX 3.11

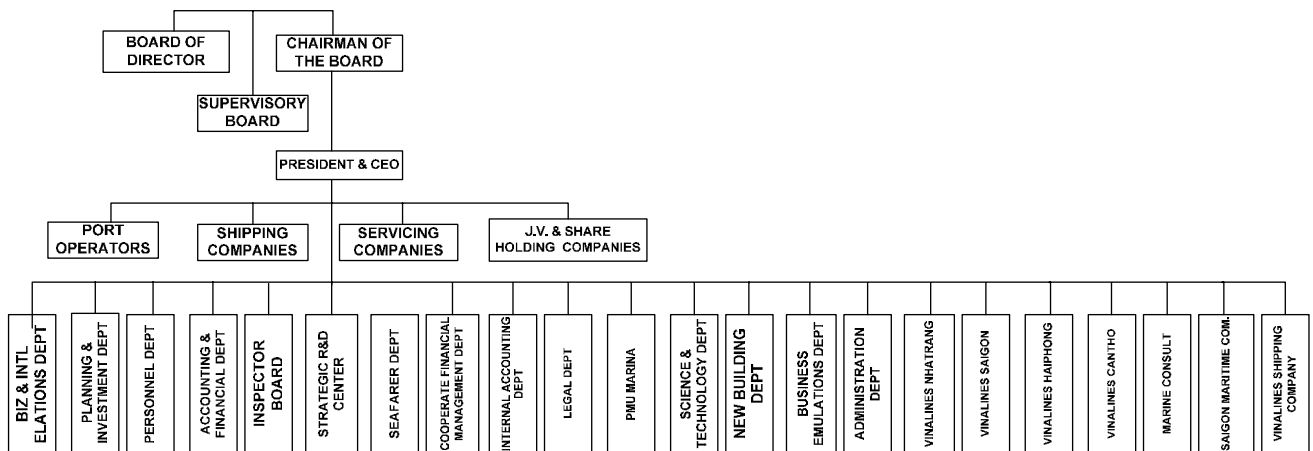
VINAMARINE Organization Structure

Figure 1 Organization Chart of VINAMARINE



Source: VITRANSS-2 Study Team

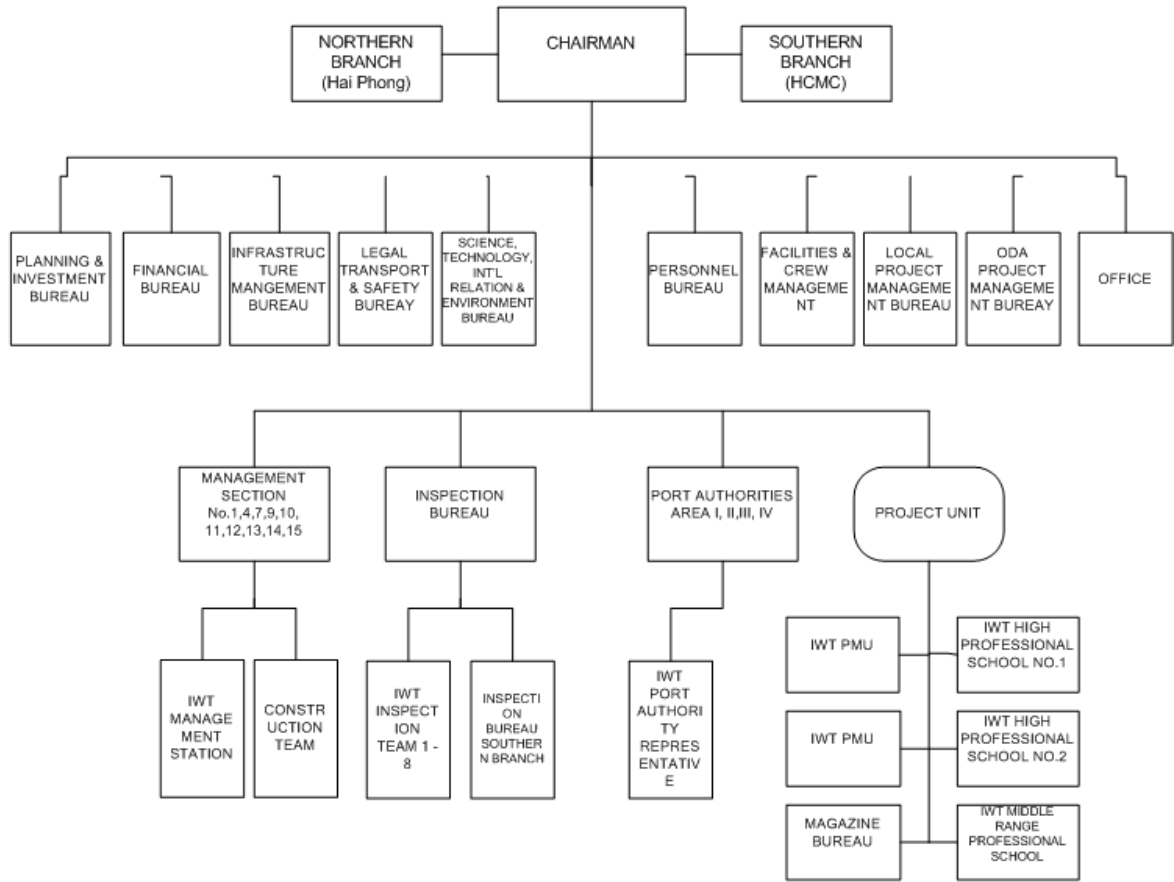
Figure 2 Organization Chart of VINALINES



Source: VITRANSS-2 Study Team

APPENDIX 3.12

VIWA Organization Structure

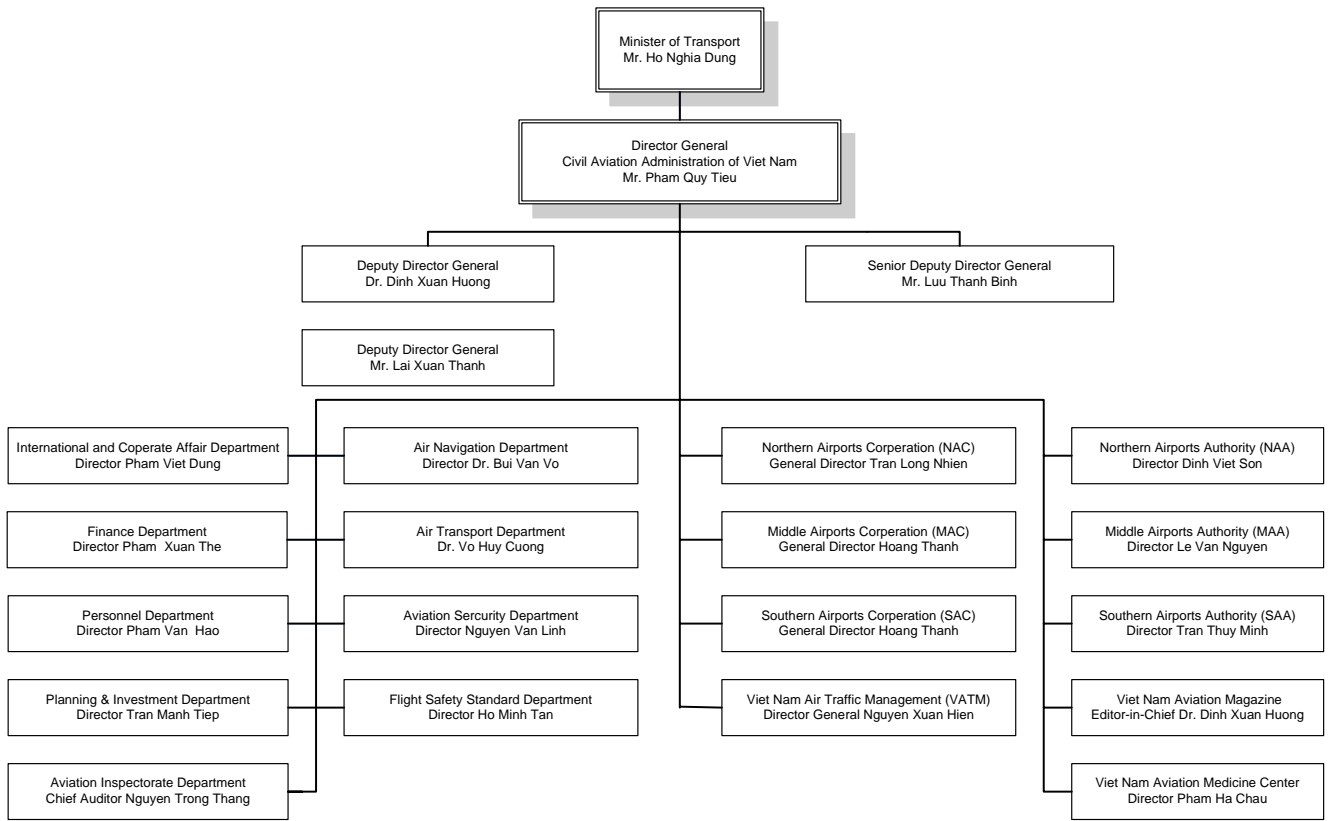


Source: VIWA web-site, Aug 2009

APPENDIX 3.13

CAAV Organization Structure

Figure 1 Organization Chart of CAAV

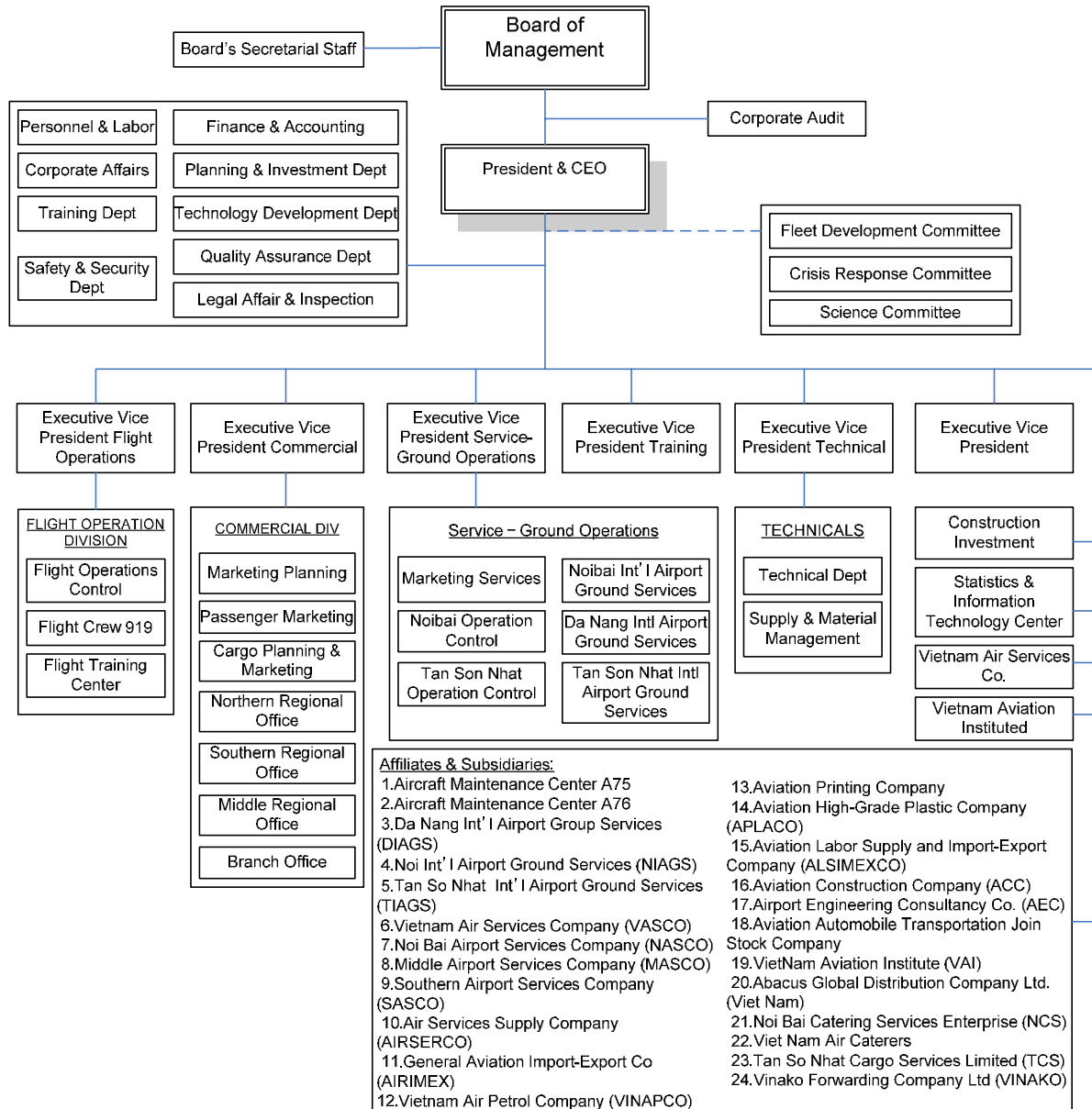


Source: VITRANSS-2 Study Team

APPENDIX 3.14

Vietnam Airlines Organization Structure

Figure 1 Organization of Vietnam Airlines



Source: VITRANSS-2 Study Team

APPENDIX 3.15

List of State Corporations

Table 1 List of State Corporations under Decision 91 TTg/1994

No	Name of State Corporation	Location
1	VIETNAM AIRLINES	200 Nguyen Son Str., Long Bien Dist. HN
	Member Units with independent Accounting	
1	The Aviation Petrol Supply Company (VINAPCO)	
2	The Aviation Import-Export Company (AIRIMEX)	
3	The Aviation Service Supply Company	
4	The Aviation Consultancy, Survey and Design Company	
5	The Aviation Project Construction Company	
6	The Aviation High-quality Plastics Company	
7	The Aviation Motorized Transport Company	
8	The Aviation Printing Company	
9	The Noi Bai Air Service Company (NASCO)	
10	The Tan Son Nhat Air Service Company (SASCO)	
11	The Da Nang Air Service Company (MASCO)	
	Member Units with dependent Accounting	
12	The Vietnam National Air Service (VIETNAM AIRLINES)	
13	The Air Flight Service Company (VASCO)	
14	The Noi Bai Ground Trading Enterprise	
15	The Da Nang Ground Trading Enterprise	
16	The Tan Son Nhat Ground Trading Enterprise	
17	The A75 Aircraft Repair Enterprise	
18	The A76 Aircraft Repair Enterprise	
	Non-Business Units	
19	The Aviation Institute	
20	The Labour Supply Center	
	Joint-Venture Units with Capital Contributed by The Corporation	
21	The Tan Son Nhat In-flight Meals Joint Venture Company (VAC)	
22	The Tan Son Nhat Goods Service Company Ltd. (TCS)	
23	The Noi Bai In-flight Meals Joint Venture Company (NSC)	
24	The Vietnam Airlines Hotels Joint Venture Company Ltd. (VNH)	
25	The Aviation Stocks Company (PACIFIC AIRLINES)	
26	The Global Distribution Company (AVACUS-VIETNAM)	
2	VINALINES	OCEANPARK Bld. No.1 Dao Duy Anh Str.Dong Da HN
1	Vinalines sea transport co.(VSC)	Dong Da Dist, HN
2	Hai Phong Vinalines sea transport co.	Ngo Quyen Dist. Hai Phong City
3	Sai Gon Vinalines sea transport co.	Dist. 4 HCMC
4	Can Tho Vinalines sea transport co.	Binh Tri Dist. Can Tho city
5	Nha Trang Vinalines sea transport co.	Vinh Nguyen ward, Nha Trang city
6	Sea lines petrol trading co.	Dist.1 HCMC
7	Vietnam sea transport co.(VOSCO)	Tran Quoc Toan Str. Hai Phong city
8	VITRANSCHART	Dist. 4 HCMC
9	VINASHIP	Hoang Van Thu Str. Hai Phong city
10	FALCON	Dist.3 HCMC
11	Dong Do marine JSC. (VISERITRANS)	Cau Giay Dist. HN
12	NOSCO	Dong Da Dist, HN
13	VOSA	Dist.1 HCMC
14	International cooperation labour co. in the south (INLACO SAI GON)	Dist. 4 HCMC
15	MARINE SUPPLY	Dong Da Dist, HN
16	Marine industry services JSC. (INSECO)	Quy Nhon city, Binh Dinh province
17	Marine consult	No 1 Dao Duy Anh, HN
18	Sai Gon port trade and general services co.(SPTS)	Dist. 4 HCMC
19	GEMARTRANS VIETNAM LTD	Dist.1 HCMC
20	High technology goods transport Co. Ltd.(TRANSVINA)	Dist.1 HCMC
21	Vietnam container exploire JVC. (VINABRIDGE Ltd.)	Danang Rd. Hai Phong City
22	Vietnam-Japan International transport JVC. (VIJACO HPH)	Ngo Quyen Dist. Hai Phong City
23	Phili-Orient Lines Vietnam JVC (POLVN)	Dist. 4 HCMC
24	AHLERS-VINA Logistics JSC.	Dist.1 HCMC
25	VW-waterfront VN container transport JVC.	Dist.1 HCMC
26	Marine development JSC (VIMADECO)	Vo Thi Sau Str. Hai Phong City
27	Marine technical supply and services JSC (MARSECO)	Ngo Quyen Dist. Hai Phong City
28	transport agency JSC (SAFI)	Dist. 4 HCMC
29	Combined transport agence JSC. (GEMADEPT)	Tan Binh Dist. HCMC
30	Hai Phong International cooperation labour JSC.(INLACO HP)	Nguyen Trai Str. Hai Phong
31	Container JSC in the south (VICONSHIP SAIGON)	Dist.1 HCMC
32	Trade and transport service JSC.	Hoang Van Thu Str. Hai Phong city
33	Hai Au sea transport JSC (SESCO)	Dist.1 HCMC
34	Hanoi marine JSC. (MARINA HANOI)	Dao Duy Anh Str. HN
35	Marine material export - import JSC (MARIMEX)	Dist. 4 HCMC
36	Hai Phong port trade and general service JSC.(HP PORT TRASERCO)	Ngo Quyen Dist. Hai Phong City
37	Marinr informatic and technology JSC (MITECO)	Tran Khanh Du Str. Hai Phong City
38	Doan Xa port JSC.	Van My ward Hai Phong City
39	Vietnam container JVC. (VICONSHIP)	Ngo Quyen Dist. Hai Phong City
40	Petrol supply and transport JSC. (TRANPESCO)	Tran Khanh Du Str. Hai Phong City
41	Marine civil engineering consultancy JSC	Dich Vong ward, HN
42	Sai Gon marine JSC. (SMC)	Dist. 4 HCMC
43	Vat Cach port JSC. (VATCACH PORT)	Hong Bang Dist. Hai Phong City
44	Da nang port JSC.	Bach Dang RD. Da Nang City
45	Sai Gon port export import and services co.	Dist. 4 HCMC
46	Marine technical services JSC (INSERCO)	Le Thanh Phuong Str. Nha Trang City
47	Hai Phong port tchnical service co.(TECHSECO)	Ngo Quyen Dist. Hai Phong City
48	ASEAN Marine human resource development Centre	Lach Tray Str. Hai Phong City

No	Name of State Corporation	Location
3	Vietnam Ship Industry Corporation (VINASHIN)	109 Quan Thanh Str. Ba Dinh Dist, HN
1	The Bach Dang Shipyard	
2	The Song Cam Shipyard	
3	The Ben Kien Shipyard	
4	The Tam Bac Shipyard	
5	The Ha Long Shipyard	
6	Song Lo Shipyard	
7	The Pha Rung Sea-going Vessel Repairing Factory	
8	The Nam Trieu Sea-going Vessel Repairing Factory	
9	The Sea-going Vessel and Oil Rig Repairing Factory	
10	The Saigon Shipyard	
11	The Song Han Shipyard	
12	The Shipbuilding and Water Transport Means Repairing Factory No. 76	
13	The Nam Ha Shipyard	
14	The Electronic Communications and Transport Equipment Company	
15	The Ship Material and Equipment Import-Export Company	
16	The Ship Dismantling and Discarded Materials Exporting Company	
17	The Construction and New Technology Application Company	
18	The Bien Dong Transport Company	
19	The Industrial Gas and Ship Dismantling Company	
20	The Investment Consultancy and Shipbuilding Development Company	
21	The Communications and Transport Engineering Design Research Company	
22	The Financial Company (to be founded for the first time).	
	Joint-Venture Enterprises with Capital Contributed by The Corporation	
23	The Vietnam-Republic of Korea Ship Dismantling Joint Venture (VISKO)	
24	The Baikan Sea Transport Joint Venture (VASCO).	
4	Vietnam Railway VNR/ VRC	120 Le Duan Str. Dong Da Dist, HN
1	Railway engineering union	
2	Engineering company No.6	
3	Railway Engineering Company No. I	
4	Railway Engineering Company No. II	
5	Railway Engineering Company No. III	
6	Railway Structure Company	
7	Materials and Construction & Installation Company	
8	Railway Housing Construction & Development Company	
9	Consulting Company for Investment and Construction	
10	Da Nang Railway Structure Enterprise	
11	Gia Lam Train factory	
12	Hai Phong Wagon factory	
13	Di An Wagon factory	
14	Railway bridge engineering factory	
15	Railway Rubber factory	
16	Da Nang Railway Engineering enterprise	
17	Dong Mo stone enterprise	
18	Phu Ly stone enterprise	
19	Hoang Mai stone enterprise	
20	Thuan Hai Railway Construction Materials enterprise	
21	Railway materials & equipment supply import-export company	
22	Da Nang Railway materials company	
23	Sai Gon railway materials company	
24	Ha Noi Railway service-tourist Co.	
25	Da Nang Railway service-tourist Co.	
26	Sai Gon Railway service-tourist Co.	
27	Railway Transport service company	

Table 2 List of State Corporations under Decision 90

No	Name of SOE	Location
1	Transport Engineering Design Incorporation (TEDI)	Dong Da Dist, HN
2	TRASINCO	
3	North inland waterway transport corporation (NOWATRANCO)	158 Nguyen Van Cu, Long Bien Dist. HN
1	Inland waterway transport JSC No1	Hai Ba Trung Dist, HN
2	Inland waterway transport JSC No2	Ninh Binh town, Ninh Binh province
3	Inland waterway transport JSC No3	Hong Bang Dist. Hai Phong City
4	Inland waterway transport JSC No4	Hung Vuong Rd. Hai Phong City
5	Technical material and waterway civil work construction Co.	Thanh Xuan Dist, HN
6	Mechanical JSC No75	Thanh Tri Dist. HN
7	Thai Binh inland waterway transport JSC.	Hong Phong ward, Thai Binh city
8	Inland waterway mechanical and transport Co.	Halong city, Quang Ninh province
4	South inland waterway transport corporation (SOWATRANCO)	208 Huynh Tan Phat Rd., Dist 7, HCMC
1	Inland waterway general services JSC.	Dist. 7 HCMC
2	Civil work mechanical JSC. No2	Dist. 5 HCMC
3	Civil work construction and install co.	Dist.1 HCMC
4	Can Tho shipbuilding and ship repair co.	Tran Phu Dist. Can Tho city
5	Southern inland waterway construction and mechanical service co.	Dist.3 HCMC
6	Civil work construction and trade JSC. No. 747	Vinh City, Nghe An province
7	Labour export and inland waterway transport service JSC in the south	Dist. 4 HCMC
5	Civil Engineering Corporation CIENCO Thang Long	72 Nguyen Chi Thanh Str. Dong Da Dist. HN
6	Civil Engineering Corporation 1 (CIENCO 1)	623 La Thanh Rd. Ba Dinh Dist. HN
7	Civil Engineering Corporation 4 (CIENCO 4)	29 Quang Trung Str. Vinh city, Nghe An Province.
8	Civil Engineering Corporation 5 (CIENCO 5)	77 Nguyen Du Str. Da Nang City
9	Civil Engineering Corporation 6 (CIENCO 6)	127 Dinh Tien Hoang Str. Binh Thanh Dist. HCMC
10	Civil Engineering Corporation 8 (CIENCO 8)	18 Do Duc Di Str. Dong Da Dist. HN
11	Vietnam waterway construction corporation	40 Phung Hung Str. Hoan Kiem Dist. HN
1	Machine based construction and service JSC	Thanh Xuan Dist. HN
2	Trade and construction investment co.	Hong Bang Dist. Hai Phong City
3	Civil work co. No 86	Binh Thanh Dist. HCMC
4	Waterway construction co. 2	Hong Bang Dist. Hai Phong City
5	Waterway construction co. 5	Thanh Xuan Dist. HN
6	Labour services co.	Dist. 3 HCMC
7	Waterway civil work company in the south	Binh Thanh Dist. HCMC
8	Waterway civil work company	Dong Da Dist, HN
9	Waterway dredging and construction co. 1	Hong Bang Dist. Hai Phong City
10	Waterway dredging co. 2	Binh Thanh Dist. HCMC
11	Sea lines dredging co. 1	Ngo Quyen Dist. Hai Phong City
12	Sea lines dredging co. 2	Vinh City, Nghe An province
13	Central region civil engineering co.	Vinh City, Nghe An province
14	Waterway civil engineering consulting co. 1	Tu Liem Dist, HN
15	Civil engineering and investment JSC. 1	Dong Da Dist, HN
16	Waterway and road construction and investment JSC. 3	Hai Ba Trung Dist, HN
17	Vietnam economic development and investment JSC	Hai Ba Trung Dist, HN
18	Transport civil engineering JSC	Ngo Quyen Dist. Hai Phong City
12	Trade and Construction JSC. (VIETRACIMEX)	201 Minh Khai Str. Hai ba Trung Dist. HN
1	Bach Dang Trade and construction JSC.	Hai Ba Trung Dist, HN
2	Infrastructure construction and development JSC. No.9	Hai Ba Trung Dist, HN
3	Sao Vang trade and labour export JSC.	Hai Ba Trung Dist, HN
4	Hai Phong Trade and construction JSC.No.5	Ngo Quyen Dist. Hai Phong City
5	Hai Phong Trade mechanic and construction JSC.	An Duong Dist. Hai Phong
6	Da Nang Trade and construction JSC.	Lien Chieu Dist., Da Nang city
7	Viet Nam- Japan construction investment JSC	Hai Ba Trung Dist, HN
8	Thang Long construction and investment development JSC	Tu Liem Dist, HN

APPENDIX 5

Annex 5.1 Overview of Tentative 2020/ 2030 Institutional Landscape

Role	A Owner and Strategy/ Policy Formulation	B Administration/ Regulation	C Program Development / Management	D Service Delivery
Functions	Strategy and Key Policy; Appropriate Funding; Legal Framework	Strategic Planning; Technical Standards, Regulation, Investment Planning (where appropriate); User charges	Business Planning; Specification and control of activities and supplied services	Delivery of construction, maintenance and other services
Role	A Owner and Strategy/ Policy Formulation	B Administration/ Regulation	C Program Development / Management	D Service Delivery
Roads Infrastructure Non Expressways and Safety	MOT	VRA/PMU/MOT for Non Motorways (PPC/PTA for planning tertiary roads)		VRA, PTA's and private contractors
Roads Infrastructure Expressways	MOT / GRA		Possible Roads Authority	VEC and JV partners
Road Transport Services	MOT	MOT Corporatisation/ spin off of remaining freight and passenger transport unit.		Management and Contracting through private contractors
Railway Infrastructure and Safety	MOT	VRNA	Vietnam Rail Track Authority	Enterprises and private contractors
Railway Services	MOT	Vietnam Railways Corporation (VRC) for operations		VR and private contractors
Inland Water Transport IWT Infrastructure	MOT	VIWA (PPC/PTA for planning tertiary waterways and ports)	VIWA for primary/secondary waterways. PTA's for tertiary riverways and port corporations for local river ports	VIWA, PTA's, SOE's and private contractors
Inland Water Transport IWT Services	MOT	Mostly Private Operators regulated	VIWA (NOWATRANCO and SOWATRANCO for main river ports, PTAs for provincial waterways and ports)	Mostly Private Operators
Maritime : Port Infrastructure and Safety	MOT	VINAMARINE (PPC/PTA for planning tertiary ports)	Port corporations for ports VINAMARINE for navigations aids and channels	VINAMARINE SOE and private contractors
Maritime : Shipping	PM's Office /MOT	VINALINES		Partners and private contractors
Aviation Infrastructure and Safety	MOT	CAAV and 3 Airports Authorities	3 Airport Corporations CAAV for Air Traffic Management	CAAV and private contractors
Aviation Services	PM's Office/MOT	Vietnam Airlines Corporation (VAC) Jetstar Pacific, Vietnam Air Service Co. Service Flight Corp. (Helicopters)		Sub-contractors, JV partners

Source: Developed from Figure 4.1.1 Future Responsibility: VITRANSS 1 Technical Report No 4 Transport Sector Institutions July 2000

Note: For simplicity, responsibilities assigned to district administrations for tertiary infrastructure are not shown, but would be similar in nature to those of provinces.