



Transport Sector

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Challenges



- Fast growth of transport sector compared to relatively low investment and projects get started only when needed
- Long delays between planning and implementation
- Transport Sector very important for tourism and investments in industrial zones
- Mainly funded by GoV and with significant ODA component from JICA, WB, ADB, France, Germany, Korea, others →but not enough, PPP?



Situation in different areas

- Domestic distribution, Highway 1: 80% of consumers
- Air: Many new airports and also international connections, however Hanoi airport already very busy
- Rail: Little upgrading in the past, however ambitious plans
- Road: Congestion and too little investment compared to growth. Agreements for transborder links with Cambodia.
- Maritime: Sea links improving, direct link to US from South. Port capacity a problem.

Example of difficulties

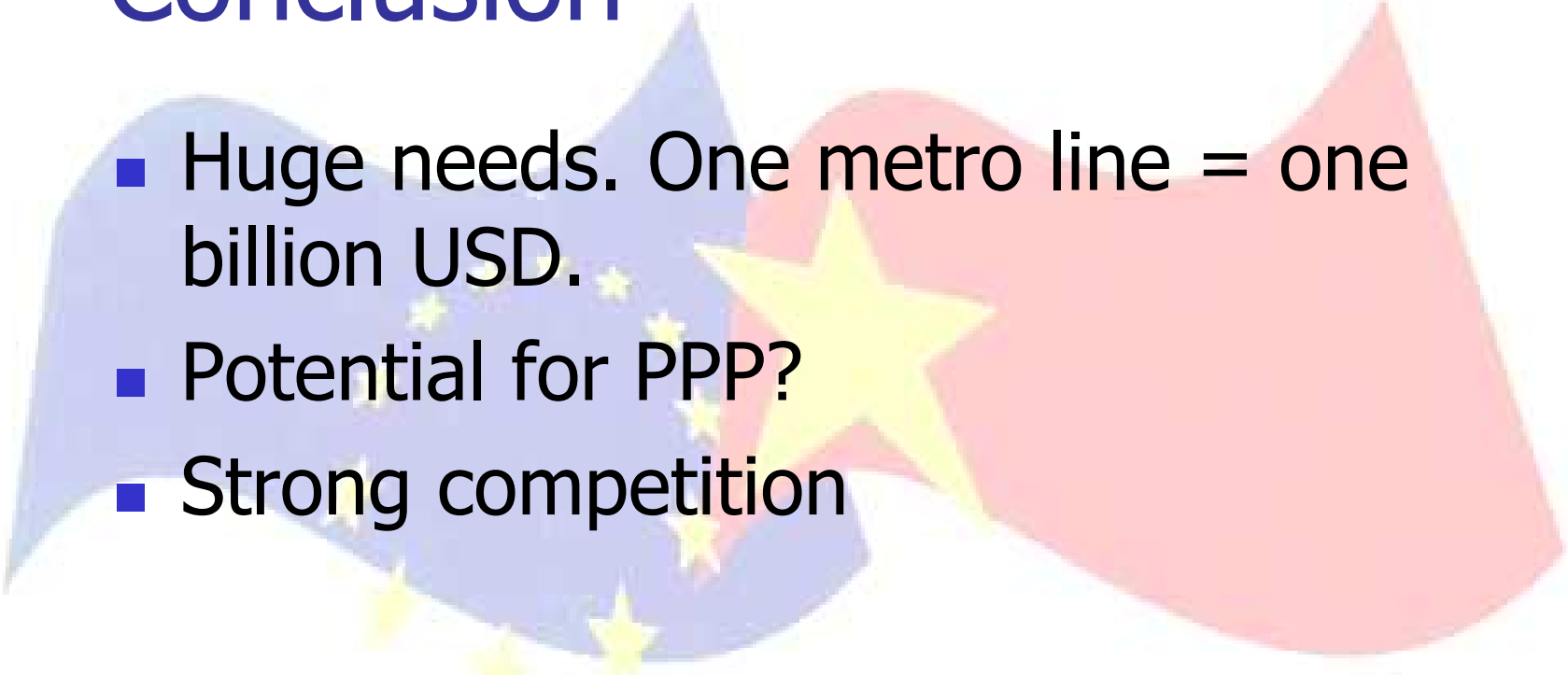
- The Thai Bao Kinh te Vietnam (Vietnam Economic Times) newspaper quoted the Ministry of Transport as saying on Monday that work on 40 new projects would start this year in addition to many ongoing projects.
- They include the HCM City - Long Thanh - Dau Giay Expressway project, Van Phong International Port project in the central province of Khanh Hoa, and the Noi Bai - Lao Cai, Cau Gié - Ninh Binh, and Hanoi - Hai Phong expressways in the north.
- For instance, the allocation from bond issues is only 12 trillion dong (\$628 million) while the ministry needs 17 trillion dong for projects dependent on bond funds, he said.
- "If there is a cash crunch, some projects will be delayed and payment to contractors postponed," he said.
- The State-run Vietnam Expressway Investment and Development Corp (VEC), which depends on BOT investors and government bond issues, said it is struggling to raise funds since commercial banks' interest rates are high, affecting bond issue.
- "Last year VEC only succeeded in issuing bonds worth 423 billion dong (\$22.1 million) with coupon rates of 8.9 to 10.5 percent while it needed 2.5 trillion (\$130 million)," Tran Xuan Sanh, the corporation's general director, said.

EU involvement

- Not focal sector for bilateral cooperation
EU Vietnam, little assistance in the past
- EIB has two loans to urban railways
planned in Hanoi (ADB, France) and
HCMC (ADB, Germany). Spain?
- EIB Climate Change Facility



Conclusion

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- Huge needs. One metro line = one billion USD.
 - Potential for PPP?
 - Strong competition

Thank you for your attention