



Draft Report and Recommendation of the President to the Board of Directors

Project Number: 45200
July 2013

Proposed Loan and Administration of Loan

Socialist Republic of Viet Nam: Sustainable Urban Transport for Ho Chi Minh City Mass Rapid Transit Line 2 Project

This document is being disclosed to the public prior to Board consideration in accordance with ADB's Public Communications Policy 2011. Subject to any revisions required following Board consideration, this document is deemed final.

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 22 July 2013)

Currency unit – dong (D)

D1.00 = \$0.0000471587

\$1.00 = D21,205.00

ABBREVIATIONS

ADB	–	Asian Development Bank
CTF	–	Clean Technology Fund
DMF	–	design and monitoring framework
EA	–	executing agency
EIRR	–	economic internal rate of return
GAP	–	gender action plan
HCMC	–	Ho Chi Minh City
HCMC PC	–	Ho Chi Minh City People's Committee
HIV/AIDS	–	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HUTMP	–	Ho Chi Minh City urban transport master plan
km	–	Kilometer
MRT	–	mass rapid transit
PAM	–	project administration manual
PMU	–	project management unit
RP	–	resettlement plan
SERD	–	Southeast Asia Regional Department
UTMD1	–	Urban transport management department 1

NOTE

In this report, "\$" refers to US dollars

Vice-President	S. Groff, Operations 2
Director General	J. Nugent, Southeast Asia Department (SERD)
Director	J. Lynch, Transport and Communications Division, SERD
Team leader	R. Valkovic, Principal Transport Specialist, SERD
Team members	J. Acharya, Senior Climate Change Specialist (Clean Energy), Regional and Sustainable Development Department (RSDD)
	I. Ahsan, Counsel, Office of the General Counsel
	C. Clark, Safeguards Specialist (Resettlement), SERD
	K. Leung, Finance Specialist, SERD
	T. Mella, Operations Officer, SERD
	K. Sakamoto, Transport Economist, RSDD
	L. Thang, Sr. Project Officer (Transport), Viet Nam Resident Mission
	A. Velasquez, Safeguards Specialist (Environment), SERD
Peer reviewer	S. Lewis-Workman, Senior Transport Economist, East Asia Department

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PROJECT AT A GLANCE

1. Project Name: Sustainable Urban Transport for Ho Chi Minh MRT Line 2		2. Project Number: 45200-002	
3. Country: Viet Nam, Socialist Republic of		4. Department/Division: Southeast Asia Department/Transport and Communications Division	
5. Sector Classification:			
		Sectors	Primary
		Transport, and information and communication technology	√
		Subsectors	
		Urban transport	
6. Thematic Classification:			
		Themes	Primary
		Economic growth	√
		Environmental sustainability	
		Capacity development	
		Subthemes	
		Promoting economic efficiency and enabling business environment	
		Urban environmental improvement	
		Organizational development	
6a. Climate Change Impact		6b. Gender Mainstreaming	
Adaptation	Low	Gender equity theme (GEN)	
Mitigation	High	Effective gender mainstreaming (EGM)	
		√	
		Some gender elements (SGE)	
		No gender elements (NGE)	
7. Targeting Classification:		8. Location Impact:	
General Intervention	Targeted Intervention		
	Geographic dimensions of inclusive growth	Millennium development goals	Income poverty at household level
√			
		Urban	
		High	
9. Project Risk Categorization: Complex			
10. Safeguards Categorization:			
		Environment	B
		Involuntary resettlement	B
		Indigenous peoples	C
11. ADB Financing:			
Sovereign/Nonsovereign		Modality	Source
Sovereign		Project loan	Asian Development Fund
Total			10.0
			10.0
12. Cofinancing:			
Financier		Category	Amount (\$ Million)
Clean Technology Fund - IBRD		Official-Loan	48.95
Total			48.95
13. Counterpart Financing:			
Source		Amount (\$ Million)	
Government		6.0	
Total		6.0	
14. Aid Effectiveness:			
Parallel project implementation unit		No	
Program-based approach		No	

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation for (i) a proposed loan and (ii) proposed administration of a loan to be provided by the ADB Clean Technology Fund (CTF),¹ both to the Government of the Socialist Republic of Viet Nam (the Government) for the Sustainable Urban Transport for the Ho Chi Minh City Mass Rapid Transit Line 2 Project.²

2. The Project³ will directly support the effective and sustainable utilization of Line 2 of the Ho Chi Minh City (HCMC) mass rapid transit (MRT) network,⁴ which is a key criterion for CTF financing.⁵ The Project will improve access to the MRT Line 2 stations, enhance connectivity to other public transport modes and strengthen urban transport policies and regulations to discourage the use of private vehicles in HCMC and encourage greater use of public transport. The Project will directly contribute to an efficient, integrated and sustainable MRT system, as well as support the HCMC Urban Transport Master Plan (HUTMP) objective of increasing public transport usage and reducing dependency on private vehicles.

II. THE PROJECT

A. Rationale

3. The Government of Viet Nam is planning and implementing major public transport infrastructure investments to induce a substantive modal shift from private to public transport modes.⁶ Failure to invest in public transport infrastructure to support a modal shift away from private transport in Viet Nam's large cities will constrain economic growth and accelerate degradation of the urban environment. The government is supporting climate change mitigation efforts by adopting a low carbon transport growth path, which is more energy efficient and reduces greenhouse gas (GHG) emissions. The Viet Nam 2012-2015 Country Partnership Strategy of the Asian Development Bank (ADB) supports the government's program to improve urban transport infrastructure and promote public transport.

4. HCMC is the largest city in Viet Nam, with a population of the greater urban area over 9 million that is expected to grow to 13.8 million by 2025. Private vehicles dominate urban transportation, with motorcycles being the most prevalent mode at about an 85% share. High private vehicle usage has resulted in severe congestion; many major routes have travel speeds below 10 kilometers per hour during peak periods and road safety is poor. As a result of rising income levels, HCMC is experiencing a new phase of urban transport motorization marked by a shift from motorcycles to cars. With the number of vehicles in HCMC growing by around 10% per annum, congestion is worsening; the situation is compounded as more motorbike owners convert to cars.

5. The rapid growth of private vehicles is partly attributable to the inadequacy of HCMC's existing public transport system, which consists of a poorly integrated bus network that cannot

¹ Financed by the Clean Technology Fund. Viet Nam's CTF Investment Plan, \$250 million was endorsed in 2 December 2009 by the CTF Trust Fund Committee. <http://www.climateinvestmentfunds.org/cifnet/country-program-info/vietnams-ctf-programming>.

² The design and monitoring framework is in Appendix 1.

³ ADB 2011, *TA 7892-VIE: Sustainable Urban Transport for Ho Chi Minh City MRT Line 2 Project*, Manila.

⁴ ADB 2010. *MFF 0052-VIE: Ho Chi Minh City Urban Mass Rapid Transit Line 2 Investment Program*, Manila.

⁵ CTF financing is conditioned upon the sustainable transport benefits of the total MRT Line 2 investment, and that this Project will leverage substantial additional financing that is more than five times the CTF amount.

⁶ Viet Nam Socio-Economic Development Plan for 2011–2015.

compete with private modes of transport. The recovery of bus operating costs is constrained by the inefficient institutional arrangements for establishing, allocating, and operating bus routes and providing reliable services.⁷ Bus fares are kept low, resulting in large subsidies for the existing bus services. Traffic planning and management is also weak and, as a result, ineffective in controlling traffic and encouraging the use of public transport. Footpath areas are commonly blocked by motorcycle parking and other private uses which impedes pedestrian access. Importantly, there are few policy and regulatory measures to reduce private modes of transport, and the absence of an efficient public transport system does not encourage people to switch from private vehicles.

6. Plans to develop a city-wide mass transit system is the centerpiece of the HUTMP, and three MRT lines⁸ and two bus rapid transit lines are currently under development. Phase 1 of MRT Line 2 is financed by ADB⁹ and is expected to be operational in 2019. In order to make the MRT network more financially and economically viable, there is a need for complimentary measures to ensure the public transport system is integrated as well as attractive, accessible and affordable to users. HUTMP's strong focus on a modern public transport system will also reduce GHG emissions and other environmental pollution, improve the urban environment for city residents and increase public safety through reduction in traffic accidents.

7. The Project will directly support the integration of MRT Line 2 into the HCMC's overall public transport network by providing infrastructure and facilities at stations that will improve access to the MRT and strengthen the MRT's connectivity with other modes of public transport. Station accessibility will be improved through pedestrian-friendly walkways and "park and ride" facilities, whereas dedicated bus feeder links will strengthen connectivity. The supporting infrastructure and other facilities will be designed to incorporate gender sensitive features that will complement similar measures under the MRT Line 2 project (footnote 9). Infrastructure improvements will be complemented by policy and regulatory reforms in the areas of traffic management, parking and urban transport pricing. These reforms will also define clear institutional responsibilities for effective enforcement.

8. The Project will be implemented in close coordination with other development partners supporting urban transport improvements in HCMC (footnote 7 and 8). Joint financier meetings with relevant HCMC public transport agencies to ensure policy and regulatory measures are consistent with other key initiatives, such as integrated fare and ticketing systems, operations and maintenance (O&M) systems and the establishment of a public transport authority.

9. For urban transport infrastructure projects in Viet Nam, experience indicates¹⁰ strong government support is required to avoid implementation delays, to ensure quality works are achieved and to build sustainable institutions. To avoid start-up delays, advanced actions to strengthen the capacity of district resettlement offices are essential for timely implementation of land acquisition and resettlement. These lessons have been incorporated into the Project

⁷ A proposed World Bank project, expected to be approved in 2014, will implement two bus rapid transit systems, upgrade a large portion of the existing bus fleet and improve bus operations and management.

⁸ MRT Line 1 from Suoi Tien to Ben Thanh, cofinanced by Japanese government, MRT Line 2 from Ben Thanh to Tam Luong, cofinanced by ADB, European Investment Bank and Kreditanstalt für Wiederaufbau and MRT Line 5 from Bay Hien to Sai Gon Bridge, cofinanced by Spanish government.

⁹ ADB 2010. *Loan 2731-VIE: Ho Chi Minh City Urban Mass Rapid Transit Line 2 Investment Program - tranche 1*, Manila. ADB 2012. *Loan 2956-VIE: Ho Chi Minh City Urban Mass Rapid Transit Line 2 Investment Program – tranche 2*, Manila.

¹⁰ ADB. 2009. *Sector Assistance Program Evaluation: Viet Nam*. Manila.

design and are further complemented through similar assistance under the ongoing ADB funded MRT Line 2 project (footnote 9).

B. Impact and Outcome

10. The impact of the Project will be an integrated and sustainable public transport system in six districts of HCMC.¹¹ The outcome will be improved access to MRT Line 2 stations and connectivity with other modes of public transport.

C. Outputs

11. There are three outputs under the Project: (i) MRT Line 2 stations accessibility improvements; (ii) public transport information systems; and (iii) public transport policy development program.

i. MRT Line 2 Station Accessibility Improvements

12. MRT Line 2 station accessibility improvements, including public transport facilities, will be constructed along the first stage of MRT Line 2 from Ben Thanh to Tham Luong stations, primarily within 100m around the nine underground and one elevated stations along the 10.3km line. Civil works will include pedestrian subways and footbridges, bus stops and feeder links, dedicated taxi stands, park and ride facilities for two-wheeled vehicles and waiting areas for other public transport service providers. All infrastructure and other facilities will be designed to incorporate gender sensitive features, universal accessibility guidelines and safe passageways for pedestrians. The Project will also establish a station access management system to facilitate the efficient flow of people and traffic around MRT Line 2 stations. Enforcement measures will be implemented to ensure clear pedestrian access, smooth flow of traffic, and parking management of private vehicles. To support Project implementation, consulting services will be provided for detailed design and construction supervision of the civil works and goods and services contracts, as well as for overall project management.

ii. Public Transport Information Systems

13. To support public transport improvements and to increase ridership, the Project will include the development of a public transport information system along MRT Line 2, which will be linked to the main bus control center in HCMC. This system will provide real time bus and train arrival information to increase the convenience and reliability of using public transport, and will complement the city-wide bus network improvements under the proposed Green Transport Project.¹² The Project will install equipment for the public transport information system at MRT Line 2 stations; the HCMC PC and bus operators will finance and install the necessary equipment in buses and at bus stops.

iii. Public Transport Policy Development Program

14. To support HUTMP objectives and improve the financial sustainability of public transport, the Project will provide consulting services to develop specific policies and regulations: (i) a station access management system and enforcement measures to ensure clear pedestrian access and proper use of public space by vendors around the stations; (ii) a

¹¹ Districts 1, 2, 10, 12, Tan Binh and Tan Phu

¹² Funded by World Bank, with the loan expected to be approved in 2014.

station parking policy to provide for the efficient flow of vehicles to and from the MRT Line 2 stations; and (iii) a policy framework for pricing public and private transport in HCMC to promote a modal shift from private vehicles to public transport. The Project will include capacity development and training to HCMC transport agencies to implement and enforce the new policies and regulations. Additionally, equipment and consulting services will be provided to establish comprehensive multi-modal transport and traffic management modeling systems that will be utilized to develop the detailed pilot schemes to improve public transport integration for the Project.

D. Investment and Financing Plans

15. The overall project is estimated to cost \$65 million, as detailed in Table 1 below, consisting of \$52.7 million in base costs (including local taxes and duties), \$11.8 million for contingencies and \$0.5 million for financing charges during construction. The investment cost will include civil works, systems and equipment and consulting services. Detailed cost estimates are provided in the Project Administration Manual (PAM), section IV.¹³

Table 1: Project Investment Plan
(\$ million)

Item	Total ^a
A. Base Cost^b	
1. MRT Line 2 station accessibility improvements	41.8
2. Public transport information systems	3.1
3. Public transport policy development program	7.8
Sub-total (A)	52.7
B. Contingencies^c	11.8
C. Financial Charge During Implementation^d	0.5
Total (A+B+C)	65.0

^a Includes local taxes and duties of \$3.4 million, to be financed from Government resources.

^b March 2013 prices.

^c Physical contingencies computed at 10% of civil works, systems & equipment, 10% of resettlement. Price contingencies are computed at 1.9% in 2013, 2.2% in 2014, 1.9% in 2015, and 1.8% from 2016 onward on foreign exchange costs, and 7.4% in 2013, 5.7% in 2014, 5.3% in 2015, and 5% from 2016 onwards on local currency costs. Price contingencies are applied to all Base Cost items.

^d Includes interest and commitment charges accrued from both ADB and CTF loans. ADF loan will have 25 year loan period including grace period of 5 years, an interest charge of 2.0% per annum during the grace period and thereafter. CTF loan will have 40 year loan period including grace period of 10 years, an interest charge of 0.25% per annum and management fee of 0.18% on the undisbursed balance of the CTF loan

ADB = Asian Development Bank, ADF = ADB Special Fund, CTF = Clean Technology Fund. MRT = mass rapid transit

Source: Asian Development Bank

16. The government has requested a loan in various currencies equivalent to \$10 million from ADB's Special Funds resources to help finance the project. The loan will have a 25-year term, including a grace period of 5 years, an interest rate of 2.0% per annum during the grace period and thereafter, and such other terms and conditions set forth in the draft loan and project agreements.

17. The CTF will cofinance the project with a loan of \$48.95 million with a 40-year term, including a grace period of 10 years, a management fee of 0.18% per annum on the undisbursed balance of the loan, and an interest charge of 0.25%. ADB will administer the CTF

¹³ Project Administration Manual (accessible from the list of linked documents in Appendix 2).

loan in accordance with the CTF loan agreement between ADB and the government. The financing plan is in Table 2. The government will onlend \$3.8 million to Ho Chi Minh City People's Committee under a subsidiary loan agreement on terms and conditions set forth in the respective loan agreement.

18. The ADB loan will finance civil works and interest during construction.¹⁴ The CTF loan will finance civil works, systems, equipment, consulting services and interest during construction. Counterpart funds will be used for land acquisition and resettlement, taxes and duties, and incremental administration cost.

Table 2: Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Asian Development Fund (loan)	10.00	15.4
ADB Clean Technology Fund (loan) ^a	48.95 ^b	75.4
Government	6.05	9.2
Total	65.0	100.0

^a Financed by ADB Clean Technology Fund. The ADB Clean Technology Fund is administered by the Asian Development Bank

^b A project preparatory grant administration fee of \$50,000 is additionally applied by CTF.
Source: Asian Development Bank

E. Implementation Arrangements

19. The executing agency will be the HCMC People's Committee (HCMC PC) and the implementing agency will be the Urban Transport Management Department No. 1 (UTMD1), under Department of Transport.¹⁵ UTMD1 was established in 2002, has strong leadership, a sound organizational structure and the capability to further develop its institutional capacity to implement and manage an expanding public transport system. UTMD1 will establish a project management unit (PMU) for the Project under the Director, which will be responsible for the day to day management and coordination of implementation of Project activities. The PMU head will ensure compliance with ADB procurement, disbursement and consulting guidelines and ADB safeguard policies. Capacity development in the form of consulting services and training will be provided to strengthen the implementation capacity of the UTMD1 and other relevant public transport agencies. HCMC PC also established the External Financed Project Division, responsible for all internationally financed projects, and this division will have overall Project oversight authority and coordinate directly with other city agencies.

20. The implementation arrangements are summarized in Table 3 and described in detail in the PAM.¹⁶

Table 3: Implementation Arrangements

Aspects	Arrangements
Implementation period	February 2015 – December 2019
Estimated completion date	31 December 2019
Management	
(i) Oversight body	Ho Chi Minh City People's Council, External Financed Project Division

¹⁴ ADB and ADB CTF financing may finance transportation and insurance costs and bank charges.

¹⁵ Department of Transport is an agency under HCMC PC. Although UTMD1 is under the Department of Transport, it will report directly to HCMC PC for implementation of the Project.

¹⁶ Please refer to footnote 13.

Aspects	Arrangements		
(ii) Executing agency	Ho Chi Minh City People's Committee		
(iii) Key implementing agencies	UTMD1		
(iv) Implementation unit	PMU to be set up in UTMD1, 16 staff		
Procurement	International competitive bidding	6 contracts	\$ 32.2 million
	National competitive bidding	1 contract	\$ 3.18 million
Consulting services	QCBS	1262 person-months	\$ 9.2 million
	Individual	36 person-months	\$ 0.2 million
	All consulting services will be provided by ADB Clean Technology Fund loan		
Disbursement	The loan proceeds will be disbursed in accordance with ADB's <i>Loan Disbursement Handbook</i> (2012, as amended from time to time) and detailed arrangements agreed upon between the government and ADB.		

ADB = Asian Development Bank, PMU = project management unit, QCBS = quality- and cost-based selection, UTMD1 = urban transport management department 1

Source: Asian Development Bank.

21. The Project implementation schedule will be closely aligned with the ongoing MRT Line 2 project (footnote 9). Most of the civil works as well as the procurement of systems and equipment will be carried out once the MRT Line 2 station construction work is near completion, particularly for facilities above the underground station.¹⁷ Therefore close coordination is required between the MRT Line 2 implementation agency, Management Authority for Urban Railways, and UTMD1, including their respective contractors and consultants. The HCMC PC External Financed Project Division, chaired by HCMC PC Vice President, will be responsible for both projects, which will ensure a high degree of coordination and cooperation.

III. DUE DILIGENCE

A. Technical

22. The Project's public transport measures and MRT Line 2 station interchange and access facilities are designed to be innovative and replicated in other parts of the city to promote a sustainable public transport system.¹⁸ Pedestrian access within 500m of MRT stations, particularly in the more restrictive local alleyways, will be enhanced through physical improvements to sidewalks, including protection measures for pedestrian safety and support for bicycle usage. Physical measures also include park and ride facilities at several MRT Line 2 stations, bus feeder lines and dedicated parking areas for private vehicles. Non-physical measures such as the station access management system will encompass controls on parking and the use of public space in and around MRT Line 2 stations. A public transport information system will also be introduced to enhance integration between the MRT and bus services.

23. Policies and regulations to promote public transport will be developed under the Project to manage the flow of pedestrians and vehicles around the MRT Line 2 stations. UTMD1 and other transport agencies will be introduced to modern multi-modal transport and traffic modeling

¹⁷ Project works above the underground stations cannot commence until the MRT Line 2 stations reach the final stage of surface level works, including road pavement reinstatement.

¹⁸ CTF funding criteria for potential to save GHG emissions directly and indirectly through demonstration, replication and scaling up of the application of energy-saving technologies and systems at acceptable costs.

tools to enable development of advanced solutions to urban transport problems. The new policies and regulations, combined with institutional capacity building measures, will focus on the benefits of a multi-modal and integrated public transport system. The combination of physical infrastructure and support for policy, regulatory and institutional reforms under the Project is expected to increase ridership on MRT Line 2 by over 10% and reduce GHG emissions by over 15%.

B. Economic and Financial

24. The main economic benefits are the reduction of travel time for MRT users, through improved access and egress at stations, less congestion around stations and improved comfort and convenience, and vehicle operating cost savings due to modal switching. Benefits of reduced road decongestion, environmental externalities and fatalities arising from avoided private vehicle travel are important minor benefits. The economic analysis found that the project economic internal rate of return (EIRR) is 13.2% and economic net present value discounted at 12% is \$4.3 million. It was found that the EIRR remains equal to or above 12% if capital costs rise by not more than 15% above the base case value, representing the most likely value used in the analysis. For benefits, it was found that the EIRR does not drop below 12% provided benefits fall by no more than 15% from the base case value. In the possible event of project capital costs rising by 10% and at the same time the project benefits falling 10% below the most likely value, the EIRR still remains at above 12%. The solid economic viability is largely attributable to the high projections for MRT Line 2 passenger who will use the facilities, equipment and systems of this Project.

25. The project is evaluated to have a financial internal rate of return of 2.2%, above the weighted average cost of capital of 0.4%, which is largely due to revenue capture from passengers using MRT Line 2 stations and the very low cost of capital under the ADB CTF loan. Use of CTF financing decreases the weighted cost of capital by 1.1%. However, the financial sustainability of the public transport system faces challenges of cost recovery and revenue capture, for which essential policy, regulatory and institutional reforms will be developed and implemented through the public transport policy development program. The government indicated that about 7% of the Project cost, comprising equipment and systems, would be on-lent to HCMC PC, which would be repaid through local city resources. The HCMC city budget is financed directly through national¹⁹ and city taxes, duties and other revenue sources, and HCMC's development budget will be at least \$500 million per annum during the project implementation period. Additionally, since the principle of a balanced local budget operates, HCMC will assign a share of the public transport funding that is within the city's budget resources for operation and maintenance of the Project components.

C. Governance

26. Loan disbursement will be in accordance with ADB's *Loan Disbursement Handbook* (2012 as amended from time to time), and detailed arrangements between the government, HCMC PC and UTMD1. UTMD1 will maintain separate financial records and accounts to identify financing resources received and project expenditures, including goods, works, and services financed out of the loan proceeds and local funds. The loan accounts and related financial statements will be audited annually in accordance with sound auditing standards by an

¹⁹ The city retains 28% of all national revenue against future budgetary support transfers from Ministry of Finance.

auditor acceptable to ADB, and made public. Further details on disbursement, auditing and financial management are provided in the PAM, Section V.²⁰

27. The financial management assessment found that UTMD1 has acceptable financial management capacity and experience with regard to managing and implementing similar projects, but limited experience and knowledge of ADB's financial management requirements. To improve the financial management capacity for implementing the project, UTMD1 will engage external financial management consultants to provide support and assistance to PMU in respect to all aspects of financial management for the project. The financial management consultants will also provide trainings on ADB loan disbursement procedures and financial management practices to the accounting staff in the PMU. In addition, and if needed, UTMD1 will recruit and/or mobilize extra accountants to ensure sufficient accounting staff in place to support the financial management during project implementation.

28. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government, HCMC PC and UTMD1. The specific policy requirements and supplementary measures are described in the PAM.²¹

D. Poverty and Social

29. A social action plan based on the social impact assessment has been prepared for the Project. Public transport users, especially women, students, children, and older people, are expected to benefit the most from improved public transport accessibility and integration. Local economies are expected to benefit as improved urban areas around MRT line 2 stations and affordable public transport fares will create business opportunities, reduce congestion, and improve quality of life. Project districts will benefit from temporary construction jobs and local employment in operations and maintenance.

30. The potential adverse social impacts from the project are increased risk of Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome (HIV/AIDS) with the influx of construction workers. Safety risks for the communities along the road are also expected to increase with higher concentrations of pedestrians near stations. Pedestrian safety risks will be mitigated through the provision of footbridges and pedestrian subways as well as traffic controls around the stations. The detailed design will follow universal accessibility and pedestrian safety considerations.

31. The Project is categorized as Effective Gender Mainstreaming A Gender Action Plan (GAP), is detailed in PAM Section VIII. The GAP ensures among others : (i) gender friendly design to improve MRT Line 2 station accessibility , including: women-only waiting spaces at the bus terminal, adequate lighting around stations, bus stops and walkways; separate toilets for women; spaces allocated for women vendors to operate in/ around the stations and terminal; (ii) 20% of civil works and 30% of O&M jobs in street management, attendants and security are provided to women; (iii) that the public transport information system and scheduling is developed based on a gender analysis of transport patterns/ needs and provides trip schedules linked to other types of multi modal public transport, to support accessibility; and (iv) that multi-modal public transport ticket pricing are integrated in timetable and ticketing systems and considers various modalities to support affordability and increase access., eg., passes, reduction of fares during off-peak hours; flat rates, etc.

²⁰ Please refer to footnotes 13 and 16.

²¹ Please refer to footnotes 13, 16 and 20.

E. Safeguards

32. Under the ADB and CTF framework agreement, ADB Safeguard Policy Statement (2009) (SPS) requirements will apply to all CTF financed components. The Project is assessed as category B for environment. The draft initial environmental examination (IEE),²² which has been prepared based on ADB SPS, has been reviewed by ADB and is being revised. The final IEE will be disclosed on ADB website upon receipt from HCMC PC. There are no natural ecosystems in the project area. The locality is heavily populated and land uses are predominantly commercial and residential. The Project will not involve major civil works and is not likely to result to significant adverse environmental impacts during construction and operation phases. Public consultations involving affected people have been conducted during IEE preparation in compliance with ADB's information disclosure and consultation requirements. UTMD1 will ensure that the environmental management plan is included in all bid and contract documents for civil works.

33. A grievance redress mechanism will be established prior to commencement of site works. The construction supervision consultant will conduct environmental management training for UTMD1 in the areas of monitoring and reporting, and will assist UTMD1 in monitoring the environmental performance of contractors.

34. The Project is assessed as category B for Involuntary Resettlement. Land acquisition requirements total an estimated 1.6 hectare of government owned land, and there is no affected land owned by individuals or households. Impacted businesses are located near three MRT Line 2 stations. An estimated 63 businesses (road side stalls and small shops) with their 77 employees will be affected; and 2 gas stations owned by the Government army with 23 employees will be affected by the Project.

35. A Resettlement Plan (RP) has been prepared consistent with ADB Safeguard Policy Statement, as well as relevant Vietnam legislation and policies. The draft RP was posted on the ADB website on 1 August 2013 and will be updated following detailed design. Compensation will be provided for affected businesses at replacement cost, as well as transitional assistance and relocation assistance. One workshop in March 2013 and 9 consultation meetings were conducted with the affected business owners and employees in December 2012, January 2013 and July 2013, at which 283 people participated. The meetings outlined key elements of the RP such as overview of the project, anticipated impacts, mitigation measures, entitlements, consultation, and the grievance redress mechanism. In July 2013, key information in the draft RP were disclosed to all 65 affected business establishments. The agreed RP will be made available in the district offices and on ADB's website. All social monitoring reports will be disclosed. The project is assessed as Category C for indigenous peoples' safeguards.

36. UTMD1 will be responsible for ensuring compliance with ADB safeguards policies during updating, implementation, and monitoring. UTMD1 will work closely with and provide capacity building to HCMC PC and districts boards, and wards. The resources to conduct such capacity building will be included in the design and construction supervision contract.

²² Draft Initial Environmental Examination (accessible from the list of linked documents in Appendix 2).

F. Risks and Mitigating Measures

37. The Project will have several implementation risks, as it involves innovative public transport measures and has multiple interfaces with contracts of other projects that could cause implementation delays. These risks will be mitigated through provision of independent teams of international experts to UTMD1 for development of designs, specifications and project management for the duration of contract implementation. In response to UTMD1's limited experience with ADB guidelines and policies, mitigation measures to address associated public financial management and procurement risks, as detailed in the PAM, will require careful monitoring to ensure effective implementation of proposed support measures.

38. The Project must respond to the key risk of being sequenced with implementation progress of the MRT Line 2, due to the eligibility requirement for CTF financing, and this risk will be mitigated through the government's institutional arrangements, project management consulting services and close coordination with development partners supporting public transport investments in HCMC. As the viability of the Project relies heavily on MRT Line 2 achieving estimated patronage levels, a key risk is insufficient government commitment to implement the policy and regulatory reforms under the Project to promote a significant modal shift from private to public transport. The risk will be mitigated by providing advisory services, training and complimentary infrastructure improvements under the project to modernize and integrate the public transport system prior to commencing MRT Line 2 operation. The HCMC PC is planning to modernize the city's bus fleet and its operations to provide efficient linkages with the new MRT lines, and is expected to implement similar integration measures on other MRT lines. HCMC PC is responsible for ensuring that integrated bus services are developed on a timely basis. Major risks and mitigating measures are described in detail in the risk assessment and risk management plan.²³ Overall, benefits and positive impacts are expected to outweigh any mitigation costs.

IV. ASSURANCES AND CONDITIONS

39. The government and the Ho Chi Minh City People's Committee have assured ADB that implementation of the project shall conform to all applicable ADB policies including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the project administration manual and loan documents.

40. The government and the Ho Chi Minh City People's Committee have agreed with ADB on certain covenants for the project, which are set forth in the loan and project agreements.

41. The following conditions for effectiveness are expected for the Project;

(i) the CTF loan agreement shall have been duly executed and delivered on behalf of the government, and all conditions precedent to its effectiveness shall have been fulfilled;

(ii) the Special Operations loan agreement shall have been duly executed and delivered on behalf of the government, and all conditions precedent to its effectiveness shall have been fulfilled;

(iii) the subsidiary loan agreement shall have been duly executed and delivered on behalf of the government and the Project executing agency upon terms and conditions

²³ Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

satisfactory to ADB, and all conditions precedent to its effectiveness shall have been fulfilled; and

(iv) the Project agreement shall have been duly executed and delivered on behalf of HCMC PC, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of the loan agreement) shall have been fulfilled.

V. RECOMMENDATION

42. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve

- (i) the loan in various currencies equivalent to \$10 million to the Socialist Republic of Viet Nam for the Sustainable Urban Transport for the Ho Chi Minh City Mass Rapid Transit Line 2 Project, from ADB's Special Funds resources, with an interest charge at the rate of 2% per annum during the grace period and thereafter; for a term of 25 years, including a grace period of 5 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan and project agreements presented to the Board; and
- (ii) the administration by ADB of a loan not exceeding the equivalent of \$48.95 million to the Socialist Republic of Viet Nam for the Sustainable Urban Transport for the Ho Chi Minh City Mass Rapid Transit Line 2 Project to be provided by the ADB Clean Technology Fund.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact An integrated and sustainable public transport system in six districts of HCMC</p>	<p>Public transport percentage share in all six districts increases from 7% in 2013 to 15% by 2022.</p>	<p>Government statistical publications by district Public transport operator statistics</p>	<p>Assumptions Implementation of other planned MRT lines as scheduled.</p> <p>Risks Public resistance to constraint of private vehicle usage</p>
<p>Outcome Improved access to MRT Line 2 stations and connectivity with other modes of public transport.</p>	<p>Quality of MRT Line 2 access and public transport services improved from 30% to above 75% satisfaction by 2019 for males, females and persons with disabilities</p> <p>Reduction of greenhouse gas emissions by 586,500 tons carbon dioxide equivalent over project lifetime</p>	<p>Independent public opinion survey by public transport authority.</p> <p>Benefit Monitoring and Post-Evaluation reports</p>	<p>Assumptions Government resources are available to operate and maintain MRT Line 2</p> <p>Acceptance of public transport modes</p> <p>Risks Integrated services are not planned, implemented and operated efficiently.</p>
<p>Outputs 1. Improved MRT Line 2 station accessibility</p>	<p>All MRT Line 2 accessibility measures for stations and local communities, including gender sensitive features, are completed by 2019</p> <p>Station access management system implemented by 2019</p>	<p>Progress Reports</p> <p>Project Review Mission Reports</p> <p>Project Completion Reports</p>	<p>Assumptions Timely completion of MRT Line 2 station works</p> <p>Risks Problems arising from limited experience of implementing urban transport improvements for creating an integrated transport system</p>
<p>2. Establishment of public transport information systems</p>	<p>Public transport information system linked to MRT Line 2 stations operational by 2018, including gender sensitive measures</p>	<p>Progress Reports</p> <p>Project Review Mission Reports</p>	<p>Assumptions Timely provision of system equipment by bus operators</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks																								
3. Relevant public transport policy developed	<p>Station access management system developed by 2016</p> <p>Parking strategy developed by 2016 and pilot for MRT Line 2 stations implemented by 2018</p> <p>Development of a urban transport pricing framework by 2016, guided by gender assessment, and approval of required policies or regulations by 2018</p>	<p>Progress Reports</p> <p>Project Review Mission Reports</p> <p>Project Completion Reports</p> <p>Training assessment reports</p>	<p>Assumptions</p> <p>Government demonstrates leadership to coordinate various stakeholders</p> <p>Risks</p> <p>Ineffective parking restrictions and enforcement</p> <p>Public resistance to increased costs for private vehicle transport</p>																								
<p>Activities with Milestones</p> <p>1.1 All detailed design completed by December 2015</p> <p>1.2 Civil works and systems contracts awarded by October 2016 and all works completed by April 2019</p> <p>1.3 Land Acquisition – any land acquisition and resettlement identified completed by December 2015</p> <p>1.4 Design of staged public transport services completed by August 2015, and all services operational by December 2018</p> <p>2.1 Public transport information system developed by July 2015 and operational by November 2017</p> <p>3.1 Station access management system approved by March 2016</p> <p>3.2 Parking policy developed by June 2016 and pilot schemes trialed by December 2018</p> <p>3.3 Agreement of proposed urban transport policy and regulatory measures by June 2016 and all enacted regulations by December 2018</p>		<p>Inputs</p> <p>ADB: \$10 million ADF</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Amount (\$ million)</th> </tr> </thead> <tbody> <tr> <td>Civil works:</td> <td>7.60</td> </tr> <tr> <td>Other</td> <td>2.40</td> </tr> </tbody> </table> <p>ADB CTF: \$48.95 million</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Amount (\$ million)</th> </tr> </thead> <tbody> <tr> <td>Civil works</td> <td>27.60</td> </tr> <tr> <td>Systems and equipment</td> <td>4.10</td> </tr> <tr> <td>Consulting services:</td> <td>7.50</td> </tr> <tr> <td>Other</td> <td>9.75</td> </tr> </tbody> </table> <p>Government: \$6.05 million</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Amount (\$ million)</th> </tr> </thead> <tbody> <tr> <td>Taxes and duties</td> <td>3.40</td> </tr> <tr> <td>Land acquisition:</td> <td>1.10</td> </tr> <tr> <td>Incremental administration:</td> <td>1.55</td> </tr> </tbody> </table>		Item	Amount (\$ million)	Civil works:	7.60	Other	2.40	Item	Amount (\$ million)	Civil works	27.60	Systems and equipment	4.10	Consulting services:	7.50	Other	9.75	Item	Amount (\$ million)	Taxes and duties	3.40	Land acquisition:	1.10	Incremental administration:	1.55
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ADB = Asian Development Bank, ADB CTF = ADB Clean Technology Fund, ADF = ADB Special Funds, HCMC = Ho Chi Minh City, MRT = mass rapid transit
Source: Asian Development Bank

JAMES LYNCH
Director, SETC

JAMES NUGENT
Director General, SERD

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=XXXXX-XX-3>

1. Loan Agreements
2. Project Agreement
3. Sector Assessment (Summary)
4. Project Administration Manual
5. Contribution to the ADB Results Framework
6. Development Coordination
7. Financial Analysis
8. Economic Analysis
9. Country Economic Indicators
10. Summary Poverty Reduction and Social Strategy
11. Gender Action Plan
12. Initial Environmental Examination
13. Resettlement Plan
14. Risk Assessment and Risk Management Plan

Supplementary Documents

15. Technical Assessment