



Report and Recommendation of the President to the Board of Directors

Project Number: 43393-023
January 2015

Proposed Loan Socialist Republic of Viet Nam: Ho Chi Minh City Third Ring Road Technical Assistance Project

Distribution of this document is restricted until it has been approved by the Board of Directors. Following such approval, ADB will disclose the document to the public in accordance with ADB's Public Communications Policy 2011

CURRENCY EQUIVALENTS

(as of 30 January 2015)

Currency unit	–	dong (D)
D1.00	=	\$0.0000468
\$1.00	=	D21,355

ABBREVIATIONS

ADB	–	Asian Development Bank
CIPM	–	Corporation for Investment, Development, and Project Management of Infrastructure
CMDRCP	–	Central Mekong Delta Region Connectivity Project
COBP	–	country operations business plan
EIA	–	environmental impact assessment
HCMC	–	Ho Chi Minh City
km	–	kilometer
MOT	–	Ministry of Transport
PAM	–	project administration manual
RR3	–	third ring road
TA	–	technical assistance

NOTE

In this report, “\$” refers to US dollars.

Vice-President	S. Groff, Operations 2
Director General	J. Nugent, Southeast Asia Department (SERD)
Director	H. Iwasaki, Transport and Communications Division (SETC), SERD
Team leader	A. Ahonen, Transport Specialist, SERD
Team members	G. Bade, Project Analyst, SERD M. Buendia, Senior Safeguard Specialist (Resettlement), SERD O. Domagas, Financial Control Specialist, Controller’s Department M. Javier, Senior Projects Assistant, SERD K. Leung, Finance Specialist, SERD L. Loan, Operations Assistant, Viet Nam Resident Mission (VRM), SERD C. Pak, Counsel, Office of the General Counsel L. Thang, Senior Project Implementation Officer, VRM, SERD A. Velasquez, Safeguard Specialist (Environment), SERD
Peer reviewers	T. Duncan, Director concurrently Practice Leader (Transport), East Asia Department N. Singru, Principal Transport Specialist, Central and West Asia Department

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

CONTENTS

	Page
PROJECT AT A GLANCE	
I. THE PROPOSAL	1
II. THE PROJECT	1
A. Rationale	1
B. Impact and Outcome	2
C. Outputs	2
D. Investment and Financing	2
E. Implementation Arrangements	4
III. DUE DILIGENCE	5
A. Technical	5
B. Economic and Financial	6
C. Governance	7
D. Poverty and Social	7
E. Safeguards	8
F. Risks and Mitigating Measures	9
IV. ASSURANCES	9
V. RECOMMENDATION	10
APPENDIXES	
1. Design and Monitoring Framework	11
2. List of Linked Documents	14

PROJECT AT A GLANCE

1. Basic Data		Project Number: 43393-023	
Project Name	Ho Chi Minh City Third Ring Road Technical Assistance Project	Department /Division	SERD/SETC
Country Borrower	Viet Nam, Socialist Republic of Viet Nam, Socialist Republic of	Executing Agency	Ministry of Transport
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Transport	Road transport (non-urban)		12.58
		Total	12.58
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change impact on the Project	Low
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Private sector development (PSD)	Public sector goods and services essential for private sector development	No gender elements (NGE)	✓
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Urban	High
6. Risk Categorization:	Low		
7. Safeguard Categorization	Environment: C Involuntary Resettlement: C Indigenous Peoples: C		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		12.58	
Sovereign TA loan: Asian Development Fund		12.58	
Cofinancing		0.00	
None		0.00	
Counterpart		0.63	
Government		0.63	
Total		13.21	
9. Effective Development Cooperation			
Use of country procurement systems		No	
Use of country public financial management systems		No	

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed loan to the Socialist Republic of Viet Nam for the Ho Chi Minh City (HCMC) Third Ring Road (RR3) Technical Assistance Project. The design and monitoring framework is in Appendix 1.

II. THE PROJECT

2. The project will prepare (i) a detailed design and detailed design appraisal, environmental and social safeguard documents, and bidding and contract documents for the Tan Van–Nhon Trach section of the HCMC RR3 (28.4 kilometers [km]) and an extension road to National Highway 1 (5.9 km); and (ii) detailed feasibility studies and environmental and social safeguard documents, including social impact assessment, environmental impact assessment, and resettlement plans, for the National Highway 22–Binh Chuan section (17.5 km) and Ben Luc–National Highway 22 section (29.2 km) of the HCMC RR3. Collectively these comprise the RR3 project sections. The small-scale project preparatory TA study,¹ completed in December 2012, confirmed that the RR3 project sections in the first phase require a controlled-access four-lane toll expressway and free-access two-lane service roads on both sides of the expressway. The estimated total investment cost for the three remaining sections of the RR3 is about \$2.2 billion. Ministry of Transport (MOT) and the provincial authorities plan to seek and mobilize this amount from official development assistance, counterpart funding, and domestic and foreign investors during 2015–2020.²

A. Rationale

3. HCMC is the largest city in Viet Nam, with a population in its greater urban area of over 9 million, which is expected to grow to 13.8 million by 2025. The metropolitan area is the primary engine for Viet Nam's economic development, accounting for nearly 40% of the country's gross domestic product. The integrated management of the urban expansion of HCMC and its adjoining provinces is viewed as the key to the sustainable growth of the city-region. However, due to rapid traffic growth and low road densities, many major roads and highways in the project area have reached their capacity; the resulting severe traffic congestion and rising logistical costs pose serious constraints to HCMC's continued economic growth and competitiveness. The existing RR2, with a length of 55 km, is no longer able to provide the needed capacity. Therefore, construction of two further ring roads, i.e., RR3 and RR4 on the periphery of HCMC is the government's strategic priority and included in the HCMC transport master plan.³

4. The proposed HCMC RR3, to be constructed at a radius of about 25 km from the city center, will facilitate the diversion of through traffic and reduce traffic congestion in HCMC. The RR3 will also improve connectivity with the surrounding cities and towns, and help reduce transport costs and travel times for the movement of passengers and goods in and around HCMC. Once operational, it will relieve stress from other arterial routes and provide needed capacity. HCMC is also a hub for the primary regional and national transport corridors, such as

¹ ADB. 2010. *Technical Assistance to the Socialist Republic of Viet Nam for Preparing the Ho Chi Minh City Outer Ring Roads Project*. Manila.

² The government has requested Korea Eximbank to finance parts of the Tan Van–Nhon Trach section in the amount of \$200 million. Currently \$200 million for this section has been earmarked from the Asian Development Bank's ordinary capital resources in 2016.

³ The HCMC Transport Master Plan was approved in Decision 568/QD-TTg by the Prime Minister on 8 April 2013. The Detailed Master Plan for RR3 was approved in Decision 1697/QD-TTg by the Prime Minister on 28 September 2011 and corresponds with the HCMC Master Plan.

the Greater Mekong Subregion eastern and southern corridors, and the national North–South Expressway. The Asian Development Bank (ADB), together with other development partners, has provided assistance to develop these radial corridors, which will be linked together via the HCMC RR3.⁴ The proposed RR3 is expected to sufficiently address the traffic capacity needs at least up to 2020. Consideration for a RR4 or a viaduct above the RR3 may then become necessary. .

5. Considering the complexity of the HCMC RR3 investment project in terms of social and environmental, as well as technical and financial aspects, with plans for private sector involvement, the government is facing constraints in its capacity to develop the project independently without any external support. To help implement its strategy, and to engage ADB as the potential financier for the ensuing investment project, the government has requested ADB to provide a TA Project to ensure the investment project's design readiness, update cost estimates, as well as identify feasible financing options for the three project sections of the HCMC RR3. The TA Project has been included in ADB's country operations business plan (COBP), 2013–2015,⁵ with the ensuing HCMC RR3 investment project in COBP, 2015–2017⁶ as standby for 2017. The feasibility study, including the basic design for the Tan Van–Nhon Trach section, was prepared in 2012 under financing from the Export-Import Bank of Korea.⁷ The TA Project's outline was approved by the Prime Minister on 27 March 2013.⁸ The TA Project is in line with ADB's country partnership strategy, 2012–2015 for Viet Nam, which focuses on assisting the country's transport sector in improving its institutional, financial, and operational efficiency to maintain sufficient transport infrastructure, including provincial roads, national highways, and expressways, and to improve road safety.⁹

B. Impact and Outcome

6. The impact of the project will be enhanced construction of the HCMC RR3, contributing to reduced traffic congestion in and improved connectivity of HCMC with surrounding cities and towns. The outcome will be the design readiness of the HCMC RR3 project for financing.

C. Outputs

7. The outputs of the project will be (i) completed detailed feasibility and social safeguard studies for the Ben Luc–National Highway 22 and National Highway–Binh Chuan sections; and (ii) updated due diligence, completed detailed design, and project and safeguard documents required to finance construction of the Tan Van–Nhon Trach section and extension road to National Highway 1.

D. Investment and Financing

8. The project is estimated to cost \$13.21 million, inclusive of local taxes, contingencies and financing charges during development. The investment plan is summarized in Table 1.

⁴ The ADB-financed Greater Mekong Subregion Ben Luc–Long Thanh Expressway Project connects with the Ben Luc (ending point of the RR3) to Nhon Trach (starting point of the RR3).

⁵ ADB. 2012. *Country Operations Business Plan: Viet Nam, 2013–2015*. Manila.

⁶ ADB. 2014. *Country Operations Business Plan: Viet Nam, 2015–2017*. Manila.

⁷ Korea Eximbank. 2012. *Feasibility Study for Tan Van–Nhon Trach Construction Investment Project Ring Road No. 3*. Ho Chi Minh City.

⁸ Government of Viet Nam. 2013. *Document No. 459/TTg-QHQT*. Ha Noi.

⁹ ADB. 2011. *Country Partnership Strategy: Viet Nam, 2012–2015*. Manila.

Detailed cost estimates by expenditure category by financier are included in the project administration manual (PAM).¹⁰

9. The government has requested a loan in various currencies equivalent to SDR8.47 million (\$12.58 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. The government will make the total loan amount of \$12.58 million available to MOT on a grant basis.

10. The government will provide the counterpart funds of \$0.63 million, which covers about 4.8% of the project costs, to finance the value-added tax on the consulting services for the feasibility study, detailed design appraisal, road safety audit, independent audit of project finance accounts, and the project management cost. The counterpart funds will also cover parts of the contingency amount. The project financing plan is in Table 2.

11. The government has requested that ADB finance part of the taxes. The eligibility of taxes for ADB financing was determined through a due diligence assessment, and followed the Viet Nam country partnership strategy recommendation for financing taxes that apply to ADB-financed expenditures.¹¹ Based on the results of the assessment, ADB concluded that all eligibility criteria had been met.

Table 1: Project Investment Plan
SDR million (\$ equivalent)

Item	Amount ^a
A. Base Cost	
1. Consulting services	6.20 (9.51)
a. Feasibility and social/safeguards study	1.72 (2.81)
b. Detailed design	4.16 (6.18)
c. Design appraisal and roads safety audit	0.28 (0.46)
d. Independent audit of project finance accounts	0.04 (0.06)
2. Project management cost ^b	0.59 (0.97)
Subtotal (A)	6.79 (10.48)
B. Contingencies^c	1.12 (1.90)
C. Financing Charges During Implementation^d	0.56 (0.83)
Total (A+B+C)	8.47 (13.21)

^a Includes taxes and duties of \$0.96 million. The Asian Development Bank (ADB) will finance 100% of the value-added tax for the detailed design only (\$0.56 million). Government funds will cover 100% value-added tax for consulting services for the feasibility study (\$0.26 million), design appraisal and road safety audit (\$0.04 million), independent audit of project finance accounts (\$0.06 million), and the project management cost (\$0.09 million) as a cash contribution.

^b This includes salaries of Cuu Long Corporation for Investment, Development, and Project Management of Infrastructure staff, transportation expenses, communication and reporting, office overhead costs such as electricity and water, and other administrative expenses. These expenditures will be claimed through the reimbursement procedure against receipts for actual expenses.

^c Physical contingencies computed at 10%. 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 7.5% in 2013, 8.2% in 2014, 8.0% in 2015, and 7.5% from 2016 onwards on local currency costs. Price contingencies are applied to all base cost items and include provision for potential exchange rate fluctuations under the assumption of a purchasing power parity exchange rate.

¹⁰ Project Administration Manual (accessible from the list of linked documents in Appendix 2).

¹¹ The following principles apply to ADB financing of taxes and duties: (i) the amount is within the reasonable threshold identified during the country partnership strategy preparation process, (ii) the amount does not represent an excessive share of the TA project's investment plan, (iii) the taxes and duties apply only to ADB-financed expenditures, and (iv) the financing of the taxes and duties is material and relevant to the success of the project.

^d Includes interest and commitment charges. Asian Development Bank (Asian Development Fund): 5-year grace and 25-year loan period, with an interest charge of 2.0% per annum during the loan tenor. Interest during construction will be financed by ADB.

Source(s): ADB and Cuu Long CIPM estimates.

Table 2: Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Special Funds resources (loan)	12.58	95.2
Government	0.63	4.8
Total	13.21	100.0

Source: ADB estimates.

E. Implementation Arrangements

12. MOT will be the executing agency and Cuu Long Corporation for Investment, Development and Project Management of Infrastructure (CIPM) will be the implementing agency for the project. Cuu Long CIPM, on behalf of MOT, will carry out all day-to-day activities, including recruitment of consultants, under the project. The project implementation arrangements are summarized in Table 3 and detailed in the PAM (footnote 9). The HCMC RR3 will pass through HCMC, Dong Nai, Binh Duong, and Long An provinces. The peoples' committees of HCMC and the three provinces have the primary responsibility for land acquisition and resettlement activities on the respective road sections under the provincial authority. Cuu Long CIPM will collaborate with the provincial people's committees on detailed design and preparation of resettlement plans to ensure that the project section designs are in line with the city and provincial transport master plans and address the needs of the local communities. A project stakeholder panel will be established to ensure effective coordination of project activities. Representatives from MOT, the Ministry of Planning and Investment, Ministry of Finance, State Bank of Viet Nam, financiers, people's committees of Ho Chi Minh City and the provinces of Dong Nai, Binh Duong, and Long An, and other central government agencies will be invited as panelists as required. The panel will have regular meetings based on the needs of the project.

13. Cuu Long CIPM, assisted by the project implementation consultants, will establish systematic project performance monitoring and analysis throughout the life of the project in accordance with the project design and monitoring framework and ADB's relevant guideline.¹² The project performance monitoring and evaluation surveys will be carried out at the midpoints of implementation and 6 months after completion.

Table 3: Implementation Arrangements

Aspects	Arrangements
Implementation period	April 2015–June 2017
Estimated completion	30 June 2017
Management	
(i) Executing agency	MOT
(ii) Project coordination unit	Cuu Long CIPM
(iii) Key implementing agency	Cuu Long CIPM
(iv) Implementation unit	Cuu Long CIPM RR3 TA project implementation unit

¹² ADB. 2007. *Project Performance Management System: Guidelines for Preparing a Design and Monitoring Framework*. Manila.

Aspects	Arrangements		
Consulting services for detailed design , preparation of safeguards documents, procurement and project documentation for Tan Van–Nhon Trach section of the RR3 and an extension road to NH1	Firm, International, QCBS 90:10, FTP	138 person-months of international and 308 person-months of national consulting services	\$6.18 million (inclusive of VAT)
Consulting services for feasibility studies and preparation of safeguards documents for Ben Luc–NH22 and NH22–Binh Chuan sections of the RR3	Firm, International, QCBS 90:10, FTP	67 person-months of international and 166 person-months of national consulting services	\$2.81 million (inclusive of VAT)
Consulting services for detailed design appraisal and road safety audit	Firm, International, QCBS 90:10, BTP	17 person-months of international and 18 person-months of national consulting services	\$0.46 million (inclusive of VAT)
Consulting services for independent audit of the EA/IA's project accounts	Firm, international or national, LCS	Lump sum	\$0.06 million (inclusive of VAT)
Advance contracting	Advance contracting after ADB's quality assurance meeting (SRM)		
Disbursement	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 between the government and ADB.		

ADB = Asian Development Bank, BTP = biodata technical proposal, CIPM = Corporation for Investment, Development, and Project Management for Infrastructure, FTP = full technical proposal, LCS = least cost selection, MOT = Ministry of Transport, NH = national highway, QCBS = quality and cost-based selection, RR3 = third ring road, SRM = staff review meeting, TA = technical assistance, TBD = to be determined, VAT = value-added tax.
Sources: ADB, Cuu Long CIPM, MOT.

14. In addition to the biannual project review missions, ADB will field other specific missions to ensure timely and effective project implementation. First, an inception review mission will be fielded to review the recruitment of consultants and address existing or anticipated project implementation issues identified by Cuu Long CIPM. Second, a midterm review will be undertaken during the preparation of the detailed design, feasibility studies, and social and environmental studies that will assess achievements and overall progress in project implementation. A project completion review mission will be fielded after project completion.

15. All project information will be disclosed in accordance with ADB's Public Communications Policy 2011.

III. DUE DILIGENCE

A. Technical

16. The proposed alignment for the Tan Van–Nhon Trach section and extension road to National Highway 1 prepared under the Export-Import Bank of Korea-financed feasibility studies was selected on the basis of engineering difficulty, construction cost, and social and environmental impacts. The government has consulted HCMC, Binh Duong, Dong Nai and Long An provinces to confirm the alignment and feasibility study findings.

17. In the first phase, the RR3 project sections will comprise a four-lane expressway, with two-lane service roads on both sides of the expressway, and a maximum total right-of-way width of 67 meters –74.5 meters.¹³ An additional four-lane expressway is proposed to be constructed in the future to meet RR3 traffic demand in 2030 by building a viaduct structure in the middle of the RR3, which will result in lower land acquisition and resettlement costs than if a ground level expressway was constructed. This detail will be finalized in the feasibility report.

18. Future efficient operation of the service roads along the RR3 will be important for local public bus transportation, and local short-distance traffic, including motorized and non-motorized vehicles, and pedestrians. This will be taken into account in the preparation of the detailed designs under the TA Project by giving consideration to urban transportation facilities such as bus stops and public parking areas. Furthermore, overpass and underpass structures to cross the RR3, and intersections and interchanges (with existing routes and those currently under construction) will be designed in response to local traffic and travel demands, ensuring connectivity in line with national and provincial transport master plans.

19. In addition to technical, financial, economic and safeguards due diligence, the feasibility studies will include preparation of a climate change assessment for both the National Highway 22–Binh Chuan and the Ben Luc–National Highway 22 sections of the RR3, including the following: (i) overseeing and coordinating the implementation of a draft strategy for vulnerability, impact, and adaptation assessments for the two road sections; (ii) identifying and discussing the adaptation objective with all relevant stakeholders; (iii) synthesizing vulnerability and impact information collected by other members of the team into the decision matrix provided by ADB; (iv) organizing and leading multi-stakeholder consultations to identify and prioritize adaptation options based on an economic assessment, in addition to any other prioritization conditions identified (i.e., through multi-criteria analysis); (v) recommending adaptation options in a presentation to the government, ADB, and other relevant stakeholders; (vi) ensuring integration of adaptation components into the project design; and (vii) identifying additional training needs, indicators for monitoring, and funding for adaptation components as needed.

B. Economic and Financial

20. The economic assessment prepared under the TA for Preparing the Ho Chi Minh Outer Ring Roads Project (footnote 1) shows that the ensuing RR3 project is economically viable, with an economic internal rate of return of 16.6%. The net present value of net benefits using a discount rate of 12% is \$878 million. The financial viability of and financing options for the HCMC RR3 investment are not conclusive at this stage. The TA consultants' presentation during the loan fact-finding mission in November 2013 indicated the financial internal rate of return of the HCMC RR3 would be 10.4%–13.7%, which would make the project potentially attractive to financial investors (depending on their respective cost of capital). However, there are discrepancies between these and earlier figures. Therefore, a detailed financial analysis that thoroughly examines the financial viability of each project section of the HCMC RR3 investment is needed. The TA Project will reassess the economic and financial viability of the ensuing investment project. Moreover, the financial analysis under the TA Project will explore and identify feasible financing options for the HCMC RR3 investment, including a standalone project loan, multitranches financing facility, and private sector investment.

¹³ Government of Viet Nam. 2013. *Decree 100/2013/ND-CP*. Ha Noi. The safety zone is 17 meters from the toe of the expressway embankment in rural areas and 10 meters from the edge of the pedestrian sidewalk in urban areas.

C. Governance

21. MOT as the executing agency and Cuu Long CIPM as the implementing agency are found to have adequate procurement management capacity and capability for project implementation. MOT and Cuu Long CIPM have extensive experience implementing externally financed projects. Cuu Long CIPM is currently implementing the Central Mekong Delta Region Connectivity Project (CMDRCP), financed by ADB,¹⁴ for which it has mobilized 12 staff members from four different divisions (five from the Investment and Business Division, four from the Cao Lanh Bridge Management Division, two from the Financial and Accounting Division, and one from the Cuu Long CIPM Hanoi Branch Office). Cuu Long CIPM plans to mobilize a total of seven staff members for the HCMC RR3 TA Project who are not involved in the CMDRCP (three from Investment and Business Division, one from Financial and Accounting Division, one from its Hanoi Branch Office, and two from the RR3 Project Management Division). Furthermore, a comprehensive capacity-building training program for Cuu Long CIPM is included in the ongoing CMDRCP. This training will further improve the skills of Cuu Long CIPM staff in procurement and project administration.

22. Cuu Long CIPM is found to have adequate financial management capacity and capability for project implementation, and is sufficiently staffed with experienced accountants. Given that the accounting staff in Cuu Long is experienced in and familiar with financial management practices for projects funded by ADB, and that Cuu Long CIPM has sound financial accounting, reporting, auditing, and internal control systems, the financial management arrangements are considered capable of and adequate for implementing the project.

23. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and MOT. The specific policy requirements and supplementary measures are described in the PAM (footnote 9).

24. 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 and ADB.

25. Cuu Long CIPM will maintain separate financial records and accounts adequate 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 auditor acceptable to ADB. Cuu Long CIPM shall prepare and submit annual audited reports and related financial statements to ADB within 6 months after the end of each fiscal year. The ADB Public Communications Policy requires that audited financial statements be disclosed. Further details on disbursement, auditing, and financial management are provided in the PAM (footnote 9). In compliance with ADB's requirement for project financial management, an independent auditing consultant satisfactory to ADB will be recruited to ensure timely submission of audited financial reports under the TA loan.

D. Poverty and Social

26. A social impact assessment, including gender analysis, will be carried out during implementation of the project, and a social action plan will be prepared to ensure that social benefits are maximized in a gender-responsive and culturally appropriate manner.

¹⁴ ADB. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Grant to the Socialist Republic of Viet Nam for the Central Mekong Delta Region Connectivity Project*. Manila.

27. Cuu Long CIPM, with assistance from the feasibility study consultants, will undertake public consultations in the project-affected areas during the preparation of the environmental impact assessment (EIA) study for all sections of the proposed RR3 project. The consultations will be done to inform the public about the project, to present anticipated environmental impacts, and to identify relevant environmental issues and concerns so these can be considered and addressed in the EIA. Such consultations will involve local residents and business owners in the vicinity of the project area, and representatives of organizations and facilities (e.g., schools, medical facilities, places of worship, and offices) that will be affected during ongoing construction and operation. Other stakeholders include representatives of nongovernment organizations, people's organizations (women, youth, etc.), local government units, and other concerned government agencies. The consultations will be undertaken early in the EIA preparation period to enable relevant concerns raised by stakeholders to be addressed in the EIA. Another consultation will present the draft EIA findings. The public consultations will be documented in the EIA, which will be publicly disclosed on ADB's website.

E. Safeguards

28. **Environment.** The project comprises preparatory work for the HCMC RR3 project, and will involve preparation of an EIA. The project will include careful determination of the alignment, avoiding environmentally sensitive areas, and developing environmentally friendly highway designs. An EIA has been prepared for the Tan Van–Nhon Trach section of RR3 project under the feasibility study financed by the Export-Import Bank of Korea in 2012.¹⁵ The feasibility study consultant will prepare an EIA, based on ADB's Safeguard Policy Statement (2009), which will cover all three sections of the RR3 project. The consultant will also prepare separate EIAs for the Binh Chuan–National Highway 22 section and National Highway 22–Ben Luc section following Viet Nam's environmental requirements. The detailed design consultant will ensure that relevant aspects of the environmental management plan included in the EIA (based on ADB's Safeguard Policy Statement) are also included in the bidding and contract documents for civil works.

29. **Involuntary resettlement and indigenous peoples.** The project will not cause any adverse involuntary resettlement impacts. However, construction of the RR3 will have significant involuntary resettlement impacts as a result of loss of agricultural and residential land.¹⁶ As part of the project, the detailed design consultant and detailed feasibility consultant will work with MOT, Cuu Long CIPM, affected households, local authorities, and other stakeholders in the preparation of the resettlement plans for the Tan Van–Nhon Trach Section and Binh Chuan–National Highway 22 and National Highway 22–Ben Luc sections, respectively, in accordance with the Safeguard Policy Statement. It is anticipated that there will be no impacts on indigenous peoples or ethnic groups, but this will be confirmed during the detailed design and detailed feasibility studies.

30. Consultation and disclosure plans will be part of the resettlement plans and social action plans for the RR3 project to ensure meaningful consultation and provision of clear and timely

¹⁵ The EIA was endorsed by the Ministry of Environment and Natural Resources on 14 January 2013 and is being revised prior to being resubmitted to the Ministry.

¹⁶ Based on a draft resettlement plan prepared for the Tan Van–Nhon Trach Section under the Export-Import Bank of Korea-financed feasibility study in 2012, about 285 hectares of land will be affected, and an estimated 1,200 households will be physically and economically displaced. No information is available on the estimated number of affected households for the Tan Van–Nhon Trach Section and Binh Chuan–National Highway 22 and National Highway 22–Ben Luc sections, but it is expected that impacts are also significant for these sections.

information to the affected households and various stakeholders. The consultation and disclosure plans will include consultation meetings, focus group discussions, separate meetings with women and vulnerable households, preparation of information booklets, and use of radio and TV to disseminate information about the project and associated social and resettlement-related issues.

F. Risks and Mitigating Measures

31. The main risks relate to potential project delays caused by delay in government approvals and recruitment of consultants, and slow implementation. These risks will be mitigated by engaging with the government to ensure timely approvals, carrying out advance actions on consultant recruitment, ensuring Cuu Long CIPM's has adequate human resources in place, and ongoing monitoring of project implementation progress through ADB review missions.

32. The consultant selection process and implementation of the consulting services may experience delay. These risks will be mitigated by (i) MOT ensuring timely government approval to proceed with advance action, (ii) Cuu Long CIPM providing adequate staff resources to carry out the consultant selection in accordance with the agreed time schedule, and (iii) Cuu Long CIPM taking strong ownership and working together with the consultants to ensure effective and timely implementation of the project. Furthermore, ADB will carry out several review missions to monitor the project's progress. The government's overall approval processes are also potential cause for delay. Cuu Long CIPM has consulted HCMC, Binh Duong and Dong Nai provinces and confirmed the final alignment of the Tan Van–Nhon Trach section of RR3 and the extension road to National Highway 1, which provides the necessary readiness to proceed with the project.

33. The government's approval of the overall feasibility study and the detailed design for the above mentioned sections will be subject to confirmation of all financing sources, which may cause delays to the processing and implementation of the RR3 investment project. To mitigate this risk, the government's early coordination with potential financiers and prompt confirmation of financing availability is needed. Furthermore, because the future RR3 will be fully funded and operated by various entities, including Cuu Long CIPM and private investors, collaboration between these entities and related local governments is critical, and must be ensured and maintained throughout the preparation, implementation, and operation and maintenance stages. MOT therefore needs to develop and obtain mutual agreement from the provinces or cities involved in each phase of the project regarding the scope and accountability for implementation and operation and maintenance prior to commencing RR3 implementation.

34. In addition to the above described risks some concerns on governance in terms of integrity violations and corruption exists. However, since the project only includes recruitment of consulting services the governance risk is not considered significant. Major risks and mitigating measures are described in detail in the risk assessment and risk management plan.¹⁷ Overall, the benefits and positive impacts are expected to outweigh the costs.

IV. ASSURANCES

35. The government, MOT, and Cuu Long CIPM have assured ADB that implementation of the project shall conform to all applicable ADB policies including those concerning anticorruption

¹⁷ Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the project administration manual and loan documents.

36. The government, MOT, and Cuu Long CIPM have agreed with ADB on certain covenants for the project, which are set forth in the loan agreement and project agreement.

V. RECOMMENDATION

37. 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 the loan in various currencies equivalent to SDR8,475,000 to the Socialist Republic of Viet Nam for the Ho Chi Minh City Third Ring Road Technical Assistance Project, from ADB's Special Funds resources, with an interest charge at the rate of 2.0% 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.

Takehiko Nakao
President

30 January 2015

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact Enhanced construction of the HCMC RR3, contributing to reduced traffic congestion in and improved connectivity of HCMC with surrounding cities and towns.</p>	<p>Funding for the RR3 secured from various sources secured by 2017 (Baseline data: as per ADB COBP, 2015-2017, \$287 million from ADB and \$200 million from cofinancing earmarked for HCMC RR3 in the 2017 pipeline)</p> <p>Completion of the Tan Van–Nhon Trach section including an extension road to NH1 by 2021 (Baseline data: 0 km completed in 2014)</p>	<p>Project progress reports to be prepared by Cuu Long CIPM</p> <p>Annual operational plan of Cuu Long CIPM</p>	<p>Assumptions Adequate cofinancing and private sector investment are committed and materialize.</p> <p>Cuu Long CIPM has adequate capacity to manage the HCMC RR3 project.</p> <p>Risks The government is unable to provide project counterpart funds.</p>
<p>Outcome Design readiness of the HCMC RR3 project for financing</p>	<p>Project documents for the HCMC RR3 project completed by Q2/ 2017 (Baseline data: none)</p>	<p>Meetings with the Government of Viet Nam, Cuu Long CIPM, and cofinanciers</p>	<p>Assumptions The government's priorities and agreements regarding project designs remain unchanged.</p> <p>Funding sources for the HCMC RR3 project are identified.</p> <p>Knowledge of corporate financing and investment transferred to MOT and Cuu Long CIPM</p>
<p>Outputs 1. Completed detailed feasibility and social safeguard studies for the Ben Luc–NH22 and NH22–Binh Chuan sections</p>	<p>Engineering, economic, and financial feasibility studies of the Ben Luc–NH22 and NH22–Binh Chuan sections completed by Q3/2016</p> <p>Resettlement plan (and indigenous peoples plan as required)</p>	<p>Consultants' reports</p> <p>Consultations with project stakeholders</p> <p>Technical meetings with the government and Cuu Long CIPM</p> <p>Review missions with Cuu Long CIPM</p>	<p>Assumption RR3 alignment is approved by MOT, HCMC, and relevant provincial transport departments before consulting services begin</p> <p>Risks Consultant recruitment is delayed.</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>2. Updated due diligence, completed detailed design, and project and safeguard documents required to finance construction of the Tan Van–Nhon Trach section and extension road to NH1</p>	<p>prepared and satisfactory to both ADB and the government by Q3/2016 (Baseline data: pre-feasibility study completed)</p> <p>Detailed designs of RR3 and its auxiliary facilities for the section completed by end Q2/2017 (Baseline data: basic design completed in 2012)</p> <p>The project's economic and financial assessment completed by end Q2/2017</p> <p>EIA prepared by end Q2/2017</p> <p>Resettlement plan (and indigenous peoples plan as required) prepared and satisfactory to both ADB and government by end Q2/2017</p>		<p>Consultants fail to perform as required.</p>
Activities with Milestones			Inputs
<p>1. Completed detailed feasibility and social safeguard studies for the Ben Luc–NH22 and NH22–Binh Chuan sections</p> <p>1.1 Recruit feasibility study consultant by June 2015</p> <p>1.2 Submit draft feasibility study report, master bidding documents and social safeguard documents for government and ADB's review and comments by February 2016</p> <p>1.3 Submit final feasibility study report, master bidding documents and social safeguards documents for government's and ADB's approval by June 2016</p> <p>2. Updated due diligence, completed detailed design, and project and safeguards documents required to finance construction of the Tan Van–Nhon Trach section and extension road to NH1</p> <p>2.1 Recruit detailed design and safeguard consultant by March 2016</p> <p>2.2 Recruit consultants for detailed design appraisal and road safety audits by March 2016</p>			<p>Technical Assistance Loan ADB: \$12.58 million Government: \$0.63 million</p>

Activities with Milestones	Inputs
2.3 Submit draft due diligence, detailed design, safeguards and bidding documents, and road safety audit reports for the government's and ADB's review by December 2016 2.4 Submit final due diligence, detailed design, safeguards and bidding documents, and road safety audits for the governments and ADB's approval by March 2017 2.5 Carry out detailed design appraisal and submit final clearance report to government by June 2017	

ADB = Asian Development Bank, CIPM = Corporation for Investment, Development, and Project Management of Infrastructure, EIA = environmental impact assessment, HCMC = Ho Chi Minh City, km = kilometer, MOT = Ministry of Transport, NH = national highway, Q = quarter, RR3 = third ring road.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS
<http://adb.org/Documents/RRPs/?id=43393-023-3>

1. Loan Agreement
2. Project Agreement
3. Sector Assessment (Summary): Transport
4. Project Administration Manual
5. Contribution to the ADB Results Framework
6. Development Coordination
7. Economic and Financial Analysis
8. Country Economic Indicators
9. Summary Poverty Reduction and Social Strategy
10. Risk Assessment and Risk Management Plan