



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

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Project Number: 40080-024  
November 2014

## Proposed Loan and Administration of Loan Socialist Republic of Viet Nam: Strengthening Sustainable Urban Transport for Ha Noi Metro Line 3 Project

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Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 1 November 2014)

Currency unit	–	dong (D)
D1.00	=	\$0.0000470367
\$1.00	=	D21,260.00

## ABBREVIATIONS

ADB	–	Asian Development Bank
DOT	–	Department of Transport
HPC	–	Ha Noi People's Committee
PID	–	project implementation division
UTPMU	–	Urban Transport Project Management Unit

## NOTE

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

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## PROJECT AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number: 40080-024</b>	
<b>Project Name</b>	Strengthening Sustainable Urban Transport for Ha Noi Metro Line 3	<b>Department /Division</b>	SERD/SETC
<b>Country Borrower</b>	Viet Nam, Socialist Republic of Socialist Republic of Viet Nam	<b>Executing Agency</b>	Ha Noi People's Committee
<b>2. Sector</b>	<b>Subsector(s)</b>	<b>ADB Financing (\$ million)</b>	
✓ <b>Transport</b>	Urban public transport		4.20
		<b>Total</b>	<b>4.20</b>
<b>3. Strategic Agenda</b>	<b>Subcomponents</b>	<b>Climate Change Information</b>	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Mitigation (\$ million)	4.20
Environmentally sustainable growth (ESG)	Eco-efficiency	CO <sub>2</sub> reduction (tons per annum)	8,400
	Global and regional transboundary environmental concerns	Climate Change impact on the Project	High
	Urban environmental improvement		
<b>4. Drivers of Change</b>	<b>Components</b>	<b>Gender Equity and Mainstreaming</b>	
Governance and capacity development (GCD)	Institutional development	Effective gender mainstreaming (EGM)	✓
Partnerships (PAR)	Organizational development		
	International finance institutions (IFI)		
	Official cofinancing		
<b>5. Poverty Targeting</b>		<b>Location Impact</b>	
Project directly targets poverty	No	Urban	High
<b>6. Risk Categorization:</b>	Low		
<b>7. Safeguard Categorization</b>	Environment: B Involuntary Resettlement: C Indigenous Peoples: C		
<b>8. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>4.20</b>	
Sovereign Project loan: Asian Development Fund		4.20	
<b>Cofinancing</b>		<b>48.95</b>	
ADB Clean Technology Fund		48.95	
<b>Counterpart</b>		<b>5.80</b>	
Government		5.80	
<b>Total</b>		<b>58.95</b>	
<b>9. Effective Development Cooperation</b>			
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 (i) a proposed loan, and (ii) proposed administration of a loan to be provided by the ADB Clean Technology Fund,<sup>1</sup> both to the Socialist Republic of Viet Nam for the Strengthening Sustainable Urban Transport for Ha Noi Metro Line 3 Project.<sup>2</sup>

2. The project will support the effective and sustainable use of the Ha Noi metro line 3, which is now being developed with Asian Development Bank (ADB) assistance.<sup>3</sup> It will improve access to metro line 3 stations, enhance connectivity between the line and other modes of public and private transport, and strengthen urban transport policies and regulations. By contributing to an efficient, integrated, and sustainable metro system, the project will support the Ha Noi urban transport master plan objectives of increasing the use of public transport and reducing dependency on private vehicles.<sup>4</sup>

## II. THE PROJECT

### A. Rationale

3. The Government of Viet Nam is investing in major public transport infrastructure to induce a substantial switch by urban citizens from private to public modes of transport.<sup>5</sup> A failure to invest in public transport infrastructure and to encourage this shift away from the use of private vehicles in Viet Nam's large cities will hurt economic growth and accelerate the degradation of the urban environment. The government is supporting climate change mitigation efforts by adopting a low-carbon transport growth path that will be more energy efficient and reduce greenhouse gas emissions. ADB's 2012–2015 country partnership strategy for Viet Nam supports the government's program to improve urban transport infrastructure and promote the use of public transport.<sup>6</sup>

4. Ha Noi is at an early stage of urban transport development, having moved from heavy usage of bicycles to motorcycles and now increasingly to cars. Private vehicles dominate urban transportation, about 90% of which consists of motorcycles. Continued increasing car ownership, together with a significant increase in the number of motorcycles, has resulted in severe congestion during peak hours, resulting in degradation of the urban environment and a rise in traffic accidents. The situation is expected to worsen if the current traffic growth trend of 9% per year continues and more motorbike users convert to cars. The existing public transport system consists of an inadequate bus network that is becoming less competitive with private modes of transport.<sup>7</sup> Traffic planning and parking management is weak and unable to effectively handle traffic and demand. Importantly, there are no policy and regulatory measures to

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<sup>1</sup> Financed by the Clean Technology Fund.

<sup>2</sup> The design and monitoring framework is in Appendix 1.

<sup>3</sup> The Asian Development Bank (ADB) provided project preparatory technical assistance for the Strengthening Sustainable Urban Transport for Ha Noi Metro Line 3 Project. Manila. (TA-7894-VIE).

<sup>4</sup> ADB Clean Technology Fund financing is based upon the sustainable transport benefits of the metro line 3 investment.

<sup>5</sup> Socialist Republic of Viet Nam, 13th National Assembly. 2011. *Socio-Economic Development Plan for the 2011–2015 Period*. Ha Noi.

<sup>6</sup> ADB. 2012. *Country Partnership Strategy: Viet Nam, 2012–2015*. Manila.

<sup>7</sup> Improvements to the bus system are expected under an ongoing World Bank project that will implement a bus rapid transit line, establish a public transport authority, and improve bus operations and management systems by 2016.

discourage private modes of transport, so the existing inadequate public transport system is not attractive to private vehicle users.

5. The Ha Noi People's Committee (HPC) plans to develop a city-wide mass transit system, and four metro lines and one bus rapid transit line are currently under development. Construction of phase 1 for metro line 3 commenced in October 2010 and it is expected to be operating in 2019.<sup>8</sup> The three other metro lines are expected to be completed by 2020.<sup>9</sup> However, complementary measures building upon other sector reforms to improve public transport will need to be designed to ensure the emergence of an integrated public transport system that is attractive, accessible, and affordable. The proposed project will support a multimodal, integrated transport system to attract passengers from private vehicles to public transport services. This modal shift will promote inclusive low-carbon transport, thereby reducing greenhouse gas emissions and environmental pollution.

6. The project will directly support the integration of metro line 3 into the public transport network by providing infrastructure to improve connectivity to metro line 3 stations through feeder bus links. The project will develop integrated multimodal stations for metro line 3 with parking plans and park-and-ride facilities to improve station accessibility. The supporting infrastructure, public transport services, and other facilities will be designed to incorporate gender-sensitive features that will complement similar measures under the metro line 3 project (footnote 8). In addition, policy and regulatory measures developed will be fully inclusive by addressing the needs of all potential public transport users. The proposed institutional capacity building measures for metro agencies, together with expected policy and regulatory reforms, will also help achieve an improved public transport system and reduce greenhouse gas emissions.

## **B. Impact and Outcome**

7. The impact of the project will be an enhanced public transport system serving six districts of Ha Noi.<sup>10</sup> The outcome will be the improved integration of metro line 3 stations with other modes of public transport.

## **C. Outputs**

8. **Metro line 3 station accessibility improved.** These improvements, including public transport facilities, will be constructed along the first stage of metro line 3 from Nhon to Ha Noi main railway station, up to 500 meters from the four underground and eight elevated stations along the 12.5 km 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 have gender-sensitive and universal accessibility features 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 metro line 3 stations. Enforcement measures will be improved to ensure clear pedestrian access and smooth traffic flow and to manage parking of private vehicles around the metro stations. The project will finance consulting services for

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<sup>8</sup> ADB. 2011. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Loan to the Socialist Republic of Viet Nam for the Ha Noi Metro Rail System Project (Line 3: Nhon–Ha Noi Station Section)*. Manila (cofinanced by Agence Française de Développement, Direction Générale du Trésor, and the European Investment Bank).

<sup>9</sup> Development Coordination (accessible from the list of linked documents in Appendix 2).

<sup>10</sup> Ba Dinh, Cau Giay, Dong Da, Hoan Kiem, Tu Liem North, and Tu Liem South districts.

detailed design and supervision of the civil works and goods and services contracts, as well as for overall project management.

9. **Public transport system improved.** The project will provide 52 buses to service bus feeder lines and an information system along metro line 3. The information system will be linked to the main bus control center in Ha Noi to provide real-time bus and train arrival information that will make the public transport system more convenient and reliable. The project will include the installation of equipment for the information system at the metro line 3 stations, including required equipment on buses and at bus stops.

10. **Public transport policy developed.** To support the objectives of the Ha Noi urban transport master plan and make public transport more financially sustainable, the project will provide consulting services to develop (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 station parking policy to facilitate the efficient flow of vehicles to and from the metro line 3 stations; and (iii) a policy framework on public transport ticketing and pricing of public and private transport in Ha Noi to promote a modal shift from private vehicles to the public transport system. The project will include capacity development and training to enable the Ha Noi transport agencies to implement and enforce the new policies and regulations. It will also provide equipment and consulting services to establish comprehensive multimodal transport and traffic management modeling systems that will be used to develop detailed pilot schemes to improve the integration of the public transport system.

#### **D. Investment and Financing Plans**

11. The project is estimated to cost \$58.95 million, consisting of \$44.10 million in base costs (including local taxes and duties), \$13.70 million for contingencies, and \$1.15 million for financing charges during construction (Table 1). The investment cost will include civil works (48.63% of the total cost), systems and equipment (30.26% of the total cost), and consulting services (16.71% of the total cost). Detailed cost estimates are provided in the project administration manual.<sup>11</sup>

12. The government has requested a loan in various currencies equivalent to SDR2,810,000 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 loan will be made available to the HPC as a grant in accordance with the loan and project agreements.

13. The ADB Clean Technology Fund will provide loan cofinancing equivalent to \$48.95 million, to be administered by ADB. The loan will have 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%, in accordance with the loan agreement. The government will onlend \$15,945,000 to the HPC under a subsidiary loan agreement on terms and conditions satisfactory to ADB and will make the remaining \$33,005,000 available to the HPC as a grant in accordance with the loan and project agreements.

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<sup>11</sup> Project Administration Manual (accessible from the list of linked documents in Appendix 2).

**Table 1: Project Investment Plan**

Item	Amount <sup>a</sup>
<b>A. Base Cost<sup>b</sup></b>	
1. Metro line 3 station accessibility improved	21.81
2. Public transport system improved	16.58
3. Public transport policy developed	4.57
4. Incremental administration	1.14
<b>Subtotal (A)</b>	<b>44.10</b>
<b>B. Contingencies<sup>c</sup></b>	<b>13.70</b>
<b>C. Financing Charges During Implementation<sup>d</sup></b>	<b>1.15</b>
<b>Total (A+B+C)</b>	<b>58.95</b>

<sup>a</sup> Includes local taxes and duties of \$3.1 million, to be financed from government resources.

<sup>b</sup> In December 2013 prices.

<sup>c</sup> Physical contingencies computed at 10% for civil works and goods and equipment, with no allowance for other items. Price contingencies computed at 1.9% on foreign exchange costs in 2014 declining to 1.8% in 2015 and thereafter, and 8.2% on local currency costs in 2013 declining to 6.5% in 2018; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate. Price contingencies are applied to all base cost items.

<sup>d</sup> Includes interest and commitment charges. ADB Special Funds resources: 25-year loan period including 5-year grace period, interest charge of 2.0% per annum during the grace period and thereafter; ADB Clean Technology Fund: 30-year repayment period including 10-year grace period, 0.25% interest. Management fee: 0.18% per annum.

Source: Asian Development Bank estimates.

14. The ADB loan will finance consulting services only, with three packages jointly financed. The ADB Clean Technology Fund will finance \$48.95 million on an untied basis, and follow all ADB procedures and policies. Counterpart funds will be used for taxes, duties, and incremental administration cost. The financing plan is presented in Table 2.

**Table 2: Financing Plan**

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank Special Funds resources (loan)	4.20	7.1
ADB Clean Technology Fund (loan) <sup>a</sup>	48.95	83.0
Government	5.80	9.9
<b>Total</b>	<b>58.95</b>	<b>100.0</b>

<sup>a</sup> Financed by the Clean Technology Fund and administered by the Asian Development Bank.

Source: Asian Development Bank.

## **E. Implementation Arrangements**

15. The executing agency will be the HPC and the implementing agency will be the Department of Transport (DOT). The Urban Transport Project Management Unit (UTPMU), under the DOT, will be responsible for implementing the activities under the project outputs. A project management steering committee will be established by the HPC to be responsible for project oversight and coordination. Established in 1985, the UTPMU has previously implemented internationally financed projects and has strong leadership, a sound organizational structure, and the potential to develop its institutional capacity as the public transport system expands. The UTPMU has the financial capacity and resource management to implement the project. Training will be provided in specific areas to further build capabilities of the UTPMU for implementing internationally financed projects.



16. The UTPMU will establish a project implementation division (PID) under the director, which will be responsible for the day-to-day project management and implementation. The PID will ensure compliance with ADB procurement and consulting and disbursement guidelines and ADB safeguard policies. The PID staff will be assisted by experienced engineers, accountants, and other staff from the UTPMU, as required. The project administration requirements are described in detail in the project administration manual (footnote 11). Since the project is financed from ADB's Special Funds resources with ADB-administered cofinancing, universal procurement will apply to all contract packages financed under the project.<sup>12</sup>

**Table 3: Implementation Arrangements**

Aspects	Arrangements		
Implementation period	June 2015–December 2018		
Estimated completion date	31 December 2018		
<b>Management</b>			
(i) Oversight body	Director general, Foreign External Relations Department, Ministry of Planning and Investment		
(ii) Executing agency	Ha Noi People's Committee		
(iii) Key implementing agency	Department of Transport		
(iv) Implementation unit	Project implementation division to be set up in the Urban Transport Project Management Unit, 16 staff		
Procurement <sup>a</sup>	International competitive bidding	1 contract	\$13.7 million
	National competitive bidding	6 contracts	\$20.6 million
Consulting services	Quality- and cost-based selection	942 person-months	\$8.7 million
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.

<sup>a</sup> All civil works and equipment will be financed by the ADB Clean Technology Fund loan.

Source: Asian Development Bank estimates.

17. The project implementation schedule will be aligned with progress made by ADB's ongoing metro line 3 project (footnote 8). Most of the civil works will be carried out once the metro line 3 station construction work is near completion, particularly for facilities above the underground stations.<sup>13</sup> This will require coordination between the Ha Noi Metropolitan Railway Management Board and the DOT, as well as between their respective contractors and consultants. The HPC vice-president will be responsible for both projects to ensure a high degree of coordination and cooperation.

### III. DUE DILIGENCE

#### A. Technical

18. The project's public transport improvement measures and the metro line 3 station interchange and access facilities will be innovative and are designed to be replicated in other parts of the city to make public transport sustainable. Pedestrian access within 500 meters of metro stations, particularly in local alleyways, will be enhanced by upgrading sidewalks. This will include protection measures for pedestrian safety and support for bicycle usage. Physical measures will include park-and-ride facilities at three stations, bus feeder lines, and dedicated parking areas for public transport vehicles. The nonphysical measures, such as the station

<sup>12</sup> ADB. 2013. *Blanket Waiver of Member Country Procurement Eligibility Restrictions in Cases of Cofinancing for Operations Financed from Asian Development Fund Resources*. Manila.

<sup>13</sup> Works above the underground metro line 3 stations cannot commence until the stations reach the final stage of surface-level works, including road pavement reinstatement.

access management system, will include controls on parking and the use of public space in and around the stations. The public transport information system will enhance integration between the metro and bus services (para. 5).

19. Policies and regulations to support the public transport system will be developed to manage pedestrians and vehicles around the metro line 3 stations. The new policies and regulations, combined with institutional capacity building measures, will bring the benefits of an integrated, multimodal public transport system to the city and its residents. The combination of physical infrastructure and policy, regulatory, and institutional reforms provided by the project is expected to increase ridership on metro line 3 by more than 10% over current forecast ridership and reduce greenhouse gas emissions by more than 15% (equivalent to 540,000 tons of carbon dioxide over the project's 20-year lifetime) over emissions without these improvements.

## **B. Economic and Financial**

20. The main economic benefits will be the reduction of travel time for public transport users through improved access and egress at metro stations, less congestion around stations, enhanced comfort and convenience, and savings in vehicle operating costs due to an envisaged shift from private to public transport. A reduction in the congestion on city roads, improvements to the environment, and fewer fatalities from accidents involving private vehicles will be important indirect benefits, even though they are minor in economic terms. The economic analysis estimates the project's economic internal rate of return to be 14.0% when only considering direct user impacts, and 17.2% when integrating indirect benefits, for an economic net present value discounted at 12.0% of \$15.2 million.<sup>14</sup> Sensitivity testing showed that the economic internal rate of return would remain equal to or above 12% if (i) the capital costs rose by not more than 30% over the base-case projection, (ii) the projected benefits did not fall by more than 20%, or (iii) the capital costs rose by 15% and the project benefits fell by 15% at the same time.

21. The HPC will be the project owner and will be responsible for operation and maintenance after project completion. Ha Noi's municipal budget is financed directly through national and city taxes, duties, and other revenue sources.<sup>15</sup> The HPC will ensure assignment of a share of the public transport funding that is within the city's budget resources for operation and maintenance of the project components. The future financial position of the HPC confirms its financial capacity to cover the recurrent expenditures of the project to ensure the sustainability of facilities developed under the project.

## **C. Governance**

22. 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, the HPC, and the DOT. The DOT 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 auditor acceptable to ADB, and made public. Details on disbursement, auditing, and financial management are provided in the project administration manual (footnote 11).

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<sup>14</sup> Economic and Financial Analysis (accessible from the list of linked documents in Appendix 2).

<sup>15</sup> The city retains 28% of all national revenue against future budgetary support transfers from the Ministry of Finance.

23. A financial management assessment found that the DOT has acceptable financial management capacity and experience in managing and implementing similar projects but has limited experience and knowledge of ADB's financial management requirements. To improve its financial management capacity for implementing the project, the DOT will engage external financial management consultants to provide support and assistance to the UTPMU. The financial management consultants will train the UTPMU's accounting staff in ADB loan disbursement procedures and financial management practices. If needed, the UTPMU will ensure that sufficient accounting staff is available for effective financial management during implementation by recruiting and/or mobilizing extra accountants.

24. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government, the HPC, and the DOT. HPC will ensure contracts clearly include ADB right to examine records and accounts, and complete periodic inspections of contractor activities. HPC will publicly disclose on the project website information on the use of loan proceeds for procurement of each contract. The specific policy requirements and supplementary measures are described in the project administration manual (footnote 11).

#### **D. Poverty and Social**

25. A social action plan has been prepared for the project, based on a social impact assessment. Smooth accessibility to the metro line 3 stations and the integration of the metro with the bus system and other modes of transport will benefit women, students, children, and older people, who are identified as the primary users of public transport. The project will improve economies in the metro line 3 localities by creating business opportunities, reducing congestion, improving quality of life in areas around stations, and developing a public transport pricing framework to make fares affordable. The six project districts will benefit from temporary construction jobs and local employment in operation and maintenance.

26. Greater safety risks constitute a potential adverse social impact for the larger numbers of pedestrians expected to walk along roads near the stations. Pedestrian safety risks will be mitigated by providing footbridges and pedestrian subways and good traffic control around the stations. The detailed design will follow universal accessibility and pedestrian safety guidelines.

27. The project is categorized as effective gender mainstreaming. The gender action plan ensures that appropriate physical design related to the accessibility of rail, metro, and bus services pays attention to affordability and meets the various travel patterns and needs of women. Proposed measures include (i) accessibility design features such as safe pedestrian access, adequate lighting, and installation of closed-circuit TV around stations; (ii) priority seating and allocated waiting spaces for women; (iii) 30% of unskilled civil works jobs provided to women; (iv) ticketing and fare pricing structured to increase affordability and access; (v) pedestrian-friendly traffic management and traffic calming measures; and (vi) gender issues incorporated into all intermodal public transport policy and regulations.<sup>16</sup>

#### **E. Safeguards**

28. Under the ADB and Clean Technology Fund framework agreement, the requirements of ADB's Safeguard Policy Statement (2009) will apply to all project components financed by the ADB Clean Technology Fund. The project is assessed category B for environment. The initial environmental examination, which has been prepared in accordance with the Safeguard Policy

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<sup>16</sup> Gender Action Plan (accessible from the list of linked documents in Appendix 2).

Statement, has been posted on ADB website on 10 November 2014.<sup>17</sup> No natural ecosystems exist in the project area, which is heavily populated. Land use is predominantly commercial or residential. The project will not involve major civil works and is not likely to result in significant adverse environmental impacts during construction and operation. Public consultations with affected people were conducted during preparation of the initial environmental examination, in compliance with ADB's information disclosure and consultation requirements. The DOT will ensure that the environmental management plan is included in all bid documents.

29. A grievance redress mechanism will be established prior to commencement of site works. The construction supervision consultant will conduct environmental management training to help the DOT monitor and report on the environmental performance of contractors.

30. The project is assessed category C for involuntary resettlement. Land adjoining Ngoc Khanh station will be provided unencumbered to the project in 2018. This land will be acquired under the ADB-financed metro line 3 project (footnote 8) in full compliance with the Safeguard Policy Statement, to be used as a construction work area by a contractor under the aforementioned project. Resettlement due diligence of the project sites has indicated that there will be no other involuntary resettlement impacts.<sup>18</sup> The project is assessed category C for indigenous peoples safeguards.

## **F. Risks and Mitigating Measures**

31. The project faces risks related to its innovative character, demands on executing and implementing agency capacity, dependence on timely execution by and coordination with other projects, and need for effective transport reforms to fully achieve the project impact. These risks will be mitigated through provision of international expert support to the DOT for development of designs, and project management. In view of the DOT's limited experience with ADB guidelines and policies, mitigation measures to address associated public financial management and procurement risks, as detailed in the project administration manual (footnote 11), will require close monitoring to ensure effective implementation of proposed support measures.

32. The project must be sequenced with implementation progress on the metro line 3. The implementation delay risk this poses will be mitigated through the government's institutional arrangements, project management support, and coordination with development partners supporting public transport investments in Ha Noi. Because the viability of the project relies on achieving the passenger levels and patronage projected for the metro line 3, insufficient government commitment to implementing the policy and regulatory reforms in promoting a modal shift from private to public transport is a key risk. This will be mitigated by providing advisory services and training to public transport agencies on modernizing and integrating the public transport system. The HPC is responsible for ensuring that its plans to modernize the city's bus fleet and its operations and to provide efficient links and an effective interchange system with the new metro lines are developed on time. Corruption risk will be mitigated through an action plan to ensure identified accountable agencies comply with tasks, making project information more publicly available, strengthening financial management and internal audits will be segregated from project management. Major risks and mitigating measures are described in detail in the risk assessment and risk management plan.<sup>19</sup> Overall, the benefits and positive impacts of the project are expected to outweigh any mitigation costs.

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<sup>17</sup> Initial Environmental Examination (accessible from the list of linked documents in Appendix 2).

<sup>18</sup> Resettlement Due Diligence Report (accessible from the list of linked documents in Appendix 2)

<sup>19</sup> Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

#### IV. ASSURANCES AND CONDITIONS

33. The government and the HPC 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. The government and the HPC have agreed with ADB on certain covenants for the project, which are set forth in the loan and project agreements.

34. The following conditions for effectiveness are expected for the project:
- (i) The ADB Clean Technology Fund 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 ADB Special Funds resources 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 project agreement shall have been duly executed and delivered on behalf of the HPC, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of the loan agreement) shall have been fulfilled.

35. The following condition for disbursement of CTF loan amount is expected for the project: The subsidiary loan agreement shall have been duly executed and delivered on behalf of the government and the executing agency upon terms and conditions satisfactory to ADB, and all conditions precedent to its effectiveness shall have been fulfilled.

#### V. RECOMMENDATION

36. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and, acting in the absence of the President, under the provisions of Article 35.1 of the Articles of Agreement of ADB, I recommend that the Board approve

- (i) the loan in various currencies equivalent to SDR2,810,000 to the Socialist Republic of Viet Nam for the Strengthening Sustainable Urban Transport for Ha Noi Metro Line 3 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 the loan not exceeding the equivalent of \$48,950,000 to the Socialist Republic of Viet Nam for the Strengthening Sustainable Urban Transport for Ha Noi Metro Line 3 Project, to be provided by the ADB Clean Technology Fund.

Bindu N. Lohani  
Ranking Vice-President

21 November 2014

## DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p><b>Impact</b> Enhanced public transport system serving six districts of Ha Noi</p>	<p>Public transport's share of overall passenger traffic in the six districts increases to 14% by 2023 (2014 baseline: 8%)</p>	<p>Government statistical publications by district  Public transport operator statistics</p>	<p><b>Assumption</b> Other planned metro lines are implemented as scheduled.</p> <p><b>Risk</b> The public resists planned limits on private vehicle usage.</p>
<p><b>Outcome</b> Improved integration of metro line 3 stations with other modes of public transport</p>	<p>Satisfaction with quality of metro line 3 access and public transport service improvements to more than 40% by 2018, for males, females, and persons with disabilities</p> <p>Greenhouse gas emission reduction of 8,400 ton CO<sub>2</sub> equivalent per year in 2019</p> <p>Passengers on urban rail- and bus-based mass transit systems built or upgraded increased by 15,635 per day in 2019</p>	<p>Public opinion survey by public transport authority</p> <p>Benefit monitoring and post-evaluation reports</p> <p>Public transport operator statistics</p>	<p><b>Assumptions</b> Government resources are available to operate and maintain metro line 3.</p> <p>Higher acceptance levels of all public transport modes by the public are attained.</p> <p><b>Risk</b> Integrated public transport services are not planned, implemented, and operated efficiently by the Ha Noi city government.</p>
<p><b>Outputs</b> 1. Metro line 3 station access improved</p>	<p>All metro line 3 accessibility measures for stations and local communities, including gender-sensitive features, completed by 2018</p> <p>Station access management system implemented by 2018</p>	<p>Progress reports</p> <p>Project review mission reports</p> <p>Project completion reports</p>	<p><b>Assumption</b> Metro line 3 station works are completed on schedule.</p> <p><b>Risk</b> Limited government experience in implementing urban transport improvements for an integrated transport system creates problems.</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
2. Public transport system improved	New buses with public transport information system linked to metro line 3 stations operational by 2018	Progress reports  Project review mission reports	<b>Assumption</b> Bus operators and Ha Noi People's Committee provide information system equipment on buses and at bus stops on time.
3. Public transport policy developed	Station access management system developed by 2016  Parking strategy developed by 2017 and pilot for metro line 3 stations implemented by 2018  Urban transport pricing framework developed by 2017, guided by gender assessment, and required policies or regulations approved by 2018	Progress reports  Project review mission reports  Project completion reports  Training assessment reports	<b>Assumption</b> Government demonstrates leadership to coordinate stakeholders.  <b>Risks</b> Parking restrictions and enforcement are ineffective in supporting modal shift.
<b>Activities with Milestones</b> <ol style="list-style-type: none"> <li><b>1. Metro line 3 station access improved</b> <ol style="list-style-type: none"> <li>1.1 Complete all detailed design by June 2016</li> <li>1.2 Award civil works and systems contracts by October 2017 and complete all works by October 2018</li> <li>1.3 Design staged public transport services by August 2016, and make all services operational by December 2018</li> </ol> </li> <li><b>2. Public transport system improved</b> <ol style="list-style-type: none"> <li>2.1 Provide new buses by 30 June 2018</li> <li>2.2 Develop revised feeder service routing by December 2015, with routes operational by April 2016 and revised in August 2018</li> </ol> </li> <li><b>3. Public transport policy developed</b> <ol style="list-style-type: none"> <li>3.1 Gain city government approval of station access management system by March 2017</li> <li>3.2 Develop parking policy by June 2017, and pilot-test schemes by December 2018</li> <li>3.3 Gain Ha Noi city government approval on proposed urban transport policy and regulatory measures by June 2017, and enact regulations by December 2018</li> </ol> </li> </ol>		<b>Inputs</b>  <b>Loan</b>  <b>ADB Special Funds resources: \$4.20 million</b>  <b>ADB Clean Technology Fund: \$48.95 million</b>  <b>Government: \$5.80 million</b>	

Source: Asian Development Bank estimates.

### **LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/RRPs/?id=40080-024-3>

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

### **Supplementary Document**

14. Resettlement Due Diligence Report