

SUMMARY OF PROJECT PERFORMANCE

A. Background

1. The Ha Noi Metro Rail System Project (Line 3: Nhon–Ha Noi Station Section) was approved on 29 March 2011 with financing of \$293.0 million from ADB's ordinary capital resources (OCR).¹ It became effective on 23 March 2012. The project will develop a 12.5 kilometer (km)² dual-track rail line between Nhon and the main railway station in Ha Noi. The Ha Noi People's Committee (HPC) is the executing agency (EA) and Ha Noi Metropolitan Railway Management Board (MRB) is the implementing agency (IA).

2. The project is cofinanced by Agence Française de Développement or AFD (€110 million), Direction Générale du Trésor or DGT of France (€250 million), and the European Investment Bank or EIB (€73 million). The Project has nine civil works and four equipment packages. ADB will finance the construction of the tunnel section and four underground stations.³ Financing of other works, equipment, and consulting services, will be supported by the cofinanciers.⁴ In October 2014, the original closing date was extended by 2 years from 30 June 2016 to 30 June 2018 due to delay in finalization of detailed design, procurement and resettlement activities.

B. Performance of the Project

3. The project performance is generally *not performing well*, based on Operations Manual (OM) criteria for processing additional financing.⁵ Procurement process for both the ADB financed component and other components, financed by other cofinanciers, were one to three years behind schedule. Although there is satisfactory compliance in safeguards covenants, the EA failed to comply with the loan covenant on the submission of annual audited project financial statements.

4. The project is assessed in the following aspects.

- (i) **Delivery of expected outputs.** The delivery of metro rail line 3 is delayed by three years compared to the original schedule. The major reasons for the delayed delivery are slow progress in the land acquisition and resettlement activities, delayed procurement, start-up delays encountered by civil works contractors.
- (ii) **Implementation progress.** Project implementation performance over the past three years is rated as below satisfactory with only about 15% of overall physical progress. Currently, there are four ongoing works packages: elevated sections, elevated stations, infrastructure works of the Depot, and architectural works of the Depot. Procurement for the ADB financed package for tunnel and underground

¹ ADB. 2011. *Report and Recommendation on the President to the Board: Proposed Loan to the Socialist Republic of Viet Nam for the Ha Noi Metro Rail System Project (Line 3: Nhon–Ha Noi Station Section)*. Manila.

² 3.5 km underground, 8.5 km elevated, and 0.5 km on a transition ramp. The project works include a depot with ancillary buildings at Nhon, elevated viaducts, a transition tunnel portal, bored tunnels, and 12 stations.

³ Under the original project, ADB will finance two contracts, one jointly with Agence Française de Développement (design, supply, and install of the 3rd rail system). In October 2014, ADB approved the change in financing plan. ADB will finance only the underground tunnels and stations.

⁴ The project will likewise finance the electrical and mechanical railway systems. The project also includes support for detailed design, procurement, construction supervision, design verification, project management, and capacity development.

⁵ ADB. 2011. Additional Financing. *Operations Manual*. OM H5/OP. Manila (para. 3).

stations was completed and contract awarded in October 2015. Procurement for electrical and mechanical equipment as well as implementation of the capacity building program for the EA and IA is still ongoing. The detailed progress of each package and completed training programs are detailed in Annex 1.

- (iii) **Compliance with environmental safeguard policy requirements.** The construction sites and workers' facilities are clean and secured. Disposal sites for hazardous materials are properly maintained. The workers use proper protective equipment. Noise levels generated by project vehicles were monitored. One accident in the construction site was reported in May 2015 involving the collapse of a crane boom.⁶ Because of this, ADB requested the EA to strongly cause all contractors to comply with the environmental management plan requirements and take preventive and corrective actions, including conduct of regular safety training.
- (iv) **Compliance with social safeguard policy requirements.** ADB approved an updated resettlement plan for the depot and access line in February 2014. Compensation payments were completed in January 2015. ADB concluded that EA complied with the consultation and grievance redress processes and enforcement of the land recovery, and implemented the compensation and assistance program for the affected households in accordance with the updated Resettlement Plan requirements. The updated resettlement plan for the underground section was approved by the Government and cleared by ADB in August 2015.⁷
- (v) Execution of the current project's gender action plan is delayed due to the late mobilization of the IA's full-time gender specialist in July 2015. The updated resettlement plans include gender-disaggregated data. The design of the stations and depots include women-friendly features, such as safe lighting, separate male and female toilets, and video surveillance. Children-friendly access, paths and facilities are incorporated in the design. A stakeholder's communication strategy action plan will be implemented in 2016 to improve dissemination of project information to the public.
- (vi) **Management of Risks.** Project risks were assessed during preparation of the proposal for additional financing. The project is technically feasible and economically viable, and has been accorded a high priority by the government. The project is still not financially sustainable and requires continuity of operating subsidy guaranteed by the government. Due to the need for substantial government subsidy, the project's financial sustainability is considered as the highest risk. This risk will be mitigated by developing and implementing a financial management and sustainability action plan as a financial covenant under the additional loan. Furthermore, as the EA has not submitted the annual audited financial statement for FY2012, FY2013 and FY2014,⁸ no disbursements for consulting services financed under the additional loan will be allowed until the said audited financial statements have been submitted. Additionally, the EA's capacity to implement and monitor a complex, large-scale project needs to improve. The EA will require continuous support from the loan consultants in

⁶ The accidental collapse of a crane boom and dropping its load motorbikes caused minor injuries to two motorbike riders, damaged their motorbikes, a construction fence, advertising panels, an electric pole, and telecom and electric cables. The works contract is under non-ADB financing.

⁷ Updated Resettlement Plan for the underground sections. (<http://www.adb.org/projects/documents/vie-ha-noi-metro-rail-line-3-nhon-ha-noi-station-underground-section-aug-2015-rp>).

⁸ Fiscal year is calendar year.

project implementation and monitoring.⁹ Other risks identified are summarized in the risk assessment and risk management plan.¹⁰

- (vii) **Performance rating.** As of 15 October 2015, the project performance rating is rated '*actual problem*' due to slow physical progress, very low disbursement, and non-submission of EA's audited financial statements.¹¹ To comply with the financial covenant, the EA is expected to mobilize an external independent auditor by March 2016, confirming that the audit will cover the project period from FY2012 to 2014.¹²

C. Cost Overruns

5. In 2009, the approved feasibility study estimated the overall project cost at €895.4 million (\$990.5 million).¹³ However, project cost increased due to project implementation delays caused by detailed design changes, civil works contractual issues, removal of existing utility lines, and resettlement plan implementation, and in March 2012, the detailed design consultant financed by DGT upgraded the project cost to €1,194.1 million (\$1,375.7 million)¹⁴. To cover the financing gap, the government approved the revised project outlines on 5 and 23 December 2014, and authorized increases in official development aid financing.¹⁵ Additional loans from ADB and CTF in the amount of \$114.8 million, from AFD in the amount of €69.0 million (\$75.9 million equivalent), from DGT in the amount of €85.0 million (\$93.5 million equivalent), and from EIB in the expected amount of €70.0 million (\$77.0 million equivalent) are envisaged to ensure that the project will be completed in 2019, and help achieve the economic development objectives in the government's master urban transport plan for Ha Noi.¹⁶

D. Conclusion

6. The Ha Noi Metro Rail System Project (Line 3: Nhon–Ha Noi Station Section) will construct the first underground rail tunnel in Ha Noi. Due to the remaining period for implementation, and considering the project's complexity, close coordination and monitoring is required between the EA, contractors and consultants, ADB, and other cofinancier.

⁹ AFD financed the project management consultants (PMS – Phase 1) until September 2015. However, AFD will not be able to provide continuous support, Government requested from ADB to support the engagement of the loan consultant, PMS – Phase 2, under the proposed additional financing.

¹⁰ Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

¹¹ The rating will remain until the contract for the underground section is awarded.

¹² AFD will finance the services of the external independent auditor.

¹³ An August 2015 exchange rate of €1.00 = \$1.1 has been used to convert financial figures for the overall project, including cofinancing to be provided in euros. The current project used a February 2011 exchange rate of €1.00 = \$1.30 for the overall project cost, including the cofinancing amounts in euros, which were equivalent to \$1,077.2 million.

¹⁴ The civil works costs may still rise because houses and buildings above the tunnel section may prove to be obstacles. Before tunnel boring starts, the contractor will conduct a preliminary assessment of any obstacles and develop a detailed work plan including schedule, costs, and actions for land acquisition and resettlement.

¹⁵ Approved by Prime Minister as shown in Ref. No.: 2322/QD-TTg and Ref. No.: 2486/QD-TTg.

¹⁶ Approved by Prime Minister as shown in Decision No.90/2008/QD-DTG.

Table 1: List of Works Contract Milestone Dates

Contract Description	Finance Source	Contractor	Contract No.	Contract Date	Status
CP01: Elevated Section - Line	AFD EIB	DAELIM (Korea)	4/2014/HD-TCXD	11 Apr 2014	Ongoing
CP02: Elevated Stations	AFD EIB	POSCO (Korea)	13/2013/HD-TCXD	14 Aug 2013	Ongoing
CP03: Design, Construction of Underground Section and Stations	ADB	JV HYUNDAI (Korea) & GUELLA (Italy)		30 Oct 2015	Awarded
CP04: Depot Infrastructure	AFD	VINACONEX (Viet Nam)	18/2010/HD-TCXD	22 Sep 2010	Ongoing
CP05: Depot Architectural Works	AFD	HANCORP (Viet Nam)	12/2012/HD-TCXD	24 Oct 2012	Ongoing
CP06: Design, Supply, and Installation of R.S., Power Supply, OCC/SCADA, signalling and Telecommunication	DGT				Under procurement
CP07: Design, Supply, and Installation of Electromechanical Equipment	AFD				Under procurement
CP08: Design, Supply, and Install the 3rd Rail System	EIB				Under Design
CP09: Design, Supply, and Installation of Auto Fare Collection System	AFD DGT				Under Design
CS1: Design and Supervision (LS)	DGT	SYSTRA (France)	01-TVTHDA-T1	22 Nov 2007	Ongoing
CS2: Project coordination Assistance (Environmental Monitoring)	AFD	COTEBA/Artelia (France)	10/2009/HDKT/HTKT-TVDP	12 Nov 2009	Completed
CS3.IC2-1a1: Verification of Technical Design, Cost Estimates, and Appraisal of Bidding Documents of CP4	AFD	CENMA VICCD	05/2012/HDTV-QTMT 01/2010/HD-TVFL1	27 Jun 2012 9 Feb 2010	Completed Completed
CS3.IC2-1b1: Verification of Technical Design, Cost Estimates, and Appraisal of Bidding Documents of CP5	AFD	TRICC	05-2011/HD-TCTT	30 Jun 2011	Completed
CS3.IC2-1b2: Verification of Technical Design, Cost Estimates, and Appraisal of Tendering Documents	AFD	TEDI	08/2011/HD-TVTT	14 May 2011	Completed
CS3.IC2-1b2: Verification of Technical Design, Cost Estimates, and Appraisal of Bidding Documents of	AFD	SENER	02/2012/HD-TVTT	11 Apr 2012	Ongoing
CS3.IC2-1b3 (Phase 1) Support for Investment Owner on Project Management	AFD	IDOM (Spain)	01/2013/HDTV-HTQLDA	30 Jan 2013	Completed
CS3.IC 2-1b3 (Phase 2) Project Management Support	ADB				Under procurement
CS4.IC2-2 Verification and Certification of System Safety	AFD	APAVE (France) BV	01/2014/HDTV-KT&CNATHT 01/2014/PLHDTV-KT&CNATHT	17 Jan 2014 30 Jul 2014	Ongoing Ongoing

Table 2: Completed List of Trainings for MRB

Training Course	Date
International Procurement/ FIDIC 1	May 2013
International Procurement/ FIDIC 2	May 2013
Tunneling and TBMs	May 2013
Urban Railways Signaling and CBTC Systems	Jun 2013
Environmental Monitoring Infrastructure Projects	Jun 2013/Aug 2014
Rolling Stock in Railway Projects	Jul 2013
Project Planning (Basic Level)	Jul 2013/Oct 2014
Resettlement Monitoring in Infrastructure Projects	Dec 2013/Aug 2014
Gender Action Plan Policies	Mar 2014/Dec 2014
Project Planning (Intermediate Level)	May 2014
Project Planning (Advance Level)	May 2014
Metro Operation and Maintenance	Jun 2014
ADB's Communication Policy Training	Jul 2015
Recruitment and Administration of Loan Consulting Services	Sep 2015