PERIODIC FINANCING REQUEST

Date: November 2010

To: Asian Development Bank
6 ADB Avenue
Mandaluyong City, Metro Manila

ATTENTION: Director General, Southeast Asia Department
Fax No. +63-2-636-2015

Dear Mr. Kunio Senga:

RE: Greater Mekong Subregion Ben Luc-Long Thanh Expressway Project: Periodic Financing Request 1

Please refer to the Framework Financing Agreement (FFA) for the Greater Mekong Subregion Ben Luc-Long Thanh Expressway Project dated 15 December 2010 between Asian Development Bank (ADB) and Socialist Republic of Viet Nam (Viet Nam). Expressions defined in the FFA shall have the same meanings herein.

Pursuant to the provisions of the FFA, Viet Nam requests ADB to process this PFR for a tranche, in the form of a loan from its Ordinary Capital Resource. The proposed financing amounts, terms, conditions, and financing plan are specified in Attachment hereto. Descriptions of the activities for which financing is hereby requested are set out in Annexes 1 to 6 hereto.

By: Socialist Republic of Viet Nam

Nguyen Van Giau
Governor
State Bank of Vietnam

Attachment

Financing Plan

The financing plan for the GMS Ben Luc-Long Thanh Expressway Project is summarized below.

Financing Source	Total ($ million)	Share (%) of Total
ADB	636.0	39.6
Cofinancier	635.0	39.5
Viet Nam	337.0	20.9
Total	1,608.0	100.0

ADB = Asian Development Bank
Source: Asian Development Bank estimates.

Financing Term

ADB will provide loans to finance the GMS Ben Luc-Long Thanh Expressway Project under the Investment Plan, as and when the latter are ready for financing, provided, Viet Nam is in compliance with the understandings hereunder, and the GMS Ben Luc-Long Thanh Expressway Project are in line with those same understandings. Each loan will constitute a tranche.

Each tranche may be financed under terms different from the financing terms of previous or subsequent tranches. The choice of financing terms will depend on the project, capital market conditions, and ADB's financing policies, all prevailing on the date of signing the legal agreement for such tranche.

Tranches may be provided in sequence or simultaneously, and some may overlap in time with each other.

Commitment charges or guarantee fees are not payable on the Facility. They are payable only on financing actually committed by ADB as a loan or guarantee. ADB rules on commitment charges and guarantee fees, which are in effect when the legal agreements are signed for a tranche, will apply with respect to such tranche.

Amount

The maximum financing amount available under the Facility is $636,000,000. It will be provided in individual tranches from ADB's Ordinary Capital Resources[1] in the following manner:

Availability Period

The last date on which any disbursement under any tranche may be made will be 31 December 2017. The last financing tranche is expected to be executed no later than 31 December 2017.

[1] Provisions of the Ordinary Operations Loan Regulations applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001, would apply to each Loan, subject, to modifications, if any, that may be included under any Loan Agreement (said Ordinary Operations Loan Regulations as so modified, if any, being hereinafter called the Loan Regulations).

Terms and Conditions

Viet Nam will cause the proceeds of each tranche to be applied to the financing of expenditures of the Project, in accordance with conditions set forth in this FFA and the legal agreements for each tranche.

Execution

The Executing Agency will be Vietnam Expressway Corporation. The Executing Agency will implement the Investment Plan in accordance with the principles set forth in Schedule 1 to this Agreement, and as supplemented in the legal agreements for each tranche.

Periodic Financing Requests

Viet Nam may request, and ADB may agree, to provide loans under the Facility to finance the Investment Plan and its related GMS Ben Luc-Long Thanh Expressway Project upon the submission of a Periodic Financing Request (PFR). Each PFR should be submitted by Viet Nam. Viet Nam will make available to the Project Executing Agency the proceeds of the tranche in accordance with the related PFR, and the legal agreements for the tranche.

Each individual tranche will be for an amount of no less than $50,000,000, or its equivalent. ADB will review the PFR(s) and, if found satisfactory, prepare the related legal agreements.

The GMS Ben Luc-Long Thanh Expressway Project for which financing is requested under the PFR will be subject to the selection criteria set out in Schedule 4 hereto, satisfactory due diligence, and preparation of relevant safeguard and fiduciary frameworks and other documents. The Facility will be implemented in accordance with the general framework set out in Schedule 3 to this FFA, and the Facility Administration Manual agreed between Viet Nam and ADB.

Until notice is otherwise given by Viet Nam, State Bank of Viet Nam will be Viet Nam's authorized representative for purposes of executing PFRs.

General Implementation Framework

The Facility will be implemented in accordance with the general framework set out in Schedule 3 hereto.

Procedures

Tranches to be provided under the Facility will be subject to following procedures and undertakings:

(i) Viet Nam will have notified ADB of a forthcoming PFR in advance of the submission of the PFR.

(ii) Viet Nam will have submitted a PFR in the format agreed with ADB.

(iii) ADB may, in its sole discretion, decline to authorize the negotiation and execution of any legal agreement for a tranche.

(iv) If ADB confirms acceptance of the PFR, the legal agreements will be negotiated and executed by the parties.

PFR Information

The PFR will substantially be in the form attached hereto, and will contain the following details:

(i) Loan amount;

(ii) Description of subproject to be financed;

(iii) Cost estimates and financing plan;

(iv) Implementation arrangements specific to the Project;

(v) Confirmation of the continuing validity of and adherence to the understanding in this Agreement;

(vi) Confirmation of compliance with the provisions under previous Loan Agreement and Project Agreement, as appropriate; and

(vii) Other information as may be required under the Facility Administration Manual, or reasonably requested by ADB.

Safeguards

Attached as Schedule 5 are references to the Safeguard Frameworks that will be complied with during the implementation of the Facility.

ADB's Safeguard Policies in effect as of the date of signing of legal agreements for a tranche will be applied with respect to the GMS Ben Luc-Long Thanh Expressway Project financed under such financing tranche and financed by cofinanciers.

Procurement

All goods and services to be financed under the Facility will be procured in accordance with ADB's *Procurement Guidelines* (2010, as amended from time to time).

Consulting Services

All consulting services to be financed under the Facility will be procured in accordance with ADB's *Guidelines on the Use of Consultants* (2010, as amended from time to time).

Advance contracting; Retroactive financing

Under each tranche, ADB may, subject to its policies and procedures, allow on request (a) advance contracting and (b) retroactive financing of eligible expenditures for the Project up to 20% of proposed individual loan, incurred prior to loan effectiveness but not earlier than 12 months before the date of signing of the related legal agreement. Viet Nam acknowledges that any approval of advance contracting and/or retroactive financing will not constitute a commitment by ADB to finance the related project.

Disbursement

Disbursements will be made in accordance with ADB's *Loan Disbursement Handbook* (2007, as amended from time to time).

Monitoring Evaluation, and Reporting Arrangements

Schedule 2 hereto sets as the Design and Monitoring Framework (DMF) for the Facility, against which the implementation effectiveness will be evaluated.

Viet Nam will ensure that baseline data corresponding to the performance targets and indicators in DMF is collected within 6 months of the Effective Date, with a second survey to be conducted upon Project completion and a third survey to be conducted 3 years after Project completion to establish Project impact.

Viet Nam will provide ADB with (i) quarterly progress reports in a format consistent with ADB's project performance reporting system; (ii) consolidated annual reports including (a) status of the Project outcomes and outputs as provided in the DMF and progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions; (c) updated procurement plan and (d) updated implementation plan for next 12 months; and (iii) a project completion report within 6 months of physical completion of the Project.

Undertakings

Attached as Schedule 6 are the undertakings provided by Viet Nam.

SOCIALIST REPUBLIC OF VIET NAM

By Nguyen Van Giau
Governor,
State Bank of Viet Nam

ASIAN DEVELOPMENT BANK

By Ayumi Konishi
Country Director,
Vietnam Resident Mission

SCHEDULE 1

MFF CONSTITUENTS

A. Road Transport Subsector Roadmap

1. Subsector Assessments

i. Overall Context

1. In 2009, the transport sector in Viet Nam accounted for approximately 4.5% of the country's GDP,[2] which has more than doubled since 2004. Within the transport sector, the road transport subsector predominates with approximately 3.6% of the GDP being attributed. Viet Nam's rapid economic growth has been partly supported by its road transport. Its road networks have clearly moved past the rehabilitation era of the 1990's and early 2000's, and during the next decade, the roads and expressways will need to be further developed to support the country's sustainable socio-economic growth.

2. Viet Nam has an extensive existing road network and a relatively high overall road density. The present network comprises more than 256,000 km, but only about 17,000 km (7%) are national roads, and only about 23,000 km (9%) are provincial roads. The vast majority of the network (84%) is local roads. Other significant characteristics of the network are its poor connectivity and limited capacity. Also, the network is not hierarchically well articulated as the density of primary and secondary roads is relatively low compared to tertiary roads.

Table 1: Comparative Road Densities

Road Density	Viet Nam	Philippines	Thailand	Japan	UK
Road Network Density (km/km^2)	0.78	0.67	0,38	3.16	1.58
National Road Network Density (km/km^2)	0.05	0.10	0.11	0.14	0.19
Expressway Density (km/million vehicles)	0	97	36	97	115

UK = United Kingdom
Source: JICA. 2009. *The Study on National Road Traffic Safety Master Plan in the Socialist Republic of Vietnam Until 2020*. Hanoi.

3. This lack of capacity and connectivity is compounded by the condition of the roads. About 94% of national roads are paved, but only about 43% are deemed to be in good condition. Provincial and local roads are in considerably poorer condition. In the 216,000 km of local roads, about 24% of provincial roads, 86% of district roads, and 79% of commune roads are unpaved. Even in urbanized areas only about half the roads are paved. In total, about 80% of the network is unpaved.

4. The other significant characteristic of the subsector is that about 95%[3] of road traffic in Vietnam is composed of motorcycles. This predominance of the motorcycle directly affects road design criteria and the increased occurrence of traffic accidents, also affects traffic flow and road capacities, which is greatly affected by environmental and weather conditions.

---

[2] ADB. 2009. *Key indicators for Asia and the Pacific 2009*. Manila. The figure includes communications sector.
[3] Ghazwan Al Haji.2005. *Road Safety in Southeast Asia Factors Affecting Motorcycle Safety*. Norrköping, Sweden.

ii. Challenges and Relevance to Development

5. Transport is one of the key sectors to sustain Viet Nam's socio-economic growth in the next decade. As an input to the Viet Nam's next socio-economic development plan, MOT submitted Five Year Plan for 2011–2015 in October 2009.[4] In the plan, MOT identified the core sector problems as following: (i) incomplete and disintegrated institutional system and development plans, (ii) unsatisfactory quality and capacity of transport service, (iii) lack in quality and quantity of transport infrastructure in both urban and rural areas, (iv) insufficient state budget and other financial sources, and (v) complicated situation of the global economy.

6. The ADB also identifies a mélange of interwoven inefficiencies in the road transport subsector as illustrated in the problem analysis shown in Figure 1. Linked with the core inefficiency problem, the following four major problems are identified: (i) enhancement of transport efficiency at the subregional level; (ii) institutional, organizational and financial development; (iii) traffic safety and social sustainability; and (iv) mainstreaming climate change. These issues are in concert with those developed in the ADB's Sustainable Transport Initiative.[5]

7. **Enhancement of Transport Efficiency at the Subregional Level.** Viet Nam has made very significant progress in the past five years in the enhancement of transport efficiency in its road networks. However, it is still in its infancy with regard to expressways. Viet Nam plans to construct about 2,400km of expressway by 2020, but there exists a large amount of funding gap despite the nation's own resources with the assistance from ADB and its development partners. The backbone of the national road network is National Highway 1, of which the initial phases of upgrading have been completed. Branching off of this primary north-south corridor, Viet Nam has upgraded, and will continue to upgrade a number of road links running westerly, connecting to Cambodia, Lao PDR, and to the People's Republic of China. In terms of sub-regional transport, the upgrading and road improvements along these multiple links will significantly enhance transport efficiency.

8. **Institutional, Organizational, and Financial Development.** There has been a recent major reorganization at the Ministry of Transport (MOT) that affects the road subsector. The Vietnam Road Administration has been disbanded and replaced with Directorate for Roads of Viet Nam (DRVN). The newly constituted DRVN now has a complete road authority organizational structure that includes: (i) policy making, planning, investment, and finance; (ii) traffic safety, road management and maintenance; (iii) vehicle registration and licensing and (iv) project and construction management.

9. The Vietnam Expressway Corporation (VEC) was established in 2004 as a state-owned enterprise under MOT. It was organized to be funded by toll revenues and financially independent from MOT. Soon after the establishment of the VEC, the ADB took the lead in providing assistance in the development of an expressway master plan for Viet Nam, and the ADB has continued to support the capacity development of VEC. As financial viabilities of some planned expressways may be low, VEC's financial situation needs to be closely monitored and its financial capacity needs to be enhanced. Viet Nam is considering to establish a governing body for expressways, tentatively called Vietnam Expressway Management Administration

[4] Transport Minister of Viet Nam. 2009. Transmittal Letter of No.7011/BGTVT-KHDT of 7 October 2009, *Five Year Plan 2011–2015*. Hanoi.

[5] ADB.2010. *Sustainable Transport Initiative, Operational Plan (Staff Working Paper)*. Manila.

(VEMA). VEMA's mandate will include traffic management, operation, and maintenance of expressways.

10. According to ADB's procurement guidelines, state-owned civil works contractors under MOT are ineligible for procurement carried out by MOT and its line agencies due to potential conflict of interest. They cannot participate in procurement for ADB-financed expressway projects, but they can for MOT's own-financed projects. Coexistence of state-owned and private contractors impedes fair competition. Procurement should be carried out in the way that the private contractors are given fair opportunities. State-owned contractors are given incentives to improve quality of works and reduce costs, and also MOT should promote equitization and privatization of state-owned contractors.

11. **Traffic Safety and Social Sustainability.** Road safety is a major concern throughout Asia, and this concern is nowhere more prevalent than in Viet Nam. Traffic accidents disproportionally affect motorcycle users, the poor and the youth of the country. About 70% of fatal accidents affect motorcycle users, primarily due to speeding and reckless overtaking; and more than half of traffic fatalities are below 30 years of age. Policy issues with respect to traffic safety can be viewed as affecting three differing areas of concern: the individual, the vehicle, and the roadway. The MOT has relatively clear policies and strategies to address roadway issues such as identification of accident "black spots" and road infrastructure improvements. Likewise, policy issues with regard to the vehicle are also relatively clear. The most difficult traffic safety issue is the establishment of policies required to affect the change in behavior of the individual, which will take a national leadership beyond MOT.

12. Improved transportation is the key for increasing the access of rural population to social and economic opportunities, and hence to poverty reduction. With improved access and increased mobility of the population, there is a direct correlation to improved equality of genders and economic classes. However, improved access sometimes increase the risk of negative impact such as HIV/AIDS, illicit drugs, and human trafficking. Preventive measures against those risks should be taken in close coordination with transport projects at the pre-construction, construction, and post-construction phases.

13. **Mainstreaming Climate Change.** High rates of economic growth in the country have led to growing energy demands and greenhouse gas emissions. The passenger traffic demand has grown 5.8% annually from 1999 to 2008 and is expected to more than triple from 2008 to 2030.[6] According to some global estimates,[7] transport accounts for about 30% of the world's total CO_2 emissions from fossil fuel combustion. In a recent study,[8] ADB concluded that Viet Nam is one of the countries that are most vulnerable to the impacts of climate change.

2. Strategic Directions

i. Viet Nam's Strategy and Plans

14. Viet Nam's current national planning strategy for the country is reflected in the Socioeconomic Development Plan (SEDP) for 2006–2010. It highlighted the national importance

---

[6] JICA.2010. The Comperehensive Study on the Sustainable Development of Transport System in Vietnam (VITRANSS 2).

[7] OECD (2008), The Challenges of climate change, key messages, International Transport Forum, Ministerial Session, 29 May 2008, p. 2.

[8] ADB.2009. *The Economics of Climate Change in Southeast Asia: A Regional Review.* ISBN: 978-971-561-787-1. Manila

of the transport sector in promoting economic growth, poverty reduction, safety enhancement, environmental protection, and human resource development. The SEDP for 2011–2015 is expected to place greater emphasis on the overall protection of the environment and improvement of the business environment; and to stress the need for more effective management of the transport sector. In the next decade (2011–2020), it is expected that the continued planned development of infrastructure will require about $16 billion annually. Based on current estimates, less than half of that amount is projected to be available. The Viet Nam's primary source to make up this very significant shortfall is the private sector. This in turn requires that in the very near future there is a successful development of an effective legal framework for public-private partnerships (PPP).

15. In January 2010, the Prime Minister of Viet Nam issued a decision on master plan for north-south expressway–eastern side (MPNSE), which includes the Greater Mekong Subregion Ben Luc–Long Thanh Expressway project, and approved the alignment, technical standards, investment cost, construction period; and provided details of required land appropriation. The decision sets a 14 year schedule for implementation from 2010 to 2023. Table 2 shows a summary of the master plan with indicative project owners and financiers for each expressway project. The MPNSE is expected to cost about $17.9 billion, or about $10 million per kilometer, and will require an average yearly investment of about $1.3 billion during implementation.

Table 2: Master Plan for North-South Expressway–Eastern Side

No.	Starting Point	Ending Point	Length (km)	Number of lane	Investment Cost (D billion)	Construction Period	Project Owner	Expected Financiers
1	Phap Van	Cau Gie	30	6	1,350	2017 - 2018	TBD	TBD
2	Cau Gie	Ninh Binh	50	6	9,650	Under construction	VEC	VEC
3	Ninh Binh	Thanh Hoa	121	6	25,289	2011 – 2014	Private sector	WB and private sector
4	Thanh Hoa	Ha Tinh	97	4 – 6	19,852	2010 – 2015	TBD	TBD
5	Ha Tinh	Quang Binh	145	4	25,362	2019 – 2023	TBD	TBD
6	Quang Binh	Quang Tri	117	4	12,051	2019 - 2023	TBD	TBD
7	Quang Binh	Da Nang	182	4	24,591	2015 - 2019	TBD	TBD
8	Da Nang	Quang Ngai	130	4 - 6	25,035	2011 - 2014	VEC	WB and JICA
9	Quang Ngai	Bnh Dinh	170	4	29,750	2016 – 2019	TBD	TBD
10	Binh Dinh	Nha Trang	215	4	35,905	2017 – 2020	TBD	TBD
11	Nha Trang	Pahn Thiet	226	4 – 6	35,708	2011 – 2020	TBD	TBD
12	Phan Thiet	Dau Giay	98	4 – 6	16,170	2011 – 2014	Private sector	WB and private sector
13	Dau Giay	Long Thanh	43	6 – 8	16,340	Phase 1 under construction	VEC	ADB and JICA
14	Long Thanh	Ben Luc	58	6 – 8	22,620	2012 – 2016	VEC	ADB and JICA
15	Ben Luc	Trung Luong	57	8	14,940	Completed in 2010	PMU-MT	State budget
16	Trung Luong	Can Tho	92	6	26,700	2011 – 2015	PMU-MT	Private sector, ADB, and JICA
	Total		1,811		341,323			

ADB = Asian Development Bank, D = dong, JICA = Japan International Cooperation Agency, PMU-MT = Project Management Unit My Thuan, TBD = to be determined, VEC = Vietnam Expressway Corporation, WB = World Bank

ii. ADB Strategy and Plans

16. As outlined in the CPS for 2007–2010, the ADB's strategy is to support Viet Nam's investment to improve transport infrastructure and reduce transport costs. The ADB's strategic

thrusts can be summarized as below, which are in line with Viet Nam's Socioeconomic Development Plan (SEDP) for 2006–2010: (i) addressing the social equity aspects of Viet Nam's transport needs through use of Asian Development Fund (ADF) to support the development of provincial and district roads, (ii) providing support for investment projects to address critical transport needs that are constraints to economic growth in the main development centers, and (iii) complementing the first two by bringing subregional dimensions to the development of the transport network.

17. ADB's comparative advantages in the road transport subsector include (i) a track record as a major sector funding agency since the early 1990s, (ii) bringing a Greater Mekong Subregion dimension to sector development, (iii) recognition by both Viet Nam and other funding agencies that ADB is a major partner, and (iv) capacity to provide ADF and ordinary capital resources loans for major projects and policy reform programs. As ADB moves forward into the next decade it will be incumbent upon the institution not only to continue to utilize these historical advantages, but also to broaden its range of experience and be able to bring value added expertise to such issues as traffic safety and climate change, as well on expanding its efforts in supporting private participation in transport programs and in good governance in both the private and public sectors.

3. Expected ADB's Interventions and Outputs

18. Expected ADB's investments in road transport subsector will be targeted to enhance transport efficiency in expressway and road transport networks, which will be realized primarily due to reductions in travel time and cost. Additionally, increased road subsector efficiency will be the result of network capacity, and improved transport reliability and connectivity. Expected outputs include (i) capacity development technical assistance to strengthen financial arrangements, operation and maintenance, and governance in the road transport subsector; to increase road safety capacity and climate change adaptation development on national and provincial roads; (ii) project preparatory technical assistances for new road and expressway projects; and (iii) loan support for the continued implementation of priority expressways and the upgrading and improvement of national and local roads.

19. In the planned and ongoing ADB's interventions in the transport sector for 2011-2015, expressway is planed to take one of the largest share of 35% of funds, and national and provincial roads is planned to take 25%. With those interventions, 400 km of expressways is expected to be constructed, and 2,600 km of national and provincial roads are expected to be constructed or rehabilitated.

B. Strategic Context

1. Country Strategy and Program and its Progress

20. ADB's Country Strategy and Program (CSP) 2007–2010 for Viet Nam[9] aims to help Viet Nam reduce poverty to 10%–11% by 2010, in accordance with Viet Nam's Socio-Economic Development Plan (SEDP), through (i) pro-poor business-led economic growth, (ii) social equity and balanced development, and (iii) environmental protection and management. Regarding the transport sector, CSP points out that Viet Nam has a relatively inefficient and expensive transport system for an expanding economy with fast regional integration. ADB aims to help Viet Nam improve the transport investment program and sector efficiency and reduce transport costs.

[9] ADB. 2006. *Country Strategy and Program (2007–2010) Viet Nam.* Manila

This includes developing sections of priority Greater Mekong Subregion (GMS) transport corridors. As the Ministry of Transport and its line agencies require substantial investments and institutional support, ADB aims to help strengthen institutional capacity. Transport projects will include measures to help Viet Nam address governance, environment, social, and road safety issues as appropriate.

21. Midterm Review for the CSP[10] evaluates that the progress in meeting Viet Nam's SEDP and CSP transport sector output and outcome targets has been mixed. Planning and implementation delays persist, particularly in large-scale projects such as expressways and urban mass transit. The 2010 output target of 5,800 kilometers (km) for highways is likely to be achieved, with 3,800 km of highways built since 2006. But construction of trunk and rural roads is lagging, with only about 50,000 km completed of the 2010 target of 100,000 km. However, outcome indicators (such as reduction in transport costs, reduction in traffic fatalities, and increases in freight volumes) are more appropriate for monitoring CSP outcomes and would be valuable to inform strategic planning and results monitoring. Freight traffic has increased and the target is likely to be achieved, but updated data are not available on transport costs, while traffic fatality data seem unreliable. It is proposed that ADB undertake and periodically update a survey of transport costs jointly with the authorities and other development partners in the sector.

22. Key issues identified in the CSP remain valid—management of the transport sector is relatively inefficient and transport costs relatively high. Modernization and efficiency require capacity development of transport sector policy and planning at the state level, decentralization of functions within the state, and an appropriate allocation of responsibilities and risks between the state and business. Reform of state-owned enterprises in the transport sector is needed to promote competition, reduce costs, improve quality, and increase re-investment of capital resources. Demand for transport infrastructure increases with economic growth, and requires long-term commercial funds (including ordinary capital resources) for large infrastructure, especially for revenue-generating projects such as expressways. However, the perceived risks of doing business in Viet Nam—as viewed by private sector sponsors and banks—have increased, reducing the interest of these investors, and projects now face difficulties in raising funds.

2. Greater Mekong Subregion Transport Sector Strategy

23. The GMS Transport Sector Strategy[11] was formulated under the auspices of ADB regional technical assistance, and endorsed by the six GMS governments in May 2006. It provides a subregional framework that is implemented through individual national transport strategies and action plans in the six GMS countries. These strategies and action plans are supported to varying degrees with sector policy statements, strategies, objectives, priorities, and individual project analyses. The GMS Transport Sector Strategy identified five overarching goals for transport: (i) to exploit synergies in the GMS transport system; (ii) to move towards an open market for transport services; (iii) to facilitate economic efficiency to reduce transport costs; (iv) to complete the GMS network and improve links with South Asia; and (v) to encourage multi-modalism.

[10] ADB. 2010. *Viet Nam: Country Strategy and Program Midterm Review 2007–2010.* Manila.
[11] ADB. 2007. *Greater Mekong Subregion Transport Sector Strategy 2006–2015.* Manila.

3. Socio-Economic Development Plan for 2011-2015

24. Viet Nam is developing the SEDP for the five-year period 2011-2015. General objectives of the SEDP are to: (i) develop a sustainable economy at high growth rate on the basis of continuing the change in the economic structure, improving quality, effectiveness and competitiveness, and being active in the global integration; (ii) creating the foundation in order to transform our country into a modern industrialized; increasing the content of science and high technology in products; radically improving and enhancing the quality of education, training and human resources; (iii) improving the material and spiritual life of the people, particularly the poor, and the ethnic minority in the mountainous and remote areas; (iv) strengthening the protection of environment and natural resources and actively coping to climate change impacts; (v) maintaining political stability and guaranteeing national security and defense, order and safety of the society.

25. Under the SEDP, the following investment is planned into transportation infrastructure: (i) mobilizing capital resources from state budget, sovereign bonds, ODA and private enterprises, etc. to complete basically the essential transportation network to meet the demand of transporting goods and people between regions and to other regional countries; (ii) strengthening investment into improvement and maintenance of current works as well as construction of new transportation works that bring high socio-economic benefits (highways, gateway seaports, international transshipment ports, big international airports, etc.); (iii) investing into transportation system for foreign affairs, completing the border belt; (iv) building system of bridges across rivers to make it convenient for the people's travel; (v) completing new railways for economy's sake, seaports' link and industrial zones; (vi) quickly developing means of quick transportation with large quantity (undergrounds and aboveground streetcars or so) in Ha Noi and Ho Chi Minh City; (vii) completing urban traffic system to solve the traffic jams that are caused by rapidity of urbanization, and developing transportation system in the locals with an effort to build car roads to the central for 100% communes and commune complexes in order to improve quality of transportation means and services.

4. Strategic Relevance

26. The proposed investment plan is relevant with the ADB's strategies such as Strategy 2020, CPS 2007-2010, and the GMS Transport Sector Strategy, and also with the Viet Nam's national development strategies like SEDP 2011-2015. The investment plan, in association with ADB-financed policy advisory technical assistance (PATA) as stated in para. 27 below to strengthen institutional arrangements, operation and maintenance, and governance in the transport sector, will support Viet Nam's effort to develop the road network and enhance the efficiencies of the road transport subsector.

C. Policy Framework

27. Viet Nam's road transport subsector reform actions and plan are summarized in Table 3. The investment plan, in close coordination with the proposed capacity development technical assistance, will support selected key actions to ensure sustainability of the road transport subsector.

Table 3: Road Transport Subsector Policy Framework

Reform	Action	Status	Planned
Efficient public administration structure in MOT and its line agencies	Identify organizational bottlenecks and streamline the business processes.	RDVN was established. VEMA is expected to be established in 2010.	PATA will send an advisor at MOT to take actions to streamline the business processes.
Introduction and PPP and other funding arrangements in expressway projects	Establish successful PPP projects in road transport subsector.	The World Bank and MPI have studied applicability of PPP in Dau Giay-Phan Tiet Expressway, but the implementation still seems to take long. MOT asked ADB to assess PPP in My Thuan-Can Tho Expressway.	PATA will assess applicability of PPP in ADB's expressway projects.
Enhancement of financial sustainability of expressway projects and VEC's financial capacities	Introduce gap financing or government subsidies in expressway projects. Enhance VEC's organizational structure and capacity to manage its assets and expressway toll revenues.	The Prime Minister approved government spending to subsidize expressway projects.	The proposed investment plan will require Viet Nam to subsidize 20% of the total costs. PATA will assess possible combinations and conditions of PPP, ODA, and government subsidies; and identify measures to enhance VEC's financial capacity.
Flexible and proper design guidelines for local roads	Enhance flexibility of design guidelines for local roads.	Inflexible application of design guidelines is pointed out to have caused increased construction and maintenance costs and unexpected deterioration of constructed roads.	PATA will propose revisions for the guidelines and their practical applications.
Enhancement of transparency and involvement of SOEs (civil works contractors) in procurements under fair competition	Enhance equitization of SOEs and involvement of SOEs in competitive biddings.	Some SOEs have been equitized, but they are still predominant in the field of construction.	PATA will review the current status of SOEs under MOT and propose guidelines for ADB's procurement and roadmaps to equitization and privatization.

ADB = Asian Development Bank, MOT = Ministry of Transport, MPI = Ministry of Planning and Investment, ODA = official development assistance, PATA = policy advisory technical assistance, RDVN = Road Directorate of Viet Nam, SOE = state-owned enterprise, VEMA = Vietnam Expressway Management Administration

28. To improve the efficiencies in the road transport subsector, ADB is processing the PATA in 2010. The PATA addresses the following key issues and develop guidances on them: (i) efficient management of DRVN and VEMA, (ii) financial arrangements of expressway projects

and financial empowerment of VEC, (iii) flexible and proper design guidelines for local roads, and (iv) improved framework for governance of state-own enterprises (SOEs). This PATA will be implemented in parallel and close coordination with the Facility.

D. Investment Plan

29. The Expressway is divided into a western section (0.6 km-20.4 km), a middle section (20.4 km-31.4 km), and an eastern section (31.4 km-57.7 km). The investment plan for the Project is shown in Table 4. The Project is estimated to cost $1.608 billion, inclusive of local taxes, contingencies, and financing change during development. The project financing plan is summarized in Table 5. ADB and a cofinancier will finance about 40% of the project cost each and the counterpart funds will finance about 20% of the project cost.

30. Scope of the first tranche includes (i) land acquisition and resettlement for the entire Expressway, (ii) unexploded ordnance clearance works for the entire Expressway, (iii) civil works for the western section of the Expressway, (iv) VEC laboratory (building and equipment), (v) project supervision consulting services for the expressway sections to be financed by ADB, external environmental monitoring, and external auditing consulting services for the Project, and (vi) VEC's incremental administration cost. The ADB loan of $350.0 million will be used for scope (iii), (iv), (v), and (vi); and Viet Nam's counterpart funds will be used for scope (i) and (ii).

31. Viet Nam will request the Government of Japan to cofinance $635.0 million for second tranche of the Project to include (i) civil works for the middle section of the Expressway including the two long-spanned bridges, (ii) facilities for the entire length of the Expressway such as operation and maintenance system, toll collection system, information and communication system, weigh station, and intelligent transport system, and (iii) project supervision consulting services for the middle section. The local taxes to be imposed on the cofinancing components are to be paid by Viet Nam's counterpart funds. It is expected that a parallel cofinancing between ADB and the cofiancier will be arranged for the second tranche of the MFF.

32. Scope of the second tranche includes the civil works for the eastern section of the Expressway. The ADB loan of $286.0 million will be used for (i) the civil works, (ii) the project supervision consulting services, and (iii) VEC's incremental administration cost. Viet Nam will prepare Periodic Financing Request for Tranche 2, immediately after the civil works contracts under Tranche 1 are awarded, possibly, in April 2012. ADB Management approval of Tranche 2 is expected in middle of 2012 so that the civil works under Tranche 2 can start in the beginning of 2013.

33. Viet Nam's counterpart funds will be used for (i) land acquisition and resettlement for the entire Expressway, (ii) unexploded ordnance clearance works for the entire Expressway, and (iii) the local taxes to be imposed on the cofinancing components. The estimated amount of the counterpart funds is $337.0 million.

Table 4: Project Investment Plan

($ million)

	ADB (OCR)	Cofinancier	Counterpart Funds	Total
A. Base Cost [a]				
1. Civil Works	464.4	413.7	41.4	919.5
2. Intelligent Transport System Facilities	0.0	54.7	5.5	60.2
3. Land Acquisition	0.0	0.0	215.7	215.7
4. VEC Laboratory	1.1	0.0	0.0	1.1
5. UXO Clearance	0.0	0.0	4.0	4.0
6. Consulting Services	18.5	15.0	1.5	35.0
7. VEC Incremental Administration Cost	12.4	0.0	0.0	12.4
Subtotal (A)	**496.4**	**483.4**	**268.1**	**1,247.9**
B. Contingencies				
Physical [b]	24.8	28.2	13.8	66.8
Price [c]	79.8	81.1	55.1	216.0
Subtotal (B)	**104.6**	**109.3**	**68.9**	**282.8**
C. Financial Charge during Development [d]	35.0	42.3	0.0	77.3
Total (A+B+C)	**636.0**	**635.0**	**337.0**	**1,608.0**

a: in 2009 prices, inclusive of local taxes.

b: Computed at 5.0% for all cost items.

c: Computed at the below

Annual Rate	2010	2011	2012	2013	2014	2015	2016
Foreign Currency Portion	1.0%	0.0%	0.3%	0.5%	0.5%	0.5%	0.5%
Local Currency Portion	5.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%

d: includes interest during the following years and commitment charge of OCR: (i) OCR: 7 years (interest rate of 2.04% for Tranche 1 and 2.14% for Tranche 2), (ii) Cofinancier Loan for civil works: 10 years (interest rate of 1.2%), and (iii) Cofinancier Loan for consultancy: 10 years (interest rate of 0.01%)

ADB = Asian Development Bank, OCR = ordinary capital resources.

Source: Asian Development Bank

Table 5: Facility Financing Plan

Source	Tranche 1 ($ million)	Tranche 2 ($ million)	Total Amount ($ million)	Share of Total (%)
Asian Development Bank	350.0	286.0	636.0	39.55
Cofinancier	0.0	635.0	635.0	39.49
Viet Nam	277.7	59.3	337.0	20.96
Total	**627.7**	**980.3**	**1,608.0**	**100.00**

Source: Asian Development Bank.

SCHEDULE 2

DESIGN AND MONITORING FRAMEWORK FOR THE FACILITY

Design Summary	Performance Targets and Indicators	Data Sources and Reporting Mechanisms	Assumptions and Risks
Impact Increased competitiveness of regional economy along SEC in the southern Viet Nam and the GMS countries	By 2017 compared to the baseline data of 2011: GDP increased by 30% in HCMC and provinces in which the project expressway is constructed Value of Cross-border trade between Viet Nam and Cambodia increased by at least 50%	Annual provincial and national statistical reports Field surveys and interviews of road transport operators and road users by VEC Annual import and export statistics prepared by the Department of Customs Project performance monitoring surveys	**Assumptions** Complementary investments are made in the linked expressway network in greater HCMC area Viet Nam remains internationally competitive, and continues to attract foreign direct investment A bridge is constructed at Neak Laong in Cambodia **Risk** Political relationship between Viet Nam and Cambodia hampers cross-border operation
Outcome A more efficient and safer movement of goods and people in the greater HCMC area	By 2017 compared to the baseline data of 2011: Travel time and costs reduced by 80% for east–west traffic in the southern HCMC area Number of trucks on general roads and highways in HCMC reduced by 30% Traffic accident rate per vehicle in the project area reduced by 10% Traffic volume of international cargo to and from Cambodia by GMS SEC tripled	VEC measurements of traffic and transport cost data Provincial and national statistical reports Police department accident statistics Field surveys and interviews of road transport operators and road users by VEC Project performance monitoring surveys	**Assumptions** Economy of Viet Nam keeps growing The GMS cross-border transport agreement is implemented along the SEC Traffic enforcement by police departments are enhanced **Risks** Trucks may use general roads and highways due to high toll rate of the Expressway Improper operation and maintenance of the project expressway
Outputs 1. Road density of HCMC increased 2. Connection between east and west regions of HCMC enhanced 3. Project management capacity of VEC improved	Construction work to construct the 57.1 km of 4-lane Ben Luc-Long Thanh Expressway completed by 2016 Resettlement plan implemented, addressing all resettlement impacts EIA and EMP implemented, minimizing adverse environmental impacts by mitigation measures	Monthly and quarterly progress reports, resettlement monitoring reports, environmental monitoring reports, project performance monitoring reports, and a project completion report to be prepared by the project supervision consultant Regular, midterm, and project completion review missions by ADB, cofinancier, and VEC VEC's annual audited reports	**Assumption** The expressway alignment and detailed designs are approved by the Ministry of Transport, provincial transport departments concerned, and HCMC without delay A cofinancier and Viet Nam to cofinance the Expressway Project VEC, and HCMC provincial transport departments concerned carry out resettlement activities as required in the resettlement

Design Summary	Performance Targets and Indicators	Data Sources and Reporting Mechanisms	Assumptions and Risks
4. Financing management capacity of VEC improved	Permanent subsidy mechanism to expressway projects established by Viet Nam Diversified financing modality to develop national expressway network		plan, and environmental mitigations as required in EIA and EMP VEC's organization structure and capacity of VEC staff in Financing Department is strengthened, and VEC's financial status is improved **Risks** Preconstruction activities such as recruitment of project supervision consultant, procurement of civil works, land acquisition and resettlement are delayed Project supervision consultant and civil works contractors fail to perform as required Cost overrun caused by detailed designs and general price escalation

Activities with Milestones	**Inputs**
ADB First Tranche 1.1 Recruit project supervision consultant Target: complete by end of August 2011 1.2 Procurement of Civil Works (western and eastern sections) Target: complete by April 2012 1.3 Update and implement resettlement plans Target: begin in November 2010 and complete by November 2012 1.4 Implement project supervision consulting services Target: begin in September 2011 and complete by February 2016 1.5 Implement civil works (western section) Target: begin in May 2012 and complete by April 2015 Second Tranche 2.1 Implement civil works (eastern section) Target: begin in January 2013 and complete by December 2015 **Cofinancier** 1.1 Recruit project supervision consultant Target: complete by April 2012 1.2 Procurement of Civil Works (middle section) Target: complete by December 2012 1.3 Implement project supervision consulting services Target: begin in May 2012 and complete by December 2016 1.4 Implement civil works (middle section) Target: begin in January 2013 and complete by April 2016 1.5 Procurement of expressway facilities Target: complete by April 2015 1.6 Implement expressway facilities installation works Target: begin in May 2015 and complete by July 2016	1. ADB: $636.0 million from OCR Civil works ($464.4 million), VEC laboratory ($1.1 million), consulting services ($18.5 million), VEC incremental administration cost ($12.4 million) contingencies ($104.6 million), and FCDD ($35.0 million) 2. Cofinancier: $635.0 million Civil works ($413.7 million), expressway facilities ($54.7 million), consulting services ($15.0 million), contingencies ($109.3 million), and FCDD ($42.3 million) 3. Viet Nam's counterpart funds: $337.0 million Land acquisition and resettlement ($215.7 million), unexploded ordnance clearance woks ($4.0 million), local taxes ($48.4 million), and contingencies ($68.9 million) 4. ADB: $1.0 million for associated TA PATA for Strengthening Institutional Arrangements, Operation and Maintenance, and Governance in Road Transport

EIA = environmental impact assessment, EMP = environmental management plan, FCDD = financing charges during development, GMS = Greater Mekong Subregion, HCMC = Ho Chi Minh City, PATA = policy and advisory technical assistance, SEC = southern economic corridor, UXO = unexploded ordnance, VEC = Vietnam Expressway Corporation.
Source: Asian Development Bank

SCHEDULE 3

IMPLEMENTATION FRAMEWORK

Management of the Investment Plan

1. Viet Nam will appoint Vietnam Expressway Corporation (VEC) as the Project Executing Agency with overall responsibility for the implementation of the Project. VEC Headquarters will have the Employer's responsibilities (approval of detailed design, procurement activities, the withdrawal of Loan proceeds), supervise the overall Project implementation, and coordinate with the Ministry of Transport (MOT), the line ministries, ADB, a cofinancier, and People's Committees of HCMC and Dong Nai and Long An provinces. Viet Nam will cause VEC to expand its Project Implementation Unit 3 to be a Ben Luc-Long Thanh Project Management Unit (BLLT-PMU) that will have responsibility for the day-to-day implementation of the Project. The BLLT-PMU will (i) implement the Environmental Impact Assessment (EIA) and the Resettlement Plan (RP) approved by ADB, (ii) supervise the consultants and contractors under the Project, (iii) prepare the necessary documentations for the withdrawal of Loan proceeds, and (iv) prepare periodic reports to ADB, and will ensure close communication and coordination with People's Committees of HCMC, Dong Nai and Long An provinces, the project supervision consultants, the environmental monitoring consultants, the external resettlement monitoring consultants, and the civil works contractors in the project site.

2. Viet Nam will ensure that VEC will appoint a Project Director to head the BLLT-PMU and supervise the overall Project implementation. In addition, Viet Nam will ensure that VEC will appoint Deputy Project Directors of the BLLT-PMU to support the Project Director and assume responsibility for the day-to-day implementation of the Project.

3. Viet Nam and ADB will undertake semi-annual review to assess: (i) progress of the resettlement and works; (ii) environmental impact mitigation works; (iii) disbursement progress; (iv) compliance with the loan covenants; and (v) potential risks for achieving the Project outcome. In addition, MOT and ADB shall undertake, at the end of the second year of Project implementation, a comprehensive midterm review. At the conclusion of the mid-term review, ADB and the Borrower may agree on changes in both Project scope and implementation arrangements, as deemed necessary.

Financial Accounting and Auditing

4. Viet Nam will cause VEC to maintain separate project accounts and records by funding source for all expenditures incurred on the Project. Project accounts will follow international accounting principles and practices.

5. Viet Nam will cause VEC to have the detailed consolidated project accounts to be audited in accordance with International Standards on Auditing by an auditor acceptable to ADB. The audited accounts will be submitted in the English language to ADB within 6 months of the end of the fiscal year by the executing agency. The annual audit report will include a separate audit opinion on the use of the imprest account, and the statement of expenditure procedures. Viet Nam and VEC have been made aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited accounts. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures. For revenue generating projects only, ADB

requires audited financial statements (AFS) for each executing and/or implementation agency associated with the project.

Project Reporting and Review

6. Viet Nam will cause VEC, through BLLT-PMU, to collect and consolidate all Project progress information and submit quarterly progress reports to ADB within 30 days of the end of each quarter. Quarterly progress reports will include updated information on (i) project basic data, (ii) utilization of the loan and counterpart funds, (iii) project purpose, (iv) implementation progress, (v) compliance with loan covenants, and (vi) major project issues and problems, as well as reports submitted by the EMA for environmental and resettlement activities.

7. Viet Nam will cause VEC to prepare MFF annual reports, including (i) status of the Project outcomes and outputs as provided in the Design and Monitoring Framework and progress achieved by output as measured through the indicator's performance targets, (ii) key implementation issues and solutions; (iii) updated procurement plan, and (iv) updated implementation plan for next 12 months, and submit the reports to ADB within 30 days of the end of each year.

8. Viet Nam will cause VEC to prepare its annual operation reports including (i) an annual operating plan, (ii) projected financial statements, (iii) anticipated debt obligations, and (iv) estimated incremental administration costs based on an acceptable standard costing method for charging the incremental costs to the Project and which estimates are based on an acceptable standard costing method, and (v) an audited statement in the annual audit of accounts confirming that the charged services were duly provided to the Project. Viet Nam will cause VEC to submit the reports to ADB within 3 months prior to the start of each applicable fiscal year.

9. Within 6 months of Project completion, Viet Nam will cause VEC, through BLLT-PMU, to submit to ADB, a Project completion report providing (i) project implementation issues in terms of (a) implementation schedule and delays, (b) cost estimate, (c) consultant recruitment, (d) procurement of civil works and equipment, (e) compliance with loan covenants, and (f) loan disbursement; (ii) initial operations issues on transitional problems and measures taken; and (iii) evaluation of ADB's performance.

10. In addition to the regular review mission every 6 months, ADB will undertake special review missions. First, an inception review mission will be fielded to review land acquisition and resettlement, the mine clearance works, and procurement of the project supervision consulting services and civil works. The mission will also address issues that VEC is encountering and is about to encounter. Second, a midterm review will be undertaken in mid-2013 to assess (i) overall progress of project implementation, (ii) the income-restoration status of project-affected households, (iii) performance of project supervision consultants and contractors, (iv) status of compliance with the loan covenants, and (v) need for any changes in the project scope or schedule to achieve the project impact. Third, a project completion review mission will be fielded about 1 year after completion of the Project. There will also be special reviews as required to address issues that arise during implementation of the Project.

SCHEDULE 4

SELECTION CRITERIA AND APPROVAL PROCESS FOR GREATER MEKONG SUBREGION BEN LUC-LONG THANH EXPRESSWAY PROJECT

Selection Criteria

1. The Project consists of two tranches. The first tranche will finance the construction of the western section of the Ben Luc-Long Thanh Expressway. The second tranche will finance the construction of the eastern section of the Ben Luc-Long Thanh Expressway. The cofinancier will finance the construction of the middle section of the Ben Luc-Long Thanh Expressway.

2. Viet Nam will ensure that the expressway sections to be constructed under each tranche will meet the following criteria:

(i) the expressway sections will be technically sound, and a feasibility study and detailed designs will have been approved by Viet Nam.

(ii) the entire Project remains economically feasible and financially sustainable. In particular, the entire economic internal rate of return of the Project will be higher than 12%, based on the economic analysis to be conducted in accordance with ADB's *Guideline for the Economic Analysis of Projects*. The entire financial internal rate of return of the Project will be higher than the weighted average cost of capital of the Project financed in accordance with *ADB's Guideline for the Financial Analysis of Projects*. Furthermore, consolidated financial projections of VEC shall comply with debt service coverage ratio higher than 1.2 and debt to equity ratio better than 90:10 from 2020.

(iii) the expressway sections will be (a) environmentally and socially sound and include measures to mitigate any possible environmental and social impacts, and (b) in compliance with the requirements of social and environmental legislation and regulations of Viet Nam and conform to ADB's Safeguard Policy Statement of 2009. Reference is made to the understandings set out in Schedule 5. For the entire Project, an initial poverty and social assessment will be conducted in accordance with ADB's guideline on initial poverty and social assessment.

(iv) all necessary approval by the central government and the local governments in the project area will be obtained.

(v) sufficient Viet Nam's counterpart funding will be allocated to complete implementation of the entire Project.

(vi) unless otherwise agreed by ADB, an expressway section to be financed out of the Facility is the one for which ADB's preparatory study and Viet Nam's feasibility study have been carried out.

Approval Procedures

2. Each periodic financing request will be prepared and processed in accordance with following procedures:

(i) Detailed designs for each expressway section will be approved by VEC.

(ii) Upon completion of the detailed designs, Viet Nam will cause VEC to prepare and submit to ADB a summary appraisal report for each expressway section, together with required attachments, including updated resettlement plan, and updated environmental impact assessment, if required.

(iii) ADB will review the summary appraisal reports, together with the required attachments. If it finds that the proposed expressway section does not satisfy the selection criteria and approval process, or does not comply with ADB's policies, ADB may advise VEC to modify the Project.

SCHEDULE 6

UNDERTAKINGS

1. Viet Nam will, and will cause Vietnam Expressway Corporation (VEC) to: (i) ensure timely implementation of the Project, including executing the implementation arrangement set out in Schedule 3 to this FFA; (ii) ensure that all projects financed under the Facility are selected and approved in accordance with the criteria and procedure set out in Schedule 4 to this FFA; (iii) ensure that all projects financed under the Facility are developed, implemented and maintained in accordance with the safeguards requirements set out in Schedule 5 to this FFA. Viet Nam will notify ADB of any changes to the road map, policy framework, investment program, and financing plan; and will consult with ADB in a policy dialogue affecting any of these elements. In addition to them, Viet Nam will, and will cause VEC to, as the case may be, undertake the measures provided in this Schedule.

2. Viet Nam will and will cause VEC to comply with ADB's relevant policies and procedures, including those on procurement, disbursement, safeguards, social dimensions, gender, governance, and anticorruption measures, in the preparation and implementation of investments. Breach of undertakings will trigger ADB's right to hold back financing, and to suspend or terminate the Facility.

A. Institutional Development

3. Viet Nam will cause MOT and its line agencies to implement the guidelines with respect to (i) efficient management of General Road Administration and upon its establishment, Vietnam Expressway Management Administration, (ii) financial arrangements of expressway projects and financial empowerment of VEC, (iii) flexible design standards, and (iv) improved framework for governance of the road sector, to be developed under ADB's technical assistance for Strengthening Institutional and Financial Arrangements, Operation and Maintenance, and Governance in Road Transport and jointly agreed between Viet Nam and ADB.

B. Environment

4. Viet Nam and VEC will ensure that laws and regulations of Viet Nam governing environmental impact assessments, as well as ADB's *Safeguard Policy Statement* (2009) ("SPS") are followed. If there is any discrepancy between Viet Nam's laws and regulations, and the SPS, the requirements under the SPS will apply.

5. Viet Nam will cause VEC to ensure that the required environmental measures in the EMP included in the EIA as agreed for the Project are appropriately incorporated in bidding and contract documents for the Works. Viet Nam will ensure that the measures indicated in the EMP are included by VEC in the bidding documents as a basis for Works contractors to prepare site-specific EMPs.

6. Viet Nam will cause VEC to ensure that (i) it allocates sufficient staff resources for EMP implementation and monitoring; and (ii) the Project complies with best environmental practices and meets the mitigation and monitoring requirements in a timely manner, as required in the EMP. Viet Nam will cause VEC to be responsible for internal monitoring of the EMP and will submit progress reports on environmental activities to ADB on a quarterly basis, as part of the Project progress reports.

7. Viet Nam and VEC will ensure that the provisions of the EIA and EMP as well as any requirements under the SPS also apply to the expressway sections of the Project to be financed by Viet Nam and a cofinancier.

8. Viet Nam will ensure that VEC engages a qualified and experienced external monitoring agency (EMA), acceptable to ADB, to (a) review and verify the accuracy, breadth, depth, and relevance of information provided by VEC to ADB with regard to EMP implementation, (b) determine if EMP provisions are being conducted in thorough and timely manner and in accordance with budget identified within the EMP, and (c) undertake monitoring annually and shall submit corresponding report to VEC and ADB on timely basis.

9. Viet Nam will cause VEC to establish an environmental grievance redress mechanism, acceptable to ADB, to receive and facilitate resolution of affected peoples' concerns, complaints, and grievances about the Project's environmental performance. VEC shall make public the existence of this grievance redress mechanism through public awareness campaigns; review and address environmental grievances of stakeholders in relation to the project, any of the service providers, or any person responsible for carrying out any aspect of the Project; and proactively and constructively respond to such grievances.

C. Resettlement

10. Viet Nam and VEC will ensure that the RP for the Project will be updated following completion of detailed designs and will be submitted to ADB for review and concurrence. No land acquisition or site clearing will be commence until (a) the RP has been updated and agreed between VEC and ADB, and the (b) provisions of such updated RP have been implemented. In case of differences between the Viet Nam's laws and regulations and the SPS, ADB's Policy shall prevail. Viet Nam will ensure that VEC will be responsible for internal monitoring of resettlement with progress reports submitted to ADB on a quarterly basis, as part of the Project progress reports.

11. Viet Nam will ensure that, within 1 month following the commencement of RP updating, an EMA, acceptable to ADB, is engaged to monitor and evaluate updating and implementation of the RP. The budget provided to the EMA will include funds sufficient, in the opinion of ADB, for the EMA to adequately perform its functions. Viet Nam and VEC will provide to the EMA, at no cost, all documents required to monitor the resettlement process, specifically including the RP, detailed measurement survey documents, and all associated documents which may be reasonably requested by the EMA.

12. Viet Nam will ensure that VEC does not issue a notice of possession of site for any expressway section until the head of District Compensation and Site Clearance Committee has officially confirmed in writing that (i) payment has been fully disbursed to the affected persons and rehabilitation measures are in place as per Updated RP agreed between VEC and ADB; (ii) already-compensated affected persons have cleared the area in a timely manner; and (iii) the area is free from any encumbrances.

13. Viet Nam will ensure that (a) the counterpart funds for land acquisition, resettlement and monitoring activities specified in the agreed upon RP are provided to the relevant agencies on timely basis, (b) any unforeseen obligations in excess of the RP budget estimate will be fulfilled, and (c) the counterpart funds for compensation and entitlements under the agreed upon RP are

fully provided directly to affected persons prior to their displacement from housing and prior to loss of land, livelihood, income or other assets.

14. Viet Nam will ensure that the provisions of the RP as well as any requirements under the SPS also apply to the expressway sections of the Project to be financed by Viet Nam and a cofinancier.

D. Social Protection

15. Viet Nam will cause VEC to ensure that all Works contracts under the Project incorporate provisions and budgets to the effect that contractors: (a) comply with the Viet Nam's applicable labor laws and related international treaty obligations and do not employ child labor; (b) provide safe working conditions, and water and separate sanitation facilities for male and female workers; (c) provide equal wages to male and female workers for work of equal value; (d) provide day care services for female construction workers; and (e) carry out the HIV, Illicit Drugs, and Human Trafficking Prevention Program in the construction campsites with such Program being held in coordination with Viet Nam's programs and other initiatives. Viet Nam will cause VEC to ensure that an HIV, Illicit Drugs, and Human Trafficking Prevention Program is conducted during construction by the Works contractors and VEC in the construction camps, towns, and rural areas of the Project Provinces.

E. Operation and Maintenance

16. At least 6 months prior to the transfer of the first Project expressway Section to VEC from a Works contractor, Viet Nam will ensure that VEC will have developed an internal department responsible for the Project expressway's operations and maintenance management, and may select an appropriately experienced entity to thereafter carry out operations and maintenance works on the Project expressway in an appropriate manner.

F. Financial Matters

17. For the purposes of this paragraph, all financial calculations, ratios, and financial covenants shall be applied in respect of VEC's Operations only. Except as ADB shall otherwise agree,

(i) Viet Nam will ensure that VEC will not incur any Debt unless a Reasonable Forecast of the revenues and expenditures of VEC shows that the estimated Net Revenues of VEC for each Fiscal Year during the term of the Debt to be incurred shall be at least 1.2 times the estimated Debt Service Requirements of VEC in such year on all Debt of VEC including the debt to be incurred and no event has occurred since the date of the forecast which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition of future operating results of VEC.

(ii) Viet Nam will ensure that VEC will not incur any debt, if after the incurrence of such debt the estimated ratio of debt to equity becomes greater than 90 to 10 beginning with Fiscal Year 2020.

(iii) If it appears that VEC will not meet the above requirements by its own revenues from its properties, Viet Nam will review financing reports of VEC and the

feasibility of each project, and take necessary measures for VEC to meet the above requirements.

18. Viet Nam will cause VEC, when establishing the toll rates, to ensure that they are sufficient to satisfy VEC's minimum debt service coverage ratio and debt to equity ratio as described in paragraph 17 above while also taking into account the Project's social objectives. Viet Nam will ensure that VEC will carry out periodic reviews (every three to five years as deemed appropriate) of the toll structure (i.e., vehicle classifications) and toll levels (i.e., amounts) to adjust for inflation or unanticipated costs.

19. By using the internal financial information and management system, Viet Nam will ensure that VEC will produce a financially sustainable expressway investment plan utilizing monitoring and planning, cost recovery tariff levels, traffic forecast planning, and preparing projected financial statements and debt management strategies.

G. Governance

20. Viet Nam and VEC will comply with, ADB's Anticorruption Policy (1998, as amended to date) and the Combating Money Laundering and the Financing of Terrorism Policy (2003). Viet Nam (i) acknowledges ADB's right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project; (ii) agrees to cooperate fully with, and to cause VEC to cooperate fully with, any such investigation and to extend all necessary assistance, including providing access to all relevant books and records, as may be necessary for the satisfactory completion of any such investigation; and (iii) agrees to refrain, and cause the VEC to refrain, from engaging in money laundering activities or financing of terrorism and shall allow, and cause VEC to allow, ADB to investigate any violation or potential violation of these undertakings.

21. Viet Nam will cause VEC to conduct periodic inspections on the contractors' activities related to fund withdrawals and settlements, and Viet Nam and VEC will ensure that all contracts financed by ADB in connection with the Project include provisions specifying the right of ADB to audit and examine the records and accounts of all contractors, suppliers, consultants and other service providers as they relate to the Project.

22. Viet Nam will cause VEC to publicly discloses on the VEC website information how Loan proceeds are being used, presenting (i) procurement contract awards, including for each such contract (a) the list of participating bidders, (b) name of the winning bidder, (c) basic details on bidding procedures adopted, (d) amount of the contract awarded, (e) list of Goods and/or services purchased, (f) intended and actual utilization of Loan proceeds under each contract, and (ii) internal and external resettlement reports. The website will be updated within 2 weeks after: (i) each award of contract, (ii) each submission of the EMA's quarterly resettlement report, and (iii) each submission of VEC's internal quarterly resettlement reports.

H. Project Performance Monitoring and Evaluation

23. Viet Nam will cause VEC to ensure the implementation of a systematic Project performance monitoring and evaluation system for use throughout the Project period, and thereafter as needed, that indicates: (i) the effectiveness of Project implementation activities, including (a) the precise nature, timeliness, cost and quality of physical infrastructure implemented in the Project, (b) the integrity of resettlement and related programs, and (c) the extent to which the HIV, Illicit Drugs, and Human Trafficking Prevention Program is implemented

as planned, and their impacts; and (ii) the effectiveness of the Project with regard to its anticipated effect on economic and social development relative to the baseline prior to its implementation as indicated by at least the following indicators: (a) per capita income in the Project area, (b) level of cross-border trade at Moc Bai, (c) passenger and freight vehicle operating costs and poverty rate on the Project expressway and between key locations, (d) cost for freight and fare for passenger movement between selected locations that indicate the impact of the Project on the community, (e) traffic volume at selected locations and travel time between the selected locations; (f) number of traffic accidents; and (g) number of new small and medium businesses and employment of local people. The impacts of development on low income households resulting from improved road access will receive particular attention with regard to consideration of the effectiveness of the Project.

24. Viet Nam will ensure that disaggregated monitoring indicators by gender and ethnic minority are developed for monitoring of social benefits, economic opportunities, livelihood program, road safety, resettlement activities, and the HIV, Illicit Drugs, and Human Trafficking Prevention Program.

25. Viet Nam will ensure that baseline data is collected and a baseline survey report is submitted to ADB within 6 months of the Effective Date, with a second survey to be conducted upon Project completion and a third survey to be conducted 3 years after Project completion to establish Project impact. The baseline and subsequent surveys shall draw on data collected during Project preparatory activities and data collected from traffic and travel surveys, household socioeconomic sample surveys, participatory rapid appraisals and secondary data from Viet Nam's sources.

FRAMEWORK FINANCING AGREEMENT
(Greater Mekong Subregion Ben Luc-Long Thanh Expressway Project)

Parties

This Framework Financing Agreement ("FFA") dated 15 December 2010 is between the Socialist Republic of Viet Nam ("Viet Nam") and the Asian Development Bank ("ADB").

MFF Investment Program

Viet Nam is committed to and will implement the Greater Mekong Subregion (GMS) Ben Luc-Long Thanh Expressway Project ("Project"), which is an integral part of the Investment Plan. Both the GMS Ben Luc-Long Thanh Expressway Project and the Investment Plan are described in Schedule 1 hereto.

The total cost of the Project over the period 2011 to 2017 is expected to be $1.608 billion equivalent. The total cost of the Investment Plan, over the period 2011 to 2017 is expected to be $636.0 million equivalent.

Multitranche Financing Facility

The Multitranche Financing Facility (the Facility) is intended to finance the GMS Ben Luc-Long Thanh Expressway Project, under the Investment Plan, provided that such project comply with the criteria set out in Schedule 4 hereto and that understandings set out in this FFA are complied with.

These may include: civil works, VEC's laboratory (building and equipment), consulting services, VEC's incremental administration cost, local taxes, and financing charge during development (FCDD) for the ADB loan.

This FFA does not constitute a legal obligation on the part of ADB to commit any financing. At its sole discretion, exercised reasonably, ADB has the right to deny any financing request made by Viet Nam, cancel the uncommitted portion of the Facility, and withdraw Viet Nam's right to request any financing tranche under the Facility. Financing tranches may be made available by ADB provided matters continue to be in accordance with the general understandings and expectations on which the Facility is based and which are laid out in this FFA.

This FFA does not constitute a legal obligation on the part of Viet Nam to request any financing. Viet Nam has the right not to request any financing under the Facility. Viet Nam also has the right at any time to cancel any uncommitted portion of the Facility.

Viet Nam and ADB may exercise their respective rights to cancel the Facility or any uncommitted portion thereof, and ADB may exercise its right to refuse a financing request, by giving written notice to such effect to the other parties. The written notice will provide an explanation for the cancellation or refusal and, in the case of a cancellation, specify the date on which the cancellation takes effect.

ATTACHMENT

Project Description

The Greater Mekong Subregion Ben Luc-Long Thanh Expressway Project proposed for financing under the requested PFR is to execute:

(i) land acquisition and resettlement for the entire Expressway;

(ii) unexploded ordnance clearance works for the entire Expressway;

(iii) civil works for the western section of the Expressway with about 20 km length,

(iv) Vietnam Expressway Corporation's (VEC's) laboratory (building and equipment),

(v) project supervision consulting services for the expressway sections to be financed by ADB,

(vi) external environmental monitoring for the entire Expressway; and

(vii) external auditing for VEC.

The Design and Monitoring Framework for this PFR is in Annex 1.

Cost Estimates and Financing Plan

The total cost is estimated at $627,700,000, inclusive of taxes, duties, and interest and other charges on the loan during construction. The detailed cost estimates and financing plan are in Annex 2.

Loan Amount and Terms

The request is for a loan of $350.0 million from the Ordinary Capital Resource of the Asian Development Bank (ADB) provided under ADB's London interbank offered rate (LIBOR)-based lending facility, with a 27 year term including a grace period of 7 years, an interest rate determined in accordance with ADB's LIBOR-based lending facility, and such other terms and conditions as agreed in the FFA, and further supplemented under the Loan and Project Agreements.

Period of Loan Utilization

The activities to be financed under this PFR are expected to be completed by 30 June 2017. No disbursements from the loan account will be requested or made later than 31 December 2017.

Advance Contracting

Advance contracting is requested for the consulting services and the civil works.

Retroactive Financing

Retroactive financing is requested for the eligible expenditures, not exceeding the amount of $3.0 million, incurred before loan effectiveness, but not earlier than 12 months before the signing of

	the legal agreement.
Implementation Arrangements	The Executing Agency will be the Vietnam Expressway Corporation with overall responsibility for the implementation of the activities under this PFR. VEC will establish a Ben Luc-Long Thanh Project Management Unit (BLLT-PMU) that will act as the focal point for inter-agency coordination and communication with ADB and the other relevant agencies of the Borrower.
Procurement and Consulting Services	The procurement plan is attached as Annex 3. Terms of reference for project supervision consulting services under this tranche are attached as Annex 4.
Confirmation of Continuing Validity of and Adherence to Provisions of FFA, Previous Agreements, and the Design and Monitoring Framework	Viet Nam confirms that the understandings set out in the FFA have been adhered.
Readiness of the Project for Implementation	The Project Detailed Outline approved by the Prime Minister is attached as Annex 5. A summary of proposed and ongoing advance actions is in Annex 6.
Safeguards	An environmental management plan and a resettlement plan for the Facility, which have incorporated ADB's comments and been concurred with ADB, were submitted to ADB on 21 May 2010 and 6 August 2010, respectively.

Annex 1: Design and Monitoring Framework
Annex 2: Detailed Cost Estimates and Financing Plan
Annex 3: Procurement Plan
Annex 4: Terms of reference for Project Supervision Consulting Services
Annex 5: Project Detailed Outline
Annex 6: Summary of Advance Actions

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators	Data Sources and Reporting Mechanisms	Assumptions and Risks
Impact Increased competitiveness of regional economy along SEC in the southern Viet Nam and the GMS countries	By 2017 compared to the baseline data of 2011: GDP increased by 30% in HCMC and provinces in which the project expressway is constructed Value of Cross-border trade between Viet Nam and Cambodia increased by at least 50%	Annual provincial and national statistical reports Field surveys and interviews of road transport operators and road users by VEC Annual import and export statistics prepared by the Department of Customs Project performance monitoring surveys	**Assumptions** Complementary investments are made in the linked expressway network in greater HCMC area Viet Nam remains internationally competitive, and continues to attract foreign direct investment A bridge is constructed at Neak Laong in Cambodia **Risk** Political relationship between Viet Nam and Cambodia hampers cross-border operation
Outcome A more efficient and safer movement of goods and people in the greater HCMC area	By 2017 compared to the baseline data of 2011: Travel time and costs reduced by 80% for east–west traffic in the southern HCMC area Number of tracks on general roads and highways in HCMC reduced by 30% Traffic accident rate per vehicle in the project area reduced by 10% Traffic volume of international cargo to and from Cambodia by GMS SEC tripled	VEC measurements of traffic and transport cost data Provincial and national statistical reports Police department accident statistics Field surveys and interviews of road transport operators and road users by VEC Project performance monitoring surveys	**Assumptions** Economy of Viet Nam keeps growing The GMS cross-border transport agreement is implemented along the SEC Traffic enforcement by police departments are enhanced Loan 2 to construct the middle and eastern sections of 4-lane Ben Luc-Long Thanh Expressway is implemented. **Risks** Trucks may use general roads and highways due to high toll rate of the Expressway Improper operation and maintenance of the project expressway
Outputs 1. Road density of HCMC increased 2. Connection between east and west regions of HCMC enhanced 3. Project management capacity of VEC improved	Construction work to construct the western section of 4-lane Ben Luc-Long Thanh Expressway completed by 2015 Resettlement plan implemented, addressing all resettlement impacts EIA and EMP implemented, minimizing adverse environmental	Monthly and quarterly progress reports, resettlement monitoring reports, environmental monitoring reports, project performance monitoring reports, and a project completion report to be prepared by the project supervision consultant Regular, midterm, and project completion review missions by ADB, JICA, and VEC	**Assumption** The expressway alignment and detailed designs are approved by the Ministry of Transport, provincial transport departments concerned, and HCMC without delay The Government to cofinance the Expressway Project VEC, and HCMC provincial transport departments concerned carry out resettlement activities as

Design Summary	Performance Targets and Indicators	Data Sources and Reporting Mechanisms	Assumptions and Risks
	impacts by mitigation measures	VEC's annual audited reports	required in the resettlement plan, and environmental mitigations as required in EIA and EMP
4. Financing management capacity of VEC improved	Permanent subsidy mechanism to expressway projects established by Government Diversified financing modality to develop national expressway network		VEC's organization structure and capacity of VEC staff in Financing Department is strengthened, and VEC's financial status is improved **Risks** Preconstruction activities such as recruitment of project supervision consultant, procurement of civil works, land acquisition and resettlement are delayed Project supervision consultant and civil works contractors fail to perform as required Cost overrun caused by detailed designs and general price escalation

Activities with Milestones	Inputs
1.1 Recruit project supervision consultant Target: complete by end of August 2011 1.2 Procurement of Civil Works Target: complete by April 2012 1.3 Update and Implement resettlement plans Target: begin in November 2010 and complete by November 2012 1.4 Implement project supervision consulting services Target: begin in September 2011 and complete by February 2016 1.5 Implement civil works (western section) Target: begin in May 2012 and complete by April 2015	1. ADB: $350.0 million from OCR Civil works ($254.7 million), VEC laboratory ($1.1 million), consulting services ($9.6 million), VEC incremental administration cost ($9.2 million), contingencies ($545.5 million), and FCDD ($20.9 million) 2. Government counterpart funds: $277.7 million Land acquisition and resettlement ($215.7 million), unexploded ordnance clearance woks ($4.0 million), and contingencies ($58.0 million) 3. ADB: $1.0 million for associated TA PATA for Strengthening Institutional Arrangements, Operation and Maintenance, and Governance in Road Transport

EIA = environmental impact assessment, EMP = environmental management plan, FCDD = financing charges during development, GMS = Greater Mekong Subregion, HCMC = Ho Chi Minh City, MFF = multitranche financing facility, PATA = policy and advisory technical assistance, SEC = Southern Economic Corridor, VEC = Vietnam Expressway Corporation.
Source: Asian Development Bank

DETAILED COST ESTIMATE AND FINANCING PLAN
($ million)

	ADB (OCR)	Cofinancier	Counterpart Funds	Total
A. Base Cost [a]				
1. Civil Works	254.7	0.0	0.0	254.7
2. Expressway Facilities	0.0	0.0	0.0	0.0
3. Land Acquisition and Resettlement	0.0	0.0	215.7	215.7
4. VEC Laboratory	1.1	0.0	0.0	1.1
5. UXO Clearance	0.0	0.0	4.0	4.0
6. Consulting Services	9.6	0.0	0.0	9.6
7. VEC Incremental Administration Cost	9.2	0.0	0.0	9.2
Subtotal (A)	**274.6**	**0.0**	**219.7**	**494.3**
B. Contingencies				
Physical [b]	13.7	0.0	11.0	24.7
Price [c]	40.8	0.0	47.0	87.8
Subtotal (B)	**54.5**	**0.0**	**58.0**	**112.5**
C. Financial Charge during Development [d]	20.9	0.0	0.0	20.9
Total (A+B+C)	**350.0**	**0.0**	**277.7**	**627.7**

Source: Asian Development Bank

ADB = Asian Development Bank, OCR = ordinary capital resources, UXO = unexploded ordnance.

a: in 2009 prices, inclusive of local taxes.

b: Computed at 5.0% for all cost items.

c: Computed at the below

Annual Rate	2010	2011	2012	2013	2014	2015	2016
Foreign Currency Portion	1.0%	0.0%	0.3%	0.5%	0.5%	0.5%	0.5%
Local Currency Portion	5.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%

d: includes interest rate of 2.04% and commitment charge of OCR during 7 years.

PROCUREMENT PLAN

Table 1: Project Information

Country	Socialist Republic of Viet Nam
Name of Borrower	Government of Viet Nam
Project Name	Greater Mekong Subregion Ben Luc–Long Thanh Expressway Project
Loan Reference	TBD
Date of Effectiveness	TBD
Amount $	$350,000,000
Of which Committed, $	TBD
Executing Agency	Vietnam Expressway Corporation
Approval Date of Original Procurement Plan	TBD
Approval of Most Recent Procurement Plan	TBD
Publication for Local Advertisement	November 2010
Period covered by this Plan	January 2011–December 2017

GMS = Greater Mekong Subregion, TBD = to be determined.
Source: Asian Development Bank.

Table 2: Procurement Thresholds

Procurement Method	Thresholds
Goods and Related Services, Works, and Supply and Installation	
ICB (Works)	above $10,000,000
ICB (Goods)	above $500,000
NCB (Works)	above $100,000, below $10,000,000
NCB (Goods)	above $100,000, below $500,000
Shopping (Works)	below $100,000
Shopping (Goods)	below $100,000
Consulting Services	
Quality- and Cost-Based Selection	above $200,000
Consultants' Qualification Selection	below $200,000

ICB = international competitive bidding, NCB = national competitive bidding.
Source: Asian Development Bank.

Table 3: List of Contract Packages and Mode of Procurement over $100,000

	Contract Details	Approximate Value ($ million)	Procurement Mode	Expected Date of Advertisement	ADB Review Y/N	Comments
A. Civil Works						
A-1	Package A (Km 0.6–Km 8.0)	75.9	ICB	1st Quarter of 2011	Yes	Financed by ADB
A-2	Package B (Km 8.0–Km 16.7)	91.9	ICB	1st Quarter of 2011	Yes	Financed by ADB
A-3	Package C (Km 16.7–Km 20.4)	86.9	ICB	1st Quarter of 2011	Yes	Financed by ADB
A-5	Package E (Km 31.4–Km 35.9)	60.2	ICB	1st Quarter of 2011	Yes	Financed by ADB
A-6	Package F (Km 35.9–Km 52.4)	61.0	ICB	1st Quarter of 2011	Yes	Financed by ADB
A-7	Package G (Km 52.4–Km 57.7)	88.5	ICB	1st Quarter of 2011	Yes	Financed by ADB
B. Equipment						
B-1	VEC's Laboratory Building	0.4	NCB	1st Quarter of 2011	Yes	Financed by ADB
B-2	VEC's Laboratory Equipment	0.7	ICB	1st Quarter of 2011	Yes	Financed by ADB
C. Consulting Services						
C-1	Project supervision for ADB-financed component	18.2	QCBS	4th Quarter of 2010	Yes	Financed by ADB The quality-cost ratio is 80:20.
C-2	External environmental monitoring	0.2	CQS	3rd Quarter of 2011	Yes	Financed by ADB
C-3	External resettlement monitoring	0.2	CQS	4th Quarter of 2010	Yes	Financed by ADB Loan 2460-VIE
C-4	External auditing	0.2	CQS	4th Quarter of 2011	Yes	Financed by ADB

ADB = Asian Development Bank, CQS = consultants' qualification selection, ICB = international competitive bidding, NCB = national competitive bidding, OCR = ordinary capital resources, QCBS = quality- and cost-based selection.
Note: Approximate value includes local taxes. Prior review and approval by ADB of procurement documents, bid evaluation reports, technical and financial proposals evaluation reports, and proposed award of contacts is required.
Source: Asian Development Bank estimates.

TERMS OF REFERENCE FOR CONSULTING SERVICES FOR PROJECT 1

I. Project Supervision Consulting Services

1. Vietnam Expressway Corporation (VEC) will be the project Executing Agency with overall responsibility for the implementation of the Project. VEC Headquarters will have the Employer's responsibilities (approval of detailed design, procurement activities, the withdrawal of Loan proceeds), supervise the overall Project implementation, and coordinate with the Ministry of Transport (MOT), the line ministries, ADB, a cofinancier, and People's Committees of HCMC and Dong Nai and Long An provinces. VEC will expand its Project Implementation Unit 3 to be a Ben Luc-Long Thanh Project Management Unit (BLLT-PMU) that will have responsibility for the day-to-day implementation of the Project. The BLLT-PMU will (i) implement the Environmental Impact Assessment (EIA) and the Resettlement Plan (RP) approved by ADB, (ii) supervise the consultants and contractors under the Project, (iii) prepare the necessary documentations for the withdrawal of Loan proceeds, and (iv) prepare periodic reports to ADB, and will ensure close communication and coordination with People's Committees of Ho Chi Minh City (HCMC), Dong Nai and Long An provinces, the project supervision consultants, the environmental monitoring consultants, the external resettlement monitoring consultants, and the civil works contractors in the project site.

2. The project supervision consulting services will be provided by an international consulting firm, joint venture, or consortium of consulting firms, in association with national consulting firms, which will be selected by VEC in accordance with *Guidelines on the Use of Consultants* (2007, as amended from time to time).

3. The project supervision consulting services are to (i) supervise the civil works for the expressway construction; (ii) assist VEC in undertaking environmental management and monitoring, land acquisition and resettlement, the income restoration program, and social development activities; (iii) project performance monitoring and evaluation; and (iv) develop the skills of VEC staff on project management, environmental management, land acquisition and resettlement, social development assistance, and corporate financing management. The selected project supervision consultants (PSC) will establish an office in HCMC.

A. Scope of the Project

4. The Project will construct a 57.1 kilometer expressway between Ben Luc and Long Thanh in the south of HCMC, which is a short link of the GMS Southern Economic Corridor. The Project Expressway consists of a southern link of the planned HCMC Third Ring Road and an access link connected to the planned Bien Hoa–Vung Tau Expressway. The starting point of the Project Expressway is an interchange with the HCMC-Trung Luong Expressway. At the interchange, the Project Expressway will be connected to the HCMC Third Ring Road. The ending point of the Project Expressway is an interchange with the planned Bien Hoa–Vung Tau Expressway. Two long-spanned bridges (Binh Khanh Bridge across Soai Rai River and Phuoc Khanh Bridge across Long Tau River) will be constructed. The project scope includes (i) land acquisition and resettlement, (ii) unexploded ordnance clearance works, (iii) civil works, (iv) VEC's laboratory (building and equipment), (v) consulting services, and (vi) VEC's incremental administration cost.

5. The Expressway will have four-lane structure under the Project, and the Government will expand the Expressway to 8 lanes when traffic demand exceeds capacity of the 4-lane

Expressway. The following 6 interchanges (IC) are planned under the Project: (i) IC1 with HCMC-Trung Luong Expressway; (ii) IC2 with National Highway 1A; (iii) IC3 with National Highway 50; (iv) IC4 with Nguyen Van Tao; (v) IC6 with Phuoc An; and (vi) IC7 with National Highway 51. IC5 with HCMC Third Ring Road and IC8 with Bien Hoa–Vung Tau Expressway will be constructed after the completion of the Road and Expressway.

6. Scope of the first tranche includes (i) land acquisition and resettlement for the entire Expressway, (ii) unexploded ordnance clearance works for the entire Expressway, (iii) civil works for the western section of the Expressway with about 20 km length, (iv) VEC's laboratory (building and equipment), (v) project supervision consulting services for the expressway sections to be financed by ADB, and external environmental monitoring, external resettlement monitoring, and external auditing consulting services for the Project, and (vi) VEC's incremental administration cost. The ADB loan will be used for scope (iii), (iv), (v), and (vi); and the Government's counterpart funds will be used for scope (i) and (ii). Scope of the second tranche will include (i) the civil works for the eastern section of the Expressway with about 26 km length, (ii) project supervision consulting services for the expressway sections to be financed by ADB, and (iii) VEC's incremental administration cost. The second tranche is programmed for 2012 approval.

7. Since the social and environmental impacts of the highway's construction are significant, an environmental impact assessment (EIA) and a resettlement plan (RP) for the entire length of the project expressway have been prepared in accordance with ADB's Safeguard Policy Statement *(2009)*).

B. Outline Terms of Reference

8. The civil works will be executed under ADB's standard bidding documents, which are based on *Fédération Internationale des Ingénieurs-Conseils (FIDIC) Conditions of Contract, fifth edition*. The detailed design and drawings developed under Loan 2460-VIE: GMS Ha Noi–Lang Son, GMS Ha Long–Mong Cai, and Ben Luc–Long Thanh Expressways Technical Assistance Project will be used for the bidding documents and the civil works. Following the FIDIC conditions, the employer will be VEC, the employer's representative will be the head of the PMU in VEC, the PSC will be the engineer, and the engineer's representative will be the PSC's team leader. The PSC will have the duties required for the adequate supervision of the construction activities on site, in accordance with the FIDIC-based contract between VEC and contractors.

9. The EIA identified several major environmental impacts of construction, and suggested mitigation measures and an environmental management plan (EMP). Prior to commencement of site works, the contractors will be required to prepare site-specific EMPs to manage environmental impacts at construction camps and construction sites based on the EMP of the environmental impact assessment. The PSC will review and endorse to ADB the site-specific EMPs prepared by the contractors before site works commence, and monitor environmental mitigation activities by the contractors provided in the approved environmental impact assessment and EMP. Consistent on the EMP requirements, the PSC shall undertake environmental effects monitoring for air quality, surface and ground water quality, vibration, noise, mangroves, aquatic biota and wildlife. The PSC shall prepare semi-annual environmental monitoring reports during the construction period and shall undertake the environmental training/capacity building program for VEC staff and contractors based on the provisions of the EMP.

10. The PSC will assist VEC in the updating and implementation of the agreed Resettlement Plan and gender strategy; prepare quarterly social and resettlement monitoring reports until the livelihood development and income restoration program is completed, and prepare corrective action plans as required. The PSC will assist VEC in the design and implementation of an HIV/AIDS and Human Trafficking Prevention Program and prepare quarterly monitoring reports.

11. At the beginning of project implementation, the PSC will establish baseline data for the performance indicator and targets for evaluating project performance in relation to its impacts, outcomes, and outputs in the Project's design and monitoring framework. The performance indicators and targets will be measured 6 months after project completion and compared with the baseline data. The PSC will prepare a report summarizing key findings of the project performance monitoring and evaluation.

12. The PSC will assist VEC in preparing toll structure and levels with projected financial statements which satisfy (i) VEC's minimum debt service coverage ratio of 1.2, (ii) a minimum debt-to-equity ratio of 90:10, and (ii) a working ratio of not more than 15%, in order to ensure operating efficiency and financial sustainability.

13. The PSC will provide on-the-job training of VEC's counterpart staff in BLLT-PMU and concerned local authorities (such as compensation and resettlement board) on (i) project implementation management; (ii) environmental management, (iii) land acquisition and resettlement and income restoration; (iv) sensitization of gender issues; and (v) corporate financial management.

C. Required Expertise

14. The project supervision consulting services will be undertaken by an international consulting firm with 4,292 person-months (458 person-months of international and 3,834 person-months of national consulting services). The PSC should have expertise shown in Table 1.

D. Schedule and Reporting Requirements

15. The consulting services will last for 54 months from September 2011 to February 2016. The consultants will prepare the following documents and reports, and submit them to VEC and ADB.

(i) An inception report will be submitted within 1 month after commencing the consulting services. The report will highlight problems encountered or anticipated, and will recommend solutions.
(ii) Project progress reports will be submitted monthly during the entire consulting services period. The reports will briefly and concisely describe all construction works and physical and financial progress for the reporting month, and identify problems encountered and problems anticipated together with recommended steps for their correction. Training activities will be also incorporated into the report.
(iii) Environmental monitoring reports will be submitted semiannually during the construction period.
(iv) Land acquisition and resettlement monitoring reports will be submitted monthly until the income restoration program for the project-affected persons is completed.
(v) Project performance monitoring reports will be submitted within 3 months after commencing the consulting services and within 6 months after project completion.

(vi) A project completion report will be submitted within 6 months after project completion. The report will present records of the project implementation in all aspects, and give a summary of the construction activities and the consultant's activities.

Table 1: Estimated Expertise

Expertise	Persons	Person-month
International Consultants		
Project Manager	1	50
Resident Engineers	2	100
Highway Engineer	1	40
Structural Engineers	3	140
Geotechnical/Material Engineer	1	40
Environmental Specialist	1	12
Resettlement Specialist	1	18
HIV/AIDS and Human Trafficking Specialist	1	12
Economist	1	10
Financial Specialist	1	10
Contract Specialist	1	14
Mechanical/Electric Engineer	1	12
Total	**15**	**458**
National Consultants		
Deputy Project Manager/Senior Highway Engineer	1	50
Assistant Resident Engineers	2	100
Highway Engineers	5	250
Structural Engineers	5	250
Geotechnical/Material Engineers	1	50
Material Engineers	4	200
Mechanical Engineers	2	24
Electrical Engineers	2	24
Environmental Specialists	2	36
Resettlement/Social Development Specialists	2	48
Livelihood Development Specialists	2	36
Contract Specialist	1	12
Quantity Surveyors	6	300
Field Inspectors	45	2,250
CAD Operators	4	192
Computer Network System Engineer	1	12
Total	**85**	**3,834**

Source: Asian Development Bank and Vietnam Expressway Corporation estimates.

II. External Environmental Monitoring Consulting Services

A. Objective

16. VEC shall engage an external expert to undertake independent periodic reviews to verify the monitoring information on EMP implementation and to assess if the EMP provisions are being implemented as required.

B. Key Activities and Methodology

17. The scope of services of the external environmental monitoring consulting services are provided below.

(i) Review and verify the accuracy, breadth, depth, and relevance of information provided by VEC to ADB with regard to EMP implementation
(ii) Determine if EMP provisions (mitigation, monitoring, reporting, etc.) are being conducted in thorough and timely manner and in accordance with budget identified within the EMP.

18. The above tasks shall be undertaken on an annual basis throughout the construction phase through review of environmental monitoring reports, site visit and interviews with affected households, local officials and other stakeholders.

C. Required Expertise

19. The external environmental monitoring consulting services will be undertaken by an international environmental consultant with a total 4 person-months input. Expert to be engaged has not been and shall not be involved in day-to-day project implementation or supervision.

D. Schedule and Reporting Requirements

20. The external environmental monitoring consultant will be mobilized on an annual basis throughout the construction phase. The monitoring report to be prepared by the consultant shall provide details of the methodology used; findings (results of desk review, site observations, consultations/interviews); recommendations; and other relevant information to support the findings (minutes of meetings, photo-documentation, etc.). The reports shall be submitted to VEC and ADB two weeks from completion of each monitoring activity.

III. External Resettlement Monitoring Consulting Services

A. Objective

21. The main objective of external resettlement monitoring is to provide an independent periodic review and assessment of (i) achievement of resettlement objectives; (ii) changes in living standards and livelihoods; (iii) restoration of the economic and social base of the affected people; (iv) effectiveness and sustainability of entitlements; and (v) the need for further mitigation measures as required.

B. Key Activities and Methodology

22. The external resettlement monitoring consulting services will address specific issues such as the following:

(i) Public consultation and awareness of resettlement policy and entitlements;
(ii) Documentation of impacts and payments (DMS forms, compensation documents,) as per agreed RP;
(iii) Coordination of resettlement activities with construction schedule;
(iv) Land acquisition and transfer procedures;

(v) Construction/rebuilding of replacement houses and structures on residual land or to new relocation sites;
(vi) Level of satisfaction of APs with the provisions and implementation of the RPs;
(vii) Grievance redress mechanism (documentation, process, resolution);
(viii) Effectiveness, impact and sustainability of entitlements and rehabilitation measures and the need for further improvement, as required;
(ix) Gender impacts and strategy;
(x) Capacity of APs to restore/re-establish livelihoods and living standards. Special attention provided or to be provided to severely affected and vulnerable households;
(xi) Resettlement impacts caused during construction activities;
(xii) Participation of APs in RP planning, updating and implementation;
(xiii) Institutional capacity, internal monitoring and reporting.
(xiv) Channeling of government funds for payment of land, non-land assets and allowances to the affected households (if done transparently, efficiently and effectively)

23. Monitoring of RP implementation will be based on desk review and field visits, meetings with various ministries and local officials, and affected households. Separate meetings will be held with women and vulnerable households.

24. Between 6 to 12 months following completion of resettlement, the external resettlement monitoring consulting services will conduct an evaluation study to determine whether or not the objectives of resettlement have been achieved. The methodology for the evaluation study will be based mainly on a comparison of the socio-economic status of severely affected households prior to and following displacement. If the findings of the study would indicate that the objectives of the RP have not been achieved, the EM will propose appropriate additional measures to meet the RP objectives. Activities will include the following:

(i) Evaluate baseline data that was collected under the socio-economic survey to assess changes in: household income and expenditures, expenditure composition patters, primary and secondary occupations, borrowing amounts and debts patterns, materials conditions and possessions of consumer items, land area and tenure arrangements, school attendance of children, child malnutrition and general health, and distances to public services and infrastructure.
(ii) Collect qualitative indicators on the APs' own assessment of changes in living standards before and after the project at households and community levels, which may be collected through open-ended questions, semi-structured interviews, case-studies, or group discussions employing a range of PRA tools and methods.
(iii) Verify with the APs that community services and resources damaged during construction works have been fully restored to their previous conditions and operational capacity.

C. Required Expertise

25. The external resettlement monitoring consulting services will be undertaken by an international consulting firm with 13 person-months (5 person-months of international and 7 person-months of national consulting services).

D. Schedule and Reporting Requirements

26. The external resettlement monitoring consulting services will be mobilized on a quarterly basis from August 2011 to June 2014. The consultants will prepare the following documents and reports, and submit them to VEC and ADB. The external resettlement monitoring consulting services will prepare a report summarizing all activities and covering all aspects of resettlement and monitoring indicators specified above. The Report will highlight the issues and problems arising and, if required, suggest time-bound and specific mitigation measures.

(i) A brief inception report to be submitted within two weeks after completion of the inception activity.
(ii) Compliance monitoring reports and final monitoring report within two weeks after completion of the monitoring activity.
(iii) Post- evaluation report will be submitted within two weeks after completion of the monitoring activity.

IV. External Auditing Consulting Services

27. The external auditing consulting services are to audit VEC's detailed consolidated project accounts in accordance with International Standards on Auditing, and VEC's financial statements for the year of the project implementation. The external auditor should be made aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited accounts.

28. The external auditing consulting services will be undertaken by a national consulting firm with 22 person-months. The external resettlement monitoring consulting services will be mobilized in March to May in 2012, and in April and May from 2013 to 2016. If the project completion is delayed, the external auditing consulting services are extended until the following year of the project completion.

29. The external auditor will prepare an annual audit report in the English language, which should include a separate audit opinion on the use of the imprest account, and the statement of expenditure procedures, and an annual audited financial statements report in the English language. The reports will be submitted to VEC within 5 months of the end of the fiscal year by VEC.

PROJECT DETAILED OUTLINE

I. Legal basis

1. GMS Ben Luc – Long Thanh Expressway Project is included in ADB's financing schedule for 2010 – 2011. ADB intends to finance $635,700,000 divided into 2 tranches: $350,000,000 for tranche I in 2010 and $285,700,000 for tranche II in 2011 (ADB's letter dated 7/9/2010 and MOU dated 2/2010).

2. The Prime Minister approved PDO of GMS Ben Luc – Long Thanh Expressway Project (Doc. No. 1795/TTg-QHQT dated 5/10/2010 of Government Office)

II. Project summary

1. Project's name: GMS Ben Luc – Long Thanh Expressway Project.

2. Financers: ADB and JICA.

3. Ministry in charge: Ministry of Transport.

4. Employer: Vietnam Expressway Corporation (VEC).

5. Objectives, scope of work and key results of the project:

- Long term objectives: contributing to socio-economic development of the key economic region in the South, especially the Southeast area.
- Short term objectives: taking full advantages of economy development economy, attract investment and tourism in Ho Chi Minh City, Long An, Dong Nai province, contributing to reduce traffic pressure on Highway 1, Highway 51, allowing traffic to the western region and South East does not need to transit through Ho Chi Minh City, reduce traffic accidents, shorten goods transportation time.
- Scope of work: The project scope includes (i) land acquisition and resettlement; (ii) unexploded ordnance clearance works; (iii) civil works for 58 Km of the Expressway (including Binh Khanh and Phuoc Khanh bridges); (iv) VEC's laboratory (building and equipment); (v) facilities for the whole expressway; (vi) consulting services for project supervision (ADB and JICA portions), external environmental monitoring, external resettlement monitoring, and external auditing and (vii) VEC's incremental administration cost.
- Key results: (i) 58 Km of GMS Ben Luc – Long Thanh expressway (starting point at Ben Luc commune – Km12+100 of HCMC – Trung Luong expressway; ending point at planed Bien Hoa – Vung Tau expressway in the future by an interchange) grade A (4 lanes in phase I, 8 lanes in completion phase) to be constructed and operated; (ii) 28.88Km of all bridges to be completed and operated (including Binh Khanh and Phuoc Khanh bridges).

6. Construction Period: From 2012 to 2017.

7. Estimated maximum budget, ODA sources:

- Total budget: $1,607,400,000, including:
  + ADB loan: $635,700,000;
  + JICA loan: $634,800,000;
  + Counterpart fund: $336,900,000.

8. Sources and financial mechanism: The Loan for GMS Ben Luc – Long Thanh Expressway Project is divided into 2 tranches as follows:

a. Tranche I: $638,800,000, including:
- $350,000,000 from ADB's OCR, re-lending;
- $288,800,000 from counterpart fund.

b. Tranche II: $968,600,000, including:
- $285,700,000 from ADB's OCR, re-lending;
- $634,800,000 from JICA, re-lending;
- $48,100,000 from counterpart fund.

SUMMARY OF ADVANCE ACTIONS

1. VEC started recruitment of consultants for the project supervision consulting services and the external environmental and resettlement monitoring services, in accordance with procurement plan in Annex 3, and following ADB's *Guidelines on the Use of Consultants* (2010, as amended from time to time).