# Viet Nam: Ho Chi Minh City Urban Mass Rapid Transit Line 2 Investment Program

## Project Details
- **Project Name:** Ho Chi Minh City Urban Mass Rapid Transit Line 2 Investment Program
- **Project Number:** 39500-013
- **Country:** Viet Nam
- **Project Status:** Active
- **Project Type / Modality of Assistance:** Loan
- **Source of Funding / Amount:**
  - MFF Facility Concept 0052-VIE: Multitranche Financing Facility Ho Chi Minh City Urban Mass Rapid Transit Line 2 Investment Program
  - Ordinary capital resources: US$ 540.00 million
  - KfW Bankengruppe: US$ 313.00 million
  - European Investment Bank: US$ 195.00 million

## Strategic Agendas
- Environmentally sustainable growth
- Inclusive economic growth

## Drivers of Change
- Governance and capacity development
- Partnerships

## Sector / Subsector
- Transport - Transport policies and institutional development

## Gender Equity and Mainstreaming
- Effective gender mainstreaming

## Description
The investment program will construct 11.3 kilometers of dual track mass rapid transit (MRT) line in Ho Chi Minh City from Ben Thanh to Tham Luong, including a depot at Tham Luong, to support the local economic development in HCMC by initiating the first stage of a MRT system. The expected impact of the investment program will be the establishment of an integrated sustainable urban transport system in project districts. The outcome is to provide competitive public transport along the project corridor. The resultant slowing of growth in the number of private vehicles on city roads will improve the urban environment, reducing accidents and air and noise pollution and making the urban environment more pedestrian friendly. The investment program also supports climate change mitigation efforts of HCMC by adopting a low-carbon transport growth path and encouraging a substantive modal shift from private vehicles to public transport, which is more energy efficient and emits less greenhouse gas.

## Project Rationale and Linkage to Country/Regional Strategy
The Government of Viet Nam is well aware of the impact of inadequate transport infrastructure on economic growth. Without investment in public transport infrastructure in cities, economic growth will be constrained and the urban environment will degrade further. Ho Chi Minh City (HCMC) is the largest city in Viet Nam, with a population of over 9 million that is expected to grow to 13.8 million by 2025. Private vehicles dominate transportation, but road infrastructure is reaching the saturation point, which will worsen as more motorbike users convert to cars with improving household incomes. Road network development faces space limitations and will not be able to meet the expected increase in demand, so private transport is not sustainable as the principal transportation mode. A well-integrated high-capacity public transport system is essential, and a rail mass rapid transit (MRT) system is most appropriate for densely populated cities. Without improvements in major public transport infrastructure, combined with policies that support a modal shift to public transport, HCMC’s economic growth will be constrained by high logistics costs and severe congestion.

## Impact
An integrated, sustainable public transport system in six districts of Ho Chi Minh City

## Project Outcome
- **Description of Outcome:** Competitive MRT services along the project corridor
- **Progress Toward Outcome:** Project implementation has been delayed by more than 4 years due to the redesign of fundamental designs of MRT Line 2 system caused by unclear project right-of-way and the Government’s independent verification of fundamental designs required by Vietnamese regulation prior to the issuance of bidding documents. Due to design changes and price escalation, the total estimated cost has increased from $1,374 million at feasibility study stage to about $2,322 million, which now requires Government’s approval on the increased investment costs. Final cost will be determined after the Project Adjustment Document (PAD) is approved by HCMC People’s Committee. Additional funds will be required from ADB and the cofinanciers. The current (original) MFF availability period ends on 30 June 2018. The government has been discussing an extension of the MFF availability period and loan closing date to 13 December 2020, which is the maximum MFF availability period. The additional time is to be able to finance the consulting services and the civil works as much as possible.

## Implementation Progress
- **Description of Project Outputs:**
  - Project 1: MRT Line 2 System Development - Initial site works and office facilities at depot
  - Project 1: Implementation support program implemented
  - Project 1: Social development and gender mainstreaming program implemented
  - Project 1: Integrated sustainable urban transport study
  - Project 2: Construction of MRT2 main line and depot
  - Project 2: MRT2 E&M systems and rolling stock installed and operation of metro services
Project 1: Being delayed.

* Contract of Project Management and Implementation consulting services (CS1) signed in September 2012 and will end on 30 June 2017.
* Contract of Social Development & Gender Mainstreaming Program consulting services (CS1) signed in September 2015 with completion date of 31 July 2018.
* Contract of Integrated Sustainable Urban Transport consulting services (CS4) signed in August 2015 with completion date of 30 June 2017.
* Contract of Office building and auxiliary building in Tham Luong Depot (CP31) works signed in December 2014 with the extended completion date of 26 May 2017.

* Bid invitations for the main civil works packages, i.e. CP3a and CP3b (tunnels and underground stations) and CP4 (transition, elevated station, via duct and spur line) are expected in Q2 2017.

Project implementation has been delayed by more than 4 years due to the required redesign, cancellation of the original procurement, discussion about need for independent verification of fundamental designs, and the required project adjustment document approval.

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Project implementation has been delayed by more than 4 years due to the required redesign, cancellation of the original procurement, discussion about need for independent verification of fundamental designs, and the required project adjustment document approval. To align with the project progress, an extension of the loan closing date is being considered. To align with the project progress, an extension of the loan closing date is being considered. Besides, the government is also considering financial support for acquisition and resettlement from the loan.

Government is currently reviewing the total estimated cost of the project. KWI and EIB have indicated that they could provide additional financing. ADB has tentatively programmed additional financing for 2020 (stand-by) pending continued progress in implementing the ongoing project.

**Geographical Location**

**Summary of Environmental and Social Aspects**

**Environmental Aspects**

Project 1: No major environmental impacts are anticipated to result due to implementation of Tranche 1 which has been classified by ADB as environment category B. An initial environmental examination (IEE) has been prepared based on ADB’s Safeguard Policy Statement (2009). To ensure that the project is carried out in accordance with the ERM requirements, the environmental management plan (EMP) has been included in the tender documents and civil works contracts. MAUR has been assisted by the project management support consultant in monitoring the environmental performance of contractors.

An environmental assessment and review framework (EARF), agreed by ADB and HCMC PC, has also been prepared which specifies the requirements for screening, categorization, environmental assessment, as well as preparation and implementation of safeguard plans for Tranche 2.

Project 2: Existing Environmental Conditions: (i) Air Quality: current dust levels exceed GOV limits, (ii) Noise and Vibration: ambient noise exceeds GOV limits, (iii) Surface Water: Tham Luong Canal is contaminated, and (iv) Groundwater & Soil: nearly all parameters within GOV limits.

**Involuntary Resettlement**

Project 1: Tranche 1 land requirements for the Depot Priority Area consisted of the administrative area with an area of 2.7 ha. The land for Depot Priority Area was acquired under Tranche 1 of the UMRT2 Project over 2007 to 2009. The total land actually acquired of the 9 affected households was 4.2 ha because their plots of land overlapped with the future land requirements for the Depot and resettlement site (required 4.8 ha for Tranche 2 of the Project) and were acquired at that time. The resettlement impacts consisted of loss of land categorized as agricultural as well as loss of trees/crops and secondary structures. No persons were physically displaced. The involuntary resettlement impacts mitigation measures were addressed under a due diligence and corrective action plan (CAP) in 2010. The mitigation measures consisted of compensation at replacement cost for lost land (in either cash or land-for-land) and for non-land assets as well as assistance measures for livelihood restoration and bonuses for timely handing over of land. A due diligence review conducted 2011-2012 concluded that resettlement implementation was in compliance with the 2010 CAP.

Project 2: Affected land: A total estimated 20 ha will be acquired for the Tranche 2 of the Project comprising 3.7 ha land acquisition for Line 2 and the spur line and 16.3 ha of privately occupied land for the Depot main area and resettlement site subject to ongoing land acquisition.

Affected persons: A total of 428 households will be affected by land acquisition. Of these 56 will be physically displaced. The vast majority of affected households are impacted by Line 2. There will be 33 small businesses and 2 factories along with their employees will be physically or economically displaced.

Types of affected land: The majority of land affected by Line 2 is residential (72%) while at the Depot site most of the affected land is agricultural (96%). Most of the land officially categorized as agricultural land at both the Depot and Line 2 areas is in fact idle, non-productive land.

Impacts on buildings: A total of 509 buildings will be affected by Line 2 and 17 by the Depot land acquisition. The vast majority of affected structures located along the alignment of Line 2 are situated within the official planning line for the road wherein no permanent structures are permitted. As such most of the affected buildings are temporary in nature.

Depot Main Area

Compensation payments for lost assets based on District 12 People’s Committee’s decision made in 2004 for acquisition of affected area were updated 2008 based on results of a replacement cost study, prior to the preparation of the RF in 2010.

Record of losses: Affected property in compensation decisions is adequately recorded. Records/compensation decisions pending for 8 households and 2 factories.

Compensation: Land-based compensation is adequate. Cash compensation rates for land likely inadequate and requires replacement cost study.

Housing compensation rates based on 2008 construction costs plus 30%.

Assistance: Households to be relocated need rental assistance allowance. Employees experiencing loss of employment at 2 factories should receive compensation for lost income and livelihood restoration assistance. Additional income restoration assistance for households losing productive agricultural land.

Indigenous Peoples

No indigenous people identified within the project area.

Stakeholder Communication, Participation, and Consultation
Project 1:

**Date:** 20 Jul 2010 - 14 Dec 2010

**Cumulative Disbursements**

ADB: CP1: Office building and auxiliary building in Tham Luong depot works (ongoing)

**Others**

**Cumulative Contract Awards**

07 Jun 2010 to 11 Jun 2010

0.00

0.00

- Ho Chi Minh City People’s Committee

01 Mar 2010

All consulting services awarded and on-going.

16 Mar 2006

% 0.00

Mizusawa, Daisuke

0.00

Net Percentage

Loan Utilization

1,374.50

Cumulative Contract Awards

ADB

540.00

- 0.00 0.00 %

Counterpart

326.50

Cumulative Disbursements

Cofinancing

508.00

- 0.00 0.00 %

**MFF Facility Concept 0052-VIE**

**Financing Plan**

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**Business Opportunities**

**Consulting Services**

All consulting services awarded and on-going.

**Procurement**

CP1: Office building and auxiliary building in Tham Luong depot works (ongoing) (v) Conduct of socio-economic survey of 22 households, and viii) Review to assess if compensation paid for lost assets was at replacement cost.

CP2: Main depot works (bidding in October 2017)

CP3a/b: Tunnels and underground stations (bidding in Q2 2017)

CP4: Transition, elevated section, viaduct and spur line (bidding in May 2017)

**Resettlement**

Mainline resettlement surveys were conducted from June to July 2011, including (i) Inventory of Losses, (ii) Census, (iii) Socio-Economic Survey, and (iv) Replacement Cost Study. Consultations with affected households conducted in August 2011. Key information related to project and contents of resettlement plan mitigation measures was disclosed to affected households December 2011.

Depot area assessment was conducted September 2011 to February 2012 consisting of (i) site visits, (ii) review and analysis of recorded losses (land and non-land assets) and individual compensation plans, (iii) interview of District 12 Compensation Board, (iv) interview of 22 affected households (27% sample), (v) conduct of socio-economic survey of 22 households, and (vi) review to assess if compensation paid for lost assets was at replacement cost.

**Project 2:**

Not yet due.

**Involuntary Resettlement**

The MAUR and the People’s Committees of Ho Chi Minh City and District 12 were consulted on ADB resettlement policy requirements and resettlement mitigation measures required for the project and endorsed the CAP. Affected persons were consulted during the preparation of the 2010 CAP by the District 12 Peoples Committee and resettlement consultants regarding resettlement impacts.

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Environment and social safeguard monitoring reports will be publicly disclosed on ADB website. There is also a provision for a grievance redress mechanism based on existing legal provisions to facilitate resolution of complaints regarding environmental, resettlement and other impacts caused by the Project at no cost to the complainant and without retribution.

The CAP was disclosed to affected households following approval. Local authorities and affected households were consulted during the due diligence review of CAP implementation during 2011-2012.

**Environment:**

- **MRT Alignment:** (sessions in 2008 and 2011) - Identified traffic, air and noise quality concerns during construction and overwhelming support for the project at all sessions.
- **Spoils Disposal Site:** (December 2011, February 2012) - There is 87% support the MRT2 project. 80% in favor of spoils disposal and major concern is the potential contamination of groundwater but there will be no significant adverse impacts with proper spoils disposal.

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**Project 2:**

Not yet due.

**Project 1:**

**Environment:**

Public consultations involving affected people have been conducted during IEE preparation in compliance with ADB’s information disclosure and consultation requirements. The objectives of the stakeholder consultation process were to disseminate information on the Project for advance enabling works and Depot office construction and the expected impact, long-term as well as short-term, among primary and secondary stakeholders, and to gather information on relevant issues. Another important objective was to determine the extent of the concerns amongst the community, to address these in the project implementation and to suggest appropriate mitigation measures.

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