

Validation Report
July 2020

Viet Nam: Ho Chi Minh City–Long Thanh–Dau Giay Expressway Construction Project

Reference Number: PVR-661
Project Number: 40198-023
Loan Number: 2451



Raising development impact through evaluation

ABBREVIATIONS

ADB	–	Asian Development Bank
DCC	–	district compensation committee
DMF	–	design and monitoring framework
EIRR	–	economic internal rate of return
FIRR	–	financial internal rate of return
HCMC	–	Ho Chi Minh City
HLD	–	Ho Chi Minh City–Long Thanh–Dau Giay
JICA	–	Japan International Cooperation Agency
km	–	kilometer
kp/h	–	kilometers per hour
LAR	–	land acquisition and resettlement
O&M	–	operation and maintenance
PCR	–	project completion report
PCU	–	passenger car equivalent unit
PSC	–	project supervision consultant
RRP	–	report and recommendation of the President
SEPMU	–	Southern Expressway Project Management Unit
VEC	–	Vietnam Expressway Corporation
VEC-E	–	Vietnam Expressway Corporation Engineering Joint Stock Company
VOC	–	vehicle operation cost
WACC	–	weighted average cost of capital

NOTE

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

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PROJECT BASIC DATA

Project number	40198-023	PCR circulation date	10 Jul 2019	
Loan number	2451	PCR validation date	Jul 2020	
Project name	Ho Chi Minh City–Long Thanh–Dau Giay Expressway Construction Project			
Sector and subsector	Transport	Road transport (nonurban)		
Strategic agenda	Inclusive economic growth			
Safeguard categories	Environment		A	
	Involuntary resettlement		A	
	Indigenous peoples		C	
Country	Socialist Republic of Viet Nam		Approved (\$ million)	Actual (\$ million)
ADB financing (\$ million)	ADF: 0.00	Total project cost	932.40	862.70
	OCR: 410.20	Loan	410.20	178.84
		Borrower	4.60	156.30
		Beneficiaries	0.00	0.00
		Others	0.00	0.00
Cofinancier	JBIC	Total cofinancing	517.60	527.60
Approval date	30 Sep 2008	Effectiveness date	18 Jun 2009	26 Jun 2009
Signing date	20 Mar 2009	Closing date	31 Dec 2014	22 Nov 2018
Project officers	P. Vallely Y. Tanaka S. Kimura Md. N. Islam	Location ADB headquarters ADB headquarters ADB headquarters ADB headquarters	From Mar 2008 Jan 2011 Jul 2016 Oct 2018	To Dec 2010 Jun 2016 Sep 2018 Jun 2019
IED review				
Director	N. Subramaniam, IESP			
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ADB = Asian Development Bank, ADF = Asian Development Fund, JBIC = Japan Bank for International Cooperation, IED = Independent Evaluation Department, IESP = Sector and Project Division, OCR = ordinary capital resources, PCR = project completion report.

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I. PROJECT DESCRIPTION

A. Rationale

1. Greater Ho Chi Minh City (HCMC), with a transient and permanent total population of 7.9 million (2008),¹ is the largest city in Viet Nam and the country's economic hub. HCMC also lies at a critical junction of the transport network for the Greater Mekong Subregion. The development of the road network within and around HCMC did not catch up with the rapid economic growth and had become heavily congested. This resulted in decreased travel speed and increased transport cost. Traffic relief was urgently needed along city roads connected to the center of HCMC and at the port area for roads leading north—from the city to central and northern Viet Nam.

2. The Government of Viet Nam launched various programs for transport development and highway construction. In 2004, the Vietnam Expressway Corporation (VEC) was created under

¹ ADB. 2008. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Socialist Republic of Viet Nam for the Ho Chi Minh City–Long Thanh–Dau Giay Expressway Construction Project*. Manila.

the Ministry of Transport to undertake fund raising, construction, and the nationwide management of expressways. This was part of the government's socioeconomic development plan for 2006–2010.² For roads, the government noted the need for a network of high-capacity, high-speed expressways to complement the network of national, provincial, and city roads. Under the Expressway Master Plan and with an Asian Development Bank (ADB) assistance, a short-term program of priority expressway projects was developed for 2006–2015.³

3. At the request of the government, ADB approved a sovereign loan from ordinary capital resources to the Government of Viet Nam for the Ho Chi Minh City–Long Thanh–Dau Giay (HLD) Expressway Construction Project (footnote 1). The Government of Japan provided cofinancing through the Japan Bank for International Cooperation, now the Japan International Cooperation Agency (JICA). At appraisal, the project envisaged the construction of approximately 51 kilometers (km) of four-lane, tolled expressway.

4. The expressway was to commence at the junction of the Second Ring Road in District 9, HCMC, and end at a junction with National Highway 1 at Dau Giay, Dong Nai Province. It would provide a direct connection from the center of HCMC to the economic growth areas in the provinces north of HCMC along National Highway 1, which connects HCMC to Hanoi. The expressway was to be designed as a toll road, with access initially restricted to three locations: the intersection with the Second Ring Road, the intersection with National Highway 51 at the southern end of Long Thanh town, and at Dau Giay.

B. Expected Impact, Outcome, and Outputs

5. The original impact envisioned at appraisal and included in the design and monitoring framework (DMF) of the report and recommendation of the President (RRP) was a business-led, pro-poor, and sustainable economic growth of HCMC and its neighboring provinces. The envisaged outcome was transport users in HCMC and Dong Nai Province travel from HCMC District 9 to Dau Giay with lower transport costs on the HLD expressway.

6. The project's first target output was HLD expressway is operating, connecting HCMC District 9 with Dau Giay (about 51 km) as a four-lane, high-speed, limited-access, tolled highway. The second was operation and maintenance (O&M) concession procurement complete and concession operating. The third was project management system operating.

C. Provision of Inputs

7. The loan was approved by the ADB Board in September 2008 and became effective in June 2009, 8 days after the planned date.⁴ The project's actual completion date was December 2016 or 30 months after the planned date at appraisal. The loan closing date was December 2016 after an extension of 24 months.⁵

² Government of Viet Nam, Ministry of Planning and Investment. 2005. *The Five-Year Socio-Economic Development Plan, 2006–2010*. Hanoi.

³ Government of Viet Nam. 2016. Decision No. No. 326/QĐ-TTg: Approving the Master Plan on Development of Vietnam's Expressway Network Through 2020, With Orientations Towards 2030. <https://vanbanphapluat.co/decision-326-qd-ttg-master-plan-development-vietnams-expressway-network-through-2020-2030>; ADB. 2005. *Technical Assistance to the Socialist Republic of Viet Nam for the Expressway Network Development Plan*. Manila.

⁴ ADB. 2019. *Completion Report: Ho Chi Minh City–Long Thanh–Dau Giay Expressway Construction Project in Viet Nam*. Manila.

⁵ The ADB mission in February 2014 found that the JICA-financed section (Km4+000–Km23+900) had been completed and preliminarily opened to traffic in January 2014.

8. At appraisal, the estimated project cost was \$932.4 million with financing from three sources. ADB loaned 44.0% of project cost and the Government of Viet Nam funded 0.5% for unexploded ordnance clearance, and taxes and duties. JICA planned to fund 55.5% of the civil works of the HCMC–Long Thanh section (Km4+000–Km23+900), including related supervision consulting services, electronic toll collection and traffic information and monitoring system for the entire project, and interest during construction of the JICA loan. The HLD's Km 0 to Km 4 was not in the initial design, but this was subsequently added to the project to link the HLD expressway to the east–west highway that was constructed earlier. At project completion, the total project cost was 7.5% lower than estimated with the following fund sources: ADB loan, 20.7%; JICA loan, 61.2%; and government funding, 18.1% (an increase of 3,297.8% from the envisaged financing at appraisal). The actual costs decreased for some project components due to (i) lower interest rates and loan cancellations; (ii) overestimation of the resettlement compensation; and (iii) recurrent costs, which had been included in the project cost. Conversely, the actual costs increased for the civil works due to the (i) added 4 km in the expressway and the interchange, (ii) related land acquisition, and (iii) for consulting services due to the prolonged implementation period.

9. The ADB-financed portion had six components. The first three were civil works for the Long Thanh–Dau Giay section of the HLD expressway, amounting to \$133.5 million. At completion, the actual cost of the ADB-financed portion of the project was \$178.8 million. Actual civil works cost was 16.8% lower than estimated at appraisal.

10. The actual cost of consulting services was 7.5% less than planned and project administration costs were 55.9% lower than the figure at appraisal. During construction, interest charges were 89.1% less than at appraisal due to lower interest rates and the early cancellation of \$231.6 million from the loan at the request of the government.⁶ It was envisioned that three consulting service activities would be funded under the project using ADB loan proceeds. The actual inputs of project supervision consultants (PSCs) were 219.6 person-months for international experts and 1,571.4 person-months for national experts, which are 0.5% less than at appraisal.

D. Implementation Arrangements

11. At appraisal and during implementation, the project's executing agency was VEC. It had overall responsibility for the project's management and coordination with the line ministries, provincial authorities, and ADB. To implement the project, VEC established the Southern Expressway Project Management Unit (SEPMU) composed of a board of directors, several functioning departments, and two field offices. VEC and SEPMU were assisted by the PSCs. SEPMU implemented all aspects of the project, including project preparation and design, procurement and contract management, financial management and audits, construction supervision and quality control, safeguard measures, and loan covenant compliance.⁷ Local authorities implemented the land acquisition and resettlement (LAR) plan for the project. The people's committees of HCMC and Dong Nai Province established district compensation committees (DCCs) in all districts where the project expressway passes through. The DCCs acted

⁶ ADB. 2017. Loan Review Mission to Viet Nam: Ho Chi Minh City–Long Thanh–Dau Giay Expressway Construction Project. Back-to-office report. 21–25 July (internal). (Attachment 1: Memorandum of Understanding, para. 2.)

⁷ Project preparation and design were completed through a technical assistance loan of \$9.8 million. ADB. 2007. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Socialist Republic of Viet Nam for the Ho Chi Minh City–Long Thanh–Dau Giay Expressway Technical Assistance Project*. Manila.

as implementing agencies for the LAR plans and were responsible for paying all compensation and allowances.

12. Loan effectiveness was in June 2009 and procurement of civil works started in the 4th quarter of 2009 as planned. Contracts for Package 5 and were executed in September and October 2010. Aside from slow progress and due to the contractor's bankruptcy, the contract for Package 5 was terminated in December 2011. A new contract (Package 5A) was executed in November 2013. For the reasons cited above, the loan closing date was extended for 2 years to December 2016 and the financial closing was extended three times to November 2018. Although the bankruptcy of a contractor could not have been anticipated, the other reasons could have been anticipated and incorporated into the design at appraisal.

13. The project completion report (PCR) indicated in its Appendix 12 that 35 of the 41 covenants were complied with, five were partially complied with, and one is being complied with. The covenant that is being complied with (Loan Agreement, Schedule 5, para. 33) requires the updating of the project performance data through surveys 5 years after the completion of the project. No covenants were modified or waived during implementation.

II. EVALUATION OF PERFORMANCE AND RATINGS

A. Relevance of Design and Formulation

14. The PCR rated the project relevant at appraisal and at closing. The project was consistent with ADB's country strategy and transport sector framework. As set out in ADB's country strategy and program for Viet Nam,⁸ ADB's support of the government's investment program is aimed at improving transport infrastructure and reducing transport costs. The program of investment projects under the country strategy and program was in line with the socioeconomic development plan for 2006–2010 (para. 2). ADB has been supporting the government's efforts to develop and improve the transport sector, initially with improvements in the national road network to provide connectivity to the Greater Mekong Subregion.⁹ The Expressway Master Plan was developed with ADB assistance and the HLD expressway was an important project to be implemented in the short term.

15. The PCR indicated that a project preparation technical assistance supported due diligence activities in the project design and preconstruction activities to properly design and formulate the project. The engineering design minimized social and environmental impacts. The project design included ADB support to establish a project performance management system, which became operational with baseline data in 2012. This validation assesses the project relevant at appraisal and at closing.

B. Effectiveness in Achieving Project Outcomes and Outputs

16. The PCR rated the project effective in achieving project outcomes and outputs. The DMF included three performance targets for the outcome. The first target was reduction of

⁸ ADB. 2006. *Country Strategy and Program: Viet Nam, 2007–2010*. Manila.

⁹ ADB. 2007. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Socialist Republic of Viet Nam for the Greater Mekong Subregion: Kunming-Haiphong Transport Corridor–Noi Bai-Lao Cai Highway Project*. Manila. This was preceded by a technical assistance loan (ADB. 2005. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Socialist Republic of Viet Nam for the Greater Mekong Subregion: Kunming-Haiphong Transport Corridor–Noi Bai-Lao Cai Highway Technical Assistance Project*. Manila).

road user costs for a car from D4,200/km “without the project” to D2,400/km “with the project” in 2013.¹⁰ The year 2013 in this target represented the first full year of operation for the project expressway. Since the completion was extended, the actual first full year after completion was 2017. Using the vehicle operating cost (VOC) adopted from an ADB-funded study completed in 2018,¹¹ the PCR indicated that this target was substantially achieved since the VOC savings was at least 30%. Using this source for another location was inappropriate as the DMF clearly specified the data source as “VEC measurements of vehicle operating costs.” At appraisal, the Highway Development and Management Model 4 was a commonly used approach to estimate VOC. The same model should have been used at completion. More importantly, the VOC savings of 30% indicated in the PCR did not meet the target of 43%.

17. The second target was reduced travel time from HCMC District 9 to Dau Giay— from 100 minutes to 40 minutes on completion of the expressway. The PCR, assuming an average travel speed of 50–60 kilometers per hour (kp/h) on the national highway and 80–90 kp/h on the expressway, estimated a reduced travel time between HCMC and Dau Giay from 90 minutes to 45 minutes. This target was partially met. The third target was, in 2013, traffic volume from HCMC District 9 to Long Thanh reaches 33,000 passenger car units per day in 2013, and from Long Thanh to Dau Giay to reach 23,000 per day. Using actual traffic data provided by VEC, the PCR indicated that in 2017, the average annual daily traffic on the project expressway was 34,561 vehicles between HCMC and Long Thanh, and 9,303 vehicles between Long Thanh and Dau Giay. These figures represented the raw data count without converting non-passenger vehicles to passenger car equivalent units (PCU) as the target refers to passenger cars. This validation reestimated the traffic volume for 2017 as 65,692 PCU between HCMC and Long Thanh, and 18,638 PCU between Long Thanh and Dau Giay. This target was met.

18. The five performance targets and/or indicators identified for the first output (“HLD expressway built and operating”) were all achieved as of 2017, the first year of full operation.¹² The first two targets were (i) road capacity of 80,000 passenger car units per day is provided on the full length of the expressway in 2013, and (ii) 62 hectares of land in HCMC and 245 hectares in Dong Nai acquired at replacement cost by the end of 2009. The next two targets on safeguards were (i) the environmental management plan is implemented and adverse environmental impacts are minimized by mitigation measures, and (ii) the HIV awareness and prevention of human trafficking program is implemented in the five project districts and community monitoring is in place by the end of 2013. Among the gender-related targets were (i) to have women representatives included in the five DCCs by the end of 2009, and (ii) capacity-building training on resettlement and livelihood are conducted for women and households headed by women in five districts by the end of 2009.

19. The target for the second output—O&M concession procured and operating—had been partially achieved. The expressway is operated by a joint stock company, the Vietnam Expressway Corporation Engineering (VEC-E), which is a joint public–private establishment owned 51% by VEC and 49% by two private companies. The target for the third output

¹⁰ At the then-prevailing exchange rate of D16,625 per US dollar in August 2008, the figures expressed in dong correspond to \$0.25 and \$0.14, respectively.

¹¹ ADB. 2018. *Technical Assistance Consultant's Final Report: Loan No. 3248-VIE (SF): Ho Chi Minh City Third Ring Road Technical Assistance Project*. Manila.

¹² The PCR did not provide the capacity for the expressway as part of the information for the first performance target and/or indicator. This validation estimates that a 51-km 2X2 divided, limited access expressway would have a capacity of 120,000 PCU per day based on an average operating speed of 60 kp/h with typical topography and geometric design.

(project management system operating) was for the generation of project management system reports. This target was achieved. The PSC carried out the surveys on the baseline (2012) and project completion (2017) and the final project performance monitoring system report was submitted to ADB in 2017.

20. At appraisal, the project was appropriately classified category A for environment and involuntary resettlement, and category C for impact on indigenous peoples. At appraisal, it was also classified as having some gender elements. The adverse impact of resettlement on women was assessed as significant and appropriate measures were incorporated in the design and implemented to encourage active women participation in the implementation of LAR plans. Women affected by resettlement and women-headed households in all districts were trained on resettlement and livelihood. This validation assesses the project effective.

C. Efficiency of Resource Use

21. The PCR rated the project efficient. Its economic internal rate of return (EIRR) appears to have been estimated by comparing the major road networks of eastern HCMC with and without the project. Without the project, traffic would use the existing road network, which would be congested and expensive to maintain because of rapidly increasing traffic. With the project, congestion on existing roads would be reduced and traffic on both the project expressway and existing roads would benefit from faster travel. The economic costs included capital costs and resettlement costs, excluding tax and price contingency, and the expressway's O&M cost. The economic benefits were reduced VOC and reduced passenger travel times, which would decongest traffic on the expressway and traffic on existing roads.

22. The economic reevaluation at completion used the same approach at appraisal with revised traffic projections based on actual traffic, and the 55 km length compared to the project length of 51 km at appraisal. The evaluation period used at appraisal was 25 years from 2008, but this was increased to 28 years due to the longer actual implementation period of the project. The EIRR was recalculated at 18.4% for the whole project expressway, 19.1% for the HCMC–Long Thanh section (JICA-funded), and 16.0% for the Long Thanh–Dau Giay section. The higher EIRR for the HCMC–Long Thanh section was due to a higher traffic level in this section of the expressway. The higher EIRR at completion, compared to the EIRR at appraisal, was mainly due to a lower capital cost and higher traffic level.

23. On process efficiency, the loan closing date was extended by 24 months. The PCR reported that the extended closing date was partly due to the (i) delay in the initial recruitment of PSCs, (ii) initial delays in subcontractor and supplier arrangements, and (iii) early start of the rainy season and a high precipitation. There were also other issues, such as (i) delays in implementing the LAR plan and obstructions in the already-acquired right-of-way, (ii) weak financial capacity of one contractor (necessitating termination of the contract due to bankruptcy and replacing it with a new contractor), and (iii) slow performance of another contractor due to delay in the mobilization and its limited financial capability. These delays resulted in three extensions in the financial closing date; the project was financially closed in November 2018. However, despite the project delays, the EIRR, which took these into account, was more than the threshold. This validation assesses the project efficient.

D. Preliminary Assessment of Sustainability

24. The PCR rated the project likely sustainable. VEC-E is responsible for expressway operations (para. 19). At the time of this writing, some 340 staff are working for the expressway.

VEC-E is equipped with vehicles and facilities for emergency rescue, regular patrolling, and routine maintenance. The project expressway has an electronic toll collection and traffic information and monitoring system. To control overloaded trucks, the expressway has installed weighing equipment at all entries.

25. The financial internal rate of return (FIRR) of the project was estimated at appraisal. Capital costs included all capital expenditures related to the civil works, land acquisition and resettlement activities, and consulting services, but excluded the financial charges for the loans. O&M costs were estimated based on material and labor costs of operation and periodic and/or routine maintenance. Income tax was included in the cost and projected traffic was used as basis for estimating future revenue stream. The FIRR used 25 years (2008–2033) for the project and estimated on an after-tax basis at 4.0%. This exceeded the weighted average cost of capital (WACC) of 1.13%. The results of sensitivity tests showed the FIRR exceeded WACC for each sensitivity scenario considered. Using the same approach and actual O&M costs and revenues for the first 4 years of operation, the FIRR was recalculated at completion at 5.6% before tax and 4.9% after tax. The recalculated FIRRs were higher than the WACC of 1.13%. The recalculated FIRR was subjected to sensitivity tests. Even when combining a 20% increase in O&M costs and a 20% decrease in revenue, the FIRR estimates were at 3.8% before tax and 3.2% after tax, which were still higher than the WACC. The test results, however, indicated that the FIRR was slightly sensitive to revenue changes. Thus, VEC and the expressway operator, VEC-E, should explore more revenue sources to ensure sufficient revenues in the future. This validation assesses the project likely sustainable.

III. OTHER PERFORMANCE ASSESSMENTS

A. Preliminary Assessment of Development Impact

26. The PCR rated the project's development impact satisfactory. At appraisal, the expected impact was stated as business-led, pro-poor, and sustainable economic growth in HCMC and its neighboring provinces. Two performance targets included in the DMF were (i) average per capita income in HCMC and Dong Nai province increases by 8% per year from project completion, and (ii) value of exports from HCMC port increased by at least 10% per annum from project completion. Sources of data for target item (i) were the baseline and completion surveys (para. 18). The completion survey in 2017 coincided with the first year of full operation of the HLD expressway. The surveys showed that the average income per capita increased by 9% per year for HCMC and 17% per year for Dong Nai province. On the other hand, export value at the HCMC port increased by 771.8% from 2010 to 2014—from \$965.8 million to \$8.4 billion (footnote 4, Appendix 15, Table 15.6).¹³ The increase is mainly attributed to exports of agricultural products, garments and textiles, and footwear—goods that continue to be important contributors to Viet Nam's export growth. This validation assesses project impact satisfactory.

B. Performance of the Borrower and Executing Agency

27. The executing agency was VEC. Government agencies, such as the Ministry of Finance and the Ministry of Transport, actively participated in coordinating and supervising project implementation and coordinating among ADB, JICA, and other government line agencies. VEC made adequate institutional arrangements for project implementation. SEPMU had full staff complement with the required expertise for the project. VEC also delegated adequate technical and administrative authority to SEPMU for expeditious and field-level decisions.

¹³ The PCR erroneously stated the increase as 700 times (footnote 4, para. 39).

The HLD expressway was satisfactorily completed with a high standard as confirmed in inspections during the defect liability period. When accepting the project into service, the State Acceptance Council rated the HLD expressway with a high level of satisfaction. The LAR plans were implemented as required and with no major complaints from affected people. The environmental management plan was carried out as required and progress reports submitted to ADB for uploading at the website. The PCR rated the performance of the borrower and executing agency satisfactory. This validation also assesses the performance of the borrower and executing agency satisfactory.

C. Performance of the Asian Development Bank and Cofinanciers

28. ADB's safeguard work quality at appraisal was satisfactory. The project was correctly classified as category A for environment and involuntary resettlement, category C for indigenous peoples, and was also classified with some gender elements in accordance with ADB's policies and guidelines. Environmental and social requirements were satisfactorily reflected in the RRP, loan agreement, and project administration manual.

29. A series of missions were conducted that included an initial visit for fact-finding (March 2008), followed by the appraisal (May 2008) and project inception missions (June 2009). There were 15 project review missions completed from November 2009 to July 2017. A project completion review mission was conducted in February 2019. ADB processed approvals and "no objection reviews" efficiently and provided timely guidance and recommendations. Loan funds were timely released throughout project implementation. ADB also provided advice to the executing agency on all matters throughout the implementation of the project. This validation assesses ADB's performance satisfactory.

IV. OVERALL ASSESSMENT, LESSONS, AND RECOMMENDATIONS

A. Overall Assessment and Ratings

30. Overall, the PCR rated the project successful, and the project design relevant, efficient, effective, and likely sustainable. This validation assesses the four core criteria relevant, effective, efficient, and likely sustainable and the overall rating for the project is successful. Due to lack of information on the cofinancier's performance, this validation does not provide a rating.

Overall Ratings

Validation Criteria	PCR	IED Review	Reason for Disagreement and/or Comments
Relevance	Relevant	Relevant	
Effectiveness	Effective	Effective	
Efficiency	Efficient	Efficient	
Sustainability	Likely sustainable	Likely sustainable	
Overall Assessment	Successful	Successful	
Preliminary assessment of impact	Satisfactory	Satisfactory	
Borrower and executing agency	Satisfactory	Satisfactory	
Performance of ADB	Satisfactory	Satisfactory	

Validation Criteria	PCR	IED Review	Reason for Disagreement and/or Comments
Quality of PCR		Satisfactory	Para. 37.

ADB = Asian Development Bank, IED = Independent Evaluation Department, PCR = project completion report.
Source: ADB (IED).

B. Lessons

31. The PCR observed several issues from which lessons could be drawn. The completion of the project was considerably delayed due to the limited experience and capacity of contractors that resulted in the cancellation of one contract. It was the first ADB-financed expressway project for VEC and it experienced a learning period for ADB's procurement process and loan administration policy. After implementing this project, VEC's capacity to implement future ADB-financed projects is expected to improve. The district governments, which were tasked to implement LAR plans, could not provide eligible supporting documents for the \$18 million advances received from ADB. Delays in refunding these funds to ADB caused three extensions of financial closing, by about 2 years after the loan closed.

32. **Project-level lessons.** The project's LAR cost was overstated at appraisal by \$71 million, which represented 7.6% of the total project cost—a significant amount that resulted in the understatement of EIRR and FIRR. To avoid similar errors in the future, ADB needs to check the veracity of costs submitted by the borrower.

33. LAR compensation took place in 2009 and 2010 for households located between Km 4 and Km 55, and in 2012 and in 2013 for households located along Km 0 to Km 4. It is important to closely monitor the advances and expenditures from the imprest accounts. Compliance with ADB procurement guidelines must be immediately established rather than after the completion of the civil works.

34. **Sector-level lessons.** The project's initial design at appraisal did not include direct connection to the east–west highway, which is connected to the HCMC center. ADB approved to finance the pre-construction activities of this 4 km “missing link” under the technical assistance loan in January 2010. This was a key link that enhances the connectivity of the HLD expressway to the HCMC center. To avoid missing such an important link, at initial design and appraisal, a sector-level road map should be included.

C. Recommendations for Follow-Up

35. This validation does not have recommendations for follow-up.

V. OTHER CONSIDERATIONS AND FOLLOW-UP

A. Monitoring and Reporting

36. The project's DMF properly guided the monitoring and evaluation of the project.

B. Comments on Project Completion Report Quality

37. The PCR is clear and generally followed ADB's Project Administration Instructions.¹⁴ Although it did not provide details on the general parameters of economic analysis, the overall PCR quality is assessed satisfactory.

C. Data Sources for Validation

38. This validation is based on the RRP, PCR, country strategy and program, detailed safeguard assessment, government's development and transport plans, executing agency's completion report, consultant's final report, and mission reports.

D. Recommendation for Independent Evaluation Department Follow-Up

39. No further IED follow up is recommended.

¹⁴ ADB. 2009. Project Completion Report for Sovereign Operations. *Project Administration Instructions*. PAI 6.07A. Manila.