



# Tranche Report

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## Socialist Republic of Viet Nam: Greater Mekong Subregion Ben Luc–Long Thanh Expressway Project (Tranche 2)

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Asian Development Bank



## **CURRENCY EQUIVALENTS**

(as of 12 October 2015)

Currency unit – dong (D)

D1.00 = \$0.000045

\$1.00 = D22,220

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
EIA	–	environmental impact assessment
EMP	–	environmental management plan
ha	–	hectare
JICA	–	Japan International Cooperation Agency
km	–	kilometer
MFF	–	multitranches financing facility
MOT	–	Ministry of Transport
ROW	–	right-of-way
VEC	–	Vietnam Expressway Corporation

## **NOTE**

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

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## I. PROPOSAL

1. Conversion of \$286,000,000 into a tranche to finance tranche 2 of the Greater Mekong Subregion Ben Luc–Long Thanh Expressway Project<sup>1</sup> in the Socialist Republic of Viet Nam, as set out in the periodic financing request report,<sup>2</sup> is proposed for Board consideration.

## II. BACKGROUND

2. The project constructs a 57.1-kilometer (km) expressway between Ben Luc and Long Thanh in the south of Ho Chi Minh City as a short link of the Greater Mekong Subregion Southern Economic Corridor. The executing agency is the Vietnam Expressway Corporation (VEC), which was established under the Ministry of Transport to develop the national expressway network in Viet Nam. The project expressway is divided into a western section (21.14 km), a middle section (10.71 km), and an eastern section (25.25 km). The project is estimated to cost \$1.608 billion.

3. The Asian Development Bank (ADB) approved a multitranche financing facility (MFF) for \$636.0 million to finance civil works, VEC's laboratory, consulting services, and incremental administration costs for the western and eastern sections on 14 December 2010. The MFF consists of two tranches, and Management approved tranche 1 of the MFF (\$350.0 million) on 22 December 2010. Through a periodic financing request for tranche 2 dated 24 September 2015, the government requested a loan of \$286.0 million from ADB's ordinary capital resources to help finance the construction of the eastern section of the project. The Japan International Cooperation Agency (JICA) cofinances \$635.0 million to fund civil works and project supervision consulting services for the middle section, and expressway facilities. The government allocated \$337.0 million to fund land acquisition and resettlement as well as works to clear unexploded ordnance along the entire expressway, and the local taxes imposed on the aforementioned JICA cofinancing components.

4. The safeguard categorization for the project is A for environment. An environmental impact assessment (EIA), prepared at the time of MFF processing to meet the requirements of ADB's Safeguard Policy Statement (2009), was cleared by ADB in 2010. The EIA (i) covers all sections of the expressway, (ii) describes the environmental baseline conditions in the project area, and (iii) provides a comprehensive assessment of potential physical, biological, and socioeconomic impacts resulting from the construction and operation of the project. The environmental management plan (EMP) in the EIA specifies various mitigation and pollution control measures to minimize the anticipated negative impacts of project implementation. The EMP's environmental monitoring plan covers the preconstruction, construction, and operation of the project. The Safeguard Policy Statement applies to all sections, including the JICA-funded middle section. The government and VEC assure compliance with the EIA. VEC also ensures compliance with the EMP by both ADB- and JICA-funded contractors.

5. Project implementation under tranche 1 was delayed because of insufficient allocation of counterpart funds and late procurement of the civil works packages. The civil works contracts for the western section started in May 2015. The JICA-funded civil works contract for the middle section started in October 2014. The government now guarantees that counterpart funds will be

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<sup>1</sup> ADB. 2010. *Report and Recommendation of the President to the Board of Directors on a Proposed Multitranche Financing Facility to the Socialist Republic of Viet Nam for the Greater Mekong Subregion Ben Luc–Long Thanh Expressway Project*. Manila.

<sup>2</sup> Periodic Financing Request Report (accessible from the list of linked documents in the Appendix).

provided for the project in a timely manner and increased in case of any shortfall in financing, so that the project can be completed on time.

### **III. DUE DILIGENCE ON ENVIRONMENTAL IMPACT**

6. VEC, with assistance from the project supervision consultants, undertakes monthly monitoring of the contractors' environmental performance and compiles the results in quarterly environmental monitoring reports submitted to ADB. Such monitoring will be carried out throughout the construction of the project expressway and during its first year of operation. The external environmental monitoring consultant will submit the corresponding external monitoring reports simultaneously to ADB and VEC. Findings of due diligence on the construction activities show that the civil works contractor for the middle section generally complies with the EMP. The contractor has implemented measures to rectify noncompliance issues identified during due diligence, e.g., concerning waste disposal, excavated soil disposal, noise, and dust.

7. About 12.5 hectares (ha) of mangroves within the right-of-way (ROW) of the project expressway in the eastern section (under tranche 2) had originally been registered as a protected forest under the management of the Protected Forest Management Unit of Long Thanh District in Dong Nai Province. The Protected Forest Management Unit de-protected the mangroves within the ROW on 18 December 2013, and VEC paid compensation to the Long Thanh District People's Committee on 3 January 2014. The mangroves were pruned by the province in April 2014. The ADB-cleared EIA states that the estimated mangrove forest area to be cut for the construction of a viaduct in the eastern section would be about 1 ha. However, according to estimates by the detailed design consultant, about 9.1 ha of mangroves will be affected by the works, although only about 0.9 ha will be permanently cleared to build the viaduct piers; the remaining 8.2 ha will be used temporarily for access roads and construction yards.

8. ADB requested VEC in May 2015 to assess the damage to the mangroves, and VEC prepared the following environmental corrective action plan: (i) VEC will carry out mangrove replantation equivalent to 12.5 ha in vacant areas of the Long Thanh protected forest; (ii) no further mangrove areas will be cut and cleared; (iii) temporary access roads and construction yards may be established only within the ROW, and their total area shall not be more than 8.2 ha; and (iv) after completion of civil works, the hydrological condition along the ROW will be restored to allow regrowth of mangrove stands. It is considered that the proposed environmental corrective action plan will adequately manage the impacts to mangroves during the construction phase.

9. Tranche 2 has undergone the applicable business processes for subsequent tranches of MFFs. The project scope remains unchanged. The EIA cleared by ADB in 2010 can be applied to tranche 2. Upon Board approval, the project team will request Management approval of the conversion of a portion of the MFF into financing for tranche 2.

### **IV. RECOMMENDATION**

10. The President recommends that the Board authorize the conversion of \$286,000,000 into a tranche to finance tranche 2 of the Greater Mekong Subregion Ben Luc–Long Thanh Expressway Project in the Socialist Republic of Viet Nam.

## **LIST OF LINKED DOCUMENTS**

[http://www.adb.org/Documents/LinkedDocs/?id=2015-Tranche Report](http://www.adb.org/Documents/LinkedDocs/?id=2015-Tranche%20Report)

1. Tranche at a Glance
2. Environmental Impact Assessment