



Project Administration Memorandum

Project Number: 33307
Loan Number: 2391/2392
April 2008

Viet Nam: Greater Mekong Subregion: Kunming–Hai Phong Transport Corridor—Noi Bai–Lao Cai Highway Project

The project administration memorandum is an active document, progressively updated and revised as necessary, particularly following any changes in project or program costs, scope, or implementation arrangements. This document, however, may not reflect the latest project or program changes.

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 7 November 2007)

Currency Unit	–	dong (D)
D1.00	=	\$0.000062
\$1.00	=	D16,073

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
AIDS	–	acquired immune deficiency syndrome
CARB	–	compensation, assistance, and resettlement board
EIA	–	environmental impact assessment
EMP	–	environmental management plan
FIDIC	–	<i>Fédération Internationale des Ingénieurs-Conseils</i>
GDP	–	gross domestic product
GMS	–	Greater Mekong Subregion
HIV	–	human immunodeficiency virus
ICB	–	international competitive bidding
JBIC	–	Japan Bank for International Cooperation
LIBOR	–	London interbank offered rate
MOT	–	Ministry of Transport
O&M	–	operation and maintenance
OCR	–	ordinary capital resources
QCBS	–	quality- and cost-based selection
PMT	–	project management team
PSC	–	project supervision consultant
REMDP	–	resettlement and ethnic minority development plan
SDR	–	special drawing rights
SRU	–	social and resettlement unit
STI	–	sexually transmitted infection
TA	–	technical assistance
VAT	–	value-added tax
VEC	–	Vietnam Expressway Corporation

WEIGHTS AND MEASURES

ha	–	hectare
km	–	kilometer
km ²	–	square kilometer
m	–	meter

NOTE

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

Signed on April 2008

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LOAN PROCESSING HISTORY

	Dates
a. Approval of project preparatory technical assistance (Loan 2222-VIE)	19 Dec 2005
b. Feasibility study	Jan-Jun 2007
c. Fact-finding	25 Jun-11 Jul 2007
d. Management review meeting (MRM)	27 Aug 2007
e. Appraisal mission	29 Aug-7 Sep 2007
f. Staff review committee (SRC)	2 Oct 2007
g. Loan negotiations	6-7 Nov 2007
h. Board circulation	23 Nov 2007
i. Board consideration and approval	14 Dec 2007
j. Loan agreement signing	
k. Loan effectiveness, including conditions (include available dates)	

DESIGN AND MONITORING FRAMEWORK OF THE PROJECT

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
Impact Sustainable economic growth and strengthened connectivity with PRC in the project area and along the Kunming–Hai Phong Transport Corridor	<ol style="list-style-type: none"> 1. Average per capita income in Vinh Phuc, Phu Tho, Yen Bai and Lao Cai provinces reached the national average by 2015 2. Annual border trade at Lao Cai increased from \$477 million in 2006 to at least \$800 million in 2015 3. Overall poverty incidence in the project area reduced from 51.9% in 2004 to 15% in 2015 4. Number of new small and medium businesses and employment for local people in project influence area increased by 70% in 2015 5. Awareness of risks for HIV/AIDS, sexually transmitted infections, illicit drugs and human trafficking improved 	<ul style="list-style-type: none"> • Provincial statistical reports • Custom control statistics • Road traffic census • Socioeconomic and person-trip surveys • Monitoring by the Ministry of Health 	Assumptions <ul style="list-style-type: none"> • Streamlined cross border operation and minimal barriers to trading and mobility • Complementary government and donor projects for rural development are implemented Risks <ul style="list-style-type: none"> • Political factors increase barriers to cross-border trade
Outcome International and local traffic use an efficient, safe, and reliable express route from Noi Bai to Lao Cai on the border with PRC	<ol style="list-style-type: none"> 1. Travel time from Noi Bai to Lao Cai reduced from 7–10 hours to 3–4 hours 2. Traffic volume: 18,000 in 2012 and 48,000 in 2022 for Noi Bai–Viet Tri section; 6,500 in 2012 and 23,000 in 2022 for Viet Tri–Yen Bai section; and 4,700 in 2012 and 15,000 in 2022 for the Yen Bai–Lao Cai section 3. Ten percent of road container freight originating in Kunming going to ports in PRC divert to the Kunming–Hai Phong Transport Corridor 4. Less than five fatalities per billion vehicle-km on the highway during 2012–2021 5. Operation of more than 30 long-distance buses on the highway in a day and local bus service availability in all the districts of project influence area 6. Development of international free-trade zone and industrial parks along the project highway 7. Expansion of the expressway network under VEC managing projects 8. No increase of HIV/AIDS cases in the project area 	<ul style="list-style-type: none"> • Traffic count and travel-time surveys • Tolling data • Custom control data at Lao Cai cross-border facilities • Interviews with freight forwarders in Kunming and Hai Phong Port Authority • Interviews with bus companies • Accident statistics from Ministry of Transport • Economic and industrial statistics from Ministry of Planning and Investment • Business plan and financial statement of VEC • Monitoring by the Ministry of Health 	Assumptions <ul style="list-style-type: none"> • Assumed economic growth rates materialize • Counterpart financing and human resources are available to carry out the Project • Contiguous section Shilin–Menzi–Hekou is completed by 2009 on PRC side • Lao Cai–Hekou border is operated based on GMS Cross-Border Transport Agreement • Access roads to the highway are improved and have adequate capacity Risks <ul style="list-style-type: none"> • Toll revenue is lower than expected because of low traffic demand • Human and illicit drugs trafficking and prevalence of HIV/AIDS increase because of the highway
Outputs The 244 km of Noi Bai–Lao Cai Highway, with 10 grade-separated	<ol style="list-style-type: none"> 1. Travel distance from Noi Bai to Lao Cai reduced from 298 km to 255 km 	<ul style="list-style-type: none"> • Project completion report • Transport cost survey 	Assumptions <ul style="list-style-type: none"> • Detailed highway design and detailed measurement survey for

<p>interchanges and five service areas, is constructed to a high standard and operational</p> <p>Institutional and financial management capacity of VEC strengthened</p> <p>HIV/AIDS, human and illicit drugs trafficking program minimize local population exposure to these issues.</p>	<ol style="list-style-type: none"> 2. Highway capacity: increased by 80,000 vehicles per day on Noi Bai–Yen Bai section; and by 20,000 vehicles per day on Yen Bai–Lao Cai section by 2012 3. Transportation cost reduced by 20% for trips along the highway in 2012 4. Environment at project site protected and adverse environmental impacts mitigated 5. Quality of life restored to at least the same level as before land acquisition 6. Highway O&M systems and facilities installed 7. Road safety enhanced by raising awareness among local people 8. Capacity of VEC in project management, procurement, environmental impact assessment and monitoring, resettlement, corporate finance, and highway O&M 9. Sufficient net revenue stream to cover debt service on annualized basis 10. Risks for HIV/AIDS, human and illicit drugs trafficking mitigated 	<ul style="list-style-type: none"> • Resettlement monitoring by VEC and an independent organization • Environmental monitoring reports • Organization structure of VEC, number of directors and experts in VEC • Financial statement of VEC • Monitoring by the Ministry of Health 	<p>land acquisition and resettlement are completed as scheduled</p> <ul style="list-style-type: none"> • Procurement of civil works is completed as scheduled • Provincial governments carry out land acquisition and compensation, and income restoration program in accordance with the REMDP • Environmental management plan is implemented by contractors • Health authorities carry out health campaigns <p>Risks</p> <ul style="list-style-type: none"> • Delays in completion of procurement and/or resettlement delay start of construction • Contractors fail to perform as required • Inadequate attention or funding given to EMP, health plan, and income restoration program
<p>Activities with Milestones</p> <p>Pre-construction stage</p> <ol style="list-style-type: none"> 1.1 Detailed highway design and detailed measurement survey for land acquisition and resettlement are completed by January 2008. 1.2 Update of resettlement plan, including outputs of detailed measurement survey, is approved by March 2008. 1.3 Contracts for the civil works are awarded by July 2008. 1.4 VEC completes assignment of staff to an expanded project implementation unit by July 2008. 1.5 Contract for the project supervision consulting services is awarded by August 2008. 1.6 Contractors and project supervision consultant start the project in September 2008. <p>Construction stage</p> <ol style="list-style-type: none"> 2.1 The mine clearance works are completed by March 2009. 2.2 All land acquisition and resettlement activities are completed by March 2009. 2.3 All livelihood development and income restoration programs are completed by September 2009. 2.4 Midterm review of the Project is undertaken in the third quarter of 2010. 2.5 Financial analysis report including toll level and VEC's financial projection is prepared by July 2011. 2.6 Procurement of equipment for highway operation and maintenance is completed by December 2011. 2.7 The civil works are completed by December 2011. <p>Post-construction stage</p> <ol style="list-style-type: none"> 3.1 VEC starts operation of the highway in January 2012. 3.2 Training of VEC staff on highway operation and maintenance is completed by June 2012. 3.3 Project completion report is prepared by June 2012. 			<p>Inputs</p> <p>ADB finances \$1.096 billion in loans to cover 100% of cost for the civil works, consulting services, highway operation and maintenance equipment, and VEC's incremental administration, and also a \$1 million grant to implement the HIV, illicit drugs, and human trafficking prevention program.</p> <p>VEC finances \$120 million to cover 100% of cost for mine clearance and land acquisition and resettlement</p>

ADB = Asian Development Bank, HIV/AIDS = human immunodeficiency virus/acquired immune deficiency syndrome, O&M = operation and maintenance, PRC = People's Republic of China, VEC = Vietnam Expressway Corporation.

I. PROJECT DESCRIPTION

A. Project Area and Location

1. The Noi Bai–Lao Cai Highway is an integral section of the eastern link of the Greater Mekong Subregion (GMS) Northern Economic Corridor, connecting Kunming in Yunnan province of the People's Republic of China (PRC) with Hanoi, and Hai Phong and Cai Lan ports in Viet Nam.

B. Impact and Outcome

2. The Project will: (i) construct an efficient, safe, and reliable high-standard road from Noi Bai to Lao Cai; (ii) create a new freight transport link between PRC's Yunnan province, Hanoi, and Hai Phong and Cai Lan ports in northern Viet Nam; (iii) enable 1-day transport between Kunming, Hanoi, and Hai Phong; (iv) stimulate operations of long-distance bus transportation services and local public transportation; (v) generate revenue for VEC through the highway toll; and (vi) create business opportunities and employment for local people along the highway. The Project will have the following impacts: (i) sustainable economic growth and poverty reduction in the project area and along the Kunming–Hai Phong transport corridor, (ii) strengthened connections with Yunnan province and strengthened international competitiveness; and (iii) enhancing mobility of people living along the highway.

C. Outputs

3. The Project is designed to provide (i) a 244-kilometer grade-separated and access-controlled highway, including 10 interchanges with toll booths and five service areas, starting at Noi Bai in a suburb of Hanoi and ending at Lao Cai, on the border with PRC in northwest Viet Nam; (ii) electric, communications, and tolling systems and associated facilities, and the Vietnam Expressway Corporation's (VEC's) highway operation and maintenance (O&M) equipment and vehicles; and (iii) capacity building for VEC on management of project implementation, corporate financing management, O&M of highways, and safeguard planning and implementation. VEC undertakes procurement of the civil works and the highway equipment, and selects and engages the project supervision consultants. The selected project supervision consultants provide VEC with construction supervision and capacity building services.

4. ADB provides a technical assistance (TA) subproject for an HIV, illicit drugs, and human trafficking prevention program to minimize exposure of the local population to these risks through additional allocation of the ongoing TA 6321-REG: Fighting HIV/AIDS in Asia and the Pacific (financed by the Cooperation Fund for Fighting HIV/AIDS in Asia and the Pacific). ADB selects and engages the consultants for the HIV, illicit drugs, and human trafficking prevention program.

D. Special Features

5. The highway's construction will involve a large amount of embankment construction and excavation, acquisition of residential and agricultural lands, and resettlement of project-affected people, although the final alignment has been developed to ensure that environmentally sensitive areas are avoided, and impacts on involuntary resettlement are kept to a minimum, as required by ADB's *Environment Policy* (2002) and *Involuntary Resettlement Policy* (1995). Nonetheless, since the social and environmental impacts of the highway's construction are

significant, in accordance with ADB's safeguard policies an Environmental Impact Assessment (EIA) and a full Resettlement and Ethnic Minority Development Plan (REMDP) have been prepared.

6. **Environmental Impacts.** The alignment of the highway avoids environmentally sensitive areas. The project area is mainly agricultural and dominated by rice paddies. People have settled and cultivated the area for centuries. The EIA identified no habitats of vulnerable, threatened, or endangered flora or fauna within the Project's impact areas. However, the EIA identified several major environmental impacts during the construction period, and proposed mitigation measures and an EMP. Sand extraction in rivers for road embankment works will be done at licensed areas, with care taken to minimize environmental impacts. Surplus excavated material generated in the mountainous and hilly sections will be used for embankment of the additional two lanes in the Yen Bai-Lao Cai section of the highway. The total volumes of excavation and embankment for the Project will be balanced as much as possible to minimize the need for soil disposal. 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 EIA. Public consultations were carried out in the local language in project-affected areas. The project design has taken local concerns into consideration and provides several underpasses and overpasses to maintain the functions of existing local roads and irrigation systems during the highway's construction and operation. Noise barriers will also be installed in environmentally sensitive areas based on noise simulation results. A capacity-building program will be provided to VEC during project implementation to strengthen its capacity in environmental management and monitoring.

7. **Land Acquisition and Resettlement.** The right-of-way of the highway is a minimum of 50 meters in accordance with the highway standards in Viet Nam. It is estimated that about 2,000 hectares of land needs to be acquired for the highway construction. Productive land, such as rice paddies, fish ponds, vegetable gardens, orchards, and woodland, accounts for 1,800 hectares (90%) of all affected land. Nonproductive land such as residential land, nonagricultural land, and other land (waterways, footpaths, and graveyards) account for 200 hectares (10%). A total of 5,458 households (approximately 24,560 persons based on an average household size of 4.5) will be adversely affected by losses of assets and sources of livelihood. A total of 3,998 households will lose more than 10% of their productive land, and the majority of these will lose all of their productive land. The socioeconomic surveys also identified 1,083 households that were headed by women; 83 households that were headed by disabled persons; 1,210 households living below the officially set poverty threshold; and 1,586 households that were headed by persons within the retirement age bracket of the government.

8. **Ethnic Minority People.** The main ethnic minority groups in the project area are Tay, Thai, Phu La, Nung, Giay, MOUNG, and Hamong, and together they represent 18% of the total population in the project area. Ethnic minority groups such as Tay, Thai, and MOUNG who inhabit lower mountain areas have long traditions of wet-rice cultivation. They also traditionally interact more with the majority Kinh. Although the ethnic minority groups retain their traditional culture, religion and social organization, they have adopted mainstream Vietnamese language and agricultural practices. Of the 5,458 project-affected households, 136 (approximately 2.4%) are from ethnic minority groups. The socioeconomic and inventory-of-losses surveys indicated that impacts on the ethnic minority groups and the main ethnic group are the same. However, to ensure that ethnic minority groups are not marginalized during the process of implementation of resettlement activities, an ethnic minority development plan is incorporated in the resettlement plan.

9. **Gender.** The resettlement impact on women-headed households is significant since women-headed households constitute 20% of the total affected households. In addition, women from poor households living below the poverty line will be also affected by resettlement. Poor women and women-headed households in the project area face more economic risks (like loss of productive assets resulting from land acquisition) and social risks (posed by HIV/AIDS, road safety, and possible human trafficking) than males. To address loss of livelihood of poor women and women-headed households, the Project includes a livelihood program targeted at women in the project districts.

II. COST ESTIMATES AND FINANCING PLAN

A. Detailed Cost Estimates

10. The project investment cost is estimated at \$1,249 million, including local taxes and duties, as shown in Table 1 below. Detailed cost estimates by expenditure category and detailed cost estimates by financier are in [Appendix 1](#).

Table 1: Project Investment Plan
(\$ million)

Item	Amount ^a
A. Base Cost ^b	
1. Civil works	703.0
2. Mine clearance	4.0
3. Land acquisition and resettlement	100.0
4. Consulting services	25.0
5. Equipment	25.0
6. Incremental administration	7.0
Subtotal (A)	864.0
B. Contingencies ^c	130.0
C. Financing Charges During Implementation ^d	255.0
Total (A+B+C)	1,249.0

^a Includes local taxes and duties of \$82.8 million.

^b In mid-2007 prices.

^c Physical contingencies computed at 11% for civil works. Price contingencies are computed at 0.8% on foreign exchange costs, and 6.5% until 2008 and 5% from 2009 onwards on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^d Includes interest and commitment charges for the ordinary capital resources (OCR) loan and interest for VEC bonds.

Source: Asian Development Bank estimates.

11. The Government has requested a loan of \$896 million from ADB's OCR, and a loan equivalent to \$200 million from the Special Funds resources of ADB to help finance the Project. The OCR loan has a 27-year term, including a grace period of 7 years, an interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility (the 5-year forward London interbank offered rate plus a spread of 0.6%), a commitment charge of 0.15% per annum, and such other terms and conditions set forth in the draft Loan and

Project Agreements. The ADF loan is denominated in special drawing rights (SDR) with a term of 32 years including a grace period of 8 years, an interest charge of 1% per annum during the grace period and 1.5% per annum thereafter, and such other terms and conditions as set forth in the draft Loan and Project Agreements. An additional \$1 million is financed by the grant from the Cooperation Fund for Fighting HIV/AIDS in Asia and the Pacific.

B. Financing Plan

12. The ADB loans finance 90% of the total project cost (Table 2). The remaining cost, \$153 million, is financed by VEC. The Borrower of ADB's OCR and ADF loans is the Government of Viet Nam. The entire OCR and ADF loan proceeds are onlent. VEC borrows the loans from the Ministry of Finance through subsidiary loan agreements, on terms acceptable to ADB and at ADB's interest rate applicable to the loans plus an onlending fee pursuant to the Borrower's regulations.

Table 2: Financing Plan
(\$ million)

Source	Total	%
ADB-OCR	896.0	71.7
ADB-ADF	200.0	16.0
VEC	153.0	12.3
Total	1,249.0	100.0

ADF = Asian Development Fund, OCR = ordinary capital resources.
Source: Asian Development Bank estimates.

C. Allocation of Loan Proceeds

13. ADB finances the whole cost for the civil works, consulting services, and equipment, including all local taxes and duties imposed on these, as well as VEC's incremental administration cost. The Government/VEC finances the whole cost for the mine-clearance works and land acquisition and resettlement. Local taxes on the civil works, equipment, and the mine-clearance works are estimated at 12% of the base cost, consisting of 10% for value-added taxes (VAT) and 2% for corporate income taxes. Local taxes on the consulting services are estimated at approximately 20% of the base cost, consisting of 10% for VAT, 5% for corporate income taxes, and approximately 5% for personal income taxes. In all, local taxes are estimated at \$82.8 million equivalent.

Table 3: Percentages of ADB and VEC Financing
(%)

Item	ADB-OCR	ADB-ADF	VEC
Civil works	80	20	0
Mine clearance	0	0	100
Land acquisition and resettlement	0	0	100
Consulting services	0	100	0
Equipment	100	0	0
Incremental administration	80	20	0

ADF = Asian Development Fund, OCR = ordinary capital resources.
Source: Asian Development Bank estimates.

III. IMPLEMENTATION ARRANGEMENTS

A. Executing Agency

14. The project organization charts for civil works and consulting services and for land acquisition and resettlement are shown in [Appendix 2](#). The Executing Agency for the Project is VEC. VEC has overall responsibility for project implementation and formal correspondence with the line ministries, provincial authorities, and ADB. VEC establishes a project management team (PMT) to manage implementation of the Project. VEC strengthens the Environmental Unit (EU) by increasing its environmental specialist staff by at least five additional persons, and establishing a Social and Resettlement Unit (SRU) within its Technical Department to provide overall guidance on social and resettlement matters, coordinating closely with MOT and the local authorities. SRU is headed by a senior social development and resettlement officer and six social development and resettlement staff members.

B. Project Management Organization

15. The PMT, comprising a headquarters office in Hanoi and four field offices in Vinh Phuc, Phu Tho, Yen Bai, and Lao Cai provinces, has responsibility for day-to-day project implementation. The headquarters office comprises staff in the Project Implementation Unit 2, the implementing agency for the TA loan, and specialists from the environmental unit and SRU. Each field office is staffed with a director, engineers, accountants, social and environmental specialists, and other specialists. One environmental unit staff member and one SRU staff member are assigned in each project field office as full-time members of the PMT. The field offices coordinate with the provincial people's committees and district people's committees on civil works, environmental management, implementation of the land acquisition and resettlement activities, and livelihood development and income restoration program (see the details in [Appendix 2](#)).

IV. IMPLEMENTATION SCHEDULE

16. The Project is implemented over a period of 4 years for completion in June 2012. The overall implementation schedule for the Project comparing appraisal estimate versus actual is presented in [Appendix 3](#). The Loan Agreements are signed when the contract documents for the project supervision consulting services and the civil works are ready for signing, which is expected in September 2008. VEC should meet the conditions for loan effectiveness so that the loans may become effective immediately after the Loan Agreements are signed.

V. COST ESTIMATES AND FINANCING PLAN DURING IMPLEMENTATION

17. Effective monitoring of project implementation requires accurate projections of contract awards, commitments, and disbursements. Comparison of such projections with the actual helps identify impediments to implementation progress and remedial measures. Accurate disbursement projection also helps ADB improve its overall liquidity, cash flow, and portfolio management. ADB requests VEC by the second week of September to prepare their projections of contract awards, commitments, and disbursement for the following year. VEC submits the projections to ADB by the second week of each year. The contract awards projections comparing appraisal estimate versus actual are shown in [Appendix 4](#). The civil works contracts and the project supervision consulting service contract are awarded in 2008. The highway equipment contracts are awarded in 2011. The disbursement projections comparing appraisal estimate versus actual are shown in [Appendix 5](#).

VI. LAND ACQUISITION, RESETTLEMENT, AND INCOME RESTORATION PROGRAM

18. VEC has overall responsibility for all land acquisition and resettlement activities. The technical department of the VEC creates the SRU to provide overall guidance and coordinate closely with MOT and local authorities. The SRU is headed by a senior social development and resettlement officer and six social development and resettlement staff members. For this Project, four staff members of the SRU are full-time members of the PMT and are assigned on a full-time basis to each project field office. The four SRU staff members represent the PMT in the Provincial Compensation, Assistance and Resettlement Boards (CARBs) and act as conduit between MOT, the local governments, VEC, and the project consultants.

19. The provincial and district CARBs, under the guidance of VEC, carry out updating and implementation of resettlement within their administrative jurisdictions in accordance with the approved and updated REMDP. Each CARB is headed by the vice chairman of the provincial or district people's committee and includes members from departments concerned—including the departments of finance, national resource and environment, transport, and agriculture—and representatives from local organizations and project affected persons.

20. Following detailed highway design, Resettlement and Ethnic Minority Development Plan (REMDP) updating is carried out by the district people's committees (DPCs) in the project area. As soon as an updated REMDP is completed by a DPC, VEC submits it to ADB for review and approval. The updated district-level REMDPs (draft and approved) are disclosed to the affected households and uploaded onto the ADB website. Social monitoring reports are made available to the affected households and are submitted to ADB for web posting. All resettlement activities are coordinated with the civil works schedule. Land acquisition and relocation of affected households in a given district can commence only once ADB has reviewed and approved the updated REMDP for that district. Each civil works contract package covers highway construction in more than one district. VEC issues a Notice To Proceed to the civil works contractors for the particular highway section in a district where (i) compensation payment and relocation to new sites have been satisfactorily completed, (ii) rehabilitation assistance is in place, and (iii) the particular length required for civil works is free of all encumbrances. The contractors do not need to delay commencement of the civil works until the land acquisition and resettlement activities have been completed for the entire sections covered by their contracts.

21. The consultants engaged under the TA loan continue to assist the SRU staff and the CARBs during REMDP updating and implementation to ensure social safeguards compliance. These consultants continue to provide training and capacity-building interventions on a full-time basis. The social development and resettlement team is composed of: one international resettlement specialist; one international social development specialist; one national resettlement specialist; one national ethnic minority specialist; one national gender specialist; a national training program expert; and five provincial coordinators and assistants. In addition, the consultants under the TA loan subcontract a qualified local development organization to design and implement income restoration programs.

22. The contract of the consultants engaged under the TA loan is completed in September 2008; hence, implementation of updated REMDPs, including income restoration programs, is handed over to the project supervision consultants (PSC). At least 1 month prior to demobilization of the consultants engaged under the TA loan, the PSC mobilizes a similar social development and resettlement team with the same tasks to ensure continuous assistance to the PMT and CARBs during implementation of the updated REMDPs, and to act on issues and unforeseen resettlement impacts. Subject to satisfactory performance, the PSC can subcontract

the same local organization engaged by the consultants under the TA loan to continue with the implementation of income restoration programs.

23. VEC has overall responsibility for internal monitoring of resettlement activities. Progress reports are submitted to ADB on a quarterly basis. An external monitoring agency is mobilized 1 month following the start of updating of the district-level REMDPs. The external monitoring agency is required to submit an inception report 1 month following its mobilization and quarterly reports on the progress of updating of the district-level REMDPs and implementation, and make recommendations regarding the issues identified. The external monitoring agency likewise conducts a post-resettlement implementation evaluation study 6–12 months following completion of resettlement activities.

24. The updated schedule for preparation and implementation of REMDPs is shown in Table 4 below. The total cost is estimated at \$100 million. This includes compensation and allowances, development of replacement plots for relocating households, design and implementation of livelihood programs, operational and administration expenses, and internal and external monitoring. Additionally, \$15 million contingency for resettlement cost is included in the total project cost. VEC ensures the timely provision of counterpart funds for resettlement to meet any unforeseen obligations in excess of the resettlement budget estimates.

Table 4: Updated Schedule for Preparation and Implementation of REMDP

Activities	Schedule
ADB Approval of Draft REMDP	Aug 2007
Right-of-way Marker Installation	18 Feb – 31 Mar 2008
Cadastral map preparation by the Project Provinces	1 Apr – 31 May 2008
Detailed Measurement Survey	15 Apr – 14 Jun 2008
Income Restoration Program Development	15 Apr – 14 Jun 2008
District-level REMDP Updating	15 Jun – 14 Jul 2008
Submission and ADB Approval of Updated REMDP	1 Jul – 14 Aug 2008
Implementation of Updated REMDP (Compensation and Relocation)	Aug 2008 – Jul 2009
Implementation of Income Restoration Program	Aug 2008 – Jul 2010
Internal Monitoring (Submission of Quarterly Progress Reports)	May 2008 – Jul 2010
External Monitoring (intermittent)	May 2008 – May 2011
Post-Resettlement Implementation Evaluation Study	Nov – Dec 2011

ADB = Asian Development Bank, REMDP = resettlement and ethnic minority development plan.

VII. PROCUREMENT

25. All procurement, except for the mine clearance works that are financed and implemented by the Government, follows ADB's *Procurement Guidelines* (2007, as amended from time to time). The Project's procurement plan and a list of proposed contract packages to be funded by ADB are in [Appendix 6](#).

26. Contractors for the mine clearance works are procured by VEC following the Government's standard procurement procedure. The mine clearance works are fully completed before the project supervision consulting services and the civil works start.

27. The civil works to construct all the highway structures, including road embankments and pavements, bridges, tunnels, underpasses, drainages, slope protection works, environmental mitigation works, interchanges and toll booths, service areas, guide signs, variable message

signs, and O&M offices, are divided into eight packages to be procured under international competitive bidding (ICB) procedures. Procedure for ICB with prequalification is shown in [Appendix 7](#). The typical length of each package is about 30 km, with each one costing \$60 million–\$120 million. Updated target dates for procurement of the civil works are shown in Table 5 below.

Table 5: Updated Target Dates for Procurement of Civil Works

Activities	Schedule
Invitation for Prequalification is advertised on local English newspaper.	19 Feb 2008
Submission of prequalification documents by applicants is closed.	1 Apr 2008
VEC evaluates submitted prequalification documents.	2 – 17 Apr 2008
ADB reviews and approves prequalification evaluation.	18 – 30 Apr 2008
VEC issues bid documents to the prequalified applicants.	1 May 2008
Submission of bids by prequalified applicants is closed.	15 Jun 2008
VEC evaluates bids.	16 Jun – 30 Jul 2008
MOT and ADB approves bid evaluation.	1 – 31 Aug 2008
Civil works contracts are negotiated and signed by VEC and contractors.	1 – 30 Sep 2008
The contractors are mobilized to be in the project site.	1 – 31 Oct 2008

ADB = Asian Development Bank, MOT = Ministry of Transport, VEC = Vietnam Expressway Corporation.

28. Government-owned enterprises in the borrower's country are generally ineligible for procurement for under ADB financing. The government-owned enterprises in Viet Nam may be eligible to participate in the prequalification provided it meets the following criteria:

- (i) it operates under commercial law, and is legally autonomous from the Government or VEC;
- (ii) it is financially independent, as demonstrated by the requirements for separate audited accounts and return of capital, powers to raise capital and obtain its revenue through the sale of goods and services;
- (iii) it is managerially autonomous, as evidenced by decision-making authority granted to its management, e.g., for contracting obligations and hiring and terminating the services of personnel;
- (iv) it is not a dependent agency of the Government or VEC; and
- (v) it meets all bidding and contractual conditions, including the prequalification and postqualification requirements including, financial and technical capabilities, experience and past performance.

29. Electric, communications, and tolling system for the highway and associated facilities, which will cost an estimated \$23 million, and vehicles for the highway O&M, which cost an estimated \$2 million, are procured under ICB. The procurement of the highway equipment and facilities will start in 2011.

VIII. CONSULTANT RECRUITMENT

30. VEC recruits the project supervision consultant using the quality- and cost-based selection (QCBS) and full technical proposal procedure in accordance with *Guidelines on the Use of Consultants* (2007, as amended from time to time). The quality–cost ratio for QCBS is 80:20. Procedure for recruiting consulting firm under loan projects using QCBS is shown in [Appendix 8](#). Updated target dates for recruitment of the project supervision consultants are shown in Table 6 below.

Table 6: Updated Target Dates for Recruitment of Project Supervision Consultants

Activities	Major Events
Interested firms submit their expression of interests to VEC.	28 Feb 2008
VEC prepares shortlist and request for proposal document.	1 – 15 Mar 2008
ADB reviews and approves shortlist and request for proposal document.	16 – 31 Mar 2008
VEC provides shortlisted consultants with the request for proposal.	1 April 2008
Shortlisted consultants submit their proposal to VEC.	15 May 2008
VEC evaluates submitted technical proposals.	16 – 31 May 2008
ADB reviews and approves technical proposal evaluation.	1 – 15 Jun 2008
VEC evaluates submitted financial proposals and ranks the consultants.	16 – 20 Jun 2008
ADB approves overall ranking of the shortlisted consultants.	21 – 30 Jun 2008
VEC holds contract negotiation meetings with the first-ranked consultant.	1 – 7 Jul 2008
ADB reviews minutes for contract negotiation meetings and draft contract documents, and approves contract signing.	8 – 15 Jul 2008
The project supervision consulting services commence.	15 Aug 2008

ADB = Asian Development Bank, VEC = Vietnam Expressway Corporation.

31. The project supervision consulting services are implemented by an international consulting firm in association with national consultants. Terms of reference for the consulting services is provided in [Appendix 9](#). Consulting inputs are about 510 person-months of international consulting services and about 6,200 person-months of national consulting services for (i) construction supervision; (ii) assistance to VEC in social development activities and in environmental management, land acquisition, and resettlement activities; (iii) project performance monitoring; (iv) assistance to VEC in procuring equipment for the highway O&M; and (v) capacity building of VEC staff on project implementation, environmental management, land acquisition and resettlement, social development assistance, corporate financing management, and O&M of the highway. The duration of the consulting services is about 46 months.

IX. DISBURSEMENT PROCEDURES

32. The Project's disbursement modalities are provided in [Appendix 10](#). The loan proceeds are disbursed directly to the contractors, the consultants, and the suppliers of the equipment, based on an approved contract under the direct payment procedure. The commitment letter procedure is also applicable to payment to the equipment suppliers. Payments for the incremental administration cost are made from an imprest account held at a commercial bank acceptable to the Government and ADB, under ADB's imprest account procedure as shown in ADB's *Loan Disbursement Handbook* (2007, as amended from time to time). The imprest account is to be established for the OCR and ADF loans. The initial deposit to the imprest account is based on estimated expenditures for the first 6 months of the project implementation or \$300,000, whichever is lower. The statement of expenditure procedure is used to reimburse eligible expenditures and liquidate advances to the imprest account to facilitate project implementation. The ceiling for each payment under the statement of expenditure procedure is \$50,000.

X. PROJECT MONITORING AND EVALUATION

33. **Project Performance Rating.** Projects under administration are rated by assessing both the implementation progress and achievement of development objectives. The rating of implementation progress focuses on physical and financial factors, while the rating of

development objectives concentrates on the likelihood of achieving the short- and long-term development impacts of the project. Project development objectives are statements of development outcomes, impacts, or benefits expected from implementing the various project components and achieving project outputs. Any significant successes and deficiencies encountered in project implementation are likely to be reflected in the degree of achievement of development objectives. Direct measurement and assessment of progress, in terms of development objectives, and analysis of risks and assumptions external to the project, are emphasized in the rating system of development objectives. Overall ratings of the implementation progress are evaluated against seven criteria consisting of timely project implementation, changes in project scope, changes in implementation arrangements, project cost overrun, provision of counterpart funds, compliance with major covenants, and submission of audited project accounts and agency financial statements. Project performance rating sheet for the Project is given in [Appendix 11](#).

34. Project Performance Monitoring. Following the Project Design and Monitoring Framework, VEC with assistance by the project supervision consultants implements a systematic project performance monitoring and evaluation system that indicates: (i) the effectiveness of project implementation, 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 and its impacts; (ii) the effectiveness of the Project with regard to its anticipated effect on economic and social development, as indicated by at least the following indicators (a) per capita income and poverty rate in the project area, (b) level of cross-border trade at Lao Cai, (c) passenger and freight vehicle operating costs on the project highway and between key locations, (d) cost for freight and fare for passenger movement between the selected locations (these 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 improved road access on low-income households will receive particular attention in measuring the effectiveness of the Project. Disaggregated monitoring indicators by gender and ethnic minority are developed for monitoring social benefits, economic opportunities, resettlement activities, the income restoration program, road safety, and the HIV, illicit drugs, and human trafficking prevention program. Within 6 months of the loan effectiveness, VEC, assisted by the project supervision consultants, establishes baseline data for the performance indicators and targets for evaluating project performance in relation to the Project's impacts, outcomes, and outputs. The performance indicators and targets are measured 6 months and 3 years after project completion, and compared with the baseline data. VEC submits a report summarizing key findings of the project performance monitoring and evaluation to ADB.

35. Project Review. In addition to the regular review mission every 6 months to review land acquisition and resettlement, the mine clearance works, and procurement of the project supervision consulting services and civil works, ADB undertakes special review missions. First, an inception review mission is fielded to initiate project implementation and ensure that VEC understands ADB's procedures. Second, a midterm review is undertaken in mid-2010 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 is fielded about 1 year after project completion. There are also special reviews as required to address issues that arise during project implementation.

XI. REPORTING REQUIREMENTS

36. The PMT, on behalf of VEC, makes satisfactory arrangements for reporting the progress of project implementation. The PMT's reporting requirements are summarized in [Appendix 12](#). The PMT monitors project implementation in accordance with the implementation schedule, and keeps ADB informed through quarterly progress reports of any significant deviations from the schedule. The quarterly reports summarize information in detailed Project reports, including basic data related to the Project, utilization of funds, achievement of immediate development objectives, implementation progress, environmental management and monitoring, land acquisition and resettlement progress, compliance with loan covenants, and major issues and problems. Sample progress report is provided in [Appendix 13](#).

37. Within 6 months of physical completion, the PMT submits through VEC a project completion report to ADB, which provides a detailed evaluation of the project design, costs, performance of the project supervision consultants and contractors, the above performance indicators, social and environmental impacts, economic and financial assessment, and such other details as may be requested by ADB.

XII. AUDITING REQUIREMENTS

38. VEC maintains separate financial records and accounts adequate to identify financing resources received and project expenditures, including goods, works, and services financed out of the loan proceeds and local funds. The loan accounts and related financial statements are audited annually in accordance with sound auditing standards by an auditor acceptable to ADB. VEC submits annual audited reports and related financial statements to ADB within 6 months of the end of each fiscal year. The audit opinion includes (i) a detailed description of the source of funds and expenditures made; (ii) an assessment of the adequacy of accounting and internal controls systems with respect to project expenditures and other financial transactions, to ensure safe custody of project-financed assets; (iii) a determination as to whether VEC has maintained adequate documentation for all financial transactions, specifically including the statement of expenditure and imprest account procedures; and (iv) confirmation of compliance with loan covenants on the debt service coverage ratio and debt-equity ratio of VEC. ADB's audit letter ([Appendix 14](#)) provides these audit requirements.

XIII. MAJOR LOAN COVENANTS

A. Conditions for Loan Effectiveness

39. In addition to the standard conditions for loan effectiveness, the following are conditions for loan effectiveness that are incorporated in the legal documents:

- (i) VEC will have strengthened the environmental unit by increasing its environmental specialist staff and will have established an SRU within the technical department.
- (ii) VEC will have established a PMT for the Project comprising a headquarters office and four field offices in Vinh Phuc, Phu Tho, Yen Bai, and Lao Cai.
- (iii) The subsidiary loan agreement between the Government and VEC will have been executed and be binding on the parties.
- (iv) Effectiveness of the OCR loan for the Project will be subject to effectiveness of the ADF loan for the Project, and vice-versa (cross-effectivity).

B. Major Loan Covenants

40. In addition to the standard assurances, the Government and VEC have given the following assurances, which are incorporated in the legal documents:

Covenants	Deadline	Compliance
Operation and Maintenance. At least 6 months prior to the transfer of the first project highway section to VEC from the contractor, VEC ensures that it has developed an internal department responsible for the highway operation and maintenance management, and may select an experienced entity to carry out operation and maintenance works of the project highway.	Mid-2011	
Financial Matters. VEC achieves a debt service coverage ratio of at least 1.2 times at all times. VEC also achieves a debt–equity ratio of not greater than 90:10 beginning with 2020.	End of June	
The Government ensures that VEC establishes toll structure and levels sufficient to satisfy its minimum debt service coverage ratio and maximum debt–equity ratio as described above while also taking into account the Project's social objectives. VEC ensures periodic reviews of the toll structure and levels to adjust for inflation or unanticipated cost.	–	
The Government ensures that VEC has established an internal financial information and management system by the end of 2008, which enables VEC to make a financially sustainable expressway investment plan by monitoring and planning cost recovery tariff level, planning traffic forecast, and preparing projected financial statements and debt management strategy.	End 2008	
Environment. The Government and VEC ensure that the Government's laws and regulations governing environmental impact assessments, as well as ADB's <i>Environment Policy</i> (2002), are followed. If there is any discrepancy between the Government's laws and regulations and ADB's <i>Environment Policy</i> , the ADB's Policy requirements apply.	Before bidding	
VEC ensure that the environmental unit is strengthened within its technical department by increasing its environmental specialist staff by at least five additional persons with one specialist based at PMT's headquarters in Hanoi and one specialist at each of the four field offices established under the Project. VEC has completed an institutional development plan for the environmental unit by the end of 2009 to secure proper capacity of environment safeguards in the project implementation.	Loan effectiveness End 2009	
VEC ensures that the EIA of the project is approved by the Ministry of Natural Resources and Environment prior to the issuance of bidding documents for the civil works. The Government ensures that the EMP in the EIA as reviewed and accepted by ADB, is included in the bidding	Before bidding	

Covenants	Deadline	Compliance
documents as a basis for the contractors to prepare site-specific EMPs. VEC ensures that the contract documents for works under the Project include specific measures in accordance with the EIA and ADB's <i>Environment Policy</i> to mitigate negative environmental impacts caused by the construction and to give due consideration to prevention of damage to the natural environment in the design, construction, operation and maintenance of the Project.		
VEC ensures that it allocates adequate budget and staff resources for EMP implementation and monitoring. VEC will ensure that the Project complies with best environmental practices and meets the mitigation and monitoring requirements in a timely manner as described in the EIA.	–	
VEC ensures that the design, construction, operation and maintenance of project facilities are carried out in accordance with the EMP, ADB's <i>Environment Policy</i> and the Government's laws and regulations. In accordance with the EMP, VEC causes (a) the contractors engaged under the works contracts to comply strictly with all environmental impact mitigation and monitoring requirements set out in the EMP and contract documents, and (b) the consultants engaged for construction supervision to monitor closely compliance by the contractors with the environmental impact mitigation and monitoring requirements.	–	
Resettlement and Ethnic Minorities. The Government and VEC ensure that any involuntary resettlement is carried out in accordance with the agreed REMDP, ADB's <i>Involuntary Resettlement Policy</i> (1995), and the Government's laws and regulations on involuntary resettlement. In case of differences between the Government's laws and regulations and ADB's <i>Involuntary Resettlement Policy</i> , ADB's Policy prevails. The Government ensures that VEC carries out the specific measures in regard to ethnic minorities as stipulated in the updated REMDP, and the Project will be implemented in accordance with the applicable laws and regulations of the Borrower and ADB's <i>Policy on Indigenous Peoples</i> (1998).	–	
The Government and VEC ensure that the local authorities do not commence any land acquisition and relocation activities until the updated REMDP has been prepared following detailed design and that the updated REMDP has been reviewed and approved by ADB.	–	
The Government and VEC, whenever feasible, allow project-affected people to cultivate land inside the right-of-way that is not required during the first phase of the highway project to annual crops (e.g., rice and low-lying crops). The temporary permit to utilize this land is given on condition and with clear understanding by all concerned that, in the event that such land is required for improving or carrying out the second phase of the highway project,	–	

Covenants	Deadline	Compliance
completion of any such investigation; and (c) agrees to refrain, and cause the VEC and PMT to refrain, from engaging in money laundering activities or financing of terrorism and shall allow, and cause VEC and the PMT to allow, ADB to investigate any violation or potential violation of these undertakings.		
The Government (a) ensures that VEC and the PMT conduct periodic inspections on the contractors' activities related to fund withdrawals and settlements, and (b) ensures and causes VEC and the PMT to 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.	–	
The Government ensures that VEC publicly discloses on the website information on how loan proceeds are being used, presenting 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, and (f) intended and actual utilization of loan proceeds under each contract; and also disclose internal and external resettlement monitoring reports on the website. The website is updated within two weeks after (a) each award of contract, (b) each submission of the external monitoring agency's quarterly resettlement reports, and (c) each submission of VEC's internal quarterly resettlement reports.	–	
Auditing and Accounting. The Government ensures that VEC maintains a separate set of records for the incremental administration costs, and submits to ADB: (a) an annual operating plan, projected financial statements, anticipated debt obligations, and estimated incremental administration costs based on an acceptable standard costing method for charging the incremental costs to the Project within 3 months prior to the start of the applicable fiscal year, and (b) an audited statement in the annual audit of accounts confirming that the charged services were duly provided to the Project.	End of September End of June	

XIV. IMPLEMENTATION OF THE ACCOMPANYING TECHNICAL ASSISTANCE

41. ADB is financing an ongoing regional TA for fighting HIV/AIDS in Asia and the Pacific,¹ from which \$1 million is allocated to prevent the spread of HIV/AIDS along the project highway during and after the construction stage and to mitigate the risk of illicit drug use, drug trafficking, and people trafficking that may result from the Project. VEC is the Executing Agency for the TA

¹ ADB. 2006. *TA 6321-REG: Technical Assistance for Fighting HIV/AIDS in Asian and the Pacific (Financed by the Cooperation Fund for Fighting HIV/AIDS in Asia and the Pacific)*. Manila. The Fund was established in 2005 with an initial grant of approximately \$15 million from the Government of Sweden.

subproject, and is responsible for overall coordination among the steering committees to be established and partners such as Vietnam's Administration of HIV/AIDS Control, the provincial people's committees, the Ministry of Health, the Ministry of Labor, Invalids, and Social Affairs, the Ministry of Education, the Women's Union, the Public Security, the Ethnic Minority and Religion Committee, the Youth Union, and other relevant civil society organizations working in the project area. A summary of the HIV, Illicit Drugs, and Human Trafficking Prevention Program is provided in [Appendix 15](#). The program is implemented over 4 years starting at least 4 months prior to the commencement of highway construction activities.

XV. KEY PERSONS INVOLVED IN THE PROJECT

A. ADB

42. The Department/Division responsible for the implementation of the Project is Infrastructure Division, Southeast Department (SEID). SEID has the overall responsibility of the implementation of the Project in ADB.

Director	:	Mr. John R. Cooney Tel. No. (63-2) 632-6688 Email: jcooney@adb.org
Transport Specialist	:	Mr. Yasushi Tanaka Tel. No. (63-2) 632-5657 Email: ytanaka@adb.org
Associate Operations Analyst	:	Ms. Teresa H. Mella Tel. No. (63-2) 632-6694 Email: tmella@adb.org
Address	:	Asian Development Bank 6 ADB Avenue, Mandaluyong City 0401 Metro Manila, Philippines
Facsimile	:	(63-2) 636-2444 (ADB's main fax) (63-2) 636-2336 (direct to SEID)

B. Borrower

43. The Ministry of Transport has overall responsibility of the implementation of the Project in the Government of Viet Nam.

Deputy Director General, Planning and Investment Department	:	Dr. Ha Khac Hao Tel. No. (84-4) 942-6009
Senior Expert, Planning and Investment Department	:	Mr. Pham Thanh Binh Tel. No. (84-4) 942 0198 Email: phamthanhbinh71@gmail.com
Address	:	Ministry of Transport 80 Tran Hung Dao Street, Hanoi, Viet Nam
Facsimile	:	(84-4) 942-3291

C. Executing Agency (EA)

44. VEC has the responsibility for the day-to-day project implementation under MOT's supervision. VEC set up PMT, and appointed the full-time Project Director and his staff.

Headquarters Office

General Director	:	Mr. Tran Xuan Sanh Tel. No. (84-4) 643-0268
Project Director	:	Mr. Phung Minh Mo Tel. No. (84-4) 643-0269
Highway Engineer	:	To be named
Highway Engineer	:	To be named
Financing/ Accounting Specialist	:	To be named
Procurement Specialist/Coordinator	:	To be named
Economist	:	To be named
Environmental Specialist	:	To be named
Resettlement Specialist	:	To be named
Social Development Specialist	:	To be named
Address	:	Vietnam Expressway Corporation Hamlet 2, Linh Nam Ward, Hoang Mai District, Hanoi, Viet Nam
Email:	:	duongcaotoc@vnn.vn
Facsimile	:	(84-4) 643-0270

Vinh Phuc Field Office

Director	:	To be named
Highway Engineer	:	To be named
Structural Engineer	:	To be named
Accountant	:	To be named
Accountant	:	To be named
Environmental Specialist	:	To be named
Resettlement Specialist	:	To be named

Social Development Specialist : To be named

Address :

Email: :

Facsimile :

Phu Tho Field Office

Director : To be named

Highway Engineer : To be named

Structural Engineer : To be named

Accountant : To be named

Accountant : To be named

Environmental Specialist : To be named

Resettlement Specialist : To be named

Social Development Specialist : To be named

Address :

Email: :

Facsimile :

Yen Bai Field Office

Director : To be named

Highway Engineer : To be named

Structural Engineer : To be named

Accountant : To be named

Accountant : To be named

Environmental Specialist : To be named

Resettlement Specialist : To be named

Social Development Specialist : To be named

Address :

Email: :

Facsimile :

Lao Cai Field Office

Director	:	To be named
Highway Engineer	:	To be named
Structural Engineer	:	To be named
Accountant	:	To be named
Accountant	:	To be named
Environmental Specialist	:	To be named
Resettlement Specialist	:	To be named
Social Development Specialist	:	To be named
Address	:	
Email:	:	
Facsimile	:	

XVI. ANTICORRUPTION

45. Consistent with its commitment to good governance, accountability, and transparency, ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive, or coercive practices relating to the Project. To support these efforts, relevant provisions of ADB's *Anticorruption Policy* ([Appendix 16](#)) are included in the loan regulations and the bidding documents for the Project. In particular, all contracts financed by ADB in connection with the Project shall include provisions specifying the right of ADB to audit and examine the records and accounts of VEC and all contractors, suppliers, consultants, and other service providers as they relate to the Project. Anyone coming across evidence of corruption associated with the Project must contact ADB's Office of the General Auditor, which will investigate such allegations.

46. To ensure transparency and good governance, VEC publicly discloses on its website information on how loan proceeds are being used. For each procurement contract, VEC discloses (i) the list of participating bidders, (ii) name of the winning bidder, (iii) basic details on bidding procedures adopted, (iv) amount of the contract awarded, (v) list of goods and/or services purchased, and (vi) intended and actual utilization of loan proceeds under each contract. VEC also discloses details of resettlement reports on its website. The website is updated within two weeks of each contract being awarded. Also, VEC submits internal and external resettlement monitoring reports to ADB every quarter. The resettlement reports are uploaded onto VEC's website within two weeks of their submission. Moreover, the Government ensures that all of VEC's project staff are fully aware of and comply with the Government's and ADB's procedures, including, but not limited to, procedures for (i) implementation, (ii) procurement, (iii) use of consultants, (iv) disbursement, (v) reporting, (vi) monitoring, and (vii) prevention of fraud and corruption.

DETAILED COST ESTIMATES, FINANCING PLAN, AND ALLOCATION
(\$ million)

Item	Cost	ADB (OCR)		ADB (ADF)		VEC	
		Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category
A. Investment Costs ^a							
1. Civil Works	627.4	502.5	80	124.9	20	0.0	0
2. Mine Clearance	3.6	0.0	0	0.0	0	3.6	100
3. Land Acquisition and Resettlement	100.0	0.0	0	0.0	0	100.0	100
4. Consulting Services	20.7	0.0	0	20.7	100	0.0	0
5. Equipment	22.5	22.5	100	0.0	0	0.0	0
6. Taxes and Duties	82.8	63.0	76	19.4	23	0.4	1
Subtotal (A)	857.0	588.0	69	165.0	19	104.0	12
B. Recurrent Costs							
1. Incremental Administration	7.0	5.6	80	1.4	20	0.0	0
Subtotal (B)	7.0	5.6	80	1.4	20	0.0	0
Total Base Cost	864.0	593.6	69	166.4	19	104.0	12
C. Contingencies ^b	130.0	91.4	71	22.6	17	16.0	12
D. Financing Charges During Implementation ^c	255.0	211.0	83	11.0	4	33.0	13
Total Project Cost	1,249.0	896.0	72	200.0	16	153.0	12
% Total Project Cost	100%		72%		16%		12%

ADB = Asian Development Bank, ADF = Asian Development Fund, OCR = ordinary capital resources, VEC = Vietnam Expressway Corporation

^a In mid-2007 prices.

^b Physical contingencies computed at 11% for civil works. Price contingencies are computed at 0.8% on foreign exchange costs and 6.5% until 2008 and 5% from 2009 onwards on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^c Includes interest, and commitment charges for the OCR loan, and interest for VEC Bonds. Interest for the OCR loan during the 7-year grace period has been computed at the 5-year forward London interbank-offered rate plus a spread of 0.6%.

Source: Asian Development Bank estimates.

PROJECT ORGANIZATION CHART

Figure 2A: Organizational Chart for Civil Works and Consulting Services

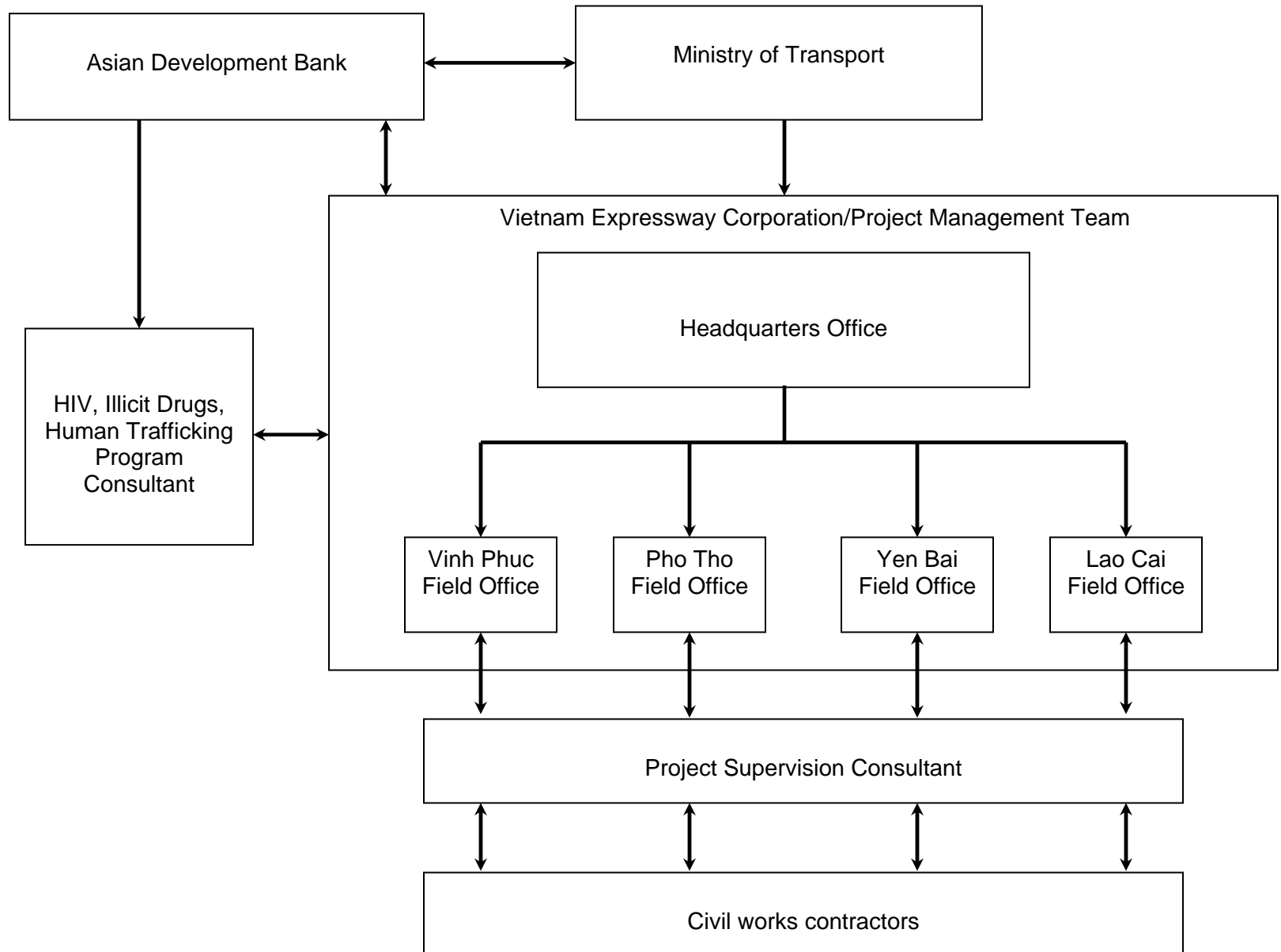
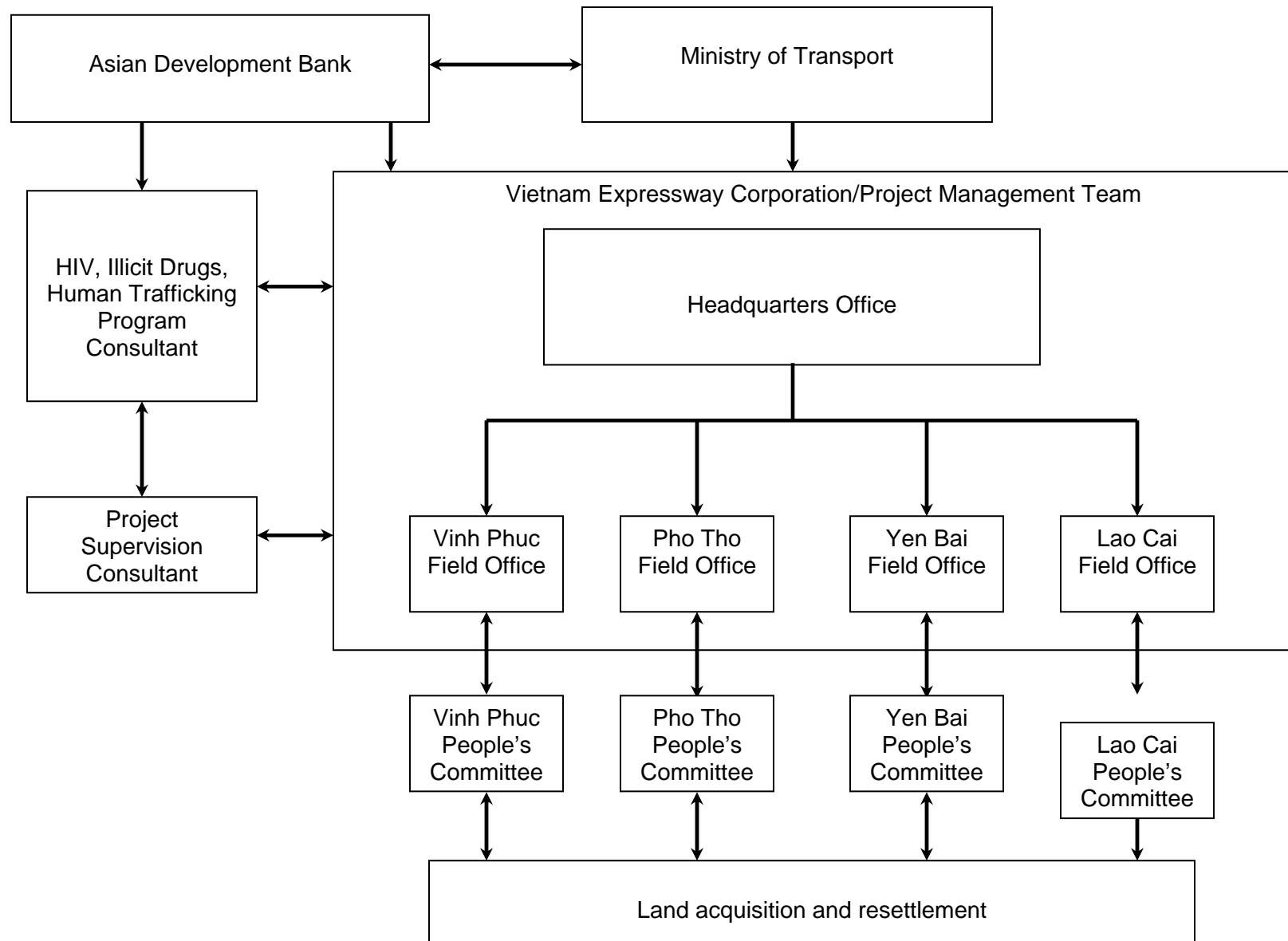
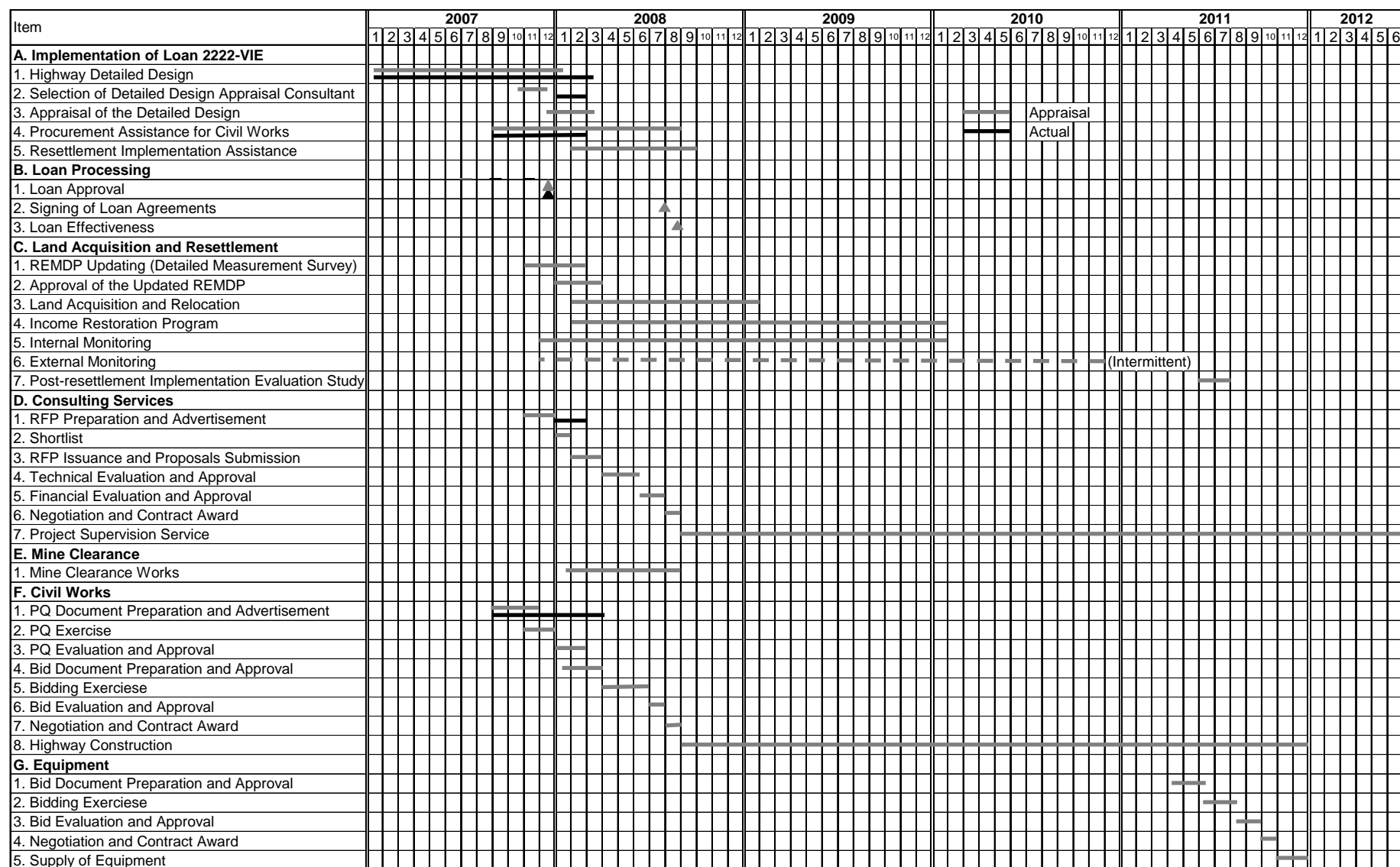


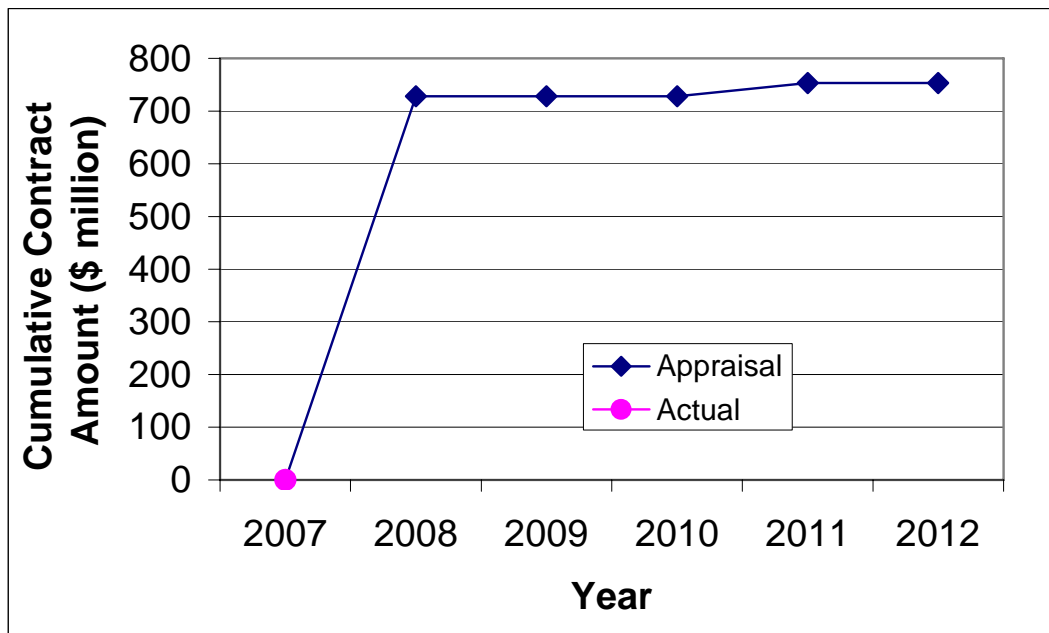
Figure 2B: Organizational Chart for Land Acquisition and Resettlement



IMPLEMENTATION SCHEDULE



PQ = prequalification, REMDP = resettlement and ethnic minority development plan, RFP = request for proposal

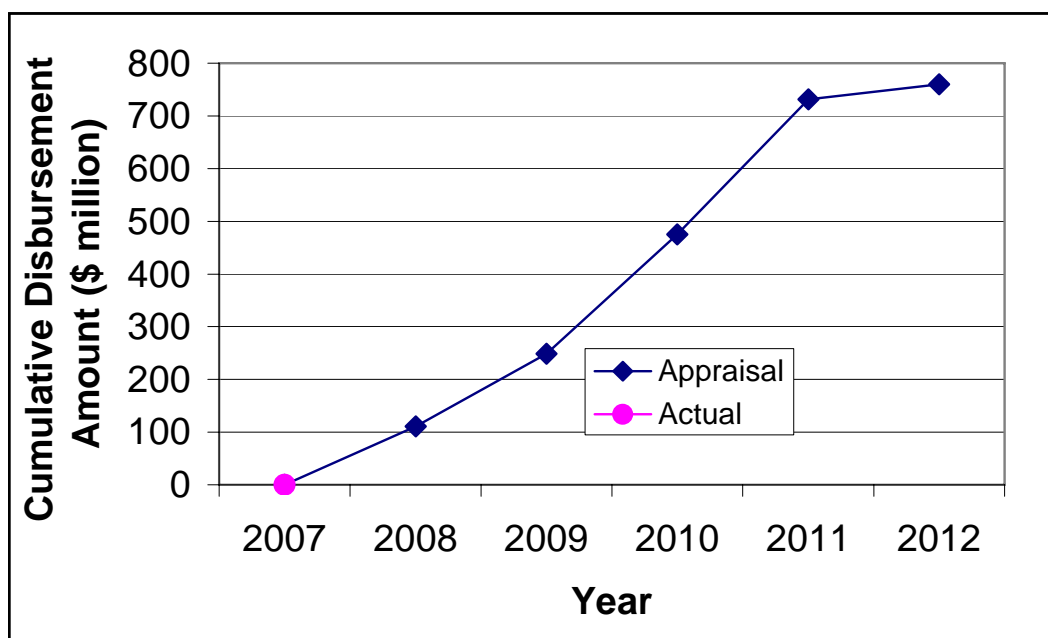
CONTRACT AWARDS PROJECTIONS BY YEARS**Yearly**

Year	2007	2008	2009	2010	2011	2012
Appraisal	0	728	0	0	25	0
Actual	0					

Cumulative

Year	2007	2008	2009	2010	2011	2012
Appraisal	0	728	728	728	753	753
Actual	0					

DISBURSEMENT PROJECTIONS BY YEARS



Yearly

Year	2007	2008	2009	2010	2011	2012
Appraisal	0	111	137.5	226.5	256.5	28.5
Actual	0					

Cumulative

Year	2007	2008	2009	2010	2011	2012
Appraisal	0	111	248.5	475	731.5	760
Actual	0					

Items	2008	2009	2010	2011	2012
Civil works	103	130	220	250	0
Consulting service	7	6	5	5	2
Equipment	0	0	0	0	25
Incremental adm.	1	1.5	1.5	1.5	1.5
Total	111	137.5	226.5	256.5	28.5
Cumulative total	111	248.5	475	731.5	760

PROCUREMENT PLAN

Table 1: Project Information

Country	Socialist Republic of Viet Nam
Name of Borrower	Government of Viet Nam
Project Name	GMS Kunming–Hai Phong Transport Corridor—Noi Bai–Lao Cai Highway Project
Loan Reference	Loan 2391/2392-VIE
Date of Effectiveness	TBD
Amount \$	\$1,096,000,000
Of which Committed, \$	\$1,096,000,000
Executing Agency	Vietnam Expressway Corporation
Approval Date of Original Procurement Plan	14 December 2007
Approval of Most Recent Procurement Plan	14 December 2007
Publication for Local Advertisement	October 2007
Period covered by this Plan	November 2007–June 2012

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 \$2,000,000
ICB (Goods)	above \$500,000
NCB (Works)	above \$100,000, below \$2,000,000
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

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

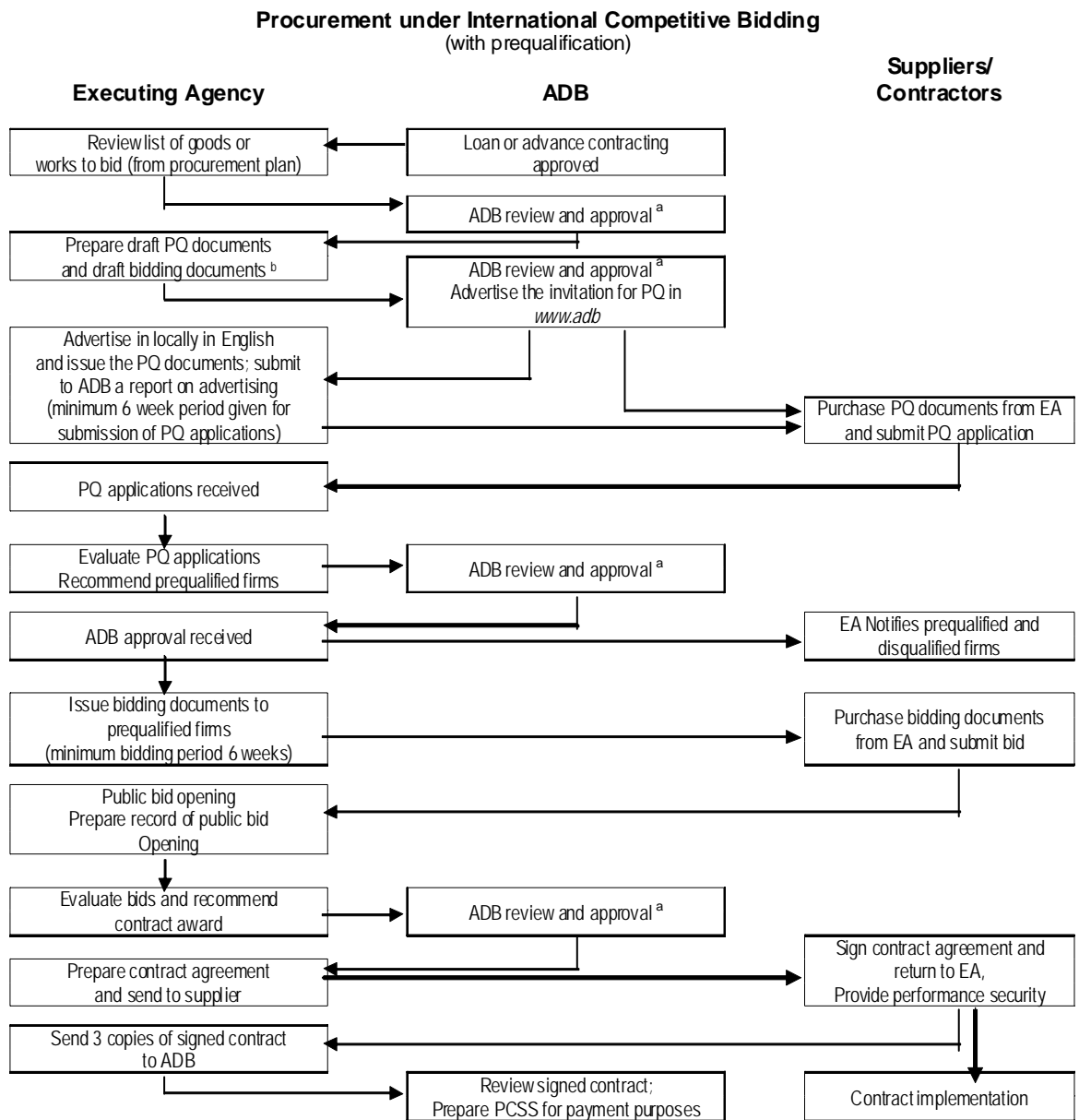
Contract Details		Approximate Value (\$ million)	Procurement Mode	Expected Date of Advertisement	ADB Review Y/N	Comments
A. Civil Works						
A-1	Package A (Km 0–Km 27)	90.0	ICB	4 th Quarter of 2007	Yes	Financed by ADB (OCR and ADF)
A-2	Package B (Km 27–Km 49)	89.0	ICB	4 th Quarter of 2007	Yes	Financed by ADB (OCR and ADF)
A-3	Package C (Km 49–Km 80)	117.0	ICB	4 th Quarter of 2007	Yes	Financed by ADB (OCR and ADF)
A-4	Package D (Km 80–Km 110)	76.0	ICB	4 th Quarter of 2007	Yes	Financed by ADB (OCR and ADF)
A-5	Package E (Km 110–Km 151)	102.0	ICB	4 th Quarter of 2007	Yes	Financed by ADB (OCR and ADF)
A-6	Package F (Km 151–Km 190)	96.0	ICB	4 th Quarter of 2007	Yes	Financed by ADB (OCR and ADF)
A-7	Package G (Km 190–Km 218)	69.0	ICB	4 th Quarter of 2007	Yes	Financed by ADB (OCR and ADF)
A-8	Package H (Km 218–Km 244)	64.0	ICB	4 th Quarter of 2007	Yes	Financed by ADB (OCR and ADF)
B. Equipment						
B-1	Electric, communication, and tolling systems and associated facilities	23.0	ICB	2 nd Quarter of 2011	Yes	Financed by ADB (OCR)
B-2	Operation and maintenance equipment and vehicles	2.0	ICB	2 nd Quarter of 2011	Yes	Financed by ADB (OCR)
C. Consulting Services						
C-1	Project supervision	25.0	QCBS	4 th Quarter of 2007	Yes	Financed by ADB (ADF) The quality-cost ratio is 80:20.

ADB = Asian Development Bank, ADF = Asian Development Fund, ICB = international competitive bidding, OCR = ordinary capital resources, QCBS = quality- and cost-based selection.

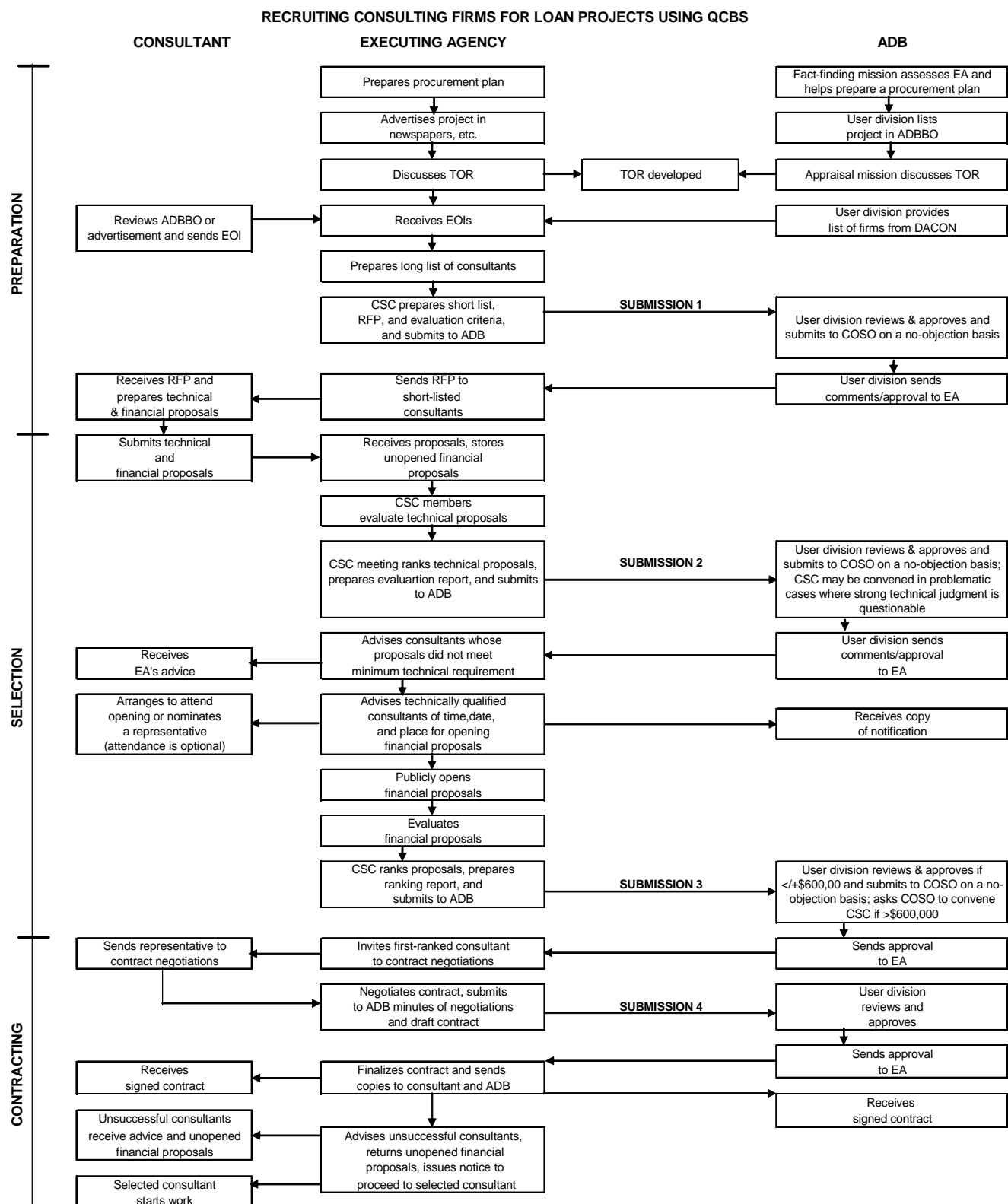
Note: Prior review and approval by ADB of procurement documents, bid evaluation reports, technical and financial proposals evaluation reports, and proposed award of contracts is required.

Source: Asian Development Bank estimates.

PROCEDURE UNDER INTERNATIONAL COMPETITIVE BIDDING WITH PREQUALIFICATION



PROCEDURE FOR RECRUITING CONSULTING FIRM FOR LOAN PROJECTS USING QCBS



TERMS OF REFERENCE FOR CONSULTING SERVICES

A. Introduction

1. The the Greater Mekong Subregion: Kunming-Haiphong Transport Corridor - Noi Bai-Lao Cai Highway Project (the Project) is designed to provide (i) a 244-kilometer grade-separated and access-controlled highway, including 10 interchanges with toll booths and five service areas, starting at Noi Bai in a suburb of Hanoi and ending at Lao Cai, on the border with the People's Republic of China (PRC) in northwest Viet Nam; (ii) electric, communications, and tolling systems and associated facilities, and the Vietnam Expressway Corporation's (VEC's) highway operation and maintenance (O&M) equipment and vehicles; and (iii) capacity building for VEC on management of project implementation, corporate financing management, O&M of highways, and safeguard planning and implementation.

2. The proposed Noi Bai-Lao Cai Highway will pass through two quite different geographical and social environments. Closer to Hanoi, between Noi Bai and Yen Bai, the terrain is flat to rolling, traffic volume is high and growing quickly, population density is relatively high. From Yen Bai to Lao Cai, the terrain changes from rolling to mountainous, existing and projected traffic is relatively low, population density is very low (particularly on the right bank of the Red River where the highway will be located). The configuration of the proposed Highway reflects these differences. The Highway will ultimately have a six-lane structure for the Noi Bai-Yen Bai section and four-lane structure for the Yen Bai-Lao Cai section. The Highway will be constructed in two phases, the first phase to be developed under the proposed Project, and the second phase subsequently when traffic volumes are sufficient to justify the additional investment. The Noi Bai-Yen Bai Section (123 km) will have 4 lanes for the first phase, and 6 lanes for a subsequent second phase. The Yen Bai-Lao Cai section (121 km) will have 2 lanes for the first phase, and 4 lanes for a subsequent second phase. The scope of the Project is generally for the first phase of the Highway's development. The right-of-way for the Highway will be acquired based on the ultimate lane configurations.

3. The Executing Agency for the Project is VEC. VEC has overall responsibility for project implementation and formal correspondence with the line ministries, provincial governments, and ADB. VEC will establish a project management team (PMT) to manage implementation of the Project. VEC will strengthen the Environmental Unit (EU) by increasing its environmental specialist staff by at least five additional persons, and establishing a Social and Resettlement Unit (SRU) within its Technical Department to provide overall guidance on social and resettlement matters, coordinating closely with the Ministry of Transport and the local authorities. SRU will be headed by a senior social development and resettlement officer and six social development and resettlement staff members. PMT comprising a headquarters office in Hanoi and four field offices in Vinh Phuc, Phu Tho, Yen Bai, and Lao Cai provinces will have responsibility for day-to-day project implementation. The headquarters office will comprise staff in the Project Implementation Unit 2, the implementing agency for Loan 2222-VIE: the GMS: Kunming-Haiphong Transport Corridor - Noi Bai-Lao Cai Highway Technical Assistance Project (the TA loan), and specialists from EU and SRU. Each field office will be staffed with a director, engineers, accountants, social and environmental specialists, and other specialists. For this Project, one environmental unit staff member and one SRU staff member will be assigned in each project field office as full-time members of the PMT. The field offices will coordinate with the provincial people's committees (PPCs) and district people's committees (DPCs) on civil works, environmental management, implementation of the land acquisition and resettlement activities, and livelihood development and income restoration program.

B. Scope of the Project

4. The civil works for construction of the Noi Bai-Lao Cai Highway will be executed through eight contract packages, ranging in estimated value from \$64 million to \$117 million (Table 1). All eight packages will be procured based on the international competitive bidding (ICB) procedures following prequalification exercise. The construction period is 40 months.

Table 1: Contract Packages for Civil Works

Contract Package	Highway Section	Length (km)	Approximate Value (\$ million)	Completion (months)
A	Km 0-Km 27	27.0	90.0	40
B	Km 27-Km 49	22.0	89.0	40
C	Km 49-Km 80	31.0	117.0	40
D	Km 80-Km 110	30.0	76.0	40
E	Km 110-Km 151	41.0	102.0	40
F	Km 151-Km 190	39.0	96.0	40
G	Km 190-Km 218	28.0	69.0	40
H	Km 218-Km 244	26.0	64.0	40

5. The highway's construction will involve a large amount of embankment construction and excavation, acquisition of residential and agricultural lands, and resettlement of project-affected people. Since the social and environmental impacts of the highway's construction are significant, an environmental impact assessment (EIA), and a resettlement and ethnic minority development plan (REMDP) have been prepared in accordance with ADB's *Environment Policy* (2002), *Policy on Involuntary Resettlement* (1995), and *Policy on Indigenous Peoples* (1998).

6. Electric, communication, and tolling systems and associated facilities, and vehicles for the highway O&M such as patrol cars, maintenance trucks, water tankers, sweepers, and others will be procured following the ICB procedure (Table 2).

Table 2: Contract Packages for Equipment

Contract Package	Equipment	Approximate Value (\$ million)	Completion (months)
A	Electric, communication, and tolling systems and associated facilities	25.0	12
B	Operation and maintenance equipment and vehicles	2.0	6

7. VEC's current human resources and organizational structure needs to be strengthened to implement the Project. VEC staff needs to enrich knowledge and experience on undertaking safeguard planning and implementation, preparing corporate finance, and O&M of access-controlled highways. The Project will provide VEC staff with on-the-job training on these.

8. ADB is financing an ongoing TA on Fighting HIV/AIDS in Asia and the Pacific through the Cooperation Fund for Fighting HIV/AIDS in Asia and the Pacific,² from which \$1 million will be allocated to prevent the spread of HIV and AIDS along the Noi Bai-Lao Cai Highway during

² ADB. 2006. *TA 6231-REG: Technical Assistance for Fighting HIV/AIDS in Asian and the Pacific (Financed by the Cooperation Fund for Fighting HIV/AIDS in Asia and the Pacific)*. Manila. The Fund was established in 2005 with an initial grant of approximately \$15 million from the Government of Sweden.

and after the construction stage and to mitigate the risk of illicit drug use, and drugs and people trafficking that may result from the Project. VEC will be responsible for overall coordination for this TA component among the steering committees to be established and partners such as Vietnam's Administration of HIV/AIDS Control, the PPCs, the Ministry of Health, the Ministry of Labor, Invalids, and Social Affairs, the Ministry of Education, the Women's Union, the Public Security, the Ethnic Minority and Religion Committee, the Youth Union, and other relevant civil society organizations working in the project area. The TA component will be implemented over 4 years starting at least 4 months prior to the commencement of highway construction activities.

C. Selection of the Consultant

9. The Government of Viet Nam has applied for loans from ADB, the proceeds of which will be applied to the Project. Part of the proceeds from the loans will be applied to expenses for project supervision consulting services. The consulting services will be provided by an international consulting firm, joint venture, or consortium of consulting firms, in association with domestic consulting firms. VEC, the Executing Agency for the Project, will select the project supervision consultants (PSC) in accordance with ADB's *Guidelines on the Use of Consultants* (2007).

D. Terms of Reference

10. The project supervision consulting services under the Project are to: (i) supervise the civil works for the highway construction; (ii) assist VEC in undertaking environmental management and monitoring, land acquisition and resettlement, income restoration program, and social development activities; (iii) assist VEC in undertaking procurement of equipment for the highway O&M; (iv) carry out project performance monitoring and evaluation; (v) consult VEC to use the loans efficiently, make financial assessment of the Project and VEC, and toll setting for the project highway; (vi) coordinate with consultants for the HIV, illicit drugs, and human trafficking prevention program; (vii) undertake road safety improvement; (viii) develop VEC's capacity of O&M for the project highway, and assist VEC in outsourcing the O&M works; and (ix) develop the skills of VEC staff on environmental management, land acquisition and resettlement, social development assistance, corporate financing management, and O&M of the Highway.

11. The PSC will have to undertake the consulting services in accordance with the Government's laws and regulations; ADB's policies and guidelines relevant to the Project; the Loan Agreements, the Project Agreement, and the Report and Recommendation of the President (RRP) for the Project; and the approved EIA and REMDP.

12. The civil works will be executed under ADB's standard bidding documents (*Procurement of Civil Works*, 1997), which are based on Fédération Internationale des Ingénieurs-Conseils (FIDIC) *Conditions of Contract*, fourth edition. The detailed design and drawings developed under the TA loan for the 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 PMT in VEC, the PSC will be the engineer, and the engineer's representative will be the PSC's team leader. In accordance with the FIDIC based contract between VEC and contractors, the PSC will have the following duties necessary for the adequate supervision of the construction activities on site.

- (i) represent the interest of VEC and contractors in any matters related to the construction contract and the proper execution thereof,

- (ii) furnish for the use of contractors all necessary ground and topographic data for the establishment of road alignments and grades,
- (iii) review and recommend for approval of VEC the contractors' working schedule or revisions thereto and any such plans or programs that contractors is obliged to furnish for the Engineer's approval, and prepare and submit a disbursement schedule to VEC,
- (iv) assess the adequacy of all inputs and such as materials, labor and equipment provided by contractors and his methods of work in relation to the required rate of progress of the work; when required, take appropriate action in order to expedite the work progress; keep and regularly update a list of contractors' equipment and its condition to ensure compliance with the list of equipment which contractors provided in his bid,
- (v) inspect and evaluate all contractors' installation, housing, shops, warehouses and other accommodations to ensure compliance with the terms and conditions of the contract documents,
- (vi) examine and make recommendations to VEC on all claims from contractors for time execution, extra compensations, work or expenses or other similar matters,
- (vii) compute quantities of approved and accepted work and materials; check, certify and make recommendations to VEC on the contractor's monthly and final payment certificates,
- (viii) prepare and submit reports to VEC periodically as required on the progress of the work, contractors' performance, quality of the works, and the financial status and forecasts,
- (ix) propose and present to VEC for approval any changes in the plans deemed necessary for the completion of the work including information on any effect of changes on the contract amount and the time of completion of the Project, and prepare all necessary change orders including altering plans and specifications and other details; inform VEC of any problems or potential problems which may arise in connection with the contract and make recommendation to VEC for possible solutions,
- (x) station at least one of the engineer's representatives at the site at all times when contractors are working, to supervise the work and issue instructions as required,
- (xi) furnish timely assistance and direction to contractors on all matters related to the interpretation of the contract documents, ground survey controls, quality control testing, and any other matters relating to the requirement of the contract and progress of the Project,
- (xii) organize supervision of the works with proper allocation of responsibilities to the individual inspections and supervise their work in order to ensure effective execution of the services,
- (xiii) prepare engineering reports including records of inspection, progress and performance of the work,
- (xiv) review all contractors' working drawings, shop drawings, erection drawings, and drawings for temporary works,
- (xv) verify contractors' stakeout surveys for centerline alignment, structure location surveys, and vertical control bench marks,
- (xvi) assure the receipts of, and maintain all warrants for materials accepted and incorporated in the Project, as required under the terms of the contract documents,
- (xvii) assess the adequacy of the soils and materials testing laboratory provided by the contractors,

- (xviii) monitor environmental mitigation activities by the contractors provided in the approved EIA and environmental management plan; and prepare quarterly environmental monitoring reports during the construction period,
- (xix) monitor and report on the environment influence during the construction and indicate measures to improve situation as required,
- (xx) inspect the safety aspects of the construction and improvement works and construction methods and procedures to ensure that every reasonable measures have been taken to protect life and property,
- (xxi) before issuance of the certificate of completion, the consultant shall carry out the necessary inspection, specify and supervise any remedial works to be carried out and when completed, recommend VEC the final inspection and acceptance of the Project,
- (xxii) perform any and all other items of the works not specifically mentioned above but which are necessary and essential to successfully supervise and control the construction activities in accordance with the plans, specifications and terms of contract, and
- (xxiii) assist and make recommendations to VEC for setting up an actual maintenance and operation scheme for the Project after completion.

13. To ensure better understanding and practices of environmental management of highway projects and to enhance VEC's environmental management capability, a capacity building program is included in the Project. The PSC will provide the environmental training program to (i) develop an environmental staffing structure and development plan, (ii) help build capacity and procedures in undertaking analyses of environmental impacts of road projects in accordance with Government regulations and donor guidelines, and (iii) provide training on implementation of environmental management plans. Training participants will include the EU staff and the environmental specialists of the PMT. After the training, the participants are expected to have gained adequate technical skills to prepare brief environmental assessments for road projects, conduct environmental monitoring and implementation of environmental controls, and incorporate environmental measures into future projects, specifications and tender/contract documents. The PSC will:

- (i) consult with VEC in the development of the institutional and capacity building plan; including staffing, equipment, training materials and implementation schedule based on prevailing government regulations and donor guidelines governing the assessment and management of environmental impacts of road projects by the 11th month,
- (ii) identify the procedures and tasks required to be performed by the project management unit and ES to be in compliance with these regulations and guidelines.
- (iii) present the staffing development plan to VEC and secure its endorsement by the 17th month,
- (iv) review the skills of the the project management team and EU officials and personnel and assess the need for training to establish the capability to meet requirements for preparing environmental assessments, environmental monitoring and implementation of mitigation measures of road projects,
- (v) prepare a short-term staff training plan and associated materials to meet immediate needs by the 20th month,
- (vi) undertake the training through a combination of hands-on assistance, on-the-job training, and training workshops on the 23th and 30th months,
- (vii) evaluate the effectiveness of the training by assessing improvements in attitudes and skills achieved on the 36th month, and

- (viii) prepare outline proposals for the longer-term organizational and capability development of VEC's EU.

14. Based on the district-level updated REMDPs, the PSC will undertake the following resettlement tasks:

- (i) review and assess the (a) capacity of the responsible institutions at central and project levels to update and implement the resettlement plan and (b) trainings and capacity buildings provided during the TA loan. Review the training and capacity building program designed during the TA loan and continue to implement necessary training and capacity-building interventions to sustain and coordinate all resettlement, social impact/assessment, gender and social development-related activities;
- (ii) review and assess the progress of consultation and disclosure programs undertaken. Continue (and revise consultation and disclosure strategy as necessary) implementation of consultation and disclosure program to ensure continuous and active involvement of project-affected persons (APs), executing and implementing agencies, women and community-based organizations, and other stakeholders in the timely and transparent provision of information to APs and development of consultation, disclosure, compensation, relocation, and rehabilitation strategies. Give particular attention to poor and vulnerable APs that may be at high risk of impoverishment. Document the consultation and disclosure activities. Ensure that all minutes of meetings, photos, and attendance sheets are prepared and recorded.
- (iii) assist VEC and Compensation, Assistance, and Resettlement Boards (CARBs) to implement procedures for (a) minimizing adverse social impacts from land acquisition and loss of other assets throughout the implementation phase (e.g., coordinating resettlement and compensation activities on the various road sections, avoiding if not minimizing impacts caused during construction and ensuring that losses that cannot be avoided are recorded and compensated as per approved updated REMDP, (b) ensuring that options of or agreements reached with APs in terms of replacement of assets, i.e., cash or in-kind (house plots, fish ponds, agricultural land, common property resources such as irrigation systems) are provided in a timely manner, (c) ensuring that gender concerns are incorporated during implementation and monitoring, including gender-specific consultation and information disclosure; this will include special attention to guarantee women's assets, property and land-use rights; and to ensure the restoration of their living and income standards, (d) tracking compliance with project policies; and (e) implementing promptly corrective actions and resolving grievances.
- (iv) assist VEC and CARBs in the updating of replacement costs, as required, during implementation.
- (v) assist VEC and CARBs to implement detailed income restoration programs for people severely affected by loss of livelihood and income and for vulnerable APs. Review and assess the progress of livelihood programs designed and being implemented by the local organization and provide technical guidance to the local organizations as and when required.
- (vi) assist VEC to implement (a) liaison mechanisms to ensure proper technical and logistical support to the field staff and CARBs, and (b) procedures for a management information system and ongoing internal monitoring.
- (vii) coordinate with the independent monitoring organization. Ensure that findings and recommendations made by an external monitoring agency are discussed with VEC

- and CARBs for appropriate action to ensure that resettlement implementation is undertaken properly and effectively.
- (viii) assist VEC in the preparation of quarterly progress reports on resettlement. Assist in the preparation of a resettlement completion report to properly document the actual resettlement impacts, resettlement implementation and evaluation of the RP implementation. The report will be based on the internal and external monitoring and evaluation reports, and aid memoires and memoranda of understanding, which will be prepared by ADB's review missions.
- (ix) review and assess grievance redress committees established and ensure that the responsibilities, reporting requirements, and budget allocation to support the committee's functions are in place.
- (x) prepare and collate resettlement and social impact assessment reports, and gender, ethnic minorities and social development training materials.

15. To ensure that affected ethnic minority households are not marginalized during implementation of the REMDP and receive full benefit of resettlement activities related to compensation, entitlement, livelihood program and training program, the PSC will assist VEC in ensuring that the following specific activities, which are integral to the REMDP, have been and will be undertaken.

- (i) Separate consultation-meetings will be conducted with affected ethnic minority households on specific resettlement concerns, such as compensation and entitlements, rehabilitation of livelihoods and establishment of resettlement sites. All public information and consultation meetings in ethnic minority villages will include local translation in minority languages so that information and exchange is facilitated for all men and women affected ethnic minority households. Village meetings will be held to raise affected ethnic minority households awareness and understanding of resettlement related issues such as project timing, entitlements, compensation determination and payments, grievance process, support for relocation/rebuilding etc., and specific women focus groups will also be held to cover the same issues.
- (ii) In conducting the detailed measurement surveys (DMS), both men and women affected ethnic minority households will participate in the DMS and in discussions related to land acquisition and other resettlement concerns. Translation/s in ethnic minority language/s will be provided in the meeting to ensure that affected ethnic minority households understands and are in agreement with the DMS results.
- (iii) Provincial CARBs and District CARBs will include representatives from Committee for Ethnic Minorities (CEM), while the Commune Resettlement Committee will include at least one male and one female representative from affected ethnic minority households.
- (iv) Prior to the DMS, a capacity-building orientation program will be designed by to orient the members of the Provincial CARBs and District CARBs, representatives of CEM, local leaders from ethnic minority communities, and one male and one female from each of the affected ethnic minority households on the objectives and principles of the Project resettlement policy, the various resettlement activities, grievance procedures, proposed resettlement sites for housing, etc.
- (v) Training on resettlement and ethnic minority issues will be provided to relevant staff of VEC, Provincial CARBs, and District CARBs, and local leaders and representatives from mass organizations, notably CEM to facilitate effective planning of resettlement activities to address ethnic minority groups' concerns and to design appropriate alternative livelihood programs in conjunction with the ethnic minority groups.

- (vi) The delivery of compensation payments will be monitored specifically to ensure that they are paid out fully and directly to affected ethnic minority households and that no discrimination is exercised against them. Compensation will be provided to both men and women from affected ethnic minority households.
- (vii) Where land is allocated or use rights assigned, registration will be joint in the names of both husband and wife for affected ethnic minority households.
- (viii) Needs assessments of alternative livelihood programs for affected ethnic minority households will be done. The present livelihood system (agriculture, livestock, poultry, fish pond, forestry, non-timber forest products) of the affected ethnic minority households must be taken into consideration in designing new livelihood activities. For loss of fodder, planting of forage grasses will be initiated for the affected ethnic minority households. The full involvement of affected ethnic minority households in planning, their understanding and agreement of any proposed alternative livelihood programs will be ensured.
- (ix) Skill development training for livelihood activities will be conducted separately for affected ethnic minority households (men and women) in their respective language or in a language of their choice, which might include either the commonly spoken market language of Thai or Kinh.
- (x) Where affected ethnic minority households are required to rebuild or relocate, rehabilitation options and sites will be acceptable to the household and ensure they are able to continue their existing livelihood and lifestyle/housing structure, and remain within their community (if they so choose).
- (xi) If female-headed affected ethnic minority households state they rely on close kindred as part of their coping strategy to ensure livelihood needs are met then provision should be made in the new resettlement sites for them to be located in close proximity to their close kindred. If close kindred are not affected then all efforts should be made to ensure that these female-headed affected ethnic minority households can remain in the same community.
- (xii) During the DMS, relocation of graves must be discussed with the affected ethnic minority households. Effort should be taken to avoid any removal of graves. In cases where graves need to be removed, compensation will be paid to affected ethnic minority households whose graves or burial sites have to be relocated. The REMDP makes provision for the full cost of this removal and all rituals considered necessary by affected ethnic minority households to satisfy their needs with dignity and respect.
- (xiii) Rehabilitation measures for relocating households will ensure that the affected ethnic minority households receive equitable treatment such as: (a) assistance to self-relocate (find land, etc.), (b) allocation of housing and/or commercial sites (e.g., in resettlement sites); (c) village support in moving, and contractor support to improve lands; and (d) provision of allowances (including business income loss, transition and vulnerability allowances).
- (xiv) Rehabilitation measures for businesses will ensure that affected ethnic minority households and/or female headed households as well as other affected households are treated equitably in assistance to find and/or allocation of replacement land, and in the provision of allowances (including business income loss, transition and vulnerable allowances).
- (xv) Disaggregated monitoring indicators by gender and ethnicity will be developed for better monitoring of the implementation and effectiveness of resettlement.

16. The PSC will assist VEC to ensure that the following specific actions to address gender issues for households affected by land acquisition and relocation have been and will be taken, in accordance with the approved REMDP.

- (i) Provincial CARBs and District CARBs will include representatives from CEM, Vietnam Women's Union (VMU) at provincial and district level, while the commune level resettlement committees will include representatives from the VWU at commune and village level and women from affected households. One man and one woman representative from each ethnic minority group, and one representative from female headed households will be included in each commune level resettlement committee.
- (ii) During REMDP updating, a capacity building training program and workshop on resettlement activities will be designed for the women and men commune officials, and women and men from affected households to orient them about REMDP updating and implementation of resettlement activities. Participation of poor women, female headed households and ethnic minority women in the training will be ensured. Training will also include representatives from line agencies and representatives from the VWU at commune and village level and other mass organizations including the Fatherland Front, War Veterans Association, Farmers Association, and Youth Union;
- (iii) The capacity building training/workshop will include information on resettlement activities, compensation procedures, entitlement, management of compensation money, and grievance procedures. The objective of the training is to provide affected communities with understanding of resettlement issues and better access to compensation resources and information on grievance procedures. The training will be arranged in a suitable time for women, especially for poor women and ethnic minority women, to ensure their participation.
- (iv) The capacity building training on resettlement issues will be conducted separately for men and women and ethnic minority groups. Training and workshop should be conducted in the respective ethnic language or the language of choice of female affected ethnic minority households.
- (v) In conducting the DMS, both women and men will participate in discussions related to land acquisition and other resettlement issues. Translations in ethnic minority languages will be provided to ensure affected ethnic minority households understand and are in agreement with the DMS. Consultation meeting on resettlement activities will be held separately and at a convenient time with affected women, ethnic minority women and elderly women in order for them to participate in the process more effectively.
- (vi) Livelihood activities will be planned with active involvement of women from affected households. Needs assessments for livelihood activities and skill development of livelihood activities will be conducted separately for affected ethnic minority households as well for the female headed households, elderly women and poor women. In designing livelihood activities, appropriate economic activities for women affected households will be included in the program in order to avoid any marginalization of women's contribution to household economy. Livelihood program for women will emphasize homestead based productive activities such as livestock rearing, backyard poultry, fish pond etc. Livelihood activities for women will include activities which will bring immediate return.
- (vii) Relocation of houses in the resettlement sites will include separate discussion with women from affected households including female headed households and affected ethnic minority households for selection of sites, housing structure and other social infrastructures.
- (viii) Compensation money will be given to both men and women from the affected households. Specific attention will be provided to the poor women headed

- households, and affected ethnic minority households on timely compensation and providing input for developing relevant livelihood activities.
- (ix) Joint registration of land rights in the names of husband and wife in instances where land is acquired and compensation is made by land.
- (x) Sensitization training on gender and resettlement will be provided to relevant VEC staff, Provincial CARBs, District CARBs, Commune Resettlement Committees, VWU and other relevant mass organizations for effective planning of resettlement activities which is beneficial for men, women and children.
- (xi) Disaggregated monitoring indicators by gender, ethnic minority, and female-headed affected household will be developed for monitoring on capacity development training program, livelihood program, resettlement committee and relevant resettlement related activities.

17. 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 (Appendix 1 of the RRP). The performance indicators and targets will be measured 6 months after the project completion, and compared with the baseline data. The PSC will prepare a report summarizing key findings of the project performance monitoring and evaluation.

- (i) develop a systematic project performance monitoring and evaluation system that indicates the effectiveness of project implementation 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;
- (ii) develop a systematic project performance monitoring and evaluation system that indicates 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 and poverty rate in the project area, (b) level of cross-border trade at Lao Cai, (c) passenger and freight vehicle operating costs on the project highway and between key locations, (d) cost for freight and fare for passenger movement between the 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. Disaggregated monitoring indicators by gender and ethnic minority are developed for monitoring of social benefits, economic opportunities, resettlement activities, income restoration program, road safety, and the HIV, Illicit Drugs, and Human Trafficking Prevention Program.
- (iii) at the beginning of project implementation, establish baseline data for the performance indicator and targets for evaluating project performance in relation to its impacts, outcomes, and outputs within six months of the loan effectiveness.
- (iv) measure the performance indicators and targets 6 months after the project completion, and compare with the baseline data.

18. The PSC will assist VEC in undertaking procurement of (i) electric, communication, and tolling systems and associated facilities, and (ii) vehicles and equipment for the highway O&M

following the ICB procedure, and supervise installation works of the equipment by the selected suppliers. The procurement will be undertaken in the second quarter of 2011. The PSC will:

- (i) review technical specifications for electric, communication, and tolling systems and associated facilities, which were prepared under the TA Project; estimate cost for the procurement; and confirm the technical specifications through consultations with VEC.
- (ii) review types, performance requirements, and numbers of vehicles and equipment for the highway O&M, which were prepared under the TA Project; estimate cost for the procurement; and confirm the types, performance requirements, and numbers through consultations with VEC.
- (iii) prepare bidding documents for the procurement of equipment based on ADB's standard bidding document and following the most appropriate procedure.
- (iv) advertise the procurement of equipment; respond to questions from potential bidders; hold the bid opening ceremony and recording the minutes; evaluate submitted bids and preparing a bid evaluation report; and hold the contract negotiation meeting and preparing the contract documents.
- (v) supervise installation works of electric, communication, and tolling systems and associated facilities.
- (vi) coordinate the equipment supplier with the civil works contractors, if changes in the technical specifications and/or coordination in working schedules and working places are needed.
- (vii) before issuance of the certificate of completion, carry out the necessary inspection, specify and supervise any remedial works to be carried out and when completed, recommend VEC the final inspection and acceptance of the Project,
- (viii) perform any and all other items of the works not specifically mentioned above but which are necessary and essential to successfully supervise and control the construction activities in accordance with the plans, specifications and terms of contract.

19. At the final stage of the project implementation, the PSC will assist VEC in making financial assessment and setting toll structure and levels for the Highway, including:

- (i) survey willingness-to-pay for the highway toll of the potential users such as cargo forwarders, bus companies, and general drivers, and identify the toll rates by vehicle classification that will be socially accepted,
- (ii) estimate daily traffic volume by vehicle classifications on the highway sections, and make detailed financial assessment,
- (iii) prepare toll structure and levels with projected financial statements which satisfies (a) VEC's minimum debt service coverage ratio of 1.2, (b) a minimum debt to equity ratio of 90:10, and (c) a working ratio of not more than 15%, in order to ensure operating efficiency and financial sustainability, prepare a proposal of the toll structure and levels for the Highway to be submitted to the Ministry of Finance;
- (iv) help VEC in managing the loans during the construction, and consult VEC to use the loans efficiently, and;
- (v) provide VEC with a tool and manual for the periodic review of toll structure and levels.

20. To reduce risks for HIV, AIDS, and sexually transmitted infection (STI); use of illicit drugs; and human trafficking in the project area, the PSC will ensure participation of the civil works contractors in the HIV, illicit drugs, and human trafficking prevention program, in coordination

with a consultant for implementation of the program and an independent monitor of the program, which will undertake:

- (i) advocacy actions on HIV/AIDS/STI, drug use and trafficking through: (a) workshops targeting affected communities in the project area, provincial and district government officials, local health providers (private and public), project consultants and contractors, border police, and other multi-sector stakeholders; and (b) design of an HIV/AIDS/STI, drug use and trafficking prevention information campaign to be implemented along the road before, during and after the construction period;
- (ii) behavior change communication campaigns and programs through: (a) the development of customized methods and materials for HIV prevention targeted at construction workforce (including management staff and women), workers in entertainment establishments, truck drivers and other transport workers, communities along the highway, and migrant and mobile populations in border towns; (b) mainstreaming of HIV prevention activities into the contractors' occupational health and safety program and other workplace practices and processes; and (c) support to local groups and institutions to undertake prevention campaigns for the prevention of drug use and drug and people trafficking;
- (iii) condom social marketing in communities in the areas of project construction (including construction sites and neighboring communities);
- (iv) strengthen and support local health providers to provide quality services for HIV and STI diagnosis, care and treatment (following national protocols and strategies) and other illnesses (e.g. malaria); and
- (v) independent monitoring by a consultant/organization recognized and experienced in monitoring and evaluation HIV/AIDS/STI prevention programs engaged to: (a) develop a project performance and management system to be applied throughout the project duration, in collaboration with the local AIDS authorities; and (b) undertake program monitoring at regular intervals and report to VEC, ADB, and government AIDS authorities.

21. The PSC will assist VEC in improving the road safety of the project highway through the following approaches:

- (i) carry out road safety audit of the highway design and facilities after completion of the construction, and installation of roadside safety equipment such as warning signs, delineators, and illuminations based on outputs of the road safety audit,
- (ii) to minimize risk for traffic accidents between the local people and traffic on the highway, provide a road safety program with a focus on awareness of access-controlled highway operation immediately after the highway starts operation, and undertake road safety awareness campaign, and
- (iii) investigate causes of traffic accidents that happen during 6 months after the transfer of the first project highway section to VEC, and propose necessary countermeasures against traffic accidents.

22. At least 6 months prior to the transfer of the first project highway section to VEC from the contractor, VEC will ensure that it has develop an internal department responsible for the highway O&M management and select an experienced business to carry out the O&M works of the project highway. The PSC will:

- (i) prepare VEC's reorganization plan to establish an internal department responsible for the highway O&M management, which should include organizational structure, human resources requirements, and job description of each staff,
- (ii) examine types and scope of the outsourcing contract for the highway O&M, prepare a contract document for outsourcing of the O&M works of the Highway, and assist VEC in selecting an experienced business to carry out the O&M works of the project highway,
- (iii) prepare a draft highway O&M manual for the VEC staff before the project highway is in service, discuss with the VEC staff, and update the manual as appropriate based on the initial operation and maintenance works, and
- (iv) instruct the VEC staff in management skill for O&M of the Highway during 6 months after the transfer of the first project highway section to VEC.

23. Scope of the Project includes on-the-job training of VEC's counterpart staff at its headquarters and field offices. Therefore, the PSC will undertake the above consulting services together with their VEC counterpart staff.

E. Required Expertise

24. The consulting services will be undertaken by an international consulting firm with associated national consulting firms. About 6,700 person-months (510 person-months of international and 6,228 person-months of national consulting services) will be required for the consulting services. Table 3 shows a sample of the required expertise and person-months inputs. The consultants should have expertise in project management, highway engineering, structural engineering, geology, material and quality control, international procurement, road information systems, toll collection system, highway O&M management and works, road safety improvement, project performance monitoring and evaluation, project financial assessment, corporate financing, toll setting, EIA and environmental management, land acquisition and resettlement, livelihood development and income restoration programs, ethnic minority development strategy, gender strategy, HIV/AIDS/STI, human and illegal drug trafficking, and staff training.

25. The PSC will establish a main office in Hanoi headed by the team leader, and a site office in each project province (Vinh Phuc, Pho Tho, Yen Bai, and Lao Cai provinces) to provide adequate coverage of the project highway. The main office will be responsible for highway design, procurement assistance, project performance monitoring, development of the skills of VEC staff, and overall assistance to VEC. The site offices headed by the resident engineers will supervise the civil works in accordance with the contracts, undertake environmental management and monitoring, and assist land acquisition, resettlement, income restoration program, and social development activities to be undertaken by VEC and Provincial/District People's Committees.

26. The PSC can subcontract local organizations such as research institutes and nongovernmental organizations to implement the income restoration programs. Engagement of the local organization subcontracted with the TA loan consultant, which prepared and is assisting People/District People' Committee in implementing the livelihood development and income restoration programs, is recommended.

Table 3: Expected Expertise Inputs to the Consulting Services

Expertise	Persons	Person-month
A. Hanoi Main Office		
International Consultants		
Project Manager	1	43
Highway Engineer	1	12
Structural Engineer	1	24
Geological and Material Engineer	1	34
Toll System Engineer	1	4
Electric and Mechanical Engineer	1	8
Operation System Specialist	1	6
Highway Operation Manager	1	6
Environmental Specialist	1	13
Resettlement Specialist	1	12
Social Development Specialist	1	6
Economist	1	6
Financial Specialist	1	6
Total	13	180
National Consultants		
Deputy Project Manager	1	46
Senior Highway Engineers	2	84
Senior Structural Engineers	2	84
Senior Geological and Material Engineer	1	36
Senior Toll System Engineer	1	6
Senior Electrical Engineer	1	12
Senior Mechanical Engineer	1	12
Senior Environmental Specialist	1	40
Senior Resettlement and Social Development Specialist	1	18
Computer System Engineer	1	30
CAD Operators	5	220
Total	17	588
B. Site Offices		
International Consultants		
Resident Highway Engineers	4	160
Structural Engineers	4	160
Tunnel Engineer	1	10
Total	9	330
National Consultants		
Deputy Resident Highway Engineers	4	184
Structural Engineers	4	184
Tunnel Engineers	2	20
Geological and Material Engineers	4	144
Quantity Surveyors	8	352
Electrical Engineers	4	48
Mechanical Engineers	4	48
Environmental Specialists	4	160
Resettlement Specialists	4	72
Ethnic Minority Specialist	1	12
Gender Specialist	1	18
Livelihood Development Specialist	1	18
Training Program Specialist	1	6
Provincial Coordinators and Assistants	5	110
Field Inspectors	104	4,264
Total	151	5,640

F. Schedule and Reporting Requirements

27. The TA loan consultant will complete their consulting services in September 2008, and hand over project supervision services to the PSC. The consulting services by the PSC will last for 46 months from September 2008 to June 2012.

28. The PSC will prepare the following documents and reports, and submit them to VEC and ADB.

- (i) An inception report for the whole consulting services will be submitted to VEC and ADB 1 month after commencing the consulting services. The report will highlight problems encountered or anticipated, and will recommend solutions.
- (ii) Monthly project progress reports for the whole consulting services will be submitted to VEC and ADB during the whole consulting services period. The reports will include consulting services undertaken in the reporting month, briefly and concisely describe all construction activities and progress for the previous month, and identify problems encountered and problems anticipated together with steps taken or recommendation for their correction.
- (iii) An inception report for training of the environmental management, which include needs of staff and officials and setting out detailed proposals for training under the consultancy, will be submitted to VEC and ADB by 11th month of the consultancy.
- (iv) Interim reports for training of the environmental management with details of materials developed and training provided to date will be submitted to VEC and ADB in 17th, 23th, and 30th months of the consultancy.
- (v) Environmental monitoring reports will be submitted quarterly to VEC and ADB during the construction period.
- (vi) Land acquisition and resettlement monitoring reports will be submitted quarterly to VEC and ADB until the livelihood development and income restoration program for the project-affected persons is completed.
- (vii) A resettlement completion report, and a resettlement and social impact assessment report will be submitted to VEC and ADB after the livelihood development and income restoration program for the project-affected persons has been completed.
- (viii) Project performance monitoring and evaluation reports will be submitted to VEC and ADB 3 months after commencing the consulting services and 6 months after at the project completion.
- (ix) Bid documents for the equipment will be submitted to VEC and ADB prior to the advertisement of the procurement, and bid evaluation reports will be submitted to VEC after the bid evaluation.
- (x) A draft final report for training of the environmental management containing a description of achievements, details of the training services provided, including all materials, an assessment of their effectiveness in meeting objectives, and recommendations for further training assistance will be submitted to VEC and ADB upon completion of the training courses.
- (xi) A project completion report will be submitted to VEC and ADB 3 months after at the 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.
- (xii) Short reports on the studies as specified in the above terms of reference will be submitted to VEC and ADB upon request by VEC and ADB.

DISBURSEMENT MODALITIES

A. Civil Works

Payment for civil works is disbursed directly to the contractors based on an approved contract through the direct payment procedure. ADB finances 80% of the payment for the civil works from OCR and 20% from ADF thus totaling 100% financing. VEC will prepare a pair of withdrawal application forms for OCR and ADF shown in Appendix 5 of ADB's *Loan Disbursement Handbook* (2007, as amended from time to time), and send them to Controller, ADB. The percentage of ADB's share is 100% for each of the withdrawal application form. Taxes imposed on the civil works contract will be directly disbursed to the contractors. The contractors will pay the taxes to VEC from the disbursed amount, and VEC will pay the taxes on behalf of the contractors to the tax office.

B. Consulting Services

Payment for consulting services is disbursed directly to the consultants. ADB finances 100% of the payment for the consulting services from ADF. VEC will prepare a withdrawal application form (Appendix 5 of ADB's *Loan Disbursement Handbook*), and send it to Controller, ADB. The percentage of ADB's share is 100% for the withdrawal application form. Taxes imposed on the consulting services contract will be directly disbursed to the consultants. The consultants will pay the taxes to VEC from the disbursed amount, and VEC will pay the taxes on behalf of the consultants to the tax office.

C. Equipment

The loan proceeds are disbursed directly to the equipment supplier based on an approved contract under the direct payment procedure. ADB finances 100% of the payment for equipment from OCR. VEC will prepare a withdrawal application form (Appendix 5 of ADB's *Loan Disbursement Handbook*), and send it to Controller, ADB. The percentage of ADB's share is 100% for the withdrawal application form. Taxes imposed on the equipment contract will be directly disbursed to the supplier. The supplier will pay the taxes to VEC from the disbursed amount, and VEC will pay the taxes on behalf of the supplier to the tax office. The commitment letter procedure is also applicable to payment to the equipment suppliers. In case the commitment letter procedure will be used, VEC will prepare a withdrawal application form (Appendix 6 of ADB's *Loan Disbursement Handbook*), and send it to Controller, ADB.

D. Incremental Administration Cost

Payments for the incremental administration cost are made from an imprest account held at a commercial bank acceptable to the Government and ADB, under ADB's imprest account procedure. ADB finances 80% of the payment for the incremental administration cost from OCR and 20% from ADF. The imprest account is to be established for the OCR and ADF loans. The initial deposit to the imprest account is based on estimated expenditures for the first 6 months of the project implementation or \$300,000, whichever is lower. The statement of expenditure procedure is used to reimburse eligible expenditures and liquidate advances to the imprest account to facilitate project implementation. The ceiling for each payment under the statement of expenditure procedure is \$50,000. VEC will prepare a pair of statement of expenditures (Appendix 7 of ADB's *Loan Disbursement Handbook*) and send them to Controller, ADB. The percentage of ADB's share is 100% for each of the statement of expenditures.

PROJECT PERFORMANCE REPORT

As of 31 Dec 2007

SERIAL NO : 21
 DIVISION : SEID
 DEPARTMENT : SERD
 PROJECT NO : 33307-02
 STATUS : ACTIVE

(ALL AMOUNTS IN US\$ MILLION)

BASIC DATA

				PROJECT AT RISK	LAST:	CURR:	Targeting Classification	
NAME				Impact and Outcome	: No	No		
2391/2392: GMS: KUNMING-HAI PHONG TC-NOI				Implementation Progress (IP)	:	S	Themes	
BAI-LAO CAI HWP				Potential Problem (PP)	:	No		
				Override	:	No	Subthemes	
Related Loan(s):								
2222-VIE(SF)								
				-----CLOSING-----			PHYSICAL	ELAPSED
LOAN NO(S)	APPROVAL	SIGNING	EFFECTIVITY	ORIGINAL	REVISED	ACTUAL	COMPLETION	LOAN PERIOD
2391-VIE	14 Dec 07	-	-	31 Dec 12	-	-	ORIG: Jun 12	ORIG: 1%
2392-VIE(SF)	14 Dec 07	-	-	31 Dec 12	-	-	REV:	REV: 0%
PROJECT PROGRESS:				ACTUAL DAYS (last 12 months):			0	
REVIEW MISSIONS:				PLANNED DAYS:			0	
EXECUTING AGENCIES:				Vietnam Expressway Corporation				

FINANCING PLAN (LOAN)

	TOTAL	COUNTERPART FUNDS ADEQUATE	CURRENT VALUE OF BANK LOAN:	BALANCE AVAILABLE FOR COMMITMENT:
PROJECT COST	1216.0			
ADB (OCR)	896.0		APPROVED : 1096.000	1097.056
ADB (ADF)	200.0		NET : 97.056	
VEC	120.0			

LOAN UTILIZATION

CUMULATIVE CONTRACT AWARDS				2007 CONTRACT AWARDS					
	ADB	OTHERS	CUMULATIVE		1Q	2Q	3Q	4Q	TOTAL
Dec 06	0.000	0.000	CONTRACTS TO NET	PROJ	0.000	0.000	0.000	0.000	0.000
31 Dec 07	0.000	0.000	BANK LOAN(S): 0%	ACTUAL	0.000	0.000	0.000	0.000	0.000
Proj 07	0.000								
CUMULATIVE DISBURSEMENTS				2007 DISBURSEMENTS					
	ADB	OTHERS	CUMULATIVE		1Q	2Q	3Q	4Q	TOTAL
Dec 06	0.000	0.000	DISBURSEMENTS	PROJ	0.000	0.000	0.000	0.000	0.000
31 Dec 07	0.000	0.000	TO NET BANK	ACTUAL	0.000	0.000	0.000	0.000	0.000
Proj 07	0.000		LOAN(S): 0%						

COVENANTS

	AUDITED PROJECT ACCOUNTS / DELAY	AGENCY FINANCIAL STATEMENTS / DELAY	SECTOR COVENANTS	ENVIRONMENTAL COVENANTS	SOCIAL COVENANTS	FINANCIAL COVENANTS	ECONOMIC COVENANTS
COMPLIANCE WITH COVENANTS:	S / 0 mos.	S / 0 mos.		S	Not Yet Due	Not Yet Due	

MAJOR ISSUES/PROBLEMS (IP, Impact and Outcome, Covenants)

PROBLEM(S)	ACTION TAKEN/PROPOSED
None	None

Teresa H. Mella
Associate Operations Analyst

Yasushi Tanaka
Transport Specialist

PAU ASSISTANT

PROJECT SPECIALIST

Legend: ECO - Economic Growth HD - Human Development GD - Gender and Development GG - Good Governance ENV - Environmental Protection PSD - Private Sector Development
 REG - Regional Cooperation CAD - Capacity Development

SEID: 33307-02

IMPACT AND OUTCOME**Impact**

Description
The project will have the following impacts: (i) sustainable economic growth and poverty reduction in the project area and along the Kunming-Hai Phong transport corridor, (ii) strengthened connections with Yunnan province and strengthened international competitiveness; and (iii) enhancing mobility of people living along the highway.

Outcome

Description
The project will (i) construct an efficient, safe, and reliable high-standard road from Noi Bai to Lao Cai; (ii) create a new freight transport link between PRC's Yunnan province, Hanoi, and Hai Phong and Cai Lan ports in northern Vietnam, (iii) enable 1-day transport between Kunming, Hanoi and Hai Phong; (iv) stimulate operations of long-distance bus transportation services and local public transportation; (v) generate revenue for VEC through the highway toll; and (iv) create business opportunities and employment for local people along the highway.

Performance Targets/Indicators	Rating (HS,S,PS,U)	Progress/Status
1. Average per capita income in Vinh Phuc, Phu Tho, Yen Bai and Lao Cai provinces reached the national average by 2015.	S	Requires project completion.
2. Annual border trade at Lao Cai increased from \$477 million in 2006 to at least \$800 million in 2015.	S	Requires project completion.
3. Overall poverty incidence in the project area reduced from 51.9% in 2004 to 15% in 2015.	S	Requires project completion.
4. Number of new small and medium businesses and employment for local people in project influence area increased by 70% in 2015.	S	Requires project completion.
5. Awareness of risks for HIV/AIDS, sexually transmitted infections, illicit drugs and human trafficking improved.	S	Requires project completion.
6. Travel time from Noi Bai to Lao Cai reduced from 7-10 hours to 3-4 hours.	S	Requires project completion.
7. Ten per cent of road container freight originating in Kunming going to ports in PRC divert to the Kunming-Hai Phong Transport Corridor	S	Requires project completion.
8. Operation of more than 30 long distance buses on the highway in a day and local bus service availability in all the districts of project influence area.	S	Requires project completion.
9. Expansion of the expressway network under VEC managing projects.	S	Requires project completion.
10. No increase of HIV/AIDS cases in the project area.	S	Requires project completion.

Key Assumptions/Risks	Rating (HS,S,PS,U)	Assessment of Current Status
Assumptions:		
1. Streamlined cross border operation and minimal barriers to trading and mobility.	S	
2. Complementary government and donor projects for rural development are implemented.	S	
3. Assumed economic growth rates materialize.	S	
4. Counterpart financing and human resources are available to carry out the project.	S	
5. Lao Cai-Hekou border is operated based on GMS Cross-border Transport Agreement	S	
6. Access roads to the highway are improved and have adequate capacity	S	
Risks:	Mitigated (Y/N)	
1. Political factors increase barriers to cross-border trade.	Yes	S
2. Toll revenue is lower than expected because of low traffic demand.	Yes	S
3. Human and illicit drugs trafficking and prevalence of HIV/AIDS increase because of the highway.	Yes	HS
Overall Rating	S	NOTE: Overall Rating is based only on Assumptions and Risks until project completion. Thereafter, immediate DO assessment will be included
Rating Upon Suspension (for COSO use only)		

New Impact and Outcome Rating:	Effective Date:	Date of Life Cycle: 33307-02
Remarks:		

Recent Development (Date: 10/01/2008)

Loan approved on 14 December 2007.

Problems with Impact and Outcome

Description	Action Taken/Proposed

Project Quality (one time input)

Capacity Building Component	Training Component	Participatory Process	Project Manager/Project Office prior to Loan approval	Incorporated Lessons Learned in Sector/Country	Logical Framework
Yes	Yes	Yes	Yes	Yes	Yes

Update Control : Teresa H. Mella
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 Last Modified on : 14/02/2008 06:44 AM
 Created on : 10/01/2008 01:59 PM

SEID: 33307-02

IMPLEMENTATION PROGRESS

Project Outputs		
Description	Indicators / Targets	Status
1. The 244 km of Noi Bai-Lao Cai Highway, with 10 grade-separated interchanges and five service areas, is constructed to a high standard and operational.	Travel distance from Noi Bai to Lao Cai reduced from 298 km to 255 km.	Construction has commenced.
	Highway capacity increased by 80,000 vehicles per day on Noi Bai-Yen Bai section; and by 20,000 vehicles per day on Yen Bai-Lao Cai section by 2012.	
	Transportation cost reduced by 20% for trips along the highway in 2012.	
2. Institutional and financial management capacity of VEC strengthened.	Environment at project site protected and adverse environmental impacts mitigated.	Project has yet to commence.
	Quality of life restored to at least the same level as before land acquisition.	
	Highway O&M systems and facilities installed.	
	Road safety enhanced by raising awareness among local people.	
	Capacity of VEC in project management, procurement, environmental impact assessment and monitoring, resettlement, corporate finance, and highway O&M.	
3. HIV/AIDS, human and illicit drugs trafficking program minimize local population exposure to these issues.	Sufficient net revenue stream to cover debt services on annualized traffic.	
	Risks for HIV/AIDS, human and illicit drugs trafficking mitigated.	Project has yet to commence.

Key Project Inputs

(Loan Categories from LFIS/Logical Framework)	Remarks
ADB finances \$1.096 billion in loans to cover 100% of cost for the civil works, consulting services, highway operation and maintenance equipment, and VEC's incremental administration, and also a \$1 million grant to implement the HIV, illicit drugs, and human trafficking prevention program.	
VEC finances \$120 million to cover 100% of cost for mine clearance and land acquisition and resettlement.	

Key Assumptions/Risks (Input-Output)	Assessment of Current Status

Implementation Progress

Loans Not Yet Signed	As of : 31/12/2007 0.5 months after loan approval	IP Rating Satisfactory
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Design Changes

None

Recent Development (Date: 10/01/2008)

Loan was approved on 14 December 2007.
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Problems with IP	
Description	Action Taken/Proposed
None	None

SEID: 33307-02

POTENTIAL PROBLEM PROJECT

Rating Criteria	Flag (Yes/NO)	Actual Rating	Remarks
1. Project Implementation Delays	No	NYE	
2. Poor Compliance with Covenants	No	Not Yet Due	
3. Established, Staffed, and Operating PMU/PIU	No	No Input	
4. Fielding of Consultants	No	No Input	
5. Shortage of Counterpart Funds/Cofinancing	No	NYE	
6. Cost Overrun	No	NYE	
7. Poor Compliance with Audited Project Accounts and Agency Financial Statements	No	S	
8. Environmental or Social Problems	No	S	
9. Significant Disbursement Delays	No		0.000 / 0.000=
10. In Risk Sector in a Country with History of Past Problems	No	27%	
11. Project Fielded Missions	Yes	0	
Overall Rating	No		< 4 flags

Override PP Rating (for COSO use only)

New PP Rating:	Effective Date:	Date of Lifting:
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Justification for Override	Justification for Lifting

Update Control : Teresa H. Mella
 Last Updated by : COSO Monthly Uploading
 Last Modified on : 14/02/2008 07:02 AM
 Created on : 11/01/2008 09:46 AM

REPORTING REQUIREMENTS

1. The PMT, on behalf of VEC, will make satisfactory arrangements for reporting the progress of project implementation.

A. Proper Timing

2. For recruitment of project supervision consultants, the PMT submits to ADB for review and approval: (i) shortlist, request for proposal document, and evaluation criteria; (ii) technical proposal evaluation report; (iii) financial proposal evaluation report and overall ranking; (iv) minutes for contract negotiation meetings with the first-ranked consulting firm and draft contract documents; and (v) 3 copies of the signed contract documents.

3. For procurement of the civil works, the PMT submits to ADB for review and approval: (i) procurement data and information required for Specific Procurement Notice, and draft prequalification document; (ii) prequalification evaluation report; (iii) draft bidding documents; (iv) bid evaluation report; and (v) 3 copies of the signed contract documents.

B. Every Quarter

4. The PMT monitors project implementation in accordance with the implementation schedule, and keeps ADB informed through quarterly progress reports of any significant deviations from the schedule. The quarterly reports summarize information in detailed Project reports, including basic data related to the Project, utilization of funds, achievement of immediate development objectives, implementation progress, environmental management and monitoring, land acquisition and resettlement progress, compliance with loan covenants, and major issues and problems.

5. The PMT submits internal and external resettlement monitoring reports, which are prepared by VEC's internal and external resettlement monitors, to ADB every quarter. The resettlement reports will be uploaded onto VEC's website within two weeks of their submission.

C. Every Year

6. VEC submits annual audited reports and related financial statements to ADB within 6 months of the end of each fiscal year. The audit opinion should include (i) a detailed description of the source of funds and expenditures made; (ii) an assessment of the adequacy of accounting and internal controls systems with respect to project expenditures and other financial transactions, to ensure safe custody of project-financed assets; (iii) a determination as to whether VEC has maintained adequate documentation for all financial transactions, specifically including the statement of expenditure and imprest account procedures; and (iv) confirmation of compliance with loan covenants on the debt service coverage ratio and debt-equity ratio of VEC.

D. After Physical Completion of the Project

7. Within 6 months of physical completion, the PMT submits through VEC a project completion report to ADB, which provides a detailed evaluation of the project design, costs, performance of the project supervision consultants and contractors, the above performance indicators, social and environmental impacts, economic and financial assessment, and such other details as may be requested by ADB.

SAMPLE PROGRESS REPORT

A. Introduction and Basic Data

Provide the following:

- (i) ADB loan number, project title, borrower, executing agency;
- (ii) total estimated project cost and financing plan;
- (iii) status of project financing including availability of counterpart funds;
- (iv) dates of approval, signing, and effectiveness of ADB loan;
- (v) original and revised (if applicable) ADB loan closing date and elapsed loan period based on original and revised (if applicable) loan closing dates; and
- (vi) date of last ADB review mission.

B. Utilization of Funds (ADB Loan and Counterpart Funds)

Provide the following:

- (i) cumulative contract awards financed by the ADB loan, and counterpart funds (commitment of funds to date), and comparison with time-bound projections (targets);
- (ii) cumulative disbursements from the ADB loan, and counterpart funds (expenditure to date), and comparison with time-bound projections (targets); and
- (iii) reestimated costs to completion, need for reallocation within ADB loan categories, and whether an overall project cost overrun is likely.

C. Project Purpose

Provide the following:

- (i) status of project scope/implementation arrangements compared with those in the report and recommendation of the President (RRP), and whether major changes have occurred or will need to be made;
- (ii) an assessment of the likelihood that the immediate development objectives (project purpose) will be met in part or in full, and whether remedial measures are required based on the current project scope and implementation arrangements;
- (iii) an assessment of changes to the key assumptions and risks that affect attainment of the development objectives; and
- (iv) other project developments, including monitoring and reporting on environmental and social requirements that might adversely affect the project's viability or accomplishment of immediate objectives.

D. Implementation Progress

Provide the following:

- (i) assessment of project implementation arrangements such as establishment, staffing, and funding of the PMO or PIU;
- (ii) information relating to other aspects of the EA's internal operations that may impact on the implementation arrangements or project progress;

- (iii) progress or achievements in implementation since the last progress report;
- (iv) assessment of the progress of each project component, such as recruitment of consultants and their performance; procurement of goods and works (from preparation of detailed designs and bidding documents to contract awards); and the performance of suppliers, manufacturers, and contractors for goods and works contracts;
- (v) assessment of progress in implementing the overall project to date in comparison with the original implementation schedule—quantifiable and monitorable target, (include simple charts such as bar or milestone to illustrate progress, a chart showing actual versus planned expenditure, S-curve graph showing the relationship between physical and financial performance, and actual progress in comparison with the original schedules and budgets); and
- (vi) an assessment of the validity of key assumptions and risks in achieving the quantifiable implementation targets.

E. Compliance with Covenants

Provide the following:

- (i) the borrower's compliance with policy loan covenants such as sector reform initiatives and EA reforms, and the reasons for any noncompliance or delay in compliance;
- (ii) the borrower's and EA's compliance with financial loan covenants including the EA's financial management, and the provision of audited project accounts or audited agency financial statements; and
- (iii) the borrower's and EA's compliance with project-specific loan covenants associated with implementation, environment, and social dimensions.

F. Major Project Issues and Problems

Summarize the major problems and issues affecting or likely to affect implementation progress, compliance with covenants, and achievement of immediate development objectives. Recommend actions to overcome these problems and issues (e.g., changes in scope, changes in implementation arrangements, and reallocation of loan proceeds).



AUDIT LETTER

Asian Development Bank

XX February 2008

Mr. Le Minh Hung
Director General
International Cooperation Department
State Bank of Viet Nam
Hanoi, Viet Nam
Fax No: (84-4) 825-0612

Dear Mr. Hung:

**Subject: GMS Kunming-Hai Phong Transport Corridor–Noi Bai-Lao Cai Highway Project
(Loan Nos. 2391/2392-VIE)**

FINANCIAL REPORTING AND AUDITING REQUIREMENTS

This letter is to ensure your timely compliance with the loan covenants and the quality of financial information as required by ADB. ADB's *Handbook for Borrowers on the Financial Governance and Management of Investment Projects Financed by the ADB* (the Booklet) is enclosed to guide you.

ADB, by its Charter, is required to ensure that the proceeds of any loan made, guaranteed, or participated in by ADB are used for the purposes for which the loan was approved. ADB requires accurate and timely financial information from its borrowers to be assured that expenditure was for the purposes stated in the loan agreement.

For these particular loans, the requirements are stipulated in section 2.09 of the Project Agreement of the Greater Mekong Subregion Kunming-Hai Phong Transport Corridor–Noi Bai-Lao Cai Highway Project between Vietnam Expressway Corporation (VEC) and ADB. Copies of the Loan/Project Agreements are enclosed for onward transmission by your office to VEC and the auditor(s), together with a copy of this letter.

The following are the main requirements:

ADB requires VEC to maintain separate project accounts and records exclusively for the Project to ensure that the loan funds were used only for the objectives set out in the Loan or Project Agreements. The project accounts comprise the following:

- audited accounts and financial statements including balance sheet, statement of income and expense, and related statements
- report of the auditors including the auditors' opinion on the use of the proceeds of the Loans and compliance with the financial covenants of the Loan Agreements as well as on the use of the procedures for imprest account/statement of expenditures.

The first set of project accounts to be submitted to ADB covers the fiscal year ending on 31 December 2008. As stipulated in the Loan or Project Agreements, they are to be submitted up to six months after the end of the fiscal year. For these loans, the deadline is by 30 June 2009. A sample report format with explanatory notes is attached as Annex A.

The accounts and records for the project are to be consistently maintained by using sound accounting principles. Please stipulate that your external auditor is to express an opinion on whether the financial report has been prepared using international or local generally accepted accounting standards and whether they have been applied consistently.

ADB prefers project accounts to use international accounting standards prescribed by the International Accounting Standards Committee. Please advise your external auditor to comment on the impact of any deviations, by VEC from international accounting standards.

Please ensure that your external auditor specifies in the Auditor's Report the appropriate auditing standards they used, and direct them to expand the scope of the paragraph in the Auditor's Report by disclosing the key audit procedures followed. Your external auditor is also to state whether the same audit procedures were followed for all supplementary financial statements submitted.

ADB wishes that auditors conform to the international auditing standards issued by the International Federation of Accountants. In cases where other auditing standards are used, request that your external auditor to indicate in the Auditor's Report the extent of any differences and their impact on the audit.

The external auditor's opinion is also required on whether

- the proceeds of the ADB's loans have been utilized only for the project as stated in the Loan Agreement;
- the financial information contains data specifically agreed upon between VEC and ADB to be included in the financial statements;
- the financial information complies with relevant regulations and statutory requirements; and
- compliance has been met with all the financial covenants contained in the Loan or Project Agreements.

The Auditor's Report is to clearly state the reasons for any opinions that are qualified, adverse, or disclaimers.

Actions on deficiencies disclosed by the external auditor in its report are to be resolved by VEC within a reasonable time. The external auditor is to comment in the subsequent Auditor's Report on the adequacy of the corrective measures taken by VEC.

Compliance with these ADB requirements will be monitored by review missions and during normal project supervision, and followed up regularly with all concerned, including the external auditor.

Yours sincerely,

JOHN R. COONEY
Director, Infrastructure Division
Southeast Asia Department

cc: Vietnam Expressway Corporation
(External auditor of the Borrower or EA)

Note: The audit letter, with the loan and project agreements, is sent to the borrower when the auditor has been appointed or when the agreements are sent by the program department to the Ministry of Finance or other authority of the borrower.

TECHNICAL ASSISTANCE FOR HIV, ILLICIT DRUGS, AND HUMAN TRAFFICKING PREVENTION PROGRAM

I. INTRODUCTION

1. The Greater Mekong Subregion: Kunming-Hai Phong Transport Corridor—Noi Bai-Lao Cai Highway Project (the Project) has potential social risks for the increase of HIV infection, and the trafficking of drugs and humans. After discussions with ADB, the Government of Viet Nam requested additional technical assistance (TA) to implement a prevention program against HIV/AIDS, and the trafficking of drugs and humans in the project area to help mitigate the potential social risks. The need for such a program was identified during ADB's Review Mission that visited the project area in March 2007. Further discussions on the program objectives, scope, cost, and implementation arrangements were held with key stakeholders in June 2007. A major change in the scope of the ongoing regional TA for Fighting HIV/AIDS in Asia and the Pacific³ with additional grant fund of \$1 million is proposed to undertake the proposed HIV, Illicit Drugs, and Human Trafficking Prevention Program (the Program) associated with the Project.

II. ISSUES

2. The linkages between migration, mobility, and the spread of HIV are well documented. Increases in HIV prevalence have been observed along major transport routes, cross-border areas and in regions experiencing high seasonal and long-term population mobility. In many developing countries, large infrastructure projects offer economic opportunities that attract migrant workers, commercial retailers, and entertainment industries to previously remote and isolated communities. The interaction among the construction workforce, local communities, and sex workers can create a potentially high-risk environment for the spread of HIV and other sexually transmitted infections (STIs) through unprotected sex and/or injecting drug use. Mobile and migrant workers, including construction workers, are highly vulnerable since their prolonged separation from family and communities, access to disposable income, and lack of alternative sources for rest and recreation can lead them to adopt high-risk behaviors. Other vulnerable groups include truck drivers and their helpers, commercial retailers, and border police.

3. ADB has been incorporating HIV prevention programs targeting construction workers and the local communities they interact with into the design of its transport projects for some years. In August 2006, ADB signed a joint initiative together with five other donor agencies to commit to reducing HIV vulnerabilities associated with infrastructure projects through targeted interventions and supporting the HIV and AIDS response of partner countries. The proposed Program is consistent with the recommendations of the joint initiative as well as lessons learned from ADB's experience with similar activities.⁴

4. **Situation in Viet Nam.** The HIV epidemic in Viet Nam continues to rise and HIV has been detected in all 64 provinces and cities. The number of people living with HIV has doubled since 2000, with an estimated 260,000 cases by the end of 2005. It is believed that around 40,000 Vietnamese are infected with HIV each year, mostly through the sharing of contaminated needles during the use of illicit drugs and unsafe sex between a female sex worker and her

³ ADB. 2006. TA 6231-REG: Technical Assistance for Fighting HIV/AIDS in Asian and the Pacific (Financed by the Cooperation Fund for Fighting HIV/AIDS in Asia and the Pacific). Manila. The Fund was established in 2005 with an initial grant of approximately \$15 million from the Government of Sweden.

⁴ ADB, AfDB, DFID, JBIC, KfW, World Bank. August 2006. Joint Initiative by Development Agencies for the Infrastructure Sectors to Mitigate the Spread of HIV/AIDS. Toronto.

client.⁵ Injecting drug users are the most affected, accounting for 53% of the total reported HIV cases in the country. While female sex workers are the second most vulnerable group with a prevalence of 6.5% among those tested in 2004.⁶

5. Trafficking of women and children in Viet Nam is reported to be on the rise.⁷ It is thought that thousands of Vietnamese women are trafficked through the Viet Nam-People's Republic of China (PRC) border by illegal organizers who take them to Cambodia and other neighboring countries for sexual exploitation. Reports also indicate that women are trafficked to Europe and Macau for the purpose of prostitution and arranged marriages.⁸

6. **Situation in the Project Area.** The Noi Bai-Lao Cai Highway will connect Kunming in Yunnan province in PRC to the Hai Phong and Cai Lan ports in Viet Nam via the major city of Hanoi. These cities and provinces have some of the worst HIV epidemics in their respective countries and the region. It is estimated that more than 1% of the adult population in Yunnan is HIV positive, mainly transmitted through injecting drug use. In 2005, it was estimated that HIV prevalence among IDUs in Yunnan exceeded 50%. The epidemic has also affected truck routes and border towns, particularly near the Myanmar border.⁹ Likewise, Hanoi and Hai Phong have some of Viet Nam's worst HIV epidemics. More than 1% of the adult population in Hai Phong is HIV positive, while it is estimated to be 0.9% in Hanoi. Viet Nam's epidemic has mostly been driven by injecting drug use and its association with sex work.¹⁰

7. The proposed Highway cuts across the northern plateau of Viet Nam through Hanoi, Vinh Phuc, Pho Tho, Yen Bai, and Lao Cai provinces. In 2005, it was estimated that this region (excluding Hanoi) had a total of 6,000 HIV cases. Lao Cai, the international border town with Yunnan province, has the worst HIV situation among the cluster with 181 reported cases in 2003, of which 75% were associated with injecting drug use. Lao Cai has around 1,000-1,500 travelers passing through its international border gate on a daily basis, among them are traders, long-distance truckers, construction/transportation workers, and porters.¹¹

8. Injecting drug use, commercial sex and trafficking of women and children are rapidly increasing in Lao Cai. With improved transportation and infrastructure, enabling 1-day travel time between Kunming and Hai Phong, the existing risks and vulnerabilities for HIV transmission, drug use, and human trafficking along the Noi Bai-Lao Cai Highway will significantly increase if targeted risk mitigation initiatives are not implemented.

⁵ United Nations Joint Programme on HIV/AIDS. December 2006. Fact sheet on AIDS in the ASEAN Region – Facts and Figures. Geneva.

⁶ Socialist Republic of Viet Nam. 2006. Second Country Report on Following Up to the Declaration of Commitment on HIV/AIDS. Hanoi.

⁷ United Nations Office on Drugs and Crime. 2006. Trafficking in Persons: Global Patterns. Vienna.

⁸ Coalition Against Trafficking in Women. Article on Trafficking in Viet Nam is available online at <http://www.catwinternational.org/factbook/Vietnam.php>

⁹ Ministry of Health of the People's Republic of China, UNAIDS and WHO. January 2006. 2005 Update on the HIV/AIDS Epidemic and Response in China. Beijing.

¹⁰ Viet Nam Commission for Population, Family and Children, Ministry of Health and Population Reference Bureau. 2006. HIV/AIDS in Viet Nam: Current Situation, National Response and Emerging Challenges. Hanoi.

¹¹ PATH International. February 2005. Needs Assessment Report on Mobility and Cross-Border HIV/AIDS Transmission in Lang Son and Lao Cai, Vietnam. Hanoi.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

9. The overall objective of the additional scope of the TA is to prevent the spread of HIV along the Noi Bai-Lao Cai Highway during and after the construction stage and to mitigate the increased risk of illicit drug use and human trafficking that may result from the Project. The specific objective is to raise public awareness, address the risks and highlight multisectoral roles and responsibilities for the project management staff, consultants and workers, injecting drug users, local resident communicates, transport service providers, local police and border officials, commercial and entertainment establishments, and other groups affected by the project. Key outputs will include (i) increased awareness about HIV, AIDS, and STIs, drug and human trafficking among local communities, road contractors and workers, and local authorities; (ii) behavior change among construction workforce, local communities, and sex workers; (iii) improved access to affordable, high quality condoms, and HIV/STI-related and other health services and products in project area; (iv) increased collaboration among key players for drug and trafficking prevention; and (v) an improved monitoring system. The design and monitoring framework for the Program is shown in Attachment 1.

B. Methodology and Key Activities

10. The additional scope of the TA will comprise four components:

- (i) **Advocacy and Capacity Building.** To ensure commitment and cooperation across a wide-range of stakeholders, awareness will be raised to prevent HIV, drug and human trafficking in a sustainable way through: (a) workshops targeting the construction workforce (management, consultants, contractors, subcontractors, and workers), provincial and district government authorities, border police, local communities, health providers (private and public clinics, and pharmacies), commercial and entertainment establishment owners and staff, and other groups located in the project area; (b) development of HIV/AIDS policies in the construction workplace including pre-employment screening, confidentiality of medical status and worker's rights to ongoing employment if found positive for HIV and other STIs; (c) strengthening cross-border cooperation for HIV, drug and human trafficking prevention between the Lao Cai and Yunnan provincial authorities; and (d) mid- and end-of-project workshops among key stakeholders to discuss lessons learned and recommendations for mid-term remedial measures and improving strategies for future prevention programs in the infrastructure sector.
- (ii) **Information, Education and Behavior Change Campaign.** Awareness on HIV, drug use, and human trafficking will be raised and positive behavior changes will be created through: (a) integrating HIV and drug prevention activities into the occupation health and safety program of the consultants, contractors and subcontractors; (b) developing and using customized information, education and communication (IEC) materials and behavior change communication (BCC) methods for construction sites and camps, commercial and entertainment settings, transport corridors and hubs including border area, local communities affected by the road project including from the construction of access roads, and health service delivery; (c) ensuring that education and training sessions in the construction sites/camps; (d) considering the difference in women's issues, duties, and work schedules; (e) using IEC and BCC materials and methods for ethnic minority groups that are culturally- and linguistically-appropriate, participative

and consider low literacy and education levels; (f) providing condoms throughout the project duration and ensuring the availability of condoms after project ends through condom social marketing; (g) supporting, strengthening and/or partnering with agencies/organizations working on drug and human trafficking in the project areas; (h) supporting, coordinating and collaborating with the resettlement and social development team of the project supervision consultant for the Project in implementing HIV, drug and human trafficking prevention activities; and (i) ensuring that a confidential referral system is in place for construction workers who want to be tested and treated for HIV.

- (iii) **Provision of Medical Packages.** In collaboration with the Department of Health in each province, it will be ensured that the construction workforce, transport workers, local communities, and entertainment workers have access to quality HIV, STI and other health services through: (a) preparing and/or updating protocols on HIV and STI voluntary counseling and testing, treatment, and care and support, especially for migrant and mobile clients; (b) designing and implementing training sessions for health workers at the construction work sites and health centers and pharmacies serving the local communities in the project area; (c) ensuring the availability of STI diagnostic tools and drugs at project-affected districts; and (d) establishing a system to ensure that those diagnosed with HIV are provided with or referred to counseling and support services, information about clinical support services and treatment options, and information about rights to employment and protection from discrimination.
- (iv) **Monitoring and Evaluation.** In close collaboration with the Vietnam's Administration of HIV/AIDS Control (VAAC), independent program monitoring will be undertaken to: (a) develop a program performance and management system (PPMS) to be applied throughout the project duration (baseline, mid-term and end-term) that is streamlined with the National Monitoring and Evaluation Framework for HIV Prevention and Control Programs of VAAC; and (b) undertake program monitoring at regular intervals and report to the Executing Agency, ADB, HIV and Drug and Human Trafficking Steering Committees, and local AIDS authorities.

C. Cost and Financing

11. The total cost of the additional scope of the TA is estimated at \$1,000,000. The cost estimates are shown in Attachment 2. The cost will be financed through the Cooperation Fund for Fighting HIV/AIDS in Asia and the Pacific.

D. Implementation Arrangements

12. The Vietnam Expressway Corporation (VEC) will be the Executing Agency for the Program and will be responsible for overall coordination with the steering committee (to be established) and other partners. In the Project Management Team (PMT) of VEC, there will be a nominated focal person responsible for overseeing the implementation of the Program. This focal person will convene a steering committee that will provide technical advice in the design and evaluation of the TA activities, chaired by VEC and VAAC. The co-chairs will include representatives from the project supervision consultant and provincial steering committees (to be established).

E. Consulting Services

1. Program Implementation Consultant

13. ADB will select a program implementation consultant following the quality- and cost-based selection and simplified technical proposal in accordance with ADB's *Guideline on Use of Consultants* (2007, as amended from time to time). Quality-cost ratio is 80:20. The Program implementation services are expected to commence in the third quarter of 2008 and to be completed in the second quarter of 2012. The office equipment and supplies required for the Program implementation will be procured by the consultants in accordance with ADB's *Procurement Guidelines* (2007, as amended from time to time).

14. The program implementation consultant will be responsible for the effective and efficient implementation of the Program. The consultant should have demonstrated competence and experience in implementing an HIV, drug and human trafficking prevention programs in the infrastructure sector. The consultant team should consist of one international team leader (14 person-months), one national deputy team leader (40 person-months), and five national project officers (a total of 200 person months). The team leader, the deputy team leader, and the program officer for Hanoi should be based at the PMT headquarter of VEC. The other program officers should be based in each of the four field offices of the PMT. This is detailed in the terms of reference (TOR) of the project supervision consultant (Appendix 7 of the RRP). The indicative TOR for the program implementation consultant is found as Attachment 3. The civil works contractors for the Project need to be involved in the Program. In ADB's experiences on other road projects, civil works contractors do not collaboratively work with consultants for the similar program engaged by ADB, as there is no direct contract between the contractors and the consultants. Therefore, the program implementation consultant should work with the construction supervision consultant, which has the power to supervise the contractors. Work with the program implementation consultant is included in the TOR for the project supervision consultant.

15. The consultant team will establish a partnership with the Provincial People's Committees (PPCs) of Hanoi, Vinh Phuc, Pho Tho, Yen Bai, and Lao Cai to design and implement the prevention activities in their respective provinces. Each PPC will convene a provincial steering committee consisting of representatives from the Department of Health, the Department of Labor Invalids and Social Affairs, the Department of Education, Women's Union, Public Security, Ethnic Minority and Religion Committee, and Youth Union. The team leader will be responsible for facilitating the provincial steering committees, which will meet at least twice a year. A specific action plan, budget, and monitoring scheme should be developed for each province. The consultant team will be allowed to subcontract other specialized institutions and/or government agencies for condom social marketing and activities specifically targeted to the prevention of drug use and human trafficking.

2. PPMS Consultant

16. ADB will recruit another consulting firm to develop and implement the PPMS in accordance with ADB's *Guidelines on the Use of Consultants*. The quality- and cost-based selection and biodata technical proposal will be used. Quality-cost ratio is 80:20. The inputs required for the PPMS consulting services will be one international consultant (7 person-months) and two national consultants (20 person-months total). The PPMS consulting services are expected to commence in the third quarter of 2008 and to be completed in the second quarter of 2012, intermittently. The indicative TOR is found as Attachment 4.

F. Reporting

17. The program implementation consultant will prepare the following reports: (i) an inception report, 4 weeks after commencement of the services; (ii) an implementation report detailing activities and annual budgets, 3 months after commencement of the services; (iii) quarterly progress reports highlighting the component achievements over the period under review, the issues, and proposed remedial actions at the end of each quarter; (iv) four annual reports detailing achievements, implementation issues, and remedial measures, at the end of each year; and (v) a completion report, 3 months after completion of the Project. Three copies of these reports in the English language will be submitted to VEC, VAAC, and ADB. Also, two copies of these reports in the Vietnamese language will be submitted to VEC and VAAC.

18. The PPMS consultant will prepare (i) a PPMS report detailing indicators, targets, source of data, and PPMS methodology, 4 months prior to the commencement of the civil works; (ii) a baseline report, 1 month after commencement of the services; (iii) annual reports including results of the annual survey, analysis of the same, and recommended correctives measures if required, 1 month after completion of the annual survey; and (iv) a final report providing a detailed analysis of the Program impacts, lessons learned, and recommendations for improving future similar programs associated with infrastructure projects. Three copies of these reports in the English language will be submitted to VEC, VAAC, and ADB. Also, seven copies of these reports in the Vietnamese language will be submitted to VEC, VAAC, and the 5 partner PPCs.

Attachment 1

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
Impact Preventing the spread of HIV and halting drug and human trafficking in Viet Nam.	On completion of the project, Viet Nam will have already reached the 2015 MDG targets for halting and beginning to reversing the spread of HIV, achieved its goals in the National Drug Control Master Plan (2001-2010), and halted human trafficking.	Vietnam HIV sentinel surveillance survey Report on the Vietnam National Drug Control Master Plan UNODC report	Assumptions Data are available. Risks <ul style="list-style-type: none"> Weak political commitment to sector.
Outcome Mitigated the spread of HIV and drug and human trafficking associated along the Lao Cai-Haiphong Transport Corridor.	30% increase in HIV and STI testing at provincial level. 60% increase in positive behavior change among construction workforce and local communities affected by the road project. 10% decrease in cases of illegal drug use and human trafficking at provincial level.	Provincial HIV and STI sentinel surveillance survey TA final report Reports from the Provincial People's Committees	Assumptions <ul style="list-style-type: none"> Data are available. Efficient implementation of the HIV, drug and human trafficking prevention program. Commitment of the national and provincial governments. Risks <ul style="list-style-type: none"> Quality HIV and STI diagnostic and treatment services are not available. Change in government policies and goals for drug and human trafficking.
Outputs 1. Increased awareness about, and capacity to address, HIV, drug and human trafficking issues among key partners in the infrastructure sector. 2. Increased awareness and positive behavior change among construction workforce, local communities and sex workers affected by the road project. 3. Increased access to quality HIV, STI and other health services.	Development of HIV and AIDS policies in VEC and construction companies. Workshops and on-the-job training have improved capacity of MOT and VEC to design and monitor HIV, drug and human trafficking prevention programs. 100% coverage of construction workforce and local communities affected by the road project. 60% increase in positive behavior change among construction workforce and local communities affected by the road project.	TA mid-term report PPMS report TA progress reports PPMS report	Assumptions <ul style="list-style-type: none"> MOT counterparts participate in workshops VEC and counterparts participate in on-the-job training. Condom social marketing in the project areas is feasible and sustainable. HIV testing is only available at provincial center and STI testing and treatment is allowed at district level. Risks <ul style="list-style-type: none"> Quality HIV and STI diagnostic and treatment services are

	<p>50% increase in condom availability outside the government's family planning program.</p> <p>50% increase in reported capacity among provincial and district health workers to diagnose and treat STIs and to conduct HIV counseling and testing.</p> <p>50% increase in district health centers providing STI testing and treatment services.</p> <p>Updated protocols on HIV and STI voluntary counseling and testing, treatment, care and support in the provinces.</p>	<p>PPMS report</p> <p>PPMS report</p> <p>PPMS report</p> <p>PPMS report</p>	<p>not available.</p> <ul style="list-style-type: none"> ▪ Change in current pattern for drug and human trafficking in the project area. ▪ Change in government policy on the commercial retail of condoms ▪ High turn-over of construction workforce and mobile sex workers to capture in PPMS surveys
<p>Activities with Milestones</p> <p>1. Consultant selection</p> <p>1.1 Program Implementation Consultant is selected by July 2008.</p> <p>1.2 PPMS consultant is selected by April 2008.</p> <p>2. Advocacy and Capacity Building</p> <p>2.1 Advocacy workshops are completed by May 2009.</p> <p>2.2 HIV and AIDS policy in the construction workplace is completed by May 2011.</p> <p>2.3 Mid- and end-of-project dissemination workshops re completed by May 2010 and May 2012, respectively.</p> <p>3. Information, Education and Behavior Changes Campaign</p> <p>3.1 Inclusion of HIV prevention in contractors' occupation health and safety program is completed by July 2009.</p> <p>3.2 Production of customized IEC and BCC materials completed by May 2009.</p> <p>3.3 Weekly education and training sessions in construction camps/sites are conducted until project completion.</p> <p>3.4 Mechanism for sustained condom delivery is established by May 2012.</p> <p>3.5 Confidential HIV referral and counseling system is established by December 2009.</p> <p>4. Provision of Medical Packages</p> <p>4.1 Updated protocols on HIV and STI services for migrant and mobile populations completed for each province by December 2011.</p> <p>4.2 Training of health implementers is completed by December 2009.</p> <p>5. Monitoring and Evaluation</p> <p>5.1 Baseline survey report is completed by May 2008.</p> <p>5.2 Annual survey report is completed by May 2009, 2010, and 2011.</p> <p>5.3 Final report is completed by May 2012.</p>			<p>Inputs</p> <ul style="list-style-type: none"> ▪ ADB: \$1,000,000

ADB = Asian Development Bank, AIDS = acquired immunodeficiency syndrome, HIV = human immunodeficiency virus, MDG = millennium development goal, MOT = Ministry of Transport, PPMS = project performance monitoring system, STI = sexually transmitted infection, TA = technical assistance, UNODC = United Nations Office on Drugs and Crime, VEC = Vietnam Expressway Corporation

COST ESTIMATES FOR THE PROGRAM
(\$'000)

Item	Cost
A. Asian Development Bank Financing^a	
1. Consultants for Program Implementation	470.0
a. Remuneration and Per Diem	
i. International Consultants	140.0
ii. National Consultants	300.0
b. International and Local Travel	30.0
2. Consultants for Program Performance Monitoring System	105.0
a. Remuneration and Per Diem	
i. International Consultants	50.0
ii. National Consultants	40.0
b. International and Local Travel	15.0
3. IEC Materials, Medical Supplies and Office Equipment	265.0
a. Print and audio-visual materials and equipment	80.0
b. Condoms	140.0
c. STI treatment kits	30.0
d. Office equipment	15.0
4. Training, Seminars and Conferences	30.0
5. Surveys	30.0
6. Contingencies	100.0
Total	1,000.0

IEC = Information, Education, and Communication, STI = sexually transmittable infection,
TA = technical assistance

^a Source: Asian Development Bank estimates.

ADB'S ANTICORRUPTION POLICY

A. Introduction

1. ADB's anticorruption policy will be implemented rigorously to achieve the objectives of (i) supporting competitive markets and effective public administration, (ii) supporting promising anticorruption efforts and including anticorruption issues in country dialogue, and (iii) ensuring that ADB projects and staff adhere to the highest ethical standards.

2. ADB will systematically identify, in consultation with its member countries, opportunities for reducing corruption as part of its broader emphasis on promoting good governance and sound development management. In reducing corruption in the Asia and Pacific region, ADB will:

- (i) address anticorruption issues in ADB lending and technical assistance operations, including during project preparation and supervision;
- (ii) address anticorruption issues in country programming dialogue including the country strategy and program (CSP);
- (iii) cover anticorruption aspects in policy dialogue and policy-intensive lending operations;
- (iv) undertake analyses of corruption-related issues in the context of loan-related economic and sector work;
- (v) support training, education, and dissemination activities among staff, government officials, consultants and contractors, representatives of civil society, and other ADB stakeholders;
- (vi) compile best practices, in the region and elsewhere, concerning relevant anticorruption issues and initiatives, and support for research and international efforts to combat corruption;
- (vii) enforce strict guidelines on procuring goods and works and in selecting consultants; and
- (viii) ensure that ADB staff adhere to the highest ethical standards.

B. Application of the Policy

1. Supporting Competitive Markets and Efficient, Effective, Accountable, and Transparent Public Administration

3. A major thrust of ADB's anticorruption efforts is supporting competitive markets and ensuring transparent public administration. This effort has two components. The first seeks to reduce the scope of direct government intervention in the economy, in the belief that markets should be efficient, effective, and competitive, and have as few barriers to entry and exit as possible. This reduces the opportunity for firms or officials to take advantage of artificially restricted markets or suboptimal pricing to demand monopoly rents. The second component focuses on supporting improvements in public administration and public sector management.

4. In advancing such initiatives, ADB seeks to adopt a proactive stance. Most priority governance initiatives can make corrupt behavior more difficult to engage in and more readily detected once it occurs. Over the longer term, ADB is likely to be more effective if it focuses its anticorruption efforts on measures for prevention and not on short-term efforts aimed at prosecution, although the latter is necessary to provide an appropriate deterrent and to ensure the integrity of ADB operations.

2. Supporting Promising Anticorruption Initiatives, and Country Dialogue

5. ADB may also be called upon to assist its developing member countries (DMCs) to pursue an explicit anticorruption program. ADB assistance is guided by three considerations: (i) the nature of the DMC request for ADB assistance, (ii) the degree to which the request is consistent with ADB's broader country operational strategy and ongoing efforts in governance and capacity building, and (iii) the extent to which the request falls in an area where ADB has expertise.

3. Ensuring that ADB Projects and Staff Adhere to the Highest Ethical Standards

6. If ADB's efforts to reduce unethical behavior between its DMCs and suppliers and contractors are to be credible, it is essential that ADB staff be beyond reproach and that ADB's internal regulations and procedures support the highest ethical standards. Toward this end, the third pillar of ADB's anticorruption policy calls for robust internal measures to ensure the integrity of ADB operations along the following dimensions:

- (i) maintaining the integrity of ADB lending and technical assistance (TA) operations by considering issues of corruption more explicitly in the formulation of the CSP;
- (ii) applying ADB's strengthened procurement policy: rejecting a proposal where corrupt or fraudulent practices were employed by the bidder, canceling the portion of the loan allocated thereto, and making such bidders ineligible for future ADB procurement;
- (iii) creating and using independent internal reporting mechanisms to address allegations of corruption among ADB staff or within ADB operations;
- (iv) enhancing integrity through project design and improving the quality of oversight for ADB loans and TAs; and
- (v) ensuring that all ADB staff are familiar with the anticorruption policy and ADB's code of conduct, and act in a manner consistent with both the letter and the spirit of these statements.

C. Implementation Arrangements

7. The Integrity Division of the Office of the Auditor General (OAGI) is the point of contact for allegations of fraud and corruption in ADB-financed activities or among its staff. On 30 September 2005, the President approved the Integrity Guidelines and Procedures, which established detailed procedures for OAGI's work. The Integrity Guidelines and Procedures were developed in consultation with the Budget, Personnel, and Management Systems Department

(BPMSD), the Office of the General Counsel (OGC), and other relevant departments, and will be reviewed and updated periodically in consultation with the same departments.

8. With regard to ADB lending and TA operations, or to matters dealing with ADB staff, staff are required to report to OAGI, for investigation, any allegations or evidence of corruption that they receive or encounter. In the context of this policy, “evidence” is any physical object, record, document (in any form), testimony or other information that tends to establish the existence or non-existence of an allegation or fact. Individual ADB staff members do not investigate such allegations or evidence of suspected corruption, except as they may be specifically requested to do so by OAG. ADB staff must, however, consider the impact of corruption on ADB operations (such as in policy dialogue, programming decisions, and the administration of projects) in their respective areas of responsibility.

9. In rare cases where rapid follow-up actions may be needed to prevent the imminent loss or diversion of ADB resources or to protect the safety of ADB staff and consultants, staff may address these issues explicitly with the relevant entity, executing agency, or appropriate law enforcement agencies after clearance from their head of department or office, OAGI and, where law enforcement agencies are involved, OGC. Any discussion with a given entity or government agency should, however, be limited to a specific operation or set of operations. Furthermore, the head of department or office should advise OAGI, and standard ADB operating procedures should be applied at the earliest possible time.

10. Once the allegation and/or evidence has been turned over to OAGI, OAGI will screen it in accordance with its established procedures. Upon screening, OAGI will determine whether to proceed with an investigation or not. OAGI may consult with OGC and/or other departments or offices.

1. Ensuring Integrity in ADB Financed Activity

11. In light of the complex nature of corruption, it is important that ADB Management and staff are given flexibility in dealing with individual cases within the framework of the anticorruption policy. While acknowledging the need for fairness and consistency in its operations, and strongly affirming the need for its operations to adhere to the highest levels of probity and integrity, ADB notes that different types of corruption will require different responses. There is a need for careful judgment based on accurate information and the specifics of the situation. If OAGI’s investigation determines that fraud or corruption has occurred in an ADB-financed loan or TA project, then—depending on the nature of the violation and the government’s willingness to act decisively in addressing it—ADB could pursue a range of options. Breaches of specific loan regulations or covenants could result in, among others, a decision by Management to refuse to finance certain expenditures, suspend disbursements, accelerate the maturities of loans, or cancel a portion of or an entire loan. ADB could request the reassignment, demotion, dismissal or possible prosecution of personnel associated with various components of the project.

12. If ADB determines that fraud or corruption has reached such proportions that it poses a significant impediment to the probity and integrity of ADB operations or the attainment of a country’s fundamental development objectives, it could elect to lower or suspend ADB lending and/or TA operations to that country after discussions with the national authorities and consultation with ADB’s Board of Directors. Conversely, where a country has made significant progress in improving the efficiency, effectiveness, and integrity of its public and private sectors,

ADB could elect to accelerate the lending program or provide additional TA resources to ensure sustainability of the reforms.

2. Anticorruption Issues in Project Design

13. Individual projects must be designed bearing in mind the risk of fraud or corruption within the project. Projects should also be designed in ways that support good public sector management. Where feasible, the financial management and administration of ADB projects should be integrated into the regular systems of government to prevent “enclaving”—the creation of quasi-independent units within a broader organization with their own accounting and reporting procedures. Projects aimed at strengthening public institutions should include components that enhance their capacity to prevent and detect fraudulent or corrupt practices, such as improving cash management (particularly in sectors that generate user fees or other revenues) or their internal audit and inspector general functions. Appraisal missions should consider the best means for ensuring the timely submission of project accounts. The selection of appropriate procurement modalities should be carefully considered, including the design of contract packages.

3. Anticorruption Issues in Project Monitoring and Supervision

14. Project processing missions provide opportunities for ADB staff to address anticorruption issues in project design. In this context, particular attention needs to be given to strengthening the ability of counterpart agencies to manage financial and human resources effectively and to carefully monitor their performance. Country portfolio review missions, country disbursement missions, and project review missions provide useful venues for discussing the policies and practices that impede the efficient implementation of ADB projects. ADB staff responsible for conducting such missions should take advantage of these opportunities to promote greater transparency, accountability, and efficiency within ongoing ADB operations. Recommendations for future improvements should be circulated to OAG, the Strategy and Policy Department (SPD), the Operations Evaluation Department, and the Regional and Sustainable Development Department (RSDD).

15. ADB's anticorruption efforts will emphasize the implementation of practical and cost effective prevention control measures, consistent with the Charter principle of “economy and efficiency”. Illustrative examples would include ensuring that staff with the requisite skills in accounting and financial management are recruited by the executing or implementing agency, and that robust internal control systems and accounting systems are in place before loan disbursement. Other measures include the following:

- (i) identifying projects that are particularly at risk,
- (ii) conducting direct field investigations for major infrastructure projects,
- (iii) auditing executing agencies directly involved in project implementation,
- (iv) disseminating a description of ADB's anticorruption policy in local languages, and
- (v) improving cooperation with capable nongovernment organizations (NGOs) in monitoring certain facets of project implementation.

16. Directors and staff should devote attention and resources to upgrading the quality of project monitoring and implementation missions, particularly for high-risk projects. The technical expertise of these missions should be broadened to ensure that staff with relevant qualifications, particularly in financial, managerial, and policy areas, participate. Mandatory training on recognizing “red flags” and areas of potential vulnerability will be provided to financial analysts and project implementation officers. Designing appropriate efficiency indicators to monitor the project’s financial and physical progress regularly should be considered.

4. Ensuring the Integrity of ADB Staff

17. Violations of the duties and obligations incumbent on staff in accordance with ADB’s rules and procedures will be dealt with severely. Depending on the gravity and the circumstances of the case, disciplinary measures may be imposed pursuant to ADB’s administrative orders.

18. In addition to any disciplinary action taken against staff, ADB staff found to have engaged in corrupt conduct will be required to make full restitution of any benefits arising from such corrupt conduct. This procedure will apply equally to situations in which staff improperly and unlawfully enrich themselves and/or those close to them, and circumstances in which they induce others to do so.

5. Audit

19. ADB will undertake measures to improve the quality of project audits.

20. Specialized training in forensic accounting and other investigative techniques will be provided to selected OAG staff. Ongoing OAG efforts to streamline internal work procedures to free up greater resources for audits of high-risk and high-impact areas will continue. OAGI will conduct audits of project procurement-related activities, which will help prevent and detect corruption and fraud. OAG will also institute a program of random audits of ADB projects.

21. OAG will strengthen its exchange of information with supreme audit institutions in the DMCs, and play an active role in helping to upgrade the audit capability of such institutions.

6. Anticorruption Issues in Country Programming, Policy and Sector Dialogue

22. ADB staff who prepare CSP documents, and staff responsible for processing and/or implementing loans and TA projects, need to address corruption in the context of broader governance and capacity-building issues. They should be knowledgeable about issues of corruption and its impact within their particular geographic and/or sectoral sphere of operations.

23. ADB has several mechanisms for dialogue with its DMCs on issues of governance (including corruption), ranging from CSP discussions to the policy and sector dialogue accompanying various lending operations. In keeping with the evolving practice of the International Monetary Fund and the World Bank, Management and staff will consider issues of fraudulent or corrupt practices more explicitly in country risk analysis and in formulating the CSP. The CSP documents will discuss and recommend ways in which ADB can help advance the principles of sound development management, including measures that would help to combat fraudulent or corrupt practices.

24. ADB staff should consider the history of ADB operations in a given sector or country, and whether ADB projects are likely to be affected by fraudulent or corrupt practices during their design or implementation. They should also consider the extent to which that country's ability to attain its national development objectives is compromised by fraud and corruption, and the degree to which the government is willing or able to control corruption if it threatens the effectiveness of ADB projects and/or that country's general economic and social development.

25. As a general rule, staff should address problems of fraud and corruption in the context of broader governance and public sector management issues. Particular effort should be devoted to:

- (i) continuing to expand ADB's assistance on issues of governance and capacity building, with particular attention to promoting market liberalization and public administration reform;
- (ii) giving increased emphasis to strengthening key laws and institutions for advancing transparency and accountability, such as supreme audit institutions, procurement agencies, regulatory agencies, ombudsman offices, administrative courts, and public information laws;
- (iii) giving increased emphasis to strengthening key functions for advancing transparency and accountability, such as civil service recruitment and promotion, or cash management and expenditure control;
- (iv) supporting promising anticorruption initiatives on a case-by-case basis; and
- (v) supporting regional initiatives, where appropriate, and research on advancing accountability and transparency in the Asia and Pacific region.

26. Staff engaged in policy and sector dialogue should integrate these concerns into their discussions with DMC governments.

7. Treatment of Fraud and Corruption Issues in ADB Reports and the Release of ADB Documents

27. When there is compelling evidence that corrupt activities have hampered the effectiveness of ADB projects or lowered their rate of return, this evidence should be explicitly noted in ADB documents, including project supervisory reports, project completion reports, project performance evaluation reports, and other relevant documents so that appropriate remedial action can be taken.

28. Management and staff should use plain language in the reports, and avoid using opaque or euphemistic language that may obscure the nature of the problem. This principle also applies to country programming exercises and ADB research and analytical work.

8. The Media and Policy Dissemination

29. Vice presidents and heads of departments or offices (with the approval of their vice presidents) may speak to the media as they deem necessary about issues of fraudulent or corrupt practices in the conduct of ADB operations. Other ADB staff shall seek the approval of their head of department or office, unless discussing issues of fraud and corruption in general

terms. Staff should not speak to the media about either specific examples of fraud or corruption among suppliers or in DMCs, or the general level of corruption within an ADB-financed activity, an entity, or country without clearance from the vice president concerned or, in his or her absence, the head of the Department of External Relations (DER).

30. The operational departments and RSDD will work in collaboration with SPD and OGC to disseminate current and updated information about the policy to ADB member countries and executing agencies. The Central Operations Services Office will work with OGC to disseminate current and updated information about the policy to ADB suppliers and consultants.

31. In consultation with DER, OAGI will (i) maintain for public dissemination a simplified brochure and other information materials describing ADB's anticorruption policy, and (ii) update and disseminate these materials. OAGI will also maintain its website as part of the ADB internet site.

9. Partnerships

32. ADB cooperates closely with other international organizations, such as the International Monetary Fund, the World Bank, and other multilateral development banks; United Nations agencies; the Organization for Economic Co-operation and Development; and bilateral development agencies in supporting international and country-specific efforts to combat corruption. It may work with NGOs on various international efforts to control corruption. It may work with NGOs on specific anticorruption initiatives within a particular country, although such work needs to be undertaken only with the full support and backing of the government concerned.

10. Staff Responsibilities

33. While it is not the intention of this policy to turn ADB staff into police officers, or to make the objective of reducing corruption paramount over other development goals, all departments and staff have a compelling obligation to ensure the integrity of ADB operations within their respective areas of responsibility. ADB staff must familiarize themselves with the content of this policy and ADB's code of conduct, and must be prepared to respond appropriately as circumstances demand (Asian Development Bank Administrative Order 2.02, Section 4.).

34. All senior ADB staff, including heads of all ADB departments and offices, their deputies, directors, and the heads of all resident or regional missions and representative offices are responsible for supervising all employees within their sphere of responsibility. They should exercise appropriate due diligence in management and oversight, ensuring that ADB staff and all other persons who are associated with, and provide services for their unit, adhere to the highest ethical standards. They should respond to any allegations or evidence they encounter among either ADB staff or within ADB operations in accordance with the relevant staff guidelines and procedures. The same principle applies to mission leaders with respect to all mission members.

35. All departments and staff have an obligation to ensure the integrity of ADB operations within their respective areas of responsibility. Under the policy, each professional and support staff member is required to:

- (i) adhere to the "Code of Conduct" set forth in ADB's administrative orders, regarding rights, duties, and responsibilities of staff;

- (ii) familiarize themselves with the contents of this policy and be prepared to respond appropriately, as required, within their specific area of competence in advancing integrity among ADB member governments, contractors, and suppliers; and
- (iii) ensure the probity and integrity of ADB operations by reporting any allegations or evidence of fraudulent or corrupt practices to OAGI for investigation.

36. Individual staff members are ADB's front line of defense against fraud and corruption. They could be held responsible for any failure to take reasonable precautions or to turn over allegations or evidence of fraudulent or corrupt practices within ADB lending and TA operations or among ADB staff to OAGI for investigation.

37. OAGI and BPMSD, working in conjunction with other relevant ADB departments, will provide both specialized training on issues of governance, ethics and anticorruption to all ADB staff and more general training on recognizing potential danger areas to financial analysts and project implementation officers. Working in collaboration with DER, OAGI and BPMSD will also conduct general information briefings and produce and update information material, as appropriate.

38. To monitor and coordinate ADB's efforts with respect to anticorruption initiatives and programming, the departments and offices concerned will be requested to provide SPD, OAG, and OGC (with respect to legal frameworks and legal issues of relevance to other areas of action) with periodic appraisals of the ways in which they are implementing the policy.