1. Country and Sector Background

1. The Government of Vietnam is committed to developing Haiphong as a significant growth center in the context of the country’s trade and economic development. Designated as a Class 1 city, Hai Phong is the second largest urban center in northern Vietnam with a population of 1.8 million people (of which approximately half are living in urban districts). Average population growth rates from 2000 - 2007 were about 1.07 percent per annum (p.a.), with its urban population expanding 3.68 p.a. during this period, and contraction in its rural areas of about 0.45 percent p.a. Given these recent rural to urban migration trends, projections indicate that the urban population may double to more than 1.8 million inhabitants by 2030.

2. In 2009, Haiphong’s gross domestic product was approximately US$1.14 billion, or equivalent to US$1,547 on a per capita basis, which was attained following a remarkable average annual growth rate of 11.22 percent in the period from 2001 to 2009. In recent years, the

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1 Hai Phong Department of Finance.
sectoral composition of the city’s local economy has shifted, with the agriculture and forestry sector now contributing only 9.8 percent; industrial/construction increasing to 41.1 percent, and services now leading with 49.1 percent of Haiphong’s gross domestic product. Haiphong has also benefited as the second largest recipient of Foreign Direct Investment in the northern region (behind Hanoi), which has been concentrated in manufacturing.

3. The volume of imports and exports through Haiphong ports, which are currently located in the city center, has contributed significantly to increasing traffic volumes. Haiphong City maintains the country’s largest seaport in the Northern region, serving as a key transport hub by connecting Ha Noi and several Northern provinces, linking the Northern and Southern regions of Vietnam, and facilitating international trade and commerce. In 2009, the volume of goods transported through the whole of Haiphong’s port system was officially recorded at about 31.76 million tons, of which the total throughput of Haiphong Port was 14.37 million tons (about 45 percent of the total). The main generators of interprovincial traffic between Haiphong and the northern region are the existing ports (Hoang Dieu, Doan Xa, Chua Ve) and the developing ports at Dinh Vu; most of the port-related traffic volumes are crossing the city via the NH5 route comprising Nguyen Van Linh and Nguyen Binh Khiem roads.

4. In support of its trade and economic development strategy, and to address the mounting pressures on the City’s port and road infrastructure, the national and Haiphong City governments are pursuing two major development programs:

- **Upgrading and Developing Haiphong Port.** The City is undertaking a two-phased approach to upgrading Haiphong Port by reorganizing existing operations and relocating seaport functions away from the city core. In Phase I (2005–2015) the City intends to reorganize the existing operation of the Haiphong Port and expand capacity to approximately 50 million tons/year through new port activity away from the city core in the Chua Ve-Doan Xa area, developing toward Dinh Vu; Phase 2 (2010–2020) entails developing the deep-water port of Lach Huyen with a capacity of 100 million tons/year. This capacity expansion means increasing regional traffic demand, with the heavy-truck volume forecasted to increase at about 10.9 percent per year.

- **Hanoi-Haiphong Expressway Project.** The national government is committed to the construction of the Hanoi-Haiphong Expressway, with a target to be operational by 2015. The expressway will reduce travel times from Hanoi and connect the Northern provinces to the new ports in Dinh Vu and Lach Huyen, and is expected to remove longer distance, inter-city freight traffic from the City’s central business district.

Though national-level transport infrastructure strategies are well articulated, there remains a need to address municipal-level local access improvements that will also facilitate regional development objectives.

A. Sectoral and Institutional Context

5. Haiphong is seeking to balance the conflicting pressures of preserving the city’s character while meeting the travel demands posed by high levels of continuing economic growth. The urban road network is relatively limited, and congestion is starting to worsen in recent years. Haiphong’s total motorized vehicle fleet was 667,035 in 2009, of which motorcycles accounted
for nearly 93 percent. Figures indicate that the city’s vehicle fleet has witnessed an annualized average growth rate of more than 11 percent p.a. between 2005 and 2009. Inter-city traffic to and from Haiphong is currently estimated at about 52,000 trips/day, and preliminary analysis suggests that the estimated traffic demand is forecast to increase to about 177,000 trips/day by 2020. The municipality’s urban road network of radial and arterial roads remains an investment priority to accommodate this forecast increase in traffic.

6. **Improvements in Haiphong’s road hierarchy are necessary to ensure that the City’s geospatial characteristics can meet future urban development plans.** The current road network of urban roads are often of low standard, and not well balanced to serve burgeoning rates of urbanization and motorization. The existing urban arterial road network increasingly serves regional transport and to a lesser degree interprovincial transport. A lack of secondary and tertiary roads, especially in Le Chan, Kien An and Hai An, has led to heavy inter-regional traffic flows on main arterial roads such as Nguyen Van Linh - Nguyen Binh Khiem, Lach Tray - Cau Dat. This corridor has experienced the most intensive urbanization in Haiphong during the last decade, which has resulted in a mix of local light vehicles and inter-city heavy trucks competing for road space. In order to ensure access to the modern port system via NH5 and the Northern provinces, there is pressure for another arterial urban road that will bypass the city center. While the corridor would help serve to reduce heavy vehicle traffic from the ports along on the Nguyen Van Linh - Nguyen Binh Khiem routes, a new arterial road will contribute to raise urban road density, as well as ensure the reservation of sufficient right of way for future public transport operations.

7. **Haiphong recognizes that its transportation infrastructure will be a key driver in defining or preserving spatial landscape, economic geography and development patterns.** The City has therefore identified several goals to meet these objectives: (i) enhance urban accessibility and mobility while managing commercial and residential growth patterns; (ii) integrate the urban network in a manner that provides regional connectivity for multi-modal logistics while meeting intra-provincial and locally generated trips, and (iii) pilot new approaches to efficient and attractive public transportation service provision, especially in the urban core and high-density corridors.

8. **Access to reliable public transportation services needs further development.** Despite Haiphong’s relatively high urban density, less than one percent of all person trips are made by public transport. The primary reason for low ridership is a poor level of service and lack of sufficient and appropriate infrastructure for bus operations. Bus network density is relatively low when compared to Ha Noi and Ho Chi Minh City; a city-wide fleet of 116 buses covers 12 routes over a total network length of 330 km. Although the city’s bus fleet is relatively new (compared to that of Hanoi or Ho Chi Minh City), small bus sizes, low service frequency, and inconvenient routings have contributed to low ridership. Despite these shortcomings, ridership surveys suggest people whom travel by bus do so because they perceive that it provides a safer alternative to travelling by motorcycle. In the absence of a public transport strategy, the potential for an efficient transit system may not be fully realized.

9. **The Transport Division (TD) of the Department of Transport (DOT) is responsible for organizing the route structures for public transport services in Haiphong.** TD management is limited to minimal administration procedures such as registration and licensing; however, it does
not manage the level of service (scheduling and frequency), fare setting, or compliance with relevant regulations in the operation of public transport. Haiphong Road Transport Company is formerly subsidized joint stock, Limited Liability Corporation under DOT that meets the 2010 Law on Enterprises. Four of the five bus companies operating in the City are privately owned. Since private operators are not entitled to claim any subsidy, they therefore charge higher, production-cost based fares. Currently, TD arranges bus line operations under direct concessionaire contracts that are not competitively tendered.

10. *The adoption and application of contemporary planning tools is necessary in order to improve urban management capacity, geospatial planning, and access to information.* In Vietnam, Geographic Information System (GIS) technology has been piloted and implemented in several cities and agencies, though with different priorities and approaches. GIS was first applied at the central level in the Ministry of Natural Resources and Environment with cadastral mapping. At the municipal level, GIS has been piloted in Ho Chi Minh City (2006) and Hue (2007), and with the only comprehensive application of GIS being implemented in Da Nang (2008). Haiphong, as a leader in administrative reform and modernization of urban management systems, seeks to pilot this technology for road and pavement management. An integrated planning management information system (Planning Connect System), which is applicable not only in formulating infrastructure plans but also in other areas of socio-economic development (such as land titling, monitoring and responding to climate change, and evaluating investment and trade opportunities), offers a contemporary data management solution that provides greater visibility for all facets of urban management.

11. *Vietnam’s rapid economic growth over the past decade is resulting in serious transport bottlenecks and investment demands that are beyond the reach of the national government’s own resources to meet municipal needs.* Haiphong People’s Committee, through the State Bank of Vietnam, has requested IDA support for financing construction of critical road infrastructure that facilitates future city development, as well as piloting of public transportation service improvements and institutional strengthening activities.

2. **Objectives**

12. The project development objective is to improve urban accessibility and strengthen capacity for urban transport management and planning in Hai Phong.

13. Achievement of the development objective will be measured by: (i) reduced travel times on urban arterial corridors; (ii) increased ridership of public transport service delivery on a pilot corridor; and (iii) establishing and making operational a Geographic Information System (GIS) platform for urban road infrastructure.

3. **Rationale for Bank Involvement**

14. The Bank is currently engaged in the urban transport sector in Vietnam and can leverage the experience of similar urban, transport and planning investment operations. The Bank is well
positioned to offer its international expertise on multi-modal urban transport systems, with an emphasis on institutional capacity development.

4. Description

15. **Component A - Strategic Urban Road (estimated cost of US$262.99 million; with IDA financing US$163.89 million)**. The component will finance improvement of access for cross-town traffic within Haiphong and longer-distance freight to and from Haiphong’s port system, including: (a) construction of the Bac Son – Nam Hai East-West Link; (b) replacement of the deck structure of Niem 1 Bridge and surface treatment of Trung Chinh Road; (c) compensation, resettlement, rehabilitation and livelihood restoration of Project Affected Persons, including construction of resettlement sites with basic infrastructure, such as roads, electricity, water, and sewage systems; and (d) provision of support for detailed design, procurement and construction supervision of works under this component.

16. **Component B - Public Transport Improvement: (estimated cost of US$8.04 million; with IDA-financing of US$6.24 million)**. The component will finance transformation of public transportation services, including: (a)(i) development of an institutional framework, regulatory model, and operational procedures for the establishment of a public transport management authority; (ii) provision of support to a strategic approach to service delivery, including carrying out of route optimization reviews and implementation of fare setting measures; and (iii) implementation of public awareness campaigns and consultations, including a media management strategy; (b) transformation of line 2 bus services along the Tam Bac – Kien An Corridor, including acquisition of new vehicles and global positioning system-based fleet management and other intelligent transport applications; and (c) (i) carrying out of infrastructure and facilities upgrades along the Tam Bac – Kien An Corridor, including installation of bus shelters and signs, development of road markings, implementation of traffic engineering measures such as improved pedestrian sidewalks and convenient paved pedestrian ways into side streets, and construction of a bus depot in the An Lao area; and (ii) provision of support for detailed design and construction supervision of works under this component.

17. **Component C - Capacity-building: (estimated cost of US$5.04 million; with IDA-financing of US$4.88 million)**. This component will finance: (a) (i) Development and implementation of the first phase of the rollout of an integrated geographic information system-based application supporting transport infrastructure planning, including acquisition and installation of equipment, establishment of institutional arrangements, provision of technical and data management support to the Department of Transport, and development of protocols for both public access and internal use and training; and (ii) development of a strategic plan for the expansion of system functionality to other urban management and planning agencies. (b) Human resource development of the Recipient’s relevant Haiphong province entities through the preparation and implementation of training programs; and (c) Provision of support to the Regional Transport Works Project Management Unit for Project implementation, including for Project management and monitoring and evaluation, external monitoring of implementation of environmental and social safeguards and capacity building in relation to the implementation of such safeguards, carrying out of an independent land price survey, and carrying out of
independent annual financial audits of the Project, and office and equipment upgrading and acquisition of vehicles.

5. Financing
Source: ($m.)
BORROWER/RECIPIENT 101.07
International Development Association (IDA) 175.00
Total 276.07

6. Implementation

18. Haiphong People’s Committee (HPPC) is the central government’s Line Agency responsible for investment decisions, as well as overall project management, guidance and oversight. The city has a Standing Committee responsible for infrastructure that will facilitate implementation. The Borrower of IDA Credit financing the Project will be the State Bank of Vietnam but the Proceeds of the Credit will be passed on without charge to the HPPC.

19. The Department of Transport (DOT) is the project owner responsible for executing project implementation; the Project Management Unit of Regional Transportation Works (PMURTW) is the implementing agency responsible for day to day supervision and management of all project components, including financial management and procurement accountabilities (including the signing of contracts on behalf of DOT).

20. In additional to relevant human resource development and capacity building to support the PMURTW and DOT with technical knowledge and skills enhancement, mitigation measures that address potential implementing agency capacity constraints relate to the following:
   (i) appropriate decision making authority – a project steering committee will monitor and support project management and will coordinate and address any cross-agency issues during project implementation;
   (ii) lack of knowledge and experience with Bank procurement rules and procedures – procurement support will be an explicit assignment included in both the detailed design and implementation advisory consulting services; and
   (iii) management of safeguards - external (resettlement and environmental) monitoring consultancies are included in the project design.

21. Funds flow arrangement for payments is directly from the designated account and state treasury account to suppliers and other beneficiaries, subject to verification procedures by the local state treasury. The designated account will then be funded following submission of a satisfactory withdrawal application by the PMURTW. The PMURTW will prepare annual financial statements covering the portion of the project components and activities for which they are responsible. The financial statements must be prepared on a modified cash basis in accordance with international and national accounting standards.

22. Project Steering Committee (PSC). The HPPC is to establish a Project Steering Committee. The chair-person of PSC is a Vice Chairman of Haiphong PC responsible for infrastructure. The PSC will be responsible for (i) coordination and liaison of all Project Implementing Agencies and other departments; (ii) monitoring the Project’s progress; and (iii) ensuring that the Project
related policy and institutional reforms are achieved. In addition, the Steering Committee will consider and decide on issues related to the guidelines, policies/strategy and implementation of the detailed tasks of the Project. The PSC includes members from the executing agency as well as the participating project agencies.

23. **Implementation Schedule**— the Project will be implemented over a five year period, commencing in FY 2012 and closing in FY 2016. The implementation schedule is included in the Project Implementation Plan. The disbursement schedule reflects the need to complete the detailed engineering designs, contract tendering and completion of land acquisition and resettlement compensation activities during the first two years of project start-up.

7. **Sustainability**

24. **Physical Sustainability.** The overall road design for the Bac Son – Nam Hai East-West link is considered physically sustainable as it is consistent with the road function and cross section indicated in the Urban Construction Master Plan - 2020 (with provisions for 2050) of Haiphong City (UCMP 2020). This provides for an overall cross-section of 50.5m within which is located a 2x3 lane arterial road. This cross section is sufficient to meet the forecast traffic demand in the medium term for a 2x2 lane arterial road while reserving space for future expansion as the city develops to 2x3 lanes or the addition of bus lanes/BRT. The engineering standards adopted for the road design and the procedures for quality assurance during construction should ensure the sustainability of the key road elements for their normal functional life as set out in international guidelines. However, this will depend in part on the ability of the HPPC and DOT to provide sufficient budget funding for maintenance.

25. **Financial Sustainability.** The project intends to enhance public bus services along Haiphong’s bus route No. 2 through the deployment of 20 new busses, with the installation of GPS and LED technologies for improved reliability and visibility. It is foreseen that the buses and equipment will remain the property of the City and will be leased to the operator for the duration of the pilot operation. As the pilot program is expected to increase bus frequencies, the cost of operations will be higher than current service provision while the projected increase in revenues is dependent on increased ridership levels. To ensure short term financial sustainability, the City will guarantee a full operating cost budget for continued service deployment of the new assets along route No. 2 for three years.

26. Longer term sustainability will be instilled through the development of an appropriate regulatory framework and establishment of a Public Transport Authority to manage public transport services for the City of Haiphong. Recent international good practice for City governments indicate that tendering out routes to private operators obtains more competitive pricing in service delivery. “Gross cost contract” arrangements entail paying operators a fixed fee for the provision of bus services, while the City determines the level of services to be provided, sets fare structures, and collects all revenues. Under these arrangements it is envisaged that the overall level of financial support from the annual budget would be minimized, but the actual amounts for long term financial sustainability is dependent on the City’s policy decisions related to fare settings and structures. As the City finances these services for the betterment of
social welfare, any shortfalls between revenues and costs are to be covered by the City and budgeted accordingly.

8. Lessons Learned from Past Operations in the Country/Sector

27. Use of Project Preparation Facility (PPF). Previous experience highlights that procurement cycles for Bank-financed projects in Vietnam generally take 10 – 16 months. A key issue impacting project readiness in the Vietnam transport portfolio relates to timely funding of preparation activities, as regulations prevent agencies from initiating procurement without approved project financing. The practice has thus been to finance feasibility study and detailed design activities from an existing, on-going Credit, or from the proposed Project’s proceeds. By providing the Government with sufficient assurance that IDA is committed to the Borrower’s financing proposal, the PPF is effectively accelerating the procurement process for detailed designs by more than one year ahead of project approval. The disbursement projections reflect the timing for completion of the detailed engineering designs, civil works contract tendering periods, and land acquisition and resettlement compensation processes. Though use of the PPF in this manner is not considered good practice, it has mobilized a new approach to country resources Project Preparation Technical Assistance Facility, designed to address this challenge.

28. Establishment of a Grievance Redress Committee. In Vietnam, resettlement planning and implementation is carried out by the provincial, district and commune resettlement committees in coordination with the respective PMURTWs. Any problems and grievances by affected households are channeled to the same resettlement committees often raising the question of conflict of interest and resulting in dissatisfaction among complainants. Consequently, independent Grievance Redress Committees (GRCs) are being established in projects, with members drawn from civil society and representatives of affected households, along with the PMURTWs and chairman of the respective resettlement committees. These GRCs are expected to increase transparency in addressing community concerns, providing an ‘early warning system’ in which the project owner can more promptly respond.

29. Independent Land Appraiser. One of the most common complaints by project affected households in Vietnam is in regard to replacement cost compensation rates not being reflective of prevalent market rates. The project design therefore includes a practice being introduced to World Bank-funded projects in Vietnam for an independent market study, carried out by a professional appraiser, to conduct a ‘Replacement Cost Survey’ (RCS) to determine prevalent market rates for different types of affected assets. 2010 was the first year Hai Phong City undertook independent land appraisals as part of a new policy for determining and setting compensation prices in 2011 and beyond. This mechanism allows the project to support updating rates during the year, ostensibly to reflect market rates, with efforts to ensure transparency and fairness. The proposed RCS is to be carried out in parallel with the Detailed Measurement Survey (DMS) of affected assets and updating of Resettlement Action Plans.

9. Safeguard Policies (including public consultation)
   Environmental Assessment (OP/BP 4.01)
   Physical Cultural Resources (OP/BP 4.11)
   Involuntary Resettlement (OP/BP 4.12)
10. List of Factual Technical Documents


*Hai Phong Urban Transport Project Feasibility Study.* Haiphong City, (Draft)

*Urban Construction Master Plan – 2020.* Haiphong People’s Committee.

*Resettlement Policy Framework.* Haiphong City (Draft)

*Resettlement Action Plans* (Draft)

*Environmental Impact Assessment* (Draft)

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