I. Project Context

**Country Context**

1. Vietnam has achieved high rates of sustained economic growth over the past 20 years. Between 1990 and 2010, real Gross Domestic Product (GDP) grew at an average annual rate of 7.4 percent—among the world’s top five growth performance records over the same period. Meanwhile, the percentage of the population living below the poverty line decreased from 58 percent in 1993 to 15 percent in 2008. Vietnam joined the World Trade Organization (WTO) in 2007, and trade and foreign direct investment (FDI) have grown significantly in the last 10 years. In 2011, GDP per capita reached an estimated US$1,362 at market rates, confirming Vietnam’s recently rated status as a lower middle-income country.

2. Infrastructure investment has been a key component of Vietnam’s growth trajectory. Annual expenditures in infrastructure have been sustained at between 9 and 10 percent of GDP over recent years, about half of which devoted to transport. As urbanization continues to expand (it is expected that as early as 2020 some 50 percent of the Vietnamese population will be living in urban areas), further expansion of the road, rail, and inland waterway transport networks will be required.
to alleviate bottlenecks, drive productivity improvements, and meet key growth and poverty reduction targets.

3. To address these growth challenges, the Government of Vietnam (GOV) implemented a plan to expand revenue streams for road maintenance through the formation of a Road Maintenance Fund (RMF) and requested the support of the World Bank for the financing of an enhanced Road Asset Management System (RAMS), as well as periodic maintenance and improvement of strategically selected segments of the existing road transport network. Previously, the Bank supported efforts to enhance transport efficiency by selective improvement works, preserve existing assets through strategic maintenance and management techniques, and to address the institutional and financial sustainability of the Directorate for Roads of Vietnam (DRVN) through the Road Network Improvement Project (RNIP). As a result of lessons learned through RNIP and to address remaining road asset management challenges, particularly the strategic prioritization of selective periodic maintenance works, enhanced maintenance practices, and fiscal sustainability, the World Bank and GOV agreed to initiate the Vietnam Road Asset Management Project (VRAMP).

Sectoral and institutional Context

4. The road sector has significantly contributed to Vietnam’s recent rapid socioeconomic development by providing basic access for communities to markets, education, and health facilities, connecting provinces to national centers and reducing the cost of moving people and goods across the country. Demand for investments in infrastructure will continue to grow for many years to come, and export performance will not improve if infrastructure bottlenecks are not removed. To do so will require a continued program of improvement and maintenance of the existing road network to maintain Vietnam’s strong economic performance, local business development, and improved social capital.

5. The Vietnam road network is classified by functional status as National, Provincial, District, Rural and Urban roads. The total road network length is around 210,000 km of which National Roads account for around 17,199 km and Provincial roads for 17,450 km. Rural roads represent the majority (63 percent) of the total network length (131,951 km). The road network density is 677 km per 1,000 square land area and 2.41 km per 1,000 inhabitants.

6. Despite achievements in expanding the network, 30 percent of the national roads in Vietnam are still in “poor” or “very poor” condition. The overall network is only about 50 percent paved and a significant share of district and commune roads that remain unpaved.

A comparison of annual national roads preservation needs and national road expenditure shows that the recent annual average national roads preservation spending is about US$117 – 150 million out of the total road spending of US$378 – 458 million, while the road preservation needs to keep the current condition is about US$360 million.

7. The main rationale for Bank involvement in the proposed VRAMP stems from the underdeveloped nature of Vietnam’s institutional and financial approach to managing road assets. The proposed project will seek to improve road network data collection, management, and the use of this data to determine strategic priorities for improvement and maintenance of selected sections of the road network. The project will include a second series of PBCs to build on the experience of use of PBCs under the recently completed Road Network Improvement Project (RNIP) and
strengthen use of an output-based approach for road asset maintenance. Vietnam’s current approach to road asset management is limited as it is based on the application of maintenance norms rather than determining the needs of each road based on observed condition data. The current approach is sub-optimal in that there is a risk that funding is not being applied in a way that optimizes the condition of the whole network and the generation of benefits is not optimal for the funds applied. The involvement of the Bank will not only provide financing but also bring better global practices in project preparation, asset management practices, monitoring and evaluation, as well as fiduciary and safeguards arrangements, and it will contribute to increasing the implementing agency’s capacity to help increase the long-term sustainability for maintaining the national road network.

8. The Road Maintenance Fund (RMF) was established by the Decree signed by the Prime Minister on 13 March 2012. The establishment decree has been followed by a number of circulars which together begin to define the structure and detailed operation of the Road Fund. The purpose of the RMF is to secure the fund for (i) maintenance and management of national roads through the Department of Roads Viet Nam (DRVN) and for (ii) maintenance and management of sub-national roads under provincial responsibility through the People’s Councils. The Road Fund Office (RFO) develops and approves a financial expenditure plan and ensures that the funding provided is spent as planned. The RFO accounts for the expenditure under the fund and manages that expenditure. Collection of fees under the RMF began on 1st January 2013. The budget for road maintenance in 2012 was approximately Dong 2.5 to 3.0 trillion (about US$118 – 141 million; including bridge and tolls on national highways) paid from the central state budget. In 2013, the equivalent budget will be approximately Dong 4 trillion from the RMF and an additional Dong 1.5 trillion from the central government budget for a total of Dong 5.5 trillion (about US$260 million). The expansion of RMF funding offers the opportunity for the DRVN and the Provincial People’s Committees (PPCs) to make a significant impact on the current road condition in Vietnam, but with an enhanced planning and management capability.

II. Proposed Development Objectives
The proposed Project Development Objective (PDO) is to improve the efficiency and sustainability of the national road asset management and maintenance practices performed by the Ministry of Transport on national roads in Vietnam.

III. Project Description
Component Name
Component A: Road Asset Management System (RAMS) Development
Comments (optional)
This component will finance the development and implementation of a comprehensive Road Asset Management System (RAMS).

Component Name
Component B: Road Asset Preservation
Comments (optional)
In addition to funding traditional road asset maintenance works this component will also support PBCs to demonstrate more efficient maintenance of selected highways.

Component Name
Component C: Road Asset Improvement
Comments (optional)
This component will finance road improvement activities for high priority sections (56 km) of the national road network.

**Component Name**
Component D: Institutional Strengthening Program

**Comments (optional)**
This component will support targeted activities to develop the capacity of Vietnam’s road agencies to undertake better planning, budgeting, constructing, and monitoring of road assets.

### IV. Financing (in USD Million)

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<th>Total Project Cost:</th>
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<tbody>
<tr>
<td>Total Bank Financing:</td>
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<td>Financing Gap:</td>
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<table>
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<tr>
<th>For Loans/Credits/Others</th>
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<tr>
<td>International Development Association (IDA)</td>
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<td>AusAID-World Bank Strategic Partnership in Vietnam</td>
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<tr>
<td><strong>Total</strong></td>
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### V. Implementation

#### A. Institutional and Implementation Arrangements

9. The Ministry of Transport (MOT) will be the project owner and will have the overall responsibility of overseeing the implementation of the project, reporting to the GOV, coordinating the activities of central and provincial government agencies and fulfilling IDA requirements. MOT will also approve the overall feasibility/construction investment report and the overall procurement plan; provide policy-strategic guidance and instruction to DRVN and PMU3. The Directorate of Roads Viet Nam (DRVN) is MOT’s authorized executing agency for the project, and will have the overall responsibility for approving survey methodologies and plans, detailed engineering designs and cost estimates, bidding documents and requests for proposals, bid and proposal evaluation reports, bidding results and signing contracts in accordance with procurement requirements, as well as monitoring the quality of works and reviewing periodic reports such as the audits. DRVN fully owns and is responsible for implementation of Component A and B in close collaboration with RMF Office.

10. DRVN has assigned Project Management Unit No. 3 (PMU3) to be responsible for the project implementation. PMU3 will act as the fiduciary agent on behalf of DRVN/RMFO in procurement and FM for these components. PMU3 will be in charge of the procurement of goods, works and services related to all project components and supervision including contracting and payments. PMU3 will also be responsible for coordination, quality assurance, training, monitoring and evaluation, day-to-day supervision of project activities. PMU3 is familiar with the Bank requirements as the implementation agency for RNIP.

11. Provincial People’s Committee and Department of Transport (PPCs & PDoTs) will be responsible for overall implementation of the resettlement and compensation of their related project road sections within their administrative jurisdiction.
B. Results Monitoring and Evaluation

12. DRVN, through the support of PMU3, will provide regular reports on the technical, social and economic indicators defined in the results framework and assess project progress and effectiveness. PMU3 will be responsible for regular collection of data required for monitoring and evaluation of outcomes and results.

13. DRVN through the support of PMU3 will be responsible for regular collection of data required to monitor and evaluate outcomes and results. Regular progress reports will include physical and financial progress, as well as information for compliance of safeguards and developments of the institutional strengthening component. The monitoring and evaluation system will be tested, augmented, and revised as necessary. Annual independent audits of the special accounts will be conducted and an Implementation Completion and Results Report (ICR) will be prepared within six months of the closing date of the IDA Credit.

C. Sustainability

14. The Borrower has a strong commitment to the development of RAMS and has established a new department level Road Asset Management Unit in DRVN with 8 dedicated staff, and is proactively preparing the system design. The new unit will ensure effective management of the RAMS including the development and use of the road asset management software, development of analysis options and requirements to serve the needs of the user departments including, planning and investment department, maintenance and infrastructure department, road safety department and finance department.

15. Vietnam has established a Road Maintenance Fund (RMF) by Decree No. 18/2012 in March 2012, and enacted on June 1, 2012. Going forward, funds from the RMF, together with funds from the state budget, are expected to mobilize sufficient financial resources to meet the needs of the road network in terms of both capital investments and routine maintenance needs. The establishment of the RMF also provides Vietnam with the opportunity to implement a market mechanism by which the service users pays for a better service. The preparation of rational road maintenance plans with RAMS, which will contribute to the effective use of the RMF, will establish a more sustainable road maintenance practice for both national and provincial road networks.

16. With a number of lessons learned from the RNIP pilot PBC road maintenance contracts, the scale up of PBC maintenance contracts in the project will enhance the sustainable PBC utilization in road maintenance practices. DRVN has expanded the PBCs (some of which are managed by PMU3) in all 4 Regional Road Management Unites (RRMUs) and aiming to have 30% of FY 2014’s budget to be PBCs. DRVN is planning to further expand the PBC maintenance contracts to other national road network toward 2015, and the legal framework and standard bidding documentation and supervision manual and training in the early part of the project will provide a timely contribution to the sustainable roll out of updated PBC maintenance practices in the country.

VI. Safeguard Policies (including public consultation)

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**Comments (optional)**

**VII. Contact point**

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