REPORT NO.: RES38216

DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

NORTHERN DELTA TRANSPORT DEVELOPMENT PROJECT

APPROVED ON JUNE 24, 2008

TO

SOCIALIST REPUBLIC OF VIETNAM

TRANSPORT

EAST ASIA AND PACIFIC

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Practice Manager/Manager: Almud Weitz
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I. BASIC DATA

Product Information

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Financing Instrument</th>
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<tr>
<td>P095129</td>
<td>Investment Project Financing</td>
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<table>
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<tr>
<th>Original EA Category</th>
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<tr>
<td>Full Assessment (A)</td>
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<table>
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<tr>
<th>Approval Date</th>
<th>Current Closing Date</th>
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<td>24-Jun-2008</td>
<td>31-Dec-2019</td>
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Organizations

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<th>Borrower</th>
<th>Responsible Agency</th>
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<td>Socialist Republic of Vietnam</td>
<td>Project Management Unit for Waterways (PMU-W)</td>
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Project Development Objective (PDO)

Original PDO

The Project's development objective is to enhance the efficiency, environmental sustainability and safety of transport infrastructure and services, through the alleviation of physical and institutional bottlenecks in two major waterway corridors in the Northern Delta Region.

Summary Status of Financing

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<th>Ln/Cr/Tf</th>
<th>Approval</th>
<th>Signing</th>
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<th>Closing</th>
<th>Net Commitment</th>
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Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No
I. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES

1. This restructuring paper seeks approval for an extension of the closing date of the Northern Delta Transport Development Project- Additional Financing (NDTDP- AF) from December 31, 2019 to June 30, 2022, for a cumulative total of two and a half years. The AF was approved on May 5, 2017 and its effectiveness date was October 30, 2017. This is the first request for an extension of the AF.

Project Background

2. The project development objective (PDO) is to enhance the efficiency, environmental sustainability and safety of transport infrastructure and services, through the alleviation of physical and institutional bottlenecks in two major waterway corridors in the Northern Delta Region.

3. The Original Finance (OF - US$170 million at time of approval) has successfully completed the following components:
   Component A: Multimodal Transport Corridor Investments, which consisted of improvements to two key waterway corridors in the project region to increase the efficiency of multimodal logistics chains. This included dredging, bend correction, bank protection, river training, aids to navigation, construction of the Ninh Co river estuary and improvements to the provincial river ports of Viet Tri and Ninh Phuc.
   Component B: Investments in Ferry Boat Stages, which included improvements to 28 ferry boat crossing stations located in 14 provinces.
   Component C: Institutional Support to the Ministry of Transport (MoT), the Vietnam Inland Waterway Administration (VIWA), and the Provinces, which included: (i) technical assistance to VIWA on the management of ports, landing stages and ferry boat crossings; (ii) technical assistance to VIWA on the role of community participation in infrastructure projects; (iii) training provided to staff of MoT, VIWA, and other government agencies at institutes including the Waterways Transport Vocational College.

4. The key infrastructure intervention under Component A, that was not completed in the OF due to the lack of funds and was the focus of the AF, was an inter-connecting canal between the Day and Ninh Co rivers with a navigational lock—the DNC canal.

5. The scope of the DNC Canal comprises: (a) construction of a new navigation canal to connect the Day and Ninh Co rivers; (b) construction of a 160-meter navigational lock for vessels up to 3,000 deadweight tons (DWT) in capacity to facilitate passage from the Ninh Co river to the Day river; (c) construction of the Day - Ninh Co fixed-span bridge over the canal, to preserve continuous traffic between the two sides of the crossing canal; (d) construction of an approximately 1.2-kilometer long approach road to the bridge; and (e) replacement of facilities impacted by construction (e.g. electricity poles), and complementary environmental works.

6. Since the AF’s effectiveness date of October 30, 2017, the project has suffered delays because of the Government of Vietnam (GoV) reaching its public debt ceiling, which resulted in the non-inclusion of various projects including this AF in the (2016-2020) Medium-Term Investment Plan (MTIP) and the non-allocation of counterpart funds (total of US$28.45 million) for land acquisition and resettlement to commence.

Project Performance and Rationale for Extension
After about 23 months of non-inclusion in the MTIP, in March 2019, the AF was finally included in the MTIP. VND196 billion (US$8.43 million) of IDA credit and VND185 billion (US$7.96 million) of counterpart funds were allocated.

During the implementation support mission in May 2019, the PMU-W requested for an extension of the project closing date by two and a half years. The extension of two and a half years would be required to allow sufficient time for land acquisition and resettlement, procurement of works and services and relocation of some of the existing infrastructure, followed by 27 months of civil works construction.

An in-principle approval for the proposed extension was obtained on July 25, 2019 from the Regional Vice President (East Asia and the Pacific), subject to the project and Borrower meeting the following conditions:

i. An official letter of request from the Ministry of Finance seeking the 30-month extension to June 30, 2022.
ii. The project achieving procurement as well as land acquisition and resettlement progress as agreed during the implementation support mission in May 2019.
iii. Identified ineligible expenditures are resolved in line with agreed milestones.
iv. An assessment and determination is made that the Borrower’s performance is satisfactory.

As of the implementation mission in November 2019, progress has been made on resettlement. The three resettlement milestones regarding detailed measurement survey, replacement cost survey and compensation plan, which were agreed during the May 2019 mission were completed for all agricultural land (more than 97% of total).

Progress has also been made on various procurement packages. The shortlists for the three consulting packages have been established and bidding documents for civil works have been prepared.

MoT has refunded ineligible expenditures under the OF totaling US$88,240 (89% of the total) to the World Bank. For the remaining batch of refunds under the OF totaling US$11,088, MoT has not been able to recover these overpayments from contractors as the companies had already closed and are no longer in existence. MoT must arrange its own budget for the repayment to the World Bank. MoT proposed to refund this amount in the 1st quarter of 2020.

Based on the progress detailed as above, the project’s Progress Towards Achieving the Project Development Objective is rated Moderately Satisfactory and the Implementation Progress has been upgraded to Moderately Satisfactory.

Based on the completion of components under the OF, the project is already generating the economic and social impacts, in accordance with the PDO. The project has resulted in (a) improved connectivity and navigability at the project corridors; (b) increased vessel berthing, cargo handling, and storage capacity at the two improved river ports; (c) improved access to market, health, education, and recreation facilities for local communities across 14 provinces; and (d) knowledge transferred through the provision of technical assistance.

The construction of the DNC canal under the project will further contribute to the achievement of the PDO. The DNC canal is part of an integrated connectivity solution together with the OF-financed improvements at Ninh Phuc port and the coastal shipping bypass access channel at Lach Giang. It enables seagoing vessels on the coast to more efficiently access the improved Ninh Phuc port by first entering through the Lach Giang bypass access channel at the estuary of the Ninh Co river, and then switching to the Day river—where Ninh Phuc port is located—via the DNC canal.
Construction of the canal would complete this integrated corridor. In the Project Results Framework, it would allow for the fulfillment of the target outcome of reducing vessel travel time from Quang Ninh to Ninh Phuc port by 20%.

16. INT. In two separate cases, one completed in June 2015 and another completed in February 2016, INT substantiated fraudulent and corrupt misconduct by four firms that were awarded different contracts financed under the project. Since then enhanced anti-corruption and governances measures—chiefly including more in-depth due diligence at the bidding stage to be carried out by PMU-W and MoT—were agreed upon to mitigate the risks of fraud and corruption for future activities under the AF operation.

Conclusion

17. The main reason for project delays are related to the MTIP non-inclusion and non-budgeting of the AF, which are portfolio-wide issue due to GoV’s fiscal circumstances. The project has recently been included in the MTIP and progress has been made in terms of procurement and resettlement. The first batch of the ineligible expenditures of the OF (89% of total) has also been refunded to the World Bank as agreed. We recommend a closing date extension by two and a half years as requested by the GoV, so that the DNC Canal and the related infrastructure can be constructed. This will allow larger vessels from the coast to access the inland ports and waterways that were improved under the OF, with reduced travel times and logistics costs.

II. DETAILED CHANGES

LOAN CLOSING DATE(S)

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<th>Ln/Cr/Tf</th>
<th>Status</th>
<th>Original Closing</th>
<th>Revised Closing(s)</th>
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