1. Key development issues and rationale for Bank involvement

*Rapid population expansion in Vietnam’s medium sized cities is primarily being driven by rapid economic growth in and around urban areas.* This is particularly true of Hai Phong, a province of 1.8 million people and the third largest urban center in Vietnam (with an official urban population of 714,000 in 2005). Designated a Class 1 city, urbanization is forecast to grow at nearly five percent over the next decade (2010-2020). As the primary seaport for the region and the country’s largest port, Hai Phong plays an important role in the context of the country’s trade and economic development, and represents a significant transport hub connecting Ha Noi and several Northern provinces with the international market. Hai Phong has also benefited as the second largest recipient of Foreign Direct Investment (FDI) in the northern region (behind Hanoi), fueling economic growth of a remarkable average annual rate of 12.1% in the period from 2000 to 2005.\(^1\)

*Hai Phong’s strategic vision for developing its transport network includes integrating transport infrastructure and land development to shape urban form, contain sprawl and preserve the city center.* Hai Phong recognizes that the types and timing of regional transport infrastructure investments that account for private vehicles, public transit and non-motorized transport will become a factor in determining the locations of related industries and urban land use patterns that generate traffic. The direction is towards in-filling to increase density rather than to spread out population in an urban sprawl. The strategy supports a development scenario that utilizes the construction of new bus-oriented roads and urban road upgrading at specific corridors to

integrate land development in order to promote a compact city form. This approach enhances urban mobility while managing commercial and residential growth patterns. Integrating the urban network in a manner that provides regional connectivity for multi-modal logistics while meeting intra-provincial and locally generated trips will be critical to Hai Phong’s strategic approach for traffic demand management.

*Increasing household income and motorization trends will present challenges to Hai Phong’s ability to meet travel demand forecasts.* Average household incomes are projected to increase from VND2.8 million in 2007 to VND7.4 million by 2020. Furthermore, Hai Phong’s total motorized vehicle fleet was 496,780 in 2006, of which motorcycles accounted for nearly 95 percent. Figures indicate an annual average growth rate for the city’s vehicle fleet of more than 16 percent between 2001 and 2006. Preliminary analysis suggests that the estimated traffic demand is forecast to increase from 4.7 million trips/day in 2007 to 6.5 million trips/day in 2020. Inter-city traffic to and from Hai Phong is currently estimated at about 52,000 trips/day, and is expected to reach about 177,000 trips/day by 2020.

*The impact of port development on existing urban network capacity warrants special consideration for traffic demand forecasting.* In 2005, the volume of goods transported through the whole of Hai Phong’s port system was officially recorded at about 15.33 million tons, of which the total throughput of Hai Phong Port was 10.5 million tons (about 68 percent of the total). The increasing throughput of Hai Phong Port means increasing regional traffic demand, with the heavy-truck volume increasing at about 10.9 percent per year. The City is undertaking a two-phased approach to upgrading Hai Phong Port by reorganizing existing operations and relocating seaport functions from the city core in order to expand port capacity to approximately 50 million tons/year through new port activity in the Chua Ve-Doan Xa area, with future development of a 100 million tons/year capacity deep-water port in Lach Huyen by 2020. Coupled with the Hanoi-Hai Phong Expressway Project, which will form a high-speed axis connecting the Northern provinces, the national and regional transport strategic objectives are well articulated, while the urban network of radial and arterial roads will need to be addressed through subsequent investments.

*The combination of road network capacity constraints and a mix of heavy and light vehicles are causing congestion, as well as increasing accident rates and pollution levels.* The volume of imports and exports from Hai Phong port, which is located in the city center, has been growing robustly. This has resulted in increasing inter-city, port-related traffic volumes, most of which cross the city via two main routes (Nguyen Van Linh and Nguyen Binh Khiem roads). These corridors have also experienced the most intensive urbanization. Since the initial design of this route was not integrated into the existing urban development plan, there is no service road within the route’s right of way, resulting in a mix of local light vehicles and inter-city heavy trucks on the same traffic lanes. This situation is causing severe traffic accidents along the route and also makes it the main pollutant source in the urban road network of Hai Phong. Diverting inter-city truck passage and segregating urban traffic, particularly in urban areas by developing bypasses and relocating inter-city transport facilities, can therefore help to alleviate congestion, decrease accidents and lessen pollution.

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Inadequate public transportation facilities and operations have fostered a dependency on motorcycles. Mobility is considered to be high in Hai Phong due to the city’s compactness, density levels, and widespread use of motorcycles and bicycles. More than 98 percent of trips are carried out by two-wheeled vehicles (including bicycles), while less than one percent are by bus. Although the city’s bus fleet is relatively new (compared to that of Hanoi or Ho Chi Minh City), small bus sizes, service frequency, and routings have contributed to low ridership. The city is interested in fostering a modal shift to public transit and has set a target for increasing bus usage to 10 percent of trips by developing an attractive and competitive public transport system, composed of a pilot priority bus corridor with appropriate feeder services.

The capacity of Hai Phong City government agencies to effectively coordinate and manage urban transportation and urban planning needs strengthening. There is currently no official transport planning process in Vietnam. The Ministry of Construction and its provincial departments are responsible for developing national and regional urban planning priorities. However, they do not control the provision or timing of off-site infrastructure or transportation systems, which is managed by Hai Phong city authorities. Previous experience provides evidence that there is a lack of coordination between agencies at various levels, as well as a lack of skills to make such coordination effective along common goals and parameters. Establishing appropriate traffic management mechanisms and operational frameworks entails having city authorities, as well as urban transportation and planning institutions, with adequate skills and knowledge for preparing and implementing urban transportation and urban development plans and projects.

Rationale for Bank Involvement.

Following the recent findings of a preliminary transport analysis titled “Urban Transport in Medium-sized Cities in Vietnam”, which was conducted for the Ministry of Construction and financed by a Japanese Consultant Trust Fund, Hai Phong People’s Committee has requested support for financing key investments in its public-transportation-oriented development strategy. On behalf of the Government of Vietnam, the Ministry of Planning and Investment (MPI) sent an official request on May 9, 2008, for support to a Hai Phong urban transport development project.

This type of project is consistent with the 2007-2011 Country Partnership Strategy, particularly with components to improve both the national and regional level business environment by reducing logistics/transport costs through the provision of more efficient and reliable infrastructure services, as well as enhancing social inclusion by improving policies and infrastructure to address the needs of the urban poor and migrants. The project is also aligned with the Bank’s sectoral strategy for promoting clean, safe, and affordable transport by improving urban mobility through the construction of critical road infrastructure that facilitates future city development.

The Bank is uniquely positioned to offer its international expertise on urban transport systems and emphasis on institutional capacity development. The Bank is currently engaged in the urban transport sector in Vietnam and can leverage the experience of the on-going Hanoi Urban Transport Development Project, which is implementing similar urban transport operations, to support the proposed project. Hai Phong has demonstrated project implementation experience in
other ODA investments, including the IDA-financed Urban Upgrading Project and 3 Cities Sanitation Project, though the responsible implementing agency, the Department of Transportation, has not been engaged in previous World Bank investments.

2. Proposed objective(s)

The project development objective is to support enhanced cross-town urban mobility between the different development concentrations, while promoting a modal shift in mobility demand.

It will do so by: (a) facilitating integrated urban development through improvement of strategic urban roads to alleviate port and inter-city traffic, and; (b) improve city public transportation service and traffic safety, especially in the urban core and high-density corridors; and (c) enhance capacity and operational performance of transport administration agencies.

The results framework will identify travel time savings, accident reductions, and air quality improvements along project corridors; increased public transit ridership levels; and delivery of targeted technical assistance packages as key indicators.

3. Preliminary description

The proposed project, which is estimated to cost US$240.4 million (including land acquisition), would support construction of critical sections of road infrastructure to facilitate future city development, bus system improvements (bus priority measures and reform) and capacity building in transport and planning/implementing institutions. IDA financing in the amount of US$150 million has been tentatively agreed with MPI. The project consists of three main components outlined below along with their total estimated cost:

A. **Strategic Urban Road Component**  (estimated cost of US$222 million; with IDA financing US$134.5 million). This component comprises
   A1 – *Construction of a new Nam Hai-Quan Tru East-West Link* (including Niem 2 bridge construction). This link would facilitate urban development in the city’s south east and serve freight traffic from Dinh Vu port in the medium term.
   A2 - *Truong Chinh Road Improvement* (including Niem 1 Bridge structure strengthening).
   A3 – *Quan Tru-Le Loi Urban & Freight Link* (including Dong Hoa Bridge). This section is expected to primarily serve a freight purpose connecting National Road 10 to the port via the proposed Nam Hai – Quan Tru East-West Link,
   A4 - *Construction of Resettlement Sites*
   A5 - *Detailed Design and Construction Supervision* (10% of civil works)
   A6 - *Land Acquisition and Resettlement Compensation*
   Contingencies (20%)

B. **Public Transportation and Traffic Safety Component**: (estimated cost of US$13.5 million; with IDA-financing of US$9.3 million): A pilot bus service improvement component supports upgrading public transportation services. The corridor will serve as a
demonstration project for potential replication. The component includes:

B1 - Kien An Corridor improvement
B2 - Terminal/Station Improvement
B3 - Traffic Safety Improvement
B4 - Detailed Design and Construction Improvement (10% of civil works)
B5 - Capacity Building for Public Transport Management
B6 - Land Acquisition and Resettlement Compensation

Contingencies (20%)

C. Capacity-building Component: (financed by IDA at an estimated cost of US$5 million):
This component comprises institutional and human resource capacity programs in urban management and transportation, including:

C1 - Formulation of a Comprehensive Urban and Transportation Development Master Plan for Hai Phong City;
C2 – Project Management Support; and
C3 – Capacity Building and Training for relevant agencies on city urban development and urban transportation planning and management.

4. Safeguard policies that might apply

Environmental Assessment (OP/BP 4.01). The project will likely be environmental Category A. A full Environmental Impact Assessment (EIA) is being prepared. The EIA should focus on the Section to be implemented during phase I of the Project, the new Nam Hai-Quan Tru East-West Link. The EIA documentation will also propose a plan for updating the EIA and Environmental Management Plan to account for the Stage 2 section, the Quan Tru-Le Loi Urban & Freight Link, and would be dependent on the timing and decisions related to the operationalization of the proposed Hanoi-Haiphong Expressway.

Natural Habitats (OP/BP 4.04). Whether the project would trigger the Bank policy on natural habitats will need to be determined.

Physical Cultural Resources (OP/BP 4.11). The preliminary routing of the road has been selected to avoid cutting through graveyards, churches, temples and any other known cultural resources. There are no known archaeological sites in the project area. If any other cultural resource is found during field investigation, mitigation measures to address the project’s impacts on them and should cover all project implementation phases, from pre-construction to operation phase. The TOR required that the EIA should also include chance finding procedures.

Involuntary Resettlement (OP/BP 4.12). Involuntary resettlement will be involved mainly in the road component and it is currently estimated that about 2,000 households will have to be relocated as the result of the proposed road construction. However, the first phase of the project implementation would cause only about 350 HHs to be relocated. It was agreed that a Resettlement Policy Framework will need to be developed for the whole project and a Resettlement Plan for the first phase of the project implementation will be prepared. It was proposed that the PMU will find different options for people relocation, including on-site relocation and additional assistance package for the ones who will be moved on their own. It was
also agreed that resettlement site development will be included as one of the project components to facilitate DPs relocation.

5. Tentative financing

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Total 240.4

6. Contact point

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