



1. Project Data:		Date Posted: 04/20/2015	
Country:	Vietnam		
Project ID:	P075407	Appraisal	Actual
Project Name:	Third Rural Transport Project	Project Costs (US\$M):	173.3 308.1
L/C Number:		Loan/Credit (US\$M):	106.3 203.3
Sector Board:	Transport	Cofinancing (US\$M):	24.5 46.5
Cofinanciers:	UK Department for International Development	Board Approval Date:	02/21/2006
		Closing Date:	12/31/2011 06/30/2014
Sector(s):	Rural and Inter-Urban Roads and Highways (92%); Central government administration (6%); Sub-national government administration (2%)		
Theme(s):	Rural services and infrastructure (40%); Administrative and civil service reform (20%); Other Private Sector Development (20%); Decentralization (20%)		
Prepared by:	Reviewed by:	ICR Review Coordinator:	Group:
Victoria Alexeeva	Peter Nigel Freeman	Christopher David Nelson	IEGPS1

2. Project Objectives and Components:

a. Objectives:

The project development objective as stated in the Development Credit Agreement dated May 17, 2007 (p.19) was "to assist the Borrower in improving access (including reducing cost of access) of rural communities to markets, non-farm economic opportunities and social service".

The project development objective in the Project Appraisal Document was more specific with regard to the geographical scope and the type of support envisaged under the project to achieve the objectives, as follows:

"to reduce travel costs and improve access to markets, off-farm economic opportunities, and social services for poor rural communities in the 33 participating provinces in Northern and Central Vietnam by:

- Increasing the number of communities connected to basic access and improved all weather roads;
- Improving rural road conditions through better management and maintenance of the network; and
- Improving the institutional effectiveness to plan, implement and maintain improvements in the rural transport network by strengthening the capacity within government and the private sector."

Following IEG Guidelines, this ICR Review is based upon IEG's assessment of the achievement of the project objective as formulated in the legal document.

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Components:

Component 1: Rehabilitation of the core rural roads network (appraisal cost US\$127.5 million; additional financing of US\$88 million; actual cost US\$244.1 million) was to finance the rehabilitation and improvement of about 3,100 km

of the core rural roads network (district, commune and village roads) in 33 provinces in Northern and Central Vietnam.

Component B: Maintenance of the district roads network (appraisal cost US\$13 million; additional financing of US\$5 million; actual cost US\$39.4 million) was to provide additional finance to tackle the under-funding of maintenance on the district roads network. It also envisage providing support, on a pilot basis, for the establishment and implementation of district road maintenance management systems in the selected project provinces, including use of standardized procedures, forms and reports to compile inventories of roads, road conditions, maintenance work required and costs; to prioritize maintenance work; and to carry out the maintenance work.

Component C: Institutional and capacity building program for the Ministry of Transport (MOT), Provincial Departments of Transport (PDOT) and Private Sector (appraisal cost US\$10.5 million; additional financing of US\$4 million; actual cost US\$14 million) aimed at providing comprehensive capacity development support to improve planning and maintenance of the rural roads network. There were four sub-components: (i) advisory services; (ii) independent review consultants; (iii) facilities to support MOT and PDOTs; and (iv) training to strengthen individual skills development.

d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:

Project cost: Total project cost was US\$308.1 million at closure, 78% higher than the appraisal estimate of US\$173.3 million due to increase in road works unit costs affected by oil prices over the period of 2005-2008, road works design modifications (upgrade), as well as upscale in road asset maintenance and management activities.

Financing: The original IDA credit was in the amount of US\$106.3 million and Additional Financing of US\$97 million, totaling US\$203.3 million. The total credit amount was fully disbursed at project closure. The project was co-financed with the United Kingdom Department for International Development (DFID) that committed US\$24.5 million as a grant, which was later increased to US\$46.5 million to complement the project activities in management, rehabilitation and maintenance of the rural road network.

Borrower contribution: The Borrower contributed US\$58.3 million, 37% higher than the amount committed at appraisal of US\$42.5 million.

Dates: The project closing date was extended by two and a half years from the original closing date of December 31, 2011 to June 30, 2014, during Additional Financing (AF) approved by the Bank on December 15, 2011 in the amount of US\$ 97 million. AF was to enable the project to complete the original project activities due to increase in construction costs, and allow piloting of additional road asset maintenance and management activities.

3. Relevance of Objectives & Design:

a. Relevance of Objectives:

High.

At the time of appraisal, the rural roads network comprised 175,000 km, served around 75 percent of the entire national population and 90 percent of the nation's poor who live in rural areas. Only 359 communes remained to be connected at appraisal. One of the objectives of the project was to link these remaining communes with the transport network. The project development objectives were consistent with the focus on infrastructure enhancement in the Government of Vietnam's 2002 Comprehensive Poverty Reduction and Growth Strategy and 2001-2005 Socio-Economic Development Plan. The objectives were also relevant to the World Bank Group's FY12-15 Country Partnership Strategy for Vietnam, which supported the provision of basic infrastructure and related services in rural areas, in particular through connection of communities to basic access and improved all-weather roads and strengthening the management and maintenance of the rural road network in provinces throughout northern and central Vietnam. The objectives were also in line with the main priorities of the country strategies at appraisal and during implementation which aimed at developing infrastructure and creating opportunities for the poor to access public services. The project was the continuation of the earlier two rural transport projects 1-2, which had rehabilitated over 6,800 km of basic access roads.

b. Relevance of Design:

Substantial.

The statement of development objectives was clear. The project results framework indicated a clear causal chain between the activities financed by the project and the outputs and outcomes related to the attainment of the development objectives. For example, with regard to physical investments in rural road rehabilitation and improvement, and maintenance (Component 1 and 2), the activities were expected to improve access of rural communities reducing travel times to nearest schools and markets. Rural road conditions were meant to be improved

also through better management and maintenance of the network (Component 3).

4. Achievement of Objectives (Efficacy):

To assist the Borrower in improving access (including reducing cost of access) of rural communities to markets, non-farm economic opportunities and social service. Substantial.

Outputs

- 3,282 km of rural roads were rehabilitated in 33 provinces, exceeding the original and revised targets of 3,150 km.
- Routine maintenance was carried out on 19,902 km of district roads, exceeding both the original (12,000) and revised (17,000) targets.
- 19,189 staff were trained, exceeding both the original (14,000) and revised (16,000) targets. A total of 345 training courses were reported to have been carried out by the six vocational schools with 8,689 participants from PDOTs, and additional 252 courses were carried out by vocational schools and PDOTs for 10,500 participants from district and commune level (ICR, p.29).
- The Vietnam Provincial Roads Maintenance Management System (VPRoMMS) was developed and deployed in 12 provinces by project closure, exceeding the target of 11. VPRoMMS enables PDOTs to prioritize interventions on the provincial road network based on both technical and socioeconomic data, and provides an estimated cost for the interventions.
- The Rural Transport policy and strategy document was prepared and approved by Government, as planned.
- Rural Road Surfacing Trial Study that started under the 2nd rural transport project was continued bringing significant change in pavement option selection, as explained by the ICR p. 29, there are more sealed roads under this project (85% sealed as compared to approximately 80% unsealed under the previous project). The revised technical standards for rural roads were approved by MOT and adopted by the relevant ministries, as planned.
- 2 studies were carried out on the project's sustainability and impacts of women participation in (routine) road maintenance.
- The Road Maintenance Fund was established. The support to the fund is being continued under the Bank-financed Vietnam Road Asset Management Project approved in 2013 (ICR, p.20).

Outcomes

** The outcome values are from the results of 2012 Vietnam Household Living Standards Survey (VHLSS) which was available in February 2014.*

- People living within 2 km of an all-weather road increased from 76% at appraisal to 87% at project closure, exceeding both the original (86%) and revised targets (87%).
- Travel times to nearest schools and markets reduced by 9% exceeding the original target of 8% and the revised target of 9%.
- The indicator on increase in the percentage of households living in villages with access to motorized transport services for hire was achieved "based on the same boundaries for evaluation purposes" (ICR, Results Framework, p.iii). 73% at project closure is lower than the original baseline value of 79% due to the administrative changes increasing the number of provinces from 54 to 63, including the number of villages.
- The number of communes lacking year round basic access reduced from 359 to 149 by project closure. This was short of both the original (50) and revised targets (30) due to the administrative changes (increase in the number of provinces from 54 to 63).

According to the survey results carried out to evaluate the socio-economic outcomes of the project in the targeted areas ("Socio-Economic Outcomes of Vietnam's Third Rural Transport Project" surveyed 539 households in 6 provinces; ICR's Annex 5):

- The project had a substantial positive impact on the incomes of the project's beneficiaries, 1,000,000 of whom were poor. The project investments helped lift approximately 510,000 people out of poverty and helped reduce 0.06% of poverty rate nationwide. The poverty rate in the project's area reduced to 8.5% compared to 4.3% outside the project's area for the period 2008-2012 (ICR, p.18).
- The use of motor vehicles increased substantially on the upgraded roads in comparison to control roads. The survey highlighted that the upgrading of roads enabled more trips to health centers with motorized transport. For instance, women on upgraded roads made 82% of those trips by motorbike compared with 34% on the control roads. In trips to market, only 14% women and no men used motorized transport on control roads, compared with 39.8% of women and 55.7% of men on the improved roads.
- 97% of people surveyed said that the project improved travel conditions; 85% said that they increased income

and better living conditions, access to education, and markets, as well as stronger social relationships and improved community health. Respondents said that they were able to sell more of their agricultural and other products at better prices because roads were bringing buyers to them (ICR, p.20).

The pilot on increasing women's participation in the routine maintenance of rural roads that was not originally in project design helped change the culture related to road asset preservation, as described by the ICR p.19. Ethnic minority women living in mountainous districts had few options for earning income and were eager for an opportunity to help improve travel conditions for their communities. Women groups carried out routine maintenance on additional 3,148 km rural roads in Lao Cai, Thanh Hoa and Quang Binh provinces under the Vietnam Women's Union (VWU) guidance (supported by the Bank Gender Action Plan Fund coupled with a DFID grant). The routine maintenance performed by the women unions made it possible to maintain key communal roads and, as the ICR p.19 finds, induced a cultural change in the perception of the communities about the importance of road asset management. The Provincial People's Committee allocated funds for routine road maintenance ranging from VND 600,000 to 1,000,000 per km per year, owing to the Vietnam Women's Union and other local groups and contractors.

5. Efficiency:

At appraisal, the project included a screening to identify the poorest provinces and within them, a process to prioritize candidate roads, along the following steps: (i) ranking basic access roads with Basic Access Road (BAR) index, (ii) identifying economically viable improvement roads with threshold traffic volumes, and (iii) ranking improvement roads with Improvement index. The ex-post Economic Internal Rate of Return (EIRR) was estimated at 52% for the roads supported under the project in 33 provinces, with varying returns by region. The ex-post analysis followed the methodology at appraisal with updated costs and benefits conducted for all 482 appraised roads (ICR, p.16, 36). The estimated benefits were from savings in vehicle operating costs and travel time. The VOC (per vehicle km) and vehicle speeds (km/h) for estimating savings in time were obtained from Bank's Roads Economic Decision Model (RED) and Highway Development Management 4 (HDM4) (ICR, p. 31). With sensitivity test, where benefits decrease by 20% taking into account the risk of traffic data, the overall ex-post EIRR of all sub-project roads in 33 provinces is estimated at 43% as compared to the ex-ante EIRR above 28% in that scenario (ICR, 16; PAD p. 15). Non-quantified wider-economic benefits included increased economic activities, poverty reduction, improved access to education, market, or health care services as confirmed by the project's socio-economic outcomes surveys.

The ICR carried out a comparative cost analysis of road works unit costs under the three rural transport projects that showed similar cost ranges for similar works (ICR, p.17).

Albeit high ex-post EIRR, given implementation delays, the project's efficiency is assessed as **substantial**.

a. If available, enter the Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation :

	Rate Available?	Point Value	Coverage/Scope*
Appraisal	Yes	28%	81%
ICR estimate	Yes	52%	92%

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome:

Relevance of objectives is high and that of design is substantial. The project helped improve access (including reducing cost of access) of rural communities to markets, non-farm economic opportunities and social service to a substantial extent, as confirmed by the socio-economic outcome survey. Efficiency is assessed as substantial. The outcome ratings under the original and revised targets is Satisfactory.

a. Outcome Rating: Satisfactory

7. Rationale for Risk to Development Outcome Rating:

- **Sustainability of the financing of road maintenance , in particular district and communal road maintenance operations.** The Road Maintenance Fund (RMF) allocates 65% of the road revenues to national roads and the remaining 35% goes to the provincial, district and communal levels. the level of spending for O&M covers at most

50% of the needs for appropriate maintenance.

- **Lack of a sustained financing stream for rural road maintenance jeopardizes the operation post -completion sustainability.** Maintenance responsibility is devolved at the subnational levels to the provinces or districts without or with little funding transfer. policy and organizational changes are needed to establish: i) clear policy guidelines for prioritization and allocation of funding local level road maintenance, and ii) an adequate monitoring and supervision structure for quality control and financial management.

The Bank-financed Vietnam Road Asset Management Project was approved in 2013 to improve sustainability of the road asset management and maintenance practices on national roads in Vietnam, that would help consolidate this project's outcomes at both provincial and national levels.

a. Risk to Development Outcome Rating : Significant

8. Assessment of Bank Performance:

a. Quality at entry:

This was the continuation of the earlier two rural transport projects 1-2, which had rehabilitated over 6,800 km of basic access roads. The project design built on the following lessons: a) capacity building was targeted to improve the planning and implementation of each province's road program instead of only the Bank financed program, b) the technical design was adapted to the local material availability and conditions, c) a more holistic approach for road maintenance awareness at all levels was developed, d) a fairness and transparency plan for procurement was designed and adopted, and d) the community participation in rural road maintenance was reinforced. The project also included a screening to identify the poorest provinces and roads within them. In addition, new technical design standards and a wider menu of surfacing options were included in the project's design (ICR, p.5).

Some minor shortcomings were noted in the ICR: (i) while the number of provinces (33) was less than under the second rural transport project (40), the ICR finds the geographic dispersion to be still substantial posing challenges for implementation and supervision; (ii) the degree of complexity may have been underestimated as the institutional capacity at the local level varied drastically from one province to another one (ICR, p.5,22).

Quality-at-Entry Rating: Satisfactory

b. Quality of supervision:

The ICR p. 22 reports that the Bank supervised the project closely. The Bank identified and recommended necessary actions to improve quality of works, in particular for intensifying monitoring and supervision to ensure high quality of construction, training of the Provincial Project Management Unit (PPMU) staff for construction management and supervision, and full compliance with the project safeguard guidelines. Where World Bank supervision missions identified issues in application of safeguard and fiduciary responsibilities, effective follow up action was taken (ICR, p.22). The Bank was proactive to seek additional financing due to road works unit cost increase in order to achieve the project's development objective.

For the road asset management system, the Bank facilitated the transfer of the more user-friendly software operationalized under the Bank's Lao Road Sector Project through a South-South exchange program between the Ministry of Public Works and Transport in Laos and MOT in Vietnam (ICR, p.22). Also, the Bank secured funds to pilot an initiative in Lao Cai Province called "Ethnic Minority Women's Rural Road Maintenance", which was not included in the original design and required more supervision and coordination efforts but in the end positively contributed to the road asset preservation (ICR, p.6).

Quality of Supervision Rating : Satisfactory

Overall Bank Performance Rating : Satisfactory

9. Assessment of Borrower Performance:

a. Government Performance:

The ICR p.23 reports that the Government ensured quality of preparation and implementation,

complied with covenants and agreements, and facilitated timely completion of the project. The Ministry of Transport helped ensure that the implementing agency executed the project in accordance with the agreements reached with the Bank. The representatives of MOT at the highest level participated in World Bank mission meetings and pursued sector related dialogue.

The ICR p.23 adds that MOF faced several delays in providing counterpart funding, leading to an increase in IDA's financed expenses percentage from 65% to 100% to compensate. The final amount contributed by the Borrower, however, substantially exceeded the initial commitment (ICR, Annex 1).

Government Performance Rating

Satisfactory

b. Implementing Agency Performance:

The Project Management Units (PMU) 5 and 6 were the implementing agencies for civil works. They had experience with implementation of Bank projects. The ICR p.23 reports that the PMUs responded efficiently on all project issues, adhered to the project implementation requirements, and participated in all Bank missions.

The Provincial Departments of Transport executed the procurement and supervision of the project works, managed funds that included DFID contributions, and coordinated with partners including the Vietnam Women's Union despite various levels of capacity among the provinces. They led, as described by the ICR p.23, "successfully" the overall project management and oversight for their provincial sub-components. Each of the 33 PPMUs managed technical decisions on project sub-components, with support from the five Regional Support Offices. The ICR also commends the satisfactory performance of the District People's Committee and District Department of Transport (DDOT), which led maintenance activities carried out at the district level.

However, there were minor shortcomings in adhering to the Financial Management Manual, as well as two cases of misprocurement (see section 11b below).

Implementing Agency Performance Rating :

Moderately Satisfactory

Overall Borrower Performance Rating :

Moderately Satisfactory

10. M&E Design, Implementation, & Utilization:

a. M&E Design:

The key performance indicators for the project development objective included: (i) Increase in the percentage of people living within 2 km of an all-weather road; (ii) reduction in travel times to nearest schools and markets (%); (iii) increase in households living in villages with access to motorized transport services for hire (%). The key indicators included baseline data and measurable targets set at appraisal (PAD Annex 3). There were 17 intermediate outcome indicators. The ICR finds that there were too many to monitor, and some of them were consequently dropped because they were "difficult to track, lacking a baseline, only tangentially related to the project activities, with no related data available, or focused on outputs rather than intermediate outcomes or outcomes" (ICR, p.7). The ICR provides an example of the indicator "number of provinces with a maintenance system in operation" that was not measurable and specific (ICR, p.7). Also, the indicator "increase of the proportion of district roads in good and fair condition (%)" that was dropped in 2010 because the road condition surveys were not done on a reliable basis (ICR, Results Framework, p.iv).

b. M&E Implementation:

The data source for the baseline and the monitoring relied on the Vietnam Household Living Standards Survey (VHLSS) for the outcome indicators, which is conducted by the General Statistics Office (GSO) every two years to evaluate living standards for policy-making and socio-economic development planning. The use of VHLSS implies that disaggregated data from household surveys is used instead of measured data from the project implementation area. The ICR p. 8 notes that while the quality of data used for the baseline and to monitor progress is satisfactory, the data do not always directly represent the contributions of the project.

c. M&E Utilization:

The ICR p. 8 notes that it was not possible to assess the extent to which appropriate data from the M&E were evaluated and used to inform decision-making and resource allocation, as the intermediate outcome indicators were also the indicators used by the Government to monitor its own similar road management, upgrading and maintenance

activities.

M&E Quality Rating: Modest

11. Other Issues

a. Safeguards:

This was a Category "B" project that triggered three safeguards policies - OP4.01 Environmental Assessment, OP 4.12 Involuntary Resettlement, and OP4.10 Indigenous People.

Environmental Assessment: The ICR p. 8 reports that "the environmental safeguards were fully complied with". Independent consultants carried out monitoring in all 33 provinces and confirmed that environmental terms and conditions were included in the bidding documents and construction contracts. Mitigation measures on construction site were implemented, monitored and reported as required. The activities financed under the Additional Financing enabled substantive improvements in the sustainability of the roads, with modifications of the road surface, the drainage, and the slope protection (ICR, p.9).

Involuntary Resettlement: The ICR p. 9 reports that "the social safeguards were fully complied with". All social safeguards documents and instruments were prepared, reviewed, disclosed and cleared as per Bank's policies and guidelines. According to the ICR p.9, most of the sub-projects had minor impact on land acquisition with very few cases of physical relocation. By the time of project closure, all PPMUs had completed the processes of land acquisition and compensation required for sub-projects in their locality. The ICR p. 9 also notes that PPMUs demonstrated good performance in collecting, documenting and solving the complaints received from the affected people. The Resettlement Policy Framework introduced a Grievance Redress Mechanism allowing citizen to voice their complaints about involuntary resettlement related activities caused by the project execution.

Indigenous People: The ICR p. 9 mentions that the independent monitoring consultant mobilized to oversee the execution of social safeguard instruments confirmed an overall good performance of PPMUs in implementing activities related to ethnic minority people and involuntary resettlement.

b. Fiduciary Compliance:

Procurement. The procurement arrangements under the project were similar to the second rural transport project. The Procurement section in the Operations Manual was strengthened to make the procurement processes more transparent and competitive. Civil works procurement processes were decentralized and undertaken in the PPMUs under the PMU supervision. An Action Plan to Improve Fairness and Transparency in Procurement was endorsed by MOT, and monitored biannually during the project implementation. The Bank also provided pre-project and subsequent training for project procurement staff, as well as examples of Works Bidding Documents to speed up bidding document preparation and clearance. There were however two mis-procurement cases, i.e., two small road rehabilitation contracts were cancelled because the contracts were awarded to a state-owned enterprise that did not meet the eligibility requirements and the bid evaluation report was not submitted to the Bank for prior review as required (ICR, p.8).

Financial management. The ICR p. 8 reports that "the Financial Management policies were complied with", however there were minor issues and delays in solving them at the provincial level. In particular, the FM practices at the provincial level did not fully follow the Financial Management Manual during the project implementation. The financial management capacity at Provincial Project Management Unit (PPMUs) varied substantially leading to difficulties to follow proper financial reporting and internal control procedures. For example, there were several instances where the accounting records at PPMUs were not up-to-date, cash counts and bank reconciliations were not performed, balances with third parties debtors and creditors were not reconciled. These matters were repeatedly raised in the Audit Management Letters and aide-memoires of the Bank missions and were addressed after several reminders and substantial delays (ICR, p.8).

c. Unintended Impacts (positive or negative):

d. Other:

12. Ratings:	ICR	IEG Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Risk to Development Outcome:	Significant	Significant	
Bank Performance:	Moderately Satisfactory	Satisfactory	The shortcomings at entry were minor.
Borrower Performance:	Moderately Satisfactory	Moderately Satisfactory	
Quality of ICR:		Satisfactory	

NOTES:

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons:

A number of lessons are selected from the ICR:

- **Rural road investment and maintenance require adequate identification , planning, and costing procedures in order to obtain the highest value for money over road life cycles .** A more detailed road costing exercise that takes into account, among other factors, population density, localization of economic and social centers, as well as construction material cost and availability, may help optimize the paving choices over the road life cycles.
- **Gender based community driven small scale road maintenance can be an effective way to tackle local road maintenance issues.** The Women's Union supported under the project to manage the routine communal road maintenance proved to be cost effective. Contractors were not interested in small contracts for the type of routine work that the Women's Union was carrying out on communal roads. The ICR p.24 finds that the gender based community driven small scale road maintenance also raised awareness, built a sense of local ownership, fostered local stewardship of local roads, and changed behavior to protect rather than damage roads.

14. Assessment Recommended?

☐ Yes ☒ No

15. Comments on Quality of ICR:

The ICR is concise and outcome oriented. The lessons are evidence- based. The ICR provides insightful explanations for important elements of the implementation experience. The ICR however does not discuss the revisions of targets, which are only reflected in the Results Framework. A minor typo: the Borrower's appraised contribution in Annex 1 that should be US\$42.52 million as per PAD.

a.Quality of ICR Rating: Satisfactory