

SUMMARY OF PROJECT PERFORMANCE

1. On 15 October 2007, the Asian Development Bank (ADB) approved financing of SDR58,723,000 (\$90 million equivalent) for the Integrated Rural Development Sector Project in the Central Provinces.¹ The Agence Française de Développement provided parallel financing of €40 million (\$52 million equivalent). At the time of project preparation, rural infrastructure in the project provinces serving the population engaged in agriculture and fisheries was in particularly poor condition. Approximately 70% of provincial roads were unpaved and impassable during parts of the wet season, many of the irrigation systems required rehabilitation and upgrading, many villages were without safe drinking water supplies, and coastal infrastructure was in a deteriorated condition allowing saline intrusion into productive lands and exposing coastal populations to floods and storm surges. As a result, access to agricultural inputs (including water for irrigation) and markets for agriculture and fisheries produce was limited, as was access to public services such as education, health facilities, and clean water supplies. The project was designed to (i) improve rural livelihoods by increasing agriculture productivity; (ii) widen employment opportunities; (iii) improve access to health, education, and safe drinking water; and (iv) reduce exposure to natural disasters, which were partly the result of climate change and among the causes of deteriorated infrastructure. The following objectives were accomplished: rural and coastal infrastructure development, capacity building, and central project management. The project became effective on 6 May 2008.

2. The project has been relevant and consistent with ADB's country strategy and program, 2007–2010 for Viet Nam, which sought to promote inclusive growth and accelerate poverty reduction particularly in rural areas,² and with the government's 5-year Socio-Economic Development Plan.³ The project followed the Rural Infrastructure Sector Project, which was successfully implemented during 1997–2004 and included the rehabilitation and upgrading of a range of small to medium-scale rural infrastructure.⁴

A. Project Performance

3. Despite an initial start-up delay and slow progress during the first 2.5 years, the project has since performed well according to the ADB's additional financing policy⁵ and is likely to be completed many months ahead of schedule. The project is on track to achieve its intended outputs and outcomes. As of 31 August 2014, overall project implementation progress was 99% with an elapsed loan period of 95%. All 129 intended subprojects were financially complete. Cumulative contract awards are at 95.1% and disbursements at 96.6% of the ADB net loan amount. In addition, the government has substantially complied with all covenanted safeguard requirements during implementation of the subprojects to date. The project progress performance rating is *on-track*.

4. **Delivery of expected outputs and outcome.** The project rehabilitated 658 kilometers (km) of rural roads (122% of the target), irrigated 115,163 hectares (105%) of agricultural land

¹ ADB. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Socialist Republic of Viet Nam for the Productive Rural Infrastructure Sector Project in the Central Highlands*. Manila.

² ADB. 2006. *Country Strategy and Program: Viet Nam, 2007–2010*. Manila.

³ Government of Viet Nam. 2006. *Five-Year Socio-Economic Development Plan: 2006–2010*. Hanoi.

⁴ ADB. 1997. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Socialist Republic of Viet Nam for the Rural Infrastructure Sector Project*. Manila.

⁵ ADB. 2010. *Additional Financing: Enhancing Development Effectiveness*. Manila. Para. 41 of the policy paper describes measures to determine if a project is performing well: (i) delivery of expected outputs, (ii) satisfactory implementation progress, (iii) satisfactory compliance with safeguard policy requirements, (iv) successful management of risks, and (v) a rating of highly satisfactory or satisfactory in the project performance ratings.

with 77 rural road subprojects, 47 irrigation and drainage schemes, six rural water supply schemes (120%), 20 rural markets (111%), and nine flood protection schemes (225%). At appraisal the proportion of sealed district roads on a provincial basis was estimated to range from as low as 2% in some provinces to a maximum of 48% in others. More than 400,000 hectares of irrigation facilities were estimated to be in need of rehabilitation, about 25,000 km of primary and secondary irrigation canals in need of lining, and a third of the rural population in need of clean water supplies. The project has effectively contributed to provincial infrastructure development targets.

5. **Satisfactory compliance with safeguard policy requirements.** The project has not had any major safeguard issues and has complied with all safeguard requirements. No major environmental impacts have been recorded as (i) most of the works have entailed the rehabilitation and upgrading of existing infrastructure; (ii) all works are small to medium-scale, and (iii) any subprojects assessed as likely to entail category A impacts were automatically excluded from the project scope during the initial screening. The resettlement framework prepared under phase 1 was followed during project implementation. Of the 129 subprojects, 45 had minor land acquisition requirements but most affected households lost only a marginal portion of their land and benefitted directly from the upgraded facilities. Monitoring of resettlement activities confirms that compensation and allowances provided to affected households followed the approved framework and resettlement plans. The project's resettlement framework included specific actions for ethnic minorities; these were followed during implementation. About 88% of the project area population is of mainstream Vietnamese ethnicity and lives mainly in cities, villages, and rural areas along the coastal plain. The remaining 12% include about 35 diverse ethnic minority groups mainly living in the hills and mountains.

6. **Successful management of risks.** The significant risks identified in the report and recommendation of the President are lack of availability of provincial and district funding for operation and maintenance (O&M) and O&M not being adequately carried out, natural disasters causing damage to project infrastructure, inattention to social and environmental impacts, lack of proper beneficiary consultation, and resettlement compensation not being properly undertaken (footnote 1). The provincial governments in all 13 project provinces have committed to providing the required funding for subproject O&M, which has so far been implemented satisfactorily. Safeguard issues have generally been well managed and risks avoided. The project surpassed the gender targets of provincial staff training. Successful implementation was assumed to depend on the quality and appropriateness of designs and on strengthening the capacity of provincial project management unit (PPMU) staff, design staff, and consultants. These assumptions were satisfactorily met. The Auditing and Accounting Financial Service Company provided annual auditing of the project.

7. **On-track rating.** The project performance rating for the project is *on track*.

B. Results

8. The project design seeks to increase agricultural production and facilitate travel to markets, and to access social services.

9. **Impact.** The project design includes three impact indicators. Although the target date to achieve impacts is 2 years after project completion in 2014, progress may be assessed. The first impact indicator is for a 50% increase in average per capita income by 2016. With 9 years from the time of project preparation in 2007, this is equivalent to an average annual increase of 4.6%, which would have seemed reasonable at that time given the high growth rate being

achieved by the economy. The available data on progress to achieve this target is so far quite mixed and has clearly been affected by the overall performance of the economy. The second impact indicator of a reduction in poverty from 19% in 2007 to 12% by 2016 is being achieved as average poverty in the project provinces ranged from 6.1% to 15.7% in 2012, with an average for the central region of 13.4%, compared with an overall national rate of 9.6%. The third indicator is for secondary school attendance (as an indicator of improved access to social services) to increase from 87% in 2007 to 90% by 2016.⁶ This target has been achieved in most parts of the participating provinces with an increase in secondary school attendance rates of 2.9% by 2012.

10. **Outcomes. Improved production and access to services.** Key project performance indicators targeted for achievement by mid-2014 are (i) vehicle operating costs on improved roads reduced by 50%, (ii) travel time on improved roads reduced by 50%, (iii) agriculture production in areas with improved irrigation, flood control, and drainage facilities increased by the equivalent in value of 1 ton of rice per hectare, (iv) time spent collecting water reduced by an average of 2 hours per day, and (v) proportion of off-farm income in total household income increased by 20%. The monitoring survey results reported during the project review mission in December 2013 indicate the achievement of reduced travel (17.5 minutes on average), water collection time (2.7 hours on average), and vehicle operating costs (50% on average). The proportion of off-farm income in total household income has increased by 6.22%, as has rice productivity. The improved irrigation system is contributing to reduced risk of floods and drought, and is enabling communities to not fall back into poverty by maintaining production.

11. **Capacity building.** The project provided training for national and provincial government staff, private sector consultants, and contractors engaged in subproject design and implementation. Training for project personnel included all aspects of implementation, such as project identification, preparation and management, financial planning, safeguard compliance, gender issues, and monitoring and evaluation. Training activities extended to provincial engineering design and supervision consultants and the staff of local O&M companies. The training activities were generally successful. The project management capacity of the Central Project Management Unit (CPMU) and PPMUs, and the project design and implementation capacity of local consultants are observed to have improved significantly during the project.

C. LESSONS AND CONCLUSIONS

12. The project initially encountered a significant start-up delay mainly due to (i) lack of or very limited English capacity of the CPMU and PPMUs to recruit a loan implementation consultant, detailed design consultants, and supervision consultants; (ii) slow release of counterpart funds to carry out compensation payment for affected beneficiaries prior to the commencement of civil works; and (iii) fragmentation of civil works packages. To avoid such delay and advance the preparatory work as much as possible, the following measures were introduced for the additional loan financing: (i) utilize the existing loan implementation consultant by extending the engagement period from January 2014 to June 2014 and expand the terms of reference to assist the CPMU and PPMUs in preparing the proposed subprojects investment reports; (ii) prepare single source selection to continue the engagement of the loan implementation consultant; (iii) utilize counterpart funds to finance detailed design and supervision consultants; (iv) reduce the number of civil works packages; and (v) customize training for CPMU and PPMU staff on procurement, financial management, and safeguards to update their knowledge of the new procedures and requirements. Complementary technical

⁶ This target was included during the midterm review to replace a target for primary attendance rates to increase by 10% by 2015.

training will be provided to the beneficiary farmers to assist them in increasing agricultural production and diversification.

13. Achieving the impact and outcome targets set in the project's design and monitoring framework is a challenge as some indicators are not directly attributable to the project or are affected by other factors. To better show the overall project's contribution (including the additional financing scope) to the sector outcome presented in the sector results framework in ADB's country strategy and program, 2011–2015 and make the data collection feasible, the performance indicators for the impact and outcome were modified.

14. The additional financing scope will be implemented in 4 years. With the new measures, the additional financing for the project is expected to result in an additional 115 km of canal and other rural roads upgraded and 29,160 ha rehabilitated, meeting the rural infrastructure needs of the six participating provinces.

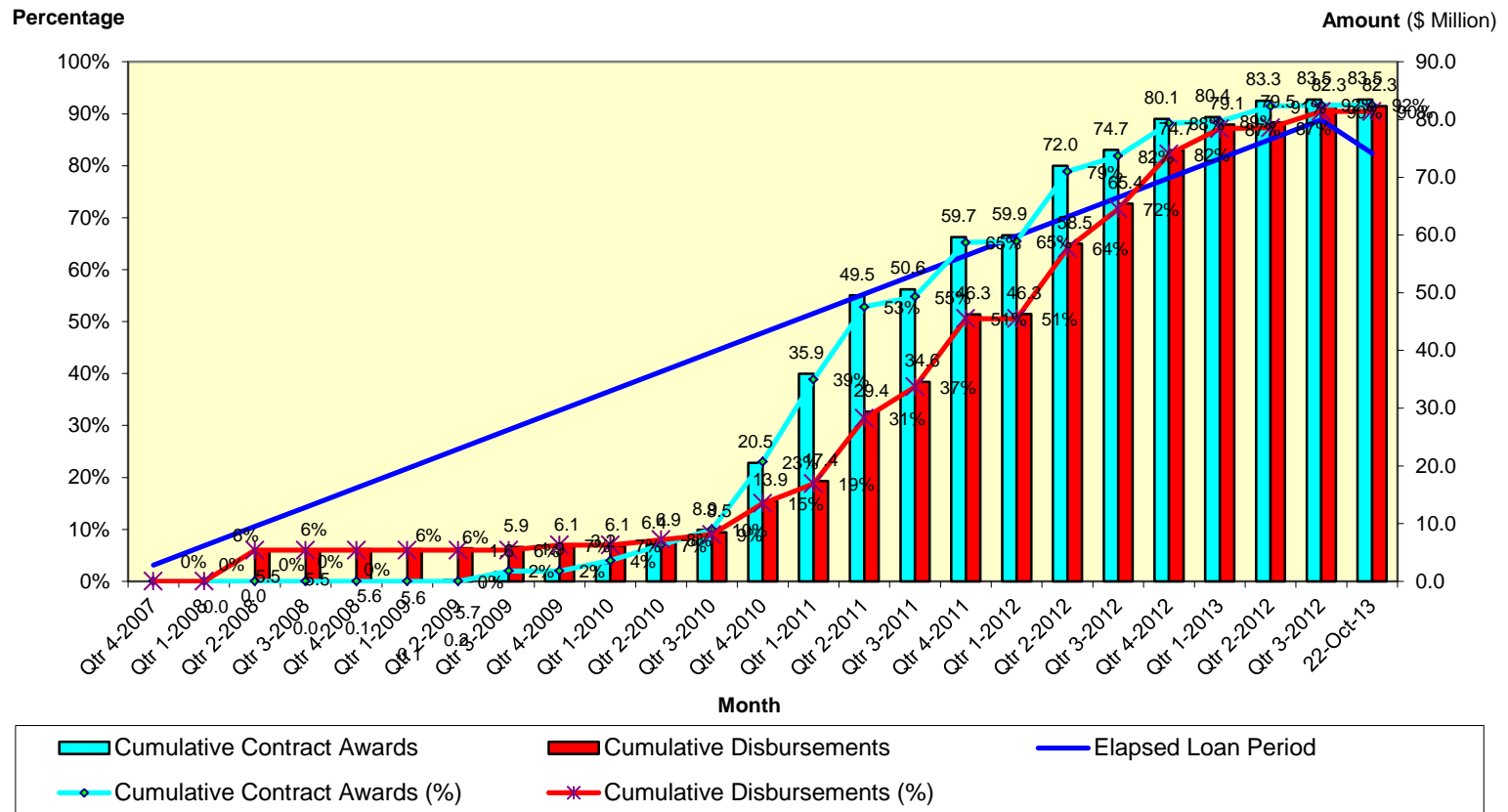
PROJECT ACHIEVEMENTS AGAINST TARGETS

Design Summary	Performance Targets and Indicators	Achievements
<p>Impact Improved livelihoods, incomes, and standards of living for the region's rural population through increased agricultural productivity, wider employment opportunities, improved health and education, and reduced exposure to natural disasters</p>	<p>Average per capita annual income in participating communes and districts increase by 50% (from D11.4 million in 2007 to D17.1 million) by 2016</p> <p>The government achieves its target of reducing the poverty from 19% to 12% in the target provinces by 2016</p> <p>Secondary school attendance rates improve from 87% to 90% by 2016</p>	<p>By 2012, average per capita annual income in participating communes had increased by 74.75% and in districts by 75.51%.</p> <p>Poverty was reduced to 17.22% by 2012.</p> <p>Most project areas have attendance rates higher than 90%. Secondary school attendance increased by 2.89% by 2012.</p>
<p>Outcome Improved quality, greater coverage, and better integration of rural infrastructure in the Central Region with increased awareness for the need for operation and maintenance</p>	<p>Vehicle operating costs on improved roads reduced by 50% (from D5,460/kilometer (km) to D2,730/km by 2014</p> <p>Travel time on improved roads reduced by 50% (from 69 minutes to 35 minutes) by 2014</p> <p>Agriculture production in areas with improved irrigation, flood control, and drainage facilities increased by the equivalent in value of 1 ton of rice per hectare (ha) (from 5 tons/ha to 6 tons/ha) by 2014</p> <p>Time spent collecting water reduced by an average of 2 hours per day (from 4 hours) by 2014</p> <p>Proportion of off-farm income in total household income increased by 20% (from 53% to 73%) by 2014</p>	<p>Data for 2012, collected by the baseline survey consultants, for the improved roads will be finalized in November 2013.</p> <p>Travel time on improved roads reduced by 17.5 minutes by 2012.</p> <p>Agriculture production in areas with improved irrigation, flood control, and drainage facilities increased by the equivalent in value of 0.55 tons of rice per ha by 2012.</p> <p>Time spent collecting water was reduced by an average of 2.7 hours per day by 2012.</p> <p>Proportion of off-farm income of total household income increased by 6.22% by 2012.</p>
<p>Outputs 1. A significant amount of the rural and coastal infrastructure in the project provinces is rehabilitated, upgraded, and maintained.</p>	<p>69 rural road subprojects or about 540 km of rural roads rehabilitated by 2014</p> <p>42 irrigation and drainage schemes covering about 110,000 ha rehabilitated by 2014</p> <p>27 miscellaneous rural infrastructure subprojects, including 18 markets, 5 rural water supply schemes, and 4 flood protection schemes constructed or rehabilitated by 2014</p>	<p>Surpassed the target: 77 rural road subprojects or about 658 km of rural roads rehabilitated.</p> <p>Surpassed the target: 47 irrigation and drainage schemes covering about 115,163 ha rehabilitated.</p> <p>Surpassed the target: 25 miscellaneous rural infrastructure subprojects, including 20 markets, 6 rural water supply schemes, and 9 flood protection schemes constructed or rehabilitated.</p>

Design Summary	Performance Targets and Indicators	Achievements
2. Improved capacity of national and provincial staff in technical and safeguard matters	About 130 provincial staff trained in technical topics, safeguard matters, and participatory techniques, 25%–30% of staff trained will be women	Surpassed the target: 3,006 provincial staff including 1,171 women (39%) were trained in technical topics, safeguard matters, and participatory techniques.
3. Improved project management skills for infrastructure development	About 80 provincial staff (at least 30% women) trained in project management and supervision	Surpassed the target: 510 provincial staff including 181 women (35%) were trained in project management and supervision.

GRAPH OF CUMULATIVE CONTRACT AWARDS AND DISBURSEMENTS

VIE: Integrated Rural Development Sector Project in Central Provinces ¹
 Cumulative Contract Awards and Disbursements Against Elapsed Loan Period



ADB. 2013. Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Socialist Republic of Viet Nam for the Productive Rural Infrastructure Sector Project in the Central Highlands. Manila.