

**PROGRAM-FOR-RESULTS INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.:PID0023493

Program Name	Results-Based Operation for Local Road Asset Management
Region	East Asia and Pacific
Country	Vietnam
Sector	Rural and Inter-Urban Roads and Highways (100%)
Lending Instrument	Program-for-Results
Program ID	P155086
Borrower(s)	Government of Vietnam
Implementing Agency	Ministry of Transport
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I. 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 have grown significantly in the last 10 years.

2. In 2015, GDP per capita reached an estimated US\$2,052 at market rates, confirming Vietnam’s recently rated status as a lower middle-income country. 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 is transport related. As urbanization continues, further expansion of the road, rail, and inland waterway transport networks will be required to alleviate bottlenecks, improve productivity and meet key growth and poverty reduction targets.

3. While economic growth and poverty reduction in Vietnam over the last two decades has been remarkable, not all the regions have benefitted equally (Table 1). Poverty, and extreme poverty rates are highest in the Northern Mountains region of the country, and this region has experienced substantially less poverty reduction than other parts of Vietnam over the last decade. Since 1999, the Northern Mountains region has had the lowest income per capita in the country¹. In addition to the high incidence of poverty, districts in the Northern Mountains suffer higher expenditure inequality than other regions, indicating an uneven distribution of recent prosperity not only among the regions but also within them. The situation in the North Central Coast region

¹ Government Statistics Office, Monthly average income per capita at current prices by residence and by region (2013)

is not as critical, but remains the fourth poorest region in Vietnam (Table 1). This region presents pockets of extreme poverty and isolation along the border, and substantial inequalities between the coastal and the mountain areas of the region. Poverty in these regions is partially attributed to poor connections between rural areas and markets. The road networks in the Northern Mountains and North Central Coast regions are in worse condition generally than in the rest of the country.

Table 1: Poverty Estimates by Region

	WB-GSO ^[1] Poverty Estimates		Population Share (%)
	Poverty Rate (%)	Extreme Poverty Rate (%)	
All Vietnam	20.7	8.0	100
East Northern Mountains	37.3	17.9	11
West Northern Mountains	60.1	36.5	3
Red River Delta (Hanoi)	11.4	2.8	22
North Central Coast	28.4	9.7	12
South Central Coast	18.1	5.9	9
Central Highlands	32.8	17.0	6
Southeast (Ho Chi Minh City)	8.6	3.1	18
Mekong Delta	18.7	4.8	19

Source: Vietnam Poverty Assessment, Table 1 (World Bank, 2012).

Note: ^[1] GSO is General Statistics Office of Vietnam.

II. Sectoral and Institutional Context

4. The local road and bridge network in Vietnam comprises about 253,000 km, or about 85%, of Vietnam's total network of 295,000 km. This network serves around 80 percent of the entire national population and 90 percent of the nation's poor, who mainly live in rural areas. Research carried out in Vietnam and neighboring countries since 2000 has shown that investments in local roads and bridges has had a significant impacts on poverty alleviation, social participation, school attendance and health services. Based on the results of this research, it has been estimated that an investment of 1% of GDP per year in rural transport has helped reduce the poverty rate by 1.5% per year, on average. However, many communes in Vietnam lack good condition roads and users are still facing high mobility costs, whilst many suffer from limited or non-existent bridge connectivity to the main cities. Time lost to mobility and travel erodes prosperity. High mobility costs cut the disposable income of the poor as they often live in locations that lack reliable, safe, and affordable transportation means.

5. As a result of the high rate of economic growth there have been significant investments in the road network, especially on the provision of basic access through the local road and bridge network². While government transport strategies and plans highlight maintenance as a priority, the amount of resources allocated to transport infrastructure maintenance indicates otherwise, with at most 50 percent of the necessary operations and maintenance expenditure being made at

² "Local roads" comprise Provincial, District and Commune roads in Vietnam.

both national and local levels. The analysis of the breakdown of capital expenditure against operations and maintenance (O&M) expenditure, at the provincial level as well, clearly shows the imbalance in favor of capital expenditure, as O&M expenditure has never represented more than 20 percent of total expenditure (17 percent for the road sub-sector in 2011, and an average 12 percent for the road sub-sector during the period 2009-13). This observation, coupled with the fact that the level of spending for O&M covers at most 50 percent of the needs for appropriate transport maintenance, supports the assumption that about 20 to 30 percent of total transport expenditure would be needed to target O&M expenditure. This analysis fully supports the engagement of the World Bank for this proposed Operation that targets the local road and bridge asset management.

6. Given the high level of investment over the past 10 years partly due to the issuing of large bonds, this would suggest that maintenance needs for infrastructure will be even higher over the next 10 years, leading to an asset preservation burden on the budget. A sustainable source of financing for maintenance, especially in the road sub-sector, will be required to preserve infrastructure assets in the long run. In addition, the impact of climate change has induced more extreme patterns of flooding which have subsequently impacted the local road network, as well as the bridges. Severe accidents with fatalities have occurred in regions where temporary bridges did not resist the rainy season flooding. The sustainability and the resilience of the bridge infrastructure has become a national priority, leading to the creation of a specific National Program for Eradicating Temporary Bridges (NPETB).

7. Under the Budget Law, the People's Committee (PC) at each level in each province is responsible for the development, investment, management and maintenance of its respective roads and bridges. Thus, within each province the responsibility for local roads and bridges lies with the Provincial Department of Transport (PDoT), for district roads responsibility lies with the District PC and for commune and hamlet roads it lies with the Commune PC. It is common practice in the provinces that each district receives as little as US\$ 15,000 annually for routine maintenance of the district road network, which represents on average a few hundred kilometers. Communes and hamlets may receive no maintenance budget.

8. In addition, planning and technical capacity for local road and bridge management is poor at the district and commune administrative levels. As a local road maintenance culture is built the district and commune staff will require training and support to strengthen local road maintenance practices, instill management knowledge and best practice skills. Whilst coordination and technical monitoring by PDoTs is critical for ensuring the quality of rehabilitation and maintenance activities, the roles and responsibilities of the different implementing agencies are not always clearly defined. The current institutional arrangements do not provide districts and communes with the financial or technical support to preserve the road and bridge network. As a result some district and commune PCs have no qualified transport staff in charge of their road and bridge networks. Access to quality data for planning and budgeting purposes is often lacking at the provincial level, and non-existent at the district and commune levels. In many provinces this is as a result of inadequate attention being given to the collection and updating of road inventory data, while for the bridges such an inventory does not systematically exist. The proposed Operation will play a part in addressing a number of the sectoral and maintenance issues described in this section, particularly concerning bridge and road maintenance and their

asset management.

III. Program Scope

A. Description

9. The Government has endorsed the Vietnamese Rural Transport Development Strategy 2020, and under this strategy, the development of road and bridge programs. The Government has developed a National Program for Local Road Development (NPLRD) and a National Program for Eradicating Temporary Bridges (NPETB). The NPLRD and NPETB are closely linked as they both target improving access to rural areas with low accessibility, especially for areas where poor ethnic minority communities are located as well as other vulnerable groups such as single women and children.

The National Program for Local Road Development (NPLRD)

10. The implementation of the National Program for Local Road Development (NPLRD) is being decentralized to the provinces and responsibility for implementation is with the Provincial Department of Transport (PDoTs). The national objectives of the NPLRD are to achieve the following by 2020: a) Reach 100 percent connectivity/accessibility of communes by motorized transport, b) Pave 100 percent of district roads and at least 70 percent of commune roads, c) Provide maintenance funding for 100 percent of district roads and at least 35 percent of the commune roads. In order to achieve the objectives of the program, the Government estimates the following needs and related expenditures from 2015 to 2020:

- **Improvement and rehabilitation** of a total of 1,524 km of roads in all Provinces for an estimated cost of VND 3.8 trillion (equivalent US\$180 million, with an estimated cost of about US\$120,000 per km without contingencies). This will be captured in the proposed Operation by the indicator “Km of roads that received improvements, rehabilitation and periodic maintenance” that comprises all the roads of the local network where activities of rehabilitation, pavement upgrade, and periodic maintenance have been delivered. These expenditures are considered *capital expenditures* in Vietnam, as they are designed to avoid road degradation, such as resurfacing asphalt concrete overlays, etc.
- **Routine maintenance** of the local roads along definitions and programs detailed in Medium Term Expenditure Plans (MTEPs). The Bank supported the preparation and development of MTEPs in seven provinces, under a recently closed Bank financed activity. For these provinces the total preliminary estimated cost of the maintenance program³ for the period 2015-2020 is VND 14,000 billion (i.e. an equivalent US\$633 million). These estimated costs are relevant as a basis for an estimation of the overall costs of such a strategy and will be refined with the use of MTEPs in all provinces. This will be captured in the proposed Operation by the indicator “Km of roads that received routine maintenance” that comprises all the road of the local network where activities of routine maintenance have been delivered. Routine Maintenance are

³ This does not comprise road upgrading works.

operations required to be carried out more than once per year on a section of road (pothole repairs, cleaning of drainage, sealing of cracks, cutting of vegetation, etc.)

- **Budget planning to be based on three year rolling MTEPs.** All the previously supported MTEPs as well as the upcoming under development will be the foundations for the Operation. Increased percentage of recurrent expenditures are to be allocated to the Operation and Maintenance activities (O&M). These expenditures are considered *recurrent expenditures* in Vietnam.

The National Program for Eradicating Temporary Bridges (NPETB)

11. The National Program for Eradicating Temporary Bridges (NPETB) is managed at the national level by the Ministry of Transport (MoT). Covering 50 provinces, the program funds the construction of small bridges with widths of 1.5m to 3.5m. The bridges are to be constructed to provide access to remote and poor communities, many of which are inhabited by ethnic minorities. The objectives of the NPETB are to achieve the following by 2020: a) Complement the program for local road development by targeting villages and commune roads missing or unsafe links (river crossing, etc.), b) Facilitate access to social services and other facilities such as schools, clinics within the local road network, c) Target poor communities, particularly those of ethnic minorities. In order to achieve the objectives of the NPETB program during the period from 2014 to 2020 the Government needs to complete 7,330 rigid-frame small bridges (including 4,145 priority bridges), and 481 small suspension bridges. The overall NPETB cost in the 50 provinces for 2015-2020 is estimated at US\$ 550 million.

The Operation (PforR Program and IPF Project)

12. **The proposed Operation has two complementary elements – a Program using the PforR instrument (Program), supported by a US\$ 380.5 million IDA credit, and Technical Assistance (Project) using the Investment Project Financing (IPF) instrument, supported by a US\$ 4.5 million IDA credit.** The implementation period is over 5 years, from 2016 to 2020. The proposed PforR will have two results areas which correspond to the alignment with the national programs under the Vietnamese Rural Transport Development Strategy 2020 Strategy – one for the National Program for Local Road Development (NPLRD) and one for the National Program for Eradicating Temporary Bridges (NPETB) - that will be fully linked to the annual budget cycle of the Government. The proposed IDA credit will cover only 28% of the equivalent needs for the two national programs; the remainder is planned to be provided by the Government.

13. The PforR Program will target improved spending efficiency in the selected provinces through the adoption of sustainable shifts in maintenance policy and budget allocation mechanisms, rather than funding the entire maintenance backlog. The Program is designed to incentivize prioritization of road maintenance activities, including both routine and periodic maintenance, as these provide the highest return on funding. The Program to be supported by this proposed Operation is a results-based approach to operationalizing the planned activities in the following two Result Areas (see also Figure 1 below):

Result Area 1 – Improvement of rural accessibility and associated service delivery

14. The Result Area 1 of the PforR Program will provide support to the NPLRD. The proposed program will include the rehabilitation of and the maintenance of local roads in 13 targeted provinces: Ha Giang, Bac Can, Lao Cai, Thanh Hoa, Nghe An, Ha Tinh, Nam Dinh, Quang Binh, Cao Bang, Lang Son, Quang Tri, Hue, and Quang Nam. The scope of this program is based on the readiness of medium-term expenditure plans (MTEPs) prepared by each province, on the basis of a three year rolling program that will be extended to cover the period from 2015 to 2021. The overall cost of the NPLRD in 7 provinces where data is available (out of the 13 targeted provinces) for 2015-2020 is estimated at US\$ 813 million, consisting in US\$ 180 million of road improvement and about US\$ 633 for road rehabilitation and maintenance, of which 51 percent is allocated to rehabilitation works and 27 percent to periodic maintenance works.

Result Area 2 – Improvement of rural bridge connectivity to isolated communes

15. The Result Area 2 of the PforR Program will provide support to the NPETB. This Program will fund the reconstruction or construction of thousands of small bridges to isolated poor communities in the 50 targeted provinces. The scope of this program is based on the same boundaries than the national program. The World Bank subprogram will support the financing and construction of part of the 7,330 rigid-frame small bridges. Based on preliminary estimations, the Bank support will enable to finance about 2,500 bridges out of the 3,911 of the National Program to be still completed (out of the 4,145 total bridges of the National Program excluding the 234 suspension bridges already constructed under phase 1 using GoV's budget) – the actual figures will be based on technical choices, lengths and width of the selected bridges.

Content of the Technical Assistance Project

16. The Technical Assistance Project will mostly consist in activities that are necessary to the completion of the PforR, namely a) activities related to the auditing of the Program, b) activities related to the monitoring environmental and social safeguards, and c) activities related to the Road Asset Management Systems.

IV. Program Development Objective(s)

17. The Program Development Objective is to improve the road accessibility and bridge connectivity for the rural communities of the participating provinces in Vietnam.

V. Environmental and Social Effects

18. **Environmental Systems.** The overall environmental impact of this Operation is expected to be positive. Local communities in remote areas would benefit from safer and more convenient access from their homes to existing basic infrastructure and services such as markets, health care and education, particularly during the rainy season. With regards to siting of bridge construction, there are existing earth/concrete roads close to stream banks and the access road would be shorter than 200 meters to connect the two existing communities. However, siting of remaining bridges and access roads in the program should consider and avoid the potential negative impacts

with regard to increased human encroachment to critical natural habitats in remote areas if they do exist near the two ends of the bridge. Bridge sub-projects will be screened to exclude those located within, near or that may cause risks to protected areas such as national parks, nature reserves, primary forests and biodiversity conservation areas. Some negative impacts and risks are also anticipated during the construction phase of both road and bridge works such as an increased level of dust and noise, disturbance to existing drainage patterns, safety risks for local communities, traffic disturbance and traffic safety risks, waste and wastewater generation. These construction impacts are manageable by readily known mitigation measures that are incorporated into the program design.

19. **Social Systems.** The Program will have significant positive impacts on the socio-economic environment in the short term, as they provide employment for laborers leading to increased income. In the long term, improved road conditions provide increased access to social services, markets and could improve employment overall in the localities. The land acquisition impact in this program is expected to be minor given the nature of investment (road rehabilitation or construction of small rural bridges). The percent of the acquired area is hardly more than 10% of the total land holdings. However, in some exceptional cases, the proposed investments might cause physical relocation impact, although the number of relocated households is expected to be very small. In addition, given the geographical scope of the Program, it will be very likely that it will be implemented in provinces with presence of Ethnic Minority (EM). The NPLRD and NPETB are closely linked as they both target improving access to rural areas with low accessibility, especially for areas where poor ethnic minority communities are located as well as other vulnerable groups such as single women and children. They will be provided with vital linkages to schools, markets and other centers. This is expected to provide substantial changes in the daily mobility patterns of the communities. One of challenges in Program implementation is how to maximize its accessibility and benefits in these lagging behind regions.

20. The Operation is designed in such a way that land acquisition will be minimized and the majority of land utilized will be vacant public land. Nonetheless, there may be some incidences where land acquisition is required. The assessment on EMs policy implementation suggests that the regulations covering this aspect are relatively well structured but there are some uncertainties relating to the capacity to implement those regulations. Specifically, free, prior, and informed consultation must be undertaken if EMs are potentially affected (positively or negatively). The assessment has made a number of actions, aiming to improve the social management system of the Operation. The actions described in the Operations Manual are around three pillars (i) land acquisition and compensation; (ii) ethnic minority affair; and (iii) information disclosure and consultation. During the program implementation, these will be operationalized through the compliance with Program Action Plan or the specific guidance in Program Operation Manual.

21. The World Bank has developed a strategic framework to systematically mainstream citizen engagement in Bank Group-supported activities. The goal is to improve the development results of our activities and, within the scope of these operations, to strengthen engagement processes between governments, the private sector and citizens. The proposed Program will therefore learn the lessons from previous Bank-financed operations across regions and sectors. In addition, one of recommendation from the assessment is for MOT/DRVN to develop

community/citizen engagement guidelines (to be implemented by the Project Management Units (PMUs) and participating provinces) to enhance people's participation, especially for Ethnic Minorities to ensure their meaningful participation and consultation in every step of the Program implementation, including planning, sub-project design and implementation, compensation, resettlement and rehabilitation measures in land acquisition. As this is one of Program Action Plan, all activities under this Action will be properly tracked, monitored and reported.

22. Communities and individuals who believe that they are adversely affected as a result of a Bank supported PforR Program, as defined by the applicable policy and procedures, may submit complaints to the existing program grievance redress mechanism or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. The information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS) is available at <http://www.worldbank.org/GRS>. The information on how to submit complaints to the World Bank Inspection Panel, is available at www.inspectionpanel.org

23. **Gender.** The proposed Operation will include incentives so that adequate resources, authority and management structures are provided for effective, inclusive, sustainable community routine road maintenance led by women in communities. In the mountainous areas of Vietnam, where many poor ethnic minorities reside, the costs of road maintenance are very high due to the challenging terrain and increasingly unpredictable, extreme rainfall associated with climate change. These poor communities lack resources to cover maintenance costs. Poor road conditions and limited access constrain economic opportunities, and exacerbate poverty, especially with regards to women. The proposed Operation will provide framework to ensure long-term sustainability and ownership of routine maintenance operations by the local population.

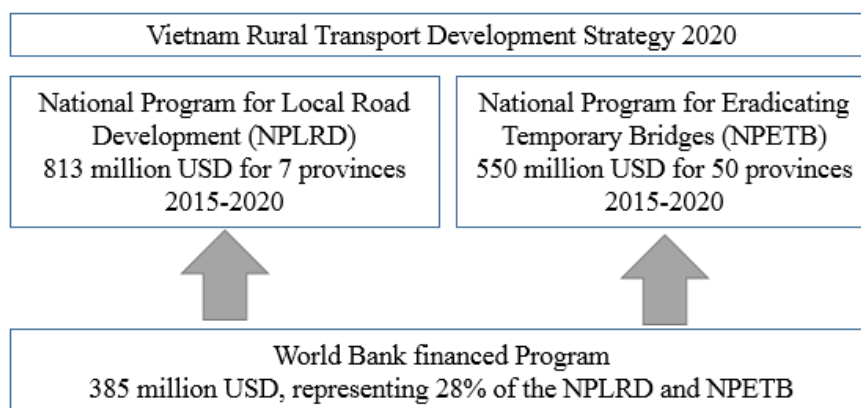
24. The proposed Operation will build upon the lessons learned under the World Bank financed Third Rural Transport Project (RTP3) on this aspect. RTP3 initiated a small pilot routine road maintenance activity for ethnic minority women in 2010 in five communes in mountainous Lao Cai Province. The Provincial Women's Union (PWU), under the Vietnam Women's Union (VWU), managed the pilot with technical guidance from the Provincial Department of Transport (PDoT) and the District Urban Management Department, in coordination with Provincial, District, and Commune People's Committees. Based on the pilot's very positive initial outcomes, a Women-Managed Routine Rural Road Maintenance Program scaled up the approach, including some refinements, in more districts in Lao Cai Province as well as two additional provinces (Quang Binh and Thanh Hoa) from the last quarter of 2012 until mid-2014.

VI. Financing

25. The proposed Operation is supported by a US\$ 385 million IDA credit. The Operation

has two complementary elements –Program using the PforR instrument (Program), supported by a US\$ 380.5 million IDA credit; and Technical Assistance Project using the Investment Project Financing (IPF) instrument, supported by a US\$ 4.5 million IDA credit. The two results areas of the operation correspond to the alignment with the national programs under the Vietnamese Rural Transport Development Strategy 2020 Strategy – one for the National Program for Local Road Development (NPLRD) and one for the National Program for Eradicating Temporary Bridges (NPETB) - that will be fully linked to the annual budget cycle of the Government. The proposed US\$385 million IDA credit will cover only 28% of the equivalent needs for the two national programs. The Government is planning to complement the funding with a bout US\$980 million.

Figure 1. Overview of the Vietnamese Rural Transport Development Strategy 2020 and World Bank support



VII. Program Institutional and Implementation Arrangements

26. The MoT will be responsible for the overall program management and oversight. Its responsibilities are to coordinate the activities of central government agencies, Provincial People’s Committees (PPCs), Provincial Departments of Transport (PDoTs) and other relevant organizations. MoT has appointed the Directorate for Roads of Vietnam (DRVN) to be the overall Program Coordinator for both road and bridge results areas. DRVN will be responsible for Program TAs while PMU6 will be in charge of their procurement on behalf of DRVN. PMU6 is also the road sub-program coordinator, while DRVN is the bridge sub-program owner.

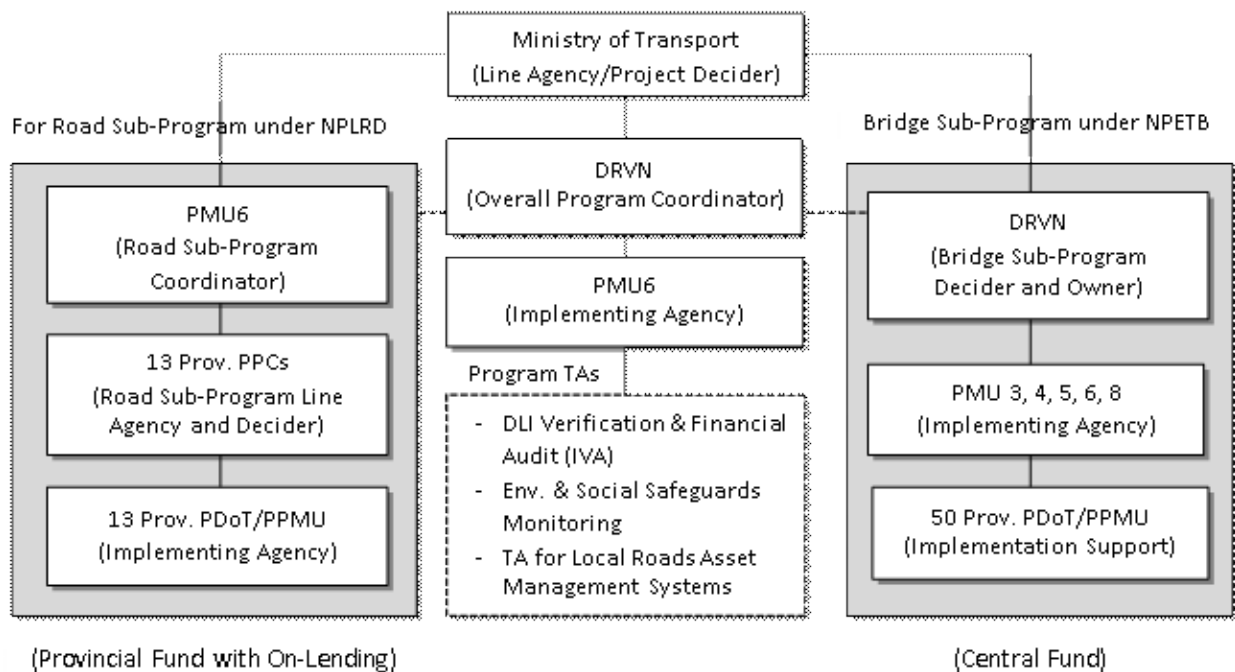
27. At the central level, MoT’s and DRVN’s functional departments will be the technical lead for local road standard, specification, and cost norms for local road maintenance and bridge construction activities. At the provincial level, institutional strengthening and training need to be provided to the PDoTs as well as to the Departments of Planning and Investments (DPIs) and the Departments of Finance (DoFs). Quality will be ensured by the Transport Work Quality Inspection and Management Department that will coordinate with the Department of Science and Technology (DST) to appraise typical design for roads and bridges. The PPCs would play a key role in mobilizing other related departments, specifically in facilitating the close linkages needed with the PDoT and Division of Infrastructure and Economic at the local level. A high level of

participation is required from local governments. Local networks of the Women’s Union and Commune leaders will be instrumental in program implementation.

28. For the road results area (Road Sub-Program), PMU6 will be the overall sub-program coordinator. PMU6 will work with PDoTs and assist the DRVN in the sub-program management. The PPC of the 13 participating provinces will be the line agency and project decider of the Sub-Program in each province. The PPC will decide their investment and arrange provincial counterpart funds to achieve objectives as committed. The PDoTs/PPMUs of the participating provinces will be the implementing agencies and will be responsible for technical decisions and management of the road improvements and maintenance based on the plans and schedules in the MTEP. A high level of participation is also required from the local governments. Local networks of the Women’s Union and Commune leaders will be instrumental in the rural roads routine maintenance aspects of the Program implementation.

29. For the bridge results area (Bridge Sub-Program), DRVN will act as the owner of the overall sub-program and project decider. Five PMUs (PMU 3, 4, 5, 6, 8) will be the implementing agency under the DRVN for the fifty (50) participating provinces in coordination with the PDoTs and PPMUs.

Figure 2. Institutional arrangements for Program Implementation



30. **For the Technical Assistance Project**, MoT will be responsible for overall coordination and financial management through DRVN, and PMU6 will be the Implementing Agency of the TA component. For the entire Operation, MoT will be responsible for (i) designing and maintaining the FM procedures and regulations for the project, (ii) facilitating the fund flow to the beneficiaries, (iii) meeting the reporting requirements of the project, and (iv) arrangement of the project auditing (both internal and external audit).

Independent Verification Agent (IVA)

31. An independent auditor will play the role of the *Independent Verification Agent (IVA)*. The IVA role is to provide independent confirmation of the results reported by the MoT, DRVN and the Provinces to the MoF and the Bank, which will consist of (i) financial audit, and (ii) verification of the achievements of the DLIs. The IVA will perform both the financial audits and technical audits, and for both the bridge and road activities. The Financial Audit and the verification of DLIs will be conducted in accordance with the agreed verification protocol/audit terms of reference provided in the Operations Manual (OM).

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