



1. Project Data:		Date Posted : 08/22/2002	
PROJ ID: P039021		Appraisal	Actual
Project Name: Rural Transport I	Project Costs (US\$M)	60.89	55.77
Country: Vietnam	Loan/Credit (US\$M)	55.00	50.60
Sector(s): Board: TR - Roads and highways (98%), Central government administration (1%), Sub-national government administration (1%)	Cofinancing (US\$M)		
L/C Number: C2929			
	Board Approval (FY)		97
Partners involved :	Closing Date	12/31/2001	12/31/2001
Prepared by :	Reviewed by :	Group Manager :	Group:
Adam L. Understein	Alice C. Galenson	Alain A. Barbu	OEDST
2. Project Objectives and Components			
a. Objectives			
<ul style="list-style-type: none"> (a) Improve and upgrade access to rural communities and link them to the district and provincial road networks (b) Develop local capacity to improve the level of service of low -volume roads and to maintain them on a sustainable basis (c) Encourage the development of local contractors 			
b. Components			
<ul style="list-style-type: none"> (i) Rural access road rehabilitation and maintenance using the spot improvement technique (ii) Institutional strengthening and training (iii) The study of issues relating to rural transport development 			
c. Comments on Project Cost, Financing and Dates			
<p>Due to exchange rate fluctuations with the SDR, the IDA amount was reduced to US\$ 50.6 million. The study to be prepared under the project (component iii) was funded by the United Kingdom's Department For International Development (DFID) and not the project, with the funds allocated for the study (US\$ 0.5 million) transferred to the Civil Works category.</p>			
3. Achievement of Relevant Objectives:			
<ul style="list-style-type: none"> (a) Improve access to rural communities <ul style="list-style-type: none"> • This objective was partially achieved. A total of 4,403 km of roads were rehabilitated, of which 4,061 km were rural district roads and 342 km were communal roads, and 9.7 km of bridges were implemented in 18 provinces. Targets at appraisal were 5,000 km of roads and bridges, of which 3,500 km (70%) were to be district roads and 1,500 km (30%) were to be communal roads. Thus, the Project completed 88% of total road kms to be rehabilitated. At the same time, a greater proportion of resources was dedicated to district roads, at the expense of communal roads, than called for at appraisal (while the Project stated a 70%-30% district-communal split of road kms rehabilitated, the actual split was 92%-8%). (b) Develop local capacity to maintain low-volume roads on a sustainable basis <ul style="list-style-type: none"> • This objective was not achieved. According to the ICR (p.9), provincial governments have failed to provide adequate routine maintenance, because of the absence of good standard maintenance procedure and the lack of funds allocated to maintenance. This situation has already resulted in early deterioration of the 			

rehabilitated roads (p.10). The ICR cited this situation twice as a "substantial" risk to the Project (pp.9-10).

- (c) Encourage the development of local contractors
 - This objective was achieved. Through training and competitive bidding, private sector contractors were encouraged, their capacity grew, and their share of road works increased.

4. Significant Outcomes/Impacts:

An important outcome is the change in attitude of the Government of Vietnam, which had initially expressed skepticism about the participation of private contractors. Private contractors are now able to bid competitively in a market dominated by state owned enterprises.

5. Significant Shortcomings (including non-compliance with safeguard policies):

- Highlighted as a "substantial" risk to the Project (pp.9-10) was the provincial governments' lack of capacity and unwillingness to fund maintenance activities. The Dak Lak province indicated that some roads constructed in the first two years have already deteriorated without prompt maintenance and repair. The Provincial Departments of Transport and the Provincial authorities are pressing for the asphaltting of roads as a way to avoid maintenance, which is not consistent with Bank policy.
- Rather than consistently applying the spot improvement technique for road rehabilitation, the Government and recipient provinces opted for higher technical standards including bitumen surface but did not pay adequate attention to overall project design standards (ICR, p.4). For example, drainage remained inadequate in many instances. The aide-memoire of May 1998 indicated that such an approach combined with weak maintenance arrangements (which exist) could result in rapid deterioration of roads.

Furthermore, higher technical standards are more expensive and resulted in higher rehabilitation costs as well as higher maintenance costs (pp.6-7).

- Compensation for land acquisition (a resettlement safeguard issue) had procedural shortcomings and suffered from inadequate skills of Provincial Project Management Unit staff. These shortcomings became serious when certain lands were taken without compensation (p.25).

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	But the important second objective was not achieved and hence the unresolved maintenance problem affects the Sustainability rating.
Institutional Dev.:	Modest	Modest	
Sustainability:	Likely	Unlikely	Until the provinces begin to fund maintenance adequately and increases capacity, the physical works and Project benefit stream are at risk.
Bank Performance:	Satisfactory	Satisfactory	
Borrower Perf.:	Satisfactory	Satisfactory	
Quality of ICR:		Unsatisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

- Upfront efforts should be directed at building ownership of design standards by government and beneficiaries. In this Project, commitment to the spot improvement technique was weak, and the borrower preferred a higher standard that was subsequently implemented inadequately and at higher cost.
- The lack of systematic traffic data collection inhibits identification and prioritization of necessary interventions on roads and hampers the ability to readily monitor the impact of projects. The result may be road expenditures that are not cost-effective.

8. Assessment Recommended? ● Yes ○ No

Why? This Project should be audited as part of a cluster of other projects in the region, including the Vietnam Highway Rehabilitation Project, to improve Bank effectiveness at this early stage in its support of Vietnam's transport sector.

9. Comments on Quality of ICR:

The quality of the ICR is unsatisfactory . Its discussion of outputs by component is inadequate . In Part A, the ICR does not discuss the shortcomings of compensation for land acquisition; Part B discusses inputs, not outputs; and Part C does not mention the conclusions of the study (component iii). Furthermore it is difficult to rationalize its rating for Sustainability with the discussion of it on p .11 and particularly the incapacity and unwillingness of provinces to implement and fund maintenance .