

IEG ICR Review

Independent Evaluation Group

1. Project Data:		Date Posted: 05/12/2015	
Country:	Vietnam		
Project ID:	P074688	Appraisal	Actual
Project Name:	Second Rural Energy Project	Project Costs (US\$M):	324.3 / 557.1
L/C Number:		Loan/Credit (US\$M):	220 / 419.8
Sector Board:	Energy and Mining	Cofinancing (US\$M):	
Cofinanciers:		Board Approval Date:	11/18/2004
		Closing Date:	12/31/2011 / 06/30/2014
Sector(s):	Transmission and Distribution of Electricity (100%)		
Theme(s):	Rural services and infrastructure (100%)		
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2. Project Objectives and Components:

a. Objectives:

"to assist the Borrower to support the socio-economic development of rural communities within the Project Provinces through improved access to good quality and affordable electricity services provided in an efficient and sustainable manner." (Development Credit Agreement, Schedule 2, p.19).

The statement of the objectives in the Project Appraisal Report (PAD) is essentially the same: "to improve access to good quality, affordable electricity services to rural communities, in an efficient and sustainable manner to support Vietnam's efforts towards socio-economic development." (PAD, p. 1).

The project included a Grant provided by the Global Environment Facility (GEF) with a Global Environment Objective "to reduce greenhouse gas emissions by improving and sustaining the energy efficiency of LDUs [local distribution utilities]." (PAD, p.1).

Following IEG procedures, this ICR Review is based upon IEG's assessment of the achievement of the project objective as formulated in the legal document and it does not rate the achievement of GEF's Global Environment Objective.

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

Yes

If yes, did the Board approve the revised objectives/key associated outcome targets?

No

c. Components:

Component 1. Major upgrading and/or expansion of the low voltage (LV) system in the rural power network in 1,200 communes (appraisal cost US\$242.8 million; additional financing of US\$143.7 million; actual cost US\$383.6 million) was to be implemented by about 30 provinces with technical support and assistance from the electric power provider Vietnam Electricity's (EVN's) subsidiaries.

Component 2. Major upgrading and/or expansion of medium-voltage (MV) System in the Northern Region (appraisal cost US\$42.2 million; additional financing of US\$44.6 million; actual cost US\$68.7 million) was to rehabilitate the MV systems in the project communes where LV systems were rehabilitated and/or expanded under project component 1. This component was to be implemented by Power Company No.1 (PC1).

Component 3. Major upgrading and/or expansion of the medium-voltage (MV) system in the Southern Region (appraisal cost US\$11.2 million; additional financing of US\$0 million; actual cost US\$5.23 million) was to rehabilitate the MV systems in the project communes where the LV systems were rehabilitated and/or expanded under project component 1. The component was to be implemented by Power Company No.2 (PC2).

Component 4. Major upgrading and/or expansion of the MV system in the Central Region (appraisal cost US\$18 million; additional financing costs US\$9.9 million; actual cost US\$20.3 million) was to rehabilitate the MV system in the same project communes supported under Component 1. The component was implemented by Power Company No.3 (PC3).

Component 5. Technical assistance (appraisal cost US\$7 million; additional financing of US\$0 million; GEF financing of US\$5.25 million; actual cost US\$5.1 million) was to support: (a) the development and implementation of a framework for regulation of companies and cooperatives and building the capacity of national and provincial authorities in planning and regulation of rural electrification; (b) transformation of LDUs into legal entities; (c) strengthening the abilities of the LDUs in commercial, technical and financial management of electricity distribution companies; and (d) replication of the best practices developed in other LDUs participating in the later phases of the project.

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

Project cost: The total project cost was originally estimated at US\$324.3 million. At closure, the actual project cost was US\$557.1 million, with the increase due to additional financing approved in 2009 to scale up the project activities to add 300 communes and address a financing gap due to high inflation in 2007/2008.

Financing: The Bank's planned contribution consisted of a credit in the amount of US\$220 million and Additional Financing in the amount of US\$200 million to total US\$420 million. At project closure, the credit amount was fully disbursed at US\$419.8 million. The Global Environment Facility (GEF) grant was appraised in the amount of US\$5.25 million, and disbursed at US\$4.92 million at project closure.

Borrower contribution: The Borrower contributed US\$87.3 million that increased from the appraisal estimate of US\$69.5 million. The contribution from local communities (to pay for household electricity connection) was estimated at US\$34.7 million at appraisal. At project closure, the total amount paid was US\$50 million.

Dates: The project closing date was extended by 2.5 years from the original closing date of December 31, 2011 to June 30, 2014. The extension was approved in conjunction with Additional Financing in 2009 to scale up the project activities and address a financing gap. The scale of the project was expanded from the originally envisaged 1,200 to 1,500 communes. At the same time, the number of participating provinces reduced from the original 30 to 25 due to their inability to comply with the project conditions, such as counterpart funding, transfer of LV network management to LDUs, or completion of project preparation in time. The targets for the two outcome indicators and the GEF indicator were revised to reflect the increase in the project's coverage; the intermediate indicators for installation of lines, transformers and household meters were also increased accordingly. In December 2013, a project restructuring was carried out, allowing the Northern Power Corporation (NPC) to use the credit proceeds to rehabilitate and expand not only the MV but also the LV networks.

3. Relevance of Objectives & Design:

a. Relevance of Objectives:

High.

At appraisal, despite rapid increase in access to electricity, there were still around 16 million people (or about 3.5 million households) without electricity. The rural population with access to electricity suffered from low quality of service, including low voltage and poor reliability. The project development objectives were consistent with the focus on achieving universal access to electricity and improving reliability of the power supply in Vietnam's rural electrification program, and these goals continued to be the national policy priority as stated in Vietnam's 2011-2015 Socio-economic Development Plan (SEDP) and the 2011-2020 Socio-economic Development Strategy (SEDS). The project development objectives also remain relevant to the Bank's Country Partnership Strategy for the fiscal years of

2012-2016, which aimed at improving the quality and efficiency of infrastructure services, in particular the electricity distribution infrastructure, and reducing GHG emissions to contribute to climate change mitigation. The objectives were also in line with the main priorities of the Country Strategies at appraisal and during implementation, with the goals of ensuring pro-poor infrastructure development (in particular through connecting communes to the national electricity transmission grid) and enhancing environmental sustainability.

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, the investments in upgrade and expansion of the low-voltage and medium-voltage systems were intended to improve access to good quality electricity services. Technical assistance was intended to help ensure affordability and sustainability. Transformation of existing commercial and district electricity groups into LDUs, with improved regulation and management, was intended to support the electricity service provision in an efficient manner.

The project was designed to improve access to electricity for about 2 million new households in Vietnam, including many living in some of the poorest communes, which represented more than 50% of the households without access. The project was intended to enable supply of large increases in electric power for expanding productive uses in rural areas (PAD, p.1).

The project design was flexible. In order to support numerous sub-projects, with different implementation speeds, it was decided at the time of appraisal that the project would be implemented in four phases. In phase 1, the project packages for 6 provinces (355 communes) were appraised. In subsequent phases, sub-projects were to be added to the project scope, subject to meeting the established criteria for economic, financial, technical, and social and environmental safeguards performance. This approach, as specified by the ICR p.10, allowed a more efficient use of funding in response to the changing readiness of participating provinces, through allocation of available financing between sub-projects that needed funds.

4. Achievement of Objectives (Efficacy):

The project development objective was "to assist the Borrower to support the socio-economic development of rural communities within the project provinces through improved access to good quality and affordable electricity services provided in an efficient and sustainable manner".

Improved access to good quality and affordable electricity services provided in an efficient and sustainable manner .
Substantial.

Outputs

- 27,700 circuit km of LV lines were installed, slightly below the original (30,000 km) and revised (32,000 km) targets.
- 5,300 circuit km of MV lines were installed, exceeding the original (4,000) and revised (4,300) targets.
- The capacity of transformers improved by 700 Megavolt ampere (MVA). This was short of the original (900 MVA) and revised (1,100 MVA) targets; as explained by the ICR, a greater share of the project funds was used for medium voltage (MV) lines.
- 1,915,000 household meters were installed in the project area. This was below the original (2,500,000) and revised (2,700,000) targets. The ICR reports that the Northern Power Corporation (NPC) and a number of LDUs funded meters from their own sources (Results Framework).
- 1,974 of communes were placed under legal management. This substantially exceeded the original target (1,200) and revised (1,500) targets.
- 5,700 of technicians and managers were trained (the target was 2,500). 1-2 weeks courses were provided to 3,600 LDU and PC staff, and 2-year courses to 2,100 staff.
- Technical assistance was provided to support developing national rural electrification strategy up to 2020.
- A survey was carried out to determine appropriate electricity pricing policies, whether there is a need for subsidies in rural areas, and for decision support regarding appropriate sizing of electrification projects.

Outcomes

- The percentage of households with access to electricity increased from 60% to 98% by project closure, exceeding the original (85%) and revised (90%) targets. 99.5% of rural communes in project provinces have access to electricity above the original (94.5%) and revised (95%) targets. The project provided access to 325,000 households located in the remote rural areas in 25 provinces (ICR, p.16).
- The average distribution loss in the rural low voltage (LV) system in the project areas improved to 10% from 30%,

and in some communes even reduced to 7%. The target was reached.

- The cost recovery price for electricity reduced from 2,000 to 1,300 VND/kWh in the project LDUs, in line with the revised target. The LDUs' operational efficiency improved mainly through distribution loss reduction that lowered the level of average tariff needed for the daily operation of the LDUs (ICR, Results Framework). The original target of 700 was revised due to the increase of the regulated bulk supply tariff for the LDUs to buy electricity from the power corporations (PCs).
- The target for average commercial efficiency was reached (100%). Non-technical losses, and non-payment of bills and theft were found to be extremely small (ICR, Results Framework).
- The carbon emissions reduced by 365,000 tons, exceeding the original target (259,000 tons) and revised (310,000 tons).
- Prime Minister's Decision No. 21 was issued in 2009 on market-based electricity tariff, stipulating the framework for the management of rural electrification in nationwide provinces. PM Decision No. 2081 issued in 2013 set out the provincial electrification strategy up to 2020.
- Prime Minister's Decision No. 21 was introduced to set out (i) a uniform tariff system applicable nationwide including rural areas; and (ii) sustainable LV network management applicable to LDUs and PCs, and (iii) guidelines for rural electrification by provinces.
- No study was carried out at project closure to assess the project's impact on the socio-economic development of rural communities within the selected provinces. The ICR p.19 mentions that the 2011 study of rural electrification in Vietnam found that availability of electricity contributed to increased farm productivity and higher households incomes (" *The Vietnam Rural Electrification Experience: State and People, Central and Local, Working Together*" published by the World Bank and Asia Sustainable and Alternative Energy Program (ASTAE)).
- The share of electricity expenditures as a percentage of total cash expenditures in 2012 in the project areas was estimated to be 1.7% in the midlands and northern mountains, 1.8% for northern and coastal central, and 1.9% for Mekong Delta areas, as compared to the national average of 2.1 % (2.4% for the poor), which is considered to be affordable (ICR, p.19). The difference in terms of the share of electricity expenditure between male-headed and female-headed households was found to be small.

5. Efficiency:

Economic Analysis.

The economic internal rate of return (EIRR) at project closure was estimated to be 17.5% as compared with 18.2% at appraisal (ICR, p.36). The cost-benefit analysis at appraisal was carried out for phase 1 of the project investments in 355 communes in 6 provinces, and similar analysis covering the same communes was carried out at completion to ensure consistency in the methodology based on a "with project" and "without project" scenario. The estimated benefits included reduction of losses, ii) saving of customer expenditure on electric devices for improving the quality of power supplied; (iii) consumer surplus from converting from more expensive sources to the less expensive grid supplied energy for production and/or possibility of expanding production; and (iv) incremental sales.(PAD, p.50). The EIRR was also estimated for the sub-projects added during implementation at 20.9% (ICR, p.37).

At completion, the Financial Internal Rate of Return (FIRR) and NPV were estimated at 6.5%, and \$567.9 million respectively, as compared to FIRR of 2.1% estimated at appraisal for phase 1 (ICR, p.18). The ICR p.38 reports that at appraisal, the sub-projects were generally considered not to be financially viable because of the nature of rural electrification that per capita investment cost for distribution network tends to be high in remoter areas. However, the financial indicators at completion stage substantially improved because the energy consumption levels by households increased due to network expansion in the remote areas.

The project cost increased during implementation largely due to exogenous factors, i.e., high inflation. The ICR p. 10 reports, there was a significant increase in prices of some key foreign inputs such as aluminum, copper and steel, and domestic inputs such as cement and labor during 2007 -2008 in Vietnam. Overall, the unit investment cost increased from \$578 per household in 2005 to \$1,062 per household in 2009 (ICR, p.10). While there were some minor delays in procurement and land acquisition that affected the project implementation, the project closing date was extended once in line with the scale up of the project activities.

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	18.2%	95%
ICR estimate	Yes	17.5%	99%

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

6. Outcome:

Relevance of objectives is high, and that of design substantial. The project substantially helped improve access to good quality and affordable electricity services provided in an efficient and sustainable manner. Efficiency is assessed as substantial. The project outcome rating is Satisfactory.

a. Outcome Rating: Satisfactory

7. Rationale for Risk to Development Outcome Rating:

- **Reliability and quality of power supply through increased energy consumption** . EVN has strong technical capacity to maintain and operate rural networks, as confirmed by the IEG's Project Performance Assessment Report (PPAR) of the energy projects in Vietnam (June 2014).
- **Weak financial situation of the local distribution utilities (LDUs)**. It is estimated that if the current tariff systems are maintained, 75% of LDUs in the plains and all LDUs in mountainous areas would need to transfer their network to the PCs. The PM Decision No. 21 allowed the power companies (PCs) to take over the ownership and management of financially weak LDU. The ICR p.10 reports that most of the LDU assets that were constructed under the project were transferred to the PCs.
- **Financial stability of the power companies (PCs)**. EVN's financial performance, including its PCs, may constraint the company's ability to mobilize adequate resources in a timely manner to maintain and modernize the rural networks. The Government's policy of moving towards cost reflective electricity prices for financial sustainability (e.g., a further 7.5% increase in electricity prices was approved in March 2015) may help gradually improve EVN's financial position, albeit the price increases are not yet sufficient to cover the costs. The ICR p.19 indicates that overall electricity remains affordable for poor households in remote areas (2.4% of the poor household total expenditure in 2012).

a. Risk to Development Outcome Rating : Moderate

8. Assessment of Bank Performance:

a. Quality at entry:

The project was a part of the Bank's series of energy projects in Vietnam in support of the power sector. While the first rural energy project focused on increasing the number of basic connections, this project focused on rehabilitation of the existing LV systems and the institutional development to ensure service delivery at the retail level. Another parallel rural distribution project focused on the improvement of the MV systems and supported corporate development of the power distribution companies (ICR, p.2). At the design stage, flexibility was recognized as key to help cope with delays caused by approval procedures, foreign exchange fluctuation, financial difficulties of suppliers and contractors, and insufficient on-time information and guidelines from line ministries and relevant agencies (ICR, p.7). Other lessons incorporated into design included (i) institutional change should be planned carefully with full participation of local authorities to ensure effective implementation; (ii) importance of community participation should be fully recognized; and (iii) pre-planning of procurement activities is essential. The assessment of risks, social and environmental safeguards, and selection of performance indicators were appropriate (ICR, p.8, 22).

Quality-at-Entry Rating: Satisfactory

b. Quality of supervision:

The project team carried out periodical implementation support missions, and it was adequately composed of specialist staff based in Hanoi (i.e., the project team leader, safeguards, fiduciary and procurement specialists) and technical staff from Bank's headquarters in Washington, D.C (ICR, p.22, 23). The ICR p.22 reports that the project team regularly and thoroughly monitored the project implementation progress of each participating province and IA, working with the project management units (PMUs) for capacity building and implementation support. The team also worked closely with the counterparts to identify and develop solutions to issues

encountered during implementation, such as cost inflation, land acquisition, and compensation delays. A standard reporting form was developed to help streamline implementation support for 25 provinces. The project team worked with counterparts to identify fiduciary and safeguard issues in a timely manner, and advised the IAs on options for addressing issues and achieving compliance with the Bank policies. IEG finds that the Bank should have followed through to measure the project's impact on socio-economic development in the rural communities within the project provinces, in particular, for the project of such scope and scale.

Quality of Supervision Rating : Satisfactory

Overall Bank Performance Rating : Satisfactory

9. Assessment of Borrower Performance:

a. Government Performance:

The Government of Vietnam's strong commitment to rural electrification is evidenced by the rapidly increasing electrification of rural households since the early 1990s, with 97.3% of Vietnam's rural households having access to electricity in 2013. The GOV's development strategy envisages that all rural households will have access to electricity by 2020. A number of important milestones for rural electrification were reached during the project implementation, i.e., in 2009 a unified national tariff for all residential consumers was stipulated alongside an incremental block tariff arrangement, with a new life block to protect poor customers, who mostly reside in remote areas. Also, since 2009 financially weak LDUs could be taken over by the PCs, allowing a significant portion of rural distribution assets under the financially weak LDUs to be absorbed by the power companies with more financial and technical capability (ICR, p.23). In 2013, the Government approved the overall program of power supply for unelectrified rural households from the national grid and/or renewable energy sources for the period 2014-2020, with the investment capital needs of \$1.5 billion. The ICR p.23 also adds that the central government guided the provinces to include rural electrification efforts in their social development plan/strategy.

Government Performance Rating Highly Satisfactory

b. Implementing Agency Performance:

The project involved a large number of project management units (PMUs): 29 PMUs throughout the country, including 25 PMUs in 25 participating provinces; three PMUs in three power companies (PCs); and one project management board at the Ministry of Industry and Trade (MOIT) in charge of overall coordination of the project and implementation of the technical assistance component.

PMUs: The ICR p.23 reports that despite difficulties in the early stages of project implementation (including limited experience; insufficient coordination between the power companies and provinces; internal procedures not in place for compliance and monitoring of safeguard, fiduciary and procurement aspects; and price escalation), the PMUs in the participating provinces were able to complete almost all of the planned subprojects, due to their continuous commitment and dedicated project management activities.

PCs: The power companies implemented not only MV grid expansion and rehabilitation, but also LV rehabilitation. Guided by PM Decision No. 21, they also took over of the LV assets originally managed by financially weak LDUs. The ICR p. 24 notes that the PCs continuously assisted the LDUs through technical advice on the operation and maintenance of the local grid system. The PCs, however, faced several implementation issues, including synchronization of MV and LV construction works, and the quality of financial reporting that was an issue throughout the project period (ICR, p.24).

The Project Management Board at the Ministry of Industry and Trade (MOIT) performed satisfactorily in its role of overall coordination of the project and implementation of the TA component, according to the project team.

The ICR p.24 notes proactive participation from communes in the implementation of sub-projects with good technical quality. In each project commune, a public monitoring group was established to support project implementation. It was reported that the quality of construction work was regularly overseen by this PMG. As described by the ICR p. 24, the communities recognize that the LV networks are their own assets, and that the quality of the completed assets will affect their daily life.

Implementing Agency Performance Rating : Satisfactory

Overall Borrower Performance Rating :

Satisfactory

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

a. M&E Design:

The project's indicators were appropriately linked with the intermediate objectives. The key indicators included baseline data and measurable targets set at appraisal (PAD Annex 1). The key performance indicators for the project development objective included: electrification rate in the project provinces, average distribution losses in project LDUs, average cost-recovery rate for power supply in project LDUs, and average commercial efficiency. The ICR p.11 finds that 'good quality' of the electricity services (part of the project development objective statement) should have been defined and included in the performance indicators, as well as several intermediate indicators could have been better quantified by using the latest unit cost information for new connections. In particular, the target values of the length of LV line (32,000 km) and number of households with meters installed (2,700,000) were overestimated because old information on unit investment costs was used in their calculation.

The Results Framework did not include indicators to measure the project's impact on the socio-economic development of rural communities within the project provinces. At appraisal, as per PAD p.1, the poverty impacts of rural electrification were being studied as part of research covering 1,200 households in 42 communes, some of which were supported under the IDA's first Rural Energy Project. While the baseline study had been completed, two studies were anticipated to measure, inter alia, (i) increases in the incomes of households that had access to electricity; and (ii) increase in productive uses of electricity (PAD, p.1).

b. M&E Implementation:

The Bank team worked with counterparts to introduce a template for use of all the implementation agencies to monitor implementation activities. The provincial PMUs and PCs provided quarterly reports, which were collated by the project management board at the Ministry of Industry and Trade (MOIT) and reported to the Bank (ICR, p.11).

c. M&E Utilization:

The ICR p.11 reports that the indicators were effectively used to evaluate the timeliness of the project implementation, decide on actions to remedy implementation delay, and help timely decision making for the AF.

M&E Quality Rating: Substantial

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, OP4.10 Indigenous People.

Environmental Assessment: The ICR p.12 reports that the project team consistently rated environmental performance as satisfactory during project implementation, and there were no outstanding environmental safeguard issues. Potential impacts identified for the rehabilitation and installation of LV and MV lines and associated transformers were localized soil erosion, dust, noise, and solid waste management, and were considered minor to moderate and manageable. The sub-projects' environmental assessment and environmental management plans were prepared in line with the EVN's Environmental Guidelines and Framework (EG&F) and included detailed practical mitigation measures and estimated budgets for their implementation, institutional responsibilities, monitoring plans, and capacity building for environmental management and supervision. The EMPs were implemented satisfactorily as confirmed by the PMUs and the independent safeguards consultant in project progress reports (ICR, p.12).

Social safeguards. The negative impacts of project activities were considered minor because most of the lines were rehabilitated from the existing ones. A small volume of land acquisition was required for the new alignments and substations. The ICR p.12 reports that the implementation agencies managed land acquisition and compensation activities in line with the construction schedule. Overall, the acquisition and resettlement activities implemented by the provincial PMUs (usually led by a vice-chairperson of the Provincial People's Committee) were implemented more smoothly than those implemented by the power companies. A number of difficulties encountered during

Implementation included lack of cooperation of local authorities in some provinces, illegal encroachment of local people to pre-defined right-of-ways, long negotiations between investors and affected households on compensation package, and initial lack of cooperation from the affected communities. At project closure, the implementing agencies mobilized independent monitoring consultants who assessed the implementation of social safeguard instruments, such as the Resettlement Plan and the Ethnic Minorities Development Plan. The overall compliance with social safeguard policies triggered by the project was assessed as 'satisfactory' (ICR, p.12).

b. Fiduciary Compliance:

Procurement. The ICR p.13 reports that project implementation performance for procurement was rated satisfactory. The project included more than 1,000 contracts and complex decentralized arrangements for procurement. Procurement processes for these contracts were managed by 29 PMUs located throughout the country. With the exception of contracts tendered during the price escalation period, the bidding of most contracts resulted in cost savings of 10-15 percent compared with the cost estimates. Procurement issues during implementation included: (a) weak procurement capacity of some PMUs, in particular early in project implementation; (b) inadequate understanding of Bank procurement guidelines by a number of provincial agencies responsible for review and clearance of PMU procurement decisions; (c) weak contract management capacity in some provinces; (d) the nature of works-small and scattered in remote rural areas-failing to attract strong and capable contractors; (e) the unavailability of construction sites in some provinces at the timing required in contracts. However, as the ICR p.13 reports, this situation improved during implementation.

Financial management. As described by the ICR p. 13, the project financial management system and arrangement provided adequate assurance for the use of project funds for intended purposes. The issues identified during implementation included varied capacity at province PMUs to follow basic financial reporting and internal control procedures. As subsequently was clarified by the project team, it was recommended that the quality of financial reporting performance and oversight could be improved by (i) establishing an internal audit function and (ii) including accounting/financial reporting experts in the regular supervision missions to strengthen the control environment over accounting and financial reporting. There were cases of lost materials or diversion of materials outside the project in one province, and of goods consigned to third party warehouses without valid documentation to secure the consignment in another province. At the end of the project, the two provinces were prepared to refund for these materials with a total refund amount of about \$ 36,700 (VND 772 million) to the Bank upon receipt of invoices from LOA client service (ICR, p.13).

c. Unintended Impacts (positive or negative):

d. Other:

12. Ratings:	ICR	IEG Review	Reason for Disagreement / Comments
Outcome:	Satisfactory	Satisfactory	
Risk to Development Outcome:	Moderate	Moderate	
Bank Performance:	Satisfactory	Satisfactory	
Borrower Performance:	Satisfactory	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:

Two lessons are selected from the ICR, with some adaptation of the language:

- **Strong Government's commitment and ownership is essential for the success of the project** . The Government of Vietnam's strong commitment to rural electrification was the most important element for achieving the results.
- **Flexible phased approach design could help adjust to changing circumstances and use the project funds more efficiently** . Flexibility is particularly important for project design involving a large number of infrastructure sub-projects, and varying institutional and financial capacity of multiple implementing agencies.
- **Involving local authorities is critical for safeguard activities** . Under this project, land acquisition and resettlement activities required under investments were implemented by the provincial project management unites more smoothly than those implemented by the Power Companies.

14. Assessment Recommended?

Yes No

15. Comments on Quality of ICR:

The ICR is concise and outcome oriented. The quality of evidence is adequate. The ICR provides insightful explanations for important elements of the implementation experience. The ICR would have benefitted from a more succinct presentation of the project lessons. There was an error in reporting the EIRR at completion in the main text (p.18), which is 17.5%, according Table A3-1 of Annex 3 on p. 36.

a.Quality of ICR Rating: Satisfactory