



1. Project Data:		Date Posted : 08/22/2002	
PROJ ID: P004832		Appraisal	Actual
Project Name: Highway Rehab	Project Costs (US\$M)	176.00	186.67
Country: Vietnam	Loan/Credit (US\$M)	158.50	145.29
Sector(s): Board: TR - Roads and highways (70%), Other social services (17%), Ports waterways and shipping (7%), Central government administration (6%)	Cofinancing (US\$M)	0.00	14.91
L/C Number: C2549			
	Board Approval (FY)		94
Partners involved : DANIDA	Closing Date	12/31/1999	12/31/2001

Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components

a. Objectives

- (a) **Raise overall economic efficiency** and support economic recovery by upgrading critical segments of the national highway network;
- (b) **Transfer modern road technology** to relevant agencies through technical assistance and training;
- (c) **Strengthen highway maintenance capacity** by providing technical assistance and equipment; and
- (d) **Lay the groundwork for a longer term collaboration between Vietnam and IDA in the transport sector** .

b. Components

- (i) Civil works involving the rehabilitation of two sections of the country's main road (Highway 1A) from Hanoi south to Vinh (279 km) and from Ho Chi Minh City south to Can Tho (151 km), and associated resettlement of households and businesses;
- (ii) New ferries and rehabilitation of existing ones, as well as improved ferry operations at the two river crossings of My Thuan and Can Tho in the Mekong Delta;
- (iii) Maintenance equipment for the RRMUs and equipment for the design and quality control of road construction and maintenance;
- (iv) Institutional strengthening / reform and transfer of technology components that include technical assistance and training for the RRMUs and training for highway personnel; and
- (v) Studies to improve the sector and to select and prepare future road investment programs .

c. Comments on Project Cost, Financing and Dates

Early during project implementation the Danish International Development Agency (DANIDA) offered to finance component (ii), the improvement to ferry services, which freed \$ 8.5 million to construct a road bypass along the Hanoi South Development Corridor (HSDC) of Highway No. 1. The project closing date was extended to accommodate the additional works related to this bypass .

3. Achievement of Relevant Objectives:

This was the first transport project financed by the Bank in Vietnam, and it was designed to build capacity at all levels of the road sector, as well as to implement physical objectives of high priority . Despite unfamiliarity with Bank procedures, and the harmful effects of the Asian economic crisis, the borrower substantially achieved its development objectives -- and did so within budget:

- (a) Economic gains from upgrading the national highway network
 - The physical works have resulted in reduced transport costs, congestion, and travel times along critical segments of the national highway network . While road traffic has risen less quickly on project roads than was expected, the overall rate of return on these investments is 38% (versus 89% at appraisal), which is still adequate.

- (b) Transfer modern road technology; and (c) Strengthen highway maintenance capacity
 - Project activities related to institutional development were substantially completed . Management training, while delayed, provided new concepts that have been adapted to the requirements of Vietnam . Improved national standards were issued for design of flexible pavements, bridge design, and road design . Highway maintenance equipment provided under the project is used regularly to monitor national highways and has increased road agencies' capacities to plan and execute maintenance activities .
- (d) Lay the groundwork for collaboration with IDA
 - This objective has largely been achieved, with a substantial dialogue created under the project on key areas of technical and institutional reform . The fourth in a series of IDA-financed highway projects is currently under preparation .

4. Significant Outcomes/Impacts:

In addition to the capacity increases, there is now a substantial dialogue to address road maintenance issues .

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

- (a) According to the ICR (p.10), there were serious issues throughout with the implementation of resettlement activities which the review judges to have amounted to flawed compliance with the Bank's resettlement policy, an important safeguard, noting:
 - Poor management of resettlement activities (including funding of payments and internal control) was an ongoing issue throughout the project and caused serious delays .
 - Late handing-over of sites by the Employer, resulting in rescheduling of works and contracting delays, especially on HSDC (which was delayed by almost two years).
 - In some areas, residents were not satisfied with the resettlement compensation or alleged not to have received it. At times, they physically interfered with project work and even damaged equipment . The ICR did not discuss the impact study of resettlement - SAR, 5.1 (f)
 - Failure of MOT to make timely payments to PAPs, and ensure cooperation with the contractors .
- (b) Cash was used for compensation for Project Affected Persons (PAPs), an expenditure ineligible under the credit. Funds disbursed by the implementing agency for these expenses total approximately \$ 7.2 million and had yet to be refunded to IDA when the ICR was submitted (June, 2002).

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Satisfactory	
Institutional Dev .:	Modest	Modest	
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Unsatisfactory	The Borrower failed to comply fully with the Resettlement and Rehabilitation Action Plan, failed to make timely payments to PAPs, and disbursed a substantial amount of ineligible expenses .
Quality of ICR :		Satisfactory	

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

7. Lessons of Broad Applicability:

- The Bank should review its reimbursement procedures to provide better oversight and avoid the project experience (US\$7.2 million of ineligible funds were disbursed before the Bank intervened) .
- The Bank should be cautious when using "Design and Construct" contracts, which require potential contractors (and the implementing agency) to prepare and review bids on the basis of preliminary engineering and feasibility studies alone. Contractors that may have limited experience and capacity become responsible for soil investigations, evaluation of results, detailed design, as well as construction . This has the potential to create conflicts of interest and greatly increases the burden of supervision for the employer and supervising engineer . For example, the incentive is often to reduce costs by reducing the amount of geo -technical investigations and soil improvements, which can lead to under design and poor performance of the road structure .

8. Assessment Recommended? Yes No

Why? This project should be audited as part of a cluster of other projects in the region . It is the first Bank transport sector project in Vietnam, and the resettlement and financial safeguard issues should be reviewed in more detail to ensure successful progress with future projects in the country .

9. Comments on Quality of ICR:

Satisfactory overall, but would have been improved by more adequate compliance with OD 4.30 on Involuntary Resettlement ("The project completion report submitted to the Operations Evaluation Department should evaluate resettlement and its impact on the standards of living of the resettlers and the host population").

