



## Evaluation Information Brief

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Processing and Implementation Lessons  
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### Lessons from Processing and Ongoing Implementation of Loan 2273-VIE(SF): Emergency Rehabilitation of Calamity Damage Project

Independent Evaluation Department

Asian Development Bank

## ABBREVIATIONS

ADB	–	Asian Development Bank
EA	–	executing agency
EAL	–	emergency assistance loan
DMC	–	developing member countries
IED	–	Independent Evaluation Department
SES-PPPC	–	Special Evaluation Study on Project Performance and the Project Cycle

## NOTES

In this report, "\$" refers to US dollars.

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## Introduction

Incessant storms and floods during June–October 2005 caused exceptional damage to rural infrastructure in several provinces of Viet Nam. In response to the Government's request for emergency assistance, the Asian Development Bank (ADB) carried out a damage and needs assessment in early 2006, and approved a loan of \$50.97 million in November 2006 for the Emergency Rehabilitation of Calamity Damage Project.<sup>1</sup> Two years later, the Board approved a supplementary loan in the amount of \$25.5 million, in December 2008.<sup>2</sup>

As a follow-on to the Special Evaluation Study on Project Performance and the Project Cycle (SES-PPPC),<sup>3</sup> the Independent Evaluation Department (IED) undertook a real-time case study (the Study) of the ongoing implementation of the Project through a desk review and field visits to Viet Nam in February 2009. The purpose of the Study was to draw lessons and provide recommendations to improve the design and implementation of future emergency projects.

## Summary Findings of the Study

The Study assessed the performance of the Project during the various phases of the project cycle against the success factors identified in the SES-PPPC.<sup>4</sup> For 7 of the success factors, namely proper loan modality, adequate technical analysis, adequate and rigorous supervision by ADB during initial implementation, project start-up issues and delays, consultant recruitment and performance, risk mitigation for unforeseen institutional and political factors, and unforeseen technical factors, the performance of the Project is rated *unsatisfactory*. For 3 of the success factors, namely appropriateness of project scope, capacity building and ownership measures, and ADB internal review process, the performance of the Project is rated *partly satisfactory*. For 6 of the success factors, namely relevance and selection of original project proposal, appropriateness of social design, appropriateness of implementation arrangements, proper knowledge of ADB procedures in the executing agency (EA) and implementing agencies, contractor performance during implementation, and client ownership and competence, the performance of the Project is rated *satisfactory*. Overall, actions to date on the Project are rated *partly satisfactory*.

**Relevance and ADB Response.** The 2005 storms and floods in Viet Nam were not unusual; they happen repeatedly every year, inflicting varying degrees of damage. The Project was relevant to Viet Nam's needs after the damage inflicted by the 2005 storms, but ADB response could have been better conceptualized and formulated. By the time ADB fielded the damage and needs assessment mission, the "emergency" was much less pronounced, and ADB could have taken the required time to provide a more appropriate assistance package. The need for expeditious utilization of loan savings from ongoing ADB projects in Viet Nam appears to have strongly influenced the scope and the overall approach of the Project as designed.

**Need for Supplementary Loan.** During the fact-finding mission for the supplementary loan in August 2008, of the 47 priority subprojects to be funded under the Project, the contracts

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<sup>1</sup> ADB. 2006. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Viet Nam for the Emergency Rehabilitation of Calamity Damage Project*. Manila.

<sup>2</sup> ADB. 2008. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Viet Nam for the Emergency Rehabilitation of Calamity Damage Project (Supplementary)*. Manila.

<sup>3</sup> ADB. 2008. *Special Evaluation Study on Project Performance and the Project Cycle*. Manila (considered by the Development Effectiveness Committee on 8 October).

<sup>4</sup> The SES-PPPC identified 17 common factors that affect project success based on an analysis of 115 project completion reports covering different sectors in several ADB developing member countries.

for civil works of 12 (amounting to \$9.3 million) were still to be awarded. Excluding these subprojects from ADB funding would have made available the \$9.3 million for accommodating the price escalation (estimated at \$10 million) in the remaining, ongoing 35 subprojects, allowing their completion without the need for a supplementary loan.<sup>5</sup>

**Unclear Loan Modality.** The Project was conceptualized as an emergency assistance loan (EAL), processed in a “sector-like” manner, but implemented like a project loan, with the result that the features of all three modalities became somewhat mixed up during processing and implementation. If the sector approach had been pursued correctly, ADB assistance could have made a better impact by concentrating on building capacity, both physical and institutional, to provide measured and appropriate responses to natural calamities in the future. Given that loan processing took more than 10 months, there was sufficient opportunity to pursue a proper sector policy dialogue for building the country’s capacity to improve preparedness and to build enduring protection works (through well-designed advisory technical assistance). It is not evident in either report and recommendation of the President that such policy dialogue was undertaken. In addition, the Project may not have complied satisfactorily with the requirements of an EAL. The EAL is designed to mitigate immediate losses of priority assets, capacity, or productivity and not to provide relief or comprehensive reconstruction (*some of the subprojects under the Project entail comprehensive reconstruction*). An EAL should be used exclusively for prompt restoration of services and should not attempt to address medium- to long-term economic rehabilitation projects (*the sea dikes and the 24 kilometer road reconstruction subprojects under the Project cannot be classified as restoration of services of an immediate short-term nature*).

**Weak Project Design.** Project design was weak from the beginning. ADB assistance, instead of concentrating on specific infrastructure needs or on a smaller number of worst-affected provinces, was spread thin throughout a large number of subprojects scattered over 10 widely separated provinces. Further, there is no evidence that preliminary risk quantification was made to establish the priorities of rehabilitation and choose the most optimum and effective subprojects for repair. Even if there was no project preparatory technical assistance, since the loan was conceptualized as an EAL, a quick technical analysis was needed. This should have been possible given that more than 10 months were available from the initial request for assistance to loan approval—enough time to carry out a quick technical analysis.

By the time ADB funds were available, the “emergency” aspect of the Project had significantly diminished, as evidenced by the Government itself having undertaken and completed 16 of the priority subprojects (which must have been those qualifying as more “urgent” and needing emergency assistance) using its own resources. If this fact had been given due consideration at the time of the Management Review Meeting in October 2006, the loan could have been more appropriately designed.

**Unreliable Cost Estimates.** Feasibility reports, let alone detailed designs, were not prepared until after the original loan was approved in November 2006, resulting in unreliable cost estimates at the time of needs assessment. No designs of rehabilitation works were available at the time of project preparation, and the cost estimates were based on government norms (rough order-of-magnitude costs based on rules of thumb) generally adopted in prefeasibility assessment for investment planning. These are not suitable for estimating individual subproject costs, especially when the financing plan does not include physical contingencies. At least a few typical subprojects, one of each kind, should have been selected

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<sup>5</sup> The regional department holds that the contracts for the 12 subprojects had already been initiated. IED is of the view that ADB could have opted to leave financing of these subprojects to the Government.

and preliminary designs carried out to establish the costs including physical contingencies and to extrapolate the data for other similar subprojects in order to arrive at a more reliable basis for project costs. In such a case, the absence of physical and price contingencies in the financing plan would have been less critical.

**Slow Project Implementation.** Project implementation arrangements may not have been as robust as would be appropriate for EAL projects. While the EA might be among the better ones, with a record of handling internationally assisted projects, it was short of expertise in dealing with civil works projects. Despite the availability of an initial imprest account amount of \$4.0 million in July 2007, the EA was unable to use these funds because of lack of a formal notice from the Ministry of Finance. In EALs, a more direct disbursement arrangement for loan funds may need to be insisted upon by ADB. Board approval for the loan was sought urgently in order not to “miss out on the ‘current’ construction season,” but by the time ADB funds became available, the construction season had already passed, a new storm and typhoon season had begun, and additional damage was caused at many subproject sites.

The coordination and monitoring of 113 contracts spread over 10 provinces is difficult, given the limited resources and technical constraints faced by both ADB and the EA. Project control would have been much more effective, and perhaps cost effective, if the largest components of the Project had not been spilt into several small contract packages. Besides simplifying project administration and monitoring, significant savings might have resulted from mobilization costs of a smaller number of contractors.

**Delayed Consulting Services.** Selection of the international implementation consultants was considerably delayed, partly due to lack of timely replacement of the retired ADB task manager. As a result, consultants were fielded more than a year after loan effectiveness, despite the provision made for advance action and retroactive financing of international consultant services. The provision made in the loan agreement permitting advanced procurement action is not particularly useful in Viet Nam for publicly funded projects, because the Government does not allow procurement-related action prior to actual availability of funds (allocation) for a project. Many subproject designs had been completed by domestic consultants engaged by the Department of Agriculture and Rural Development and by the provincial project management units and contracted without being reviewed by the international consultants. In the absence of proper risk assessment, it is not clear whether the engineering designs of the subprojects are the most appropriate. The quality of work carried out by the consultants, both domestic and international, has been criticized by ADB review missions, but no corrective steps have been ensured.

**Comparison of the Project with Other Emergency Projects.** Eleven completed emergency projects approved over the last ten years showed time elapsed of 12 weeks on average from needs assessment to approval as compared with the much longer period of 34 weeks for the Project (see Appendix). This was also much higher than the 12 weeks allowed under the ADB Disaster Emergency Assistance Policy (DEA Policy). Implementation time for the originally envisaged 47 priority subprojects is now expected to be 3.7 years which is comparable with the average time from approval to loan closing of the other emergency projects; however, this is considerably more than the 2 years allowed under the DEA Policy.

**Current Project Status.** Contract awards and disbursements have gained momentum since mid-2008. A significant number (43 of the 47 subprojects) are now projected to be completed by the end of 2009, and the remaining 4 subprojects by June 2010, about 4.8 years after the original government request for emergency assistance.

## Lessons Identified

Emergency assistance requests should be quickly assessed to establish if there is a real emergency and responded to promptly with appropriate small-scale help that will provide most urgent relief, and that can be dispensed with a minimum of procedural blocks and bureaucratic controls.

Project preparatory work should be thoroughly done. It was questionable in the case of the Project because of the unclear loan modality and other issues cited above. Many of the issues remained even up to the time of Board consideration. This raises an important question about the quality at entry of the Project. Furthermore, advance procurement action was not permitted by the Government until funding for the Project was assured (viz., loan effectiveness), yet advance procurement was included, possibly leading to unrealistic expectations concerning implementation.

Change of guard involving key ADB staff responsible for project implementation, without ensuring immediate suitable replacement, is detrimental to effective project implementation (not providing immediate replacement of the mission leader who retired from ADB, was a major setback for initial implementation performance).

## Recommendations

For emergency projects, timeliness of the assistance is critical; hence streamlining and expediting ADB and government internal processes should be considered without compromising due diligence.

ADB should use a calamity damage request by a DMC as an opportunity to help the DMC build a long-term approach to disaster management. ADB should separate emergency assistance into a relief component and a rehabilitation component. The relief component of emergency assistance should be provided quickly, with minimum design constraints, but the rehabilitation component should be formulated with medium- to long-term strategic objectives.

Calamity disaster rehabilitation assistance should preferably be designed as sector-type loans, with complete flexibility in the choice of subprojects left to the Government as long as there is agreement on properly defined eligibility criteria and compliance with ADB regulations on procurement and safeguards. But the loan should include medium- to long-term strategic objectives. Such assistance should be followed up with efforts to build up long-term capacity and institutional structures to predict, prepare for, and manage calamities and disasters in an organized, cost-effective, and sustainable manner.

Large-scale ADB assistance for disaster management should be focused on developing long-term capacity building to combat natural disasters. Besides building enduring defense and protection works, the assistance should also focus on long-range forecasting of storms and nationwide warning systems.

## Milestones of Loan 2273-VIE(SF) Compared with Other ADB Emergency Loan Projects

Benchmark 1: "12 weeks or 84 days from Needs Assessment to Approval" (OM D7/OP para. 13)

Benchmark 2: " Specified time frame for implementation normally up to 2 years" (DEA Policy of 2004)

Loan DMC No.	Loan Title	Date of Needs Assessment	Date of Approval	Needs Assessment to Approval (Weeks)	Approval to Loan Closing (Years)
VIE 2273-01	Emergency Rehabilitation of Calamity Damage Project	27-Mar-06	21-Nov-06	34	3.7 <sup>a</sup>
VIE 2273-02	Emergency Rehabilitation of Calamity Damage Project		8-Dec-08		
<b>Other Emergency Loan Projects</b>					
BAN 2156	Emergency Flood Damage Rehabilitation Project	24-Sep-04	20-Jan-05	17	2.9
BAN 1666	Flood Damage Rehabilitation Project	5-Oct-98	18-Dec-98	11	3.2
BAN 1825	Southwest Flood Damage Rehabilitation Project	30-Oct-00	21-Dec-00	7	3.5
CAM 1824	Emergency Flood Rehabilitation Project	2-Nov-00	21-Dec-00	7	5.1
IND 1826	Gujarat Earthquake Rehabilitation and Reconstruction Project	12-Feb-01	26-Mar-01	6	6.7
KGZ 2045	Emergency Rehabilitation Project	9-Sep-03	11-Dec-03	13	4.1
PRC 1685	Northeast Flood Damage Rehabilitation Project <sup>c</sup>	1-Dec-98	22-Apr-99	20	4.7
TAJ 1714	Emergency Flood Rehabilitation Project	17-Aug-99	2-Dec-99	15	3.3
TAJ 1852	Emergency Restoration of Yavan Water Conveyance System Project	15-Jul-01	30-Oct-01	15	2.4
TAJ 1912	Emergency Baipaza Landslide Stabilization Project	12-Jun-02	10-Sep-02	13	3.3
VAN 1684	Cyclone Emergency Rehabilitation Project	2-Mar-99	20-Apr-99	7	1.7
<b>Average Days for Other Emergency Loan Projects</b>				<b>12</b>	<b>3.7</b>

DEA = Disaster Emergency Assistance; na = actual date not available in project document or not applicable; No. = number; OM = Operations Manual.

<sup>a</sup> The original loan closing date for Loan 2273 is 31 December 2009 and the revised loan closing date is 30 December 2011. For Loan 2273, 30 June 2010, which is when the 47 subprojects are projected to be completed has been used as the "loan closing date". For the other emergency loans, actual loan closing date is used.

Source: Independent Evaluation Department.