

MANAGEMENT RESPONSE TO THE SECTOR ASSISTANCE PROGRAM EVALUATION FOR THE TRANSPORT SECTOR IN VIET NAM

On 8 September 2009, the Director General, Independent Evaluation Department, received the following response from the Managing Director General on behalf of Management:

I. General Comments

1. We appreciate IED's comprehensive and balanced Sector Assistance Program Evaluation (SAPE) for the Transport Sector in Viet Nam. The SAPE provides valuable guidance for prioritizing, designing, and implementing ADB's future technical assistance (TA) and lending operations in the sector. We agree with the SAPE's overall assessment that ADB assistance to the transport sector has been "successful". We also agree with the overall top-down rating as "successful" and the overall bottom-up rating as "partly successful". The SAPE has identified a number of important lessons that need to be taken into account to ensure the future success and sustainability of ADB's operational programs in the sector.

II. Comments on Specific Recommendations and Follow-Up Action

2. **Recommendation 1. In light of expanding transport sector operations, develop a governance plan that will comprehensively address the institution building and organizational changes required to mitigate the risks of the current institutional arrangements.** We agree. Drawing upon the SAPE's findings and recommendations, a capacity development TA will be prepared to strengthen institutional arrangements, operation and maintenance planning, and governance in the transport sector. This TA will focus on the roles, functions, and responsibilities of the Ministry of Transport (MOT) and its line agencies in the sector.

3. **Recommendation 2. Consider providing "real-time" advisory support to the Government for new areas of interventions, such as private sector participation in investments.** We agree. Real-time advisory support is important. The SAPE recommends practical support for public-private partnerships (PPPs) as one of the priority areas of assistance in the transport sector. The World Bank conducted a PPP study to assist MOT in formulating a strategy for the development of PPPs in the road subsector. ADB will work with the Government to identify a highway project structured as a PPP by the end of 2010, and utilize the World Bank's PPP study to design the project and provide institutional capacity support to prepare and implement the project as a PPP.

4. **Recommendation 3. Through close cooperation with other development partners, improve the sustainability of projects by gaining Government commitment to maintenance funding.** We agree. In Viet Nam, the Government is very focused on the construction of the national expressway network, but places less emphasis on preparing plans to meet long-term operation and maintenance financing requirements. Since road assets are rapidly increasing, establishment of a dedicated fund for operation and maintenance is an urgent issue. Also, there is a lack of data on the maintenance of provincial

and rural roads. Collecting data on road conditions is the first step toward developing a national road and highway maintenance program. ADB will continue to coordinate with the Japan International Cooperation Agency and the World Bank to encourage the Government to strengthen institutional capacities and funding for road operation and maintenance.

5. Recommendation 4. Review bidding arrangements to ensure that underbidding does not adversely affect project performance and that transparency is maintained in contracts with equitized state-owned enterprise (SOE) sector. As of now, there does not appear to be a need to review bidding arrangements. After ADB restricted the eligibility of SOE contractors owned by MOT for procurement on ADB-financed projects, ADB has not seen evidence of underbidding. Rather, due to recent general escalations of prices, winning bids have been close to and sometimes exceeded the cost estimates. Therefore, we do not believe measures such as minimum bid price criteria to prevent underbidding are currently necessary. This said, we will continue to monitor the situation, and if necessary, carry out a review of bidding arrangements.

There are still many MOT-owned contractors in Viet Nam and the emergence of large private contractors has been constrained by a number of factors. For contracts tendered under international competitive bidding, most international contractors seek to subcontract with national contractors, some of which remain fully or partially owned by MOT. In the context of improving the procurement system as a whole, there is scope to develop regulations on subcontracting with SOE contractors to ensure transparency in the selection process and to avoid conflicts of interest between the employer (MOT and its line agencies) and the SOE contractors.

6. Recommendation 5. Reassess current staffing requirements at both ADB Headquarters and VRM to ensure that the expanding transport portfolio is appropriately resourced. We agree. ADB is taking steps to fill vacant positions for transport specialists at Headquarters and VRM. We also propose to strengthen project administration capacity at VRM by establishing a transport sector unit.