

Evaluation Approach

Project Performance Evaluation Report for Loan 1564-VIE(SF): Rural Infrastructure Sector Project in Viet Nam 12 November 2008

Team Leader: Christine Infantado, Portfolio Evaluation Officer (email: cinfantado@adb.org)
Contact: evaluation@adb.org

A. Background

1. Rural development and agriculture are critical to Viet Nam's development as 90% of its poor live in the rural areas. Majority of the rural population is engaged primarily in agricultural activities, which account for 22% of the gross domestic product and 60% of employment in 2006.¹ There was significant growth in agricultural production in Viet Nam between 1991 and 1995. This growth has not been even between all parts of Viet Nam, with the central, coastal, and mountainous areas lagging behind the south and delta areas of the country.² A large proportion of rural population remains poor. Linked to the high level of poverty in the rural area, is the generally poor condition of the infrastructure serving them. Much of the existing infrastructure were directly damaged by the war, or had deteriorated over time. Also, capital investment in infrastructure has been limited due to economic isolation, and long periods of fiscal constraint.

2. The Government of Viet Nam, in its Eight Party Congress Decision in July 1996, placed priority on programs aimed at poverty alleviation, thus focusing on the rural areas of the country.³ In support of this, the theme of Asian Development Bank's (ADB) 1995 country operational strategy for Viet Nam was sustainable growth with equity.⁴ To fulfill this goal, ADB's strategic objectives were geared towards promoting efficient economic growth, poverty reduction, and environmentally sound development. As rapid economic growth is the most important means for reducing poverty in Viet Nam, this must include rural development where 90% of poverty occurs. This prompted the Government of Viet Nam to request ADB's assistance in preparing a sector project for rural infrastructure upgrading and improvement with a special focus on poorer provinces.

3. The Rural Infrastructure Sector Project (the Project) was formulated under a project preparatory technical assistance (PPTA) financed by the Asian Development Bank (ADB) and the Food and Agriculture Organization of the United Nations (FAO/IC) on a grant basis.⁵ The Project was designed as a sector loan to achieve maximum positive economic and poverty-reducing impact by taking up a wide range of readily identifiable and implementable rural infrastructure works from as many provincial development plans as possible, given the funds

¹ World Bank. 2006. *Accelerating Rural Development in Vietnam*. Washington, DC.

² ADB. 1997. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Socialist Republic of Viet Nam for the Rural Infrastructure Sector Project*. Manila.

³ The decision directed that 70% of public investments towards the country's rural areas.

⁴ ADB. 1995. *Country Operational Strategy: Viet Nam*. Manila.

⁵ ADB. 1996. *Technical Assistance to the Socialist Republic of Viet Nam for the Rural Infrastructure Sector Project*. Manila (TA 2635-VIE, for \$600,000, approved on 28 August).

available. At the PPTA stage, twelve subprojects had been identified by the Government. Six of these subprojects in three provinces had been prepared to the feasibility level by FAO/IC. The first subprojects to be taken up under the Project were selected from these six subprojects.

4. The Project was approved on 23 October 1997.⁶ Apart from ADB, the Agence Française Développement (AFD)⁷ cofinanced the Project. A grant-financed advisory technical assistance (ADTA) was approved separately to assist the Government in preparing and testing training modules aimed at strengthening the capabilities of national and provincial level staff in planning, design, construction and O&M of rural infrastructure.⁸ Basic data for the Project is provided in Appendix 1.

B. Project Design and Implementation

5. The Project's objectives were to improve basic infrastructure in the rural areas to enhance agricultural and off-farm production, improve personal incomes, enhance access to markets and basic services, and reduce poverty within a wide coverage of the rural areas of Viet Nam. To achieve these objectives, the Project (with estimated cost of \$150 million) had three components: (i) rural civil works, under which the funding of priority provincial subprojects were to take place (96% of project cost); (ii) project management support to assist the national government in administering, guiding, and monitoring project implementation by the provincial governments (3% of project cost); and (iii) subproject preparation assistance that would provide funding to provincial governments in the preparation of the subprojects for inclusion in the Project (1% of project cost). The components were to be implemented through the provision of: (i) civil works (rehabilitation, upgrade or new construction) for rural roads, irrigation and drainage, water supply, markets, and fertilizer storage facilities; (ii) consultancy services to assist in project management and subproject preparation; (iii) vehicles and equipment; (iv) training courses (through the ADTA); (v) surveys, investigations and designs; and (vi) other operating expenses. At appraisal, the Project was classified as Category B on environmental aspects. Initial environmental examinations had been carried out for the sample subprojects and the impacts were expected to be minor.

6. The Ministry of Agriculture and Rural Development (MARD) was the executing agency. The individual provincial governments were the implementing agencies for the subprojects. The central Project management unit (CPMU) in MARD was responsible for the overall Project management and liaison with ADB, as well as the technical appraisal of the subprojects, the management of subproject financing, and the monitoring of subproject implementation. The CPMU work was guided and supervised by a national Project steering committee.⁹ The work of the committee focused on policy and implementation matters only. At the provincial level, provincial steering committees were also appointed to supervise subproject implementation.

C. Major Findings of the Project Completion Report

7. The project completion report (PCR) circulated in October 2006 rated the Project as satisfactory based on ratings of highly relevant, highly effective, efficient, likely sustainable

⁶ ADB. 1997. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Socialist Republic of Viet Nam for the Rural Infrastructure Sector Project*. Manila.

⁷ Formerly known as *Caisse Française de Développement*.

⁸ ADB. 1997. *Technical Assistance to the Socialist Republic of Viet Nam for the Training for Rural Infrastructure Development*. Manila (TA 2838-VIE, for \$1,000,000, approved on 11 August).

⁹ The committee was chaired by a vice minister from MARD and representatives from the Ministry of Planning and Investment, the Ministry of Transport, the Ministry of Finance, and the State Bank of Viet Nam.

project initiatives, and with positive impact on institutional strengthening and socioeconomic conditions in the target provinces.¹⁰ The PCR indicated that though the overall project goal was ambitious,¹¹ the lower-level objectives were realistic and, in most cases exceeded during implementation. Under the first component (rural civil works), actual costs were \$144.76 million against an appraisal estimate of \$141.0 million. Achievements at completion under this component were: (i) 1,887 kilometers (km) of rural roads rehabilitated through 83 subprojects against appraisal estimates of 60 alignments totaling 1,500 km; (ii) 63 irrigation schemes servicing a command area of 60,314 hectares rehabilitated compared with appraisal target of 20,000 hectares; (iii) safe drinking water supplies established by means of 31 schemes serving a population of 1.53 million compared with the appraisal estimate of providing clean water to 0.50 million people; (iv) 15 rural markets established against an appraisal estimate of 50 district-level markets.

8. The second component (project management) provided the necessary resources to the CPMU to implement the project and to finance technical support services. Actual costs under this component were \$2.79 million against an appraisal estimate of \$4.9 million. Substantial consulting services provided were directed at building the capacity of the national and provincial staff of MARD. With the available resources from the associated ADTA (footnote 8), more than 2,000 individuals were trained¹² as against appraisal estimates of 180 provincial staff and 30 national staff.

9. At appraisal, the third component (subproject preparation assistance) was to provide resources for the preparation of feasibility studies for the subprojects. However, at midterm review (MTR), ADB and the Government agreed that the funding for feasibility studies should be treated as investment costs and therefore included in the first component as design, supervision and construction of infrastructure. The funds for this component were then approved to be used for (i) training officials in the five weakest provinces so as to facilitate more rapid implementation, (ii) funding additional training in participatory O&M for provincial staff and beneficiaries involved with rehabilitated irrigation schemes, and (iii) developing capacities for benefit monitoring and evaluation (BME). Total expenditure incurred under this component was \$1.41 million against an appraisal estimate of \$2.0 million.

10. The PCR found the Project initiatives to be consistent with Government and ADB strategic development objectives of poverty reduction by means of economic growth and improved human resource development. The need to rehabilitate essential rural infrastructure with limited resources available to provincial administrations were taken into account in the design of the project. The Project also included consultation with stakeholders and project beneficiaries as to the approval of individual subprojects, thus raising awareness. To ensure project sustainability, the PCR recommended that the Department of Agriculture and Rural Development and departments of transport carry out annual monitoring of the conditions of the rehabilitated infrastructure and its use.

11. The associated TA was rated partially successful as its main objectives were not fully achieved. The TA was to provide training national and provincial-level staff in project

¹⁰ ADB. 2006. *Completion Report: Rural Infrastructure Sector Project in Viet Nam*. Manila (Loan 1564-VIE[SF], approved on 4 October).

¹¹ One of the four project goals was to reduce the number of poor households from more than 50% of rural population in Viet Nam to 25% by 2010.

¹² Trainings were provided on the following: (i) managing the development of rural infrastructure, (ii) financial management, (iii) project management, (iv) technical aspects of implementation, and (v) computer literacy.

management and technical issues associated with infrastructure development and in the social assessments, environmental impact assessments, and economic and financial analyses required for feasibility studies. The training program itself was ambitious and covered a wide range of subjects that made assimilation more difficult. For the provincial staff to use the skills gained from the training and undertake analyses, would be unrealistic.

D. Issues to be Dealt with by the Project Performance Evaluation Report (PPER)

12. This PPER will assess the relevance, effectiveness, efficiency, and sustainability of the Project, and identify lessons and good practices that could be used in formulating and implementing similar projects in the future. This PPER will also highlight follow-up actions, which would help ensure the Project's sustainability. This PPER will follow the Guidelines for the Preparation of Performance Evaluation Reports for Public Sector Operations.

13. In the process of evaluating this Project, the OEM will focus on the following issues:

- (i) **Strategy on Inclusive Development.** The OEM will assess the relevance of project at design and during implementation and consistency with the ADB and Government's strategies. The Project design was wide-ranging in both sectoral and geographic scope. The OEM will conduct key informant interviews with concerned Government officials and beneficiaries in assessing project relevance. Also, the OEM will assess whether the project design was then the best means of addressing the rural infrastructure needs in the country with reference to strategy of ADB. In doing so, it will assess whether the sector loan approach was the most appropriate intervention. OEM will assess the extent to which the rural infrastructure needs of the women, ethnic minorities, and other disadvantaged groups were addressed by the Project and extent to which inclusive development was followed through.
- (ii) **Poverty Reduction Impact.** The merit of conducting the OEM lies in assessing the impact of the Project after project completion. The OEM will assess the Project's poverty reduction impacts. To the extent possible, the OEM will survey beneficiaries from selected subproject sites (criteria still to be developed). The OEM will also analyze available data collected by the Project's monitoring reports, PCR, and Special Evaluation Study¹³ (SES). The OEM will also examine the social, economic, and institutional impacts of the Project. Aside from the socioeconomic aspects, the OEM will assess the impact of the project on the environment and resettlement aspects, as there were concerns raised on these during project implementation.
- (iii) **Sustainability.** Recognizing the importance of operation and maintenance (O&M) resources to sustain benefits from infrastructure rehabilitation, the OEM will assess the sustainability of the Project outputs from technical, financial, socioeconomic, and institutional aspects to draw appropriate and specific recommendations to further increase the sustainability of outcome. The OEM will assess the approaches the Project undertook in terms of the contribution to the sustainability of the invested improvements. Focus would be both from the perspective of physical infrastructure maintenance and sustainable management

¹³ ADB. 2006. *Pathways Out of Rural Poverty and the Effectiveness of Poverty Targeting*. Manila. This Project was one of the selected case studies for the SES.

of the rehabilitated infrastructures by the government agencies, water users groups or water management companies. The OEM will also assess the institutional impacts resulting from the Project by evaluating the institutional capacities of these agencies to provide specific and future oriented follow-up actions.

- (iv) **Efficiency.** Among others, the OEM will use the economic internal rate of return (EIRR) as a measure of efficiency. At the time of appraisal, an economic analysis was done using a sample of six subprojects. At project completion, EIRR was calculated for 4 representative subprojects. The OEM will revalidate the EIRR results of these 4 subprojects. In addition, the OEM will also calculate EIRR for two other selected subprojects.
- (v) **Other Issue.** This PPER will assess donor coordination and aid harmonization on rural infrastructure investments in Viet Nam.

E. PPER Approach and Schedule

14. In preparing for this PPER, OEM conducted a review of the RRP, PCR and selected back-to-office reports of review missions for this Project. The OEM also had initial discussions (by phone) with the VRM project officer¹⁴ involved in the administration of the Project and PCR preparation. The evaluation would involve (i) further desk review of other relevant documents/reports; (ii) field visits to selected subproject sites to observe and assess operations and management of completed rural civil works under the Project; (iii); analysis of national secondary data supplemented by primary data to be collected from field surveys to assess the Project impact (i.e., post-project socioeconomic indicators for selected subprojects in the provinces covered by the Project); (iv) conduct focus group discussions, as appropriate; (v) key informant interviews with concerned Government agencies and other stakeholder groups; (vi) update the project design and monitoring framework (ex post);¹⁵ and (vii) gather photographic evidence to support evaluation findings. OEM will make use of the baseline survey data and BME report of the Project, as appropriate. A draft evaluation design matrix is attached (Appendix 2). This Project was selected as one of the case studies under a Special Evaluation Study (SES) on ADB's Contribution to Inclusive Development through Assistance for Rural Roads that is expected to be completed in August 2009.

15. The team leader (Evaluation Specialist) of this SES will provide guidance to the OEM, in the assessment of the Project's contribution to inclusive development. The findings of this PPER will feed into the SES and into the Viet Nam Country Assistance Program Evaluation (CAPE).¹⁶ For the CAPE, the PPER will provide the evaluation of this project in assessing the performance of ADB's assistance in the agriculture, natural resources and rural development sector. Beneficiary feedback and field observations, particularly on development impact and sustainability, from the PPER sample site visits will complement those to be gathered by the CAPE team.

16. An OEM comprising (i) mission leader (Portfolio Evaluation Officer), (ii) an evaluation specialist, (iii) a rural infrastructure development specialist (international consultant), and (iv) a

¹⁴ Economics/Programs Officer, Viet Nam Resident Mission (VRM). The project was delegated to VRM in July 2001.

¹⁵ The PCR did not present an updated design and monitoring framework as of project completion date.

¹⁶ G. Rauniyar, Evaluation Specialist, will lead the Special Evaluation Study on ADB's Contribution to Inclusive Development through Assistance for Rural Roads. The VIE CAPE is being led by L. Gutierrez, Principal Evaluation Specialist.

rural development specialist (domestic consultant) will be fielded on 2 to 15 December 2008. The OEM will prepare structured and semi-structured questions for the key informant interviews and focus group discussions. The domestic consultant will form a data team to conduct a survey and collect primary data in selected provinces from 400 household respondents in selected provinces. The OEM will cover the provinces that had multiple interventions (rural roads, irrigation schemes, water supply, and markets). Initially, the identified provinces are: Lao Cai (northeast), Dien Bien (northwest), Quang Tri (north central coast), Kon Tum (central highlands), and Ben Tre (Mekong River Delta). Final selection of provinces will be reconfirmed in consultation with Viet Nam resident mission. Appendix 3 lists the 23 project provinces with the number of interventions.

17. The proposed schedule for the preparation of the PPER is as follows:

Submission of Approach Paper	I November 2008
Operations Evaluation Mission	I–II December 2008
OED Internal Review	I February 2009
Interdepartmental Circulation	I March 2009
Draft to Editor	IV March 2009
Submission for DG Approval	IV April 2009

attachments: Appendix 1: Basic Data
 Appendix 2: Draft Evaluation Design Matrix
 Appendix 3: List of Intervention Provinces

BASIC DATA**Project Preparation/Institution Building**

TA No.	Grant/Technical Assistance Name	Type	Person-Months	Amount	Approval Date
2635	Rural Infrastructure Sector Project	PP	47	\$600,000	28 Aug 1996
2638	Training for Rural Infrastructure Development	AD (grant)	50	\$1,000,000	11 Aug 1997

Key Project Data (\$ million)

	Per ADB Loan Documents	Actual
Total project cost	150.0	151.1
Foreign exchange cost	45.0	41.7
ADB loan amount/utilization	102.9	94.58
ADB loan amount/cancellation		8.32
Amount of cofinancing Agence Francaise de Developpement	15.0	14.78

KEY DATES

	Expected	Actual
Appraisal		5 May 1997
Loan Negotiations		10 September 1997
Board Approval		23 October 1997
Loan Agreement		23 January 1998
Loan Effectivity	30 April 1998	30 April 1998
Loan Closing	31 December 2004	28 September 2005

BORROWER

Government of Viet Nam

EXECUTING AGENCY

Ministry of Agriculture and Rural Development

MISSION DATA

Type of Mission	No. of Missions	Person-Days
Fact Finding	1	60
Appraisal	1	40
Inception	1	3
Project Administration		
Review	7	183
Mid-term	1	60
Special Loan Administration	1	28
Project Completion	1	10
Operations Evaluation	1	

EVALUATION MATRIX

Evaluation Criteria/Sub-Criterion	Evaluation Scope	Method
1. Relevance <ul style="list-style-type: none"> (i) Consistency with national government's development priorities (ii) Consistency with Asian Development Bank's (ADB) assistance strategy (iii) Project formulation and justification 	<ul style="list-style-type: none"> • Analysis of the national government's development strategy, particularly rural development • Analysis of ADB's institutional objectives and strategies, sector strategy and Viet Nam Country Program Strategy • Appropriateness of the project's investment modality compared with available options • Adequacy of the assessment of problems, opportunities, and lessons at the time of approval • Analysis of the extent to which project formulation adopted the appropriate solution for the identified problem • Degree of coordination and/or complementarity with development partners • Analysis of the counterfactual situation 	<p>Review documentation—report and recommendation to the President (RRP), project completion report (PCR), back to office reports (BTORs), VIE country operational strategy 1995; country strategy and program update (2005- 2006); country strategy and program (2007-2010)</p> <p>Interviews with ADB staff, Government officials in Hanoi and different provinces, beneficiaries, and key donors</p>
2. Effectiveness <ul style="list-style-type: none"> (i) Achievement of the Project of its outcome (ii) Contributing factors to the timeliness or delays in project implementation (iii) Changes in scope and/or implementation arrangements (iv) Factors contributing to Project success or failure 	<ul style="list-style-type: none"> • Analysis of actual outcome at the time of completion against envisaged targets • Analysis of factors contributing to timely Project implementation • Assessment of factors responsible for any shortfall in achievement or exceeded expectations • Analysis of the reasons for change(s) • Assessment of the effect(s) of the change(s) on project outcome 	<p>Review documentation including budget papers</p> <p>Interviews with ADB staff, Government officials in Hanoi and beneficiaries</p> <p>Survey results</p>
3. Efficiency <ul style="list-style-type: none"> (i) Achievement of the Project outcome with efficient use of resources 	<ul style="list-style-type: none"> • Analysis of use of resources actual outcome at the time of completion against envisaged targets 	<p>Review documentation—annual budget papers, BTORs, project report, consultants' reports</p>

Evaluation Criteria/Sub-Criterion	Evaluation Scope	Method
(ii) Achievement of the economic benefits at least costs	<ul style="list-style-type: none"> • Analysis of costs incurred and any deviations • Analysis of the benefits and costs in the selected subprojects • Calculation of economic internal rate of return at OEM for irrigation and road subprojects and cost effectiveness for water supply subprojects.. 	<p>Interviews with Government officials, ADB staff</p> <p>Survey results</p>
4. Sustainability <ul style="list-style-type: none"> (i) Availability of adequate and effective demand for the rehabilitated infrastructures under the Project (ii) Ownership and commitment of the leaders in government and, implementing agencies (iii) Financial viability of operating entities (iv) Institutional capacity (v) Adequacy of policies, regulatory conditions, and incentives for continued operation, maintenance and stakeholder participation 	<ul style="list-style-type: none"> • Assess the demand and utilization of rehabilitated infrastructures under the Project including pricing of outputs • Assessment of ownership and commitment of stakeholders or Project outputs • Assessment of the effects of the financial and operating arrangements on the project's financial viability and sustainability • Assess arrangements and capacity of the institutions and groups in O&M planning and implementation • Assess appropriateness of policies, regulatory conditions and incentives to ensure continued regular activities assisted by the Project 	<p>Review documentation–RRP, PCR, BTORs, monitoring reports</p> <p>Interviews with Government officials, beneficiaries and key donors.</p>
5. Impact <ul style="list-style-type: none"> (i) Impact on institutions (ii) Socioeconomic impact 	<ul style="list-style-type: none"> • Assess whether training provided under the Project to the national and provincial staff of the Ministry of Agriculture and Rural Development were effective • Determine whether new laws related to rural roads, rural water supply, irrigation were enacted with support from the Project • Assessment of Project's impact in terms of beneficiaries' livelihood, generation of sustainable job opportunities, health, and gender, 	<p>Focus group discussions with relevant representatives Ministry of Agriculture and Rural Development (MARD), Ministry of Transport (MoT) and water users' groups</p> <p>Key informant interviews</p> <p>Household surveys</p>

Evaluation Criteria/Sub-Criterion	Evaluation Scope	Method
(iii) Environmental impact	<p>and inclusive development</p> <ul style="list-style-type: none"> • Determine whether appropriate resettlement mechanisms were implemented • Assess environmental impacts and adequacy of mitigation measures adopted in the Project's civil works activities and Project's outputs, e.g., drainage, etc. 	
6. ADB Performance (i) Quality at Entry (ii) Quality of supervision (iii) Quality of communication	<ul style="list-style-type: none"> • Analysis of relevant economic, institutional, and stakeholder analysis, incorporation of lessons, monitoring and evaluation system • Assessment of adequacy of ADB supervision, including staff continuity and missions fielded, at various stages of the project cycle • Project performance monitoring system • Assessment of coordination and communication between ADB and the EA, including procurement and disbursement matters 	<p>Review documentation—RRP, PCR, BTORs, progress reports</p> <p>Interviews with ADB staff</p>
7. Borrower Performance (i) Quality of preparation (ii) Quality of implementation (iii) Adequacy of M&E	<ul style="list-style-type: none"> • Analysis of degree of ownership and involvement in identification and design and adequate institutional arrangement for project implementation • Assessment of government supervision at various stages of the project cycle including effectiveness of project steering committees, the EA and provincial project management units • Adequacy of CPMU and PPMU staffing • Compliance with loan covenants • Quality of monitoring and evaluation processes and reporting • Assessment of coordination and communication between the EA and ADB; EA and implementing agencies and provincial governments 	<p>Review documentation—RRP, PCR, BTORs, progress reports, annual budget papers</p> <p>Interviews with ADB staff and Government officials</p>

LIST OF INTERVENTION PROVINCES

	Province	No. of Completed Subprojects			
		Roads	Irrigation	Water	Markets
	Northeast	28	21	10	1
1	Cao Bang Province	5	2	2	
2	Lang Son Province	2	3	2	
3	Lao Cai Province	3	4	1	1
4	Yen Bai Province	4	2	1	
5	Thai Nguyen Province	3	1	1	
6	Bac Can Province	5	1	1	
7	Phu Tho Province	4	4	1	
8	Bac Giang Province	2	4	1	
	Northwest	11	6	4	1
9	Son La Province	4	3	1	
10	Dien Bien Province	4	2	2	1
11	Hoa Binh Province	3	1	1	
	North Central Coast	7	6	4	1
12	Ha Tinh Province	3	4	1	
13	Quang Tri Province	4	4	2	
	South Central Coast	13	13	3	0
14	Quang Nam Province	3	3	1	
15	Quang Ngai Province	2	4	1	
16	Binh Dinh Province	5	2	1	
17	Phu Yen Province	3	4		
	Central Highlands	3	2	2	1
18	Kon Tum Province	3	2	2	1
	Southeast	7	7	1	0
19	Ninh Thuan Province	3	5		
20	Binh Phuoc Province	4	2	1	
	Mekong River Delta	14	3	7	0
21	Ben Tre Province	5	1	2	
22	Tra Vinh Province	3		3	
23	Soc Trang Province	6	2	2	
	Total	83	58	31	4

Source: ADB Rural Infrastructure Sector Project Completion Report.