

**Validation Report**  
December 2019

# Viet Nam: Sustainable Rural Infrastructure Development Project in Northern Mountain Provinces

Reference Number: PVR-650  
Project Number: 41461-013  
Loan Numbers: 2682 and 2683



*Raising development impact through evaluation*

## ABBREVIATIONS

ADB	– Asian Development Bank
CPMU	– central project management unit
DARD	– department of agriculture and rural development
EIRR	– economic internal rate of return
GAP	– gender action plan
ha	– hectare
km	– kilometer
MARD	– Ministry of Agriculture and Rural Development
O&M	– operation and maintenance
PCR	– project completion report
PPMU	– provincial project management unit

## NOTE

In this report, “\$” refers to United States dollars, unless otherwise stated.

<b>Director General</b>	M. Taylor-Dormond, Independent Evaluation Department (IED)
<b>Deputy Director General</b>	V. Salze-Lozac’h, IED
<b>Director</b>	Nathan Subramaniam, Sector and Project Division (IESP)
<b>Team Leader</b>	Jerome Jovellanos, Associate Evaluation Officer, IESP

The guidelines formally adopted by the Independent Evaluation Department (IED) on avoiding conflict of interest in its independent evaluations were observed in the preparation of this report. To the knowledge of IED management, there were no conflicts of interest of the persons preparing, reviewing, or approving this report. The final ratings are the ratings of IED and may or may not coincide with those originally proposed by the consultants engaged for this report.

In preparing any evaluation report, or by making any designation of or reference to a particular territory or geographic area in this document, IED does not intend to make any judgments as to the legal or other status of any territory or area.

## PROJECT BASIC DATA

Project Number	41461-013	PCR Circulation Date	10 May 2019	
Loan Numbers	2682 and 2683	PCR Validation Date	Dec 2019	
Project Name	Sustainable Rural Infrastructure Development Project in Northern Mountain Provinces			
Sector and Subsector	Agriculture and natural resources	Agriculture and rural sector development		
Strategic Agenda	Economic growth			
Safeguard Categories	Environment		B	
	Involuntary resettlement		B	
	Indigenous peoples		B	
Country	Socialist Republic of Viet Nam		Approved (\$ million)	Actual (\$ million)
ADB Financing (\$ million)	ADF: 108.00	Total Project Costs	138.00	127.10
	OCR: 0.00	Loan/Grant	108.00	96.15
		Borrower	30.00	30.94
		Beneficiaries		
		Others		
Cofinancier		Total Cofinancing		
Approval Date	22 Oct 2010	Effectiveness Date	23 May 2011	23 May 2011
Signing Date	23 Feb 2011	Closing Date	30 Jun 2017	15 Aug 2018
Project Officers	David Salters Ho Le Phong	Location ADB headquarters Viet Nam Resident Mission	From Jan 2010 Aug 2012	To Aug 2012 Mar 2019
IED Review Director	N. Subramaniam, IESP			
Team Leader	J. Jovellanos, Associate Evaluation Officer, IESP*			

ADB = Asian Development Bank, ADF = Asian Development Fund, IED = Independent Evaluation Department, IESP = Sector and Project Division, OCR = ordinary capital resources, PCR = project completion report.

\*Team members: R. Brockman (Quality Reviewer), F. De Guzman (Senior Evaluation Officer), and P. Choynowski and J. Butler (Consultants).

## I. PROJECT DESCRIPTION

### A. Rationale

1. The Sustainable Rural Infrastructure Development Project in Northern Mountain Provinces aimed to rehabilitate and upgrade deteriorated rural infrastructure in 15 provinces of northern Viet Nam,<sup>1</sup> where most people live in sparsely populated villages. In 2008, poverty rates averaged around 27% in these provinces, but were considerably higher in more isolated areas ranging between 50% and 60%.<sup>2</sup> These provinces had a combined population of 12.2 million and were among the poorest in the country as a result of limited economic opportunities stemming from a lack of access to infrastructure and their physical isolation. Poverty rates among some ethnic minorities were higher from 70% to 80% due to lesser access to rural infrastructure, limited opportunities for commercial activity, lower education and skill levels, and low population

<sup>1</sup> The 15 provinces of northern Viet Nam include Bac Giang, Bac Kan, Cao Bang, Dien Bien, Ha Giang, Hoa Binh, Lai Chau, Lang Son, Lao Cai, Phu Tho, Son La, Thai Nguyen, Tuyen Quang, Vinh Phuc, and Yen Bai.

<sup>2</sup> ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Loans to the Socialist Republic of Viet Nam for Sustainable Rural Infrastructure Development Project in the Northern Mountain Provinces*. Manila.

densities. Much of the existing infrastructure in the 15 provinces were underdeveloped and in poor condition due to age, inadequate design and construction, and insufficient maintenance.

2. In the provinces, there were some 50,000 kilometers (km) of primary and secondary irrigation canals that supported 200,000 hectares (ha) of irrigated land and required rehabilitation, of which only 16,270 km or 32% were lined. Improving irrigation water management was critical for food security with the increasing demands and the effects of climate change.

3. Only 11% of rural roads in the northeast and 6.6% in the northwest were either concrete-surfaced or sealed. The rest were mainly earth and gravel, and expensive to maintain and repair. Northern communities' journeys to the nearest all-weather road were much higher than elsewhere in Viet Nam—averaging 4.4 km compared to 1.7 km in the Red River Delta.

4. Improved rural infrastructure is necessary to stimulate private investment and provide a foundation for rural development. At appraisal, the project was prepared to implement 40 to 45 subprojects to rehabilitate and upgrade priority rural infrastructure in the 15 northern mountain provinces, and improve institutional and local capacities for project management and rural infrastructure use and sustainability.<sup>3</sup> The project was consistent with the 2007–2010 country strategy and program of the Asian Development Bank (ADB),<sup>4</sup> the socioeconomic development plan 2006–2010 of the Government of Viet Nam,<sup>5</sup> and the subsequent plan for 2011–2015.<sup>6</sup> These documents prioritized the upgrading of rural infrastructure including irrigation and the development of rural transportation.

## **B. Expected Impacts, Outcomes, and Outputs**

5. The intended impact of the project was sustained socioeconomic development in the 15 northern mountain provinces of Viet Nam, while the expected outcome was increased access to and use of priority rural infrastructure by the poor and ethnic minorities.<sup>7</sup>

6. The project had two target outputs: (i) priority rural infrastructure rehabilitated or upgraded, and (ii) improved capacities for project management and rural infrastructure use and sustainability. Improved infrastructure included irrigation systems, rural roads, and rural commune markets. Capacity building covered project implementation assistance and improved operations and maintenance (O&M) of the constructed infrastructure that the provincial departments of agriculture and rural development (DARDs) managed.

## **C. Provision of Inputs**

7. The project was approved in October 2010 and became effective in May 2011 as planned. The loan closed in June 2017 as planned, while its financial closing was in August 2018. The delay in financial closing was attributed to the government's annual disbursement ceiling for official development assistance-funded projects. The project completion report (PCR) indicated

<sup>3</sup> ADB provided for project preparatory technical assistance. ADB. 2008. *Technical Assistance to the Socialist Republic of Viet Nam for Preparing the Sustainable Rural Infrastructure Development Project in the Northern Mountain Provinces*. Manila.

<sup>4</sup> ADB. 2006. *Country Strategy and Program: Viet Nam, 2007–2010*. Manila.

<sup>5</sup> Government of Viet Nam, Ministry of Planning and Investment. 2006. *The Five-Year Socio-Economic Development Plan, 2006–2010*. Ha Noi.

<sup>6</sup> Government of Viet Nam, Ministry of Planning and Investment. 2011. *The Five-Year Socio-Economic Development Plan, 2011–2015*. Ha Noi.

<sup>7</sup> Footnote 2, Appendix 1.

that the required budget allocation for 2015 and 2016 was achieved, but a shortfall of \$11.1 million was incurred in 2017 that delayed the project winding-up period.<sup>8</sup>

8. The total project cost was \$138.0 million at appraisal, while the actual project cost was \$127.1 million at completion. ADB was to finance \$108.0 million equivalent (78.3% of the project cost),<sup>9</sup> \$18.7 million (13.6%) to come from the provincial governments, and \$11.4 million (8.3%) from the central government. At completion, ADB financed \$96.2 million (75.7% of the total); the provinces, \$20.7 million (16.3%); and the central government, \$10.3 million (8.1%). The actual financing differed from that at appraisal in view of (i) higher inflation and land acquisition and resettlement costs, (ii) \$2.5 million partial cancellation of the ADB loan due to failed procurement,<sup>10</sup> (iii) strengthening of the dollar vis-à-vis the special drawing rights (SDR), and (iv) the unused amount of \$4.2 million cancelled at loan closing.

9. Costs increased for land acquisition and resettlement from \$2.5 million at appraisal to \$7.2 million at completion, and for construction and civil works from \$85.8 million at appraisal to \$96.5 million at completion. The PCR attributed the increase in costs to (i) high inflation at 5.95% during implementation that was higher than 0.28% price contingency set at appraisal, and (ii) higher than envisaged land acquisition and resettlement costs. Actual costs were lower for infrastructure O&M due to most subprojects being finished near project completion, thus requiring less project financing than expected for O&M. The government cost norms issued by the Ministry of Finance reduced implementation management costs from \$11.3 million (8.2% of total project cost) projected at appraisal to \$3.1 million (2.4% of total project cost) at completion.

10. Some 347 person-months of consulting services amounting to an estimated \$4.0 million, were planned at appraisal. According to the PCR, only \$3.3 million was disbursed. The project had 266 consulting services packages, of which seven were financed by ADB and counterpart funds, and 259 through counterpart funds only. The PCR did not provide information on the number of person-months contracted.

11. The project was categorized B for environment, involuntary resettlement, and indigenous peoples. It was unlikely to cause significant environmental damage since the subprojects were mainly limited to improving existing infrastructure. Appropriate mitigating measures were also reported present in the environmental management plans of subprojects that national safeguard consultants prepared and safeguard specialists reviewed. Environment consultants reviewed all 55 subprojects and assessed these as category B.

12. No involuntary resettlement was expected since majority of infrastructure targeted to be improved were along existing rights-of-way. However, the project affected 8,155 households and required land acquisition of 192.5 ha. Seventy-seven households were severely affected, of whom 50 lost more than 10% of their productive landholdings while 27 were relocated. No subproject had more than 200 severely affected persons. Compensation and resettlement activities were successfully implemented for all 55 subprojects, and \$7.2 million was paid to the affected households.<sup>11</sup> A four-step grievance redress mechanism was established and applied to all

<sup>8</sup> ADB. 2019. *Completion Report: Sustainable Rural Infrastructure Development Project in the Northern Mountain Provinces in Viet Nam*. Manila.

<sup>9</sup> From ADB's special funds in various currencies equivalent to SDR71.3 million.

<sup>10</sup> The PCR reported capacity and integrity issues that resulted in "misprocurement" of goods and civil works packages. Footnote 8, para. 25.

<sup>11</sup> Based on independent resettlement monitoring consultants' post-resettlement evaluations conducted from May to June 2016. ADB (Independent Evaluation Department). 2019. *Safeguard Assessment of Sustainable Rural Infrastructure Project in Northern Mountain Provinces of Viet Nam*. 30 July (internal).

subprojects. All complaints of affected persons were resolved at the commune or district level. No complaint was lodged at the provincial level and there were no unresolved issues at completion. Measures to improve the welfare of indigenous peoples and protection of their rights were included in the design of subprojects, where most beneficiaries were from ethnic minorities and impacts were expected to be positive. The PCR assessed this loan covenant as complied with. There was no technical assistance associated with the project.

#### **D. Implementation Arrangements**

13. The Ministry of Agriculture and Rural Development (MARD) was the executing agency. The Agriculture Project Management Board had complete project coordination and established a central project management unit (CPMU) for project management and coordination. The provincial people's committees were the implementing agencies, through their provincial DARDs. Each DARD established a provincial project management unit (PPMU) for the implementation of subprojects and the preparation of feasibility studies. Subprojects were implemented in two phases: each province implementing their top two priorities under phase one, and the construction of additional subprojects under phase two after the successful completion of prioritized subprojects. Better performing provinces were expected to have more chances of implementing additional subprojects.

14. There were no major changes to these arrangements during implementation. A total of 55 subprojects were implemented with 41 in phase one, and 14 in phase two.

15. The loan agreement had 18 covenants, and only one on project audit was not complied with, since the project design did not have provisions for funding audits after the loan closing date. No covenant was modified, suspended, or waived. Two covenants were complied with but behind schedule. Compliance with the covenant to design a project website was delayed by 15 months, and the recruitment of consultants for resettlement monitoring, benefit monitoring, and evaluation was delayed by 12 months. The delayed mobilization of the loan implementation consultant was the main impediment to timely compliance.

## **II. EVALUATION OF PERFORMANCE AND RATINGS**

### **A. Relevance of Design and Formulation**

16. The PCR rated the project relevant. It was consistent with the plans of the government and the country and sector strategies of ADB. The project design was relevant at both appraisal and completion. It was designed with due diligence and stakeholder consultations, as it was based on identified demands in the concerned provinces, and only minor changes of scope took place largely to include rural water supply systems. At completion, the government continued to emphasize rural infrastructure development to address remaining pockets of rural poverty. The PCR stated that the sector modality was appropriate, as the project financed 55 subprojects in various subsectors. In view of the rationale, this validation assesses the project relevant.

### **B. Effectiveness in Achieving Project Outcomes and Outputs**

17. The PCR rated the project effective in achieving its outcome. Of the six outcome targets, the PCR indicated that five were substantially achieved or exceeded. The project achievements included (i) a 15% increase in rice yields per ha in irrigation command areas immediately after commissioning in 2017; (ii) the average cropping intensity in irrigation areas was estimated at 1.9 in 2015, an increase of 78% over 2011; (iii) producer surplus (rice) in project area averaged

D2.2 million per ton in 2015, an increase of 38% over 2011; (iv) the volume of freight increased 18% per year in tons and 6% per year in ton-km from 2011 to 2015; and (v) passenger volume increased 28% per year (passengers) and 45% per year in passenger-km from 2011 to 2015. The accomplishment of the target on reduced vehicle operating costs could not be assessed due to unavailable traffic data. However, the PCR indicated that based on ADB missions and benefit monitoring and evaluation reports, it was likely that the improved 466 km of rural roads reduced transport and market access costs for an estimated 354,862 beneficiaries.

18. The original output targets were adjusted at midterm to align with the scope of the 55 subprojects selected during implementation. The original targets were deemed unrealistic in view of the lower number of subprojects implemented than envisaged at appraisal. Some were replaced by rural water supply subprojects. All adjusted output targets were achieved or exceeded: (i) rehabilitated irrigation systems covering 11,849 ha; (ii) improved 466 km of roads; (iii) expanded access to clean water for 16,097 households; (iv) constructed five rural commune markets with facilities for women; and (v) generated \$20.8 million worth of employment, of which 25% was for women. Plans on O&M were prepared and adopted for all irrigation subprojects.

19. The project supported training for staff of the CPMU and 15 PPMUs, enabling most civil works contracts associated with the 55 subprojects to be successfully implemented. Road safety awareness activities were also carried out under national government programs.

20. The project was classified as effective gender mainstreaming. A gender action plan (GAP) was prepared during project design. It was revised during midterm in 2014 to include 15 actions and three quantitative targets. Additional revisions were made to include 14 actions and seven targets that incorporated all gender-related activities.

21. The final key actions and GAP targeted (i) at least 25% women hired for construction, rehabilitation, and/or labor-intensive maintenance; (ii) 50% participation of women in water user groups, irrigation management boards, and market management boards; (iii) at least one member of the commune supervision board is a representative of the commune women's union; (iv) trained women to ensure their meaningful participation in project decision making; and (v) gender mainstreaming training delivered for implementing agencies at national, provincial, and local levels.

22. The GAP and safeguard measures were effectively taken. At completion, 12 actions were taken and two were partly taken, while six targets were taken, and one was not taken. Key achievements included (i) 1,535 women out of 4,485 people (34.2%) participated in consultation meetings on subproject design; (ii) 6,326 women out of 25,819 (24.5%) local unskilled laborers hired by civil works contractors; (iii) 617 women out of the 2,252 (27.4%) community individuals and other stakeholder groups participated in project-supported training; (iv) eight women out of the 37 (21.6%) individuals participated in two overseas study tours; (v) all 144 commune supervision boards established under the project had female representatives, while 214 of 968 (22.1%) commune supervision board members were women; (vi) 12 O&M plans prepared under the project targeted 25% local female labor; (vii) five rural commune markets upgraded or newly constructed had facilities for women; and (viii) women accounted for 25% of the \$20.8 million worth of employment generated by project works.

23. Environment and social safeguard measures were also successfully undertaken and were rated satisfactory. Livelihoods of all affected persons were improved or at least restored to pre-project levels. In view of the above and the satisfactory achievement of output targets (adjusted),

capacity building activities and implementation of the GAP, this validation assesses the project effective.

### **C. Efficiency of Resource Use**

24. The PCR rated the project efficient. A general project economic internal rate of return (EIRR) was not calculated at appraisal, but EIRRs were calculated for three representative subprojects including a rural road, an irrigation, and a water supply (covering three rural systems). At completion, seven rural road subprojects were evaluated at 9%–23% EIRRs. There were only two roads with below 12% EIRRs, at 10.9% and 9.0%. These subprojects were in remote and sparsely populated areas and provided the poor and remote ethnic minority communities with access to markets and social services. For rural water supply, three subprojects were re-evaluated and generated 13.4%, 14.4%, and 21.5% EIRRs. EIRRs were re-evaluated for all irrigation and drainage subprojects including (i) two stream embankment subprojects with 11.1% and 12.7%, (ii) three drainage subprojects at 14.4%–19.4%, and (iii) eight irrigation subprojects at 11.9%–24.4%. It was noted that the irrigation subproject evaluated with 14% at appraisal had a higher recalculated EIRR of 23% at completion.

25. The PCR assessed and documented the process efficiency and concluded that timely project management helped reduce actual costs. The ADB loan became effective in May 2011 (90 days after the loan signing date in February 2011) and the actual loan closing was in June 2017, the same as the target completion. The loan financially closed in August 2018. Loan utilization was \$96.2 million out of the total allocation of \$100.3 million (95.9%).

26. However, Appendix 9 of the PCR did not discuss how EIRRs were calculated or the assumptions used in the calculation. It did not provide information on shadow pricing of costs and benefits, or how project benefits were identified, quantified, and valued. Although it was not possible to assess the veracity of the recalculated EIRRs, this validation assesses the project efficient, in view of the importance of access provided to remote rural communities by the infrastructure subprojects.

### **D. Preliminary Assessment of Sustainability**

27. The PCR rated the project likely sustainable. Budgets for O&M of rural roads are typically around 30% of what is required. Beneficiaries partially make up the shortfall through localized maintenance efforts, including day labor. In view of the limited budget of local and provincial governments for road maintenance, low-traffic rural roads tend to be inadequately maintained.

28. The responsibility for O&M of rehabilitated drainage and irrigation schemes rests with provincial irrigation management companies and with district people's committees—the commune people's committees are responsible for smaller schemes. The central government is responsible for O&M of major works, while water user groups are responsible for minor “on-farm” works. Although this arrangement increased resources for irrigation, O&M needs were still not fully met.

29. During project implementation, the responsibility for water supply schemes was passed to provincial water management companies or to their district and commune representatives. These entities rely on revenues generated from water tariffs. The PCR suggested that water consumption would gradually increase and ultimately generate enough funds to maintain the water supply systems. Water management companies also reallocated revenue from water schemes in more populous urban centers to cross-subsidize rural systems during initial operation. However, the PCR did not discuss the scale of water tariffs collected in urban centers, or whether



they were enough for their own needs. Therefore, there is little evidence that cross-subsidization is a possibility.

30. ADB is cognizant of the issue of sustainability, particularly the lack of maintenance capacity, and stable and adequate O&M funding for the nonrevenue components such as rural roads. Loan covenants addressed the issue and included provisions that required detailed financing plans for O&M of subprojects and drafting memoranda of understanding between MARD and the provincial governments on the preparation of maintenance management plans and budgets. The PCR indicated that the loan covenant on the memoranda of understanding was complied with.

31. The report and recommendation of the President indicated that the government committed to ensure the availability of funds for O&M of rehabilitated infrastructure,<sup>12</sup> while the PCR noted that the situation was substantially unchanged regarding insufficiency of funds for O&M. The PCR also stated in Appendix 6 that two loan covenants relating to O&M were complied with but was inconsistent with the evidence provided. Given that the O&M issue was unresolved and that there appeared to be insufficient funding for it, this validation assesses the project less than likely sustainable.

### **III. OTHER PERFORMANCE ASSESSMENTS**

#### **A. Preliminary Assessment of Development Impact**

32. The PCR rated the development impact satisfactory. The expected impact was sustained socioeconomic development in the 15 northern mountain provinces measured by a reduction in the number of poor households and increased household incomes. The project contributed to (i) the falling poverty rate from 35.7% to 26.2% in the subprojects' areas; (ii) rising average household incomes in the project provinces to D56.5 million, up 42% from 2011 (baseline year); (iii) improving access to health care for women and children—visits to health clinics increased by 110% for women and 114% for children in 2015 compared with 2011; and (iv) improving access to education for girls with the rate of secondary enrollment for girls at 95.4% in 2015, up from 92.5% in 2011. On the targeted value of goods traded in the market increasing by 100% by 2018, this was met with the value of goods traded in the retail market estimated at D3,102 billion, an increase of 297% over the level in 2011. In view of these evidences of improved living conditions, this validation assesses the development impact of the project satisfactory.

#### **B. Performance of the Borrower and Executing Agency**

33. The PCR rated the performance of the borrower (the government) and the executing agency (MARD) satisfactory. The project substantially complied with the 18 loan covenants, and all safeguard and fiduciary requirements. Participating government entities' ownership and assumption of responsibility were adequate during implementation. However, inadequate budget allocations in 2017 were the exception. The performance of the borrower was satisfactory despite cumbersome internal approval procedures, counterpart funding delays, and rural road O&M budget shortfalls. The performance of MARD was satisfactory. It was instrumental in (i) mobilizing adequate financial resources for the technical design and construction supervision consultants, (ii) ensuring the quality of subproject preparation, (iii) completing the project without extension, (iv) providing adequate financial and human resources to manage the project, (v) effectively managing project finances, and (vii) mobilizing qualified consultants to work with the PPMUs to

---

<sup>12</sup> Footnote 2, para. 23.

ensure safeguards compliance. This validation assesses the performance of the borrower and the executing agency satisfactory.

### C. Performance of the Asian Development Bank and Cofinanciers

34. The PCR rated the performance of ADB satisfactory. ADB provided training on project management procedures, including procurement and disbursement, to the CPMU and the PPMUs. It also supported MARD to resolve issues arising from delayed counterpart funding and changes in government regulations at project start-up. ADB delegated project administration to the Viet Nam Resident Mission in August 2012 that resulted in more efficient document processing, including subproject proposals. ADB adjusted the project scope during midterm to respond to changes in government priorities. ADB undertook 20 review missions with a total of 444 person-days. However, ADB could have paid more attention to funding subproject O&M costs. On the whole, this validation assesses the performance of ADB satisfactory.

## IV. OVERALL ASSESSMENT, LESSONS, AND RECOMMENDATIONS

### A. Overall Assessment and Ratings

35. The PCR rated the project successful. It was relevant during appraisal and at completion in addressing the needs of provinces and supporting the policy objectives of the government and ADB. It was effective since most outputs were completed, and the outcome was substantially achieved. It was efficient since all subprojects were economically viable. It was likely sustainable as the drainage and irrigation schemes and water supply systems generated enough revenue to cover routine and periodic O&M costs.

36. This validation assesses the project relevant, effective, efficient, and successful. However, it assesses the project less than likely sustainable since the government did not institute adequate measures to ensure that the O&M costs were met from budgetary allocations or from tariffs. Therefore, benefits at completion run the risk of being disrupted in the future, as actual O&M needs may not be covered adequately through government-provided budgets and tariffs collected from revenue generating infrastructure.

### Overall Ratings

Validation Criteria	PCR	IED Review	Reason for Disagreement and/or Comments
Relevance	Relevant	Relevant	
Effectiveness	Effective	Effective	
Efficiency	Efficient	Efficient	
Sustainability	Likely sustainable	Less than likely sustainable	Insufficient resources for operation and maintenance.
<b>Overall Assessment</b>	Successful	Successful	
Preliminary Assessment of Impact	Satisfactory	Satisfactory	
Borrower and executing agency	Satisfactory	Satisfactory	
Performance of ADB	Satisfactory	Satisfactory	
Quality of PCR		Less than satisfactory	Para. 41.

ADB = Asian Development Bank, IED = Independent Evaluation Department, PCR = project completion report.  
Source: ADB and Independent Evaluation Department.

## **B. Lessons**

37. The PCR suggested five lessons: (i) ADB should ensure that all PPMUs have adequate capacity for project implementation; (ii) participation of local communities and stakeholders is essential, starting from the earliest stages of subproject planning to ensure well-designed subprojects respond to local needs and to promote ownership of subprojects and their outputs; (iii) greater effort is needed to ensure the adequacy of social assessments and economic and financial analyses; (iv) covenants to require priority allocation of resources for O&M are unlikely to succeed without other nonfinancial measures necessary to ensure the sustainability of rural infrastructure; and (v) provisions for the timing of benefit monitoring and evaluation need to improve, and outcome indicators need to be realistic and measurable.

38. This validation supports the above lessons and adds one more at project level. Data requirements for benefit monitoring and evaluation, and project performance management system need to be determined more precisely during project preparation and appraisal to enable better ex-post assessments.

## **C. Recommendations for Follow-Up**

39. This validation supports the following PCR recommendations: (i) a loan implementation consultant should be recruited in advance so that feasibility study templates could be prepared before subproject designs; (ii) realistic targets should be based on sound gender analysis of social development specialists carried out at project sites to improve gender designs, and a gender specialist should be engaged early to assist the CPMU and the PPMUs integrate baseline and end-of-project sex-disaggregated data in monitoring and evaluation systems to improve GAP implementation; (iii) if baselines are to be set during project implementation rather than preparation, benefit monitoring and evaluation consultants should be recruited as early as possible and the final survey should be timed after physical completion to ensure that data collected is relevant; (iv) future projects in rural regions of Viet Nam should cover no more than five provinces; (v) adequate budget should be allocated for auditing between the period of loan closing date and financial closing date; (vi) for covenants related to road O&M, ADB should require the development of a manual based on sound institutional arrangements; and (vii) an evaluation to assess O&M practices, particularly fiscal management, should be undertaken to ensure project sustainability.

## **V. OTHER CONSIDERATIONS AND FOLLOW-UP**

### **A. Monitoring and Reporting**

40. Monitoring and reporting arrangements included (i) quarterly implementation progress monitoring, (ii) semi-annual safeguards monitoring, and (iii) benefit monitoring and evaluation. MARD complied with monitoring and reporting requirements and provided ADB with the required reports on time and according to the agreed formats. However, MARD and the implementing agencies did not fully comply with various financial management and audit arrangements.<sup>13</sup>

---

<sup>13</sup> MARD did not fully comply with (i) project finance and accounting functions to be performed by qualified and experienced staff; (ii) maintaining separate accounts for the project; (iii) annual auditing of project accounts and related financial statements in accordance with auditing standards acceptable to ADB; (iv) audit preparation by independent auditors with qualifications, experience, and terms of reference acceptable to ADB; and (v) submission of certified copies of the project's audited accounts, financial statements, and auditor's report and management letter not later than 6 months after the end of each fiscal year.

**B. Comments on Project Completion Report Quality**

41. The PCR was succinct and covered all evaluation criteria. However, this validation notes the shortcomings on the economic re-evaluation and the sustainability assessment. The subproject EIRR computations were superficial and provided little information on the methodology used or the assumptions adopted. Therefore, the recomputed EIRRs could not be verified. The PCR's assessment of sustainability lacked coherence. It indicated the shortcomings in financing subproject O&M but reported that the pertinent covenants were complied with. Moreover, the PCR assessed the project sustainable despite the substantial evidence that issues relating to O&M would likely affect the performance over the life of the subprojects. It also did not assess the project performance management system. In view of these shortfalls, this validation assesses the quality of the PCR less than satisfactory.

**C. Data Sources for Validation**

42. The data sources used for this validation were the report and recommendation of the President, PCR, safeguards assessments and reports, and mission reports.

**D. Recommendation for Independent Evaluation Department Follow-Up**

43. This validation supports the PCR recommendation that the project performance evaluation report be prepared in 2021, after a survey is conducted. This is to assess key outcome targets and sustainability, particularly on components with problematic O&M projection.