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For Ministry of Agriculture and Rural Development

This consultant's report does not necessarily reflect the views of ADB or the Government concerned, and ADB and the Government cannot be held liable for its contents. (For project preparatory technical assistance: All the views expressed herein may not be incorporated into the proposed project's design.



**MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT
THE EXECUTING AGENCY**

ADTA 4981-VIE: INFRASTRUCTURE POLICY REFORM SUPPORT

FINAL REPORT
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Prepared by

VICA
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ACRONYMS

ADB	-	Asian Development Bank
ADTA	-	Advisory Technical Assistance
CPMU	-	Central Project Management Unit
CPO	-	Central Project Office
DARD	-	Department of Agriculture and Rural Development
DMF	-	Design and Monitoring Framework
EA	-	Executing Agency
EIRR	-	Economic Internal Rate of Return
FS	-	Feasibility Study
GOVN	-	Government of Viet Nam
IEE	-	Initial Environmental Examination
IMC	-	Irrigation Management Companies
IRDSPCP	-	Integrated Rural Development Sector Project in the Central Provinces
LIC	-	Loan Implementation Consultants
MARD	-	Ministry of Agriculture and Rural Development
MBRIP	-	Management Board for Rural Infrastructure Projects)
O&M	-	Operations and Maintenance
ODA	-	Official Development Assistance
ODATAPD	-	ODA Technical Assistance Project Document
PCPF	-	Policy Compliance and Project Facilitation
PPC	-	Provincial People's Committee
PPMU	-	Provincial Project Management Unit
QCBS	-	Quality and Cost Based Selection
RISP	-	Rural Infrastructure Sector Project
RRP	-	Report and Recommendation of the President of ADB to the Board of Directors
SEDP	-	Social Economic Development Plan
SIP	-	Subproject Identification Proposal
SIR	-	Subproject Investment Report
TA	-	Technical Assistance
TOR	-	Term of Reference

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EXECUTIVE SUMMARY¹

Description

Advisory Technical Assistance (ADTA) No. 4981-VIE: Infrastructure Policy Reform Support, is associated with Loan No. 2357- VIE (SF) Integrated Rural Development Sector Project in the Central Provinces (IRDSPCP). The sector project is designed to improve livelihood in rural areas through investments in medium-scale priority rural infrastructures.

The ADTA was designed to i) provide guidance at both the national and provincial levels for further analyzing policy development and their application in anticipation of future investment in the sector; and ii) ensure that both Viet Nam and ADB policies and procedures are understood and followed during project implementation.² The ADTA was also to provide start up assistance to the Central Project Management Unit (CPMU). The TA was planned to be implemented over a period of 24 months to begin prior to effectiveness of the sector loan and to assist in project start up during the first 2 years of implementation.

The ADTA comprised two main components, an operation and maintenance (O&M) policy component and a policy compliance and project facilitation (PCPF) component. The objective of the O&M component was to conduct a thorough analysis of a range of issues faced by provincial governments for O&M funding, and to promote best practices for O&M within participating provinces. The objective of the PCPF component was to ensure that a project management structure was established on sound financial and procedural basis and that all ADB and Government of Viet Nam (GOVN) policies regarding safeguards, the prevention of graft and corruption, procurement and selection of consultants, as well as community involvement, were fully taken into account during the implementation of the sector loan. The PCPF sub-team was also expected to provide interim support and capacity building during the pre-implementation and early implementation stages in anticipation of the fielding of the Loan Implementation Consultants (LIC).

Expected Impact, Outcome and Outputs

The expected long term impact of the ADTA were to i) make the sustainable maintenance of rural infrastructure at the provincial level an adequately funded standard routine practice; and ii) built capacity at the provincial level to implement medium scale rural infrastructure projects in a sustainable manner. The ADTA was to accomplish this by: i) raising awareness at provincial level for adequate financing of O&M for rural infrastructure; ii) identifying sources of funding for such O&M; and iii) training personnel in sound construction planning, management and monitoring practices.

The expected outcome was: i) well-constructed, sustainable infrastructure to be funded under the IRDSPCP; ii) improved O&M for rural infrastructure in general; and iii) enhanced rural infrastructure implementation capability among provincial government staff, especially with regard to safeguard considerations.

The expected output of the O&M component included a number of studies and workshops related to policy aspects of O&M planning and funding. The expected output of the PCPF component was improved capacity of the Central Project Management Unit (CPMU) and the Provincial Project Management Units (PPMU) regarding implementation of ADB and GOVN

¹ Presented in the format of ADB TA Completion Report (Ref: PAI 6.08 dated March 2009)

² RRP para 53.

policies with respect to social and environment safeguards and procedures for procurement, selection of consultants, disbursement and monitoring of subproject implementation.

Delivery of Inputs and Conduct of Activities

The cost of the ADTA was estimated at \$1.1 million of which \$1.0 million was to be funded on a grant basis and the balance was to be provided by the GOVN in kind. The TA was to contribute 54 person-months of consulting services, including 24 person-months of international and 30 person-months of national expertise. A number of adjustments were made during implementation to reflect a refocusing of the TA objectives and additional resources required. A total of 65 person months including 23.5 person months of international specialists and 41.6 person months of domestic specialists were utilized during the TA.

The initial TOR for the TA did not anticipate the need for the PCPF sub-team to provide extended implementation support to the CPMU and PPMUs. This was made necessary due to delays in selection and fielding of LIC. Conversely, the aim of the O&M policy study was reoriented towards a more practical approach to be better integrated within the capacity building work of the PCPF component in subproject preparation. The ADB and the CPMU showed flexibility in responding to the changing environment and conditions that prevailed during implementation.

Evaluation of Outputs and Achievement of Outcome

The prime objective of the O&M component was more sustainable rural infrastructure in the IRDSPCP as a result of better O&M practices and more effective implementation of subprojects. While the O&M component of the TA was adjusted during implementation, the TA was instrumental in improving the awareness at Provincial level of the need for better planning and budgeting for O&M activities. The provincial governments were required to issue commitments to provide adequate funding for O&M for all subprojects financed under the IRDSPCP. However, since none of the subprojects has been completed to date, it is too early to assess whether the provincial governments budgets will actually be increased to meet the need for better O&M.

One of the significant outcomes of the ADTA was improvement in the quality of subproject selection and preparation which was achieved through various capacity building initiatives and hands-on training activities. The TA was expected to provide only interim support to the CPMU and PPMUs but due to delays in fielding of LICs, the TA team was required to extend the scope of its work to fill the gap and provide additional capacity building both at provincial and central level. It must be acknowledged however that delays were encountered in subproject preparation and implementation due to generally weak capacity of the PPMUs and their consultants, particularly in the areas of safeguard, O&M planning and economic and financial analysis. While the ADTA assisted with capacity building the efficiency of its work was impaired by lack of resources.

Overall Assessment and Rating

While the initial objective of the O&M component may have been overly ambitious, this was recognized early on by ADB and the scope was refocused in March 2009 to promote a more practical approach to O&M policy issues by developing effective mechanisms to address O&M concerns at subproject level. Overall, the ADTA achieved its objectives to ensure that policies regarding safeguards, the prevention of graft and corruption, procurement and selection of consultants, as well as community involvement, were taken into account. It exceeded its objectives in building the capacity at provincial level in project selection and preparation and ultimately enhancing the quality of the subprojects being considered for financing under the loan. It also met its O&M policy objectives under the refocused scoped of

the TA by contributing to improved awareness at provincial level for better O&M of rural infrastructures to be built under the project, and by promoting effective mechanisms to address O&M at provincial level. For these reasons the ADTA should be considered successful.

Major Lessons

The initial objective of the O&M policy component was probably overambitious considering the number of sectors involved and the complexity of the national and provincial policy frameworks for O&M in Viet Nam. The project covers a number of different sectors each having its own set of O&M challenges. In addition, the planned O&M studies were to be carried out during the time that the GOVN was implementing a very important policy of decentralization which effectively changed the playing field regarding the distribution of responsibilities for O&M policies. This in turn limited the potential impact of the policy studies at national level and increased the complexity of the work to be carried out at provincial level. This was recognized during implementation and the objective and scope of the TA was refocused accordingly. However this could have been foreseen at the time of preparation and a more focused and relevant approach could have been designed to address O&M issues which directly impacted the proposed subprojects.

The Ministry of Agriculture and Rural Development (MARD) as the executing agency may not have been the most appropriate institution to host a major policy reform study covering such diverse sectors as rural roads, irrigation, water supply, markets and coastal protection infrastructure. While MARD is a major player in the irrigation sector, it has no authority over most of these sectors and no involvement in the O&M of the facilities once constructed/upgraded. The relevance and authority of the executing agency should be taken into consideration during project design for a policy oriented project to ensure that proper guidance can be provided to the study team during implementation, and that ensuing policy decisions can be enacted through the appropriate channels. Alternatively a focused approach on areas where MARD can play a leadership role - such as the policy related to irrigation fees – may have been more effective.

One of the most important factors that affected not only the implementation of the Loan Project but the TA is delay in the recruitment of consultants. The role of the PCPF sub-team had to be adjusted to provide extended support to the PPMUs and the CPMU for an unexpected period of time with limited resources in order to fill the gap resulting from delays in fielding of LIC. Procedural delays in recruitment of consultants are not unusual within MARD. The constraints facing the executing agency, including procedures for recruitment of consultants and procurement, need to be assessed realistically during project preparation to ensure adequate and timely provision of assistance during implementation.

Likewise, the capacity of the executing agency and implementation agencies, need to be assessed carefully and realistically during project preparation. In the case of IRDSPCP it was assumed that the CPMU and the PPMUs which had participated in a previous similar project had adequate capacity to carry out the project with limited guidance. Factors such as rotation of personnel and additional requirements of the project regarding safeguards, O&M and economic analysis were not sufficiently considered in this assessment and the need for training and support was underestimated.

In view of the limited resources of the PPMUs and CPMU, a number of activities were to be carried out by domestic consulting firms. However, while domestic firms are familiar with government procedures and regulations, in the majority of cases they have little knowledge of regulations and procedures of ADB and other ODA donors, and are not familiar with the

level of standards required under externally financed projects. Failure to properly assess the capacity of the domestic consulting industry resulted in a significant and unplanned increase of the scope of work for the ADTA to extend capacity building to consulting companies.

Recommendations and Follow-Up Actions

As part of their engagement in the project, the provincial governments issued formal commitments to provide adequate budget and resources to O&M for each of the IRDSPCP subprojects. At present none of the subprojects has been completed and it is too early to assess whether the provincial governments budgets will be increased to meet the need for proper O&M of the subprojects. This needs to be followed up as subprojects are completed and enter in their operation phase.

Background

1. Advisory Technical Assistance (ADTA) No. 4981-VIE: Infrastructure Policy Reform Support, is associated with Loan No. 2357- VIE (SF) Integrated Rural Development Sector Project in the Central Provinces (IRDSPCP). The IRDSPCP is co-financed by an ADB loan and by a loan and grant from the Agence Francaise de Development. The sector project is designed to (i) improve livelihood in rural areas by increasing agriculture productivity, (ii) widen employment opportunities, (iii) improve access to health and education, and (iv) reduce exposure to natural disasters. This is being achieved through investments in medium-scale priority rural infrastructures. Investments under the Sector Project aim to improve the quality, extend the coverage, and better integrate rural infrastructure in 13 provinces in the Central Region of Viet Nam. The types of rural infrastructure being improved under IRDSPCP include (i) rural roads; (ii) irrigation, drainage and flood control systems; (iii) rural markets; (iv) rural water supply schemes; and (v) special coastal and river protection works.
2. The associated ADTA was designed to i) provide guidance at both the national and provincial levels for further analyzing policy development and their application in anticipation of future investment in the sector; and ii) ensure that both Viet Nam and ADB policies and procedures are understood and followed during project implementation. The ADTA was also to provide start up assistance to the Central Project Management Unit (CPMU) and to provide supplementary capacity building in various aspects of implementation and policy compliance for the sector loan Project. Support was to be provided to the CPMU and the provincial project management units (PPMU) by (i) providing guidance and assistance for further policy development in anticipation of future investments in the sector, (ii) providing extensive awareness raising and technical capacity building in the provinces based on lessons learned under various donor programs, and (iii) ensuring that both the Government of Viet Nam's (GOVN) and ADB's policies and procedures were fully understood and followed during implementation. The TA was planned to be implemented over a period of 24 months to begin prior to loan effectiveness and to assist in project start up during the first two years of implementation.
3. The cost of the ADTA was estimated at \$1.1 million of which \$1.0 million was to be funded on a grant basis and the balance was to be provided by GOVN in kind. The TA was to contribute 54 person-months of consulting services, including 24 person-months of international and 30 person-months of national expertise. The consultants were to be engaged by ADB, through an international consulting firm, following Quality- and Cost-Based Selection (QCBS) procedures in accordance with the *ADB Guidelines on the Use of Consultants*.
4. The TA comprised two main components, an operation and maintenance (O&M) Policy component; and a policy compliance and project facilitation (PCPF) component. Accordingly, the consultants were divided into two sub-teams — one O&M sub-team and one PCPF sub-team each comprising one international and one domestic specialist. The objective of the O&M component was to conduct an interactive study of policy, organizational, funding and structural issues confronting the sustainability of rural infrastructure, and to promote best practices for O&M within participating provinces. The O&M sub-team was to carry out a thorough analysis of practical steps that could be initiated to address critical sustainability challenges as they relate to rural roads, rural irrigation and drainage systems, water supply schemes, and markets and to recommend measures to accommodate O&M financing requirements.

5. The objective of the PCPF component was to ensure that a project management structure was established on sound financial and procedural basis and that all ADB and GOVN policies regarding safeguards, the prevention of graft and corruption, procurement and selection of consultants, as well as community involvement, were fully taken into account. In particular, the PCPF sub-team was to provide interim support and capacity building during the pre-implementation and early implementation stages in anticipation of the fielding of the Loan Implementation Consultants (LIC) to be financed under the loan.

A. Impact, Outcome and Output

1. Objectives

6. The expected impact and outcome of the ADTA were spelled out in the Government's ODA Technical Assistance Project Document (ODATAPD).³ According to the ODATAPD, the objectives of the TA were:

- i. make the sustainable maintenance of rural infrastructure at the provincial level an adequately funded standard routine practice for the long term;
- ii. build long term capacity at the provincial level to implement medium scale rural infrastructure projects in a sustainable manner;
- iii. in the short term, raise awareness of provincial government officials regarding the need for adequate financing of O&M for rural infrastructure;
- iv. identifying sources of funding for such O&M; and
- v. fully train personnel at the PPMU level in sound construction planning, management and monitoring practices.

7. The main intended outcomes of the ADTA were:

- i. well-constructed, sustainable infrastructure provided by the subprojects to be funded under the IRDSPCP;
- ii. improved O&M for rural infrastructure in general; and
- iii. enhanced rural infrastructure implementation capability among provincial government staff, especially with regard to safeguard considerations.

8. The ADTA intended to achieve this outcome through policy dialog to raise awareness for adequate O&M funding for the infrastructure provided by the project (as well as other key rural infrastructure under their jurisdiction) and by assisting provincial government in identifying sources of such funding. It also intended to assist the PPMUs in ensuring that both GOVN and ADB procedures were followed during implementation; that appropriate safeguard practices were implemented regarding land acquisition, environment and vulnerable groups including ethnic minorities; and that negative impact of the project on affected communities and the environment were minimized.

9. During early implementation of the O&M component it was realized that in view of the new GOVN policy of decentralization, O&M responsibilities for rural infrastructures had been

³ Since the ADTA was associated to a loan, a separate TA paper was not required by the ADB. For this reason the main source of information regarding the ADTA objectives and intended outcome for the TA can be found in the Government's ODATAPD.

transferred to the provincial level and the O&M policies regarding those infrastructures were largely in place and generally adequate. The only major issue remaining was provision of adequate budget for O&M at the province level. In view of this, an ADB mission in February 2009 agreed that it would be more effective to refocus the aim of the O&M component of the TA towards the development of effective mechanisms to address challenges in rural infrastructure specific to O&M financing and that technical support was required to assist in the development of adequate O&M plans for subprojects under the project. Consequently the scope and TOR were modified to reflect this refocusing. Person months were reallocated to the PCPF component to carry out capacity building in O&M planning, and the scope of the O&M component was reduced together with its required output to reflect the new direction. A letter from the Director of Agriculture, Environment and Natural Resources Division of ADB detailing the rationale for this change is attached at Appendix 1.

10. Overall, the ADTA achieved its objectives to ensure that policies regarding safeguards, the prevention of graft and corruption, procurement and selection of consultants, as well as community involvement, were taken into account. In addition, the TA contributed significantly to achieve improved capacity at provincial and central level both in subproject identification and preparation as well as in project administration. The PPMUs were trained in all aspects of subproject identification and preparation and were familiarized with ADB and Government regulations regarding safeguard issues, community involvement, sustainability, economic and socio economic analysis. Both the CPMU and the PPMUs were provided support in various aspects of project administration including recruitment of consultants and procurement.

11. Through this capacity building, the TA contributed significantly to enhance the quality of the subprojects being considered for financing under the loan. The ADTA worked with all project provinces and reviewed a large number of candidate subprojects to identify those with a higher potential for economic development and socio-economic impact. Issues related to resettlement, impact on environment, impact on vulnerable groups and ethnic minorities were carefully reviewed for each subproject with the PPMUs and the local authorities raising awareness of such matters and stressing the importance of social development issues including community consultation, participation and awareness to building ownership in the communities and improving quality, relevance and sustainability of rural infrastructures.

12. The TA also met its O&M objectives under the refocused scope to improve awareness at provincial level for better O&M of rural infrastructures to be built under the project, and by promoting effective mechanisms to address O&M at subproject level. The effort to raise awareness of the provincial governments to the need and importance of proper O&M planning, budgeting and implementation, coupled with capacity building in these areas is expected to improve sustainability and increase economic viability for the subprojects. The process of capacity building in O&M planning has been initiated under the TA through the PCPF sub-team and is continuing under the LIC. Each project province has issued a written commitment to provide adequate funding for O&M activities as a condition for each subproject to be financed under IRDSPCP.

13. While the initial objectives of the O&M component proved overambitious, the TA objectives were refocused in March 2009 to reflect more relevant goals, and under these terms, the ADTA can be considered successful in meeting all, and exceeding most of its objectives under the revised focus.

2. Output

a. O&M Component

14. The required output of the O&M component was significantly reduced after the refocusing in March 2009. Nevertheless, under the O&M component a number of studies and reports were produced and workshops were carried out at provincial level regarding policy aspects of O&M planning and funding. The major outputs of the component were described in the *Operation and Maintenance Final Report* which was submitted to the ADB on 27 February 2010. The key outputs are summarized below:

- i. An assessment of current policy environment and legal and regulatory framework for rural infrastructure management as it relates to O&M issues. The study focused particularly on roads, irrigation, water supply, public buildings (including markets) as well as coastal protection works and includes the viewpoints of key multi-lateral and bi-lateral donors as well as national ministries regarding this key issue. The findings of the study were detailed in the *Preliminary O&M Issues Report*.
- ii. A review of actual O&M arrangements and assessment of sustainability of selected subprojects constructed under the Rural Infrastructure Sector Project (RISP). The ADTA conducted a study of 34 subprojects in 7 provinces which took part both in RISP and IRDSPCP. Findings of this study were detailed in the *RISP O&M Experiences Report* which was submitted to ADB on 20 October 2009.
- iii. An assessment of the need and scope for a Management Board for Rural Infrastructure Projects (MBRIP) within MARD to promote improved O&M for rural infrastructure.
- iv. The preparation and implementation of a two day workshop in August 2009 for all PPMUs to review O&M policy issues and planning requirements.
- v. The design of checklists and models for O&M plans for road transport, irrigation and drainage systems, and water supply schemes to support the SIRs preparation process.

b. PCPF Component

15. The output of the PCPF component was designed to be quite different from that of the O&M policy component. The PCPF sub-team's role was to assist the CPMU ensure that ADB and GOVN policies and procedures were being complied with during the start up phase of IRDSPCP, and to assist with technical and advisory support as required. Their duties were not expected to include the preparation of special studies but rather to act in a project advisory role. Nevertheless, the sub-team contributed a number of reports regarding various aspects of subproject identification, selection and preparation. The sub-team also contributed a variety of guidelines, templates and other tools which have been used extensively in the identification and preparation of subproject.

16. During the subproject identification and preparation phases, the ADTA developed detailed guidelines for preparation of SIPs and SIRs and conducted numerous workshops and on-the-job training for PPMUs and their feasibility study consultants to improve preparation of subprojects. Capacity building at provincial level including participation in workshops emphasized safeguards issues and the design of appropriate mitigation

measures to minimize negative impact; planning and budgeting for O&M and improved sustainability of rural infrastructure; improved community consultation, participation and awareness; and improved economic and financial analysis of subprojects.

17. The ADTA enhanced the standard for administration procedures regarding implementation of safeguard policies, as well as recruitment of consultants and procurement. A major issue was the chronic lack of understanding and familiarity particularly at provincial level with ADB and to some extent to GOVN policies and procedures regarding compliance with social regulations, social and environment safeguard policies and economic analysis requirements. Another major difficulty was weaker than anticipated capacity at province level for the PPMUs and their consultants to prepare subprojects in compliance with ADB standards and requirements. The TA provided assistance, support and appropriate guidelines to improve the procedural aspects of project implementation. Training was provided to the PPMUs by the CPMU with assistance from the ADTA.

18. The following is a summary of outputs of the PCPF component:

- i. Two status reports summarizing the review and assessment of SIPs and proposing improvements and capacity building solutions to improve their quality were prepared based on field observations and desk studies;
- ii. An *Interim Report on Subproject Selection and Evaluation* was prepared and submitted to ADB in April 2009;
- iii. The *Final Report on Subproject Selection and Evaluation* was submitted to ADB in June 2009;
- iv. *Guideline for preparation of SIPs*, and *Guideline for preparation of SIRs*
- v. The ADTA participated in a number of workshops on subproject design and implementation and provided expert advice to PPMUs on various aspects of the project requirements including, safeguards, social development, O&M planning and budgeting, as well as procedural aspects of implementation including procurement and consultant selection.
- vi. A series of mini-workshops was carried out in November and December 2009 with all PPMUs and their feasibility study consultants to build capacity in subprojects preparation.
- vii. *Guidelines for preparation of economic and financial analysis for roads, irrigation, water supply and markets* were prepared by the ADTA;
- viii. *Framework for monitoring of safeguard and social issues during implementation.*

19. All reports, studies and guidelines produced by the ADTA are included in the attached CD-ROM to this report. A table of actual deliverable reports submitted against the requirements of the TA is attached as Appendix 2.

B. Implementation

20. The loan and ADTA were both approved on 15 October 2007. The Loan Agreement was signed on 20 December 2007 and became effective on 6 May 2008. Implementation began shortly after loan effectiveness. Delays were encountered however with the approval of the ADTA within MARD and the ADTA Agreement was only signed on 30 June 2008. The ADTA consultant was selected in July 2008 and contract negotiations with the firm VICA Consultants International Ltd. of Viet Nam were completed on 20 July 2008. The team of

consultants was mobilized and fielded starting 18 August 2008. The consultants were divided in two sub-teams with each sub-team comprising one international and one domestic consultant.

1. Inception phase

21. After an initial review period an Inception report was prepared and submitted on 23 September 2008. The inception report summarized the initial observations and assessment of the sub-teams regarding the status of implementation of the ADTA in the context of implementation of Loan No. 2357-VIE(SF) IRDSPCP. The Inception Report reviewed the progress of work to date, assessed the capacity of the executing and implementation agencies, identified difficulties and obstacles to effective project implementation and proposed remedial measures as required.

a. O&M Component

22. The work of the O&M sub-team was not significantly affected by delays in selection and fielding of consultants. The objective of the O&M sub-team was to identify, analyze and clarify O&M issues and options as a basis for future O&M policy enhancement, while at the same time, promote sound O&M practices at the provincial level. The O&M sub-team was to carry out an interactive study of the policy, organizational, funding and structural issues confronting the sustainability of rural infrastructure in the country in general and in the 13 IRDSPCP provinces.

23. During the inception phase the O&M Sub-team conducted a preliminary assessment of the current situation regarding O&M for rural roads, irrigation, coastal infrastructure, water supply and markets. Difficulties were identified and a two-pronged approach involving the promotion on one hand of increasing awareness of the benefits from asset maintenance and on the other hand reviewing the initial designs to accommodate the reality confronting the sectors was proposed. This approach represented a slight variation upon the agreed work plan for the ADTA but was considered necessary based on initial reviews of available information uncovered by the O&M sub-team.

24. The second deviation was to come through the new approach which proposed to address O&M deficiencies by working with the CPMU, PPMUs and implementation consultants to recognize the repercussions of limited financial resources for infrastructure rehabilitation. This involved increasing the focus on the design of subprojects to pay greater attention to critical elements of the proposed infrastructures to reflect localized problem areas that required different design to optimize practices and reduce the cost of O&M. This approach was adopted throughout the implementation of the TA and continues with the LIC.

b. PCPF Component

25. One of the two objectives for the ADTA was to assist the CPMU and PPMUs during startup particularly with respect to compliance with ADB policy and safeguards requirements, as well as implementation procedures. This assumed the ADTA would start even before loan effectiveness to help ensure smooth and efficient project mobilization and startup. However significant delays were encountered in the recruitment of ADTA consultants and some progress had already been made in start-up activities by the CPMU by the time the ADTA team was mobilized. Some project activities which were initially planned to take place with assistance and guidance from the ADTA consultants were carried out directly by the CPMU and PPMUs without external support or guidance. For instance each province had prepared a list of subprojects which, in most cases, had been approved by the provincial governments,

and all provinces had also prepared and submitted at least one SIP for approval by the CPMU.

26. However, the review of the initial SIPs submitted by the provinces and observations made during early field trips to the location of proposed subprojects revealed that i) the quality of the SIPs was generally poor; ii) little attention had been placed on safeguard issues during subproject identification; and iii) several of the proposed subprojects did not meet the selection criteria for the project. The PPMUs appeared to have difficulties in identifying, selecting, and conceptualizing subprojects that met the ADB selection criteria. For instance, some subprojects submitted for consideration had a cost estimate below the minimum requirement; others presented significant environmental and/or resettlement challenges that would have made them ineligible; and many of the proposed subprojects were unlikely to be economically viable and did not present sufficient social development potential to be considered.

27. During preparation of IRDSPCP, it had been assumed that at least for project provinces which had participated in the RISP, sufficient capacity and knowledge had been developed to identify and prepare subprojects meeting the selection criteria. However, during the inception period it was noted that prior participation in RISP did not appear to play a significant role on the quality of the subprojects proposals presented for approval. This was due in part to: i) transfer and reassignment of RISP staff during the period between completion of RISP and the beginning of IRDSPCP; ii) key staff including management of most of the PPMUs had no or limited previous exposure to RISP or other ADB financed projects; and iii) IRDSPCP placed greater emphasis on safeguard issues and O&M planning than RISP, and even provinces that participated in RISP needed to develop familiarity with these issues and build the capacity to review and assess their impact.

28. A significant difficulty identified during inception was delays in the recruitment of LICs which were expected to support the CPMU and the PPMU in day to day implementation of the Project, including assistance in the preparation of SIPs and SIRs. Initially the sub-team was to work in collaboration with the LIC team to build the capacity of the CPMU and PPMUs in project implementation, and subproject preparation, including social and environmental safeguard, O&M and economic analysis. The LICs were initially to be fielded shortly after project start up, with the ADTA filling the gap temporarily until their mobilization, but the delays put additional pressure on the limited resources of the PCPF sub-team to provide additional support.⁴

29. In view of these difficulties, there was a need to develop interim measures to accelerate project implementation without jeopardizing the quality of the subprojects pending the fielding of the LIC. Particularly there was a need for the ADTA to build the capacity of the PPMUs in identification and selection of subprojects as well as preparation of concept designs, and preparation of SIPs / SIRs. Special attention had to be placed on meeting ADB requirements regarding social and environmental safeguards, community consultation, O&M planning, as well as economic viability of subprojects. There was also a need to improving the familiarity and working knowledge of the PPMUs with ADB procedures regarding safeguard issues and recruitment of consultants for the preparation of feasibility studies. This was to be accomplished through workshops and on-the-job training during site visits to all 13

⁴ LIC were finally fielded in September 2009, more than 18 months later than planned at the time of loan approval.

provinces. In addition the ADTA prepared guidelines and templates to assist the PPMUs in the preparation of SIPs.

2. Review Phase

a. O&M Component

30. In November 2008, the initial International O&M Specialist / Team Leader resigned from the ADTA for personal reasons and was replaced by a new candidate in December 2009. In February 2009, the new international O&M Specialist / Team Leader submitted the Preliminary Issue Report on O&M. This report however did not fully meet ADB's expectations and a number of shortcomings were identified. While these shortcomings could have been addressed and the report revised to meet the requirements of the TOR, the ADB also felt that it was necessary to refocus the work of the O&M component to reflect the situation in the country. A number of events and factors had led to this conclusion. First the GOVN had made significant progress in implementing its new policy of decentralization. Following the decentralization most of the provinces had developed their own policies and procedures regarding O&M, these were already in place and it was felt that further dialog at national level was unlikely to have much impact on the most important issue of funding for O&M. It was also considered that it would be more effective to adopt a more practical approach to O&M policies by developing effective mechanisms to address O&M concerns at subproject level through the capacity building effort of the PCPF sub-team. Another consideration was that the executing agency was unlikely to have a significant role to play at federal level regarding O&M policies for rural roads, water supply and markets.

31. Based on this and in view of the continued delays in recruitment of LICs which led to the need for the PCPF sub-team to provide additional support to the CPMU and PPMUs in subproject preparation, in March 2009 the ADB agreed to refocus the scope of the TA to promote a more practical approach towards O&M to develop effective mechanisms to address O&M concerns at subproject level. This meant transferring some responsibilities to the PCPF sub-team to work at subproject level to develop more effective mechanisms for O&M planning. This was reflected by an increase of the scope of the PCPF sub-team and a reduction of the output of the O&M sub-team.

32. For the remaining of its participation in the ADTA, the O&M sub-team focused on the review of O&M experiences under RISP and carried out a workshop on O&M issues with all project provinces in Hoi An, Quang Nam province. The conclusions of the review of O&M Experiences under RISP was outlined in a report submitted to ADB in October 2009. Some of the major findings and conclusions of this report can be summarized as follows:

- The most serious factor affecting sustainability of rural infrastructures is the large funding gap between required and actual allocated funds for O&M. This gap is most severe for roads under the management of the districts and communes authorities.
- Performance varies significantly between sectors with the water sector being highly problematic followed by the road sector, and the irrigation sector being the best. Poor performance in the water and road sector can be attributed in part to inadequate consultation with the relevant sector specialists and facility functional managers.
- Lack of funding and poor maintenance practices are likely to result in shorter than expected economic life for most road built under the [RISP] project. In fact

had the economic assessment of roads been based upon actual prevailing maintenance practices it is likely that many of the road segments would not have passed the 10% EIRR qualifying threshold.

- Infrastructures being operated and maintained by provincial level entities tend to perform better than those under the responsibility of district and communes authorities. This is in part because of greater access to O&M funding and administrative economies of scale at the provincial level, but also due to the lack of qualification at the lower administrative levels.

b. PCPF Component

33. Despite being provided with detailed guidelines and attending project implementation workshops dealing with preparation of SIPs some PPMUs continued to experience difficulties in the preparation of SIPs. The problem stemmed, at least in part, from poor subproject identification and selection practices. In view of this, the PCPF sub-team and the CPMU visited the sites of the majority of candidate subprojects in each province to build the capacity of the PPMUs in the identification and conceptualization of subprojects and the preparation of subproject identification documents for approval by the CPMU. In 10 of the project provinces⁵ the PCPF sub-team met with the PPMUs and the local authorities to: i) review and discuss the list of potential subprojects; ii) visit the site of proposed and potential subprojects; iii) assess the eligibility of the proposed subprojects; iv) discuss safeguard issues and community consultation with the PPMU, and the District and Commune authorities; v) provide feedback regarding the selection process; vi) assist the PPMU where needed in the development of a sound list of potential subprojects; and vii) provide guidance and assistance with the preparation of SIPs and the selection of consultants for preparation of feasibility studies when applicable. The outcome of this review was presented to ADB in two separate reports.⁶

3. Preparation Phase

a. O&M Component

34. Subsequent to the submission of the final report for the O&M component, the O&M sub-team was demobilized in December 2009, and no further activity was carried out under this component. The recommendations of the sub-team regarding the approach to O&M during subproject preparation have been integrated as required in the work of the PCPF sub-team and eventually the LIC particularly with respect to capacity building at provincial and district level. A series of mini-workshops carried out under the PCPF component in cooperation with the LIC, emphasized good practice in the planning and implementation of O&M activities. It also raised the issue of funding for such activities and promoted training at commune and district level for O&M in general. Activities being carried out by LIC consultants with respect to O&M continue to promote increased focus on institutional arrangements for O&M as recommended in the *Final Report of the O&M Component*.

⁵ In the provinces of Kon Tum, Ninh Thuan and Quang Ngai all subprojects had already been approved and there was no need to assist in the selection process.

⁶ *Interim Report on Subproject Selection and Evaluation (April 2009)*; and *Final Report on Subproject Selection and Evaluation*

b. PCPF Component

35. As implementation of the IRDSPCP project progressed to the phase of subproject feasibility and preparation, the PCPF sub-team intensified its capacity building effort to support the PPMUs and their consultants in the preparation of feasibility studies and SIRs. The most problematic areas in this phase were: i) safeguard issues; ii) O&M planning; and iii) economic and socio economic analysis of subprojects. A number of factors contributed to slow progress in these areas including:

- i. weak capacity of the PPMUs and their consultants in the areas of safeguards, O&M and economic analysis;
- ii. delays in fielding of national consultants responsible for preparation of safeguard studies; and
- iii. lack of sectoral knowledge at PPMU level regarding O&M of non-irrigation infrastructures.

36. The PPMUs do not have technical expertise in house to prepare subprojects. Consequently, they rely on domestic consultants to prepare feasibility studies and assist in the preparation of SIRs. The domestic consultants are generally experienced with preparation of feasibility studies and other documents following the GOVN norms and standards but have little if any familiarity with the standards and requirements of ADB and other ODA partners.

37. Economic viability is a key criterion in subproject eligibility under IRDSP but the quality of the economic analysis prepared by the PPMUs and their consultants was generally poor. There appeared to be little consistency in the assumptions and factors that were taken into consideration for different subprojects even in the same sector. In general the consultants appear to have little experience in carrying out economic analysis to the standards required for ODA assisted projects. In addition, the PPMU have no in-house expertise to review and monitor the work of the consultants in these areas. It is generally acknowledged that the level of analysis required under an ADB financed project is outside the scope of GOVN norms for preparation of feasibility studies. There is a provision by the Ministry of Finance to allow additional payments to consultants to carry out work outside the cost norms when dealing with ODA projects⁷ but for unclear reasons, there appears to be reluctance in using this provision under the project.

38. Safeguard issues including resettlement, and impact on environment, vulnerable groups and ethnic minorities was identified at the outset as a priority for IRDSPCP. One of the key objectives of the ADTA was to ensure compliance with ADB policies in these areas. Because of weak capacity at provincial level, the CPMU was to recruit national safeguard consultants to carry out safeguard studies for each subproject. The national safeguard consultants were also expected to carry out baseline surveys and community consultations to obtain the views of intended beneficiaries in subproject design and discuss potential impacts. In this regard, the input of the national safeguard consultants was considered key in the

⁷ Decision No: 61/2006/qd-BTC of the Ministry of Finance Promulgating a Number of Spending Limits Applicable to Programs/Projects Using Official Development Assistance (ODA) capital sources, 2 November 2006

preparation of feasibility studies, and the timing of their input was critical to ensure that safeguard issues were properly considered during subproject concept design and preparation of feasibility studies.

39. The national safeguard consultants were mobilized in September 2009, approximately 8 months behind schedule. At that time substantial progress had been made in the preparation of the feasibility studies with little consideration to safeguard matters. Once the national safeguard consultants were recruited, they proceeded with the preparation of safeguard studies, but the quality of the studies fell short of the required ADB standards. This caused additional delays in subproject preparation as safeguard studies had to be upgraded before they could be submitted to ADB for approval.

40. The issue of O&M also received more attention from the PCPF team after the March 2009 refocusing. O&M practices for rural infrastructures are generally poor. They are based on inadequate standards and are generally underfunded. In addition, there is a lack of corporate knowledge at the PPMU level for O&M activities. Of the 130 subprojects identified, 86 (or 66%) are in non-irrigation sectors. Roads constitute the largest sector with 73 subprojects (56%); markets, water supply and coastal protection take up the difference with 13 subprojects (or 10%). However the PPMUs are located in the Department of Agriculture and Rural Development (DARD) and have little experience and technical expertise regarding those sectors. DARD is also not responsible for O&M of non-irrigation infrastructures once they are commissioned. Even in the irrigation sector, a large number of infrastructures will be managed by Irrigation Management Companies (IMC). This lack of experience, ownership, and knowledge lead to oversight and poor O&M Plans being submitted.

41. During this phase, the LICs were mobilized and the division of responsibilities between the ADTA and the LIC teams were defined and agreed by ADB. It was agreed that after a short transition period: i) the LICs were to gradually assume full responsibility of implementation support functions; and ii) the ADTA was to focus on capacity building while ensuring smooth transition of responsibilities to the LICs.

42. In view of the serious weaknesses at provincial level, the PCPF sub-team continued its capacity building effort at provincial level. Mini-workshops were organized by the PCPF team in collaboration with the LICs and the CPMU for all PPMUs and their consultants. All project provinces attended the workshops, as well as the consultants responsible for preparation of Feasibility Studies and SIRs. Each mini-workshop consisted in: i) a full presentation of the guideline for the preparation of SIRs; ii) a general review and discussion of deficiencies found in SIRs presented by the provinces; and iii) detailed discussions based on actual SIRs submitted by the provinces. A significant part of the mini-workshop consisted in the review and discussion regarding safeguard requirements, O&M planning and economic analysis. The ADB agreed to provide additional resources to recruit a domestic project economist to assist in the preparation of models and guidelines for preparation of economic analysis. The mini-workshops did improve the familiarity of the PPMUs and their consultants in the critical areas of safeguards, O&M and economic analysis as well as overall subproject preparation and design. However the poor quality of the safeguard studies prepared by the national safeguard consultants continued to hinder progress in the preparation of subprojects for CPMU and ADB approval. The work of the safeguard consultants continues to be monitored by the LIC.

43. A national project economist was recruited under the ADTA to assist in the capacity building in economic analysis. The national project economist prepared economic models for each of the four types of infrastructure being built under the project (roads, irrigation, markets

and water supply). A program was also prepared and submitted to the CPMU for training of PPMUs and their consultants in economic analysis following ADB requirements. While the program was approved by the CPMU, its implementation has been delayed and will not be carried out within the duration of the ADTA. It is planned that the LIC will carry out this training in October 2010. The economic models and training program for economic analysis are included in the attached CD-ROM.

44. The ADTA also prepared detailed guidelines for monitoring of social safeguard issues during subproject implementation. The aim was to present these guidelines to the PPMUs during a workshop on subproject implementation. However the workshop which was to be carried out by the CPMU with assistance from the LIC and ADTA consultants has been postponed and will be carried out after the closing date of the TA simultaneously with the training in economic analysis. The framework for monitoring of social safeguard issues is also included in the attached CD-ROM.

4. Additional Input

45. A project website was developed for the sector loan project using fund from the TA⁸. The website was launched in January 2010. The website is designed to disseminate key information regarding project and subproject implementation, procurement activities, and future development for the general public, stakeholders and beneficiaries. To date, however the website has not been extensively used due to long procedures to review documents to be posted on the website. Furthermore the CPMU who is responsible to provide project information for posting on the website has been busy with other priority work. The CPMU has assigned one staff to be responsible for maintenance of the website after the TA completion date. The CPMU is expected to have the capability to carry out this responsibility independently. The LIC can assist by providing technical support when required and to contribute technical articles for the website.

46. In June 2010, in view of growing concerns regarding the PPMUs plans to split civil works under the project in ever increasing larger number of small contracts, an ADB Review Mission for Loan 2357-VIE, requested the ADTA to carry out a study of the capacity of local civil works contractors in the provinces of Quang Nam, Quang Ngai and Ninh Thuan, and assist with the preparation of procurement plans in these three provinces. The additional work involved was to be financed from the TA through a contract variation. This also required an extension of the ADTA closing date.

47. The study was conducted in the field between 9 and 17 August 2010. The study team held discussions with PPMUs of the three provinces, and assessed the capacity of 24 local contractors. The contractors had been identified by the respective PPMUs as being those with most financial and technical capacity to carry out work of the nature of the infrastructures being envisaged for IRDSPCP. The draft final report of the study team was presented to both the ADB and the CPMU and comments were incorporated in the final report which was issued in September 2010.

48. The report suggested the reduction in the number of civil works contracts to be awarded for some subprojects to enhance competitiveness in the bidding process by attracting larger number of better qualified contractors, and to facilitate contract management within the PPMUs. It did recognize however that there were serious issues regarding larger

⁸ The website can be accessed at www.irdspcp.vn

civil works contracts particularly for rehabilitation of irrigation facilities. Contractors are generally reluctant to bid on such contracts because construction periods are short and dependent on watercut schedule. The full report of the study is in the attached CD-ROM.

C. Utilization of Input

49. The cost of the ADTA was estimated at \$1.1 million of which \$1.0 million was to be funded on a grant basis and the balance was to be provided by the Government in kind. The TA was to contribute 54 person-months of consulting services, including 24 person-months of international and 30 person-months of national expertise. Against this plan, a total of 65 person months including 23.5 person months of international specialists and 41.6 person months of domestic specialists were utilized during the TA. The initial against actual final distribution of person months is in Table 1 below.

Table 1 - Utilization of Person Months

Specialist	Original No. of p-m	Final No. of p-m
International O&M specialist/TL	12	9.2
International PCPF specialist	12	14.3
Total International Consultants	24	23.5
National O&M Specialist	18	15.5
National PCPF Specialist	12	19.3
National Project Economist	0	6.9
Total Domestic Consultants	30	41.6
Total	54	65.0

50. A number of changes were made to the personal schedule during TA implementation to reflect the changes in personnel, the new orientation of work and the additional person months of input. The Planned versus Actual Personnel Schedule showing those changes is attached as Appendix 3

51. In addition, a study was carried out to assess the capacity of contractors to carry out civil works under the project in the three provinces of Quang Nam, Quang Ngai and Ninh Thuan. The cost of the study was paid under the TA but the human resources (2 person months for a senior consultant and a senior research assistant) to carry out the study were not included in the above table.

D. Lessons learned

1. O&M Component

52. The initial objective of the O&M policy component was probably overambitious considering the number of sectors involved and the complexity of the national and provincial policy frameworks for O&M in Viet Nam. The project covers a number of different sectors each having its own set of O&M challenges. In addition, the planned O&M studies were to be carried out during the time that the GOVN was implementing a very important policy of decentralization which substantially changed the playing field regarding the distribution of

responsibilities for O&M policies. This limited the potential impact of the policy studies at national level and increased the complexity of the work to be carried out at provincial level. This was recognized during implementation and the objective and scope of the TA was refocused accordingly. However this could have been foreseen at the time of preparation and a more focus and relevant approach could have been designed to address O&M issues which directly impacted the proposed subprojects.

53. MARD as the executing agency may not have been the most appropriate institution to host a major policy reform study covering such diverse sectors as rural roads, irrigation, water supply, markets and coastal protection infrastructure. While MARD is a major player in the irrigation sector, it has no authority over most of these sectors and no involvement in the O&M of the facilities once constructed/upgraded. The relevance and authority of the executing agency should be taken into consideration during project design for a policy oriented project to ensure that proper guidance can be provided to the study team during implementation, and that ensuing policy decisions can be enacted through the appropriate channels. Alternatively a focused approach on areas where MARD can play a leadership role - such as the policy related to irrigation fees – may have been more effective.

2. PCPF Component

a. Recruitment of Consultants

54. One of the most important factors that affected the implementation of the Loan Project and impacted the scope of work of the TA is delay in the recruitment of consultants. The role of the PCPF sub-team had to be adjusted to provide additional support to the PPMUs and the CPMU for an extended period of time with limited resources to fill the gap resulting from delays in fielding of LIC. Procedural delays in recruitment of consultants are not unusual within MARD. The constraints facing the executing agency, including procedures for recruitment of consultants and procurement, need to be assessed realistically during project preparation to ensure adequate and timely provision of assistance during implementation.

55. Delays in recruitment of the ADTA, the LIC and the national safeguard consultants all resulted from long government selection procedures. Those procedures were clearly underestimated at appraisal. It may be worth reviewing the process of approval of consultant selection by various government agencies to identify possible time saving measures for future projects and to identify and plan for potential bottlenecks.

b. Domestic capacity

56. The capacity of the executing agency and implementation agencies, need to be assessed carefully and realistically during project preparation. In the case of IRDSPCP it was assumed that the CPMU and PPMUs which had participated in a similar previous project had adequate capacity to carry out the project with limited guidance. Factors such as rotation of personnel and additional requirements of the project regarding safeguards, O&M and economic analysis were not sufficiently considered in this assessment and the need for training and support was underestimated.

57. In view of the limited resources of the PPMUs and CPMU, a number of activities were to be carried out by domestic consulting firms. However, while domestic firms are familiar with Government procedures and regulations, in the majority of cases they have little knowledge with regulations and procedures of ODA donors, and are not familiar with the

level of standards required by external donors. Failure to properly assess the capacity of the domestic consulting industry necessitated additional capacity building effort by the ADTA to consulting companies.

c. Subproject Selection

58. At the time of appraisal it was estimated that up to 150 subprojects would be financed under the IRDSPCP. Although one subproject was partly prepared during appraisal, all remaining subprojects had to be identified and selected by the PPMUs based on the provincial SEDP following selection criteria agreed between the ADB and the GOV during project appraisal. This process put a lot of responsibility and pressure on the relatively inexperienced PPMUs. The ADTA once fielded had to devote several person-months of input to assist the PPMUs in revising their list of subprojects. This caused significant delay in project implementation partly because of the limited resources of the ADTA. In retrospect, it may have been preferable for at least a number of subprojects in each province to be pre-selected during project appraisal. This would have i) facilitated the approval process for the initial batch of subprojects; ii) allowed an early start in the design and implementation of those pre-selected subprojects and expedite early disbursement under the loan; iii) provided sufficient time to properly assess and consider safeguard and social development issues; iv) provided valuable time for the PPMUs to identify the second group of subprojects while some work was being carried out in the field on the initial group of pre-selected subprojects; and v) allowed feedback from the first group of subprojects to be used during the selection of the subsequent groups.

E. Conclusions

59. Overall, the ADTA achieved and exceeded most of its objectives related to the refocused scope of work, but its work was impaired by lack of resources and delays in mobilization both of the TA itself as well as the LICs. The initial scope of work did not anticipate the need for the ADTA to provide implementation support and capacity building for the IRDSPCP over a long period of time. The ADTA was expected to assist with start up activities before loan effectiveness, and to bridge the gap in implementation support and capacity building until the mobilization of the LIC. Following mobilization of the LIC the ADTA was to work in cooperation with the LIC to provide capacity building in selected areas as needed. The ADTA did not have sufficient resources both in terms of numbers as well as expertise, to efficiently provide the necessary capacity building and implementation support to the CPMU and 13 PPMUs over an extended period of time.

60. The capacity of the PPMUs to carry out subproject identification and preparation work was overestimated at the time of appraisal. It had been expected that at least 8 of the 13 PPMUs which had participated in the earlier RIPS would have retained sufficient capacity to carry out their functions with limited support. This proved not to be the case. The period of time elapsed between the end of RISP and the beginning of IRDSPCP meant that most PPMUs had been demobilized and new staff, with no previous experience with ADB procedures and policies, had to be hired. Furthermore, the introduction of a stronger focus on safeguard, O&M and economic analysis in IRDSPCP meant that even if RISP PPMUs had retained some capacity additional capacity building would be required in those areas. In absence of the LICs, the task of building capacity in these areas for 13 PPMUs fell on the already stretched ADTA consultants.

61. The capacity of the domestic consultants and national safeguard consultants was also a major disappointment. In view of their limited capacity and lack of qualifications in

most of the project sectors, the PPMUs had to rely heavily on the services of domestic consultants for preparation of subproject feasibility studies, SIRs, and detailed designs. Furthermore the CPMU were to engage national consultants specialized in environmental and social studies to carry out the review of safeguard issues and to prepare safeguard studies to assist the PPMUs and their consultants in those areas. In addition to the fact that delays were encountered in the fielding of safeguard consultants, the quality of the work carried out by these firms did not meet the ADB standards. This weak capacity in the domestic and national consulting services resulted in the ADTA having to provide additional capacity building for the consultants, and had to review and rewrite a number of safeguard studies prepared by the safeguard consultants.

62. Given the changing conditions that prevailed throughout the initial phase of the loan project, the ADB and the CPMU showed flexibility during the implementation of the TA to allow changes in orientation of the work, provide additional person months as required and where required, and adjust the implementation schedule accordingly. This flexibility allowed the TA to adopt a methodology that was better suited to the needs of the provincial and central levels particularly regarding capacity building and implementation support. The need to provide significantly greater than envisaged capacity building particularly at provincial level resulted in some delays in the initial implementation of the Loan project, but overall it is likely that the quality of the subprojects and their impact on the beneficiaries will be enhanced due to this additional work.

Letter from ADB dated 17 March 2009

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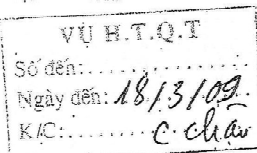


Asian Development Bank

Southeast Asia Department

17 March 2009

Dr. Le Van Minh
 Director General
 International Cooperation Department
 Ministry of Agriculture and Rural Development
 Fax: (844) 733-0752



Kg: C Chấn

Đón tiếp & làm comment

Dear Dr. Minh,

**Subject: TA 4891-VIE: Infrastructure Policy Support and
 Loan 2357-VIE (SF) – Integrated Rural Development Sector Project for Central Provinces**

I am writing to inform you of some recent development regarding the captioned TA and loan project.

During our discussions in February with the CPMU and the TA consultants regarding the captioned TA and loan, our ADB team (led by Mr. Ahsan Tayyab) discussed options for enhancing effectiveness of the Operation and Maintenance (O&M) component of the TA.

As you will recall, the TA consists of two components, a policy compliance and project facilitation (PCPF) component to help ensure that the provincial project management units (PPMUs) can implement their subprojects within ADB and Government of Viet Nam policies and procedures, and an O&M Policy component aimed at strengthening O&M policies and their implementation especially at the provincial level. All involved agreed that there is a need to review the focus of the O&M component.

Our findings indicate that, in fact, the policies for O&M of various types of rural infrastructure at various levels are largely in place. The main challenge is to ensure compliance with these policies and development of implementation guidelines, appropriation of budget allocation and institutional arrangements for addressing O&M related challenges. Effective interministerial coordination is also critical as policies and implementation modalities for certain infrastructure types (roads and water supply schemes) are set by concerned ministries. Appropriate institutional arrangements need to be analyzed in further detail to effectively coordinate rural infrastructure-related investments. Through this modality, guidance and assistance could be made available to the provincial governments on appropriate O&M standards for rural infrastructure related investments.

Since the current project involved 13 provinces and the forthcoming Sustainable Rural Infrastructure Development Project in the Northern Mountain Provinces will also involve about 15 provinces, there is a need to institutionalize effective mechanisms to address challenges in rural infrastructure specific O&M financing at the provincial level. Technical support is also required to develop O&M plans for subprojects and a monitoring framework to ensure compliance with agreed technical and financial benchmarks.

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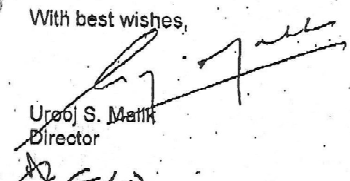
In consideration of the above, future TA activities would thus be focused on: (i) developing mechanisms to develop and implement O&M plans for different types of rural infrastructure at different levels of government (province, district, commune) and (ii) assisting in the conceptualization of the institutional options that could be considered by MARD to assist provincial government comply with appropriate policies/implementation guidelines and ensure that sufficient funding (both routine and periodic) is made available to rural infrastructure O&M. Following further feedback from MARD, assistance will be provided under the TA to analyze institutional options described above.

These suggestions are in line with the objectives of the TA which, as stated in ADB's RRP for the IRDSPCP are: "Through an ADTA, the CPMU and PPMUs will (i) be provided guidance at both the national and provincial levels for further analyzing policy developments and their application in anticipation of future investments in the sector, and (ii) ensure that both Viet Nam and ADB policies and procedures are understood and followed during project implementation."

In order to implement the recommended refocusing, changes will need to be made to the TOR for the O&M component and its staffing. In the process, there will be some reduction in the input of the international consultant and thus some cost savings. These will be applied to strengthening the PCPF component of the TA. We also note that the PCPF subteam has to date focused on building up the capacity of the PPMUs to identify and prepare subproject proposals. The quality of the proposals has improved considerably as a result of this support. The PCPF subteam is presently covering 13 widely dispersed provinces and working closely with provincial officials, some of whom require high level training and guidance. Providing additional resources to the subteam will have a positive effect on implementation of the IRDSPCP and provide a continuity of input of international and national expertise not available at present staffing levels.

These steps are expected to result in a more effective overall outcome of the TA. Following endorsement by MARD, we will proceed to process the required changes formally within ADB through required documentation and a contract variation for the consulting firm. In the process and prior to completing them, we would like to incorporate any comments that you would like to make.

With best wishes,


Urooj S. Malik
Director

cc: Dr. Hoàng Văn Xô, Deputy Director General, Ministry of Agriculture and Rural Development (844 37920065)
Country Director, VRM

Table of Required vs Actual Report Submission

Required Report	Date Due	Date Submitted	Comment
Inception report	10 Sept 2008	10 Sept 2008	
Preliminary O&M Issue Report	10 Jan 2009	10 Jan 2009	
Revised Issue Report	10 Apr 2009	N/A	No longer required after refocusing of TA scope in March 2009
First Interim Report	10 Aug 2009	N/A	No longer required after refocusing of TA scope in March 2009
Interim report on Subproject Selection and Evaluation	10 Aug 2009	13 Apr 2009	Added after refocusing of TA scope in March 2009
4 Provincial Reports	10 Jul 2009, 10 Sep 2009, 10 Nov 2009, 10 Jan 2010	N/A	Provincial Reports were no longer required after refocusing of TA scope in March 2009
Second Interim Report	10 Oct 2009	N/A	No longer required after refocusing of TA scope in March 2009
Quarterly Progress Reports	10 Nov 2008, 10 Feb 2009, 10 May 2009, 10 Jan 2010	Nov 2008, 11 Feb 2009, 10 May 2009, 28 Aug 2009 ¹ , 27 Nov 2009, 10 Feb 2010 and 10 May 2010	Quarterly Report were required throughout the TA implementation due to change in personnel schedules which extended the work in the field beyond the initial expectations
Project Website Development	30 Sept 2009	1 Jan 2010	Delays were encountered due to launching procedures which were more complex than anticipated.
Final Report O&M Policy	30 June 2009	30 Oct 2009 (draft) and 20 Feb 2010 (final)	Delays were encountered obtaining comments from MARD on the Draft Final Report.
Draft Final Report	1 July 2010	1 July 2010	Approved by ADB
Final Report	30 Sept 2010	Being Submitted	

¹ Quarterly Progress Report No. 4 was initially submitted on 28 August 2009 but was revised following ADB comment and resubmitted on 21 Sept 2009

PLANNED VS FINAL PERSONNEL SCHEDULE

No.	Name of Expert/Position	Months																										Person Month Input				
			2008								2009												2010									
			Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Planned	Actual
INTERNATIONAL																																
1	Kevin Rutter <i>O&M Policy Specialist/TL</i>	Planned																													12	
		Actual																														1.1
2	Donald Taylor <i>O&M Policy Specialist/TL</i>	Planned																													0	
		Actual																														8.1
3	Michel D. Latendresse <i>PCPF Specialist/TL</i>	Planned																													12	
		Actual																														14.3
		Subtotal																												24	23.5	
NATIONAL																																
1	Nguyen Thi Thanh Nga <i>O&M Policy Specialist</i>	Planned																													18	
		Actual																														15.5
2	Be Quynh Nga <i>PCPF Specialist</i>	Planned																													12	
		Actual																														19.3
3	Bui Thai Giang <i>Project Economist</i>	Planned																													0	
		Actual																														6.9
		Subtotal																												30	41.7	
TOTAL																														54	65.2	

Note:

Planned

Actual

Part Time