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The World Bank

Report No: ICR00001293

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IDA-35320)

ON A

CREDIT

IN THE AMOUNT OF SDR 81.9 MILLION
(US$ 102.78 MILLION EQUIVALENT)

TO THE

SOCIALIST REPUBLIC OF VIETNAM

FOR A

COMMUNITY BASED RURAL INFRASTRUCTURE PROJECT

December 28, 2009

Vietnam Sustainable Development Unit
Sustainable Development Department
East Asia and Pacific Region

CURRENCY EQUIVALENTS
(Exchange Rate Effective as of August 15, 2009)
Currency Unit = Vietnamese Dong (VND)
VND 1.00 = US$ 0.0000561293
US$ 1.00 = VND 17,816

FISCAL YEAR: January 1 - December 31

ABBREVIATIONS AND ACRONYMS

CAS	Country Assistance Strategy
CBPP	Community Based Participatory Procedure
CDD	Community Driven Development
CEMMA	Committee for Ethnic Minorities and Mountainous Areas
CFs	Community Facilitators
CPCC	Communal Project Coordination Committee
CPMU	Central Project Management Unit
DCA	Development Credit Agreement
DPC	District People's Committees
DPI	Department of Planning and Investment (Provincial)
DSTG	District Technical Support Group
FAO	Food and Agriculture organization
GoV	Government of Vietnam
HH	Household
ICR	Implementation Completion and Result Report
IDA	International Development Association
M&E	Monitoring and Evaluation
MIS	Management Information System
MOF	Ministry of Finance
MOLISA	Ministry of Labor, Individual and Social Affairs
MPI	Ministry of Planning and Investment
NPV	Net Present Value
O&M	Operation and Maintenance
PAD	Project Appraisal Document
PDO	Project Development Objective
PIP	Project Implementation Plan
PPMU	Provincial Project Management Unit
ROI	Return on Investment
VND	Vietnamese Dong

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ICR Team Leader: Cuong Hung Pham

SOCIALIST REPUBLIC OF VIETNAM

COMMUNITY BASED RURAL INFRASTRUCTURE PROJECT

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A. Basic Information			
Country:	Vietnam	Project Name:	VN - COMMUNITY BASED RURAL INFRA.
Project ID:	P062748	L/C/TF Number(s):	IDA-35320,TF-23547
ICR Date:	12/29/2009	ICR Type:	Core ICR
Lending Instrument:	SIL	Borrower:	SOCIALIST REPUBLIC OF VIETNAM
Original Total Commitment:	XDR 81.9M	Disbursed Amount:	XDR 77.7M
Revised Amount:	XDR 81.9M		
Environmental Category: B			
Implementing Agencies: Ministry of Planning and Investment (MPI)			
Cofinanciers and Other External Partners:			

B. Key Dates				
Process	**Date**	**Process**	**Original Date**	**Revised / Actual Date(s)**
Concept Review:	06/10/1999	Effectiveness:	03/15/2002	03/15/2002
Appraisal:	11/03/2000	Restructuring(s):		
Approval:	06/26/2001	Mid-term Review:	01/09/2006	05/17/2004
		Closing:	12/31/2007	06/30/2009

C. Ratings Summary	
C.1 Performance Rating by ICR	
Outcomes:	Satisfactory
Risk to Development Outcome:	Moderate
Bank Performance:	Satisfactory
Borrower Performance:	Satisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)			
Bank	**Ratings**	**Borrower**	**Ratings**
Quality at Entry:	Moderately Satisfactory	Government:	Satisfactory
Quality of Supervision:	Satisfactory	Implementing Agency/Agencies:	Satisfactory
Overall Bank Performance:	Satisfactory	**Overall Borrower Performance:**	Satisfactory

C.3 Quality at Entry and Implementation Performance Indicators			
Implementation Performance	**Indicators**	**QAG Assessments (if any)**	**Rating**
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA):	Satisfactory
Problem Project at any time (Yes/No):	No	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Satisfactory		

D. Sector and Theme Codes		
	Original	**Actual**
Sector Code (as % of total Bank financing)		
General public administration sector	8	7
General transportation sector	23	37
General water, sanitation and flood protection sector	23	23
Irrigation and drainage	23	21
Power	23	12
Theme Code (as % of total Bank financing)		
Decentralization	14	12
Improving labor markets	28	24
Participation and civic engagement	29	23
Rural services and infrastructure	29	41

E. Bank Staff		
Positions	**At ICR**	**At Approval**
Vice President:	James W. Adams	Jemal-ud-din Kassum
Country Director:	Victoria Kwakwa	Andrew D. Steer
Sector Manager:	Hoonae Kim	Mark D. Wilson
Project Team Leader:	Cuong Hung Pham	Christopher J. N. Gibbs
ICR Team Leader:	Cuong Hung Pham	
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F. Results Framework Analysis

Project Development Objectives (from Project Appraisal Document**)**
The project objective is to reduce rural poverty in up to 600 of the poorest rural communes (a commune in Vietnam is the lowest administrative unit comprising several

villages and is inhabited by some 3,600 people, on average) in 13 provinces in Central Vietnam by:

(a) increasing the capacity of those communes for decentralized and participatory planning and management of development activities;

(b) providing essential small-scale, community based infrastructure in these communes; and

(c) generating direct income for the poor by providing construction employment.

Revised Project Development Objectives (as approved by original approving authority)
No revision to the PDO was made.

(a) PDO Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	Increasing the capacity of the communes for decentralized and participatory planning and management of development activities.			
Value quantitative or Qualitative)	No baseline value	540 communes	600 communes	760 communes in 115 districts, in 13 provinces
Date achieved	03/15/2002	03/15/2002	12/17/2007	06/30/2009
Comments (incl. % achievement)				
Indicator 2 :	Providing essential community-based infrastructure for social and economic benefits.			
Value quantitative or Qualitative)	No baseline value	Community members decide the exact number of investment sub-projects through commune/village meetings.	Community members decide the exact number of investment sub-projects through commune/village meetings. Around 8,175 subprojects were selected by communities and more will be added to the list.	Communal works: 7,992 Inter-communal works :470 Total works: 8,462
Date achieved	03/15/2002	03/15/2002	12/31/2007	06/30/2009
Comments (incl. % achievement)	There was no target value for this indicator, since the project was demand driven.			

Indicator 3 :	Generating income for the poor through employment in infrastructure construction.			
Value quantitative or Qualitative)	No baseline value	No target established.	No target established.	Inter-communal: 104,521 person days Communal: 1,694,353 person days; Total: 1,798,874 person days; Estimated wages earned by direct participation: VND 46,076 million ($2.6 million); Sales income from selling materials: VND 33,030 million ($1.9 million)
Date achieved	03/15/2002	03/15/2002	12/31/2007	06/30/2009
Comments (incl. % achievement)	There was no target for this indicator. It was unclear how much employment and other income could be generated at the time when the project was prepared. Around 1.8 million labor days were generated with an estimated income of around VND 80 billion.			

(b) Intermediate Outcome Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	(a) % of communes holding village meetings for sub-project selection. (b) Women as % of total CPCC members. (c) % communes applying competitive bidding for small works.			
Value (quantitative or Qualitative)	No baseline value	No targets established.	No targets established.	(a) 100% of communes hold village meetings to select sub-projects (b) Women % in CPCC: 30%; Ethnic minorities representation: 48% (c) 100% of communes applied competitive bidding for procurement of works.
Date achieved	03/15/2002	03/15/2002	12/31/2007	06/30/2009
Comments	There was no target for this indicator. Actual achievements include:			

(incl. % achievement)	- 100% of communes selected sub-projects through village meetings. - 100% of CPCC include woman representation - 100% of communes adopted competitive bidding.			
Indicator 2 :	Number of commune-level basic infrastructure schemes completed and being used by number of people in the project target area.			
Value (quantitative or Qualitative)	No baseline value	No targets established.	8,175 infrastructure of different types were selected.	Total schemes completed: 8,462; used by nearly 4 million people.
Date achieved	03/15/2002	03/15/2002	12/31/2007	06/30/2009
Comments (incl. % achievement)	There was no target value for this indicator, since the project was demand driven.			
Indicator 3 :	Number of participants in training courses provided by the project and % women and ethnic minority group members among total training course participants			
Value (quantitative or Qualitative)	No baseline value	No targets established.	No targets established.	Total trainees: 76,528 Women: 30% Ethnic minority: 38%
Date achieved	03/15/2002	03/15/2002	12/31/2007	06/30/2009
Comments (incl. % achievement)	There were no target indicators. Training included community development and planning processes, management of sub-projects, environmental policy and resettlement, construction supervision and quality control, O&M, financial and accounting, etc.			

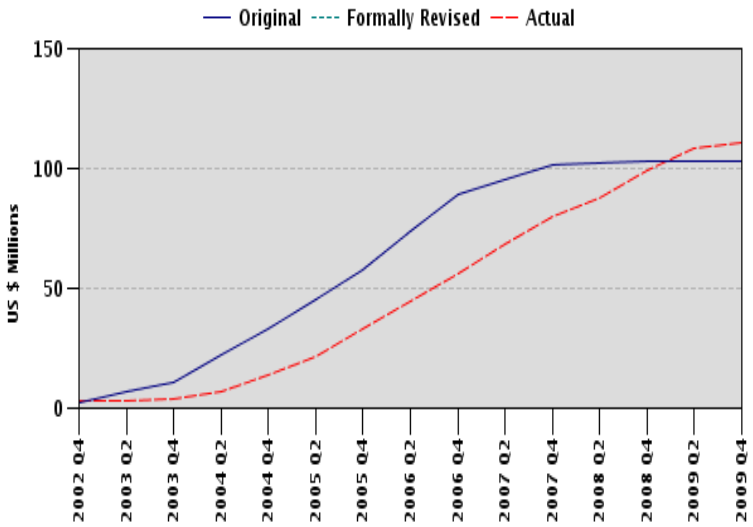
G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	12/20/2001	Satisfactory	Satisfactory	0.00
2	05/10/2002	Satisfactory	Satisfactory	0.00
3	12/02/2002	Satisfactory	Satisfactory	3.00
4	05/19/2003	Satisfactory	Satisfactory	3.11
5	06/19/2003	Satisfactory	Satisfactory	4.16
6	12/17/2003	Satisfactory	Satisfactory	6.44
7	03/19/2004	Satisfactory	Satisfactory	7.95
8	06/15/2004	Satisfactory	Satisfactory	13.86
9	12/17/2004	Satisfactory	Satisfactory	21.42
10	06/10/2005	Satisfactory	Satisfactory	31.20
11	12/22/2005	Satisfactory	Satisfactory	43.30
12	07/09/2006	Moderately Satisfactory	Moderately Satisfactory	57.56
13	07/12/2007	Satisfactory	Satisfactory	79.89
14	07/14/2008	Satisfactory	Satisfactory	99.33
15	06/30/2009	Satisfactory	Satisfactory	110.94

H. Restructuring (if any)

Not Applicable

I. Disbursement Profile



1. Project Context, Development Objectives and Design

1.1 Context at Appraisal

1.1.1 Country Background. Poverty reduction has been a central goal of the Vietnamese government and a driving force behind the economic reforms of the past decade. At the time of appraisal, poverty was largely in rural areas and was much higher and deeper for ethnic minorities than for the majority Kinh population. The poorest often lived in areas which were remote, lack infrastructure, had difficult or no access to information and to social and other services, and were poorly linked to markets. Narrowing these gaps was essential for reducing their poverty.

Deficiencies in public administration and participation had led to a situation where only a small share of capital development was received by the beneficiaries to whom it was aimed, and the physical infrastructure developed did not match the beneficiaries' own priorities. The reasons for this were generally rooted in: (i) weak administrative capacity, (ii) the lack of transparency and accountability in the use of public funds at all levels, (iii) and the disconnect between decision makers and beneficiaries, due to weak consultative processes.

1.1.2. Government Strategy. Reducing rural poverty was among the highest priorities of the Government which had a long-term commitment to assist in the development of the poor. Major on-going programs included the National Target Program of Hunger Eradication and Poverty Reduction, and the Socio-Economic Development Program for Especially Difficult Mountainous and Remote Communes (Program 135). In those programs, the Government promoted decentralization through a series of pertinent laws, decrees and regulations. The Government's initiatives for decentralization and devolution were yet to be fully operationalized particularly at grass-root level (e.g. communal level). This was partly due to concerns about the weak capacity of the poorest communes to plan, implement and manage their own development activities, but also reflected the long tradition of centralized planning and decision making practice. For a long time, top-down planning had been considered to be the best way to integrate political choices regarding human needs and natural resource use efficiencies. But, actual experiences showed poor results from this approach and this motivated processes of reform. Recognizing these shortcomings in local planning policy, the GOV made a strategic decision to empower local communities to be in charge of investment planning and management. The project was designed to support this new direction.

1.1.3. Rationale for Bank Assistance. The project supported the World Bank's Country Assistance Strategy (CAS: FY99-02) pursuing the two CAS goals of 'Investing in People and Promoting Social Equity' and 'Accelerating Rural Development'. The project also supported the CAS goal of 'Improving Public Administration, Transparency and Participation' which called for greater decentralization and participation by civil society and local communities in the identification, design, planning, fund management and implementation of Bank-supported projects. The project complemented Program 135 and other poverty targeted interventions. It gave the highest priority to capacity building at the

local grass-root level, which enabled local authorities at the lowest administrative (e.g. commune) level to take responsibility and ownership in planning, decision making and implementing small-scale infrastructure investments. The Government wished to promote more transparency in the use of public funds at the commune and village levels with meaningful grassroots participation in decision making, but local communities often lacked the needed capacity to manage the responsibilities they were delegated. The project was used as a vehicle to bridge the gap of management capacity at grassroots level so as to demonstrate an innovative way forward for the entire country for the coming years.

1.2 Original Project Development Objectives (PDO) and Key Indicators

1.2.1. The project's original objective was to reduce rural poverty in up to 600 of the poorest rural communes in Vietnam in 13 provinces in Central Vietnam by:

(a) Increasing the capacity of project communes for decentralized and participatory planning and management of development activities;
(b) Providing essential small-scale, community based infrastructure in these communes; and
(c) Generating direct income for the poor through providing construction employment.

1.2.2. The key performance indicators at the outcome level at appraisal were:

(a) Increasing the capacity of the communes for decentralized and participatory planning and management of development activities;
(b) Providing essential community-based physical and social infrastructure; and
(c) Generating income for the poor through providing employment.

1.3 Revised PDO (as approved by original approving authority) and Key Indicators, and reasons/justification

The PDO and Key Indicators remained unchanged during project implementation

1.4 Main Beneficiaries

1.4.1 The project initially targeted 540 poor Communes and 93 Districts in central Vietnam out of 611 communes eligible for project support. The communes selected for the project were defined as "poor" based on the criteria established by the National Committee for Ethnic Minorities and Mountainous Areas (CEMMA) for the Socio-Economic Development Program for Especially Difficult Mountainous and Remote Communes (Prime Minister's Decision No. 135/1998/QD-TTg) or the so-called Program 135, and/or the criteria of the Ministry of Labor, Individual and Social Affairs (MOLISA). The project was designed to allow for triggering further expansion of the targeted number of communes at the Mid-Term Review. The estimated population of the 540 communes was 1.4 million at the time of appraisal.

1.5 Original Components

1.5.1 The project had three components:

Component 1: Strengthening Decentralized Planning and Implementation Capacity (US$ 9.05 million). This component aimed at building capacity for local authorities in participatory planning processes and implementation procedure. It also provided support and assistance to project management at various levels including the Central Project Management Unit (CPMU) established at the Ministry of Planning and Investment (MPI), Provincial Project Management Units (PPMUs), District Technical Support Groups (DTSGs), Communal Project Coordinating Committees (CPCCs). It provided a comprehensive training package to communities in areas of participatory project planning including identification of problems and opportunities, constraints and needs, management and Monitoring and Evaluation (M&E). This component supported information sharing and campaigns to ensure widespread public understanding, transparency and accountability through a range of public media channels, including the distribution of printed materials, signboards, newsletters, and broadcasts by the mass media.

Component 2: Infrastructure Development (US$ 107.57 million). In this component, sub-grants were provided to communities (80% total project cost was allocated to project communes and 20% was allocated to project districts) to finance small-scale public infrastructure investments based on priorities determined by the target communities. There were two types of investment schemes:

1. **Commune-level works (US$ 87.29 million):** funds were provided to communes in the range of US$ 21,000 - US$ 64,000 depending on the population of participating communes. A total of three grants (called budget cycles) were provided to each participating commune, which were triggered by demonstrated progress in the successful use of the previous grant. Funds were used to build or repair small-scale public infrastructure works (sub-projects) identified through a participatory planning process from a list of eligible works suggested by local villagers. Unskilled labor was mobilized to work on construction activities and paid locally. Beneficiary communes contributed 5% of total sub-project costs in the form of labor or in-kind or in-cash contribution.

2. **Inter-commune level works (US$ 20.28 million):** funds were provided to finance larger infrastructure that benefitted two or more poor communes in the same district (called inter-communal work). The grant was equal to 20% of the combined value of commune grants in districts with three or more project communes. Inter-commune sub-projects were chosen by the project communes and implemented by the District People's Committees (DPCs). Eligible inter-communal sub-projects included transport, irrigation and electricity works, although the list was later expanded to include sub-district markets.

Component 3: Project Support Service (US$ 6.79 million). This component was used to support operating expenses for a CPMU at the Ministry of Planning and Investment (MPI) in Hanoi and the PPMU in the thirteen (13) participating provinces as well as DTSGs. Most

staff were hired from civil societies, exceptions being for some key managerial positions where staff were seconded from government offices and returned to their previous posts after project completion.. There were 116 Community Facilitators (CFs) recruited based on a competitive selection process and get trained to provide technical and management support to the project communities. An external monitoring service from an international consulting entity was hired to monitor the participatory planning and implementation process.

1.6 Revised Components

The above-mentioned three project components were not revised during project implementation.

1.7 Other significant changes

Some 220 additional communes within the original 13 project provinces were added to the project after its Mid-term Review in May 2004. This was enabled by exchange rate gains from SDR to US$, and to Vietnamese currency. In addition, there was one amendment of the Development Credit Agreement (DCA) to extend the project closing date from December 31, 2007 to June 30, 2009 to allow the full completion of investment works, especially in the 220 additional communes.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design and Quality at Entry

2.1.1. Soundness of Background Analysis. The background analysis for the project was sound and adequately addressed the conditions of Vietnam at the time of preparation and appraisal. Participation of local beneficiaries at commune level in the planning process, decision making, and implementation of small scale infrastructure investment was a new approach and only a few projects had previously piloted this approach in Vietnam on a small scale. The project design was adequately built on lessons from Bank supported projects elsewhere in the region and beyond, plus also drew upon the experiences of other donor-supported projects in Vietnam. The Vietnamese counterpart team visited similar projects in the Philippines and Indonesia to learn lessons in design and implementation aspects. The government strategies in rural development and poverty alleviation included the promotion of transparency and decentralization. These were carefully incorporated into the project design and yielded the anticipated positive outcomes. The PDO is clear and the indicators were consistent throughout the project implementation period.

2.1.2. Project Design. There were three salient factors about the design of CBRIP. First, the project design directly supported the decentralization policy of the Government through enhancing the capacity of communities in participatory planning and management of development activities. Second, the project responded to the priority needs of local people and put them in the driver seat to decide the investments that were most essential to them, thus increasing the sense of community ownership, and strengthening relations between

local authorities and communities. Third, the project concentrated on extensive training and capacity building of local entities to complement the decentralization policy of the government. The Project Implementation Plan (PIP) was prepared during project preparation to guide implementation. A set of Technical Guidelines and Operational Manual with standardized documents were prepared and approved by the MPI for use during project implementation.

2.1.3. The project design was weak in monitoring and evaluation (M&E) and financial management. In terms of M&E, except for PDO indicator 1, the other two indicators did not have target values (the absence of targets was justified in project preparation by the dominant demand-driven approach. There were three irrelevant Key Performance Indicators (KPIs) stated in the PAD, of which KPI 1.6 was inappropriate, and KPI 3.1 and 3.2 required a more careful design regarding methods for collecting data.[1] These three indicators were:

(a) Percentage of households which assess that their commune has strengthened the capacity to plan and implement development activities (KPI 1.6);
(b) Number of local labor days generated (KPI 3.1); and
(c) Amount of money paid to local laborers (KPI 3.2).

2.1.4 Assessment of Risk. Risks relating to procurement and financial management (FM) were adequately identified and assessed during preparation and specific measures were taken to mitigate them. The main risk identified was the failure to carry out procurement properly by communities because of their limited experience as project owner and their unfamiliarity with basic procurement rules and procedures. To mitigate this risk, the project adopted a number of measures including extensive training to CPCC CFs, and procurement staff at all levels, use of standard procurement documents, and establishment of a list of interested and qualified contractors in each project province. This list was annually updated. FM risk was related to the poor accounting practice at commune level. The greatest concern was management of project accounts and proper use of funding at commune levels due to weak capacity of CPCC accountants, as most of them had prior experience of handling only modest levels of recurrent expenditure. To mitigate this risk, the project developed a Financial Management Manual for use as training material as well as guidance for daily-work by the accounting staff. The Manual stated procedures for sub-project approvals, accounting and internal controls, forms of various accounting books, records, statements, withdrawal application, accounting staff's responsibilities, auditing arrangement and flow of financial information to and from various levels. Regular Bank supervision missions also assisted with review and guidance to correct procurement and FM practices. Another risk was concern about the sustainability of the investments due to either poor construction quality or inadequate O&M arrangement. This concern was addressed at implementation stage by engaging local villagers carrying out participatory supervision. Each project participating commune established their supervision team

[1] The Project aimed to build communal capacity, but it was not necessarily a mandate for the Project to improve capacity of each household within the communes (KPI: 1.6). All participating provinces were not able to follow data

consisting of 5 representatives who were supervising construction on a volunteer basis. By doing this, the quality of construction activities has been significantly improved. Communities also formed an O&M team within the benefited villages to be in charge of O&M.

2.1.5. Adequacy of participatory processes: Consultations were held during project preparation with a wide range of central ministries, local authorities and poor communities. The project's approach was to entrust the communes with responsibility for planning and decision making of small scale investment and to empower them as owners of their subprojects. This approach was formalized by official decisions made by the Minister of MPI and communicated to all project provinces. Communities were put in the driver's seat to make decisions on public infrastructure investment through planning and implementation processes. These processes were continued and strengthened during project implementation with active participation of local villagers, including ethnic minorities and women in village and commune meetings. In the early years of implementation, some provinces and districts appeared reluctant to give full authority to communes over investments and they often interfered in the planning process. Bank frequent supervisions noticed this issue and helped correct it. After the first year of implementation completed, all project provinces had followed this participatory planning approach.

2.1.6 No Quality at Entry review was conducted for this project.

2.2 Implementation

2.2.1 The project covered 760 communes and completed 8,462 schemes. Some delays in implementation of the overall project were, however, noted. The following five factors were identified as contributing to the delays: (a) inflation during late 2007 – 2008; (b) frequent turnover of project staff at all levels and of CPCC members due to political public election; (c) lack of an automated management information system (MIS); (d) unfamiliar procurement procedures for communes and small-scale contractors (e.g. strictly following IDA procurement procedures other than GOV's prevailing arrangements; (e) lengthy Community-Based Participatory Process (CBPP) and procurement cycle management; and (f) inappropriate financial management design for decentralization.

2.2.2 Inflation during late 2007 to 2008 severely slowed down implementation process. It has led to an increase of work load at all levels - from CPMU to CPCCs and inevitably caused the need to review specifications of the designs and materials to be used in construction activities. As a result, some of tenders had to be redone as some contractors who won the biddings did not honor the contracts due to the sharp price increase of construction materials. Many sub-projects were combined with other government- funded projects and/or downgraded the specifications. Solutions to the situation included: (a) additional government financing (e.g. fencing of community halls, kindergartens, and other projects financed by government), (b) shortening of planning time; (c) reduction of time gaps between bidding and contracting; and downsizing infrastructure works in accordance with the capital allocated.

2.2.3 Frequent turnover of project staff and changes of project director at CPMU due to reassignment or career promotion of staff at local level and retirement provision. The project had to repeat capacity building training for new staff. In addition, due to the election results in 2004 many of CPCC members had to be replaced. As a result, the project had to rebuild institutional capacity. The changes of CPCC members who take leading roles in CBPP also created delays in project planning, management and M&E processes.

2.2.4 Ineffective MIS envisaged at appraisal has affected M&E work. This led to the use of simple Excel formats for manual data inputs. With a large number of communes participating in subprojects, the manual input into Excel forms became very time consuming and resulted in inconsistent and mishandling of data. The need for clarification in data caused a loss of staff time at all levels and delayed delivery of progress reports, affecting timely intervention of project management at provincial and central levels in addressing implementation issues.

2.2.5 Unfamiliar Procurement Procedures for communes and small-scale private contractors affected implementation at local level. It was the first time procurement responsibilities were decentralized and mostly conducted at the commune level. In addition, the project had to work with more than 4,556 small contracts with private sector companies, making it difficult to manage the process given low capacity of local implementers. The satisfactory performance in these aspects is noted. As described below, however, there were issues to highlight regarding the project's procurement.

2.2.6 Low procurement capacity of private local contractors lengthened the procurement process. The issue of lack of capacity to conduct procurement according to both the national and Bank's guidelines at the commune level was gradually solved after the project provided formal training and on-the-job training. The works (simple rural infrastructure) were geographically dispersed in rural and remote areas and usually of small value. These did not attract big and experienced contractors. The majority of the contractors participating in the project were small or newly established private sector contractors. They were not experienced in competitive bidding in general and in the Bank's procurement procedures in particular. Documents prepared by some contractors were inadequate and sometimes rebidding was unavoidable. The Bank's prior review threshold was not clearly defined in the DCA and this caused confusion during implementation. The significant number of prior review works by the Bank slowed down the pace of project implementation due to the weak capacity of procurement performance by various implementation entities.

2.2.7 Design of financial management was not adequate for decentralization. While the project approach fostered decentralization it did not have a proper decentralized financial management system. This caused time loss and reduced efficiency in implementation. CPMU managed the IDA fund and did not control counterpart funds at the provincial, district and communal levels. This situation created missing links in accounting between CMPU and lower authorities. Lack of access to an on-line financial management system by the lower authorities further contributed to inconsistencies in accounting figures

and reports. As a result, CPMU was normally unable to prepare timely consolidated financial reports for the Bank and GOV.

2.3 Monitoring and Evaluation Design, Implementation and Utilization

2.3.1 M&E Design. The project monitoring and evaluation system identified a large number of indicators to track implementation progress, project outputs and impacts. Given its demand driven nature, target values were set out for only one out of three PDO Indicators. With a large number of implementation units (mainly at communal level), the design of the M&E system relied on the establishment and operation of a computerized MIS with an intention to provide project management entities with information relating to project implementation for timely decisions. The system would capture all relevant information on project activities from participatory planning at village and commune level to disbursement status. A full description of the MIS needed for project M&E was provided in PIP. Community Facilitators (CF) played a key role in collecting data, which would then be inputted at PPMU and consolidated at CPMU level. Another key element in monitoring project implementation was that local communities were enabled to oversee the construction of infrastructure in their communes and discipline contractors.

2.3.2. M&E Implementation. Data and information were collected from all 760 communes by PPMUs based on inputs by CFs and fed into the system of about 28 Excel forms manually which was time consuming and sometimes inaccurate. Changes of MIS staff during implementation were an added problem for consolidation of data. Training was provided to relevant project staff to run the system. Deficiencies in the original MIS version set up in 2003 made it difficult to generate reports as desired and the system was upgraded in 2006. But then, it appeared too cumbersome with a lot of steps needed to operate it, leading to the use of Excel formats to record the status of project implementation. Inconsistencies of data for the same subject were common and clarification caused a loss of staff time at all levels, leading to a delay in delivery of implementation reports on time.

2.3.3 M&E Utilization. The outcome indicators were useful for project management. They provided an overview of implementation progress of each component and in each province. More attention and efforts were given to assist slower-performing provinces or set off activities to solve implementation difficulties. Impact indicators on communal and inter-communal works, trainees, or on creation of employment illustrated the benefits the project brought to people. These reflected substantial changes arising from development interventions through a participatory approach. This set of impact indicators should be utilized and integrated into the GOV's overall assessment of local development programs in the future.

2.4. Safeguard and Fiduciary Compliance

Procurement

2.4.1 In general, procurement performance is found satisfactory. The procurement manual, which was an integral part of the operational manual developed under the project,

was widely adopted at all levels and proved to be very useful and effective in safeguarding compliance of the project's procurement performance. Comprehensive procurement training were provided to implementing agencies at all levels and proved to be useful. They understood and complied with procurement arrangements and procedures. Procurement documents were well maintained and easily retrieved for post review. There were some concerns on behaviors and signs of collusion, which resulted in disqualification of few contractors from participating in project procurement. There was no major fiduciary compliance issue that triggered sanction from the Bank.

Financial Management

2.4.2 Compliance with OP10.02 on Financial Management is moderately satisfactory. The audit reports and audited financial statements were submitted to the Bank on time, and the project management took longer time to implement the auditors' recommendations. The internal controls were not adequately designed and maintained. There were delays in submission of financial management reports and it took more time for the project to synchronize financial data. Some required actions by IDA supervision took a long time to be fulfilled such as liquidation of incremental advance or confirmation of payment made to contractors to be informed to provincial PMUs for consolidation and report writing.

Environmental Management

2.4.3 Compliance with OP4.01 on environmental assessment is found satisfactory. The environmental screening checklist that was prepared and agreed during the project appraisal was used in all project localities. It categorized all infrastructure sub-projects into four categories depending on the magnitude of environmental impacts. All eligible sub-projects were screened with the environmental assessment processes and the checklist was respected in certifying all sub-projects contracts. No major issue on environment was encountered during implementation.

Social Safeguards

2.4.4 Compliance with OP4.10 on Indigenous Peoples was satisfactory. The project data shows that ethnic minorities comprised a large proportion of the project's beneficiaries (for example, the participation of women and ethnic minorities in project training accounted for 30%% and 37% respectively). The participatory approach in planning, implementation, and monitoring of project activities ensured culturally sensitive interventions regarding ethnic minorities. As part of project preparation, a social assessment was commissioned to understand constraints of ethnic minorities. Results of the assessment were incorporated into the project design.

2.4.5 Compliance with OP4.12 on Involuntary Resettlement was also satisfactory. The project implemented the land acquisition and resettlement framework according to the agreed policy. Public disclosure in local languages according to the policy was also carried out at the community level and a grievance mechanism was put in place. The project file contained documents which confirmed that. People affected by land acquisitions were

compensated for losses at replacement cost and also provided with rehabilitation measures. There was no case violating required compliances.

2.5 Post-completion Operation/Next Phase

2.5.1 This project was considered to be innovative when prepared. One of the key objectives at the time of project preparation was **to demonstrate a model approach for decentralization** to ensure participation of communes in development activities and to increase transparency and accountability of the use of public funds. Therefore, the emphasis of the project was more on piloting rather than mainstreaming the approach in GoV since this was the first project to foster decentralization.

2.5.2 There was a request to the Bank from GoV to fund the second phase of the project in 2009. The main aim of the second phase was to mainstream the proven decentralization system into the activities of GoV. It was decided, however, that the Bank would not finance the second phase but to provide support through Program 135-Phase II which supports the poorest communes in the countries with development activities using the same participatory approach. Lessons learned from this project have been incorporated into the design of this Program. But there is concern that Program 135 is not directly managed by this counterpart agency, and it is still uncertain how to build a mechanism to reflect and utilize project experiences in the program.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

3.1.1 Relevance of Objectives. The project objective remains highly relevant to the development priorities of Vietnam. The project successfully demonstrated a model case of decentralization approaches and the capacities of communes in planning and managing development activities. However, the top-down approach still prevails in many ministries and the impact of the project has not yet sufficiently percolated through to GoV's administrative system, including the project's counterpart agency. The key agenda of the project-to promote decentralization - remains relevant. Even after the completion of the project, there is still a great need to improve infrastructure, as lack of basic infrastructure in rural communities continues to hamper improvement of livelihood and economic activities among the rural poor. Substantial progress has been made in recent years in reducing poverty, and poverty rates have significantly been reduced in the country. Nevertheless, disparities between the richer urban areas and the poorer rural areas remain. The Government remains committed to address the disparity issues in the next Socio-Economic Development Plan (2011 – 2015).

3.1.2 Relevance of Design. The overall design to reduce rural poverty through provision of rural infrastructures via decentralized planning and implementation as well as institutional development at the communal level is sound and still very relevant. However, there was weakness in design of M&E and financial management as discussed in paragraphs 2.3.1 and 2.4.3.

3.1.3 Relevance of Implementation. The implementation processes adopted by the project are still appropriate. This project is considered a model for reducing poverty through promoting decentralization of rural infrastructure development activities. The system created under the project increased capacity of target communes to take the leading role in realizing their own priorities. It has also improved accountability and transparency in the use of public funds. As a result, it has helped reduce opportunities for corruption (there was no case of corruption reported to CPMU and the Bank). The project's participatory approach that aimed to promote "grass-root democracy" was appropriate, although the concept was new to the country (see Lessons Learned section).

3.2 Achievement of Project Development Objectives

Rating: Satisfactory

Increasing the capacity of the communes for decentralized and participatory planning and management of development activities

3.2.1 This outcome has been achieved. The completion of 8,462 schemes (including 7,992 at commune and 470 at inter-commune) in 760 communes and 115 districts demonstrates that the project successfully promoted decentralization through CBPP, and that the communes gained capacity to carry out participatory planning and management of development activities. There are still large variations among communes regarding levels of capacity to implement CBPP. Anecdotal evidence suggests that there are a number of communes that may not be able to carry out CBPP independently. However, it is important to note that the project was able to develop a commune-supporting system where the provinces and districts provided assistance for the communes to take the leading role in CBPP. This shows that the project was successful not only in developing communal decentralized and participatory capacity, but also in changing from a "one-way top-down approach (Provinces => District => Communes)" to a "two-way approach (Provinces <=> District <=> Communes)" in planning and management of development activities.

3.2.2 The project has helped promote grass-roots democracy, ownership of the infrastructure, and gender and ethnic minority mainstreaming through participatory approach. According to the project data, for example, an average of 92% of households and 90% of ethnic minority participated in scheme selection meetings. Women's participation in the decision making processes was ensured by their membership in the CPCC. Each village had one woman as their representative in the CPCC. The data provided by the project demonstrated that this principle was applied in reality. In order to avoid male domination in scheme selection meetings, the project mandated that when a scheme received an equal number of votes, the scheme that had more women's vote was given a higher priority.

3.2.3 The project provided training and technical assistance to all levels of government staff involved in the project. A total of 76,528 people received training provided by the project, of which 2,500 were project staff at all levels and the remaining are people from

communes. In addition to such formal training, staff from PPMUs and DTSGs provided on-the-job training. Information on time spent for on-the-job training is unavailable. However, anecdotal evidence shows that considerable time of the staff at PPMUs and DTSGs were provided to support CPCCs. As a result of these training, efficiency for planning at CPCC increased and on average, more than 15 days were saved in cycle 3 compared with cycle 1 in implementing CBPP at the commune level. [2]

3.2.4 Providing essential, community-based physical and social infrastructure. A total of 8,462 infrastructure schemes were completed. A case study on economic and financial analysis presented in Annex 3 – Economic and Financial Analysis - shows that this infrastructure improved rural basic services, including water supply, schools, health stations, and roads, and also infrastructure that supported production activities including irrigation and markets.

3.2.5 Quality of infrastructure constructed by the project was largely satisfactory. Less than 5% of schemes constructed were affected by either low quality of construction, poor design, or natural calamities. These were later rehabilitated using state budget. Given the high incidence of natural disasters in the central coastal areas of Vietnam, such damage to infrastructure is common.

3.2.6 There appears to be variable performance in setting up operation and maintenance (O&M) among the communes. The current condition of infrastructure built under the project, at least where the ICR Mission visited, in general, is well maintained. It is important to note that many schemes were integrated into other government budgets, e.g. schools are maintained by budgets from Ministry of Education, the maintenance of health clinics is supported by Ministry of Health, and management of kindergarten is generally run by the communal authority. Some of gravel roads constructed by the project have already been upgraded to paved roads with financing from either Program 135 or other government budget-supported programs. Other schemes such as community halls and irrigation are maintained by users through both cash and in-kind contribution. However some roads on hilly areas had been degraded rapidly due to heavy rain, or low quality construction specifications of such roads.

3.2.7 Generating income for the poor through providing employment. Although reliable data are not available, it is clear that a substantial amount of employment income was created for the local poor in construction activities at the commune level. The CPMU indicated that some 1.8 million person days of work was undertaken, generating some VND 80 billion (US$ 4.5 million) in income for unskilled labor from the targeted communes. Given weak record-keeping on employment at the PPMU level, the accuracy of this aggregated estimate is doubtful. Nevertheless, anecdotal evidence does point to the substantial employment of community members where only low level skills were required

[2] Up to three separate budget cycles were provided to each commune, triggered by progress of successful use of the previous budget.

(e.g. for the construction of roads and irrigation canals.). Civil works tended to require more skilled labor---for carpentry, welding, etc.

3.3 Efficiency

3.3.1 An ex-post analysis of selected sub-project schemes has been undertaken comparing input costs and benefits. The input costs relate to construction and maintenance costs, while the benefits stem from savings in vehicle operating costs and reduced travel time, opening up of areas for economic activity, increased farm production by expansion of farm areas, higher crop yields, reduced medical costs attributed to better hygienic environment, and productive use of time saved. A case analysis was made for each selected scheme and results computed by using aggregated weights based on investment for each type of scheme. As shown in Annex 3, the investments appeared to be economically viable for all of the sampled schemes.

3.3.2 Roads and community halls appeared to be in the greatest demand from the communities, accounting for 35% and 27%, respectively, in the number of total schemes implemented. These were followed by drinking water supply schemes (9%), irrigation (8%), and school (7%). Other implemented schemes included construction of markets, clinics, and fencing. It was observed that the roads constructed under the project were intensively used by both community and non-community members with motorcycles and vehicles, which generated substantial user benefits and time savings. However, the expected life of such roads could be short due to erosion by rain, especially in the mountainous areas.

3.3.3 It can be concluded that economic returns on investment in the selected 12 cases are sufficiently attractive. The EIRR is ranging from 17% to 23% depending on different types of infrastructure built, and NPV and B:C is positive. The financial rate of return is higher than the economic returns. In addition to the return rates derived on the basis of tangible benefits, there are a number of intangible benefits like appreciation in property value (land and houses) attributed to improved linkages with paved roads not accounted for in the analyses. See Annex 3 – Economic and Financial Analysis for details.

3.4 Justification of Overall Outcome Rating

Rating: Satisfactory

3.4.1 The project has achieved its PDO indicators. The estimated number of beneficiaries was nearly 4 million people, comprised of more than 797,800 households. As far as direct income generation, it is difficult to estimate the impact of the project quantitatively. Still, there is no doubt that the project, directly and indirectly, contributed to the improvement of people's living conditions and alleviated poverty in the project target areas.

3.4.2 This project helped set initial steps to promote decentralization and increasing transparency and accountability in the use of public funds at the communal level. The project successfully installed accountable and transparent operational procedures for implementing community-based infrastructure development. As expected, capacity

constraints among communal populations adversely affected the initial pace of project implementation. However, most of the initial difficulties were overcome with the support of PPMUs and DTSGs and through frequent visits to and on-the-job training for the communes. Capacity developed under the Project, such as reading of scheme designs and monitoring of civil works at the commune level, is now being utilized in other development initiatives. As such, an overall rating of satisfactory is justified.

3.5 Overarching Themes, Other Outcomes and Impacts

(a) Poverty Impacts, Gender Aspects, and Social Development

Poverty Impacts

3.5.1 There were no baseline data available for the project, thereby limiting the scope for gauging the impact of project's interventions on poverty. Data compiled by the Ministry of Labor indicate a reduction in poverty rates in the Project target areas between 2006 and 2008, although it is not possible to isolate the distinctive role played by the Project in such poverty reduction.

3.5.2 The schemes implemented under the project addressed local needs and have substantially improved community access to social and economic services. The water supply schemes, for example, has not only ensured safe and clean drinking water for beneficiary households, but also helped to save women's time in fetching water. Women are now able to spend more time on activities such as looking after their families/children and engaging in income-generating activities. The same holds true for the kindergartens, which have enabled women to engage in productive activities. Roads and bridges have ensured improved access to social, market and other economic opportunities for local people. It is assumed, therefore, that the infrastructure schemes have contributed to increased disposable income levels of local communities through improved health status, time savings and resources.

Gender Aspects

3.5.3 Efforts were made to mainstream gender issues throughout project intervention by including women in decision making roles in CPCCs (village representatives at CPCC are composed of one man and one woman) and by providing women greater power in scheme selection. The project undertook a number of capacity-building training activities for village representatives including women representatives. Anecdotal evidence shows that women's voices were well reflected in scheme selection. The self-esteem of many women has reportedly been improved due to their increased responsibility.

Social Development

3.5.4 Formation of CPCCs comprised of representatives of the villages and communal governments served as the foundation for social and institutional development of communities. All schemes were prioritized by villages first, and then final selection was

made at CPCCs through consultative processes and voting. This approach exposed beneficiaries to a democratic and bottom-up approach, which was new to the country when the project was formulated. In addition, the project's comprehensive procedure of completing a full cycle (CBPP) from identification to maintenance of infrastructure provided opportunities for a communal society as a whole to develop its capacity to plan and manage development activities. This was a significant achievement for the communes and rural poor - who are often regarded as incapable in taking the lead role in determining their development path. The project also promoted confidence building among certain communal members, in particular women and ethnic minority groups, who are usually marginalized in decision-making processes.

(b) Institutional Change/ Strengthening

3.5.5 A central pillar of the project was to strengthen rural institutions through promoting decentralization. Increasing communal capacity to take the leading role in their development activities was well implemented. In addition, as shown by the issuance of Decree 79 on "Promulgating the Regulation on the Exercise of Democracy in Communes", Vietnamese policy makers have learned much from the decentralization experiences and models provided for under the Project. This also influenced the approach adopted by Program 135, whose new design incorporates experiences and approaches developed under the Project.

(c) Other Unintended Outcomes and Impacts

3.5.6 A key unintended outcome of the project was communities' self initiatives and increased voluntarism. As a requirement for any communal scheme, 5% of construction costs were born by communities in cash or in-kind. Yet, many community members provided further contributions for communal schemes, including free labor for monitoring civil works, and providing pieces of land for widening roads, for irrigation channels and for other schemes without any compensation.

3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops (N/A)

4. Assessment of Risk to Development Outcome

Rating: Moderate

4.1 As shown in Program 135 and other rural development programs, including Rapid and Sustainable Poverty Reduction Support Program slated for 61 poorest districts (Resolution 30A/2008/NQ-CP on poverty reduction), the GOV is very committed to continuing support for rural development and decentralization. It is likely, therefore, that the capacity built in the target communes will be used and maintained, and other development initiatives including Program 135 will benefit from active participation from the communes under this project.

4.2 However, there is one concern with regard to the role of MPI and DPIs in future rural development. Although they will remain key players in the sector, a lack of a road map to mainstream the project results into the national government system might lead to ineffective use of capacity built at MPI, DPIs, and project communes, which do not have a similar budgetary instrument to replicate the approach developed in the project. Although there are assurances that Program 135 would replicate the approach, there are differences in the service delivery mechanisms - including the fund flow and implementation steps. Therefore, important elements of the project operation system may not be used in Program 135. Furthermore, CFs who played a major role in the project's participatory approach have already left the project, although some of them have been recruited as staff members of DPIs. There has been no case reported of the CFs continuing work under Program 135.

4.3 As noted by a resident UN agency staff member who replicated some of the key elements of the project in a rural development project in another part of the country, "the project was prepared almost a decade ago, but the design is still valid;". There are still big challenges for the country regarding decentralization, notably concerning empowering communities and increasing transparency in contracting procedures. In order to mainstream the decentralized participatory approach that would also ensure accountability and transparency in the use of public funds, there may still be a need for a similar project to ensure sustainability of good practices.

5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

5.1.1 Bank Performance in Ensuring Quality at Entry. Bank performance in ensuring quality at entry is rated 'moderately satisfactory'. The project preparation was efficient and included detailed implementation guidance and plans in PIP. The overall project design was well focused on participatory community development and decentralization. Implementation arrangements were carefully designed to empower communities with active participation and full ownership of communal subprojects. However, a more thorough design for M&E and financial management could have improved the project performance in these areas. The absence of baseline survey data has constrained the ability to measure the full impact of the project.

5.1.2 Quality of Supervision. Bank supervision is rated 'satisfactory'**.** Good recommendations have been provided through regularly conducted supervision missions. The Bank's implementation assistance was responsive to changing policies and needs. For example, given the justification of road surface specification in Bank financed Rural Transport Project I and II, construction of gravel roads for short distance feeder roads in the project design was regarded appropriate at the time of project preparation. However, as seen in the Rural Transport Project III, the policy for the specification of rural road surface changed to recommend paved roads with sections running through the center of communes or nearby public services facilities such as school classrooms or health care clinics after the review of rural road conditions. Responding to the change, in specific cases, the Bank also allowed selective paving of road surfaces in the project. There are similar cases for other

changes in infrastructure specifications and criteria such as schools in frequent and disaster-prone areas.

5.1.3 Justification of Rating for Overall Bank Performance. Overall Bank performance is rated satisfactory in the light of the above comments.

5.2 Borrower Performance

5.2.1 The Government performance in supporting project preparation and implementation is considered 'satisfactory'. The project was based on an appropriate strategy of promoting democracy in communes, often termed as grassroots democracy (Decree 29), promoting consultation, participation and transparency in public works at commune level. The Government has made strong commitment to the project participatory approach and provided support and guidance as well as legal ground to enable its implementation. One of the examples is the Ministry of Finance (MOF)'s issuance of a Circular that enables MOF to directly provide funds to communes.

5.2.2 Implementing agency's performance is also rated as 'satisfactory'. The project exceeded its targets in the number of target communes and has achieved all intended purposes. This is a result of efforts of implementing agencies at all levels, especially at commune level where most of implementing units performed the role of subprojects owners for the first time. Although the performance of implementing units at commune level was varied, with the assistance from provinces and districts, all were able to perform their role as subproject owners. The implementation mechanism was carefully laid out by the implementing agency ensuring linkages from the central level to the communal level. It also successfully demonstrated an alternative approach to the long-standing top-down planning and central management approach. This new way of doing public investment in Vietnam required the implementer's initiative to influence policy makers from central to grassroots levels in adopting the participatory approach. Implementing agencies cooperated closely with the Bank during project supervision. Most of the action agreed during supervision missions and recommendations in audit and procurement post review reports were followed up or implemented in a satisfactory manner.

5.2.3 Supervision of construction work was done well at commune level with communities playing an active role to ensure quality. The project has established about 1,990 community supervision groups and each group contained about four members. They were trained with simple technique and skill to supervise construction in the commune, including how to evaluate the quality and quantity of materials, and the quality of the constructed infrastructure. They were very enthusiastic in doing this work and exercised full ownership over the infrastructure. Their frequent presence at the work site minimized deficiencies in the construction.

5.2.4 Rating for Overall Borrower Performance. Overall Borrower Performance is rated satisfactory in the light of the above comments.

6. Lessons Learned

6.1 MIS and M&E Platforms should be designed and functional at the early stage of the project implementation. The manual processing of data has influenced the project throughout implementation. The absence of an automated MIS led to enormous staff time undertakings to track project progress. . Lack of a verifying mechanism to confirm data accuracy also created confusion at all levels. The data source is not organized in a way to measure project impacts and makes it difficult to extract useful data. The counterpart agency should be more active in establishing a good MIS at the early stage of project implementation. The project should be provided with more technical assistance on M&E throughout project implementation.

6.2 A practical approach is necessary to design and measure Key Performance Indicators. Lack of a practical design to capture the indicator of "Generating income for the poor through providing employment" caused unnecessary confusion among project staff, especially at CPMU and PPMUs. The capture of such data could have been done if the project prepared an arrangement for the contractors to report the figures as one of the contract requirements. However, the approach suggested by the project design was for the project (PPMUs) to be responsible for data collection and there was no detailed a mechanism to capture such data. It is important for project designers to be practical in setting up KPIs and that testing of data collection methods is conducted. Learning from experience from good practice of other similar operations is also essential.

6.3 Gradual process in developing the participatory approach was key to its incorporation in the government's bureaucratic system. The approach adopted by the project can be criticized by people who have promoted more vigorous participatory approaches. In the project, before village meetings, communal governments and communal communist party leaders prepared a list of development priorities from which people at village meetings would choose. In addition, no Participatory Rural Appraisal (PRA) report was required in the project, as is common in other community based rural development projects. However, the central pillar of this project's participatory approach was "Grass-roots democracy" and the project's focus was to promote free voting in the scheme selection. This is ambitious in Vietnam. The project preparation team's decision not to push a standardized participatory approach, e.g. those developed in other parts of the world, appeared to be the appropriate decision..

6.4 Decentralization of financial management could have enhanced the PPMUs project management capacity. The financial flow was centralized at CPMU and funds were sent to the communes directly from CPMU. This apparently reduced opportunities for corruption as well as mishandling of funds at the provincial and district levels. It is also the case, however, that such bypassing-fund-transaction system did not allow PPMUs to build fund management capacity. At the same time, the work at CPMU's financial section to make more than 15,000 transactions for financing 8,462 schemes to 760 communes became a huge burden. This project was innovative in developing the capacity at the commune level, but it did not help develop a decentralized model for the provincial and district to build their project and financial management capacity. A more decentralized financial management system should have been considered for projects which are implemented at

the lower (district, commune) levels by setting up: a simplified FM procedure; delegation of roles, responsibilities, and reporting; and an on-line accounting platform. In addition, capacity building of FM at lower levels (district and commune) should be properly carried out covering subjects necessary in support.

6.5 The project did not generate a clear road map to scale up the project outcomes into the government's system. The project design clearly recognized the long-standing top-down planning and management approach at the counterpart agencies. The design includes an alternative mechanism to foster decentralization, but it did not demonstrate a road map to scale up the project outcomes into the government's system. The project's decentralized approach faced a lot of criticism during project preparation and it was already difficult for the project preparation team to lay out a design to mainstream the decentralized approach into national policy. The Project's decentralized approach was accepted by the government because it was a project to first demonstrate success and then scale up on the basis of the results. Lack of a design to scale up project outcomes at the national level inhibits the counterpart agency from further integration of project achievements into the government system. When preparing a pilot project as this one, it is important to conduct a careful analysis and design concerning political circumstances, and include when and how project outcomes would be integrated into national policy.

7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

(a) Borrower/implementing agencies (see Annex 7)

(b) Co-financiers (N/A)

(c) Other partners and stakeholders (N/A)

Annex 1. Project Costs and Financing

(a) Project Cost by Component (in US$ Million equivalent)

Components	Appraisal Estimate (US$ millions)	Revised Estimate (US$ millions)	Actual/Latest Estimate (US$ millions)*	Percentage of Appraisal
1. Strengthening of Planning and Implementation Capacity	9.05	n/a	9.3	6.6
2. Infrastructure Development	107.57	n/a	124.5	88.3
3. Project Support Services	6.79	n/a	7.3	5.1
Total Baseline Cost	123.41	n/a	141.03	100
Physical Contingencies	0	n/a	0	-
Price Contingencies	0	n/a	0	-
Total Financing Required	123.41	n/a	141.03	100

Note: The figures for the column of 'Actual/Latest Estimate' are derived using a weighted average of the exchange rate of VND 16,650 for one US$.

(b) Financing

Source of Funds	Appraisal Estimate (US$ millions)	Revised Estimate (US$ millions)	Actual/Latest Estimate (US$ millions)	Percentage of Appraisal
Borrower	16.81	n/a	4.46	18.2
Local Communities	3.82	n/a	25.67	3.2
International Development Association (IDA)	102.78	n/a	110.92	78.6
Total	123.41	n/a	141.03	100

Annex 2. Outputs by Component

Component 1: Strengthening Decentralized Planning and Implementation Capacity (US$ 9.05 million)

1.1 Decentralized Planning and Implementation Capacity

This component aimed to develop decentralized planning and implementation capacity of the government and project staff as well as commune members through (i) training to government staff including central, provincial, district and communal governments; (ii) support from Community Facilitators (CFs) who were also trained to interface with the communities; and (iii) information campaigns to ensure widespread public understanding, transparency and accountability. The expenditure incurred for this component was 10.4% of the total project cost.

1.2 Number of Training Participants

It was a new experience for the majority of participating communal authorities to plan and manage the entire process of infrastructure development. Training provided by the project especially to the commune level including communal government staff and CPCC members was a crucial element in project implementation. As a result, a total of around 76,528 persons (accumulative) were trained in 13 project provinces financed from IDA source, of which 95 % of trainees were from the communal level. In addition to these formal training, on-the-job training was given especially to communal government staff, which played a major role in developing staff capacity.

1.3 Training Subjects and Participant classification

The project provided training that covered in general following ten subjects:

- Community Development and Participatory Planning (CDPP);
- Investment and Construction Management (ICM);
- Environment Policy, Compensation and Resettlement (EPCR);
- Monitoring of Construction and Maintenance (MCM);
- Ethnic Minority Mobilization (EMM);
- Financial Management and Accounting (FMA);
- Management Information System (MIS);
- Preparation of Bidding Documents (PBD);
- Project Management (PM); and
- Others including Community Facilitation Skills (others).

The focus of the project for communal government staff was given to community development and planning process, subproject management, safeguards, construction monitoring, and financial management and accounting, while its focus for provincial staff was in MIS and project management.

Table1. Training Participation

Topic	Number of Courses	Total Trainees	Number of Provincial Officers	Number of District Officers	Number of Commune Officers	Number of Village Staff	Number of Inhabitants	Proportion of Women and Ethnic Minority Participation (%)		Women and Ethnic Minority Participation	
								Women	Ethnic Minority	Women	Ethnic Minority
IDA SOURCE											
Community Development and Planning Process	714	23,379	257	339	9,308	9,193	4,282	32	41	7,374	9,472
Subproject Management	303	10,126	246	179	5,639	2,977	1,085	29	40	2,924	4,035
Environmental Policy and Resettlement	414	10,171	169	134	5,134	3,123	1,611	29	36	2,981	3,630
Subproject Construction Monitoring and Maintenance	639	16,705	87	127	5,697	6,804	3,990	31	41	5,254	6,804
Skills on Cooperation with Ethnic People and Policy on Compensation and Resettlement	44	5,891	108	58	2,287	2,394	1,044	38	36	2,225	2,146
Financial and Accounting Management	157	4,351	220	288	3,701	33	109	23	27	1,002	1,192
Use of MIS and Related Software	10	369	167	13	189	0	0	29	2	107	6
Procurement	153	3,930	213	359	2,819	385	154	14	35	569	1,383
Training of CFs	30	494	338	37	119	0	0	15	9	74	44
Project Management	22	434	91	69	274	0	0	11	17	46	72
Other training	14	678	125	114	439	0	0	17	6	117	39
TOTAL	**2,500**	**76,528**	**2,021**	**1,717**	**35,606**	**24,909**	**12,275**	**30**	**38**	**22,673**	**28,823**

1.4 People participation in Sub-project Selection

The project ensured decentralization in sub-project selection. As a result, all communes hold village sub-project selection meetings, which led to high rate of participation by households, women and ethnic minority people. The representation of households (HHs) in sub-project selection was more than 70%, while women and ethnic minority participants accounted for around 30% and 48% respectively.

Table 2. People Participation in Sub-project Selection

	1st Cycle		2nd Cycle		3rd Cycle	
	No	%	No	%	No	%
Total No. of households in the project area	768,568	-	796,314	-	730,991	-
Total No. of women in the project area	1,470,069	-	1,525,653	-	1,364,278	-
Total No. of ethnic minorities in the project area	776,098	-	784,296	-	715,047	-
Participating households	559,769	73	580,808	73	515,893	71
Women participants	464,703	32	447,797	29	397,348	29
Ethnic people participants	358,464	46	380,585	49	346,130	48

1.5 Community Facilitators

A total of 116 community facilitators were recruited to mobilize commune members. Anecdotal evidences gathered during the ICRR mission exhibit that CFs played a key role in: supporting CPCCs, organizing commune meetings, selecting sub-projects, formulating sub-project proposals, preparing reports, carrying out monitoring of sub-project constructions, and setting up operation and maintenance mechanisms.

It was observed, however, that some CFs were dismissed due to their poor performance and some provinces faced high turn-over of CFs. Lack of CFs and CFs without proper training caused problems in community mobilization and sub-project implementation. Female CFs in general appeared to be very active, but nature of the work proved to be difficult for female CFs due to long traveling time and mountainous and remote terrains, especially during rainy seasons. Each CF was given a motorbike to improve mobility for their facilitation work. On an average, one CF covered seven to ten communes with exceptions in Quang Nam, Binh Dinh, and Khanh Hoa provinces.

1.6 Establishment of O&M groups

In order to promote community-based M&E of infrastructure constriction as well as subsequent operation and maintenance (O&M), the project formed 1,990 community supervision groups and 4,394 O&M groups respectively. These members were usually trained in monitoring of construction and maintenance where they acquired skills to read construction blueprints and mobilize community members for maintenance. Membership per O&M group on average was about four including at least one female member. HH contribution for infrastructure maintenance varied according to the types of infrastructure and location. Majority of communities with a community hall where the ICRR mission visited, for example, collect at least VND 5,000 per month for O&M. The collected funds were spent for cost of utilities, security, and small-scale repairing service.

1.7 Outcome of Training

The project set "Time reduction in Sub-project Implementation Cycle" as a proxy indicator to measure impacts of formal training. Time spent from "subproject selection (No.1) to completion to liquidation (No.9)" indicates that the project was successful in this aspect reducing a substantial time in its operation with two exceptions: No 3 and 5. As mentioned earlier that CBPP played a major role in increasing transparency but at the same time the process added multi-layers for examination and approval of plans; these contributed to increasing days spent for these two activities.

Table 3. Average Time spent for Project Proposal Submission to Liquidation – days

No	Description	1st Cycle	2nd Cycle	3rd Cycle	Difference between cycles		
					1st & 2nd	1st & 3rd	2nd & 3rd
1	Village meeting on selection of projects to completion of commune proposal	29	24	22	5	7	2
2	Submission of investment proposal to approval	18	14	13	4	5	1
3	District investment proposal approval to signing of budget allocation contract	80	90	82	-10	-2	8
4	Submission of PPMU approved investment report to Bidding appraisal	88	88	85	0	3	3
5	Sub-project selection to receipt of 50% advance	170	193	171	-23	-1	22
6	Signing contracts with constructors to completion & issue of completion certificate	128	124	123	4	5	1

7	Completion of construction to completion of disbursement report	113	100	84	13	29	16
8	Disbursement to completion of Project liquidation report	133	113	101	19	32	13
9	Reception of 50% advance to reception of 100% of payment	233	184	179	50	54	4

1.8 Information Campaigns

Various modes of information dissemination and project awareness included production of printed and audio visual material, broadcast of videos, and distribution of shirts and hats in the project area as given in the Table below.

Table 4. Information Dissemination and Awareness

Modes of information dissemination	Number
Flyers	332,385
Posters	16,740
Panel hoardings	33,111
Audio visual material	42
Broadcast of videos	140
Distribution of Shirts and hats	20,500

Component 2: Infrastructure Development (US$ 107.57 million)

2.1 Overview of Sub-projects Implemented

A total of 8,462 sub-project were completed in 13 provinces, of which 470 (5.6%) were inter-communal and 7,992 (94.4%) were communal sub-projects. The project awarded 4,556 contracts. All communes that participated in the project experienced at least one competitive bidding procedure. Reflecting project's demand driven approach, the types of commune sub-projects varied widely. Popular sub-projects were: roads (35%), community halls (27%), water supply (9%), and irrigation (8%). The remaining subprojects mainly comprised of schools, markets, and electrification. Inter-communal works were mainly roads, bridges and irrigation schemes.

In terms of number of sub-projects per province, Nghe An completed 1,218 sub-projects (14.4% of total 8,462 sub-projects), followed by Binh Phuoc (12.6%), Quang Ngai (12.5%), Quang Nam (10.7%), Khanh Hoa (10.25%) and Thanh Hoa (10%). The number of sub-projects in Ninh Thuan province accounts for only 2.9%, which makes the province the lowest among the 13 provinces in terms of number of sub-project.

Table 5. Infrastructure Investment

Infrastructure Type	Quantity of Works
Roads	2932
Irrigation/storm and flood control	651
Water supply	781
Power	304
Community hall	2322
School	563
Kindergarten	432
Health station	77
Market	101
Other	299
Total	**8,462**

2.2 Overview of Sub-project Investments

The total investment for 8,462 sub-projects was VND 2,195 billion, of which VND 445 billion (20% of the total) was spent for inter-communal works, while VND 1,750 billion was spent for communal sub-projects. Average investment per work for inter-communal subprojects was around VND 945 million against around VND 218 million for communal works. In terms of province-wise investment, Quang Ngai took the largest share of investment capital with VND 351 billion (16%), followed by Nghe An (15%), Thanh Hoa, Quang Nam, and Ha Tinh (11% each). Binh Thuan's share was the smallest amongst project provinces with nearly 3% of total investment.

2.3 Population Benefited

The project worked with 760 communes. Although there is no accurate data available for the number of benefited population, out of the total population of 19.55 million for the 13 provinces, it is estimated that around 800,000 HHs with nearly 4 million people are benefited by the project.

2.4 Investment Allocation amongst Beneficiary population

The allocation of funds to provinces as well as communes was generally made based on the size of beneficiary population. The analysis of per-household investment illustrates that this policy was in general applied. Average investment per beneficiary HH is around VND574,000 (US$ 32), which more or less follows the project guidelines.

Table 6. Beneficiary Population and Sharing of total investment

Province	No of Beneficiary Population	Investment VND (000)	Investment per Pop. VND (000)	Investment per Pop. US$	Population (%)	Investment (%)
Thanh Hoa	455,275	251,443	552	31	12	12
Nghe An	564,955	335,476	594	34	14	15
Ha Tinh	535,330	241,492	451	24	14	11
Thua Thien Hue	139,045	97,911	704	41	4	5
Quang Nam	458,170	240,834	526	30	12	11
Quang Ngai	594,775	351,140	590	38	13	16
Binh Dinh	107,525	77,900	724	41	3	4
Phu Yen	109,770	72,537	661	37	3	3
Khanh Hoa	181,725	93,407	514	29	5	4
Ninh Thuan	163,110	88,865	545	31	4	4
Binh Thuan	113,470	61,861	545	31	3	3
Lam Dong	145,550	71,932	494	28	4	3
Binh Phuoc	420,374	210,188	500	26	11	9
Total	3,989,074	2,194,986	574	32	100	100

2.5 Quality of Infrastructure

Quality of constructed infrastructure is by and large satisfactory. According to the data on quality assessment (not entire sub-projects were assessed) provided by the project, there are five communal schemes damaged due to low quality. In addition, there are another five schemes reported to be completely non-functional and 304 schemes damaged of which 12 are inter-communal and 292 are communal. These damages were mainly caused by natural calamity like Xangsane storm in 2006 or the floods and storms frequently observed in Central Coastal provinces of Vietnam, where occurrence of natural disasters is high.

Table 7. Quality Assessment of the Civil Works

Province	Completed projects but cannot be utilized due to poor construction		Completed projects but cannot be utilized due to other reasons		Completed projects but partly damaged due to low quality		Completed projects but partly damaged due to other reasons		Completed projects that are of good quality and are being utilized	
	IC	Commune	IC	Commune	IC	Commune	IC	IC	IC	Commune
Thanh Hoa	-	-	-	2	-	-	-	-	37	809
Nghe An	-	-	-	1	-	-	-	1	54	1,162
Ha Tinh	-	-	-	-	-	-	-	-	51	484
TT - Hue	-	-	-	-	-	-	2	31	26	305

Quang Nam	-	-	-	-	-	-	-	-	51	852
Quang Ngai	-	-	-	2	-	5	7	13	59	963
Binh Dinh	-	-	-	-	-	-	-	2	19	302
Phu Yen	-	-	-	-	-	-	-	-	30	253
Khanh Hoa	-	-	-	-	-	-	-	191	15	659
Ninh Thuan	-	-	-	-	-	-	1	7	20	219
Binh Thuan	-	-	-	-	-	-	-	25	14	403
Lam Dong	-	-	-	-	-	-	2	22	15	280
Binh Phuoc	-	-	-	-	-	-	-	-	65	998
Total	-	-	-	5	-	5	12	292	456	7,689

2.6 Community Contribution

The beneficiary communities were required to contribute 5% of the physical value of physical infrastructure. On average, the communities contributed 4.8% of the costs ranging from 5.2% in Khanh Hoa to 4.1% in Binh Phuoc province. In general, community members provided their share in kind, especially with labor. In addition to the required contributions, many community members donated their pieces of lands for widening roads, for irrigation channels and for other schemes without any compensation when the size of the land is less than 10% of its own total size. Furthermore, the beneficiaries also contributed in the form of free transport of construction material as well as labor.

Table 8. Share of Community contribution

	IDA		Government		Community		Total	
	VND	%	VND	%	VND	%	VND	%
A - Inter-communal	276.7	70.9	113.5	29.1	-	-	390.2	19.0
Civil works	264.7	73.7	94.2	26.3	-	-	358.9	17.5
Monitoring	6.4	98.9	0.1	1.1	-	-	6.5	0.3
Management	5.6	63.6	3.2	36.4	-	-	8.8	0.4
Others	0.0	-	16.0	100.0	-	-	16.0	0.8
B – Communal	1,474.7	88.9	109.0	6.6	74.3	4.5	1,658.0	81.0
Civil works	1,414.7	91.4	59.0	3.8	74.3	4.8	1,547.9	75.6
Monitoring	29.1	99.2	0.2	0.8	-	-	29.3	1.4
Management	25.1	99.3	0.2	0.7	-	-	25.3	1.2
Others	5.8	10.5	49.6	89.5	-	-	55.4	2.7
Total	1,751.4	85.5	222.5	10.9	74.3	3.6	2,048.1	100.0

2.7 Poverty reduction

It is not possible to isolate project's contribution for improving standard of living attributed to the provision of infrastructure. In addition, there is no reliable baseline data to assess project's impacts. Indicative figures on poverty reduction prepared by Ministry of Labor, nevertheless, show that almost all participating provinces, where data are available, decreased the poverty rate in 2008 compared with 2006. However, it is important to

mention that the poverty line and analysis method carried out by the ministry were changed in year 2006, and therefore, it made difficult to assess the changes.

2.8 Employment generation

According to the data provided by the project, around 1.8 million labor days were generated with an estimated income of around VND 80 billion (US$ 4.5 million) for unskilled labor from the target communes. However, these figures were mainly derived from estimations in all 13 provinces without clear evidence. Anecdotal evidence gathered from PPMUs also revealed that record keeping for such income generation at each construction site usually did not happen. Therefore, the reliability of the figures is low. Nevertheless, the project did promote income generation through providing employment, but there was a lack of a mechanism to capture such data. Interviews with beneficiaries revealed that some of community members (not all) gained income through providing their labor and selling construction material.

Table 9. Indicative Figure on Labor, Cash and Wages Generated

Description	Inter communal	Communal	Total
Labor generated – days	104,521	1,694,353	1,798,874
Selling materials VND (million)	2,588	30,442	33,030
Wage VND (million)	3,788	42,288	46,076
Daily wage rate – VND	36,240	24,960	25,610

Component 3: Project Support Services (US$ 6.79 million)

The project was executed by MPI, DPI, District Governments, and Communal Governments. At MPI and DPI, the project set up CPMU and PPMUs respectively. The resources allocated to Component 3 were mainly used for project support services of these government agencies in Hanoi and PPMUs in the 13 participating provinces. The expenditure on different items is as shown in the table below.

Table 10. Expenditure on Project Support Services

Services	VND (billion)	% of total
Project Support services	14.9	11.7%
Consultancy services	41.8	33.0%
Management	34.1	26.9%
Monitoring & Evaluation	35.8	28.3%
Total	126.5	100.0%

Annex 3. Economic and Financial Analysis

3.1 Background

The project effectiveness based on an economic and financial analysis was judged on the basis of data provided by the project, supplemented by field visits and discussion with the beneficiaries. However, the field visits could only be made to only 12 schemes located in 5 provinces including Quang Ngai, Quang Nam, Khanh Hoa, Ninh Thuan and Binh Thuan provinces. The schemes visited include: 3 roads; 2 irrigation schemes; 2 drinking water supply; one bridge; and one flood water disposal drainage. In addition, one market, 2 kindergartens and 2 community halls were also visited to gather views of the communities and see the level of maintenance and sustainability of the operation. Analysis included in this Annex should be understood as a case study rather than a financial and economic analysis of the project as a whole.

3.2 Methodology

Secondary data that were collected for all provinces from CPMU were organized by scheme types with for various aspects including (i) number of schemes; (ii) cost; (iii) year of implementation; and so on. The quantification of benefits for schools, and clinics as well as multi-purpose infrastructure such as community halls is difficult due to absence of relevant information for such analysis. As a case study, therefore, analysis is made for the sub-projects of five infrastructure types including (i) roads; (ii) bridge; (iii) drinking water supply, (iv) irrigation scheme, and (v) flood water disposal drainage. To assess economic efficiency, an analysis on investment per unit was also made for all sub-projects based on the data supplied by the project.

Beneficiaries' views on the project as well as the infrastructures were gathered through interviews both in the field and at group meetings. The interview results were analyzed to derive meaningful inferences in the light of efficiency parameters.

3.3 Assumptions for Analysis

Analysis has been made on the basis of beneficiary views gathered by group discussions and secondary data (costs) available with the project for the schemes visited. Economic and financial analyses was made for infrastructure schemes including drinking water supply (DWS), roads, bridge, irrigation and flood water disposal, to have an idea of returns on investment (ROI) using financial and economic prices. The assumptions made are:

(i) The life span is taken as 10 years for all subprojects except for roads and bridge for which the life is taken as 7 years and 20 years respectively;
(ii) The salvage value is taken as 10% except for bridge for which it is taken as 'nil';
(iii) Community halls are used as the meeting place for villagers and the Agriculture Extension staff;

(iv) Since the community halls are widely spread and are used for such group meetings, half of the average investment cost in community hall is added to the cost of selected scheme;

(v) The benefits accruing from irrigation schemes are not only the benefits from increased irrigation supplies but also have a major contribution of extension advice given by the technical staff[3] of Agriculture Department;

(vi) Since the subprojects are implemented in earlier years and assessment is being made in 2009, the cost incurred is brought to 2009 level using an escalation factor of 11.5% per year, based on inflation figures from 2004 onwards; and

(vii) For Economic analysis:

- Financial costs are multiplied with Standard Conversion Factor (SCF) of 0.9 for use in Economic analysis;
- Standard Wage rate (SWR) is taken as 0.75 for the unskilled labor; and
- Fuel cost is multiplied with 0.7 to account for the taxes imposed.

3.4 Types of Benefits

Although the schemes are small and low-cost investments, these have direct and indirect benefits on communities in the form of increased employment opportunities, higher income, better hygienic conditions and others. A summary of possible benefits that the people receive from selected sub-projects are:

Drinking Water Supply: availabilities of drinking water at or near the door steps leading to time savings and its productive use in other income generating activities, comparatively better quality of water with lesser chances of contamination, and thus savings in medical expenses on account of illness;

Roads: easy access to paved road, opening up areas for other economic activities, savings in commuter time, reduction in transport/ haulage rates, productive use of saved time;

Bridge: better and persistent linkage with the communities, no waiting for receding of flood water, commuter time saving, increased income by use of saved time;

Irrigation scheme: Increased availabilities of irrigation water, higher yields, raising crops on barren or uncultivated land, double cropping in command area; and

Drainage: Decreased damage to houses and property/ belongings.

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[3] The Community halls are also used by the Agriculture Extension staff as a regular meeting place with the farmers of the area, for dissemination of improved farm practices/ technology. These community halls are also used for distribution of farm inputs and improved seeds in accordance with the government policies. The interaction of farmers and the Agriculture Department and timely availability of farm inputs/ seeds results in increased farm production.

3.5 Analysis for Selected Subprojects

Discussions were held with PPMU staff in the five provinces and beneficiaries of sub-projects visited. The prime objective was to assess the magnitude of benefits in the light of discussion with the beneficiaries. An analysis was made for 12 subprojects and results are summarized as follows:

Drinking Water Supply

A drinking water supply sub-project was visited in Ninh Thuan province (Phuoc Chien Commune), which provides benefits to 180 HHs. It connects the HHs with the piped water supply form an existing reservoir constructed in 2003 with funding from some other program. The other water supply sub-project is in Phong Phu Commune of Binh Thuan province. This involved lifting water from a lake to the reservoir by pump, and laying 1,500 meter pipeline originating from the reservoir to the commune. Five water tanks are constructed to store water and 2 wells are also dug. A person is deputed to open taps from the reservoir at fixed time. The water supplied is comparatively of better quality and has resulted in lesser incidence of water borne diseases. However, the water supplied is not sufficient to meet HH demand, for 5-6 months in a year. The shortages are met by bringing water on donkeys or in canes. As a result of nearby supply of water, the time consumed in bringing water is reduced. Annual benefits are calculated as VND 80 million for Phuoc Chien Commune and VND 133 million for Phong Phu Commune.

Roads

Three road sub-projects were visited one each in the province of Quang Ngai (Village 3 to HOC), Nha Trang (Khanh Hoa) and in Ninh Thuan (Phuoc Chien Commune). The one in Ninh Thuan is in the mountainous area with steep slope and has been paved now under Program 135. All the three roads – previously narrow tracks - were widened to link villages to main roads. This has led to opening up of areas for economic activity, savings in fuel consumption and time, lesser transport costs for farm produce including shrimp fish, and for farm inputs/ construction material. The financial benefits accruing annually are estimated as VND 165 million for Village 3 to HOC, VND 216 million for Khanh Hoa, and VND 355 million for Phuoc Chien Commune.

Bridge

In the mountainous area of Phuoc Chien Commune (Ninh Thuan province), a causeway was transformed into a bridge under the project. Previously, the passengers had to wait for 7-8 hours a day to pass the causeway during rainy season (October to December). With the construction of the bridge, time used for waiting has been released for initiation of economic activity in the area. Benefits are estimated as VND 201 million annually.

Irrigation

Two irrigation scheme sub-projects were visited; one in Quang Nghi (B 8-11) involved lining of the irrigation channel supplying water to 70 ha of farm area, and the other in

Quang Nam relating to rehabilitation of water reservoir supplying irrigation water to 40 ha. As a result of the investments, the water service areas of the former increased to 75 ha from 70 ha and the later 55 ha from 40 ha, respectively. In addition to the increase in the service area, the cropping intensity and yields were increased. Also the cropping pattern was changed in favor of high value crops for which water was a constraint before. Incremental annual returns were estimated at VND 141 million and for Quang Ngai and VND 250 million for the reservoir.

Flood Water Drainage

Floods in a lowland area during monsoon seasons used to damage household belongings and house structures. Construction of a 160 meter long channel in Cam Hoa (Khanh Hoa province) now drains the flow of water to a river. The value of losses saved as a result of investment is quantified as VND 140 million annually.

3.6 Returns by Infrastructure type

Benefits are calculated for each type of intervention on the basis of group discussion with beneficiaries. The nature and extent of average benefits accruing for some infrastructure schemes is given in Table 11.

Table 11. Summary of Benefits from Different Infrastructure Sub-projects

Subproject	Benefit Description	Value	Unit
Water supply	Time saving/ HH/ day	1.17	female hours
	Annual savings of medical expenses /HH	9.0	VND (000)
Road	Savings in transportation of farm produce	27.0	VND(000)/ton
	Savings in transportation cost of fertilizer	1.67	VND(000)/bag
	Savings in round trip fuel cost for the commuters	1.42	VND(000)/trip
	Savings in Commuter time per trip/HH	0.33	Hours
Irrigation	Increase in Cropping intensity	7%	Average
	Increase in crop value	195	VND(milliom)/Scheme
Bridge	Productive time lost per annum per Scheme	4,015	days/year
	Value of productive time lost	201	VND (million) year
Drainage	Average loss of HH belongings	0.8	VND (million)/year
	Houses damaged annually	20	%/year
	Average loss to house structure	3000	VND (000)

The financial costs are converted to economic costs using SCF of 0.9 to account for the distortions in economy attributed taxes and subsidies. The results of analyses leading to the assessment of cost effectiveness of the selected 12 cases shows that Economic Internal Rate of Return (EIRR) is in the range of 17.4% to 23.0%. The aggregated returns form investment in the selected irrigation and roads are 22.7% and 17.4% respectively. The summarized results for various types are given in Table 12. The net present value (NPV) and benefit: cost (B:C) ratio at 15% discount rate is positive for all type of subprojects. The results for financial analysis are also positive. The NPV is slightly higher for financial analyses for all subprojects.

Table 12. Summarized Results of Cost Effectiveness

CPI type	Economic analysis			Financial analysis		
	NPV at 15%	B:C at 15%	EIRR	NPV at 15%	B:C at 15%	FIRR
Water Supply	93	1.16	22.2%	231	1.35	31.2%
Roads	111	1.06	17.4%	356	1.17	21.9%
Irrigation	245	1.20	22.7%	296	1.22	23.5%
Bridges	257	1.36	22.1%	286	1.36	22.1%
Drainage	91	1.21	23.0%	102	1.21	23.0%
Others	160	1.20	21.5%	254	1.26	24.3%

3.7 Conclusion

It can be concluded that economic returns on investment in the selected 12 cases are sufficiently attractive. The EIRR is more than 17% for all selected subprojects, and NPV and B:C is positive. Also the financial rate of return is higher than the economic returns. In addition to the return rates derived on the basis of tangible benefits, there are a number of intangible benefits like appreciation in property value (land and houses) attributed to improved linkages with paved roads not accounted for in the analyses.

Annex 4. Bank Lending and Implementation Support/Supervision Processes

(a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
Lending			
Christopher Gibbs	Sr. Operation Officer	EASVS	Task Team Leader
Pham Hung Cuong	Operations Officer	EASVS	Co- Task Team Leader
Hoi-chan Nguyen	Legal Consel	EASVS	Legal
Vu Thu Huong	Team Assistant	EACVF	General Assistance
Omowunmi Ladipo	Financial Management Specialist	EAPCO	Financial Management and Disbursements
Adbul Haji	Financial Management Specialist	EAPCO	Financial Management
Xiaolan Wang	Financial Management Specialist	EAPCO	Financial Management
Nguyen Chien Thang	Procurement Officer	EAPCO	Procurement
Tosca Van Vijfeiken	Social Specialist	EAPCO	Social Development
Daud Khan	Service Chief	FAO	
Josef Ernsberger	Natural Resource Economist	FAO	
Yoshiko Ishihara	Sociologist	FAO	
Dietmar Kraatz	Rural Engineer	FAO	
Lars Hein	Environmental Specialist	FAO	
Supervision/ICR			
Cuong Hung Pham	Senior Operations Officer	EASVS	Task Team Leader
Robin Mearns	Lead Social Development Specialist	SDV	Operations
Cuong Van Pham	Financial Management Specialist	EAPFM	FM
Lan Thi Thu Nguyen	Operations Officer	EASVS	Social Development
Ly Thi Dieu Vu	Environment Specialist	EASVS	Environment
Hiet Thi Hong Tran	Procurement Specialist	EAPPR	Procurement
Thu Thi Le Nguyen	Operations Analyst	EASVS	Operations
Takayuki Hagiware	Consultant	FAO	
Muhamnad Asif Khan	Consultant	FAO	

(b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
FY99		215.50
FY00	38	249.74

FY01	30	118.98
FY02		9.89
FY03		0.00
FY04		4.41
Total:	68	598.52
Supervision/ICR		
FY02	41	43.36
FY03	24	60.53
FY04	30	76.02
FY05	21	38.87
FY06	27	84.97
FY07	16	83.18
FY08	16	33.85
FY09	19	0.00
Total:	194	420.78

Annex 5. Beneficiary Survey Results (N/A)

Annex 6. Stakeholder Workshop Report and Results (N/A)

Annex 7. Summary of Borrower's ICR and/or Comments on Draft ICR

Project Objectives

The overall initial project objective is to reduce poverty in 611 poorest communes in 13 Vietnam Central provinces. After Mid-term Review when gain from exchange rate across SDR, USD and VND was available, 149 new project communes were added, raising the total number of project communes to 760.

The Project's basic small-scale infrastructures in villages to be selected by villagers are for: (1) meeting the most essential demands of villagers, and so their desire, (2) the construction of small-scale works suits local people's capacity, thereby facilitating them to participate in the construction (selling local building materials, direct participation in construction for wage paid in cash), and to benefit when the works complete.

The Community Based Rural Infrastructure Project is a poverty reduction project in 13 Vietnam Central provinces (period of 2002-2009), funded by the International Development Association (IDA). It takes new community driven approach for rural development and poverty alleviation in some poor communes of Vietnam. The project was designed and deployed for supporting Vietnam Government's efforts to reduce poverty in mountainous, remote, especially difficult areas where the poorest communes of Vietnam concentrate. It is intended to fulfill by providing basic infrastructures, building capacity for communal and village staff as well as for inhabitants together with creating conditions for raising income of project communities.

Its decentralizing and empowering approach by delegating funds and decision making responsibilities to commune government and local communities during their project implementation is the way towards providing communes with the capacities that facilitate them to work as project owners and managers.

Disbursement

Total IDA disbursement by the whole project up to October 31, 2009 was SDR 77,690,060, accounting for 94.86% of total credit of SDR 81,900,000 provided in accordance to the Credit Agreement Cr. 3532-VN. Total IDA disbursement calculated in USD was USD 116.3 million, exceeding by 13.2% of IDA net commitment of USD 102.78 million thanks to favorable exchange rate between SRD and USD.

Summary of Project Outputs

Component 1: Strengthening Decentralized Planning and Implementation Capacity
This component aimed at building capacity for implementing entities and communal governments through training in participatory project planning, management and

Monitoring and Evaluation. It also supported information campaigns to ensure widespread public understanding, transparency and accountability.

Training

Training course	Number of courses	Total trainees	% women	% ethnic minorities
From IDA Source	**2,500**	**76,528**	**29.6**	**37.7**
Community Development and Planning Process	714	23,379	31.54	40.51
Subproject Management	303	10,126	28.9	39.8
Environmental Policy and Resettlement	414	10,171	29.3	35.7
Subproject Construction Monitoring and Maintenance	639	16,705	31.5	40.7
Skills on Cooperation with Ethnic People and Policy on Compensation and Resettlement	44	5,891	37.8	36.4
Financial and Accounting Management	157	4,351	23.0	27.4
Use of MIS and Related Software	10	369	29.0	1.6
Procurement	153	3,930	14.5	35.2
Training of CFs	30	494	15.0	8.9
Project Management	22	434	10.6	16.6

Community Facilitators

Provinces	No of Project Communes	No of CFs	No of Commune per CF	No of Commune Subprojects Implemented	Disbursed Investment to Commune Subprojects (VND billion)	No of Commune Subprojects per CF	Investment per CF (VND billion)
Thanh Hoa	103	16	6.44	811	196.833	50.69	12.30
Nghe An	113	17	6.65	1164	250.908	68.47	14.76
Ha Tinh	88	11	8.00	484	189.664	44.00	17.24
Thua Thien Hue	37	8	4.63	336	63.829	42.00	7.98
Quang Nam	103	15	6.87	852	167.515	56.80	11.17
Quang Ngai	103	16	6.44	983	221.480	61.44	13.84
Binh Dinh	29	4	7.25	304	52.347	76.00	13.09
Phu Yen	23	5	4.60	253	48.128	50.60	9.63
Khanh Hoa	39	5	7.80	850	64.703	170.00	12.94
Ninh Thuan	28	4	7.00	226	62.746	56.50	15.69
Binh Thuan	23	4	5.75	429	44.587	107.25	11.15
Lam Dong	28	4	7.00	302	46.510	75.50	11.63
Binh Phuoc	43	7	6.14	998	132.973	142.57	19.00
Total	**760**	**116**	**6.55**	**7992**	**1542.22**	**68.90**	**13.30**

People participation in Selection of Subprojects

Participation in Selection of Subproject	1st Cycle	2nd Cycle	3rd Cycle
(2)	(3)	(4)	(5)
Total Number of Households in Project Area	797,135	758,379	668,780
Total Number of Women in Project Area	1,760,768	1,641,984	1,392,803
Total Number of Ethnic Minority Households in Project Area	287,048	274,221	239,843
Total Number of Ethnic Minority People in Project Area	1,500,277	1,353,427	1,138,573
Number of Households Participating in Communal Subprojects Selection Meetings	747,136	693,858	607,850
Number of Women Participating in Communal Subproject Selection Meetings	515,368	474,054	420,094
Number of Ethnic Minority People Participating in Communal Subproject Selection Meetings	270,062	247,400	212,998
Average Rate of Household Representatives Participating in Communal Subprojects Selection Meetings (%)	93.73%	91.49%	90.89%
Average Rate of Women Participating in Subproject Selection Meetings to Total Number of Participating Households (%)	64.65%	62.51%	62.81%
Average Rate of Ethnic Minority People Participating in Communal Subproject Selection Meetings to Total Number of Ethnic Minority Households (%)	94.08%	90.22%	88.81%

Information Campaign

No.	Content	Unit	CPMU	PPMUs	Total
1	Standard Forms of Leaflets	Sheets	62,100	270,285	332,385
2	Standard Forms of Posters	Sheets	10,500	16,740	27,240
3	Standard Forms of Panels	Sheets	15,000	18,111	33,111
4	Films	Film	3	40	43
5	Number of Film Telecasting	Number of Telecasting	7	136	143
6	Other Information and Communication Activities (Loudspeakers, amplifiers, microphone, T-shirts with CBRIP logos, etc.)	Quantity	8,800	24,126	32,926
7	Summary Records of Project	Copies	0	200	200

8	Blouse and Shirts with Project Logos	Quantity	0	20,500	20,500
9	Propaganda Document (Booklets) of Large Size	Copies	7,500	0	7,500
10	Propaganda Document (Booklets) of Small Size	Copies	300	0	300
11	Newsletters	Copies	1000/Issue		
12	Flysheets on "Community Based Rural Infrastructure Project"	Sheets	140,000		140,000
13	Flysheets on Project Results	Sheets	70,000		70,000

Establishment of Community Supervision and Operation and Maintenance Groups

Participation	Unit	Total Project	Thanh Hoa	Nghe An	Ha Tinh	TT. Hue	Quang Nam	Quang Ngai	Binh Dinh	Phu Yen	Khanh Hoa	Ninh Thuan	Binh Thuan	Lam Dong	Binh Phuoc
Number of Community Supervision Groups	Group	***1,990***	***103***	***389***	***161***	***47***	***103***	***119***	***199***	***45***	***52***	***206***	***64***	***333***	***169***
Total Number of Members in Community Supervision Groups	Individual	**8,296**	515	1,190	638	221	515	1,007	547	270	359	848	512	1,332	342
Total Number of Women in Community Supervision Groups	Individual	**2,028**	206	243	199	46	103	341	149	119	91	4	128	333	66
Total Number of Inhabitants in Community Supervision Groups	Individual	**2,717**	103	233	256	20	96	460	109	135	98	1	128	999	79
Number of Operation and Maintenance (O&M) Groups	Group	***4,394***	***103***	***1,164***	***766***	***217***	***676***	***206***	***199***	***41***	***52***	***200***	***79***	***319***	***372***
Total Number of Members in O&M Groups	Individual	**17,713**	1,442	3,608	2,398	665	2,028	2,163	748	288	335	816	474	1,595	1,153
Total Number of Women in O&M Groups	Individual	**5,281**	618	604	860	211	676	824	149	82	147	4	158	638	310
Total Number of Inhabitants in O&M Groups	Individual	**7,058**	927	968	1,497	445	676	1,030	109	123	116	1	158	638	370

Component 2: Infrastructure Development (US$ 107.57 million). In this component, grants were provided on a cost-sharing basis to finance small scale infrastructure investments based on priorities of the target communities. There were two types of schemes: commune works and inter-commune works.

Total subprojects

	Number of Works			Quantity (Total Designing Size)				Total Signed Value (VND Million)			Actual Value		
Subproject	Total	Inter-commune	Commune	Unit	Total	Inter-commune	Commune	Total	Inter-commune	Commune	Total	Inter-commune	Commune
Roads	2932	396	2536	*Km*	3,801.01	1,148.55	2,652.46	1,034,083	387,845	646,238	845,864	294,279	551,585
Irrigation/storm and flood control	654	50	604	*Ha*	17,857.91	3,038.40	14,819.51	213,659	39,342	174,317	187,276	28,143	159,133
Water supply	780	0	780	*Benefited HH*	65,975.00	0.00	65,975.00	99,244	0	99,244	82,447	0	82,447
Power	304	15	289	*Km (cable)*	458.69	47.61	411.08	87,913	12,160	75,753	77,251	10,779	66,473
Community hall	2322	0	2322	m^2	262,466.65	0.00	262,466.65	402,068		402,068	363,463		363,463
School	561	0	561	m^2	120,052.66	0.00	120,052.66	179,689	0	179,689	161,503	0	161,503
Kindergarten	432	0	432	m^2	53,871.60	0.00	53,871.60	91,582		91,582	93,113		93,113
Health station	77	0	77	m^2	12,199.30	0.00	12,199.30	24,762		24,762	19,860		19,860
Market	101	7	94	m^2	72,794.76	9,278.00	63,516.76	44,457	4,992	39,465	36,750	4,141	32,609
Other	299	2	297	m^2	28,557.15	0.00	28,557.15	17,535	906	16,630	15,618	897	14,721
Total	**8,462**	**470**	**7,992**					**2,194,992**	**445,245**	**1,749,747**	**1,883,146**	**338,239**	**1,544,907**

Subprojects by Year

Year	Inter-commune works		Commune works		Total	
	Quantity (Works)	Value (VND million)	Quantity (Works)	Value (VND million)	Quantity (Works)	Value (VND million)
2002			60	1643.5	60	1643.5
2003	3	1339.5	646	78248.1	649	79587.6
2004	65	45259.2	1470	249980.4	1535	295239.5
2005	139	99456.1	1934	310261.8	2073	409717.9
2006	68	44063.2	1827	381480.4	1895	425543.7
2007	110	87656.8	1495	355265.4	1605	442922.2
2008	51	42195.18	446	123613.0	497	165808.19
2009	34	18268.8	114	44414.4	148	62683.2
Total	**470**	**338238.78**	**7992**	**1544907.0**	**8462**	**1883145.78**

Household Contribution

Household Contribution	Unit	Total Project	Thanh Hoa	Nghe An	Ha Tinh	TT. Hue	Quang Nam	Quang Ngai	Binh Dinh	Phu Yen	Khanh Hoa	Ninh Thuan	Binh Thuan	Lam Dong	Binh Phuoc
Number of Households Contributing their 5% in Cash	Household	**330,569**	33,690	47,456	63,169	4977	43,068	48,811	2,520	4,391	0	0	8,726	1,456	72,305
Rate of Households Contributing their 5% in Cash	%	**41.43**	37	42	59	17.9	47	41	12	20	0	0	38	5	86
Number of Households Contributing their 5% in Working Days or Materials (Estimate)	Household	**467,243**	57,365	65,535	43,897	22830	48,566	70,144	18,985	17,563	36,345	32,622	13,968	27,654	11,770
Rate of Households Contributing their 5% in Working Days or Materials (Estimate)	%	**58.57**	63	58	41	82.1	53	59	88	80	100	100	62	95	14

Generation of Employment and Income for Local People

Subproject by province	Number of Labor Days Generated (days)	Value of Earned by Local People (VND Million)		
		Total	From Direct Participation in Project Work	From Selling Materials for Project
Thanh Hoa	**470,648**	**9,486**	**6,435**	**3,051**
Inter-commune	-	-	-	-
Commune	470,648	9,486	6,435	3,051
Nghe An	**272,618**	**18,349**	**8,237**	**10,112**
Inter-commune				
Commune	272,618	18,349	8,237	10,112
Ha Tinh	**174,203**	**11,356**	**6,209**	**5,147**
Inter-commune	36,094	2,871	1,311	1,560
Commune	138,109	8,485	4,898	3,587
T.T Hue	**38,564**	**1,237**	**833**	**405**
Inter-commune				
Commune	38,564	1,237	833	405
Quang Nam	**399,693**	**20,086**	**12,720**	**7,366**
Inter-commune	59,840	2,985	1,990	995
Commune	339,853	17,101	10,730	6,371
Quang Ngai	**157,322**	**5,515**	**3,812**	**1,703**
Inter-commune	-	-	-	-
Commune	157,322	5,515	3,812	1,703
Binh Dinh	**125,500**	**2,546**	**2,510**	**36**
Inter-commune				
Commune	125,500	2,546	2,510	36
Phu Yen	**4,027**	**102**	**54**	**48**
Inter-commune				
Commune	4,027	102	54	48
Khanh Hoa	**82,873**	**6,633**	**1,750**	**4,882**
Inter-commune				
Commune	82,873	6,633	1,750	4,882
Ninh Thuan	**4,470**	**119**	**119**	**-**
Inter-commune				
Commune	4,470	119	119	-
Binh Thuan	**13,281**	**511**	**446**	**65**
Inter-commune				
Commune	13,281	511	446	65
Lam Dong	**36,013**	**2,161**	**1,945**	**216**
Inter-commune	5,560	334	300	33
Commune	30,453	1,827	1,644	183
Binh Phuoc	**19,662**	**1,006**	**1,006**	**-**
Inter-commune	3,027	187	187	-
Commune	16,635	818	818	-
Total Project	**1,798,874**	**79,107**	**46,076**	**33,031**
Inter-commune	104,521	6,377	3,788	2,588
Commune	1,694,353	72,730	42,288	30,442

Component 3: Project Support Service. This component was to support the incremental costs and operations of CPMU in Hanoi and 13 PPMUs as well as DTSGs.

No.	Category	Actual Disbursement (VND million)		
		Total	IDA	Counterpart
	TOTAL	280,131	128,257	151,874
1	Equipment and Vehicles	66,274	43,829	22,445
1.1	CPMU	18,667	7,831	10,836
	Equipment	10,883	1,941	8,942
	Cars	7,784	5,890	1,894
	Motorcycles	-		
1.2	13 PPMUs	47,607	35,998	11,609
	Equipment	13,341	9,995	3,346
	Cars	31,761	23,821	7,940
	Motorcycles	2,505	2,182	323
2	Training	55,911	50,380	5,531
2.1	Domestic	50,409	44,878	5,531
2.2	International	5,502	5,502	
3	Services	25,829	23,183	2,646
3.1	Local	15,418	12,772	2,646
3.2	Foreign	10,411	10,411	
4	Operating Expenses	132,117	10,865	121,252
4.1	CPMU	5,544		5,544
4.2	13 PPMUs	115,708		115,708

Factor affecting implementation

- Long start up
- New community based approach
- Weak capacity at grassroots level
- Changes of project staff
- No technical assistance to assist implementation
- Unfamiliarity with procurement procedures

Project Impacts

1. Introduction to Impact Analysis

The project is under the National Target Program for Poverty Reduction of Vietnam Government's 10-Year Comprehensive Poverty Reduction and Growth Strategy, 2001 - 2010. Therefore, its overall objective is to reduce poverty for 760 poorest communes in the Vietnam's Central Region. Impact assessment of the project would be best measured by

how it sustainable alleviated poverty in its project area. Yet this is difficult to precisely measure for some reasons such as: the definition of 'poor households' changed during project implementation (in 2005) and comparisons of the old and new Poverty Lines are problematic, and no impact evaluation was conducted during 8 years of project implementation. As a result, it is impossible to measure the poverty reduction attributable just to the CBRIP in its project area. Nevertheless, in qualitative aspect, it can be said that CBRIP contributed to the success of the Government's efforts to reduce poverty in the project area. Evidence for this is: (i) poverty rate in 760 project communes gradually decreased, from 32.41% in 2001 to 24.51% in 2005, rated by old poverty line, and from 59.5% in 2006 to 35.1% in 2008, rated by the latest poverty line; and (ii) it is regulated that communes under CBRIP project are those that are not currently covered by other ODA projects or programs.

It is possible to measure by somewhat more quantitative and more detailed the impacts of CBRIP project based on the followings: (i) Its appropriateness and its impacts on the changes in institutions relating to grassroots democracy, decentralized planning and investment; (ii) added value the project has brought to both physical works and capacity strengthening; (iii) income of villagers increased after involving in the project; (iv) objectives targeting the poor.

2. Impacts of the Project on Vietnam Current Management Institutions

The greatest success and impact of the project on Vietnam institutions in 2009 is: "The success in transfer of investment ownership to commune government", thereby it proved with clear evidence that "the institution of decentralization and empowering" is indispensable requirement of the sustainable development.

Experience gained by CBRIP contributed to the issuance of Decision No. 07/2006/TTg dated January 10, 2006 by the Prime Minister on Approval of Socio-Economic Development Program for Especially Difficult Communes in Ethnic Minority and Mountainous Areas (known as Program 135), under which commune governments are assigned to work as investment owners of 100% communal level works.

The community participatory approach, which was piloted and successfully implemented under CBRIP, contributed to the renovation of socio-economic management methods towards promoting decentralization, and to the shifting from top-down planning method to the community-based approach that attaches with importance of all stakeholders to the planning and management of development activities.

3. Assessment of Appropriateness of Project Objectives, Design, and Implementation

Project Objectives. The appropriateness is reflected in its three main objectives, namely: (1) Capacity building, (2) Providing small-scale infrastructure works, (3) Generating employments to local people for poverty reduction.

Three objectives of CBRIP well match with Vietnam Government's development objectives as well as with commitment with international communities in 2000 Paris Summit on Objectives of the Millennium for the period of 2001-2010. However, the objectives of project have been limited just in small-scale infrastructure investment but not yet diversified to other livelihoods activities for poverty reduction.

Design on Implementation Arrangements. Though some shortcomings, the design of implementing small-scale infrastructure subprojects totally matches with managerial capacity of communal government and communities; and the way to delegate them to make decision, to organize and supervise the project implementation is both totally feasible and matching with the desire of local people and commune government. For this, the following indicators are evidential:

- The rate of households participating in subproject selection was above 90%, the proportion of women participating in subproject selection to total number of households in the project area was more than 62% and that rate of ethnic minorities people participating in subproject selection to total number of ethnic minority households ranged from 88.8% to 94.1%;

- The number of community supervision groups is 1,990 with total member of 8,296;

- The number of O&M groups is 4,394; with total member of 17,713.

4. Project Implementation Process.

- Regarding community based participatory process, initial design involved 28 activities; it then reduced to 14 activities in order to be able to apply the method of learning in doing, directly working with learners to perform their real tasks, and conducting repeated trainings.

- Appropriateness of funding allocation criteria: with reasonabless, openess and transparency, they are proved to be appropriate in term of remarkably eliminating administrative intervention and significantly rejecting risks resulted from the low educational level of CPCCs and people in communities.

- Appropriateness of procurement regulation: it is implied in strictly following the relevant provisions of WB and Vietnam Government and in its conforming with educational level, and thinking ability of commune and community cadres. Therefore, the project has successfully implemented 4,556 procurement packages of infrastructure works, of which only 19 post-review packages were revealed to misconduct procurement regulation.

- Appropriateness of project's supervision structure: With (1) community supervision, (2) internal supervision, (3) independent supervision, (4) independent auditing, the supervision structure conforms with Grassroots Democracy Regulation (Decree No. 79/2003/ND-CP dated July 7, 2003 issuing the Regulation on Democracy at Communes).

- Appropriateness of disbursement process: it is implied in the fund flow, which has gone not only directly in the shortest way for timely disbursing funds to invesment owners but also been under strict control by State Treasury. Therefore, the loss of investment funds has been constrained.

- Appropriateness of training for capacity strengthening, especially for the capacity building of commune and community cadres. This is reflected in: (i) Teaching materials were not translated versions but were compiled to adapt and suit characteristics and traditions of local people; (ii) Teaching methodologies were appropriate to individual learner groups, especially for adult and low educational learners at commune and village levels.

Value Added by CBRIP

1. Capacity Building

The first objective of the CBRIP is: Increasing the capacity of communes for decentralized and participatory planning and management of development activities. The impact of this activity has been seen in remarkably enhanced project management and implementation capacity of all levels, of which clear evidences are: (i) duration needed for performing steps of project implementation process gradually decreased across project cycles; (ii) the managerial capacity to successfully implement complex procurement packages as national competitive packages (with successful 216 NCB packages, including 44 NCB packages by communal level); (iii) the capacity of financial management, financial report preparation, payment and liquidation of complete works; (iv) the capacity of organizing and implementing the construction supervision and O&M of 8,462 small-scale infrastructure works; (v) the capacity for successfully liquidating 81.2% of total number of completed construction contracts by one month before the credit closing date, etc. All the tasks have ever done before by officials at commune and village levels. Furthermore, the knowledge and capacity gained in the CBRIP has been used by communal cadres for managing the construction works of other projects/programs such as Program 135 and for the formulation of local socio-economic development plans. Through training courses, trainees became aware of their role, position and brought into play their true individual rights regarding democracy, etc. It is even more impressive given the fact that at the beginning, 50% of cadres in mountainous, remote areas had not yet graduated lower secondary educational level, just 30% of them graduated higher secondary educational level, 20% had primary educational level, and even in some communes, some cadres were not fully conversant in the national language.

2. Small-scale Infrastructure

The added value brought about by implementing second project objective on small-scale infrastructure construction to local people reflected not only in the 8,462 constructed works but also in benefits such works brought about. Infrastructure works help local people to save travel time, to better take care of their health, to increase time for production, thereby

enhancing their income. It is evidential by survey data the CPMU collected during its field trip over July 15-30, 2009, namely:

- Local people save travel time and better take care of their health: Travelling from houses to commune centers took 3-5 hours in 2001 and a half of hour by motocycle now; Going to school (by bycicle) took 2 – 3 hours in 2001 and below one hour now; + Taking water home (one water load equivalent to 20 litres) consumed a half of an hour, even a half of a day in some difficult area, in 2001, and now drinking water (from gravity-fed piped water supply system) is available at nearby houses of 80% households in project area.

- Increasing time for production: Data in Social Assessement of the CBRIP, prepared by Oxfam Hong Kong Consultants in 2000 show that time for production per labourer in project area per year was 150 days (accounted for 41% of total one-year time). Survey data (conducted during July 2009 by the CPMU) show better infrastructure conditions brought about by completed construction works (including those in and outside CBRIP project on local territory) helped to increase the amount of time for production to 186 days or up by 24%.

3. Income and Employment Generation

CBRIP has impacted directly and indirectly on improving the living conditions and reducing poverty in the project area. Local people participated in the project in the form of labor days (which was totally 1,798,874 days) and in the form of providing local building materials, from which the total income gained was VND 79,107 million, including VND 46,076 million from waged labor and VND 33,031 million from local material providing.

In addition to direct income, local people still gain indirect income brought about by project infrastructure works, such as better prices of commodities due to better circulation (thanks constructed roads), higher prices of land after completing a bridge or a road, higher crop productivity owing to better irrigation system, etc. These indirect impacts cannot be measured because necessary surveys, such as baseline survey, final surveys at the end, for impact evaluation have not been conducted.

Lessons Learned from CBRIP

1. A clear roadmap for decentralization, management, monitoring and evaluation accompanied with sufficient (financial, technical, consultancy and so on) support at the begining and during the implementation of the project is required to ensure proper project implementation progress and to form strong basis for timely assessing impacts and results of the project as well as for preparing reports.

2. Sufficient attention should be given at the outset design of the Management Information System (MIS) and the Monitoring and Evaluation (M&E) System to an integrated system of appropriate standard tables and forms (just adequate to guide implementation, not too ambitous to meet requirements posed by the project), and to the preparation of necessary

baseline surveys and assessments as well as the compiling of impact evaluation reports over the project life, etc.

3. Better information and communication strategy should be formed to institutionalize learning lessons from the CBRIP in community participatory planning, subproject construction and supervision in order to apply them to Program 135 and to socio-economic development at both national, provincial and locals levels.

4. At the outset of technical design preparation, discussion with WB should be made to harmonize procedures so as unecessary procedures on funds management and financial management can be eliminated to provide better conditions for CPMU, PPMUs, DPMUs and CPCCs during their project implementation.

5. Project management apparatus should be organized in such a way that facilitates delegation to local governements in order to improve both their consensus on action plan and their accountability for project management, hence to further increase their responsibility as well as project effectiveness.

6. Norms of operational expenses (wage, field and travel allowances, and so on) for all project staff (both project managers and other officials participating in holding project implementation) should be adequately considered on the basis of reasonable criteria so that the project can maintain its stable project apparatus with experienced officers, thereby reducing costs for repeating training and enhancing project effectiveness.

7. For successful implementation of a newly piloting approach as community participatory one, indispensable elements are: (i) training in advance and strictly adherence of designed process; (ii) strengthening of necessary capacities to cadres at various levels, especially at grassroots one, should not be bypassed just because of other pressures as those under disburesement progress.

8. Technical specifications should be reasonably calculated to increase the life of project infrastructure works; they should not be lowered just because of insufficient funds. Specifically, with the project's technical specifications that specify that rural roads are gravel (but not asphalt nor concrete) topping, some project's complete roads were degradated heavily after only one to two raining seasons, making funds and labour of the society wasted.

Annex 8. Comments of Co-financiers and Other Partners/Stakeholders (N/A)

Annex 9. List of Supporting Documents

1. Central Project Management Unit (2007) Province Progress Report Guidelines
2. Central Project Management Unit (2009) Report on Implementation Progress until June 30, 2009
3. Central Project Management Unit (2009) Report on Implementation Progress in 2008
4. Louis Berger Group, Inc (2004) Process Monitoring Consulting Service Interim Report.
5. Louis Berger Group, Inc (2004) Project Process Monitoring, First Annual Report
6. Mekong Economics Ltd. (2007) Advisory and Implementation Support Services for the
7. Strengthening of the Project Management Information and Reporting System, Final Report
8. Socialist Republic of Vietnam and International Development Association (2001) Development Credit Agreement
9. Provincial Project Management Units (2009), Project Completion Reports from 13 Provinces.
10. The Government of Vietnam (2000) Project Implementation Plan for the Community Based Rural Infrastructure Project
11. The World Bank (2001) Project Appraisal Document (PAD) on a Proposed Credit in the Amount of SDR 81.9 Million equivalent to (US$ 102 Million Equivalent) to the Socialist Republic of Vietnam for a Community Based Rural Infrastructure Project
12. The World Bank (2002) Country Assistance Strategy Progress Report.
13. The World Bank (2004) Mid-term Review Mission Aide Memoire
14. The World Bank (2007) Extension of Closing Date, Vietnam – Credit 3532-VN: Community Based Rural Infrastructure Project
15. The World Bank (2007) Program Document for A Proposed First Program 135 Phase 2 Support Operation for Communes Facing Extreme Hardship in Ethnic Minority and Mountainous Areas
16. The World Bank (2007) Implementation Completion and Results Report for the Second Rural Transportation Project.
17. The World Bank (2008) Implementation Completion and Results Report for the Northern Mountain Poverty Reduction Project.
18. The World Bank, Supervision mission Aide Memoires # 1- 14 Archived
19. The World Bank, Implementation Status and Result Reports (ISRs) # 1-14 Archived

IBRD 37501

VIETNAM
COMMUNITY BASED RURAL INFRASTRUCTURE PROJECT

PROJECT PROVINCES

PROVINCE CAPITALS

NATIONAL CAPITAL

RIVERS

MAIN ROADS

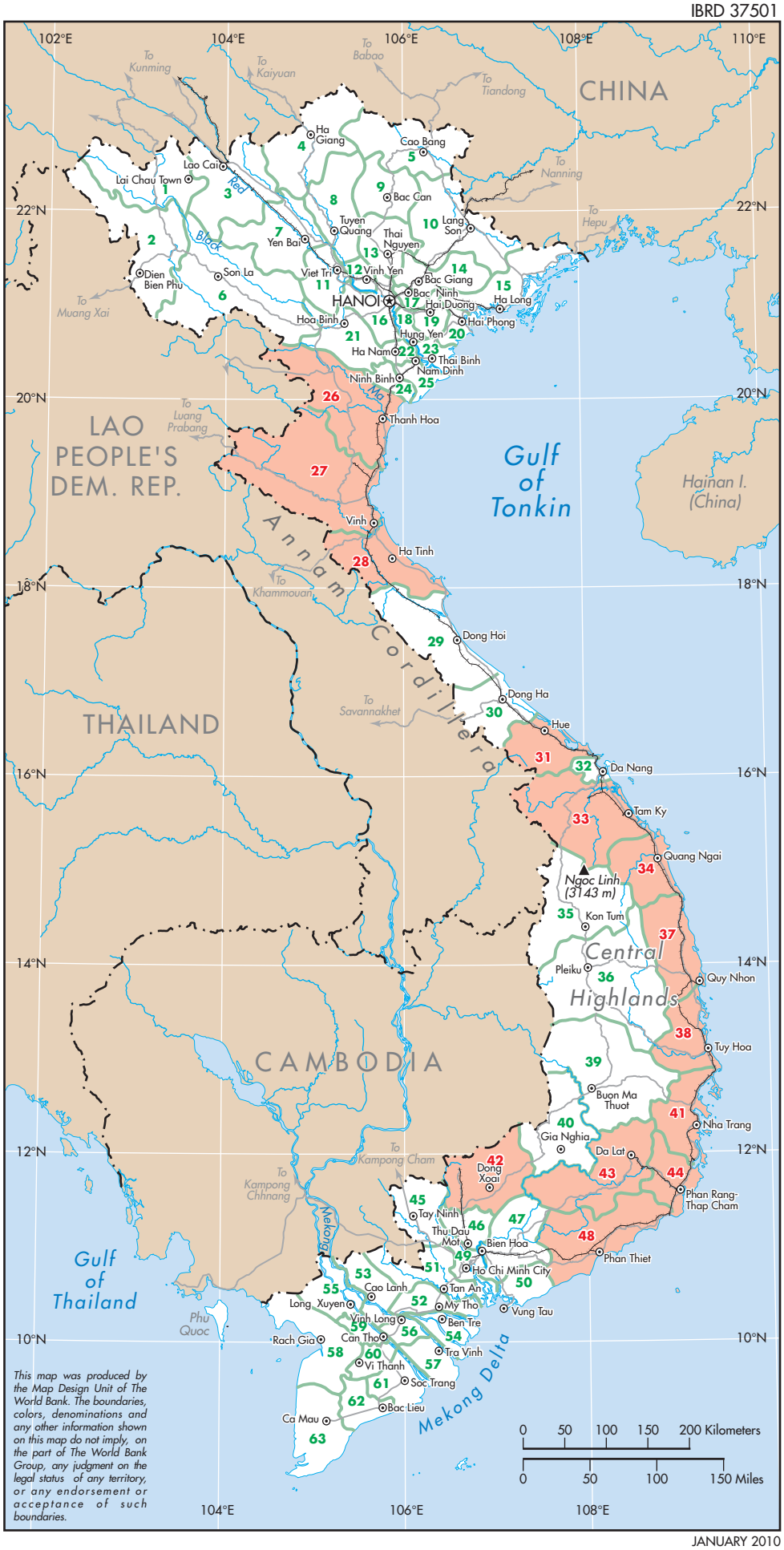
RAILROADS

PROVINCE BOUNDARIES

INTERNATIONAL BOUNDARIES

PROVINCES:

1 Lai Chau
2 Dien Bien
3 Lao Cai
4 Ha Giang
5 Cao Bang
6 Son La
7 Yen Bai
8 Tu Yen Quang
9 Bac Can
10 Lang Son
11 Phu Tho
12 Vinh Phuc
13 Thai Nguyen
14 Bac Giang
15 Quang Ninh
16 Ha Noi
17 Bac Ninh
18 Hung Yen
19 Hai Duong
20 Hai Phong
21 Hoa Binh
22 Ha Nam
23 Thai Binh
24 Ninh Binh
25 Nam Dinh
26 Thanh Hoa
27 Nghe An
28 Ha Tinh
29 Quang Binh
30 Quang Tri
31 Thua Thien Hue
32 Da Nang
33 Quang Nam
34 Quang Ngai
35 Kon Tum
36 Gia Lai
37 Binh Dinh
38 Phu Yen
39 Dac Lac
40 Dac Nong
41 Khanh Hoa
42 Binh Phuoc
43 Lam Dong
44 Ninh Thuan
45 Tay Ninh
46 Binh Duong
47 Dong Nai
48 Binh Thuan
49 T.P. Ho Chi Minh
50 Ba Ria-Vung Tau
51 Long An
52 Tien Giang
53 Dong Thap
54 Ben Tre
55 An Giang
56 Vinh Long
57 Tra Vinh
58 Kien Giang
59 Can Tho
60 Hau Giang
61 Soc Trang
62 Bac Lieu
63 Ca Mau



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