



Report Number: ICRR0021770

1. Project Data

Project ID

P113904

Project Name

Mekong Delta Region Urban Upgrading Proj

Country

Vietnam

Practice Area(Lead)

Urban, Resilience and Land

L/C/TF Number(s)

IDA-50830

Closing Date (Original)

31-Dec-2017

Total Project Cost (USD)

229,815,575.56

Bank Approval Date

22-Mar-2012

Closing Date (Actual)

28-Dec-2018

IBRD/IDA (USD)
Grants (USD)

Original Commitment

292,000,000.00

0.00

Revised Commitment

292,000,000.00

0.00

Actual

229,402,494.53

0.00

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IEGSD (Unit 4)

Project ID

P127175

Project Name

Vietnam Urban Forum and NUUP (P127175)

L/C/TF Number(s)
Closing Date (Original)
Total Project Cost (USD)

343221.84

Bank Approval Date
Closing Date (Actual)



06-Jul-2011

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	0.00	445,000.00
Revised Commitment	0.00	343,221.84
Actual	0.00	343,221.84

2. Project Objectives and Components

a. Objectives

According to the Financing Agreement (FA, p.5), and the Project Appraisal Document (PAD, paragraph 15), the Project Development Objective (PDO) was to improve infrastructure services in Low Income Areas (LIAs) in the project cities in the Mekong Delta Region. These project cities (as defined in the FA) were Can Tho, My Tho, Cao Lanh, Ca Mau, Rach Gia, and Tra Vinh. This review will assess the project's achievements against this singular PDO.

According to the Project Appraisal Document (PAD, paragraph 17) and reflected in the Implementation Completion and Results Report (ICR, paragraph 7) the key PDO indicators were:

- percentage of LIAs with Community Upgrading Plans (CUPs) prepared and implemented in accordance with the participatory process
- people with access to improved basic urban infrastructure facilities and services in targeted LIAs (men/women); and
- increased user satisfaction with quality of basic urban infrastructure facilities and services in targeted LIAs (men/women).

These indicators provided meaning to "improve infrastructure services in low income areas" in the PDO.

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

1: **Tertiary Infrastructure Upgrading in Low Income Areas:** (appraisal cost US\$140.4 million, actual cost US\$131.06 million). This component financed the upgrading of tertiary infrastructure in Low Income Areas ("LIAs") including: (a) construction, rehabilitation, and upgrading of roads and lanes; (b) construction and rehabilitation of drains; (c) improvements to environmental sanitation by rehabilitating or constructing public



sewers, fostering the construction of septic tanks, providing access to septic management services, and house connections to public sewers and providing solid waste collection equipment (in the ICR but not in the PAD); (d) improvement of water supply including the installation of metered house connections; (e) provision of metered house connections for electricity and public lighting in residential lanes and streets; and (f) construction and rehabilitation of social infrastructure facilities such as schools, markets, community halls, and green spaces. These investments were identified by developing CUPs for each LIA in consultation and agreement with the recipient communities.

2: Supporting Primary and Secondary Infrastructure: (appraisal cost US\$116.5 million, actual cost US\$124.94 million). This component financed the improvement of primary and secondary infrastructure serving and benefiting LIAs including: (a) roads; (b) water supply lines; (c) drains and sewers; (d) electrical power lines; (e) river and canal embankments; and (f) social infrastructure facilities such as schools, markets, community halls, and green spaces.

3: Resettlement Sites: (appraisal cost US\$63.7 million, actual cost US\$42.24 million). This component financed the preparation of resettlement areas for persons affected by the project's construction of tertiary, primary, and secondary infrastructure.

4: Project Implementation Support and Management: (appraisal cost US\$71.4 million, actual cost, US\$33.41 million). This component financed project implementation, management, supervision, and monitoring and evaluation (M&E), including audits. Two levels of project management support were provided - one to each city Project Management Unit, and the other to the Ministry of Construction's Project Coordination Unit. The World Bank project team clarified that costs associated with construction supervision of subprojects were included as part of support to the PCU. Most of the financing support came from the Government's contributions.

5: Support (Technical Assistance) to the Ministry of Construction ("MOC") to implement the National Urban Upgrading Program (NUUP): (appraisal cost US\$6.0 million, actual cost US\$2.3 million). This component financed the following activities of the MOC - (a) develop a national urban upgrading program; (b) design an operational national urban database on key urban indicators; (c) formulate climate change adaptation strategies for coastal cities particularly in the Mekong Delta Region (MDR); and (d) support Project coordination and implementation.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost: Total project appraised cost reached US\$398 million but actual cost was US\$333.95 million.

Financing: The International Development Association (IDA) financed this Project with SDR188.3 million or the equivalent of US\$292.0 million and US\$229.4 million was disbursed. The seven project provinces were still waiting for Government allocations from the Medium Term Investment Plan to allow further disbursements of IDA funds within the extended grace period ending December 28, 2019 (ICR, paragraph 76).

Borrower Contribution: The Borrower committed US\$90.0 million and the participating local government units (cities) committed US\$10.0 million for a total of US\$100 million. The Borrower disbursed a total of US\$104.5 million, according to the advice to IEG by the World Bank project team on August 13, 2019. The



team added that the Bank accounting system did not allow this figure to be reflected under the borrower contributions in the ICR data sheet.

Dates: The Project was approved on March 22, 2012 and became effective on August 9, 2012. The Mid Term Review (MTR) was conducted on January 15, 2016. Originally scheduled to close on December 31, 2017, the project closed a year later, on December 28, 2018 after three level 2 restructurings. These restructurings included:

- June 2, 2016, to move the project's results framework and accompanying intermediate project performance indicators from the FA to the Project's Operations Manual. The World Bank project team advised IEG on August 13, 2019 that this followed a general policy adopted by the Bank Country Office for all ongoing projects at that time. The restructuring also allowed changes to outcome targets following the MTR.
- November 24, 2017, to extend the original closing date by 6 months, to June 30, 2018. The extension was requested because of insufficient funding allocations from the Government, as well as delays in most of the river embankment works due to significant price increases of certain construction materials as well as additional costs incurred because of heavy rainfall (ICR, paragraphs 16 and 44)
- June 29, 2018, to extend the closing date by another 6 months, to December 31, 2018 to complete the remaining works resulting from the upward revision of targets for most outcome indicators related to Components 1, and 2, and because of expanded scope of works funded by the procurement savings (ICR, paragraph 15).

3. Relevance of Objectives

Rationale

Vietnam's development priorities were laid out in the country's 2010–20 Socio-Economic Development Strategy (SEDS) and subsequent 2016–20 Socio-Economic Development Plan (SEDP). The PDO remained relevant to the country's development plans. Under the country's SEDS and made operational by its SEDP, 12 factors guided the economy's development strategy. Of the 12, the PDO was relevant to the following: (i) development of economic regions and clusters; (ii) construction of urban and infrastructure systems; and (iii) active response to climate change, disaster prevention, resource management and environmental protection. This project, together with its predecessor project (Vietnam Urban Upgrading Project) as well as the follow-on Scaling Up Urban Upgrading Project (Cr 60550) to cover the low income areas in the remaining 7 cities of the Mekong Delta Region, was a vital link in the country's urban development and environmental protection strategy in the SEDP.

The project objective remained substantially relevant to the World Bank's Country Partnership Framework (CPF) FY18 - FY22, which in turn supported the country's national development priorities, as provided in their SEDS and the 2016-20 SEDP. The CPF had three focus areas in which the PDO was relevant: (i) enable inclusive growth and private sector participation; (ii) invest in people and knowledge; and (iii) ensure environmental sustainability and resilience, with governance as a cross-cutting engagement



area. In particular, the PDO was relevant to Focus Area (1) "Enable Inclusive Growth and Private Sector Participation" through improved planning, management, and delivery of infrastructure and land in cities (CPF, Table 2 and paragraph 70). The PDO would contribute to achieving two CPF Objectives namely - 4: "Improve planning, management, and delivery of infrastructure and land in cities"; and 10: "Increase climate resilience and strengthen disaster risk management".

The relevance of objectives is rated high because it is clear that not only was the project's objective in line with the Government's development policy and the World Bank's assistance strategy to Vietnam, the objective addressed an important development problem and, if successful, the project was highly likely to permanently improve basic social infrastructure services available to the poor in the target cities and thereby improve the living conditions of the urban poor and reduce inequality.

Rating

High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To improve infrastructure services in low income areas in project cities in the Mekong Delta Region

Rationale

Theory of Change: According to the ICR (Figure 1 and paragraph 5), financial inputs were made available to beneficiaries and residents of Low Income Areas (LIAs) in the 6 participant cities of Can Tho, My Tho, Cao Lanh, Ca Mau, Rach Gia, and Tra Vinh to construct or rehabilitate primary, secondary, and tertiary infrastructure services. As part of the consultative process, LIA residents prepared and implemented Community Upgrading Plans (CUPs) prioritizing the infrastructure services that needed to be improved, ensuring their affordability, monitoring its implementation progress, and providing for operations and maintenance (O&M) needs. Resettlement, including land acquisition, were integral to achieving the PDO. Finally, technical assistance directed at the Ministry of Construction was intended to help implement the National Urban Upgrading Program (NUUP). The NUUP provided the framework for urban upgrading investments such as this project.

OUTPUTS:

Alleys and roads (ICR, paragraph 23):

- 261 km of new or improved lanes achieved (original target 146 km, revised target 180 km, target **exceeded** - ICR, Annex 1, page 35). These lanes were referred to jointly as "wider and better quality



alleys" in para 23 of the ICR which obfuscated the difference between "new" and "improved" lanes or alleys.

- 248 km of new and improved roads and drainage achieved (original target 293 km, revised target 164 km, target **exceeded** - ICR, Annex 1, page 36). These roads and drains were referred to jointly as "primary and secondary roads and drainage" in para 23 of the ICR which described different roads but still obfuscated the difference between "new" and "improved" roads and drainage.
- These improvements served 291,574 residents with access to an upgraded lane/road (original target 139,500, target **exceeded**)

Drainage and sewage (ICR, paragraphs 25 and 27):

- 481 km of new or improved tertiary drains in the LIAs achieved (original target 239 km, revised target 355 km, target **exceeded** - ICR, Annex 1, page 35). The combination of "new" and "improved" tertiary drains in the indicator did not attribute the actual achievement for new, as opposed to improved drains.
- 34 km of new or rehabilitated canals achieved (original target 34 km, revised 26 km, target **exceeded** - ICR, Annex 1, page 37). Again the combination of new and rehabilitated canals in one indicator obfuscates the actual achievements for either new or rehabilitated canals.

Water Supply (ICR, paragraph 26)

- 43,350 households have new or improved metered water supply connections (no original target, revised target 39,509, target **exceeded**)

Social facilities and public space (ICR, paragraph 28)

- Public parks were developed (as targeted) in Rach Gia, Tra Vinh, Cao Lanh, and Can Tho
- 57 facilities were constructed (as targeted) for communities to hold meetings, training, other events, especially for the elderly to socialize and exercise.
- 57 educational facilities were upgraded (as targeted) including kindergarten, primary and secondary schools in all 6 cities.

Resettlement sites (ICR, paragraph 29)

- Constructed 3,588 resettlement plots in six cities (original target 3,410, revised target 3,774, target **almost achieved**). Some project affected households opted to remain in the LIAs in city when assigned resettlement sites were not ready for occupancy. Cities of Can Tho, Cao Lanh, and Ca Mau added an additional 322 plots from nine existing sites as resettlement sites. In other cases, project affected households took cash compensation rather than the resettlement plots.
- Relocated 2,825 households on 3,137 new serviced land plots (original target 3,410, revised target 3,550, target **almost achieved**). Some project affected households opted to remain in resettlement sites in LIAs. 322 land plots from nine sites of Can Tho, Cao Lanh, and Ca Mau were allocated to project affected households.
- 1,895 households lived in resettlement areas. According to the independent social monitoring and assessment, households which settled in the resettlement sites enjoyed were reported to have a better living environment and better access to business opportunities (ICR, paragraph 29).



- Almost all land acquisition activities were completed with 17,221 (original target 17,295, target **almost achieved**) project affected households received compensation of VND2,353.8 billion covering 1,221 hectares of acquired land.

Technical Assistance to the Ministry of Construction (ICR, paragraph 30)

- Conducted assessment of urban poverty in Vietnam, demand for urban upgrading and investment priorities for NUUP and facilitated the preparation of the follow-on Scaling Up Urban Upgrading Project (Cr 60550) in the remaining seven Mekong Delta Region cities (original targets were financed by a grant from the Cities Alliance, and later transferred to this project). Outputs included (i) an M&E framework for the NUUP, this target was **not achieved**, and (ii) an implementation action plan with budget and timeline, target **not achieved**). These targets were revised. The completed assessment formed the first phase, and **achieved** the revised target, and the second phase generated the investment projects in the follow-on project, and **achieved** the revised target (see Section 7 below).
- Developed web-based database with 91 indicators for M&E of urban development piloted in 20 cities (original target was an M&E framework for the National Urban Upgrading Program, **not achieved**).
- Conducted assessment of climate change risks in the Mekong Delta Region, as targeted.
- Organized 52 training sessions for the Project Management Units and delivered TA packages to support the six project cities in construction quality management, Operations and Maintenance (O&M), M&E of results, independent environmental and resettlement monitoring, financial audit, and internal audit.

OUTCOMES: (data obtained from Annex 1 of the ICR)

- All 114 LIAs (100 percent, target achieved) prepared and implemented CUPs in a participatory process. This process required that at least 60 percent of the community participated in the planning process. **This outcome achieved the first indicator for the PDO.**
- At completion 355,227 residents of project LIAs had access to improved infrastructure services (original target 146,200, target exceeded). **This outcome achieved the second indicator for the PDO but there was a zero baseline and no counterfactual.**
- 625,000 (original target 275,900, target exceeded) direct beneficiaries, or those living in the targeted LIAs and near the primary and secondary infrastructure completed. **This outcome contributed to the achievement of the second indicator for the PDO but there was a zero baseline and no counterfactual.**
- The November 2018 end of project survey reported that 97.7 percent (original target 90 percent, target exceeded) of the project beneficiaries were satisfied with the quality of the basic infrastructure services and facilities. Of all the female beneficiaries surveyed, 97.2 percent expressed high level of satisfaction. Of all the male beneficiaries surveyed, 98.1 percent expressed high level of satisfaction. **This outcome achieved the third indicator for the PDO but there was a zero baseline and no counterfactual.**
- The upgraded tertiary infrastructure investments in LIAs, which contributed to achieving the second PDO outcome indicator included the following:
 - Expanded, paved, and elevated alleys: More than 98 percent of households surveyed lived in front of alleys that were more than 2 m wide; large proportion of the alleys expanded to at least 4 m wide to allow vehicle access; LIAs previously isolated along canals now have access to all season roads and bridges, connecting to the main arteries of the city and reducing travel time;



- streetlighting along the upgraded alleys improved safety and visibility according to beneficiaries but no data on reduced crime incidence (ICR, paragraph 24).
- Constructed drainage and sewage system and dredged canals and ditches: Over 48,373 households (original target 18,900, revised target 39,210, target exceeded) 95.9 percent of the LIA households were now connected to the city's drainage system (baseline 15.2 percent) while 97.9 percent of LIA households were not connected to septic tank or sewage systems (baseline 80.6 percent) (ICR, paragraph 25).
 - Provided water supply systems for LIAs without safe water: At completion, 43,350 households or 99.4 percent of LIA households were connected to the piped water supply system (baseline 21.4 percent, original target 25,900 households, revised target 39,509 households, target exceeded). 98 percent of beneficiaries were satisfied with the 24/7 access, higher water pressure, and quality of the water supply system (ICR, paragraph 26).
 - Constructed social facilities such as schools, community centers, clinics, and public spaces. Based on interviews with teachers and parents in a random sample survey conducted for the ICR, new or upgraded schools provided better environment for teachers and students, better sanitation facilities and improved access to education by extending school hours. This outcome contributed to the second PDO outcome indicator.
 - Provided solid waste collection equipment: 97.9 percent of LIA households surveyed had their domestic waste collected daily.
- Resettlement sites improved. By project closing, all resettlement sites, located about 3-6 km away from the city center, had completed site clearance, fully serviced with basic infrastructure and social facilities. To maintain the social network and cultural preference of the Khmer ethnic group, Ca Mau city built several on site resettlement areas in the upgraded LIAs using public land and innovative land exchange schemes where the authorities used one hectare of public land to build serviced plots to resettle 10 Khmer LIA households within the rehabilitated LIA. In other LIAs, authorities developed on-site resettlement where project affected households contributed a portion of their un-serviced agriculture and residential land in exchange for multiple urban infrastructure serviced resettlement plots (ICR, footnote 2). 322 land plots from cities existing sites were allocated to project affected households because of their expressed preference to remain because resettlement sites were not ready. Other households opted for cash compensation rather than taking resettlement plots. Based on an independent social monitoring and assessment survey conducted at project closing, households surveyed in resettlement areas reported enjoying a better living environment and better access to business opportunities than those who had remained in the city areas. .
 - The technical assistance to the Ministry of Construction was meant to operationalize the National Urban Upgrading Program (NUUP). This was **not achieved**. The first part of the technical assistance completed a study to better assess urban poverty and demand for urban upgrading. The second phase of the technical assistance post 2016 MTR focused on preparing urban upgrading investments but was only approved in 2017 and accelerated the preparation of the follow on project, Scaling Up of Urban Upgrading Project (ICR, paragraph 62), which targeted the remaining 7 cities of the Mekong Delta Region. The Government required some time to implement the NUUP with a resource (budget and time) allocation plan because other government programs were involved and required increased coordination with other agencies. After the 2017 approval of the second phase of the technical assistance, there was little time left in the implementation period to support the NUUP implementation. The Government then decided to include the NUUP into the Prime Minister's 2012 National Urban Development Program (ICR, paragraph 62).



The ICR provided convincing, but not always precise, evidence that the project was instrumental in providing substantially improved infrastructure services in low income areas in the six project cities.

Rating
Substantial

OVERALL EFFICACY

Rationale

The objective of improving infrastructure services in the six target cities in the Mekong Delta was substantially achieved based on agreed Community Upgrading Plans (CUPs). In all 114 focus low income areas, CUPs were prepared and implemented in accordance with a participatory process (ICR, paragraph 21). Beneficiaries expressed widespread satisfaction with the results based on the evidence from the end of project surveys conducted which showed that LIA residents in the 6 cities confirmed the availability and satisfaction with improved infrastructure services delivered to them. The observed evidence of outcome was directly attributable to the project (ICR, paragraphs 34, 54(c), 63, and 64). In addition, various options for household resettlement, or relocation, and land exchanges within their cities were also successfully managed and implemented by the project. However, the lack of meaningful baseline data and the use of mixed or combined intermediate outcome indicators did not provide adequate information on what was achieved. The other shortfall was the non implementation of the NUUP but this had no negative impact on the project's outcomes.

Overall Efficacy Rating

Substantial

5. Efficiency

Economic and Financial Efficiency: At appraisal, a cost benefit analysis was applied to physical investments. Based on a sample of 24 out of 110 LIAs under the first component (tertiary upgrading in LIAs) and one investment, the Bun Xang Lake in Can Tho) under the second component (primary and secondary infrastructure), the project achieved an economic internal rate of return for these subprojects that exceeded a threshold of 12 percent (PAD, paragraph 47). Benefits were derived from increases in land prices, improved public health, lower flood incidence, and a safer living environment (PAD, Annex 6, paragraph 14). The analysis used a discount rate of 12 percent (per World Bank Guidelines, ICR, Annex 4, paragraph 5) and results indicated that all subprojects were economically viable with return rates from a low of 13.2 percent (Rach Gia) to a high of 187.1 percent (My Tho) (PAD, Annex 6, Table 3).

At closing, a cost-benefit analysis was applied using actual costs, number of beneficiaries, and a broader set of estimated benefits from components 1 and 2 was included as was done in the analysis of efficiency at appraisal. Those benefits included improved public health, benefits from flood damages, and increases in land



values. The discount rate used was 10 percent, according to 2016 World Bank Guidelines and current financial market and economy in Vietnam. The cost-benefit analysis generated economic internal rates of return (EIRR) for the six cities shown below, which is replicated from Table 4.7 in Annex 4 of the ICR.

City	Tertiary Infrastructure (Component 1)		Primary and Secondary Infrastructure (Component 2)	
	NPV (US\$ millions)	IRR (%)	NPV (US\$ millions)	IRR (%)
Ca Mau	10.33	17.7	14.3	44.7
Can Tho	24.07	25.9	12.76	18.7
Cao Lanh	14.17	22.1	29.6	41.4
My Tho	12.75	21.4	12.25	33.0
Rach Gia	20.67	40.6	7.51	17.4
Tra Vinh	11.85	22.7	12.57	34.9

The ICR also undertook an economic analysis of the "project as a whole" for each of the six cities comparing results between those at appraisal and at project completion. The results were presented in Table 4.8 in Annex 4 of the ICR. By far the majority of the calculated net present values and internal rates of return at appraisal and project completion were robust and well above the opportunity cost of capital. However, the analytical results at appraisal and completion were, as the ICR pointed out, "not fully comparable" (Annex 4, para 21) because of differences in discount rates, proportion of project activities covered, and the extent to which increases in land values were included in the estimates of benefits.

Financial analysis at appraisal concluded that incremental revenue from water supply and solid waste collection in LIAs was very small (a little over 1 percent of total project costs) and only enough to recover O&M costs but not pay back investments (ICR, Annex 4, paragraph 23). At closing, financial analysis showed that project investments in clean water connection resulted in incremental revenue from newly connected households, and reduced leakages made water supply operations more efficient. Total financial benefits were estimated to reach US\$1.164 billion and included savings in health care costs, savings in productive time, savings in flood control damages, and increases in land values. Surveys and interviews concluded that water tariffs and waste collection fees were affordable to LIA households at about 1.7 percent of their income. The ICR noted that this percentage was substantially lower than the affordability limit of 5 percent used by the World Bank (Annex 4, paragraph 25).

Implementation (Operational and Administrative) Efficiency. The World Bank project team conducted twice a year supervision mission and, according to the ICR, addressed initial delays in the first two years of project implementation. These delays were due to initial low capacity of five of the six project cities, which had new project management units with no prior experience with World Bank funded project implementation. Delays were also due to the low quality of plans prepared during the project's feasibility stage. This led to delays in preparing and approving detailed designs, and multiple changes compounded by cumbersome government procedures. Site clearance were delayed because Government agencies did not have experience with large scale land acquisition and resettlement. There was also no prior experience in mobilizing for the community participatory process and as a result finalization of regulations on community contributions were delayed (ICR,



paragraphs 56, 57, and 66). This led to delays in mobilizing consultants to provide quality assurance, and implementation support (ICR, paragraph 55). Insufficient funding allocations from the Government, and delays in most of the river embankment works due to significant price increases of certain construction materials, as well as additional costs incurred because of heavy rainfall (ICR, paragraphs 16 and 44), created the need in November 2017 to extend the project's original closing date by 6 months to June 2018. The closing date was extended by another 6 months to December 2018 to complete the remaining works resulting from the upward revision of targets for most outcome indicators related to Components 1 and 2, and because of the expanded scope of works funded by procurement savings. The overall implementation risk identified at appraisal as "substantial" eventually emerged. The extensions of the closing dates amounted to almost 20 percent of the implementation period with implications for the six city PMUs and the PCU in the Ministry of Construction. The delays in completing the project were also associated with an implementation and project management cost of 10% of the total project cost which, although much lower than the unusually high estimated cost at appraisal of 18% of total project cost, was nevertheless still quite high.

Despite the high estimated rates of return, the affordable water tariffs and solid waste collection fees, and the fact that some implementation delays were beyond the project's control, IEG concluded that the project's overall efficiency was substantial because of the considerable operational inefficiencies.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable
ICR Estimate		0	0 <input type="checkbox"/> Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The relevance of the project's objective was high because the project was closely aligned with both Government development policies and World Bank assistance strategy as well as the fact that it addressed an important development challenge and, if successful, the project was highly likely to improve infrastructure services in low income areas and hence contribute to enhancing the living conditions of the urban poor and reducing inequality. Efficacy and efficiency were both rated substantial. With respect to efficacy the project undoubtedly improved infrastructure services but the precise dimensions and extent of the improvements could not be reported. Efficacy was therefore rated substantial. The project achieved high economic rates of return and also resulted in delivering domestic water supplies and waste collection services at fees that were affordable for



households in low income areas. On the other hand this review assessed that operational inefficiencies were such that the project's overall efficiency was rated substantial. This review concluded that this project had minor shortcomings in the project's achievement of objectives and therefore its overall outcome is rated satisfactory.

a. Outcome Rating
Satisfactory

7. Risk to Development Outcome

The following pose risks to the project's longer term development outcome:

- **Climate change and natural disasters:** Flooding from extreme weather events due to climate change pose a substantial risk to the project outcomes. According to the ICR, the risks were mitigated by project design such as lowering the elevation of drainage/sewage pipes and instructing beneficiary households to create temporary water retention in their gardens. However, a more comprehensive mitigating measure by the authorities will need to be in place by upgrading remaining alleys and upgrading houses to access water and sewage systems before the risk to the project's development outcome can be significantly reduced.
- **Operations and Maintenance (O&M) budgetary needs of the primary, secondary, and tertiary infrastructure:** O&M is the responsibility of relevant line departments in the City People's Committee for primary and secondary infrastructure. Urban Management Units at the ward level are responsible for the tertiary infrastructure. Some maintenance costs would be taken from the 3 percent cash contributions of the communities. City administrations were trained on developing O&M mechanisms, but cities may not have sufficient own resources to sustain their O&M needs. Local authorities anticipated increases in local revenues – land related taxes and fees - generated by land value increases as the source for their O&M needs. However, the December 2018 World Bank final supervision mission noted the shortage of annual and medium-term investment plan budgets for several of the cities (ICR, paragraphs 57, 76).
- **Sustainability of Outcome:** A follow-on project for the remaining seven cities in the Mekong Delta Region, the Scaling Up Urban Upgrading Project (Cr60550) (ICR, paragraph 62) is underway. The implementation of that project has reduced the risks that outcomes achieved under this project will not be sustained.

8. Assessment of Bank Performance

a. Quality-at-Entry

This project was prepared following the completion of the previous four-city Vietnam Urban Upgrading Project (VUUP), which informed the project's approach, risks, and implementation challenges. Among the lessons from previous projects recognized were reducing the complexity of design, reducing the number of transactions, and improving the efficiency of Bank supervision. In addition, five of the six participant



cities were already involved in regionally focused activities. Resettlement challenges would be reduced through in-situ upgrading, adopting flexible standards, and identifying quality resettlement areas. A combination of a strong management technical team and adequate resources for highly qualified technical consultants to support them would facilitate smooth implementation of complex urban infrastructure investments, particularly when beneficiary local governments have capacity constraints. At appraisal, risks related to stakeholders, implementing agency, design, and project delivery were assessed as substantial. However, the insufficient assessment of procurement and contract management capacity and challenges posed by coordinating among multiple government departments to develop the National Urban Upgrading Program (NUUP), contributed to initial delays in mobilizing technical consultants and technical advisory packages (ICR, paragraph 55).

Socioeconomic surveys, social impact assessments, and poverty mapping were conducted in all six cities at entry. Outputs were considered in technical design and in developing social safeguards. The five project activities (tertiary infrastructure upgrading, support to primary and secondary infrastructure, resettlement, project management support, and technical assistance to the Ministry of Construction) were necessary to support the achievement of the PDO. The resources were adequate. The three outcome indicators supported the PDO and the 10 intermediate outcome indicators were adequate. The World Bank secured US\$500,000 in trust funds from Cities Alliance to support the reestablishment of the Vietnam Urban Forum and the operationalization of the National Urban Upgrading Program (ICR, paragraph 78). The Bank team removed a revolving fund for home improvements to simplify project administration but this limited the opportunities of poorer households to obtain affordable flood control (ICR, paragraph 79).

There was a minor shortcoming in assessing the extent to which the lack of familiarity with World Bank processes would affect the capacity of the city PMUs in getting the project off the ground at the beginning of the implementation period. There was also some shortcoming in assessing the commitment of the Government in operationalizing the NUUP, which they later decided to fold into the 2012 NUDP.

Quality-at-Entry Rating Satisfactory

b. Quality of supervision

The Bank team conducted 11 full implementation support missions during the six and a half years of project implementation, producing 14 Implementation Status and Results (ISR) Reports. The task team leader and most team members were based in Hanoi leading to frequent interactions with the implementing agency. A lead water and sanitation specialist participated in the January 2016 Mid Term Review. Supervision of fiduciary, environmental, and social safeguards were sufficient, accompanied by just-in-time technical support. Hands on training and experience sharing workshops strengthened the capacity of the implementing entity. The World Bank received and responded to complaints related to procurement and safeguards and worked with the project management units to resolve issues. According to the ICR, ISRs were candid in the downgrading of the project status in the early stages of implementation because of slow progress in the first two years. This was because the PMU in some cities lacked staff capacity in procurement, project management, and social safeguards and in the mobilizing of consultants (ICR, paragraph 56). Prolonged detailed design was due to the low quality of design at the feasibility stage, multiple changes at implementation, and cumbersome government procedures. Site clearances were also



delayed because government agencies were unfamiliar with large scale land acquisition and resettlement, and inexperience in mobilizing community participation in planning and implementing projects. There were also delays in the approval of regulations related to community contributions. Risk ratings for technical, institution, and fiduciary aspects were increased as disbursements slowed and contract management issues emerged. Changes in the Government's procedures on disbursing official development assistance, limited budget allocation, slowed bidding process, contracting delays for some large embankment contracts led to extending the closing date. Timely response and support to the project, the progress toward meeting the PDO eventually improved. Cost savings from contracts that came in lower than estimated reached US\$80 million. These savings were used for additional investments and expanded the scope of the project to improve the project's outcome, serving as evidence of the project team's focus on the project's development impact.

There was only a minor shortcoming in proactive identification of opportunities and resolution of threats to meeting the development outcome with regard to operationalizing the NUUP. Other activities were undertaken to address the minor setback. And resources were allocated to help prepare the future urban upgrading investments after the Cities Alliance grant generated the financing framework for urban upgrading entitled "Guidelines for Management and Implementation of Urban Upgrading Projects in Poor Urban Areas with Community Participation in Cities of Vietnam" (ICR, footnote 8). The revised targets for the TA component to implement the NUUP facilitated the accelerated preparation of the follow-on project for the remaining seven cities in the Mekong Delta Region (ICR, paragraph 62).

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The Theory of Change was sound and adequately reflected in the Results Framework. The objective was specific, simple and clear. The project activities were designed to achieve the development outcome. Three outcome indicators covered the expected outcomes of the PDO. Two of the three PDO indicators were gender disaggregated. Ten intermediate results indicators were defined to capture the contributions of the operation's four components to meeting the PDO.

A major shortcoming was that for two of the PDO indicators ("basic urban infrastructure services" and the "quality of urban infrastructure services") the baseline was an unverified zero. For about 70% of the intermediate outcome indicators (accounting for the majority of the project's investments) baselines, targets and achievements were defined jointly and baselines were set at zero despite the fact that some of the variables were described as "upgrading" or "improving" of infrastructure. The mix of variables in one indicator such as "length of new or improved drains" provided no measurable information about



achievements such as the actual length of "new" as distinct from "improved" drains constructed. A zero baseline would only be relevant to "new drains" and not to "improved drains". This mixed approach to the definition of crucial indicators provided no measurable information about achievements such as the actual length of "new" as distinct from "improved" drains constructed. The Bank project team explained to IEG that the baselines for many of the investment indicators were defined as zero because the project had not yet been implemented and the starting baseline for improvements was therefore "0". For example, one joint indicator was defined as investments in "new and improved roads" with a baseline of zero which was intended to measure a change from zero "new and improved roads". As noted already, this Review argues that this indicator provides no information on the extent to which there was an investment in either new or improved roads.

Nevertheless, the ICR reported that baseline surveys were conducted for project components during the feasibility stage. M&E design called for each city Project Management Unit (PMU) to be responsible for data collection and assessing project progress. The Project Coordination Unit (PCU) at the MOC would consolidate indicators showing progress toward meeting outcomes and intermediate results as well as compliance with World Bank policies and procedures. The PCU would undertake periodic checks of construction practices, compliance with safeguards and other issues for the attention of each city PMU or the World Bank team. Part of the technical assistance to the MOC to implement the NUUP called for the development of an operating M&E framework. There was no reference in the ICR of the confusion caused by having different variables combined in one indicator.

b. M&E Implementation

Each city PMU had a dedicated M&E officer. The PCU in the MOC hired M&E consultants to develop an M&E framework implementation manual, train key PMU officers, review the PMU data inputs, and consolidate these into periodic reports, along the lines of the Results Framework. The MOC also hired independent consultants to monitor compliance with World Bank policies on environmental monitoring, resettlement, construction supervision, and auditing. Baseline surveys accompanied feasibility studies that were conducted by each city. Midline surveys were conducted before the MTR and end line surveys at project completion. Focus group discussions, in depth interviews with beneficiaries and project personnel were conducted indicating the involvement by beneficiaries in monitoring project progress. However, the apparent abundant data on baselines were not reflected in the baselines in the Results Framework in Annex 1 of the ICR.

A minor shortcoming in M&E implementation was that the M&E framework to operationalize the NUUP was not achieved. This NUUP M&E framework was accomplished through other projects, namely the National Urban Development Program in the Northern Mountains and the Cities Alliance-funded technical assistance to the MOC, which produced a financing framework for the NUUP. Resources originally allocated for the NUUP M&E framework were reallocated to prepare future urban upgrading investments but the target intermediate outcome indicator was not revised or updated to reflect this change.



c. M&E Utilization

Periodic implementation mission reports, other periodic reports from the M&E and independent monitoring consultants were used to track project progress, identified issues, and risks. Adequacy of IDA funds, allocation of counterpart funds, site clearance delays, and other contract management issues were pointed out in these reports and corrective measures applied. M&E data were used to revise targets of PDO indicators and intermediate results indicators following the expanded scope of the project using procurement savings, and to undertake the economic and financial analysis of the project. The reports were used to justify and obtain Government support to extend the project closing date twice.

Summary: There were major shortcomings in the design of about 70% of the intermediate outcome indicators for this project. These design flaws should have affected implementation and utilization of the M&E system although any issues related to the information in the poorly defined intermediate outcome indicators were not mentioned in the ICR. Overall this Review therefore rates M&E quality as modest.

M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

Environmental Safeguards: The project was assigned an Environmental Category B, which required a partial environmental assessment. The following safeguards were triggered: Environmental Assessment (OP/BP4.01), Physical Cultural Resources (OP/BP 4.11), Involuntary Resettlement (OP/BP 4.12) Indigenous Peoples (OP/BP 4.10) and Projects on International Waterways (OP/BP 7.50). Each city prepared a comprehensive Environmental Impact Assessment (EIA). Each city prepared Environmental Management Plans (EMPs) based on these EIAs. All cities complied with the environmental safeguards, as confirmed by the World Bank project team in a telcon on August 13, 2019. Environmental monitoring systems were in place in all cities involving contractors, construction supervision consultants, independent environmental management consultant, and staff of the Project Management Unit. The majority of the contractors prepared site specific EMPs, but some corrective measures were taken to address the lack of dedicated environmental management staff in the Can Tho PMU during the early stages of project implementation. In addition, issues throughout implementation related to environmental sanitation, construction camp management and safety during construction. There was only one accident reported (an ordnance exploded just outside a clearance boundary when workers were excavating near Can Tho University in Can Tho). There were no injuries.

Social Safeguards: The project in all six cities involved land acquisition and construction of resettlement sites. The project prepared an overall Resettlement Policy Framework (RPF). Each city prepared its own Resettlement Plan (RP) to ensure that all people affected by the project would restore or improve lost assets and livelihoods to pre-project levels. Due diligence reviews in all six cities confirmed that compensation and livelihood restoration policies were consistent with the World Bank's policy and there were no legacy issues. The Project Implementation Manual was updated to include the new Land Law that



came into effect on July 1, 2014. Each city established its own grievance redress mechanisms. Each city's PMU received and responded to complaints and reported in their progress reports. The GRM system collected and resolved 934 out of 948 complaints. The outstanding cases involved 74 project affected households in three cities. Cities proposed to transfer compensation amounts to interest bearing accounts or leave the cases open for future projects. An independent environmental management consultant reported that the number of project-affected households increased by 33 percent compared to that in the RPs because (i) procurement savings resulted in additional civil works; (ii) changes/splitting of households; and (iii) more accurate loss inventories as implementation progressed. Land acquisition complied with the approved RPF and RPs. There were noticeable improved livelihoods based on interviews conducted at project completion where some residents indicated setting up small businesses in their neighborhoods (ICR, paragraph 37).

Four cities (Ca Mau, Can Tho, Tra Vinh, and Rach Gia) developed Environmental Management Development Plans (EMDPs) to mitigate adverse impacts on the Khmer minorities and enhance project benefits delivered in a culturally sensitive manner. Delayed EMDP implementation led to changes in activities that better reflected local conditions and responded to demands made by Khmer beneficiaries. At project closing, all EMDPs were satisfactorily implemented in all of these four cities.

b. Fiduciary Compliance

Financial Management: The ICR reported that all financial management arrangements (staff, planning, budgeting, internal control procedures) were properly maintained throughout project implementation (ICR, paragraph 76). Acceptable interim financial reports were consolidated and regularly submitted to the World Bank. Project audit reports were unqualified. However, the FY16 and FY17 external audit reports were submitted late. There were no internal audit activities carried out for the last year of project implementation (FY18). The December 2018 World Bank mission acknowledged that Project Management Units still needed to complete all project activities and fully disburse all allocated funds by the end of December 2019 (ICR, paragraph 76).

Procurement: Procurement transactions were found to be satisfactory according to the World Bank's reviews (ICR, paragraph 75). By March 2014, cost savings of US\$80 million were realized. These savings were due to (i) greater accuracy of costing following detailed design, (ii) lower inflation, and (iii) strong competition among contractors resulting in bid prices that were 20-30 percent less than estimates (ICR, paragraph 61). The savings financed additional works and expanded the project area. Intermediate outcome target indicators were revised upwards. At closing, all project contracts were awarded, civil works contracts were substantially completed except for five contracts in Can Tho and two in Cao Lanh that were only 95 percent completed. These were due to resettlement difficulties (see above), remaining volume of works, and anticipated delays in contract payments because of insufficient IDA allocation by the Government.

c. Unintended impacts (Positive or Negative)



d. Other

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	
Bank Performance	Satisfactory	Satisfactory	
Quality of M&E	Substantial	Modest	As noted in Section 9 of this Review there were major shortcomings in the design of about 70% of the intermediate outcome indicators in the Results Framework. This undermined any assessment of the project's outcomes from the majority of project investments.
Quality of ICR	---	Substantial	

12. Lessons

The ICR presented six lessons from the operations. This Review identified three as most relevant for Bank-wide learning. They are presented below with some editing of the ICR text on which they are based:

- **In situ upgrading provided more benefits than demolition and rebuilding when improving urban infrastructure.** In this project, this strategy preserved existing social networks and was less disruptive to people's way of life. This strategy was especially helpful to ethnic minority groups who had strong attachments to their existing neighborhoods. In situ design also provided incentives for housing investments to create affordable and centrally located housing stock for the urban poor, including migrants. For example, some households rented out space for small businesses along improved alleyways or rented rooms in their homes to students or workers who were encouraged by the improved flood control and increased safety in the areas that received in situ upgrading. Flexible, adaptable functional standards could be adopted for in situ design to reflect community preferences, while maintaining compliance with planning standards for tertiary infrastructure. In this project, local governments and the MOC worked with the community to make sure that flexible design complied with local regulations. Functional standards such as alleys that are 2 - 4 meters wide to allow small firetrucks and maintenance vehicles access to the area when needed, were allowed even though the minimum standard in cities' master plans called for roads to be at least 6 meters wide.
- **Encouraging community participation throughout the project cycle leads to ownership and sustainability of outcomes.** When beneficiaries participate in the planning and implementation of the improvements in their surroundings, ownership is fostered and



sustaining the results of project interventions becomes an organic component of project turnover. For example, during consultations, residents agreed to contribute to expand the alleys in the neighborhood that would be improved. Women and ethnic minorities were consulted separately to enquire about their preferred scope of project works. Organizing meaningful participation by the community is time consuming and required substantial effort in building the capacity of local authorities. Communication strategies, mobilizing community groups, conducting workshops and running campaigns also need to be planned in terms of the time and resources needed throughout the project cycle.

- **Regional clustering of beneficiary cities facilitates coordination and reduces transaction costs.** The 6 target cities in this project in the Mekong Delta Region had similar characteristics and challenges. By clustering them in one project, efficiencies in coordination were achieved. Transaction costs were reduced. Peer-to-peer learning among the cities was encouraged. TA packages and contracts were bundled into cost effective contracts. Smaller and less experienced PMUs were supported in a timely fashion.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR was concise and followed OPCS guidelines. The document provided a detailed overview of the project. The quality of the evidence was enhanced by surveys conducted at appraisal, and in midline and end line surveys. The report was generally aligned to the PDO and focused on results generated by the project interventions. For example, the impact of community participation in planning projects and monitoring its implementation led to increased socialization and protection of the environment and improved public space. There were annexes to support the evidence presented in the main body of the ICR. For example, there was a detailed and excellent analysis of costs and benefits, by city, in Annex 4 on the project's efficiency. Annex 7 provided more details on land acquisition and resettlement. Annexes 8 and 9 provided interesting information showing project outcomes by documenting results photographically. Overall, the analysis in the ICR linked evidence to findings. Lessons were derived from the project experience, based on evidence, and should be useful for future similar projects. The report was internally consistent and results from various sections mutually reinforcing. For example, the use of the independent environmental management review ensured compliance with environmental safeguards.

As noted already in Section 9 of this Review, there was a major shortcoming in the ICR which was the absence of an explanation why many baselines for indicators in the Results Framework in Annex 1 of the ICR were composed of a mixed unrelated variables with baselines of "0". The indicators for two of the PDO indicators were zero although it was not verified that at the start of the project no households were satisfied with either "basic urban infrastructure services" or the "quality of urban infrastructure services". Intermediate outcome indicators were composed of a mix of variables such as "new or improved roads" and "new or improved



canals". The Bank task team explained the rationale for the zero baselines on the basis that the indicators involved a change during project implementation and that therefore at the baseline there was no change - hence a zero baseline. On the other hand for many indicators in this project such as "length of new and improved drains" for which the baseline "length of "unimproved drains" was clearly not zero and hence the target and the final result were therefore an unknown mix of "new and improved drains". This mix provided no measurable information about achievements such as the actual length of "new" as distinct from "improved" drains constructed. This is not a trivial matter if one were to investigate, for example, actual unit costs of construction involving more serious implications for the efficiency of procurement. This Review suggests that the many problems that the zero baseline approach causes can be avoided by a little more work to distinguish between the baseline for "new" and "improved" drains which is obviously what is needed for accurate cost estimates and contracting for a project anyway.

a. Quality of ICR Rating
Substantial