

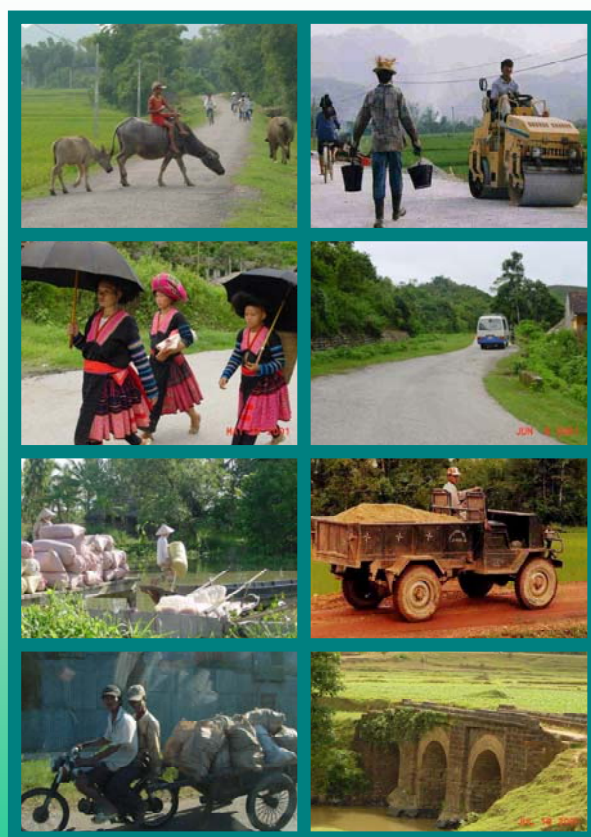
**Socialist Republic of Vietnam  
South East Asia Community Access Programme**

**Technical Assistance to the  
Ministry of Transport**

***Institutional, Incentive And Capacity Study Of  
The Local Transport Network***

***Final Report***

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## LIST OF ABBREVIATIONS USED

ADB	Asian Development Bank
CAP	Country Assistance Plan
CCTDI	Consulting Center for Transport Development and Investment.
CPC	Commune People Committee
DFID	Department for International Development of United Kingdom
EU	Europe United
GBP	UK Currency
GDP	Gross Domestic Product
GOV	Government of Vietnam
JICA	Japan International Cooperation Agency
MARD	Ministry of Agriculture and Rural Development
MOF	Ministry of Finance
MOHA	Ministry of Home Affairs
MOT	Ministry of Transport
MPI	Ministry of Planning and Investment
NR	National Road
ODA	Official Development Assistance
PAR	Public Administrative reform
PDARD	Provincial Department of Agriculture and Rural Development
PDOF	Provincial Department of Finance
PDOT	Provincial Department of Transport
PDPI	Provincial Department of Planning and Investment
PER	Public Expenditure Review
PID	Planning and Investment Department of MOT
PMU	Project Management Unit
PPC	Provincial People Committees
RRMU	Regional Road Management Unit
RT1, 2	Rural Transport Project 1, 2
SEACAP	South-East Asia Community Access Program
SEDP	Social – Economic Development Plan
SOE	State-Owned Enterprise
SWAP	Sector Wide Approach
TDSI	Transport Development and Strategy Institute
TOR	Term Of Reference
TRL	Transport Research Laboratory
UK	United Kingdom
UN	United Nation
US	United State American Dollar
VAT	Value Added Tax
VND	Vietnam Dong (Vietnamese Currency)
VRA	Vietnam Road Administration
WB	World Bank
WSP	UK Consulting Company for Rural Transport Project 2 (DFID-funded)

## Foreword

This Study on “Institutional, Incentive and Capacity Analysis of the Rural Transport Sector in Vietnam” was carried out between October 2004 and April 2005 by the Transport Development and Strategy Institute supported by WSP International as part of the South-East Asia Community Access Program (SEACAP).

The aims of the study are (i) to undertake an analysis of institutional issues on which a general plan can be developed for the whole sector to improve the allocation of resources and to improve management and maintenance of the rural road network; (ii) to facilitate dialogue between Government, local administrations and the donor community to develop a practical plan for the sector with effective mechanisms and improved implementation.

Until recently, the main focus of the MOT, provincial departments of transport (PDOTS) and state owned enterprises has been on construction of the national and provincial road network of the country. However, over the past five years a significant shift in emphasis has taken place as the transport network has matured and network management, rehabilitation and maintenance have become increasingly important.

These changes are having an impact on donor involvement in rural roads, which to date has concentrated primarily on construction projects. Now there is a growing recognition by GOV of the longer-term benefits of developing aid partnerships and so called “sector wide approaches” rather than individual projects. These partnerships call for recipient governments and donors to work together in a national-led programme to develop effective policy, administrative and financial procedures, as well as monitoring and reporting mechanisms, leading to a set of shared development objectives.

In the long term, the introduction of such an approach will depend on building domestic capabilities to manage the sector effectively, thereby opening the door to donors to provide direct budgetary support to a sector wide array of initiatives. Over the past five years the Rural Transport 2 Project, which is funded by the World Bank and DFID, has played a significant role in identifying and piloting a range of initiatives that will promote these strategic changes in the rural transport sector. These include :

1. The formulation of the SEDP for 2006-2010 to develop a comprehensive rural transport strategy to complement strategies for the development of the provincial and highway networks of the country. Implementation of this rural transport strategy will require a wide range of measures including development of capabilities at central and local levels, agreement on appropriate technical standards, and the provision of supplementary funds to the poorest areas.
2. The Vietnamese Road Administration (VRA) is in the process of setting up a national information system, to collate rural road data from communes upwards to enable effective state management of funds for rural roads, enabling authorities to make informed decisions regarding the allocation of funds to the most needy areas.
3. MOT is also tackling the issue of a definition for “rural roads” and there is now broad agreement that while current decrees such as 167/CP and 186/CP classify the road network into six categories they do not define “rural roads” as a distinct category. Following the recent Hue Conference on rural transport, a formal definition of rural roads is being developed to allow funds to be assigned to a relevant budget head, as part of the development of a Handbook on Rural Maintenance Management for Provincial level authorities.
4. A formal definition of rural roads also has implications for laws and regulations governing state and local responsibilities for rural road management, particularly with respect to financial management, reporting and auditing as well as for funding of periodic maintenance of rural roads to protect the huge investments made to date.

5. Pressure is growing for changes to regulations on the use of ODA funds (Decree 17/2001/ND-CP) to enable decentralisation of the management of these funds, including : permitting Provincial Chairmen to negotiate and manage contracts (up to a prescribed financial limit); the use of stricter reporting requirements and auditing of all tendering procedures and construction contracts.; permitting private auditors to undertake auditing of all rural transport expenditures under the overall control of the National Assembly.

6. To meet these challenges capacity building is required at all levels to improve rural transport planning, management, and supervision of works. At central level, MOT needs to be strengthened with respect to state management of the rural road network. At local levels, district officers in particular require technical and managerial training to enable them to compile district-level development plans that would be compiled into provincial development plans for scrutiny at national level. The appropriateness of the provincial plans and the effectiveness of reporting on previous expenditures would be determining factors in allocating future funds. Responding to these challenges will place new demands on MOT and Provincial, District and Commune levels in terms of capacity building to support new management systems and procedures to carry out new tasks. In addition, there are implications for other central government Ministries operating in the sector in terms of better collaboration and more effective coordination of their programmes.

In the vanguard of these initiatives, the World Bank and DFID are currently working with MOT to develop the Third Rural Transport Project (RT3), which seeks to provide resources directly through government systems and incentives for improved performance by using a Sector Wide Approach to network management and maintenance. It will be important for RT3 to carry forward the capacity building and sector wide initiatives begun under RT2 and to build on the lessons learned over the past five years. However, despite its sector wide objectives, RT3 remains primarily a construction project managed through a construction PMU, with US\$85 earmarked for Basic Access Roads (for communes with no road connections) and rehabilitation of roads in poor condition in 33 participating provinces.

RT3 has US\$10 Million set aside to promote periodic maintenance activities and US\$5 Million for capacity building and support programmes to the MOT, PDOTs, all of which could play a key role in promoting sector wide objectives, especially if funds could be pooled with similar capacity building and maintenance initiatives of other projects such as the ADB Central Region Project and the World Bank's Mekong Infrastructure Projects.

To cast light on these issues and stimulate debate on possible ways forward, this study has examined two subjects as follows:

Section 1. : An Introduction to the Sector Wide Approach and its Application in Vietnam

Section 2. : An Institutional Incentives and Capacity Analysis of the Rural Transport Sector

The major findings of these sections have been used to prepare a third document on "Recommendations and Options for a Joint Support Framework for technical and institutional support to the Local Transport Sector at both the national and sub-national levels." This has been produced as a stand-alone document

## **Executive Summary of Section 1**

Sector wide approaches are a new concept in Vietnam's rural transport sector and the purpose of this first section is to outline recent international experience in rural transport management and what has led to growing support for the sector wide approaches by donors and practitioners alike.

The section begins by defining what is meant by a sector wide approach, how it differs from other approaches and the major lessons learned from international experience of using the SWAp approach.

The section then reviews ODA rural transport experience in Vietnam, which began as recently as 1997, and presents an evaluation of the performance of ODA backed investment in the sector and why there appears to be growing support at both national and sub national levels for a more unified approach to the development of the rural transport sector.

Finally, Section 1 makes suggestions as to the kinds of initiatives that would be required to allow Vietnam and its development partners to move towards a more coordinated approach to the development of the rural transport sector.

Whether a SWAp approach can deal with the full range of issues identified in this report as facing the sector is unclear. However, while such an approach would certainly help with the kind of coordination and empowerment issues that face the sector there are a set of preconditions for the introduction of sector wide initiatives. These include a) the definition of an enabling policy environment and b) a major capacity building initiative at both the national and sub national levels c) strict financial and audit controls, greater transparency and d) better impact evaluation.

More detailed recommendations are given below:

### **Policy Issues**

- Firstly, it is necessary to arrange a strategy for RT development. The MoT must chair this work in co-operation with the MPI, MoF, MARD, the provincial Governments. The Central Government must approve this strategy.
- Taking this approved strategy as the base, policies should be made to define clearly priorities, economic norm, and technical standards of RT. The MoT takes the chair and co-ordinator with the above-mentioned organisation to carry it out.
- To set a medium-term plan for RT in which the final requirements for the construction and maintenance of RT must be clearly defined. The MoT must chair this work with the co-ordination from those above-mentioned organisations to put into effect.
- Arrange an order of co-ordination between government organisations on RT. It shall regulate the co-ordination between MPI, MoF, MoT, MARD and provincial government to attain a co-ordination on strategy, planning, allocation resources, management, report, supervision, audit and on the co-ordination with donors.
- Arrange a mechanism of co-operation between donors.
- To amend and revise a number of regulations which are not suitable. The MPI, the MoT and the MoF draw up and submit it to the National Assembly and the Government for approval.
- Arrange a set of policies to promote the private sector participation in the construction and maintenance of RT.
- Set up a system of incentives for implementation of the strategy and policies of RT development and its maintenance.

### **Capacity Building Issues**

- To improve the capacity for the whole system of management from Central to the commune level that includes managing knowledge, function as well as quorum of officers.
- Increase the staff of the RTU in the Department of Planning and Investment of MoT, making this department fully capable; this officer carries the function of state-management on RT for whole country.
- Within the MoT, the co-ordination between 3 Units related to RT must be enforced (i) the RT Unit within the Department of planning and Investment,(ii) the RT Unit within the Vietnam Road Administration (VRA), (iii) the RT Unit within the Transport Development and Strategy Institute (TDSI).
- In the provinces, officer in the PDoT and officer in charge of RT in Districts must be improved in professional standards; at least 2 officer must be allocated to each District and one part-time officer for every commune.
- Local officers on RT must be trained further the knowledge of management, of supervision as well as technical matters.

### **Financial Issues**

- Set up a medium term expenditure framework for the sector.
- Analyse of fiduciary risk and the measures to avoid them to ensure that resource are used effectively., to prevent the “ask-give” mechanism in the central level as well as in provincial level.
- Set up a mechanism to allocate resources that minimize the impact of “ask-give” relation. At the Central level, this process shall clearly put forth the responsibility and relation between such organs as the MPI, the MoT and MoF and provinces. At the local level, it puts forth responsibility and relation between DoPI, DoF, and DoT and district government in the management, the implementation of RT plan as well as its maintenance.
- Develop a system of audit and improve its capacity.

### **Monitoring and Evaluation Issues**

- Set up system of reporting and information in order to provide beneficiaries with information about programs and projects and create condition for their participation in the management and supervision. Such systems would provide the government and donors with information and would need to spell out what must be reported, who are the receivers and when the reports must be made.

## Executive Summary of Section 2

The main objective of SEACAP 16 is to provide a foundation of institutional analysis on which to base programmes to improve the management and maintenance of the rural road network and the targeting of resources in the sector. However, the term “rural transport”, which is understood to include district and commune roads, is not found in existing legislation and decrees where the term “local transport” is used. This includes provincial roads, district roads and commune roads.

Targets for the rural transport sector have for the first time been included in the SEDP for 2006-2010 despite a lack of accurate information on the network and condition of the rural road, making it very difficult to prepare realistic plans. Allocation of financial resources for rural road maintenance has been sparse; there are no realistic network and condition data on which equitably to allocate resources. Maintenance of the rural transport network is still very weak.

There is thus a convincing need for a comprehensive (but not overly complex) network management system for rural roads. This would enable the local authorities to make clear and supportable applications for funding; and allow the central ministries to allocate financial resources in a transparent, equitable and supportable manner.

VRA is assigned to take management of the rural road network in nationwide by MOT’s Minister. VRA is currently piloting such a system in two provinces support by DFID. However, it is the provinces that will need to use the network management system to draw up five year transport plans and annual implementation programmes and it is the PPC’s that will have responsibility for meeting the objectives of the SEDP over the next five years.

Generally, the provincial level is capable of managing rural transport networks. However, each province will have different resource needs for the implementation of network management systems. Because of this, each province will need to identify actual resource and training requirements within common standards of service defined by MoT.

Province level situational reviews will need to address the issue of positive motivation and incentives. No one will be motivated if they are asked to achieve the impossible, are over loaded, lack the skills required to do the job, do not have the information to understand what is required, have neither the funds, staff nor equipment to undertake assigned tasks, are undervalued, poorly paid and working in an environment constrained by inappropriate, complex and possibly contradictory procedures, rules and regulations, which in turn promote a thriving and opaque informal sector.

The situational reviews also need to be undertaken within the framework of the Public Administrative reform (PAR) programme. This programme has placed emphasis on personnel management, with provinces being given authority to determine recruitment procedures, reviews of salary systems and major efforts to address human resource issues such as skill focused training and career structures. Efforts to decentralise and modernise the rural transport sector will be given much impetus by the PAR and indeed need to be linked to on going MoT initiatives in the sector if sustainability is to be achieved.

Generally, the District level must be strengthened in manpower and in professional capability for the effective introduction of network management systems. The Communes are the weakest, technically, and cannot be expected to undertake technical tasks beyond their existing resource capabilities. Instead, their responsibilities need to be adjusted to their existing capabilities and commitments for rural road maintenance and reporting on road condition.

## Section 2: Summary of key conclusions and recommendations

Conclusion	Recommendation
Information on the condition and extent of the rural road network is sparse or inaccurate, this makes it very difficult to prepare realistic plans	Develop and implement a network management system for the rural road network to provide reliable data on network inventory and condition to inform decision making in a transparent and equitable manner.
There is no specific budget for rural road maintenance. Without reliable network data, the magnitude of maintenance requirements cannot be determined.	Network inventory and condition data should be collected so that the cost of rural road maintenance can be accurately estimated.
Maintenance of the rural transport network is still very weak.	It is necessary to introduce effective network management systems to inform decision making, monitor the effectiveness of expenditure and develop sustainable maintenance systems for the rural road network.
At the central level there are three units with different responsibilities for rural transport.	The various departments (and units) within MoT should be more integrated if network management systems are to be effective in achieving sustainability.
Generally, the provincial level is capable of managing rural transport networks. However, each province is individual and will have different resource needs for the implementation of network management systems.	The provincial departments of transport will need training in order to be capable of effectively operating network management systems. Each province should have a needs analysis undertaken to identify actual resource and training requirements within defined standards of service.
The District level must be strengthened in manpower and in professional capability for the effective introduction of network management systems.	Increase the staff and train the officers of Districts. A needs analysis should be undertaken to identify actual resource and training requirements within defined standards of service.
The Communes are the weakest, technically, and cannot be expected to undertake technical tasks beyond their resource capabilities.	Their responsibilities should be adjusted to their existing capabilities and commitments for rural road maintenance and reporting on road condition.
The benefits of donor initiatives have been recognised by the government.	Some current initiatives need continued support to move towards sustainability
Fund flexibility has allowed demand led initiatives to provide a wide range of benefits and has demonstrated the benefits of effectiveness of incentives.	MoT should build on the successes of RT2 and seek flexible funding from the donors to promote demand led initiatives and develop effective incentives.



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## 1 Introduction to Section 1

Sector wide approaches are a new concept in Vietnam's rural transport sector and the purpose of this first section is to outline recent international experience in rural transport management and what has led to support for the sector wide approaches.

The section then seeks to clarify what is meant by a sector wide approach, how it differs from other approaches and the major lessons learned from international experience of using the SWAp approach.

This is followed by a review of ODA rural transport experience in Vietnam, which began as recently as 1997, and an evaluation of the performance of ODA backed investment in the sector and why there appears to be growing support at both national and sub national levels for a more unified approach to the development of the rural transport sector.

Finally, the section makes suggestions as to the kinds of initiatives that would be required to allow Vietnam and its development partners to move towards a more coordinated approach to the development of the rural transport sector.

## 2 International Experience of Rural Transport Management

International experiences in rural transport management are mixed, but current best practice favours decentralised management, thus providing opportunities for local participation in the planning process. But, in order to ensure continuity, central authorities must issue guidelines to be followed by all local administrations with respect to identifying needs and priorities, ensuring that local plans are consistent with regional (provincial) and national development plans. Laws and regulations must also be sufficient to ensure equitability and transparency in bidding procedures, while technical standards must be economically appropriate for rural roads (taking into account terrain, climate and local resources).

The rights of the poor, ethnic and disadvantaged groups must be properly protected under law with respect to land acquisition (temporary and permanent). In addition, any mandatory requirements for labour and financial contributions should consider the ability of the poor and handicapped to comply with these requirements; exemptions should be made in the cases of all people below, at or just above the poverty line. Local roads and tracks will generally be addressed by communities who have a good appreciation of who can and cannot contribute voluntarily.

The following points provide a brief comparison of typical centralised and decentralised rural transport management arrangements.

### 2.1 Centralised arrangements

Decisions regarding allocation of rural road expenditure assigned to central ministries for rural development:

#### 2.1.1 Advantages:

- Central funding allocations based on national-level prioritisation criteria
- Opportunities for subsidising poorer regions
- Able to mobilise larger contractors to cover regional networks rather than just a few small roads
- Experienced technical staff from central government to undertake spot checks on local needs/priorities and to check on work quality throughout the network
- National studies can be more easily arranged regarding road standards and pavement types, economic use of local materials, etc

- National technical standards reinforced through central government staff visiting and inspecting regions

### **2.1.2 Disadvantages:**

- Lack of local participation in determining needs and priorities
- Difficult to keep records up to date regarding the condition of local road networks
- Lack of effective coordination between ministries; split responsibilities
- Local capabilities rarely improved
- Local agencies depend heavily on upper levels and are less responsible in management.

## **2.2 Decentralised arrangements**

Local governments responsible for management and allocation of assigned funds:

### **2.2.1 Advantages:**

- Central and local funding allocations based on local knowledge of needs and priorities; opportunities for local participation in this process
- Possibility to mobilise community sense of “ownership” for local roads, encouraging community participation in maintenance activities (especially labour-intensive activities)
- Opportunities for developing local planning, technical and managerial capabilities with respect to road management

### **2.2.2 Disadvantages:**

- Requires prompt and effective reporting to central government if central funds are to be allocated fairly and in proportion to true needs/priorities
- Without adherence to national technical standards, work quality can vary considerably with consequent reductions in the potential benefits to be obtained from well-maintained roads
- With less central involvement (knowledge) in planning local road maintenance, poorer regions have to be able to make their case more strongly and clearly in order to get a larger share of available central funding (including donor funding channelled through central government)

## **2.3 Other Considerations**

In addition, professional standards of all managing levels, of partners and relevant bodies must be gradually improved.

- The managers at all levels must develop their management capacity
- The construction and supervision experts, consultant bodies must acquire all-round knowledge about transport and rural transport as well as their roles in these works
- Bidders must have technical capabilities and full capacity needed to the project scales assigned to them; they must understand fully the local conditions and the raw materials necessary to perform their works. They must attain authority’s credits through time based on mutual understanding between the rural transport managers and bidders about the overall aims of construction and maintenance.
- In developing countries, some elements of the private sector lag behind the public sector in working capacity because donors often target their projects to state

organizations (central bodies as well as local agencies). These projects include training carried out by international consultants and study courses for government staff in foreign countries.

- Where an adequate private sector does exist, with respect to consultants and/or contractors, it is generally least active in the remote areas of a country because profit margins are minimal and operating risks are high; there is little incentive for contractors to work in these areas.

The general conclusion is that project approaches to providing ODA funds have generally been fragmented, with individual donors pursuing their own development agendas. This has led to conflict between developing country governments and the donor community. Over the past decade there has been a growing realisation that a new approach to providing aid is required that considers the longer-term advantages of donors working in partnership with recipient governments.

### **3 What do we mean by a Sector Wide Approach?**

A sector approach, sector-wide approach (SWAp), and Programme based approaches are the other name of the way of working between government and donors. The aim of this mechanism is to broaden Government/Donor ownership over sector or sub-sectors development policy and resource allocation to support that policy. All policy instruments are brought into a coherent sector framework, and within this framework, a diversity of instruments can be used, including program, projects support, capacity building and innovation, as well as sector budget support. This aims to increase donor alignment with Government policy. All donor support can be then linked to a unified public expenditure framework for Government and donor resources with common management, reporting and auditing arrangements.

There are many different variants, but the main features are:

- It covers the whole of public spending in the sector (or sub-sector), including domestic budgets, project and programme fund and direct budgetary support
- All funders support a single set of sector policies, and a single plan and expenditure programme, under Government leadership
- There is a joint process for appraisal, monitoring and review, on the basis of which Government and donors will confirm or roll forward their financial commitments to the programme
- Over time, the programme will make progress towards harmonization of Government and donor procedures, with the eventual aim of achieving common arrangements for appraisal, procurement, monitoring and reporting, disbursement, accounting, and audit
- A SWAp comprises a government-led approach to the development of a sector, supported by donors, that includes policy, programme design and implementation, supported by a suitable mechanism of financial aid.

The aim of a sector-wide approach is that, as management of the sector develops, donor and government goals and policies converge such that the majority, if not all, aid is provided as untied budgetary assistance. Management of those funds would rely entirely on government's public expenditure management framework.

Sector-Wide Approaches do not necessarily equate to direct budget support or budget pooling arrangements. Direct budgetary support is simply one means of providing financial aid. Figure 1 illustrates the primary differences between a project approach, pool-funded

approach (“basket-funding”) and direct budgetary support while further comparisons of various funding mechanisms are provided in Tables 1 and 2 of this discussion document.

When providing direct budgetary support as part of a Sector-Wide Approach, investments would support overall development plans for the sector. Domestic funds would be supplemented to carry out development goals of the local administrations. If this approach is implemented through the regulations of the Government of Vietnam, procedures would be simplified, time would be saved, and various favourable conditions would be created in tendering, fund disbursement and reporting.

However, this new approach demands that local authorities be very capable in the development of plans, in the management of finance, in allocation of funds, and in management of social environment. At the same time, there must be clear regulations for the management arrangements and for supervision in order to ensure that funds are utilized correctly and effectively.

#### **4 International Experiences with SWAPs and Lessons Learned**

SWAPs have been applied to the donation and acceptance of ODA in a number of developing countries in such sectors as health and education as well as in supporting the construction and maintenance of roads.

The following general conclusions are drawn from international experiences of consultants and donors:

- There is no single best solution for all countries, all socio-economic spheres; each country, each sector must choose the best one for each period of development. In the early period when the countries are new to the acceptance of ODA, the best-suited one is the “Project management” approach. This approach seems suited to large projects such as construction of large bridges, upgrading highways of national significance.
- SWAP is best suited to those investment subjects extending over wide areas with many minor projects in various sectors, various locations (health, education, rural transport etc.)
- SWAP requires and creates conditions to perfect institutional issues and effectively improve the management profession of officers of the recipient countries at all level; attract everybody to take part in the management and maintenance of all results, creates favourable conditions to the beneficiaries from the project to participate into process of decision – making related to their benefits and intensify the absolute debt obligations of all levels.
- To apply SWAP, there must be the development and perfection of the legal framework as well financial rules for the assurances of all partners’ benefits. These partners consist of the donors, the beneficiaries (includes the recipient Government, the investors, bidders, the beneficiary from the project) all must be properly protected and to manage the capital effectively.

Figure 1: Some Funding mechanisms (Source- DFID SWAp Guide)

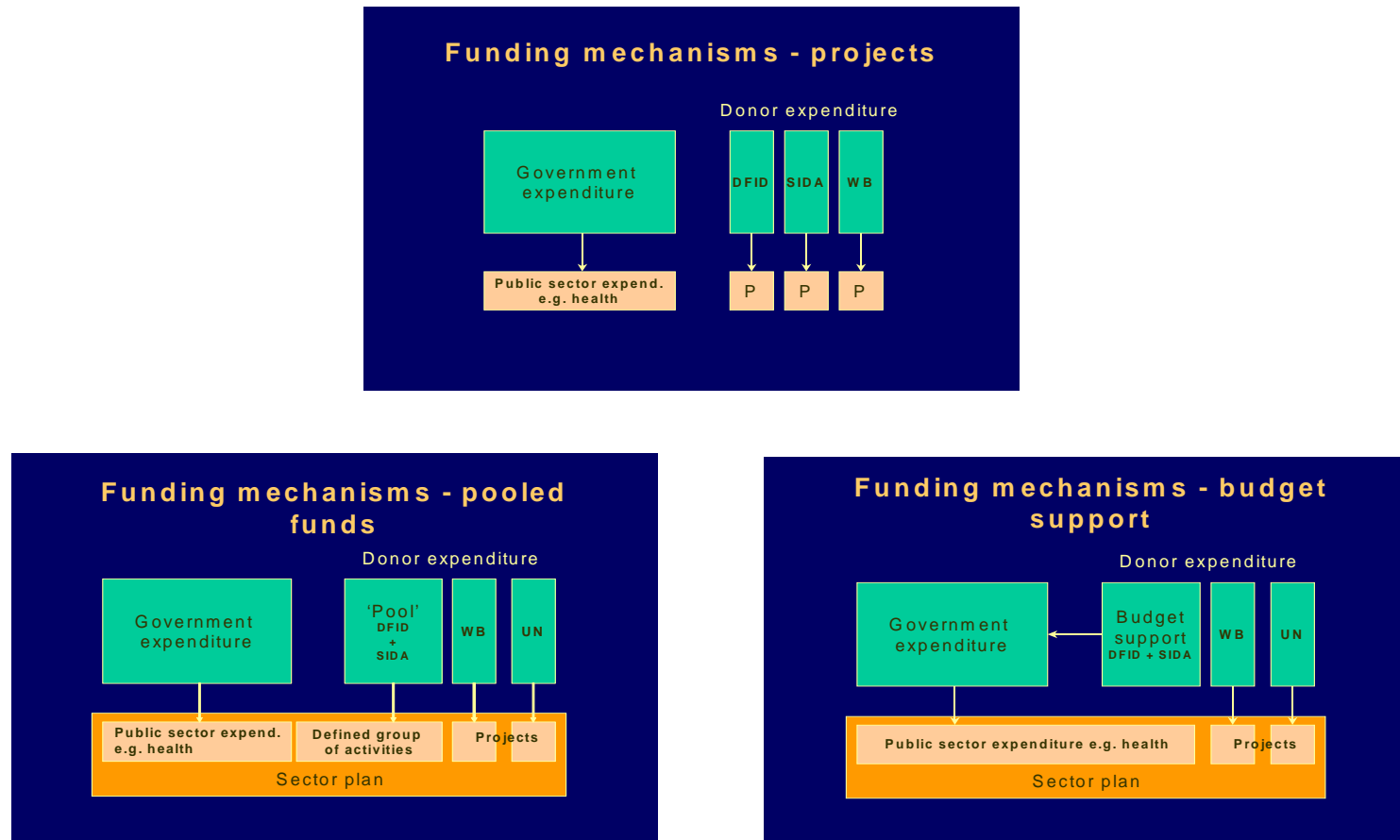


Table 1: Distinguishing Sector-Based from Other Approaches

	Project approach	Sector based approach	Macroeconomic approach
Results and accountabilitys	Specific to the project	Sector -wide.	Macroeconomic policy reforms and economic adjustment.
Targeting or earmarking of funds	May involve detailed targeting of funds in the pursuit of project objectives.	May still involve targeting, but the intent is to move away from project targeting towards program targeting.	Funds not targeted.
Local ownership and division of responsibilities	Projects may have a high degree of local ownership, or they may not, but most involve a high level of donor control.	SBA's emphasize the importance of local ownership, but include a role for donors at the program level.	Local ownership often limited.
Donor collaboration	Limited donor coordination.	SBA's seek donor coordination and the harmonization of donor procedures under host-country leadership.	Moderate to high level of donor collaboration.

From: CIDA Primer on Program-Based Approaches Réal Lavergne August 5, 2003

Table 2: Comparison of SWApS to Traditional investment loans adapted from:

Fiduciary Arrangements for Sector wide Approaches, operations policy and country services, WB, 2002

Activity	Traditional investment loan	SWAp
Assessment of financial management and procurement capacity	Focus on the entity with responsibility for project implementation. Normally conducted by Bank staff.	Focus on the institutions responsible for program implementation. Planned and conducted by participating donors. Results shared among all donors.
Scale	Normally a discrete set of activities within one or more sectors.	Typically encompasses an entire sector, or large defined portions of one.
Rules concerning use of funds	Co-financing donors normally agree bilaterally with borrowers the specific rules that will apply to each source of funds.	The government and all participating donors, including the Bank, agree on a common financial management and procurement regime, with flexibility to agree separate rules for some contracts. All contribute to the pool in agreed proportions.
Use of Bank loan proceeds	Loan proceeds are normally used to finance a portion of eligible expenditures, defined separately for each individual type of transaction. Borrowers provide the Bank with supporting documentation for each transaction, or, in the case of lower value transactions, statements of expenditure.	Other than transactions specifically agreed to be financed outside the pool (for which current practice continues to apply), the loan proceeds are used to finance an agreed proportion of total pooled expenditures. Borrowers provide the Bank with financial reports sufficient, inter alia, to allow confirmation that the amount of eligible expenditure in the pool exceeds the amount of Bank financing. Borrowers do not routinely provide the Bank with supporting documentation for individual transactions financed from the pool, but are required to maintain adequate records of such transactions.
Activity	Traditional investment loan	SWAp



Reporting and auditing	Borrowers normally provide customized financial and audit reports to donors on the use of funds provided by each.	The government and all participating donors agree on common financial and physical reporting and auditing arrangements that provide the information needed by all, based as far as possible on the government's own systems. All parties agree on the content, format and frequency of reports, as well as the scope of audit, the qualifications of auditors, and the review processes for financial and audit reports.
Expenditure eligibility	Expenditure eligibility is determined as expenditure is financed out of loan proceeds by reference to specific, identified transactions.	Expenditure eligibility is determined on the basis of agreed program content as well as the procurement plan, with an ex ante determination that the proportion of pooled expenditure eligible for Bank financing exceeds the proportion financed by the Bank. Eligibility is confirmed at regular intervals by reviewing (a) whether the amount of pooled expenditure that is eligible for Bank financing exceeds the Bank's contribution to the pool, and (b) whether all expenditure financed from the pool formed part of the agreed expenditure

## 5 ODA Funded Rural Transport Experience in Vietnam

From 1997, the Ministry of Transport accepted projects for rural transport development from ODA funds given by World Bank and the United Kingdom. Two projects have been carried out these being RT1 and RT2.

- RT1: It commenced in 1997 and concluded in 2001 for 18 provinces with an investment of US\$ 48.507 million to raise the standard or rehabilitate 4,403 km of road as well as 9,694 meters of bridges.
- RT2: It is anticipated that it will be implemented in about 6 years for 41 provinces with a total capital of US\$ 145.3 million to raise the standard or rehabilitate 13,000 km of rural road and 5,000 meters of bridges. All these shall contribute to the comprehensive strategy of growth and “eradication of hunger and reduction of poverty“. It specifically aims at improving the capacity for transporting commodities for rural communities, opening up new economic opportunities; expanding social services and improving the capacities of central as well as local companies in upgrading and maintaining to ensure the stability and serviceability of the rural road network; providing assistance to the advancement of small private contractors.
- RT3: The concerned organizations are preparing the necessary procedures for the acceptance of funds which would be spread over 30 provinces with total funds of US\$ 100 million and may commence at the end of 2005.

Apart from these three above-mentioned projects, directly managed by the Ministry of Transport, there are other ODA projects for rural development, eradication of hunger and reduction of poverty and betterment of rural living conditions. These projects are under the management of other Ministries or Agencies. (Ministry of Planning and Investment as well as Ministry of Agriculture and Rural Development) with the total capital of US\$ 722.8 million of which a portion is directed at the development of rural roads, mainly for the construction of roads from the commune to the villages. The majority of these projects are in the process of implementation. (See Table 3 for details)

## 6 Management of ODA funded projects in Vietnam

There are two basic management mechanisms current used in Vietnam’s rural transport sector, one being slightly less centralised than the other. Both however are geared towards the delivery of individual construction projects rather than the development of planning or management systems across the sector as a whole. The scope of these projects is in general restricted to participating stakeholders only and use parallel management systems, which are outside existing government systems.

### 6.1 RT1, RT2 Projects

RT1 & RT2 are managed through the “Mechanism of central direction on project” which is typical in Viet Nam for ODA projects. PMU18 had been assigned by the Ministry of Transport for the implementation of RT1 and RT2. Provincial Governments are responsible for the implementation of these projects in its territory through its Provincial PMU established within the Provincial Transport Agency. These arrangements are illustrated in Figure 1

### 6.2 Other rural development projects managed by other Ministries and Agencies

Central Government manages some rural development projects with a rural roads component. The responsible Ministries and Agencies are assigned the management of these projects. In the localities, there are local PMU of provinces, District and Communes to

**Table 3: Some ODA projects of rural development**

Items	Donor	Executing Agency	Duration		Total Fund
Rural infra-structure	ADB	MARD 21 provinces	1998	2004	120.00
Eradication of hunger and alleviate of poverty Scheme for central region.	ADB	MPI	2002	2006	44.68
Eradication of hunger and alleviate of poverty Scheme for the North mountain	WB	MPI	2002	2007	97.90
Rural infra-structure based on community	WB	MPI 13 provinces	2001	2007	102.78
Rural infra-structure , improve the rural living condition	JBIC	MPI	1996	2002	243.16
Eradication of hunger and alleviate of poverty Scheme for the Ha Giang- Yen Bai	Sweden		2003	2007	7.29
Eradication of hunger and alleviate of poverty Scheme for the Quang Tri	Sweden		2003	2006	10.42
Rural Development for north mountain (Yen Bai, Lao Cai, T. Quang, Ha Giang)	Sweden	MARD	1996	2000	20.70
Rural Development for Hai Lang, Quang Tri	Finland	Quang Tri	1997	2001	5.36
Rural Development for Cao Bang-Bac Can	EU	MARD	1998	2004	19.50
Rural Development for Son La - Lai Chau	EU	MARD	2000	2004	18.00
Bridge construction for the provinces in Mekong River Delta	JICA	MARD	2001	2013	33.00
Total millions of US\$					722.8

assist the Central PMU in the implementation of projects located in their area. These arrangements are shown in Figure 2.

While existing management mechanism can certainly point to significant successes, especially on the construction front, it is clear that significant management problems remain to be addressed as is shown below.

## **7 Evaluation of the Performance of ODA Investments in Rural Transport Sector in Vietnam**

Investment in transportation by ODA funds in the recent years has produced considerable improvements. For more than a decade, besides indigenous capital that takes the decisive role in the economical and social development of the country, ODA fund has been an important source of capital that supplements the national budget and plays an active role in the development the infrastructure and society in Vietnam in support of renovation and integration.

From 1993 to 2004, international aid donors have committed US\$ 28.87 billion to Vietnam of which Japan, WB and ADB are the principal donors having committed about 70% of total aid.

About US\$ 12.46 billion has been disbursed (63.57% of the total amount). Transport sector has received US\$ 4,869.23 million from committed ODA. To the end of the year 2002, 34.83% of the ODA funds have been disbursed, amounting to US\$ 1.695 billion. Of the 126 projects in total, the Ministry of Transport directly managed 81; with ODA funds providing 91% of the total amount.

ODA funds take an increasing percentage in the total public investment of the whole sector. The Ministry of Transport has received ODA fund each year and this amounts to 45 – 55% the total public investment in the sector.

ODA funds directly contribute to the improvement of the transport infrastructure. About 10,100 km of the highway were built and upgraded and 73,000 m of bridges were built during 1999-2003.

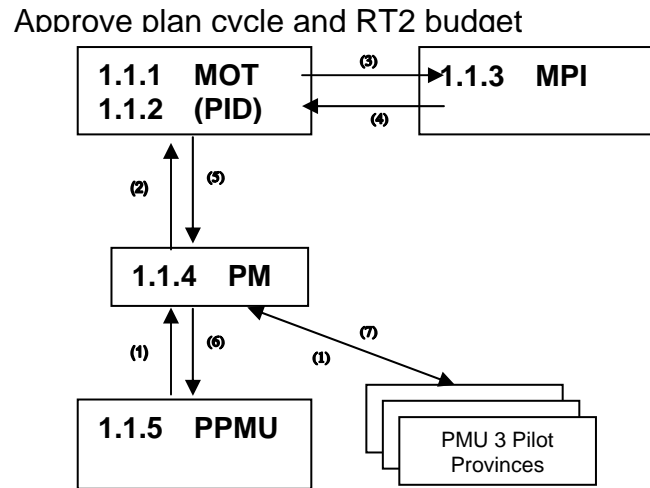
Typically, many national routes have been upgraded such as the highway 1, 5, 22, 9, 10, 18 ...; many large bridges (My Thuan bridge, Gianh, Quan Hau, Ben Luc, Tan De, Tien Cuu, Quy Cao, Kien, Yen Lenh) have been constructed; some more (Thanh Tri, Bai Chay...) are in the process of construction; many sea-ports have been rehabilitated or upgraded; the rural transport network has been improved to considerable extend; about 40,600 km and 7,100 km of rural road were built and upgraded respectively.

However, ODA funds invested in rural transportation is still small; in comparison with the total capital investment in the rural transportation ODA funds are only 15% approximately.

To Date, ODA funds still concentrate on the main transportation projects (national highways; railways; seaports, airfields and main rivers) investments in rural transportation are still modest.

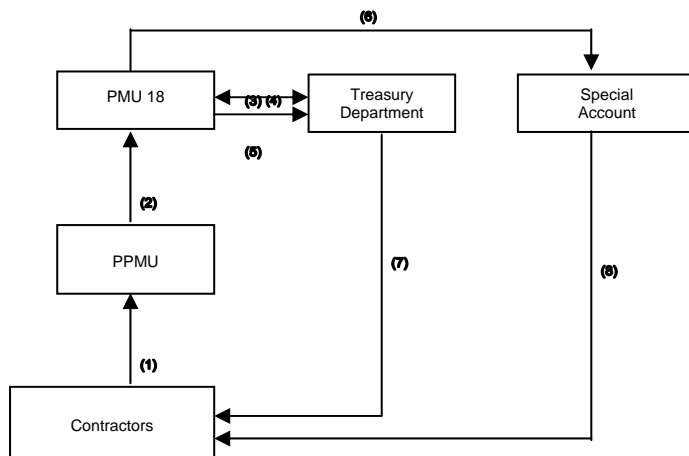
RT1 and RT2, under the direct management of the Ministry of Transport, have only US\$ 193.8 million capital investment in total. The funding directly of projects has various advantages: this mechanism particularly suits large-scale projects with large capital and assume nation wide significance. It was initially appropriate when Vietnam was still inexperienced in managing ODA funds

**Figure 2: RT1 and RT2 Approach**

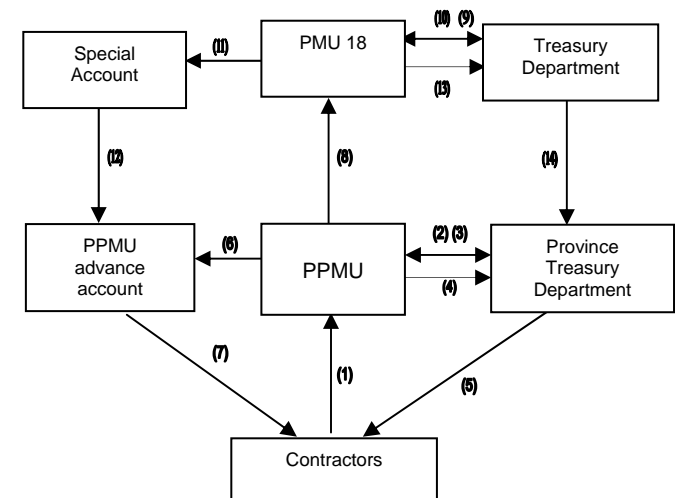


RT1 and RT2 Project approach  
(except 3 decentralization pilot provinces uncompleted)  
PMU18 is the management unit for RT1 and RT2

**Payment Cycle except RT2 3 Pilot provinces**



**Payment Cycle 3 Pilot Provinces RT2**



**Figure 3 Northern Mountains Poverty Reduction Project**  
 Capital: US\$ 132.5 million  
 Investors: MPI

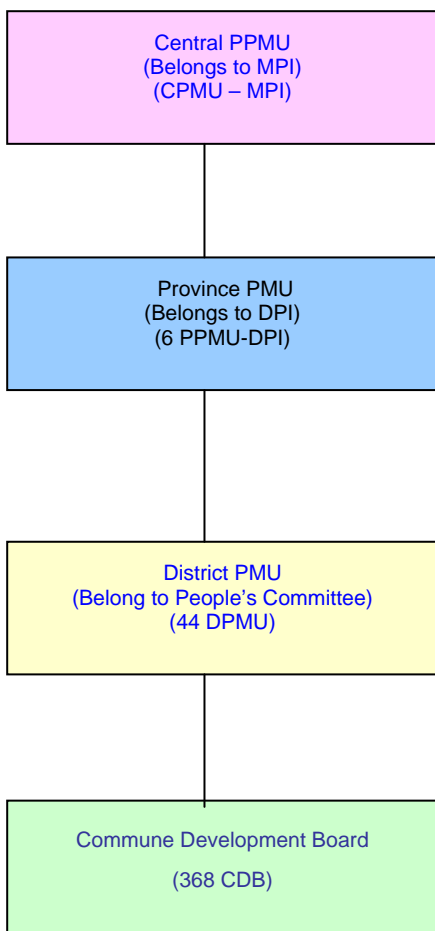


Diagram: Withdrawal of capital for paying from Central PMU's special accounts

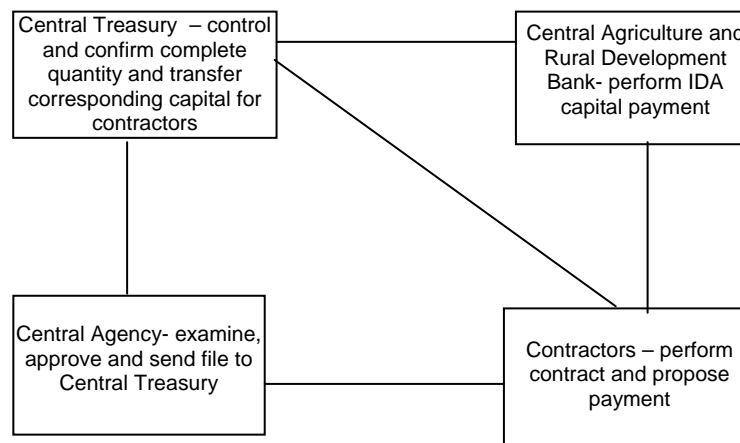
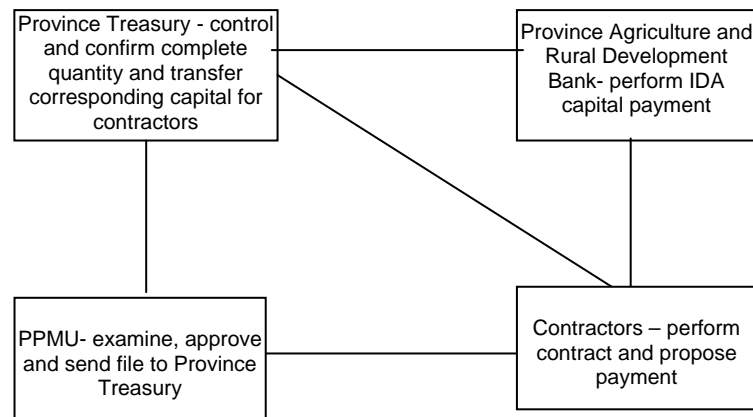


Diagram: Withdrawal of capital for payment from special account of PPMU



However, with greater experience has come the realisation that these mechanisms bring with them a series of issues that need to be addressed.

### **7.1 Systems Working in Parallel to GOV**

- The mechanism of donation and managing of funds on each project is not unified and not in accordance with RT projects because these are small scale, scattered through many localities.
- The present rural transport system is not arranged to fit a unified program; the selected projects sometimes are not in accordance with the socio-economic development plan of the localities.
- Lacks coordination between the management system of the Government and the donors.
- Causes discontinuities in investments, this leads to poor coordination in management and large expenditure for projects as well as disunity between the two financial management systems.
- Limits long-term planning; some projects had limited successes, wasted resources; these impeded development of the economy and society.
- The donors / investors cannot reach agreement with the receivers on the procedure, norms and investment ratio.
- The donors / investor have different objectives for their investments.
- Large expenditure in management.

### **7.2 Local Empowerment Issues**

- The local investor is obliged to conform with the procedure and regulations of the aid donors / investors, while he must respect the regulations of his Government, this leads to waste of time, difficulties in implementation; the local investor is unable to use initiative when arranging plans and program, managing of finance as well as in tender, in disbursement ... Furthermore, this may lead to discordance with Government strategy, medium-term plans or long-term development; associated with this is fragmented investment.
- The managing organisation of the aid receivers cannot take initiative in the distribution of funds.
- The managing organisation of the local Administration sometimes relies heavily on the central PMU.
- Resulted in biases between the donors and the recipients on the priorities given to such projects (what the donors wanted does not always suit the needs of the recipient).
- The State does not have sufficient fund to invest in the whole rural transport system, to address the existing problem of non-automobile road to the centers of various Communes.
- As rural transport projects are scattered over all regions, the management of these cannot be effected through one central PMU.
- The funding and management on each project brings no help to the advancement of rural transport management for local authority staff particularly those at District and commune levels.

- There are officers in some local authorities who nourish the idea of self-interest and exacerbate administrative procedures.
- For rural transport development, the Government Decree 16 regulates subscribed funds but in fact, the Communes and Districts are now in a state of limited budgets, the people are still rather poor although they need considerable funds for investment; therefore, such regulation is no longer effective.

## 8 The Application of Swap to the Rural Transport Sector in Vietnam

Whether a SWAp approach can deal with all the issues outlined above is unclear but it would certainly help with the majority of the coordination and empowerment issues. However, there are a set of preconditions for the introduction of sector wide initiatives which include a) the definition of an enabling policy environment and b) a major capacity building initiative at both the national and sub national levels and c) strict financial and audit controls, greater transparency and d) better impact evaluation. More detailed recommendations are given below:

### 8.1 Policy Issues

- Firstly, it is necessary to arrange a strategy for RT development. The MoT must chair this work in co-operation with the MPI, MoF, MARD, the provincial Governments. The Central Government must approve this strategy.
- Taking this approved strategy as the base, policies should be made to define clearly priorities, economic norm, and technical standards of RT. The MoT takes the chair and co-ordinator with the above-mentioned organisation to carry it out.
- To set a medium-term plan for RT in which the final requirements for the construction and maintenance of RT must be clearly defined. The MoT must chair this work with the co-ordination from those above-mentioned organisations to put into effect.
- Arrange an order of co-ordination between government organisations on RT. It shall regulate the co-ordination between MPI, MoF, MoT, MARD and provincial government to attain a co-ordination on strategy, planning, allocation resources, management, report, supervision, audit and on the co-ordination with donors.
- Arrange a mechanism of co-operation between donors.
- To amend and revise a number of regulations which are not suitable. The MPI, the MoT and the MoF draw up and submit it to the National Assembly and the Government for approval.
- Arrange a set of policies to promote the private sector participation in the construction and maintenance of RT.
- Set up a system of incentives for implementation of the strategy and policies of RT development and its maintenance.

### 8.2 Capacity Building Issues

- To improve the capacity for the whole system of management from Central to the commune level that includes managing knowledge, function as well as quorum of officers.
- Increase the staff of the RTU in the Department of Planning and Investment of MoT, making this department fully capable; this officer carries the function of state-management on RT for whole country.



- Within the MoT, the co-ordination between 3 Units related to RT must be enforced (i) the RT Unit within the Department of planning and Investment,(ii) the RT Unit within the Vietnam Road Administration (VRA), (iii) the RT Unit within the Transport Development and Strategy Institute (TDSI).
- In the provinces, officer in the PDoT and officer in charge of RT in Districts must be improved in professional standards; at least 2 officer must be allocated to each District and one part-time officer for every commune.
- Local officers on RT must be trained further the knowledge of management, of supervision as well as technical matters.

### **8.3 Financial Issues**

- Set up a medium term expenditure framework for the sector.
- Analyse of fiduciary risk and the measures to avoid them to ensure that resource are used effectively., to prevent the “ask-give” mechanism in the central level as well as in provincial level.
- Set up a mechanism to allocate resources that minimize the impact of “ask-give” relation. At the Central level, this process shall clearly put forth the responsibility and relation between such organs as the MPI, the MoT and MoF and provinces. At the local level, it puts forth responsibility and relation between DoPI, DoF, and DoT and district government in the management, the implementation of RT plan as well as its maintenance.
- Develop a system of audit and improve its capacity.

### **8.4 Monitoring and Evaluation Issues**

- Set up system of reporting and information in order to provide beneficiaries with information about programs and projects and create condition for their participation in the management and supervision. Such systems would provide the government and donors with information and would need to spell out what must be reported, who are the receivers and when the reports must be made.

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## 1 Introduction to Section 2

Understanding of the role of institutional factors and the importance of capacity building and incentives in delivering more effective management of the rural transport sector has gained some ground in Vietnam over the past five years. Despite this trend, discussion of incentives is usually couched in terms of contributions by the State to match contributions that are raised locally by local communities and rarely if ever in terms of incentives to promote modernization and capacity building of individual civil servants.

The purpose of this second Section is to try and improve understanding of the “rules of the game” for MOT and associated provincial stakeholders in the rural transport sector and to raise the profile of these issues so that they are given sufficient recognition in plans and programme design for the sector over the next five years.

The Section begins by examining the institutional context of the RT sector, including the major stakeholders at both central and local levels, the organisational and legal framework of the sector and the strategic and financial frameworks and current developments.

This is followed by a capacity analysis for the sub sector including the division of labour, the adequacy of human resources to achieve sector strategies and action plans and capacity at central, provincial, district and commune levels.

Finally the Section looks at the current situation with regard to incentives and the role of the Public Sector Reform (PAR) programme before putting forward ideas regarding a “motivational matrix” for programme designs such as RT2 and 3 to support the development of recommendations

## 2 Analysis of Institutions

### 2.1 Scope of Rural Transport Sector

In order to undertake any analysis of the rural transport sector, it is important to define what is meant by ‘rural transport’. The expression ‘rural transport’ is not part of the official terminology in Vietnam, and has been introduced by foreign aid projects, most notably the World Bank Rural Transport Projects 1 and 2. It has, however, recently been taken up by the MOT and is now in reasonably common use in the transport sector.

The Vietnamese government divides the road network into 6 systems (Decree 167 and 186):

- National Highway system
- Provincial Road System
- District Road System
- Commune Road System
- Urban Road System
- Special Use System

In Decree 167, the expression ‘local roads’ is used to include province, district, commune and urban roads, all of which come under the responsibility of the Province level authorities. National highways are the responsibility of the central MOT through the VRA, and Special Use roads are the responsibility of their owners.

Decree 186, which replaces Decree 167, seems to drop the use of the term ‘local roads’ and now deals with each of the six road systems separately. Decree 186 is too new to have had much impact on terminology used, having only been issued in November 2004. Therefore, in

practice, the expression 'local transport' is understood to include province, district and commune road systems; and the expression 'rural transport' is understood to include district and commune road systems only.

Decree 186 defines very clearly what the district and commune road systems consist of, which therefore defines the scope of the rural transport sector.

District Road System	Roads linking district centre to commune (cluster) centres Roads linking district centre to other district centres Roads linking province roads to commune (cluster) centres
Commune Road System	Roads linking commune centre to villages Roads linking commune centre to other commune centre

Province People's Committees (PPC's) decide which roads are to be classified as part of the district road system, and Daces decide which roads are to be classified as part of the commune road system.

The term 'village roads' is often used to describe roads connecting villages to commune centres. Officially these come under the definition of commune roads, but they are often left as 'unclassified' to reduce the management burden of local authorities.

Despite the classification of roads into different levels, it is important to note that the Government of Vietnam considers all roads to be part of an *integrated network* that is to be uniformly managed, irrespective of the capital sources for construction or the responsible administrative units.

## 2.2 Organisations involved in the RT sector

Decree 186 provides a very clear picture of the organisations involved in the transport sector and their responsibilities regarding the protection of roads.

### 2.2.1 Central Level Organisations

Figure 1 shows the key organisations which have a role to play in the management of rural transport.

The **Ministry of Transport** is responsible for ensuring the uniform State management of all roads nationwide, and in particular for the management of construction and maintenance of the national highway system. It also has the prime responsibility for coordinating with the concerned ministries and branches with respect to road transport issues, especially MPI and MoF for annual investment planning and maintenance.

The **Ministry of Planning and Investment** is involved in strategic investment planning and ensuring transport plans comply with the regulations on management and protection of roads.

The **Ministry of Finance** has the prime responsibility for coordinating with MOT / PPC's in budget estimating and managing funds for road management, maintenance, and road protection.

The **Ministry of Construction** is responsible for construction plans, and coordinating with MOT and PPC's with respect to construction works within or near road corridors. The MOC also defines the cost norms to be used in construction works, including those for road works.

The **Ministry of Public Security** and the public security forces are responsible for enforcing the protection of road infrastructure, in coordination with MOT and PPC's.

The **Ministry of Defence** is responsible for organising the protection of defence works in combination with road construction.

The **Ministry of Natural Resources and Environment** is responsible for coordinating with MOT and PPC's with respect to surveys, measurement, classification and use of land in road safety corridors, and in guiding environmental protection and use of natural resources in road construction.

The **Ministry of Agriculture and Rural Development** is responsible for coordinating with MOT / PPC's with respect to the construction of irrigation works and cultivation of land near roads.

The **Ministry of Trade** is responsible for coordinating with MOT / PPC's with respect to fuel stations and other services along roads.

Of these ministries, the key players in the rural transport sector are the Ministries of Transport, Finance, and Planning and Investment. Further details of the specific responsibilities of these ministries are given under the relevant sections describing the strategic and financial framework within which rural transport is managed.

It should be noted that projects under MARD and MPI also include the construction of rural roads, but these are nearly always 'village' roads and remain unclassified, hence falling outside the scope of this report.

### 2.3 Rural Transport within the Ministry of Transport

Within the Ministry of Transport, there are many departments and agencies that support the Minister to fulfil the State management of the transport network.

In particular, three of these ministerial level agencies have established Local Transport Units. It should be noted that these Lotus are often referred to as Ruts in English translations, but the scope of roads within their responsibilities include the province road system, not just district and commune road systems.

**The Department of Planning and Investment** is responsible for defining the socio-economic development plans for the transport sector, and has included a specific section on rural transport for the first time in its 2006-2010 SEDP. The DPI has a local transport unit (PID-RTU) which is responsible for reviewing and synthesising the province level transport investment plans against the SEDP, for monitoring investment in local transport and reporting to MOT leaders on the performance of investments against the existing policies and strategies.

**The Vietnam Road Administration** is responsible for the overall administration of the road network, and in particular has recently been assigned responsibility in Decree 186 (Article 31) for 'providing localities throughout the country with professional instructions on road management, maintenance and exploitation'. The LTU in VRA is responsible for coordinating with and supporting provinces to manage and maintain the road network, and is currently working on the development of a network management system.

**The Transport Development and Strategy Institute** is a scientific organisation that undertakes research and advises the MOT in relation to strategy, planning and policy for transport development. TDSI is often also contracted by PPC / PDOTs to assist in the preparation of their transport plans. TDSI has its own RTU that specialises in these activities for the local transport sector.

In addition, the **Department of Science and Technology** is responsible for defining technical standards for the construction and maintenance of all local level roads, and the head of DST is currently the chairman of the committee preparing the province level maintenance handbook for rural roads. This committee includes representatives from all relevant agencies within the MOT.

Recently the MOT has established an **Informatics Centre**, which will be responsible for all data management and electronic information dissemination / communications within the transport sector. This will become increasingly important as the government moves towards its e-governance target, and MOT and provinces implement the GIS based network management system.

### 2.3.1 Local Level Organisations

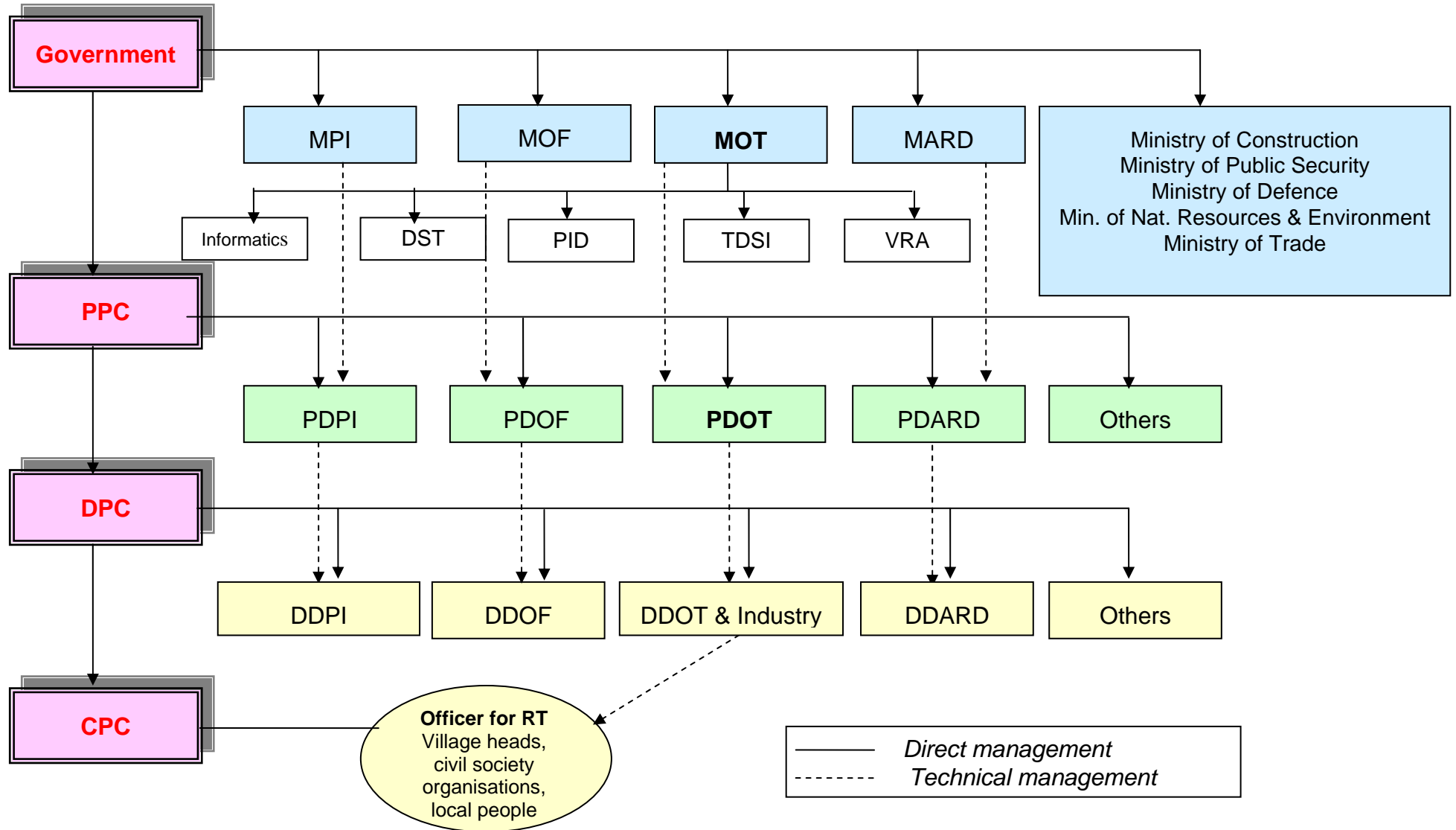
Figure 1 shows the general administrative relationship between organisations directly involved in the planning and management of rural transport. The Province People's Committees (**PPC's**) are the keystone in the management of all local roads. Any decision affecting rural roads is either made by or approved by the PPC.

Decree 186 states that PPC's and the Transport Services and Traffic and Public Work Services under them are responsible for managing, maintaining and exploiting the province and urban road systems; and that the Daces and Caps are responsible for managing, maintaining and exploiting the district and commune road systems respectively.

Each Ministry also has a provincial department, which falls under the control and direction of the PPC, but also has a technical link to the parent ministry in Hanoi. It is the relationships between these provincial departments, the PPC and the ministries that cause most ambiguity. These relationships are discussed in more detail under the strategic and financial framework sections.

Local communities are involved in rural transport as the primary beneficiaries and users; through their contributions to construction and maintenance of the rural road network; and also through the government's decentralisation policies. The grass roots democracy decree, Decree 79/ 2003/ND-CP defines how local communities are to be involved in planning and decision making, as well as supervision of works in their localities.

Figure 1: Organisation and Management of Rural Transport





## 2.4 Legal Framework

The following regulations are the key legal instruments in defining the regulatory framework within which the rural transport sector operates.

**Decree 167/1999/ND-CP**, 26 November 1999, On Organising the Land Road Management.

**Decree 172/1999/ND-CP**, 7 December 1999, detailing the Implementation of the Ordinance on Protection of Traffic Works with regard to Land Traffic Works.

**Decree 186/2004/ND-CP, 5 November 2004**, Prescribing the Management and Protection of Road Traffic Infrastructures. (replaces Decrees 167 and 172 above).

**Decree 79/2003/ND-CP**, 7 July 2003, Promulgating the Regulation on the Exercise of Democracy in Communes

**Order 21/2002/L-CTN**, 27 December 2002, On the Promulgation of the State Budget Law. State Budget **Law 01/2002/QH11**, 16 December 2002.

Decrees 167 and 172 have recently been replaced by Decree 186, but are included in this report as Decree 186 is relatively new and the practical experience of central and local organisations in the rural transport sector is based on the implementation of these older Decrees.

Decree 186 combines the content of Decrees 167 and 172 into a single document. The descriptions in Decrees 167 and 172 were very general in places, which could potentially lead to confusion or misinterpretation. Decree 186 has addressed this and is quite specific and detailed in its definitions, listing all the relevant ministries and organisations and the role they play in managing and protecting transport infrastructure.

Decree 79 specifies public works that people are to be informed about, works they are to be directly involved in decision making for, works that they may comment on before decisions are made by higher levels, and works that local people are to supervise and inspect. In terms of rural roads, local communities are involved in deciding their local contributions to infrastructure works, and are able to comment on draft commune level SEDPs, but they are only to be informed of the results of selection, priority order and organisation of implementation of works funded by the State or donors, rather than to actually participate in the planning and decision making processes.

**The State Budget Law** provides very specific guidance on the preparation and implementation of State budgets, and is discussed in more detail under the Financial Framework section.

In addition to the above documents, the rural transport sector is also influenced by **Decree 17/2001/ND-CP, 4 May 2001**, On the Issuance of the Regulation on the Management and Utilisation of Official Development Assistance. This Decree gives specific instructions on how foreign aid funded projects are to be managed and implemented. As this paper is concerned with institutional analysis of the government systems, in order that in the future foreign aid may feed directly into these systems, Decree 17 is not included in this review.

## 2.5 Strategic Framework

TDSI is currently undertaking a review of the Rural Transport Strategy Study produced in 1999 with a view to producing a comprehensive 10 year development strategy for the sector. Previously, the concept of rural transport was not part of the government's definition of road systems, which considered the whole road system an integrated network without the need for a special strategy for the rural transport sector.

The government made a conscious decision to concentrate on establishing the higher order road systems before concentrating on the lower levels. This made eminent sense during the post-war recovery process that was taking place. Now that the time is right to address the issue of district and commune roads, the government of Vietnam is now doing so, and has included 'rural roads' in their transport sector SEDP for the first time.

Since 2000 at least, rural roads have been recognised as an important aspect of the country's economic growth and poverty reduction efforts, with a specific target of providing basic road access to all commune centres.

### **2.5.1 Socio-Economic Development Plans**

'Decree 52 of 8 July 1999 regulates that Provincial People's Committees (PPC's) shall manage the preparation of the provincial socio-economic development master plan and that is to be done in consultation with relevant ministries, sectors and local governments. The plan is prepared roughly each decade: 1990-99, 2000-10. The plan covers all sectors and includes cost estimates for each development activity. It also indicates an investment priority ranking, as formally decided by the Provincial People's Council Meeting, based on and in accordance with the local identity and State / National priority policies. The master plan will be signed / approved by the Chairperson of the PPC.

Preparation of the provincial master plan is a joint effort of sectoral government agencies at provincial and district level, under coordination of PDPI. PDPI will request the provincial sectoral agencies to prepare sectoral master plans.

The socio-economic development master plan thus consists of a compilation of sectoral master plans. It is submitted to the Ministry of Planning and Investment for incorporation into a Regional Master Plan. The individual Sector Master Plans are submitted to the concerned Sectoral Agency for incorporation in Sectoral Master Plans.<sup>1</sup>

Essentially, there are two major 'loops' in the preparation of SEDPs. The first deals with the preparation of sectoral plans, whilst the second deals with local development plans into which sectoral plans are incorporated. It is primarily the local development plans which include for construction and maintenance of rural roads.

The MOT defines the national SEDP for the whole transport sector, including all levels and modes of transport – the national objectives. The PDOTs then build on the national plans to suit local conditions and priorities, and work with the PDPI to prepare specific objectives and plans for the province. This is repeated at district and commune levels.

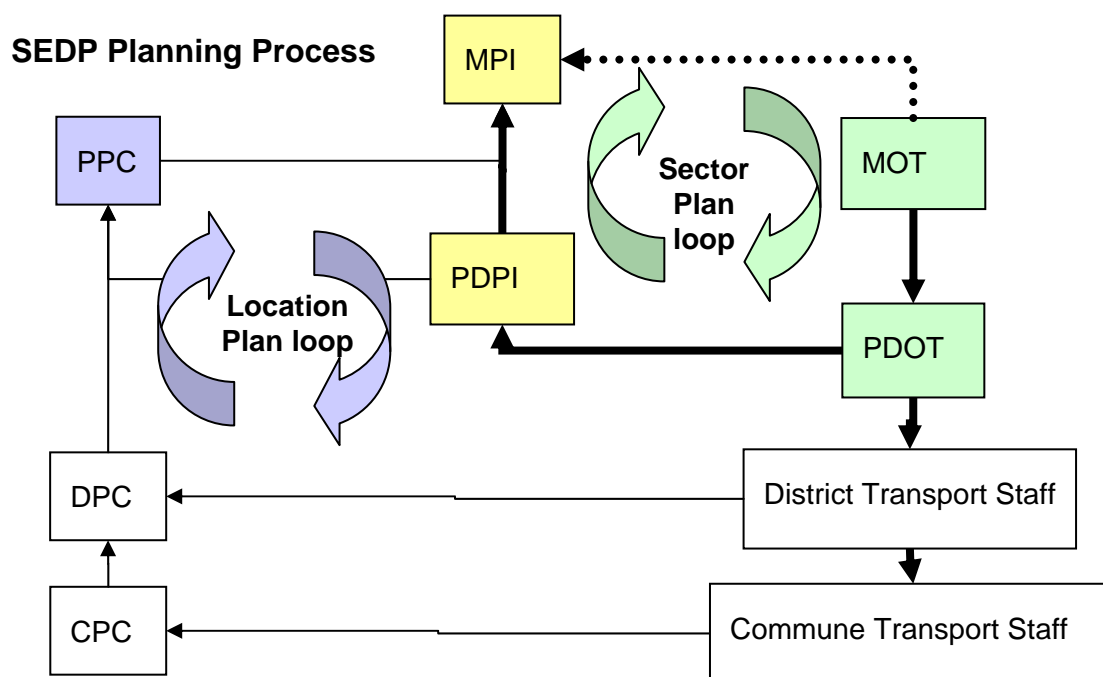
Therefore, the extent to which rural transport is included and prioritised in SEDPs, is dependent on the MOT and its PDOT, and their effectiveness in convincing the MPI / PDPI and the PPC of its importance in relation to other sectors and higher level transport systems.

Although SEDPs require cost estimates for all development activities, they often include far reaching and over ambitious objectives that cannot be delivered in practice. For example, the previous transport sector 5 year SEDP for 2000-5 stated that of its approximately 170,000km of rural roads 70% were to be all weather and 30% were to be sealed. Their achievement has been estimated as 30% are all weather, and 4-5% are sealed.

In its draft SEDP for 2006-2010, the MOT has responded to this significant 'gap' in meeting objectives, and has developed a more realistic set of targets based on what it believes it can

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<sup>1</sup> RT2 Inland Waterways Study, Executive report, February 2002



fund and implement in the five year period, as well as a flexible approach to take into account the lack of information currently available that defines the magnitude and condition of rural roads.

### 2.5.2 Transport Master Plans

Decree 186 defines the responsibilities for approving and preparing traffic infrastructure plans. These are to be based on the socio-economic development plans described above, upon defence and security strategies and plans, and on people's travel demands. As with the SEDP process, the MOT defines the national plan, PPC's define the plans for development of province, district and commune roads in line with the national transport plan and its own SEDP. Province plans for province level roads must be sent to MOT for written comments, but not those for lower levels. Transport plans are supposed to be widely disseminated after being approved; it seems the PPC, Daces and Caps are responsible for this dissemination.

There is no mention of maintenance issues in the transport planning instructions; however Decree 186 does define responsibilities with respect to protection of roads. It is very specific about what is and isn't allowed in road transport corridors – perhaps too specific sometimes and unlikely to be understood by local people not trained in 'road speak' and therefore extremely difficult to enforce.

It is very difficult to define a realistic plan that includes for construction, rehabilitation, upgrading and maintenance due to a lack of information on the current situation in the rural transport sector, in particular relating to the extent of the classified road network and its condition. The VRA LTU has been working to develop and introduce a system that will solve this problem.

## 3 Financial Framework

The financial framework is defined by the State Budget Law – No. 01/2002/QH11 and Order No. 21/2002/L-CTN on the promulgation of the state budget law. The State Budget

comprises all revenues and expenditures of the State, within one year running from January to December.

The National Assembly is the key decision maker at the central level with respect to the State Budget, supported in this task by its standing committee, economic and budgetary committee, other committees, national council and government.

The Ministry of Finance has the prime responsibility for coordinating with Ministries and Provinces to elaborate on the allocation norms and budget regulations, in making budget estimates and plans on central budget allocations and implementation.

At the local level, it is the People's Committees that prepare the local budget estimates and allocation plans, defining the expenditure tasks and identifying revenue sources. The final decision is made by the People's Councils.

The preparation of State Budgets should be based on the SEDPs of the Ministries and Provinces; however there are rarely sufficient funds to achieve all development targets in these plans as mentioned above.

### 3.1.1 State Budget Estimation

Each year the Prime Minister decides on the elaboration of the SEDP and State Budgets for the following year. Based on this, the MOF provides guidance on the requirements, contents and time limits for preparing State Budget estimates, and the estimate for each budget revenue and expenditure domain for ministries, and the total revenue, expenditure and the important expenditure domains for each province. Based on both the Prime Minister's decision and the MOF guidance, the PPC's then guide on the estimation of budgets at each level in their localities.

Currently, the budget for rural roads includes for construction if under a state / donor projects, but seems to fall within a general budget item for management and maintenance that includes other infrastructure. Because there is no specific budget, even once budgets are approved the exact allocation for maintenance of rural roads remains open to debate. Also, reporting is against the overall budget item, not for sub items such as rural roads.

The 'Land Road Investment Capital' section in Decree 167 states that

*'Capital for land road management and repair shall be used for the following purposes:*

- 1. Management and regular repair*
- 2. Periodical repair*
- 3. Irregular repair*

*The MOT shall reach agreement with the MOF in order to specify the management of investment capital for land road management and repair on the basis of the State's current regulations.'*

This is interpreted to mean that the MOF is responsible for including an amount in the State budget for maintenance and repair. To date this has never been implemented. Decree 167 states that each administrative level – province, district and commune – is responsible to manage their respective systems, and this has been (incorrectly) interpreted to include responsibility for funding management and maintenance works.

Decree 186 has neglected to include clear instructions on funding for maintenance and management, simply stating that MOF is responsible for coordinating with MOT and PPC's to estimate and implement the funding for road management and maintenance and road traffic

infrastructure protection. Decree 186 is therefore less clear than Decree 167 regarding who exactly is responsible for providing funds for maintenance and management of local roads.

The State Budget Law does not mention the issue of maintenance, so funding for this is at the discretion of the PPC.

The MOT has recently raised the profile of rural roads and the importance of maintenance in their sectoral SEDP. For this to be put into practice effectively, the MOT must work more closely with both MPI and MOF at the central level, and their respective provincial departments at the local level, to influence the PPC's in the preparation of both SEDPs and budget estimates.

### 3.1.2 Community Contributions

The Law states that administrations may mobilise contributions from organisations and individuals for investment in the construction of infrastructure projects of the communes *'on the basis of voluntariness'*. Interestingly, the Law does not say anything about mobilising contributions for road maintenance. Decree 167 also confirms that community contributions are required for investment in the commune road system, i.e. construction, but not for maintenance and communes should therefore receive funds for maintenance as described above. Decree 186 does not mention community contributions.

The grassroots democracy decree (79) states that the CPC must inform the local people of the commune SEDP, the annual estimates and settlements of the commune budget, revenues and expenditures of funds, programmes, projects and contributions mobilised from the people for the construction of infrastructure, and their implementation results. They should also inform local people of the selection, priority order and organisation of works under the programmes and projects directly invested in their commune. The local people should discuss and directly decide themselves the undertakings on and levels of contributions for the construction of infrastructure and public welfare facilities, including roads. Decree 79 also states that contributions should be mobilised *'on the principle of absolute voluntariness without imposing compulsory or arbitrary contributions on everyone'*.

Consultations with province, district and commune representatives suggest that the government requires local people to provide 10 days labour contribution per year. In some provinces, the PPC sets rates for financial contributions from local people, with rates varying according to their occupation and hence income levels. Decree 167 also contradicts the principles of Decree 79, but this has already been addressed by removing the issue of contributions in Decree 186 which replaces it.

The implementation of Decree 79 and the concept of local people defining their contribution rates is weak, and none of the consultations showed it being implemented. Decree 79 was issued in July 2003, and should have been implemented for the preparation of the 2004 and certainly 2005 budgets. The reliance on community contributions for the construction and maintenance of rural roads needs to be reviewed at central and province levels.

Currently, although community contributions are monitored, there is no information on specific activities for which contributions were made, whether they were for irrigation or roads for example. In fact, there is little information even on the use of State funds for works on rural roads. This seems to be a result of rural roads not having a budget item of their own as mentioned above.

## 3.2 Summary

- The expression 'rural transport' is understood to include district and commune roads only.

- The Government of Vietnam considers all roads to form part of an integrated network that is to be uniformly managed
- The MOT has three units responsible for different aspects of the central State Management of rural transport. These are in the Planning and Investment Department, the Vietnam Roads Administration, and the Transport Development and Strategy Institute.
- The Provincial People's Committees and Councils are the key decision makers for strategy, planning and financing of rural transport.
- The key regulations concerning rural roads were Decrees 167 and 172, which were replaced in November 2004 by Decree 186.
- It is the province Socio-Economic Development Plan that defines the targets for the rural transport sector, which are based on the more general sector wide plans of the MoT. If the MoT raises the profile of rural transport in its SEDP, then it is more likely that provinces will also do so.
- In the past, SEDP targets have been over ambitious and not achieved in practice. Information on the condition and extent of the rural road network is sparse or inaccurate; this makes it very difficult to prepare realistic plans.
- There is no specific budget item for maintenance or repair of rural roads, and information about allocations and expenditure on rural roads is difficult to obtain. The regulations suggest MOF should allocate funds for road maintenance, but there is a lack of clarity as to who exactly is responsible for funding rural road maintenance.
- Community contributions are to be mobilised for construction, but are not required for maintenance. Contributions should be voluntary and decided by the local people themselves, not imposed by higher levels. This does not happen in practice.

## **4 Capacity of Organisation**

### **4.1 Present Structure and Functions**

#### **4.1.1 Central level**

The MoT is responsible for state management: arranges strategy, policies, criteria, norms and legal documents. The roles and responsibilities at the national level are actually divided among three key units within the ministry; their functions and roles are described below. It appears that the RTU in PID has no role as far as rural road maintenance is concerned.

Key Unit	Key Functions	Roles and responsibilities
RTU in PID	Monitoring and Reporting of Investments	Using M&E data to monitor the rural transport (RT) network and RT investments and reporting these to MOT leaders, against the existing policy framework and RT targets.
RTU TDSI	Policy Review and Advice	Using M&E data to analyse the impacts of RT policies, reviewing and advising MOT on policy options based on their findings
LTU in VRA	Monitoring and Reporting of Status and Maintenance	Collecting M&E data from provinces to enable MOT and PDoTs to manage and maintain RT network. Information to be shared with PID and TDSI to support their analysis as required.

Note: LTU (Local Transport Unit) includes provincial roads as well as rural roads

#### 4.1.2 Provincial level

The provincial agency for the management of rural transport and provincial roads is the PDoT which is also responsible for the management of national roads, assigned to it by the MoT. Also at the provincial level, there is a provincial project management unit (PPMU). Officers at the provincial level have technical, economic and managerial knowledge and are capable of undertaking their assigned duties. In some cases, PDoTs have appointed special Rural Transport Units.

#### 4.1.3 District level

At the District level, units dealing with Environment, Construction and Land are common. These units are responsible for the management of District roads and main inter-Commune roads. The majority of officers here are middle ranking officers and require training in rural transport management.

#### 4.1.4 Commune level

In each Commune there is one officer in charge of transport and land affairs. The Commune Administration Committee is responsible for the management of Commune roads. In the Commune, there is only one officer who looks after transport affairs, many of these are officers in charge of other affairs. They are not trained in transport or other issues therefore their professional standard is rather low.

### 4.2 Defined Maintenance Responsibilities

Decree 186 / 2004 / ND-CP states that the Provincial Transport Services or Traffic and Public Works Services shall be assigned by the PPC the tasks of directly managing and maintaining of provincial roads while the district level and commune level People's Committees shall manage and maintain rural (District and Commune) roads according to the regulations of the PPC.

Detailed maintenance responsibilities are listed in the MOT Rural Road Maintenance Handbook for Communes (MoT, 2003) as follows:

The PDoT Maintenance Officer will:

- Manage data related to maintenance of the province's rural road network, including data on road network condition and existing situation of maintenance in districts and communes.
- Assess the needs for training programmes to provide support for budgeting/cost estimating, planning (including prioritization policy), management (including management information), monitor and report on the quality and funding for maintenance done by Districts and Communes.
- Take action to support each District's work on maintenance and facilitate access to local resources for gaining knowledge, capacity building, access to advice and training.
- Prepare an annual report for the province on the condition of the rural road network, funding and resources used, and quantity and quality of maintenance work.
- The District Maintenance Officer will:
  - Manage the maintenance activities for any rural roads, which are the responsibility of the District.
  - Carry out annual surveys of road network condition for District and Commune roads and report annually on the quantity and quality of maintenance work and resources used in Districts and Communes.
  - Support the Commune Maintenance Officers to develop their skills and capacity to manage and implement maintenance work in their Commune, where necessary coordinating provision of support from training and capacity building.
  - Monitor regularly the work on maintenance in Communes and Villages.
  - Request special assistance or advice from Provincial authorities when required.
- The Commune Maintenance Officer will:
  - Manage the maintenance activities for any rural roads, which are the responsibility of the Commune.
  - Supervise the maintenance works on a daily basis when they are being carried out, and ensure that the quantities of work planned are carried out to the required quality standards in a timely way, using the agreed implementation options.
  - Collaborate with the District Maintenance Officer on surveys of the road network.
  - Make requests to the District Maintenance Officer for support including training.
  - Report to the District on an annual basis the maintenance works achieved, the condition of the roads, and plans for future maintenance.

### 4.3 Network Management Systems

#### 4.3.1 The need

In its 2004 Transport Sector Expenditure Review of the Provincial and Rural road network the World Bank stated that *“that the biggest problem facing the RT sector is that decision makers are struggling to determine the true needs for road maintenance because the management and information systems in place in the MoT, VRA and provinces are inadequate for managing a network of over 200,000 km.”*<sup>2</sup> It concluded that more effective monitoring and data collection is required in investment and maintenance decisions are to be prioritised in a systematic manner using modern management tools.

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<sup>2</sup> Transport Sector Expenditure, in Vietnam Public Expenditure Review, (World Bank, 2004) p15



The introduction of such a network management system for rural roads will likely have far reaching impacts in terms of capacity building. Work is currently underway by VRA to pilot such a system. This initiative has five stages; i) system design, ii) pilot testing, iii) refining the system in the light of the pilot tests, iv) rolling out the system to sample provinces, and v) full roll out nationwide (including any refinements and lessons learnt from the initial roll out).

The proposed network management system, currently being designed and tested in two pilot provinces, consists of three main elements; data collection, data storage, and data usage. It is the data collection element of any network management system which has the greatest impact on resources.

#### **4.3.2 Data collection**

For any system to be effective and meaningful the data collected must be accurate (to the necessary degree) and reliable. If the data are neither accurate nor reliable, then the remainder of the network management system is useless; “rubbish in, rubbish out”. Thus, it is likely to be the most resource intensive and the costliest item.

Effectively there are two groups of data; data which changes infrequently, such as network description, and data which can change more quickly, such as road condition. Thus collection of network description data would normally be sufficient at five yearly intervals, except where known changes are made such as the construction of a new section of road where specific new data are collected on a one off basis. Collection of network condition data would normally be required on an annual basis since once a road reaches a critical condition, the whole structure can be lost very quickly.

Data should, in the interest of sound economic practice and on a practical basis, be collected at the lowest practical and competent level. Collection of network description data requires both technical resources and a technical capability of staff to reference the location of structures and key elements of the network and the ability to use the equipment effectively and reliably. This would most appropriately be undertaken at the province level where GPS equipment can be provided and the technical skills are most likely to be found. This would also fit in with the roles and responsibilities identified in both the decrees and the maintenance manual for communes

Collection of network condition data is usually a two level task. The first task is to give an overview of the general condition of the individual road links. The second task is to give a more detailed description of the work required to bring a section road from its current (poor) condition back to (or close to) its original condition.

Commune staff responsible for routine maintenance will likely have a clear picture of the overall condition of the network which they maintain. Training of Commune staff by PDoT staff, as part of the training programme associated with the Commune Handbook, is designed to ensure that Commune staff have the appropriate level of skill and knowledge for this activity. This is currently undertaken, in many cases, as part of people’s labour contribution but as the economy develops and matures, it is likely that more Communes will move towards payment for this work using one of the several systems outlined in the Rural Road Maintenance Manual for Communes. As part of the annual review and data transfer Commune Staff can alert District Technical Staff to sections of road which require periodic maintenance. District Technical Staff will then need to undertake a more detailed survey of the condition for a cost estimate to be prepared for periodic maintenance activities.

## 5 Resource Implications for Network Management

From the above, it is clear that all three levels of local government will need to have a role in any effective network management system for rural roads and their maintenance.

### 5.1 Province Level

The decree 186 / 2004 makes it clear that PPC's have responsibility for the personnel structure of the provinces, including the Provincial Departments of Transport. They can also make decisions on organisation structure at the District level (decree 12/CP). This provincial independence is reflected in the differences in staffing among the 64 provinces.

In the Provincial Engagement and Support Programme, the RT2 Technical Assistance consultant recognised that a single solution would not work for all provinces. Indeed, it was difficult to find a "typical" province. Therefore, the fundamental principle of provincial support was that it was demand led in order to meet the specific requirements of the individual provinces.

This individuality follows through to the personnel structure of the provinces also. Therefore, it is not practical to design a resource programme which will meet the requirements of all provinces in implementing a network management system. Each province will need to be supported and evaluated independently of the other provinces to determine precise staffing needs, while working to the same standards of performance and skills. By way of outlining the variation among Provincial PDoTs, organisational structures for three provinces are briefly presented below.

#### 5.1.1 Lao Cai

Figure OS.1 shows the Organisational Structure for Lao Cai PDoT. At the bottom of the structure of the divisions under PDoT it shows a Rural Transport Division. This is very unusual in the provincial structure, some claim it is unique to Lao Cai; it is thought that provinces generally don't have a RTD because government decrees define rural transport as being the responsibility of districts and communes.

The Rural Transport Division in Lao Cai has 4 staff; one head, 2 staff in charge of ten districts and one accountant. The Rural Transport Project Management Unit has three engineers, managing both locally funded and donor funded rural transport projects. The Transport Construction PMU handles provincial roads.

#### 5.1.2 Dak Lak

Figure OS.2 shows the Organisational Structure for Dak Lak PDoT. There are nine divisions and units under PDoT, compared to the twelve in Lao Cai; but there is no Rural Transport Division. There is a Rural Transport PMU exclusively for the management of World Bank (presumably all donor supported) projects consisting of two staff.

#### 5.1.3 Ha Tay

Figure OS.3 shows the Organisational Structure for Ha Tay PDoT. There are ten divisions under this PDoT, and again no Rural Transport Division. The PMU, which deals with rural transport as well as local transport, consists of ten persons, whose duties include; investment preparation, project approval, technical design, bid documents, bid invitation, bid evaluation, site clearance and construction.

#### 5.1.4 SEACAP 16 Survey Results

The interviews in 16 provinces, undertaken as part of this SEACAP 16 identified that, on occasion, supervision of construction is limited "because of low payments for supervisors" and to increase salary levels, one supervisor must supervise many construction projects

which affects the quality of construction. There are two issues here; firstly, salary levels and, secondly, resources.

With respect to salary levels, according to regulation, one percent of the construction value can be used for paying supervisory staff and the payment to the supervisor can be up to two and half times salary. The fact that the response from the surveys referred to low payments for supervisors suggests that they have no real option but to undertake additional work to provide a more realistic income.

With respect to resources, the impact on quality, by supervisors taking on more responsibility than they can handle effectively, suggests that, regardless of remuneration, additional staffing resources are required in order to provide quality supervision.

If PDoTs are to take on additional responsibilities with respect to network management systems, the overall resources within the divisions needs to be checked to ensure that any reassignment of responsibilities would not have a negative impact on the sustainability of rural roads.

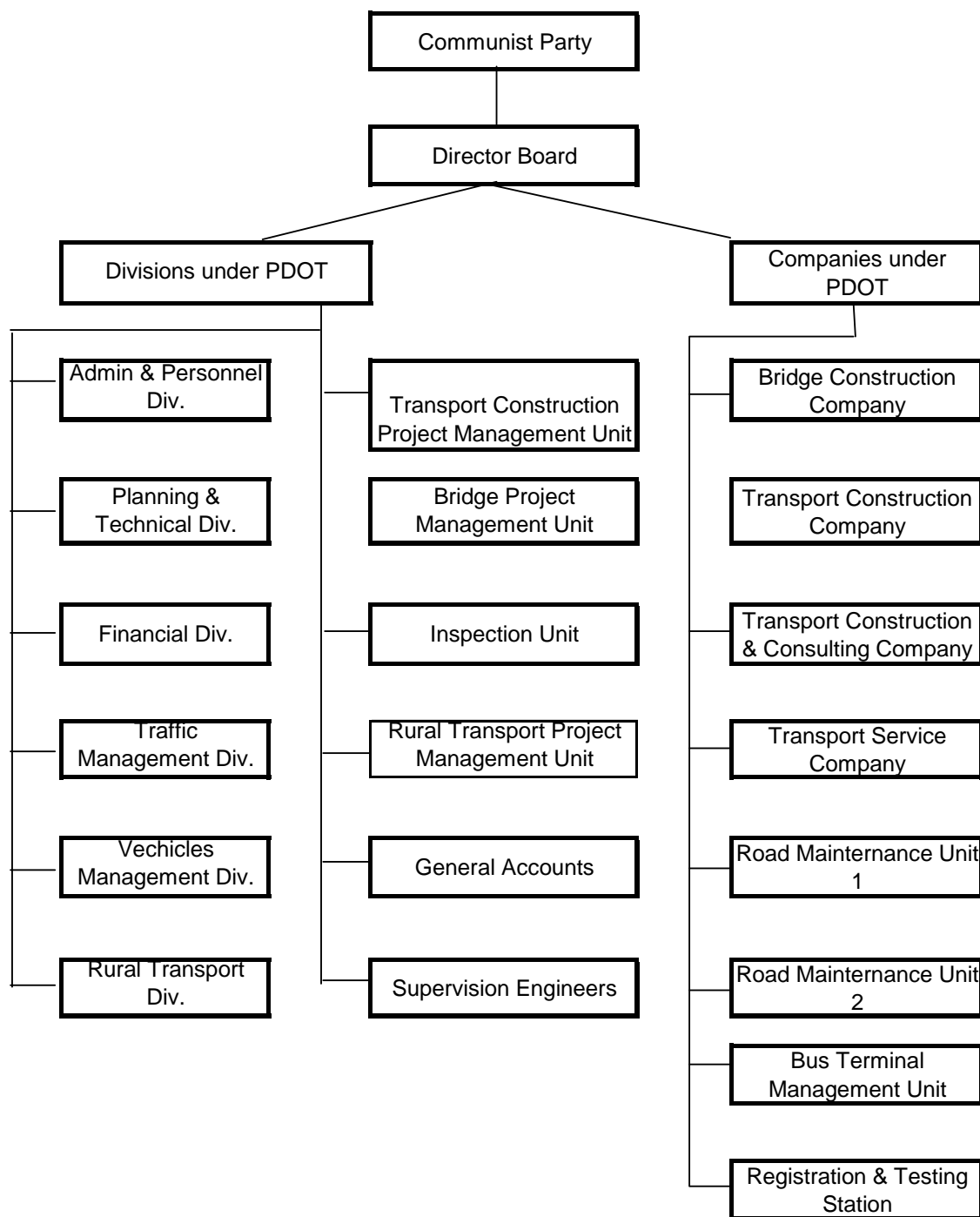
## **5.2 District Level**

It is at this level where resource shortages have been identified by the RT2 project during the Provincial Engagement and Support Programme. Observations suggest that there is only one member of staff in each district with a responsibility for transport; which would be inadequate to undertake network condition surveys in support of a network management system. A similar resource problem appears at the Commune level where there is a single staff member responsible for transport, but this person also has other non - transport duties and responsibilities. There appears to be a strong case for a dedicated full time District staff member responsible for all aspects of rural road maintenance planning and implementation.

This aspect has been reinforced by participants at many of the Review Workshops up to April 2005. The RT2 Interim Report on Provincial Engagement, 31 October 2003, noted that more dedicated staff are required at both commune and district levels, suggesting: one dedicated, permanent, technical transport staff member at commune level to manage routine maintenance and monitor road condition with appropriate reporting procedures; and a maintenance team at district level (similar to the situation prior to 1994) to manage and undertake higher levels of maintenance and co - ordinate works on the rural road network.

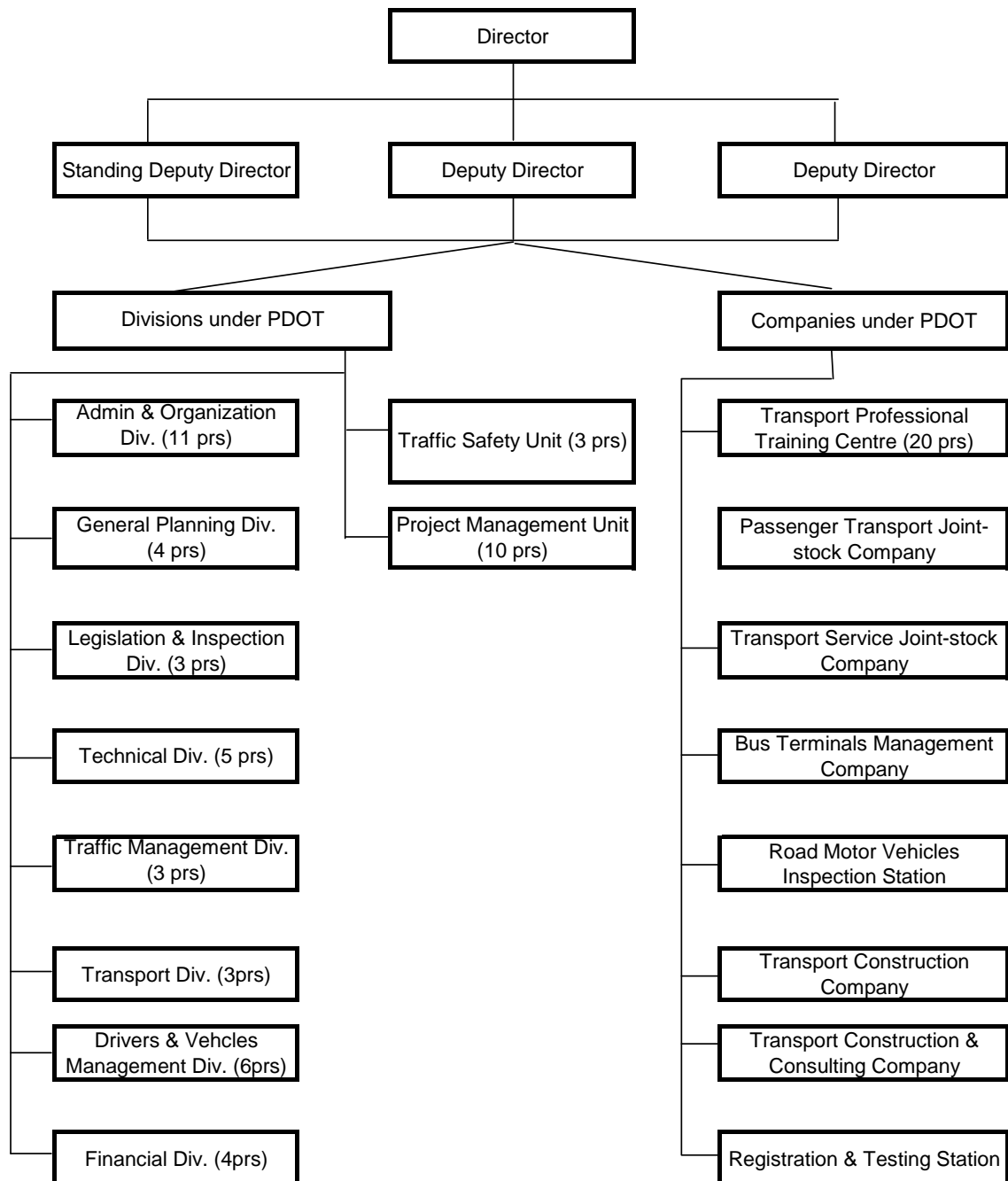
The ten districts in Lao Cai have eight divisions, including an Infrastructure Division which deals with all infrastructure including Rural Transport, Construction and Post and Telecommunications. The number of staff in each of the districts varies from 4 to 6; and, typically includes: a head of division (usually an engineer); a deputy head (usually in charge of both rural transport and construction); one person in charge of construction; an accountant and an engineer or technician for both construction and transport. The transport related

### Lao Cai PDoT Organisational Structure

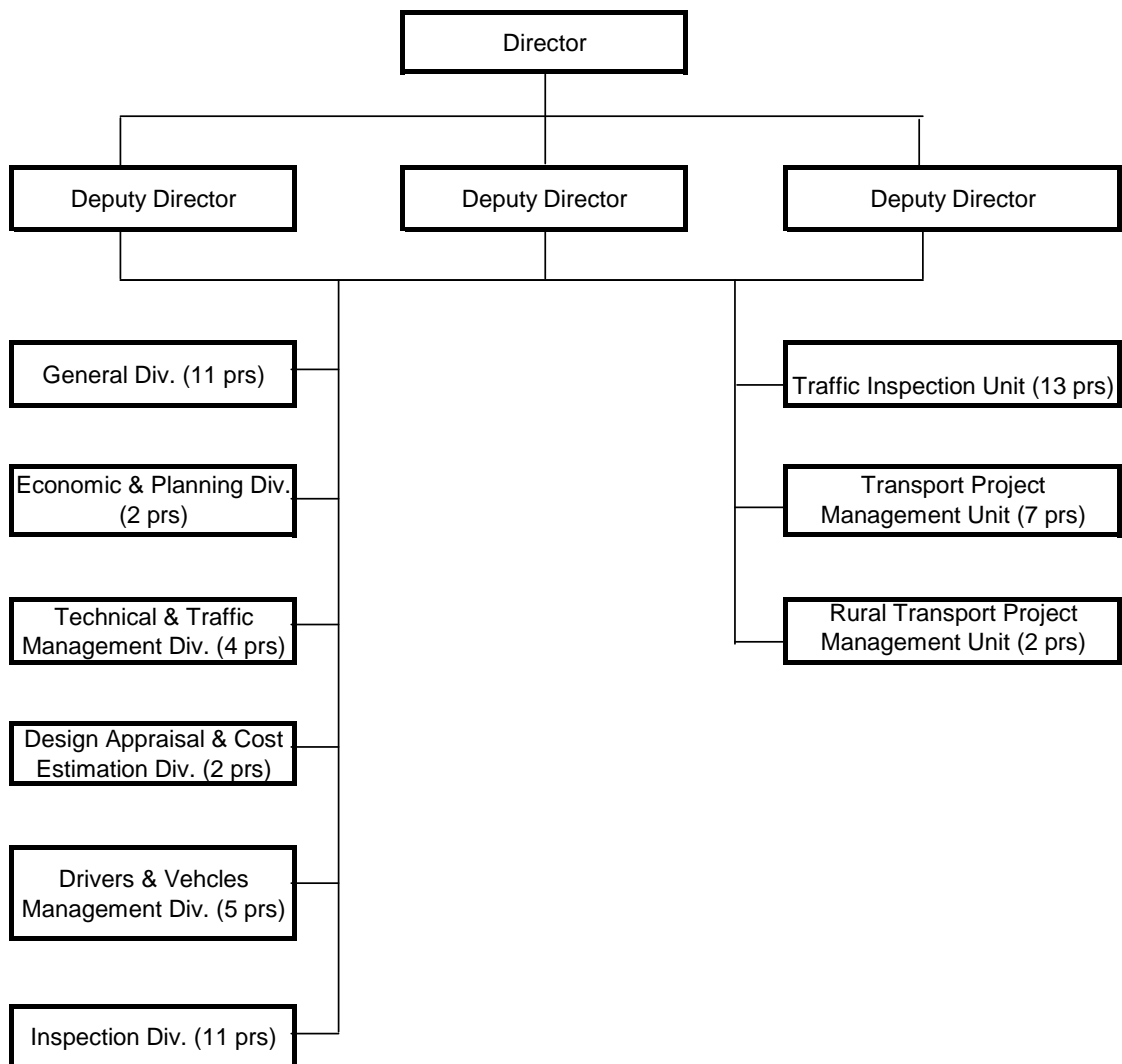


**Figure OS1**

### Ha Tay PDoT Organisational Structure



**Figure OS2**

**Dak Lak PDoT Organisational Structure****Figure OS3**

tasks include; collecting data for transport planning, supervision and acceptance of road construction, maintenance supervision, maintenance contracts and training for commune staff.

### **5.2.1 Capacity Issues**

It is difficult to tell precisely from this information whether resources match needs, but staffing levels appear to be under resourced. At the Workshop on Rural Transport for preparation of RT3, in Hue on 4 March 2005, it was reported that many provinces have not created a separate Transport Division at the district level. So there is not a division specifically devoted to rural transport, but a division of between 3 and 5 staff assigned to transport, industry and construction. The result is that, in practice, they are not able to travel to undertake inspections, supervision or collect data on roads under their responsibility.

The interviews in 16 provinces, undertaken as part of this SEACAP 16, confirms that district organisations are not uniform and suggests that human resources in the districts is even lower, 1 or 2 staff only related to transport. This would appear to confirm the feedback to the RT2 technical assistance team through the provincial workshops, the provincial engagement process, comments from speakers at national workshops. At the close of the Hue Workshop, the MoT confirmed that capacity building should be planned for transport staff, especially at the district and commune level. To arrive at a definitive answer for the resources required in each authority, a needs analysis should to be undertaken on a province by province basis, based on existing duties and the specific needs of the proposed network management system.

### **5.3 Commune Level**

Communes have only one officer involved with transport affairs, and the responsibilities of the post include other affairs. Since the duties of the commune staff, which include those outlined in the MOT Maintenance Handbook for Communes and those required for effective network management, are beyond the capability of a part time position, a possible solution would be for commune staff to be strengthened to include at least one full time transport staff; any addition above that would need to be justified by a further assessment of the needs of each individual commune. Additional staffing is not consistent with government policy of reducing the size of the public sector and cutting back on the numbers of people in government service.

An alternative approach is for commune responsibilities to be set to match their capabilities and recognising that it would be impractical for all communes to provide staff to a high level of technical competence. It seems more reasonable for commune staff to be trained to meet their responsibilities as defined in decrees and the Rural Road Maintenance Handbook, which covers routine maintenance only, but supported by an ongoing training programme from provincial technical staff and back up technical support at the district level.

## **6 Conclusions**

- At the central level there are three units with different responsibilities for rural transport.
- In addition to the central level MoT, for sub - sector co-ordination, there are three levels of management in rural transport: provincial, district and commune.
- Generally, the provincial level is capable of managing rural transport projects. However, each province is individual and will have different resource needs for the implementation of network management systems.
- Generally, the District level must be strengthened in manpower and in professional capability for the effective introduction of network management systems.

- The Commune are the weakest, technically, and cannot be expected to undertake technical tasks beyond their resource capabilities. Their responsibilities need to be adjusted to their existing capabilities and commitments for rural road maintenance and reporting on road condition.
- Maintenance of the rural transport network is still very weak, it is necessary to introduce effective network management systems to inform decision making, monitor the effectiveness of expenditure and develop sustainable maintenance systems for the rural road network.
- There is not a lack of construction and maintenance forces but steps must be taken to stimulate them, to correctly appraise their works, to create conditions to submit bids, and to ensure the schedule and the quality of the projects.
- The supervision work must be strengthened.

## **6.1 Recommendations**

### **6.1.1 Central level**

The various departments (and units) within MoT; finance, planning, investment and sub-sector agencies; should be more integrated if network management systems are to be effective in achieving sustainability. (This supports the recommendations of the Viet Nam Public Expenditure Review {PER} and Integrated Fiduciary Assessment 2004).

### **6.1.2 Province level**

The provincial departments of transport will need training in order to be capable of effectively operating network management systems. The development of network management systems is recommended by the PER and such (transparent) systems could provide the information for the allocation of central budgets (again supporting the PER). Because of the variance among provinces, each province would need to have a needs analysis undertaken to identify actual resource and training requirements within defined standards of service.

### **6.1.3 District level**

Increase the staff and train the officers of the Districts, to make them capable of providing full technical support to the network management systems, supervision of technical matters, criteria, norms etc, and for the preparation of reports and statistics. Like the provinces, each district would need to have a needs analysis undertaken to identify actual resource and training requirements within defined standards of service.

### **6.1.4 Commune level**

Should be trained to provide one transport staff (with continuing training support from the provinces) to meet the responsibilities identified in the Rural Road Maintenance Handbook and provide basic information for input into the network management systems.

## **7 Incentives Section**

In its Country Assistance Plan for Vietnam<sup>3</sup>(CAP), the UK's Department For International Development (DFID) states that inequalities between urban and rural areas are widening, despite an impressive development record over the past ten years in terms of economic growth and poverty reduction. The CAP concludes that the Government of Vietnam (GOV) faces major challenges to deliver quality services effectively, particularly to people who live in remote rural areas.

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<sup>3</sup> Vietnam: Country Assistance Plan 2004-2006 (DFID January 2004)



While confident that Vietnam can achieve its targets of economic growth and poverty reduction, it highlights two areas of institutional concern. These are that government institutions will not adapt quickly enough to support the growth and change required to achieve GOV targets because there are insufficient institutional incentives in government to put a complicated reform agenda into practice.

In simple terms, no one will be motivated if they are asked to achieve the impossible, are over loaded, lack the skills required to do the job, do not have the information to understand what is required, have neither the funds, staff nor equipment to undertake assigned tasks, are undervalued, poorly paid and working in an environment constrained by inappropriate, complex and possibly contradictory procedures, rules and regulations, which in turn promote a thriving and opaque informal sector.

The purpose of this section is therefore to identify major incentive issues in the sector, what initiatives are already underway to deal with these problems and what else needs to be done.

## 7.1 2005 Survey Results

As part of the field work for this study, questionnaires were sent to a sample of 16 PDOTs in order to obtain views on issues relating to four items, these being

- **Organisation** - roles, responsibilities, issues relating to district offices, experience with RT projects and proposals for change
- **Mechanism** - priority given to RT, policy context, funding priorities and proposals for change
- **Incentives** - incentives for developing RT
- **Other issues** - seeking funding, standards decentralisation issues and proposals for change

Result fell into three categories with relevance to incentives including:

### 7.1.1 Decentralisation:

There is considerable support for decentralisation of functions to the local level, especially for fund allocation of ODA funded projects which are seen to be outside the existing arrangements and unnecessarily complicated and cumbersome when using central treasury instead of provincial treasury systems.

In addition there is considerable support for building capacity at the districts levels, especially in terms of enhancing technical skills and project management skills and support for reviving the old District Transport Divisions.

### 7.1.2 Modernisation:

The importance of the PDoT professional engineering staff in enabling modernization is a theme mentioned by most PDoT's in the survey. These staff are graduates of both universities and colleges and are seen as essential to enhance managerial skills and project management skills within the districts and communes where capacity is acknowledged to be weak.

Better management is seen by many PDoTs as a local capacity issue linked to innovations such as regular salaries for commune staff dealing with transport issues and better use of publicity of information, planning and budgeting to improve coordination between functional agencies and prevention of negative effects and corruption.

### 7.1.3 Incentives:

On this issue replies are generally in terms of financial contributions by the PPC for rural road construction or provision of construction materials such as cement, paving of gravel roads, determination of contribution rates for rural transport development and the use of contracts for households to undertake maintenance by using labour.

Replies show very little interest in incentives for individual officers<sup>4</sup>. It seems that incentives linked to individual financial reward are associated in a negative way to the issue of corruption. Instead there is a shift of emphasis to focus on “motivation” issues and the wider scope of motivational support needed to deliver quality services effectively.

## 7.2 Legal Approaches to Personal Incentives

The concept of positive incentives to promote individual excellence is a somewhat new concept to the sector which has relied upon more traditionally collective “socialist approaches” to motivational issues. A good example of this approach can be found in Decree 172 of December 7, 1999, which is concerned with the responsibilities of organisations and individuals for protection of land traffic road works and contains a section entitles Commendation and Violation Handling.

It is significant that the commendations section is contained in a single article (No 38) which contains following sentence: <sup>5</sup>.

“Organisations and individuals who record the following achievements shall be commended according to the common regulations of the State:

1. Splendidly fulfilling the tasks of managing and protecting land road traffic works;
2. Contributing labour, efforts and/or property to the protection of land traffic works;
3. Detecting and /or denouncing acts of infringing upon or sabotaging traffic works”

In contrast, Articles 39 through 42, which are concerned with violations, contain detailed instructions as to the different levels of fines to be imposed for various violations, ranging from a VND 20000 warning fine to a VND5, 000,000 fine for failure to dismantle, within prescribed time limits, houses built on occupied land, for which householders are liable to pay compensation for damage caused by such acts of violation.

The concentration on the various fines for disobeying the articles in the decree is not matched by much in the way of what might be called positive incentives, and the decree continues to promote ideas such as “denouncing acts of sabotage”, hardly guaranteed to promote innovative mechanisms for improving effective management or better outcomes.

However it is worth noting that enforcement of these kinds of regulations is not strict and that at an operational level local authorities are able to articulate a much more sophisticated understanding of their situation once outside any kind of formal reporting structure.

## 7.3 Maintenance in the RT Sector

Provincial perspectives on the current situation provide a good indication of the common issues facing the RT sector at present, as seen from an extensive programme of workshops on rural road maintenance issues conducted in 43 provinces in 2003 as part of the World

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<sup>4</sup> See Annex 1

<sup>5</sup> Article 38, Decree No 172/1999/ND-CP of December 7 1999 Detailing the Implementation of Ordinance on Protection of Traffic works with Regard to Land Road Traffic Works

Bank's ongoing Rural Transport Project (RT2)<sup>6</sup>. The provincial perspective that emerged called for:

- Development of a **decentralisation strategy** where funding and management responsibilities are based on realistic assessments of technical capability and local funding ability, particularly for poorer province.
- A **review of local contributions** mechanisms to reduce the burden on the poor and promote grass roots consultations on planning and monitoring of impacts on poor people.
- Improvement of **road network planning** and integration with other initiatives managed by MOT, MARD, MOLISSA, Programme 135 and MPI.
- Provision of guidance on **cost norms for construction and maintenance** in different regions of the country, based on the use of alternative surfaces, climate, topography, affordability and availability of local resources.
- Development of regulations on the balance between construction and **maintenance funding** for rural roads as separate budget line items and specific guidelines on maintenance responsibilities of communes, districts and provincial authorities.
- Recognition of the need to strengthen district level **capacity to manage the rural road network**.

Although about road maintenance, general issues of governance are clearly visible, such as decentralisation, grass roots consultation, financial matters, clear regulations regarding responsibilities of different agencies and the need for capacity building within the provinces, issues at the core of current attempts to reform public administration within Vietnam.

#### 7.4 MOT Perspective of RT Sector

The last six months to May 2005 have seen a series of new decrees, directives and strategic documents being drafted including Decree 186<sup>7</sup>, the draft SEDP (2006-2010) for rural and provincial transport<sup>8</sup> and the Strategy for Local Transport Development<sup>9</sup>. While this output is evidence of higher levels of activity in issuing decrees and making plans, this is nothing new in Vietnam – there is a decree prohibiting smoking in public places – and good intentions need to be translated into actions on the ground. Success here will depend much on levels of collective ownership, especially by national leaders and champions for change.

At the Hue Conference in March 2005<sup>10</sup>, attended by representatives of 64 provinces and senior MOT officials, there was general agreement that good progress had been achieved under RT2, not just in construction of Basic Access Roads but also, perhaps more significantly, in the enhancement of management at both central and local levels and the establishment of a new vision in development and maintenance of rural transport.

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<sup>6</sup> Rural Transport II Project, Briefing Paper No 4, Ninth Supervision Mission, Annex 3, p6 (World Bank/DFID, December 2003)

<sup>7</sup> Decree No 186/2004/ND-CP of November, 2004, Prescribing the Management and Protection of Road Traffic Infrastructures.

<sup>8</sup> SEDP for Transport Sector (Draft by TDSI, Feb 2005)

<sup>9</sup> Strategy for Rural Transport Development ongoing by TDSI for completion by July 2006

<sup>10</sup> Forum on Rural Transport for Preparation of the Third World Bank funded Rural Transport Project, (MoT,DFID, March 2005)

The recommendations for the future, endorsed by the conference delegates and MoT, covered issues such as institutionalising donor GOV collaboration, quality assurance, simplifying procedures, capacity building, management models for RT, especially at district and commune levels, as well as more technical issues such as investment levels, road surfacing, loading and the need for better provincial transport planning.

As a demonstration of ownership and support for modernisation of the RT sector, the Hue conference results show good evidence that modernisation initiatives are having an impact in the rural transport sector at both central and local levels and that these are being translated into concrete actions and proposals.

## 7.5 Public Administrative Reform (PAR) Programme

Any incentive measures regarding individual civil servants and cadres needs to be placed within the context of the Public Sector Reform (PAR) programme. This is major initiative by GoV involving the Ministry of Home Affairs, supported by UNDP, to build “a democratic, clean, strong, professional, modern, effective public administration system ....”<sup>11</sup> And to ensure that “cadres and civil servants have the appropriate capacities and ethical qualities to respond to the requirements of nation building and development.”

The PAR identifies a number sub programmes to help target resources, ranging from legal documentation to revising tasks, functions and organisational structures; staff downsizing; quality improvement of cadres and civil servants, salary reform; improvement of financial management for administrative and public service delivery agencies and modernisation of administrative system. (See Figure 2).

By the end of 2002 new initiatives underway included general regulations on the functions, tasks and organisation of ministries (Decree 86); simplifying administrative procedures (Enterprise Law 160); local government decentralisation (Decree 12/CP), introduction of ‘e-governance’ to promote **modernisation of the civil service** and enhance productivity, expansion of block budgeting and staffing.

On **personnel management**, major initiatives include the decentralisation of decisions on staffing numbers and capacities of public service agencies, linked to ongoing financial management reforms. For example, provinces will be given the authority to determine recruitment procedures, prompting review of salary systems and major efforts to address human resource issues at the commune level, such as the provision of employment to a certain number of commune officials on terms equivalent to civil servants.

A strategic and legal **framework for training and retraining of civil servants** is currently underway (PM Decision 74/2001/QD-TTg), including specific objectives for the training and upgrading of grassroots cadres and administrative civil servants. The vision of training and coaching is to enhance the quality and effectiveness of training, the importance of more skill-focused training and substantial efforts are being made to improve and modernise training management systems.

Finally the reform of financial management of Administrative agencies is proceeding through the expansion of the system of block budgeting and block staffing. Crucially, this reform aims at **providing incentives**, including increasing salaries, for the administrative agencies to improve efficiency through changes in both organisational structures and operational procedure, in particular, better results oriented financial management.

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<sup>11</sup> PAR Master Programme, From Step by Step to A Leap Forward, p 3, (MOHA and UNDP, 2002)

Figure 2: Public Administrative Reform (PAR) Programme : Reform Areas and Objectives<sup>12</sup>

<p><b><i>Institutional reform</i></b></p> <ul style="list-style-type: none"> <li>• Strengthening administrative legal institutions, enhancing accountability and reforming legal documents processing</li> <li>• Reforming administrative procedures to be transparent, simple and convenient</li> </ul> <p><b><i>Reform of Organisational Structures of Public Administration</i></b></p> <ul style="list-style-type: none"> <li>• Restructuring to focus on macro management and regulatory roles</li> <li>• Public service delivery functions</li> <li>• Decentralisation to and reorganisation of local government</li> <li>• Modernization of administrative system</li> </ul> <p><b><i>Renovation of the civil service</i></b></p> <ul style="list-style-type: none"> <li>• Cadres and civil service to be of reasonable size, professional and capable of discharging public duties by 2010</li> <li>• Salaries of cadres and civil servants adequate to maintain their and the life of their families</li> </ul> <p><b><i>Public Finance Reform</i></b></p> <ul style="list-style-type: none"> <li>• Financial mechanism reformed to be suitable for administrative agencies and public</li> </ul>
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Source : PAR Master Programme, MOH/UNDP (Dec, 2002)

The PAR initiative can be seen to tackle many of the classic incentive issues that are the usual focus of human resource development, including salary structures, skills development, career opportunities, and more significantly for the RT sector issues about **decentralisation of powers** to appoint and finance staff development, modernisation and reorganisation of local government.

Efforts to modernise and reorganise the RT sector or introduce new network management systems covering both the planning of investment and maintenance of the local road network are taking place against a backdrop of public administrative reform whose momentum is likely to remain a major factor in supporting significant change in the RT sector over the next five years. Potentially it provides the most significant **driving force for reform of the RT sector** and the primary mechanism for dealing with incentive issues.

The significance of this for the role of ODA funding is that it can be channelled to support management initiatives such as the introduction of new information and M&E systems for developing network management and maintenance initiatives which are specific to the RT sector and which do not apply to all civil servants. The success of this approach has been demonstrated by the provision by DFID of the "Training and Facilitation" Fund in the RT2 project. The application of the funds to pilot projects and demand led initiatives has demonstrated the benefits of such initiatives which have then been adopted by the MoT.

## 7.6 Building Incentive issues into programme design

However, any ODA efforts in this direction will require a broad understanding of motivational issues and an understanding of the role played by institutional factors to promote more effective management, in particular the linkages between 1) the conditions for successful

<sup>12</sup> PAR Master Programme : From a Step by Step to a Leap Forward, Ministry of Home Affairs and UNDP Joint Paper for the Vietnam Consultative Group Meeting, Dec 2002.

change management and 2) the institutional factors that are required to promote successful outcomes.

These linkages were identified during the design stage of the RT2 Provincial Support Programme<sup>13</sup> when Figure 3 was developed to provide a conceptual approach to understand how the role of incentives can be placed in its broader motivational context. The thinking behind the approach was that the basic conditions for improving performance in the RT sector will be more effective in an institutional (or project) environment in which the “rules” and incentives encourage stakeholders to focus their energies on positive actions that will result in sustainable impacts.

Figure 3: The Motivational Context for understanding the Role of Incentives in promoting RT Sector Outcomes 14

Conditions	Institutional Factors		
	Information	Enforcement	Incentives
<b>Finance</b>	High quality information will give planners and implementers choices regarding how to spend funds wisely	Funds are used appropriately and efficiently for programme purposes	Appropriate incentives ensure that funds are used for programme, and not diverted to other purposes
<b>Skills</b>	Improved skills will enable stakeholders to interpret and use information effectively	New planning/technical skills can be used effectively, as rules are enforced	Individuals have incentives to use new skills
<b>Motivation</b>	Motivated stakeholders will use information to change practices	Results of motivated individuals' work will be recognised, as rules are enforced predictably	Appropriate incentives will ensure that motivated individuals are rewarded appropriately
<b>Ownership</b>	High levels of ownership will enable local leaders to use new information more effectively	High levels of local ownership will promote better enforcement of rules, and this will discourage “defections”	Incentives will promote high levels of local ownership, as “owners” are rewarded for high quality outcomes.

The use of the above approach makes explicit that whatever the economic and social justifications for the future development of the RT sector, the strategies adopted must address the complete range of issues highlighted above. If they do not, strategies may well fail, but not because the social and economic issues are not well understood, but because the conditions for success have not been built into the design of the strategies' and their components<sup>15</sup>. This is where the vital issue of incentives needs to be considered in the design process as a multi dimensional problem which requires an holistic approach covering the full range of issues outlined in the 12 “checklist” of boxes making up the matrix in Figure 3.

<sup>13</sup> RT2 Institutional Working Paper, RT2 Implementation Plan, (WSP, 2002)

<sup>14</sup> Economic and Social Justifications of Rural Transport :The Design of the Rural Access Programme, Nepal, Paper presented at PIARC- World Road Association, Rural Transport Seminar, Cambodia, 2002

<sup>15</sup> For the design of projects such as RT2 or RT3 the matrix in Figure 1 can act as a checklist for design teams to define the conditions required for the success of the project.

## 7.7 Building Blocks for the next Five years

This section looks at progress made to date in fulfilling the conditions in Figure 3 in terms of initiatives currently underway in terms of the basic conditions for successful change management and the institutional factors for securing successful outcomes.

Current initiatives which can be built upon in the RT sector and which are relevant to next SEDP (2006-2010) period include:

- **Rural Transport Development Strategy:** this is a review of the RTSS produced in 1999 with DFID funding but which has never been adopted formally by MoT. Covering the next 10 years, the review will formulate a development strategy for the sector in response to a growing awareness that such a strategy is required to help manage and plan the future of the sector. This review is being carried out by TDSI and is due to be completed in July 2006.
- **SEDP Socio Economic Development Plan for 2006-2010** currently being prepared by GoV to set strategy and targets for the next five years for both rural and provincial roads. While continuing to support the connection of communes to the local road network, the SEDP's declared objective for the RT sector is to bring the existing road network up to a maintainable standard over the next 10-15 years through a programme of upgrading and rehabilitation, centrally funded periodic maintenance managed by
- **Network management** for local roads is being piloted by the VRA's Local Transport Unit (LTU) with support from RT2. The existing VRA highways data base has been modified for the local road network to describe inventory and road condition information linked to a GIS which is built around road maps of provinces throughout the country prepared by RT2 and SEACAP 11. The network management initiative will require a greater technical contribution by district staff if the SEDP objectives are to be realised over the next five years.
- **Provincial Transport Plans** will be used to identify network priorities for local roads managed by provincial PDOTs and these will then be used to identify candidate roads for both Gov and ODA funded projects for rehabilitation and maintenance funding, thereby becoming the annual programming guides for investment in the sector.
- The **Provincial Handbook on Maintenance** builds on the Routine Maintenance for Communes Handbook developed by MOT with RT2 assistance and which has now been introduced nationwide to both communes and district staff. Its companion is the provincial Handbook which will provide guidance on maintenance policy and planned maintenance strategies for both roads and bridges in order to provide systems for periodic maintenance to be funded from central government sources.
- **Skills development** for provincial, district and commune staff will be a major issue over the next five years and will need to be demand led. RT2 has laid the ground for such initiatives including the concept of demand led training programmes managed by PDOT's, district led training and awareness raising programmes for communes and commune residents. The pressure for the next five years will be to institutionalise these lessons and to develop a sustainable skills training base in the sector.
- **Provincial level skills** are generally good in terms of engineering and management within the rather narrow confines of detailed legislation and regulations. These do not promote innovative responses to improving the effective management of the local road network or reviews of current roles and responsibilities other than to request further guidance from central authorities. Provinces will need to take on much more responsibilities under decentralisation and motivate and reward staff for taking up these challenges.

- **District level management** is weak technically and largely concerned with administrative functions. However the introduction of the VRA Network Management System will require a more technical function including the annual reporting of road condition information. This may well require the recruitment of technical staff from the growing pool of IT specialists in Vietnam and direct competition with private sector incentives.
- **Commune level cadres** present a different problem in that it is probably better to transfer the more technical functions up the hierarchy to the district and provincial units with the skills, know how and budgets to manage planned periodic maintenance and detailed bridge inspections.

## 7.8 Major Challenges for the next five years

Major challenges for which there are no current initiatives are in the following areas:

- **Finance** will be a pressing RT issue facing central authorities in unlocking the maintenance issue and delivering on the SEDP objectives, but this is an issue which lies squarely with the MOF and not MOT.
- **Enforcement** is probably the main management issue for the MOT and PDOTs over the next five years.
- At the centre a pressing issue will be to strengthen the DPI, DOF and sub sector agencies such as VRA in order to place greater **focus on planning and maintenance**.

## 7.9 Conclusions and Recommendations

The role of incentives for ensuring good behaviour or good outcomes in the RT sector in Vietnam is not well articulated. What little exists is enshrined in government decrees that emphasise punitive measures or fines for transgressors with positive incentives reserved for those who make outstanding efforts and sacrifices or who denounce or inform on transgressors.

Instead incentives tend to be viewed in terms of financial inducements or supplements to locally raised funds for RT construction by communes, built around the concept of the 'State and the people working together'. The reality seems to be that access to funding is a major incentive governing what gets done at both the centre and local levels of government in the RT sector.

Over the past five years, however, the scope of what needs to be done has widened to include issues such as decentralisation, grass roots consultation, clarifying regulations, revising cost norms, determining a balance between construction and maintenance, defining responsibilities, defining management models for RT, building capacity and skills at district and commune levels as well as technical issues related to surfacing, loading and investment.

At the same time the Public Administrative reform (PAR) programme has placed emphasis on personnel management, with provinces being given authority to determine recruitment procedures, reviews of salary systems and major efforts to address human resource issues such skill focused training and career structures. Efforts to decentralise and modernise the RT sector will be given much impetus by the PAR and indeed need to be linked to on going MOT initiatives in the sector.

Looking to the next five years it is clear that RT sector **current initiatives that need continued support** include:

- Better information derived from **Network Management** initiatives by VRA
- Skills improvement building on the lessons learned in RT2 **demand led training**



- Incentives for personnel within the framework of the **Public Administrative Reform**
- The use of **transport plans** as the prime means for access to funding for the sector
- **Decentralisation** efforts to promote greater local ownership and motivation

**Major challenges** however still lie ahead including

- **Funding** for maintenance from central sources
- **Enforcement** issues relating to the use of funds, new skills being found to be valuable, rules being enforced in a predictable way and better local ownership leading to better enforcement of rules.
- Making moves towards sector wide initiatives.

## 8 Summary of key conclusions and recommendations

Conclusion	Recommendation
Information on the condition and extent of the rural road network is sparse or inaccurate, this makes it very difficult to prepare realistic plans.	Develop and implement a network management system for the rural road network to provide reliable data on network inventory and condition to inform decision making in a transparent and equitable manner.
There is no specific budget for rural road maintenance. Without reliable network data, the magnitude of maintenance requirements cannot be determined.	Network inventory and condition data should be collected so that the cost of rural road maintenance can be accurately estimated.
Maintenance of the rural transport network is still very weak.	It is necessary to introduce effective network management systems to inform decision making, monitor the effectiveness of expenditure and develop sustainable maintenance systems for the rural road network.
At the central level there are three units with different responsibilities for rural transport.	The various departments (and units) within MoT should be more integrated if network management systems are to be effective in achieving sustainability.
Generally, the provincial level is capable of managing rural transport networks. However, each province is individual and will have different resource needs for the implementation of network management systems.	The provincial departments of transport will need training in order to be capable of effectively operating network management systems. Each province should have a needs analysis undertaken to identify actual resource and training requirements within defined standards of service.
The District level must be strengthened in manpower and in professional capability for the effective introduction of network management systems.	Increase the staff and train the officers of Districts. A needs analysis should be undertaken to identify actual resource and training requirements within defined standards of service.
The Commune are the weakest, technically, and cannot be expected to undertake technical tasks beyond their resource capabilities.	Their responsibilities should be adjusted to their existing capabilities and commitments for rural road maintenance and reporting on road condition.
The benefits of donor initiatives have been recognised by the government.	Some current initiatives need continued support to move towards sustainability
Fund flexibility has allowed demand led initiatives to provide a wide range of benefits and has demonstrated the benefits of effectiveness of incentives.	MoT should build on the successes of RT2 and seek flexible funding from the donors to promote demand led initiatives and develop effective incentives.

## Survey results: Sample of PDOTs reports

No	PDOTs	Organisation	Mechanism	Incentives	Others
1	Bac Ninh	<ul style="list-style-type: none"> <li>Rural roads include district, commune and village roads. District roads are managed by DPC through a land use, construction and transport division. Commune roads – by CPC. Some village roads – by villages.</li> <li><i>Coordination:</i> Fair coordination of planning, financial, transport units. Information is in time.</li> <li><i>Fund allocation for RT projects:</i> Local State treasury should be delegated to pay for contractors. There is no need to pay directly from Central treasury for contractors. It makes contractors to travel and communicate a lot.</li> <li><i>Supervision:</i> At present, supervision and commission are fair organised and in accordance with current GoV regulations. However, local supervisors should be used. They have not been certificated as supervisors.</li> <li><i>Proposals:</i> Project implementation progress is delayed due to many intermediary levels.</li> </ul>	<p>RT is paid attention by local authorities:</p> <ul style="list-style-type: none"> <li>Fund allocation to support RT development – 20% for project communes and 40% for poor communes.</li> <li>Fund resources policy for RT – Land use fund is used as one fund resource for RT.</li> <li>Fund mobilisation policy for RT (Collect from community, transport mean and enterprises)</li> </ul>		<p><i>Proposals:</i></p> <ul style="list-style-type: none"> <li>Based on criteria and the definition of BAR, just roads connecting commune to district could be upgraded. This is unreasonable. Roads connecting to other communes and to other roads should be rehabilitated to create a complete road network.</li> <li>The prohibition of State Contractors from bidding is unreasonable SOE are big, professional and experienced in bridge and road constructions. The private contractors are allowed to bid but they are not transport professional and not experienced in transport construction. This regulation affects to progress and construction quality.</li> <li>To increase investment rate for 1 km of rural roads.</li> <li>To revise design standard for rural roads</li> </ul>
2	Binh Dinh	<ul style="list-style-type: none"> <li>PDOT has 3 main units: <ul style="list-style-type: none"> <li>Transport management Division: Main responsibilities include approval of local transport design and estimated cost, maintenance management of province roads, consulting to PDOT leaders in transport planning, RT development etc.</li> <li>PPMU: Manages all transport constructions that PDOT is investor.</li> <li>Transport design Company: (TDS) At District level: 1 Construction –Industry Division with 1 transport staff At commune level: 1 commune staff in charge of transport, land use management, construction,</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>RT is paid attention by local authorities: <ul style="list-style-type: none"> <li>Transport Master Plan to 2010 of Binh Dinh province is set up <ul style="list-style-type: none"> <li>Beton rural road construction program 2000 – 2004. Total fund is 360 bill. VND (cement supported by PPC, supports of district and commune budgets, Program 135 and community contribution)</li> </ul> </li> </ul> </li> <li><i>Proposals:</i></li> </ul>	<ul style="list-style-type: none"> <li>PPC support cement to develop RT.</li> </ul>	<ul style="list-style-type: none"> <li>Fund sources for local transport include local budget, ODA, other national program and community contribution.</li> <li><i>Proposals:</i> <ul style="list-style-type: none"> <li>Reestablishment of district transport division as in the past.</li> <li>There is a need to regulate nation –wide budget expenditure rate for road maintenance and to set up Routine Maintenance &amp; Management Units at all levels.</li> <li>To improve setting up province transport master plan. It should be based on socio – economic development plan, sector and area</li> </ul> </li> </ul>

		<p>irrigation etc.</p> <ul style="list-style-type: none"> <li>• <i>Supervision:</i> Local supervisors are capable to supervise local transport construction. They are staff of PPMU and TDS.</li> <li>• <i>Proposals:</i> RT projects should be decentralised. PPMU should completely manage and implement ODA RT projects. The central PMU has unclear responsibility in RT projects.</li> </ul>	Revising responsibility of PPC for delegated highways in Decree 167/1999/ND- CP.		<p>plans etc.</p> <ul style="list-style-type: none"> <li>- To implement decentralisation for ODA RT projects.</li> </ul>
3	Bac Giang	<ul style="list-style-type: none"> <li>• PDOT is a consulting agency for PPC and MOT in State transport management in province. PDOT manages delegated highways, province roads and roads for other purpose. At district level (district has a Infrastructure-economic Division) and at commune level: ...The same in Bac Ninh.</li> </ul> <p>Province, district transport staff have graduated professional college and universities. Commune transport staff is not professional.</p> <ul style="list-style-type: none"> <li>• <i>Supervision:</i> The same in Bac Ninh. District Transport Division can not be able to manage and implement RT projects due to limited capacity. They need to be enhanced capacity.</li> </ul>	<ul style="list-style-type: none"> <li>• Fund allocation for RT: <i>Domestic funds:</i> Funds are allocated through province, district budget and the treasury system checks and makes funding. <i>ODA fund:</i> Funds are allocated through Plans of Ministry, PPC and the treasury system checks and makes funding.</li> <li>• Fund resources policy for RT – Land use fund is used as one fund resource for RT.</li> <li>• Loss and corruption can be happened in all areas – management, construction, norm, prices etc.</li> <li>• Funds for RT are used in proper purposes</li> </ul>	<ul style="list-style-type: none"> <li>• PPC supports 20% cost for rural road construction, mainly for village roads.</li> <li>• PPC supports construction materials (cement) for rural road construction.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Proposals:</i> <ul style="list-style-type: none"> <li>- Capacity building for district transport staff.</li> <li>- Rural roads should have beton surface.</li> <li>- Lack of maintenance management regulation. Maintenance has not been paid attention.</li> </ul> </li> <li>• PPC assigns DPC to set up plan and seek fund resources for RT through support contribution and other support.</li> </ul>
4	Dong Nai	<ul style="list-style-type: none"> <li>• PDOT DDOT: can not be able to manage and implement RT project due to the same reasons</li> <li>Commune:</li> <li>• <i>Coordination:</i> Every year, managerial agencies set up plan and submit it for approval. Province Financial Department reviews budget in coordination with Investment Management Agencies to fund.</li> </ul>			<ul style="list-style-type: none"> <li>• <i>Proposals:</i> <ul style="list-style-type: none"> <li>- It should have the definition of Rural Roads (RR). RR is often mentioned in Planning, design and RR construction but it still has not definition.</li> <li>- For RT3: Project roads should be designed, constructed in accordance with technical standard of MOT. The investment rate per 1 km rural roads</li> </ul> </li> </ul>

		<ul style="list-style-type: none"> <li>• <i>Fund allocation for RT projects:</i> Based on approved annual plan, annual budget should be transferred to provinces, so that they could be active in payment. Time is economised.</li> </ul>			<p>should not be provided. It should based on topography, ground, climate conditions of localities.</p> <p>Gravel surface of rural roads is not reasonable in reality.</p> <ul style="list-style-type: none"> <li>• <i>Criteria of projects:</i> Small and medium enterprises are given priorities; but in fact this is not mentioned in any detailed policy. There is a contradiction in bidding requirements for contractors. Small and medium enterprises are required experienced, capable but most of them are new established, not experienced and having limited funds.</li> </ul>
5	Vinh Phuc	<ul style="list-style-type: none"> <li>• PDOT has 60 staff DDOT has 5 - 10 staff. DDOT is in charge of transport, construction and environment management. At present DDOT cannot be able to manage RT projects. They require being enhanced capacity and increased the staff number to manage projects.</li> <li>• <i>Fund allocation for RT projects:</i> General process fund allocation is: setting up annual plan – submitting to PPC – DPC accepting – Budgeting – designing, making estimated cost – bidding – construction – handover – payment through treasury when fund is available. For RT2: After acceptance of FS, PPMU set up annual plan – CPMU &amp;WB accepted – bidding - construction – handover – payment – maintenance. Regarding funding of RT2: Invoice of contractor – PPMU set up plan to CPMU – CPMU approved- Transfer to Central treasury – Local treasury – Contractors.</li> </ul>			<ul style="list-style-type: none"> <li>• Decentralisation to provinces for RT projects;</li> <li>• Training for local supervisors</li> </ul>

## Results of the Survey from PTAs

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## Introduction

These recommendations and options are written in response to a request by MOT for support to develop a Joint Donor Support Framework for Institutional Development and Capacity Building for Local Transport, based on a concept note discussed by MoT and Transport donors in 2004. Once developed, individual donors can align their support to this framework as and when opportunities arise. For example MOT recommends that the Implementation consultants for the forthcoming RT3 take on the detailed design work for a joint ADB/DFID/WB programme once the initial framework has been agreed.

The MOT has suggested a two stage approach as follows:

- Firstly a review of current experiences of local Transport capacity building and institutional development initiatives to learn lessons and develop an initial framework for support at the national and sub national levels, including ADB,DFID,JICA,JBIC and WB work.
- More detailed work to define a programme which incorporates MOT priorities and existing and pipeline programmes for each of the donors in an overall framework from which priority areas and gaps can be identified for support under joint ADB/DFID/WB ( and possibly other Transport donors) capacity building programmes.

This is a significant move by MOT on two counts. Firstly, it recognizes the role played by the country's local road network, which includes roads managed by commune, district and provincial authorities. These make up nearly 90% Vietnam's 213,400km road network, and serve some 76% of the total population and labour force and 90% of the country's poor households.<sup>1</sup>

Secondly, it points to the growing attention now being paid by GOV to the local road sector in terms of its maintenance, planning and management, which are linked to moves towards a sector wide approach to dealing with these issues and their institutional and capacity building implications.

### 1 Structure of this Report

This report builds on work undertaken in the two previous SEACAP 16 papers and begins with an outline of the overall Comprehensive Poverty Reduction and Growth Strategy (CPRGS) of GoV, within which all ODA collaboration now takes place. The policy objectives of the CPRGS will in future be built into successive five and ten year national development planning exercises .

The report then examines the strategic context of the Local Transport Sector for the next five years as outlined in the draft **Socio Economic Development Plan (SEDP) for 2006-2010**. This is essentially what the sector must achieve over the next five years. A longer term, ten year perspective will be provided by the Local Transport Development Strategy due for completion in July 2006. Both the plan and the strategy are new developments in the LT sector.

Next the report reviews the lessons learned over the past five years, as perceived at the MoT Workshop on Local Transport held in Hue in March 2005. Attended by representatives of government agencies and PPC's from all 64 provinces in the country, as well as central

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<sup>1</sup> World Bank Transport Sector Expenditure Review, 2004

government agencies, donors and international and national consultants, the conference proceedings represent the latest in GOV thinking about the **issues that will face the sector over the next five years and beyond.**

The scope of these issues is much broader than the traditional concerns of the sector with investment planning and extends to cover a range of issues concerned with modernization of the civil service, decentralization, and improved delivery of public goods and services. The main driving force behind these initiatives is the **Public Administration Reform (PAR)** programme of GOV, whose objective is “ a democratic, clean, strong, professional , modern, effective public administration system “ able to respond to the requirements of nation building and development.

Efforts to modernize the LT sector are therefore taking place against a backdrop of public administration reform whose momentum is likely to remain a major factor in supporting sustainable change for the next five years. Significantly, ODA support in capacity building, human resource training, legal and administrative reform have been linked to consideration of **new forms of ODA assistance** such as programme based approaches and SWAp being piloted in education and explored in the Local Transport sector.

However, any efforts in this direction will require a broad understanding of the motivational issues and the role played by **institutional factors** to promote effective change management and capacity building in the sector. Over the past five years there has been a significant broadening of the scope of what needs to be done in the Local Transport sector, to cover issues ranging from decentralization, grass roots consultation, clarifying responsibilities, the balance between construction and maintenance, defining management models for LT, building capacity at both the district and commune levels as well as technical issues related to surfacing , loading and investment levels.

The report then turns to consider the **mechanisms available for setting up a framework** for joint donor support in the context of Decree 17 on the management and utilization of ODA and progress made over the past five years in the LT sector through projects such as RT2. While the factors listed above point towards the potential use of new forms of ODA such as sector wide approaches (SWAps), currently, GoV guidelines for the management and utilization of ODA recognize only project based mechanisms for implementation. In itself this does not prevent moves towards sector wide approach, as has been demonstrated by the maintenance component of the RT2 project, but this mechanism is at present the only readily available starting point for the development any Joint Donor Support Framework.

Finally the report suggests possible ways forward for implementing and **refining the concept note** discussed between the donors and MoT in 2004 and steps needed to move towards a more detailed framework that would identify support under a joint ADB/DFID/WB ( and possibly other Transport donors) capacity building programme. **Outline ToR** have been prepared to suggest ways in which RT3 could be used as a platform for moving towards new mechanisms of ODA cooperation

## 2 CPRGS

A key document for development initiatives in Vietnam, the GOV's Comprehensive Poverty Reduction and Growth Strategy (CPRGS) contains the major government policies and measures to develop sectors and industries to promote sustainable growth and poverty reduction<sup>2</sup>

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<sup>2</sup> p98 -99, Comprehensive Poverty Reduction and Growth Strategy, GOV, 2003

The following CPRGS guiding principles are relevant to Local Transport development

- Recognise the importance of “sustainable” growth, “quality” of growth and a “balance” between growth and poverty reduction.
- Adopt a pro-poor growth approach that is based on good data and poverty analysis with clear policy actions to achieve the goals and objectives
- Use a more participatory approach to planning and better monitoring and evaluation to measure impact;
- Improve financial management, including better coordination between capital and recurrent expenditures.

The CPRGS also contains a set of policies and tasks relevant to Local Transport :

- Ensure that all commune centres and commune group centres will be reached by car/small-medium truck accessible roads using a phased development in difficult terrain– phase 1 built for motorcycles and horse carts – phase 2 expanded to carry cars and trucks
- Priority will be given to upgrading, expanding and rehabilitating existing roads so that 70 percent of Local roads will have all weather access, of which 30 percent will be made of concrete
- New construction will be considered if sufficient resources can then be found
- Strengthening local participation in planning, implementation and maintenance of local road network
- Upgrading and expanding roads within communes will be funded by a combination of local resources and State funds

The significance of the CPRGS is that it makes a direct link between a set of general governance related issues and specific development objectives and targets of the LT sector. This means that any framework for Joint Donor Support is not simply about the selection of investment projects but must take on board the CPRGS development objectives and strategy for growth and poverty reduction including a) completing the transition to a market economy, b) keeping development socially inclusive and environmentally sustainable and c) creating modern governance. These CPRGS strategies and objectives are being built into the next, five year Social Economic Development Plan (SEDP) for the period 2006-2010, which is currently being drafted by TDSI for the LT sector, and which will then replace the CPRGS over the next five years.

### **3 SEDP (2006-2010)**

Still in draft the SEDP for the LT sector reviews performance over the last five year plan of both the Local and provincial road sub sectors and then sets targets for the next five years.

In line with the current 10 year plan developed by VITRANSS<sup>3</sup>, the SEDP defines the goal for the next five years as being to develop an appropriate road network in order to achieve balanced economic development throughout the country and to alleviate poverty in remote and Local areas in line with CPRGS<sup>4</sup> targets.

To do this the draft SEDP objective is to bring the existing local road network up to a maintainable standard over the next 10-15 years through a programme of a) upgrading and

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3 VITRANSS (2001)

4 CPRGS –Comprehensive Poverty reduction and Growth Strategy (GoV, 2003) See Annex 1

rehabilitation, b) centrally funded periodic maintenance managed by provinces and c) local funding of routine and emergency maintenance.

In line with the World Bank's Transport Sector Review, the SEDP stresses that greater funding for maintenance is a key policy objective but points out that managers of the local road network are "struggling to determine the true needs for road maintenance because the management information systems within MOT, VRA and the provinces are inadequate for managing a network of over 200,000km"<sup>5</sup>.

Turning to the major policy issues facing the SEDP, there is a commitment to some 400 communes which currently do not have road access, after which, dealing with the maintenance backlog on the existing network will become the new priority for the foreseeable future.

The main policy issues for the next five years include:

- The remaining 400 communes without road access are to be connected and replacement of Monkey Bridges in Mekong to continue
- Rehabilitation, upgrading and preserving the existing local road network in a serviceable condition is the most urgent priority for the future
- Allocations and cost norms to poorer provinces need to be increased, based on a rational allocation system that reflects the higher costs of more remote provinces and the difficulties they have in raising their own revenue.
- Funding policies for local road maintenance need to be determined by MOT, MOF, MPI, MARD as a matter of urgency, with priority attention and funding targeted at planned periodic maintenance of local roads managed by provinces, particularly in poorer provinces.
- Periodic maintenance needs to be reported as a separate budget line item from rehabilitation, upgrading and any new construction.
- Development of a Local Road Network Management Information System is needed to determine true maintenance needs and should have a special priority status.
- Mechanism required for allocating and prioritising resources for Local Transport
- Improve the efficiency of maintenance delivery at the provincial level
- Capacity building for road maintenance management at provincial levels
- An overall strategy for the development and decentralised management of the local road network needs to be developed as a matter of urgency with the full consultation of the Provinces, MOT, MOF, MPI and MARD.
- Increase road safety on local road networks

These policy issues are the priority areas where support is likely to be needed to deliver the objectives of the SEDP for the local network of provincial, district and commune roads in terms of a framework for institutional development and capacity building over the next five years. They define what the sector must achieve over the next five years. Clearly there is a lot to do but how much remains to be done depends on assessing what progress has been made over the past five years and where the sector stands at the moment.

#### **4 GOV Key issues from the Hue Conference**

As part of a review of progress over the past five years and Exchange of Voices for the Preparation of the Third Local Transport Project, a joint donor MOT conference was held in

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<sup>5</sup> p15 Transport Sector Review, World Bank (2004)

Hue in March 2005. Attended by 61 provincial leaders, donor and MOT representatives and chaired by MOT leaders, the Record of Discussions lists items that are linked clearly to key SEDP policy issues.

Lessons learned during the implementation of projects such as the WB/DFID funded RT2 and the ADB funded Transport Networks for the Poor included:

- Realisation of the importance of establishing a new strategy, planning and institutions in Local road development;
- Organization of design and construction, management and maintenance in professional manners;
- Enhancement of the role and awareness of maintenance activities;
- Good collaboration in investment resources of donors, provinces and contribution of communes;
- Acceleration of disbursement activities;
- Community participation into stages of Local road activities;
- Environmental monitoring and evaluation, policy towards ethnic peoples;
- Establishment of transparency and clear bidding system from survey, design, tender documentation, bidding and evaluation to contract award;
- Development of capacity of local small contractors in private sector (not SOEs);
- Use of local materials for Local road construction;
- Focus Group for discussion of LT Sector issues nationwide
- 

Turning to the recommendations of the workshop for the next five years, papers submitted to the workshop<sup>6</sup> identified four general areas of concern including

- Continued priority to be given to ODA resources to support Local Transport development
- Prompt action required to determine a Local Transport strategy
- Strengthening the management of Local Transport
- Establish a national management of the Local Transport sub sector and associated capacity building programme, especially at district and commune levels.
- Enhancement of the capacity of the private sector in Local Transport

The MOT vision for the LT sector is very much in line with the Draft SEDP and there appears to be a clear and consistent commitment to greater decentralization and better local governance as ways of improving service delivery at the provincial level of government. This is also consistent with on going efforts by GOV to undertake public administrative reform

## 5 Public Administrative Reform (PAR) Programme

This is a major initiative by GoV involving the Ministry of Home Affairs, supported by UNDP, to build “a democratic, clean, strong, professional, modern, effective public administration system ....”<sup>7</sup> And to ensure that “cadres and civil servants have the appropriate capacities and ethical qualities to respond to the requirements of nation building and development.”

The PAR identifies a number of sub programmes to help target resources, ranging from legal documentation to revising tasks, functions and organisational structures; staff downsizing;

<sup>6</sup> Closing Paper , Workshop on Local Transport, Hue (2005)

<sup>7</sup> PAR Master Programme, From Step by Step to A Leap Forward, p 3, (MOHA and UNDP, 2002)

quality improvement of cadres and civil servants, salary reform; improvement of financial management for administrative and public service delivery agencies and modernisation of administrative system. (See Figure 1)

By the end of 2002 GOV initiatives underway included general regulations on the functions, tasks and organisation of ministries (Decree 86); simplifying administrative procedures (Enterprise Law 160); local government decentralisation (Decree 12/CP), introduction of 'e-governance' to promote modernisation and enhance productivity, expansion of block budgeting and staffing.

On personnel management, major initiatives include the decentralisation of decisions on staffing numbers and capacities of public service agencies, linked to ongoing financial management reforms. For example, provinces will be given the authority to determine recruitment procedures, prompting review of salary systems and major efforts to address human resource issues at the commune level, such as the provision of employment to a certain number of commune officials on terms equivalent to civil servants.

A strategic and legal framework for training and retraining of civil servants is currently underway (PM Decision 74/2001/QD-TTg), including specific objectives for the training and upgrading of grassroots cadres and administrative civil servants. The vision of training and coaching is to enhance the quality and effectiveness of training, the importance of more skill-focused training and substantial efforts are being made to improve and modernise training management systems.

Finally the reform of financial management of Administrative agencies is proceeding through the expansion of the system of block budgeting and block staffing. Crucially, this reform aims at providing incentives, including increasing salaries, for the administrative agencies to improve efficiency through changes in both organisational structures and operational procedure, in particular, better results oriented financial management.

In summary, the PAR initiative can be seen to tackle many of the classic incentive issues that are the usual focus of human resource development, including salary structures, skills development, career opportunities, and more significantly for the LT sector issues about decentralisation of powers to appoint and finance staff development, modernisation and reorganisation of local government.



Figure 1 : Public Administrative Reform (PAR) Programme : Reform Areas and Objectives

<p><i>Institutional reform</i></p> <ul style="list-style-type: none"> <li>▪ Strengthening administrative legal institutions, enhancing accountability and reforming legal documents processing</li> <li>▪ Reforming administrative procedures to be transparent, simple and convenient</li> </ul> <p><i>Reform of Organisational Structures of Public Administration</i></p> <ul style="list-style-type: none"> <li>▪ Restructuring to focus on macro management and regulatory roles</li> <li>▪ Public service delivery functions</li> <li>▪ Decentralisation to and reorganization of local government</li> <li>▪ Modernization of administrative system</li> </ul> <p><i>Renovation of the civil service</i></p> <ul style="list-style-type: none"> <li>▪ Cadres and civil service to be of reasonable size, professional and capable of discharging public duties by 2010</li> <li>▪ Salaries of cadres and civil servants adequate to maintain their and the life of their families</li> </ul> <p><i>Public Finance Reform</i></p> <ul style="list-style-type: none"> <li>▪ Financial mechanism reformed to be suitable for administrative agencies and public service delivery agencies by 2005</li> </ul>
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Source : <sup>8</sup> PAR Master Programme, MOH/UNDP (Dec, 2002)

Efforts to modernise and reorganise the LT sector and introduce new network management systems covering both the planning of investment and maintenance of the local road network are therefore taking place against a backdrop of public administrative reform whose momentum is likely to remain a major factor in supporting significant change in the LT sector over the next five years. A joint donor capacity building or institutional development framework for the local Transport sector should therefore be linked to the PAR programme, which potentially can provide not only the driving force for reform of the LT sector, but also the mechanism for dealing with many of the incentive issues relating to the motivational context outlined in the next section .

## 6 Outline Framework

Any efforts in this direction will require a broad understanding of motivational issues and an understanding of the role played by institutional factors to promote more effective management, in particular the linkages between 1) the conditions for successful change management and 2) the institutional factors that are required to promote successful outcomes.

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<sup>8</sup> PAR Master Programme : From a Step by Step to a Leap Forward, Ministry of Home Affairs and UNDP Joint Paper for the Vietnam Consultative Group Meeting, Dec 2002.

Figure 2 : The Motivational Context for understanding the Role of Incentives in promoting LT Sector Outcomes <sup>9</sup>

Conditions	Institutional Factors		
	Information	Enforcement	Incentives
6.1.1.1.1.1 Finance	High quality information will give planners and implementers choices regarding how to spend funds wisely	Funds are used appropriately and efficiently for programme purposes	Appropriate incentives ensure that funds are used for programme, and not diverted to other purposes
Skills	Improved skills will enable stakeholders to interpret and use information effectively	New planning/technical skills can be used effectively, as rules are enforced	Individuals have incentives to use new skills
Motivation	Motivated stakeholders will use information to change practices	Results of motivated individuals' work will be recognised, as rules are enforced predictably	Appropriate incentives will ensure that motivated individuals are rewarded appropriately
Ownership	High levels of ownership will enable local leaders to use new information more effectively	High levels of local ownership will promote better enforcement of rules, and this will discourage "defections"	Incentives will promote high levels of local ownership, as "owners" are rewarded for high quality outcomes.

The use of the above approach makes explicit that whatever the economic and social justifications for the future development of the LT sector, the strategies adopted must address the complete range of issues highlighted above. If they do not, strategies may well fail, but not because the social and economic issues are not well understood, but because the conditions for success have not been built into the design of the strategies and their components<sup>10</sup>. This is where the vital issue of incentives needs to be considered in the design process as a multi dimensional problem which requires an holistic approaches covering the full range of issues outlined in the 12 "checklist" of boxes making up the matrix in Figure 2.

The role of incentives for ensuring good behaviour or good outcomes in the LT sector in Vietnam is not well articulated. What little there is enshrined in government decrees tends instead to emphasise punitive measures or fines for transgressors with positive incentives reserved for those who make outstanding efforts and sacrifices or who denounce or inform on transgressors.

1.1.1.1.1.1 <sup>9</sup>Economic and Social Justifications of Local Transport :The Design of the Local Access Programme, Nepal, Paper presented at PIARC- World Road Association, Local Transport Seminar, Cambodia, 2002

<sup>10</sup> For the design of projects such as LT2 or LT3 the matrix in Figure 1 can act as a checklist for design teams to define the conditions required for the success of the project.

Instead incentives tend to be viewed in terms of financial inducements or supplements to locally raised funds for construction by communes, built around the concept of the 'State and the people working together'. The reality seems to be that access to funding is a major incentive governing what gets done at both the centre and local levels of government in the sector.

Over the past five years, however, the scope of what needs to be done has widened to include issues such as decentralisation, grass roots consultation, clarifying regulations, revising cost norms, determining a balance between construction and maintenance, defining responsibilities, defining management models, building capacity and skills at district and commune levels as well as technical issues related to surfacing, loading and investment.

At the same time the Public Administrative Reform (PAR) programme has placed emphasis on personnel management, with provinces being given authority to determine recruitment procedures, reviews of salary systems and major efforts to address human resource issues such skill focused training and career structures. Efforts to decentralise and modernise the LT sector will be given much impetus by the PAR and indeed need to be linked to on going MOT initiatives.

## 7 Decree 17 on the Management and Utilisation of ODA

As implied in the request by MoT, a joint donor support framework for a sector wide approach is part of moves to introduce new forms of ODA to Vietnam. Other forms include non project assistance such as direct budgetary support, trust funds, co-financing funds and regional projects. So far these have been proposed mainly in fields such as administration, legal and public finance reform, although, through RT2, the Local Transport (LT) sector has already demonstrated the feasibility of adopting a sector wide approach through the introduction of the Local Road Maintenance Handbook for communes throughout the country.

Decree 17 on the Management and Utilization of ODA (May 2001) provides legal guidance on the use of ODA, consistent with mainstream government practices. However, it is restricted to project assistance and does not cover new forms of ODA that had emerged by 2004.

Both MPI<sup>11</sup> and the Like Minded Donor Group.(LMDG) have therefore recommended that Decree 17 be revised to take on board two key issues:

- Decentralisation of ODA management and utilization
- Mechanisms for handling large programmes and sectoral strategies and policies and large scale regional programmes

The group also wishes to see:

- A critical assessment of the role and effectiveness of the PMU's in guiding ODA programmes, originally established to managed construction projects rather than capacity building and institutional support initiatives.

These provide useful pointers for the design of a support framework, but the scope of the present Decree 17 will need to be expanded to include the following recommendations made by the LMDG

- Inclusion of a new chapter on budget support and co-financing mechanisms
- A new chapter of sector support which should cover the following issues

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<sup>11</sup> Assessment of three year implementation of the Decree 17/2001/ND-CP (MPI -2004)

- Guidance on the use of joint PMU or integrated ODA/international/Investment department instead of parallel PMU's for projects and programmes
- Inter ministerial and central/province coordination mechanisms
- Guidance for linking individual projects to programmes or to integrate them in sectoral approaches during the project/programme cycle
- Guidance on harmonization of the rights and obligations of foreign specialists implementing ODA programmes
- Capacity building for national project management such as Comprehensive Capacity Building Programme (CCBP)<sup>12</sup>

For the present however, the fact remains that until Decree 17 is revised, the existing mechanism for ODA support to a Joint Donor Framework for technical and institutional support to the local Transport sector is likely to remain project based. This does not prevent progress towards sector wide approaches as has been demonstrated by the WSP component of the RT2 project. This component has not only been able to operate at central and provincial levels among the 43 RT2 participating provinces but has also extended its support nationwide to the remaining provinces in the country through the SEACAP 10 and 12 projects. This has seen the introduction of routine maintenance training to all communes in the country and supported the mapping required for the introduction of a Network Management GIS for the local road network sector.

## 8 ADB Central Region Transport Network Project

From the analysis so far it is clear that many of the strategic and policy objectives for the local Transport sector are already in place or in the pipeline and that implementation arrangements for a joint donor support framework are probably limited to a project based approach, at least in the first instance.

A good example of the way in which ODA donors are becoming much more conscious of the added value of close coordination in project planning can be found in proposals for the ADB Central Region Transport Network Project<sup>13</sup>. The ADB points out that extensive technical assistance is being provided under several projects funded by different donors to strengthen local road sector management, the majority of this on national highways or Local district and commune roads. It goes on to state that there are many overlaps between projects and every effort is being made to ensure close coordination among donors and project executing agencies to avoid conflicts and duplication.

Significant technical assistance provided to the PDOTs includes:

- The Viet Nam Road Administration (VRA) has developed and distributed guidelines and standards, and road and bridge database computer software to the PDOTs.
- The Implementation of Sector Development Policy (ISDP) component of ADB 3rd Road Improvement Project is assisting the PDOTs to implement road and bridge maintenance management systems for national highways delegated to the PDOTs by the VRA.
- ADB TA 4028-VIE Transport Services Networks for the Poor is developing a methodology for designing and prioritizing road subprojects from a network perspective to integrate poverty reduction impacts with economic growth priorities using two pilot provinces in the central region, Nghe An and Ninh Thuan.

<sup>12</sup> By implication this would extend to cover sector capacity building initiatives such as the Network Management System currently being trialed by VRA for the Local road sector.

<sup>13</sup> Draft TOR for Central Region Transport Network Project

- The World Bank/DFID-funded Second Local Transport Project (RT2) is providing technical assistance to the PDOTs in the maintenance of district and commune roads which will be extended to cover provincial roads in the next phase of the project. RT2 is developing a Provincial Maintenance Handbook.
- The World Bank/DFID-funded Third Local Transport Project (RT3) will continue this assistance in 32 provinces including 9 of the 19 provinces in the central region.

Turning to its assessment of PDOT institutional capacity and training needs made during Project preparation<sup>14</sup> the ADB points out that the main weaknesses are in road planning procedures, maintenance management systems that are not fully developed and used, and insufficient funds are provided by the Provincial Peoples' Committees (PPCs) for an adequate level of maintenance for provincial roads. It concludes that there is substantial expenditure on provincial roads and there is a need to strengthen provincial road asset planning and management.

Poor road safety is a growing, serious problem in Viet Nam and the Government has established a National Traffic Safety Committee (NTSC) and developed an Action Plan to address this road safety at all levels in Viet Nam. The Road Safety Project funded by the World Bank is focusing on the development of a national safety program and demonstration of safety improvements on three 'high-risk' national highway corridors. The PDOTs also are responsible for road safety on the national highways delegated to them by the VRA and their provincial roads and there is a need to introduce road safety programs at the provincial level.

The institutional development component of the Project will provide technical assistance to the PDOTs in three main areas of road management as follows, and working in coordination with other technical assistance programs mentioned above:

- Implementation of the road planning and maintenance management procedures and systems being developed under the World Bank/DFID Local Transport Project on provincial roads in the 10 central region provinces<sup>15</sup> not included in the World Bank/DFID project.
- Implementation of road safety measures being developed under the World Bank Road Safety Project on provincial roads in three central region provinces, as yet to be identified, with the possibility of extending this technical assistance to other PDOTs.
- Assistance to PDOTs to establish effective resettlement, social and environmental capacity in the PDOT project management units (PPMUs)<sup>16</sup>.

## 9 Third Local Transport Project (RT3) Design

The willingness of donors to adopt measures that will ensure coordination between ODA projects is also demonstrated by the outline design for the forthcoming RT3 project, to be funded jointly by the World Bank and DFID<sup>17</sup>. There will be two project components. Component 1 will support the provincial Transport plans of 33 provinces to support their rehabilitation and maintenance strategies. Component 2 will provide technical assistance to strengthen the administration and implementation of those plans

<sup>14</sup> TA No. 4034-VIE Central Region Transport Network Project, Draft Final Report, ND Lea Consultants Ltd. in association with TDSI, July 2004

<sup>15</sup> Da Nang, Quang Nam, Khanh Hoa, Ninh Thuan, Binh Thuan, Kon Tum, Gia Lai, Dak Lak, Dak Nong, Lam Dong

<sup>16</sup> This assistance will be provided by the Project Coordination/Construction Supervision Consultant during implementation of the investment component of the Project

<sup>17</sup> Email dated 29<sup>th</sup> March 2005 from World Bank to ADB, copied to DFID

**Component 1: Financing support to provincial Transport plans.**

This component will support the financing of provincial Transport plans and include broad categories of work under rehabilitation and maintenance activities. Provincial Transport plans include provincial, urban, district, commune, village and special purpose roads. Provinces also have delegated responsibility from VRA for the maintenance of some national roads. This component will finance predominantly the rehabilitation of the core Local roads together with maintenance funding of the entire provincial network (national roads excluded).

**Sub-component 1.1: Rehabilitation of the core Local roads network .**

In line with GoV strategy the focus will be on connecting the remaining communes which lack all weather motorized vehicle access. As the majority of communes now have all weather access the financing will also support improvement of the network through upgrades to paved standards, rehabilitation of inter-commune roads and key village roads, and provision of bridges. This financing will support a flexible range of interventions in accordance with MoT and WB agreed standards. Greater attention will be given to developing cost effective, coherent networks (including bridges) with maximum connectivity. As such it is anticipated that some provincial roads will be included.

**Sub--Component 1.2: Maintenance of the provincial roads network**

This component will support provincial maintenance budgets to provide maintenance on all provincially managed roads and bridges. The component is designed so that project support in the project provinces will diminish over time as national and provincial funding sources become more sustainable.

**Component 2: Technical Assistance to support administration and implementation of provincial Transport plans.**

This will be a multi-donor technical assistance program to develop the capacity of provincial departments of Transport to plan, design, build and maintain their networks. It will also provide assistance to various departments within MoT (VRA, LTU, DST, Personnel etc.) to provide central level services in support of these objectives:

**Sub-component 2.1: MoT Advisory Services**

Technical assistance to MoT designed to strengthen their capacity to provide advice, technical standards and oversight in support of provincial Transport plans. Specific elements include:

- (i) formalizing national standards for Local roads/bridges construction and maintenance; (ii) developing provincial road and bridge management systems;
- (iii) revise provincial network classification;
- (iv) provide advice to provinces on development of PTPs; and
- (v) implementation of Local Transport policies and strategies.

To support a capacity building and institutional development framework the scope of this sub component would need to be expanded to include items such as linkages to the PAR programme, support to an institutional development plan for the sector, provision of guidelines, strategies and policy on training for network management , including planned maintenance and its funding.

**Sub-component 2.2: PDoT Advisory Services**

Technical assistance to PDOTs nationally to strengthen their capacity to:

- (i) prepare provincial Transport plans, annual work programs and identify maintenance and investment priorities;
- (ii) undertake annual road and bridge condition inventories;
- (ii) execute all elements of project implementation i.e. consultation, design, procurement, construction supervision and maintenance; and
- (iii) support DDoT to fulfill their road management functions; and
- (iv) promote private sector participation in contracting, consultancy and Transport services.

To support a capacity building and institutional development framework the scope of this sub component would need to be expanded to include items such as linkages to the PAR programme, support to an institutional development plan for the sector, provision of guidelines, strategies and policy on training for network management, especially at the district level, and including planned maintenance and its funding.

### **Sub-component 2.3: Technical Assistance to move project to full SWAp.**

This sub-component will concentrate on the necessary capacity building and harmonization work that will be required to fully support provincial Transport plans through government systems and includes:

- (i) support to provinces in undertaking expenditure reviews and preparing Medium Term Expenditure Frameworks (MTEF);
- (ii) support to provinces in preparing more strategic assessments of environmental and social requirements and subsequent monitoring and supervision;
- (iii) to undertake the necessary capacity assessments to move provinces to implementation under a full SWAp.

This would need to be expanded to include the M&E necessary to support network management of the local transport sector in terms of both investment and service delivery, the introduction of new forms of ODA, donor harmonization and a Joint Donor Support Framework as requested by MoT.

## **10 Development of an Outline Joint Support Framework based on RT3**

The two components outlined above follow closely the way in which RT2 has evolved over the past five years and form a good platform from which to go on to develop a framework for joint donor support. Component 2 will be a multi donor technical assistance programme to develop the capacity of provincial departments of Transport to plan, design, build and maintain their networks. It will also provide assistance to various departments within MoT (VRA, LTU, DST, DPL etc.) to provide central level services in support of these objectives. As such the RT3 project is probably the best available platform on which to build the MoT's proposed Joint Support Framework.

The major drawback to adopting the RT3 project design as the platform for a Joint Framework is that the rehabilitation work making up Component No 1 is restricted to only the 33 participating provinces out of the 64 provinces in the country and in this sense is neither sector wide in scope nor approach. This component is to be procured through PMU 5 in the traditional manner, which makes good sense in so far as the focus of this component is on construction supervision.

Component 2 on the other hand is explicitly sector wide in its application, proposes Advisory Services to both central and provincial stakeholders and will work in all 64 provinces in the country. This has important implications for the procurement. Figure 3 shows three

alternative models for procurement. The safe model is the RT2 model because it has been demonstrated to work. However, in order to make progress and move further towards budgetary support, a modified RT2 model has been considered. This would be a medium risk strategy with a medium to high chance of success. The strategy included in the RT3 preparation Aide Memoire, Pre Appraisal Mission (reference 18) is for procurement through PMU 5.

Figure 3 Models for Procurement and Management of Technical Assistance (RT3 Component 2)

Level of Risk	Model	Description	Chance of success
Low Risk Strategy	RT2 Model	Unallocated Training and Facilitation Budget Expenditure Authorised by the Local Transport Steering Committee. Fund Managed by the DFID TA Consultant Flexibility allowed successful Initiatives at Central level, Province level and Nationwide	High, with a proven success record
Medium Risk Strategy	Modified RT2 Model	Unallocated Training and Facilitation Budget Expenditure Authorised by the Local Transport Steering Committee. Fund Managed initially by the TA Consultant Systems developed for fund to be managed by MoT Fund Managed by MoT in later part of project Flexibility of funds, driven by MoT will provide a step towards budgetary support	Medium to high chance of success, building on the achievements of RT2
High Risk Strategy	Administration through PMU 5	PMU 5 ideally suited to management of civil works (the major financial component) PMU 5 is below the hierarchical level of the Local Transport Steering Committee PMU 5 is below the level of the main departments in MoT which want the demand driven support Therefore, PMU 5 is unlikely to be able to influence institutional change from below.	Low chance of success because PMU 5 is not suitable placed in the MoT hierarchy

This is a high risk strategy, with a low chance of success and would provide no movement towards budgetary support and no framework for joint donor support. Therefore the modified RT2 model is the recommended approach. There are also important implications for implementation arrangements and there are important lessons to be learned from RT2's institutional and sector wide approaches.

These include the following guidelines for developing RT3 as the platform for building a Joint Donor Support Framework over the next five years;

1. **Time frame** is likely to be long term – more than five years
2. **Decentralisation** means that provinces, district and communes will have to shoulder greater responsibility for public service delivery and institutionalized mechanisms will be required for providing support on a long term basis. A Provincial Support programme is required.
3. **Provincial support** to the Local Transport sector should be agreed through the PPC's, which are the key decision making institutions at the sub national level, not directly with PDoTs as this has been shown to undermine PPC commitment.
4. **Support to central government** will be required to develop its capacity to assist provincial authorities in matters such as training, policy functions, technical standards revisions, cost norms.
5. Supply and demand driven support ; **demand driven support** will be required to ensure that support is appropriate to the needs of individual provinces while **supply driven support** will be required to ensure that basic capacity is in place in all provinces



6. **Basic capacity** includes five year and annual planning systems for network management, budgeting and fiscal frameworks and M& E and information systems
7. **Needs based support** would require a “modular” approach based on standardized packages of training material linked to existing MOT training institutions and provincial training programmes.
8. **Use of Regional Support Centres** is proposed in RT3, building on the experience of RT2. Similar centres are proposed by other projects such the UNDP/MPI Strengthening Provincial Planning Reforms (SPPR). Regional Support Centres will be located in each of the eight economic regions of the country.
9. Both central and provincial support programmes should be **linked to the PAR initiative** to ensure that incentives for staff are incorporated within the framework objectives and capacity building initiatives are complementary. This also has implications for possible alternative procurement mechanisms through international agencies such as **UNDP**. PAR is currently funded by about six donors.
10. **Alternative funding mechanisms** such as UNDP could play a crucial role in determining the impact of the institutional elements of the framework and alternatives will need to be found to the capital investment PMU management model which is construction oriented and provides for central management of project specific, provincial PPMU's.
11. The mechanism for **delivering central support** to institutional initiatives requires careful consideration. Experience in RT2 shows that a broader based mechanism is needed. Under RT2 for instance PMU 18 felt unable to request RTU PID to attend a meeting, let alone manage a sector wide approach within the MoT.
12. As with any institutional initiative a key element of success depends on sufficient flexibility being built into the project to allow for timely responses to opportunities as and when they arise. The notice inviting interest in this TA should make specific reference that this TA may be **extended and or expanded**.
13. It is recommended that the **Local Transport Committee** of the MOT be revived and charged with overseeing both GoV and ODA funded initiatives in the LT sector, under the direction of a single Vice Minister. Formerly ODA funded projects and the LT Committee were managed by different Vice Ministers.
14. **Membership of the LT Committee** to include representatives from the full range of central MOT units dealing with the sector as outlined below<sup>18</sup> in Figure 4 including the MOT's PAR programme.

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<sup>18</sup> Based on Roles and Responsibilities in the Rural Transport Sector, Final Aide Memoire, Pre Appraisal Mission, Proposed RT3 Project, p16.

Figure 4 Roles and Responsibilities in LT Sector

Agency	Core functions
Informatics	Development of e governance and MOT data bases and GIS maps
LTU-TDSI	Local Transport Development Strategy by July 2006 Maintenance Policy Framework and SEDP
DPI- LTU	Monitoring and Evaluation of provincial annual investment planning
VRA-LTU	Network management, development of maintenance information systems, developing consistent training material on maintenance, delivering training
DST	Development of Local road and bridge standards and Provincial Handbook on Periodic Maintenance and it
PMU-5	Implementation of donor funded Local roads construction, procurement, FM, safeguards, project level M&E
PDoT	Development and implementation of provincial Transport plans, planned maintenance of national and provincial roads, reporting on implementation, guidance to districts, capacity building
PPMU	Implementing agency for domestic and donor funded projects, procurement, FM, safeguards
DDoT	Maintenance of district/commune roads, district level planning, implementation of district funded projects and capacity building
DPL	Staff development and Training for the sector
ITST	Development of Local road surfacing alternatives
PAR	MOT Public Administration Reform Programme

15. At present the only **model that conforms with Decree 17** and has been shown to work in this complicated institutional framework is the RT2 project model and its Training and Facilitation Fund. This fund is not tied to any specific PMU or institution within the sector but managed as part of the TA contract.
16. This allows TA consultants to act as **external change management facilitators**, in much the same way external management consultants facilitate changes in private sector firms. A T&F arrangement should be used for the first three years of support, after which funding should be through GOV mechanisms in years four and five.
17. RT2 style **Cooperation Agreements** could be used to define deliverables and responsibilities with the complete range of institutions and units at both the central and provincial levels as required, reporting directly to the Local Transport Committee.
18. This external arrangement is rather like scaffolding on a building – a **temporary structure** that is dismantled on completion of works – in this case at the end of year three. Bureaucratic organisations are not designed to facilitate change but rather to deliver services according to a set of institutional rules and procedures. External change agents are needed to redefine these rules and procedures and there by promoting institutional change.
19. A project based approach will need to create **links to the Public Administrative Reform Programme** to ensure a link to GoV incentives, long term sustainability and sufficient status to be able to engage with all elements within MoT.

20. This should also help **donor harmonization** since no matter which sector is being supported the PAR's modernization and decentralisation objectives are the common thread of reform running through all the public service sectors.
21. In the long term external support mechanism should aim to **move the sector towards new forms of budget support** as favoured by some donors and GoV, including direct budget support piloted in years four and five of the project.
22. Surprisingly the RT3 proposal makes no mention of M&E systems to ensure that network management is well informed, "evidence based" and able to respond to problems as and when they are identified. Significantly, RT2 has moved more in line with other projects such as MPI's SGLP in recognizing the **role of M&E in promoting sector wide approaches** and this needs to be included in RT3.

## 11 Current RT2 Initiatives to be included in the Framework

The two stage approach suggested by MOT in developing a Joint Donor Support Framework begins to emerge as a support frame work building on the platform established under RT2. Current SWAp initiatives which can be built upon in the LT sector and which are relevant to next SEDP (2006-2010) period include :

1. **Local Transport Development Strategy**: this is a review of the LTSS produced in 1999 with DFID funding. Covering the next 10 years, the review will formulate a development strategy for the sector in response to a growing awareness that such a strategy is required to help manage and plan the future of the sector. This review is being carried out by TDSI and is due to be completed in July 2006.
2. **SEDP Socio Economic Development Plan for 2006-2010** currently being prepared by GoV to set strategy and targets for the next five years for both Local and provincial roads. While continuing to support the connection of communes to the local road network, the SEDP's declared objective for the LT sector is to bring the existing road network up to a maintainable standard over the next 10-15 years through a programme of upgrading and rehabilitation, centrally funded periodic maintenance managed by provinces and local funding of routine and emergency maintenance.
3. **Network Management GIS** for local roads is being piloted by the VRA's Local Transport Unit (LTU) with support from RT2. The existing VRA highways data base has been modified for the local road network to describe inventory and road condition information linked to a GIS which is built around road maps of provinces through out the country prepared by RT2 and SEACAP 11. The network management initiative will require a greater technical contribution by district staff if the SEDP objectives are to be realised over the next five years.
4. **Provincial Transport Plans** will be used to identify network priorities for local roads managed by provincial PDOTs and these will then be used to identify candidate roads for both Gov and ODA funded projects for rehabilitation and maintenance funding, thereby becoming the annual programming guides for investment in the sector.
5. **The Provincial Handbook on Maintenance** builds on the Routine Maintenance for Communes Handbook developed by MOT with RT2 assistance and which has now been introduced nationwide to both communes and district staff. The provincial Handbook which will provide guidance on maintenance policy and planned maintenance strategies for both roads and bridges in order to provide systems for periodic maintenance to be funded from central government sources.

6. **Skills development** for provincial, district and commune staff will be a major issue over the next five years and will need to be both supply and demand led. RT2 has laid the ground for such initiatives including the concept of demand led training programmes managed by PDOT's, district led training and awareness raising programmes for communes and commune residents. The pressure for the next five years will be to institutionalise these lessons and to develop a sustainable skills training base in the sector.
7. **Provincial** level skills are generally good in terms of engineering and management within the rather narrow confines of detailed legislation and regulations. These do not promote innovative responses to improving the effective management of the local road network or reviews of current roles and responsibilities other than to request further guidance from central authorities. Provinces will need to take on much more responsibilities under decentralisation and motivate and reward staff for taking up these challenges.
8. **District** level management is weak technically and largely concerned with administrative functions. However the introduction of the VRA Network Management System will require a more technical function including the annual reporting of road condition information. This may well require the recruitment of technical staff from the growing pool of IT specialists in Vietnam and direct competition with private sector incentives.
9. **Commune** level cadres present a different problem in that it is probably better to transfer the more technical functions up the hierarchy to the district and provincial units with the skills, know how and budgets to manage planned periodic maintenance and detailed bridge inspections.

## 12 Development of a More Detailed Joint Support Framework

This will consist of two elements, the first being the investments that will be required as part of the SEDP for 2006-2010. These investments will need to be linked to maintenance requirements for which the Network Management GIS being developed by LTU VRA is a key component. By the end of the first year of the project it should be possible to have an idea of the investment and maintenance requirement is associated with the SEDP and for these to be packaged within the Joint Donor Support Framework.

These packages should be linked to the eight economic regions of the country to allow different donors to support a coordinated investment strategy without the need for excessive harmonization. ADB's Central Region project and the World Bank's Mekong projects could therefore go ahead as planned, their institutional and capacity building initiatives being funded through these projects.

It will need to incorporate MOT priorities and existing pipeline programmes for each donor into a single framework from which priority gaps can be identified for support under joint ADB/WB/DFID (and possibly other donors such as JBIC) capacity building programmes.

The timing suggested by MoT for this stage is after the start of the RT3 Institutional TA. This seems very sensible since it would allow for the finalization of the SEDP and the Local Transport Development Plans for the sector.

Regarding the second element of the framework, this would pave the way for developing an institutional development plan for all units which play a role in the Local Transport sector. It

would again be linked to the MoT and Provincial Support Programmes and existing PAR initiatives developed by MOT. The development of new institutional and capacity development initiatives as part of the second stage identified by MoT for defining a Joint Support Framework will require a different approach.

In the light of the Local Transport Development Strategy and the SEDP objectives for 2006-2010, the roles and responsibilities of individual departments in MOT and their sections would be defined in consultation with the external change management consultants. This would produce an institutional development plan for each unit defining the roles and responsibilities of the unit, the skills required by its staff and what kind of support would be required to enable it to deliver the sector's SEDP objectives over the next five years.

In this way, for instance, VRA's LTU would be able to specify what level of support was required to roll out the GIS for Network Management to 64 provinces using established RT2 Agreements on the timing, deliverables, costs and responsibilities for the programme. Similar Agreements could be drafted for supporting the work of the Provincial Handbook Committee and the Standards Review Committee.

Situational reviews and annual reviews of both demand driven and supply driven provincial support programmes would need to be drawn up nation wide building on the provincial support programme developed under RT2 and currently being implemented by SEACAP. To ensure that a sector wide approach is adopted, situational reviews should also be conducted with MOT training institutes.

This approach would allow MoT and the provinces to provide the coordinated framework needed to promote a Joint Donor Support Programme based on existing project based ODA mechanisms, without the need for complete donor harmonization.

### **13 Outline Terms of Reference**

These have been requested by DFID to point clearly to the way ahead on capacity building and institutional development initiatives and the development of a Joint Donor Support Framework built on the platform of the forthcoming RT3.

#### **Outline TOR for RT3 Capacity Building for Local Transport Joint Donor Support Framework**

**Background** : Until recently, the main focus of the local transport sector, which is managed by provincial authorities, has been on construction. During the last five years, however, there has been a shift of focus towards network management, rehabilitation and maintenance, mirrored by a growing recognition of the longer term benefits of developing "sector wide" aid partnerships, linked to new forms of Overseas Development Assistance (ODA) This shift from investment to service delivery reflects GOV moves to modernize and decentralise the civil service as part of a major Public Administration Reform (PAR) programme.

Accordingly, MOT requested DFID support to develop a Joint Donor Support Framework for Institutional Development and Capacity Building for Local Transport, based on a concept note discussed in 2004. Once developed individual donors would be able to align their support to this framework as and when opportunities arose. MOT now wishes to use the forthcoming RT3 project to take on the detailed design for a joint framework once the initial framework has been agreed. These TOR are designed to make RT3 the platform on which a Framework for the Local Transport Sector can be built.

**Goal** : Local Transport staff have sufficient capacity to deliver sustainable transport services at the Provincial, district and commune levels

**Purpose** : To develop provincial, district and commune staff capacity to plan, construct and maintain the transport networks and services for which they are responsible in line with MOT modernization and decentralization plans linked to MOT's PAR programme.

**Components** : RT3 has two components. These outline ToR relate to the second component only on which the Joint Donor Support Framework will be based.

- Component 1 will be concerned with rehabilitation and maintenance, based on Provincial Transport Plans in the 33 RT3 participating provinces.
- Component 2 will be a multi donor TA programme with three sub components.
  - 1) to develop the capacity of local transport sector to plan, design, build and maintain their local road networks;
  - 2) to strengthen the capacity of MOT to provide central level support services to the sector; and
  - 3) to move towards a "sector wide approach" to local transport, which accounts for some 90% of the country's road network.

**Management arrangements** for sector wide initiatives to 64 provinces will be directed by a Local Transport Committee set up by MOT with members drawn from a wide cross section of MoT reporting to a Vice Minister on a six monthly basis. The MOT Public Administrative Reform (PAR) programme will be represented on the committee, which will also have links to a provincial consultative mechanism.

**Technical assistance** to the local transport sector for Component 2 will be provided via:

1. a central TA consultancy team (CATC) with international and local expertise in network management, capacity building, institutional development and public administrative reform.
2. eight regional support centres providing supply and demand led capacity building support services to provinces, districts and communes. These will be managed by transport sector staff appointed by MOT and assisted by local TA consultants (LATC).

Local consultant TA to Regional Support Centres will be provided during the first year in eight regions as follows: North East, North West, Red River Delta, North Central Coast, South Central Coast, Central Highlands, North East South and Mekong River Delta.

This would allow Joint Support to the programme on a regional basis by other donors such as ADB Central Region project to support local TA in North Central and South Central Coasts as well as Central Highlands. The WB Mekong transport project could support Mekong River Delta.

### **Project Phasing**

The RT3 project will last five years and consist of three phases

1. The general strategy would be to spend the first two years setting up and implementing an Institutional Development Plan for capacity building to support modernization and decentralization objectives of the sector. It is recommended that a

Training and Facilitation Fund be set up for the first three years along the lines of the RT2.

2. In the third year, the role of the consultants would be scaled down and implementation of the capacity building programmes handed over to MOT's and provincial training units supported by Regional Support Centres.
3. In years four and five the goal would be for funds to support capacity building to be fed through the GOV budget system on a pilot basis. If this were to prove successful it could be adopted by subsequent ODA supported programmes.

During the first three years, the following will take place:

1. The TA consultants will first ensure continued support to on going RT2 initiatives, including provincial training programmes conducted under SEACAP 11.
2. The TA consultants will assist VRA to compile a list of priority investment projects for the SEDP for 2006 – 2010 as part of the Joint Donor Support Framework for DPI.
3. The TA consultants will draw up a capacity building strategy based on detailed Institutional Development Plans for a) Units within MOT with a local transport sector role and b) Provincial authorities responsible for the local transport network.
4. They will then work with MoT to prepare annual budgets for capacity building activities to support SEDP objectives in years two and three (using T&F Funds managed through the project), and years four and five (using GOV financial procedures) to fund Cooperation Agreements with central MoT units and individual provinces.
5. This component should not be managed through a PMU because it is not a capital works project but an institutional development project. As with the T&F funded component of RT2, its impact will depend greatly on having sufficient flexibility to support its role as a change management agent and change facilitator. New forms of ODA should be put in place to support joint funding of future capacity building and institutional support initiatives.

**Detailed TOR** for the central TA and the eight Regional Support Centres to be provided on two separate pages by RT3 design consultants