Evaluation Summary

Rural infrastructure development and tourism project in Lao Cai Province

Country: **Vietnam** | Sector: **Infrastructure**

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Key data on AFD's support

Projet numbers: CVN 6013
Amount: €22.8 million loan (€ 22M) and grant (€ 0.8M)
Disbursement rate: 99%
Signature of financing agreement: August 2008
Completion date: May 2016
Total duration: 6 years and 8 months

Context

Lao Cai province is situated in North Vietnam, close to the border with China. It is among the **poorest regions in Vietnam.**

The economy of Lao Cai Province is predominantly agriculture-based. Upland areas of Lao Cai Province, mainly inhabited by ethnic minorities, are in need of extensive support to improve infrastructures and increase marketable products in order to **reduce reliance on agriculture and to raise income levels**.

Actors and operating method

The implementation of the project was delegated to the Department of Planning and Investment of the Lao Cai Provincial People's Committee.

The provincial companies LAWACO and URENCO **oversaw the urban infrastructures works**.

Locally, **Project Management Units** were created in each District People's Committee.

Objectives

The project aimed at **reducing poverty and improving sustainable living conditions of local population** by:

- increasing economic opportunities,
- increasing ecotourism related incomes,
- targeting vulnerable groups through infrastructure development,
- and supporting a sustainable management of infrastructures and facilities.

Expected outputs

- **widening, surfacing and protection against erosion** of 305 km of tracks and rural roads and **reparation** of ditches
- **upgrading Sa Pa city infrastructures** to halve wastewater discharge in the natural environment by 2020
- elaboration of strategy to **develop and promote ecotourism**
- **creation of pilot touristic circuits** in the four districts
- **protection and highlighting of natural and cultural assets** of the Hoang Lien National park
- **technical trainings**

Performance assessment

Relevance

The project is relevant because it is well-aligned with the strategies and plans of the province. **Its rural roads component directly addresses key needs of vulnerable groups and ethnic minorities** in mountainous areas.

Similarly, the urban infrastructure component addresses shortcomings of urban services (water, wastes and wastewater) that were affecting or about to affect the living condition of the population on Sa Pa city and its attractiveness for tourists.

Effectiveness

The project was moderately effective overall because an infrastructure sub-component (wastewater management) was not implemented.

For rural roads, water treatment, solid waste treatment, urban beautification, the contracting out of construction and supervision was well managed and delivered the expected results. The project **allowed the rehabilitating of 235 km of rural roads** which were all operational by the end of June 2015.

The water treatment plant upgraded the capacity from 3000m^3/day to 6000m^3/day.

The solid waste treatment plant in Lao Cai city has been built but is operating half capacity. Lighting systems in 27 streets of the central area were renovated and replaced.

Efficiency

The project was delayed by several years during design and approval of the various sub-components. **The procurement and execution of works were however efficient**, without time or cost overruns, and with an adequate reporting – save for the final certification of works that were not availed to the evaluation team.

Impact

The upgrading of 235 km of rural roads had a significant positive impact on communities almost landlocked in mountainous remoted areas.

Poverty rate was reduced by 5-10% in the four districts for a population of 100,000, mostly belonging to the ethnic minorities and formerly vulnerable groups.

The living conditions of women improved considerably.

The impact is far more diffuse for urban infrastructures, focused in the touristic Sa Pa city. Increased water supply proved a pre-requisite of the witnessed rapid increase of attendance of tourists.

Sustainability

Rural roads are poorly maintained but most of them are still in good condition due to the limited heavy traffic on those dead-end roads.

Urban infrastructures are maintained, even if not to the best possible extent.

Added value of AFD's contribution

AFD value addition related mainly to the mobilization on French expertise, allowing some updating of the design of urban facilities. The familiarization with cross-cutting issues was also valuable.

Conclusions and lessons learnt

The main lesson learnt is that **AFD needs to focus on the design phase to add value and ensure that the initial objectives remain the main thrust of the project**. In order to avoid the cancellation of components or subcomponents, the accent should have been put on quality feasibility studies and specific PGES.

Second, the case of rural roads upgrading demonstrated that **market forces are highly reactive in Vietnam and are the best guaranty for achieving socioeconomic impacts.** However, these forces are not particularly friendly with vulnerable groups and ethnic minorities. Capacity building on agricultural and other economic opportunities triggered by the access to markets can help **empower vulnerable groups and ethnic minorities**, but capacity building activities and support of vulnerable populations were lacking in the projects.

Third, while investing in urban infrastructure facilities positively enhanced infrastructures capacity, there is **a need to advocate and support a renewed management and financing framework.** Except for LawaCo, most urban infrastructures are financed only through State budget, which means that fees payed by users are not being directly ploughed back into the operating costs. This financing mode leaves most of the shortcomings in place and **threatens the sustainability** of the new plant or process introduced as it prevents infrastructures to plan their activity based on their operating results.