

Report to JBIC on Expert Evaluation Mission to Northern Vietnam and the Philippines  
Refocusing on Infrastructure

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Submitted 17 August 2007

## I. Introduction

JBIC hosted me as a visiting researcher from January to June 2008 in its Project Development Department. In May 2008, I was given the opportunity to observe and evaluate JBIC-funded projects in the Philippines and Vietnam as an expert evaluator. Among the projects I traveled to, infrastructure was heavily represented. While this is not surprising, the degree to which the success of infrastructural project implementation and local capacity are interdependent is often overlooked in such evaluations. Much progress has been made in recent years in integrating “software”, i.e., the humanitarian aspects of development with “hardware”, the construction of development infrastructure, particularly since the ODA Charter was first articulated in the early 1990s. The impact of projects on human life and the environment are now routinely taken into account during project planning, implementation and evaluation phases. In this report, I present a basic evaluation but also suggest that future evaluations consider in an even broader way, how infrastructural implementation projects contribute to local capacity building. Exercises such as joint evaluations are costly, particularly to the host country. But these efforts should be considered a worthy investment for long-term economic development and the development of a skilled cohort of government and private professionals. This report concludes that infrastructural support is vital for creating the conditions for continued economic growth. It is particularly the case for Vietnam, where the benefits of growth are broadly distributed and rural inequality has not significantly worsened over time.

## II. PHILIPPINES

### *A. Background on Country Conditions*

The Philippines is enjoying the fastest economic growth in years. Typically, the Philippines economy experiences considerable volatility and widely swinging boom/bust cycles. The current economic growth appears to be relatively stable and sustainable in pattern, however, provided continued progress is made on reducing the deficit and improving tax collection.

Much of the recent successes can be credited to liberalization, privatization and deregulation efforts that began under the Ramos presidency, prior to the Asian Financial Crisis (AFC). The country was liberalized to inward foreign investment, and previous state monopolies, such as telecommunications, oil, transportation and power (under the Arroyo presidency) moved towards deregulation and privatization. These changes were accompanied by easing on the rules governing interest rates and rules on the establishment of new banks and branches. As a result, the Philippines weathered the AFC relatively well.

The Philippines key sectors are agriculture, mining and industry. However, a considerable amount of its foreign currency reserves come from the remittances of overseas Filipino workers (OFWs) that, in 2006, amounted to \$12.8 billion. The Philippines’ human resources are proving to be valuable within the domestic economy as well, as the country is becoming a key destination for industrialized countries’ outsourced service jobs. With English as one of its official languages, the Philippines has a burgeoning service sector that includes medical transcription, software engineering, and call and service centers.

Another important source for development funds is official development assistance (ODA), which is administered by the National Economic and Development Authority (NEDA). JBIC is the largest source of ODA funds accounting for nearly half of the total. The ADB, which is headquartered in Manila, accounts for almost 20%, followed by the World Bank, the United Kingdom, and increasingly, China. The majority of ODA is allocated to infrastructure (primarily transportation, followed by energy and water), with agriculture and agrarian reform as other priorities.

NEDA has, in the past few years, improved the implementation, monitoring and disbursement of ODA, which historically suffered from delays, bottlenecks, budget constraints and incomplete availment because of reduction in scope of projects, etc.

Politically, the Philippines continues to suffer from highly-personalized, patronage-based bare-knuckle fighting and accusations. Between the government and the opposition in the Congress. The current administration is criticized for corruption, and the previous president, Estrada, is jailed under graft charges. The opposition routinely threatens impeachment, but do not have the numbers in the lower house to see this through. The recent increase in political killings, particularly of leftist activists, has attracted the attention of the international community, but the relative lack of enthusiasm of the government to pursue the attackers has not yet led to any major sanctions.

Political unrest remains a large problem outside the major urban areas. Extremist groups engage in kidnapping, drug trafficking, acts of terrorism, and piracy particularly in the southwestern and central regions. The main groups are the New People's Army, the Communist Party's guerrilla insurgent group and the Moro Islamic Liberation Front, which remain active particularly on Sulu and Mindanao. In the areas we visited on this mission, the vestiges of NPA and CPP activity were visible, and prioritization of development and support of the agricultural areas was justified on the basis of its counter-insurgent effects.

#### *B. Ubiquity of JBIC-funded projects*

JBIC projects are well-marked and identifiable throughout Manila. Examples of high-profile projects include the light rail transit (LRT), metro rail transit (MRT) and highway overpasses. These are marked by plaques and signage. My last visit to Manila was 18 years ago, and the progress made since then is noticeable. There are more high-end private developments, particularly in residences, and less evidence of outright poverty in the city center. Security remains as stringent as ever. There is also heavy presence of Chinese and Korean investment and official development assistance. While we did not view any directly, they are considered high-profile by the local people.

Manila has several domestic airports either in use or in the planning. Philippine Airlines (PAL) flies out of the newer domestic airport (JBIC-funded). Other airlines, such as Cebu Pacific, PAL's main competitor, fly out of the older airport close to the international Ninoy Aquino airport. Another airport has had its opening delayed due to political wrangling. The entry of Cebu Pacific as a competitor has made travel more affordable. Interisland travel is at an all-time high, and this certainly seems to be benefiting the

smaller regional economies. Increasing inter-island travel may also help to counter the frequent insurgencies in the south and southwestern regions that are isolated from the center.

We left Manila for Tacloban on the island of Leyte, the site of several education-based and agrarian reform projects and joined by an Agrarian Reform Communities (ARC) coordinator, who is a native of Leyte, which constitutes Region 8 of the Eastern Visayas (which also includes Samar and Biliran). The roads on our route, which were completed with JBIC funding are good at the northern end of Leyte. Japanese interest in Leyte as an economic or business target is minimal. There is very little industry and agriculture is the primary economic sector. However, ODA to Leyte is a major priority for the Philippine government because it was a former area of insurgent CPP and NPA activity, and also Muslim insurgency, though there are fewer Muslims than on Mindanao.

### *C. The projects*

#### **Palo 1 Central School and Central Dagami Primary School.**

We made the site visit during enrollment period at the schools so a few parents and students were present. JBIC funded the refurbishment of existing buildings and two newly built structures. Classrooms are well-equipped, with desks in good condition, colorful displays, and wall charts. The goal of the schools is to increase the ratio of textbooks to students 1:1. The elementary school serves several baranggays and has a huge enrollment of 1500 students. Overall, the school is cheerful and welcoming and parents are highly involved through parent-teacher groups. Students are also socialized into political participation through student government. The teachers take pride in their classrooms and their students' accomplishments.

#### **Dagami Agricultural Reform Community (ARC)**

The main products of this ARC, like many others, are copra and palay (unhulled rice). According to the ARC coordinator, living conditions have improved considerably over the last few years. Almost all families are housed in palm thatch huts. Along the way, the roads start to degenerate into rocky unpaved areas as we move into the interior of the baranggay. The paved areas are widely used as drying areas for palay: often car traffic seems a secondary use of the roads. We travel on the farm-to-market road (a rocky, compacted dirt road) and to the bridge connecting Bgy Maragongdong with Bgy. Abre. The bridge was JBIC-funded. A second infusion was given to reconstruct it after a devastating typhoon. The market is located in Abre. The bridge serves double duty as a surface for drying palay. We are then taken to the Post-harvest facilities, funded by OECF (JBIC). The facilities include a paved area for drying palay, a warehouse, an underutilized rice dryer, scale, moisture meter, and a meeting/office space. The meeting space serves multiple important functions. The rice dryer is rarely used because of the fuel costs to run the dryer. Solar drying is more efficient when the weather is good. However, occasionally, the dryer is used in wet weather. The warehouse was empty at the time of our visit. All equipment and the physical structure of the building were in good condition and well maintained.

A large group of members was there to greet us and speak with us briefly. There are about 131 members, drawn from 600 households. They are mainly leaseholders. The wife of one of the member-owners donated land to the ARC. This ARC encompasses several baranggay. The members meet twice a month. Their consensus is that the irrigation projects in the ARC have been the most helpful, increasing yields by about an additional two-thirds. When asked about what further improvements they would like to see in their community, they stated they would like to do more trading, but are hesitant to embark on any risky ventures. They realize they need additional capital but are distrustful of taking on debt, particularly from LandBank. They do not have any plans to diversify beyond copra and palay, however. Many assert the “Filipino mentality” about risk, meaning they preferred not to shoulder any, but it may signify more a lack of trust regarding the financial institutions. They are looking into microfinance, but any larger-scale financing schemes would require about a 10,000 Pp infusion per shareholder. One possibility they mention is investing in a rice mill. Currently, they take the rice to a neighboring baranggay to a miller there. They estimate they can retain about 12% more of their income if they milled themselves. They requested funds to repair irrigation structures on the other Abre side of the bridge that was destroyed by a recent typhoon.

#### **CIP ARISP Dam.**

This dam serves more than the intended purpose of irrigation control. Children swim in the dammed area, laundry is done there, and it is a popular spot for weekend picnickers – despite signage prohibiting such activity (see Photo 1). The community overall looks relatively prosperous and the residents express satisfaction with their economic condition.



Photo 1. CIP ARISP Dam

#### **Dagami Central High School.**

A brief site visit to this small school reveals that it serves 500 students, in very crowded classrooms with about 77 students each. This school serves several baranggay.

**Himayangan-Silago-Abuyog Road Project  
(Arterial Road Links Development Project, Phase IV, JBIC loan no. PH-P204)  
Agas-Agas Bridge, Visayas Section**

We proceeded south via the Philippines-Japan Friendship Highway. The roads show some marked deterioration as we move further south. We are joined by Mr. Kobayashi of Katahira Engineering, who are consultants on several JBIC projects in the region. He explains that poor maintenance is partly the result of delaying early repairs on small cracks that should be sealed immediately to prevent further damage by water seeping in.

Agas-Agas Bridge project. When it is completed, the two towers of the bridge will 77 meters high. The necessity of the project is apparent from the erosion seen on the side of the highway, which the bridge is meant to bypass. Every year the rainy season further erodes the side and landslides (slope failures) are frequent. Usually, there are deaths resulting from the landslides. The affected area remains unpaved. The preparation work is going on for the bridge project on the valley floor, which was being smoothed at the time of our visit. In general, the northern and western stretches of the highway are in much better shape than the southern and eastern segments..

**Leyte Substation**

This is the location where the submarine cables are sunk for the Leyte Bohol Interconnection. The cables are oil-cooled around the core, and there is a reservoir house for the oil among the structures. The previous year, there was significant erosion on the hillside abutting the station, noticed by the JBIC field officer, who requested that TRANSCO address the problem. There is now a retaining wall about 5 meters high to contain the erosion, and a diversion channel for runoff of water. There is also ongoing work on additional retaining walls built around the station. That work is being done by local residents and we observed them breaking rocks and setting them. The station itself is designed with redundancy for future capacity increases. That is, there is a fourth tower that is not in use. We also viewed the concrete markers for the submarine cables that are sunk into trenches below grade. There were some problems earlier with fishing boats and their trawler nets damaging the cables. This was addressed by putting clearer markers, buoys, and alerting them and the Navy, to keep them out of the area. At both the main station and the substation there is very heavy security to prevent sabotage. The guards carry automatic weapons. Insurgency is still a major risk, though the number of incidents is much lower than in the past. The other risk is that the towers are made of high-grade aluminum, a target for metal thieves. Metal theft is becoming a considerable problem in this area.

**Tongonan Power Plant**

In Photo 2, the steam rising from the farthest left structure is the JBIC funded power plant, one of a total of five plants in the area. That project is now 25 years old, which brings up the issue of the lifespan of the turbines and generators. According to Hitachi Works, the lifespan of this equipment is about 30 years, so that would indicate that the plant is reaching the end of its lifespan, at least without replacement and intensive maintenance. It is up for sale at about \$77 million. That is a high price for an old facility. The steam itself cannot be sold since it is a national resource. The new operator will be sold the

steam by PNOC. To date, however, no geothermal plant has been sold and the last failed bids indicate low interest, particularly since there would be a commitment to invest in increasing rural electrification.



Photo 2. Tongonan Geothermal Plant is marked by steam column on far left

Tongonan 1 is the oldest Leyte geothermal plant, 112.4 mW, operated by Napocor since 1984. The grid connection spans all of Region 8. South Samboloran, another plant nearby, is the biggest geothermal plant in the world, 232.5 mW capacity, operated by Cal Energy since 1996. In July 2007 it is scheduled to be turned over to PNOC. It has 25 production wells and its grid covers Leyte-Cebu, Leyte-Luzon. Mahanagdong A and B are operated by Cal Energy and is also scheduled for turnover.

We were given an informative presentation. Of particular interest is the social programs and settler management that are put in place to support the area residents. They also manage sustainability projects, such as plant nurseries, mangrove and rattan planting, and erosion abatement. Comics, message boards, and public hearings are used to educate the residents. Traditional rituals are also performed as a show of respect to local customs. Entrepreneurial and leadership training are offered, as well as alternative livelihoods in rattan, coffee, bee-keeping (South Negros) and abaca. An ILO Farmer's Association was formed and they have collected about 18.78 million Pps in savings. PNOC has also built schools. The local governing units also receive royalties through taxes (separate from business taxes).

We visited the transmission control and dispatch room at Tongonan. We then moved to an observation area where we could get a bird's eye view of the operations. The power plant operations start with the production well where steam is produced. That steam is then taken to a marshalling station for distribution and then to separator stations where steam is separated from the brine. The steam goes to the plant, the brine to reinjection wells. At the production field, we look at a steam source drilled about 1.9 km down in

1977. Newer steam shafts have also been drilled off the main well. This is actually a PNOC proprietary technology that is now in use in Papua NG, Indonesia and Iran. They use GPS technology to guide special directional drilling tools and techniques.

We also observed a new production well being drilled (Photo 3). Injection wells are drilled the same way. This one extended 2 km down. Metal tubing of about 20 meters in length are bolted together and sunk into the bore hole about 1000 km to protect the aquifers (ground water table) from contamination. These wells are being drilled for topping off purposes (5-6 mW).

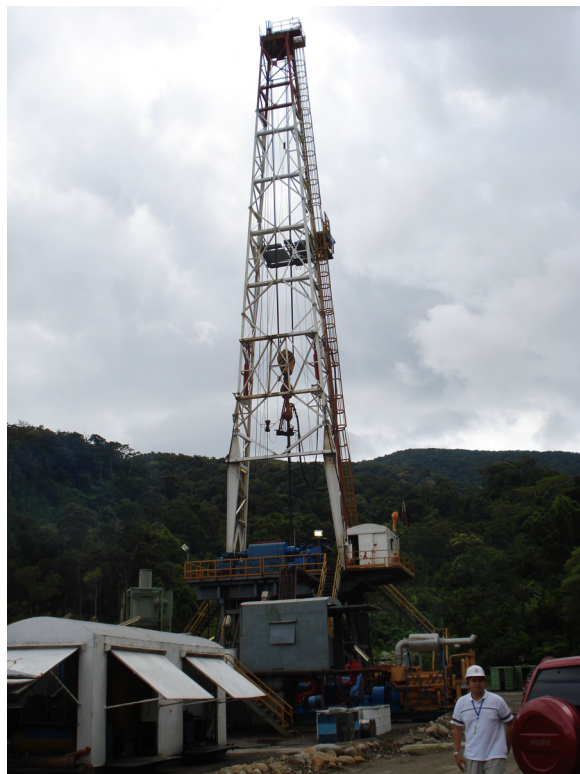


Photo 3. Drilling of new production well for topping off steam power

We proceed to the Mahiao Power plant, relatively new, built in 1997. What makes this facility unique is that it is a binary power plant. There are four generator and turbine sets operated by steam. The hot air expelled is then used to heat pentane that drives the turbine operates twenty-four additional sets of one generator and two turbines. The equipment was produced by Ormat company which previously operated the plant. The computer systems are in good shape but further modifications cannot be made unless Ormat is contracted at high prices to reprogram the proprietary software.

Geothermal energy is not necessarily clean, though it is sustainable. The main risks stem from the H<sub>2</sub>S in the brine. The plant is a closed system and there is sufficient mixing of the brine with alkaline to decrease the acidity of the solution, both for safety reasons and to prevent the toxic substance from reacting with oxygen (which could create a poisonous



gas). The brine is reinjected below the water table some distance. The metal tubing described above is meant to keep the groundwater from being contaminated with the recharging solution.

### **Second Mactuan Bridge**

We view the Second Mactuan Bridge, funded by JBIC when we depart by supercat fast ferry for Cebu, about a 2-hour ride. The first bridge is still heavily in use, about 500 meters from the second span.

### **PEZA**

PEZA is an offshoot of the previous Economic Prosperity Zones. This one was established in 1995. All the industrial estates are under PEZA incentives including tax holidays and priority access to energy. There is an onsite power plant, operated on bunker oil. There are over 100 registered industrial estates. Other zones in the Philippines are also directed towards tourism. There are four public economic PEZA zones in the Philippines, and also private economic zones using PEZA incentives. The Mactan zone is 90% occupied at the moment with other lots already committed. The zone has a sewage treatment plant funded by JBIC. The zone offers employment to 50,000 locals working in 3 shifts at 110 companies. 65% of those firms are Japanese, engaged in manufacturing and a few high tech ventures (Fairchild semiconductors, e.g., which are very water-intensive – these plants have their own water recycling facilities). There is no additional space for expansion, so they are looking to reclaim about 50 hectares on their waterfront. Resettlement and land acquisition will be the biggest obstacles.

Photo 4 shows the area next to the sewage plant that is planned for reclamation. The rocky lot next to it is occupied by a mix of squatters and contractor's huts. We are informed that the contractors are primarily Chinese, working on ODA projects. The plan is to resettle and provide better living conditions, and access to electricity and water.



Photo 4. Squatters' area next to sewage treatment plant.

The limiting factors for growth in the zone is electricity and water. The management is being very selective about new firms because of the energy use – so high-tech industry would overwhelm the zone. They prefer to allow firms that create high levels of local employment.

### **Sewage Treatment Plant**

The plant, located within the Mactuan Export Processing Area, is a project consisting of 8 holding pools for the processing and aeration of sewage. After aeration, the waste is put into a drying well. The resulting sludge can be mixed with soil and used as fertilizer. The workers have created a small demonstration garden using the fertilizer. The remaining water is diverted to the filtering plant and held in a pool adjoining the drying well. This water is used for watering lawn, flushing toilets, etc. and flows on request from end users. The holding pool is stocked with tilapia fingerlings that act as monitors. A fish kill-off indicates poor water quality. Other water can be mixed with chlorine then released into the sea. Occasionally, when the pool is drained for maintenance, the fish are given to nearby residents. Maintenance in the plant is good. On our site visit, the railing was being painted.

## III. VIETNAM

### *A. Background on Country Conditions*

Vietnam's economic outlook has been very positive since the 1990s. The country benefits from a skilled labor force and increased foreign direct investment, and Doi Moi policies that have introduced market mechanisms to replace central planning. It has joined the World Trade Organization and recently hosted an APEC meeting, marking its entry into the emerging markets group of nations. Its currency remains nonconvertible, a feature that largely spared Vietnam from the ravages of the Asian Financial Crisis.

Vietnam's key sectors are agriculture and industry. It is increasingly becoming a manufacturing center and has ambitions to pursue growth in the IT sector. While it is moving proactively in developing financial expertise, the closed nature of its financial accounts makes it difficult to pursue many global opportunities.

Vietnam is a single-party socialist republic ruled by the Communist Party, and most legislative decisions are made at the level of the Politburo and its Secretariat. Management of ODA is handled by several ministries, but the Ministry of Planning and Implementation is responsible for overall coordination. There is active management of the country's development program, guided primarily by the Socio-Economic Development Plan (SEDP), which is formulated on a five-year basis. Vietnam has successfully attracted aid commitment through its proactive efforts, however, there are still frequent problems of implementation. In the first half of this year, only 37% of the year's planned disbursements was made. A recent meeting, in June 2007, of Vietnam's major donors, requested that the government solve, specifically, problems of waste and corruption. A serious gambling scandal erupted last year, e.g., involving top Transport Ministry officials. Another endemic problem is the nontransparent nature of the laws

governing ODA project management and the amount of time it takes to plan and prepare projects. Many of these problems have a local source, but they are compounded by a lack of harmonization in disbursement methods among Vietnam's key donors. The most urgent needs are currently in transportation infrastructure. The country suffers badly from congestion. The recent scandals have meant that key construction projects have been slowed.

*B. The projects*

**Meeting with PMU 18 Highway Bridge Rehabilitation regarding ex-post evaluation due this year.**

This visit was a contact mission to exchange information regarding the completion of an ex-post evaluation. PMU 18's staff requested additional guidance in working with the field consultant since this is the first JBIC project for which the Transport Ministry will conduct an ex-post evaluation. They indicated that staff is limited, but that they will assign a person to work with JBIC's evaluator. A further request was that future loan agreements be costed on market price, since some projects were affected by inflated costs. They deemed the cost estimates as too conservative. An example they gave is Highway #1, Phase 3 where government funds had to be allocated to make up the gap. However, they also noted that the scope of implementation on the projects we were observing was expanded, not contracted (see below). Other difficulties resulted from frequent regulatory changes within the Ministry that introduced new rules on project implementation. They also indicated that additional training on technical issues, and organization capacity improvements be supported. They are still trying to process and institutionalize these new rules. Generally, however, they are pleased with their working relationship with JBIC and find JBIC's disbursement and implementation rules easy to adopt. The main focus, however, is that current infrastructural conditions in the country are at a minimum threshold of requirement. To accommodate future growth, much more is needed.

*Increased scope*

Future projects aimed at Highway will aim to decrease transportation fees. They are seeking to build a parallel expressway to the railway on a north-south national orientation. Originally, 39 bridges were slated for rehabilitation. The scope was increased to 47 (a 20.5% increase). Their explanation was that the markets were stable at the time.

**Railway to Ninh Binh**

We rode the rails from Hanoi to Ninh Binh. The train stock is quite old and basic, but functional. It provides low-cost and convenient transportation which is important to integrate a long, narrow country like Vietnam. The locomotive, however, is a new Chinese-manufactured one, which is modern, air-conditioned and computerized. The average speed is about 60-80 km/h, except some radius curves, and grading taken at about 15 km/h. This is a significant improvement over the previous 5 km/h on the grades.

Tourism by train is increasing, with many families traveling the north-south route. The peak season is April 30-May 1 during which two holidays converge. June 1 is also a high

travel day. There are some private operators on the Viet Railroad that provide more upscale rides, so there is increasing choice for domestic travel.

The trip gave us an opportunity to view rural enterprises along the route. Some are well developed. They are dominated by eateries that are frequented by truck drivers along the parallel highway. There are numerous safety issues with level crossings, residences right up against the tracks, and other areas of activity that are dangerously close (Photo 5). People will cross the tracks at great risk, dodging in front of the train. The conductor noted that usually, an accident occurs every day.



Photo 5. Occupied buildings are perilously close to the rails

We pass over several rehabilitated bridge projects and anti-flooding measures funded by JBIC, ADB, World Bank and local financing.

The main priorities are constructing tunnels and bypasses through the country's central region, increasing safety and decreasing travel time.

On our return to Hanoi, we met with Mr. Phan Hai Bang and Mr. Nguyen Cao Minh of the Rail PMU to discuss the upcoming ex-post evaluation for the Hanoi HCM Rehabilitation project. They indicate that the main difficulty is collecting information along the north-south axis, which is time consuming. All of the work is done by hand since the reports come from many sources and they cannot rely on email. There are no good storage systems for information so reports are difficult to write. They complain as well that systems change too frequently for most of them to keep current. They noted that there is no regular system of evaluation and monitoring within RPMU. The evaluations are largely ad hoc. The projects are selected on the basis of a master plan

approved by the Prime Minister's office up to 2020. The plan is currently under revision and being submitted for approval. JBIC, and Japan-Vietnam relations affect the entire master plan because of their centrality for funding.

*Increased scope*

Initially eight bridges were planned for rehabilitation, but the scope was expanded to 26 bridges (325% increase).

The next phase is rehabilitation of 44 bridges. The ongoing projects are facing delays because of new regulations.

Their main request is that JBIC provide more information on its website about comparable projects.

*Other related donor projects*

The World Bank is funding 2 flood subprojects in the central region (about 20 million USD). This will involve constructing embankments and widening passes. Chinese ODA is funding the rehabilitation of signaling telecommunications. Other projects to control flooding in the multipass areas are being funded by domestic sources pooled with ODA.

*Impact*

Per unit maintenance costs have gone down since there is no longer a need to pain wooden sleepers, which have been replaced. A positive relationship between the RPMU and contractors (Japanese-Vietnamese joint venture) has been established. The contract system itself has been deemed important by the RPMU since it established expectations and built trust once the expectations were met.

**National HWY 5 Rehabilitation Project due for ex-post evaluation**

We met with Mr. Luu Van Ding, director general of PMU5 to discuss ex-post evaluation due this year for National Highway 5 Rehabilitation Project. A PCR (project completion report) was already received.

*Increased Scope*

Once again there was substantial increase in scope, this time implemented in Hai Phong. Access roads were built and 44 flyovers were rehabilitated. The explanation was that during construction, traffic was diverted to local roads that now had to be resurfaced. New access roads were built to increase interconnectivity with Hwy 5. Original cost estimates were higher than the bids that eventually came in. This was a one-time event that is not expected to re-occur. PMU5 indicated that both JBIC and local funds were used to expand the scope.

*Project impact*

The area around Hwy 5 is mainly industrial. Residences are in good conditions and there are improved living conditions. A recent survey showed that the GDP in surrounding provinces has remarkably

Tollbooths were established to collect fees. Hwy 5 tolls are the most efficiently collected among all highways in Vietnam. Traffic volumes have increased from 10,000 to 37,000 PCUs/day. The booths are also capacity-building. Human resources are being developed; revenues are directly sent to the Treasury on a daily basis; and users are being ingrained in the market aspects of thoroughfare.

on Hwy 5. Per unit maintenance costs have declined, but a 5 meter-road is now 20-40 meters wide, so overall costs are higher. There is also new signaling equipment under the surface that needs to be maintained.

There are emerging problems, however. The original road was designed to bear a 60 ton truck load, but 80 ton container trucks are the norm. Heavy trucks are prohibited from entering Hanoi after 6 p.m. and must line up on the Ha Long side overnight. Most are of the 80 ton variety (See Photo 6). The highway is showing signs of wear and tear from the overload, and heavy congestion at various times of the day.



Photo 6. Typical container truck leaving Ha Phong Port

The PMU has proposed that the government control entry and enforce load limits. This can only be a short-term measure, however, since traffic is increasing at a rapid rate. Ha Phong Port is a major entry point for goods. Increased global trade and investment will meet a major bottleneck if the capacity of these roadways is not substantially increased. However, as noted above, an expressway parallel to the Hwy 5 route has been delayed.

There are also implementation problems on the horizon. Land acquisition is becoming a more politicized process and the government must pay increased compensation to residents for right of way, and also to contractors for delays in handover.

#### **Pha Lai Thermal Power Plant**

We made a brief stop at the Pha Lai Thermal Plant to view the smokestacks. Photo 7 shows the older Soviet-constructed one on the left. On the right is the smokestack for the newer, cleaner-burning facility funded by JBIC.



Photo 7. Pha Lai Thermal Power Company. JBIC-funded Plant is marked by smokestack on the right.

### **Hai Phong Port**

Hai Phong, recently expanded, is the largest port in northern Vietnam and serves as the gateway to the industrial and export-processing zones. It is well-equipped with modern gantry cranes. It handles about 8 million tons of shipment on an annual basis and is expected to become busier in the next few years.

### **Hwy 18**

We traveled from Hanoi to Halong on Hwy 18, a 320 km trunk highway. The road was well-maintained. A 2 mile stretch of the road was constructed with Taiwanese ODA with a minor change in surface quality.

We also crossed the beautiful Bai Chay Bridge on Halong Bay completed in 2006 funded by Japanese ODA. The bridge harmonizes well with the natural surroundings and helps to ease congestion on Hwy 18.

### **Planning and Implementation Ministry (PMI): Joint Evaluation with JBIC on Transport Sector**

We met with Mr. Giong and Mr. Cung, deputy director, monitoring, of PMI. Mr. Cung went to Japan last year for training on evaluation methods. He explained there are four types of evaluation performed currently:

1. initial (baseline)
2. impact (after project implementation begins)
3. terminal (on completion)
4. midterm/interim

1,3, and 4 receive 100% coverage. Type 2 is limited by lack of resources. The DAC 5 criteria are used for 1,3 and 4, and the overall method is borrowed directly from JBIC, and was introduced for use in July this year (implementing Declaration 131). The implementing agency (a management unit) is responsible. Some evaluators receive training from FASID instructors who are hired by VAMESP, which is a joint project with AusAid to train for national level aid effectiveness and impact evaluation. (See [www.mpi.gov.vu/tddg](http://www.mpi.gov.vu/tddg)).

Other efforts to build capacity in this area include joint evaluations among ministries, and with donors. An example would be program evaluation in the transport sector in the Red River delta. Mr. Cung indicated that there are a number of formal and informal efforts being made to network monitoring and evaluation experts.

Regarding the joint evaluation with JBIC, there are wide areas that need to be covered, so PMI must be selective. In particular, travel budgets are very constrained, so there will have to be special effort to spot check in areas that do not require an overnight stay by officials. Sites will be selected by typicality and location. A suggestion was made that future budget requests (submitted in July of the previous year, for the next fiscal year starting in January) include travel funds for monitoring and evaluation purposes. that the joint evaluations with JBIC

### **Ministry of Transport**

We met with Madame Hang, Chief of ODA Management Division. She expressed that there cannot be additional budget requests for future evaluations through MOT. She suggested that the PMI should request this, and decide which line agencies should perform the evaluations.

A Memorandum of Agreement was negotiated and signed regarding the joint evaluation.

### III. Analysis and Conclusion

A recent joint report by the Asian Development Bank, JBIC and the World Bank suggested that East Asia will need to invest about 1 trillion USD over the course of five years to meet its infrastructural needs in the near term. Focus on long-term economic growth and the basic elements of that growth, such as infrastructure, has long been the hallmark of Japanese ODA, sometimes in marked contrast to the aid provided by other nations that have acceded to the OECD's DAC (Development Assistance Committee). At times, this has invited criticism that Japan overemphasizes the "hard" over the "soft" inputs, usually associated with better governance, transparency, political and economic reforms, commitment to democratization, environmental awareness and humanitarian assistance. However, the softer aspects of development assistance are sometimes embedded in the hard shell of infrastructure, often unintentionally and sometimes in unexpected ways.



Capacity-building requires partnership effort as well as a certain degree of self-help on the part of the recipient partner. In the case of the JBIC-funded projects I observed, the initial efforts came with the submission of project proposals and the feasibility studies that identified how the projects would be maintained and paid for. In the case of the Vietnamese highway and bridge rehabilitation projects, tolls are collected. The project management units responsible for implementation noted in our interviews that the management of tolls (collected daily and sent directly to the Treasury) and toll facilities has been a valuable exercise in capacity building and human resource development. Vietnam, which has been particularly proactive in managing its development trajectory, has worked with AusAID, to develop through VAMESP (Vietnam Australia Monitoring & Evaluation Strengthening Project) its ability to monitor and evaluate ODA projects. The common reporting mechanism they have adopted, and are now training evaluators for, is based on JBIC's M&E framework. JBIC is also engaged in joint evaluation efforts, such as that with Vietnam's Railway Project Management Unit. Another example involves The Philippines National Oil Company, which manages Tongonan, part of the largest geothermal energy field in the world. It has independently established a department for Corporate Social Responsibility Activities to mitigate the effects of and improve the livelihood of those living in the surrounding areas, and has initiated measures to stem land erosion. The company has also leveraged the knowledge they have gathered over the years in implementing ODA projects to develop proprietary lateral drilling technologies that are now being put to use in other countries.

Implementing and managing large-scale infrastructure projects require considerable skill and resources at the outset. Even so, additional and external gains can be realized through planning and partnership. Public administration, for example, benefits from the need to prioritize; to set and follow regulations for activities like resettlement and compensation, or taxation; or to manage the basic requirements of honoring legal contracts. The recent problems in Vietnam regarding implementation of projects can partly be blamed on endemic corruption. Constructive discussion with donors about the possible impact of corruption on future commitments and disbursement can provide incentives to combat the problem. However, Vietnam enjoys relatively high administrative capacity to deal with these problems. Other countries will need more direct assistance and creative measures to overcome corruption and non-transparency. Market mechanisms can also be enhanced and inculcated by the need to collect revenue (such as tolls) to pay for infrastructural improvements. As countries outgrow the need for ODA, these skills will serve implementing agencies as they find other sources of credit. Implementing agencies also benefit from these experiences and there are a few instances of south to south cooperation emerging directly from ODA-funded projects. Another way to think about the softer side of infrastructure is the unintended social effects of infrastructure. Sometimes they are negative. But at times they can be positive in the most unexpected ways: an irrigation dam in Leyte, for example served as a laundry area, swimming hole and community gathering place.

Infrastructure has not received as much attention in recent years. The trend in the international aid community has been to place emphasis away from projects and infrastructure to more programmatic and "soft" issues. In some respects the hard/soft

dichotomy can be an artificial one. Already, infrastructural projects supported by JBIC are accompanied by programs to augment the effectiveness and minimize negative social impact of implementation. Efforts to integrate HIV/AIDS prevention and education with transportation projects in Cambodia and elsewhere is one example. Measures to assist small businesses along major highway projects is another. More often than not, the capacity-building aspects of planning and implementing large-scale projects is not measured or evaluated. They can be significant however.

Infrastructure alone will not solve the problems of development and there are many countries that cannot demonstrate the necessary levels of capacity for absorbing or managing large-scale projects. In those places, self-help must be bolstered by more direct technical aid. But infrastructure is a prerequisite to longer-term economic growth and this cannot be ignored. Economic growth, particularly in a country like Vietnam where rural inequality has not significantly worsened over time, and where the benefits of growth are broadly distributed, is the fastest route to lifting the most people out of poverty. At a time when few other donors focus on development in favor of other important goals of ODA, perhaps it is time to reassess the contributions of large-scale infrastructure not only from the perspective of its harder inputs to economic development, but also in terms of how it can also contribute to (as well as pose harm to) human resources, capacity-building, social networks and trust, better governance and the dissemination of market mechanisms.