



Domestic Private Sector Involvement in the Road Network Improvement Project

MISSION REPORT

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INTERNATIONAL LABOUR ORGANISATION

ASIST-AP

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Mission Report

**Private Sector Participation in the
Road Network Improvement Project**

**ILO ASIST-AP Participation in
the Post Pre-appraisal Mission
Hanoi
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**prepared by
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Abbreviations

ADB	Asian Development Bank
DfID	Department for International Development
GoV	Government of Vietnam
HCMC	Ho Chi Minh City
ICB	International Competitive Bidding
IDA	International Development Association
ILO	International Labour Organization
MoC	Ministry of Construction
MoT	Ministry of Transport
MPDF	Mekong Project Development Facility
NCB	National Competitive Bidding
NH	National Highway
PDoT	Provincial Department of Transport
PMU18	Project Management Unit No. 18
PPMU	Provincial Project Management Unit
RMMC	Road Maintenance Management Company
RNIP	Road Network Improvement Project
RPMU	Regional Project Management Unit
RRMU	Regional Road Maintenance Unit
RTP	Rural Transport Project
SIYB	Start or Improve Your Business Programme
SOE	State Owned Enterprise
VACC	Vietnam Association of Construction Contractors
VRA	Vietnam Road Administration
WB	World Bank

1 The Assignment

This assignment was carried out on the request of the World Bank, as part of their preparation of the Road Network Improvement Project (RNIP). As part of this project, the Bank intends to increase the involvement of the private construction industry of Vietnam to carry out periodic maintenance of the main road network. The ILO through ASIST-AP has been requested to provide support to the RNIP, which at this stage involved an assessment of the capacity of the domestic construction industry to take on the specific work programme of the RNIP, and how this can be best organised within the institutional framework of the road sector in Vietnam and the procurement regulations within which the project activities need to be conducted.

These issues relate to both privately owned construction firms as well as state owned enterprises which will be eligible to bid for works according to the procurement regulations of the Bank.

The assignment took place from 13 to 22 August 2003, following two earlier missions dealing with the same issues, carried out in August and October 2002. The detailed mission itinerary is attached as Annex 1.

The mission was led by Mr. Jerry Lebo (Team Leader, EASTR), and included, from the World Bank side, Mr. Simon David Ellis (Vietnam Transport Sector Coordinator, EASTR), Ms. Irina Luca (Sr. Procurement Specialist, EAPCO), Ms. Mei Wang, (Counsel, LEGEA), Ms. Phuong Thi Minh Tran (Operations Officer, EACVF), Mr. Thang Chien Nguyen (Sr. Procurement Specialist, EACVF), Mr. Kien Trung Tran (Procurement Analyst, EACVF), Mr. Hung Le Viet (Financial Management Specialist, EACVF), Ms. Hoa Thi Mong Pham (Social Specialist, EACVF), Mr. Duong Quoc Vinh (Environment, EACVF), and Mrs. Quyen Do Duong (Disbursement Analyst, EACVF). In addition, the mission was further supported by Mr. Koji Tsunokawa (road management specialist, consultant), Mr. Christopher Bennett (economist and road maintenance specialist, consultant), Mr. Pramod Agrawal (resettlement, consultant) and Mr. Bjørn Johannessen, (engineer and contractor development specialist, International Labour Organization).

2 Project Brief

The objectives of the NRIP is to stabilise the condition of the national road network, through a series of interventions such as (i) improving the efficiency of transport services in the northern region of Vietnam by selective improvement of the national road network, (ii) preserving existing road assets through a three year rolling program of strategic periodic maintenance on the core national road network, (iii) enhancing the processes and institutional and financial framework for sustained maintenance of the national road network through capacity building and institutional strengthening of the VRA.

The improvement works will mainly cover the Northern and North Central Regions, while the network preservation component will cover national roads in the entire country.

The current total estimated budget is US\$ 225 million to be funded by IDA and an additional US\$ 125 million in government counterpart funding.

3 Summary of Findings

3.1 Work Programme

Since the previous mission carried out by the ILO, the physical works have now been further identified although the design works still remains to be completed. The preliminary cost estimates and designs now provide improved indicators which can be used as a basis for the bid packaging and methods of procurement, and assessing the extent to which the local construction industry can take on the works.

All the works identified in the first year work programme consist of fairly standard road improvement and maintenance works. In order to carry out these works, there are no special requirements in terms of technology or implementation arrangements. The type of works identified for the first year programme is well within the skills and experience of local contractors (private and SOEs).

3.2 Capacity of Private Sector

Based on the information relating to the current capacity of the local contractors, collected during the previous mission, and the more recent developments in terms of identifying the physical works envisaged in this project, it remains evident that there is a considerable capacity in the local construction industry which can meet a substantial part of the requirements of the RNIP. This impression relates both to the capacity and skills of individual contractors as well as in terms of meeting the magnitude of the work programme envisaged in the RNIP. This also includes a good geographical distribution of contractors with an adequate coverage also in the more remote provinces of the country.

More than this, it is believed that the local construction industry can provide a substantial part of both the network preservation component as well as possessing the required capacity to carry out substantial parts of the network improvement component.

3.3 Implementation Arrangements

The project implementation arrangements still need to be agreed upon in detail. The Government with the support of the project preparation consultant is in the process of finalising the Project Implementation Plan. A draft plan was made available for review by the mission. There was a general consensus that this document would still require further improvements before it can meet its performance requirements. The current draft provide some indication of roles and responsibilities and does confirm where capacity improvements will be required.

However, in order to get a proper overview of capacity development requirements, the key actors in the project remains to be more clearly identified – in particular for the NPP. Roles and responsibilities of the various agencies involved in the NPP still needs to be clarified. This also includes a more detailed specification of staff requirements in the involved agencies at central and provincial levels, type of staff required and their detailed performance requirements and job descriptions.

As part of this exercise, there is a demand for delimiting the division of responsibilities between the government agencies and the implementation consultants.

3.4 Procurement Arrangements

Packaging of Works

On the basis of the preliminary cost estimates, the government has made suggestions on how the first year work programme should be packaged in individual contracts. For the maintenance works, the government propose that all works are tendered applying the Bank's procedures for national competitive bidding. For most of the first year road improvement

programme, it is suggested to apply the procedures for international competitive bidding. The improvement works would still have a number of contracts which would be of appropriate size for the local construction industry and they should therefore be encouraged to participate in this work as well.

Pre- or Post-qualification

Since the works identified for the first year programme consist of fairly standard work, with which established actors in the road sector are already familiar, it is recommended that the works are tendered applying the procedures for post-qualification.

The most obvious advantage of using post-qualification is that this arrangement would normally require less time in terms of awarding the contracts for the first year programme. Secondly, it leaves less room for “informal practices”, such as limiting the access to participation in the tender process, and may contribute to securing a wider participation from the private sector in the bidding contest and thus provide a better impression of the interest from the private contractors in the works programme of the RNIP.

3.5 Private Sector Capacity

Qualification of tenderers normally relate to staff, equipment, experience and financial capacity. As regards to staff, it seems as the contractors will have no difficulties in meeting the requirements set. Relating to equipment, the qualification criteria should allow for arrangements in which the contractors can propose equipment hire, leasing and association with other firms to secure the required plant. Based on the first year programme of works, it is evident that the local industry possesses relevant experience. Financial requirements are often related to company solvency and annual turnover.

As this project is encouraging the participation of the domestic private sector, it is proposed that sober financial qualification requirements are set to secure local participation in both NCB and ICB. As part of this, it is suggested that the annual turnover requirement is set in the range of 1.5 times the size of the estimated contract value.

3.6 Government Capacity

The road improvement component will be implemented by PMU18 which possesses a good experience in contracts management applying Bank guidelines. The VRA, however, is a newcomer in this field with very limited experience in this field. Equally, the PDoTs and the RMMUs are also in need of capacity development assistance.

This issue is related to all stages of contracts management from bid preparation, tendering, works supervision and payment. The effective performance of these duties will have a direct impact on the performance of the contractors. For this reason, it is important that the emphasis of the capacity building programme of the NPP is targeted towards the client agencies.

3.7 Training Needs

Specific training requirements for both the VRA and other government agencies involved (RPMU2, RMMUs, PDoTs), and the contractors still needs to be identified. The details of the training programme can only be developed on the basis of a training need assessment and the organisation structures agreed for the implementation.

4 Works Programme

It has been agreed that the improvement works will be implemented by PMU18 of MoT. PMU18 has extensive experience in managing road improvement works financed by the World Bank – currently in charge of the WB funded Second Rural Transport Project.

For the network preservation component the government has selected RPMU2 as the overall executing agency.

Both components will rely on the field structure of the road works agencies for detailed supervision and management of the works. In practice, this implies that the PDoTs and the RMMUs will be involved in works identification, planning and supervision. Identification and preparation of the road works programme is still at preliminary stages. So far, the government, with the assistance of the preparation consultant, has prepared preliminary designs for the first year improvement works and an initial selection of roads to be included in the first year maintenance programme. No design works have been carried out for the maintenance works. The current proposals specify an AC overlay for all the roads selected for the first year of the maintenance programme. During site visits to some of the selected roads for the first year programme, it is clear that there is a demand for a more elaborate approach to this design work.

During the mission, field visits were carried out to some of the selected road sections to be included in the improvement and preservation components (see Annex 3 for photographs from the field visits).

5 Further Identification and Preparation of Works

The second year works programme will be carried out once the government have recruited a design and supervision consultant. At the time of the mission, this recruitment process had not commenced. The government still needs to prepare detailed terms of references and advertise for these consultancy services.

It is important that design works for the first year work programme is completed as soon as possible to ensure that adequate time is available for the tendering of this works, thus securing the timely start of works in the first year works programme.

Secondly, it is important to note that the recruitment of a design consultant for the second year programme is now also on a critical path in terms of securing the timely preparation of the second year works programme.

Appropriate timing of events such as the preparation of detailed designs and tendering of works are obviously a crucial issue for the successful implementation of the project. This issue becomes even more important as the project intends to increase the participation of the domestic construction industry. It would be unfortunate if the local contractors are awarded works which are poorly designed. This may lead to sub-standard results which may be counterproductive to the intentions of the project in terms of promoting an increased participation of local contractors.

6 Works Procurement Arrangements

6.1 Packaging of Works

With the assistance of the project preparation consultant, the first year work programme is in the process of being prepared. Preliminary designs have been completed for the first year of the work under the network improvement component. The selected improvement works appears to consist of upgrading roads already in a fair to good condition to meet the increase in traffic during recent years. The table below shows the road sections identified for the first year improvement programme.

From this table it is noted that with the exception of the improvement works on NH 37, the

remaining works consists of relatively small contracts when taking into consideration that most of this work will be procured using the Bank's procedures for ICB. More specifically, it is believed that the volume and type of works in these contracts would be well within the capacity of the local construction industry. For this reason, it is strongly recommended that local contractors participate in the bidding for this work.

Subproject No.	Road/Location	Length km	Estimated Cost million US\$	Procurement Method	Duration of Works
1	NH 37 Thai Nguyen - Bac Giang	47.7	10.19	ICB	18 months
2	NH 47 Thanh Hoa	20.5	3.51	ICB	18 months
3	NH 48-1	8	1.33	NCB	18 months
4	NH 48-2	20	3.7	ICB	24 months
5	NH 48-3	26	3.65	ICB	24 months

On the basis of an HDM4 analysis, a number of roads have been identified for periodic maintenance under the network preservation component. As it stands, the first year work programme under the NPP seems to concentrate on resealing highly trafficked roads where surface pavements are now 6 to 7 years old. The preliminary selection of road maintenance works is listed in the below table¹.

Having identified the initial works in the project allows for a proper assessment of the capacity of the local industry to carry out the specific works envisaged in the project. On the basis of the preliminary cost estimates, it is also possible to discuss the appropriate packaging of works contracts.

No.	Road No.	Chainage	Length km	Est. Value of Works, US\$	No of Contrs.	Average Contract Value	Envisaged Works	Location
1	1	1525 - 1541	15.96	1,602,065	1	1,602,065	50 mm AC	Ninh Thuan
2	1	1785 - 1800	13.01	1,680,241	1	1,680,241	70 mm AC	Dong Nai
3	1	2000 - 2067	66.84	6,779,688	4	1,694,922	50 mm AC	Tieng Giang – Can Tho
4	1	175 - 197	22.01	2,644,963	2	1,322,482	70 mm AC	Hanoi – Ha Tay
5	1	197 - 250	52.94	6,537,666	4	1,634,417	70 mm AC	Ha Tay – Ha Nam
6	1	269 - 286	16.86	1,545,732	1	1,545,732	50 mm AC	Ninh Binh
7	1	286 - 294	9.40	1,495,669	1	1,495,669	50 mm AC	Thanh Hoa
8	1	383 - 460	76.71	5,133,433	3	1,711,144	50 mm AC	Nghe An
9	15	0 - 20	20.00	912,660	1	912,660	70 mm AC	Hoa Binh
10	26	2 - 122	119.73	6,867,713	5	1,373,543	50 mm AC	Khanh Hoa – Dac Lac
11	50	2 - 47	45.30	3,596,044	2	1,798,022	70 mm AC	HCMC – Tien Giang
12	183	0 - 22	22.00	3,014,484	2	1,507,242	70 mm AC	Hai Duong

1 Please note that the contents of the first year work programme of the NPP is under development and will most likely change before it is finalised (ref. Mission Aide Memoire). However, the preliminary programme still provides a good basis for defining the detailed contracting arrangements and assessing the capacity of the local industry to carry out the maintenance works envisaged in the Project.

For the NPP, the Government suggests that contracts are split into packages in which each of the contracts are less than US\$ 2 million and thereby allowing the use of the Bank's procedures for national competitive bidding.

Although some of these packages are located in the same area, and it would seem natural to package them together in larger contracts, the practice of tendering several smaller contracts at the same time would give larger contractors the opportunity to bid for several packages while still allowing access for smaller firms to bid for individual contracts. This can be arranged by using the RMMUs in the respective areas to take the lead role in procurement of the maintenance works.

By ensuring that the contracts are opened at the same time and location, it is also possible for larger contractors to offer discounts in the event that they are successful in winning more than one contract.

6.2 Local Participation in ICB Tenders

In the past, the involvement of domestic contractors have been limited to a secondary role to the international contractors when works are tendered applying the procedures for international competitive bidding. The most common arrangement in ICB is that an international firm would be proposed as the lead company, relying on local firms for sub-contracting of some (or all) the works. In many cases, it is questioned whether the involvement of foreign contractors provide any added benefits as the majority of works is often carried out by the local industry and the role of the foreign firms are minimal.

On the other hand, ICB does provide an important mechanism for maintaining a high level of competitiveness in the industry. The type and volume of the works envisaged in the RNIP provide an attractive market for both local and international contractors and the continued involvement of both groups can contribute to the effective delivery of the services required in the road sector of Vietnam. Therefore, the question is rather how the current arrangements and how the effects of these mechanisms can be further improved.

During recent years, it is obvious that the local construction industry has experienced considerable developments in terms of capacity and skills. However, there still seems to be limited interest among local firms in participating in ICB except in association with foreign companies or as sub-contractors. Considering the type of works experience local firms currently possess, the time now seems appropriate to encourage their increased participation in bid competitions where the procedures for ICB are being applied.

Most of the works envisaged in the RNIP is comparable to similar works which local contractors have carried out in the past, both in terms of volume and type of works activities. Recent experience from a number of similar projects demonstrate that local firms have the capacity to carry out road improvement works and period maintenance of highways.

In this respect, it is important to note that the works packaging envisaged for a considerable part of the first year programme of the network improvement component consists of volume and type of works which the local construction industry already has proved that they are capable of carrying out.

For these reasons, it is recommended that pro-active measures are made in the RNIP to secure the participation of local contractors not only in a secondary role for works tendered through ICB, but also encouraging local firms to participate in ICB as the lead firm.

The Bank's procedures for ICB include mechanisms to encourage the participation of the local construction industry. So far, local contractors have not taken advantage of those measures. With additional support measures provided through the project, such as training, improved announcement of works and reasonable qualification criteria, it may be possible to encourage their participation in ICB also in direct competition with foreign tenderers.

6.3 Ensuring a Competitive Environment

A number of studies have pointed out that there is still a demand for improving the level of fair competition during the tendering process. Although the WB and GoV have agreed on a set of procurement procedures and implementation arrangements, there is still a considerable scope for improvement in terms of achieving an objective and fair environment in which the tenderers bid for works.

Based on the experience of the Rural Transport Project and the recommendations of recent studies, it would seem appropriate to make every effort to ensure that all interested bidders are secured equal access to bid competitions. A number of recommendations have been made and good practices can also be drawn from other countries with similar projects and challenges. This may include wider announcement of bid invitations, improved availability of bidding documents (i.e. through the Internet), pre-bid meetings, limit the use of pre-qualification, etc.

There is also an issue of how to avoid a situation in which the market is dominated by the SOEs. Although the private construction industry has in recent years managed to break into a market which in the past has been entirely dominated by state owned enterprises and public service providers, they are still facing an uphill battle in terms of competing on an equal level.

Several externally funded projects have made various efforts to break the dominance of SOEs in public works. It is important that the participation of private contractors in the RNIP is given similar attention. Similar to RTP2 it would be useful for the project to set specific targets in terms of the level of private sector involvement.

7 Capacity Development Requirements

The effectiveness of the works implementation is dependent on two major issues, (i) the capacity and skills of the contractors, and (ii) the capacity of the government agencies to perform their duties in terms of planning and design of works, contracts award and supervision and finally measurement and payment of work. Experience from contractor development programmes elsewhere show that the construction industry in most cases quickly responds to the new performance requirements with limited technical assistance and training. In most cases, the largest challenges are related to institutional issues which concern the timely and effective performance of the client and its representatives.

As a final general remark, due recognition should be given to the high level of technical skills found among the staff members in both the private sector and government agencies which will be involved in this project. On this basis, it seems as if capacity development issues in this project is mainly related to securing adequate management arrangements which will allow the staff to effectively execute their duties in an effective and timely manner, within the framework of government and Bank regulations.

7.1 Government Capacity

In terms of government capacity to implement the works, there is a considerable difference in the two project components. PMU18, which will be in charge of the improvement works can show a considerable experience in management of Bank financed road works, most notably through their current responsibilities relating to the Second Rural Transport Project. However, it should be noted that the institutional capacity is very much dependent on the staff assigned to the various management responsibilities. Although PMU18 has established efficient financial and administrative systems and procedures which are compatible to the requirements of the Bank, the added responsibilities through the RNIP will require PMU18 to

assign additional staff to such work activities and these staff members will need proper training and instruction in order to meet the added performance requirements of the RNIP.

In the VRA and its RPMUs, the situation is different, as these organisations possess very limited experience in managing Bank financed works. During the preparatory phase and during the course of the project, the VRA and its field structure will need to establish similar managerial and financial systems in order to efficiently execute the network preservation component of the RNIP. The required management systems and procedures have already been identified, however, the VRA still remains to specify its detailed management arrangements. This includes the exact divisions of roles and responsibilities between the centre and their field structure (RPMU2, RMMUs and PDoTs). As part of this exercise, the VRA needs to develop detailed terms of references for the various organisations involved in the project and identify adequate staffing and logistical resources to meet the performance requirements of the various actors. These development issues need to be detailed out in the Project Implementation Plan and the Operations Manual which are still under development. Finally, the capacity development demand will be dependent of the experience and skills of the individual staff members assigned to take on the various managerial and administrative duties.

7.2 Private Sector Capacity

Overall Impression

The capacity of the local construction industry was studied during two earlier missions carried out in 2002². At that stage, the works to be included both in the NPP and NIP had still not been identified, and for this reason, the discussion relating to the capacity of the local construction industry to carry out works in the RNIP was to a great extent related to past experience in other WB and ADB funded road works projects.

With the preliminary selection of roads for improvement and maintenance and the preliminary design works which have been carried out, it is now possible to assess with a greater certainty to what extent local contractors have the capacity to carry out the works envisaged in the RNIP.

The mission carried out in November made an assessment of the capacity of the local industry as a whole in relation to the total work programme of the RNIP, as well as assessing the capacity of individual contractors to carry out average type of works and contracts envisaged in this project. It was then concluded that the local construction industry possesses an extensive capacity and experience which is directly compatible to the requirements of the RNIP in terms of both the network preservation component and the envisaged road improvement works. Furthermore, it was noted that there seems to be sufficient contractors in terms of numbers as well as size and skills to carry out road maintenance, be it small, medium or large scale works. As a matter of fact, only the select number of contractors visited during the previous mission are currently posting a combined turnover which is close to the envisaged annual budgets of the RNIP maintenance component. On this basis, it is maintained that the sufficient capacity is found in the local industry for the execution of the works of the network preservation component as well as a considerable portion of the improvement component.

Access to Equipment

Based on the interviews with local contractors during the previous mission last year, a good impression was obtained in terms of the type and number of equipment available in the local construction industry. The larger contractors already possess equipment fleets which consist of adequate plant appropriate for road improvement and maintenance works.

2 Ref: Mission Report, Private Sector Participation in the Road Network Improvement Project, ILO ASIST-AP, Hanoi and Ho Chi Minh City, November 2002, and Private Sector Involvement in the Road Network Improvement Project, Fact-finding Mission by ILO ASIST-AP, Hanoi, August 2002

As privatised SOEs originating from MoT as well as SOEs from other ministries will be eligible to bid for works under the RNIP, it is also important to consider their capacity and in this context the equipment fleets they possess. Considering the fact that a majority of road works are still carried out by this part of the construction industry, it would be reasonable to expect that these companies will be able to provide a significant contribution to the equipment demands related to the physical works envisaged in the RNIP.

Both the large private firms and the SOEs also seem to have sufficient financial capacity to purchase any additional equipment they may require either by utilising already accumulated financial assets or through bank financing. This group of contractors has no problems in accessing local banking services.

It is common practice to rent equipment from both SOEs as well as other private firms. Although this seems to be a widespread practice, contractors prefer to use their own equipment. Appropriate mechanisms are required to accept tenders in which the contractors propose to hire/lease some of the equipment to be used on a specific contract. This would make the tender process more in line with the real situation. Tender processes often take a considerable period of time, during which the contractors would also be looking for alternative market prospects. When contracts are finally awarded, their equipment may be assigned to other works and for this reason they choose to rent additional plant.

When bids are evaluated, it would be more appropriate to ensure that the tenderers have managed to *mobilise* adequate equipment in sufficient numbers, with the appropriate capacity and which is in good running condition, rather than reviewing a nominal list of equipment which may be old and therefore can provide very limited utilisation rates. Equally, local firms should be encouraged to pool their resources, including their equipment parks, by submitting joint proposals.

Financial Capacity

Financial capacity is an important factor which may limit local contractor participation at two levels. During the bid competition, tenderers need to prove that they possess sufficient financial solidity to qualify and compete with other bidders. Secondly, during the tendering stage as well as during works implementation, the contractors require banking services for providing bonds and securities prescribed by the client, equipment financing, as well as cash credits to cover immediate expenses of work operations.

Banking services appear to be well established all over the country. Even in the more remote provinces, local banks provide the type of services normally required by contractors. Despite the availability, there still seems to be some problems for local contractors in terms of gaining access to these services. There also seems to be different practices and treatment of SOEs as compared to private firms.

The larger companies, however, do not regard access to banking services as a problem since they have already established sufficient working capital and can rely on already acquired plant and other financial assets. On this basis, they are also in the position to provide the collateral and any other financial assurances the banks require in order to access such services.

However, there is still an issue of the appropriate evaluation of the financial capacity of the tenderers during bid evaluation which relates to both LCB and ICB. When applying any of these procedures, it is important that the bidders are evaluated on the basis of whether they possess sufficient capacity or not. If they can provide evidence of sufficient financial capacity, it is recommended that they are treated equal to other firms (including SOEs and large foreign firms), instead of awarding points to each contender on a scale depicting the range from the smallest to the largest bidder.

In this respect, it is also important to note that when using the Small Works Contract of the Bank, these guidelines would normally require that bidders are required to prove that their

annual turnover is 2.5 times higher than the total value of the contract³. Considering the fact that the project intends to develop the capacity of the local industry, this clause may actually be contradictory to the ambitions of the project. As part of the project's efforts to improve the effectiveness of the road sector, it would be in its interest to attract as many local contracting firms as possible. As an alternative measure to this requirement, it would be more appropriate to take active measures during works implementation to ensure that the contractors provide the skills and capacity required (i.e. By providing training and technical advisory support), and thereby utilising the means of the project to further strengthen the local construction industry. For these reasons, it is suggested that the turnover requirements are reduced to 1.5 times of the contract value.

Access to Financial Services

For medium size contractors, it would be useful for the project to link up with support facilities which have already been established for private entrepreneurs in the country, such as the services of MPDF, the ILO Improve Your Business Programme and others. The type of loan financing support activities of MPDF seems highly relevant to the private contractors, and as part of the capacity building efforts of the RNIP, active measures should be taken to link up the local contractors with such facilities.

Equally, there seems to be very limited use of the leasing services now readily available in the country. Once again, it is recommended that the capacity development efforts of the RNIP include the facilitation of such services to local contractors.

8 Training Requirements

Although the detailed implementation arrangements still remains to be defined, the recent formulation of the first year physical works programme provides some indicators in terms of training requirements. Equally, the project procurement arrangements have now been firmed up, and based on this and the recent procurement capacity assessment (Ref. Annex 6 of the draft Project Appraisal Document), some training needs have been identified.

However, in order to make detailed assessments of the training requirements, particularly on the government side, there is a need to establish the detailed implementation arrangements. Detailed roles and responsibilities will be defined in the Project Implementation Plan, which is still under development. Equally, the training needs will be dependent on the skills and experience of the individual staff members assigned to carry out the works.

The training programme needs to be designed in a manner which allows for follow-up training during the works implementation stages. It is commonly experienced that initial training before actual works commence only have a limited effect in terms of improving the performance of the trainees. For this reason, the initial training needs to be followed-up with advisory support and refresher courses once physical works commence.

8.1 Purpose of Training

The overall objective of the training would be to (i) build up an adequate capacity among both private and public sector staff to effectively carry out the road maintenance works according to the technology, systems and procedures set by the project, and (ii) to establish a local training capacity which can further disseminate the institutional and technical developments of the RNIP.

Although there already exists a general understanding in PMU18 and VRA as regards to the ambitions and implementation arrangements of this project, there is a large number of staff outside this current select group which needs to be fully briefed on all operational issues

³ Ref. Clause 4.5, (a) and (b), Instruction to Bidders, Procurement of Works – Smaller Works.

before they can effectively take on tasks relating to implementation of project activities.

The training will form a central part of the capacity development efforts of this project and for this reason it is important that the training needs are explored in a comprehensive manner which can then form the basis of the overall capacity development programme. Outline Terms of References are included in Annex 2. The findings of such an exercise would to a large extent define the contents of the consultancy services relating to capacity development.

Experience from other projects show that in order to ensure that training is actually carried out as originally intended and designed, it is often necessary to define its contents in detail down to timing and training methods, course contents and number of training days - in advance of the recruitment of the training providers.

8.2 Training of Government Staff

As mentioned earlier, some training needs have already been defined. However, there is still a demand for quantifying this training, in terms of specific subjects, training audience, duration and timing of training inputs, most effective training methods, etc.

For the government staff, training needs are expected to mainly relate to their new responsibilities as the client's representative in public works contracts. Some key tasks related to this role include preparation of contract documents, tendering of works, work supervision, quality assurance, measurement and payment of works.

As compared to PMU18, the VRA possesses a limited capacity in terms of procurement of works using the Bank's procedures. This issue is related to all stages of contract management from bid preparation, tendering, works supervision and payment. The effective performance of these duties will have a direct impact on the performance of the contractors. For this reason, it is important that the emphasis of the capacity building programme of the NPP is targeted towards the client agencies.

At this stage, the government is in the process of preparing a Project Implementation Plan and an Operations Manual. To ensure up front that these guidelines and other prescribed regulations are adhered to and effectively utilised, there is obviously a demand for training in the startup of the project. Equally, there will be a demand for further follow-up training and advisory support during the course of the project, when new situations and management issues arise for which the project staff has not been prepared.

8.3 Training of Contractors

Among the two training audiences, the training demands of the contractors are always the easiest to address. Due to the inherent entrepreneurial qualities among private contractors, they are accustomed to adapting to new technology and procedures when required by the client.

Based on the experience in other projects in Vietnam as elsewhere, there is however a number of subjects in which training can further enhance the efficiency of the local construction industry.

As a starter, it is always useful to include the contractors in the project launch and have a separate session which relates more to the specific interests of the construction industry. A launch workshop of this nature would address issues such as market prospects, eligibility criteria and competitiveness factors, tendering arrangements, where to obtain information about future works, location of works, how and where to obtain bidding documents, responsible agencies, payment arrangements (including use of local and foreign currencies), bond and security requirements, support facilities, expected equipment requirements, staffing requirements and many more. This type of information should also be conveyed through pre-bid meetings when specific works contracts are announced.

Furthermore, it has often shown to be useful to provide training in how tenders should be prepared. A very useful subject is to provide training in estimating costs of works and in particular how to build up unit rates based on specific costs of labour, equipment, materials and various overhead costs. In addition, such training also provides a good opportunity to explain other aspects such as the general conditions of a contract, their practical implications, and any particular concerns of the Bank.

In order to facilitate the participation of the local industry in tenders, applying the procedures for ICB, it would be natural to offer such training as part of the capacity building framework of the project.

Although the contents of the training programme need to be tailored towards the specific concerns of this particular project and its work programme, recent surveys of the private construction industry have identified a number of subjects for training which private contractors would find useful:

- competitive bidding procedures,
- project management,
- accounting and financial management,
- business administration,
- mechanics,
- information technology and
- taxation.

Annex 1 Mission Itinerary

Date	Period	Topic/issues	Team	Location
Monday 11/8	9:00	Kick-off Meeting	Jerry, Simon, Phuong	MoT
	14:00	Joint discussion on outstanding issues for appraisal and on PAD	Jerry, Phuong	VRA
Tuesday 12/8	8:00	Meeting with Alan	Jerry, Simon, Phuong, Irina	WB
	8:30	Environment and Social issues on NIP &NPP	Pramod,	PMU18
	9:00	10 year strategic plan	Jerry, Koji, Phuong	VRA
	14:00	Project costs, unit cost, disbursement schedule, and PIP for NIP & NPP	Jerry, Cuong, Phuong	PMU18
	16:15	Meeting with Thang, Kien & Irina	Jerry, Phuong	WB
	17:00	Meeting with Klaus, Rakesh	Jerry, Alan, Simon, Phuong	WB
Wednesday 13/8	8:30	Meet with LBI on Resettlement Policy Framework	Pramod	WB
	9:00	Discussion on Procurement, PPP with PMU18	Jerry, Irina, Phuong, Hiet	PMU18
	1:00	Meeting with PWC	Jerry, Cuong, Phuong	PWC
	1:00	Meeting with NPP consultants	Koji	VRA
	14:00	Discussion on Financial management with VRA/RPMU2 leaders and FM person	Hung, Jerry, Simon, Phuong, Quyen, Cuong	VRA
	14:00	Discussion on Procurement, PPP with VRA/RPMU2,	Irina, Hiet	RPMU2
	14:00	Meeting with VRA chairman on maintenance financing mechanism and strategic plan	Jerry, Koji, Simon, Phuong, Cuong	VRA
	16:00	Meet with PMU18, LBI on umbrella RAP	Pramod	WB
	16:00	JBIC on co-financing possibility for bridges	Jerry, Koji, Simon, Phuong, Irina	WB
	17:00	Meeting with NPP legal consultant	Jerry, Koji, Simon, Phuong, Irina	WB
Thursday 14/8	7:30	Visit RPMU4 in Vinh city, Vinh PDOT	Irina, and Thang or Kien	
	8:30	Meet with PMU18, LBI on review of RAPs	Pramod	WB
	9:00	Financial management with PMU18 leaders and FM person	Hung, Quyen, Cuong	PMU18
	9:00	Maintenance packages, PIP, OM	Irina, Bjorn, Jerry, Phuong,	VRA
	14:00	Meeting with Minister Binh on maintenance financing mechanism and strategic plan and consultative group on national roads ???TBC	Irina, Bjorn, Jerry, Simon, Phuong, Cuong	MoT
Friday 15/8	09:00:00	Project performance indicators and logical framework	Jerry, Irina, Bjorn, Koji, Simon, Phuong, Cuong	PMU18
	14:00	Comments from VRA, PMU18, RPMU2 on PAD, updating the map, OM, PIP	Jerry, Irina, Bjorn, Koji, Simon, Phuong	VRA
	15:00	Finalization of the procurement plans, packages for NPP, NIP	Jerry, Irina, Bjorn, Thang/Kien/Hiet, Phuong	WB
	17:30	Klaus meets Greig Craft	Klaus, Greig, Jerry	WB
Saturday 16/8	7:30	Site visit to NH No 15, 47, 24	Jerry, Irina, Bjorn, Koji, Simon, Phuong	
Sunday 17/8	7:30	Site visit to NH No 1, 37, 3	Jerry, Irina, Bjorn, Koji, Simon, Phuong	

Monday 18/8	8:30	Pramod meets Mei Wang	Pramod, Mei Wang	WB
	09:00	AWPs cost estimates for NPP and 10 strategic plan	Jerry, Chris, Irina, Bjorn, Koji, Simon, Phuong, Cuong	WB
	9:00	Meeting with Michael Landorf on NPP & NIP PIPs, OM	Jerry, Mei Wang, Chris, Irina, Bjorn, Thang/Kien, Phuong, Cuong	WB
	9:30	Policy Framework for resettlement and compensation, Environment & social issues for NIP & NPP	Pramod, Mei Wang, PMU18	WB
	14:00	Meeting with VM. Tien to discuss/agree on legal & operation status, procurement issues, ToR for CG on national road.	Jerry, Mei Wang, Chris, Irina, Bjorn, Koji, Simon, Phuong	MoT
	16:00	Meet Mr. Martin Welsh, New Zealand Embassy	Jerry and mission	5th flr.
	16:30	Discussion on packaging	Team members	WB
	17:30	Discuss on PIP with Michael	Team members	WB
Tuesday 19/8	8:30	Meeting with Mdm. Phuong and Yen, MoF on financing mechanism, Level of funding commitment	Jerry, Mei Wang, Chris, Irina, Bjorn, Koji, Simon, Phuong	MoF
	8:30	Discuss on procurement plan for NPP and NIP	Bjorn, Irina, PMU18, VRA, RPMU2	WB
	10:00	Discussion on Social and Environment for NIP, NPP	Vinh, PMU18, VRA	
	10:30	Meeting with Mr. Huy, SBV on legal status under project	Jerry, Mei Wang, Chris, Irina, Bjorn, Koji, Simon, Phuong	SBV
	11:00	Meet Director of ILO	Bjorn	ILO
	14:00	Meeting with Mr. Nguyen Van Phuc, MPI on mission findings	Jerry, Mei Wang, Chris, Irina, Bjorn, Koji, Simon, Phuong	MPI
	15:00	Discuss on social issues	Hong, PMU18	WB
	16:00	Meet JBIC on Mr. Mori Matsuya and Mr. Takayuki Sato on financing bridges	Jerry, Simon, Phuong	WB
Wednesday 20/8	AM	Drafting AM	Jerry, Mei Wang, Chris, Irina, Bjorn, Koji, Simon, Phuong, Cuong, Pramod	WB
	8:30	Meet Mr. Khoa, Chairman of VRA	Team members	VRA
	16:00	Discuss draft PIP	Jerry, Chris, Bjorn, Simon, Phuong, PMU18, VRA, LBI	WB
	PM	Pre-Wrap up meeting on NPP & NIP findings & draft AMs	Jerry, Mei Wang, Chris, Irina, Bjorn, Koji, Simon, Phuong Cuong, Pramod, Chao Hua	VRA
Thursday 21/8	07:30	Site visit of the social team	Chris, Hong	
	9:00	Meeting with DPI to finalize the schedules/steps and how to carry out the 1YWP detailed designs, BDs, ...and source of funding for these activities	Jerry, Mei Wang, Chris, Irina, Bjorn, Koji, Cuong	MoT
	10:30	Discuss project costs	Jerry, Chris, VRA, PMU18, Cuong	
	13:00	Meet BP on road safety	Jerry	BP
	16:00	Meet with University of Hohenheim	Jerry	WB
	17:00	Drafting AM	Jerry, Chris, Bjorn	WB
Friday 22/8	9:00	Wrap-up meeting with VM. Tien	Jerry, Mei Wang, Chris, Irina, Bjorn, Koji, Cuong	MoT

Annex 2

Training Needs Assessment Outline Terms of Reference

Detailed Activities

The following activities relate to both contractors (PCs and eligible SOEs) as well as government agencies at the centre and the field structure.

- (a) review the detailed implementation arrangements for the various agencies involved;
- (b) on the basis of management arrangements, job descriptions, terms of references, establish key performance requirements of key works implementation staff, i.e. engineers, technicians, procurement officers, finance and administrative staff;
- (c) discuss and confirm the contents of performance requirements with key project management staff in MoT and VRA;
- (d) review management setups in other organisations where similar capacity has been established and assess appropriateness of capacity building efforts to reach current capacity;
- (e) carry out interviews with sample group of project and contractors' staff to identify
 - individuals' extent of understanding their work duties and responsibilities,
 - assess to which extent job descriptions actually reflect the actual work content to which staff has been assigned,
 - assess current capacity of staff in terms of skills and experience, in relation to performance requirements,
 - document extent of deficiencies and draw up general trends based on individual interviews based on above activities,
 - draw up general training requirements for major subjects such as technology, work organisation and management, quality assurance, procurement (from tendering to works supervision and payment), financial management, accounting, language skills,
 - translate the training requirements into detailed practical skills oriented training course programme.
- (f) On the basis of the above develop a detailed implementation strategy including elements such as:
 - Up-front course programmes
 - Follow-up on-the-job training activities and advisory support services
 - Need for repeat courses to same and new audiences.
 - Use of local training providers, i.e. professional associations, in-house training facilities, vocational training centres, universities, commercial training institutions, training programmes run by other development projects, or a combination of these and other mechanisms.
 - Training of trainers
 - Scope for commercialising the training services.
- (g) Estimate inputs required local and international staff, facilities, and student expenses.
- (h) Outline demand for training materials, possible sources and parts thereof which need to be developed from scratch.

Implementation Arrangements

This assignment should be carried in close consultation with the government agencies involved and the private sector.

In order to secure full ownership of the outputs of this assignment, several key consultative meetings should be carried out during the course of the assignment. During those sessions, findings on the following key issues should be presented before ensuring activities are commenced:

- (i) There needs to be full agreement and common understanding of the management organisation and performance requirements before training needs are explored in detail. At this stage, the strategy for contracting interviews should also be presented.
- (ii) Training needs on the basis of staff proficiencies should be presented to the project management to ensure that all training requirements are adequately covered before designing the detailed training programme.
- (iii) Final presentation of training programme, including course programmes, training providers, resource requirements, estimated costs, duration and timing of activities, etc.

Outputs:

- Brief reports outlining the results of the three stages of the assignment.
- Survey data collated and organised so it can be used as a future reference during training.
- Final report outlining training needs and in detail describing recommended training programme and training arrangements.

Inputs:

- International training consultant with extensive experience from the road sector and dealing with capacity development aspects linked to increasing private sector participation
- Two counterpart engineers with long experience from the road sector in Vietnam and intimate knowledge and understanding of the intentions and work programme of the RNIP.
- Interpreter.

It would be preferable if the counterpart engineers are staff which has already been involved in project preparations and who will also take part in project implementation. Although the local staff will be involved in all activities in this assignment, they will play a central role in conducting the surveys.

The international consultant will be responsible for the drafting of the final report, however, with the inputs of the local staff.

Duration of the survey is estimated to 5 - 6 weeks.

Annex 3 Field Visit



Start of NH 15



End of selected road section on NH 15

This road have been proposed to be included in the first year works programme of the network preservation component. So far the suggested maintenance works on this road has been limited to resurfacing works. During inspection of the current condition of this road, it is apparent that additional activities such as re-instating drains and shoulders and some strengthening of the bearing capacity will be required in addition to the surfacing works.



End of selected section of NH 15



Km 294 on NH 1 close to Ninh Binh. This section has been identified as part of the first year maintenance programme. Works will mainly consist of resealing the surface.



Section of NH 1 south out Hanoi with dual carriage way, also selected as part of the first year maintenance programme.



Start of NH 37



Short gravel section on NH 37

NH 37 in Thai Nguyen Province has been selected to form part of the first year road improvement programme.