

# Environmental Assessment Report

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Draft Environmental Assessment of Policy Matrix  
Project Number: 41046-01  
June 2007

## VIE: Proposed Program Loan for Support to the Implementation of the Poverty Reduction Program IV

**CURRENCY EQUIVALENTS**

(as of 15 June 2007)

Currency Unit	–	Vietnamese dong (VND)
\$1.00	=	16,119VND

**ABBREVIATIONS**

ADB	–	Asian Development Bank
AusAID	–	Australian Agency for International Development
CIDA	–	Canadian International Development Agency
CPRGS	–	Comprehensive Poverty Reduction and Growth Strategy
DANIDA	–	Danish International Development Agency
DFID	–	Department for International Development
EA	–	Environmental assessment
EC	–	European Commission
EMP	–	Environmental Management Plan
GDP	–	Gross Domestic Product
GOV	–	Government of Viet Nam
GSO	–	Government Statistical Office
JBIC	–	Japan Bank for International Cooperation
LUC	–	Land use certificates
MARD	–	Ministry of Agriculture and Rural Development
MONRE	–	Ministry of Natural Resources and Environment
NA	–	National Assembly
NGO	–	Non-governmental Organization
NMDC	–	Netherlands Ministry of Development Cooperation
ODA	–	Official Development Assistance
PRSC	–	Poverty Reduction Support Credit
RRP	–	Report and Recommendation of the President
SBV	–	State Bank of Viet Nam
SEDP	–	Socio-economic Development Plan
VDR	–	Viet Nam Development Report 2006
WB	–	World Bank
WTO	–	World Trade Organization

**NOTE**

- (i) In this report, "\$" refers to US dollars.

## CONTENTS

	<b>Page</b>
I. INTRODUCTION.....	1
II. DESCRIPTION OF POLICY INTERVENTIONS .....	2
III. ENVIRONMENTAL ASSESSMENT OF POLICY INTERVENTIONS .....	3
A. Introduction	17
B. Summary of Environmental Impacts and Benefits	17
C. Proposed Mitigation / Enhancement Measures	17
D. Monitoring Program	20
V. CONCLUSIONS AND RECOMMENDATIONS .....	21
VI. REFERENCES.....	23

### **TABLES**

Table 3.1: Environmental Assessment of PRSC 6 Interventions .....	4
Table 4.1: Environmental Mitigation and Enhancement Measures .....	17
Table 4.2: Environment Related Monitoring Indicators.....	20



## I. INTRODUCTION

1. This environmental assessment (EA) report presents an analysis of a policy matrix forming part of a proposed program loan from the Asian Development Bank (ADB) to support the implementation of the Poverty Reduction Program IV outlined under the development partner-funded Sixth Poverty Reduction Support Credit (PRSC 6), as part of the Government's Socioeconomic Development Plan (SEDP) 2006–2010. The SEDP provides a medium-term framework for this 5-year cycle of PRSC operations that comprise poverty reduction policies, programs, and actions with specific targets for development outcomes by 2010. The EA has been prepared in accordance with the ADB's Environment Policy and Environmental Assessment Guidelines.<sup>1</sup>

2. PRSC 6 is the sixth in a series of the PRSC operations in Viet Nam undertaken since 2002. This PRSC is the first annual operation under the current 5-year PRSC cycle, which is based on the social and development vision spelled out in the SEDP 2006–2010. The current PRSC cycle will focus on the four pillars: business development; social inclusion; natural resources; and modern governance. The PRSC framework is considered to be an important instrument for supporting implementation of national reforms and facilitating dialogue and coordination between the Government and various donors. As a multi-sector instrument covering a range of issues related to poverty reduction, the PRSC framework provides ADB and other donors with an opportunity to (i) advance and widen national policy dialogue in a well-coordinated and comprehensive manner, (ii) provide lending and non-lending assistance in coordination with other ODA partners, and (iii) ensure that key policy issues affecting ADB operations in Viet Nam are addressed in the policy dialogue between the Government and the ODA community to help achieve the common goal of poverty reduction and growth.

3. Financing for PRSC 6, which has been initiated by the World Bank, will be provided by eleven donors including major contributions from the ADB, AusAID, CIDA, DANIDA, EC, Germany, Ireland, Netherlands, Spain, UK, and the World Bank. ADB is proposing to provide US\$15 million to cofinance PRSC 6 in the form of a program loan from the ADB Asian Development Fund. The program loan is expected to be disbursed by March 2008, contingent upon loan effectiveness.

4. This EA represents the fourth detailed program environmental assessment for PRSCs in Viet Nam. Previous assessments of PRSCs in Viet Nam were as follows:

- (i) PRSC 1 in 2002 was deemed by World Bank as Category C (having minimal environmental impact and not requiring a stand-alone, publicly-available environmental assessment report). This PRSC was not supported by ADB;
- (ii) PRSC 2 in 2003 was deemed by World Bank as Category U (not an official category, but similar in environmental significance to Category C). This PRSC was not supported by ADB;
- (iii) PRSC 3 in 2004 was deemed by World Bank as Category C. ADB provided US\$ 6.4 million to PRSC 3. In accordance with ADB's Environmental Assessment Guidelines PRSC 3 underwent an Environmental Assessment of Program Loans, and Environmental Assessment of Policy Matrix;
- (iv) PRSC 4 in 2005 was deemed by World Bank as Category C. ADB provided US\$ 15.0 million to PRSC 4. In accordance with ADB's Environmental Assessment

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<sup>1</sup> ADB. 2003. *Environmental Assessment Guidelines*. Manila.

- Guidelines PRSC 4 underwent an Environmental Assessment of Program Loans, and Environmental Assessment of Policy Matrix; and
- (v) PRSC 5 in 2006 was deemed by the World Bank as Category C. ADB provided US\$ 15.0 million to PRSC 5. PRSC 45 underwent an Environmental Assessment of Program Loans, and Environmental Assessment of Policy Matrix.

## II. DESCRIPTION OF POLICY INTERVENTIONS

5. The main objective of PRSC 6 is to help the Government implement the SEDP 2006–2010, which contains reform measures and actions needed to pave the way for Viet Nam to become a middle-income country by end-2010. The expected impact of PRSC 6 is to continue reducing poverty and sustaining high economic growth in Viet Nam with specific, quantitative development outcomes aimed to be achieved by the end of the current PRSC cycle, i.e. 2011.

6. PRSC 6 is the first in a new cycle of PRSCs that aim to support reform and development in Viet Nam by supporting implementation of the Government's SEDP 2006–2010.

7. Previous PRSCs (PRSCs 1 to 5) were focused on support to initiatives contained in the Government's Comprehensive Poverty Reduction and Growth Strategy (CPRGS), which provided the foundation for the first 5-Year cycle of PRSC operations, while also playing an important demonstration effect. However, the CPRGS had a number of shortcomings including the need for it to be adjusted over time, especially in relation to its treatment of large-scale infrastructure and the fact that it was placed outside the mainstream decision-making processes used by the Government in that it was neither the 5-year plan nor a recognized sectoral strategy.<sup>2</sup> These gaps and shortcomings highlighted the importance of working through the normal planning processes of Viet Nam and influenced the decision to align the new cycle of PRSCs with the SEDP.

8. The SEDP 2006–2010 spells out the government's priorities and approach to development for the said period and is a comprehensive and ambitious document, dealing with almost every aspect of economic reform in Viet Nam. It sets out intended actions in four main areas: (a) the promotion of growth and transition to a market economy; (b) reducing poverty and ensuring social inclusion; (c) managing the environment and natural resources in a sustainable manner; and, (d) building institutions that can support the strategy. Careful analysis of the SEDP has been critical to translate it into a concrete set of policy actions to be implemented during the current PRSC cycle.

9. The Viet Nam Development Report 2007 (VDR 2007), co-signed by 16 donors including ADB, provided the analytical foundation for the new 5-year PRSC cycle. The tentative policy actions for PRSC 6 along with the development outcomes targeted to be achieved by 2011 were identified in the VDR 2007.

10. PRSC 6 involves a range of policy interventions categorized into four pillars of development as follows:

- (i) **Business development:** PRSC 6 aims to promote greater internal and external competition and improve efficiency and resource allocation in the economy. It

<sup>2</sup> World Bank. 2007. *Report No. 39500-VN: International Development Association Upstream Review Document for a Proposed Credit in the amount of SDR114.8 Million (US\$150.0 million equivalent) to the Socialist Republic of Viet Nam for a Sixth Poverty Reduction Support Operation*. Hanoi.

also aims to support policy actions aimed at strengthening the regulatory framework for private sector development, and enhance transparency and accountability in SOE operations and in the banking sector. It supports the initiation of fundamental changes in the financial sector, designed to transform the SBV into a modern central bank, strengthen the commercial orientation of SOCBs, and develop capital markets;

- (ii) **Social Inclusion:** PRSC 6 aims to promote human development through upgrading the quality of education, promoting inclusive education for disadvantaged children, improving the access of the poor to health services, and helping secure social protection for the population;
- (iii) **Natural Resources:** PRSC 6 encourages important policy measures leading to more sustainable management of natural resources, including the protection of land, forests, and environment; and
- (iv) **Modern Governance:** PRSC 6 aims to support actions to implement the government's public financial management reform agenda. More effective public resource allocation is being achieved through strategic policy measures to improve planning process, public financial management, legal system development, and anticorruption.

11. The full range of policy interventions proposed under PRSC 6 is described in Section III below.

### III. ENVIRONMENTAL ASSESSMENT OF POLICY INTERVENTIONS

12. Table 3.1 contains the environmental assessment of the policy interventions proposed as part of the PRSC 6. The environmental assessment categorizes the potential impacts of policy interventions as follows:

- (i) **Major impact; positive or negative:** potentially significant impact that occurs over a large spatial or temporal scale and requires consideration of means to avoid, reduce or mitigate (if negative) to reduce it to an acceptable level. Major positive impacts can be optimized through development of appropriate enhancement measures;
- (ii) **Minor impact; positive or negative:** potentially non-significant impact that occurs predominantly at a local level and/or is temporary in nature that should be mitigated or reduced if practical or feasible (if negative) or optimized through feasible enhancement measures (if positive);
- (iii) **No impact or negligible impact:** no measurable or discernible impact; and
- (iv) **Unknown impact:** the nature, extent, scale and/or duration of the impact cannot be determined at this time. Where feasible, unknown impacts should be avoided, reduced or mitigated.

13. Table 3.1 also identifies mitigation measures to reduce potential negative impacts of policy interventions and enhancement measures to optimize potential positive impacts of policy interventions.

**Table 3.1: Environmental Assessment of PRSC 6 Interventions**

Policy Intervention	Development Outcomes		Environmental Impact	Mitigation / Enhancement Measures
	Most recent (year)	Expected (2011 <sup>3</sup> )		
<b>PILLAR I: BUSINESS DEVELOPMENT</b>				
<i>GLOBAL INTEGRATION</i>				
Grant trading and distribution rights to all foreign firms in line with international commitments  Issue regulations to guide the intellectual property law with adequate enforcement mechanisms	Merchandise exports as a % of GDP at 61% (2005)  Proportion of technical product standards in line with international standards at 25% (2005)  Proportion of importers and exporters claiming they are satisfied with customs services – to be determined in 2007	Merchandise exports as a % of GDP at 65%  Proportion of technical product standards in line with international standards at 35%  Proportion of importers and exporters claiming they are satisfied with customs services – to be determined	<b>UNKNOWN IMPACT:</b>  The granting of trading and distribution rights to foreign firms has the potential to increase levels of industrial and manufacturing development which has the potential to cause increased degradation of environmental conditions through natural resource use and waste emissions. However, granting of such rights may also result in increased competition leading to overall reduction in production inefficiencies and improved natural resource use and waste reduction particularly when combined with the proposed strengthening of the wastewater charges regime (Pillar I - Infrastructure).  On balance, the overall level of impact (either positive or negative) cannot be determined at this time. To offset potential negative impacts and enhance and realize positive impacts, international firms should be required to adopt environmental performance benchmarks and environmental safeguards policies in line with Vietnamese legislative requirements as part of the process of granting of trading and distribution rights.	<b>MITIGATION MEASURES</b>  Require adoption of environmental performance benchmarks and environmental safeguards policies by foreign firms in line with Vietnamese legislative requirements.  <b>ENHANCEMENT MEASURES</b>  None required

<sup>3</sup> 2011 represents the end of the SEDP 2006 to 2010 cycle and is thus selected as the end point for evaluation of social and economic outcomes for the current PRSC cycle of which PRSC6 is the first in the series. The development outcomes referred to in Table 3.1 are taken from World Bank. 2007. *Report No. 39500-VN: International Development Association Upstream Review Document for a Proposed Credit in the amount of SDR114.8 Million (US\$150.0 million equivalent) to the Socialist Republic of Viet Nam for a Sixth Poverty Reduction Support Operation*. Hanoi.

Policy Intervention	Development Outcomes		Environmental Impact	Mitigation / Enhancement Measures
	Most recent (year)	Expected (2011 <sup>3</sup> )		
<b>STATE SECTOR REFORM</b>				
<p>Further restrict list of sectors where 100% state ownership is to be retained</p> <p>Use share auctions as the main mechanisms for equitization, and allow foreign strategic investors</p> <p>Classify all SOEs according to performance and publish the results</p> <p>SCIC to begin receiving state ownership rights in equitized SOEs from Ministries and provinces</p>	<p>No. of enterprises with 100% state ownership = 2100</p> <p>Fraction of state capital in SOEs transferred to SCIC by line ministries, provinces and general corporations is none</p> <p>% of SOEs classified in the bottom "C" tier of performance according to Decision 224/06 = 15.6%</p>	<p>No. of enterprises with 100% state ownership = 500</p> <p>Fraction of state capital in SOEs transferred to SCIC by line ministries, provinces and general corporations is 50%</p> <p>% of SOEs classified in the bottom "C" tier of performance according to Decision 224/06 = 8%</p>	<p><b>MINOR POSITIVE IMPACT:</b></p> <p>These reforms will build on previous SOE reforms and previously identified benefits will continue to accrue. Benefits include reduction of inefficiencies and redundancies in certain sectors; and increased competition leading to more efficient use of user-pays natural resources such as energy and water. Proposed strengthening of wastewater charges (Pillar I – Infrastructure) will enhance these benefits.</p> <p>Improved performance reporting, including reporting of environmental performance, will increase public accountability of SOEs and should encourage improved environmental performance. Currently, lack of enforcement and transparent reporting exacerbate environmental issues associated with industrial development<sup>4</sup>.</p> <p>As noted in previous PRSC5 environmental assessment, positive impacts will be enhanced if environmental issues are mainstreamed into SOE reform process through requirements for adoption of Environmental Management Systems (EMS) in line with <b>National Vietnamese environmental quality standards (TCVN) 14001:2001</b> or similar.</p>	<p><b>MITIGATION MEASURES</b></p> <p>None required</p> <p><b>ENHANCEMENT MEASURES</b></p> <p>Include environmental performance reporting in SOE reporting requirements</p>

<sup>4</sup> ADB. 2006. *Viet Nam Country Environmental Analysis*. Manila.

Policy Intervention	Development Outcomes		Environmental Impact	Mitigation / Enhancement Measures
	Most recent (year)	Expected (2011 <sup>3</sup> )		
<b>FINANCIAL SECTOR REFORM</b>				
<p>Require public disclosure of financial statements of SOCBs in line with internationally accepted standards</p> <p>Increase equity stake allowed to foreign strategic investors in commercial banks</p>	<p>Required provisioning for possible non-performance in all outstanding credit 6 – 9%</p> <p>Ratio of stock market capital to GDP 22.8% (2006)</p> <p>Total equity held by the biggest non-government shareholder in each SOCB as % of total SOCB capital is none</p>	<p>Required provisioning for possible non-performance in all outstanding credit &lt; 5%</p> <p>Ratio of stock market capital to GDP 50%</p> <p>Total equity held by the biggest non-government shareholder in each SOCB as % of total SOCB capital is 20%</p>	<p><b>NO IMPACT:</b></p> <p>The proposed financial sector reforms are unlikely to affect environmental quality or sustainability. As noted in the environmental assessment of PRSC 5, broad environmental enhancements for the financial sector could be achieved by ensuring banks integrate environmental considerations into their lending, monitoring and reporting schemes.</p>	<p><b>MITIGATION MEASURES</b></p> <p>None required</p> <p><b>ENHANCEMENT MEASURES</b></p> <p>None required</p>

Policy Intervention	Development Outcomes		Environmental Impact	Mitigation / Enhancement Measures
	Most recent (year)	Expected (2011 <sup>3</sup> )		
<b>PRIVATE SECTOR DEVELOPMENT</b>				
<p>Introduce investment climate monitoring tool as part of annual enterprise survey</p> <p>Reduce processing times and rationalize fee structure for business registration</p> <p>Clarify authority on investment certificates and conditional sectors, and standardize related documentation</p> <p>Issue guidelines and options to foreign investors transitioning to new Investment and Enterprise laws</p> <p>Establish consultative mechanism to streamline licenses and oversee implementation of new investment enterprise regime</p> <p>Establish single window mechanism for businesses to cover registration, tax and seal formalities in selected provinces</p>	<p>No. of paid employees in non-state enterprises, excluding collective enterprises = 4.04 million (2005)</p> <p>Number of registered private enterprises in operation outside the SE region, Danang and Red River Delta = 38.9 thousand (2005)</p> <p>Private domestic investment as a proportion of total investment = 30% (2001 – 2005)</p>	<p>No. of paid employees in non-state enterprises, excluding collective enterprises = 7 million</p> <p>Number of registered private enterprises in operation outside the SE region, Danang and Red River Delta = 70 thousand</p> <p>Private domestic investment as a proportion of total investment = 35%</p>	<p><b>UNKNOWN IMPACT:</b></p> <p>The proposed series of private sector development reforms in themselves are unlikely to directly affect environmental quality or sustainability. However, indirect impacts may result from increased private sector development. Such development has the potential to increase levels of industrial and manufacturing development which has the potential to cause increased degradation of environmental conditions through natural resource use and waste emissions. However, granting of such rights may also result in increased competition leading to overall reduction in production inefficiencies and improved natural resource use and waste reduction particularly when combined with the proposed strengthening of the wastewater charges regime (Pillar I - Infrastructure).</p> <p>On balance, the overall level of impact (either positive or negative) cannot be determined at this time. To offset potential negative impacts and enhance and realize positive impacts, international firms should be required to adopt environmental performance benchmarks and environmental safeguards policies in line with Vietnamese legislative requirements as part of the process of granting of trading and distribution rights.</p>	<p><b>MITIGATION MEASURES</b></p> <p>Require adoption of environmental performance benchmarks and environmental safeguards policies by private sector firms in line with Vietnamese legislative requirements.</p> <p><b>ENHANCEMENT MEASURES</b></p> <p>None required</p>

Policy Intervention	Development Outcomes		Environmental Impact	Mitigation / Enhancement Measures
	Most recent (year)	Expected (2011 <sup>3</sup> )		
<b>INFRASTRUCTURE</b>				
<p>Decentralize investment ownership to better integrate capital and recurrent budgets in the road transport sector</p> <p>Clarify contract specifications, investor qualifications and treatment of unsolicited proposals for BOT projects</p> <p>Adopt wastewater charges based on cost recovery, with provisions to protect the poor</p>	<p>Proportion of enterprises citing infrastructure as either a major or severe constraint for conducting business is 11.9% for transport and 8.3% for electricity (2006)</p> <p>Poor communes with basic infrastructure – to be determined from P.135 monitoring system</p> <p>Fraction of the population living in houses not meeting government standards = 25%</p>	<p>Proportion of enterprises citing infrastructure as either a major or severe constraint for conducting business is 5%</p> <p>Poor communes with basic infrastructure – classrooms 100%, electricity 80%, clinics 100%, roads to be determined</p> <p>Fraction of the population living in houses not meeting government standards = 10%</p>	<p><b>MAJOR POSITIVE IMPACT:</b></p> <p>The proposed reforms relating to decentralization of investment ownership and clarification of contractor specification and investor qualifications provide scope for environmental considerations to be accommodated into infrastructure development. This will have the potential to reduce potential negative effects of such activities on environmental quality. Examples of potential impacts include:</p> <p>(i) Adoption of requirements for integration of environmental management and monitoring activities into capital and recurrent budgets in the road transport sector at decentralized level will provide local authorities with the initiative and autonomy to develop practical environmental protection programs for infrastructure development. However, integration of such considerations will require adequate support and institutional strengthening mechanisms for investment owners, particularly at lower institutional levels. Despite the Government's focus on decentralization of environment related responsibilities, the capacity of Provincial, District and Commune officers to implement their responsibilities remains generally low, particularly outside the main urban centers. Opportunities to build on current Government's and donor's capacity building programs at these decentralized levels should be investigated and pursued as part of these reforms.</p> <p>(ii) Adoption of requirements for contractor and investor environmental performance qualifications into evaluation process for unsolicited proposals for BOT projects will ensure that environmental performance considerations are taken into account throughout project development reducing potential negative impacts</p> <p>Adoption of reforms relating to wastewater charges will result in positive impacts. Such charges will encourage development and implementation of more efficient infrastructure and non-structural changes to water use and management practices resulting in reduced wastewater pollution. Equity issues will need to be taken into account through provisions to protect the poor, and adequate enforcement measures will need to be adopted.</p>	<p><b>MITIGATION MEASURES</b></p> <p>None required</p> <p><b>ENHANCEMENT MEASURES</b></p> <p>Include requirements for integration of environmental management and monitoring activities into capital and recurrent budgets in the road transport sector and provide institutional support to authorities to implement these requirements</p> <p>Include environmental performance requirements in contract specifications, investor qualifications and treatment of unsolicited BOT projects</p>

Policy Intervention	Development Outcomes		Environmental Impact	Mitigation / Enhancement Measures
	Most recent (year)	Expected (2011 <sup>3</sup> )		
<b>PILLAR II: SOCIAL INCLUSION</b>				
<i>EDUCATION</i>				
<p>Extend performance standards for primary teachers nationwide, including evidence based assessments</p> <p>Adopt transparent criteria to decide university admission quotas on a pilot basis</p>	<p>Proportion of children with a functional disability attending primary or secondary school – to be determined</p> <p>Proportion of Grade 5 students below functional reading level = 11% (2001)</p> <p>Proportion of universities that have been independently accredited is none</p>	<p>Proportion of children with a functional disability attending primary or secondary school – to be determined</p> <p>Proportion of Grade 5 students below functional reading level = 5%</p> <p>Proportion of universities that have been independently accredited is 100%</p>	<p><b>NO IMPACT:</b></p> <p>The proposed educational reforms are not expected to result in any changes to environmental quality or sustainability.</p>	<p><b>MITIGATION MEASURES</b></p> <p>None required</p> <p><b>ENHANCEMENT MEASURES</b></p> <p>None required</p>

Policy Intervention	Development Outcomes		Environmental Impact	Mitigation / Enhancement Measures
	Most recent (year)	Expected (2011 <sup>3</sup> )		
<b>HEALTH</b>				
<p>Adopt HIV/AIDS law and prepare action plans to scale up harm reduction, fight stigma and discrimination</p> <p>Improve budgetary balance between health infrastructure, human resources, subsidies and preventive care</p>	<p>Proportion of children stunted 29% or underweight 25% (2005)</p> <p>Proportion of people below the new national poverty line that have been provided with free health insurance = 42% (2004)</p> <p>Average annualized contacts with hospitals for the poorest quintile as compared to the richest quintile = 0.15 poorest (2004)</p>	<p>Proportion of children stunted &lt;25% or underweight &lt; 20%</p> <p>Proportion of people below the new national poverty line that have been provided with free health insurance = 100%</p> <p>Average annualized contacts with hospitals for the poorest quintile as compared to the richest quintile = 0.30 poorest</p>	<p><b>MINOR POSITIVE IMPACT:</b></p> <p>Improvements to the budgetary framework for health infrastructure and resources has the potential to improve local environmental quality if improvements are made to waste management facilities in health clinics or hospitals, which are currently an important source of pollutants in some areas<sup>5</sup>, or if additional financing is provided to education and preventive care programs related to the links between environmental quality and health.</p>	<p><b>MITIGATION MEASURES</b></p> <p>None required</p> <p><b>ENHANCEMENT MEASURES</b></p> <p>Investigate opportunities to address solid waste management issues in health clinics and hospitals and improve education and preventive care programs related to health – environment links as part of the budgetary reform process.</p>
<b>GENDER</b>				
<p>Unify legal framework to address gender disparities and increase women's decision in decision making</p>	<p>Leadership positions (to be defined) as % of total = 27% in NA</p> <p>Proportion of land use certificates held in the name of both spouses or a female = 30% (2004)</p> <p>Fraction of female labor force having a wage either as a primary or secondary occupation = 17.9% (2004)</p>	<p>Leadership positions (to be defined) as % of total to be determined</p> <p>Proportion of land use certificates held in the name of both spouses or a female = 45%</p> <p>Fraction of female labor force having a wage either as a primary or secondary occupation = 25%</p>	<p><b>MINOR POSITIVE IMPACT:</b></p> <p>Evidence throughout Viet Nam indicates that women are key stakeholders in relation to activities that affect local and household environmental quality (e.g. water supply, sanitation, solid waste management, natural resource use). Improvement and formalization of the role of women in decision making processes will ensure that such issues receive broader attention thus resulting in overall benefits to environmental quality.</p> <p>The positive impacts expected to result can be enhanced through the implementation of education and training programs as part of the implementation process for these reforms to assist women to make better decisions in relation to environmental issues.</p>	<p><b>MITIGATION MEASURES</b></p> <p>None required</p> <p><b>ENHANCEMENT MEASURES</b></p> <p>Implement environment-related training and education programs targeting women as part of reform implementation.</p>

<sup>5</sup> World Bank. 2004. *Environmental Monitor 2004 – Solid Waste*. Hanoi.

Policy Intervention	Development Outcomes		Environmental Impact	Mitigation / Enhancement Measures
	Most recent (year)	Expected (2011 <sup>3</sup> )		
<b>PILLAR III: NATURAL RESOURCES</b>				
<b>LAND AND FORESTS</b>				
<p>Issue strategy to strengthen linkages between protective and economic functions of forests, and promote local ownership</p> <p>Clarify resettlement and compensation in cases without LUCs and mechanisms for handling complaints</p>	<p>% of users highly satisfied with the services provided by land administrative offices = 22% (2004)</p> <p>Proportion of forest land allocated to local people and communities for all of Vietnam = 25% and for Central Highlands = 2% (2005)</p> <p>Proportion of land area under forest with a closed canopy, multi-storey-age profile and species diversity, abundance and distribution = 4.2%</p>	<p>% of users highly satisfied with the services provided by land administrative offices = 30%</p> <p>Proportion of forest land allocated to local people and communities for all of Vietnam = 30% and for Central Highlands = 15%</p> <p>Proportion of land area under forest with a closed canopy, multi-storey-age profile and species diversity, abundance and distribution = 10%</p>	<p><b>MAJOR POSITIVE IMPACT:</b></p> <p>Currently quality of forest cover in Viet Nam is decreasing. Rich and medium stocked forests are concentrated only in areas unsuitable for other land uses and the proportion of closed canopy forest is low, with plantation forest dominating<sup>6</sup>. Improved local management of forestry resources and clarification of various functions of forests will result in overall environmental benefits. Such reforms should lead to increased levels and quality of forest cover, improved preservation of those forest areas identified as having protective functions resulting in biodiversity and watershed benefits, and improved access to natural resources for local communities.</p> <p>Improvement of resettlement and compensation processes for non-titled land use (i.e. without LUCs) also has the potential to improve local environmental quality. Households without LUCs are at risk of becoming landless if inadequate resettlement / compensation processes are implemented. Evidence throughout Viet Nam suggests that landlessness is a major cause of poverty and can lead to over-exploitation of natural resources in areas of concentrated landlessness. Provision of compensation and livelihood assistance to non-titled land users in the case where resettlement is required may offset such over-exploitation occurring.</p>	<p><b>MITIGATION MEASURES</b></p> <p>None required</p> <p><b>ENHANCEMENT MEASURES</b></p> <p>None required</p>

<sup>6</sup> ADB. 2006. *Viet Nam Country Environment Analysis*. Manila.

Policy Intervention	Development Outcomes		Environmental Impact	Mitigation / Enhancement Measures
	Most recent (year)	Expected (2011 <sup>3</sup> )		
<i>ENVIRONMENT</i>				
Mandate public consultation on EIAs at commune level with public feedback incorporated in report to relevant authorities	<p>Quality of surface water in key areas as measured by MONRE/VEPA monitoring systems to be determined</p> <p>Quality of air in key areas as measured by MONRE/VEPA monitoring systems to be determined</p> <p>No. of wetlands of international importance included in the protected areas system as designated Ramsar sites is 2 (2006)</p>	<p>Quality of surface water in key areas as measured by MONRE/VEPA monitoring systems to be determined</p> <p>Quality of air in key areas as measured by MONRE/VEPA monitoring systems to be determined</p> <p>No. of wetlands of international importance included in the protected areas system as designated Ramsar sites is 26 (100%)</p>	<p><b>MAJOR POSITIVE IMPACT:</b></p> <p>Enhanced levels of public involvement in EIA processes will improve environmental outcomes by increasing accountability and transparency of the process and providing opportunities for feedback into project development and environmental management processes. Experience with recent EIA projects in Viet Nam indicates that the legislative framework for enhanced levels of public involvement could benefit from institutional support to commune level authorities to assist them to have meaningful involvement in the EIA process and to identify opportunities to encourage involvement of the broader public.</p>	<p><b>MITIGATION MEASURES</b></p> <p>None required</p> <p><b>ENHANCEMENT MEASURES</b></p> <p>Consider opportunities to provide further assistance to commune levels authorities on their roles and responsibilities for involvement in EIA processes</p>

Policy Intervention	Development Outcomes		Environmental Impact	Mitigation / Enhancement Measures
	Most recent (year)	Expected (2011 <sup>3</sup> )		
<b>PILLAR IV: MODERN GOVERNANCE</b>				
<b>PLANNING PROCESSES</b>				
<p>Allocate state capital expenditure transparently, using criteria like population, poverty and ethnicity</p> <p>Adopt regulations for master and regional plans specifying issues, process, agency responsibility and disclosure requirements</p>	<p>No. of provinces that have issued guidelines for screening public investment projects at the pre-appraisal stage, including sound cost benefit analysis is none</p> <p>No. of regions with cross-sectoral masterplan, integrating urbanization, large scale infrastructure and environmental concerns is none</p> <p>Proportion of provinces using a participatory approach to planning in the preparation of their annual plans and adopt a results based monitoring approach = 3%</p>	<p>No. of provinces that have issued guidelines for screening public investment projects at the pre-appraisal stage, including sound cost benefit analysis is 30</p> <p>No. of regions with cross-sectoral masterplan, integrating urbanization, large scale infrastructure and environmental concerns is 2</p> <p>Proportion of provinces using a participatory approach to planning in the preparation of their annual plans and adopt a results based monitoring approach = 30%</p>	<p><b>MAJOR POSITIVE IMPACT:</b></p> <p>Experience with projects such as P.135 indicates that within Viet Nam areas with high rates of poverty and ethnic minorities are often remote mountainous areas with high environmental sensitivity and/or those areas that are subject to high threats of environmental degradation (erosion, vegetation clearing, water quality deterioration)<sup>7</sup>. Allocation of state capital expenditure to such areas for development of environmental improvement projects such as water and sanitation systems, landfills, urban improvement works could have positive impacts by directing funds to areas where the greatest need for environmental protection and improvements exists. However, development in such areas requires meticulous implementation of environmental safeguards to protect sensitive environmental conditions. Institutional strengthening of local authorities to assist in implementation of environmental safeguards may also be required in these remote areas where human resources capacities are often low<sup>8</sup>.</p> <p>The adoption of regulations for master and regional plans will be complemented by the requirements of the Vietnamese Law on Environmental Protection (2005) for the carrying out of Strategic Environmental Assessment (SEA) of master and strategic plans and current MONRE and donor initiatives to develop technical and financial guidelines for implementation of SEAs<sup>9</sup>.</p>	<p><b>MITIGATION MEASURES</b></p> <p>None required</p> <p><b>ENHANCEMENT MEASURES</b></p> <p>Ensure that capital expenditure works carried out in environmentally sensitive area areas are subject to implementation of environmental safeguards and ensure projects include provision for institutional strengthening of authorities in these areas as required.</p>

<sup>7</sup> ADB. 2006. *Viet Nam Country Environmental Analysis*. Manila.

<sup>8</sup> DFID. 2005. *Poverty Reduction Budget Support to P.135: Environmental Considerations in P.135*. Hanoi.

<sup>9</sup> For example initiatives under SIDA supported SEMLA project; GTZ supported Pilot SEA project in Tam Dao National Park Buffer Zone

Policy Intervention	Development Outcomes		Environmental Impact	Mitigation / Enhancement Measures
	Most recent (year)	Expected (2011 <sup>3</sup> )		
<b>PUBLIC FINANCIAL MANAGEMENT</b>				
<p>Disclose results of audits conducted by State Audit of Viet Nam (SAV) and its annual audit plan</p> <p>Publish report on budget execution for current year and budget plan for forthcoming year on an annual basis</p> <p>Issue regulations for periodic disclosure of external public debt and its composition</p> <p>Implement regulation to guide the establishment and issuance of benchmark government bonds</p> <p>Consolidate administration procedures for all taxes in a single law, modernizing assessment and enforcement methods</p>	<p>Proportion of public expenditure that is off-budget to be determined</p> <p>No. of sector ministries and provinces that have established an internal audit function and started to publish auditing reports to be determined</p> <p>Ratio of public debt to GDP, inclusive of publicly guaranteed debt at all levels of Government – 43.5%</p>	<p>Proportion of public expenditure that is off-budget to be determined</p> <p>No. of sector ministries and provinces that have established an internal audit function and started to publish auditing reports to be determined</p> <p>Ratio of public debt to GDP, inclusive of publicly guaranteed debt at all levels of Government – 55%</p>	<p><b>NO IMPACT:</b></p> <p>The proposed public financial management reforms are unlikely to affect environmental quality or sustainability. However, the increased transparency that will result from publishing of reports on budget execution and allocation will allow stakeholders access to information on budgetary allocations to environmental protection. Such transparency will ensure the Government is increasingly publicly accountable for fulfilling its legal obligations for allocation of at least 1% of the state budget to environmental protection activities.</p>	<p><b>MITIGATION MEASURES</b></p> <p>None required</p> <p><b>ENHANCEMENT MEASURES</b></p> <p>None required</p>

Policy Intervention	Development Outcomes		Environmental Impact	Mitigation / Enhancement Measures
	Most recent (year)	Expected (2011 <sup>3</sup> )		
<b>LEGAL DEVELOPMENT</b>				
<p>Establish separate legal, judicial, economic and budget committees to strengthen NA's supervisory role</p> <p>Simplify and broaden access to legal aid for marginalized and vulnerable groups</p> <p>Adopt policies to encourage participation of non-state establishments in the delivery of public services</p> <p>Strengthen information disclosure, public participation and accountability of officials for commune level policies</p>	<p>% of draft laws and ordinances posted on the NA website for comments = 0%</p> <p>Number of civil society organizations legally registered under a new legal framework at national levels = 350 and provincial levels = 2500</p> <p>Number of civil judgments enforced in % of all those subject to enforcement = 35.7% (2006)</p>	<p>% of draft laws and ordinances posted on the NA website for comments = 100%</p> <p>Number of civil society organizations legally registered under a new legal framework at national levels = 700 and provincial levels = 5000</p> <p>Number of civil judgments enforced in % of all those subject to enforcement = 50%</p>	<p><b>MINOR POSITIVE IMPACT:</b></p> <p>Positive impacts are likely to result from the following elements of legal development reforms:</p> <p>(iii) Increased levels of disclosure, participation and accountability in the development of commune level environmental policies as part of these reforms</p> <p>(iv) Participation of non-state environmental establishments (such as universities, NGOs) in environmental inspection and monitoring activities to supplement work of local authorities such as DONREs who predominantly carry out this work now and who are often under-resourced and have staff of lower capacity</p> <p>(v) Provision of legal aid for community / individual involvement in environmental pollution or infringement cases to reduce financial obstacles to pursuing such cases</p>	<p><b>MITIGATION MEASURES</b></p> <p>None required</p> <p><b>ENHANCEMENT MEASURES</b></p> <p>None required</p>

Policy Intervention	Development Outcomes		Environmental Impact	Mitigation / Enhancement Measures
	Most recent (year)	Expected (2011 <sup>3</sup> )		
<b>ANTI-CORRUPTION</b>				
<p>Operationalize Steering Committee against corruption with power to suspend high level officials if suspected</p> <p>Disclose results of inspections against corruption for cases overseen by the Government Inspectorate</p> <p>Establish legal framework to protect and reward whistle blowing on corrupt activities</p>	<p>Fraction of households who pay bribes when dealing with vulnerable government agencies<sup>10</sup> = 50.8% (2005)</p> <p>Fraction of enterprises who say they pay bribes when dealing with tax administration officers or in relation to government regulations = 67.9% (2006)</p> <p>Proportion of entrepreneurs that see corruption as either a major or severe constraint to business = 9.9% (2006)</p>	<p>Fraction of households who pay bribes when dealing with vulnerable government agencies = 35%</p> <p>Fraction of enterprises who say they pay bribes when dealing with tax administration officers or in relation to government regulations = 45%</p> <p>Proportion of entrepreneurs that see corruption as either a major or severe constraint to business = 5%</p>	<p><b>MINOR POSITIVE IMPACT:</b></p> <p>Existing threats posed to environmental sustainability from corruption and illegal activities (e.g. trade in wildlife, illegal land use, illegal exploitation of natural resources) will be reduced as incidences of environment-related corruption or whistle-blowing will be addressed in overall reforms.</p>	<p><b>MITIGATION MEASURES</b></p> <p>None required</p> <p><b>ENHANCEMENT MEASURES</b></p> <p>None required</p>

<sup>10</sup> As specified in the diagnostic study on corruption Table 2.4 (2005) GSO (Governance module attached to VHLSS 2008)

## IV. ENVIRONMENTAL MANAGEMENT PLAN

### A. Introduction

14. The following sections document the proposed Environmental Management Plan (EMP) for the project. Based on the results of the environmental assessment of the PRSC 6 policy matrix contained in the previous section, the following issues are addressed in the EMP:

- (i) Description of mitigation measures to reduce potential negative impacts of PRSC 6 initiatives
- (ii) Description of enhancement measures to optimize potential positive impacts of PRSC 6 initiative
- (iii) Description of the overall monitoring program developed for PRSC6 initiatives

### B. Summary of Environmental Impacts and Benefits

15. The environmental assessment presented in the preceding section concluded the following:

- (i) The majority of the proposed reforms are likely to have either positive impacts or no impacts. Where possible, enhancement measures have been developed for integration into the reform process to optimize the predicted positive impacts.
- (ii) Two series of reforms, the first relating to an increase in granting of trading and distribution rights to foreign firms and the second relating to increased private sector development, have been identified as having an unknown impact, because of the potential of this reform to result in both positive effects (i.e. improved efficiencies and resource use) and negative effects (i.e. environmental degradation from emissions and overexploitation of resources). Mitigation measures have been developed to offset potential adverse impacts and maximize the positive impacts of this reform.
- (iii) No reforms have been identified as having a negative impact.

### C. Proposed Mitigation / Enhancement Measures

16. Table 4.1 contains the proposed mitigation and enhancement measures for implementation as part of PRSC 6. These measures aim to build on the measures developed earlier for PRSC 5.<sup>11</sup>

**Table 4.1: Environmental Mitigation and Enhancement Measures**

Policy Reform	Mitigation Measures	Enhancement Measures
PILLAR I: BUSINESS DEVELOPMENT		
Global integration	M1. Require adoption of environmental performance benchmarks and environmental safeguards policies by foreign firms in line with Vietnamese legislative requirements.	None required

<sup>11</sup> ADB. 2006. *Environmental Assessment of Policy Matrix for a Proposed Program Loan for Support to the Implementation of Poverty Reduction Program*. Manila.

Policy Reform	Mitigation Measures	Enhancement Measures
State sector reform	None required	E1. Include environmental performance reporting in SOE reporting requirements
Financial sector reform	None required	None required
Private sector development	M2. Require adoption of environmental performance benchmarks and environmental safeguards policies by private sector firms in line with Vietnamese legislative requirements.	None required
Infrastructure	None required	E2. Include requirements for integration of environmental management and monitoring activities into capital and recurrent budgets in the road transport sector and provide institutional support to authorities to implement these requirements E3. Include environmental performance requirements in contract specifications, investor qualifications and treatment of unsolicited BOT projects
<b>PILLAR II: SOCIAL INCLUSION</b>		
Education	None required	None required
Health	None required	E4. Investigate opportunities to address solid waste management issues in health clinics and hospitals and improve education and preventive care programs related to health – environment links as part of the budgetary reform process.
Gender	None required	E5. Implement environment-related training and education programs targeting women as part of reform implementation.
<b>PILLAR III: NATURAL RESOURCES</b>		
Land and forests	None required	None required
The environment	None required	E6. Consider opportunities to provide further assistance to commune levels authorities on their roles and responsibilities for involvement in EIA processes
<b>PILLAR IV: MODERN GOVERNANCE</b>		
Planning processes	None required	E7. Ensure that capital expenditure works carried out in environmentally sensitive area are subject to implementation of environmental safeguards and ensure projects include provision for

Policy Reform	Mitigation Measures	Enhancement Measures
		institutional strengthening of authorities in these areas as required.
Public financial management	None required	None required
Legal development	None required	None required
Anti-corruption	None required	None required

17. The mitigation and enhancement measures do not in themselves form interventions that are part of the PRSC6 policy matrix but should be viewed as value adding measures which will minimize or maximize the impacts and benefits of the PRSC6 interventions respectively.

18. Mechanisms for implementation and enforcement of mitigation and enhancement measures will be developed in conjunction with relevant GOV and donor stakeholders through a consultative process. Together with the Ministry of Natural Resources and Environment, the following GOV agencies will be the key focal points for involvement in this process<sup>12</sup>:

- (i) Global integration - Ministry of Trade
- (ii) State sector reform – Ministry of Finance
- (iii) Private sector development – Ministry of Planning and Investment
- (iv) Infrastructure – Ministry of Transport, Ministry of Planning and Investment and Ministry of Construction
- (v) Education – Ministry of Education and Training
- (vi) Health – Ministry of Health and Ministry of Construction
- (vii) Gender – VCPFC
- (viii) Environment – Ministry of Natural Resources and Environment
- (ix) Planning processes - Ministry of Planning and Investment

19. Mechanisms for implementation and enforcement of mitigation and enhancement measures could take a range of forms such as decisions, decrees, circulars, or incorporation into pilot projects. As far as possible mechanisms should be integrated into current policy and regulatory development processes. For example, enhancement measure E6 relating to opportunities to provide further assistance to commune levels authorities on their roles and responsibilities for involvement in EIA processes could be incorporated into current draft regulations guiding public consultation in EIA that are being developed by MONRE with support from the SEMLA<sup>13</sup> project. Similarly, enhancement measure E4 related to solid waste management at health facilities could be incorporated into the current drafting of the national solid waste management strategy being prepared by Ministry of Construction.

20. Development of implementation and enforcement mechanisms will be carried out progressively over the current PRSC cycle. The first task for stakeholders will be to prioritize the mitigation and enhancement measures and develop a detailed action plan for tasks, timing and responsibilities for development of such mechanisms.

<sup>12</sup> The identification of stakeholders is consistent with the roles and responsibilities assigned in the final agreed PRSC6 policy matrix for various reform areas.

<sup>13</sup> Support to Environmental Management and Land Administration (SEMLA) Project is being supported by SIDA and implemented in conjunction with MONRE.

## D. Monitoring Program

21. It is proposed that annual monitoring of the current PRSC cycle will be undertaken, but that in-depth monitoring will occur at the beginning and the end of the cycle. An overall monitoring program has been developed jointly by donors and GOV contains a number of indicators relating to environmental issues (Table 4.2).

**Table 4.2: Environment Related Monitoring Indicators**

Policy Reform – Mitigation / Enhancement Measures	Indicators Included in Overall Monitoring Program
Land and Forests	<i>Client satisfaction with land administration offices</i> measured as percentage of users highly satisfied with the services provided by land administrative offices
	<i>Forest land allocated to local communities</i> measured as proportion of forest land allocated to local people and communities, for all of Vietnam and the Central Highlands
	<i>Quality of natural forest</i> measured as proportion of land area under forest with a closed canopy, multi-story-age profile and species diversity, abundance and distribution
Water	<i>Population with access to clean or improved water</i> including urban and rural population and all improved water sources excluding all hand dug wells
	<i>Population with hygienic sanitation</i> measured as population with access to properly designed and installed sanitation.
	<i>River basins with inter-provincial management</i> measured as number of river basins with inter-provincial water allocation procedures established and operational
Environment	<i>Quality of surface water</i> measured as quality of surface water in key areas as measured by MONRE/ Vietnam Environmental Protection Agency (VEPA) monitoring Systems
	<i>Quality of air</i> measured as quality of air in key areas as measured by MONRE/VEPA monitoring systems
	<i>Protection of bio-diverse wetlands</i> measured as number of wetlands of international importance included in the protected area system as designated Ramsar sites. (Wetlands of international importance are those that meet the Ramsar criteria. There are about 26.)

22. Further details of the monitoring indicators including methods for data collection and targets are contained in the overall PRSC6 program document<sup>14</sup>.

<sup>14</sup> World Bank. 2007. Report No. 39500-VN: International Development Association Upstream Review Document for a Proposed Credit in the amount of SDR114.8 Million (US\$150.0 million equivalent) to the Socialist Republic of Viet Nam for a Sixth Poverty Reduction Support Operation.

## V. CONCLUSIONS AND RECOMMENDATIONS

23. The ADB is proposing to contribute US\$ 15 million in a form of a program loan to the Government for the implementation of the Government's own poverty reduction program under the PRSC 6 framework. PRSC 6 has been developed to support implementation of the Government's SEDP 2006–2010 and the reforms are structured across the four following pillars:

- (i) Business development including actions to promote global integration; state sector reform; financial sector reform; private sector development; and infrastructure.
- (ii) Social inclusion including actions to promote education; health; and gender reforms.
- (iii) Natural resources including actions to promote land and forests and environment reforms.
- (iv) Modern governance including actions to promote planning processes; public financial management; legal development; and anticorruption reforms.

24. In accordance with the ADB's Environment Policy, an environmental assessment of the proposed actions under PRSC 6 has been prepared.

25. The environmental assessment has concluded that the majority of the proposed reforms are likely to have either positive impacts or no impacts. Where possible, enhancement measures have been developed for integration into the reform process to optimize the predicted positive impacts.

26. Two series of reforms, the first relating to an increase in granting of trading and distribution rights to foreign firms and the second relating to increased private sector development, have been identified as having an unknown impact, because of the potential of this reform to result in both positive effects (i.e. improved efficiencies and resource use) and negative effects (i.e. environmental degradation from emissions and overexploitation of resources). Mitigation measures have been developed to offset potential adverse impacts and maximize the positive impacts of this reform.

27. No reforms have been identified as having a negative impact.

28. Monitoring relating to environmental issues has been integrated into the overall monitoring program developed for PRSC 6.

29. Development of implementation and enforcement mechanisms for identified enhancement and mitigation measures will be carried out progressively using a consultative approach over the current PRSC cycle. The first task for stakeholders will be to prioritize the mitigation and enhancement measures and develop a detailed action plan for tasks, timing and responsibilities for development of implementation and enforcement mechanisms. Mechanisms for implementation and enforcement could take a range of forms such as decisions, decrees, circulars, or incorporation into pilot projects and should as far as possible be integrated into current policy and regulatory development processes.

30. On balance, the reforms proposed as part of PRSC 6 are expected to have wide-reaching positive impacts on socioeconomic conditions throughout Viet Nam and will assist the Government to fulfill its development objectives as outlined in the SEDP. The reforms will result in a range of positive environmental benefits, both direct and indirect, and will not cause any

significant adverse environmental impacts. No further environmental assessment of PRSC 6 is warranted and no environmental impact assessment is required to be prepared.

## VI. REFERENCES

- ADB. 2003. *Environmental Assessment Guidelines*. Manila.
- ADB. 2006. *Environmental Assessment of Policy Matrix for a Proposed Program Loan for Support to the Implementation of Poverty Reduction Program*. Manila.
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