

**SUMMARY ENVIRONMENTAL ASSESSMENT REPORT**

**Supplementary Appendix to the  
Report and Recommendation of the President  
to the Board of Directors**

**on the**

**SUPPORT TO IMPLEMENTATION OF POVERTY REDUCTION PROGRAM**

**SOCIALIST REPUBLIC OF VIET NAM**

This report was prepared by the Borrower  
and is not an ADB document.

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CURRENCY EQUIVALENTS  
Currency unit = Dong  
One US\$ = 15,732 Dong (September 10, 2004)

**ACRONYMS AND ABBREVIATIONS**

ADB	Asian Development Bank
AFTA	ASEAN Free Trade Area
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
DAF	Development Assistance Fund
GC	General Corporation
GDP	Gross Domestic Product
HCFP	Health Care Fund for the Poor
IAS	International Accounting Standards
JSB	Joint-stock Bank
LUC	Land-Use Right Certificate
MARD	Ministry of Agriculture and Rural Development
MONRE	Ministry of Natural Resources and the Environment
NGO	Non-Government Organization
NPL	Non-Performing Loan
OSS	One-Stop Shop
PAR	Public Administration Reform
PCU	Program Coordination Unit
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
QR	Quantitative Restrictions
RRP	Report and Recommendation of the President
SBV	State Bank of Vietnam
SFE	State Forestry Enterprise
SOCB	State-Owned Commercial Bank
SOE	State-Owned Enterprise
TCVN	National Standards of Vietnam
TCVN 14001	National Standard for Environmental Management Systems (based on ISO 14001)
WTO	World Trade Organization

## **Table of Contents**

I.	Introduction	1
II.	Environment Assessment of Policy Matrix	2
III.	Measures to Enhance Environmental Sustainability	13
IV.	Conclusion	16

## I. INTRODUCTION

### A. Background

1. This document provides an analysis of the potential environmental impacts associated with ADB's program loan as to the extent that it supports policy reform proposed under the Poverty Reduction Support Credit (PRSC) III. This is the first detailed environmental assessment of the PRSC III program of Viet Nam<sup>1</sup>.

2. This document's format and structure is guided by ADB's *Environmental Assessment of Program Loans*,<sup>2</sup> and *Environmental Assessment of Policy Matrix*<sup>3</sup>. The method for assessment and valuation of impacts is adapted from ADB, 1997, *Environmental Impact Assessment in Developing Countries, Volume I*.

### B. Description of Policy Interventions

3. The proposed program loan, designed following the policy framework of the PRSC III strengthens the reform program in three pillars of national development in Viet Nam:

***Pillar I: Transition to a Market Economy:*** It promotes greater internal and external competition, endorses an acceleration in the divestiture of State-owned enterprises (SOEs) and State-owned Commercial Banks (SOCBs), improves transparency and accountability in SOE operations and in the banking sector, and supports the establishment of a sound regulatory framework for policy lending by the Government. Overall, these measures should lead to a better allocation of resources, economic growth and job creation.

***Pillar II: Social Inclusion and Environmental Sustainability:*** The proposed credit promotes human development through an expanded budget appropriation and higher quality standards for education, through resources to cover the health care costs of the poor and through mechanisms to complete the transfer of land-use rights to households, especially in upland and ethnic minority areas. The credit supports important measures to improve environmental and water resources management as well.

***Pillar III: Modern Governance:*** The proposed credit promotes increased transparency and accountability of public finances, simplified administrative procedures, and steps towards curbing corruption are part of a broader effort to build modern governance.

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<sup>1</sup> PRSC 1 and PRSC 3 were deemed by the World Bank as Category C (having minimal environmental impact and not requiring a stand-alone, publicly-available environmental assessment reports) and PRSC 2 was deemed as Category U (not an official category, but similar in environmental significance to Category C).

<sup>2</sup> [http://www.adb.org/Documents/Guidelines/Environmental\\_Assessment/eaguidelines004.asp](http://www.adb.org/Documents/Guidelines/Environmental_Assessment/eaguidelines004.asp)

<sup>3</sup> [http://www.adb.org/Documents/Guidelines/Environmental\\_Assessment/Content\\_Format\\_Environmental\\_Assessment\\_Program\\_Loans.pdf](http://www.adb.org/Documents/Guidelines/Environmental_Assessment/Content_Format_Environmental_Assessment_Program_Loans.pdf)

## II. ENVIRONMENTAL ASSESSMENT OF POLICY MATRIX

4. Policy reforms proposed in the RRP will create a broad, deep, and enduring impact on Viet Nam's people, economy, and environment. The economic and social outcomes of these reforms to 2006 are also articulated in the RRP. Due to the nature of program assessment, the identification of impacts is limited to those that are considered both probable and identifiable. The definition of the environmental impacts used in this section is adapted from ADB, 1997. *Environmental Impact Assessment in Developing Countries*, Volume I.

Policy Intervention	Economic and Social Outcomes <sup>4</sup>	Environmental Impact	Mitigation Measures
<b>PILLAR I: TRANSITION TO A MARKET ECONOMY</b>			
<b>TRADE INTEGRATION</b>			
<b>PRSC 3 Reforms</b> <ul style="list-style-type: none"> <li>Conduct detailed preparatory work for WTO accession, including tariff scenarios</li> <li>Eliminate QRs on the imports of petroleum products</li> <li>Adopt the Early Harvest Program reducing tariffs for agricultural products</li> <li>Direct the use of transaction value as the basis for customs valuation</li> <li>Harmonized classification and coding system applies to all trading partners</li> </ul>	<b>2006 Expected Outcomes</b> <ul style="list-style-type: none"> <li>Ratio of exports to GDP is 55 percent</li> <li>Share of manufactured products in total exports is 70 percent</li> <li>Share of private sector exports in total exports is 85 percent</li> <li>All QRs have been removed</li> <li>Modern customs procedures are in place</li> <li>Vietnam becomes a member of the WTO</li> </ul>	<b>Positive Impact</b> <ul style="list-style-type: none"> <li>Many of the PRSC reforms will remove market distortions (e.g. eliminate QRs, reduce tariffs). Removal of market distortions tends to promote the valuation resources at their true economic value. This impact has positive environmental impacts in Vietnam because its economy relies heavily upon natural resources for economic and social development.</li> <li>Some reforms provide opportunities for conservation and protection of natural resources</li> <li>Approving a new Customs Law creates an opportunity to provide strengthened enforcement of the international trade in CITES-listed species.</li> <li>Creation of new food safety, plant protection, and animal health standards will have positive environmental impacts.</li> </ul>	<b>Impacts are Positive and No Mitigation is Required</b>

<sup>4</sup> 2006 expected outcomes are based on Annex 2, Column 3 of Program Document. Additional comments are provided for assessment context.

Policy Intervention	Economic and Social Outcomes <sup>4</sup>	Environmental Impact	Mitigation Measures
<p><b>PRSC 4-5 Reforms</b></p> <ul style="list-style-type: none"> <li>Issue regulations on import licenses in line with WTO</li> <li>Eliminate 80% of export requirements</li> <li>Further reduce tariffs in compliance with AFTA</li> <li>Remove all remaining export subsidies</li> <li>Eliminate QRs on all tariff lines for sugar</li> <li>Issue decree on the rules of origin</li> <li>Approve a new Customs Law</li> <li>Approve a new Corporations Law</li> <li>Food safety, plant protection, and animal health standards</li> </ul>	<p><b>Additional Comments</b></p> <ul style="list-style-type: none"> <li>lower petroleum prices will create adjustments in energy sector</li> <li>lower goods prices and a wider selection available in country</li> <li>Increased freedom for national producers to export their goods.</li> <li>Less distorted valuation of nation's products and resources</li> <li>Possible shift in scope of production quantities and/or inputs &amp; outputs for production items.</li> <li>Improved transparency for international trade</li> <li>Improved human health</li> </ul>		
<b>SOE REFORM</b>			
<p><b>PRSC 3 Reforms</b></p> <ul style="list-style-type: none"> <li>Substantially accelerate the SOE ownership transformation process</li> <li>Broaden the equitization process to large SOEs and GCs</li> <li>Issue guidelines for the operation of the Debts and Assets Trading Company</li> </ul>	<p><b>2006 Expected Outcomes</b></p> <ul style="list-style-type: none"> <li>There are about 2100 SOEs</li> <li>Share of bank credit going to SOEs is less than 25%</li> <li>High proportion of profitable SOEs</li> <li>Most non-performing inter-enterprise debts resolved</li> <li>Data on performance of SOEs available annually</li> </ul>	<p><b>Positive Impact</b></p> <ul style="list-style-type: none"> <li>SOE reform policies will reduce inefficiencies and redundancies in many sectors.</li> <li>The result is that competition will increase, and industries will tend to consume user-pay resources such as energy and water more sparingly</li> </ul>	<b>Impacts are Positive and No Mitigation is Required</b>
<p><b>PRSC 4-5 Reforms</b></p> <ul style="list-style-type: none"> <li>Continued progress on 104 transformation plans</li> <li>Issue plan for transformation of large SOEs</li> <li>Implement the circular on SOE performance</li> <li>Implement recommendations from SOE diagnostic studies</li> <li>Conduct IAS audits on 10 large SOEs</li> </ul>	<p><b>Additional Comments</b></p> <ul style="list-style-type: none"> <li>none</li> </ul>	<ul style="list-style-type: none"> <li>Over the past few decades, SOEs benefited from being able to create pollution externalities without penalty; in recent years the GOV has begun to develop economic instruments to internalize pollution costs.</li> </ul>	

Policy Intervention	Economic and Social Outcomes <sup>4</sup>	Environmental Impact	Mitigation Measures
<b>FINANCIAL SECTOR REFORM</b>			
<p><b>PRSC 3 Reforms</b></p> <ul style="list-style-type: none"> <li>• Issue plan to strengthen SBV supervision capacity and level playing field for banks</li> <li>• Adopt a new chart of accounts for banks to improve transparency</li> <li>• Instruct SOCBs to put into effect credit manuals for better risk management</li> <li>• Impose a 60-day limit for SOCBs to submit their IAS audits to the SBV</li> <li>• Adopt decision to equitize two SOCBs, with a strategic investor for one of them</li> <li>• Issue regulations for DAF operations restricting policy lending</li> <li>• Further develop securities market through easier listing &amp; investment funds</li> </ul>	<p><b>2006 Expected Outcomes</b></p> <ul style="list-style-type: none"> <li>• Delinquent JSBs closed or merged; all banks compliant with regulations</li> <li>• Low NPL ratio and appropriate mechanisms in place to prevent NPL resurgence</li> <li>• SBV focused on supervision and regulation, with progress on the divestiture of SOCBs</li> <li>• Policy lending transferred to the budget, with well-specified eligible sectors and terms of support</li> <li>• Increased intermediation through capital markets and microfinance</li> </ul> <p><b>Additional Comments</b></p> <ul style="list-style-type: none"> <li>• none</li> </ul>	<p><b>No Impact</b></p>	<p><b>There are No Impacts and No Mitigation is Required</b></p>
<p><b>PRSC 4-5 Reforms</b></p> <ul style="list-style-type: none"> <li>• Evaluate SOCBs before they are allowed to issue shares</li> <li>• Issue SBV Law focusing on supervision and regulation</li> <li>• Enact a legal framework for micro-finance</li> <li>• Equitize two SOCBs with a strategic investor for one</li> <li>• Issue Securities Law for Capital Market Development</li> </ul>	<p><b>Additional Comments</b></p> <ul style="list-style-type: none"> <li>• none</li> </ul>		
<b>PRIVATE SECTOR DEVELOPMENT</b>			
<p><b>PRSC 3 Reforms</b></p> <ul style="list-style-type: none"> <li>• Unify the corporate income tax rate to 28% irrespective of ownership</li> <li>• Strengthen administration of intellectual property rights through NOIP</li> <li>• Improve the legal framework for the operation of business associations</li> </ul>	<p><b>2006 Expected Outcomes</b></p> <ul style="list-style-type: none"> <li>• Private domestic investment is equal to 20% of GDP</li> <li>• Around five million people are employed in the formal private sector</li> <li>• A level playing field has been secured, with the same regulations applying to all firms</li> </ul> <p><b>Additional Comments</b></p> <ul style="list-style-type: none"> <li>• none</li> </ul>	<p><b>No Impact</b></p>	<p><b>There are No Impacts and No Mitigation is Required</b></p>

Policy Intervention	Economic and Social Outcomes <sup>4</sup>	Environmental Impact	Mitigation Measures
<b>PRSC 4-5 Reforms</b> <ul style="list-style-type: none"> <li>• Amend the Enterprise Law to cover all sectors</li> <li>• Unify the laws on domestic and foreign investment</li> <li>• Issue the ordinance of e-commerce</li> <li>• Issue a new law on personal income tax</li> </ul>			
<b>INFRASTRUCTURE</b>			
<b>PRSC 3 Reforms</b> <ul style="list-style-type: none"> <li>• Expand the CPRGS to address large-scale infrastructure issues</li> <li>• Open internet and mobile telephone services to competition</li> <li>• Reduce international telephone and leased line prices to regional levels</li> </ul>	<b>2006 Expected Outcomes</b> <ul style="list-style-type: none"> <li>• Free entry in telecommunications and IT services</li> <li>• Improved infrastructure provision and operations</li> <li>• Rational pricing policies for infrastructure services</li> </ul> <b>Additional Comments</b> <ul style="list-style-type: none"> <li>• none</li> </ul>	<b>Positive Impact</b> <ul style="list-style-type: none"> <li>• Reforms that support improved coherence between infrastructure sectors will reduce the risk of over-consuming limited natural resources.</li> <li>• Water pricing policy reforms, will promote the conservation of water resources.</li> </ul>	<b>Impacts are Positive and No Mitigation is Required</b>
<b>PRSC 4-5 Reforms</b> <ul style="list-style-type: none"> <li>• Adopt Electricity Law and create regulatory agency</li> <li>• Improve pricing policies for water and waste-water</li> <li>• Create regulatory framework for network interconnection</li> <li>• Improve trade infrastructure and trade administration</li> <li>• Adopt a strategy to improve road safety</li> <li>• Pilot transport MTEFs at the provincial level</li> </ul>		<ul style="list-style-type: none"> <li>• Wastewater policy reforms will promote the reduction of wastewater pollution.</li> <li>• Reforms that strengthen mechanisms to assess and address environmental impacts will bring improved environmental management capacity to the many regions and sectors of Vietnam.</li> </ul>	
<b>PILLAR II: SOCIAL INCLUSION AND ENVIRONMENTAL SUSTAINABILITY</b>			
<b>EDUCATION</b>			
<b>PRSC 3 Reforms</b> <ul style="list-style-type: none"> <li>• Raise the expenditure share of education and training to 17.1% of the budget</li> <li>• Adopt minimum quality standards for primary schools nationwide</li> </ul>	<b>2006 Expected Outcomes</b> <ul style="list-style-type: none"> <li>• Net primary school enrollment rate attains 98%</li> <li>• School quality has improved, with a substantial catch-up of poor areas</li> <li>• New lower secondary school enrollment rate attains 80%</li> </ul> <b>Additional Comments</b> <ul style="list-style-type: none"> <li>• none</li> </ul>	<b>Positive Impact</b> <ul style="list-style-type: none"> <li>• Reforms that support improved education promote poverty reduction, which, in turn, reduces pressure for illegal and/or unsustainable harvesting of natural resources.</li> <li>• Improved education of society indirectly supports societal awareness of environmental issues.</li> </ul>	<b>Impacts are Positive and No Mitigation is Required</b>

Policy Intervention	Economic and Social Outcomes <sup>4</sup>	Environmental Impact	Mitigation Measures
<p><b>PRSC 4-5 Reforms</b></p> <ul style="list-style-type: none"> <li>• Primary Teacher Profile for Career Development</li> <li>• Implement an MTEF for the education sector</li> <li>• Schools in poor zones up to minimum quality standards</li> <li>• Inclusive of education strategy for children with disabilities</li> <li>• Adopt plans for education in pilot provinces</li> </ul>			
<b>HEALTH</b>			
<p><b>PRSC 3 Reforms</b></p> <ul style="list-style-type: none"> <li>• Establish HCFPs in all provinces and pay central Government contribution</li> <li>• Action program for the HIV-AIDS strategy based on a public health approach</li> </ul>	<p><b>2006 Expected Outcomes</b></p> <ul style="list-style-type: none"> <li>• Infant mortality rate is 30/1000</li> <li>• Under five mortality rate is 36/1000</li> <li>• Effective mechanisms to reduce out-of-pocket payments for health services by the poor</li> <li>• A public health approach is in place to tackle HIV-AIDS epidemic</li> </ul> <p><b>Additional Comments</b></p> <ul style="list-style-type: none"> <li>• none</li> </ul>	<p><b>Positive Impact</b></p> <ul style="list-style-type: none"> <li>• Reforms to support improved health promote poverty reduction, which, in turn, reduces pressure for illegal and/or unsustainable harvesting of natural resources.</li> </ul>	<p><b>Impacts are Positive and No Mitigation is Required</b></p>
<p><b>PRSC 4-5 Reforms</b></p> <ul style="list-style-type: none"> <li>• Integrate the National Tuberculosis Program</li> <li>• Issue regulation for the operation of HCFPs</li> <li>• Strengthen regulation and pricing of pharmaceuticals</li> <li>• Raise the budget share of health expenditures</li> <li>• Adopt an MTEF for the health sector</li> </ul>		<ul style="list-style-type: none"> <li>• Reforms that support increased health expenditures create opportunity to mitigate a growing environmental concern in the health sector: environmental impact of hospital wastes (liquid, solid, and hazardous wastes). Some progress in developing waste management systems has begun, but more financial support and progress is required to continue this work.</li> </ul>	

Policy Intervention	Economic and Social Outcomes <sup>4</sup>	Environmental Impact	Mitigation Measures
<b>LAND</b>			
<p><b>PRSC 3 Reforms</b></p> <ul style="list-style-type: none"> <li>▪ Support access to land for all sectors and community land use practices</li> </ul> <p><b>PRSC 4-5 Reforms</b></p> <ul style="list-style-type: none"> <li>• Issue guidelines for effective implementation of Land Law</li> <li>• Issue decree on accelerated re-structuring of SFEs</li> <li>• Implement MTEF for the agricultural and rural sector</li> <li>• Transparent registration of all land transactions</li> <li>• Revise the Forest Protection and Development Law</li> <li>• Revise the decree on agricultural extension system</li> <li>• Issue LUCs for 85% of urban &amp; forest land users</li> </ul>	<p><b>2006 Expected Outcomes</b></p> <ul style="list-style-type: none"> <li>• All land has been titled, and land has been allocated to almost all households in upland areas</li> <li>• A legal framework exists for land use according to community practices</li> <li>• A functioning land market is in place and a legal environment for secure land-tenure has been developed</li> <li>• Increased population access to water, sanitation, and waste services.</li> </ul> <p><b>Additional Comments</b></p> <ul style="list-style-type: none"> <li>• none</li> </ul>	<p><b>Positive Impact</b></p> <ul style="list-style-type: none"> <li>• Policy reform for LUCs to bear names of both spouses promotes better representation in local land-use planning.</li> <li>• Policy reform to issue LUC's to forestland user will increase sustainable use of forestland.</li> <li>• Policy reform for market valuation of land will promote more optimal use of resources.</li> <li>• Policy reform for decentralization of land management promotes local decision-making;</li> <li>• Policy reform to allocate land to upland people and local communities promotes sustainable development.</li> <li>• Revision of Forest Protection and Development Law will support sustainable use of forest resources.</li> </ul>	<p><b>Impacts are Positive and No Mitigation is Required</b></p>
<b>WATER</b>			
<p><b>PRSC 3 Reforms</b></p> <ul style="list-style-type: none"> <li>• Irrigation management transferred to co-operatives or associations of water users</li> </ul> <p><b>PRSC 4-5 Reforms</b></p> <ul style="list-style-type: none"> <li>• Adopt a national water resources strategy</li> <li>• Adopt a new law on water resources management</li> <li>• Pass decree on integrated river basin planning</li> </ul>	<p><b>2006 Expected Outcomes</b></p> <ul style="list-style-type: none"> <li>• Increased participation of users in irrigation management</li> <li>• Water resources planning integrated by river basin</li> <li>• Natural disaster management leads to more effective flood control</li> </ul> <p><b>Additional Comments</b></p> <ul style="list-style-type: none"> <li>• none</li> </ul>	<p><b>Positive Impact</b></p> <ul style="list-style-type: none"> <li>• Water user co-operatives/associations will reduce potential for unsustainable extraction.</li> <li>• Integrated river basin planning will support coordinated extraction and pollution control of common property surface water.</li> </ul>	<p><b>Impacts are Positive and No Mitigation is Required</b></p>

Policy Intervention	Economic and Social Outcomes <sup>4</sup>	Environmental Impact	Mitigation Measures
<b>ENVIRONMENT</b>			
<b>PRSC 3 Reforms</b> <ul style="list-style-type: none"> <li>• Issue the decree on wetlands conservation and sustainable development</li> <li>• Decentralize responsibility for EIA of investment projects to local levels</li> <li>• Establish the “polluter pays” principle irrespective of enterprise ownership</li> <li>• Issue regulation to upgrade, move, or close the worst pollution offenders</li> </ul>	<b>2006 Expected Outcomes</b> <ul style="list-style-type: none"> <li>• Forest cover expands to 38%</li> <li>• No further degradation of highly bio-diverse forest and wetlands</li> <li>• A framework is in place to assess environmental impact of projects</li> <li>• Mechanisms in place to handle water discharge and pollution offenses</li> </ul>	<b>Positive Impact</b> <ul style="list-style-type: none"> <li>• Environment reforms will see positive impact in 1) urban environments (water and air quality) and 2) wetland sustainability (the term “wetland” was previously not defined or protected by GOV, and thus wetlands have been disappearing at an alarming rate).</li> </ul>	<b>Impacts are Positive and No Mitigation is Required</b>
<b>PRSC 4-5 Reforms</b> <ul style="list-style-type: none"> <li>• Issue the Natural Disaster Mitigation Strategy</li> <li>• Issue amendment to Law on Environmental Protection</li> <li>• Adopt EIA requirements for plans above the project level</li> <li>• Develop tools for pollution prevention and control</li> <li>• Instructions to improve land use zoning and planning</li> <li>• Provision of basic services regardless of migrant status</li> <li>• Issue the national wetlands conservation strategy</li> </ul>	<b>Additional Comments</b> <ul style="list-style-type: none"> <li>• Most PRSC 3 reforms have been achieved already.</li> </ul>	<ul style="list-style-type: none"> <li>• Proposed reforms to adopt EIA requirements above the project level (i.e. strategic assessments) and decentralizing the responsibility of assessment reviews to provincial levels are positive next steps to building Vietnam’s environmental assessment framework.</li> </ul>	
<b>GENDER</b>			
<b>PRSC 3 Reforms</b> <ul style="list-style-type: none"> <li>• none</li> </ul>	<b>2006 Expected Outcomes</b> <ul style="list-style-type: none"> <li>• 95% of LUCs have been re-issued in the name of both spouses</li> </ul>	<b>Positive Impact</b> <ul style="list-style-type: none"> <li>• Reforms to re-issue LUCs mitigates the current situation that when husbands are absent, there is under-representation in local land-use planning</li> </ul>	<b>Impacts are Positive and No Mitigation is Required</b>
<b>PRSC 4-5 Reforms</b> <ul style="list-style-type: none"> <li>• Re-issue all LUCs under the names of both spouses</li> </ul>	<b>Additional Comments</b> <ul style="list-style-type: none"> <li>• none</li> </ul>		

Policy Intervention	Economic and Social Outcomes <sup>4</sup>	Environmental Impact	Mitigation Measures
<b>PILLAR III: MODERN GOVERNANCE</b>			
<b>PLANNING PROCESSES</b>			
<b>PRSC 3 Reforms</b>	<b>2006 Expected Outcomes</b>	<b>Positive Impact</b>	<b>Impacts are Positive and No Mitigation is Required</b>
<ul style="list-style-type: none"> <li>Issue guidelines to roll out the CPRGS approach to provincial planning</li> <li>Pilot an MTEF in the education sector</li> </ul>	<ul style="list-style-type: none"> <li>A number of provinces and sectors have pro-poor socio-economic development plans</li> <li>Criteria based on growth and poverty reduction impacts guide the selection of public investment projects</li> </ul>	<ul style="list-style-type: none"> <li>There is a positive correlation between poverty reduction and environmental sustainability. CPRGS promotes poverty reduction, and it is expected that some of these interventions will also support environmental sustainability.</li> </ul>	
<b>PRSC 4-5 Reforms</b>	<b>Additional Comments</b>		
<ul style="list-style-type: none"> <li>Better integrate planning and recurrent expenditures</li> <li>Incorporate the CPRGS approach into 5-year plan</li> <li>Scale up the CPRGS “roll out” to the provinces</li> </ul>	<ul style="list-style-type: none"> <li>none</li> </ul>		
<b>PUBLIC FINANCIAL MANAGEMENT</b>			
<b>PRSC 3 Reforms</b>	<b>2006 Expected Outcomes</b>	<b>Positive Impact</b>	<b>Impacts are Positive and No Mitigation is Required</b>
<ul style="list-style-type: none"> <li>Unify the accounting systems of the State Budget and the State Treasury</li> <li>Design an overall Treasury and Budget Management Integrated System</li> </ul>	<ul style="list-style-type: none"> <li>A publicly-disclosed medium-term fiscal framework is used</li> <li>Operation and maintenance costs are fully taken into account</li> <li>Annual publication of detailed and accurate budget data at each level of government</li> <li>Sustainable public debt ratios, based on comprehensive assessment of contingent liabilities</li> </ul>	<ul style="list-style-type: none"> <li>Reforms to revise the <i>Law on the State Budget</i>, and the <i>Treasury and Budget Management Information System</i> will likely have no direct environmental impacts. However, improved financial management of public resources will likely trickle-down to provide improved financial resources for public management of natural resources.</li> </ul>	
<b>PRSC 4-5 Reforms</b>	<b>Additional Comments</b>		
<ul style="list-style-type: none"> <li>Improve the evaluation of public investment projects</li> <li>Extend unified accounting system to spending units</li> <li>Develop a medium-term fiscal framework</li> <li>Assess contingent liabilities and other financial risks</li> <li>Publish audit reports of state budget entities</li> </ul>	<ul style="list-style-type: none"> <li>none</li> </ul>		
<b>FINANCIAL ACCOUNTABILITY</b>			
<b>PRSC 3 Reforms</b>	<b>2006 Expected Outcomes</b>	<b>Positive Impact</b>	<b>Impacts are Positive and No Mitigation is Required</b>
<ul style="list-style-type: none"> <li>Enact a revised Accounting Law in accordance with international practice</li> <li>Subject SOEs to auditing by independent auditors instead of State Audit of Vietnam</li> </ul>	<ul style="list-style-type: none"> <li>Accounting norms in accordance with international practice and increased access to audits on use of public funds</li> </ul>	<ul style="list-style-type: none"> <li>Financial accountability reforms have the potential to support environmental management if audits include a specific requirement to review financial plans and disbursements of each SOE’s environmental management plan.</li> </ul>	

Policy Intervention	Economic and Social Outcomes <sup>4</sup>	Environmental Impact	Mitigation Measures
<b>PRSC 4-5 Reforms</b> <ul style="list-style-type: none"> <li>Adopt a modern internal control framework</li> </ul>	<b>Additional Comments</b> <ul style="list-style-type: none"> <li>none</li> </ul>	<ul style="list-style-type: none"> <li>This is a particularly timely suggestion because many SOEs now have EMPs, but financial requirements for EMPs are rarely articulated on paper. And it is even more rare that funds to implement the EMPs are disbursed.</li> </ul>	
<b>LEGAL DEVELOPMENT</b>			
<b>PRSC 3 Reforms</b> <ul style="list-style-type: none"> <li>None</li> </ul>	<b>2006 Expected Outcomes</b> <ul style="list-style-type: none"> <li>A legal system based on rule of law and promoting development</li> </ul>	<b>Positive Impact</b> <ul style="list-style-type: none"> <li>Legal reforms that relate to improve access to information (e.g. publish all decisions by Supreme Peoples' Court, launch a legal information portal) and two-way communication (e.g. consult local NGOs on decree on local organizations, establish the Office of the State Public Defender) will have a positive environmental impact. This is especially true if these reforms are integrated into land use and sector planning procedures.</li> </ul>	
<b>PRSC 4-5 Reforms</b> <ul style="list-style-type: none"> <li>Mandate consultation of legislation stakeholders</li> <li>Approve the Legal System Development Strategy</li> <li>Improve the promulgation process of legal documents</li> <li>Publish all the decisions by the Supreme People's Court</li> <li>Consult local NGOs on decree on local organizations</li> <li>Launch a Legal Information Portal</li> <li>Establish the Office of State Public Defender</li> </ul>	<b>Additional Comments</b> <ul style="list-style-type: none"> <li>none</li> </ul>		<b>Impacts are Positive and No Mitigation is Required</b>
<b>PUBLIC ADMINISTRATION REFORM</b>			
<b>PRSC 3 Reforms</b> <ul style="list-style-type: none"> <li>The OSS model promulgated as a national policy</li> <li>The report card approach to service delivery piloted in four urban sites</li> </ul>	<b>2006 Expected Outcomes</b> <ul style="list-style-type: none"> <li>Progress towards administrative simplification with a more transparent and accountable civil service</li> </ul> <b>Additional Comments</b> <ul style="list-style-type: none"> <li>none</li> </ul>	<b>Positive Impact</b> <ul style="list-style-type: none"> <li>PAR reforms will provide positive environmental impact when those reforms occur in offices that manage environmental resources.</li> </ul>	<b>Impacts are Positive and No Mitigation is Required</b>
<b>PRSC 4-5 Reforms</b> <ul style="list-style-type: none"> <li>Action plan to simplify administration procedures</li> <li>Improve transparency on licenses and permissions</li> <li>Better alignment of civil service pay to market</li> </ul>			

Policy Intervention	Economic and Social Outcomes <sup>4</sup>	Environmental Impact	Mitigation Measures
<b>ANTI-CORRUPTION</b>			
<b>PRSC 3 Reforms</b> <ul style="list-style-type: none"> <li>• Stronger public procurement through open bidding and Procurement Bulletin</li> <li>• Ban inspections of business by non-authorized Government agents</li> </ul>	<b>2006 Expected Outcomes</b> <ul style="list-style-type: none"> <li>• Reduced corruption and perception of corruption as rated by independent monitors</li> </ul>	<b>Positive Impact</b> <ul style="list-style-type: none"> <li>• Policy reforms to curb corruption, if aimed towards corruption in the natural resource management sector, will support sustainable management of natural resources.</li> </ul>	<b>Impacts are Positive and No Mitigation is Required</b>
<b>PRSC 4-5 Reforms</b> <ul style="list-style-type: none"> <li>• Strengthen community supervision of investments</li> <li>• Complete a comprehensive diagnosis of corruption</li> <li>• Revise law on Administrative Complaints</li> <li>• Amend the Ordinance Against Corruption</li> <li>• Issue revised Procurement Ordinance</li> <li>• Public tenders and contracts in Procurement Bulletin</li> </ul>	<b>Additional Comments</b> <ul style="list-style-type: none"> <li>• At present, several of the nation's threats to environmental sustainability (timber harvesting, aquaculture development, poaching, illegal wildlife trade are linked to corruption.</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthened capacity to conduct EIAs will also limit the corruption possibilities if the strengthening entails more transparent EIA processes.</li> </ul>	
<b>INFORMATION AVAILABILITY</b>			
<b>PRSC 3 Reforms</b> <ul style="list-style-type: none"> <li>• None</li> </ul>	<b>2006 Expected Outcomes</b> <ul style="list-style-type: none"> <li>• Reliable, publicly available economic and social data, allowing the evaluation of public policies</li> <li>• Poverty measurement and targeting on the poor more in line with common international practice.</li> </ul> <b>Additional Comments</b> <ul style="list-style-type: none"> <li>• A substantial amount economic and social data is published (in Vietnamese and English) from the General Office of Statistics, including: 1) <i>Annual Statistics</i>; and 2) <i>Results of the Survey on Household Living Standards (2002)</i>, including a chapter of data relevant for poverty alleviation programmes.</li> </ul>	<b>Positive Impact</b> <ul style="list-style-type: none"> <li>• Policies that support more open and symmetric access to land information will <ul style="list-style-type: none"> <li>– limit land speculation and provide investors with a proper valuation of the parcel.</li> <li>– help clarify responsibility for cleaning environmental degraded land as part of land transfer procedures</li> <li>– better ensure that environmental quality is properly reflected in the land price.</li> </ul> </li> <li>• These positive impacts are particularly relevant in situations where the land in question is environmentally degraded and/or planned for land rehabilitation</li> </ul>	

Policy Intervention	Economic and Social Outcomes <sup>4</sup>	Environmental Impact	Mitigation Measures
<p><b>PRSC 4-5 Reforms</b></p> <ul style="list-style-type: none"> <li>• Issue policy for public access to survey data</li> <li>• Set up CPRGS monitoring and evaluation system</li> </ul>			<p><b>Impacts are Positive and No Mitigation is Required</b></p>

### III. MEASURES TO ENHANCE ENVIRONMENTAL SUSTAINABILITY OF THE PROGRAM

5. The environmental assessment of policy interventions found that policy reforms proposed in the RRP had either a positive or neutral environmental impact. Therefore, there is no need to propose measures to mitigate negative impacts. There are, however, opportunities to deepen reforms by actively promoting environmental sustainability. These opportunities are summarised in the below table.

Policy Reform	Measures to Enhance Environmental Sustainability of Policy Reforms	Integration Period
<b>PILLAR I: TRANSITION TO A MARKET ECONOMY</b>		
Trade Integration	<p><b>Measure #1 :</b></p> <p><b><i>For all trade integration reform policies.</i></b> To promote protection of natural resources that could be consumed/polluted as a result of trade integration reform policies, domestic environmental protection measures should be in place to ensure, for example:</p> <ul style="list-style-type: none"> <li>– Outcomes do not impact Vietnam’s protected and sensitive areas;</li> <li>– Outcomes consume natural resources in a sustainable manner;</li> <li>– Pollution and waste costs of outcomes are borne by appropriate producers</li> </ul>	PRSC 3
	<p><b>Measure #2</b></p> <p><b><i>Reform policy for new Customs Law.</i></b> New Customs Law should include an article that bans trafficking of endangered animals/plants. In addition, customs officers should receive training on how to minimize international and national trade of endangered animals/plants.</p>	PRSC 4-5
	<p><b>Measure #3</b></p> <p><b><i>Reform policy for new safety, plant protection, and animal health standards.</i></b> Plant protection standards should specifically recognize rare and endangered species, genetically modified organisms, and plants/ecosystems of local significance</p>	PRSC 4-5
SOE Reform	<p><b>Measure #4</b></p> <p><b><i>Reform policies related to SOE transformation/circular on SOE performance.</i></b> The design and implementation of environmental management systems (EMS), as guided by TCVN 14001, could be a legislated requirement for all remaining 2100 SOEs. EMS implementation could be conducted in a phased approach (e.g. 10% in Year 1 of PRSC 4, 10% in Year 2 of PRSC 4, etc). Experiences gained from successfully implemented EMS at three GCs and their SOEs (Vinatex, Vinacafe, Seaprodex) under WB Grant TF 050047 can provide valuable lessons for other reforming GC/SOEs.</p> <p><b>Measure #5</b></p> <p><b><i>Reform policy on IAS Audits.</i></b> IAS audits can include activities that conduct financial audits of SOE environmental management systems.</p>	PRSC 4-5

<b>Policy Reform</b>	<b>Measures to Enhance Environmental Sustainability of Policy Reforms</b>	<b>Integration Period</b>
Financial Sector Reform	<b>Measure #6</b> <i>Reform policy to “issue plan to strengthen SBV supervision capacity”.</i> This plan could include capacity building actions to evaluate environmental impacts of SBV lending activities.	PRSC 3
Private Sector Development	<b>Measure #7</b> <i>Reform policy for improving the legal framework for the operation of business associations.</i> Improvements could include specific reference to adhering to the Law on Environmental Protection, and its pursuant decrees, circulars, and regulations.	PRSC 4-5
	<b>Measure #8</b> <i>Reform policy for amendments to the Enterprise Law.</i> Amendments could include specific reference to adhering to the Law on Environmental Protection, and its pursuant decrees, circulars, and regulations.	PRSC 4-5
Infrastructure	<b>Measure #9</b> <i>Reform policy to pilot MTEFs.</i> Piloting MTEF at MoNRE and/or MARD and their provincial departments will accrue benefits to the management of natural resources in Vietnam.	PRSC 4-5
	<b>Measure #10</b> <i>Reform policy to adopt Electricity Law and create regulatory agency.</i> Promote environmental considerations in the Electricity Law and/or develop environmental regulations for the energy sector. For example the Electricity Law could call for the development of industry regulations on the development of environmental assessment and management of hydropower, thermo-power, transmission/distribution etc. An electricity regulatory agency could house an environmental unit, whose main function is to ensure the aforementioned environmental regulations are being implemented in Vietnam.	PRSC 4-5
<b>PILLAR II: SOCIAL INCLUSION AND ENVIRONMENTAL SUSTAINABILITY</b>		
Education	<b>Measure #12</b> <i>Reform policy to adopt plans for education in pilot provinces.</i> Consider incorporating environmental awareness issues as part of the pilot projects’ education curriculum.	PRSC 4-5
Health	<b>Measure #13</b> <i>Reform policy to raise budget share of health expenditures.</i> Allocate a proportion of Increased health funding to support hospital waste management (solid, liquid, and hazardous wastes).	PRSC 4-5
Environment	<b>Measure #14</b> <i>Reform policies calling for ‘higher level’ environmental assessments, and improved project-level assessments.</i> 1) Consider modifying current EIA policies (both project-level and higher, strategic levels) to include a requirement for public consultation and disclosure, more clear requirements for environmental management plans, and detailed EMP budgets in the EIA reports. 2) Consider updating/approving the draft MoNRE-MPI joint circular for environmental impact assessment.	PRSC 4-5

Policy Reform	Measures to Enhance Environmental Sustainability of Policy Reforms	Integration Period
<b>PILLAR III: MODERN GOVERNANCE</b>		
Financial Accountability	<p><b>Measure #15</b>  <i>Reform policies to subject SOEs to independent auditing.</i> Include a specific requirement to review financial plans and disbursements of each SOE's environmental management plan.</p>	PRSC 3
Public Administration Reform	<p><b>Measure #16</b>  <i>Reform policies for "report card" approach to service delivery at four pilot sites.</i> Consider adding urban environment (sewage, sanitation, water supply) to the "service delivery" report card.</p>	PRSC 3
Anti-Corruption	<p><b>Measure #17</b>  <i>Reform policy to strengthen community supervision of investments.</i> Strengthening can include community supervision of environmental impacts of investments. Case study experiences from World Bank's USD 110 million support to the <i>Northern Mountains Poverty Reduction Project</i> (Loan #35720) should be considered.</p> <p><b>Measure #18</b>  <i>Reform policy to issue revised Procurement Ordinance.</i> Environmental considerations could be integrated into a revised procurement ordinance. Case study experiences from World Bank's USD 110 million support to the <i>Northern Mountains Poverty Reduction Project</i> (Loan #35720) should be considered.</p> <p><b>Measure #19</b>  <i>Reform policy to complete a comprehensive diagnosis of corruption.</i> Ensure that comprehensive diagnosis of corruption includes corruption in the sector of natural resources management and the current EIA process</p> <p><b>Measure #20</b>  <i>Reform policy to amend the Ordinance Against Corruption.</i> Consider adding specific articles regarding natural resource management (e.g. relating to poaching of plants/animals, illegal harvesting of natural resources).</p>	PRSC 4-5

#### IV. CONCLUSION

6. The PRSC policy reforms described in the RRP are designed to reduce poverty in Vietnam through transition to market economy, social inclusion and environmental sustainability, and improved governance. There are many positive co-relations between poverty reduction and environmental sustainability: hence, it stands to reason that credit aimed to support poverty reduction will, *inter alia* have many positive, some neutral, and few negative impacts on the environment. In the case of this program loan, impacts can be summarised as follows:

- (i) Most policy reforms will produce **positive impacts** on Vietnam's urban and rural environments. This is because: (a) most reforms are aimed at improving governance, accountability, and transparency. Whilst not specifically designed for environmental protection, these reforms tend to promote optimal and efficient use of resources, including natural resources; (b) some reforms are aimed at improving environmental protection and management; and (c) some reforms aim to health and education, which tend to have indirect positive impacts on environmental sustainability. These reforms fit well with Vietnam's environmental policy needs, and are therefore considered practical and necessary next steps for the nation's environmental management framework.
- (ii) Some policy reforms will likely have **no impact** on the environment. These include reforms to public financial management, private sector development, and financial sector reform. It is possible these reforms will have a positive "trickle-down" effect but the links between such impacts are sufficiently subtle that they cannot easily be evaluated or monitored.
- (iii) The remaining policy reforms – SOE reforms and reforms to move to a market economy – have a mix of **positive impacts or no impacts**. However, most have the potential to support wise use of environmental resources. And this potential can be realized if each reform is designed with due consideration to their environmental implications.

7. Recommendations on how to deepen the reforms and promote environmental sustainability are outlined in the section entitled *Measures to Enhance Environmental Sustainability of the Program*.