



# Technical Assistance Report

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Project Number: 40355  
October 2007

Socialist Republic of Viet Nam:  
Preparing the Thanh Hoa City Comprehensive  
Socioeconomic Development Project  
(Cofinanced by the Government of Spain)

Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 31 August 2007)

Currency Unit	–	dong (D)
D1.00	=	\$0.00006157
\$1.00	=	D16,239.50

## ABBREVIATIONS

ADB	–	Asian Development Bank
HIV/AIDS	–	human immunodeficiency virus/acquired immunodeficiency syndrome
Lao PDR	–	Lao People's Democratic Republic
NGO	–	nongovernment organization
PPTA	–	project preparatory technical assistance
PPU	–	project preparation unit
SEDP	–	socioeconomic development plan
SMEs	–	small and medium-sized enterprises
THCPC	–	Thanh Hoa City People's Committee
THPPC	–	Thanh Hoa Provincial People's Committee
UN-HABITAT	–	United Nations Human Settlements Programme

## TECHNICAL ASSISTANCE CLASSIFICATION

<b>Targeting Classification</b>	–	General intervention
<b>Sectors</b>	–	Multisector (law, economic management, and public policy; water supply, sanitation, and waste management)
<b>Subsectors</b>	–	Integrated, national government administration
<b>Themes</b>	–	Sustainable economic growth, inclusive social development, private sector development, and regional cooperation

## NOTES

- (i) The fiscal year (FY) of the Government and its agencies ends on 31 December.
- (ii) In this report, "\$" refers to US dollars.

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## I. INTRODUCTION

1. The Government of Viet Nam views urban and peri-urban development in the region as a key success factor in achieving the goal of becoming an industrialized country by 2020. Thanh Hoa City and Thanh Hoa Province, 160 kilometers south of Hanoi, exemplify this synergy, which is envisaged in the Thanh Hoa Socioeconomic Development Plan (SEDP) for 2006–2010. According to the SEDP, providing the jobs and resources that will reduce poverty and improve living standards depends on business development, increased private investment, and greater international economic integration.

2. During the 2006 Country Programming Mission, the Government requested the Asian Development Bank (ADB) for project preparatory technical assistance (PPTA) for the development of a model urban development project in a regional context for Thanh Hoa City and Thanh Hoa Province.<sup>1</sup> The PPTA for the proposed Thanh Hoa City Comprehensive Socioeconomic Development Project became part of ADB's 2007–2010 country partnership strategy for Viet Nam.<sup>2</sup>

3. A joint fact-finding mission of the United Nations Human Settlements Programme (UN-HABITAT)<sup>3</sup> and ADB<sup>4</sup> visited Thanh Hoa and Hanoi from 29 January to 2 February 2007 and held initial discussions with representatives of the Thanh Hoa City People's Committee (THCPC) and the Thanh Hoa Provincial People's Committee (THPPC). The mission did not make a preliminary review of the Project's environmental, social, and resettlement aspects, because no project components had been confirmed. But since this is an urban infrastructure project, the project team proposed an initial classification of category A for resettlement, B for environment, and B for indigenous peoples. A memorandum of understanding (MOU) between the THCPC, THPPC, UN-HABITAT, and ADB was signed on 31 January 2007. The MOU reflected the latest findings and agreements reached with the Government on the Project's objective, impact, outcome, output,<sup>5</sup> scope, cost, and implementation arrangements.

## II. ISSUES

4. Thanh Hoa Province is the most populous province of Viet Nam with 3.6 million people, and the fourth-largest in area at 11,116 square kilometers (km<sup>2</sup>). In this northernmost province of Viet Nam's central region, poverty is high (affecting about 45% of the population) and there is geographic contrast between mountainous areas, where close to one million ethnic minority people live, and coastal areas with key economic focal points—the provincial capital, a deep-sea port, the Nghi Son Special Economic Zone, the coastal resort town of Sam Son, and various other historical and cultural attractions. The province with its significant natural resources has strong potential for regional socioeconomic development, and Thanh Hoa City (population 300,000), 160 km south of Hanoi along the North–South National Highway 1 and connected on the west to the Lao People's Democratic Republic (Lao PDR) via Road 127, is strategically positioned as a potential regional hub. In the Greater Mekong Subregion, Thanh Hoa is part of the East–West Transport Corridor with a new axis going into the northeastern part of Lao PDR.

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<sup>1</sup> The TA first appeared in *ADB Business Opportunities* on 18 June 2007.

<sup>2</sup> ADB. 2006. *Viet Nam Country Strategy and Program 2007–2010*. Manila.

<sup>3</sup> Comprising Dr. Bharat Dahiya, Human Settlement Adviser (Mission Leader), Regional Office for Asia and the Pacific, Fukuoka, Japan.

<sup>4</sup> Comprising Hubert Jenny, Senior Urban Development Engineer (Mission Leader), Southeast Asia Department/Infrastructure Division (SEID); Januar Hakim, Urban Development Specialist, Southeast Asia Department/Social Sectors Division (SESS); Jeanne Everett, Infrastructure Specialist, SEID; and Hoang Nhat Do, Project Implementation Officer, Viet Nam Resident Mission.

<sup>5</sup> The project design and monitoring framework is in Appendix 1.

5. Thanh Hoa is being held back from full local and regional economic development by various constraints: (i) rapid population growth, which is worsening poverty particularly in the peri-urban areas of Thanh Hoa, where infrastructure investments and services are urgently needed; (ii) an institutional framework that limits new ideas and innovation and the ability of the city and the province to attract private investment; (iii) the limited capacity of the local authorities to mobilize the resources needed for development, to provide adequate public information, and to manage key public assets; (iv) limited private sector participation in the provision of urban services; (v) aging environmental and other economic infrastructure; and (vi) old or nonexistent road networks within and between cities. On the other hand, the strong ownership and commitment to reform and openness to new ideas shown by THPPC and THCPC will contribute to the development of Thanh Hoa.

6. THPPC, THCPC, and ADB view the proposed project as a means of improving the infrastructure in the province and the city, and developing Thanh Hoa into an important regional economic center. The Project will contribute to the development not only of Thanh Hoa City but also of its wider region including, but not limited to, its peri-urban areas, neighboring towns, hinterland, and, most importantly, the northern central region of Viet Nam and the northeastern part of Lao PDR. Beyond the development of urban infrastructure, the Project addresses the key issues of urban and peri-urban poverty, institutional development, capacity building, and mobilization of societal resources particularly from the private sector. In parallel, the Project will help reduce growing population pressures on larger urban centers like Hanoi and Ho Chi Minh City. The PPTA will integrate the important pillars of development identified in the Thanh Hoa SEDP, with a view to promoting sustainable economic development and reducing poverty. It will: (i) identify key strategic areas for the economic development of the province and the city, given the natural resources and competitive advantages of Thanh Hoa, and evaluate the development orientation and investment priorities of the province and the city; (ii) promote private sector participation and regional integration (both domestically and internationally); and (iii) invest in the social and economic infrastructure that Thanh Hoa needs to attract investment and realize its full economic potential. New investments by both public and private sectors are expected to help increase employment opportunities, generate income, and narrow the gaps in basic infrastructure.

### III. THE PROPOSED TECHNICAL ASSISTANCE

#### A. Impact and Outcome

7. The PPTA will assist the THPPC and THCPC in (i) finalizing the master plan for provincial and regional economic development; (ii) prioritizing investment proposals for the city and the province on the basis of their impact on economic growth; and (iii) preparing investment proposals for official development assistance, private sector participation, and strengthening of small and medium-sized enterprises (SMEs). With the help of the PPTA, Thanh Hoa City could become a more competitive, bankable, livable, and sustainable city and meet its target of increasing gross domestic product per capita from \$1,000 in 2005 to \$1,800 in 2020 and upgrading the city status from class II<sup>6</sup> in 2004 to class I<sup>7</sup> by 2015. The design and monitoring framework is in Appendix 1 and an initial poverty and social assessment in Appendix 2.

<sup>6</sup> Cities with a population of over 250,000, with these administrative responsibilities: preparing their socioeconomic and physical plans; preparing the local budget; allocating and leasing land to households and individuals, and issuing land-use certificates; managing handicraft villages; regulating local construction; managing internal road networks and social infrastructure; and approving investment projects using the state capital budget allocated by the provincial authorities.

<sup>7</sup> Cities with a population of over 500,000 and with these added administrative responsibilities: planning and managing infrastructure investment; preparing and managing the implementation of land-use plans; managing small and medium-sized state-owned enterprises; overseeing the construction and operationalization of industrial or processing zones; planning and managing infrastructure development (local transport system, highways, water supply, drainage, and sewerage systems); managing high schools, vocational schools, clinics, and heritage sites; approving state investment projects; licensing foreign investment projects; allocating and leasing lands to organizations and foreigners; registering non-state enterprises; and approving and managing housing development and state-owned stocks.

## B. Methodology and Key Activities

8. The identification and preparation of bankable investment proposals, some of which may be financed by ADB, will provide THPPC and THPCPC with the necessary competitive advantage for regional economic development. The PPTA will be implemented in three phases:

- (i) **Investment planning**—(a) evaluating ongoing and completed official development assistance projects to draw lessons and highlight the potential of various development sectors; (b) reviewing the municipal and provincial budget and evaluating the fiscal and borrowing capacity of the local governments within the framework of the SEDP; (c) assessing the key cultural and tourism assets in Thanh Hoa City and Thanh Hoa Province; (d) defining the scope of the proposed investment needs in the prioritized development sectors including tourism, SMEs, industry and manufacturing, and trade, and drawing up a list of strategic investments in infrastructure, taking into account the human resource development requirements; and (e) reviewing the relevance of and prioritizing the proposed investment proposals according to project selection criteria defined by the project team and the counterpart.
- (ii) **Cultural heritage and tourism planning.** A separate business plan based on the preliminary identification of needs in the cultural heritage and tourism sector will identify infrastructure gaps, potential demand, and opportunities, and propose possible enhancements and a financing plan that maximizes private sector participation and public-private partnerships.
- (iii) **Preparation of project investment proposals** up to the feasibility stage, including environmental and social safeguards and technical, financial, economic, and institutional analyses to meet ADB's requirements for loan appraisal, supplemented by a socioeconomic survey.

9. The project team discussed several options for increasing the leverage of the PPTA through supplementary grants from ADB and from external and bilateral donors. These grants could be implemented in parallel to the PPTA, subject to approval, but are not covered by this TA paper:

- (i) A possible grant from the Japan Fund for Poverty Reduction (JFPR) for small-scale infrastructure investments and services, to be implemented by ADB. The JFPR grant project will sponsor capacity-building activities and provide a combined grant-and-revolving-fund facility that will improve access to finance for community groups and individuals in targeted poor communities in urban and peri-urban areas of Thanh Hoa Province.
- (ii) A possible grant from the Public-Private Infrastructure Advisory Facility, to create and enhance an enabling environment for private sector participation in roads, ports, airports, railways, electricity, telecommunications, solid waste, water and sewerage, and gas transmission and distribution.
- (iii) A possible e-Asia Program to be implemented by ADB, for the development of a municipal and provincial e-government model and an information and communication technology master plan, according to the objectives set in the 2020 master plan that is now being drafted. The e-government model will then be replicated and expanded.

- (iv) A possible grant from the Cities Alliance, to be implemented by UN-HABITAT and supported by ADB, for the development of a city development strategy (CDS) for Thanh Hoa City in the context of regional development. The CDS will include: (a) a profile of Thanh Hoa City, giving details about its socioeconomic status in the context of provincial and regional development; (b) a development vision for the city; (c) strengths-weaknesses-opportunities-threats (SWOT) analysis; (d) strategic thrusts for the development of the city in the regional context; and (e) action plans, including capacity building, for key sectors of the economy of Thanh Hoa City and Thanh Hoa Province for stakeholders from the public and private sectors and civil society. The various outputs of the CDS could then be linked to a future Sustainable Cities Program of UN-HABITAT.
- (v) Possible financing by the US Trade Development Agency of a study leading to the implementation of a local government investment fund for infrastructure in the province and the city.

### **C. Cost and Financing**

10. The total cost of the PPTA is estimated at \$1.25 million equivalent. ADB will provide \$800,000 out of the total cost, financed on a grant basis by ADB's TA funding program. The Government of Spain will provide \$200,000 equivalent on a grant basis to be administered by ADB. The Government of Viet Nam will contribute \$250,000 in kind to cover office accommodation, transport, remuneration and per diem of counterpart staff, and topographical and hydrogeological surveys. The detailed cost estimates and the financing plan are in Appendix 3.

11. The Government of Viet Nam's contribution, to be provided through THPPC and THCPC, will finance office space for up to 20 consultants at one time and access to international phone and Internet facilities (the PPTA consultant will pay the communications costs); counterpart staff of about 60 person-months to support the PPTA consultant, in the process benefiting from practical experience and knowledge transfer; vehicles for site visits; topographic survey data to confirm resettlement data; and other essential information that may be identified during the PPTA. The consultants will sign an agreement to preserve the confidentiality of data provided during the study. The Government has been informed that approval of the PPTA does not commit ADB to finance any ensuing project.

### **D. Implementation Arrangements**

12. THPPC will be the Executing Agency and will establish a project preparation unit (PPU) under THCPC for the PPTA. The PPU will have suitable permanent staff for the duration of the technical assistance and the ensuing project implementation—a project director, an English-speaking coordinator, and counterpart personnel (two to five) for day-to-day coordination with the PPTA consultants and with government agencies and other stakeholders. A steering committee chaired by the THPPC and composed of representatives from THCPC, THPPC, and other stakeholders will meet at least once a month to provide strategic direction in the preparation of investment proposals and the financing plan.

13. The PPTA will be implemented over 9 months, from November 2007 to July 2008, by a firm<sup>8</sup> (international consultants, 26 person-months; national consultants, 40 person-months).

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<sup>8</sup> The international firm may collaborate with partner national firm.

The consultants will be engaged by ADB in accordance with its *Guidelines on the Use of Consultants* (2007, as amended from time to time). The firm will be hired on the basis of fixed-budget selection; shortlisted firms will be asked to submit a simplified technical proposal. Other individual consultants may be hired as additional needs are identified during project preparation. The terms of reference for consultants are in Appendix 4.

14. The PPTA will include four workshops under the responsibility of the firm, to increase stakeholders' participation in the selection of investment proposals and ensure proper dissemination of the results of the project components. The consultants are expected to submit a feasibility study at the end of the project investment component, as well as a business plan for the cultural heritage and tourism phase of that component. All these documents will be in English but with an executive summary both in English and in Vietnamese.

#### **IV. THE PRESIDENT'S DECISION**

15. The President, acting under the authority delegated by the Board, has approved (i) ADB administering a portion of technical assistance not exceeding the equivalent of \$200,000 to be financed on a grant basis by the Government of Spain, and (ii) ADB providing the balance not exceeding the equivalent of \$800,000 on a grant basis, to the Government of the Socialist Republic of Viet Nam for preparing the Thanh Hoa City Comprehensive Socioeconomic Development Project, and hereby reports this action to the Board.

## DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p><b>Impact (Project)</b></p> <ul style="list-style-type: none"> <li>Thanh Hoa City as a competitive, bankable, livable, and sustainable city, which promotes the socioeconomic development of Thanh Hoa Province</li> </ul>	<ul style="list-style-type: none"> <li>Increase in annual GDP per capita from \$1,000 (2005) to \$1,800</li> <li>Thanh Hoa: upgrade in city status from class II (2007) to class I (2015)</li> </ul>	<ul style="list-style-type: none"> <li>Government decrees, reports, statistics</li> <li>External reports and poverty impact assessments</li> </ul>	<p><b>Assumption</b></p> <ul style="list-style-type: none"> <li>Full commitment of and support from the Government people's committees, service providers, and beneficiaries</li> </ul>
<p><b>Outcome (Project)</b></p> <ul style="list-style-type: none"> <li>Accelerated economic growth of Thanh Hoa Province, with Thanh Hoa City as the regional hub</li> <li>Improved quality of life and living conditions in Thanh Hoa City and Thanh Hoa Province</li> <li>Relevant, well-managed, affordable, and physically accessible urban infrastructure assets</li> <li>Enabling environment for private sector participation</li> </ul>	<ul style="list-style-type: none"> <li>Increased per capita GDP/GRP and growth, income levels, and investments; and improved productivity</li> <li>Urban infrastructure improvements; more accessible infrastructure services; wider service coverage</li> <li>Production and delivery efficiency, cost recovery, other service performance indicators</li> <li>Ratio of private to public investments in infrastructure, especially SME development and contribution to SEDP</li> </ul>	<ul style="list-style-type: none"> <li>Government reports, socioeconomic statistics</li> <li>External reports and poverty impact assessments</li> <li>Project monitoring of outcomes against objectives</li> <li>Project reviews and documents (e.g., aide-mémoire, back-to-office reports, notes-to-file) of project officer(s)</li> <li>Project completion report</li> <li>Long term: progress reports on investment loan</li> </ul>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>Adequate and timely provision of resources from key stakeholders for project completion</li> <li>Commitment of people's committees to undertake necessary policy and institutional reforms</li> <li>Active participation and sense of ownership of stakeholders and project beneficiaries</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>Currency fluctuations; unanticipated external economic events</li> <li>Unrealized economic opportunities, comparative advantages, and private sector investments</li> </ul>
<p><b>Outputs (TA)</b> (a) Project plan</p> <ul style="list-style-type: none"> <li>Identification of project scope and design parameters</li> <li>Comprehensive information required to determine project feasibility, scope, preparation and design, to include measures to mobilize capital from various sources to supplement the state budget</li> </ul>	<ul style="list-style-type: none"> <li>Agreement in principle by the Government, people's committees, and ADB on project scope</li> <li>Agreement by the Government, people's committees, and ADB based on consultations with stakeholders and the public</li> </ul>	<ul style="list-style-type: none"> <li>Inception report</li> <li>Individual consultants' reports</li> <li>Interim report</li> <li>Individual consultants' reports</li> </ul>	<p><b>Assumption</b></p> <ul style="list-style-type: none"> <li>Downstream commitments by the Government, ADB, and possibly other funding sources to fund future implementation of the Project</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>Inadequate preparatory work</li> <li>Poor consultant performance</li> <li>Lack of stakeholder support</li> <li>Inadequate data</li> </ul>

<b>Design Summary</b>	<b>Performance Targets/Indicators</b>	<b>Data Sources/Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
<p>(b) Comprehensive business plan for tourism sector development</p> <p>(c) Project feasibility assessment</p> <ul style="list-style-type: none"> <li>• Engineering, financial, economic, analysis for project feasibility</li> <li>• Project investment plan for comprehensive socioeconomic development</li> <li>• Environmental and social safeguard mechanisms to minimize adverse project impacts</li> </ul> <p>(d) Plan for increased private sector participation</p> <ul style="list-style-type: none"> <li>• Institutional and policy reform agenda to ensure sustainability of project investments</li> <li>• Feasibility analysis and package of recommendations for creating an enabling environment for private sector participation</li> </ul> <p>Overall output: comprehensive, integrated report on project design and preparation</p>	<ul style="list-style-type: none"> <li>• Endorsement of tourism sector business plan by the Government, people's committees, and ADB</li> <li>• Agreement by the Government, people's committees, and ADB on project scope and key results of assessment and analysis</li> <li>• Agreement by the Government, people's committees, and ADB on project investment plan</li> <li>• Agreement by the Government, People's Committees and ADB based on the Government and ADB guidelines and procedures</li> <li>• Agreement by the Government, people's committees, and ADB to include an action plan and timetable for implementing reform and for enabling private sector participation</li> <li>• Acceptance by the Government as a suitable project investment document</li> <li>• Acceptance by PPC as a suitable project investment document</li> <li>• Acceptance by ADB as a suitable project investment document</li> </ul>	<ul style="list-style-type: none"> <li>• Individual consultants' reports</li> <li>• Pre-feasibility study</li> <li>• Feasibility study</li> <li>• Pre-feasibility study</li> <li>• Feasibility study</li> <li>• Initial environmental examination, land acquisition and resettlement plan, poverty and social analysis, ethnic minority development plan, gender action plan</li> <li>• Institutional and policy reform agenda</li> <li>• Pre-feasibility study</li> <li>• Feasibility study</li> <li>• Draft final report</li> <li>• Final report</li> <li>• Report and recommendation to the President</li> </ul>	

Activities with Milestones	Timeline (TBD)	Inputs (\$ million)
<ul style="list-style-type: none"> <li>• Review and collect necessary data</li> <li>• Prepare and implement field surveys, interviews, and focus group discussions; obtain accurate information and project commitment from key stakeholders</li> <li>• Identify project scope and preliminary cost estimates, implementation arrangements, and financing plan</li> <li>• Prepare social and poverty assessments and necessary framework/action plans</li> <li>• Assess resettlement requirements and prepare resettlement framework and plans</li> <li>• Prepare environmental examinations and plan with necessary mitigation measures</li> <li>• Prepare detailed financial and economic analyses</li> <li>• Prepare institutional assessment and institutional development programs</li> <li>• Conduct workshops and regular consultations to obtain critical inputs from stakeholders (including private sector)</li> <li>• Integrate assessments and strategies into project investment plan</li> <li>• Prepare reports (inception, interim, draft final, final), feasibility studies</li> </ul>		<p><b>Funding Sources:</b></p> <ul style="list-style-type: none"> <li>• TASF (ADB): \$800,000</li> <li>• SCF: \$200,000</li> <li>• People's Committees: \$250,000 (in-kind counterpart contributions to include counterpart staff/salaries, office space, vehicles for site visits)</li> </ul> <p><b>Consultant inputs:</b></p> <ul style="list-style-type: none"> <li>• 26 person-months, international consultants</li> <li>• 40 person-months, national consultants</li> </ul>

ADB = Asian Development Bank, GDP = gross domestic product, PPC = provincial people's committee, SCF = Spanish Cooperation Fund, TASF = Technical Assistance Funding Program.

## INITIAL POVERTY AND SOCIAL ANALYSIS

### A. Linkages to the Country Poverty Analysis

<b>Is the sector identified as a national priority in country poverty analysis?</b>	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No	<b>Is the sector identified as a national priority in country poverty partnership agreement?</b>	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No
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#### Contribution of the sector or subsector to reduce poverty in Viet Nam:

The most recent socioeconomic development plan (SEDP) for Viet Nam (2006–2010) envisions Viet Nam as an “industrialized country by 2020.” The SEDP is also Viet Nam’s national poverty reduction strategy. It views business development, increased private investment, and increasing international economic integration as crucial in providing the jobs and resources needed to reduce poverty and improve living standards. Public services and infrastructure must be improved quickly. The private sector is expected to help accelerate the improvements.<sup>1</sup>

Thanh Hoa Province, with its 3.6 million people, is the most populous province of Viet Nam and the fourth-largest in area with 11,116 square kilometers (km<sup>2</sup>). It is the northernmost province of Viet Nam’s central coastal provinces, which are characterized by high poverty (affecting about 45% of the population) and a pronounced geographic contrast between mountainous areas, where close to 1 million ethnic minority people live, and coastal areas, with key economic focal points—the provincial capital, a deep-sea port, several economic zones including Nghi Son, the coastal resort town of Sam Son, and various other historical and tourism attractions. The province has strong potential for regional socioeconomic development, and the capital city, with a population of 300,000, is strategically positioned as the regional hub. Thanh Hoa City is 200 km south of Hanoi along the North–South National Highway 1, and connected on the west to Lao People Democratic Republic via National Road 217. However, various constraints stand in the way of the full local and regional economic development of the province, among them, aging environmental and economic infrastructure, and aging or nonexistent roads within and between cities. Additionally, inadequate public information and weak management of key assets are keeping out private investments.

The Thanh Hoa Provincial People’s Committee and the Asian Development Bank (ADB) see the proposed project as a means of turning the province and the city into an important regional economic center and reducing poverty through better socioeconomic planning, economic growth, and improved infrastructure. It will also help defuse population pressures on larger urban centers like Hanoi. The project preparatory technical assistance (PPTA) will integrate the important pillars of development identified in the SEDP with a view to reducing poverty and promoting sustainable economic development. It will identify key strategic areas for the economic development of the province and the city, given Thanh Hoa’s natural resources and comparative advantages; promote private sector participation and regional integration (both domestically and internationally); and invest in the social and economic infrastructure that the province needs to attract investment and realize its full economic potential. The new investments by both the public and the private sector will provide more employment opportunities, generate income, and narrow the gaps in basic infrastructure—all necessary in reducing poverty. For instance, investments in water and sanitation will provide sustainable solutions to some of the province’s health and environmental challenges. Roads and transport infrastructure will generate significant overall time savings: they will improve access to health, education, and other social services, and shorten the distance between suppliers and markets, bringing labor and raw materials to investment centers and consumers (tourists) to sites of interest in rural and peri-urban areas. Investments in information and communication technology will promote overall business competitiveness and efficiency and make education more accessible.

Finally, in addition to the ensuing investment loan, a proposed Japan Fund for Poverty Reduction (JFPR) grant project will facilitate investments in smaller-scale, “last mile” community or privately owned infrastructure assets and services in poor urban and peri-urban areas (including slums). By providing access to (i) assets and a source of income for individuals or community groups operating small-scale investments, and (ii) affordable infrastructure services for individuals/clients who otherwise would not have access to such services, this grant will help maximize the overall poverty and socioeconomic impact of the larger investment project.

### B. Poverty Analysis

**Targeting Classification:** General intervention

#### What type of poverty analysis is needed?

According to ADB’s *Enhanced Poverty Reduction Strategy* (December 2004), general intervention projects no longer require project-level poverty assessments. The contribution of the sector to poverty reduction will be examined through

<sup>1</sup> ADB. 2006. *Viet Nam Country Strategy and Program 2007–2010*. Manila.

secondary data analysis. However, the social assessment will include an analysis of the social dimension of poverty to identify opportunities for pro-poor design of the project components. Social assessments will be prepared for the project province and city, and the areas affected by resettlement.

The social assessment will include: (i) a demographic, social (education, occupation, etc.), and economic profile of the population of the project province and city (disaggregated by ethnicity and gender); (ii) available social services and access to other services (formal and informal sectors); (iii) the urban labor market (formal and informal) and its potential growth due to increased investment in small and medium-sized enterprises, industry, manufacturing, trade, etc.; (iv) the potential growth of tourism and its impact on the local labor market and the social life of city dwellers; (v) the potential change in land and property value, and commercial development in the province, and the impact on local residents especially middle-income, low-income, and poor people; (vi) social groups and the poor, who may be excluded or otherwise disadvantaged by the Project; (vii) a profile of these social groups and recommended options whereby the excluded groups and the poor may benefit and negative impact may be avoided; and (viii) needs of client groups, as well as the human development and capacity-building needs of the local governments and the proposed sectors.

Human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS) and human trafficking, which represent significant risks, will be assessed and preventive measures under the Project will be drawn up. The assessment of HIV/AIDS will include: (i) the present situation of HIV/AIDS in the project areas; (ii) the type and level of vulnerability of the population due to increased tourism in the project areas (disaggregated by gender, ethnicity, age, type of occupation, mobility, etc.); (iii) the provincial plan and activities related to HIV/AIDS and human trafficking; (iv) programs of donors and nongovernment organizations; (v) recommended activities related to the provincial plan and its links with other donors' programs; (vi) community mobilization and awareness-raising activities to prevent or at least mitigate the impact of the disease; and (vii) capacity building needs of relevant agencies for the fight against HIV/AIDS and human trafficking. The social analysis will use both primary and secondary data. Primary data will be collected from selected project areas through sample survey and focus group discussions. Secondary data will include census, national socioeconomic survey, and HIV/AIDS and human trafficking data.

Outline terms of reference for the social development and gender, public health, and resettlement specialists are in Appendix 3 of this paper.

### C. Participation Process

**Is there a stakeholder analysis?**  Yes  No

The PPTA consultants will conduct the stakeholder analysis as part of the project investment plan.

**Is there a participation strategy?**  Yes  No

The PPTA consultants will prepare a participatory strategy for the relevant aspects of the Project.

### D. Gender Development

#### **Strategy to maximize positive impact on women:**

The gender analysis will include an analysis of the situation of women in the project area, their participation in the labor market (formal or informal), their access to basic social services, the constraints on women's access to the urban labor market, and the potential for increased participation by women in the labor market with the potential increase in tourism, small and medium-sized enterprises development, and investment in industry and trade. Gender assessment will also include information on: (i) the extent to which urban development can have both positive and adverse impact on women's work in the formal or informal sector, and on access to goods and services among poor women; (ii) the extent to which land acquisition or relocation will affect women's social condition, economic activities, access to services, etc; and (iii) the potential risk of HIV/AIDS and human trafficking, and existing programs for women. The socioeconomic data, and HIV/AIDS and human trafficking data, will be disaggregated by gender and ethnic group (as relevant). A gender strategy will be prepared specifically for the Project, and gender-related strategies will be incorporated in the project activities including the resettlement plan. A social development and gender specialist will conduct a gender analysis of the Project and prepare a gender strategy and a gender plan for addressing gender concerns in the Project related to resettlement, HIV/AIDS, and capacity building of the executing agency and relevant stakeholders. The Women's Union will be a major stakeholder in the JFPR grant project that is proposed for implementation at around the same time as the Project.

**Has an output been prepared?**  Yes  No

### E. Social Safeguards and Other Social Risks

Item	Significant/ Not Significant/ None	Strategy to Address Issues	Plan Required
<b>Resettlement</b>	<input checked="" type="checkbox"/> Significant <input type="checkbox"/> Not significant <input type="checkbox"/> None	Most investments are expected to be in infrastructure rehabilitation and upgrading (water supply networks, roads, etc.). For investments that will require temporary or permanent relocation, a resettlement plan will be prepared during the PPTA in compliance with ADB's <i>Involuntary Resettlement Policy</i> (1995). The plan will address resettlement impact during construction and operation.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Short <input type="checkbox"/> None
<b>Affordability</b>	<input type="checkbox"/> Significant <input checked="" type="checkbox"/> Not significant <input type="checkbox"/> None	In the upgrading and possible restructuring of utility networks, attention will be paid to affordability to target populations. Solutions like output-based aid will be devised to maximize access.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Labor</b>	<input type="checkbox"/> Significant <input checked="" type="checkbox"/> Not significant <input type="checkbox"/> None	Project-affected people will be given opportunities for project-related construction work. Standard clauses with respect to international labor standards and national labor legislation will be included in the Loan Agreement.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Indigenous Peoples</b>	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None	The Project will take place in urban and peri-urban areas of Thanh Hoa Province, far from the mountain areas, where ethnic minority people live. The socioeconomic survey will determine if there are indigenous people in urban and peri-urban areas and ethnic minority issues will be addressed according to ADB's <i>Policy on Indigenous Peoples</i> (1998).	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Other Risks and/or Vulnerabilities</b>	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None	To be determined	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

<b>Item</b>	<b>Total Cost</b>
<b>A. Asian Development Bank (ADB) Financing<sup>a</sup></b>	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants	500.0
ii. National Consultants	120.0
b. International and Local Travel	65.0
2. Workshops	20.0
3. Surveys	20.0
4. Representative for Contract Negotiations	10.0
5. Translation and Interpretation	30.0
6. Contingencies	35.0
<b>Subtotal (A)</b>	<b>800.0</b>
<b>B. Government of Spain Financing<sup>b</sup></b>	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants	130.0
ii. National Consultants	35.0
b. International and Local Travel	20.0
2. Translation and Interpretation	5.0
3. Contingencies	10.0
<b>Subtotal (B)</b>	<b>200.0</b>
<b>C. Government Financing</b>	
1. Office Accommodation and Transport	60.0
2. Remuneration and Per Diem of Counterpart Staff	100.0
3. Surveys (topographic and hydrogeological)	90.0
<b>Subtotal (D)</b>	<b>250.0</b>
<b>Total</b>	<b>1,250.0</b>

<sup>a</sup> Financed from ADB's technical assistance funding program.

<sup>b</sup> Administered by ADB.

Source: ADB estimates.

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

### A. Objective

1. The project preparatory technical assistance (PPTA) will allow the Thanh Hoa City People's Committee (THCPC) and the Thanh Hoa Provincial People's Committee (THPPC) to identify and highlight the potential of various development sectors, develop investment proposals, ensure due diligence and compliance with safeguards, finance urban and peri-urban infrastructure, and maximize private sector participation and the development of small and medium-sized enterprises (SMEs), to meet the objectives of the Socioeconomic Development Plan (SEDP) 2006–2010 and improve infrastructure provision and service delivery.

### B. Detailed Tasks

2. The PPTA will be carried out over a period of about 9 months, starting in November 2007, and will require about 24 person-months of international consultancy supported by 40 person-months of national consultancy. The consultants will be hired by the Asian Development Bank (ADB) in accordance with its *Guidelines on the Use of Consultants* (2007, as amended from time to time).

3. The international consultants must have expertise in their respective fields and experience in the region, preferably in the Viet Nam central region and Thanh Hoa. The national consultants must have worked previously with international firms or on internationally funded projects; experience in urban development and infrastructure and particularly in Thanh Hoa Province would be an advantage. An objective of the PPTA is to build capacity to prepare bankable investment proposals. The Fact-Finding Mission identified the industrial sector and the cultural heritage and tourism sector as having strong potential for growth and local economic development in a regional context. The PPTA will have two parts: (i) project investment planning, and (ii) the preparation of a cultural heritage and tourism business plan.

#### 1. Project Investment

4. The project investment component will be implemented by a consulting firm with 10 international consultants (26 person-months) and nine national consultants (40 person-months). The international consultants will consist of the following: an urban development and planning specialist/team leader (9 person-months), an infrastructure specialist (4 person-months), an institutional development specialist (1 person-month), a finance and economic specialist (2 person-months), an environment specialist (2 person-months), a resettlement specialist (2 person-months), an industrial estate development and management specialist (1 person-month), and an education specialist (1 person-month). The national consultants will comprise a co-team leader (9 person-months), two infrastructure specialists (totaling 6 person-months) two finance and economic specialists (totaling 7 person-months), two environment specialists (totaling 6 person-months), a social development and gender specialist (2 person-months), two resettlement specialists (totaling 7 person-months), and a public health specialist (1 person-month).

5. In the planning phase, the consultant will review the investment proposals included in the SEDP and put forward new investment proposals. All the proposals will be evaluated and prioritized on the basis of project selection and assessment criteria in an investment matrix. The criteria, together with their rationale, will be discussed at the kickoff meeting between the team leader, the project preparation unit (PPU), the steering committee, and ADB, and finalized by the end of the first month. The investment matrix will then be used to prioritize and distribute project components between the donors and the private sector and to evaluate the different sources of possible funding by the end of the second month. The consultant will assess the competitive advantage of Thanh Hoa Province and Thanh Hoa City in a regional development context. From this analysis, the consultant will recommend the development of specific project components,

subsectors, and industrial clusters high growth potential for the benefit of Thanh Hoa Province and Thanh Hoa City. The consultant will also identify gaps in institutional arrangements, resources, and skills and recommend mitigation measures. In addition, the consultant will review the industrial subsector as follows: (i) The proposed industrial estates in the province (especially the Nghi Son Special Economic Zone) and their management structure, compared with similar developments in the region, particularly in Thailand. The consultant will prepare a development plan with recommendations for the phasing of infrastructure development on the industrial estates, possible project components, and the management and promotion of the industrial estates, following the model promoted by the Industrial Estate Authority of Thailand or any other suitable model. (ii) The vocational training available in the province, to confirm the available skills and the gaps in skills. The consultant will recommend mitigation measures to address the gaps and to increase the participation of vulnerable groups (women, single parents, and the disabled) in the workforce.

6. At the end of the planning phase, the consultant will present project components suitable for ADB financing from loans or guarantee operations (on a sovereign, subsovereign, or nonsovereign basis), or from ADB's private sector operations. The consultant will also examine the municipal and provincial budget and ensure that there is sufficient counterpart funding. Finally, the consultant will review the institutional structure and propose appropriate changes and recommendations for further study and consideration.

7. In the project investment phase, the consultant will produce a project investment plan and conduct feasibility studies on the selected components to provide a basis for the report and recommendation of the President. Therefore, the consultant will: (i) Assess various infrastructure systems and facilities and their appropriateness, provide technical data for the feasibility studies, and manage the subsector review and assessment. (ii) Review the institutional setup for infrastructure and recommend international best practices to streamline project management and implementation by Thanh Hoa City and Thanh Hoa Province (to be financed either by ADB or others). (iii) Define an operation and maintenance arrangement that will promote the sustainability of the infrastructure projects. The consultant will coordinate with the consultants working on the private sector initiative plan to maximize private sector participation as well as the role of SMEs in project implementation and operation. (iv) Assess the financial management capacity of the Executing Agency, propose a financial management system for ADB financing, and finalize the financial and economic analysis of the proposed project components and of the Executing Agency and implementing agencies according to ADB's latest *Guidelines for the Economic Analysis of Projects* (1997), *Guidelines for the Financial Management and Analysis of Projects* (2005), *Operations Manual* (particularly OM G2, J7, and C4), *Project Administration Instructions* (particularly PAI 5.09), and *Loan Disbursement Handbook* (2007, as amended from time to time). The consultant will prepare project cost estimates, a project financing plan, cash flow projections for the project components (including financial internal rate of return calculation), funds flow mechanism, assessment of the financial management capacity of the Executing Agency and financial analysis of the agency and of agencies that will implement the Project, and accounting and auditing arrangements. The consultant's report in this regard will contain financial and economic analyses of the project components and summary financial and economic analyses—standard appendixes to an ADB Board document. (v) Review the initial environmental classification of each selected project component and confirm the categorization or recommend a change of category. The Project has been tentatively classified as category B, since it is expected that most of the project components selected will have minimal impact on the environment. Therefore, the consultant will prepare for category B project components, and deliver as output an initial environmental examination and a summary according to ADB's *Environment Policy* (2002), *Operations Manual F1/BP and F1/OP* (2003), and *Environmental Assessment Guidelines* (2003). However, if subsequent findings indicate the possibility of major adverse impacts, the project will be reclassified as category A and contingencies will be used to process category A documentation

for the project. The consultant will coordinate with the infrastructure specialist to finalize an environmental management plan for infrastructure projects. (vi) Review the initial resettlement classification of each selected project component and determine compliance with the safeguards. Most of the project components are expected to be in category A; a full resettlement plan will therefore be required. Because the resettlement plans will become the property of THPPC, they must be prepared in full consultation with THPPC and must be deemed by the latter to be implementable in the Vietnamese context, while still meeting ADB policy requirements. The resettlement plans must be endorsed by the THPPC and disclosed to project-affected persons before being submitted to ADB for review and approval. The full resettlement plans must conform to ADB's *Involuntary Resettlement Policy* (1995) and be guided by the *Operations Manual on Involuntary Resettlement* (OM/F2, 2006) and other relevant policies and guidelines of ADB—the *Policy on Gender and Development* (1998), the *Policy on Indigenous Peoples* (1998), the *Policy on Accountability* (2003), and the *Public Communications Policy* (2005).

8. Under the overall responsibility of the team leader, the consultant will manage field surveys of inventory losses, a census, and a socioeconomic survey that will serve as the baseline assessment and reference for impact surveys done upon completion and after several years of operation. The consultant will draw up the terms of reference for the field surveys and the necessary survey instruments, and conduct a sample survey and focus group discussions to collect information on the following: (a) demographic, social (education, occupation, etc.), and economic profile of the population of the Thanh Hoa City and Thanh Hoa Province (disaggregated by ethnicity and gender); (b) available social services and access to other services (formal and informal sectors); (c) urban labor market (formal and informal) and its growth potential due to increased investment in SMEs, industry, manufacturing, trade, etc.; (d) potential growth of tourism and its impact on the local labor market and the social life of city dwellers; (e) potential change in land and property value, and commercial development in the province, and the impact on local residents especially middle-income, low-income, and poor people; (f) social groups and poor people who may be excluded or otherwise disadvantaged by the Project; (g) profile of these groups with recommended options for sharing project benefits with them and avoiding any negative impact; (h) needs of client groups and the human development and capacity-building needs of the local government and the proposed sectors; and (i) training needs of local government officials for pro-poor services. If the social analysis finds that ethnic minority people are present in the project areas and are likely to be affected by the Project because of land acquisition or resettlement, or that ethnic minority people are disadvantaged or vulnerable because of their social or cultural identity, an ethnic minority development plan or actions specific to ethnic minorities will be prepared to address their concerns in accordance with ADB's *Policy on Indigenous Peoples* (1998).

9. The consultant will prepare a gender analysis including an assessment of the situation of women in the project areas, their participation in the labor market (formal or informal), access to basic social services, constraint on access to the urban labor market, and potential for increased participation in the labor market due to an increase in tourism, SME development, or investment in industry and trade. A gender assessment will be made to gauge: (a) the extent to which urban development can have both a positive and an adverse effect on women's work in the formal or informal sector, and on access to goods and services especially among poor women; (b) the extent to which land acquisition or relocation will have an impact on women's social condition, economic activities, access to services, etc.; (c) the potential risk of HIV/AIDS and human trafficking, and existing programs for women; (d) programs of donors and nongovernment organizations (NGOs) for women; and (e) community mobilization and awareness-raising activities for women, to prevent or at least mitigate the impacts. A gender strategy will be prepared; it will include activities to address gender concerns in the Project, a gender and resettlement strategy for the resettlement plan, and a training program on the prevention of HIV/AIDS and human trafficking to build the

capacity of women officials of the Executing Agency and relevant stakeholders to implement gender-related project activities. The consultant will review ADB's latest guidelines, such as the *Handbook on Poverty and Social Analysis* (2001) and the *Policy on Gender and Development* (1998), and will follow these as they are relevant to the Project and the terms of reference. The tasks specifically related to HIV/AIDS awareness and prevention of human trafficking will comprise the following: (i) collecting information on the incidence of HIV/AIDS and human trafficking in the project areas, and assessing the type and level of vulnerability of the population in Thanh Hoa City and Than Hoa Province related to HIV/AIDS and human trafficking (disaggregated by gender, ethnicity, age, type of occupation, mobility etc.); (ii) assessing the potential risk of HIV/AIDS and human trafficking; (iii) reviewing the provincial program for the prevention of HIV/AIDS and human trafficking, as well as programs implemented by donors and NGOs; (iv) assessing the capacity-building needs of the provincial and district committees responsible for implementing programs to raise awareness of HIV/AIDS and prevent human trafficking; (v) in coordination with the provincial program, recommending community mobilization programs for the Project to build HIV/AIDS awareness and prevent human trafficking; (vi) recommending relevant links with the programs of other donors and NGOs; and (vii) preparing a budget to cover the costs of the community mobilization and awareness campaign, preventive activities, HIV/AIDS tool kits for health facilities in the project areas, capacity building, and implementation of the program.

## **2. Cultural Heritage and Tourism Business Plan**

10. The business plan will be implemented in parallel to the planning phase over 3 months by the firm implementing the project investment plan, supported by an international consultant working under the firm for 2 person-months. The consultant will: (i) Coordinate a business plan for the cultural heritage and tourism sector in Thanh Hoa Province. The consultant will (a) assess the tourism market, both local and international; (b) make an inventory of the cultural heritage and tourism sites in Thanh Hoa City and Thanh Hoa Province, including the tourist resort city of Sam Son; (c) appraise the potential of these sites for tourism and local economic development on the basis of their historical and economic value and possible inclusion in the World Heritage listing; and (d) identify the requirement for associated urban and provincial service improvement measures, including handicraft villages, while maximizing private sector and SME participation. The consultant will develop a project selection matrix based on multi-criteria analysis and finalize a list of potential investment proposals in cultural heritage and tourism as part of the business plan. (ii) Develop selected project investment proposals for urban conservation and heritage management, including an assessment of the infrastructure gap, the preservation and restoration of cultural heritage assets, and project implementation. (iii) Look at possible enhancements of selected cultural heritage and tourism sites, specifically for light-and-sound facilities, while maximizing energy efficiency. The consultant will also propose delegated management solutions for an urban street furniture and advertising concept. (iv) Prepare cost estimates for the project investment proposals to be included in the business plan. They will include an assessment of the cost-effectiveness of the proposed investment in the sector, the retention of residents and traders in their traditional but improved environments, and the required institutional framework, including private sector participation or public-private partnership and policies for heritage conservation.

## **C. Reporting and Translation**

11. Reports will be prepared in English, with executive summaries translated into Vietnamese to facilitate understanding and decision making. Reports will be submitted in both electronic and paper format. All data and analyses will be consolidated and provided to the Government in electronic form.

12. There are four workshops planned in addition to the kickoff meeting: (i) a planning workshop to present and discuss investment proposals, (ii) a cultural heritage and tourism workshop to present and discuss the business plan, (iii) a private investment workshop to present

and discuss investment proposals and the improved institutional framework for private sector participation, and (iv) a project investment workshop to present the feasibility studies and ADB financing. The safeguards team will prepare additional public consultation meetings as required under ADB policy.

13. Translators with demonstrated knowledge of written and oral English and Vietnamese will be employed to translate documents and provide translation services to the international consultants during meetings.