

ASIAN DEVELOPMENT BANK

TAR:VIE 36592

TECHNICAL ASSISTANCE
(Financed by the Poverty Reduction Cooperation Fund)

TO THE

SOCIALIST REPUBLIC OF VIET NAM

FOR

TRANSPORT SERVICES NETWORKS FOR THE POOR

December 2002

CURRENCY EQUIVALENTS

(as of 25 November 2002)

Currency Unit	–	Dong (D)
D1.00	=	\$0.00006246
\$1.00	=	D16,011.00

ABBREVIATIONS

ADB	–	Asian Development Bank
MOT	–	Ministry of Transport
PMU-1	–	Project Management Unit 1
RT2	–	Rural Transport Project 2
TA	–	technical assistance
VOC	–	vehicle operating cost

NOTE

In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. The need for developing a methodology to include poverty reduction impact as a factor in the prioritization and design of road investments was identified during a reconnaissance mission¹ for the preparatory technical assistance (TA) for the Central Region Transport Network Project. In response to preliminary discussions with the Government of Viet Nam (the Government), a concept paper was developed and submitted for consideration for funding from the Poverty Reduction Cooperation Fund. Following concept clearance the Fact-Finding Mission was fielded in September 2002 to further define the scope of the TA. An understanding was reached with the Government on the objectives, scope, costs, terms of reference, and implementation arrangements for the TA.² This TA paper is based on the agreements reached with the Government and the Mission's observations in the field.

II. ISSUES

2. Viet Nam's impressive economic growth during the 1990s has been strongly pro-poor. With only marginal increases in inequality, the proportion of people living below the total poverty line has dropped from 58% in 1993 to 37% in 1998 and is estimated at about 32% in 2000. The proportion living below the food poverty line also declined from 25% to 15%, and was estimated at 13% in 2000, indicating that even the poorest segments of the population have benefited from economic growth. However, the poverty incidence in Viet Nam is still high and remains as a rural phenomenon with 45% of the rural population living in poverty. Improvements in poverty remain fragile and vulnerable to external adverse impacts as many of the poor in 1993 now reside just above the poverty line and risk becoming poor again.

3. To support the Government in pursuing balanced economic growth, the country strategy and program update 2003–2005 for Viet Nam and the poverty partnership agreement between Viet Nam and Asian Development Bank (ADB) emphasizes regional development through geographical focus on the central region. The central region comprises provinces with relatively high poverty incidences, two of which are among the poorest in the country. Nearly all provinces have strikingly high rural incidences of poverty. Geographical remoteness and disconnection from the rest of the economy are among the key factors for explaining poverty.

4. During processing for the TA to prepare for the Central Region Transport Network Project, the mission identified means for strengthening poverty reduction objectives in the prioritization and design of transport interventions aimed primarily at promoting economic integration and growth. Two of the major factors perceived to influence the ability of the poor to benefit from traditional economic growth interventions in transport include the extent to which national and provincial roads link into the local network of poorer communities with economic potential and the availability and competition of transport services.³

5. Prioritization of investments in road links below the national road network is made at the decentralized provincial government level. While this ensures that local knowledge of perceived benefits are captured in prioritization, networks across provincial, district, and rural access roads appear to be determined in isolation from each other. Discussions with province governments

¹ 28 June to 12 July 2002.

² The TA first appeared in *ADB Business Opportunities* (Internet edition) on October 2002.

³ The term "transport services" refers to modes and means of transportation of people and goods, including traders and other middlemen.

indicate that provincial roads are prioritized primarily on the basis of population size and physical condition of the roads. While these criteria are likely to reflect economic growth criteria, there is little consideration for integration with lower networks and for the ability of the poor to benefit.

6. Prioritization of rural access roads appears to be disconnected from the prioritization of higher networks with little concern for access beyond the rural community level. To design and prioritize road investments to maximize the poverty reduction impact, a number of factors need to be considered jointly with national and local priorities. Investment priorities for individual roads need to be seen from a network perspective, where national and provincial roads are linked into local community network. Conversely, targeted rural access road improvements need to be linked into a larger network to enable wider accessibility for the poor. Current work is being undertaken by the Rural Transport Project 2 (RT2), funded jointly by the World Bank and Department for International Development. The work will prioritize rural access roads on the basis of poverty reduction. However, rural community networks must not be developed in isolation from a larger network perspective.

7. Poverty mapping work done under the RT2 on the provincial level indicates that different head count approaches for geographical poverty targeting of investments may result in different conclusions for prioritization. The causes of poverty may also vary significantly between and within provinces. There is a need to develop methodologies for selection of transport interventions so that priorities are not made in isolation from causes of poverty and the potential for economic growth.

8. While transport interventions can lift major barriers for the poor to access economic and social services in geographically remote and economically isolated areas, accessibility is also determined by the demand and availability of transport means. The extent to which vehicle operating cost (VOC) savings from road improvements translate into benefits to the poor will largely be determined by the outreach and competition of transport services and by the competition among traders and other middlemen. Road improvements can, through VOC savings, lead to improvements in the availability of transport services, in previously deprived areas. However, these potential impacts are largely under-researched, and little is known about the supply side effects of road improvements on transport services.

9. Similarly, little is known about the poor's demand for transport services, affordability, and the cost structure of services. An assessment of the poverty reduction impact of road networks to ensure that VOC savings translate into benefits to the poor will evidently need to include a study of transport services directly used by the poor and/or of means of transport used to bring produce to the markets. The mission has been informed that no such study has been undertaken for Viet Nam, and the Government has identified a great need to undertake a study for developing a methodology to assess the poverty reduction impacts to enhance a cost efficient prioritization of road investment funds.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

10. The overall objective of the TA is to examine ways to improve mobility for the rural poor in Viet Nam. The TA will develop a methodology for prioritizing and designing transport investments from a network perspective to ensure that the poor can benefit from road investments. The methodology will be tested on projects financed by domestic and overseas

development assistance. The purpose is to help improve the design both of traditional economic growth projects and of projects intended to directly target the poor in the transport sector. This will help strengthen the capacity of provincial governments to (i) improve the resource allocation of public investment funds; and (ii) prepare subproject investments in roads, combining bottom-up priorities for poverty reduction with top-down priorities for economic integration and growth. The TA will also provide information for the assessment of the poverty impact of the Central Region Transport Network Project and establish the indicators for monitoring impacts of transport projects. Specifically, the TA will (i) develop a methodology for defining subprojects from network perspectives; (ii) develop poverty impact indicators for determining the impacts of road investments; (iii) conduct a poverty impact mapping exercise for road infrastructure; and (iv) examine outreach, competition, affordability, and the cost structure of transport services for the poor. The TA framework is provided in Appendix 1.

11. The methodology developed will be tested on two provinces in the central region to be selected under the TA. The provinces will be selected in consultation with the Ministry of Transport (MOT), Project Management Unit 1 (PMU-1), and provincial governments, and mutually agreed upon between the Government and ADB. The selection will consider transport interventions supported by ADB and external agencies providing funding to the central region.⁴

B. Methodology and Key Activities

12. The TA consists of two main components. Component 1 comprises developing a methodology for designing and selecting network subprojects for integrating poverty reduction impacts with economic growth priorities. Component 2 includes the study of transport services for the poor to examine the conditions under which the poor can benefit directly from road network improvements. The consultants will review socioeconomic and census data, and poverty data collected under RT2. Based on a review the consultants will determine additional data required to meet the needs of both components. Additional data will be collected in a single survey.

13. The methodology will be designed to maximize the use and benefits of qualitative and quantitative survey tools, combining conventional socioeconomic household and time use survey techniques, freight and passenger surveys, and VOC savings data with key informant interviews and participatory assessments, to develop poverty impact indicators. Combined data methodologies will provide in-depth analysis of data, ensure effective crosschecking of results and robustness of the study.

14. Two provinces will be selected to serve as pilot cases for the study. The provinces will be selected based on differences in geographical, socioeconomic, and poverty characteristics and transport intensity. The selection will include consideration of provinces under the Central Region Transport Network Project. From the survey, component 1 will develop a set of indicators, reflecting poverty impacts of roads, for the poverty impact mapping exercise. Road condition data collected under RT2 and the TA for the Central Region Transport Network Project, and provincial knowledge of local road conditions will be combined with poverty impact mapping for the two pilot provinces to test the methodology developed under this component. Component 1 will also review and assess the institutional decision making process for road investment priorities on the national and provincial levels.

⁴ Including the Third Road Improvement Project approved by ADB in 1999 and RT2 funded by the World Bank and Department for International Development.

15. Component 2 will review the regulations, vehicle registration and licensing practices, and other policies for transport services to assess implications for competition and access to freight and passenger transport services in the two pilot provinces. The review will pay particular attention to the barriers, including physical constraints, for providing transport services and will investigate how barriers can be lifted for access-deprived segments of the population. The assessment will take into account road conditions, infrastructure facilities for transport, population density, and economic potential. The consultants will analyze the impacts of road conditions on vehicle cost structures, ownership, demand, affordability, availability, and consumer satisfaction for transport services across consumer groups. The study will disaggregate for socioeconomic groups, including gender and ethnic minorities.

16. A number of workshops will be held at the provincial and national levels to disseminate progress and findings from the study. The consultants will work closely with the selected provincial governments to ensure that the methodology considers provincial development plans and poverty reduction objectives.

C. Cost and Financing

17. The total cost of the TA is estimated at \$437,500 equivalent, consisting of \$219,000 in foreign exchange and \$218,500 equivalent in local currency. The Government has requested ADB to finance \$350,000, covering the entire foreign exchange cost and \$131,000 equivalent of the local currency costs. The TA will be financed on a grant basis by the Poverty Reduction Cooperation Fund and administered by ADB. The Government will bear the balance of local currency costs, amounting to \$87,500 equivalent, through the provision of office facilities, administrative support, and remuneration and per diem of counterpart staff and their local transport. Detailed cost estimates and financing arrangements are provided in Appendix 2.

D. Implementation Arrangements

18. MOT will be the Executing Agency for the TA and PMU-1 will be the Implementing Agency. PMU-1 will be responsible for arranging suitable office accommodation for the consultants, facilitating coordination with the Transport Development and Strategy Institute and provincial government departments. PMU-1 will also assist in the arrangements for dissemination workshops. Fieldwork and provision of maps will be facilitated through the PMU-1's central regional office and provincial departments of transport. PMU-1 will nominate suitable counterpart staff to coordinate and guide activities between this TA and other relevant projects and activities. Other suitable counterpart staff will be provided by PMU-1 and selected province governments. The consultants will work closely with the counterpart staff, who will be part of the TA team, and ensure that the MOT, PMU-1 and selected province governments are fully involved in all activities of the TA. PMU-1 will facilitate coordination of consultants' work with activities undertaken under the Central Region Transport Network TA.

19. The TA will be implemented during 12 months, with activities expected to commence in March 2003 and be completed by February 2004. The TA will require a total of 17 person-months of consulting services: 9 person-months of international consulting services on an intermittent basis and 8 person-months of domestic consulting services. The consultants will be engaged by ADB on an individual basis in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for the engagement of domestic consultants. The international consultants will include one transport specialist, with experience in transport services, intermediate means of transport, and regulations and licensing procedures; and one socioeconomist, with experience in survey methodologies, participatory

approaches and poverty assessments. The domestic consultant, with experience from the transport sector in Viet Nam, will facilitate communication with local and central government authorities, and review transport regulations and policies. Outline terms of reference, including reporting requirements, are provided in Appendix 3.

20. The TA will be monitored and reviewed by ADB TA missions; regular communications with PMU-1; and the interim, completion, and workshop reports of the international consultants. Components 1 and 2 will have individual reports. The transport specialist will be the team leader and will be responsible for submission of reports and for coordinating consultancy and counterpart staff inputs.

IV. THE PRESIDENT'S DECISION

21. The President, acting under the authority delegated by the Board, has approved ADB administering technical assistance not exceeding the equivalent of \$350,000 to the Government of Viet Nam to be financed on a grant basis by the Poverty Reduction Cooperation Fund, for the Transport Services Networks for the Poor, and hereby reports this action to the Board.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Goal Reduction in the severity and incidence of poverty in the central region</p>	<p>Data indicators for severity and incidence of poverty</p>	<p>1. Poverty indicators 2. Baseline data</p>	<p>1. Updating of data through national surveys. 2. Rapid field assessments and monitoring conducted under the Central Region Transport Network Project</p>
<p>Purpose 1. Improvement the prioritization and design of road investment projects for poverty reduction and human development objectives 2. Improved resource allocation of public funds 3. Increased knowledge in transport services for the poor and capacity to design pro-poor transport interventions</p>	<p>1. Prioritization of transport investments based on poverty impact indicators 2. Consumer satisfaction proxy indicators 3.. Accessibility indicators for mobility and proximity</p>	<p>1. Poverty impact indicators and mapping exercise 2. Surveys and rapid assessments</p>	<p>Capacity of counterpart staff</p>
<p>Outputs Component 1: Design and prioritization of road network investments for the poor:</p> <p>1. Development of methodology for assessing poverty impact of transport interventions. 2. Review of institutional process for prioritization</p>	<p>1. Proxy indicators for impact 2. Identification of institutional decision making process</p>	<p>1. Consultant interim and draft reports 2. Workshop reports and feedback from Project Management Unit-1 (PMU-1) 3. Technical Assistance (TA) review missions</p>	<p>1. Commitment from Province Governments and PMU-1 to fully participate in TA activities 2. Provision of road condition data and maps</p>

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Component 2: Transport services for the poor:</p> <ol style="list-style-type: none"> 1. Assessment of barriers to transport services for the poor and means of lifting constraints to serve access deprived segments of the population 2. Assessment of road improvement effects on transport services for the poor 3. Assessment of road improvement poverty impacts under different competitive regimes 	<ol style="list-style-type: none"> 1. Consumer satisfaction proxy indicators 2. Outreach and frequency of transport services 	<ol style="list-style-type: none"> 1. Consultant interim and draft reports 2. Workshop reports and feedback from PMU-1 3. TA review missions 	
<p>Activities</p> <ol style="list-style-type: none"> 1. Review of existing data and reports 2. Review of transport regulations and policies 3. Field assessments and surveys 4. Poverty impact mapping 5. Stakeholder consultations 6. Dissemination of findings through national and provincial workshops 		<ol style="list-style-type: none"> 1. Consultant interim and draft reports 2. Workshop reports and feedback from PMU-1 3. ADB TA review missions 4. Tripartite meetings 	
<p>Inputs</p> <ol style="list-style-type: none"> 1. Consultancy Services 2. Counterpart staff 			

COST ESTIMATES AND FINANCING PLAN
(\$'000)

	Foreign Exchange	Local Currency	Total Cost
A. Asian Development Bank Financing^a			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	160.0	0.0	160.0
ii. Domestic Consultants	0.0	30.0	30.0
b. International and Local Travel	20.0	7.0	27.0
c. Reports and Communications	4.0	0.0	4.0
2. Workshops			
a. Facilitators	0.0	2.0	2.0
b. Workshop Program	5.0	0.0	5.0
3. Surveys	0.0	85.0	85.0
4. Miscellaneous Administration and Support Costs	0.0	2.0	2.0
5. Contingencies	30.0	5.0	35.0
Subtotal (A)	219.0	131.0	350.0
B. Government Financing			
1. Office Accommodation and Transport	0.0	50.0	50.0
2. Remuneration and Per Diem of Counterpart Staff	0.0	30.0	30.0
3. Others	0.0	7.5	7.5
Subtotal (B)	0.0	87.5	87.5
Total	219.0	218.5	437.5

^a Financed by the Poverty Reduction Cooperation Fund.
Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The technical assistance (TA) will consist of two components: (i) the development of a methodology for assessing poverty reduction impacts of road networks for the design and prioritization of subprojects; and (ii) the assessment of transport services for the poor to determine the extent to which the accessibility for poor improves as a result of road improvements. Transport services include means of transport used directly by the poor and middlemen or traders used to bring produce to and from markets. The component for the development of a methodology will be tested in two selected provinces in the central region. The consultants will work closely with the selected provincial government departments and coordinate their work with the consultants working under the Central Region Transport Network Project and with Rural Transport 2 (RT2).

2. The poverty impact mapping exercise will combine road condition data with poverty impact proxy indicators. The transport services network component will review the regulatory and policy framework and other practices in the transport service sector. The transport services component will include an analysis of the impacts of road conditions on vehicle cost structures, ownership, demand, affordability, and outreach of transport services across socioeconomic consumer groups. The two components will be implemented concurrently.

A. International Consultants

3. The transport specialist and team leader (5 person-months) will do the following:
- (i) Undertake team leadership responsibilities, including (a) overseeing survey and data collection design and implementation; (b) planning, organizing and leading the work of the economist, domestic consultants and counterpart staff; (c) coordinating with relevant agencies, RT2 consultants, and activities under the Central Region Transport Network TA to ensure consistency with relevant work undertaken poverty analysis and transport; (d) coordinating work on road condition data and ensuring appropriate selection of pilot provinces; and (e) assuming responsibility for communications with Asian Development Bank (ADB) and reporting requirements for both components.
 - (ii) Assess the competitive structure and barriers to entry in the supply across modes of transport services. Develop a competition index to rank services. Assess means of lifting constraints in access-deprived areas.
 - (iii) Assess the institutional and planning aspects of prioritization of road investments for rural access, and district, provincial, and national road links. In consultation with relevant agencies, examine options for improving interlinking networks in the planning and prioritization on the local and national levels.
 - (iv) With the economist, develop mobility and proximity indicators for accessibility.
 - (v) Assess the economic efficiency and profitability of different modes of transport, taking into account road conditions, population density, economic potential, structure of transport costs, vehicle operating costs, and socioeconomic disadvantages or benefits of existing transport options. Assess the least-cost options for transport services.
 - (vi) Assess ownership of, effective demand for, and affordability of transport services across socioeconomic groups, with particular emphasis on initial and running costs of various modes of transport.

- (vii) Assess travel patterns for different socioeconomic groups under different road network conditions and propose interventions to improve conditions in access deprived areas.
- (viii) Conduct a mapping exercise for accessibility and transport cost indicators with road condition data.
- (ix) Based on poverty impact mapping and road condition data, develop a methodology for the design of an integrated transport network, including provincial, district, and rural access roads, taking into account growth potential and provincial development plans.
- (x) Prepare and present workshops for consultation and to disseminate findings to relevant national and provincial government agencies.

4. The socioeconomist (4 person-months) will do the following;

- (i) Undertake an analytical review of the data and identify additional data required for the undertaking of both components of the study.
- (ii) Collect and analyze relevant provincial Gross Domestic Product, production, and fiscal expenditure data. Provide an overview of the economic and socioeconomic situation, including a poverty profile of pilot provinces. Analyze the economic integration and trade patterns with the rest of the economy.
- (iii) Identify stakeholders and socioeconomic consumer groups. Assess the causes of poverty and barriers to poverty reduction relating to accessibility.
- (iv) Design and implement field surveys and consultations to develop poverty impact indicators and an assessment of transport services. Include provision for disaggregation of analysis for gender and ethnic minorities.
- (v) Organize and process data. Undertake relevant analytical data analyses to develop indicators and for the transport services components.
- (vi) Examine the rural markets and the competition among middlemen and traders under different road conditions and population densities.
- (vii) Develop a poverty impact and accessibility mapping technique using indicators and road condition data. Conduct a mapping exercise in pilot provinces.
- (viii) Assist the team leader in workshops and reporting requirements.

B. Domestic Consultant

5. Transport Specialist (8 person-months) will do the following:

- (i) Review regulations, licensing, policies, and practices that may influence the provision and competition of transport services.
- (ii) Help design field surveys and consultations.
- (iii) Organize, train, and lead field enumerators for the undertaking of the surveys and data processing.
- (iv) Assist in the cleaning and analysis of data.
- (v) Collect and analyze local cost data for repair of vehicles, and other inputs to transport services. Assess the level of competition in the supply of inputs and develop a competition index. Rank markets for inputs in the survey areas.
- (vi) Undertake and facilitate communication with government agencies and stakeholders.
- (vii) Otherwise assist in the work and reporting requirements of the team leader and economist.

C. Reporting Requirements

6. The consultants will prepare the following reports for Project Management Unit 1 (PMU-1) and ADB, and will submit them in the numbers indicated. For ADB, and where appropriate to the nature of the report or document, the consultants may use electronic transmission, in which case the multiple copy requirements will not apply. However, copies of all computer files generated in the preparation of all reports must be submitted in the format in which they were prepared and with all embedded calculations and formula intact. All data collected will be submitted in a format acceptable to ADB. All reports will be in English. However, the consultants will include identical English and Vietnamese executive summaries in the inception, interim, draft final and final reports. The executive summaries must be sufficiently complete so that they can be read as stand-alone documents. These requirements must be covered, as appropriate, in the following reports:

- (i) **Inception Report.** The report will be submitted 4 weeks after commencing the services (PMU-1, 10 copies; ADB, 3 copies). The report will be based on work and staffing schedules agreed upon during contract negotiations. The report will highlight problems encountered or anticipated, and will recommend solutions.
- (ii) **Progress Reports.** Brief reports will be submitted monthly, based on the inception report implementation, progress, and staffing schedules, and will identify matters that require the attention of PMU-1 and/or ADB (PMU-1, 5 copies; ADB, 2 copies). The survey design and implementation schedule will be subject to ADB review and approval before the field surveys are carried out.
- (iii) **Interim Report.** A brief report, including the developed methodologies, will be submitted at the end of the eighth month after the commencement of services (PMU-1, 10 copies; ADB, 3 copies). The report will set out the results of the surveys and details of the progress of the TA.
- (iv) **Draft Final Reports.** Draft final reports will be submitted separately for each component and be delivered at the end of the ninth month. These reports will include a presentation of the methodologies and preliminary findings and results (PMU-1, 10 copies; ADB, 3 copies). All primary and secondary data collected under the TA will be submitted to ADB in conjunction with the submission of draft final reports.
- (v) In addition, the team leader and other staff, as appropriate, will present the main findings of the study to ADB staff, followed by a general discussion and possible recommendations to improve study output.
- (vi) **Final Reports.** One for each component will be submitted one month after receiving comments on the draft final report from PMU-1 and ADB. The reports will be submitted in a publishable format.

D. Government Inputs

7. PMU-1 will provide about one full-time counterpart staff in Hanoi and two part-time support staff through the central regional office. PMU-1 and the provincial departments of

transport will provide temporary office space, transport, all available maps, reports, master plans, and other data and coordination activities needed by the consultants. The consultants, international and domestic, will provide workshops and other on-the-job training to staff of PMU-1 and provincial departments of transport, as necessary, to undertake and actively participate in the TA activities.