

RURAL WATER AND POVERTY ACTION INITIATIVE

Letter of Intent for Investment Partnership Between The Government of Viet Nam and the Asian Development Bank

This letter affirms the intention of the Government of Viet Nam and the Asian Development Bank (the Partners) to work together in investment partnerships to assist Viet Nam in rural water and poverty actions. The goal of rural water and poverty actions is to reduce poverty by improving the water security of poor people in rural areas, through better access to water for health and livelihoods, pro-poor water governance, reduced vulnerabilities, and a sustainable natural resource base. The partnerships will help to achieve Viet Nam's Millennium Development Goals through a participatory approach that combines capacity building, community empowerment, and investment.

The objective of the rural water and poverty actions is to foster partnerships that raise awareness, strengthen advocacy, share knowledge, build capacity, and increase pro-poor rural water investments and improve their effectiveness. The actions will build on the existing investment partnerships between the Partners and other funders presently providing support for rural water. The funders include, among others, Agence Francaise de Developpement, AUSAID, DANIDA and the Government of the Netherlands.

The Partners intend to pursue actions in Viet Nam that target the rural poor, follow a demand-led approach, and build on the principle of common but differentiated responsibilities between national and local governments, civil society, funders, and advocacy and knowledge partners. The Partners will work together to target pro-poor actions in two main areas: (1) water for production and sustainable rural livelihoods, including pro-poor water management and watershed and ecosystem management; and (2) prevention and mitigation of water-related disasters. The Partners also intend to expand their partnership to the area of rural water supply, hygiene promotion, and sanitation. The Partners will endeavor to strengthen the existing cooperation with the other funders providing investments in rural water.

The scope and modalities for the investment partnerships in Viet Nam will be defined in work programs to be prepared by the Partners. The work programs will support the implementation of the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) adopted by the Government of Viet Nam in 2002. The CPRGS, which recognizes the water and poverty linkages, is an appropriate framework for pursuing targeted pro-poor water investments in support of Viet Nam's national development objectives. ADB's local and international advocacy and knowledge partners will be invited to participate in the investment partnerships to strengthen their effectiveness and help in capacity building.

Over a five year period starting in 2003, the Partners are contemplating to support rural water and poverty actions in Viet Nam up to a total of \$335 million, of which an estimated \$75 million would be provided through the development budget of the Government of Viet Nam and \$180 million in lending by the Asian Development Bank consistent with ADB's lending program for Viet Nam and subject to internal approval procedures. The Partners intend to actively seek co-financing for the remaining \$80 million investments from other funders. The possibility of accessing funds from the Japan Fund for Poverty Reduction is being contemplated for introducing innovative approaches to poverty reduction within the context of rural water initiatives.

Signed at the 3rd World Water Forum, Kyoto, Japan on 21 March 2003.



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