Viet Nam: Productive Rural Infrastructure Sector Project in the Central Highlands

**Project Name**: Productive Rural Infrastructure Sector Project in the Central Highlands

**Project Number**: 40238-023

**Country**: Viet Nam

**Project Status**: Active

**Project Type / Modality of Assistance**: Loan

**Source of Funding / Amount**: Loan 3032-VIE: Productive Rural Infrastructure Development Project in the Central Highlands, concessional ordinary capital resources lending / Asian Development Fund, US$ 80.00 million

**Strategic Agendas**: Environmentally sustainable growth, Inclusive economic growth

**Drivers of Change**: Governance and capacity development

**Sector / Subsector**: Agriculture, natural resources and rural development - Agricultural policy, institutional and capacity development - Irrigation, Transport - Road transport (non-urban)

**Gender Equity and Mainstreaming**: Effective gender mainstreaming

**Description**: The project aims to regenerate and upgrade underdeveloped or outdated productive rural infrastructure (PRI), targeting areas with good potential for agricultural production with existing irrigation schemes. The PRI investments will include irrigation and associated access infrastructure. The project will be carried out in Viet Nam’s Central Highland provinces (CHPs) of Dak Lak, Dak Nong, Gia Lai, Kon Tum, and Lam Dong over 5 years. It directly supports the Government of Viet Nam’s National Target Program for New Rural Development, 2010-2020 (NRD) with activities based on the socioeconomic development plans (SEDPs) of the participating provinces. It supports the National Water Resources Strategy (NWRS), 2006-2026, for which the Asian Development Bank (ADB) is playing a major role in revising and updating water resources policy and strengthening water sector institutions.

**Project Rationale and Linkage to Country/Regional Strategy**: The majority (about 71%) of the CHP population lives in rural areas where the primary income source is farming. While poverty has been reduced nationwide from 18.1% in 2002 to 10.7% in 2010, in the CHPs in 2010, the average poverty rate was 22.2%. Contributing factors are difficult terrain, and hence inaccessibility, and the lack of commercial opportunities, social services, and arable land in some of the areas, compounded by deteriorated PRI. Poverty rates in some isolated areas of the CHP are 70%-80% among ethnic minority people, who represent between 21% and 53% of the provincial populations. Women, especially those of ethnic minorities, tend to account for higher poverty rates than men. Less than 11% of arable land in the CHP has irrigation infrastructure and much of it is performing poorly because of age, under-engineered for current use, limited funding available for new investment, and a historically limited capacity for asset maintenance. Viet Nam’s record of poverty reduction has been driven by agricultural reforms facilitated by good access to infrastructure. Viet Nam has gained an important position in the global agricultural market, particularly coffee, pepper, and rice. More effective PRI will greatly increase production of these products. The project will improve PRI to enable optimal agricultural output, diversity, and production efficiency. This is also expected to allow quicker and safer access to markets, employment opportunities, and social services. Simultaneously, it will lower the costs of rural production and marketing, and reduce food wastage during transport and handling. PRI in good condition will increase incomes from on- and off-farm employment, lessen the work burden of women, and boost food availability. The project is pro-poor, will increase food security as well as land and water resource productivity, all of which strengthen climate change resilience.

The project advances three key NRD priorities: (i) to extend the coverage of PRI development to the CHPs; (ii) to improve PRI sustainability by concentrating investments in selected productive areas and using appropriate designs to enable sustainable management and boost climate change resilience; and (iii) to strengthen the capacity of stakeholders to sustainably develop, manage, operate, and use PRI. The project has innovative technical and implementation features that highlight ADB’s value addition to the sector. Four technical features that contribute to the ongoing policy dialogue on water resource management in general and irrigation sustainability in particular are: (i) strengthening of dams and reservoirs that are the backbone of irrigation systems in the CHPs but are now aging and likely to become increasingly unstable, especially given the predicted stresses associated with climate change it is anticipated that this initiative will lead to an expansion of future investments in reservoir stability; (ii) in conjunction with the dam and reservoir improvements, establishment of community-based danger warning systems; (iii) integration of soil and water conservation measures into PRI design through bioengineering techniques this will improve the environs in the subproject areas and the stability of PRI; and (iv) research and demonstration of approaches to better irrigation and water management in the CHPs, which will be essential for coping with more extreme weather.

The central government’s SEDP for 2011-2016, the NRD, and the NWRS prioritize upgrading PRI to serve the dual objective of social and economic development. This includes improving irrigation for rural water supply, double paddy cropping, and the expansion of irrigated areas for cash crops. It also includes developing rural transport infrastructure for the timely movement of agricultural inputs and surpluses as well as the improvement of social conditions. In Viet Nam it is demonstrated that the poor gain the most by better access. There are two ongoing ADB-supported PRI projects: Integrated Rural Development Sector Project in the Central Provinces and Sustainable Rural Infrastructure Development Project in Northern Mountain Provinces. Lessons were incorporated from these as well as six successfully completed, MARD-implemented, and ADB-supported PRI projects, particularly the Rural Infrastructure Sector Project. It builds upon the successful ADB-supported interventions in water and irrigation development and management, notably the Second Red River Basin Sector Project, which helped formulate Viet Nam’s law on water resources and train the irrigation and drainage management companies (IDMCs), and the Central Region Water Resources Project, which helped develop successful institutional models for IDMCs and water user organizations (WUOs). The project complements investments in poverty reduction being made in the CHP by the development partners.

The project design is based on (i) a recognized demand to rehabilitate and upgrade priority PRI to improve socioeconomic conditions in the CHPs; (ii) government and ADB strategies of providing PRI as a means to reduce poverty as described in the government’s SEDP and NRD, as well as ADB’s country partnership strategy; and (iii) the successful design, implementation experience, and lessons from related past and ongoing ADB-funded projects, in particular the need to (a) prescreen subprojects for prima facie viability with minimal safeguard issues; (b) limit the geographic coverage to obtain a good balance between capital investments and overhead costs, as well as contain implementation weaknesses at a manageable level; (c) confine activities to those that can be readily carried out within local capacities; (d) carefully prepare the procurement plan to optimize contract size, number, and methodology; and (e) take advance actions to ensure that competent counterpart project staff are assigned and trained, and prepare procurement packages to reduce implementation delays.

**Impact**: Increased rural incomes and sustained livelihoods in the Central Highland Provinces (CHPs).
Improved rural and agricultural productivity in the Central Highland Provinces. The baseline consultant completed the survey in August 2017 and is preparing the report. Data will be available in Q4/2017 for first 15 subprojects. Survey for 9 additional subprojects is on-going.

**Implementation Progress**

**Description of Project Outputs**

1. Productive rural infrastructure improvement
2. Enhanced capacity to develop, manage, and use productive rural infrastructure.
3. Efficient project management.

**Output 1**
- Construction progress of Phase 1 subprojects is about 93% average.
- All civil contracts under phase 2 signed. Construction started with progress of 75% as of Q2, 2018.
- 9 additional CW additional subprojects are being procured.

**Output 2**
- By end of Q2 2018:
  - 17 training courses have been completed for 765 participants (18.95% women) on project management.
  - 11 training courses organized for 435 participants on condition inventories and O&M plans.
  - 5 training courses organized for 263 staff (11.4% women) on development and management of PRI.
  - 41 training courses were organized for 1,807 participants (34.8% women).
  - 13 training courses and 124 awareness campaigns organized with 5,858 participants including 3,755 women (64.4%).

**Output 3**
- FS done for all subprojects.
- CW in phase 1 & 2 started. Phase 3 started its CW contracts procurement.

**Geographical Location**

An Quy, Bao Thuan, Buon Dak N’drong, Buon Dier, Buon Ma Thuot, Da Lao, Dak Doa, Dak Ket, Dak Long Tuar, Dak Mam, Dak Mon, Dak Nang, Dak Nghe, Dak Nong, Duc Lang, Ea Dreh, Gia Lai, Ho Dak M’Hang, Huyen Cu Jut, Huyen Da Teh, Huyen Dak Mii, Huyen Di Linh, Huyen Ea Kar, Huyen Kong Nang, Huyen Kong No, Huyen Kong Pak, Huyen Lam Ha, Huyen Tra My, Kon Dak Dem, Kon Tao, Kon Trang Kla, Kon Tum, Nghe Huong, Ptei To Von, Tinh Dak Lak, Tinh Lam Dong, Xa A Dok, Xa Chu Jor, Xa Dak La, Xa Ha Tam, Xa Sa Son, Xa Tan Lap, Xa Tan Son, Ya Soup.

**Safeguard Categories**

- Environment 8
- Involuntary Resettlement 8
- Indigenous Peoples 8

**Summary of Environmental and Social Aspects**

**Environmental Aspects**

Adverse environmental impacts are not likely. The initial environmental examinations for three sample subprojects found no indication of significant adverse environmental impacts. The PPTA subproject screening excluded those subprojects with potentially serious negative environmental impacts. MARD has gained environmental safeguard management capacity through implementing similar projects. Additional training for the CPU safeguard staff and the PPMUs is included in the project costs. An environmental assessment and review framework has been agreed to and disclosed by the government and ADB to guide environmental assessments and measures to deal with potential environmental impacts. Proper use of pesticides and fertilizer will be promoted as part of the irrigation efficiency and management training to minimize soil and water pollution. The paving of roads will reduce dust, which has negative impacts on human and livestock health, crops, and safety. Measures to improve climate change resilience include the stabilization of local environments by improving reservoirs and integrating soil and water conservation measures into subproject design. Also, greater irrigation efficiency will reduce the stress on water resources.

**Involuntary Resettlement**

No significant resettlement impacts are expected because the majority of PRI improvements will occur along existing rights of way and will mainly require compensation for roadside trees, crops, and/or small structures with possibly a small amount of land acquisition. No actual resettlement is foreseen the absence of major resettlement issues was one of the criteria when screening subprojects for eligibility. An indication of the effectiveness of the screening is that the three RSPs were assessed to be category C for resettlement and did not require resettlement plans. The government and ADB have agreed on and disclosed on the ADB website a project resettlement framework and associated procedures, which outlines the responsibilities for preparing resettlement plans for potential category B subprojects. The plans shall be submitted and approved by ADB before the subprojects are implemented. Compensation, allowances, operation and administration costs, surveys, monitoring, and reporting will be financed from provincial counterpart funds. Adequate provisions will be made for preparing and implementing resettlement plans, and for engaging resettlement specialists.

**Indigenous Peoples**

In the priority subprojects proposed by the CHPs, ethnic minorities were found to account for 21% of the subproject area population; the predominant share being 47%. The minorities will be among the main beneficiaries of the project. Moreover, no negative changes are envisaged in their farming and livelihood systems or their cultural practice and ancestral domains. Any possible negative impacts such as temporary loss of crops or crop land for construction purposes will be avoided as best as possible, or will be compensated according to the resettlement plans. Impacts in these areas are expected to be overwhelmingly positive since the subprojects will be aimed at overall economic and social improvement of the population. An ethnic minority development framework to manage any issues that might arise has been agreed to and disclosed by the government, ADB. It guides the preparation of ethnic minority development plans for potential category B subprojects. The plans shall be approved by ADB before a subproject is implemented. As with involuntary resettlement, the three RSPs were assessed to be category C for indigenous people and did not require such plans.

**Stakeholder Communication, Participation, and Consultation**

**During Project Design**

In consultation with the Ministry of Agriculture and Rural Development (MARD) and the CHPs, 28 candidate subprojects from the provinces’ SEDPs have been screened for possible inclusion in the project and were found to meet agreed-upon eligibility criteria for preliminary technical, financial, economic, environmental, and social considerations. Feasibility studies were carried out in three representative subprojects (RSPs), with positive results led by substantial increases in farm incomes, including for poor farmers, from both higher production and employment. The other subprojects have been prioritized and will be subject to feasibility studies during implementation.

**During Project Implementation**

An important position in each PPMU will be the Safeguard Officer (SO) appointed to ensure compliance with public consultation requirements, environmental impact assessment and mitigation and social impact assessment and mitigation (including resettlement) aspects of subproject implementation. The SO will play a key role in ensuring that supporting initiatives are implemented so that the poor and ethnic minorities are able to participate equally in subproject benefits. The SO will supervise the subproject benefit monitoring and evaluation system as well as liaison with beneficiary communities. At the commune levels, the proposed Project will coordinate closely with the existing local administrations, utilizing the Commune People’s Committee as the project point of liaison. PPMUs will work in close cooperation with commune personnel who will be responsible for ensuring coordination of day-to-day activities at the commune level between the Project and commune authorities. These activities will include organizing public consultations and design and implementation monitoring by Commune Supervision Boards (CSB). The CSB already are supported by a regular budget from the Districts.

**Business Opportunities**

Consulting Services

All planned consulting services contracts were awarded including LIC, Audit, M&E, Baseline studies, safeguards monitoring & training, etc. Dam and road safety awareness campaigns, and HIV/AIDS were included in the LIC contract. Consulting services for special studies involving piloting, demonstrating and researching water management techniques and systems, consulting entities will be waived.
Procurement

There are estimated to be 45 to 55 civil works contracts of value from $1 million to $3.5 million. Among them, 47 contracts of 15 subprojects were awarded as of 31 December 2017. 9 additional subprojects under Phase 3 identified and their procurement to be completed in 2018.

National competitive bidding will be the procurement method used for the civil work contracts.

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Timetable

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<td>Fact Finding</td>
<td>14 Jan 2013 to 01 Feb 2013</td>
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<td>MRM</td>
<td>17 Apr 2013</td>
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<td>Approval</td>
<td>25 Sep 2013</td>
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Loan 3032-VIE

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Financing Plan

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Status of Covenants

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