

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. In the past, the main development partner of the Asian Development Bank (ADB) in helping the Government of Viet Nam improve productive rural infrastructure (PRI) was Agence Française de Développement (AFD). AFD provided cofinancing for the first and second ADB rural infrastructure projects but has been unable to contribute to projects formulated thereafter. The other major development partner involved in the provision of PRI is the World Bank, which is currently providing additional financing for its Third Rural Transport Project. In a related investment trend, the World Bank, the International Fund for Agricultural Development (IFAD), and Japan International Cooperation Agency (JICA) are supporting community-based agricultural and rural development. This includes support for small-scale infrastructure in villages and communes. All three agencies have projects of this type ongoing or in the planning stage for areas of the Central Highlands. There is general agreement that these smaller infrastructure investments will complement the medium-scale PRI that ADB's Productive Rural Infrastructure Sector Project in the Central Highlands will improve.

2. During project preparation and processing both the project preparatory technical assistance consultants and the ADB processing team maintained regular contact with the donor agencies involved in rural infrastructure in the country. These agencies were fully briefed on what the intentions of the proposed project are and how they would complement their own activities. Indeed, the World Bank will take into consideration the components of the ADB project when targeting communes for its new project.

Major Development Partners

| Development Partner | Project Name | Duration | Amount (\$ million) |
|---------------------|---|-----------|---------------------|
| ADB | Rural Infrastructure Sector Project | 1997–2004 | 150.0 |
| | Integrated Rural Development Sector Project In Central Provinces | 2007–2013 | 90.0 |
| | Emergency Rehabilitation of Calamity Damage Project | 2006–2011 | 76.5 |
| | Sustainable Rural Infrastructure Project in the Northern Mountain Provinces | 2011–2017 | 138.0 |
| AFD | Rural Infrastructure Sector Project | 1997–2004 | 53.3 |
| | Integrated Rural Development Sector Project In Central Provinces | 2007–2013 | 52.0 |
| | Lao Cai Infrastructure Development Project | 2008–2011 | 30.0 |
| European Union | Northern Uplands Development | 2000–2010 | 25.0 |
| IFAD | Decentralized Project for Rural Poverty In Ha Giang Province | 2002–2009 | 19.0 |
| | Project for the Sustainable Economic Empowerment of Ethnic Minorities in Dak Nong Province (3EM) | 2010–2016 | 24.0 |
| | Agriculture, Farmers, and Rural Areas Support Project in the Gia Lai, Ninh Thuan, and Tuyen Quang Provinces | 2011–2016 | 65.0 |
| JBIC | Rural Income Diversification in Tuyen Quang Province | 2002–2008 | 30.0 |
| JICA | Project for Building Disaster Resilient Societies in Central Region | 2009–2012 | N/A |
| World Bank | Northern Mountains Poverty Reduction Project Phase II | 2000–2007 | 132.0 |
| | Third Rural Transport Project | 2005–2016 | 270.0 |

| Development Partner | Project Name | Duration | Amount (\$ million) |
|----------------------------|---|-----------------|----------------------------|
| | Program 135 Phase II | 2008–2011 | 450.0 |
| | Second Northern Mountains Poverty Reduction Project | 2010–2015 | 165.0 |
| | Mekong Delta Water Management for Rural Development | 2011–2017 | 206.0 |

ADB = Asian Development Bank, AFD = Agence Française de Développement, IFAD = International Fund for Agricultural Development, JBIC = Japan Bank for International Cooperation, JICA = Japan International Cooperation Agency, N/A = Project financial is not available.

Source: Donor interviews by the project preparatory technical assistance team.

B. Institutional Arrangements and Processes for Development Coordination

3. The coordination of donor activities in Viet Nam is carried out by three government agencies responsible for mobilizing international funding (State Bank of Viet Nam), budgeting and allocating resources (Ministry of Finance), and planning development investments (Ministry for Planning and Investment). Donor coordination in the agriculture sector is the responsibility of the International Cooperation Department of the Ministry of Agriculture and Rural Development (MARD). It decides which donors to approach for support for its projects and guides donors to the projects that it considers most suitable for the resources available. The Ministry of Finance has responsibility for this role at a broader level and decides the allocation of counterpart funds.

4. The proposed ADB project will be implemented by the Agriculture Projects Management Board within MARD. The board is responsible for coordination with and between participating provinces in the context of the government's decentralization program. Both the board and the provincial governments will take note of and assess ongoing activities of other donors (including nongovernment organizations) that can complement the proposed project activities. They will decide on replicating or scaling up these activities as part of the poverty reduction initiatives to be funded under the proposed project.

5. Attempts were made during project preparation and processing to harmonize ADB implementation procedures with government procedures to the extent possible. This proved problematic in certain instances, particularly when dealing with decentralized operations that involve provinces or districts with limited knowledge of the English language and ADB procedures.

C. Achievements and Issues

6. Cofinancing rural infrastructure activities with AFD has been successful. Under the ongoing Integrated Rural Development Project in Central Provinces, AFD is proving to be a sound development partner. Funding is provided through ADB, and AFD has agreed to follow ADB procedures for consultant recruitment, procurement, and disbursement for their portion of the funds. The main issue to date has been the lack of forward planning in identifying cofinanciers and the government's reluctance to borrow from partners that have toughened their lending terms.

7. The new terms of the Asian Development Fund and the imminent graduation of Viet Nam to ordinary capital resources (OCR) financing should enable PRI projects to reattain a scale where cofinancing will become less critical. It will be important to capitalize on the current trend of ADB support for province- and district-based PRI development and support by others for village- and commune-based development to ensure a more complete and comprehensive

coverage. The challenge is to coordinate these investments so as to realize the multiple synergies.

D. Summary and Recommendations

8. Donor coordination in PRI development has been limited to cofinancing by AFD and consultations with the other donors active in that area. AFD cofinancing in the past has been fruitful and has yielded a broader impact than would have been possible with ADB funding alone. The trend toward complementary targeting across different levels of infrastructure development presents opportunities for better coverage and synergies and should continue to be strengthened by the partners.