



## Technical Assistance Report

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Project Number: 41461  
December 2008

# Socialist Republic of Viet Nam: Preparing the Sustainable Rural Infrastructure Development Project in the Northern Mountain Provinces (Financed by the Japan Special Fund)

Asian Development Bank



## CURRENCY EQUIVALENTS

(as of 5 December 2008)

Currency Unit	–	dong (D)
D1.00	=	\$0.00006
\$1.00	=	D16,979.00

## ABBREVIATIONS

ADB	–	Asian Development Bank
APMB		Agriculture Projects Management Board
CDD	–	community-driven development
EA	–	executing agency
GDP	–	gross domestic product
Ha	–	hectares
MARD	–	Ministry of Agriculture and Rural Development
O&M	–	operation and maintenance
RISP	–	Rural Infrastructure Sector Project
SEDP	–	The Five-Year Socio-Economic Development Plan 2006–2010
TA	–	technical assistance
UNDP	–	United Nations Development Programme

## TECHNICAL ASSISTANCE CLASSIFICATION

<b>Targeting Classification</b>	–	Targeted intervention (geographical poverty issues)
<b>Sectors</b>	–	Multisector ( agriculture, natural resources and environment, water and sanitation)
<b>Subsectors</b>	–	Integrated rural development, irrigation and drainage, agriculture sector development
<b>Themes</b>	–	Sustainable economic development, inclusive social development, gender and development
<b>Subthemes</b>	–	Developing rural areas, indigenous peoples, gender equity in opportunities

## NOTE

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

<b>Vice-President</b>	C. Lawrence Greenwood, Jr., Operations 2
<b>Director General</b>	A. Thapan, Southeast Asia Department (SERD)
<b>Director</b>	U. Malik, Agriculture, Environment, and Natural Resources Division, SERD
<b>Team leader</b>	M. Mitra, Senior Social Development Specialist, SERD



## I. INTRODUCTION

1. Following the successful implementation of the Rural Infrastructure Sector Project (RISP), the Government of Viet Nam (the Government) requested the Asian Development Bank (ADB) to provide technical assistance (TA) to prepare an investment project for sustainable rural infrastructure development in the 15 provinces of the northern mountain region.<sup>1</sup> The TA is included as a firm project in the ADB's TA pipeline for 2008. A TA Fact-Finding Mission was fielded in June 2008 to develop and agree on the scope of work and implementation arrangements. A preliminary design and monitoring framework for the TA is in Appendix 1 and an initial poverty and social analysis is in Appendix 2.

## II. ISSUES

2. Viet Nam's recent socioeconomic development progress has been remarkable. It has made significant strides in poverty reduction in recent years. The country's success in reducing overall poverty incidence by almost two thirds in just 11 years is unprecedented. Poverty was cut from 58.1% in 1993 to 23.2% in 2004. During this period, income per capita has grown from \$288 to \$622, with a modest increase in income disparities. Broad-based and vigorous economic growth, greater macroeconomic and political stability, and targeted programs to provide basic public infrastructure and services to vulnerable groups have all helped reduce poverty. Poverty reduction has been underpinned by rapid, stable, and inclusive economic growth, following Viet Nam's steady transition from central planning to a socialist-oriented market economic system. Sustained agricultural growth of nearly 4% in the past decade, resulting from reforms and improved incentives, was pivotal in reducing poverty in the early stages of reforms. More recently, rapid growth in private sector investment has generated substantial new jobs in industry and the services. A key factor in Viet Nam's success in reducing poverty levels has been its investments in infrastructure.<sup>2</sup> Between 1997 and 2004, about 44% of total state investments were directed to infrastructure.<sup>3</sup>

3. However, challenges still remain. Persistent poverty in the northern mountain region and within ethnic minority communities, which often comprise remote communes, pose serious challenges to the Government's efforts aimed at poverty reduction in the country. The northern mountain region has poverty levels which are much higher than the national average, with 44% of the region's total population of about 12 million living below the poverty line in 2004.<sup>4</sup> In the same year, the northeast portion of the mountainous region had 29.2% of its population living below the poverty line while the northwest portion of the aforementioned region had 51.9% of its population living below the poverty line. Aside from regional inequality, there are serious challenges of high levels of poverty among ethnic minorities, as compared to the Kinh and Chinese population groups. Ethnic minorities, while constituting only 13% of Viet Nam's total population, account for about 39% of the country's poor. In the northern mountain region, where ethnic minorities account for more than 50% of the population, poverty and food insecurity persist on account of low agricultural production and incomes, and limited off-farm employment opportunities caused by poor infrastructural development.

4. The lack of infrastructure is recognized as a major reason for the high rate of poverty in the rural and remote isolated localities, especially among ethnic minorities. The availability of

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<sup>1</sup> The 15 provinces of northern mountain region include: Vinh Phuc, Phu Tho, Tuyen Quang, Ha Giang, Yen Bai, Lao Cai, Lai Chau, Dien Bien, Son La, Hoa Binh, Thai Nguyen, Cao Bang, Bac Kan, Bac Giang, Lang Son. The PPTA first appeared in the business opportunities section of ADB's website on 9 March 2008.

<sup>2</sup> World Bank. 2006. *Infrastructure Strategy: Cross Sectoral Issues*. Hanoi.

<sup>3</sup> Government Statistics Office, 2005.

<sup>4</sup> Government of Viet Nam. 2006. *Living Standards Measurement Survey 2006*. Ha Noi (percentage of poverty households by area and region).

key rural infrastructure is rather limited in the northern mountain region when compared with national averages. Only about 7.7% of the total agricultural area in the northeastern part and approximately 23.0% northwestern part of the northern mountain region were under irrigation in 2004. Access to clean water and sanitation for ethnic minorities is limited with only 19% having access to clean water by 2004 compared to 36% for the Kinh and Hoa groups. Access to sanitation is even more limited for ethnic minorities, 4% of whom had access to sanitation as compared to 36% among the Kinh and Hoa groups.<sup>5</sup>

5. In the northern mountain region, there are resources and opportunities, as well as constraints and vulnerabilities in the task of poverty reduction. The northern mountain region, which covers an area of about 11.6 million hectares (ha), is richly endowed with valuable natural resources, including forests, national parks, and nature reserves; a proliferation of rivers and streams with extensive watersheds that provide much-needed water for irrigation and hydropower generation for the country; and a rich agricultural land base. The northern mountain region also holds significant potential for ecotourism given the presence of historical and cultural sites, and national parks and protected areas. The region possesses unique resources such as ancient tea trees and non-timber forest products, which can be exploited in environmentally-friendly ways. Ecotourism and private sector investments can create jobs and raise incomes.

6. The northern mountain region is also strategically located, with access to international borders, and regional and sub-regional markets. In such a region, opportunities for increasing employment and incomes through trade and value-adding can be harnessed by improving connectivity between production centers and subregional and domestic markets. Improved communication links with the Greater Mekong Subregion (GMS), by linkages to the upcoming Kunming Haiphong Highway for instance, will help the mountain provinces to increase their trade, ecotourism and marketing links with the countries of the GMS.

7. Although there is an extensive network of rural roads, in their present condition these roads cannot contribute to the realization of socioeconomic transformation. The absence of all-weather access roads constrains realization of the potential for development of agriculture, agro-industries, and ecotourism in these mountainous areas. In addition, the conditions of irrigation systems that could potentially raise crop production to its full potential have become degraded over time. Consequently, farmers are left with no choice but to grow only a single rain-fed crop of paddy every year. Improved irrigation could increase food production and marketable surplus and raise rural income, thereby moving residents of the northern mountain region out of poverty.

8. The region is also vulnerable to the impacts of climate change and frequent natural disasters. While offering opportunities for growth through improved rural infrastructure, the region highlights the fragility of such investments in the face of natural disasters. Climate change is making ordinary climatic events much more severe and devastating. An assessment of the vulnerability of rural infrastructure to climate change-related damage, which potentially poses a serious threat to its useful life and sustainability, would help establish prevention and mitigation measures at the design and construction stage. Design of environmentally appropriate rural infrastructure and conservation-oriented farming practices are some of the actions that may be warranted as climate change adaptation measures.<sup>6</sup>

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<sup>5</sup> Viet Nam: Vietnamese Academy of Social Sciences. 2006. Viet Nam poverty Update Report 2006: Poverty and Poverty Reduction in Viet Nam 1993-2004. Hanoi.

<sup>6</sup> In the assessment of climate change-related vulnerability and risk analysis, ADB's Greater Mekong Subregion environment operations center (EOC) can provide the necessary technical support.

9. Another constraint to socioeconomic development relates to capacity limitations at the central, provincial, and lower levels of government. In addition, funding constraints of the poorer provinces for operation and maintenance (O&M) of rural infrastructure need to be addressed to ensure sustainability of infrastructure projects. Capacity building for participatory planning, improved targeting, and addressing key O&M requirements will help address such constraints and enable the Government to deliver effectively on its poverty reduction plans.

10. The Government is aware of the problems posed by the persistence of poverty and hunger among ethnic minority populations in the northern mountain region. In its Five-Year Socio-Economic Development Plan (SEDP) 2006–2010, the Government enunciated its goals of rapid socioeconomic development for the northern mountain region, with respect to hunger eradication and poverty reduction, and reduced economic disparities across regions and among ethnic groups. For the northern mountain region in particular, the SEDP targets a gross domestic product (GDP) per capita of \$460–\$530 by 2010, as compared to \$250–\$300 in 2008.<sup>7</sup> The SEDP identifies a clear role for rural transport, water supply and other rural infrastructure in support of various sector objectives, by using the government budgets to focus on critical areas (e.g., irrigation, transport, and clean water supply) as means to agriculture and rural development and fundamental to transformation of production structures.

11. There are valuable lessons to be learned regarding rural infrastructure-led development in Viet Nam, from projects and programs implemented by the Government, and/or assisted by development partners. Among others, the World Bank's Northern Mountains Poverty Reduction Project, implemented in 6 of the region's 15 mountain provinces, and ADB's Rural Infrastructure Sector Project (RISP), which covered 23 provinces across the country, provide valuable lessons for the proposed Project.<sup>8</sup> Lessons from the World Bank project include (a) the need for flexibility in applying government and development partner procedures in the preparation of subproject proposals and during project management and coordination; (b) community participation in commune development budget provisions for identifying potential investments aimed at addressing both the practical and strategic needs of the community; (c) need to develop a management information system for project management and monitoring; (d) capacity development and harmonized procedures for safeguard policies; and (e) arrangements for sustainable operation and maintenance (O&M).

12. The ADB assisted RISP, which supported rural infrastructure improvements in 23 provinces in the country (including several mountain provinces), demonstrates that improved access to rural infrastructure is an effective means of improving livelihoods and living conditions, and reducing rural poverty. The lessons from the RISP, to those of the World Bank assisted project, highlight the importance of the following: (i) an integrated investment approach to address the development needs of poor communities more effectively; (ii) active beneficiary participation in all aspects of subproject design and implementation; (iii) appropriate technical, institutional, and financial arrangements for each type of infrastructure; (iv) coordination among concerned provincial institutions; (v) compliance with safeguard policies; (vi) an adequate O&M budget; and (vii) the importance of ensuring the availability of productive resources and support services to enable target groups to increase their productivity and utilize rural infrastructure to its full potential. Further, the evaluation of the national targeted programs (Program 135 and its successor Phase 2) supported by the United Nations Development Programme (UNDP) and

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<sup>7</sup> Government of Viet Nam. 2006. *The Five-Year Socio-Economic Development Plan 2006–2010*. Ha Noi (p. 108).

<sup>8</sup> ADB. 1997. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Socialist Republic of Viet Nam for the Rural Infrastructure Sector Project (Loan 1564)*. Manila and ADB. 2007. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Technical Assistance Grant to the Socialist Republic of Viet Nam for the Integrated Rural Development Sector Project in the Central Provinces*. Manila (Loan 2357).

World Bank demonstrates the importance of community participation in planning, supervision, and monitoring of rural infrastructure; improving transparency and governance; poverty targeting; and better process monitoring and impact evaluation.<sup>9</sup>

13. ADB's country strategy and program for Viet Nam (2007–2010) recognizes the increasing complexity of poverty in the northern mountain provinces, as well as the need for promoting national investments to support sub-regional development.<sup>10</sup> In this context, the development of GMS economic corridors, such as the Kunming–Hai Phong Expressway, assumes special significance given the strategic location of the northern mountain region.

14. As envisaged in the country strategy and program, SEDP, and associated provincial master plans, there is a need to increase agricultural production and enhance the marketability of local produce to reduce poverty in the region. Investments for upgrading rural infrastructure are critical to facilitating equitable socioeconomic development and enhancing the well-being of poor ethnic minorities. Given the widely-dispersed nature of rural infrastructure investments in the northern mountain region, the scale of investments needed, past experience and lessons, the need to complement other development partners' efforts and avoid overlap, and the desirability of focusing on the priority needs of the provinces, a sector approach is proposed for the TA. Such an approach can help the Government achieve its socioeconomic development goals in the sector through project-related investments in a well defined geographical area.

### III. THE TECHNICAL ASSISTANCE

#### A. Impact and Outcome

15. The impact of the ensuing project will be enhanced connectivity between isolated communes and districts, and better access for ethnic minorities to markets and social services. The outcome will be an investment proposal for a sector development project agreed to by the Government.

#### B. Methodology and Key Activities

16. The TA will adopt a sequenced approach in its implementation. In the first phase, the TA will undertake sector assessment and institutional diagnostics for the area. It will (i) review the Government's sector plans at the national and provincial levels for all 15 mountain provinces; (ii) review other development partners' plans for investments in the region; (iii) review past rural infrastructure investments and their lessons, and the supporting policy and regulatory environment with a view to sustainability, support for O&M, and key elements of sector expenditures; and (iv) analyze how these factors are reflected in the commitments and capacities of the national and local government agencies to finance and implement rural infrastructure programs. The sector assessment will include an institutional assessment—including analysis of financial and information flows, governance systems including internal processes defining roles and accountabilities, policies and standards and associated processes for project management and accountability, technical and administrative capacity—and incentives and performance of existing institutions at various levels. Based on the sector assessment, social state of beneficiaries, and other relevant investments planned in the project provinces, the TA will prepare practical subproject selection criteria and a medium-term rural infrastructure development plan for each participating province that draws on the respective

<sup>9</sup> Government of Vietnam, Ministry of Labor, Invalids, Social Affairs, and United Nations Development Programme. 2004. *Taking Stock, Planning Ahead*. Ha Noi.

<sup>10</sup> ADB. 2006. *Country Strategy and Program (2007–2010): Viet Nam*. Manila.



provincial master plan to strategically integrate the proposed infrastructure investments with other planned economic and social development investments.

17. The second phase will include the preparation of a feasibility study for the ensuing Project and detailed feasibility studies for four core subprojects based on detailed planning for these, for agreed-upon investment options, and various frameworks for social and environmental safeguards compliance documents that satisfy the standard requirements of both the Government and ADB. In addition, a list of non-core subprojects will be prepared based on agreed-upon selection criteria.

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

18. The TA is estimated to cost \$1.20 million equivalent. ADB will provide \$1.0 million to be financed on a grant basis by the Japan Special Fund, funded by the Government of Japan. The Government, through the concerned agencies, will provide cash and in-kind contributions of \$200,000 equivalent. The detailed cost estimates and proposed financing plan are in Appendix 3. The Government has been informed that approval of the TA does not commit ADB to finance any ensuing project.

### **D. Implementation Arrangements**

19. The Executing Agency (EA) for the TA will be the Ministry of Agriculture and Rural Development (MARD), which will assume overall responsibility for TA implementation. A project preparation unit under the Agriculture Projects Management Board and reporting to the vice-minister of MARD will ensure smooth implementation. Each project province will appoint its respective Department of Agriculture and Rural Development for TA implementation at the province-level. Provincial project preparation units with qualified counterpart staff will provide office accommodation and logistical support. ADB will administer the TA.

20. The TA will be implemented over a period of 9 months from January 2009 to September 2009. An input of approximately 30 person-months of international consulting services and 60 person-months of national consulting services are envisaged. The consultants' team will be led by an international rural infrastructure development specialist (economist), who will be assisted by a national deputy with similar expertise. Consultants will be engaged through a firm in accordance with ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time) and other arrangements satisfactory to ADB for engaging consultants following the quality- and cost-based selection procedure. Appendix 4 provides the outline terms of reference. Procurement of goods will be carried out in accordance with ADB's *Procurement Guidelines* (as amended from time to time). Equipment procured under the TA will be handed over to the Government upon TA completion.

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

21. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$1,000,000 on a grant basis to the Government of Viet Nam for preparing the Sustainable Rural Infrastructure Development Project in Northern Mountain Provinces, 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</b> Enhanced connectivity between communes and districts and improved access of ethnic minority communities to social infrastructure</p>	<p>By 2016</p> <ul style="list-style-type: none"> <li>• Better access to markets and social services by at least 50% of ethnic minorities in the mountain provinces</li> <li>• Rehabilitation of existing infrastructure and construction of new roads connecting remote areas to district centers in 15 provinces completed</li> <li>• Operation and maintenance (O&amp;M) plans for all rural infrastructure completed and adopted by the stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Baseline survey in 2009</li> <li>• Annual MOLISA surveys</li> <li>• Bi-annual GSO surveys</li> <li>• Project completion report</li> </ul>	<p><b>Assumption</b></p> <ul style="list-style-type: none"> <li>• Government is fully committed to supporting sustainable poverty reduction among ethnic minority populations and the poor living in northern mountainous region through appropriate interventions.</li> </ul>
<p><b>Outcome</b> An agreed design of an investment proposal for a sector development project</p>	<ul style="list-style-type: none"> <li>• Agreement on the investment proposal reached between the Government and ADB by November 2009</li> </ul>	<ul style="list-style-type: none"> <li>• Memorandum of Understanding agreed with the Government on the investment proposal</li> </ul>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Government is willing, supportive, and able to provide leadership for sustainable rural infrastructure development in a decentralized framework, in the target provinces</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• Extensive delays in decision making on key project related issues delays agreement on the proposed sector project</li> </ul>
<p><b>Outputs First Phase</b> (Jan- April 2009) 1. Sector analysis, completed;</p>	<ul style="list-style-type: none"> <li>• Report on comprehensive sector analysis completed by February 2009 including: <ul style="list-style-type: none"> <li>(i) Review of all sector plans at national and provincial levels in all 15 provinces</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• PPTA review mission reports</li> <li>• PPTA sector and other subject specific analytical reports</li> <li>• PPTA first phase report, proceedings of stakeholder workshops, sector/sub</li> </ul>	

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>2. Documentation and analysis of experience and lessons learned of past projects and initiatives in rural infrastructure completed</p> <p>3. Institutional assessment for planning, fiscal and managerial and coordination capacity completed;</p> <p>4. Socioeconomic analysis including social safeguards compliance documentation completed;</p>	<p>(ii) Review of government policies for the sector as a whole</p> <p>(iii) review of development partners' investment plans for the target 15 provinces</p> <p>(iv) Proposed criteria for prioritization of areas and sub projects</p> <p>(v) medium term rural infrastructure development plan for all 15 target provinces, including prioritized sub projects</p> <ul style="list-style-type: none"> <li>• Report on lessons learned from earlier projects including gaps in design, implementation arrangements, weaknesses in O&amp;M by March 2009;</li> <li>• Institutional assessment report on financial, planning, managerial, and coordination capacity of provincial, district and commune agencies, and options to improve participatory planning, coordination, procurement, and decentralized management completed by April 2009;</li> <li>• Report on (i) socio economic situation including poverty and social assessment, and specific reports on constraints and</li> </ul>	<p>sector analysis documents</p> <ul style="list-style-type: none"> <li>• Documentation pertaining to conditions of rural infrastructure, livelihoods in the target provinces</li> <li>• PPTA completion report</li> </ul>	

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>5. Assessment of critical land use based environmental issues, as well as terms of reference for climate change related risk assessment, that may be relevant to sustainability and longevity of rural infrastructure completed;</p> <p>6. A comprehensive monitoring and evaluation framework with appropriate indicators initiated based on assessment of critical issues related to sustainable rural infrastructure development</p> <p><b>Second Phase</b>(May-September 2009)</p> <p>7. Detailed feasibility study for a sector project based on comprehensive analysis of core subprojects comprising an investment proposal for a possible \$100 million for rehabilitation and improvement of rural</p>	<p>opportunities for ethnic minorities and women's development; (ii) specific resettlement issues with appropriate recommendations for detailed analysis in phase II completed by March 2009</p> <ul style="list-style-type: none"> <li>• In depth status report on existing state of knowledge on vulnerability and risk analysis of rural infrastructure investments to climate change, and Terms of Reference for a study on such risk prepared by April 2009;</li> <li>• Comprehensive monitoring and evaluation framework for sustainable rural infrastructure development by April 2009</li> </ul> <p>The investment proposal comprises:</p> <ul style="list-style-type: none"> <li>(i) detailed design Including a DMF for a sector project by June 2009</li> <li>(ii) poverty and social assessment and poverty reduction strategy July 2009</li> <li>(iii) environment assessment by June</li> </ul>	<ul style="list-style-type: none"> <li>• PPTA review mission reports</li> <li>• PPTA sector and other subject specific report</li> <li>• PPTA first phase report</li> <li>• Government documents and reports</li> <li>• Stakeholder workshop proceedings and</li> </ul>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Government is fully committed to address the vulnerability to climate change</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• Inadequate vulnerability and risk assessment and documentation of mitigation measures to prevent disasters related to climate change</li> </ul>

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
infrastructure completed;	2009 (iv) ethnic minority development plan and framework by July 2009 (v) involuntary resettlement plan and framework as applicable by July 2009 (vi) institutional assessment and capacity building plan by July 2009 (vii) investment options for rural infrastructure sub projects including O&M costs by July 2009 (viii) cost estimates and financing options including grant financing from various sources by July 2009 (ix) economic and financial analysis by July 2009 (x) systematic planning, monitoring and evaluation, procurement, and reporting of milestone events and progress reports by August 2009	reports <ul style="list-style-type: none"> <li>• TA completion report</li> <li>• Government monitoring reports</li> <li>• TA progress reports</li> </ul>	
<b>Activities with Milestones</b>			<b>Inputs</b>
<p>The PPTA will be implemented for 9 months (January 2009-September 2009). The ensuing loan is expected to be approved in 2010, and implementation period is expected to be 2010-2016.</p> <p><b>Output 1: Comprehensive Sector Analysis</b></p> <p>1.1 Recruit consultants and mobilize EA staff, set up project preparation working group under APMB at MARD, mobilize provincial counterpart staff (January 2009)</p> <p>1.2 Submission of Phase1 work plan and associated monitoring and evaluation framework to MARD (January 2009)</p> <p>1.3 Complete stakeholder identification: national, provincial, district, commune ( February 2009)</p> <p>1.4 Undertake sector and other associated analysis including frameworks for identification of priority rural infrastructure rehabilitation and improvement (March 2009)</p>			<p><b>ADB: \$1,000,000</b></p> <p><b>Output 1:</b> TA resources \$150,000 (consultants, workshops, studies)</p>

Activities with Milestones	Inputs
1.5 Conduct stakeholder workshops at national, provincial, district and commune levels to present reports on (i) prioritization of sub projects, and (ii) draft strategy and investment program 1.6 Conduct stakeholder workshops to present sector analysis and prioritization criteria and obtain feedback (March 2009) 1.7 Conduct environment assessments of investment options including vulnerability to climate change, and adaptation measures (March 2009) 1.8 Finalize investment program for 15 target mountain provinces (April 2009)	
<b>Output 2: Documentation and analysis of experiences and lessons</b>	<b>Output 2:</b> TA resources
2.1 Complete analysis of past projects and lessons learned for project design (February 2009)	\$150,000 (Consultants and workshops)
<b>Output 3: Institutional Assessment completed</b>	<b>Output 3:</b> TA resources
3.1 Undertake detailed diagnostic analysis of institutional capacity at central, provincial and commune level (February 2009)	\$100,000 (Consultants, studies, data)
3.2 Develop training plan for improved design, decentralized participatory management, procurement, and financial administration (March 2009)	
<b>Output 4: Socio economic analysis completed</b>	<b>Output 4:</b> TA resources
4.1 Carry out poverty and social assessments of target areas (February-March 2009)	\$150,000 ( Consultants, workshops, studies)
4.2 Carry out analysis of constraints faced by ethnic minorities in improving livelihoods (February-March 2009)	
4.3 Conduct gender analysis including particular constraints and needs of ethnic minority women (February-March 2009)	
<b>Output 5: Assessment of knowledge of risk related to climate change completed</b>	<b>Output 5:</b> TA resources
5.1 Assess current state of knowledge regarding vulnerability of rural infrastructure investments to climate change related risk(February-April 2009)	\$30,000
5.2 Prepare detailed TOR for study of risks to rural infrastructure related to climate change (April 2009)	
<b>Output 6: Monitoring and evaluation framework completed</b>	<b>Output 6:</b> TA resources
Prepare comprehensive monitoring and evaluation framework (March-April 2009)	\$45,000
<b>Output 7: Detailed feasibility study for sector project completed</b>	<b>Output 7:</b> TA resources
7.1 Prepare DMF and present to stakeholder (May 2009)	\$ 375,000 (including contingencies:
7.2 Prepare detailed draft feasibility study)and present to stakeholders at workshops (July 2009)	\$130,000)
7.3 Finalize feasibility study report (August/September 2009)	<b>Government</b>
	<b>Financing: \$200,000</b> (in cash and kind)

APMB= Agriculture Projects Promotion Board, CDD = community-driven development, GSO = General Statistics Office, MARD = Ministry of Agriculture and Rural Development, MOLISA = Ministry of Labor, Invalids and Statistics, PPMS = project performance monitoring system; PPTA= project preparatory technical assistance; SEDP = Socio-Economic Development Plan, TOR= terms of reference.

## INITIAL POVERTY AND SOCIAL ANALYSIS

<b>Country/Project Title:</b>	Viet Nam: Sustainable Rural Infrastructure Development in the Northern Mountain Provinces		
<b>Lending/Financing Modality:</b>	Project	<b>Department/Division:</b>	Southeast Asia Department Agriculture, Environment, and Natural Resources Division
<b>I. POVERTY ISSUES</b>			
<b>A. Linkages to the National Poverty Reduction Strategy and Country Partnership Strategy</b>			
<p>Rural development is one of the top priorities of the Government of Viet Nam to reduce poverty and promote equitable growth in remote and disadvantaged areas.<sup>a</sup> While Viet Nam as a whole has made remarkable strides in poverty reduction (19% of the total population was below poverty in 2007 as compared with 58% in 1993), the northern mountain region is characterized by persistent high levels of poverty (58% in 2007). The northern mountain region is emerging as one of the poorest regions in the country, and a lack of rural infrastructure is identified as a major factor leading to such persistent poverty. A lack of access to irrigation limits crop production and leads to food insecurity and low incomes. This is further exacerbated by a lack of access to markets and commune as well as district centers, where better prices and production-related information and services are available. In addition, a lack of safe water and sanitation increases women and girls' domestic workload, and leads to persistent morbidity and reduced time for productive activities and education. These are the conditions in the mountainous regions of northern Viet Nam, where ethnic minorities reside in remote areas that lack basic amenities. They suffer from high levels of poverty and deprivation, leading to low incomes and low levels of education and healthcare. The Government of Viet Nam recognizes the constraints to creating balanced growth and achieving comprehensive poverty reduction in communes located in challenging physical environments that lack adequate rural infrastructure, economic opportunities, and social services (footnote a). Accordingly, the Socio-Economic Development Plan (SEDP 2006–2010) of the Government accords importance to the development of rural infrastructure in remote areas to achieve sustainable poverty reduction. The provision of rural roads, irrigation, water supply, sanitation services, and access to rural markets are accorded high priority. The ADB's country strategy and program (2007–2010) also recognizes the complexity of poverty in the northern mountain region and the need to provide assistance to selected provinces to reduce persistent poverty and improve social equity.<sup>b</sup> Rural infrastructure is recognized as an important area for development if poverty is to be reduced in such physically-challenging locations.</p> <p>In view of its priorities to address persistent poverty and food insecurity among ethnic minorities and the poor in the northern mountain provinces, the Government has requested ADB to provide technical assistance (TA) to develop an investment project for sustainable rural infrastructure development. The TA and the ensuing loan are included as firm projects in the TA and lending pipeline of ADB.</p>			
<b>B. Targeting Classification</b>			
<p>1. Select the targeting classification of the project:</p> <p><input type="checkbox"/> General Intervention   <input type="checkbox"/> Individual or Household (TI-H); <input checked="" type="checkbox"/> Geographic (TI-G); <input type="checkbox"/> Non-Income MDGs (TI-M1, M2, etc.)</p> <p>2. Explain the basis for the targeting classification: The project will be a sector type modality, leading to sub projects in selected priority districts of the 15 northern mountain provinces.</p>			
<b>C. Poverty Analysis</b>			
<p>1. If the project is classified as TI-H, or if it is policy-based, what type of poverty impact analysis is needed?</p> <p>2. What resources are allocated in the PPTA/due diligence? Resources have been allocated for consulting services for poverty and social assessments as well as compliance with other safeguards policies. As the design of the ensuing project is expected to be a community-driven development (CDD) type project, resources are allocated in the TA for CDD specialization, stakeholder workshops, and a CDD workshop in Tuyen Quang province.</p> <p>3. If GI, is there any opportunity for pro-poor design (e.g., social inclusion subcomponents, cross subsidy, pro-poor governance, and pro-poor growth)?</p>			

## II. SOCIAL DEVELOPMENT ISSUES

### A. Initial Social Analysis

Based on existing information:

1. Who are the potential primary beneficiaries of the project? How do the poor and the socially excluded benefit from the project?

The potential beneficiaries of the Project are ethnic minority communities who live in remote mountainous communes in the 15 provinces of the northern mountain region. These communes are characterized by a lack of year-round access to roads, poor state of irrigation services, and lack of safe water and sanitation. All of these factors constrain the efforts of the Government and the ethnic minority communities themselves to improve their lives. While average productivity is not low, a lack of irrigation forces these communities to produce a single crop of rice, which is highly inadequate for their household food security. As such, they are forced to migrate in search of work and undertake shifting cultivation in hazardous locations. By providing irrigation, crop productivity and production can rise significantly, leading to both food security and marketable surpluses. Through better road access, farmers can bring their perishable goods to markets in a timely manner and transport larger quantities of grain and other produce to markets in cheaper and more efficient ways. By having access to safe water and sanitation, women and girls will have a less-exhausting schedule and be able to participate in productive activities, education, and recreation. As a result, the socially excluded, including women and girls, and members of poor ethnic minority communities can improve their livelihoods and quality of life.

2. What are the potential needs of beneficiaries in relation to the proposed project?

Beneficiary needs include improved all-weather communications and market development to access markets, investments, extension services for enabling diversification of local economies, irrigation to improve their crop production, and a safe water supply and sanitation services for a better quality of life.

3. What are the potential constraints in accessing the proposed benefits and services, and how will the project address them?

Potential constraints lie in the lack of capacity of provinces, districts, and communes to apply bottom-up planning and implementation using community-driven development (CDD). Ethnic minority communities may be constrained from participating on account of patterns of exclusion and poor Vietnamese language skills, especially among women. The Project will provide training for local government staff and other stakeholders in CDD. It will also use nongovernment organizations (NGOs) in working with remote and ethnic minority communities to build links with them and facilitate their sustained participation. Language-related support will be provided as needed through adult literacy and interpretation services. Communities will be supported to organize for improved participation in decision-making, planning, and execution and supervision of subproject activities. Project monitoring will be participatory in nature.

### B. Consultation and Participation

1. Indicate the potential initial stakeholders. These include central and provincial, district and commune governments, participating communities, CSOs, development partners among others.
2. What type of consultation and participation (C&P) is required during the PPTA or project processing (e.g., workshops, community mobilization, involvement of nongovernmental organizations and community-based organizations, etc.)? Community mobilization, stakeholder workshops, CSO participation.
3. What level of participation is envisaged for project design?  
 Information sharing     Consultation     Collaborative decision making     Empowerment<sup>7</sup>
4. Will a C&P plan be prepared?  Yes     No    Please explain.

### C. Gender and Development

1. What are the key gender issues in the sector/sub sector that are likely to be relevant to this project/program? Gender issues relate mainly to the lack of ethnic minority women's participation in decision-making and the arduous nature of domestic work. It will be important to provide ethnic minority women in particular, and all women in target communities, the opportunities and resources they require to participate in an informed manner in the design, prioritization, implementation, and operation and maintenance of the subprojects to be undertaken.
2. Does the proposed project/program have the potential to promote gender equality and/or women's empowerment by improving women's access to and use of opportunities, services, resources, assets, and participation in decision making?  Yes     No    Please explain. A Gender and Development action plan will be prepared.
3. Could the proposed project have an adverse impact on women and/or girls or to widen gender inequality?  
 Yes     No    Please explain



<b>III. SOCIAL SAFEGUARD ISSUES AND OTHER SOCIAL RISKS</b>			
<b>Issue</b>	<b>Nature of Social Issue</b>	<b>Significant/Limited/ No Impact/Not Known</b>	<b>Plan or Other Action Required</b>
<b>Involuntary Resettlement</b>		Limited impacts are expected as most subprojects involve the rehabilitation and/or upgrading of existing schemes.	<input type="checkbox"/> Full Plan <input checked="" type="checkbox"/> Short Plan <input checked="" type="checkbox"/> Resettlement Framework <input type="checkbox"/> No Action <input type="checkbox"/> Uncertain
Indigenous Peoples	The issue is one of participation and accessing benefits equitably.	Significant positive impacts can be expected if ethnic minorities can participate fully and reap the benefits of the Project.	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input checked="" type="checkbox"/> Indigenous Peoples Framework <input type="checkbox"/> No Action <input type="checkbox"/> Uncertain
Labor <input checked="" type="checkbox"/> Employment Opportunities <input type="checkbox"/> Labor Retrenchment <input type="checkbox"/> Core Labor Standards	Target communities to be able to participate in local civil works construction.	Positive impacts are expected through off-season employment generation.	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
Affordability	Not applicable		<input type="checkbox"/> Action <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
Other Risks and/or Vulnerabilities <input type="checkbox"/> HIV/AIDS <input type="checkbox"/> Human Trafficking <input type="checkbox"/> Others (conflict, political instability, etc.), please specify	Not applicable		<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
<b>IV. PPTA/DUE DILIGENCE RESOURCE REQUIREMENT</b>			
<p>1. Do the TOR for the PPTA (or other due diligence) include poverty, social and gender analysis and the relevant specialist/s?  <input checked="" type="checkbox"/> Yes      <input type="checkbox"/> No    If no, please explain why.</p> <p>2. Are resources (consultants, survey budget, and workshop) allocated for conducting poverty, social and/or gender analysis, and C&amp;P during the PPTA/due diligence?    <input checked="" type="checkbox"/> Yes      <input type="checkbox"/> No    If no, please explain why.</p>			

<sup>a</sup> Government of Viet Nam. 2006. *The Five-Year Socio-Economic Development Plan 2006–2010*. Ha Noi.

<sup>b</sup> ADB. 2006. *Country Strategy and Program (2007–2010): Viet Nam*. Manila.

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

Item	Amount
<b>A. Asian Development Bank <sup>a</sup></b>	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants	550.00
ii. National Consultants	200.00
b. Travel	60.00
c. Reports, Communications	10.00
2. Equipment <sup>b</sup>	10.00
3. Training, Seminar, Conferences	20.00
4. Miscellaneous Administration and Support Costs	15.00
5. Executing Agency Participation in Contract Negotiations	5.00
6. Contingencies	130.00
<b>Subtotal (A)</b>	<b>1,000.00</b>
<b>B. Government Financing <sup>c</sup></b>	
1. Office Accommodation and Transport	100.00
2. Workshops	10.00
3. Remuneration and Per Diem of Counterpart Staff	90.00
<b>Subtotal (B)</b>	<b>200.00</b>
<b>Total</b>	<b>1,200.00</b>

<sup>a</sup> Financed by the Japan Special Fund, funded by the Government of Japan.

<sup>b</sup> Computers, printer, LCD projector, and associated materials.

<sup>c</sup> The Government of Vietnam will make in-kind and cash contributions to the implementation of the TA.

Source: Asian Development Bank estimates.

## SUMMARY TERMS OF REFERENCE FOR CONSULTING SERVICES

1. A total of 30 person-months of international and 60 person-months of national consulting services will be engaged for implementation of the technical assistance (TA). Key experts will be engaged through a firm following ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time). The terms of reference for the various consultants are given below.

**A. Rural Infrastructure Development Aspect** — international (team leader): 9 person-months, national (deputy team leader): 9 person-months

2. The international team leader, assisted by the national deputy team leader, will provide overall leadership in implementing the TA and preparing the feasibility study using a sector approach. Specifically, the team leader and deputy team leader will be responsible for the preparation of detailed work plans and ensuring the timely delivery of the feasibility reports and other reports to the Executing Agency (EA) and Asian Development Bank (ADB). They will be responsible for analysis of the Government's (i) sectoral plans, (ii) poverty reduction strategies, (iii) policy environment, (iv) institutional capacity, (v) sector expenditures, and (vi) community-driven development (CDD) approaches used in rural infrastructure development. In addition, they will undertake a review of the lessons of earlier and ongoing externally-funded projects and assess ways to maximize the synergies between planned investments in rural infrastructure. The team leader and deputy team leader will be responsible for identifying core subprojects for detailed study. They will guide the team in undertaking technical, social, environmental, economic, and financial analysis of the ensuing project. They will be responsible for the preparation of all required reports, including the inception, midterm, draft final, and final feasibility reports for the loan project and three or four feasibility studies for selected core subprojects. In doing so, they will ensure consistency with both the Government's and ADB's documentation requirements.

**B. Institutional Development: Institutional Analysis, Governance and Capacity-Building Aspect** — international: 2 person-months, national: 6 person-months

3. The consultants will conduct institutional assessments of the Ministry of Agriculture and Rural Development (MARD) and associated institutions at all levels, provide technical direction, and identify capacity and gaps for planning, implementation, monitoring, and post-construction operation and maintenance (O&M).

**C. Poverty and Safeguards Specialist: Poverty and Social Assessment, Community Participation, and Indigenous Peoples' Development Planning Aspects** — international: 4 person-months, national: 6 person-months

4. The consultants will carry out an assessment of the social development aspects (including ethnic minorities, gender, and poverty issues) of rural infrastructure interventions in the Project and core subprojects, and prepare appropriate frameworks for the non-core subprojects for use during implementation.<sup>1</sup>

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<sup>1</sup> In this context the assessment and documentation will be conducted in accordance with ADB guidelines including the ADB. 2001. *Handbook on Poverty and Social Analysis*. Manila, ADB.1993. *Handbook for Incorporation of Social Dimensions in Projects*, Manila, and ADB policies on gender, resettlement, and indigenous peoples.

**D. Expert on Climate Change-Related Risk and Vulnerability Assessment Aspect** — international: 2 person–months, national: 3 person–months

5. The consultants will carry out an assessment of the climate change-related risks to rural infrastructure, using core subproject interventions as samples. They will assess the extent of such risks to rural infrastructure and communities. Based on their analysis of primary and secondary data, they will prepare terms of reference for technical assistance to carry out a comprehensive analysis of such risks for rural infrastructure in the northern mountain region.

**E. Environmentalist: Environmental Assessment and Safeguards Aspect** — international: 2 person–months, national: 3 person–months

6. The assignment involves an assessment of the environmental dimensions of the ensuing project and selected core subprojects in accordance with national environmental policies and assessment guidelines and ADB's *Environment Policy (2002) and Environmental Assessment Guidelines (2003)*. They will prepare initial environmental examinations for core subprojects; a summary initial environmental examination for the Project as a whole; and mitigation measures, an environmental management plan, and relevant frameworks for non-core subprojects, in accordance with ADB's environmental guidelines (<http://adb.org/environment/>).

**F. Irrigation Systems and Water Supply Systems Engineering Aspect** — national: 9 person–months

7. In consultation with the team leader and other members of the team, the consultant will undertake an assessment of the current status of various irrigation and water supply systems to determine the requirements for rehabilitation, upgrading, and/or new construction. The consultant will assist the team leader in determining the technical, financial, economic, and cost recovery requirements, and social norms for core subprojects (rehabilitation and/or upgrading, and new construction). He will further develop selection criteria for non-core subprojects, including economic efficiency requirements. The consultant will assess O&M requirements and capacities, and recommend measures to build upon existing levels. The consultant will assist the team leader in (i) developing the terms of reference and guidance for the EA to be used in the design and preparation of subproject feasibility studies for non-core subprojects during implementation of the ensuing Project; and (ii) providing a standard format for subproject feasibility studies, which will comply with the Government's and ADB's requirements.

**G. Gender and Development Aspect** — international: 2 person–months, national: 4 person–months

8. The consultants will work in close coordination with the team leader and in concert with the social assessment and poverty specialist, to ensure that the ensuing project design is gender-responsive and can assist the poor, ethnic minorities, and women in target areas to gain full opportunities to participate in planning and prioritization of project investments; implementation and management of rehabilitation and upgrading of rural infrastructure, including O&M; and monitoring and evaluation of outcomes and impacts. They will prepare a gender issues paper for the inception report, a gender analysis report for the midterm report, and a gender and development action plan for the draft final report (the feasibility study).

**H. Marketing—Quality Improvement and Information Systems Aspect** — international: 1 person–months, national: 6 person–months

9. The consultants will work in close coordination with the team leader and other members of the team to develop the markets component of the proposed Project. Along with examining the existing and potential markets for high-value products and local produce, he will examine the availability of market information systems and ways to link production centers with markets (especially sub-regional economic corridors and markets), and recommend measures for improving local markets and measures towards their operation and maintenance.

**I. Involuntary Resettlement Aspect** — international: 1.5 person–months, national: 2 person–months

10. The consultants will assess the need for land acquisition and involuntary resettlement for proposed interventions under the Project and prepare resettlement plans for core subprojects and a resettlement framework for non-core subprojects. They will use the analysis and information to complete a screening form for involuntary resettlement in accordance with ADB guidelines. They will assess land issues, including the need for acquisition and land titles; the extent of negative impacts, particularly upon vulnerable groups; and ways to reduce and mitigate such impacts. They will prepare resettlement plans for core subprojects (if required) and the resettlement framework for the non-core subprojects by involving full stakeholder participation and indicating specific actions for indigenous peoples affected by involuntary resettlement in accordance with ADB's *Involuntary Resettlement Policy* (1995), *Handbook on Resettlement: A Guide to Good Practice*,<sup>2</sup> and the requirements of the Government. They will conduct a gender analysis of the resettlement impacts based on focused discussions with affected persons, including women. Based on the available information and experience gained in the preparation of resettlement plans for core subprojects, the assignment will include the preparation of an involuntary land acquisition and resettlement framework to be used during implementation for determination of land acquisition and resettlement needs of the non-core subprojects and preparation of a screening form for involuntary resettlement and resettlement plans, as appropriate.

**J. Project Performance Management Information Systems Aspect** — international: 1 person–months, national: 6 person–months

11. In consultation with the team leader and other members of the consulting team, the consultants will develop a project performance management system, using ADB guidelines to (i) provide readily accessible and retrievable information on various aspects of the Project during the preparation of the feasibility study and implementation of the ensuing Project; (ii) systematically document progress of implementation of various activities; (iii) monitor progress of various sector reports, social and poverty assessments, land acquisition and resettlement plans, and other aspects of TA implementation; and (iv) document various sector studies, milestones, seminars and workshop proceedings, reports prepared and disseminated, and other relevant information. In this context, the type of data required from the system and the format to collect the data should include data for the selected province in the northern mountain region with reference to (i) the state of natural resources; (ii) socioeconomic baseline data generated under the TA, including statistical information pertaining to beneficiaries, poverty statistics, and socioeconomic features of ethnic minorities; (iii) land acquisition and involuntary resettlement; (iv) the condition of rural infrastructure and the design of new schemes, structures, access

<sup>2</sup> ADB. 1998. *Handbook on Resettlement: A Guide to Good Practice*. Manila.

roads or their rehabilitation, upgrading, or improvement; (v) sector analysis and assessments; (vi) environmental reports; and (vii) any other relevant information

**K. Financial and Economic Analysis** — international: 2.5 person–months, national: 3 person–months (financial analysis); international: 3 person–months, national: 3 person–months (economic analysis)

12. The consultants will estimate the cost of implementation of the proposed sector project and conduct economic and financial analysis and a financial due diligence assessment, as appropriate. In this context, the consultants will in addition to doing detailed economic and financial analysis, will undertake risk analysis and examine least-cost options for each core subproject and the Project as a whole in accordance with ADB's *Guidelines for the Economic Analysis of Projects* (1997) and the *Guidelines for the Financial Governance and Management of Investment Projects Funded by the ADB* (2002). They will prepare project cost estimates using COSTAB<sup>3</sup>. They will also look into all relevant aspects of O&M, including recurrent costs and beneficiary contributions, among other aspects.<sup>4</sup>

**L. Surveys, Reports, and the Feasibility Study**

13. Baseline surveys will be undertaken in the proposed target areas in each province to determine the need and impact of the ensuing Project. The consultants will prepare (i) an inception report, including a detailed work program to be submitted within 1 month from the start of the TA and to be discussed at the initial tripartite review meeting; (ii) an interim report to present preliminary findings based on the TA's interim results to be submitted by the end of the fourth month of the TA and to be discussed at the interim tripartite review meeting; (iii) a draft final report about 2 months before the final report to be discussed at national- and provincial-level workshops and the final tripartite review meeting; and (iv) a final report upon completion of the TA.

14. The feasibility study will include: (i) design and monitoring framework; (ii) poverty and social assessment, and poverty reduction strategy; (iii) external assistance and lessons; (iv) environmental assessments of core subprojects and a framework for non-core subprojects, as appropriate; (v) indigenous peoples development plan; (vi) involuntary resettlement plan for core subprojects and framework for non-core subprojects (if applicable); (vii) institutional assessment and capacity-building plan; (viii) cost estimates for investments; (ix) financing options (including co-financing and/or parallel options for investment, including options for grant financing); (x) economic and financial analyses; (xi) gender action plan; (xii) procurement plan; (xiii) policy reform agenda (as appropriate); and (xiv) terms of reference for consulting services and other inputs required.

15. The feasibility study will also include technical specifications of the types and scale of subprojects eligible for financing, and the new cost norms and standards that will need to be developed for implementation of the ensuing Project. In addition, the TA will (i) define the selection criteria for non-core subprojects; (ii) prepare terms of reference for a vulnerability and risk analysis of environmental risks to rural infrastructure investments under the Project in the northern mountain region; (iii) prepare a comprehensive O&M plan for each type and scale of eligible rural infrastructure; (vi) design a monitoring and evaluation framework for the ensuing project; and (vii) design a benefit monitoring and evaluation framework for the ensuing project.

<sup>3</sup> COSTAB, a computer software program developed by the World Bank which was tailor fitted to ADB's operational context and reporting requirements, assists financial analysts, project economists and project engineers in estimating project costs.

<sup>4</sup> For details, refer to complete Terms of Reference.