

ASIAN DEVELOPMENT BANK

TAR: VIE 37097

TECHNICAL ASSISTANCE
(Financed by the Japan Special Fund)

TO THE

SOCIALIST REPUBLIC OF VIET NAM

FOR PREPARING THE

RURAL INFRASTRUCTURE FOR SUSTAINABLE LIVELIHOOD

IMPROVEMENT IN CENTRAL REGION PROJECT

November 2004

CURRENCY EQUIVALENTS

(as of 30 September 2004)

Currency Unit	–	dong (D)
D1.00	=	\$0.0001
\$1.00	=	D15,751

ABBREVIATIONS

ADB	–	Asian Development Bank
CPRGS	–	Comprehensive Poverty Reduction and Growth Strategy
DARD	–	Department of Agriculture and Rural Development
EA	–	Executing Agency
GMS	–	Greater Mekong Subregion
IEE	–	initial environmental examination
MARD	–	Ministry of Agriculture and Rural Development
NGO	–	nongovernment organization
O&M	–	operation and maintenance
PPMS	–	project performance monitoring system
PPPU	–	provincial project preparation unit
RISP	–	rural infrastructure sector project
RWSS	–	rural water supply and sanitation
TA	–	technical assistance

NOTES

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

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I. INTRODUCTION

1. Subsequent to the satisfactory implementation of the Rural Infrastructure Sector Project (RISP),¹ the Government of Viet Nam (the Government) requested technical assistance (TA) from the Asian Development Bank (ADB) to prepare the Rural Infrastructure for Sustainable Livelihood Improvement in Central Region Project.² The TA is included as a firm project in the ADB 2004 TA pipeline. A reconnaissance mission fielded during 19–27 May 2003 developed a basic framework for the TA with the Government, and drew lessons learned from the RISP to be reflected in the new project formulation. Subsequently, a fact-finding mission fielded during 4–12 March 2004 discussed and agreed with the central and six participating provincial government agencies on the objective, scope, implementation arrangements, costs, financing arrangements, and terms of reference of the TA.

II. ISSUES

2. Among various development challenges, rural development remains one of the highest priorities of the Government. Viet Nam made substantial progress during the 1990s in reducing poverty, backed by strong economic growth. The overall poverty incidence declined from 58% in 1993 to 29% in 2002, and social indicators improved rapidly at the same time.³ However, the distribution of benefits gained from such growth has been uneven. The urban-rural income gap has widened, leaving the poor, particularly in remote rural areas, comparatively worse off. The most recent poverty mapping exercise revealed that the regional disparity in poverty incidence was large and increasing over time, and the North Central Coast and the Central Highlands regions particularly show a steady increase in their contribution to poverty incidence.⁴ Data from the General Statistics Office also indicate that poverty rates of ethnic minority groups are not declining as quickly as the rest of the population.⁵ Female-headed households are reported to be in a particularly vulnerable state. Thus, effectively targeted assistance for the poor in most need is increasingly becoming significant if the Government is to achieve its poverty reduction targets. The Government has a strong commitment to promote economic growth with equity, which is reflected in the Comprehensive Poverty Reduction and Growth Strategy.

3. Rural infrastructure development in poor rural communities has strategic significance in achieving the country's goal of growth with equity. Inadequate access infrastructure and poor state of community infrastructure in remote rural villages are recognized to be key causes of widening regional gaps in living standards and economic opportunities. An initial social assessment (Appendix 1) found that a majority of the poor live in rural remote areas where access to resources and opportunities to improve their lives is limited, and poor conditions of basic rural infrastructure are fundamental constraints to the development of isolated rural communities. In particular, substantial needs exist in poor areas in the North Central Coast to improve road, water supply and sanitation, and irrigation infrastructure, which is highly relevant to addressing rural poverty issues.⁶ The poor state of roads and community infrastructure has

¹ Loan 1564-VIE (ADB. 1997. *Rural Infrastructure Development Sector Project*. Manila.) was approved in October 1997 and is expected to close in December 2004.

² The TA first appeared in *ADB Business Opportunities* (Internet edition) on 04 February 2004.

³ Based on the Vietnam Household Living Standards Survey of 1993 and 2002.

⁴ Inter-ministerial Poverty Mapping Task Force. 2003. *Poverty and Inequality in Vietnam: Spatial Patterns and Geographic Determinants*. Hanoi.

⁵ The Vietnam Consultative Group Meeting. 2004. *Vietnam Development Report*. Hanoi.

⁶ The Vietnam Consultative Group Meeting. 2004. *Vietnam Development Report*. Hanoi. For instance, more than 1 million villagers in the North Central Coast do not have access to clean water, provision of more water supply facilities combined with appropriate understanding of hygiene issues would significantly contribute to reducing waterborne diseases caused by contaminated water among humans as well as livestock.

resulted in isolation of poor villages, their poor access to social services, and stagnant agricultural development due to limited input supply and inefficient use of land and water resources, few output trading opportunities, and inadequate flow of information and technology. Therefore, investments in rural infrastructure should serve as a vehicle to address regional inequality by improving the living standards and promoting economic development opportunities of disadvantaged and remote communities in the impoverished region. Such an approach is consistent with ADB's poverty partnership agreement⁷ and the country strategy and program. In addition, if water supply infrastructure is to be developed, sanitation and hygiene promotion activities should be included alongside physical infrastructure development in order to assist the Government in achieving the development targets stipulated in the National Rural Water Supply and Sanitation Strategy (NRWSSS). This would require effective intervention models developed by existing government and other funding agency projects.⁸

4. Despite satisfactory implementation in general, the RISP has critical areas that should be improved by future rural infrastructure sector interventions to maximize their contribution to reducing rural poverty. Scattered subprojects of the RISP and limited beneficiary participation in subproject planning and implementation have weakened the relevance of investments to poverty reduction, ownership, and understanding of stakeholders on their maintenance responsibilities. Key lessons learned from the RISP emphasize the significance of (i) an integrated investment approach to address the development needs of poor communities more effectively; (ii) more active beneficiary participation in identification, planning, designing, implementing, and operation and maintenance (O&M) of subprojects; (iii) identification of technical, institutional, and financial O&M arrangements for each type and scale of infrastructure to ensure its sustainable use; and (iv) establishment of a management framework that will systematically evaluate and monitor environmental and involuntary resettlement impacts in order to fully comply with ADB's safeguard policies.

5. To make infrastructure investments more relevant to the priority development needs of poor beneficiaries, particularly women and ethnic minority groups, a more integrated and participatory approach in identifying rural infrastructure investments should be employed during the medium-term regional socioeconomic development strategy formulation. Rural infrastructure development planning should begin with (i) identification of target poor areas, (ii) analysis of these areas' development needs, and (iii) gender and ethnicity dimensions of poverty. More efforts to support active participation of beneficiaries in selecting and planning subprojects should be made, particularly for small-scale community infrastructure development. In this respect, practical and cost-effective modalities to facilitate active beneficiary participation in identifying, planning, designing, and implementing rural infrastructure investments need to be developed. Such participatory rural infrastructure development processes should also be incorporated in the current planning system at the district and province levels. The forms of community participation should be differentiated depending on the nature of decision-making styles required for various scales and types of infrastructure. Planning of investments should also consider all relevant future investments planned in the target areas, and strategically integrate infrastructure investments with other investments to maximize synergy effects and adequately address the identified priority needs of the poor. The type, location, and scale of infrastructure should also be planned with consideration of the interdependence of various types of infrastructure.⁹

⁷ ADB and the Government signed the agreement on 25 February 2002.

⁸ Including projects funded by Danish International Development Assistance (Danida), Japan International Cooperation Agency (JICA), United Nations Children's Fund (UNICEF), and the World Bank.

⁹ For instance, there may be a choice between providing road access to an existing school or building more schools.

6. To secure the sustainable use of rural infrastructure, appropriate and workable O&M mechanisms need to be developed for each type and scale of infrastructure depending on its nature, affordability to beneficiaries, and work requirements as a key part of investment planning process.¹⁰ All subprojects need to be designed in accordance with the expected demand of project beneficiaries, their ability and willingness to pay and technical capacity. Effective O&M requires not only adequate funding, but also the capacity to carry out the work.

7. A preliminary policy analysis and institutional assessment found a sound framework for rural infrastructure development in place. The policy framework stipulated in the Comprehensive Poverty Reduction and Growth Strategy and the 10-year Socioeconomic Development Plan support rural infrastructure development as a means to improve the well-being of the poor and to correct growing regional disparities.¹¹ The experience of RISP has demonstrated adequate implementation capacity of provincial governments to appraise and implement subprojects. Further analysis is required to evaluate the sector development plan of the Ministry of Agriculture and Rural Development (MARD), institutional capacity to implement the sector development plan, possible need for policy and regulatory improvement, coordination mechanisms among the departments of Agriculture and Rural Development (DARD) and other provincial government agencies, available human and fiscal resources at the provincial and district levels, and management structures to undertake O&M required for each type and scale of rural infrastructure.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

8. The TA will help the Government prepare a detailed rural infrastructure sector investment proposal, including a prefeasibility study for the whole project and detailed feasibility studies for three or four sample subprojects, in order to contribute to the country's equitable economic growth and reduction of rural poverty through improving basic rural infrastructure within the six project provinces.¹² A draft project framework is attached in Appendix 2.

B. Methodology and Key Activities

9. The TA will first review the Government's sector plans at the national and provincial levels; assess past rural infrastructure investments and their lessons learned, the supporting policy and regulatory environment, and key elements of sector expenditures; and analyze how these factors are reflected in the commitments and capacity of the national and local government agencies to finance and implement rural infrastructure programs. The sector assessment will include institutional assessment, such as analysis of fund and information flows, governance system, technical and administrative capacity, and incentives and performance of existing institutions at the various levels. Based on the sector assessment, social state of beneficiaries, and other relevant investments planned in the project provinces,

¹⁰ For many subprojects financed by the RISP, linkage between the construction phase and O&M phase remains weak, and often O&M arrangements are left to the relevant management agencies to work out after the completion of civil works.

¹¹ The 10-year Socioeconomic Development Plan specifies several targets for the provision of rural infrastructure for the poor, including 100% of poor communities having access to essential infrastructure, 85% of the rural population having access to clean water supply, and 75% of rural households meeting sanitation standards by 2010.

¹² The project provinces are Ha Tinh, Nghe An, Quang Binh, Quang Nam, Quang Tri, and Thanh Hoa. Participation of up to four additional provinces will be considered only if substantial additional financing becomes available.

the TA will prepare practical subproject selection criteria and a medium-term rural infrastructure development plan for each participating province, which will strategically integrate the proposed infrastructure investments with other planned economic and social development investments to maximize synergy effects and ensure the delivery of tangible development benefits to the target poor areas.

10. The TA will mainly prepare: (i) a review report on lessons learned in the rural infrastructure sector development; (ii) assessment of institutional framework, administrative and financial management capacity, efficiency of the current decentralized implementation model, and an institutional capacity-building program required for local government agencies to identify, plan, design, implement, and sustain subprojects more effectively; (iii) a list of ongoing and planned infrastructure investments for the next 10 years in each project province and a geographic information system map to indicate their locations; (iv) a medium-term rural infrastructure investment plan that indicates target poor areas and optimal clusters of rural infrastructure development activities in each project province; (v) analysis of the social profiles, needs, and absorptive capacity of potential project beneficiaries, including an indigenous peoples' development plan, an indigenous peoples' development framework, and a gender plan; (vi) a prefeasibility study for the whole project and detailed feasibility studies of three or four sample subprojects that satisfy the standard requirements of both the Government and ADB; (vii) a resettlement framework, resettlement plans, initial environment examinations for sample subprojects, and an environmental management plan; and (viii) a sector development project proposal.

C. Cost and Financing

11. The total cost of the TA is estimated at \$1 million equivalent, comprising \$508,000 in foreign exchange costs and \$492,000 equivalent in local currency costs. ADB will provide \$800,000 equivalent to finance the entire foreign exchange costs and part of the local currency costs, amounting to \$292,000 equivalent. The TA will be financed on a grant basis by the Japan Special Fund, funded by the Government of Japan. The balance of the local currency costs, amounting to \$200,000 equivalent, will be met by the Government to cover office accommodations, executing agency (EA) and provincial counterpart staff support, facilities for seminars and meetings, translation, maps, relevant data collection, part of local transport costs, and other administrative expenses. Relevant local government agencies will provide adequate counterpart funds for preparation of selected sample subproject feasibility studies. A government representative will be invited as an observer for TA contract negotiations. Detailed cost estimates are in Appendix 3. The Government has been advised that approval of the TA does not commit ADB to financing any ensuing loan project.

D. Implementation Arrangements

12. The EA for the TA will be MARD, which will assume overall responsibility for TA implementation, and establish a project preparation unit (PPU) headed by a director-level official to ensure smooth implementation of the TA. The PPU will report to a project coordination group (PCG) and ADB on implementation progress, and include a rural infrastructure engineer, social development specialist, resettlement specialist, and environment specialist. The PCG will be headed by the vice minister of MARD and will comprise representatives from MARD,¹³ Ministry of Transport, Ministry of Finance, Ministry of Planning and Investment, State Bank of Viet Nam,

¹³ At least one representative of the Center for Rural Water Supply and Environmental Sanitation needs to be included.

and participating provincial governments. The PCG will be responsible for (i) overall policy direction and guidance, (ii) coordination within the Government, (iii) resolution of outstanding TA implementation issues, and (iv) provision of comments on major consultant outputs. The PPU will work with consultants on a daily basis, and the PCG meeting will be held 2 weeks after the submission of consultants' main reports. Respective DARDs of the project provinces will establish a provincial project preparation unit (PPPU) to serve as the TA counterpart at the province level. DARD will assign staff to the PPPU with expertise in regional development planning, irrigation engineering, road engineering, rural water supply, resettlement, community participation, and environment as counterparts. The PPPUs will provide office accommodations, supplies, transport (part-time), translation services, and other logistics and administrative support as required.

13. The TA will be implemented in 11 months, commencing in February 2005 with completion expected in December 2005. The TA will require a total of 62.5 person-months of consulting services including 20.5 person-months of international and 42 person-months of domestic consultancy. The outline terms of reference are in Appendix 4. The rural infrastructure development planner will lead the entire team of TA consultants. The rural infrastructure engineer and resettlement specialists will be recruited individually, and the rest of the consultant team will be selected and engaged through a firm in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for engaging domestic consultants. In preparing feasibility studies for potential rural water supply and sanitation activities to be financed by an ensuing project, the consultant team will closely cooperate with the Royal Danish Embassy in Hanoi. Community-based organizations, including nongovernment organizations, may be engaged for some portion of the consultants' assignment. The quality- and cost-based selection method will be used for consulting firm selection, and shortlisted consulting firms will submit simplified technical proposals. The consultants will purchase the necessary office equipment in accordance with ADB's *Guidelines for Procurement*. Equipment procured under the TA will be handed over to the Government at TA completion.

14. The medium-term rural infrastructure development plans will be developed based on consultative discussions with all relevant stakeholder groups including various beneficiary groups and commune and district government officers. National stakeholder workshops will be organized on at least three occasions: the first at inception, and the next two to discuss the draft interim report and the draft final report prepared under the TA. The consultants will prepare (i) an inception report including a detailed work program, to be submitted within 1 month of 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 and 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.

IV. THE PRESIDENT'S DECISION

15. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$800,000 on a grant basis to the Government of Viet Nam for preparing the Rural Infrastructure for Sustainable Livelihood Improvement in Central Region Project, and hereby reports this action to the Board.

SUMMARY INITIAL POVERTY AND SOCIAL ANALYSIS

A. Linkages to the Country Poverty Analysis

Sector identified as a national priority in country poverty analysis? Yes	Sector identified as a national priority in country poverty partnership agreement? Yes
<p>The proposed Rural Infrastructure for Sustainable Livelihood Improvement in Central Region Project supports the national priority to improve rural infrastructure for the poor. The Comprehensive Poverty Reduction and Growth Strategy (CPRGS) and the 10-year Socioeconomic Development Plan (SEDP) emphasize rural infrastructure development as a means to improving the well-being of the poor, particularly those living in remote areas. The CPRGS prioritizes spending on infrastructure, and in particular rural infrastructure to narrow the development gap and improve the living standards of the poor, in particular those of the ethnic minority. It also underscores that provision of rural infrastructure should be needs-based.</p> <p>The SEDP includes several targets related to the provision of rural infrastructure for the poor. These targets include 100% of the poor communes having access to essential infrastructure, 85% of the rural population having access to clean water supply, and 75% of rural households meeting sanitation standards by 2010. The SEDP highlights the need to pay attention to the provision of clean water supply, particularly for those far away from roads. The targets related to clean water supply and sanitation are part of the National Strategy for Rural Clean Water Supply and Sanitation. One of Viet Nam's Millennium Development Goals also includes the target of ensuring that 85% of rural people have access to clean water supply by 2010.</p> <p>The Project is consistent with the poverty partnership agreement (PPA) between the Government of Viet Nam and the Asian Development Bank (ADB), signed on 14 March 2002. The PPA highlights the Central region as a focus area for development assistance and promotes integrated development supported by complementary investment, including development of rural infrastructure.</p> <p>Investment in rural infrastructure will help reduce the increasing gap between urban and rural areas and also mitigate growing regional disparities. Since the majority of the poor live in rural and remote areas, investment in rural infrastructure will improve their well-being and livelihoods. Better road access would enable more active participation of the poor in local market economies and would make possible their visits to health centers and school attendance for children. Clean water supply and sanitation, combined with appropriate public education on hygiene issues, would be important in reducing waterborne diseases and other illnesses caused by contaminated water among humans and also among livestock. Irrigation is important to increasing the productivity of land, while markets promote trade, encourage diversification of income source, and enable information exchange. Thus, rural infrastructure is an important means for supporting economic activities and addressing key issues related to poverty in rural areas.</p>	

B. Poverty Analysis

Proposed Classification: Economic growth

What type of poverty analysis is needed?

The ensuing project will be implemented in the six provinces of Thanh Hoa, Nghe An, Quang Binh, Ha Tinh, Quang Tri, and Quang Nam. The targeted provinces are mainly in the North Central region that comprises 13% of the total population, and accounts for approximately 20% of the poor.¹⁴ The region has seen a steady increase in its contribution to overall poverty in Viet Nam. While poverty in Viet Nam has declined from 58.1% in 1993 to 28.9% in 2002, regional disparity has increased, the rural-urban

¹⁴ The General Statistics Office. 2002. *Vietnam Household Living Standards Survey*. Hanoi.

income gap has widened,¹⁵ and poverty among ethnic minority groups is not declining as quickly as in the rest of the population.

To ensure maximum social and economic benefits of the Project, a poverty and social analysis should be undertaken to identify the target beneficiaries and subgroups in each province. To determine the target beneficiaries it would be important to review the provincial masterplan, the existing infrastructure, and investments already identified. A mapping exercise for each province will help to identify the distribution of population, concentration of poverty, areas where different ethnic groups live, existing rural infrastructure, and investments in rural infrastructure in the pipeline. This exercise will be useful in identifying the potential target beneficiaries.

The varying needs, priorities, and attitudes toward the different types and scales of infrastructure projects, including willingness and ability to contribute to the construction and to pay for services, should be assessed for different groups (socioeconomic, gender, and ethnic) of the population. In the process, any population groups that may be affected by the Project or are disadvantaged should be identified and appropriate mitigation measures should be prepared.

There are a number of rural infrastructure projects targeted at improving the well-being of the poor, particularly those living in remote areas and ethnic minority groups. They include projects supported by the Government (Program 135 and the Concretization Program) and by others such as International Fund for Agricultural Development (IFAD) (Rural Income Diversification Project and Ha Giang Development Project for Ethnic Minorities), and the World Bank (Community-based Rural Infrastructure Project). Many projects are being implemented in the Central region. Given the number of existing rural infrastructure and development projects, attention should be paid to determining whether or not the rural infrastructure needs of groups who are not very poor but also not well-off are being addressed. While the very poor may receive rural infrastructure support on a grant basis, those slightly better-off are more likely to be requested contributions to build the required infrastructure. Given their limited savings/income, these groups may have to borrow to meet the contribution requirements. However, they may not be willing or have the capacity to borrow, given that they live on the margins of poverty. The experience of existing initiatives should also be reviewed particularly on targeting of beneficiaries and community participation. The lessons learned should be incorporated in the project design to ensure that implementation will be participatory and equitable.

To this end, during project preparation, the following main tasks should be undertaken: (i) identify the beneficiaries and subgroups in each province that are expected to benefit from the Project, reviewing the provincial masterplan, existing rural infrastructure and planned investments, determining their needs, demands, priorities, and willingness and capacity to provide in-kind contribution and pay for services, by socioeconomic status, gender, and ethnicity, through surveys/participatory rapid appraisals; (ii) determine whether or not any groups of people will be affected or disadvantaged by the Project and prepare appropriate mitigation measures; (iii) propose an approach to balance the differing needs for various types/scales of rural infrastructure given variations in socioeconomic status, gender, and ethnicity, to maximize the social and economic benefits of the Project; and (iv) review and develop the approach for integrating participation into the Project, taking into account the different types of rural infrastructure.

C . Participation Process

Stakeholder Analysis

Yes

A stakeholder analysis should be undertaken during project preparation to determine the key stakeholders and their roles, interests, and priorities. Stakeholders would include the national, provincial, and district level government officers; commune and village or hamlet chiefs; and the

¹⁵ The Vietnam Consultative Group Meeting. 2004. *Vietnam Development Report*. Hanoi.

community members. It would be important to assess the capacity of different stakeholders, in particular at the commune and village levels to equitably participate in the process of selection, design, implementation, and operation and maintenance (O&M). The appropriate roles and responsibilities at the provincial, district, commune, and village levels in the O&M of different types of rural infrastructure subprojects need to be determined. It is also important to assess the affordability for community members to participate in identification, planning, design, and implementation in terms of labor and material contribution to construction works and monetary contribution to services and O&M for different types/scales of rural infrastructure. Specific attention is required to assess the needs and priorities of women and ethnic minority groups, and to identify any capacity-building and training needs to complement investments in rural infrastructure under the ensuing Project.

Participation Strategy

Different types/scales of rural infrastructure will require varying levels of community participation and contribution to the project identification, design, implementation, monitoring, operation and maintenance. In Viet Nam, participatory development appears to focus mainly on consultations at the village level, which provides the basis for developing the socioeconomic development plan at the provincial level, and for implementing government projects targeted at reducing poverty.

Review of existing projects in Viet Nam focused on community-based, participatory rural infrastructure development indicates that more active community participation is required to encourage real ownership. Active community participation is especially important for small-scale infrastructure that has direct impact on community well-being and livelihood. It builds ownership and supports the sustainable use and maintenance of the infrastructure in the longer-term. So far, the respective projects appear to have different levels of community engagement. Thus, during project preparation, the experience of other community-based rural infrastructure projects should be reviewed. Based on the results, the most realistic and practical approaches for community participation should be adopted for the Project, carefully considering women's and ethnic minorities' roles, priorities, and needs in the decision-making process. These approaches should also take into account the different types/scales of rural infrastructure and the specific requirements to encourage the participation of women and ethnic minorities.

In developing an appropriate approach for effective community participation for the Project, consider existing organizational structures/mechanisms that may act as effective conduits for community participation and communication methods. Capacity building required to facilitate participation should also be identified.

D. Gender Development

Strategy to Maximize Impacts on Women

Development of rural infrastructure may dramatically improve the livelihood of women. For example, in Viet Nam as in many other Asian countries, women and children are the ones to collect water for the household and for livestock. Thus, provision of clean water supply will enable women to allocate time required to fetch water for other productive purposes. Inequality within the household, particularly burdensome workload of women, opportunities, and time and access to information and opportunities, and legal and other sociocultural barriers that may hinder women's participation in decision-making discussions will be analyzed. Many women are also traders and they are the ones to bring fresh produce and other products to the markets. As such, safe road access and clean markets are important.

It may be the case that the priorities of women differ slightly from men with regard to rural infrastructure given their different household responsibilities. Thus, it is important to involve women and seek their inputs. Women should be actively consulted and engaged in the subproject identification, design, implementation, monitoring, and O&M of small-scale infrastructure. While women in Viet Nam appear to

have an active voice through the Women's Union, it is important to include measures to reach and communicate with women to promote their participation. Based on the analysis of the gender dimension of poverty and focused consultative field discussions, a gender plan will be developed. The plan will reflect the needs and priorities of women, particularly among ethnic minority groups, and may entail capacity building and training. Care should be taken to ensure that women are not affected or disadvantaged by the Project.

E. Social Safeguards and Other Social Risks

Subject	Significant/ Not Significant None	Strategy to Address Issues	Plan Required
Resettlement	May be significant	Some subprojects may involve significant construction, which affects the local communities. Thus, resettlement plans should be prepared as required for core subprojects and a framework should be prepared in accordance with ADB's resettlement policy.	To be determined
Affordability	Significant	A survey/participatory rapid appraisal should be undertaken to measure and determine ability and willingness of different income groups to pay for services and operation and maintenance for each rural infrastructure type. It should be undertaken in accordance with ADB's <i>Handbook on Poverty and Social Analysis</i> and <i>Handbook for Incorporation of Social Dimensions in Projects</i> . A mitigation plan may be required to address affordability issues.	To be determined
Labor	May be significant	There is an expectation for in-kind community contribution, which normally is in the form of labor. The issues related to combining local contractors and community labor should be considered. There is also a need to ensure that there are not too many projects ongoing at commune and village levels at the same time where in-kind contribution is required since community members may be overburdened. Labor seasonality should also be considered to ensure that labor contribution is not being requested during, for example, the planting and harvesting seasons.	No
Indigenous Peoples	May be significant	Category B. Further investigation is required to determine how ethnic minority groups may be affected or	To be determined

		<p>disadvantaged. While many of the ethnic minorities live in isolated areas in the six targeted provinces, it is also evident that in some communes, ethnic minorities are active members of their community and their representatives are commune chiefs or district heads. An ethnic minority development plan may be required. Additionally, a framework may be required for the Project. It may be possible to address the issues and constraints of participation by the ethnic minorities through the detailed approach for community participation in the Project.</p>	
<p>Other Risks and/or Vulnerabilities</p>		<p>The project design should ensure that the project activities reach the targeted beneficiaries. For core subprojects related to road access, risks related to increased mobility of people and possible rise in the exploitation of local and natural resources will be reviewed.</p>	<p>No</p>

CPRGS = Comprehensive Poverty Reduction and Growth Strategy; O&M = operation and maintenance; PPA = poverty partnership agreement; SEDP = Socioeconomic Development Plan.

PRELIMINARY PROJECT FRAMEWORK

Design Summary	Performance Indicators and Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Goal Equitable economic growth and reduction of rural poverty within the six project provinces through improving basic rural infrastructure</p>	<ul style="list-style-type: none"> • Average growth in annual real per capita expenditure - increased from 7.4 % (1993–1998) • Absolute poverty head counts - reduced from 48% (1998) • Regional disparity reduced 	<ul style="list-style-type: none"> • Annual survey of MOLISA • Biennial survey of GSO • Project baseline survey • Project completion report 	
<p>Purpose Provide essential rural infrastructure to improve the livelihoods of rural population and to increase economic opportunities in the target poor areas</p>	<ul style="list-style-type: none"> • Social indicators in the target areas improved • Agricultural production in the target areas increased • Distribution of goods and services improved in the target areas 	<ul style="list-style-type: none"> • Household living standards survey • Project baseline survey • PPMS reports 	<p>Assumptions:</p> <ul style="list-style-type: none"> • Target poor population that needs assistance most is identified, and their priority needs adequately studied • The Government's commitment to address the critical development needs of the rural poor
<p>Outputs</p> <ol style="list-style-type: none"> 1. Physical access of the target poor areas improved 2. Health status of rural population improved 3. Productive economic activities increased 	<ul style="list-style-type: none"> • Number of poor communities with no access reduced • Access to nearest health care facilities and schools improved • Access to clean water of the rural population increased to 85% by 2010 • The rural households meeting sanitation standard increase to 70% by 2010 • Cropping area expanded • Per capita generated alternative income earning increased • Increased employment opportunities 	<ul style="list-style-type: none"> • Project baseline survey • PPMS reports • MARD agricultural statistics • Project completion report 	<p>Assumptions:</p> <ul style="list-style-type: none"> • Rural infrastructure investments are effectively integrated with other social and agricultural development investments • All key development needs of the target poor areas are adequately addressed by the Project and other investments <p>Risks:</p> <ul style="list-style-type: none"> • Inadequate annual rainfall and extreme flood or drought • Unsustainable and ineffective use of rural infrastructure

GSO = General Statistical Office; MARD = Ministry of Agriculture and Rural Development; MOLISA = Ministry of Labor, Invalids and Social Affairs; PPMS = project performance monitoring system.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
A. Asian Development Bank Financing^a			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	431.0	0.0	431.0
ii. Domestic Consultants	0.0	126.0	126.0
b. International and Local Travel	30.0	20.0	50.0
c. Reports and Communications	0.0	10.0	10.0
2. Equipment ^b	10.0	0.0	10.0
3. Vehicle Rental	0.0	30.0	30.0
4. Training, Seminars, and Conferences	0.0	20.0	20.0
4. Field Surveys ^c	0.0	36.0	36.0
5. Miscellaneous Administration and Support Costs ^d	0.0	10.0	10.0
6. Technical Feasibility Study Assistance ^e	0.0	20.0	20.0
7. Representative for Contract Negotiations	5.0	0.0	5.0
8. Contingencies	32.0	20.0	52.0
Subtotal (A)	508.0	292.0	800.0
B. Government Financing			
1. Office Accommodation and Transport	0.0	90.0	90.0
2. Remuneration and Per Diem of Counterpart Staff	0.0	85.0	85.0
3. Others ^f	0.0	25.0	25.0
Subtotal (B)	0.0	200.0	200.0
Total	508.0	492.0	1,000.0

^a Financed by the Japan Special Fund, funded by the Government of Japan.

^b The equipment to be purchased includes computers, printers, and fax machines for use by consultants and to be turned over to project preparation units/provincial project preparation units upon completion of the technical assistance.

^c Field surveys associated with participatory rural appraisals for social analysis, including subcontracts to local nongovernment organizations and institutions, resettlement field consultations, and mapping expenses.

^d Including secretarial support, translation, administrative backstopping, and supplies.

^e The information required for the preparation of feasibility studies will be collected by local engineering firms, and the required funds for the information collection that exceeds the allocation will be financed by relevant provincial government agencies.

^f Technical feasibility studies, information and data collection, translation, and other administrative support.

Sources: Ministry of Agriculture and Rural Development; Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. Terms of Reference for the Consultants to be Recruited through a Firm

1. A total of 54.5 person-months of consulting services will be engaged through an international firm in association with local firms. The consulting team will be led by the international rural infrastructure development planner (team leader), who will supervise all the technical assistance (TA) consultants, including individual consultants (8 person-months) and the consultants to be hired by the Royal Danish Embassy in Hanoi (Danish International Development Assistance, or Danida), and be responsible for the delivery of their outputs with the domestic regional development planner (deputy team leader). The team leader will lead the consultant team in (i) conducting the sector analysis and identifying relevant constraints and investment opportunities to address the identified issues, and (ii) formulating a rural infrastructure sector project. Prior to fielding the main group of consultants, the team leader and the deputy team leader will (i) assess the lessons from similar rural infrastructure development interventions in Viet Nam and other countries; (ii) prepare a detailed work plan; and (iii) collect required secondary information and prepare sector assessment framework.

1. Rural Infrastructure Development Planning Aspect (7 person-months international, 7 person-months domestic)

2. This aspect includes the following activities:

- (i) Analyze (a) the Government's rural development and poverty reduction strategies and plans at the national and provincial levels, (b) performances of past sector investments, (c) supporting policy and regulatory environment, (d) sector expenditures, and (e) institutional capacity; and assess how those factors influence the commitment and capacity of relevant government agencies to finance and implement rural infrastructure development programs;
- (ii) Review lessons learned from the ongoing and past interventions for irrigation, rural roads, market infrastructure, and rural water supply and sanitation (RWSS) development; and prepare a report on key relevant lessons learned and best practices in the country by the inception workshop;
- (iii) Lead the consulting team in analyzing the demography, development opportunities, poverty, ethnic minority and gender issues, technical feasibility, financial and administrative management capacity, and institutional framework of project provinces, and identify geographic target poor areas for the ensuing project in each project province;
- (iv) Review planned investments in relevant rural infrastructure and rural development interventions in project provinces over the next 10 years, identify their potential linkages with the ensuing project (the Project), and formulate proposals on how to create synergy among those projects utilizing geographic information system mapping;
- (v) Formulate (a) midterm provincial rural infrastructure development plans that recommend potential subprojects and (b) the criteria for subproject selection based on the recommendations of team experts and the findings of core subprojects analysis;
- (vi) Prepare a simple but efficient monitoring and evaluation system to capture the progress of rural infrastructure subproject implementation at the various levels, and conduct baseline assessment together with other consultants; and
- (vii) Prepare project reports, including the prefeasibility study for loan project and three or four feasibility studies for sample subprojects, and ensure the consistency with both the Government's and ADB's document requirements.

2. Institutional and Human Development Aspect (1 person-month international, 5 person-months domestic)

3. This aspect includes the following activities:

- (i) Assess the institutional framework relevant to road, irrigation, rural market, and RWSS development, including the flow of fund and information, governance system, technical and administrative capacity, incentives and performance of various agencies, and the levels of community participation and ownership;
- (ii) Review the administrative and tendering procedures of the Rural Infrastructure Sector Project (RISP) and other relevant programs, and other Government policies and regulations, and propose procedures to simplify the project administration;
- (iii) Assess human and financial resources available in the relevant local government agencies, identify the gap between the existing functions and proposed responsibilities, and prepare an institutional and human resources development plan, including training needs assessment, to fill in the identified gap;
- (iv) Review various existing planning and beneficiary participation models in planning and implementing rural infrastructure, and propose suitable identification, appraisal, and implementation models. Design short training courses on the use of participatory methods together with social development specialists; and
- (v) Propose implementation arrangements for the Project including an overall framework for private sector participation and institutional arrangements that enhance beneficiaries' participation, and prepare regular cost norms.

3. Rural Infrastructure Engineering Aspect (9 person-months domestic)

4. This aspect includes the following activities:

- (i) Under the guidance of an international rural infrastructure engineer, assist in collecting and reviewing the required primary and secondary technical data, designing the engineering and civil works of the Project, and preparing the feasibility studies of the core subprojects;
- (ii) Develop geographic information system maps indicating the current and planned transport network, irrigation schemes, RWSS schemes, and rural markets for each project province;
- (iii) Review technical norms, design and construction standards, procedures, and quality standards and control procedures followed in the project provinces for the various types of rural infrastructure to be considered under the Project, and recommend suitable technical specifications for the Project and measures to achieve better quality together with transparency of financial and technical management;
- (iv) Review costs currently incurred in the implementation of relevant rural infrastructure to determine the detailed financing requirements of the civil works of the Project, and provide advice and inputs into the economic and financial analysis of the Project;
- (v) Develop cost estimates and cost recovery level for the operation and maintenance (O&M) of the different types of rural infrastructure to be considered under the Project, and recommend acceptable arrangements for the assets transfer and O&M;
- (vi) Assist in selecting the priority target areas and sample subprojects;
- (vii) Develop detailed implementation arrangements and procedures for the subproject cycle (identification, preparation, proposal, appraisal, implementation, O&M);

- (viii) Assess the impact of the rural infrastructure subprojects envisaged under the Project on the targeted beneficiary communities, and recommend the appropriate physical indicators that need to be incorporated in the project benefit monitoring and evaluation; and
- (ix) Under the guidance and monitoring of the international Rural Infrastructure Engineer, take primary responsibility for supervising and monitoring the technical feasibility studies and preparing feasibility studies for three or four sample subprojects.

4. Social Development and Community Participation Aspect (3.5 person-months international, 8 person-months domestic)

5. This aspect includes the following activities:

- (i) Undertake social analysis and identify the beneficiaries and subgroups in each province that will gain from the Project, based on available data and through the mapping exercise of the population (identify areas where the poor and ethnic minority groups live);
- (ii) Undertake sample surveys (participatory rural appraisals) required of representative beneficiaries/subgroups identified for the Project. Given different income levels, gender, ethnicity, remoteness, assess their attitudes toward different types of rural infrastructure, contribution to their construction, and affordability and willingness to pay with regard to fee payment/contribution for the services and O&M costs;
- (iii) Identify priority needs for rural infrastructure, and propose realistic options to balance the differing needs given variations in socioeconomic status, gender, and ethnicity;
- (iv) Assess and evaluate the potential of the Project to significantly and adversely affect local community members, including women, ethnic minorities, and other vulnerable groups, and propose their mitigation measures. Consider issues related to land titling, in-migration, rights of communities, and other factors;
- (v) Undertake social analysis per ADB guidelines including the *Handbook on Poverty and Social Analysis*, *Handbook on Resettlement*, *Handbook for Incorporation of Social Dimensions in Projects*, and ADB policies on gender, resettlement, and indigenous peoples;
- (vi) Together with institutional and human resource development specialists, review the existing experience in applying community participation approaches to different scales and types of rural infrastructure projects, and propose practical and feasible options for integrating participatory methods for different types of rural infrastructure to ensure ownership; include any special consideration required to ensure the participation of women and ethnic minorities;
- (vii) Identify capacity building/training needs to facilitate participation of and effective communication with local communities together with the institutional and human development specialists; and
- (viii) Prepare an ethnic minority development plan, ethnic minority development framework, and a gender plan.

5. Economic and Financial Aspect (2.5 person-months international, 7 person-months domestic)

6. This aspect includes the following activities:

- (i) Review the relevant sector policies, regulations, and performance;

- (ii) Evaluate the current status of fiscal management, counterpart fund availability, and mechanisms to finance O&M costs of infrastructure for relevant provincial and district governments;
- (iii) Prepare a detailed financial and economic analysis, including risk analysis and least-cost analysis, for each sample subproject, and the Project as a whole in accordance with ADB's *Guidelines for the Economic Analysis of Projects* and the *Guidelines for the Financial Governance and Management of Investment Projects Funded by the ADB*;
- (iv) Prepare a poverty impact assessment for sample subprojects with the with- and without-project situations, including a distributional analysis of the impacts;
- (v) Prepare project cost estimates and financing plans using COSTAB software;
- (vi) Assess the financial management capacity of institutions that are relevant to project implementation, and evaluate the financial affordability and sustainability of proposed project activities;
- (vii) Analyze the financial state of relevant maintenance companies (i.e., water supply companies, irrigation maintenance companies, rural water supply centers, etc.), and the levels of subsidy transfer from the provincial and district government;
- (viii) In consultation with rural infrastructure engineers, estimate O&M costs over the product life for each type and scale of rural infrastructure, and propose financing plan to cover the required expenditures for relevant entities (including adequate level of user fee);
- (ix) Review the existing financing mechanisms for RWSS, and propose a finance mechanism to be used for the Project; and
- (x) Assess training needs for conducting financial and economic analysis for subprojects.

6. Environmental Aspect (1.5 person-months international, 3 person-months domestic)

7. This aspect includes the following activities:

- (ii) Review the relevant environmental protection law and regulations to identify the roles and responsibilities of stakeholders in mitigating potential environmental impacts of the project activities;
- (iii) Assess the human resource and institutional capacity of the Ministry of Agriculture and Rural Development (MARD) and provincial government agencies to carry out an initial environmental examination (IEE) and monitor environmental impacts and identify capacity building needs;
- (iv) Assess the potential environmental impacts of an ensuing project and identify mitigation measures of expected adverse impacts; and
- (v) In accordance with the ADB's environmental guidelines (<http://adb.org/environment/>) prepare IEEs for sample subprojects, a summary IEE to describe the environmental impacts of the project as a whole and mitigation measures, and an environmental management plan to ensure that IEEs be prepared for each subproject, mitigation measures are implemented, and relevant government agencies will adequately monitor the project environmental impacts.

B. Terms of Reference for Individual Consultants

1. Rural Infrastructure Engineer (4 person-months, international)

8. The engineer will perform the following tasks:

- (i) Prepare the detailed work plans of the domestic rural infrastructure engineers and supervise them to ensure the adequate quality of their outputs;

- (ii) Examine the type, size, technical specifications/parameters, cost efficiency, and the degree of community participation of the subprojects implemented under the RISP, and recommend specifications of subprojects to be considered under the Project;
- (iii) Assess the technical procedures and existing technical guidelines currently used in the target provinces for the identification, planning, designing, construction and maintenance of various types of rural infrastructure to be considered under the Project;
- (iv) Assist MARD in developing the terms of reference for local consulting firms for preparation of subproject feasibility studies and a standard format of the feasibility studies, which will comply with the Government's and ADB's requirements, and conduct training workshops for local consulting firms on preparation of adequate feasibility studies;
- (v) Review and assess the general technical capacity and the resources of the concerned line agencies at the provincial/district/commune levels and of the beneficiary communities for the implementation of the types of subproject to be considered under the Project over and above those planned under ongoing and proposed projects. Determine the degree of support likely to be needed at provincial/district/commune/ beneficiary levels for carrying out the entire subproject cycle;
- (vi) Together with other specialists, review current beneficiaries' contribution arrangements under ongoing rural infrastructure development projects, and propose appropriate mechanisms and procedures commensurate with the actual capacity and affordability to assess asset transfer and O&M arrangements for the various types of rural infrastructure envisaged under the Project, review the institutional setting and technical and financial capacity of the project stakeholders responsible for O&M of the transferred assets and recommend measures to ensure the sustainable use of rural infrastructure;
- (vii) Based on the above reviews, develop detailed and rigorous technical parameters/specifications and criteria for screening, prioritization and appraisal of each of the types of rural infrastructure subproject to be financed under the proposed Project; and
- (viii) Take primary responsibility for the technical/engineering aspects in the preparation of the project prefeasibility study.

2. Resettlement Specialist (1 person-month international, 3 person-months domestic)

8. The specialist will perform the following tasks:

- (i) In close coordination with social development specialists, assess land issues, titles, and the potential impact of in-migration upon the land use rights of the communities along the roads, and identify means of protecting the land-use rights of the communities along or within the subproject areas;
- (ii) Prepare profiles of the project-affected communities in the project areas in terms of household sizes, demographic trends, income sources and levels, occupations, socioeconomic conditions, social service infrastructure, and social organizations, including gender and local ethnic minority profiles; and
- (iii) Prepare resettlement plans for sample subprojects and the resettlement framework for the ensuing project by involving full stakeholder participation and indicating specific actions for indigenous people affected by involuntary resettlement in accordance with ADB's policy on involuntary resettlement and *Handbook for Resettlement*, and the requirements of Viet Nam.

INDICATIVE IMPLEMENTATION SCHEDULE

Activities	Month											
1. Financial management institutional capacity analysis, and fiscal analysis												
2. Financing mechanism analysis for O&M of infrastructure and counterpart-fund assessment												
3. Assessment of financing mechanism for RWSS and design of proposed financing scheme												
4. Economic and Financial Analysis for Core Subprojects												
5. Project cost estimates and financing plan												
E. Environment Assessment												
1. Review of environmental law and regulations, and institutional capacity assessment of relevant agencies												
2. IEE and SIEE preparation for core subprojects												
3. Preparation of environmental management plan												
F. Resettlement												
1. Preparation of resettlement plan and framework												
2. Disclosure and the Government's endorsement												
National Workshops				■			■			■		
ADB's Review Missions and Tripartite Meetings				■			■			■		
Reports			Inception			Interim				Draft Final		

ADB = Asian Development Bank; IEE = initial environmental examination; O&M = operation and maintenance; PRA = participatory rural appraisal; RWSS = rural water supply and sanitation; SIEE = summary initial environmental Examination; TOR = terms of reference.