



# Grant Assistance Report

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Project Number: 46074-001  
April 2013

## Proposed Grant Assistance Greater Mekong Subregion: Livelihood Support for Corridor Towns (Financed by the Japan Fund for Poverty Reduction)

Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 8 April 2013)

Currency Unit	-	riel (KR)
KR1.00	=	\$0.00025
\$1.00	=	KR3,995
Currency Unit	-	kip (KN)
KN1.00	=	\$0.00012
\$1.00	=	KN7,750
Currency Unit	-	dong (D)
D1.00	=	\$0.00004
\$1.00	=	D20,905

## ABBREVIATIONS

ADB	–	Asian Development Bank
ASR	–	assessment, strategy, and road map
CPS	–	country partnership strategy
CTDP	–	Corridor Towns Development Project
EWEC	–	East–West Economic Corridor
EWECTDP	–	East–West Economic Corridor Towns Development Project
GIM	–	grant implementation manual
GMS	–	Greater Mekong Subregion
ICS	–	individual consultant selection
IEE	–	initial environment evaluation
JICA	–	Japan International Cooperation Agency
JFPR	–	Japan Fund for Poverty Reduction
MDG	–	Millennium Development Goal
MFI	–	microfinance institution
MMC	–	Market Management Committee
MOU	–	memorandum of understanding
MPWT	–	Ministry of Public Works and Transport
NCB	–	national competitive bidding
NGO	–	nongovernment organization
O&M	–	operation and maintenance
ODOP	–	one district one product
PMU	–	project management unit
PPC	–	Provincial People’s Committee
PPTA	–	project preparatory technical assistance
PIU	–	project implementation unit
SEC	–	Southern Economic Corridor
SECTDP	–	Southern Economic Corridor Towns Development Project
SME	–	small and medium-sized enterprise

## NOTE

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

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**JAPAN FUND FOR POVERTY REDUCTION (JFPR)  
JFPR Grant Proposal**

<b>I. Basic Data</b>	
<b>Name of Proposed Activity</b>	Greater Mekong Subregion: Livelihood Support for Corridor Towns
<b>Country</b>	Cambodia, Lao People's Democratic Republic (Lao PDR) and Viet Nam
<b>Grant Amount Requested</b>	<b>\$ 2,500,000</b>
<b>Project Duration</b>	<b>4 years</b>
<b>Regional Grant</b>	<input checked="" type="radio"/> Yes / <input type="radio"/> No
<b>Grant Type</b>	<input checked="" type="radio"/> Project / <input type="radio"/> Capacity building

**II. Grant Development Objective(s) and Expected Key Performance Indicators**

<p><b>Grant Development Objectives:</b> The project aims to pilot market development as an approach to poverty reduction in the Greater Mekong Subregion (GMS) by providing:</p> <ul style="list-style-type: none"> <li>(i) market facilities for poor informal vendors in Cambodia, Lao PDR, and Viet Nam that will (a) address the lack of security and hygiene; (b) enhance the health conditions of traders and other users; (c) address access to customer flow, which will result in increased income; and (d) promote quality products as a result of created and/or enhanced product value chains;</li> <li>(ii) access to finance through a replicable microfinance model to be facilitated by local microfinance institutions (MFIs), which will help enhance product quality and increase the capacity of the vendors to provide for their needs as a result of increased household incomes; and</li> <li>(iii) capacity building and training in the management of market operations and microfinance operations for sustainable use of market facilities, and awareness campaigns that include outreach and marketing programs.</li> </ul>
<p><b>Expected Key Performance Indicators:</b> The key performance indicators based on the project's design and monitoring framework are as follows:</p> <ul style="list-style-type: none"> <li>(i) government and Millennium Development Goal targets to reduce poverty in the corridor towns achieved, by 2016;</li> <li>(ii) real income increased by 2017, compared with the 2013 baseline;</li> <li>(iii) approximately 600 households in Cambodia, Lao PDR, and Viet Nam are formally engaged in trading and microenterprises, by 2017;</li> <li>(iv) 70% of women benefitting from the project outputs, by 2017; and</li> <li>(v) at the close of the project (2017), (a) three small markets (trade centers) constructed; (b) microfinance loans approved and released to 600 recipients; (iii) up to 600 microfinance customers trained; and (iv) project management mechanisms established and operational in three countries, with feasible project performance and management systems established and work plans implemented.</li> </ul>

**III. Grant Categories of Expenditure, Amounts, and Percentage of Expenditures**

<b>Category</b>	<b>Amount of Grant Allocated in \$</b>	<b>Percentage of Expenditures</b>
1. Civil works	1,050,000	42
2. Microfinance loans	405,000	16
3. Training and awareness campaigns	123,000	5
4. Project management/consultancy services	672,000	27
5. Contingencies	250,000	10
<b>TOTAL</b>	<b>2,500,000</b>	<b>100</b>
Incremental Cost	60,000	

## JAPAN FUND FOR POVERTY REDUCTION

**JFPR Grant Proposal  
Background Information**

<b>A. Other Data</b>	
<b>Date of Submission of Application</b>	2 July 2012 (Batch III-2012)
<b>Date of Approval of the Government of Japan</b>	12 December 2012
<b>Project Officer (Name, Position)</b>	F. Steinberg, Senior Urban Development Specialist
<b>Project Officer's Division, E-mail, Phone</b>	Urban Development and Water Division (SEUW), fsteinberg@adb.org, +63 2 6326913
<b>Other Staff Who Will Need Access to Edit and/or Review the Report</b> (Enter the names of all staff, e.g., team members, who will need access to this application.)	A. Leung, Director, SEUW L. Adams, Social Development Specialist, SEUW A. Garrovillas, Associate Project Officer, SEUW S. Kotagiri, Social Development Specialist (Resettlement), SEUW S. Chand Sandhu, Senior Environment Specialist, SEUW
<b>Sector</b>	Multisector
<b>Subsector(s)</b>	Finance: microfinance; Health and Social Protection: social protection; Industry and Trade: small-scale industry, trade and services, industry and trade sector development; Water Supply and Other Municipal Infrastructure and Services: waste management; Public Sector Management: public expenditure and fiscal management, decentralization
<b>Theme</b>	Economic growth; social development; gender equity; regional cooperation; and capacity development
<b>Subtheme(s)</b>	Widening access to markets and economic opportunities; human development; gender equity in (economic) opportunities; other regional public goods; and organizational development
<b>Targeting Classification</b>	TI-MDG

<b>Name of Associated ADB Financed Operation(s)</b>	Cambodia: GMS Southern Economic Corridor Towns Development Project (SECTDP) <sup>1</sup> Lao PDR: GMS East–West Economic Corridor Towns Development Project (EWECTDP) <sup>2</sup> Viet Nam: GMS Corridor Towns Development Project (CTDP) <sup>3</sup>
<b>Executing Agencies</b>	Cambodia: Ministry of Public Works and Transport Lao PDR: Ministry of Public Works and Transport Viet Nam: People’s Committee of Quang Tri Province
<b>Grant Implementing Agencies</b>	Cambodia: Municipality of Battambang Lao PDR: Local Government of Kaysone Phomvihane Viet Nam: People’s Committee of Dong Ha City

<sup>1</sup> ADB. 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Loan and Grants to the Kingdom of Cambodia for the Greater Mekong Subregion Southern Economic Corridor Towns Development Project*. Manila.

<sup>2</sup> ADB. 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Loan, Grant, and Administration of Grant to the Lao People’s Democratic Republic for the Greater Mekong Subregion East–West Economic Corridor Towns Development Project*. Manila.

<sup>3</sup> ADB. 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Grant to the Socialist Republic of Viet Nam for the Greater Mekong Subregion Corridor Towns Development Project*. Manila.

**B. Details of the Proposed Grant****1. Description of the Components, Monitorable Deliverables and/or Outcomes, and Implementation Timetable**

<b>Component A</b>	
Component Name	Construction of Three Small Markets
Cost (\$)	1,050,000
Component Description	<p>New market trade centers will be established in each of the three project towns: Battambang (Cambodia), Kaysone Phomvihane (Lao PDR), and Dong Ha (Viet Nam). This benefits market vendors currently working as informal traders, targets the self-employed urban poor population in these towns, and supports the sale of locally produced products. Membership in the market vendors association under the market management committee (MMC) is required to use the market stalls; beneficiaries must be (i) engaged in informal market vending activities, and (ii) be members of the market vendors association. The MMC will ensure that the selection process is fair, accepted by the stakeholders, and transparent.</p> <p>The construction of market centers is also expected to provide gender-specific benefits, including: access to formal market facilities, allowing women to vend safely (even with their children); separate toilet facilities for men and women; allocation of reserved spaces and stalls (space quotas) for market stalls;<sup>4</sup> increased incomes (also in relation to microfinance), resulting in increased capacity to help meet family expenditures; and empowerment of women in terms of decision-making on market management matters, as a result of membership in the MMC and the market vendors association. To ensure the environmental sustainability of the facilities during operation, an (IEE) environmental examination will be prepared in parallel with the market facility detailed engineering design. Feasibility studies will also be prepared to determine the most marketable products with respect to available supply, production, and distribution chains.</p> <p>The needs assessment survey conducted at the start of the project will also assess the social needs of target beneficiaries beyond their need for market stalls and credit. Specifically, if the needs assessment survey reveals the need for daycare services and other facilities and social activities to support women's participation in micro-financed market vending, linkages can be set up to enable female beneficiaries with children to use existing local government daycare schemes. The design for the market center will incorporate features to ensure the facility meets the needs of female vendors.<sup>5</sup> In</p>

<sup>4</sup> The respective market management committees (MMCs) may establish a quota for the minimum number of market stalls to be allotted to female vendors.

<sup>5</sup> The design of the market trade centers could include features and social activities such as a resource center equipped with audiovisual equipment and reference materials for women's self help; daycare facilities for infant to preschool-aged children; basic mother and child healthcare services; and washing and storage facilities to support vending activities. These social and gender components were incorporated in the construction of Women's Development Centers in selected towns in Mindanao, Philippines under the JFPR-financed ADB. 2003. *Grant*

	<p>addition to determining the social protection needs of the beneficiaries, the needs assessment survey will also assess how the project's approach could be scaled up in the three countries and in the GMS, and analyze the potential target markets and customers of the products to be produced and sold by the local traders. The results of the assessment will be a profile of and baseline data on the project beneficiaries, which will be used to assess project impacts as indicated in the design and monitoring framework (DMF).</p> <p>Land for the three markets has been committed by the three implementing agencies. Battambang and Kaysone Phomvihane are making available unused open space, while Dong Ha has acquired a site for a new market. All sites allocated by the implementing agencies have no current economic activities, and no resettlement and compensation are required.</p>
Monitorable Deliverables/Outputs	<ul style="list-style-type: none"> <li>(i) Conduct a needs assessment survey that will also serve as the project's baseline profile for project impact monitoring and assessment;</li> <li>(ii) prepare investments for market buildings in the three corridor towns;</li> <li>(iii) prepare tender materials (detailed architectural and engineering design drawings and technical specifications), feasibility studies, and IEEs; and</li> <li>(iv) construct market trade centers in Battambang, Kaysone Phomvihane, and Dong Ha, as per the design brief prepared under component D.</li> </ul>
Implementation of Major Activities: Number of months for grant activities	36 months (From June 2013 to May 2016)

<b>Component B</b>	
Component Name	Microfinance Support for Market Vendors
Cost (\$)	405,000
Component Description	<p>Under this scheme, market vendors will be offered microfinance loans ranging from \$500 to \$1,000 per customer (or may be lower depending on the assessment of credit-worthiness by the MFIs) at attractive rates through a local microfinance provider accessible to the target beneficiaries in the three towns. The microfinance provider in each town will also provide additional services such as training, management assistance, and product counseling. The potential microfinance institutions (MFIs) for the proposed project are as follows: Hattha Kaksekar for Cambodia; Huamchaipathan Savings and Credit Union and the Women Union of Kaysone Phomvihane for the Lao PDR; and the Women Union of Dong Ha City for Viet Nam. These MFIs have reputable track records in previous Japan Fund for</p>



	<p>Poverty Reduction (JFPR) and Asian Development Bank (ADB)-financed microfinance projects for the urban poor and offer attractive interest rates based on prevailing market rates in each town, making loans affordable for target beneficiaries which brought out positive results in each project.<sup>6</sup> Funds allocated for this component are expected to be a revolving facility. As part of the project's exit strategy, the MFIs will be requested to continue the market vendor facility for at least 10 years to ensure sustainability and continuity.</p> <p>In implementing this component, mechanisms and terms and conditions shall be followed, and will be detailed with the assistance of the project management consultants.</p> <p>Start up and operation:</p> <ul style="list-style-type: none"> <li>- establishment of a steering committee composed of the MFI management representative, 2 representatives from the MMC, and the head of the local government office in-charge of market operations;</li> <li>- the steering committee with the support of the project management consultants will prepare a lending operations manual which will be administered by an assigned task manager and support staff from the MFI who will manage the day-to-day activities of the program;</li> <li>- the lending operations manual will contain guidelines for: screening of applications, accounting procedures, monitoring and reporting of fund disbursements, loan payments and management of delinquencies, risk management, and other related matters;</li> <li>- disbursement of start-up/initial fund to each MFI in the local currency equivalent between \$500-\$1,000 (amount to be defined by the MFIs based on demand) with successive replenishments to be drawn from the</li> </ul>
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<sup>6</sup> In Cambodia, the JFPR-funded ADB. 2005. *Grant Assistance to the Kingdom of Cambodia for Improving the Access of Poor Floating Communities on the Tonle Sap to Social Infrastructure and Livelihood Activities Project*. Manila included a microfinance component whereby Hattha Kaksekar provided microfinance loan services to the poor and poorest households living in four communes (Po Treay, Chong Kneas, Peam Ta Our, and Prek Toal) with more than 3,300 households. In the Lao PDR, the JFPR Project for Catalyzing Microfinance for the Poor (ADB. 2006. *Report and Recommendation of the President to the Board of Directors: Proposed Sector Development Program Loans, Technical Assistance Grant, and Administration of Grant Assistance from the Japan Fund for Poverty Reduction and the Japan Fund for Information and Communications Technology to the Lao People's Democratic Republic for the Rural Finance Sector Development Program*. Manila.) created a microfinance fund and provided training for enhancing the capacity of the Microfinance Fund Management Unit in microfinance operations. The Huamchaipathan Savings and Credit Union and the Women's Union of Kaysone Phomvihane was involved in this project. In Viet Nam, the Women's Union of Dong Ha City was actively involved in the ADB. 2003. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Socialist Republic of Viet Nam for the Central Region Urban Environmental Project*. Manila, particularly in enhancing the role of women in urban management and urban institutions. Reference was also given to four previous ADB MFI projects for Viet Nam in developing the project concept: ADB. 2012. *Programmatic Approach, Policy-Based Loan for Subprogram 1, and Administration of Technical Assistance Grant for Socialist Republic of Viet Nam*. Manila (Loan 2877-VIE and TA 8108-VIE); ADB. 2001. *Technical Assistance to the Socialist Republic of Viet Nam for Preparing the Framework for Microfinance Development*. Manila; ADB. 2005. *Technical Assistance to the Socialist Republic of Viet Nam for Implementing the Regulatory and Supervisory Framework for Microfinance*. Manila; and ADB. 2009. *Grant Assistance for the Socialist Republic of Viet Nam: Formalizing Microfinance Institutions (Financed by the Japan Fund for Poverty Reduction)*. Manila.

	<p>respective imprest accounts;</p> <ul style="list-style-type: none"> <li>- funds received will be exchanged in the local currency based on the prevailing exchange rate at the time of transfer, and lending to the beneficiaries will be in the local currency; and</li> <li>- repayment schemes and interest rates to be applied will be based on the prevailing rates applied by the respective MFIs.</li> </ul> <p>Lending terms and conditions:</p> <ul style="list-style-type: none"> <li>- borrower must be a member of the MMC, and should secure a written endorsement from the MMC before applying for a loan (the endorsement should also indicate the nature of the business, and estimated materials' capital and average daily income);</li> <li>- borrower should present a proof of residence in the area of operation; and</li> <li>- application should clearly indicate that the purpose of the loan should be for creation, improvement, and expansion of their business (MFI monitoring will include use/misuse of the loan such as re-lending or purchase of irrelevant equipment with violators subject to penalties and disentitlements).</li> </ul> <p>Selection criteria for MFIs:</p> <ul style="list-style-type: none"> <li>- should be a registered/accredited MFI from the respective government ministry/office in charge of MFIs;</li> <li>- has a good record based on performance audits, with an established management structure and program supervision mechanisms; and</li> <li>- has a good track record of implementing previous donor-funded MF projects, especially those funded by the JFPR.</li> </ul> <p>The MFIs' loan funds shall be disbursed and replenished from ADB through a series of pass through (in the case of Lao PDR) and imprest accounts to be opened by the respective executing and implementing agencies (see Appendix 4 on Fund Flow Arrangements).</p>
Monitorable Deliverables/Outputs	<ul style="list-style-type: none"> <li>(i) Make available well-priced and easily accessible short-term loans for the financing of daily or weekly transactions,</li> <li>(ii) medium-term investment loans for purchases of tools and investments in their work places, and</li> <li>(iii) advisory services and training on microenterprise enhancement.</li> </ul>
Implementation of Major Activities: Number of months for grant activities	42 months (From December 2013 to May 2017)

<b>Component C</b>	
Component Name	Training and Awareness Campaigns
Cost (\$)	123,000

Component Description	This component will help build the capacity of stakeholders (primarily local governments) in the management and operation of market facilities. Additional activities include an awareness campaign that introduces the project objectives and its facilities (market infrastructure and microfinance services) to the beneficiary group using information dissemination appropriate to the local setting.
Monitorable Deliverables/Outputs	<ul style="list-style-type: none"> <li>(i) Conduct a training and awareness program that will help improve project understanding of municipal officers, market vendors associations, and representatives of the informal market vendors;</li> <li>(ii) establish an MMC that will manage the market facilities; and</li> <li>(iii) provide training on the market operation and maintenance (O&amp;M) for the MMC, including strategies for outreach and marketing to potential customers of products to be produced, and accounting and facilities management.</li> </ul>
Implementation of Major Activities: Number of months for grant activities	24 months (From June 2013 to May 2015)

<b>Component D</b>	
Component Name	Project Management / Consultancy Services
Cost (\$)	672,000
Component Description	This component involves the delivery of project management, monitoring, and audit services to the stakeholders. An exit strategy will also be developed to ensure that the knowledge and systems introduced under this component are transferred to stakeholders, ensuring the sustainability of the project's outputs even after the project itself has ceased in the three towns.
Monitorable Deliverables/Outputs	<ul style="list-style-type: none"> <li>(i) Recruit and train the project implementation unit in project implementation;</li> <li>(ii) prepare the tender documentation and conduct tenders to procurement;</li> <li>(iii) coordinate and support the activities under components A to C;</li> <li>(iv) establish a project performance and management systems;</li> <li>(v) conduct annual audits;</li> <li>(vi) provide business support services to the beneficiaries;</li> <li>(vii) develop and implement an exit strategy;</li> <li>(viii) conduct an up-front baseline study as part of the beneficiaries needs assessment survey that will also serve as the project's baseline profile for project impact monitoring and assessment;</li> <li>(ix) conduct an impact evaluation study at the end of the project; and</li> <li>(x) provide technical expertise and equipment to ensure smooth project implementation, knowledge transfer and execution of the project's exit strategy.</li> </ul>

Implementation of Major Activities: Number of months for grant activities	48 months (June 2013 to May 2017)
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## 2. Financing Plan for Proposed Grant to Be Supported by JFPR

Funding Source	Amount (\$)
JFPR	2,500,000
<b>Total</b>	<b>2,500,000</b>

## 3. Background

1. Poverty remains substantial in Cambodia, Lao PDR, and Viet Nam, affecting 9%–34% of the population. Poverty in Cambodia is widespread with approximately 30% of the rural population living below the poverty line. During 1992–2007, the overall national poverty incidence in Cambodia declined to about 36%, which is high for the region (the poverty incidence in Viet Nam fell to 20% during the same period). The distribution of poverty varies considerably in Cambodia, from less than 15% in the capital to well over 45% in the northern and northeastern provinces and in the vicinity of Tonle Sap. In Battambang, the poverty incidence in 2009 was 18%, slightly higher than in Phnom Penh (15%) but lower than the approximate national poverty incidence of 36%. Urban poverty also differs from rural poverty because the cost of living reference values differ between urban and rural areas. Poverty in Lao PDR is still widespread, with an estimated 34% of the population living below the poverty line and a large proportion of the population at risk of sliding back into poverty. In the Savannakhet province, where Kaysone Phomvihane is located, the reported poverty incidence of 43% exceeds the national rate. Kaysone Phomvihane is also listed among the poorest districts in the Savannakhet province. Poverty is predominantly rural, with high concentrations in the remote and mountainous northeastern and eastern borders with Viet Nam; as a result poverty also has a strong ethnic association. Viet Nam has made impressive progress in reducing poverty, with the poverty incidence declining from 58% in 1993 to 10.6% in 2010. Urban poverty in Viet Nam fell from about 25% in 1993 to 4% in 2006. Rural poverty in the same period declined from 66% to 22%. However, while reductions in urban poverty in Ha Noi and Ho Chi Minh City tend to skew national averages, and cities outside the major growth corridors—including those in the central provinces (e.g., Dak Lak, Pleiku), the Mekong Delta (e.g., Kien Giang, Soc Trang), the northern border (e.g., Cao Bang, Lao Cai), and the central coast (Hue, Quang Tri)—still have relatively high urban poverty rates. In Dong Ha City, poverty incidence in 2010 is 8%, higher than the national urban poverty incidence of 4%, but slightly lower than the overall poverty incidence of 10.6% in 2010.

2. A number of towns located along the GMS corridors already have strong linkages with the agricultural hinterlands. The newly emerging border towns have the potential to become service centers for the rural agricultural areas, and to provide transport-related services, emerging new industries, and tourism. These developments will contribute to enhanced economic growth and poverty reduction along the economic corridors. The proposed project will assist the urban poor of three selected towns in Cambodia, Lao PDR, and Viet Nam through microfinance schemes and small market projects that support income generating livelihood activities, and will be implemented parallel to three GMS loan projects.<sup>7</sup> The proposed project is a pilot poverty reduction project in the GMS using a market development approach intended to complement the urban infrastructure investments under the three loan projects. Trade, traffic, tourism, and

<sup>7</sup> The three GMS loan projects are Cambodia: Southern Economic Corridor Towns Development Project (footnote 1); Lao PDR: East–West Economic Corridor Towns Development Project (footnote 2); and Viet Nam Corridor Towns Development Project (footnote 3).

people flow are perceived to significantly increase in the East–West Economic Corridor (EWEC) and Southern Economic Corridor (SEC) because of the infrastructure investments under the three loan projects; the project aims to capitalize on these developments by helping poor informal traders enhance their locally produced products and provide aesthetically attractive, environmentally sound, socially inclusive, and gender-responsive trade centers to market these products.

3. Battambang, Kaysone Phomvihane, and Dong Ha are strategically located near areas of agricultural production, tourism, and cross border trade, with many people engaged in informal trading. The three towns were selected based on (i) the size of the towns, which although relatively large, are not major urban areas; (ii) the tourism industry development potential, which can contribute to local trade (such as visitors to Siem Reap passing through Battambang, tourists from Thailand crossing Lao PDR and Viet Nam via Kaysone Phomvihane, and tourists visiting the beaches and war memorials in Dong Ha); (iii) the movement of goods and people; and (iv) the proximity to rural communities with producers of local goods. No official data on informal traders is available for the three towns, but observations by ADB and project preparatory technical assistance consultants during missions indicate there are several hundred in each town. Improved market facilities (resulting from trading center construction), together with access to microfinance to enhance production processes and transactions is expected to reduce the prevailing poverty incidence in the three target towns. Access to affordable microfinance loans will also empower informal traders, especially women, to increase their finance capital to enhance goods production, thereby ultimately increasing their income, which will increase their capacity to provide for their family's needs.

4. The proposed project will not impact on indigenous peoples and will not involve any involuntary resettlement, land acquisition, compensation, or associated issues. The three town governments have already committed vacant sites located in the urban centers that are not used for any economic activities. Although no resettlement and land acquisition will be involved, the implementing agencies will certify that the allotted land is town property and available for the project. In the case of Dong Ha, the market trade center will be established near the existing market. Because the market in Dong Ha is already overcrowded, local authorities considered closing it. Through the proposed project Dong Ha is considering building a new market facility that can accommodate vendors—who are excluded from the existing market—on a vacant site to be acquired by the government. The proposed site was visited during the reconnaissance mission and has no existing activities or safeguards issues.

5. The detailed DMF is in Appendix 1.

#### **4. Innovation**

6. This project's geographic scope is focused on strategically located market towns along the GMS corridors to support regional economic growth in the GMS. The Corridor Towns Development Project (CTDP), East–West Economic Corridor Towns Development Project (EWECTDP), and Southern Economic Corridor Towns Development Project (SECTDP) will enhance economic infrastructure in the EWEC and SEC, and thereby enhance the product chains in these towns through commercial tourism and the growth of local industrial areas. The project's integrated approach—empowering the urban poor through livelihood activities that can generate more income and employment in areas with newly acquired physical access to markets—is innovative, and will demonstrate how the poor can be involved in market development and microfinance programs relevant to their needs and capabilities. It will also enable the intended beneficiaries to capture a fair share of socioeconomic benefits before these are seized by outsiders.

7. Specifically, a community-based approach to microfinance will use a group-loan concept aimed at increasing cohesion and cooperation among the beneficiaries. Moreover, the three potential MFIs are open to collateral-free arrangements for group-loan applications, which will ease the burden of collateral requirements on beneficiaries. Nongovernment organization (NGO) involvement and support will also be sought for training on O&M, entrepreneurship, and enhancing product development with microfinance.

8. The NGOs involved in project implementation will be the Village Focus (for Cambodia and Lao PDR) and AFRECO, a Japanese NGO with operations in Viet Nam.<sup>8</sup> Previous JFPR-funded projects to support local trade cover only country-specific areas for local economic growth. The formation of the MMC will not require a new management body but will be a functioning entity of the existing market management departments and offices in the three towns. To ensure gender equality, the project will assure women participate in the MMC (at least 50% of the participants will be women); provide gender-responsive facilities in the market trade centers, such as separate toilets for males and females; and allocate space quotas for market stalls, access to finance, and empowerment through training and capacity development on market management and product development.

9. Project results will be disseminated through different ADB information media, such as ADB Today and the ADB website. Moreover, involvement by public and private organizations in the planning, implementation, monitoring, and promulgation of lessons enables both bottom-up and top-down learning. This will support pro-poor policy enhancements and mainstreaming of successful pro-poor support activities into future urban infrastructure improvement projects.

## **5. Sustainability**

10. The project is likely to be sustainable because it features (i) market operations managed by stallholders from the participating municipality and representatives of the market vendors associations in each project site, and (ii) revolving microfinance. If the microfinance institutions act prudently, the grant money can be used continuously because the microloans are expected to be repayed within short periods, while the interest rates charged on those loans may finance the operations of the MFIs. As part of the project's exit strategy, the microfinance institution will be requested to continue the market vendor facility for at least 10 years to ensure sustainability and continuity.

11. In addition to the project, the growth of urban economic activities in Battambang, Kaysone Phomvihane, and Dong Ha will contribute significantly to future, post-project sustainability of the project outputs. Battambang is a market town with a mix of agricultural production areas, thriving commercial services, and manufacturing industries, with a huge potential for agro-industrial development and trade. Kaysone Phomvihane is located on the border with Thailand, and has a growing industrial economy (mainly handicrafts), commerce, and services. Further industrial development is expected with the establishment of the Savan-SENO Economic Zone in Kaysone Phomvihane. Dong Ha is a historic and touristic city, with former demilitarized zone monuments, that has growing industrial and services activity. Tourists flock to the city daily, with organized tours from Hue, and visits by tourists traveling to or from Lao PDR.

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<sup>8</sup> These NGOs have previous experience and track record in the implementation of related projects in the GMS. Village Focus has extensive experience working in Cambodia and Lao PDR on projects focused on the reintegration of women and disadvantaged individuals into the mainstream of society. AFRECO is a Japanese NGO with operations in Viet Nam working on improving traditional local industries for local communities.

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12. The shifting socioeconomic characteristics of these towns and the increase in industrial and commercial activities, including tourism, in the EWEC and SEC will support the project goal of improved local trade and commerce and promotion of locally produced products. The traffic associated with cross-border trading between industrial zones, logistics facilities, and other locations that are part of product-chain linkages may also provide business to the market trade centers. The O&M training program under component C will involve training in product marketing and strategy formulation for these potential markets, and will target customers that could provide patronage for these products. Possible collaboration between traders specializing in specific products will also be explored to reach markets beyond the project towns, and even other GMS countries.

13. To sustain the O&M of the market facilities, a prescribed stall fee will be collected from each stallholder, with the amount and frequency of collection to be determined by the MMC prior to the start of operations. The stall fees will be used to fund the associated activities and the market facility O&M expenses.

14. The national and local policies of the three countries support the continuity of the project interventions. The national strategic development plans of Cambodia and Viet Nam promote private sector growth, human resource development, and small enterprises as key drivers of socially inclusive economic development. In Lao PDR, ADB support is aligned with the four priorities—agriculture, health, education, and infrastructure—of the Seventh Five-Year National Socio-Economic Development Plan. Given the large number of urban improvement projects planned for the three countries, the project's pilot approach to promoting poverty alleviation in the vicinity of newly improved urban infrastructure through inter-agency cooperation is highly relevant and well placed for replication.

15. To ensure sustainability of the operation of the market facilities, the respective implementing agencies and the market management departments will retain ownership of the project after completion. The grant covenants ensure that market stalls will be rented only to poor, informal vendors and not to influential and better-resourced local businessmen. The MMC will be vigilant to ensure this remains the case over time. The governments will be well equipped to take on this project at project completion, as a result of the enhanced market management capability of the executing and implementing agencies following the proposed project's training and awareness programs, and the local presence of the MFIs to service the microfinance needs of the beneficiaries.

16. From a wider sustainability perspective, the proposed project will be a pilot project in the GMS that combines social inclusion with economic growth through a market development approach. It is designed as a socioeconomic development intervention that capitalizes on perceived increased flow of trade, traffic, and people in the GMS corridors as a result of the infrastructure investments under the CTDP. Lessons from the projects (if successful) can be used to replicate the approach at a larger scale in future ADB GMS projects, especially in other parts of Cambodia, Lao PDR, Viet Nam, and Myanmar that are also economically resource dependent. Successful replication of the project in the GMS will result in the intervention becoming a major catalyst in transforming the GMS transport economic corridors into full-fledged economic corridors.

17. In future ADB loan infrastructure lending projects, it is possible that the participating governments in the proposed project will also borrow from ADB for similar market development projects directed at supporting informal poor vendors through the development of inclusive and gender-responsive trade facilities, access to affordable microfinance loans, and training and capacity building relating to product development, innovation and marketing, market O&M, and women's empowerment.

## 6. Participatory Approach

18. Participation in the design and implementation of projects by communities and other stakeholders is important, because it empowers them and enhances their sense of ownership of the expected project outcomes. Participatory project design confirms to communities that their views are important, and increases the awareness of communities regarding (i) their rights with respect to the use of public resources, and (ii) their collective responsibility to ensure their own well being.

19. ADB carried out a reconnaissance mission (14 to 24 February 2012) during project design preparation, and held meetings with national, provincial, and local governments in Cambodia, Lao PDR, and Viet Nam to discuss and agree on the objectives, scope, and implementation arrangements of the proposed project. The agreements and outcomes of the discussions served as the basis for three memorandums of understanding (MOUs) between ADB and the executing agencies of the proposed project in the countries, signifying the commitment of both parties to the project. Moreover, meetings with the embassies of the Government of Japan in Phnom Penh, Vientiane, and Ha Noi were also held during the mission, and all demonstrated support for the project. Meetings were also held with Japan International Cooperation Agency (JICA) representatives in Phnom Penh, Vientiane, and Ha Noi. Although JICA mentioned that more Japanese NGOs are focusing more operations in Africa, JICA supports the strengthening of cooperatives to improve access to finance in the GMS.

20. Suggestions were invited from project stakeholders regarding the project design, scope, implementing arrangements, opportunities for partnerships, and lessons from other market development and microfinance projects in Cambodia, Lao PDR, and Viet Nam. The views of stakeholders, including women, men, and vulnerable groups, were incorporated into the project design and implementation arrangements.

21. Management of market operations will be participatory, and community involvement in project planning and review processes will enable local ownership and mutual responsibility for the success of various programs. Working relationships between implementing partners and beneficiaries will be reviewed to ensure they are productive, and will be improved through participatory planning and evaluation throughout the project. The project management consultants will encourage ongoing dialogue between all stakeholders and facilitate adaptive management practices as required. Implementation of the project through a multi-sector project implementation unit staffed by government officials and supported by project management consultants seeks to increase the capabilities of stakeholders involved in the promotion of pro-poor market activities and related value chains.

22. At project implementation, members of the market vendor associations in the three project sites will be eligible to participate in the needs survey for project beneficiaries. The following specific criteria will be used to select the beneficiaries (i) engagement in informal market vending activities, and (ii) membership in a market vendors association. The MMC will ensure the selection process is fair and transparent, and accepted by the stakeholders. The MMC will prepare and maintain project beneficiary profiles with the assistance of the project management consultant. Community participation will also be enhanced through the proposed group-loan schemes for accessing microfinance loans and NGO involvement in conducting training for the market vendors on market O&M and entrepreneurship.



Primary Beneficiaries and Other Affected Groups and Relevant Description	Other Key Stakeholders and Brief Description
<p>The primary beneficiaries of this project will be the informal vendors and traders of Battambang, Kaysone Phomvihane, and Dong Ha. The project will provide the beneficiaries access (i) to the use of new market facilities (trade centers) for trading their products; and (ii) to microfinance loans from a microfinance provider in each town, who will also provide additional services such as training, management assistance, and product counseling.</p>	<p>The national and local governments of each country are also key project stakeholders: the ministries of public works and transport in Cambodia and Lao PDR; the Provincial People's Committee of the Quang Tri Province in Viet Nam; the local governments of Battambang and Kaysone Phomvihane; and the People's Committee of the City of Dong Ha. As executing and implementing agencies, these government offices will be the key stakeholders to ensure that the expected project impacts and outcomes are achieved. They will also be responsible for sharing knowledge about the project impacts and outcomes with other communities and nearby towns for possible replication in future development programs.</p> <p>Each town's MFI will be a stakeholder because they will help bridge the gap between access to capital financing and product enhancement. The proposed MFI activities will increase their clientele. Hattha Kaksekar is the partner MFI for Cambodia; Huamchaipathan Savings and Credit Union and the Women's Union of Kaysone Phomvihane for Lao PDR; and the Women's Union in Dong Ha City for Viet Nam. Each of these institutions has been involved in previous JFPR and ADB-financed projects.</p> <p>Product traders will also benefit from the improved products sold at the market and trade centers because their income and client patronage may increase.</p> <p>As a stakeholder, ADB is expected to contribute to enhancing the standard of living of the targeted beneficiaries, and thereby contribute to ADB's mandate of reducing poverty.</p>

## 7. Coordination

23. The reconnaissance mission conducted by ADB from 14 to 24 February 2012 involved discussions with representatives from the embassies of the Government of Japan in Phnom Penh, Vientiane, and Ha Noi, and JICA in Phnom Penh, Vientiane, and Ha Noi. The embassy representatives were positive about the project design and expressed support for the project.<sup>9</sup>

<sup>9</sup> Meetings were held with (i) the Embassy of Japan in Cambodia, on 15 February 2012, with S. Tamamitsu and N. Kondo (head and second secretary, respectively, of the economic and overseas development assistance section); (ii) the Embassy of Japan in Lao PDR, on 21 February 2012, with M. Mitsumoto, first secretary, head of economic cooperation; (iii) the Embassy of Japan in Viet Nam, on 23 February 2012, with J. Kuyama, first secretary; (iv) JICA, Cambodia, through email exchanges with the Cambodia Resident Mission (CARM) on 20 April 2012, involving H. Nonaka, the project formulation advisor; (v) JICA, Lao PDR on 21 February 2012, involving Y. Hattori; and JICA, Viet Nam on 5 April 2012, with U. Nozomi, JICA representative.

24. **Cambodia.** The embassy inquired about the proposed choice of Battambang, and discussed Battambang's role in increasing the diversification of tourism destinations. The embassy suggested that product profiling (through design and packaging) would be important for the market activities. The embassy is supportive of poverty reduction through development of markets, and of the concept of a night market for Battambang. The embassy stressed that this is in line with the Government of Japan's approach to and strategy for the development of the GMS corridors. Further contact with JICA confirms there is no overlap with any JICA-funded activities.

25. **Lao PDR.** The embassy expressed its full support for activities along National Highway No. 9 and for the One District One Product (ODOP) program in Savannakhet Province, which JICA has supported for several years. Japan has provided technical assistance for market development and rehabilitation of the historic Kaysone Phomvihane urban heritage zone, which is the proposed location for the JFPR-supported night market project. JICA will support ODOP during 2013–2016, and the proposed JFPR project may serve as an additional opportunity for commercialization of ODOP products. The embassy and JICA expressed their full support for the proposed activities under the JFPR project. JICA has confirmed that complementarity with JICA-funded activities may be possible.

26. **Viet Nam.** The embassy inquired about the role of vendors associations, the required investment funds, and the role of the MFIs in project implementation. It was observed that vendors are usually quite well organized locally, and that an MFI belonging to the local Women Union in Dong Ha performed well under an ADB loan project; the same MFI is proposed as a microfinance conduit for vendors. The embassy expressed its full support to the proposed JFPR project, which is consistent with Japanese development policy for Viet Nam. There is no duplication with other Japanese-funded activities, and it was observed that the project will highlight Japanese experience and expertise. JICA expressed its full support for the project; it does not currently finance similar projects in Viet Nam (JICA's current focus in Viet Nam is on strengthening cooperatives in the agriculture sector to benefit farmers), but the project complements JICA projects because it involves selling food from agriculture production.

27. More intensive coordination with the Japanese embassies in Cambodia, Lao PDR, and Viet Nam will be undertaken following approval of the proposal by the Government of Japan. ADB will inform the embassies about the approval through its resident mission offices in the three countries. Embassy representatives will be present at the signing ceremonies for the grant agreements with the executing agencies. Press releases regarding the project approval will be prepared in coordination with ADB's Department of External Relations and through ADB resident mission offices. Local and international media will be invited to these ceremonies.

28. During project implementation, the embassies will be informed about the project milestones and accomplishments by providing them with project reports and inviting them to participate in project progress review and completion missions.

## 8. Detailed Cost Table

29. Please refer to Appendix 3 for the detailed cost estimates and Appendix 4 for the fund flow arrangement.

## C. Link to ADB Strategy and ADB-Financed Operations

### 1. Link to ADB Strategy

30. ADB's loan projects for the GMS (CTDP, EWECTDP, and SECTDP) are interventions to enhance local economic development by providing infrastructure and facilities that will increase employment and livelihood opportunities for citizens and local economic enterprises in selected towns and cities in Cambodia, Lao PDR, and Viet Nam. The three projects are consistent with the ADB urban sector assessment, strategy and road map (ASR)<sup>10</sup> prepared for each of the three GMS countries in 2010 and 2011, which include the development of secondary towns, especially those located along the GMS corridors. The three loan projects will provide the necessary infrastructure investments to enhance transport and other urban services in the GMS corridor towns, and the proposed project will support objectives of the loan projects by enhancing access to livelihood and income opportunities through the creation of trade and financing conduits for poor households, as well as training and program management for town and city officers.

31. The proposed project will also ensure that men and women will have equal access to project benefits. The ADB country partnership strategies (CPSs) for Cambodia,<sup>11</sup> Lao PDR,<sup>12</sup> and Viet Nam<sup>13</sup> support their governments' commitment to pro-poor, inclusive economic growth, which is led by the private sector, through financing of investments in human resources, agriculture, infrastructure, women's empowerment, and small enterprise development. All CPSs support the development of value chains (linked to component A) and strengthening of small and medium-sized enterprises (linked to component B).

Document	Document Number	Date of Last Discussion	Objective(s)
Urban sector ASR for Cambodia		February 2012	Support Area 2: Sustainable Urban Development gives a geographical focus for the development of the Tonle Sap Region, which include Battambang; the priority investments identified under this support area include public markets.
CPS for Cambodia		June 2011	The CPS objectives support the establishment of infrastructure to develop urban-rural linkages that support value chain development, and financial measures to expand microfinance to stimulate SME finance to reduce poverty.
Urban sector ASR for Lao PDR		April 2011	Support Area 2: Planning and Development of Corridor Towns, identified Kaysone Phomvihane as one of the key areas in the development of the EWEC. Among the priority investments identified under this support area are public markets.
CPS for Lao PDR		October 2011	The CPS objectives of inclusive and sustainable economic growth and poverty reduction support the development of production value chains through urban-rural linkages, development of SMEs, and ensuring gender equity and women's participation in project development and implementation.

<sup>10</sup> ADB. 2010. *Urban Sector Assessment, Strategy, and Roadmap: Cambodia*. Manila; ADB. Forthcoming. *Urban Sector Assessment, Strategy, and Roadmap: Lao People's Democratic Republic*. Manila; and ADB. Forthcoming. *Urban Sector Assessment, Strategy, and Roadmap: Socialist Republic of Viet Nam*. Manila.

<sup>11</sup> ADB. 2011. *Country Partnership Strategy: Cambodia, 2011–2013*. Manila.

<sup>12</sup> ADB. 2011. *Country Partnership Strategy: Lao People's Democratic Republic, 2012–2016*. Manila.

<sup>13</sup> ADB. 2012. *Country Partnership and Strategy: Socialist Republic of Viet Nam, 2012–2015*. Manila.

Document	Document Number	Date of Last Discussion	Objective(s)
Urban sector ASR for Viet Nam		August 2012	The urban sector ASR's two support areas (Support Area 1: Development of Corridor Cities and Towns and Support Area 2: Development of Secondary Cities and Towns) support the strengthening of economic linkages to eliminate disparity in economic conditions with larger urban centers.
Country Operations Business Plan for Viet Nam <sup>14</sup>		October 2011	The 2012–2014 Country Operations Business Plan for Viet Nam is in line with the objectives of the 2007–2010 CPS, which has a primary focus on business-led, pro-poor economic growth and social equity.

## 2. Link to Specific ADB-Financed Operation

<b>Project Name</b>	Greater Mekong Subregion Southern Economic Corridor Towns Development Project
<b>Project Number</b>	43319-033
<b>Date of Board Approval</b>	10 December 2012
<b>Loan Amount (\$ million)</b>	\$37 million
<b>Project Name</b>	Greater Mekong Subregion East–West Economic Corridor Towns Development Project
<b>Project Number</b>	43319-022
<b>Date of Board Approval</b>	6 November 2012
<b>Loan Amount (\$ million)</b>	\$40.83 million
<b>Project Name</b>	Greater Mekong Subregion Corridor Towns Development Project
<b>Project Number</b>	43319-043
<b>Date of Board Approval</b>	12 December 2012
<b>Loan Amount (\$ million)</b>	\$130 million

## 3. State the above-mentioned projects' development objective

32. The common objective of the CTDP, EWECTDP, and SECTDP is for the corridor towns (including border towns) to have adequate infrastructure and services, thereby contributing to the transformation of the transport corridors in the GMS into full-fledged economic corridors. The three loan projects focus on infrastructure provision to improve trade and services flows in these economic corridors and capacity building for management of infrastructure investments. To support the loan project objectives of transforming the transport corridors into full-fledged economic corridors, the project will enhance the internal production linkages for local products and food by providing support infrastructure and financing for local informal traders, thereby strengthening the sustainability of local livelihoods along with the development of industrial and commercial activities in the GMS corridor towns and cities.

<sup>14</sup> ADB. 2011. *Country Operations Business Plan: Socialist Republic of Viet Nam, 2012–2014*. Manila.

#### 4. List the project's main components

No.	Component Name	Brief Description
1.	Infrastructure investments	<p>1.1 Development of important economic and environmental infrastructures in the GMS corridor towns. Among these are urban roads, water and sanitation, drainage and flood control, solid waste management, and dry port facilities.</p> <p>1.2 Trade and investment flows will improve as a result of new and improved infrastructures.</p> <p>1.3 Improved living conditions of communities are achieved due to new economic opportunities and improved urban environment conditions.</p> <p>1.4 Climate resilience of corridor towns is increased.</p>
2.	Institutional Capacity Building	<p>2.1 Project management support to project implementation.</p> <p>2.2 Project management capacity developed among national and local government officials and staff regarding subproject preparation, implementation and management, operation and maintenance, and monitoring.</p> <p>2.3 Capacity of local government officials and staff regarding local development planning improved.</p>

#### 5. Rationale for Grant Funding Versus ADB Lending

33. The CTDP, EWECTDP, and SECTDP focus on lending for projects that will improve the condition of urban infrastructure and facilities to support the flow of trade and investments along the GMS corridors and improve the urban environmental conditions of the corridor towns. They do not provide funds for facilities and financial instruments that will support the activities of local traders that will enhance the social capital of a town. Specifically, the loan component of the three loan projects supports major economic activities such as infrastructure investments in industrial zones, commercial services, and tourism; it does not directly support the development of locally produced products at the community level. The use of grant funds to directly support community-level trading will boost the expected impact of the three loan projects in terms of improving the competitiveness of the GMS corridor towns. The grant funds would revitalize the informal trading practices and provide access to affordable loans for improving informal traders' products, which will contribute to social development, gender empowerment, and private sector development, particularly by involving local MFIs in poverty reduction initiatives. Grant funding is appropriate because the fees for the use of market stalls are expected to be minimal (only enough to support facility maintenance), leaving no room for cost recovery. Grant funding will enable the beneficiaries to maximize the benefits of the market facilities because of affordable stall rental fees and low-interest loans. In addition, this type of project is ideally suited for JFPR funding because participating governments are not ready to commit Asian Development Fund loan funds for market developments focused on poor, female vendors. The project will ensure that a planned and pro-poor market development will allow poor market vendors—who are otherwise excluded in harsh market conditions—to enter the market.

#### D. Implementation of the Proposed Grant

<b>1. Provide the Name of the Implementing Agency</b>	<p>Cambodia: Municipality of Battambang</p> <p>Lao PDR: Local Government of Kaysone Phomvihane</p> <p>Viet Nam: People's Committee of Dong Ha City</p>
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34. All related procurements under the JFPR grant will be conducted according to ADB's Procurement Guidelines (2010, as amended from time to time). The project management

consultants or NGO to be recruited for component D will be contracted according to ADB's Guidelines on the Use of Consultants (2010, as amended from time to time). The consulting services for project management will be procured using the quality- and cost-based selection method with a technical-financial proposal ratio of 90:10. The consultancy services will have a total of 40 person-months for international consultants, and 240 person-months for the national consultants. Consulting services for annual external auditing (national) will be procured through least-cost selection method and will have a total of 12 person-months. Goods to be procured under Component A will be included in the civil works contracts.

## 2. Risks Affecting Grant Implementation

Type of Risk	Brief Description	Measure to Mitigate the Risk
Governance	Institutional risks due to diverse stakeholder background and associated interests. Misallocation or misuse of government counterpart funds.	Ensure participatory process in project development and implementation. Implement a project financial monitoring system.
Participation	Lack of commitment by project beneficiaries and stakeholders to the project.	Ensure participatory process in project development and implementation.
Institutional Capacity	Lack of managerial and technical capacity of project coordination teams and staff.	Implement training programs parallel to project implementation through an on-the-job approach.

## 3. Incremental ADB Costs

Component	Incremental Bank Cost
Amount requested	<b>\$60,000</b>
Justification	A detailed grant implementation manual (GIM) must be prepared to ensure smooth delivery of activities in Cambodia, Lao PDR, and Viet Nam, and also to serve as a guiding document to mitigate the identified risks of the project. Relevant workshops will also be conducted at the inception phase to familiarize all stakeholders with the GIM and with ADB policies and guidelines (approximately \$30,000). Support is also needed to fund the preparation of the project completion report, which will also involve assessing the project's impacts to its target beneficiaries at the completion of the grant period (approximately \$30,000).
Type of work to be rendered by ADB	Preparation of the GIM Conduct of workshops Project completion review and assessment of the three project sites.

## 4. Monitoring and Evaluation

Key Performance Indicator	Reporting Mechanism	Plan and Timetable for M&E
Government targets to reduce poverty in corridor towns (based on MDG targets) achieved, by 2016	Government statistics and related reports by international agencies, including ADB	Annual MDG reports and statistics, and annual project reports until 2015
Real income increased by 2017, compared with 2013 baseline	Results of beneficiaries needs assessment survey	

<b>Key Performance Indicator</b>	<b>Reporting Mechanism</b>	<b>Plan and Timetable for M&amp;E</b>
<p>Approximately 600 households in the three countries are formally engaged in trading and microenterprises, by 2017</p> <p>By 2017, 70% of women achieve market performance and maintenance indicators (to be developed for the three countries).</p>	<p>Statistics for selected towns and their districts (definitions are country specific)</p> <p>Household surveys (baseline, midterm, and end of project)</p> <p>Project review and performance reports</p> <p>Project evaluation report and impact assessment (ex post)</p>	<p>Annual monitoring until 2015</p> <p>Surveys conducted at baseline, midterm, and the end of the project</p>
<p>Three small markets (trade centers) built with reserved spaces and stalls (space quotas) for women, including facilities such as separate toilets for females, by 2017</p> <p>Up to 600 microloan recipients have received microfinance loans (70% women), by 2017</p> <p>Up to 600 microfinance consumers have been trained by 2017</p> <p>Project management mechanisms established and operational for three countries; feasible project performance and management system established; work plans implemented; and gender equity assured in project and market management</p>	<p>Interviews with entrepreneurs (credit recipients and others, for comparison)</p> <p>Progress reports (depending on how many periodic reports are stipulated in the project agreements)</p> <p>Project completion report</p> <p>Impact assessments</p> <p>Interviews with monitoring agencies and staff in-charge for each of the three countries</p> <p>Interviews with market committee representatives</p> <p>Project reports and final reports</p>	<p>Annual project reports</p> <p>Project completion report including impact assessment conducted at project closure</p> <p>Project completion report including impact assessment conducted at project completion</p>

## 5. Estimated Disbursement Schedule

<b>Fiscal Year (FY)</b>	<b>Amount (\$)</b>
FY 2013	626,250
FY 2014	1,478,750
FY 2015	187,500
FY 2016	207,500
<b>Total Disbursements</b>	<b>2,500,000</b>

## Appendixes

1. Design and Monitoring Framework
2. Summary Cost Table
3. Detailed Cost Estimates
4. Fund Flow Arrangement
5. Implementation Arrangements
6. Summary Poverty Reduction and Social Strategy (SPRSS)

## DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p><b>Impact</b> Increased income among beneficiaries in the selected corridor towns (which are part of the GMS Corridor Towns Development Project) in the three project countries.</p>	<p>Real income increased by 2017, compared with the 2013 baseline<sup>a</sup></p>	<p>Government statistics and related reports by international agencies, including ADB</p> <p>Results of beneficiaries needs assessment survey</p>	<p><b>Assumptions</b> Government able to mobilize the resources needed for achieving growth and development goals.</p> <p>Adequate support for microenterprises forthcoming.</p> <p><b>Risk</b> Adverse economic conditions, political unrest, natural disasters.</p>
<p><b>Outcome</b> Increased local employment for poor households</p>	<p>Approximately 600 households in the three countries are formally engaged in trading and microenterprises, by 2017</p> <p>70% of women achieve higher income through their market activities by 2017, compared with the 2013 baseline<sup>b</sup></p>	<p>Statistics for selected towns and their districts (definitions country specific)</p> <p>Household surveys (baseline, midterm and end of project)</p> <p>Project review and performance reports</p> <p>Project evaluation report and impact assessment (ex post)</p>	<p><b>Assumptions</b> Project beneficiaries (microentrepreneurs) are able to operate their businesses.</p> <p>Local demand for market services and specific microenterprises sustained.</p> <p><b>Risk</b> Unsuitable locations for market projects selected by local government and not maintained.</p>
<p><b>Outputs</b></p> <ol style="list-style-type: none"> <li>1. Construction of small markets (trade centers) in three project towns completed</li> <li>2. Microfinance support for market vendors in three project towns</li> <li>3. Training and awareness campaigns completed</li> <li>4. Project management, monitoring and audit services established</li> </ol>	<p>Three small markets (trade centers) built with reserved space and stalls (space quotas) for women, including facilities such as separate toilets for females, by 2017</p> <p>Up to 600 microloan recipients have received microfinance loans (70% women), by 2017</p> <p>Up to 600 microfinance customers and 78 MMC members, market operators and government representatives have been trained, by 2017</p> <p>Project management mechanisms established by the EAs and IAs with support from the project management consultants and operational for three countries; feasible project</p>	<p>Interviews with entrepreneurs (credit recipients and others, for comparison)</p> <p>Progress reports (depending on how many periodic reports are stipulated in the project agreements)</p> <p>Project completion report</p> <p>Impact assessments</p> <p>Interviews with monitoring agencies and staff in charge for each of the three countries</p> <p>Interviews with market committee representatives</p> <p>Project reports and final reports</p>	<p><b>Assumptions</b> Market committees in eight locations willing and able to cooperate.</p> <p>Adequate gender distribution among vendors.</p> <p>Adequate project management consultant services can be recruited.</p> <p><b>Risk</b> Lack of cooperation among market committees and supervising authorities.</p>



	performance and management system established; work plans implemented; and gender equity assured in project and market management, by 2017		
<p><b>Activities with Milestones – to be determined by country</b></p> <p><b>1. Construction of small markets (trade centers) in three project towns completed</b></p> <p>1.1 Needs assessment survey, preparation of IEE, civil works design and baseline or beneficiaries profile, and contractor recruitment (2013–2014)</p> <p>1.2 Market management committee established (2013–2014)</p> <p>1.3 Market infrastructure constructed in three countries (2014–2017)</p> <p><b>2. Microfinance support for market vendors in three project towns</b></p> <p>2.1 Finalize selection of most suitable MFI to implement output 2 (2013)</p> <p>2.2 Sign implementation agreement with MFI (2014)</p> <p>2.3 Design a suitably priced and easily accessible short-term loan scheme for market vendors (2014–2015)</p> <p>2.4 Provide specialized training events for microfinance borrowers, covering lending policies, business planning, and product development (2013–2014)</p> <p>2.5 Market microfinance loan products (2013–2017)</p> <p><b>3. Training and awareness campaigns completed</b></p> <p>3.1 Undertake gender disaggregated training needs assessment (2014)</p> <p>3.2 Prepare learning materials on market management and microfinance conditions (2014)</p> <p>3.3 Conduct training events (2014–2015)</p> <p>3.4 Evaluate of training events (2014–2015)</p> <p>3.5 Prepare awareness campaign using posters and printed materials (leaflets) (2014)</p> <p><b>4. Project management, monitoring and audit services established</b></p> <p>4.1 Establish PSC, PMU and PIU to support overall project coordination and implementation (2013)</p> <p>4.2 Recruit specialists with expertise in micro- and small enterprise development, marketing, civil engineering, value chain analysis, training, and project management (2013–2014)</p> <p>4.3 Develop capacity of PMU and PIU (2014–2017)</p> <p>4.4 Undertake project audit (2013–2017)</p> <p>4.5 Prepare baseline report, midterm evaluation and completion report (2013–2017)</p> <p>4.6 Hold annual planning and review steering committee meetings (2013–2017)</p> <p>4.7 Develop and implement exit strategy (2015–2017)</p>			<p><b>Inputs</b></p> <p>JFPR grant: \$2.5 million in three countries</p> <p><b>Total:</b> <b>\$2.5 million</b></p>

ADB = Asian Development Bank; EA = executing agency; IA = implementing agency; IEE = initial environmental examination; GMS = Greater Mekong Subregion; JFPR = Japan Fund for Poverty Reduction; MDG = Millennium Development Goal; MFI = microfinance institution; MMC = Market Management Committee; PIU = project implementation unit; PMU = project management unit; PSC = project steering committee.

<sup>ab</sup> The 2013 baseline data for the project will be developed during the needs assessment studies at the start of the project under Component A through the preparation of a profile of project beneficiaries.

Source: Asian Development Bank.

## SUMMARY COST ESTIMATES

Table A2.1: Project Summary Cost Estimates: Entire Project  
(\$)

Input, Expenditure Category	Grant Component				Total (Input)	Percent
	Component A Construction of Three Small Markets	Component B Microfinance Support for Market Vendors	Component C Training and Awareness Campaigns	Component D Project Management/ Consultancy Services		
Civil works	1,050,000	0	0	0	<b>1,050,000</b>	42
Microfinance loans	0	405,000	0	0	<b>405,000</b>	16
Training and awareness campaigns	0	0	123,000	0	<b>123,000</b>	5
Grant management	0	0	0	672,000	<b>672,000</b>	27
Contingencies (0–10% of total estimated grant fund; use of contingencies requires prior approval by ADB)	105,000	60,000	25,000	60,000	<b>250,000</b>	10
<b>Subtotal financed by JFPR grant</b>	<b>1,155,000</b>	<b>465,000</b>	<b>148,000</b>	<b>732,000</b>	<b>2,500,000</b>	<b>100</b>
Government contribution	75,000	75,000	75,000	75,000	<b>300,000</b>	
Community contribution (mostly in-kind)	0	0	0	0	<b>0</b>	
ADB Incremental Costs				60,000	<b>60,000</b>	
<b>Total estimated costs</b>	<b>1,230,000</b>	<b>540,000</b>	<b>223,000</b>	<b>867,000</b>	<b>2,860,000</b>	

ADB = Asian Development Bank, JFPR = Japan Fund for Poverty Reduction.

Source: Asian Development Bank estimates.

**Table A2.2: Project Summary Cost Estimates: Cambodia**  
(\$)

Input, Expenditure Category	Grant Component				Total (Input)	Percent
	Component A Construction of Three Small Markets	Component B Microfinance Support for Market Vendors	Component C Training and Awareness Campaigns	Component D Project Management/ Consultancy Services		
Civil works	350,000	0	0	0	<b>350,000</b>	42
Microfinance loans	0	135,000	0	0	<b>135,000</b>	16
Training and awareness campaigns	0	0	41,000	0	<b>41,000</b>	5
Grant management	0	0	0	227,600	<b>227,600</b>	27
Contingencies (0–10% of total estimated grant fund; use of contingencies requires prior approval by ADB)	35,000	20,000	9,000	20,000	<b>84,000</b>	10
<b>Subtotal financed by JFPR grant</b>	<b>385,000</b>	<b>155,000</b>	<b>50,000</b>	<b>247,600</b>	<b>837,600</b>	<b>100</b>
Government contribution	25,000	25,000	25,000	25,000	<b>100,000</b>	
Community contribution (mostly in-kind)	0	0	0	0	<b>0</b>	
ADB incremental costs				20,000	<b>20,000</b>	
<b>Total estimated costs</b>	<b>410,000</b>	<b>180,000</b>	<b>75,000</b>	<b>292,600</b>	<b>957,600</b>	

ADB = Asian Development Bank, JFPR = Japan Fund for Poverty Reduction.  
Source: Asian Development Bank estimates.

**Table A2.3: Project Summary Cost Estimates: Lao People's Democratic Republic**  
(\$)

Input, Expenditure Category	Grant Component				Total (Input)	Percent
	Component A Construction of Three Small Markets	Component B Microfinance Support for Market Vendors	Component C Training and Awareness Campaigns	Component D Project Management/ Consultancy Services		
Civil works	350,000	0	0	0	<b>350,000</b>	42
Microfinance loans	0	135,000	0	0	<b>135,000</b>	16
Training and awareness campaigns	0	0	41,000	0	<b>41,000</b>	5
Grant management	0	0	0	222,200	<b>222,200</b>	27
Contingencies (0–10% of total estimated grant fund; use of contingencies requires prior approval by ADB)	35,000	20,000	8,000	20,000	<b>83,000</b>	10
<b>Subtotal financed by JFPR grant</b>	<b>385,000</b>	<b>155,000</b>	<b>49,000</b>	<b>242,200</b>	<b>831,200</b>	<b>100</b>
Government contribution	25,000	25,000	25,000	25,000	<b>100,000</b>	
Community contribution (mostly in-kind)	0	0	0	0	<b>0</b>	
ADB incremental costs				20,000	<b>20,000</b>	
<b>Total estimated costs</b>	<b>410,000</b>	<b>180,000</b>	<b>74,000</b>	<b>287,200</b>	<b>951,200</b>	

ADB = Asian Development Bank, JFPR = Japan Fund for Poverty Reduction.  
Source: Asian Development Bank estimates.

**Table A2.4: Project Summary Cost Estimates: Viet Nam**  
(\$)

Input, Expenditure Category	Grant Component				Total (Input)	Percent
	Component A Construction of Three Small Markets	Component B Microfinance Support for Market Vendors	Component C Training and Awareness Campaigns	Component D Project Management/ Consultancy Services		
Civil works	350,000	0	0	0	<b>350,000</b>	42
Microfinance loans	0	135,000	0	0	<b>135,000</b>	16
Training and awareness campaigns	0	0	41,000	0	<b>41,000</b>	5
Grant management	0	0	0	222,200	<b>222,200</b>	27
Contingencies (0–10% of total estimated grant fund; use of contingencies requires prior approval by ADB)	35,000	20,000	8,000	20,000	<b>83,000</b>	10
<b>Sub-Total financed by JFPR grant</b>	<b>385,000</b>	<b>155,000</b>	<b>49,000</b>	<b>242,200</b>	<b>831,200</b>	<b>100</b>
Government contribution	25,000	25,000	25,000	25,000	<b>100,000</b>	
Community contribution (mostly in-kind)	0	0	0	0	<b>0</b>	
ADB incremental costs				20,000	<b>20,000</b>	
<b>Total estimated costs</b>	<b>410,000</b>	<b>180,000</b>	<b>74,000</b>	<b>287,200</b>	<b>951,200</b>	

ADB = Asian Development Bank, JFPR = Japan Fund for Poverty Reduction.  
Source: Asian Development Bank estimates.

**DETAILED COST ESTIMATES**  
**Table A3.1 Detailed Cost Estimates for Cambodia**  
(\$)

Code	Supplies and Services Rendered	Costs				Contributions				
		Unit	Quantity Units	Cost Per Unit	Total	JFPR Amount	JFPR Method of Procurement	Government	Other Donors	Communities (in-kind)
<b>Component A. Construction of Markets/ Trade Centers<sup>a</sup></b>										
1	<b>Civil works</b>			<b>Subtotal</b>	<b>350,000</b>	<b>350,000</b>	<b>NCB</b>			
1.1	Market facility in Battambang, Cambodia	Unit	1	350,000	350,000	350,000				
<b>Component B. Microfinance Support</b>										
2	<b>Microfinance loans</b>			<b>Subtotal</b>	<b>135,000</b>	<b>135,000</b>	<b>MFI Pre-selected</b>			
2.1	Microfinance loans in Battambang, Cambodia	MFI loans	200	500	100,000	100,000				
2.2	MFI Trainings	Events	7	5,000	35,000	35,000				
<b>Component C. Training and Awareness Campaigns<sup>b</sup></b>										
3	<b>Training and Awareness Campaigns</b>			<b>Subtotal</b>	<b>41,000</b>	<b>41,000</b>				
3.1	Market vendor forum Battambang, Cambodia	Events	2	5,000	10,000	10,000				
3.2	Local authorities workshop, Battambang, Cambodia	Events	2	8,000	16,000	16,000				
3.3	Cambodia: community awareness campaign materials	Lumpsum	1	15,000	15,000	15,000				
<b>Component D. Project Management/Consultancy Services<sup>c</sup></b>										
4.1	<b>National Consultants</b>			<b>Subtotal</b>	<b>227,600</b>	<b>227,600</b>				
4.1.1	Cambodia: Project Management Consultant (part-time)	Person-month	40	1,500	60,000	60,000	<b>QCBS</b>			
4.1.2	Cambodia: Secretary or accountant (part-time)	Person-month	40	500	20,000	20,000				
4.2	<b>International Consultant</b>			<b>Subtotal</b>	<b>67,600</b>	<b>67,600</b>				
4.2.1	International Project Management Consultant	Person-month	14	3,400	47,600	47,600	QCBS			
4.2.2	Annual External Audits	Person-month	4	5,000	20,000	20,000	LCS			
4.3	<b>Regional Development Specialist</b>	Person-month	8	5,250	42,000	42,000	ICS			
4.4	<b>Others</b>			<b>Subtotal</b>	<b>38,000</b>	<b>38,000</b>				
4.4.1	Cambodia: Transport - car rentals <sup>d</sup>	Lump sum			18,000	18,000				
4.4.2	Project coordination team office and utilities	Lump sum			20,000	20,000				
<b>Components A+B+C+D = Subtotal</b>				<b>Subtotal</b>	<b>753,600</b>	<b>753,600</b>				
<b>Contingency (Maximum 10% of Total JFPR Contribution)</b>					<b>84,000</b>	<b>84,000</b>				
<b>Total Grant Costs</b>					<b>837,600</b>	<b>837,600</b>				
<b>ADB Incremental Cost Details</b>										
	Preparation of grant implementation manual	Person-month			10,000	10,000				
	Preparation of project completion report	Lump sum			10,000	10,000				

<b>Total Incremental Costs</b>	<b>Subtotal</b>	<b>20,000</b>	<b>20,000</b>	
<b>Government Contributions (in-kind)</b>		<b>100,000</b>		<b>100,000</b>
<b>Total Project Costs</b>		<b>957,600</b>	<b>857,600</b>	<b>100,000</b>

ADB= Asian Development Bank; ICS = individual consultant selection, JFPR = Japan Fund for Poverty Reduction; LCS = least cost selection, MFI = microfinance institution; NCB = national competitive bidding, QCBS = quality- and cost-based selection.

<sup>a b c</sup> Costs to be administered by ADB.

<sup>d</sup> Vehicle and electronic equipment to support the day-to-day field activities of the project implementation team and will be handed over to the project implementation team office upon completion of the project. The need for frequent travel to 11 target communities situated in rural areas and close interagency coordination, compounded by substantial distances between the project's target communities and project office, result in very high vehicle rental expenditures. Therefore, in the interest of economy and efficiency a project vehicle is proposed.

Source. Asian Development Bank estimates.

**Table A3.2 Detailed Cost Estimates for Lao People's Democratic Republic**  
(\$)

Code	Supplies and Services Rendered	Costs				Contributions				
		Unit	Quant ity Units	Cost Per Unit	Total	JFPR		Govern- ment	Other Donors	Communities (in-kind)
						Amount	Method of Procurement			
<b>Component A. Construction of Markets/ Trade Centers<sup>a</sup></b>										
1	<b>Civil works</b>			<b>Subtotal</b>	<b>350,000</b>	<b>350,000</b>	<b>NCB</b>			
1.1	Market facility in Kaysone Phomvihane, Lao PDR	Unit	1	350,000	350,000	350,000				
<b>Component B. Microfinance Support</b>										
2	<b>Microfinance loans</b>			<b>Subtotal</b>	<b>135,000</b>	<b>135,000</b>	<b>MFI Pre- selected</b>			
2.1	Microfinance loans in Kaysone Phomvihane, Lao PDR	MFI loans	200	500	100,000	100,000				
2.1	MFI Trainings	Events	7	5,000	35,000	35,000				
<b>Component C. Training and Awareness Campaigns<sup>b</sup></b>										
3	<b>Training and Awareness Campaigns</b>			<b>Subtotal</b>	<b>41,000</b>	<b>41,000</b>				
3.1	Market vendor forum Kaysone Phomvihane, Lao PDR	Events	2	5,000	10,000	10,000				
3.2	Local authorities workshop, Kaysone Phomvihane, Lao PDR	Events	2	8,000	16,000	16,000				
3.3	Lao PDR: community awareness campaign materials	Lumpsum	1	15,000	15,000	15,000				
<b>Component D. Project Management/Consultancy Services<sup>c</sup></b>										
4.1	<b>National Consultants</b>			<b>Subtotal</b>	<b>222,200</b>	<b>222,200</b>				
4.1.1	Lao PDR: Project Management Consultant (part-time)	Person-month	40	1,500	60,000	60,000	<b>QCBS</b>			
4.1.2	Lao PDR: Secretary/accountant (part-time)	Person-month	40	500	20,000	20,000				
4.2	<b>International Consultant</b>			<b>Subtotal</b>	<b>64,200</b>	<b>64,200</b>				
4.2.1	International Project Management Consultant	Person-month	13	3,400	44,200	44,200	QCBS			
4.2.2	Annual External Audits	Person-month	4	5,000	20,000	20,000	LCS			
4.3	<b>Regional Development Specialist</b>	Person-month	8	5,250	42,000	42,000	ICS			
4.4	<b>Others</b>			<b>Subtotal</b>	<b>36,000</b>	<b>36,000</b>				
4.4.1	Lao PDR: Transport - car rentals <sup>d</sup>	Lump sum			18,000	18,000				
4.4.2	Project coordination team office and utilities	Lump sum			18,000	18,000				
<b>Components A+B+C+D = Subtotal</b>				<b>Subtotal</b>	<b>748,200</b>	<b>748,200</b>				
<b>Contingency (Maximum 10% of Total JFPR Contribution)</b>					<b>83,000</b>	<b>83,000</b>				
<b>Total Grant Costs</b>					<b>831,200</b>	<b>831,200</b>				
<b>ADB Incremental Cost Details</b>										
	Preparation of grant implementation manual	Person-			10,000	10,000				



Preparation of project completion report	month			
	Lump sum		10,000	10,000
<b>Total Incremental Costs</b>		<b>Subtotal</b>	<b>20,000</b>	<b>20,000</b>
<b>Government Contributions (in-kind)</b>			<b>100,000</b>	<b>100,000</b>
<b>Total Project Costs</b>			<b>951,200</b>	<b>851,200</b>
				<b>100,000</b>

ADB= Asian Development Bank; ICS = individual consultant selection, JFPR = Japan Fund for Poverty Reduction; LCS = least cost selection, MFI = microfinance institution; NCB = national competitive bidding, QCBS = quality- and cost-based selection.

<sup>a b c</sup> Costs to be administered by ADB.

<sup>d</sup> Vehicle and electronic equipment to support the day-to-day field activities of the project implementation team and will be handed over to the project implementation team office upon completion of the project. The need for frequent travel to 11 target communities situated in rural areas and close interagency coordination, compounded by substantial distances between the project's target communities and project office, result in very high vehicle rental expenditures. Therefore, in the interest of economy and efficiency a project vehicle is proposed.

Source. Asian Development Bank estimates.

Table A3.3 Detailed Cost Estimates for Viet Nam

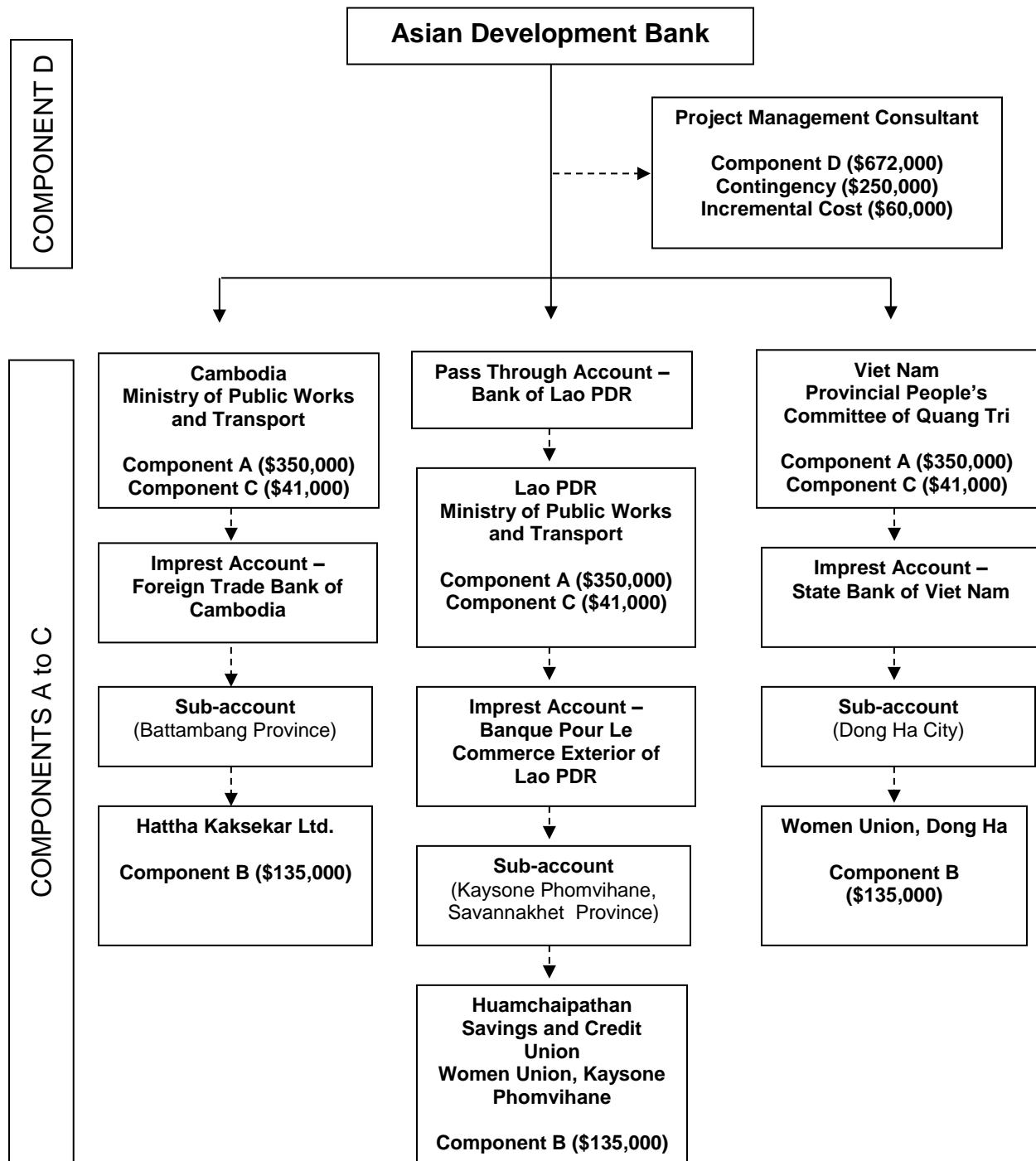
		Costs				Contributions				
Code	Supplies and Services Rendered	Unit	Quantity Units	Cost Per Unit	Total	JFPR		Government	Other Donors	Communities (in-kind)
						Amount	Method of Procurement			
<b>Component A. Construction of Markets/ Trade Centers<sup>a</sup></b>										
1	<b>Civil works</b>			<b>Subtotal</b>	<b>350,000</b>	<b>350,000</b>				
1.3	Market facility in Dong Ha, Viet Nam	Unit	1	350,000	350,000	350,000				
<b>Component B. Microfinance Support</b>										
2	<b>Microfinance loans</b>			<b>Subtotal</b>	<b>135,000</b>	<b>135,000</b>				
2.3	Microfinance loans in Dong Ha, Viet Nam	MFI loans	200	500	100,000	100,000				
2.4	MFI Trainings	Events	7	5,000	35,000	35,000				
<b>Component C. Training and Awareness Campaigns<sup>b</sup></b>										
3	<b>Training and Awareness Campaigns</b>			<b>Subtotal</b>	<b>41,000</b>	<b>41,000</b>				
3.1	Market vendor forum Dong Ha, Viet Nam	Events	2	5,000	10,000	10,000				
3.2	Local authorities workshop, Dong Ha, Viet Nam	Events	2	8,000	16,000	16,000				
3.3	Viet Nam: community awareness campaign materials	Lumpsum	1	15,000	15,000	15,000				
<b>Component D. Project Management/Consultancy Services<sup>c</sup></b>										
4.1	<b>National Consultants</b>			<b>Subtotal</b>	<b>222,200</b>	222,200				
4.1.1	Viet Nam: Project Management Consultant (part-time)	Person-month	40	1,500	60,000	60,000				
4.1.2	Viet Nam: Secretary/accountant (part-time)	Person-month	40	500	20,000	20,000				
4.2	<b>International Consultant</b>			<b>Subtotal</b>	<b>64,200</b>	64,200				
4.2.1	International Project Management Consultant	Person-month	13	3,400	44,200	44,200				QCBS
4.2.2	Annual External Audits	Person-month	4	5,000	20,000	20,000				LCS
4.3	<b>Regional Development Specialist</b>	Person-month	8	5,250	<b>42,000</b>	42,000				ICS
4.4	<b>Others</b>			<b>Subtotal</b>	<b>36,000</b>	36,000				
4.4.1	Viet Nam: Transport - car rentals <sup>d</sup>	Lump sum			18,000	18,000				
4.4.2	Project coordination team office and utilities	Lump sum			18,000	18,000				
<b>Components A+B+C+D = Subtotal</b>				<b>Subtotal</b>	<b>748,200</b>	<b>748,200</b>				
<b>Contingency (Maximum 10% of Total JFPR Contribution)</b>					<b>83,000</b>	<b>83,000</b>				
<b>Total Grant Costs</b>					<b>831,200</b>	<b>831,200</b>				
<b>ADB Incremental Cost Details</b>										
	Preparation of grant implementation manual	Person-month			10,000	10,000				
	Preparation of project completion report	Lump sum			10,000	10,000				
<b>Total Incremental Costs</b>				<b>Subtotal</b>	<b>20,000</b>	<b>20,000</b>				
<b>Government Contributions (in-kind)</b>					<b>100,000</b>			<b>100,000</b>		

<b>Total Project Costs</b>	<b>951,200</b>	<b>851,200</b>	<b>100,000</b>
ADB= Asian Development Bank; ICS = individual consultant selection, JFPR = Japan Fund for Poverty Reduction; LCS = least cost selection, MFI = microfinance institution; NCB = national competitive bidding, QCBS = quality- and cost-based selection.			
<sup>a b c</sup> Costs to be administered by ADB.			
<sup>d</sup> Vehicle and electronic equipment to support the day-to-day field activities of the project implementation team and will be handed over to the project implementation team office upon completion of the project. The need for frequent travel to 11 target communities situated in rural areas and close interagency coordination, compounded by substantial distances between the project's target communities and project office, result in very high vehicle rental expenditures. Therefore, in the interest of economy and efficiency a project vehicle is proposed.			
Source. Asian Development Bank estimates.			

## FUND FLOW ARRANGEMENTS

1. In Cambodia, an imprest account will be opened by the Ministry of Economy and Finance at the Foreign Trade Bank of Cambodia and delegated to the Ministry of Public Works and Transport to facilitate day-to-day project expenditures. A subaccount will be opened in Battambang Province at a commercial bank acceptable to the Government of Cambodia to process payments for eligible local expenditures.
2. In the Lao People's Democratic Republic (Lao PDR), funds will be channeled through a pass-through account opened by the Ministry of Finance at the Bank of Lao PDR and transferred to an imprest account, administered by the Ministry of Public Works and Transport, in the Banque Pour Le Commerce Exterior of Lao PDR. A sub-account will be opened in Kaysone Phomvihane, Savannakhet province at a commercial bank acceptable to the Government of Lao PDR to process payments for eligible local expenditures.
3. For Viet Nam, an imprest account will be opened by the Ministry of Finance at a commercial or service bank and delegated to the project management unit to facilitate day-to-day project expenditures. A sub-account will be opened in Dong Ha at a commercial bank acceptable to the Government of Viet Nam and the Asian Development Bank (ADB) to process payments for eligible local expenditures.
4. All the executing agencies have ample experience in handling imprest and other fund-flow accounts associated with previous grant-funded projects. The imprest accounts will be in US dollars. The ceiling of the imprest account in each country will be \$40,000. The imprest accounts will be replenished based on requests from the respective project management unit. The imprest accounts will be established, managed, replenished and liquidated in accordance with ADB's *Loan Disbursement Handbook* (2012, as amended from time to time). The statement of expenditures procedures will apply for all payments and transactions under \$10,000 to ensure rapid project implementation. Detailed implementation arrangements, such as fund flow, replenishment, and administrative procedures will be detailed in the Grant Implementation Manual and established between ADB and the respective government through the Japan Fund for Poverty Reduction Letter of Agreement. The letter of agreement with the executing agencies will also specify their relationship with the microfinance institutions (MFIs) and will detail the MFI accountability mechanism with respect to fund disbursement and utilization. The MFIs will also be required to prepare annual reports on fund disbursements for the executing agencies.
5. Funds for microfinance loans (component B) will be coursed through the bank imprest, pass through (in the case of Lao PDR), and sub-accounts to the MFIs in the three countries. These will be revolving facilities administered by the respective MFIs in each project town. These funds will continue to be used after the project period by the MFIs as a sustainability mechanism to provide the beneficiaries with ongoing access to credit and capital. Expenditures for civil works (component A) will be generally paid through direct payment to the civil works contractors. ADB will directly administer the funds for training and awareness campaigns (component C) and consultancy services (component D); disbursements for such consultancy services will be made in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

Figure A4.1: Fund Flow Arrangements for the JFPR Project



Lao PDR = Lao People's Democratic Republic, — = structural linkages; - - - - = advisory role and administrative support.

Note: Component A involves small markets; component B microfinance loans for market vendors; component C project preparation and monitoring; and component D project management.

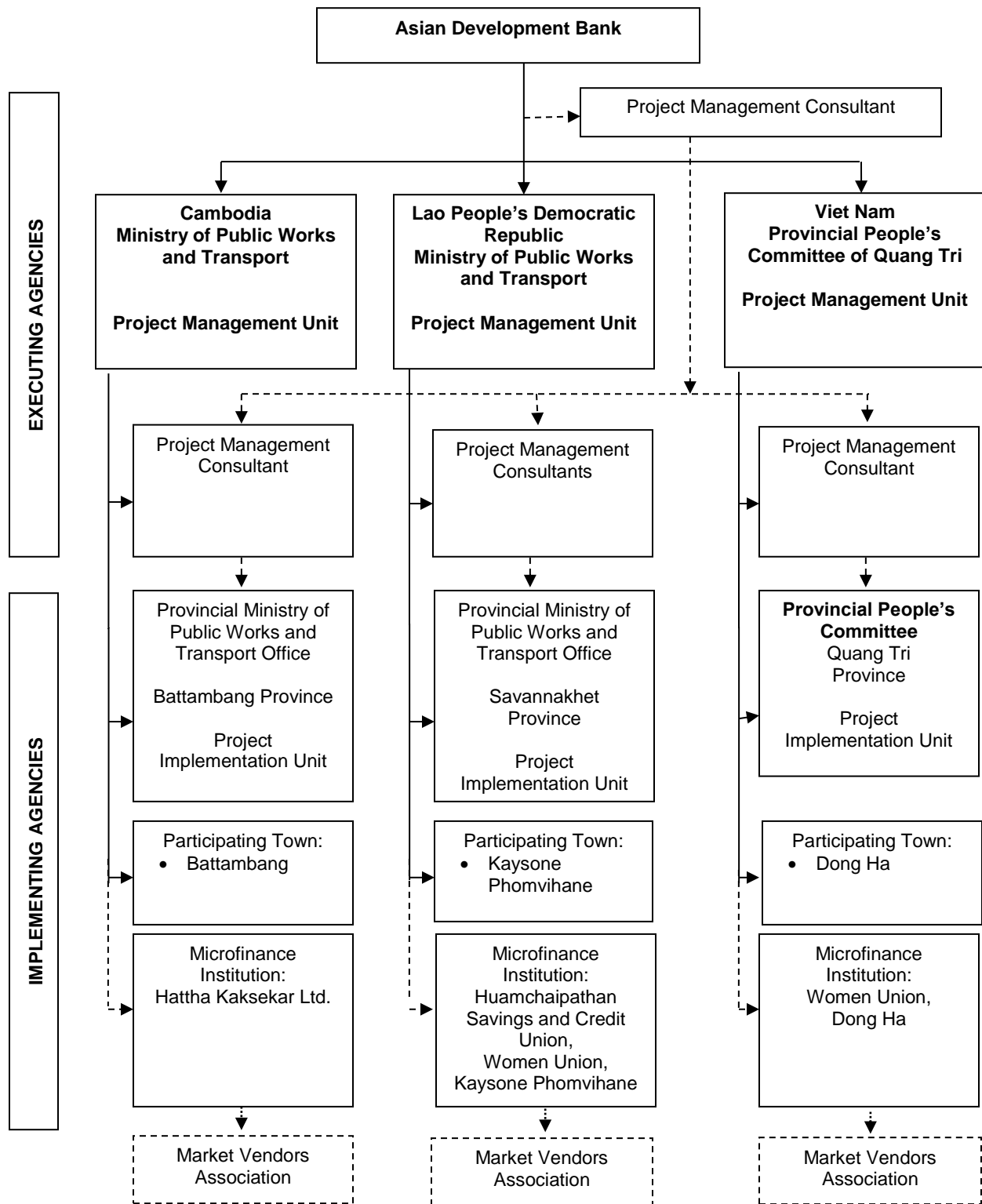
Source: Asian Development Bank.

## IMPLEMENTATION ARRANGEMENTS

1. **Executing agencies.** The executing agencies for the project will be (i) the Ministry of Public Works and Transport (MPWT) in Cambodia, (ii) the MPWT in the Lao People's Democratic Republic (Lao PDR), and (iii) the People's Committee of Quang Tri Province in Viet Nam.
2. **Implementing agencies.** The implementing agencies for Cambodia for each project component will be the Municipality of Battambang (component A), and Hattha Kaksekar, a microfinance institution (MFI) (component B). For Lao PDR, the implementing agencies are the local government of Kaysone Phomvihane (component A), Huamchaipathan Savings and Credit Union and Women's Union of Kaysone Phomvihane (an MFI) (component B). For Viet Nam, the implementing agencies are the People's Committee of Dong Ha City (component A), and the Women's Union of Dong Ha (component B). Output C (training and awareness campaigns) and Output D (project management and consulting services) will be implemented by the project management consultant. The MFIs are chosen without using competitive selection because of their previous experience and track record in Asian Development Bank (ADB) and Japan Fund for Poverty Reduction (JFPR)-implemented projects in the Greater Mekong Subregion, and the market-based interest rates that they offer on loans that are affordable to the target beneficiaries.
3. **Project steering committees.** For each country, project supervision, coordination, and management and implementation will be undertaken at the national and provincial levels. A project steering committee (PSC) will be established in each country prior to project inception. The PSCs in each country will be chaired by the respective executing agencies (the ministers of the MPWT in Cambodia and Lao PDR, and the Chairman of the People's Committee of Quang Tri Province) and will be co-chaired by the deputy governor of Battambang in Cambodia, the District Governor of Kaysone Phomvihane in Lao PDR, and the Ministry of Planning and Investment and the People's Committee of Dong Ha in Viet Nam. Representatives from line agencies will make up the composition of the PSC in each country: the ministries of women's affairs and economy and finance in Cambodia; the ministries of home affairs and finance, and the Bank of Lao PDR in Lao PDR; and the ministries of women's affairs and finance in Viet Nam. The project management units (PMUs) of the three loan projects—the Southern Economic Corridor Towns Development Project in Cambodia, the East–West Corridor Towns Development Project in Lao PDR, and the Corridor Towns Development Project in Viet Nam—will be used as the institutional anchor within the executing agencies. The PMUs will ensure timely and effective project planning, management, coordination, recruitment of consultants, procurement, financial controls, monitoring and reporting to their respective governments and ADB. The PMU will be supported by the project management consultant, and an accountant with experience in financial management, standard operation and procedures of the government, and ADB procurement procedures. The project implementation units of the Greater Mekong Subregion Corridor Towns Development Project will be used as the institutional anchor within the implementing agencies at the local level to manage the day-to-day implementation of the project.
4. **Implementation schedule.** The project will be implemented from June 2013 to May 2017.
5. **Procurement.** All procurement of goods and services for civil works and project management consultants will follow ADB's Procurement Guidelines (2010, as amended from time to time), and the selection of consulting services will follow ADB's Guidelines on the Use of Consultants (2010, as amended from time to time). The procurement of the three civil works packages will be through national competitive bidding following appropriate procedures as outlined under ADB's Procurement Guidelines. The mode of procurement of consultants shall be through quality- and cost-based selection using a 90:10 ratio. Engagement and administration of the consultants shall be by ADB. All project procurement shall be financed through the JFPR grant funds. Consultancy services for auditing services shall be recruited using least-cost selection method. A regional development specialist, to be based at ADB Headquarters with occasional regional mission travels to the project sites, shall be recruited by individual consultant selection.
6. **Disbursement.** Disbursement arrangements shall be as described in Appendix 3. All funds and project accounts shall be established, managed, replenished, and liquidated in conformance with ADB's

*Loan Disbursement Handbook* (2012, as amended from time to time); disbursements for consultants hired by ADB will also be made according to ADB's *Loan Disbursement Handbook*. Because this is a regional project involving three countries, ADB will administer the funds for consultancy services to ensure quality control. .

**Figure A5.1: Project Implementation Arrangement Structure**





## SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	<b>Cambodia, Lao People's Democratic Republic, and Socialist Republic of Viet Nam</b>	Project Title:	<b>Greater Mekong Subregion: Livelihood Support for Corridor Towns</b>
Lending/Financing Modality:	<b>Grant</b>	Department/Division:	<b>Southeast Asia Department/ Urban Development and Water Division</b>

### I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

Targeting classification: Targeted Intervention—Millennium Development Goals (MDGs)

The proposed Japan Fund for Poverty Reduction (JFPR) project will help the governments of Cambodia, the Lao People's Democratic Republic (Lao PDR), and Viet Nam will establish a model for promoting markets for small vendors, and support these vendors through microfinance loans. This livelihood support will increase employment and income-generating opportunities for the poor living in the vicinity of newly improved urban environmental infrastructure supported by the Greater Mekong Subregion (GMS) Corridor Towns Development Project in Cambodia, the Lao PDR and Viet Nam. It will contribute to achieving the MDGs related to poverty reduction and promotion of gender equality and the empowerment of women by strengthening enterprises led by women.

#### A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy

The Asian Development Bank (ADB) country partnership strategies (CPSs) for Cambodia, the Lao PDR, and Viet Nam support the governments' commitment to pro-poor, private sector-led, inclusive economic growth by financing investments in human resources, agriculture, infrastructure, women's empowerment, and small enterprise development. All CPSs<sup>a</sup> support the development of value chains (linked to component A of the project) and strengthening of small and medium-sized enterprises (SMEs) (linked to component B). The project is consistent with the strategic directions of the respective urban sector assessment strategy and roadmap prepared by ADB for each of the three GMS countries in 2010 and 2011, including the development of secondary towns, especially along the GMS corridors.

#### B. Results from the Poverty and Social Analysis during PPTA or Due Diligence

**1. Key poverty and social issues.** The proposed JFPR grant project will help to reduce poverty and create economic opportunities for poor market vendors in the targeted towns. The governments of Cambodia, Lao PDR, and Viet Nam, with assistance from ADB and other development partners, is addressing the problems of the urban poor through comprehensive urban development measures for provincial and subregional centers. The approach taken by the three government targets both the urban and rural poor (in the urban hinterlands). Recent ADB studies suggest the poor require targeted livelihood development assistance to allow them to more effectively exploit economic opportunities associated with improved connectivity. Integrating micro- and small vendors' activities into larger urban infrastructure programs is an innovative approach to address the urban poor's livelihood development needs and accelerate pro-poor inclusive economic growth.

**2. Beneficiaries.** The beneficiaries of the project will be the informal sector engaged in small trading businesses in the towns of Battambang in Cambodia, Kaysone Phomvihane in Lao PDR, and Dong Ha in Viet Nam. Beneficiaries will benefit from the project by gaining access to market facilities for trading, microfinance, and training on market management, where they will be given the opportunity to co-manage market operations as members of the market management committee (MMC). This project aims to address the needs of the target beneficiaries by providing trading facilities that are secure, have good hygienic conditions, access to customer flow, and access to affordable loan schemes that will provide additional capital to improve their products and goods (these will feature affordable interest rates based on the prevailing market rates in each town). The microfinance component will be implemented through local microfinance institutions (MFIs) to ensure interest rates are affordable for beneficiaries and administrative costs are minimized

**3. Impact channels.** Beneficiaries will be able to benefit from the project through: (i) market operations, which are managed by the participating municipality and representatives of the market vendors association; and (ii) revolving microfinance. Prudent actions by the MFIs will enable the grant money to be used continuously, as the microloans are expected to be repaid quickly, with the interest charged on the loans financing bank operations. In order to ensure sustainability and continuity, the MFIs will be requested to continue the market vendor facility for at least 10 years after project completion.

**4. Other social and poverty issues.** Despite the construction of hygienic market centers, there are some health-related poverty issues that cannot be addressed by the project, including the increasing incidence of HIV/AIDS. A number of health programs are being implemented by donor organizations (including ADB) and the respective governments to control the prevalence of this disease. Access to land in terms of economic opportunities will be addressed by the project, but not access to land for formal housing. A comprehensive urban housing program has to be developed by the respective governments to address this issue.

**5. Design features.** The project has four key outputs: (i) construction of three markets; (ii) provision of microfinance loans for market vendors in these three markets; (iii) training and awareness campaigns; and (iv) project management support to the executing and implementing agencies. Through these outputs, about 600 beneficiaries (70% of whom are women) engaged in informal trading will gain access to formal trading facilities, have the opportunity to increase capital through microfinance, enhance their capacity in market management, and develop their skills as a result of technical support and training. It is expected that achievement of government poverty reduction targets in the three project towns will be accelerated as a result of the expected increased income opportunities associated with improved value chains for locally produced products and food.

## II. PARTICIPATION AND EMPOWERING THE POOR

1. Summarize the participatory approaches and the proposed project activities that strengthen inclusiveness and empowerment of the poor and vulnerable in project implementation.

A needs assessment survey will be conducted at the start of project implementation to determine the socioeconomic backgrounds of the project beneficiaries (especially women), and their perceived day-to-day and livelihood-related needs. The survey will assess the need for various features in the market centers (e.g., vending stalls and associated facilities such as toilets, day care centers, and storage facilities). A group lending and paying scheme will be devised for the microfinance component to ensure that the microfinance loans are manageable for both the MFIs and the beneficiaries. Further enhancement of beneficiary skills and products will be provided through training programs provided by the participating nongovernment organizations (NGOs), thereby contributing to the marketability of their products and resulting in increased incomes.

2. If civil society has a specific role in the project, summarize the actions taken to ensure their participation.

Consultations with stakeholders during project preparation were informal and conducted in conjunction with the reconnaissance mission; meetings were held with key stakeholders (e.g., local NGOs and microfinance institutions, government officials, and community groups from each town) who comprise the project's target beneficiaries. Stakeholders provided suggestions on the project design, scope, implementing arrangements, opportunities for partnerships, and lessons from other market development and microfinance projects in Cambodia, the Lao PDR, and Viet Nam. The views of stakeholders consulted, including women, men, and vulnerable groups, were incorporated into the project design and implementation arrangements.

3. Explain how the project ensures adequate participation of civil society organizations in project implementation.

Market operations will be managed in a participatory manner. Local ownership and mutual responsibility for the success of various programs will be enabled through community participation in project planning and review processes. Productive working relationships between implementing partners and beneficiaries will be reviewed and improved through ongoing participatory planning and evaluation. The project management consultants will encourage dialogue between stakeholders and facilitate adaptive management practices as required. Implementing the project through a multi-sector project implementation unit, staffed by government officials and supported by project management consultants, aims to increase the capabilities of stakeholders involved in the promotion of pro-poor market activities and related value chains.

At project implementation, members of the market vendors associations in the three project sites who are engaged in informal market vending activities will be eligible to participate in the needs survey of project beneficiaries. The MMC will ensure that the selection process will be fair, accepted by the stakeholders, and transparent. A profile of the project beneficiaries will be prepared and maintained by the MMC with the assistance of the project management consultant. Community participation will also be enhanced through the proposed group-loan schemes for accessing microfinance loans and NGO involvement in conducting training for the market vendors on market operation and maintenance and entrepreneurship.

4. What forms of civil society organization participation is envisaged during project implementation?

Information gathering and sharing (H)  Consultation (H)  Collaboration (M)  Partnership (H)

5. Will a project level participation plan be prepared to strengthen participation of civil society as interest holders for affected persons particularly the poor and vulnerable?

Yes.  No.

A consultation and participation plan will be prepared for the project as part of the gender equity and participation plan to be prepared at the start of the implementation phase; the components will be defined after the needs assessment surveys.

## III. GENDER AND DEVELOPMENT

Gender mainstreaming category: Gender Equity Theme (GEN)

**A. Key issues.** Women are generally very involved in the underlying agricultural economies, as well as in informal sector activities (markets, petty services) in the small and medium-sized towns targeted for the project. The project's integrated approach to empowering the urban poor through livelihood activities that can increase income generation and employment in areas with newly acquired physical access to markets is innovative. The project will address female and male beneficiaries equally, demonstrate how to involve the poor in market development and microfinance programs that are relevant to their needs and capabilities, and seek to direct socioeconomic benefits to the intended beneficiaries rather than outsiders.



**VI. MONITORING AND EVALUATION**

## 2. Required human resources:

The respective executing and implementing agencies in the three countries will have counterpart staff assigned from their technical and administrative departments. Consultants for project management and auditing will help oversee project implementation. ADB (through the Urban Development and Water Division) will manage the project with the assistance of an individual consultant

## 3. Information in GIM:

All required reporting mechanisms will be detailed in the grant implementation manual (GIM) to be prepared during the project inception period.

## 4. Monitoring tools:

All tools for monitoring project impacts will be detailed in the GIM to be prepared during the project inception period.

<sup>d</sup> ADB. 2011. *Country Partnership Strategy: Cambodia, 2011–2013*. Manila; ADB. 2011. *Country Partnership Strategy: Lao People's Democratic Republic, 2012–2016*. Manila; and ADB. 2012. *Country Partnership and Strategy: Socialist Republic of Viet Nam, 2012–2015*. Manila.

Source: Asian Development Bank.