ADB

Asian Development Bank

Viet Nam Resident Mission

14 March 2012

Ms. Doan Hoai Anh
Director General
International Cooperation Department
State Bank of Viet Nam
Hanoi, Viet Nam
Fax: (+844) 38250612

Dear Ms. Doan Hoai Anh,

Re: Technical Assistance for Water Resources Development in the Mid and Northeast Red River Delta (TA No. 7926-VIE)

We are pleased to inform you that on 24 November 2011, the Asian Development Bank (the ADB) approved the provision of technical assistance (the Technical Assistance) to the Government of the Socialist Republic of Viet Nam (the Government) in an amount not exceeding the equivalent of US$800,000 to be financed on a grant basis by the Japan Fund for Poverty Reduction for the preparation of the Water Resources Development in the Mid and Northeast Red River Delta project. The Technical Assistance will be financed and carried out pursuant to (i) the Technical Assistance Framework Agreement between the Government and ADB dated 1 May 1996, and (ii) the arrangements described in paragraph 12 of Appendix 4 of the Final Concept Paper attached as Annex 1. As indicated in the Final Concept Paper, the Ministry of Agriculture and Rural Development (MARD) will be the Executing Agency for the Technical Assistance. The cost estimates and financing plan and the outline terms of reference for consultants to be engaged under the Technical Assistance are in Appendix 4 of the concept paper.

The Technical Assistance will be provided entirely as a grant.

The Memorandum of Understanding signed by the Government and ADB is attached as Annex 2 for your information.

If these arrangements are acceptable to you and MARD, kindly have all three copies of this letter countersigned on behalf of the Government and MARD in the spaces indicated below. Please retain one copy for your records, one copy for MARD, and return one original copy to ADB.

Mr. Javed H. Mir, Director of the Environment, Natural Resources and Agriculture Division, Southeast Asia Department, will be responsible for all matters pertaining to the implementation of the Technical Assistance. All communications on this matter may, therefore, be addressed to his office.

Sincerely,

Tomoyuki Kimura
Country Director

Unit 701-706, Sun Red River Building
23 Phan Chu Trinh St. Hanoi, Viet Nam
www.adb.org/vrm

Tel (844) 39 331 374
Fax (844) 39 331 373
adbvrm@adb.org

Confirmed:

On behalf of the Government of the Socialist Republic of Viet Nam



LE MINH HUNG

Deputy Governor, State Bank of Viet Nam

Date: 14 March 2012

On behalf of the Ministry of Agriculture and Rural Development



HOANG VAN THANG

Vice Minister

Date: 14 March 2012

Cc:
Mme. Nguyen Thi Tuyet Hoa, Deputy Director, ICD, MARD Fax: (04) 3733 0752
Mr Nguyen Van Tinh, Director General, CPO, Fax: (04) 38242372
Mr Javed H. Mir, Director SEER

ADB

Concept Paper

Project Number: 44324
November 2011

Socialist Republic of Viet Nam: Water Resources Development in the Mid- and Northeast Red River Delta

(Financed by the Japan Fund for Poverty Reduction)

Asian Development Bank

I. THE PROJECT

A. Rationale

1. Despite recent high rates of economic growth, low household incomes and poverty persist in the rural areas of Viet Nam. One of the main reasons for this, especially in the Red River Delta region, is the limited access to productive resources. Agriculture still accounts for 70% of the rural employment in the country (although only 20% of GDP). Thus, for the near future and majority of the rural population, enhanced incomes will need to come from increased returns from agricultural production. However, the resources base is very restricted with average land-holdings in the Red River Delta ranging from 0.2 – 0.25 ha per household along with cropping intensities of 175% – 200% and paddy rice yields of 6 – 7 metric tons per ha. The only means of increasing production is through better water control and improved agricultural technology, including land-leveling to conserve water resources and improved post-harvest management to reduce losses. Through flood protection, drainage in the wet season, irrigation in the dry season, and the use of improved agricultural technologies, it is still possible to significantly increase production on much of the paddy land in the delta as well as to diversify to new higher-value crops that are easily marketed in the areas close to the large population of metropolitan Ha Noi City. The problem tree (Appendix 2) graphically reflects this situation.

2. The overall vision of the Ministry of Agriculture and Rural Development's (MARD) *Five-Year Plan for Agriculture Development 2011-2015* is for a modernized, sustainable agriculture sector with a market orientation. The Five-Year Plan supports continuing structural transformation and international integration of the Vietnamese economy. Two of the Five-Year Plan's six main goals are poverty reduction in the poorest districts, and significant rural income increases. An integral program aims to improve rural physical infrastructure, social conditions, production modes and circumstances, and provide a total rural solution.

3. ADB leads and coordinates institutional development initiatives for legislative and policy development and strengthening capacity for sustainable water resources management. ADB has administered international development partners' (IDP) contributions for technical assistance (TA) including TA for institutional development of the Second Red River Basin Sector Project and TA for Water Sector Review. ADB has also engaged IDPs to support the government with water resources development through improved irrigation and drainage infrastructure by providing financial assistance.[1] The overall impact of ADB's investment in this subsector has been the scale of outputs achieved including improved irrigation and drainage on more than 900,000 ha and flood protection on about 1.0 million ha. Nevertheless, out of the 6.6 million ha of riceland in Viet Nam only about 4.0 million ha have operational irrigation facilities and these often do not operate at full efficiency due mainly to insufficient funding for operation and maintenance (O&M). Furthermore, people living in the delta areas of the country are continuously subject to floods, inundation, dry season drought, and salinity intrusion, which highlight the infrastructure deficiencies that also suffer from insufficient O&M funding. This constitutes both a major challenge and a major development opportunity since with improved water resource infrastructure, agriculture production can be both intensified and diversified, leading to enhanced rural incomes and reduced poverty.

4. Lessons learned from these and other ADB financed initiatives in Viet Nam include (i) strategically selected, properly designed projects can have positive impacts on the economy, export earnings, employment, household incomes, nutrition, and poverty reduction; (ii) despite institutional issues which may constrain eventual performance, the government has shown capacity to take on challenging projects. However, institutional and implementation efficiencies need to be improved; (iii) ownership of project interventions by the government and the executing agencies concerned is critical to success; (iv) agriculture, rural development and

[1] Irrigation and Flood Protection Rehabilitation, Red River Delta Water Resources Sector, Second Red River Basin Sector, Phuoc Hoa Water Resources, and Central Region Water Resources projects.

D. Indicative Implementation Arrangements

9. The executing agency for the project will be MARD which will appoint a central project management unit (CPMU) for coordination of project implementation. The provincial departments of agriculture and rural development (DARDs) in each participating province will be designated as implementing agencies. They will be responsible, through project implementation units (PIUs) for supervising detailed project design, the contracting of civil works, the actual construction activities, and the implementation of rural development support and PIM activities. Land acquisition, when required, will be the responsibility of individual provincial administrations. Procurement of goods and services will be undertaken following ADB's Procurement Guidelines (2010, as amended from time to time) and given the likely size of contract packages, their scattered nature in an isolated part of the country, will most likely be procured through national competitive bidding. To the extent possible, procurement packages will be consolidated to reduce transaction costs and delays in document processing. Consulting services consisting of international and local consultants will be recruited following Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers (2010, as amended from time to time). Project implementation consultants consisting of both international and national experts will be recruited on the quality- and cost-based selection (QCBS) system on an 80:20 ratio with a full technical proposal. For detailed design and specific safeguard studies with services valued at less than $200,000, national firms will be recruited through consultants' qualifications selection (CQS) procedures.[5] Provision will also be made for the recruitment of individual international and national experts as required. Advance recruitment of the project implementation consultants up to the stage of shortlisting is envisaged during project preparation. However, retroactive financing is not anticipated.

II. DUE DILIGENCE REQUIRED

10. The following due diligence will be required.

- **Technical.** The proposed PPTA will examine the technical feasibility of the identified interventions under the conditions prevailing in the project area to ensure that they are technically sound and viable.
- **Economic and financial.** During the PPTA, economic and financial due diligence will include an assessment of the economic viability of individual investments and a realistic assessment of the financial capacity of the provinces to provide operation and maintenance funding after project completion.
- **Governance.** A governance assessment will be undertaken during the PPTA. It will examine capacities of the national executing agency and provincial implementing agencies in relation to public financial management and procurement capacity, and the need for anticorruption measures, policy and legal concerns, the respective role and capacity of the national and provincial governments and other institutional issues.[6]
- **Poverty and social.** The PPTA will prepare a summary poverty assessment and social analysis to determine the situation in the project areas. The PPTA will conduct a thorough gender analysis and prepare a gender action plan to remedy the situation in the project areas.[7] Women in Viet Nam are crucial players in agriculture but have low participation in community activities in general and in water resource management in particular.
- **Safeguards.** The PPTA will prepare four resettlement plans (one each per province covering subprojects within the respective province) with assessments of social impacts,

[5] These are typically short-term assignments where recruitment time is critical and there are few qualified consultants; thus the preparation and evaluation of competitive proposals is not justified.

[6] The eligibility of state-owned enterprises (SOEs) in bidding for civil works contract packages and their potential conflicts of interest will be explicitly addressed in the procurement capacity assessment carried out during the PPTA.

[7] The initial poverty and social analysis is given in Appendix 5.

BASIC PROJECT INFORMATION

Aspects	Arrangements
Modality	project loan
Financing	$80 million ADF loan
COBP/RCOBP	ADB 2011. Country Operations and Business Plan 2012-2014
	The original project title was Modernizing Irrigation Systems in the Mid and Northeast Red River Delta. With definition of the project scope during the TA Fact Finding Mission the title was changed at the request of the government.
Classification	Sector (subsectors): agriculture and natural resources (irrigation, drainage, and flood protection)
	Themes (subthemes): economic growth (widening access to markets and economic opportunities)
	Climate change: adaptation
	Targeting classification: general intervention
	Gender mainstreaming category: effective gender mainstreaming
	Location impact: rural (high), urban (low), and national (medium)
	Safeguards environment category B, involuntary resettlement category B, indigenous peoples category B.
Risk categorization	low risk
Partnership(s)	Cofinancier to be identified
Use of a PBA	PBA will not be used
Parallel PIU	A parallel PIU is not envisaged
Department and division	Southeast Asia Department, Environment, Natural Resources, and Agriculture Division
Mission leader and members	Dennis Ellingson, Mission Leader; Kazuhiro Watanabe, Alternate

ADB = Asian Development Bank, ADF = Asian Development Fund, PBA = programmatic based approach, PIU = project implementation unit.

PRELIMINARY DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators	Data Sources and Reporting Mechanisms	Assumptions and Risks
Impact Increased rural income in the project areas	GDP per capita in the project rural areas increases from average of VND 15.5 million in 2012 to VND 47.5 million by 2020	MOLISSA and DOLISSA statistics on income and poverty levels	**Assumption** Market demand for agriculture produce remains at least at present levels **Risk** Natural disasters or catastrophic events destroy infrastructure and crops
Outcome Increased agricultural production and value	Overall production increased in project areas from average of 200,000 tons of paddy equivalent in 2012 to 300,000 tons by 2020	National and provincial agriculture and export statistics	**Assumption** Continued access to improved varieties and inputs including fertilizers **Risk** Upstream Red River water management interferes with water demand and drainage needs of farmers Water demand and drainage needs of fish farmers are in conflict with those of rice farmers at the field level
Outputs 1. Water resources management infrastructure improved and made climate change resilient	50,000 ha provided with upgraded irrigation drainage and flood control facilities	ADB Review Mission aide memoires Project Completion Report	**Assumption** Implementation capacity within project provinces remains at present levels or improves. **Risk** Safeguard issues delay pace of implementation
2. Rural development support and participatory irrigation management (PIM) activities undertaken	Rural development support and participatory irrigation management activities undertaken in 200 communes for 10 subprojects with women comprising 50% of the participants in community consultation activities for rural development services (RDS) and 30% of the participants in participatory irrigation management (PIM)	ADB Review Mission aide memoires Project Completion Report	**Assumption** CPO and Provincial governments continue to place a high priority on rural development support and PIM **Risk** Activities chosen for promotion do not reflect beneficiaries priorities
3. Operation and maintenance capacity strengthened	Training and orientation programs undertaken in 10 irrigation	ADB Review Mission aide memoires	**Assumption** Stakeholders are interested and competent enough to

Activities with Milestones	Inputs
4.1 Training program for CPO and provincial staff formulated (2013) 4.2 Training program implemented (2013-2016) 4.3 Implementation and benefit monitoring program designed (2013) 4.4 Implementation and benefit monitoring program implemented (2013-2017)	**Cofinancier = $10 M** **Cost Item** — **$ million** Training and workshops — 10.0

Source: Mission and EA estimates

will finance the remaining $200,000 equivalent, primarily in kind. The TA will be administered by ADB. The Government has been informed that approval of the TA does not commit ADB to finance any ensuing project. The detailed cost estimate is presented in Table 4.2.

Table 4.2: Cost Estimates and Financing Plan ($'000)

Item				Total Cost
A.	**Japan Fund for Poverty Reduction**[a]			
	1.	Consultants		
		a.	Remuneration and per diem	
			i. International consultants (16 person-months)	392.0
			ii. National consultants (44 person-months)	198.0
		b.	International and local travel	50.0
		c.	Reports and communications	6.0
	2.	Equipment (computer, printer, etc.)[b]		4.0
	3.	Workshops, training, seminars, and conferences[c]		18.0
	4.	Surveys		40.0
	5.	Miscellaneous administration and support costs		5.0
	6.	Representative for contract negotiations		5.0
	7.	Contingencies		82.0
		Subtotal (A)		**800.0**
B.	**Government Financing**[d]			
	1.	Office accommodation and transport		80.0
	2.	Remuneration and per diem of counterpart staff		100.0
	3.	Contingencies		20.0
		Subtotal (B)		**200.0**
		Total		**1,000.0**

[a] Administered by the Asian Development Bank

[b] Equipment

Type	Quantity	Cost
Photocopier	1	$1,000
Desk Top Computer with printer	4	$3,000

Note: The equipment will be procured in accordance with ADB's *Procurement Guidelines* (2010, as amended from time to time) and handed over to the executing agency upon completion of the TA.

[c] Workshops, training, seminars, and conferences

Purpose	Venue
Inception	Hanoi
Midterm	Bac Ninh
Final	Hanoi

Note: Costs of workshops, training, seminars, conference and surveys will be included in the Consultant's contract for services and these will be administered by the Consultant.

[d] Government contributions are in-kind.

Source: Mission Estimates

D. Consulting Services

4. A total of 60 person months of consulting services (consisting of 16 person-months of international and 44 person-months of national expertise) will be required for project preparation. The consulting services will be recruited from a firm selected using quality- and cost-based selection (QCBS) at a ratio of 80:20 based on a simplified technical proposal. A summary of the consultancy requirements is presented in Table 4.3.

implement the project; and design the funds flow for the ensuing project, based on the results of the financial management assessment.

9. **Land Acquisition Specialist** (international 1 person month). 10 years experience in analyzing and designing social and resettlement issues for international development projects, preferably in Southeast Asia; familiarity with ADB's social and safeguard requirements. Responsibilities: provide guidance to national land acquisition specialists in ADB's safeguard requirements and assess the design of the project within the context of social and resettlement concerns; ensure that appropriate resettlement safeguard measures are incorporated into the project design and involuntary resettlement plans of provinces are prepared; assess the capacity of the implementing agencies (IAs) and relevant local stakeholders on resettlement planning and implementation; design and provide training to build capacity for the IAs and relevant local stakeholders on project resettlement planning and implementation.

10. **Social/Gender Specialist** (international 1 person month). Qualifications: 10 years experience in analyzing and designing social and gender for international development projects, preferably in Southeast Asia; familiarity with ADB's social, gender development requirements. Responsibilities: together with the national social/gender specialist, assess the design of the project within the context of social, and gender issues, indigenous peoples concerns and; ensure that the project design includes elements which promote enhanced social welfare; conduct socio-economic and gender analyses and prepare stakeholder participation plan, gender action plan and ethnic minorities development plan where relevant.

11. **Environment and Climate Change Specialist** (international 1 person month). Qualifications: 10 years experience in analyzing and designing environmental issues related to water resources management for international development projects, preferably in Southeast Asia; familiarity with ADB's environmental analysis and safeguard requirements. Responsibilities: together with the national environment/climate change specialist and hydrologist, assess the design of the project within the context of environmental concerns; ensure that appropriate safeguard measures are incorporated into the project design; ensure that initial environmental examination and environmental management plans (for as many subprojects as feasible) are prepared.

E. Implementation Arrangements

12. The executing agency for the PPTA will be the Ministry of Agriculture and Rural Development. A central project management unit will be set up to supervise TA and project implementation. Procurement will be done in accordance with ADB's Procurement Guidelines (2010, as amended from time to time). Disbursements under the PPTA will be done in accordance with ADB's *Technical Assistance Disbursement Handbook* (May 2010, as amended from time to time). In kind contributions to be provided by the executing agency and the local governments will include: office space, counterpart staff, office staff and translators, domestic transport and basic office and communications equipment. The proposed TA processing and implementation schedule is listed in Table 4.4.

Table 4.4: Proposed Technical Assistance Processing and Implementation Schedule

Major Milestones	Expected Completion Date
Concept Clearance/PPTA Approval	11 November 2011
Consultant Selection	23 December 2011
Fielding of PPTA Consultants	06 February 2012
Midterm Review	07 May 2012
Submission of Final Report	06 August 2012

1. What are the potential needs of beneficiaries in relation to the proposed project? The needs of the beneficiaries include better water control, improved access to information and agriculture technologies and enhanced access to rural credit.
2. What are the potential constraints in accessing the proposed benefits and services, and how will the project address them? The constraints to accessing the proposed benefits include the need for (i) funding for water control infrastructure upgrading, (ii) training in participatory irrigation management, (iii) access to government services oriented towards the needs of the beneficiaries, and (iv) establishment of a sustainable operation and maintenance system.

B. Consultation and Participation

1. Indicate the potential initial stakeholders. The initial stakeholders are the farming population within the service areas of the water control infrastructure to be up-graded, along with the staff of the Irrigation Management Companies responsible for scheme operation and maintenance. Also, Women's Unions in relation to the Rural Development and Community Participation component; and Ethnic minority committees in areas where a significant portion of beneficiaries are ethnic minorities and an IP plan is required.

2. What type of consultation and participation (C&P) is required during the project preparatory TA or project processing (e.g., workshops, community mobilization, involvement of nongovernment organizations and community-based organizations, etc.)? Participatory and stakeholder workshops will be conducted during the initial stages of project design to gauge the beneficiaries' understanding and expectations of the project. This will be followed up by public consultations.
3. What level of participation is envisaged for project design?
   ☐ Information sharing ☒ Consultation ☐ Collaborative decision making ☐ Empowerment[7]
4. Will a C&P plan be prepared? ☒ Yes ☐ No Please explain.

C. Gender and Development

1. What are the key gender issues in the sector and subsector that are likely to be relevant to this project or program? The main gender issues include:
- The low wages paid for agriculture labor, and limited income options, especially for women;
- Limited water resource control for agriculture production resulting in increased workload for female farmers in particular (for repeated trans-planting of paddy seedlings and weeding) as these are female-specific tasks.
- Female farmers' low participation in community activities in general and in water resource management in particular despite the fact that in some sites, women's unions usually organize their members to undertake canal maintenance/dredging activities for the women's union's fund.
- Limited access to credit (provided to them by the Bank for Social Policy) by near-poor households (including female headed households) and agriculture technical training to improve productivity.
- In some subproject sites, the female headed households account for up to 10% or higher and a high proportion of them belong to poor households.
- About 60 to 70% of water users are women, but DARDs have limited awareness of gender issues and lack capacity to address this.

2. Does the proposed project or program have the potential to promote gender equality and/or women's empowerment by improving women's access to and use of opportunities, services, resources, assets, and participation in decision making? ☒ Yes ☐ No Please explain:
- Skills learned under the rural development support component will also add to income earning possibilities. Equal employment opportunities provided to female farmers (as for males) during construction work will also contribute to their increased incomes.
- Completed subproject infrastructure will contribute to the reduction of females' workloads related to repeated transplanting and weeding.
- Mobilizing women under separate community consultations, community developments and rural services; monitoring of construction process and in WUAs and technical training for them will empower women.
- Improved gender awareness and capacity of DARDs to implement GAP will potentially contribute to increased women's participation (including in decision making positions) in water resources management sub-sector.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?
   ☒ Yes ☐ No Please explain:
- Additional agriculture production means an additional demand for labor. Some of this may need to be filled by women who already have a full range of household and farm tasks for which they are responsible.
- Land acquisition due to construction work may affect a number of farmers' livelihoods, including that of female farmers (as rice farmers, cow-raising farmers). This should be studied further with the safeguard planning.