

Ex-ante Evaluation

1. Name of the Project

Country: The Socialist Republic of Vietnam

Project: Small-Scale Pro Poor Infrastructure Development Project (II)

(Loan Agreement: March 31, 2006; Loan Amount: 14,788 million yen; Borrower: The Government of the Socialist Republic of Vietnam)

2. Necessity and Relevance of JBIC's Assistance

The poverty rate in Vietnam declined from 58% to 24% during the 12-year period from 1993 to 2004 due to the high economic growth stimulated by the switch toward a market economy. However, whereas the urban poverty rate declined significantly from 25.1% to 5.7% during 1993 to 2004, the poverty rate in rural areas, where 90% of the poor are concentrated, declined only from 66.5% to 30.5%. Thus, the economic disparity between urban and rural areas is expanding. Factors in the expansion of this disparity include the fact that, in many cases, the rural poor live in areas that are geographically disadvantaged because they are prone to natural disasters, and in addition, feature poor living environments and fragile infrastructure.

The highest poverty rates in Vietnam are in the northern mountainous region, the north central coastal region, and the central highland region, where the poverty rates are 54%, 41%, and 33%, respectively. In addition to the limitations on expansion of farming activities due to the geographical features of these areas (mountains and remoteness), the reason for the poverty is considered to be the limited access to growth opportunities and limited benefit from the effects of growth during the high economic growth period of the 1990s due to their limited access to infrastructure and susceptibility to the impact of natural disasters.

Vietnam's "10-Year Socio-Economic Development Plan (2001-2010)," which sets forth basic guidelines for national development, mandates promotion of basic infrastructure installation (local roads, local electricity distribution networks, water systems, and irrigation facilities for improved agricultural productivity, etc.) in local rural areas where the poverty rate is high. Moreover, in the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) approved by the prime minister in May 2002, improvement of infrastructure and improvement of access to public services in poor regions are mentioned as specific measures.

In JBIC's current Medium-Term Strategy for Overseas Economic Cooperation Operations, emphasis is placed on the priority area of "assistance for poverty reduction."

Therefore, JBIC's assistance is highly necessary and relevant.

3. Project Objectives

The objective of this project is to improve accesibility to markets, public services (electric power and service water), and to increase agricultural productivity through rehabilitation, upgrading and construction of small-scale pro poor infrastructure consisting of rural roads, rural electricity distribution, rural water supply system, and rural irrigation system, in targeted provinces and districts (including provinces in the "development triangle"), which have been designated as poor on the basis of criteria such as the poverty incidence and human development index in Vietnam, and thereby contribute to poverty reduction in rural area.

4. Project Description

(1) Target Area

128 districts in 41 provinces

(2) Project Outline

Civil engineering works and services that are necessary for the implementation of the project will be provided as follows in local rural areas with a high poverty rate in Vietnam.

- (a) Rehabilitation, Upgrading and Construction of small-scale pro poor infrastructure in the sectors of rural roads, rural electricity distribution, rural water supply system, rural irrigation system
- (b) Consulting services (assistance for detailed design of sub-projects, and tendering/contract, operation supervision and evaluation, strengthening of organizational capacities for project implementation and for operation and maintenance, investment and management of NGO Facilitation Fund, etc.)

(3) Total Project Cost/Loan Amount

17,398 million yen (Yen Loan Amount: 14,788 million yen)

(4) Schedule

December 2006-May 2010 (42 months)

(5) Implementation Structure

- (a) Borrower: The Government of the Socialist Republic of Vietnam
- (b) Executing Agency: Ministry of Planning and Investment (MPI)
- (c) Operation and Maintenance System: Overall management will be conducted by the Project Management Unit (PMU) of MPI. Implementation and management of sub-projects will be conducted by Provincial/District PMUs which are set up in each local government.

(6) Environmental and Social Consideration

(a) Environmental Effects/Land Acquisition and Resident Relocation

(i) Category: B

(ii) Reason for Categorization

This project is classified as Category B because it is not a large-scale project in the road sector, its adverse impact on the environment is not considered significant, and it does not have characteristics likely to exert impact nor is it located in an area that is susceptible to impact, under the “Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations” (established April 2002).

(iii) Environmental Permit

The project is a small-scale infrastructure project, and so government approvals of EIA reports for each sub-project are not required in the country’s legal system.

(iv) Anti-Pollution Measures

Water pollution, noise, and vibration are foreseen as impacts during some of the construction, and appropriate countermeasures are to be implemented by PMU and the contractors.

Following construction, the water quality and noise, etc., are expected to meet the national standards.

(v) Natural Environment

The project site is not located in or around protected areas such as national parks or habitats of rare species, etc., and so no significant adverse impact is foreseen.

(vi) Social Environment

This project is a small-scale infrastructure project, and so it does not involve any large-scale resident resettlement. In sub-projects that do involve land acquisition and resident resettlement, they are scheduled to be implemented appropriately in accordance with the basic resident resettlement plan.

(vii) Other/ Monitoring

In the implementation of the sub-projects in this project, MPI and the PMUs of each province and district will give appropriate consideration to the economic and social aspects. Monitoring will be implemented by PMUs as necessary based on the opinions of the residents and with the assistance of consultants hired with this project.

(b) Promotion of Poverty Reduction

The project will improve the access of the poor to public services through rehabilitation, upgrading and construction of small-scale pro poor infrastructure composed of rural roads, rural electricity distribution system, rural water supply system, and rural irrigation system in poor areas. Simultaneously, the project will endeavor to promote industrial development and employment in poor areas by supporting sub-projects (of 3 roads and 1 water supply system) as pilot projects selected through a new approach that incorporates consideration of infrastructure in the area surrounding the local industry, such as for network access and marketing.

(c) Promotion of Social Development (e.g. Gender Perspective)

Residents' consultations were held in the project planning stage for each of the sub-projects in the overall project, and more residents' consultations are to be held concerning the details of the project plans prior to the start of the project. Moreover, the pilot districts in this project will be the districts in the three provinces that were pilot provinces in the project (I) plus in the two provinces newly added in this project. In these districts, District Development Boards (DDBs), to be composed of representatives from residents' organizations and local government officials, will be organized, and resident participatory approach will be promoted so as to reflect the residents' infrastructure needs in the rehabilitation, upgrading and construction of the infrastructure and in its operation and maintenance. It is planned to continue to promote the activities of the DDBs set up in project (I) (2003 ODA loan agreement) by having them participate in the workshops scheduled in this project and share their experiences in project (I) with the other regions.

(7) Other Important Issues

In this project, it is planned to boost the development effects of the project by setting up an NGO facilitation fund to promote collaboration with International NGOs in the project area (tentatively, activities and participation-style capacity building in the sectors of agriculture extension and sanitation education, etc.) In project (I), operational guidelines for the NGO facilitation funds were prepared. However, it is planned to revise the guidelines as necessary in order to ensure that the

scheme makes it easier for the NGOs to become involved. Based on the experience in project (I), consideration will be given to the timing of the signing of the memorandums between the INGOs and the consultants hired by the project as well as to methods for making payments of the funds.

5. Outcome Targets

(1) Evaluation Indicators (Operation and Effect Indicator)

Indicator	Baseline	Target (2012, 2 years after completion)
Roads: Annual average daily traffic (PCU/day)	-	7.7% increase**
Electricity distribution: System average interruption duration index (minutes/year-customers)	1,092*	272*
Water supply system: Population served (persons)	19,481	429,928
Irrigation system: Area Benefited by the project (ha)	16,050	77,700

*Average figure of each sub-project

**Average increase rate of each sub-project

In the case of other sub-projects, figures represent the totals of figures of the sub-projects.

6. External Risk Factors

Recession in agriculture due to natural disaster, disease epidemics

7. Lessons Learned from Findings of Similar Projects Undertaken in the Past

From experience in implementing sector loans in the past, it has been learned that it is necessary to clarify the beneficiary area and project implementation structure and to ensure detailed loan management for each sub-project. Based on this, in project (I), selection criteria were set for beneficiary areas based on Vietnam's poverty indexes, etc., from the perspective of clarify the beneficiary areas. However, to focus more clearly on the poor in this project, greater emphasis is placed on selection at the district level. Moreover, to boost the poverty reduction effects, in addition to the above, coordination with network access and local development plans, etc., will be introduced in the sub-project selection process.

In project (I), PMUs were set up at the central, provincial, and district level to help clarify the project implementation structure, and furthermore, to clarify the role of each PMU, sub-project agreements between Provincial PMU and District/Commune level PMUs were introduced. In this project, together with fully introducing the same agreements particularly in the new beneficiary provinces, it is also necessary to gain consent in the same agreements as to which level of PMU is in charge of executing the monitoring and the evaluation systems, a matter which was not clear in project (I).

Furthermore, in the ex-post evaluations of sector loan projects in the past, difficulties have been reported in obtaining information at the ex-post evaluation stage concerning baseline figures and target figures on sub-projects to be used as evaluation indicators prior to the project. Based on this, the project is confirming the baseline figures prior to the project, together with setting operation and effect indicators and target figures for each sub-project. Moreover, PMUs, which are the agencies

implementing the project, are to conduct a baseline survey concerning the social impact to confirm the qualitative effects prior to the start of the project.

8. Plans for Future Evaluation

(1) Indicators for Future Evaluation

- (a) Roads: Annual average daily traffic (PCU/day)
- (b) Electricity distribution: System average interruption duration index (minutes/year- customers)
- (c) Service water: Population served (persons)
- (d) Irrigation: Area Benefited by the project (ha)

(2) Timing of Next Evaluation

After project completion