

Ex-Ante Evaluation Report (for Japanese ODA Loan)

1. Name of the Project

Country : Socialist Republic of Vietnam

Project : Protection Forests Restoration and Sustainable Management Project

Loan Agreement : March 30, 2012

Loan Amount : 7,703,000,000

Borrower : The Government of the Socialist Republic of Viet Nam

2. Background and Necessity of the Project

(1) Current State and Issues of the Forest Sector in Viet Nam

Forests covering nearly 40 percent of the total land in Viet Nam perform as economic resources such as timber and firewood and as public function such as watershed protection and ecosystem conservation. However, the forest cover in Viet Nam decreased from around 43% in 1943 to 28% in 1990. This brought significant adverse impacts on the environment, economy and livelihoods of its population. The causes of deforestation were population increase and poverty which were the main driving force for forest clearing for agriculture use, illegal logging and forest fires.

After the country's efforts in restoring its forests through afforestation, the forest cover recovered up to 39.5% by the end of 2010, but leaving 10.1% of its land (3.34 million ha) as bare land (without tree cover).

In terms of growing stock of forest, it is estimated that Viet Nam's growing stock of forest per hector was 74 m³/ha in 2010, while the same figure is estimated at 171 m³/ha in Japan and 96 m³/ha in Cambodia as a surrounding country. Considering Viet Nam's favorable climatic conditions for tree growing, the quality of its forest is not so high.

About 25 million people living in and around forest areas and relying on forest resources for their livelihoods face difficulties to alleviate poverty due to insufficient quality and quantity of forest. Moreover, as the degraded forest loses its watershed protection capacity, it also loses one of its important functions such as flood control and prevention.

(2) Development Policies for the Forest Sector in Viet Nam and the Priority of the Project

Under "the Law on Forest Protection and Development" promulgated in 1991 and revised in 2004, the Government of the Socialist Republic of Viet Nam (GOV) has been trying to recover forest lands and to improve livelihoods of local peoples by implementing large scale afforestation programs such as "Program 327 (1993—1998)" and "Five million hectors of new forest (1998—2010)".

Moreover, GOV has developed "National Forest Development Strategy (2006-2020)"

by actively incorporating ideas and proposals of international donors and experts. In this Strategy, GOV commits itself to restore the country's forest cover up to 47%. It will implement further afforestation and sustainable management of 16.24 million hectares of forest lands, promote forest development through various stakeholders' participation including local inhabitants and to improve livelihoods of mountainous areas..

(3) Japan and JICA's Policy and Operations in the Forest Sector in Viet Nam

"Environmental Conservation" is one of the priority areas of Japan's Country Assistance Program for Viet Nam (July, 2009). Importance of assistance to "Natural Environment Conservation" is addressed under this priority area. JICA's development assistance programme (April, 2009) also states that it supports sustainable forest and natural environmental conservation. In order to promote strategic cooperation, JICA has launched "Forest and Natural Environment Conservation Cooperation Program". In addition, this Project is considered as one of concrete measures to realize "Hatoyama Initiative" which aims to support the climate change countermeasures in developing countries by mobilizing both public and private sector investments, and "A Decade toward the Green Mekong" initiative agreed at the First Mekong-Japan Summit Meeting held in November 2009.

(4) Other Donors' Activities

Based on the Memorandum of Agreement (MOA) signed between GOV and nineteen (19) UN agencies and donors in November, 2001, "Forestry Sector Support Program and Partnership (FSSP)" has been established. Under the Partnership, thirty (30) participating institutions, including GOV and JICA are exchanging information and conducting collaborative activities. Some of the FSSP members have established trust funds for forests.

The World Bank is supporting three loan projects including community development for the management of mangrove forests, promotion of private sector investment on plantations by promoting forest land allotment and providing concessional loans to local inhabitants.

Asian Development Bank (ADB) is financing two loan projects including promotion of community natural forest management in middle highland areas.

(5) Necessity of the Project

The Project is in line with Japan and JICA's priorities for ODA assistance as well as GOV's policy. By enhancing both quality and quantity of the country's protection forest and strengthening forest management systems, the Project will contribute to environmental protection and poverty alleviation of Viet Nam. Thus, the necessity and relevance of the implementation of the Project is considered to be high.

3. Project Description

(1) Project Objectives

The objective of the Project is to enhance the function of the watershed protection forests, restore and conserve biodiversity and reduce poverty in mountainous areas by restoring and improving the watershed protection forests in eleven (11) provinces, strengthening the capacity of the local governments and the owners of protection forests and improving the livelihoods of communities that will manage protection forests, thereby contributing to environmental conservation and poverty alleviation in Viet Nam.

(2) Project Sites/Target Areas

Watershed protection forests managed by Protection Forest Management Board of eleven (11) provinces located in middle coast areas of Viet Nam. The eleven provinces are Thanh Hoa, Nghe An, Ha Tinh, Quang Binh, Quang Tri, Hue, Quang Ngai, Binh Dinh, Hung Yen, Ninh Thuan, Binh Thuan

(3) Project Components

- 1) Afforestation
- 2) Construction of forestry infrastructure
- 3) Livelihood improvement activities
- 4) Rural infrastructure development
- 5) Activities to support strengthening of project implementation, management and maintenance systems
- 6) Consulting services for above mentioned activities 1)-5)

(4) Estimated Project Cost (Loan Amount)

JPY 9,293 million (Loan Amount : JPY 7,703 million)

(5) Schedule

From March, 2012 to January, 2021 (107 months in total)

Completion of the Project : June 2020- when completion of afforestation and forestry infrastructure development

(6) Project Implementation Structure

- 1) Borrower: The Government of the Socialist Republic of Viet Nam
- 2) Executing Agency: Ministry of Agriculture and Rural Development (MARD)
- 3) Operation and Maintenance System: Protection Forest Management Board

(7) Environmental and Social Consideration/Poverty Reduction/Social Development

1) Environmental and Social Consideration

- (1) Category: B
 - (2) Reason for Categorization: The project is likely to have significant adverse impact on the environment under the Japan Bank for International Cooperation (JBIC) Guidelines for Confirmation of Environmental and Social Considerations” (April 2002).
 - (3) Environmental Permit: The Environmental Impact Assessment (EIA) Report for the Project has been approved by the Ministry of Natural Resources and Environment (MONRE) in May, 2011.
 - (4) Anti-Pollution Measures: Since the application of chemical fertilizers and pesticides is limited to the afforestation activities, no significant undesirable environmental impact is expected in surrounding areas.
 - (5) Natural Environment: The Project’s target sites are protection forests allotted to local forest management authorities. No national conservation area is included and no adverse impact on natural environment is expected. Indigenous tree species will be planted in order to avoid disturbance for the local ecosystem.
 - (6) Social Environment: Since the Project’s activities are implemented mainly within protection forests allotted to local forest management authorities, there will be no need for large scale land acquisition nor resettlement.
 - (7) Other / Monitoring: The Project will implement environmental impact monitoring during the construction of rural infrastructure in accordance with the monitoring plan recommended by EIA report.
- 2) Promotion of Poverty Reduction: The Project will employ local inhabitants for afforestation and construction activities, promote participatory forest management, and finance livelihood improvement activities. Thus, the Project is expected to contribute livelihood improvements of poor communities which rely on forest resources for their livelihoods.
 - 3) Promotion of Social Development (e.g. gender perspective, measure for infectious diseases including HIV/AIDS, participatory development, consideration for the person with disability etc.): Since the Project’s target sites include mountain areas where minority tribes live, necessary measures will be taken in order to mitigate any adverse impact but optimize benefits for such minority groups.

(8) Collaboration with Other Donors: The Project is expected to contribute to the achievement of “National Forest Development Strategy (2006-2020)” which was developed with support of the Forest Policy Advisor (JICA Expert) individually dispatched by JICA.

(9) Other Important Issues: None

4. Targeted Outcomes

(1) Quantitative Effects

1) Performance Indicators (Operation and Effect Indicator)

Indicator	Baseline (Actual Value in 2011)	Target (2021) [Expected value in 2 years after project completion]
Bare land in the area categorized as protection forests in October, 2011.(ha)	93,671	72,235
Membership in training classes for livelihood improvement (ha)	0	3,030
Number of local people employed in forest restoration activities (number of households)	0	12,448

2) Internal Rate of Return

Based on the conditions indicated below, the Economic Internal Rate of Return (EIRR) of the Project is 6.7%.

Cost: Project cost, operation and maintenance costs (including repair costs)

Benefit: Timber sales, increase of agriculture production through irrigation, reduction of transportation costs by constructing new roads.

Project life: 50 years

(2) Qualitative Effects

Watershed forest conservation and stabilization of river flow fluctuation, soil erosion prevention, climate stabilization, livelihood improvement, and biodiversity conservation

5. External Factors and Risk Control

None in particular

6. Lessons Learned from Past Projects

(1) Results of Past Project Evaluation:

An ex-post evaluation of the past project showed an importance to promote proactive forest management by local people by starting community organization before the start of project activities, establishing capable beneficiary organizations, promoting

proactive involvement of forest management in order to optimize project effects.

(2) Lessons learned for the current Project:

Based on the above evaluation results, the Project plans to organize consultation meetings with local people prior to project start, implement afforestation with a view that such forests will be managed by local people in future, to support people's understanding on forest management and to promote active involvement of the people.

7. Plan for Future Evaluation

(1) Indicators to be Used

- 1) Bare land in the area categorized as protection forests in October 2011 (ha)
- 2) Membership in training classes for livelihood improvement (ha)
- 3) local people employed in forest restoration activities (number of households)
- 4) Economic Internal Rate of Return (EIRR) (%)

(2) Timing

Two years after project completion