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Appraisal Mission 2nd Red River Basin Sector Project

Royal Netherlands Embassy, Hanoi, Vietnam
March 2 until March 17, 2001

Draft Mission Report
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Executive summary

- a) The Royal Netherlands Embassy (RNE) is considering a request from the Asian Development Bank (ADB) for co-financing the Technical Assistance component of the Second Red River Basin Sector Project.
- b) This sector project aims to work on poverty reduction by improving agricultural performance through the combination of a wide range of relatively simple and small scale investment sub-projects (Part B, loan component) and Technical Assistance (Part A, grant).
- c) An ADB appraisal mission for the project visited the capital of Vietnam, Hanoi, from the 5th till the 16th of March 2001.
- d) The objective of the ADB mission was reach understanding and agreement on the broad design, financing and implementation scenarios of the sector project with the Ministry of Agriculture and Rural Development (MARD). Such an agreement would be demonstrated by signing of a Memorandum of Understanding (MOU). The MOU is subject to the endorsement of ADB, Agence Française de Développement (AFD), RNE and the Vietnamese Government.
- e) The RNE invited the Ministry of Transport, Public Works & Water Management (Min V&W) to make available an experienced water resource management expert to participate in the ADB appraisal mission.
- f) The RNE requested the expert to advise on the relevance of the project regarding the Netherlands Development Cooperation policy, the conditions for funding through ADB co-financing.
- g) The sector project proved to be carefully prepared and in-line with the Netherlands' Development Co-operation policy.
- h) The sector project may very well contribute to the necessary institutional development for a river basin and integrated water resources management approach.
- i) Most Vietnamese officials fully aware of the necessary river basin, participatory approach and connected decentralisation and support implementation of this policy. Nevertheless the necessary local involvement and the decentralisation process seem yet difficult to achieve, not in the last place due to a long history of centralised thinking in Vietnam.
- j) Formal commitment towards the set up and strategy of the 2nd Red River Basin Sector Project is indispensable for successful implementation.
- k) The challenging but very complex sector project needs to be carefully managed. For this reason a Project Management component has been recommended, in addition to the Technical Assistance Part A. This recommendation has been accepted already by the ADB team-leader.
- l) Activities to be executed under Part A need to be the result of a logical framework approach. Taking the water resources policy as a starting point, it should be made clear through which strategy, what outcome/output, what results may be achieved. In other words, what objectives can be achieved by implementing what mix of activities. From this approach also the outcome/output can be related to the required inputs (tasks) from Consultants and from this consequently the costs can be calculated.
- m) The ADB will contract the Consultant, which has been involved in the preparation of the sector project, to elaborate the logical framework approach. As no project document exists for Part A, the Consultant will prepare such a document. This document will serve for the appraisal by the RNE.
- n) The ambitious and challenging sector project is scheduled to last 6 years. This period seems very optimistic, considering the complexity of the project, in particular from an institutional point of view.

- o) The Technical Assistance (Part A, grant) and the sub-project investments (Part B, loan) can be separately managed, but still need to be co-ordinated on a quarterly institutionalised (structured) basis.
- p) Improvement of river dikes is one of the components of Part B. In The Netherlands new insights and practical solutions have been used recently in river dike design. It is recommended to invite Dutch experts to discuss and review the theory, methodology and solutions presented by the ADB Consultants [9, 10].
- q) Appraisal procedures within the RNE will take about three months by average for more complex activities, where additional inquiries and adjustments are expected. To initiate the appraisal procedure a project document, containing all relevant information, needs to be available to the RNE.
- r) It is of great importance to recruit a project advisor to support the project management component of Part A, prior to the implementation of the other components of Part A. Even in the case everything works out smoothly and quick, it is not expected to have this expert contracted, mobilised, stationed and familiarised before the 1st of April 2002.
- s) Recruitment of Consultants under Part A will be carried out by the ADB for the components Project Management (e), Capacity Building (a) and Pilot Water Licensing System (c).
- t) Recruitment of the Consultants for the components Public Awareness (b) and Water Quality Monitoring Network (d) may be executed through ADB procurement procedures by the Counterpart organization, the Ministry of Agriculture and Rural Development (MARD). MARD is expected to show transparent and sound procedures including financial control systems.
- u) ADB Guidelines will be applicable for recruitment and tendering of all Consultants.
- v) Annual operational and financial audits are recommended. These are expected to support and extend management capabilities of the Counterpart organisation.
- w) Approximately 48% of the basin area of the Red River are situated in China. Co-operation between the Republic of China and Vietnam will favour all efforts towards an integrated water resources management in the Red River Basin. The Netherlands might play a bridging function.
- x) Because of unresolved issues at the end of the appraisal mission it was not possible to sign the MOU. Further preparatory work from both the ADB as well as the MARD need to be done.
- y) Unresolved issues mainly reflect to assurances for further institutionalisation, decentralisation, sub-imprest accounts, approval of an ethnic minority's development plan and cost recovery.

1. Introduction

An ADB appraisal mission for the Second Red River Basin Sector Project (2nd RRBSP) has been scheduled from the 5th till the 16th of March 2001.

The Sector Project consists of Part A (Technical Assistance on Water Resource Management) and Part B (Water Service Investment Subprojects). After approval by the Government of Vietnam and final agreement about projects' financing the duration of the project is scheduled to be 6 years.

Part B will focus on investment of subprojects to improve physical infrastructure and to provide rural development support, for which a loan is considered to the amount of 115 million USD.

The objective of the ADB mission is to sign a Memorandum of Understanding for the 2nd Red River Basin Sector Project.

Components of Part A are Capacity Building for River Basin Management (a), Public Awareness & Educational Programmes (b), Pilot Water Licensing System (c) and Water Quality Monitoring System (d), for which The Netherlands have been requested to consider co-financing (grant) with ADB. The sector project is to be implemented by the Ministry of Agriculture and Rural Development (MARD) in co-operation with the main financing organization, ADB.

The Royal Netherlands Embassy is willing to take the Asian Development Bank's request for co-financing the Second Red River Basin Sector Project seriously into consideration.

The Royal Netherlands Embassy invited the Ministry of Transport, Public Works & Water Management (Min V&W) to make available an experienced water resource management expert to participate in the ADB appraisal mission.

The expert is requested to recommend the Royal Netherlands Embassy taking into consideration the relevance of the project and the conditions to fulfil in case of co-financing.

This report reflects the findings, recommendations and conclusions of the mission.

2. Terms of Reference

The Netherlands expert operates within the ADB team, attending the relevant meetings with Governmental and local institutions.

The expert will report fully independent to the Royal Netherlands Embassy on the relevance (paragraph 4) and necessary conditions (paragraphs 6, 7 and 8) for a successful implementation of the project, in case of possible further co-financing by the Netherlands.

The recommendations will be further related to:

- The 2nd Red River Basin Sector Project design (design, interrelationship, clustering)
- Sequence of implementation and planning (A and B activities)
- Project management (conditions for implementation of TA, monitoring, evaluation)
- Tendering and financing

A detailed Terms of Reference drafted by the Royal Netherlands Embassy has been enclosed in Annex C.

3. Other related projects and technical assistance

Important preparatory work on the 2nd Red River Basin Sector Project has been carried out earlier in different studies financed by the ADB and various donors. The following studies and their results have been used in the discussion of the appraisal mission concerned.

ADB, TA No 2871-VIE Red River Basin Water Resources Management Project.

Executed from March 1998 until December 2000.

Extensive study and a well thought concept with clear conclusions on institutional framework, data information, integrated approach and community participation. Moreover the scope of the Technical Assistance has been extended to facilitate the establishment of the National Water Resource Council. This study has contributed to further develop policy and provide better understanding of a most effective institutional framework for integrated water resources management in the Red River Basin. The role as well as the modality, how to embed the Red River Basin Organisation (Red River Basin Council <RRBC> and the technical support office <RRBO>), have been recommended on. Formal agreement of the Vietnamese Authorities is still awaited. A Policy Statement developed under this Technical Assistance, as agreed between MARD and ADB, still has to be formally endorsed (Annex E).

ADB, TA No 3050-VIE Second Red River Basin Water Resources Project

Executed from early 1999 until August 2000

Originally feasibility studies have been undertaken for three core projects and a water quality monitoring plan, to be included in the 2nd Sector Project under Part B (loan component). The MARD requested shifting the water quality monitoring plan for the Red River Basin to Part A (grant component).

ADB, Feasibility Study for Flood Protection Projects in the Red River Delta of Vietnam

Executed from early 1999 until February 2001

This comprises a sample feasibility study on flood protection works of the Duong River, strengthening of dyke sections, which extend west-east and connect the Red River in the west at the Vietnam capital city of Hanoi to the Thai Binh River in the east of the Red River Delta. The Duong River works are candidate subprojects under Part B of the proposed Second Red River Basin Sector Project. In The Netherlands new insights and practical solutions have been used recently in river dike design. It is recommended to invite Dutch experts to discuss and review the theory, methodology and solutions presented by the ADB Consultants.

ADB, Technical Assistance Cluster (TAR:STU 33006)

This project in the Tender phase now.

The Technical Assistance is meant amongst others for national co-ordination of water resources management to implement the Water Resources Law, which became effective in January 1999. It will mostly concentrate on the establishing and operationalizing of the National Water Resources Council and its technical support office.

ADB, Staff Consultant/Advisor on the Red River Water Resources Management

The advisor has been contracted by the ADB to assess Government's progress in establishing the National Water Resources Council, the Red River Basin Council and both their technical support offices. Key issues for the Red River Basin Council: representation of stakeholders, neutral location, mandate, participation, effective linkage to National Water Resources Council. The results (of this now ongoing short-term technical assistance) are felt of utmost importance for co-operation of The Netherlands.

4. The project and the Netherlands Development Policy

The Ministry of Agriculture and Rural Development (MARD) of the Government of the Socialist Republic of Vietnam has placed the Water Resources Sector on the list of top-priority-sectors for country's economic development.

A daft long-term water resources sector strategy of the Government of Vietnam has been laid down in the document: Strategic Targets of Water Resources Development in Vietnam [17].

The Royal Netherlands Embassy's on the water sector of Vietnam, vision, presented in a draft year plan 2001, is to support its sustainable and participatory development that contributes to safety, integrated rural development, food security and poverty reduction.

The process of economic, social and administrative reform ("doi moi") across all sectors offers interesting opportunities for co-operation between both Governments.

The Netherlands wishes to sustain its consistent role as Vietnam's leading partner in the important water sector.

Considering the limited capacity at the Royal Netherlands Embassy in relation to the diversity and complexity of the sector it will focus on critical areas such as river basin management, integrated coastal management, capacity building and water transport.

Important issues in assessment of project initiatives are governance, poverty reduction, gender, institutional development and environment. The Second Red River Basin Sector Project clearly aims to contribute and to improve on these fundamentals in developing aid.

Analysing the extensive preparatory work on institutional development and feasibility studies the ADB proved to be seriously fulfilling those fundamentals, which are internationally recognised.

Although preparing and designing the project is perfectly in line with actual policy, it will certainly be essential to formulate exactly the conditions and assurances towards a successful implementation of this challenging sector project.

5. The 2nd Red River Basin Sector Project

Objective

Sustainable improvements in irrigation, better drainage, watershed protection and flood protection within a framework of integrated water resources management in the Red River Basin, finally resulting in improved agricultural performance and incomes of poorer communities.

Approach

The project aims to work on poverty reduction by improving agricultural performance through a combination of wide range of relatively simple and small investment sub-projects and Technical Assistance. A process-oriented approach will be used thereby strengthening community ownership, capacity and project sustainability through participatory planning, implementation, monitoring and evaluation.

Scope

Part A (Technical Assistance, proposed grant component)

- a) Capacity building for the Red River Basin Organisation
- b) Public Awareness and Educational Programs
- c) Pilot Water Licensing System
- d) Water Quality Monitoring Network

Part B (Water service investment Subprojects, ADB loan)

- a) To improve irrigation systems and watershed protection in the uplands
- b) To improve delta irrigation and drainage systems
- c) To strengthen flood protection systems in the delta
- d) Project implementation support
- e) Poverty reduction support

Sequence and linkage of activities under Part A and Part B

Part A will address aspects related to integrated water resource management and associated institution-building, while Part B will address the provision of infrastructure improvements and the necessary rural development support at community level to optimise the benefits from the water services and ensure poverty reduction.

In addition the issues chosen for inclusion in the project as components for Part A were those key issues for the Basin that are not being addressed within other known donor programs.

Some clear and important relationships in between Part A and Part B are:

- The capacity building for the Red River Basin Organisation will be important for ensuring its role in guiding the process of selection of the sub-projects under Part B.
- The public awareness campaign under Part A will support local communities in sub-projects towards effective participation.
- Capacity building will improve awareness of the MARD and provincial staff of water resource management issues.

The Red River Basin/Project Area

Approximately 48% of the Red River Basin are situated within the Republic of China. It is evident that co-operation of China and Vietnam would favour all efforts in integrated water resource management enormously. Warning time in the delta in case of floods could be enlarged by three to four days if adequate data from the China uplands would be made available, for instance. International co-operation will be a complex issue, and politics will play a dominant role. Nevertheless there might be possibilities for a bridging function to play by The Netherlands.

Comments on the scope of the project

It concerns the sector wide approach, or the entire framework, within which the sector project has been set, while sub-projects will have to be selected using criteria for the appraisal and implementation phase. This framework has been well determined for the sub-projects to propose under Part B.

It is felt that the already selected components under Part A require additional clarification. By applying the LOG-frame approach it should be explained, what objectives can be achieved through what expected output/impact, what kind of activities are required for that and what will be the tasks of the consultants in these activities, leading to the budget. Due to the necessary appraisal procedures of the RNE the cost estimate must clearly result from a stepwise approach. Only on such a basis a proper project document can be elaborated.

Stepwise approach/logical framework:

→Strategy →Outputs/Outcome→Activities →Tasks→Inputs (of Consultants)→Costs
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Planning

The loan implementation period is scheduled to be 6 years. The Technical Assistance under part A of the sector project will be effectuated parallel to the loan component. Due to the complexity and levels of ambition (however necessary), the participatory approach, some delay, in particularly during the start-up phase of the project, may be expected. As a result of this it may be necessary to extend the implementation period of the sector project by one or two years.

Assurances and actions to be taken by the Vietnamese Government prior to loan negotiations will probably take half a year from now or even more. Next steps according to the ADB procedures, before the loan will become effective, are estimated to last about another half a year.

The Vietnamese authorities will probably not accept the sector project without approval of the grant component. The Government of The Netherlands is considering to approve and to provide the grant, however this still will have to follow the RNE procedures concerned. This procedures can be addressed parallel on the ADB process.

A preliminary timeframe has been made for the possible appraisal of the grant and further actions (See annex E). It is not expected to commission the first component before Mid 2002.

Governmental Institutions and Policies

The Water Resources Law (WRL) has been adopted in 1998 and became effective in January 1999. Under this Law special institutions and instruments will be established. This includes:

- National Water Resources Council (NWRC)
- River Basin Organisations (RBO)
- Water licenses and permits
- Inspection system for safety

Positions of the National Water Resources Council and Red River Basin Council

The National Water Resources Council (NWRC) will have representatives at a national level and has been established already. The Council however still needs to meet for the first time.

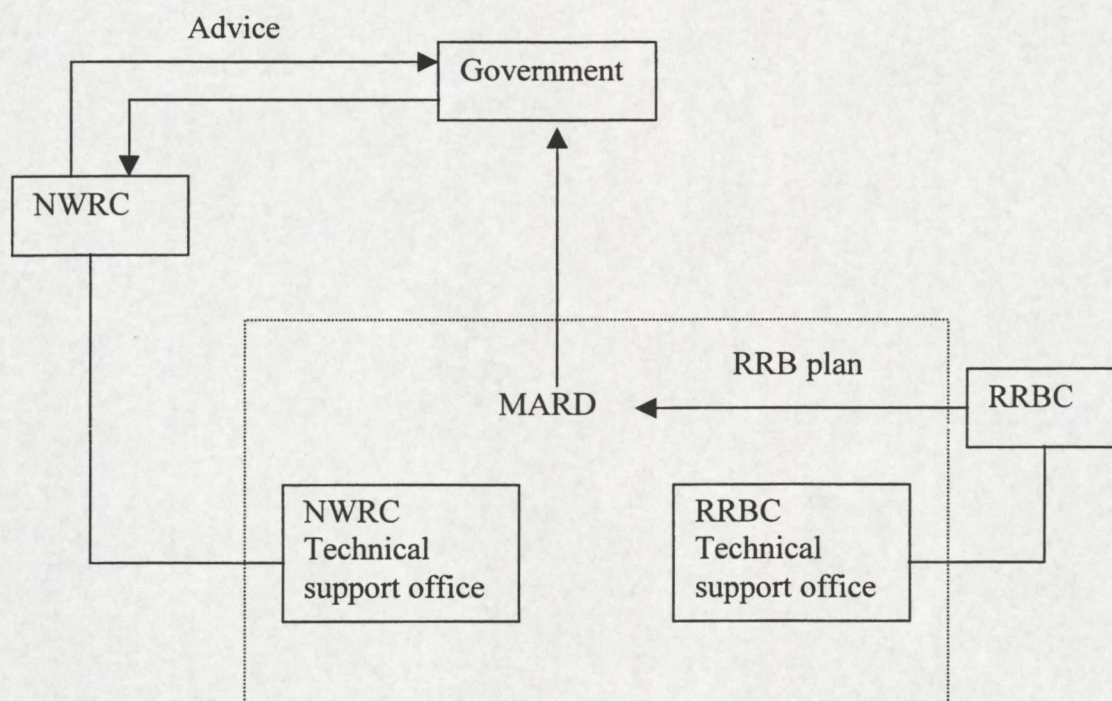
A workable picture has been agreed upon at the Ministry of Agriculture and Rural (MARD) Development regarding the Red River Basin Council (RRBC) representing all the Ministries (including MARD) and Provinces involved, according to the ADB TA 2871 report [7].

The NWRC and the RRBC need to have an independent position referring to MARD. Representation on a national and basin wide level by all relevant stakeholders is essential.

MARD will facilitate office space to both technical support offices, as presented in the next figure. The establishment of the RRBC still has to be approved formally by the Minister of MARD as mentioned earlier.

According to the ADB TA No 2871 study the Red River Basin technical support Office (RRBO) can be best placed within the Institute of Water Resources Planning (IWRP) of MARD. Formal commitment by the Minister of MARD is still awaited.

This results in the following picture:



6. Project implementation and project management (A and B activities)

Responsibilities and roles

The Executing Agency is responsible for accounts, administering of the project/subprojects/activity finances, procurement of goods and recruitment of consultants. The implementation can be delegated to an Implementing Agency.

The Vietnamese representatives are not familiar with these ADB terms, resulting in confusion. So it is important to introduce unambiguous definitions. The same is necessary regarding the different members of the organisation. Clear names and job-descriptions must be drafted.

Within the Project (Part A and Part B) the following roles can be distinguished:

- Project Director: The Director of the Department of Water Resources and Hydraulic Works Management (DWRHWM) will be appointed by MARD as Project Director
- Project Manager: A domestic manager is to be appointed or recruited
- Project Advisor: An international project advisor is to be recruited
- Experts/consultants: Experts to be recruited for a particular discipline for short term missions.

The Project Managers of Part A and Part B will prepare quarterly progress reports, to be submitted to the ADB through their respective Project Directors.

Organisation

In the meetings of the ADB mission and MARD the following organisation is proposed for implementing subprojects of Part A and Part B.

Part A:

Part A can be managed by a Project Management Unit, separately from Part B, however the execution of Part A should be tuned to the execution of Part B. For that reason it is considered necessary to institutionalise at least quarterly co-ordination meetings between the management of the implementation of components of Part A and implementation of components of Part B.

The Project Management component will be added to the originally four components of Part A, thus ensuring an adequate and planned implementation of these complex and innovative activities, and related to the implementation of Part B components.

Additional required capacity and required changes to the existing organisations for the implementation of the sector project will most likely create a capacity constraint within MARD. There are two options to allocate the Project Management Unit for Part A within the MARD. One option is to allocate it at the Institute for Water Resources Planning (IWRP), another option is to place it at The Department of Water Resources and Hydraulic Works Management.

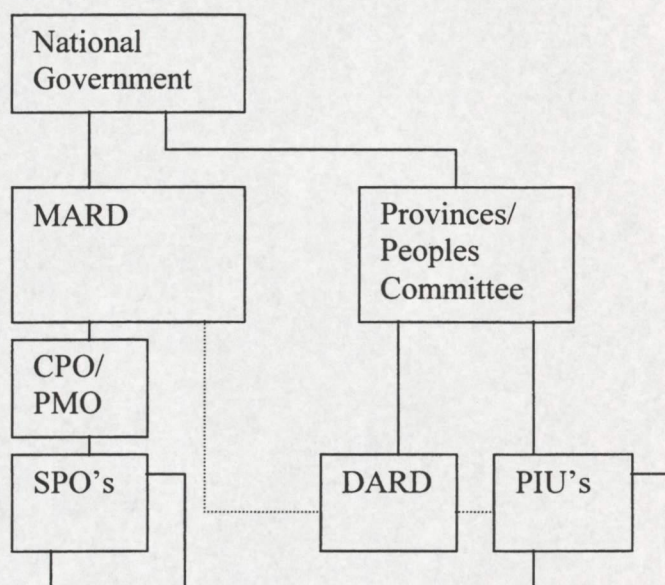
In accordance with the ADB TA No 2871 study the technical support office of the Red River Basin Council will be allocated within the IWRP.

No institutional capacity assessment has been made within the framework of this mission. The advantages and disadvantages of both the options mentioned above need to be analysed in more depth before an eventual choice for IWRP or DWRHWM can be made upon.

Part B:

The MARD is the Implementing Agency. The execution of subprojects under Part B will follow a decentralised approach wherever possible. Discussions with MARD representatives made clear that decentralisation seems difficult, due to the actual political centralised system. Although there seems to exist a good level of consensus about the river basin approach, MARD representatives stick to the implementation through Sub Project Offices (SPO's), which are directly related to the CPO.

Actual institutional structure at the national and provincial level:

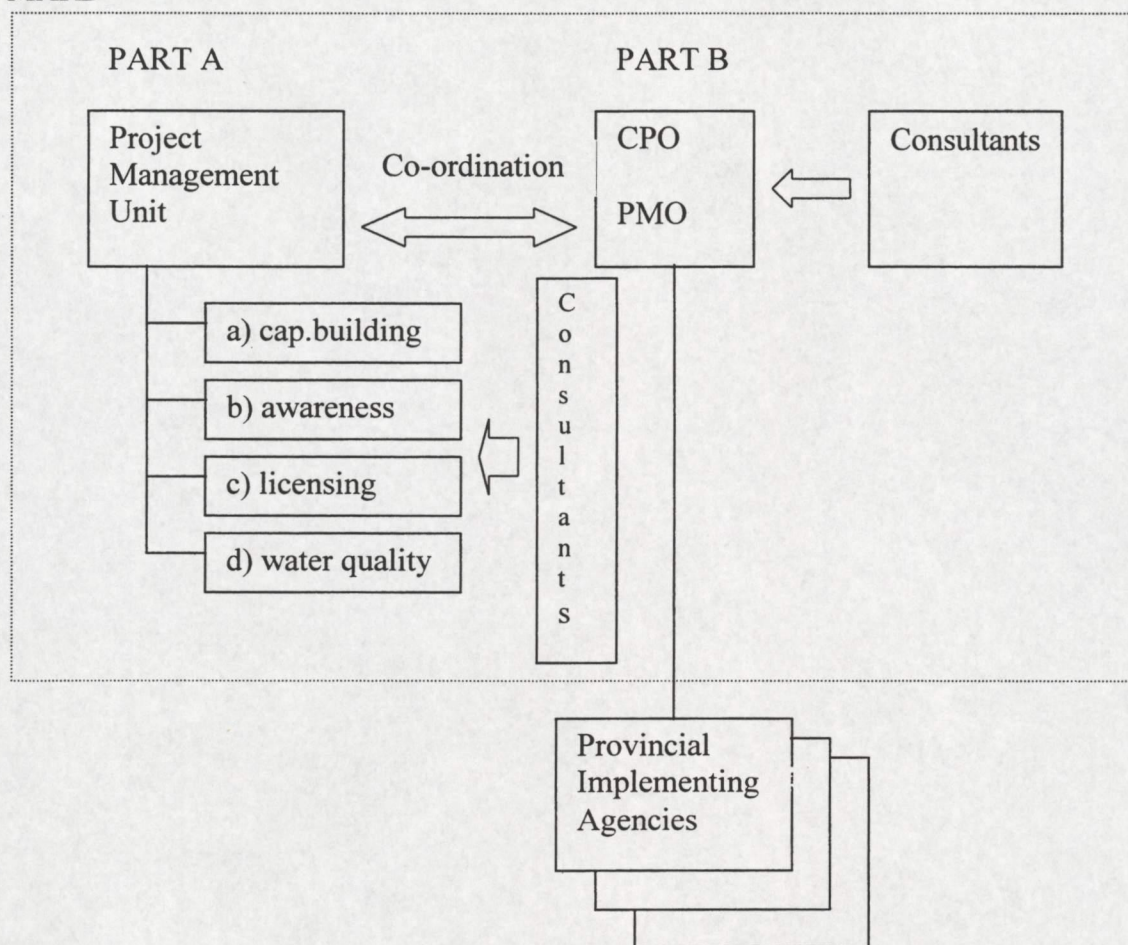


MARD: Ministry of Agriculture and Rural Development
 DARD: Department of Agriculture and Rural Development
 CPO: Central Project Office
 PMO: Project Management Office
 PIU: Project Implementation Office

The Project Management Office (PMO) within the Central Project Office (CPO) of MARD will implement the more complex subprojects. This will also be the case if the subproject area is covering more provinces. Consultants for various activities under Part B will support the PMO.

The following scheme shows the project organisation:

MARD



7. Tendering and financing

Tendering Part A components

The Technical Assistance deals with complex and innovative issues in all 25 provinces of the Red River Basin (Part B will be implemented in only 12 Provinces of the Red River Basin).

Initially the mission was convinced that implementation of Part A could be best carried out and managed through ADB. For reasons of ownership (expressed by the RNE) and administrative constraints (expressed by the team-leader of the ADB appraisal mission) the recommended approach seemed understood and logic, however was not supported. So a compromise was worked out.

So in this compromise it is recommended to have MARD responsible for tendering the following two components:

- b. Public awareness & Educational Programmes
- d. Water Quality Monitoring Network

ADB need to be responsible for tendering the other three components of Part A:

- a. Capacity Building
- c. Pilot Water Licensing System
- e. Project Management Support

The various components are of substantially different character and composition, and need to be implemented at different stages. For these reasons it is expected, that separate tendering of each of the components will give the best opportunity to contract the most qualified Consultants under a competitive bidding process.

The compromise described above may still result in potential risks. The question is if the learning process of MARD balances the additional risks. MARD has a unique opportunity to show her capabilities in tendering their activities (b. and d.) in a very transparent way including sound procedures and financial control systems. If capacity constraints or other problems still occur full administering through the ADB should be an option to change to.

Guidelines

Whether MARD or ADB is responsible for tendering, the ADB's Guidelines for Procurement are applicable for both Part A and Part B. Consulting services will be recruited in accordance with the ADB's Guidelines on the Use of Consultants.

8. MOU negotiations

The aim of the ADB appraisal mission was to sign a Memorandum of Understanding (MOU) as an important step towards the realisation of the 2nd Red River Basin Sector Project. The results of the pre-appraisal mission of June 2000 have been used as a starting point for discussion.

A revised draft MOU dated 17 March 2001, incorporating the results of several meetings with MARD, has been used for the final discussion. This version originally has been meant for mutual signing.

This draft includes further comments to the mission, which were conveyed by MARD on 16 March 2001. It became clear that differences in viewpoints could not be bridged at the end of the appraisal mission.

Unresolved important issues are:

- a) MARD does not accept the Red River Basin Council (RRBC) to serve as a Project Steering Committee (PSC) for both Part A and B of the project. MARD wants a separate PSC, which in the opinion of the ADB-mission puts the RRBC outside the project.
- b) MARD wants to leave the decision to decentralise to the provinces firmly in hands of MARD, while the ADB-mission would like to strengthen the provincial capacity by handing over certain activities to province based organisations.
- c) MARD wants to rule out sub-imprest accounts in the provinces. The ADB-mission however consulted the provinces and some of these prefer to have their own accounts.
- d) MARD and the Ministry of Planning and Investment (MPI) do not accept the Ethnic Minorities Development Plan (EMDP) and any reference to EMDP should be eliminated. The mission explained that the EMDP simply refers to measures to ensure the participation of, and avoid adverse impacts on ethnic minorities in the subproject areas.
- e) MARD does not want to assure that the RRBC shall approve a brief water sector action plan for the Red River Basin prior to loan negotiations, because of concern that the establishment of the technical support office for the RRBC could take a longer time. The mission emphasises the need to have the RRBC commencing its work as a PSC before Part B starts, to ensure co-ordination between Parts A and B.
- f) MARD wants to take out the two working groups for effective co-operation and co-ordination between MARD departments concerned. The mission is afraid for poor co-ordination between the MARD departments, which will be a risk for an adequate project implementation.
- g) MARD does not want to fix the National Water Resource Council (NWRC) meeting frequency at "at least three times a year". However in the opinion of the mission a minimum meeting frequency is needed for real water sector reform.
- h) MARD does not want to fix the RRBC meeting frequency of at least two times a year. However in the opinion of the mission a minimum meeting frequency is needed for real water sector reform.
- i) MARD expressed to require further discussion before deciding to separate the water resources management from irrigation. The mission wants to make MARD's water resources function more independent and therefore more credible towards other ministries.
- j) MARD wants to take out the cost recovery issue, because it will take more time than estimated by the mission. The mission wants to maintain some kind of assurance as it is considered to be an important economical issue.

9. Conclusions and recommendations

- a) The ADB can be considered a very capable donor organization in the water resources sector in Vietnam and the leading donor organization for the Red River Basin.
- b) The 2nd Red River Basin Sector Project has been thoroughly prepared and designed. With its sector wide and river basin wide approach the sector project will certainly contribute to the further introduction of Integrated Water Resource Management in Vietnam.
- c) The sector project is in line with the policy of the Minister for Development Cooperation of the Government of The Netherlands. It will contribute to the necessary institutional changes and institutional strengthening in Vietnam. Much attention has been paid to the participatory approach, poverty reduction, gender, social and environmental aspects and institutional development.
- d) The responsible officials of the Ministry of Agriculture and Rural Development of Vietnam show great interest and support the concept of Integrated Water Resource Management.
- e) Institutional development is difficult, because of the non availability of a formal commitment by the Government of Vietnam. It is not common practise to establish committees or initiate committees without formal Government's approval. This may explain the hesitant position towards the decentralisation process.
- f) Formal and strong commitment by MARD, but preferably by the Vietnamese Government, will be required for a successful implementation of the sector project.
- g) The ambitious and innovative Technical Assistance (Part A) should be strictly managed. Timing, tuning and feedback with Part B will contribute to an efficient process. In discussion with the ADB team the 5th component of Part A, the Project Management Unit, has been added. To establish the Project Management Unit and to manage the implementation of the additional 4 Part A components one experienced foreign advisor should be selected. For the implementation of each of the additional 4 Part A component Consultancy firms need to be recruited.
- h) Roles, responsibilities and tasks of international and local staff need to be further elaborated in advance.
- i) International definitions and engineering practice often cannot be translated in Vietnamese, but have to be described. Certain organizational set-ups do not exist in Vietnam. For that reason it is strongly recommended to elaborate all definitions and to check with the Vietnamese Counterpart organization for appropriate understanding.
- j) As a first step the ADB needs to recruit a full-time technical advisor/water specialist to start up this Part A project management component of the Technical Assistance.
- k) International Consultants for the two innovative and complex components of Capacity Building and Water Licensing need to be recruited through the ADB.
- l) Practical and professional experience in Vietnam must be one of the selection criteria for Consultants.
- m) The two components (Public Awareness and Water Quality Monitoring Network) are recommended for tendering through MARD itself. It will give MARD ownership, as well as the opportunity to strengthen its capacity.
- n) Also for all recruitment of Consultants and Tendering it is recommended to follow strictly the ADB Procurement Guidelines.
- o) Besides ADB procedures on auditing it is recommended to organise yearly financial and operational audits for every component of the Technical Assistance. The necessary funds should be made available by the RNE in Hanoi.

- p) The planning set by the ADB is considered rather optimistic (loan effectiveness January 2002). Lots of preparatory work and assurances at the counterpart side need to be elaborated, prior to loan negotiations.
- q) Also the grant considered by the RNE needs to follow the usual appraisal procedures at RNE. The approval of the Appraisal Document is not expected before the 1st of September 2001.
- r) The ADB will recruit the advisor for the Project Management component with consent of the RNE; this will only be possible after signing a co-financing agreement between ADB and RNE.
- s) The time required for 1) negotiation of the co-financing agreement, 2) selection, 3) mobilisation and 4) familiarising of the advisor, is estimated in 2 months, 2 months, 2 months and 1 month respectively. For this reason the tendering procedure for the main Part A component "Capacity Building" can start at the earliest around the 1st of April 2002.
- t) Approximately 48% of the basin area of the Red River are situated in China. Co-operation between the Republic of China and Vietnam will favour all efforts towards an integrated water resources management in the Red River Basin. The Netherlands might play a bridging function.
- u) Because of unresolved issues at the end of the appraisal mission it was not possible to sign the MOU. Further preparatory work from both the ADB as well as the MARD need to be done.
- v) Unresolved issues mainly reflect to assurances for further institutionalisation, decentralisation, sub-imprest accounts, approval of an ethnic minority's development plan and cost recovery.
- w) It may be recommendable to provide MARD enough time to digest and fully understand the missions' viewpoints. Subsequently follow-up discussion may be opened in an effort to resolve the outstanding issues by a joint ADB-RNE task force.

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ANNEXES

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Annex A

Appraisal mission second Red River Basin Sector Project
Vietnam, Hanoi
March 1 till March 18, 2001

Mr. F.C. Hamer
Ministry of Transport Public Works and Water Management
Civil Engineering Department
The Netherlands

List of Abbreviations

ADB	Asian Development Bank
AFD	Agence Francaise de Developpement
CCFSC	Central Committee for Flood and Storm Control
CPO	Central Project Office
DARD	Department of Agriculture and Rural Development
DDMFC	Department of Dikes Management and Flood Control
DWRHWM	Department of Water Resources and Hydraulic Works Management
EA	Executing Agency
IA	Implementation Agency
IWRP	Institute of Water Resources and Planning
MARD	Ministry of Agriculture and Rural Development
MOU	Memorandum of Understanding
NGO	Non Government Organisation
NWRC	National Water Resources Council
NWRO	National Water Resources Office
PIU	Provincial Implementation Unit
PMO	Project Management Office
RBO	River Basin Organisation
RRBC	Red River Basin Council
RRBO	Red River Basin Office
RNE	Royal Netherlands Embassy
SPO	Sub-Project Office
TA	Technical Assistance
ToR	Terms of Reference
WRL	Water Resources Law

Annex B

Appraisal mission second Red River Basin Sector Project

Vietnam, Hanoi

March 1 till March 18, 2001

Mr. F.C. Hamer

Ministry of Transport Public Works and Water Management

Civil Engineering Department

The Netherlands

Itinerary

March 1	Departure Amsterdam
March 2	Arrival Hanoi Welcome meeting with Mr. N. Bakker (First Secretary Royal Netherlands Embassy, Hanoi)
March 3	Meeting on mission approach with Mr. N. Bakker Study available data
March 4	Informal meeting and working dinner Asian Development Bank (ADB) team
March 5	Kick-off meeting at the Ministry of Agriculture and Rural Development (MARD) Meeting with provincial authorities in ADB Residential Office on the issue of a decentralised project organisation and subproject implementation
March 6	Meeting design, co-financing and implementation Part A (grant) at MARD Meeting with Dikes Department of MARD Meeting with Dr. G. Wright on institutional development (TA No. 2871 project office at MARD)
March 7	Meeting on Sector Strategy Plan (concept Dr. G. Wright) at MARD Meeting on costs review and financing plan including co-financing
March 8	Meeting on project implementation guidelines at MARD Meeting on governments assurances/MOU negotiations
March 9	Preparing a first draft mission report
March 10	Site visit with representatives of Marshall Silver & Associates Ltd to dikes Duong River (downstream/East of Hanoi)
March 11	Interim-meeting with Mr. N. Bakker
March 12	Meeting N. Bakker at Royal Netherlands Embassy (RNE) Meeting with Dr. G. Wright on necessary logical framework Part A
March 13	Site visit and meeting at Thai Nguyen Province (Northwest of Hanoi) Meeting ADB-RNE at the RNE
March 14	Visit to the Minister of MARD together with ADB, AFD, RNE and MARD Attended to the review meeting ADB TA No 2871 project at MARD Discussion with ADB about draft MOU/explanation RNE comments
March 15	Wrap up meeting draft MOU at MARD Meeting at Institute of Water Resources Planning (IWRP)
March 16	Report writing and debriefing at RNE MOU negotiations at MARD
March 17	Report writing Leaving Hanoi
March 18	Arrival Amsterdam

Annex C

Appraisal mission second Red River Basin Sector Project
Vietnam, Hanoi
March 1 till March 18, 2001

Mr. F.C. Hamer
Ministry of Transport Public Works and Water Management
Civil Engineering Department
The Netherlands

Terms of Reference (version 26-02-2001)

APPRAISAL MISSION FOR 2ND RED RIVER BASIN SECTOR PROJECT

Algemene doelstelling:

- het deelnemen aan een beoordelingsmissie in opdracht van de ambassade;
- het uitvoeren van een beoordeling m.b.t. ADB's "2nd Red River Basin sector project";
- het rapporteren over bevindingen aan de ambassade.

Korte beschrijving opdracht:

Op korte termijn zal een appraisal missie onder auspiciën van het VN Ministry of Agriculture & Rural Development (MARD) en inhoudelijk ondersteund door de ADB, in het veld gebracht worden voor het 2nd sector project Red River Basin. De missie zal plaatsvinden van 5 t/m 16 maart a.s. Activiteiten zullen voornamelijk in Hanoi plaatsvinden. Het gaat om US\$ 10 miljoen (TA) Grant en US\$ 115 miljoen (infrastructure) Loan. De ADB heeft Nederland benaderd om de TA in de vorm van een schenking voor haar rekening te nemen. ADB heeft Japan en Frankrijk benaderd om een deel van de leningcomponent over te nemen. De totale implementatieduur van het project is vooralsnog geraamd op 6 jaar. MARD en ADB gaan er vanuit dat het project voor augustus a.s. door alle deelnemende partijen kan worden goedgekeurd. De TA elementen komen heel goed overeen met het NL beleid in water sector (zie ook voorstel in jaarplan 2001). De ambassade wil een bewuste afweging maken.

Deelname aan de appraisal missie door de ambassade is noodzakelijk, gegeven de omvang en impact van de TA financiering voor de sector en niet in de laatste plaats voor het totale OS programma voor Vietnam in de komende jaren. Deelname aan de missie moet derhalve krachtig zijn.

De meest relevante elementen in de TA component van het project zijn:
"capacity building, institutional building, awareness training, set-up pilot projects licensing water use and licensing waister, set-up of water quality network in 24 provinces of Red River Basin".

Het is een indrukwekkend en vernieuwend programma, waar Nederland beleidsmatig, maar eveneens inhoudelijk (inschakeling consultants) goed bij kan aansluiten, maar ook nadere voorwaarden voor financiering moet gaan aangeven. De aanpak zal programmatisch van aard zijn en watersector-breed.

Eisen missiedeskundige:

Voldoende kennis en ervaring met uitvoering van breed scala ontwikkelingsprojecten in termen van organisatie, techniek en financiën, kennis en ervaring met algemene rivierkunde en bij voorkeur stroomgebiedbenadering, kennis en ervaring met schenkingen/leningen van internationale ontwikkelingsbanken, programma budgettering, goede kennis van sectorale

benadering, krachtige persoonlijkheid, goed opererend in teamverband, goede mondelinge en schriftelijke uitdrukkingsvaardigheid in Engelse taal (karakter: krachtige algemeen civiel technische managers).

Meer specifieke doelstelling van de missie:

1. algemeen: het beoordelen van het project en met name de relevantie van de het financieren van de TA component door NL;
2. specifiek: het opstellen van voorwaarden, waaraan moet worden voldaan, wil NL bereid zijn de TA component te financieren
(ad 2: vragen in dat kader zijn: wat zijn evt. gevolgen van organieke koppeling tussen schenking- en lening gefinancierde activiteiten, wat is de realiteitswaarde van de ADB programmering, wat zouden voorkeursscenario's zijn voor aanbesteding van TA component, wat zijn risico's van TA uitvoeringsscenario's, corrigerende maatregelen?). Zie bijlage voor meer specifieke beschrijving.
3. het schriftelijk rapporteren aan de ambassade. Een concept rapport dient te worden besproken en overhandigd aan de ambassade op vrijdag 16 maart a.s. Een definitief missierapport dient binnen 2 weken na het uitvoering van de missie te worden toegezonden aan de ambassade.

Selectie deskundige:

Voorgesteld wordt, gegeven de specifieke eisen en het korte beschikbare tijdsbestek, om een deskundige aan te wijzen. Een van de belangrijke elementen zal zijn op welke wijze de TA zal worden geïmplementeerd (aanbestedings- en uitvoeringsscenario's). Volstrekt onafhankelijke insteek is voorwaarde. Mijn voorkeur gaat uit naar een snel inzetbare deskundige van het Ministerie van Verkeer & Waterstaat/Rijkswaterstaat.

Duur van de missie:

Deskundige zou bij voorkeur 2 dagen voorafgaand aan missie in Hanoi moeten zijn ter voorbereiding (bij voorkeur beschikbaar in Hanoi vanaf zaterdag 2 maart). Debriefing aan de ambassade kan tijdens de missie plaatsvinden. Voor inlezen in Nederland en aanpassen van de rapportage na uitvoering van de missie wordt met max. 5 dagen Nederland gerekend. Appraisal missie van maandag 5 t/m vrijdag 16 maart a.s. Gerekend wordt met 2 reisdagen. Totale duur van de missie incl. heen-terugvlucht wordt gesteld op 16 kalenderdagen, excl. 5 dagen Nederland.

Initiatiefnemer:

De initiatiefnemer is MARD. Deelname: MARD, ADB, AFD (Agence Francaise de Developpement), RNE; mogelijk ook JBIC (Japan).

Kosten van de missie:

De kosten van de Nederlandse deelname aan de appraisal missie middels het beschikbaar stellen van een deskundige gedurende een periode van max. 21 kalenderdagen zullen gedragen worden door de ambassade. Ter formele regeling zal de ambassade een overeenkomst (korte missie) aangaan met het Ministerie van VenW/Rijkswaterstaat.

Raming van kosten (alleen intern ambassade):

Verblijftijd Vietnam 14 kalenderdagen (voorbereiding VN 2 dagen; nett ADB appraisal mission 12 dagen); reisdagen 2; Nederland voorbereiding/nazorg 5 dagen.

Reiskosten NL-VN-NL		:	Nlg
Salariskosten (DGIS tarief Nlf /dag)	21*	:	Nlg
DSA (US\$ /dag)	14*	:	Nlg
Onvoorzien (lokaal transport, vaccins etc.) 5%		:	Nlg
Totaal		:	Nlg

Belang voor Verkeer & Waterstaat/Rijkswaterstaat:

In de Water Nota wordt de ondersteuning beschreven van de vakministeries aan BUZA. River Basin Management behoort tot kernactiviteit van de water sector in Vietnam. De TA wordt door ADB of ambassade aanbesteed aan internationale consultants. Gegeven de beschikbaarheid van relevante kennis en ervaring in Nederland hebben Nederlandse consultants gerede kans op opdrachten. De deelname van V&W zal tevens duidelijkheid moeten scheppen in de analyse van de relatie tussen TA en de leningscomponent en de conclusies daarvan voor evt. aanbestedingsscenarios. Deelname vereist strikt onafhankelijke positie en kennis en ervaring t.a.v. de rol van deskundig opdrachtgever. Voorts mag worden verwacht, dat de Minister/Staatssecretaris van Verkeer & Waterstaat een bezoek aan Vietnam zal brengen in de 2e helft van 2001.

Terms of Reference (version 26-02-2001), Annex

RNE, Hanoi, Vietnam

The appraisal mission will be hosted by MARD. The members of the appraisal mission will work as a team. Concerning content issues the leading role is expected to be taken by ADB and its experts. The Netherlands expert will operate within the team concept, however he will remain to have a fully independent position.

He is expected to address the overall setup of the 2nd sector project, and will focus in particular on the following issues:

- a. relevance of possible financing for the Embassy, considering the sector wide approach and policy towards water sector in Vietnam;
- b. the design of the activities under the TA and the design activities under the Loan;
- c. the relation and/or conditionalities between the TA (grant) and Loan activities (rehabilitation infrastructure);
- d. the logistical grouping or clustering of TA activities in relation to any logistical grouping or clustering of Loan activities;
- e. the sequence of implementation of TA activities in relation to Loan activities;
- f. the planning of the implementation of grant and loan activities;
- g. the implementation of TA in practice, practical conditionalities (regional, thematic distribution) for implementation of TA grant;
- h. models for financing/contributing of TA;
- i. tendering modalities of TA;
- j. management of the TA component; monitoring/evaluation of TA component;
- k. final recommendation on the possible financing of TA by the Netherlands' Embassy.

A concise report will be presented by the Netherlands expert for the Embassy in which these points will be addressed .

Annex D

Appraisal mission second Red River Basin Sector Project
Vietnam, Hanoi
March 1 till March 18, 2001

Mr. F.C. Hamer
Ministry of Transport Public Works and Water Management
Civil Engineering Department
The Netherlands

General data Red River Basin, Vietnam

Reference [11]

- The Red River Basin is located in the north of Vietnam
- The basin area consists of the area of the Da, Lo, Thai Binh and Cau River systems
- All these systems flow into the Tonkin Gulf
- Tropical climate governed by the monsoons and tropical storms moving towards the west direction from the China South Sea to inland
- Two pronounced seasons: dry and cold winter from November till next April (average temperature is under 20 degrees Celcius, sometimes drops to 8 degrees in January) and a rainy season from May till October (average temperature 28 degrees Celcius)
- Mean annual rainfall fluctuates from 1,200 to 4,800 mm
- Mean annual relative humidity ranges from 70 to 90%
- Population of 25 millions accounting for one-third of the country population
- Total area is 169,000 square kilometres, of which about 50% belongs to the China People Republic
- The Red River Basin consists of 25 provinces
- In the Red River Basin there is the Hanoi-Hai Phong-Quang Ninh growth triangle that is one of the three key economic areas of the country

Annex E

Appraisal mission second Red River Basin Sector Project
Vietnam, Hanoi
March 1 till March 18, 2001

Mr. F.C. Hamer
Ministry of Transport Public Works and Water Management
Civil Engineering Department
The Netherlands

Minutes of Meeting

Interim Meeting ADB-RNE

Location: RNE, Hanoi
Date: Tuesday, 13 March 2001
Drafted by: F.C. Hamer
Participants: ADB: Mr. W. Lincklaen Arriens, Mr. P. Smidt
RNE: Mrs. E. Berends, Mr. N. Bakker, Mr. F.C. Hamer

1. Objective of the meeting

Explanation of state of affairs and consultation regarding the MOU to be prepared for the 2nd Red River Basin Sector Project and discussing key-issues and conditions of RNE for possible appraisal grant (co-financing). See Annex 1.

2. Procurement by the ADB/Project Management

To assure an adequate implementation of the Project the procurement of more complex components of Part A of the Project, viz. a) Capacity Building, c) Pilot Water Licensing and e) Project Management need to be procured by the ADB itself. The other components viz. b) public awareness and d) water quality monitoring network could be procured by MARD.

ADB is tempted to combine tendering of this components for reasons of efficiency. Considering the different characteristics of these components, RNE prefers separate tendering by ADB. Moreover timing aspects play a role. It is also not recommendable to start with all components at the same time.

A management unit for Part A need to be initiated the soonest after final appraisal by ADB and RNE. The management unit will support MARD in preparing the Terms of References for the components to be procured by MARD.

The Project Management must be designed in balance with the technical/administrative complexity of the components to be implemented. An adequate counterpart involvement from MARD is highly required in order to jointly manage the implementation of all components. Besides the management unit will provide MARD exchange of know-how and experience regarding the management system and its associate tools.

3. Necessary logical framework for Part A

ADB will contract Dr. G. Wright for further elaborating the necessary logical approach of Part A. Based on this LOG frame approach a proper Project Document can be drafted, which is necessary for starting the RNE appraisal procedures.

4. Planning

Considering the complexity of the sector project and the required appraisal procedure by the RNE it is recommended to extend the planning of preparatory activities with half a year. ADB prefers to continue on the existing planning because of AFD funding, for which final decision is needed before the end of this year. The ADB loan component has already been scheduled for the year 2000, so in the view of the ADB further delay is not desirable.

The RNE can only start with the appraisal procedures on the basis of a well drafted Project Document. After receiving such a Document about three months are needed for final appraisal.

5. Sectoral approach

This is for the RNE an important appraisal criterion. Not only coordination with other donors, moreover cooperation by other donors is required and this is to be described. Also attention must be paid to the opinion and interests of other relevant partners, which must be demonstrated by supporting documentation. It must also be made clear which contribution is expected to the following "GAVIM"-themes i.e. good governance, poverty reduction, gender, institutional development and environment.

6. Relation with neighbouring country China

Efforts to involve China in the basin wide approach need to be demonstrated.

7. Output related approach

The Government of The Netherlands underlines the importance of properly described project results in terms of outputs (so-called DAC criteria).

8. MOU and RNE

The RNE does not want to be committed unconditionally in the MOU at this moment. Commitment may be the result of the formal appraisal procedures. RNE will submit a draft text to be included in the MOU.

Annex F

Appraisal mission second Red River Basin Sector Project
Vietnam, Hanoi
March 1 till March 18, 2001

Mr. F.C. Hamer
Ministry of Transport Public Works and Water Management
Civil Engineering Department
The Netherlands

Implementation Schedule/Planning

N.B./F.C.H./ 12 March 2001

a. Final draft MOU	1 April 2001
b. Additional work on clarification of Part A components	1 April till 1 May 2001
c. Start preparatory work on BEMO/Assessment	1 May 2001
d. Appraisal procedure/period Part A by RNE	1 June till 1 October 2001
e. Approval BEMO	1 October 2001
f. Co-financing agreement RNE-ADB	1 October till 1 Nov. 2001
g. Selection by ADB of Chief Technical Advisor Part A	1 October till 1 Dec. 2001
h. Mobilisation Chief Technical Advisor Part A	1 December till 1 Feb. 2002
i. Familiarising/start up	1 Feb. till 1 March 2002
j. Tendering first component "a" (Capacity Building) Part A *)	1 March till 1 July 2002

*)

Short Tendering Period is only possible if earlier preparatory input/effort on drafting Terms of References etc. will be used optimally.

VN\final draft report incl annexes.