

Vietnam

Hon Mun Marine Protected Area Pilot Project (TF023877-GEF/TF023886-DANIDA)

IDA/DANIDA Midterm Review Mission: December 1-8, 2003

Aide-mémoire
(December 8, 2003)

A. Introduction

1. In accordance with the Terms of Reference dated November 24, 2003, a joint IDA/DANIDA mission conducted a Midterm Review the above noted project in Nha Trang during December 1-6, 2003 with a wrap meeting held with the Khanh Hoa Provincial Steering Committee on December 5, 2003. The mission was comprised of Messrs./Mmes. Ronald Zweig, Task Team Leader (IDA), Peter Koefoed Bjørnsen (DANIDA Consultant), Xiaolan Wang, Hoa Thi Mong Pham, Kien Trung Tran, and Hung Le Viet (IDA). In Nha Trang, the mission met with the Khanh Hoa Provincial Steering Committee, representatives from Nha Trang City, the Vinh Nguyen Commune People's Committee; four of six Village MPA Committees during visits to the villages, National Fisheries University, National Institution of Oceanography, Research Institute for Aquaculture Number 3, staff of the Hon Mun Marine Protected Area Authority (MPA), and IUCN staff and consultants. All project-related documents were also made available or provided to the mission. At the conclusion of the mission, a debriefing meeting was held at the World Bank Office in Hanoi that was attended by representatives from the Ministry of Fisheries, Ministry of Planning and Investment, Ministry of Natural Resources and Environment, Royal Danish Embassy, and the IDA. The mission wishes to express its sincere appreciation for the excellent arrangements and kind hospitality extended to it during the visit. The findings in this document are subject to confirmation by the IDA.

B. Project Development Objective

2. The development objective of the project to conserve a representative example of internationally significant and threatened marine biodiversity by enabling local island communities to improve their livelihoods and, in partnership with other stakeholders, effectively protect and sustainably manage the marine biodiversity at Hon Mun as a model for collaborative MPA management in Vietnam remains valid and fully justified.

C. Objectives of the Midterm Review Mission

3. The objective of the MTR mission is to review and assess the progress under the project to date and assist in providing guidance and identifying any restructuring needs that need to be incorporated during the final 18 months of implementation as planned to help assure a successful outcome to this pilot activity. The project is diverse, with activities focusing on the establishment of the MPA, development of zoning, increasing local livelihoods, encouraging local participation in management and a range of capacity

building activities and conservation-related interventions. The following are the key aspects and issues that were discussed during the MTR:

- a) progress with marine biodiversity assessments and strategy to assess related project impacts on its conservation and protection, including the identification of key indicators and a monitoring strategy;
- b) assessment of local community commitment to and involvement in protecting and effectively managing the Marine Park and how that can best be facilitated in reference to range of activities conducted to date;
- c) effectiveness, impact, targeting, and selection of investments and environmental analysis and mitigation needs under the micro-credit program for alternative livelihood development;
- d) provide review of the MPA management plan, in particular objectives stated in the plan, key activities and approaches
- e) finalizing the Hon Mun MPA staffing needs;
- f) examine status of progress toward sustainable financing of the Hon Mun Marine park Authority's operational needs including staff allowances;
- g) role and involvement of women under the project;
- h) evaluation and recommendations over potential adverse external impacts over developments planned or underway within the Marine Park and the means by which to manage and mitigate them;
- i) examine existing collaboration and additional opportunities got the Hon Mun MPA with Nha Trang and Khanh Hoa Departments, MOFI, MOSTE, MENR, related local institutions and universities and the Bird nest Company;
- j) identification of the remaining equipment to be procured;
- k) identification of any additional activities or needs for which there may be funding short-fall under the project and identification of possible sources, such as sustaining the supplementary solid waste management and sanitation programs that have been initiated; and
- l) review and advise the PMU on its exit strategy toward transfer of full management responsibilities to the Hon Mun MPA, including the possibility of forming a Scientific Advisory Board to provide guidance to the Hon Mun MPA.

D. Summary of Findings

4. Implementation of the project is highly satisfactory and has met nearly all of the planned goals as it approaches the midpoint of 30-month Implementation Phase following the 18-month Set-up Phase, with nearly all activities completed as planned for the project to date. The staff appointed since the beginning of the project and the overall establishment of a system of MPAs in the country has also mostly remained stable. As reported previously, the Government of Vietnam's commitment to the project remains strong, and the Ministry of Finance in 2002 allocated US\$78,000 through 2005 to Khanh Hoa Province in direct support of the Hon Mun MPA Authority and US\$137,000 to the Ministry of Fisheries for its work on broadening the program at the national level. In addition, following approval by the Ministry of Finance, the Khanh Hoa People's Council approved on December 4, 2003 a Conservation/Entrance Fee to the Hon Mun MPA to be

paid by tourists that visit the MPA. That fee has been calculated based on the number of annual visitors to generate sufficient funds to operate and maintain the Marine Park Authority and is a major element in assuring the sustainability of the MPA. Part of those funds (10-15%) is earmarked to be given to the villages on the islands in the MPA for community development needs. Additional key accomplishments are the following:

- a) initiation of the Alternative Income Generation (AIG) program through the establishment of a credit scheme in cooperation with the Bank for Social Policy with the first batch of loans issued, following the aquaculture trials that were to support the program;
- b) in addition to the AIG credit activities, linkages have been made with manufacturers of sport nets and woven baskets with women living in the MPA engaged in the production of these items through piece work for which they are compensated for their labor. Additional opportunities of this kind are being sought in the area for men and women;
- c) significant expansion of the Education Awareness Program through the development and application of a school curriculum in local schools; the formulation and conduct of a two-week training course in August 2003 on MPA management for national organizations; the preparation and publishing of a book of poems and songs written specifically for the MPA by song writers and poets; television programs developed and broadcast nationally and in the Province, including a school competition of knowledge of the MPA and the biodiversity it is targeted to conserve;
- d) conduct of the planned Independent Evaluation of the project that provided useful guidance toward directing the future activities under the project and also concluded that the implementation of the project has been highly satisfactory;
- e) engagement of an architect to design the visitor's center for the MPA on Hon Mun Island that is planned to be constructed in the first half of 2004;
- f) installation of additional mooring buoys;
- g) appointment of most planned and some additional required staff for the IUCN and Hon Mun MPA;
- h) support to the initiation of a solid waste management and harbor clean-up program for the villages with the MPA that was outside the appraised scope but within the objectives of the project;
- i) a study tour conducted to the Philippines for Provincial Commune, and Village representatives to examine and learn from the experience with the development and management of MPAs and AIG activities there;
- j) public information dissemination through various media, newsletters (five to date), performances, pamphlets, and large signs established at key locations in the Nha Trang, including the harbor where tour and dive boats depart and within the MPA. Also, a steady stream of groups and individual visitors, including government officials have visited the MPA;
- k) selection of the permanent office for the Hon Mun MPA has been confirmed with a move planned during the first half of 2004, following it being vacated by its current occupants and renovated and equipped as planned under the project;

- l) further advancement toward finalizing a draft management plan for the MPA that would include accomplishments to date that include a temporary zoning plan, formulation of regulations for that plan, and creation of a team to enforce those regulations.

E. Findings and Recommendations

5. **Biodiversity Assessment.** A baseline survey of marine biodiversity has been successfully completed using state-of-the-art methods. The baseline survey includes a taxonomic survey and a habitat survey that classifies coral reef coverage along a large number of transects. This data has been put into a GIS platform that provides an interactive tool for revising the zoning plan, for assessing environmental impacts of development activities and for monitoring future changes of the coral reef ecosystem. The second assessment is planned for 2005, and the availability of the same international consultant has already been secured. Furthermore, the assessment is supplemented by a reef-monitoring program carried out by a team from the National Institute of Oceanography (NIO) and divers from the villages who have received training. Eight selected transects are monitored regularly. This is not only a highly valuable supplement to the comprehensive biodiversity assessments. The community involvement in the monitoring also provides direct information to the villages about the state of the coral reef and thereby contributes to raise awareness on environmental impacts on the reef. The mission recommended that the IUCN should formulate a plan by February 28, 2004 to work toward community involvement in marine biodiversity monitoring, engaging women and school teachers, to the degree possible in this activity.

6. **Water Quality Monitoring.** The project has also started a water quality monitoring activity that involves biweekly sampling of 20 sites in the MPA area. These measurements will provide a valuable assessment of the critical seasons and locations in relation to water pollution from land based sources. Direct measurements of chlorophyll should be included as an indicator of eutrophication. The data should be shared with the Provincial Department of Science, Technology and Environment (DOSTE) and the NIO that have long time series of data from fewer stations. The mission recommended that the IUCN with the Hon Mun MPA Authority should formulate, by no later than March 31, 2004, a plan to be discussed with the above noted agencies how the monitoring program can be effectively sustained through a proper co-ordination with the provincial and national environmental monitoring programs.

7. **Local Community Awareness and Commitment.** Under the project, tremendous strides have been made to educating and engaging the local communities within the Hon Mun MPA in understanding the importance of the marine resources with regard to its biodiversity significance, its capacity when properly managed to help sustain their livelihoods as fishers and increase benefits to them, and the direct relationship of these two aspects of environmental management. The mission recommended that the IUCN and the Hon Mun MPA Authority should continue its efforts to monitor and use the gathered information to further demonstrate the importance of proper MPA management to the Local villagers. In part, this has been done through the development of a curriculum for

local schools. *The mission recommended that the IUCN and the Hon Mun MPA Authority should work out a strategy with an estimate of the required budget to have the curriculum introduced to, explained and used by all schools along Nha Trang Bay by February 15, 2004.* In addition, it is important that the project continue to identify benefits and livelihood options primarily for women and also for men either through the credit program, direct linkages to manufacturers in the Nha Trang area for appropriate piece work, and identification of employment for MPA residents in local enterprises such as the new hotel complex being constructed on Tre Island.

8. **Credit Scheme.** Considerable progress has been made by the project team and the MPA authority, and villagers are now aware of credit principals and procedures for obtaining loans. (See Attachment 1.) The mission agreed with VBSP that flexible loan payment schedule should be applied, and principal can be paid back monthly if borrowers choose to do so. Loan maturity should be based on cash flow cycle of activities financed by the loan. The mission met with VBARD and clarified the concern that VBARD would only finance loans are larger than VND10million, and is pleased to know that VBARD is willing to work with the project and provide loans to the villagers who have viable business plans and are certified by the Commune People's Committee. The credit scheme would provide those borrowers with good credit history to secure larger loans with VBARD in the future.

9. **Issues.** The main purpose of the project-supported credit scheme with the VBSP is to improve access to credit for those people who are affected by the zoning within the Hon Mon MPA. However, based on the mission's field visit and interview, it's remains unclear whether the credit scheme can achieve it's objective due to the following reasons: Some borrowers are not within target group. Out of a total VND 426 million disbursement, VND 183 million financed fishnets in Tri Nguyen villages. Fish net was not among the approved and agreed eligible activities to be financed under this scheme, and the World Bank should have been asked for no objection. During the second disbursement proposal, most of the proposed activities put forward are investments in fishnets, yet the sustainability of this particular activity remains unclear.

10. **Recommendations.** *The mission recommended that the project and MPA authority consult with villagers to decide whether part of the credit fund should be shifted as a grant to finance some community activities/public works in the villages, which have environment significance and are in line with the project objective by January 31, 2004 and a detailed budget estimate of the proposed activities should be submitted to the IDA by February 28, 2004.* The balance of the credit fund can be handed over to the commune Women's Union to manage and to finance small-scale income generating activities for the women in the villages. Detailed arrangement on loan terms and conditions would be worked out later. *The mission also recommended that for the small-scale animal husbandry and aquaculture investments that an environmental analysis be done and that an environmental management and mitigation plan be formulated by the IUCN with the HM MPA Authority and in consultation with the DOSTE to assure that any wastes or effluent streams are managed in such a way so as not to potentially adversely impact the marine environment and that no new animal husbandry loans be approved, including those in the proposed second batch of loans, until that factor is*

incorporated in the design of those activities. Accordingly, the mission requested that the IUCN and Hon Mun MPA Authority include this aspect with the proposed second batch of loans, if animal husbandry and aquaculture remain included, and re-submit it to IDA by no later than January 15, 2004. The IUCN should also submit a review of first batch of loans should also be submitted to the IDA by May 31, 2004.

11. **Draft MPA Management Plan.** A draft management plan has been prepared under the Project. The draft emphasizes the process towards the further development of MPA management and specifies about 100 actions to be taken. This format may be very useful for other MPA projects as a guide and they could thereby benefit from the lessons learned from the HMMPA, which is a pilot area for MPA development in Vietnam. The focus on actions is also useful for the preparation of future work plans for the MPA Authority.

12. In the case of the HMMPA, many of the stipulated actions have already been completed or nearly completed. The mission recommended that the Management Plan should state the outcome of these actions so that it is clear which parts of the management system is already in place and which parts still need to be developed. Those needs should be specified in terms of targets rather than just as open-ended activities. This would make the Management Plan a better instrument to identify, define, and strengthen the role, mandate and structure of the MPA Authority.

13. The mission recommended that the time frame of the Plan be adjusted to match the national Five-Year Planning cycle. The present Five-Year Plan ends in 2005, almost concurrently with the termination of the Project. It is suggested that the first generation of the Plan would describe the present management system (as of end 2003), stipulate the targets to be met by the termination of the Project, and outline further activities to be completed in the next five-year period. The revision of the Plan envisaged in 2005 according to the Project Document would then prepare the second generation Management Plan covering the 2006-2010 Five-year Planning period with specific targets to be met over that period.

14. The mission recommended that the management plan should be structured in a way that would make it easier for specific stakeholders to access those parts of the plan that are of particular relevance to them. The zoning is a core element of the plan that is relevant to most stakeholders and should therefore appear up front. The management plan should furthermore include elements on the following topics:

- a) sustainable financing: fee collection and funds management;
- b) environment: Community Fund;
- c) community involvement: Village MPA Committees,
- d) credit scheme;
- e) sustainable fisheries and aquaculture management plan;
- f) enforcement;
- g) gender;
- h) eco-tourism;
- i) monitoring and research; and
- j) integrated coastal zone management framework

15. The mission requested the IUCN submit the draft management to the IDA by no later than February 15, 2004, following further development and consultation with all stakeholders.

16. **Gender.** The IUCN and the MPA Authority are in the process of formulating a training plan, as a component to the management plan, with the purpose of engaging women, who have far less employment than men in the area, in more MPA-related activities. *The mission strongly endorsed that plan and requested that the IUCN and HM MPA Authority submit the plan to the IDA by no later than February 28, 2004.* Moreover, the local Women's Union should be directly involved in this program with specific activities identified for it.

17. **External Adverse Impacts** from development activities within and outside the MPA area pose a severe threat to the long-term sustainability of the development objective of the Project (e.g., to preserve the coral reef ecosystem). These potential adverse impacts include:

- a) riverine inputs of organic material and excess nutrients related to land-use in the entire catchment area of the two rivers as well as wastewater from the cities, especially Nha Trang city;
- b) dredging of sediments from Nha Trang Harbor;
- c) oil pollution from and potential oil and chemical spills from ships; and
- d) local impacts from villages and tourist resorts.

18. In order to address these issues, *the mission recommended that the IUCN and the HM MPA work with the Khanh Hoa PPC in assisting with the formulation of the Nha Trang Bay Management Board to be soon established by the KH PPC toward identifying its activities including the preparation of an Integrated Coastal Zone Management framework.* It is anticipated that representatives from all involved Government Departments in Khanh Hoa and Nha Trang will be members of the Board and will work together to prioritize resources use and conservation.

19. **Supplementary Needs.** The objectives of the project are discussed in paragraph 2 and focus on the conservation of marine biodiversity with direct community involvement. Other critical needs to support the project concept and its sustainability have been identified as well as a national need for the planned system of 15 MPAs in Vietnam. For the local needs, the Nha Trang Bay Management Board will be central to management and coordination of all development activities in the project area. Some critical aspects with regard to conservation of the marine environment include (a) municipal solid waste management; (b) municipal wastewater treatment; (c) control of dredging sediment dispersion; (d) upstream erosion control to reduce or minimize sediment transfer via the major rivers that discharge into the Nha Trang Bay area; and (e) capacity for emergency management of oil or chemical spills in the Nha Trang Bay waters as well as disposal of ships' engine oil and other oily wastes. Recently, a national need has been identified which is to establish a National Marine Protected Area Training Center in Nha Trang. The mission supports the development of programs to meet these needs; however, they are all beyond the scope of the project as designed. Nevertheless, the mission supports the Hon Mun MPA Authority's identification of the local additional requirements and the national capacity building needs and agrees that funding should be sought for these purposes.

20. **MPA Office.** The MPA office has been housed temporarily in a building in Nha Trang. It is planned that permanent office space for the MPA will be provided in the Khanh Hoa Department of Fisheries during the first half of 2004. The office equipment provided at the temporary office will be transferred to the new office with US\$5,000 held in reserve for any renovation and additional equipment needs of the new office. *The mission recommended that the Project Management Unit (IUCN) with the MPA should calculate the costs to prepare and equip the new office space for their use to be sure that the reserve fund will be adequate and submit the estimate with the needs for any additional equipment by March 15, 2004.*

21. **National Project Steering Committee (NPSC).** The NPSC has yet to be formally established and staffed for the purpose of providing guidance for the Hon Mun MPA and to gain experience from the initiation of that pilot project for expansion of the program to other locations in the country. The project has entered a stage of its development where that guidance could contribute considerable benefit to the implementation and sustained operation of the MPA, including guidance on specific technical issues and direction for the Scientific Advisory Committee discussed in paragraph 24. *The mission reiterated its recommendation that IUCN should increase its efforts to facilitate the formulation and staffing of the NPSC and the NPSC should be established with members identified by no later than February 28, 2004.*

22. **Scientific Advisory Committee (SAC).** The Independent Evaluation Mission of August 2003 recommended that a Scientific Advisory Committee be formed to provide guidance to the Hon Mun MPA Authority over needs for policy formulation and policy development, monitoring needs, and technical support and identification and direction of research needs for the MPA. *The mission supported that recommendation and suggested that the SAC provide advise to the Hon Mun MPA Authority, the Nha Trang Bay Management Board, and the National Steering Committee and that the IUCN assist in identifying the type of expertise needed and drafting the TORs for members of the SAC with the SAC convened before April 30, 2004.*

23. **Exit Strategy.** The project has about 19 months until its planned completion date – March 31, 2005 or about 25 months until the closing date. *The mission recommended that the IUCN should prepare an exit strategy in consultation with HM MAP Authority and the Provincial Steering Committee toward the transfer of its responsibilities fully to the Hon Mun MPA Authority that will involve a focus on increased capacity building and submit to the IDA by February 28, 2004.* The Khanh Hoa PPC, the Hon Mun MPA Authority and Vinh Nguyen Commune officials requested that the project be extended for a period of two years to continue supporting and training MPA Authority staff. *The mission recommended that the IUCN should work with the MPA Authority to transfer all necessary skills within the project period, including those activities for which additional support would be needed with costs for that support after the project.* In addition, the budget available under the project should also be examined over what resources may be available for this institutional strengthening, including the use of some of the funds from the sustainable financing program approved for the project.

24. **Work Plan for 2004.** The work plan for 2004 should be prepared and include activities related to development of management and financial plans for the use of agreed sustainable financing for the MPA, environmental education, further development and diversification of activities for the use of the micro-credit for and further diversification of AIG activities, plans for continued consultation and participation of local communities in the development of the MPA, completion of the baseline biodiversity survey, further development of a strategy for effective and safe regulation enforcement within the MPA, and other related matters. *The mission requested that the work plan be submitted to the Bank by no later than January 20, 2004.*

F. Procurement, Financial Management and Disbursement

25. **Procurement.** An ex-post review of the procurement under the project was conducted during the recent mission. The outcome of the review was satisfactory as noted in Attachment 2. The main findings and recommendations as conveyed to the IUCN on procurement are the following for improving transparency of the project's procurement documentation:

- a) Evaluation report should provide a summary of procurement steps taken with specific dates. Evaluation report should also be dated; and
- b) for procurement involved community participation, a summary of the procedures on selecting the contracting household(s) or community(ies) should be attached.

26. **Financial Management and Disbursement.** The project is in full compliance with its required audits GEF and Danida Special Accounts as well the project accounts. Findings and recommendations from those audits have been acted upon by IUCN. In addition and as part of the MTR, a general financial management review of the project was conducted by the IDA and found to be satisfactory.

27. The total disbursements are US\$652,392 or about 67% of the GEF grant and DKK3,956.847 or about 65% of the DANIDA Grant. Presently, the project was about two-thirds through its four-year implementation period.

G. Legal Covenants

28. The Project is in compliance with all legal covenants in GEF and Danida Grant Agreements.

H. Next Mission

29. The next supervision mission is scheduled for June 2003.

I. Summary of Requested Actions

Action	By whom	By When
Prepare program for further involvement of local villagers, including women, in marine biodiversity monitoring	IUCN and HM MPA Authority	February 28, 2004
Discuss with relevant local agencies their engagement in sustaining the program	IUCN and HM MPA Authority	March 31, 2004
Continue to stress importance of proper MPA management for marine biodiversity conservation and fisheries improvement	IUCN and HM MPA Authority	Ongoing
Introduce school curriculum with budget to all schools along Nha Trang Bay	IUCN and HM MPA Authority	February 15, 2004
Discuss with villagers whether a portion of AIG funds should be shifted to Environmental Community Investments	IUCN and HM MPA Authority	January 31, 2004
Submit any proposed new investment for community environmental needs to IDA	IUCN and HM MPA Authority	February 28, 2004
Include environmental analysis and management needs with second batch of proposed BSP loans to be submitted to the IDA	IUCN and HM MPA Authority	January 15, 2004
Submit updated assessment report to the IDA on credit program	IUCN and HM MPA Authority	May 31, 2004
Finalize and submit draft management plan to the IDA	IUCN and HM MPA Authority	February 15, 2004
Prepare and submit gender support plan to IDA	IUCN and HM MPA Authority	February 28, 2004
Finalize needs and budget for new HM MPA Authority office	IUCN and HM MPA Authority	March 15, 2004
Establishment and staffing of NPSC	IUCN	February 28, 2004
Form Scientific Advisory Committee with first meeting	IUCN and HM MPA Authority	April 30, 2004
Formulate exit strategy	IUCN and Provincial SC	January 15, 2004
Submission of Work Plan for 2004	IUCN and HM MPA Authority	January 20, 2004

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IDA/DANIDA Midterm Review Mission: December 1-8, 2003

Attachment 1. Credit Scheme

1. The mission observed the great efforts have been taken place by the project implementing team and the MPA authority to carry out the credit scheme and villagers' awareness of credit principals and procedures for obtaining loans are increasing. The mission agreed with VBSP that a flexible loan payment schedule should be applied, and principal of the loan can be paid back monthly or by installment if borrowers choose to do so. It is also agreed that loan maturity should be based on the cash flow cycle of activities financed by the loan, instead of after 12 months for every single loan. Especially for those economic activities such as trading, snail curtain making, chick and duck raising, the loan maturity term should be less than 6 months to match the cash flow cycle and ultimately reduce the risk to the borrower and the credit fund. Loans should be disbursed to borrowers when they are needed instead of at the convenience of the credit officer of VBSP. The mission noticed that a separate account and record have been maintained by VBSP to manage the credit fund under this project, which is in line with the World Bank's project financial management requirement. The mission met with VBARD and clarified concerns that VBARD would only finance loans larger than VND10 million, and is pleased to learn that VBARD is willing to work with the project and provide loans to the villagers who have viable business plan and collateral and are certified by the Commune People's Committee. The current pilot credit scheme would provide the borrowers with good credit history to secure larger loans with VBARD in the future.

2. The main purpose of the project-supported credit scheme is to improve access to credit for those people who are affected by the zoning within the Hon Mon MPA. During the field visit and interview of the villagers, the mission witnessed cases where income increased of some borrowers (mostly fish man's wife), which hopefully would reduce dependence on the fish man's fishing activities. However, it is still remained unclear whether the credit scheme can achieve it's objective due to the following reasons: (i) some borrowers are clearly not within target group; and (ii) out of a total VND426million disbursement, more than 40% financed fish nets in Tri Nguyen village. Fishing nets were not among the approved and agreed eligible activities under this scheme, and the IDA should have been asked for approval if there is any new additions to the agreed list of eligible activities. During the second disbursement proposal, most of the activities propose the purchase of additional fishing nets, yet the sustainability of this particular activity remains unclear; and it seems there is limited credit demand from those eligible villagers within target group to finance environmental sound and sustainable income generating activities.

3. The mission expressed its concern of financing fishing nets and emphasized that it remains unclear to what extent those loans will lead to sustainable livelihoods for the borrowers, and whether they will reduce the impacts and fishing pressure on what is generally understood to be an over-exploited resource and can help to conserve biodiversity. It was agreed with the project team and MPA authority that unless these concerns are addressed and a detailed assessment report submitted to the IDA, the project should not finance any fishing nets.

4. The project and MPA authority will consult with villagers to determine whether part of the credit fund should be shifted as grant financing for some community activities, which have environmental significance and are in line with the project objective. Detailed budget estimates of the proposed community activities should be submitted to the IDA by end of February 2004. The balance of the credit fund will continue to be managed by VBSP to finance small-scale income generating activities for the target group. It is agreed that the project team will ensure the activities financed are from the agreed eligible list, and would seek approval from the IDA if additional activities need to be added to the list. The project team and MPA authority also agreed that loans should only be applied to those borrowers within target groups with emphasis on priority I group.

5. Other than providing financial support, it is important that the project and MPA authority continue to support those affected villagers with technical skills, market information, additional employment options and environmentally sound income generating activities to help villagers' lives to assure that they will not be adversely affected by the zoning of the project. The mission requires the MPA authority to prepare an evaluation report and impact assessment of those who received loan and submit the report to IDA by the end of May 2004.

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IDA/DANIDA Midterm Review Mission: December 1-8, 2003

Attachment 2. Procurement

Procurement Implementation Progress

1. As December of 2003, majority of procurement items (about 80%) as specified in the project's updated procurement arrangement and agreed with the Bank have been done. While the project still has 2 years ahead, this show good progress in terms of procurement implementation.

Procurement for Remainder of the Project

2. As reported by the IUCN, only a few procurement items (individual consultants, goods and equipment, and constructions) need to be done in 2004 and 2005. The list of these outstanding items and tentative implementation schedule are in the Annex below.

Expost Review

3. The mission has carried out a procurement expost review covering those contracts awarded during the period from the last post review (May 2002) to date. As reported, there are a total of 40 goods, works and services contracts. These contracts are very small in value (the biggest is about US\$5,500). Procurement methods used are international/national shopping for goods, small works and community participation for works, and selection of individual consultants for services.

4. The mission has selected a sample of contracts (see the list below) for detailed review. Generally, it was found that these procurements had been done in accordance with the agreed procurement procedures. The mission has the following recommendations for improving transparency of the project's procurement documentation:

- evaluation report should provide a summary of procurement steps taken with specific dates. Evaluation report should also be dated.
- for procurement involved community participation, a summary of the procedures on selecting the contracting household(s) or community (ies) should be attached..

Annex 1 - Procurement Planning for Remaining Outstanding Items

Item No.	Category	Cost Estimate (US\$)*	Proc. Method	Bank Review	Completion Time
	Works				
1.3.11	Refurbishment of project office	13,500	Small Works	Expost	Jan. 04
?	Construction of visitor center/field station on Hon Mun	25,000	Small Works	Expost	Jan. 04
1.3.12	NIO displays	5,000	Small Works	Expost	Mar. 04
	Equipment				
1.3.8	Miscellaneous office equipment	2,400	National Shopping	Expost	2004
1.3.13	Moorings	3,500	National Shopping	Expost	2004
3.3.7	Diving equipment	1,000	National Shopping	Expost	Dec. 04
?	GPS	500	National Shopping	Expost	Jun. 04
?	AIG trials goods-new B/L	12,000	National Shopping	Expost	Jun. 05
	Services				
2.1.3	AIG technical specialists	18,000	Individual Consultant	Expost	May 05
4.2.4	External Evaluation Mission 1	20,000	Individual Consultant	Expost	May 05
?	4 more patrol officer	8,800	Individual Consultant	Expost	Jan. 04
	Miscellaneous				
	Various items	180,000	Statement of expenditure (SOE) or other method as appropriate		May 05

*Note: * Figures are based on CTA's estimates of completion percentages.*

Annex 2 – List of Contracts Selected for Expost Review

No	Description	Contract Amount	Signing Date	Contractor/ Supplier/ Consultant	Proc. Method
	Works				
1	Construction of Bich Dam health clinic and market, Dam Bay kindergarten (Vung Kham village)	VND 72,600,000	Apr. 9, 03	Hoang Long Construction & Trading Co.	Small Works
2	Construction of 6 toilets in Vung Ngan village	VND 4,200,000	Nov. 7, 02	Mr. Nguyen Van Hung	Community Participation
	Equipment				
3	Supply of diving gears	US\$ 2,790	Sep. 03	Mekong Diving Equipment Supply Co.	International Shopping
4	Supply of plastic drums	VND 10,890,000	Apr. 10, 03	Hai Nghiep Shop	National Shopping
5	Supply of wood	VND 8,371,000	Apr. 10, 03	Khanh Vinh Product Introduction Center	National Shopping
	Services				
6	Casual Technical Officer		Jan. 13, 03	Mr. Jean Phillipe Imbert	Individual Consultant
7	Credit Officer		Dec. 1, 03	Ms Tran Thi Thuc Doan	Individual Consultant
8	Accountant		Jun. 10, 03	Mr. Luong Vinh Thinh	Individual Consultant