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Enabling poor rural people  
to overcome poverty

## **Socialist Republic of Viet Nam**

### **Country Programme Evaluation**

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Evaluation Committee — Seventy-first Session  
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For: **Review**

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**(\*) Annexes are available upon request from IFAD's Independent Office of Evaluation ([evaluation@ifad.org](mailto:evaluation@ifad.org)).**

## Currency Equivalents

Currency Unit = Viet Nam Dong (VND)  
 US\$1 = 21,036 VND  
 US\$1 = 0.774 EURO  
 (1 January 2012)

## Weights and Measures

1 Kilometre = 0.62 miles  
 1 hectare = 10,000 m<sup>2</sup> (0.01 km<sup>2</sup>) (2.47 acres)  
 1 ton = 1,000 kg

## Abbreviations and Acronyms

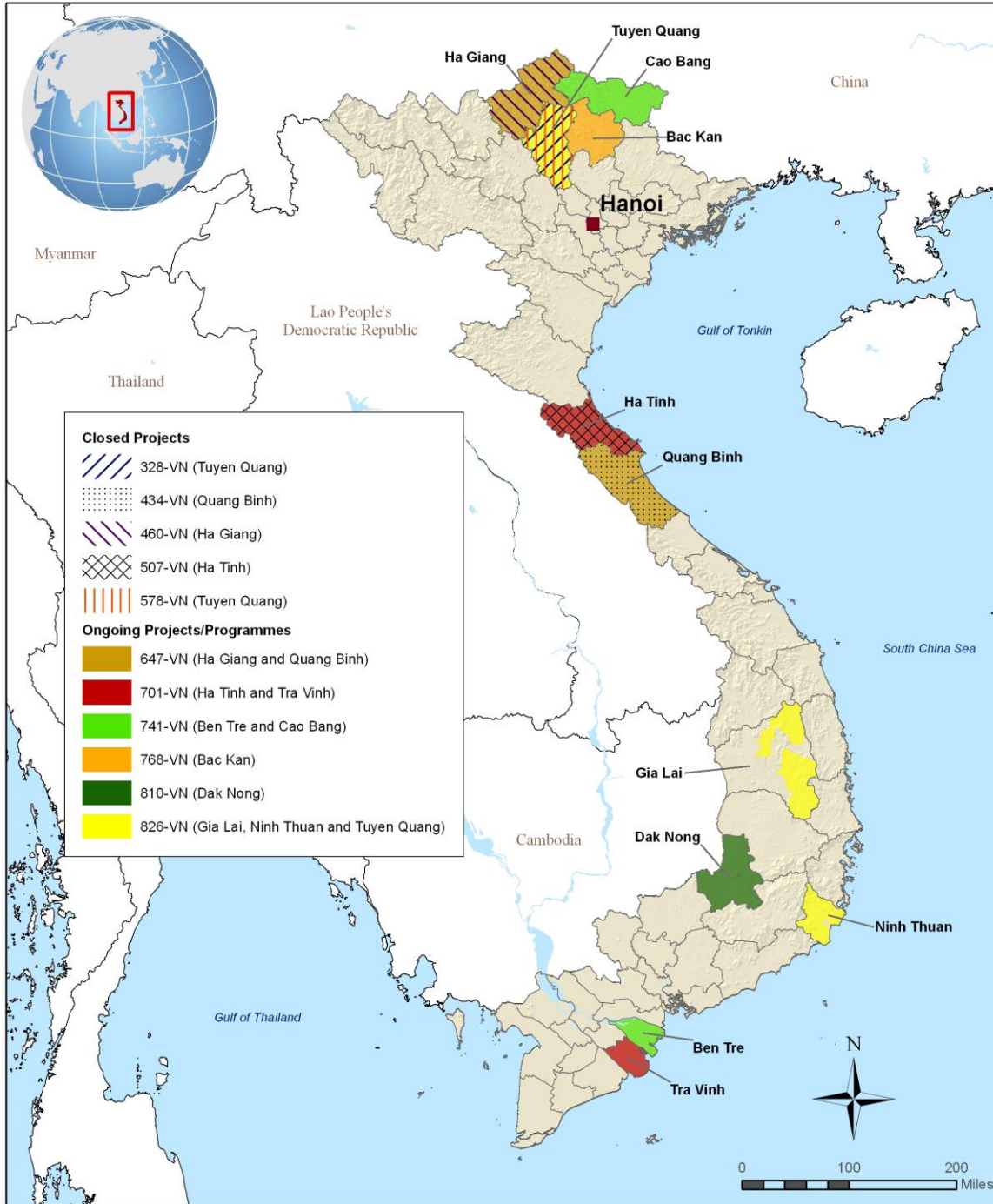
APR	Asia and the Pacific Division of IFAD
ARCDP	Agricultural Resources Conservation and Development Project in Quang Binh Province
AsDB	Asian Development Bank
AWPB	annual workplan and budget
CDB	commune development board
CDF	commune development fund
CEMA	Committee on Ethnic Minority Affairs
CIG	common interest group
COSOP	country strategic opportunities programme
CPE	country programme evaluation
CPM	country programme manager
CPMT	country programme management team
CPRE	country portfolio review and evaluation
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
DARD	Department of Agricultural and Rural Development
DBRP	Developing Business with the Rural Poor Programme
DfID	Department for International Development (United Kingdom)
DPRPR	Decentralized Programme for Rural Poverty Reduction in Ha Giang and Quang Binh Provinces
FFS	farmers' field school
FLUC	forest land-use certificate
FU	Farmers' Union
GIZ	German Agency for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit) (formerly German Agency for Technical Cooperation, GTZ <sup>1</sup> )
HCS	Hanoi Core Statement
HPM	Ha Giang Development Project for Ethnic Minorities
HRDP	Ha Tinh Rural Development Project
IE	interim evaluation
IFI	international financial institution
IMPP	Programme for Improving Market Participation of the Poor in Ha Tinh and Tra Vinh Provinces

<sup>1</sup> On January 1, 2011 *Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH* became a fusion with three other German organisations: German Development Service ([Deutscher Entwicklungsdienst](#), DED), Society for Technical Cooperation ([Deutsche Gesellschaft für Technische Zusammenarbeit](#), GTZ), and the International Training and Capacity Building.

IOE	Independent Office of Evaluation (of IFAD)
IPSARD	Institute of Policy Strategy for Agriculture and Rural Development
Lux-Dev	Luxembourg Agency for Development Cooperation
M&E	monitoring and evaluation
MARD	Ministry of Agriculture and Rural Development
MoF	Ministry of Finance
MPI	Ministry of Planning and Investment
MTR	mid-term review
ODA	official development assistance
PBAS	Performance-based Allocation System
PCR	project completion report
PETVTS	Provincial Economic, Technical and Vocational Training School
PMD	Programme Management Department
PPA	project performance assessment
PPC	Provincial People's Committee
PPMU	provincial project management unit
PPP	public-private-people (partnership)
PRMP	Participatory Resource Management Project in Tuyen Qang Province
PSC	project steering committee
RIDP	Rural Income Diversification Project in Tuyen Qang Province
SCG	savings and credit group
SEDP	Viet Nam Strategic Socio-Economic Development Plan
SIDA	Swedish International Development Cooperation Agency
SME	small and medium-sized enterprise
TA	technical assistance
TNSP	Agriculture, Farmers and Rural Areas Support Project in Gia Lai, Ninh Thuan and Tuyen Qang Provinces
3EM	Project for the Economic Empowerment of Ethnic Minorities in Poor Communes of Dak Nong Province
3PAD	Pro-Poor Partnerships for Agroforestry Development Project
UNDP	United Nations Development Programme
UNOPS	United Nations Office for Project Services
VBARD	Viet Nam Bank for Agriculture and Rural Development
VBSP	Viet Nam Bank for Social Policy
WTO	World Trade Organization
WU	Women's Union

# Map

## Socialist Republic of Viet Nam IFAD-funded operations



17-5-2011



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD

## Foreword

*This Viet Nam country programme evaluation (CPE) was undertaken at the end of 2010 and concluded with a national round table workshop that took place in Hanoi on 17 November 2011. The main objectives of the CPE were to: (i) assess the performance and impact of IFAD-supported operations in Viet Nam; and (ii) generate a series of findings and recommendations to serve as building blocks for formulation of the forthcoming results-based country strategic opportunities programme (COSOP) to be prepared by IFAD and the Government of Viet Nam following completion of the CPE.*

*Since 1993, the Fund has financed eleven projects and programmes on highly concessional terms (six are still under implementation in Viet Nam), corresponding to a total cost of US\$350 million including US\$257 million in loans from IFAD and US\$48 million in counterpart funding from the Government. The IFAD assessed programme focused on support to decentralisation, investment in small-scale infrastructure, market integration and microfinance. IFAD has also provided grants for supporting the lending projects but also policy dialogue, partnership building and knowledge management. As the only agency working exclusively with the rural poor, IFAD is recognised by its peers and the Government as having promoted local-level decentralisation and participatory decision-making.*

*The CPE confirms the value of IFAD's work in support for decentralisation, capacity-building, participatory planning, gender mainstreaming, small-scale infrastructure, development of savings and credit groups, and improving rural livelihoods through production for markets. Satisfactory results have been achieved in terms of impact on the incomes and assets of smallholders; increased human and social capital and empowerment, particularly for women; and greater agricultural productivity and crop diversification. The CPE assessed as positive the programme's impact on building up the capacity of institutions at the local level, and policy support aimed at obtaining land-use rights for production forestry. Despite some limitations related to policy dialogue, in particular in relations with the Central Government, IFAD has had a satisfactory policy impact on the ground, based on experience in promoting decentralisation, participation, land use and capacity building of farmers organisations.*

*The evaluation found, however, that limited attention had been given to addressing the challenges in providing access to rural credit and in bringing the matter forward as part of the policy dialogue agenda. This also applies to the support to value chain development. While projects have supported activities related to natural resources management and climate change, the CPE considers that the approach to such problems is too ad hoc and project-based. The CPE also underlined the importance of strengthening partnerships with the private sector and the donor community in Viet Nam.*

*The most important message emanating from the CPE is that the context in Viet Nam has changed significantly since IFAD started its partnership with the Government in 1993. Viet Nam's newly acquired middle-income status will have important implications on IFAD's role and focus in the country in the future. Reduced concessional funding, combined with increased vulnerability due to the effects of climate change and persistent poverty among ethnic minorities, could more severely affect the rural poor in most of the targeted provinces, thereby making the on-going market-oriented programme shift even more challenging.*

*The evaluation report includes an agreement at completion point, which summarizes the main evaluation findings. It also presents the recommendations agreed upon between the Government of Viet Nam and IFAD, together with proposals as to how and by whom they should be implemented.*

**Luciano Lavizzari**  
**Director, Independent Office of Evaluation**

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The Independent Office of Evaluation is grateful to IFAD's Asia and the Pacific Division and to the Government of the Socialist Republic of Viet Nam for their insightful inputs and comments, provided at various stages throughout the evaluation process.

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Director, Independent Office of Evaluation (IOE) of IFAD: *Luciano Lavizzari*



## Executive Summary

1. This country programme evaluation (CPE) reviewed all projects in IFAD's supported programme in Viet Nam in order to enhance learning, while only the projects approved from 1999 onwards were considered for the ratings. The evaluation made it possible to assess the results and impact of IFAD-funded activities in the country and to generate findings and recommendations that will serve as building blocks for the next country strategic opportunities programme (COSOP) for Viet Nam.
2. The evaluation concludes that, over the last 18 years, IFAD has contributed significantly to the Government of Viet Nam's efforts to reduce poverty. As the only agency working exclusively with the rural poor, IFAD is recognized both by its peers and by the Government as having promoted local-level decentralization and participatory decision-making. In particular, the Fund has worked with the central and provincial governments to support the devolution of responsibility for designing and implementing development programmes, which has contributed to strengthening their ownership and sustainability. Moreover, broadly speaking, operations financed by IFAD have led to increased agricultural productivity, rural incomes, and social and human capital.
3. In the last four years, IFAD's approach in Viet Nam has shifted from a predominantly area-based development model to one with greater market-oriented focus. Overall, this new focus has been effective in supporting the Government's poverty reduction strategies in targeted provinces, although the CPE found a number of important market challenges that will need to be addressed in the next COSOP. For example, small farmers seeking to move from subsistence farming to commercial production find it difficult to obtain credit because savings and credit groups are unable to satisfy the increasing demand for financial services in rural areas. Moreover, Viet Nam's new status as a middle-income country will later on pose a challenge to its future development as the availability of concessional funding decreases and vulnerability and poverty among ethnic minorities is persistent.
4. The CPE considers the overall performance of the portfolio to be satisfactory, particularly in terms of support for decentralization, capacity-building, participatory planning, gender mainstreaming, small-scale infrastructure, development of savings and credit groups, and the improvement of rural livelihoods through production for markets. This support remains relevant, and should continue to form the essential building blocks of the country programme. The portfolio's effectiveness with regard to major programme areas such as decentralization, small-scale infrastructure, market integration and microfinance is satisfactory overall. In terms of efficiency, much has been achieved since 2000 with regard to project implementation and management, learning and capacity-building at the provincial, district and commune levels, as well as in planning, coordination, monitoring and evaluation (M&E), and direct supervision and implementation support. There is still room for improvement, however, particularly in terms of measuring results and establishing a standardized M&E system for the entire country programme. Among other things, such a system would facilitate annual reviews of COSOP implementation, and mid-term and completion reviews of the country strategy.
5. Overall, the country programme has had a positive impact on household income and assets, mainly through increased levels of agricultural productivity and investments in livestock. Vocational training has been important for income diversification and for promoting non-farm employment for rural youth. The impact on gender equality and on the quality of women's lives and their empowerment is positive because funding was earmarked for programmes to assist poor rural women. The building up of the capacity of local institutions and policy support for the sustainable use of land for production forestry is also judged to be positive.

While projects have supported activities related to natural resources management, the environment and climate change, the CPE considers that the IFAD-Government approach to such problems is too ad hoc and project-based, and is not part of a systematic and strategic approach – especially in view of the enormous challenges the country is facing in this respect.

6. IFAD's strategy for ensuring the sustainability of benefits in Viet Nam has been essentially one of pursuing long-term engagements in the provinces covered by the operations it has funded. A number of provinces have undertaken follow-up projects with IFAD support; but even without these interventions, the infrastructure and agricultural production components of projects are likely to be sustainable. However, according to reports on some of the completed projects, other activities – such as participatory approaches, savings and credit groups and women's empowerment – may be at risk, depending on whether or not the necessary capacity is available. The main elements of successfully piloted approaches have been generally integrated into government policies and programmes at the provincial and national levels. However, there is room for improvement in alignment with government strategies and programmes, including implementation support and development of appropriate exit strategies to sustain the benefits generated.
7. The Viet Nam country programme has been innovative in its use of participatory processes, focus on decentralization and support for the capacity-building of line agencies at the provincial level. Features of successful programme approaches (e.g. increased use of participatory approaches in planning and project implementation, the design and modalities of Programme 135 for supporting poor communes in ethnic minority and mountainous areas, and government strategies for public-private partnerships in rural infrastructure and agribusiness) have been mainstreamed into government policies and programmes at the provincial and national levels. However, IFAD has not thus far worked with the larger international financial institutions or the private sector to scale up projects or specific aspects thereof.
8. Since the establishment of the IFAD-Government partnership in 1993, the central government has provided adequate support to the Fund's country programme. However, in the past, the Government preferred that IFAD finance projects covering non-contiguous provinces with very different economic and social conditions, which created problems in terms of design and implementation, including coordination, service delivery, monitoring and supervision. But on a positive note, provincial governments continue to demonstrate solid ownership and commitment, and have promoted the effective participation of line departments in project implementation. The CPE also noted that, compared with other lower middle-income countries, Viet Nam provides less counterpart funding as a component of total project costs, which rather contradicts the country's new economic status.
9. IFAD's performance as a partner is well appreciated by the Government and other organizations. The country office and outposted country programme manager have helped raise the Fund's profile by participating in COSOP formulation, and by designing, implementing and effectively supporting programmes through the promotion of more knowledge-sharing. Direct supervision and implementation support are both more effective, and are appreciated by all local partners. However, outposting the country programme manager has not so far yielded the expected benefits in terms of better policy dialogue at the national level and enhanced partnerships, especially with the private sector and international financial institutions.
10. As far as non-lending activities (policy dialogue, knowledge management and partnership building) are concerned, the CPE found there had been some impact on policies, even though policy dialogue at the national level has been limited. In

general, IFAD's partnership with the Government has been good, but not so with bilateral institutions and multilateral development banks. Knowledge management has emphasized a broad range of learning issues by means of a variety of products, but there is still room for improvement in documenting the benefits of knowledge-sharing. IFAD will need to focus more substantially and strategically on policy dialogue at the central level, and to engage actively in partnerships that go beyond implementation support, i.e. with partners that can be allies in such policy dialogue on broader strategic issues that can impact on the country programme as a whole and be agents for scaling up successfully piloted initiatives. This would be in line with IFAD's moving forward in the adoption of its new business model, which entails, inter alia, more engagement in policy dialogue. However, the evaluation also judged that, in general, insufficient resources and attention had been devoted to non-lending activities and that such activities had not been adequately linked to the Fund's lending portfolio in Viet Nam.

## Recommendations

11. The CPE makes the following recommendations to serve as building blocks for preparation of the next COSOP for Viet Nam.
12. **A strengthened market-oriented approach.** The programme's shift from an area-based multisector approach to supporting value chains has brought more benefits to vulnerable groups such as landless labourers, farmers with very limited land and unemployed youth. As the limited but evolving public-private partnerships developed thus far show potential for achieving better results on the ground, the CPE recommends that this approach be strengthened in the next COSOP. However, because the value chain approach is still relatively new and unknown in many of the areas covered by IFAD-funded operations, a thorough analysis of selected value chains (e.g. rice and coffee) will be needed before new small-scale agriculture interventions are designed for rural areas. Ways and means of bringing ethnic minorities into the development process, at different stages of the value chain, will also need to be explored. Moreover, given the somewhat limited investments in business development services and limited partnerships with the small- and medium-scale private sector, the CPE recommends that IFAD and the Government encourage the strategic engagement of the private sector in supporting this building block in the next COSOP.
13. **More comprehensive geographic coverage.** The CPE recommends that the Government and IFAD should move towards a model that combines, for example, three to five contiguous provinces as part of a single IFAD-funded operation. This would facilitate a move from the current area-based development activities to a more thematic model covering wider geographic areas and more poor people, and allow IFAD to focus on issues such as forestry development in upland areas, environmental protection in coastal zones, and private-sector development in provinces with large ethnic minority populations.
14. **A more favourable credit environment for smallholders.** Microfinance and the role of the banking system are features of the current programme that will need to be strengthened to support the market-oriented approach. Current solutions mainly involve funding subsistence-level production. Overall, the programme has had a very limited impact on bank operations and lending policies for supporting farmers and the rural poor. The CPE recommends that IFAD should make every effort to address this major gap in rural finance in any future policy dialogue with the Government.
15. **A more strategic knowledge management programme.** There is a growing realization – particularly as Viet Nam moves further into middle-income country status – that IFAD's knowledge, and its ability to impart that knowledge on a wide scale, will be a significant aspect of its future contribution to Viet Nam's development. Efforts as a result of the knowledge management component of the

2008 COSOP were a step in the right direction, and IFAD should build on those efforts in the years ahead. With regard to the next COSOP, IFAD and the Government will need to concentrate on the programme's non-lending activities and grant capacity in order to fill specific knowledge gaps, such as the need for a holistic approach to the development of ethnic minorities in upland areas, better understanding of youth migration and opportunities for rural youth. The CPE also recommends that knowledge-sharing be strengthened by establishing a standardized, countrywide M&E system, which would make it possible to follow up progress in implementing the results-based COSOP and fine-tune the evolving country strategy.

16. **Strengthening partnerships.** IFAD will need to rethink its approach to partnerships with the private sector and donor community in Viet Nam. It is recommended that IFAD should continue to participate in the One UN Initiative, but more selectively, concentrating on agenda items that are in line with its resources and comparative advantage. On the other hand, enhanced partnering with the Asian Development Bank, the World Bank, the International Finance Corporation, major bilateral donors and NGOs could contribute to more effective synergies and/or to the scaling up of the successful models supported by IFAD over the last 18 years. The analytic capacity of the larger international financial institutions and their role in supporting the Government's donor coordination mechanisms could provide significant leverage, both for IFAD's lending programme and for its non-lending activities.
17. **Increased counterpart funding from the Government.** It is recommended that, during formulation of the next COSOP, IFAD should reach agreement with the Government on increased levels of counterpart funding, especially in view of the country's status as a middle-income country and the number of its poor rural people. The COSOP might also include broad criteria for determining the proportion of such counterpart funding (e.g. minimum percentage of total projects costs) in future IFAD-supported projects in Viet Nam. The CPE recognizes, however, that counterpart funding is a matter for IFAD Management to consider at the global level, including the establishment of related guidelines (currently missing).
18. **A strategic approach to the conservation of natural resources and the response to the impact of climate change.** IFAD should scale up its involvement in issues relating to the environment, natural resources management and climate change. While it is true that other donors are heavily engaged in these areas, IFAD is in a unique position to explore the impact of potential environmental damage and the effects of climate change on the rural poor. It is also well placed to introduce measures against erosion or salt water intrusion or in support of forest cover rehabilitation. This should be an important feature of the next COSOP and, possibly, one of the key pillars of IFAD's future engagement in Viet Nam. While these issues are largely peripheral to current programme design in Viet Nam, and are not commensurate with the priority given to such concerns, they are important features of government policy and programmes. IFAD could make a valuable contribution to developing local-level approaches that support the efforts of both the Government and the international community.
19. **A strengthened IFAD country office.** The CPE believes that IFAD's country office in Viet Nam has made an important contribution to the overall success of its country programme. The establishment of a country office with sufficient capacity to support project preparation, implementation and supervision has been broadly successful. Looking forward, policy dialogue at the central level and the scaling up of successful innovations will need to be more systematic, anchored in IFAD's operational field experience, and in line with the structures and processes of the Hanoi Core Statement. IFAD will need to provide its country office with clear guidelines on prioritizing this agenda, in line with IFAD's new business model and an enabling work environment, i.e. appropriate human and financial resources.

## Agreement at Completion Point

### A. Background and introduction

1. The Independent Office of Evaluation (IOE) of IFAD undertook a country programme evaluation (CPE) in Viet Nam in 2010-2011. This was the second wide-ranging, strategic IFAD evaluation to be undertaken in Viet Nam. In 2000/2001, a country portfolio review and evaluation (CPRE) was undertaken jointly by IFAD's Asia and the Pacific Division (APR) and the then Office of Evaluation and Studies. The 2010-2011 CPE had two main objectives: (i) to evaluate the performance and impact of IFAD's operations in the country; and (ii) to generate lessons and recommendations to inform the next country strategic opportunities programme (COSOP) for Viet Nam.
2. The agreement at completion point (ACP) reflects the understanding between the Government of Viet Nam (represented by the Ministry of Planning and Investment) and IFAD Management (represented by the Programme Management Department) on the main evaluation findings (see section B below), as well as the commitment by IFAD and the Government of Viet Nam to adopt and implement the CPE recommendations within specific timeframes (see section C of this ACP). The implementation of the recommendations agreed upon will be tracked through the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions, which is presented to the IFAD Executive Board on an annual basis by the Fund's Management. In addition, this ACP will be submitted to the Executive Board of IFAD as an annex of the new COSOP for Viet Nam.

### B. Main Evaluation Findings

3. The CPE considers the overall performance of the Viet Nam portfolio to be satisfactory, particularly in terms of support for decentralization, capacity-building, participatory planning, gender mainstreaming, small-scale infrastructure, development of savings and credit groups (SCGs), and improving rural livelihoods through production for markets. This support remains relevant, and should continue to form the essential building blocks of the country programme. There is still room for improvement, however, as the CPE found that IFAD-supported projects/programmes in Viet Nam have not invested enough in business development services, and that partnering with the small and medium-scale private sector, which could impart marketing skills and know-how to smallholders and ethnic minorities, has been limited to date. Improvement is also needed in terms of measuring results and establishing a standardized M&E system for the entire country programme.
4. The IFAD-Government programme has supported two mechanisms for the provision of microfinance. The first was the establishment of savings and credit groups, which have been reasonably successful in enabling members to manage and allocate small loans among themselves, mostly for livestock purchases and other means of increasing their income. The second involved the provision of credit through the banking system, but that mechanism has not been effective. The CPE considers that IFAD has not had a consolidated approach towards access to rural financial services to engage the Government or national financial institutions in tackling the challenges of providing access to rural credit.
5. Overall, the country programme has had a positive impact on household income and assets, mainly through increased levels of agricultural productivity and investments in livestock. Vocational training has been important for income diversification and for promoting non-farm employment for rural youth. The impact on gender equality and on the quality of women's lives and their empowerment is positive because funding was earmarked for programmes to assist poor rural women. The building up of the capacity of local institutions and policy support for

sustainable use of land for production forestry is also judged to be positive. While projects have supported activities related to natural resources management, the environment and climate change, the CPE considers that the IFAD-Government approach to such problems is too ad hoc and project-based, and is not part of a systematic and strategic approach – especially in view of the enormous challenges the country is facing in this respect.

6. Since the establishment of the IFAD-Government partnership in 1993, the central government has provided strong support to the IFAD-assisted country programme and provincial governments continue to demonstrate solid ownership and commitment, and have promoted the effective participation of line departments in project implementation. However, in the past, the Government preferred for IFAD to finance projects covering non-contiguous provinces with different economic and social conditions, which created challenges to design and implementation and supervision. The CPE also noted that, compared with other middle income countries, Viet Nam provides less counterpart funding as a component of total project cost than other countries with similar economic status, covered by IFAD-funded operations.
7. IFAD's performance as a partner is well appreciated by the Government and other organizations. Direct supervision and implementation support is more effective as compared to supervision by co-operating institutions, and is appreciated by all local partners. The establishment of IFAD's country office including outpost from Rome to Hanoi of the IFAD CPM for Viet Nam has been a positive step to strengthen dialogue and performance. While there has been some policy impact based on experience at the provincial levels, more efforts are required for linking the provincial implementation experience to policy dialogue at the national level. This will however also require that the CPM and other staff in the country office are provided with the required resources, time and space to engage appropriately in national policy dialogue initiatives.
8. As for knowledge management, good progress has been made in implementing the 2008 COSOP strategy. However, while the activities put emphasis on a broad range of learning themes, there has been little documentation regarding the benefits of different knowledge-sharing approaches promoted under the projects. With regard to partnerships, IFAD has established itself as a trustworthy and reliable partner at the central, provincial and local government levels, whereas IFAD has not yet been able to forge deeper partnerships in Viet Nam with key international financial institutions such as World Bank and AsDB, which are both active in rural areas of the country and support nationwide programmes that complement a number of IFAD micro-level activities on the ground, and with bilateral donors and NGOs. Although there has been a gradual increase in private-sector involvement in project operations through value chain and enterprise development, and in support to rural services, partnerships with the private sector have been limited thus far.

## **C. Recommendations**

9. The below recommendations have been agreed by the Government of Viet Nam and IFAD.
10. **Recommendation 1:**
  - a) **A strengthened market-oriented approach.** The programme's shift from an area-based multi-sector approach to supporting value chains has brought more benefits to vulnerable groups such as landless labourers, farmers with very limited land and unemployed youth. As the limited but evolving public-private partnerships developed thus far show potential for achieving better results on the ground, the CPE recommends that this approach be strengthened in the next COSOP. However, because the value chain approach is still relatively new and unknown in many of the areas covered by IFAD-funded operations, a thorough analysis of selected value chains (e.g. rice and

coffee) will be needed before new small-scale agriculture interventions are designed for rural areas. Ways and means of bringing ethnic minorities into the development process, at different stages of the value chain, will also need to be explored. Moreover, given the somewhat limited investments in business development services and limited partnerships with the small- and medium-scale private sector, the CPE recommends that IFAD and the Government encourage the strategic engagement of the private sector in supporting this building block in the next COSOP.

- b) **Proposed follow-up:** Strategic Objective SO1 of the COSOP is 'to accelerate the transition in the rural sector toward sustainable market led development in poor provinces and associated regions'. In order to achieve this, private sector will be a main proponent in partnership with the Government. SO 1 will carry out a number of activities to provide the enabling environment to promote pro-poor value chains and private sector engagement with smallholder farmers. Meanwhile SO 2 specifically ensures that it is women, ethnic minority households, where possible, that participate and gain from IFAD supported activities, including the following:
- Provincial, district and commune market oriented participatory socio-economic development, planning processes promoted to incorporate business ideas;
  - Savings and credit schemes linked to financial markets developed for the target group;
  - Investment in human capital (particularly ethnic minorities) through equal access to job skills, agricultural extension, markets opportunities etc.;
  - Physical investments that improve women's access to basic rural infrastructure and services, such as water, energy, roads and transport;
  - Literacy and numeracy programmes to allow ethnic minorities to understand their rights, negotiate effectively with government structures and representatives and participate in community based development activities. GACA comment: This issue will be integrated into the Government's support activities at provinces. It's not necessary to be developed as sub component of IFAD projects.
- c) **Deadline:** During the entire COSOP period.
- d) **Responsible entities:** Provincial Peoples' Committee of the selected provinces responsible for implementation; Central Government to provide policy advice and ensure timely implementation of this recommendation; and IFAD to work with the provincial authorities to design and monitor the recommendation.

## 11. Recommendation 2:

- a) **More comprehensive geographic coverage.** The CPE recommends that the Government and IFAD should move towards a model that combines, for example, three to five contiguous provinces as part of a single IFAD-funded operation when possible. This would facilitate a move from current area-based development activities to a more thematic model covering wider geographic areas and more poor people, and allow IFAD to focus on issues such as forestry development in upland areas, environmental protection in coastal zones, and private-sector development in provinces with large ethnic minority populations.
- b) **Proposed follow-up:** IFAD will work in the provinces belonging to a region, as there is more cross learning between the provinces through being more closely situated. As agro-ecological conditions are likely to be similar, it would facilitate project design. More importantly, the benefits of working with provinces from the same region is that the demand for products is likely to

come from the same urban growth poles, making it easier to promote businesses that are sourcing from the project area and making investments. The project concept notes in the COSOP for future investments are identified in a regional manner.

- c) **Deadline:** During the entire COSOP period.
- d) **Responsible entities:** Ministry of Planning and Investment and IFAD.

#### 12. **Recommendation 3:**

- a) **A more favourable credit environment for smallholders.** Microfinance and the role of the banking system are features of the current programme that will need to be strengthened to support the market integration approach. Current solutions mainly involve funding subsistence-level production. Overall, the programme has had a very limited impact on bank operations and lending policies for supporting farmers and the rural poor. The CPE recommends that IFAD should make every effort to address this major gap in rural finance in any future policy dialogue with the Government.
- b) **Proposed follow-up:** IFAD will consolidate lessons learnt options in relation to the institutions that we are working with, which include Women's Union, Viet Nam Bank for Social Policy, and AgriBank. In the next COSOP, IFAD would focus on what has worked, i.e. providing access to rural financial services for smallholders through building the Women's Union and up scaling the model of Women's Saving and Credit Groups in line with regulations of Government and IFAD. IFAD through its Hanoi office would pursue active discussion with the Women's Union, Viet Nam Bank for Social Policy, and AgriBank.
- c) **Deadline:** During the COSOP period.
- d) **Responsible entities:** IFAD to facilitate more dialogue with banks with regards to access to rural financial services, and Ministry of Planning and Investment.

#### 13. **Recommendation 4:**

- a) **A more strategic knowledge management programme.** There is a growing realisation –particularly as Viet Nam moves further into middle-income country status – that IFAD's knowledge, and its ability to impart that knowledge on a wide scale, will be a significant aspect of its future contribution to Viet Nam's development. Efforts as a result of the 2008 COSOP knowledge management component were a step in the right direction, and IFAD should build on those efforts in the years ahead. With regard to the next COSOP, IFAD will need to concentrate on its non-lending activities and grant capacity in order to fill specific knowledge gaps, such as the need for a holistic approach to the development of ethnic minorities in upland areas, better understanding of youth migration and opportunities for rural youth, etc. The CPE also recommends that knowledge-sharing be strengthened by establishing a standardized, countrywide M&E system, which would make it possible to follow up progress in implementing the results-based COSOP and fine-tune the evolving country strategy.
- b) **Proposed follow-up:** DEPOCEN, a local partner, IFPRI and IFAD HQ are working to put together a standardised country wide M&E system, and to improve the impact assessment of project activities. With regards to grants, these need to support the future pipeline and specific investments. Possible areas for grant financing include: (i) technical assistance to the National Targeted Programme for New Rural Development (NTP-NRD) and the National Targeted Programme for Response to Climate Change (NTP-RCC) for support in implementing specific areas including public-private partnerships, pro-poor



value chains, climate change adaptation research and capacity building, etc., (ii) working with the national research institutions on policy analysis and, (iii) building the capacity of the Government Aid Coordination Agencies (GACA) to design new projects and monitor project performance. Specific themes that would be looked into are a holistic approach to the development of ethnic minorities in upland areas, migration from rural areas and opportunities for rural youth.

- c) **Deadline:** During the entire COSOP period.
- d) **Responsible entities:** IFAD to identify grants needs to support the future pipeline and specific investments and Ministry of Planning and Investment to ensure better M&E and support the grant activities listed above.

#### 14. **Recommendation 5:**

- a) **Strengthening partnerships.** IFAD will need to re-think its approach to partnerships with the private sector and donor community in Viet Nam. It is recommended that IFAD should continue to participate in the One UN Initiative, albeit in a selective manner, with regard to agenda items commensurate with its resources and comparative advantage. On the other hand, enhanced partnering with AsDB, World Bank, IFC, major bilateral donors and NGOs could contribute to more effective synergies and/or to the scaling up of successful models supported by IFAD over the last 18 years. The analytic capacity of the larger IFIs and their role in supporting the Government's donor coordination mechanisms could provide significant leverage, both for IFAD's lending programme and for its non-lending activities.
- b) **Proposed follow-up:** The IFAD office would focus on identifying, developing partnerships with the private sector, and linking business opportunities with the project provinces. At the provincial level, projects would develop the enabling environment for engaging the private sector. With regards to the partnership with the Delivery as One Initiative in Viet Nam (formal ONE UN in Viet Nam), we will maintain relationships with select UN Agencies of relevance to the strategic objectives of IFAD programming.<sup>1</sup> With regards to partnerships with International Finance Institutions, opportunities for joint and cofinancing would be pursued with the World Bank and with the Asia Development Bank, among others. Partnerships would be sought with bilateral development partners in the context of promoting innovation in the IFAD supported projects. IFAD would actively engage with NGOs through participating in the NGO working groups at the central level and where possible on the ground in IFAD supported project areas. National research institutions would be important partners in knowledge management and policy dialogue.
- c) **Deadline:** During the COSOP.
- d) **Responsible entities:** MPI and IFAD to promote partnerships.

#### 15. **Recommendation 6:**

- a) **Increased counterpart funding from the Government.** It is recommended that, during formulation of the next COSOP, IFAD should reach agreement with the Government on increased levels of counterpart funding, especially in view of the country's middle-income country status and numbers of poor rural people. The COSOP might also include broad criteria for determining the proportion of such counterpart funding (e.g. minimum percentage of total projects costs) in future IFAD-supported projects in Viet

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<sup>1</sup> Some examples include UNDP (climate change and governance issues), FAO (agriculture and rural development), UNIDO (working with the private sector and value chains) and ILO (microfinance).

Nam. The CPE recognizes, however, that counterpart funding is a matter for IFAD Management to consider at the global level, including the establishment of related guidelines (currently missing).

- b) **Proposed follow-up:** The most effective way to increase counterpart financing would be met through the budgets of the national targeted programmes at the provincial level. During the design of future IFAD supported interventions, we would ensure closer planning with the provincial governments to ensure integration of our activities into the implementation of the Government programmes, provincial budgets, aligning objectives, so that the level of counterpart financing would increase.
- c) **Deadline:** During the COSOP.
- d) **Responsible entities:** MPI, Provincial governments and IFAD.

#### 16. **Recommendation 7:**

- a) **A strategic approach to the conservation of natural resources and response to the impact of climate change.** IFAD should scale up its involvement in issues relating to the environment, natural resources management and climate change. While it is true that other donors are heavily engaged in these areas, IFAD is in a unique position to explore the impact of potential environmental damage and the effects of climate change on the rural poor. It is also well placed to introduce measures against erosion or salt water intrusion or in support of forest cover rehabilitation. This should be an important feature of the next COSOP and, possibly, one of the key pillars of IFAD's future engagement in Viet Nam. While these issues are largely peripheral to current programme design in Viet Nam, and are not commensurate with the priority given to such concerns, they are important features of Government policy and programmes. IFAD could well make a valuable contribution to developing local-level approaches that support the efforts of both the Government and the international community.
- b) **Proposed follow-up:** Efforts would be focused on supporting farmers' adaptation through appropriate extension and research by provincial and national research networks, strengthening both climate change technology transfer and the upscaling of autonomous adaptation undertaken by smallholder farmers, raising provincial staff awareness of climate change risk and integrating climate proofing tools into lower level planning processes, supporting the development and improvement of provincial action plans for addressing climate change risks, ensuring the incorporation of climate change factors into the provincial SEDP, and feeding these lessons to national level policies for response to climate change.
- c) **Deadline:** During the COSOP.
- d) **Responsible entities:** Provincial Peoples' Committees at all levels, MARD, MONRE and IFAD.

#### 17. **Recommendation 8:**

- a) **A strengthened IFAD country office.** The CPE believes that IFAD's country office in Viet Nam has made an important contribution to the overall success of its country programme. The establishment of a country office with sufficient capacity to support project preparation, implementation and supervision has been broadly successful and should be maintained. Looking forward, policy dialogue at the central level and the scaling up of successful innovations will need to be more systematic, anchored in IFAD's operational field experience, and in line with the structures and processes of the Hanoi Core Statement. IFAD will need to provide its country office with clear guidelines on prioritizing

this agenda, in line with IFAD's new business model and an enabling work environment, i.e. appropriate human and financial resources.

- b) **Proposed follow-up:** With regards to policy, there have been efforts to learn lessons emanating out of the projects, and provide feedback to the national level Ministries. We will step up our efforts for policy dialogue at the national level with the National Assembly, and at the provincial level with the Provincial Peoples' Councils. Systematic learning processes would need to be put in place through the M&E system, and knowledge products developed to ensure that our target group is reached. To ensure that this is possible, the country office would hire a KM officer, and the CPM would dedicate more time to the policy dialogue at the central level.
- c) **Deadline:** During the COSOP.
- d) **Responsible entities:** IFAD.

Signed by:



Date: 16/02/2012

H.E. *Nguyen The Phuong*  
 Vice-Minister of Planning and Investment  
 Ministry of Planning and Investment  
 Government of the Socialist Republic of Viet Nam  
 Hanoi



Date: 7 March 2012

Mr Kevin Cleaver  
 Associate Vice-President, Programmes  
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# Country Programme Evaluation

## I. Background

### A. Introduction

1. The present country programme evaluation (CPE) of Viet Nam was conducted in accordance with the provisions of IFAD's Evaluation Policy,<sup>1</sup> following the methodology and processes for CPEs set out in the Evaluation Manual<sup>2</sup> of the Independent Office of Evaluation of IFAD (IOE).
2. This is the second wide-ranging, strategic IFAD evaluation to be undertaken in Viet Nam. In 2000/2001, a country portfolio review and evaluation (CPRE) was undertaken jointly by IFAD's Asia and the Pacific Division (APR) and the then Office of Evaluation and Studies. Table 1 provides key data related to IFAD-supported projects and programmes in the country.

**Table 1: Overview of IFAD-funded operations in Viet Nam**

First IFAD loan-funded project	1993
Total loan-funded projects approved	11 (of which six ongoing)
Total amount of IFAD lending	US\$257 million
Lending terms	Highly concessional <sup>3</sup>
Counterpart funding from Government	US\$48 million
Cofinancing amount	US\$21 million
Beneficiary contribution	US\$19 million
Domestic financial institutions	US\$4 million
Total portfolio cost	US\$350 million
Focus of operations	Agriculture, rural finance, marketing, decentralized development planning and community development
Geographic focus	Northern uplands, north/central coastal region, central highlands and the Mekong Delta region
Cofinanciers	Germany, Luxembourg, Sweden, <sup>4</sup> United Nations Development Programme (UNDP)
Total amount of grants	Global and regional grants 11 grants for a total value of US\$11.2 million (not only for Viet Nam) Country-specific grants <sup>5</sup> 18 country grants for a total value of US\$5.1 million
Country Programme Managers (CPMs)	Chase Palmieri-Sterne; Mattia Prayer-Galletti; Youssef Attig
Current CPM	Atsuko Toda (since 2004)

Source: Project and Portfolio Management System, IFAD (as of 31 March 2011).

### B. Evaluation objectives, methodology and process

3. **Objectives.** The main objectives of the CPE were to: (i) assess the performance and impact of IFAD-funded operations in Viet Nam; and (ii) generate a series of findings and recommendations to serve as building blocks for formulation of the forthcoming results-based country strategic opportunities programme (COSOP) to

<sup>1</sup> Approved by the Executive Board of IFAD in May 2011 (document EB2011/102/R.7+Corr.1). Also available on: <http://www.ifad.org/gbdocs/eb/102/e/index.htm>.

<sup>2</sup> Available on: [http://www.ifad.org/evaluation/process\\_methodology/doc/manual.pdf](http://www.ifad.org/evaluation/process_methodology/doc/manual.pdf). Also see the additional evaluation criteria available on: <http://www.ifad.org/gbdocs/eb/ec/e/65/EC-2010-65-W-P-6.pdf>.

<sup>3</sup> IFAD provides loans highly concessional, intermediate and ordinary terms. The organization's Lending Policies and Criteria stipulate that special loans on highly concessional terms are free of interest but bear a service charge of 0.75 per cent per annum and have a maturity of 40 years, including a grace period of ten years.

<sup>4</sup> German Agency for International Cooperation (GIZ) (formerly GTZ); Luxembourg Agency for Development Cooperation (Lux-Dev); and Swedish International Development Cooperation Agency (SIDA) (see also paragraph 233).

<sup>5</sup> The US\$1,590,900 Italian Supplementary Fund Grant is included in the total amount (see appendix 6).

be prepared by IFAD and the Government of Viet Nam following completion of the CPE.

4. **Methodology.** As outlined in the Viet Nam CPE approach paper, the evaluation focused on analysing three mutually-reinforcing pillars of the IFAD-Government partnership, that is, the performance of (i) the project portfolio; (ii) non-lending activities (knowledge management, policy dialogue and partnership-building); and (iii) the COSOPs. Performance in each of the above-mentioned areas is rated on a scale of 1 to 6 (1 being the lowest score and 6 the highest). However, throughout the CPE, every effort was made to arrive at an understanding of the proximate causes of good or less-good performance, critical for developing future country operations/strategies in Viet Nam. While each of the above-mentioned pillars was assessed individually, synergies among the various projects financed by IFAD and across lending and non-lending activities were also analysed during the evaluation. This was important both for assessing the performance of the COSOP and for determining the overall achievement rating of the IFAD-Government partnership.
5. With regard to assessing the **performance of the project portfolio**, IOE applied its evaluation methodology for each project, using the internationally-recognized evaluation criteria of relevance, effectiveness, efficiency, rural poverty impact, sustainability, innovation/replication/scaling up, gender equality and women's empowerment, and the performance of partners (including IFAD, the Government and cooperating institutions).<sup>6</sup>
6. IFAD's Evaluation Manual states: "As a general practice, CPEs cover the operations financed by IFAD in the last 10 years. Projects approved before the evaluation period with around 50 per cent of their implementation falling within the 10-year period are also covered. If older projects and programmes are included, the reasons should be specified." For Viet Nam, however, a case can be made for a longer time frame. The earliest projects, dating from the 1990s, are all located in provinces where there have since been follow-up operations and, in many cases, staff members of the provincial project management units (PPMUs) have continued through to the follow-up projects. Discussions on the experience gained under the first project and lessons learned were relevant to understanding the design features of follow-up projects. In addition, two of the three earliest projects in the portfolio have been the subject of in-depth evaluations by IOE.<sup>7</sup> That being so, all projects in the portfolio were reviewed with a view to learning about the country programme and its evolution. In rating the portfolio, however, only the projects approved from 1999 onwards have been considered.
7. The evaluation mission visited seven of the 11 provinces where IFAD has funded projects/programmes with particular attention to Tuyen Quang Province, the recipient of three IFAD loans. The second IFAD-supported project in Tuyen Quang, the Rural Income Diversification Project (RIDP) which was completed in 2010, was the subject of a project performance assessment (PPA) carried out in conjunction with the CPE. In addition, the mission visited all provinces where significant project implementation was under way, with the exception of Cao Bang. As explained above, the first three projects were evaluated from a learning perspective and were not considered in the final rating of the entire portfolio. The four most recent projects have been evaluated only for their relevance since, at the time of the evaluation mission, they had not been under way for a sufficiently long period of time for an assessment of their effectiveness, efficiency and impact to be made.
8. The assessment of **non-lending activities** comprised a review of the combined efforts of IFAD and the Government in promoting policy dialogue, partnership strengthening and knowledge management. It also looked at how effectively IFAD

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<sup>6</sup> Definitions of each evaluation criteria may be found in appendix 2.

<sup>7</sup> These are interim evaluations (IEs), undertaken in 2004, of the Agriculture Resources Conservation and Development Project (ARCDP) in Quang Binh, approved in 1996, and the Ha Giang Development Project for Ethnic Minorities (HPM) approved in 1997.

- used its grant programme to complement both its lending and non-lending activities.
9. The assessment of **COSOP performance** included a review of relevance and effectiveness in relation to: (i) strategic objectives; (ii) geographic priority; (iii) subsector focus; (iv) main partner institutions; (v) targeting approach used, including the emphasis placed on selected social groups; (vi) mix of instruments in the country programme (loans, grants and non-lending activities); and (vii) provisions for country programme/COSOP management. The assessment of relevance covers the alignment of the strategic objectives, coherence of the main elements, and provisions for country programme/COSOP management.<sup>8</sup> The assessment of effectiveness measures the extent to which the COSOP objectives were achieved.
  10. **Process.** The CPE entails five phases: (i) preparation, discussion and completion of the approach paper; (ii) desk work phase; (iii) country work phase; (iv) report writing; and (v) communication and dissemination activities. The first four phases are now complete.
  11. The **preparatory phase** included the development of the CPE approach paper (see annex IV) (at the end of 2010-early 2011), which outlined the evaluation objectives, methodology, processes, time lines, key questions and related information. A CPE preparatory mission was conducted in Viet Nam during the period 11-18 December 2010. An inception workshop was held on 15 December 2010 in Hanoi with the aim of exchanging views with multiple stakeholders on priorities for the CPE, and to discuss IFAD's evaluation methodology and processes.
  12. The **desk work phase** included the preparation of a desk review note on each project; non-lending activities; grants; and country strategies (see annex II). These individual desk review notes provided inputs for a comprehensive desk review report (see annex III). In addition, during the desk work phase, APR and the Government prepared their respective self-assessments of the IFAD-Government partnership (see appendices 7 and 8 respectively), largely based on questions contained in the CPE framework shown in appendix 1.
  13. The **country work phase** covered the main CPE mission, which comprised multidisciplinary expertise to ensure appropriate evaluation of IFAD-Government cooperation, as well as a PPA of the RIDP IFAD-funded project. The main CPE mission spent approximately three weeks in the country (3-24 March 2011), during which time it held discussions in Hanoi and met with representatives of the Government and other partners. The mission also travelled to seven different provinces where it visited IFAD-supported projects/programmes to review activities on the ground, and held discussions both with partners and with beneficiaries. At the end of the CPE mission, the evaluation team presented the emerging findings (in the form of a PowerPoint presentation) to the Government and partners at a wrap-up meeting in Hanoi on 21 March 2011. The outcome of the meeting has been recorded in the form of a note by the CPE mission, shared with APR and the Government.
  14. During the CPE **report writing phase**, which followed the country work phase, IOE prepared a draft report based on data collected throughout the evaluation process. The draft report benefited from a comprehensive internal peer review process involving the Director and Deputy Director, IOE, and one senior evaluation officer, before being sent to APR, the Government and other partners for review and comment.
  15. The final phase of the evaluation, **communication**, will entail a range of activities to ensure timely and effective outreach of the findings, lessons learned and

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<sup>8</sup> COSOP management refers to how IFAD has managed country activities over a given COSOP period, including: (i) field presence arrangements; (ii) country programme management team (CPMT) arrangements; (iii) annual country programme implementation review workshops; and (iv) diversified programme supervision arrangements (for loans, grants).

recommendations of the Viet Nam CPE. In particular, a national roundtable workshop was held in Viet Nam in November 2011 to discuss the main issues emerging from the CPE and lay the basis for the agreement at completion point, to be signed by a representative of IFAD's Programme Management Department (PMD) and of the Ministry of Planning and Investment (MPI) of the Government of Viet Nam. The agreement at completion point is a short document that captures the main evaluation findings and recommendations, and confirms IFAD's and the Government's agreement to adopt and implement the evaluation recommendations within specific time frames.

## II. The country context

### A. Overview

16. **Geography and demographics.** Viet Nam is situated in south-east Asia and borders China, Cambodia and Laos. The country covers an area of 332,378 km<sup>2</sup>, and has a population estimated at 86 million.<sup>9</sup> Population density is 260 persons/km<sup>2</sup>, considerably higher than that of other countries in the region such as Thailand (132), Laos (26) and Cambodia (80). The annual rate of population growth has slowed, falling from an average of 3.1 per cent in 1960-1970 to 1.3 per cent in 2002-2007. The urban population is growing rapidly but the overall population remains significantly rural (73 per cent) and is concentrated in the two main rice-growing areas – the Red River delta in the north and the Mekong lower basin in the south. The population of the two delta regions is almost entirely ethnic Vietnamese (Kinh),<sup>10</sup> but one sixth of the total population belongs to one of the 53 ethnic minorities.
17. **Institutional structure.** The Socialist Republic of Viet Nam is a single-party state. In the revised Constitution of 1992,<sup>11</sup> the central role of the Communist Party of Viet Nam was reasserted in all organs of government, politics and society. The political organizations affiliated with or endorsed by the Communist Party include the Vietnamese Fatherland Front, and workers and trade union organs. At the provincial, district and commune levels the Women's Union (WU) and the Farmers' Union (FU) also play an important role.
18. **Decentralization.** The extent of devolution from the national government to the provinces in Viet Nam is quite large. Viet Nam has 63 provincial units, including five cities. Apart from cities, the provinces generally have populations of around 1 million, albeit with a wide variance from about 300,000 to 1.5 million. The provinces have an average of nine rural districts and 145 communes.<sup>12</sup> Although the commune is the smallest administrative unit, each one may have 10-15 villages. There has been a major transfer of resources and responsibilities down from the central to subnational level, including provincial, districts and commune levels. Provinces have considerable budgetary autonomy, but their reporting on expenditure back to the central level is relatively weak. Sectoral departments in the provinces are subject to the authority of the Provincial People's Committees (PPCs) with guidance from the central ministry. The main role of central units in the system is to set policies and monitor their implementation. Despite the central planning mechanism, the allocation of resources is very much under the control of

<sup>9</sup> Source: The General Statistics Office of Viet Nam. With technical support from United Nations Population Fund, they recently issued early results of the 2009 census based on a 15 per cent sample.

<sup>10</sup> Kinh is an ethnic group originating from present-day northern Viet Nam and southern China. It is the majority ethnic group of Viet Nam, comprising 86 per cent of the population (1999 census).

<sup>11</sup> The President of Viet Nam is the titular head of state and the nominal commander-in-chief of the country's military, chairing the Council on National Defence and Security. The current Prime Minister, Nguyen Tan Dung, is the head of government, presiding over a council of ministers composed of three deputy prime ministers and the heads of 26 ministries and commissions. The National Assembly, the unicameral legislature of the government, is composed of 498 members. It is superior to both the executive and judicial branches. All members of the council of ministers are derived from the National Assembly. The Supreme People's Court, which is the highest court of appeal in the nation, is also answerable to the National Assembly.

<sup>12</sup> There are 9,121 communes in all. Source: General Statistics Office of Viet Nam. Number of administrative units as of 31 December 2009; [http://www.gso.gov.vn/default\\_en.aspx?tabid=466&idmid=3&ItemID=9847](http://www.gso.gov.vn/default_en.aspx?tabid=466&idmid=3&ItemID=9847).

the provincial authorities. One instrument available to the central ministries is that of allocating resources to the provinces, and recent years have seen an increase in programmes of this kind.

19. **Economic liberalization.** Following slow growth during the First and Second Five-Year Plans, using a traditional socialist economic planning and state ownership model, the Government introduced a package of economic reforms in 1986 that was designed to establish a 'socialist-oriented market economy;' *Doi moi* (the English spelling of the Vietnamese word for "renovation") is the name given to these economic reforms. The key feature of the reforms was the opening up of commodity production, processing and trade to the private sector. The two and a half decades since *doi moi* have been characterized by sustained economic growth.
20. There has been significant progress in public financial management. With the enactment of the State Budget Law in 2004, the 2005 budget was disclosed to the public for the first time. The National Assembly is now responsible for approving the budget and for allocations to lower levels of government. Decentralization has influenced the planning process, which has become considerably participatory. Participation in the broader planning process may be limited in part by the institutional set-up, with planning agencies well established at the national and provincial levels but less so at the district and commune levels.
21. **Human development.** The localised version of the Millennium Development Goals, the Viet Nam Development Goals, show a consistent improvement in social indicators. The Human Development Index for Viet Nam is 0.725, which ranks the country 116<sup>th</sup> out of 182 countries,<sup>13</sup> placing it in the group of countries with medium human development. Healthcare spending (United States dollar per capita) was 37 in 2008 and is expected to reach 57 in 2013. In the last decade, life expectancy at birth has reached 72.8 years on average, increasing by 3.7 years for men and 5.5 years for women. The child mortality rate fell from 58 per thousand live births in 1990 to 25 per thousand in 2008. However, there is a significant disparity between urban and rural areas. For example, the under-five years of age mortality rate<sup>14</sup> is 36 deaths per 1,000 live births in rural areas compared with 16 in urban areas. Education is a priority sector of government spending, state expenditure<sup>15</sup> on education having increased from 17 per cent in 2005 to 18.9 per cent in 2008. Primary school enrolment increased from about 90 per cent of the primary school age group in the early 1990s to 96 per cent in 2008. The population is highly literate, but around four fifths of the labour force is considered to be unskilled. Skilled workers are disproportionately concentrated in and around Hanoi and Ho Chi Minh City.
22. **Gender.** In the south-east Asia region, Viet Nam stands out for its success in having closed the gender gap over the last 20 years. It ranks 94<sup>th</sup> (out of 182 countries) on the Gender Development Index (which is much higher than the Human Development Index ranking), increasing in value from 0.539 in 1993 to 0.723 in 2009.<sup>16</sup> Viet Nam has a strong legal and policy framework on gender equality. Equal rights of men and women with respect to economic opportunities, political participation, education and information, health, family and household property ownership are protected by the 2006 Law on Gender Equality, which also provides for compulsory screening and integration of gender issues in all legislation. The Law on Prevention of Domestic Violence was passed in 2007.
23. Efforts to promote gender equality have led to high adult literacy rates for both men and women; in school enrolment data that show little difference between boys and girls; and in the highest percentage of women in national parliament in the Asia-Pacific region (27 per cent since 2002). Viet Nam also has one of the highest economic participation rates in the world: 85 per cent of men and 83 per cent of

<sup>13</sup> Source: [http://hdr.undp.org/en/media/HDR\\_2009\\_EN\\_Table\\_H.pdf](http://hdr.undp.org/en/media/HDR_2009_EN_Table_H.pdf).

<sup>14</sup> Source: World Health Organization statistics.

<sup>15</sup> Source: Bertelsmann Transformation Index: 2010 Viet Nam country report.

<sup>16</sup> Source : [http://hdr.undp.org/en/media/HDR\\_2009\\_EN\\_Table\\_J.pdf](http://hdr.undp.org/en/media/HDR_2009_EN_Table_J.pdf).



women between the ages of 15 and 60 participated in the labour force in 2002. However, women are still disadvantaged in terms of overall literacy, education, and income levels. Furthermore, there are still acute problems with regard to equity among the minority populations, particularly for women heading households while their husbands are absent as migrants.<sup>17</sup> Women also face barriers when seeking to obtain equal rights to land, and the privatization of services is likely to have a disproportionate impact on women and girls.

24. **Economy.**<sup>18</sup> Viet Nam is one of the fastest growing economies in the world. In 1995–2005, the average real GDP growth was 7.3 per cent per year but is estimated to have gone back to 6.4 per cent in 2010 (see table 2 below). Since 2005, economic growth has been robust, despite a slowdown in 2008 and 2009 due to the global financial crisis and lower export growth. Income per capita rose from US\$260 in 1995 to US\$1,040 in 2008. In driving the growth rate high, since 2005 the Government has experienced some trade-offs with the inflation rate, which peaked in 2008 when consumer prices increased by 21 per cent. Although inflation fell (as a result of the global crisis) to 6.5 per cent in 2009,<sup>19</sup> estimated levels for 2010 are again in double digits, partly as a consequence of high global fuel and food prices. There are still important challenges to macroeconomic management in Viet Nam: high inflation; the large current account deficit; lack of foreign reserves; and depreciation of the currency. Overall, the real economy has proved resilient to shocks and negative impacts of SARS (severe acute respiratory syndrome), avian flu, poor weather, high commodity prices, inflation, anti-dumping suits, and the global food and financial crises.

**Table 2: Main economic indicators of Viet Nam (2005-2010)<sup>20</sup>**

	2005	2006	2007	2008	2009	2010
<b>Real GDP growth (%)</b>	8.4	8.2	8.5	6.2	5.4	<b>6.4</b>
<b>Consumer prices (end-period; %)</b>	8.7	6.6	12.6	21.6	6.5	<b>10.8</b>
<b>Current-account balance (US\$ m)</b>	-560	-164	-6,953	-10,706	-7,697	<b>-9,918</b>
<b>Exchange rate VND/US\$ (end-period)</b>	15,916	16,055	16,010	17,433	18,472	<b>19,301</b>
<b>External debt (year-end; US\$ million)</b>	<b>19,114</b>	<b>20,126</b>	<b>23,865</b>	<b>26,158</b>	<b>27,836</b>	<b>32,696</b>

Source: *The Economist Intelligence Unit*.

25. According to the World Bank Atlas methodology, as of 2010, Viet Nam has been classified as a lower-middle-income country<sup>21</sup> with a GNI per capita of US\$1,010. The country has been increasingly integrated into the world economy and became a member of the World Trade Organization (WTO) in January 2007. Exports have been the main driver of growth, and foreign investment has been buoyant in recent years. Between 1995 and 2005, the share of agriculture in GDP declined from 27 per cent to 21 per cent, while that of industry rose from 29 per cent to 41 per cent. The main manufacturing exports are garments, footwear and wood products, reflecting Viet Nam's comparative advantage as a low-wage economy.
26. Figure 1 demonstrates the downward trend of agriculture's contribution to GDP as the share of industry has grown, which shows quite a significant shift in the economic structure of Viet Nam over the five-year period 2003-2008.

<sup>17</sup> Source: Evaluation of the Paris Declaration on Aid Effectiveness/Hanoi Core Statement (HCS), Phase II Evaluation. Viet Nam Country Evaluation, January 2011.

<sup>18</sup> Data quoted are from: International Monetary Fund, World Economic Outlook Database; Asian Development Bank (AsDB) Economic Update 2009; World Bank country overview; and The Economist Intelligence Unit.

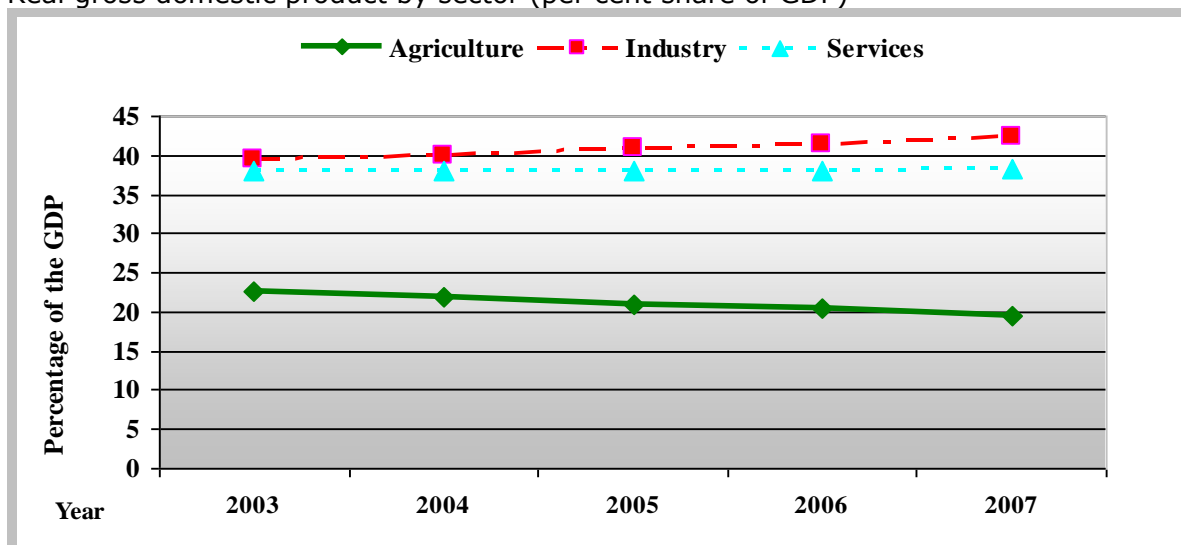
<sup>19</sup> The 2008 high inflation rate was pushed high by the spiking global food and fuel prices.

<sup>20</sup> The 2009 data are based on estimates; those for 2010 are based on forecasts.

<sup>21</sup> The World Bank Atlas Method defines lower-middle-income economies as economies with GNI per capita of US\$996-3,945.

**Figure 1: Economic Structure in Viet Nam (2003-2007)**

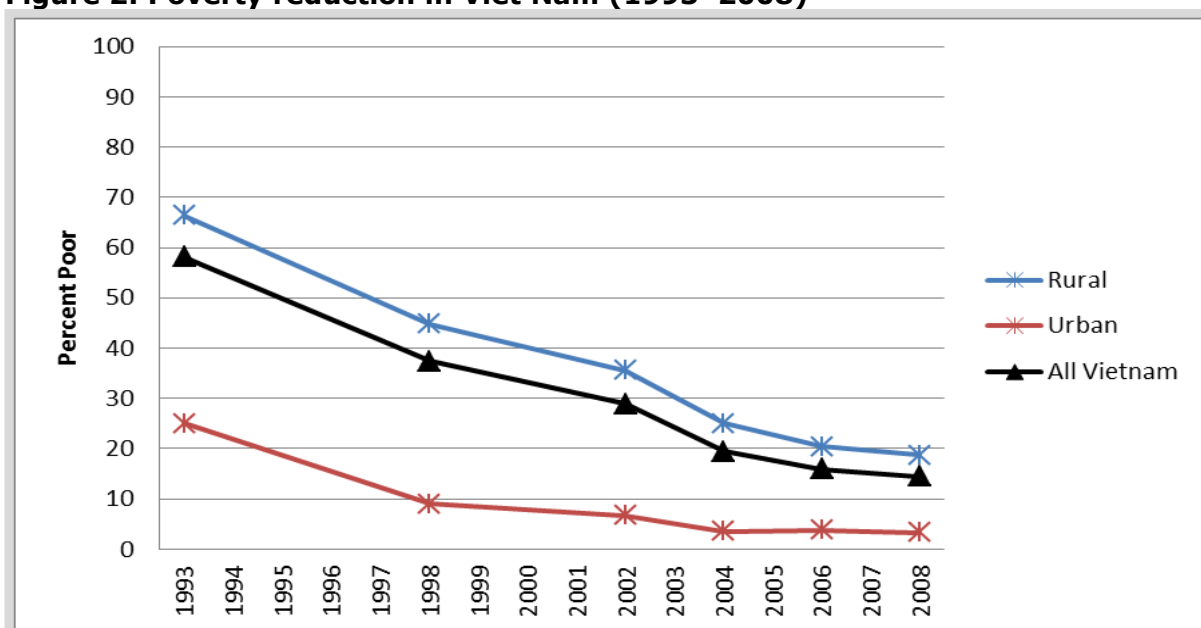
Real gross domestic product by sector (per cent share of GDP)



Source: *The Economist Intelligence Unit, country data.*

27. **Natural disasters and climate change.** Viet Nam is one of the world's most disaster-prone areas. Seventy per cent of the population is at risk of typhoons, torrential storms and flooding. With upstream development of the Mekong River basin and the construction of hydropower dams, apart from issues of riparian rights,<sup>22</sup> there is increasing concern about the potential for flooding in the delta region in the event a natural disaster were to damage the dams. The long coastline is particularly vulnerable to rising sea levels caused by climate change. There is a rapidly growing awareness on the part of the Vietnamese authorities and among the donor community of the need to take measures to mitigate the potential impact of natural disasters. This was a major theme of a recent donor report to the Consultative Group and the issue will receive considerable priority in the forthcoming Viet Nam Strategic Economic Development Plan (SEDP). Although both the Government and its development partners have become much more active in this area with major new funds now becoming available for climate change adaptation, development in Viet Nam remains characterized by wasteful exploitation of natural resources, particularly forests, and extensive land degradation and loss of biological diversity.
28. **Poverty.** According to official statistics, by 2008, the poverty headcount in Viet Nam had fallen from 58 per cent of the population in 1993 to approximately 14.5 per cent. This estimate is based on a consistent (in real purchasing power) poverty line and a series of six broadly comparable household surveys (see figure 2). Calculations using the World Bank's international poverty line (US\$1.25/day, 2005 purchasing power parity) indicate similar progress; rural poverty measured by the international poverty line fell from over 65 per cent of the population in 1993 to less than 21 per cent by 2008. Both sets of statistics highlight Viet Nam's impressive progress in reducing poverty over the past two decades. The World Bank's assessment of this progress is quoted in box 1.

<sup>22</sup> Riparian rights are the rights of a landowner in respect of a natural watercourse on an adjacent to his/her property.

**Figure 2: Poverty reduction in Viet Nam (1993–2008)**

Source: Viet Nam Living Standards Surveys 1993, 1998, 2002, 2004, 2006, 2008: World Bank.

### Box 1: World Bank assessment of Viet Nam's success in reducing poverty

- “Much has been said and written about Viet Nam’s impressive performance in reducing poverty. There is no doubt that living conditions have improved dramatically for millions of Vietnamese families since the early 1990s. High and sustained rates of economic growth have been critical to Viet Nam’s success, buttressed by egalitarian policies, e.g. in basic service provision, land and infrastructure investment to ensure widespread access to opportunities for the poor. Viet Nam is in the midst of a rapid transformation – from a low income economy to a diversified middle-income economy with strong global linkages; from a traditional agrarian culture with extensive family and community based systems of support to one that is rapidly urbanizing and becoming more socially diversified, also more integrated with the outside world.”
- “These changes bring new challenges. Moreover many of Viet Nam’s past poverty challenges have not been fully addressed. While there has been rapid progress in reducing overall poverty levels, important gaps remain: nearly one-fifth of rural households still live below Viet Nam’s (basic-needs) poverty line, an increasing share are ethnic minorities, and the gap between the better off and poorest is increasing. Moreover, Viet Nam is facing new challenges: vulnerability is increasing and new forms of poverty arising as a result of rapid economic transformation and global integration – as was witnessed during the recent global economic crisis. Additional policy measures are needed to address the needs of the remaining poor, and new policies should be considered to respond to rising vulnerability and new forms of poverty.”

Source: World Bank concept note for the 2011 poverty assessment.

29. Some 75 per cent of Viet Nam’s population lives in rural areas, accounting for more than 90 per cent of the poor.<sup>23</sup> Agriculture provides 60 per cent of all employment. The majority of the rural population makes a living from growing crops (rice accounts for 45 per cent of agricultural production), fish- and livestock-raising, and collecting forest products although land and water degradation seriously threaten the sector. In 2008, 11.2 million (18.7 per cent) of the country’s 60 million rural inhabitants still lived below the poverty line.
30. Progress in reducing poverty has been uneven, especially in terms of the gap between regions and ethnic groups. The Gini coefficient was 37.8 in 2007.<sup>24</sup> The income share of the highest 10 per cent was 29.8 in 2006 while that of the lowest 10 per cent was 3.1 per cent.<sup>25</sup> Poverty remains much higher among ethnic minorities than among the Kinh majority,<sup>26</sup> and there is slower progress in poorer

<sup>23</sup> Source: Economic Developments, Mid-Term Consultative Group Meeting - MPI, Viet Nam 2010.

<sup>24</sup> Source World Bank: <http://data.worldbank.org/indicator/SI.POV.GINI>.

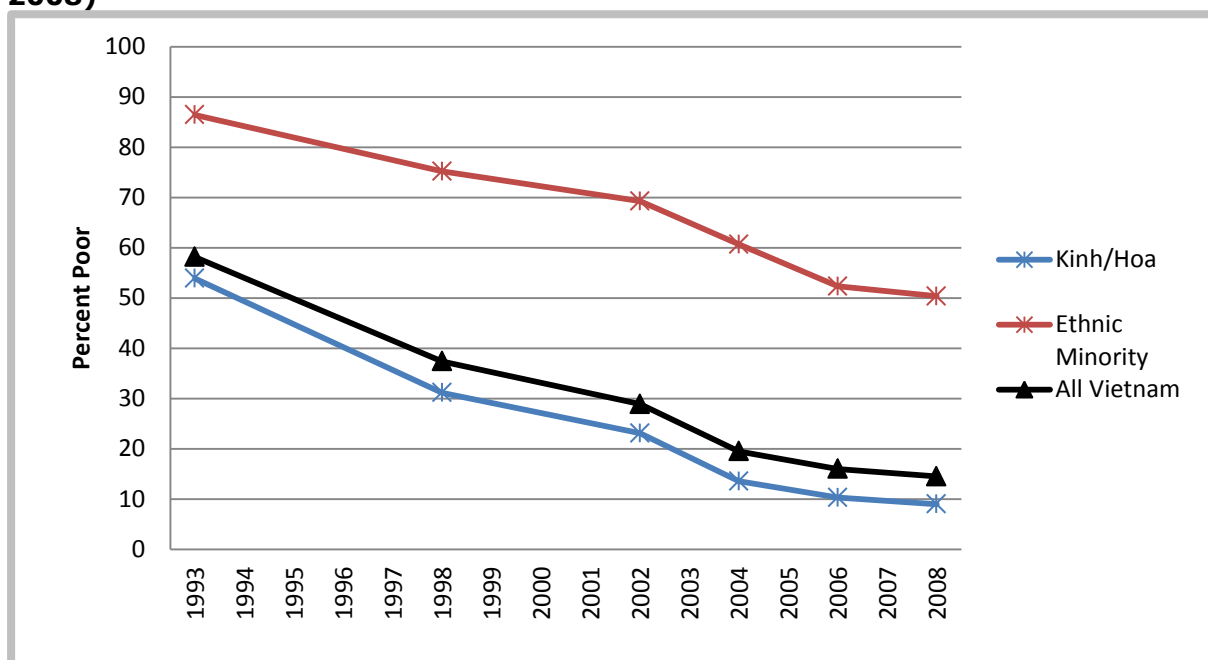
<sup>25</sup> Source: World Development Indicators.

<sup>26</sup> In 2004, only 13.5 per cent of Kinh and Chinese were poor, while 60.7 per cent of the ethnic minorities lived below the poverty line. The gap was even greater in terms of food poverty. There was almost no food poverty among Kinh and Chinese

regions with high concentrations of ethnic minorities. There are growing vulnerabilities among specific population groups, including migrant workers, and workers from the informal sector and household-based enterprises.

31. According to the World Bank, the recent slowdown in poverty reduction, as shown in figure 2 above, may reflect embedded social inequalities that have been difficult to overcome despite the variety of government-sponsored programmes targeted at minority populations and poor areas; although ethnic minorities make up less than 15 per cent of the population, they now comprise over 40 per cent of the remaining poor (see figure 3). Slow improvements in ethnic minority living conditions are reflected in other social indicators. Although education levels have improved among ethnic minorities, in 2008, 45 per cent of household heads of ethnic minority groups had still not completed primary school (compared with 25 per cent of Kinh/Hoa household heads) and less than 10 per cent of ethnic minority household heads had completed upper secondary school or tertiary education. Moreover, data on Viet Nam's living standards show slow progress in upper secondary or higher education achievements for ethnic minority households (since 1993), compared with those among majority group households. In light of their limited educational achievements, it is not surprising that most members of ethnic minority households still mostly work in agriculture and as unskilled labour. This stands in sharp contrast to the continuing move out of agriculture and into (higher paid, higher skill) industry and services among the Kinh/Hoa majority. According to the 2008 Viet Nam living standards survey, 83 per cent of workers from ethnic minority households still claimed that agriculture was their primary source of employment, compared with only 44 per cent of workers from Kinh/Hoa households.

**Figure 3: Poverty reduction in Viet Nam, Kinh/Hoa, ethnic minorities (1993–2008)**



Source: Viet Nam Living Standards Surveys 1993, 1998, 2002, 2004, 2006, 2008: World Bank.

(3.5 per cent), while 34.2 per cent of ethnic minorities were classified as food-poor. Source: AsDB Strategy and Programme Assessment. Vie: Poverty assessment, February 2006. Available at: <http://www.AsDB.org/Documents/Reports/Poverty-Assessment/poverty-assessment-vie.pdf>.

## B. Agriculture and rural development

32. Viet Nam is primarily an agrarian society. The strong performance of its agriculture explains the country's major progress in overall poverty reduction. Success in the agriculture sector is partly due to policy reforms, including the allocation of land-use rights to individuals and market-based incentives such as higher prices for crops. In 2000-2005, the country moved well beyond the earlier experience of chronic food shortages to becoming one of the world's largest rice exporters.
33. Significant improvements have been made in rural infrastructure over the last decade: better access to services; increased agricultural productivity in many regions; and opportunities to diversify rural income sources. According to the Food and Agriculture Organization of the United Nations (FAO), the number of communes still without access to means of transportation to district centres fell by more than half, from over 600 in 1999 to 269 most recently, i.e. less than 3 per cent of all communes. According to recent data, the proportion of the population connected by all-weather roads has improved from 73 per cent in 1998 to over 76 per cent at present, equivalent to an additional 2.5 million people. Access to rural electrification has similarly increased from around 63 per cent to over 81 per cent of households. In terms of access to improved water sources for rural water supply and sanitation, annual growth rates have reached an overall 7.1 per cent over the past decade.
34. Crop production accounts for the largest share of agricultural output. The area of land sown to crops continues to increase, having reached 13 million ha in 2007 up from around 9 million ha in 1990. Fifty-five per cent of the total cultivated area is devoted to rice, 26 per cent to other annual crops and the remaining 19 per cent to perennial crops. In 2008, rice yields stood at 5.2 mt per ha, up from 4 mt per ha in 1998. When comparing the country's rice yields and those of other countries in 2008, Viet Nam ranked fourth (5.2 mt/ha) after China (6.6 mt/ha), Japan (6.7 mt/ha) and the Republic of Korea (7.4 mt/ha). Rice output is relatively stable, having risen by only about 3 per cent between 2006 and 2009.<sup>27</sup> But local demand is also relatively flat, which has allowed Viet Nam to maintain its position as one of the world's top three rice exporters.
35. Exports of other crops have expanded rapidly, for instance, coffee, plantations increased from 101,000 ha in 1993 to 506,000 ha in 2007. In 2000, Viet Nam became the second largest coffee exporter (by volume) in the world after Brazil. Vietnamese firms have increasingly moved into downstream processing, making substantial investments in the production of instant coffee. Table 3 shows the extraordinary success Viet Nam has enjoyed in increasing both its primary and overall exports, which, on the manufacturing side, have been led by the garments and textiles sector. Agricultural exports are impressive in terms of the range of commodities involved, especially rice, coffee and aquatic products.

**Table 3: Growth in exports of selected agricultural commodities (in US\$ m)**

	Year 2000	Year 2005	Year 2008
Rice	666	1,407	2,895
Coffee	499	735	2,113
Tea	69	96	147
Pepper	145	151	311
Total Agricultural	2,563	4,467	9,239
Total Exports	14,482	32,447	62,685

Sources: General Statistics Office of Viet Nam; and FAO.

36. Domestic demand for meat products is rising sharply, with the livestock subsector accounting for 27 per cent of agriculture's contribution to GDP (about 6 per cent of total GDP). Livestock production is one of the fastest growing subsectors in

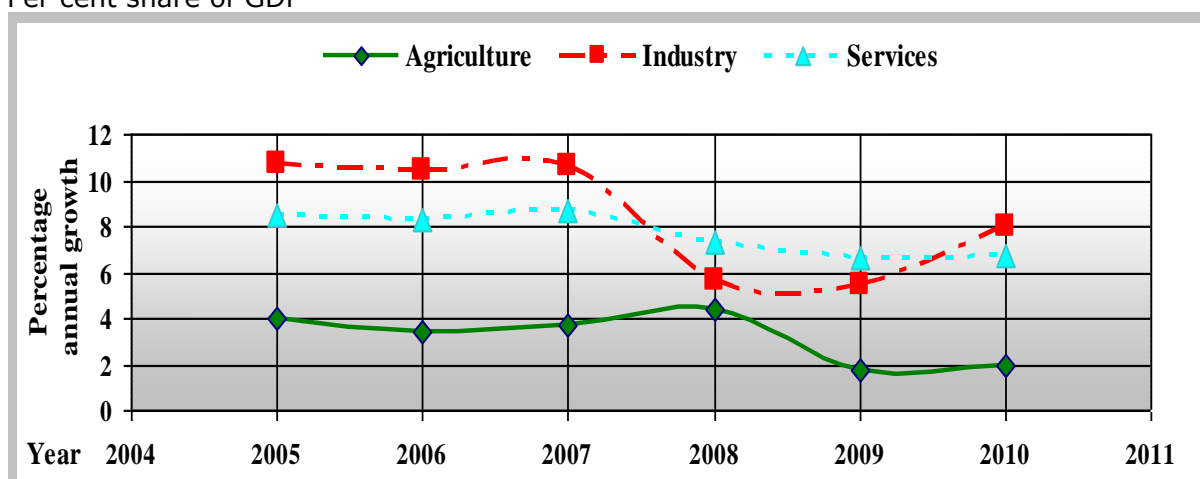
<sup>27</sup> Source: General Statistics Office of Viet Nam.

agriculture and is expected to account for about 42 per cent of agricultural GDP by 2020.

37. With a coastline of more than 3,000 km and a network of rivers, canals, lakes and ponds, Viet Nam has abundant aquatic resources. Fisheries output rose by an annual average of 9.4 per cent between 2002 and 2007; particularly rapid gains have been made in freshwater aquaculture and shrimp production, which now exceeds the harvest of wild fish (measured by weight). The catch of marine products is modest, partly because of overfishing near the shore, but shrimp farming along the coast is growing rapidly. The value of seafood exports increased from US\$2.7 billion in 2005 to an estimated US\$4.3 billion in 2009,<sup>28</sup> making it Viet Nam's fourth most valuable export.
38. Agricultural growth has slowed somewhat in recent years. However, according to the SEDP for 2006-2010, average annual growth in agriculture, forestry and fisheries declined from 4.4 per cent in 1996-2000 to 3.8 per cent in 2001-2005. Figure 4 shows that, in 2009 and 2010, agricultural growth dropped sharply, one possible explanation being that, since 2008, the global financial crisis has reduced demand for Viet Nam's agricultural exports. However, there is also the possibility that some of the longer-term structural issues previously masked by agricultural diversification and production for export are beginning to play a role in constraining agricultural growth, i.e. land fragmentation, undeveloped financial markets, lack of appropriate technologies, poor post-harvesting arrangements, and the need for more processing in order to remain competitive.

**Figure 4: Real GDP growth by sector, Viet Nam (2005-2010)**

Per cent share of GDP



Source: The Economist Intelligence Unit, country data.

### C. Agricultural and rural development policies

39. By the late 1990s, the success of the business and agricultural reforms under *doi moi* was evident. More than 30,000 private businesses had been created, the economy was growing at an annual rate of more than 7 per cent, and poverty had been almost halved. In 2002, with the support of World Bank and international donors, the Government prepared a ten-year comprehensive poverty reduction and growth strategy addressing rural poverty and vulnerability concerns, with emphasis on the needs of poor farmers and ethnic minorities in mountainous areas, access to credit, security of land tenure, and sustainable management of rural resources. In terms of its impact on overall poverty, the strategy was considered successful.
40. The SEDP for 2006-2010 sets out a coherent, integrated approach to sustainable development and targets social equity and environmental sustainability. However, because there are many poverty reduction programmes under the SEDP, coordination has been an issue. In August 2008, a comprehensive strategy on

<sup>28</sup> Source: General Statistics Office of Viet Nam, "Some main goods for exportation", 2010.

agriculture/rural areas/farmers, known as *Tam Nong*, was approved as a framework for addressing both poverty and broad-based, pro-poor agriculture growth, and for reducing gaps between the poorer and better-off provinces. The Ministry of Agriculture and Rural Development (MARD) formulated a new national programme for rural development as a framework for supporting innovative interventions at the provincial level. As Viet Nam now needs to both address and limit the income disparities in its market-oriented economy, it has developed a number of programmes, notably the Programme for Communes Facing Extreme Hardship in Ethnic Minority and Mountainous Areas (known as Programme 135, Phase II, 2006-2010).<sup>29</sup>

41. Land policies implemented since 1986 have been the main drivers of agricultural and rural development. In 1986, Viet Nam embarked on a country renovation process under which agricultural cooperative lands were allocated to individual households for permanent use, thereby creating a new motive for agriculture investment. The first Land Law (1987) focused on allocating land to households and issuing land-use right certificates; the second (1993) allowed land-use rights to be legally transferred and exchanged. There were, however, some shortcomings. As land prices assigned by the Government are usually lower than market rates and as more than 50 per cent of agricultural farms are established by residents in urban areas through land transfers, the number of rural poor with no productive land increased. Furthermore, the national land administration system has not yet established a transparent business process for transactions between the Government and land users, and among land users.
42. The country is currently implementing a national strategy and programme for gender equality for the period 2011-2020. The strategy, approved in December 2010, sets ambitious targets for reducing gender gaps. In the area of rural development, it aims to ensure equality between men and women in terms of securing newly-created jobs; increase the number of women receiving technical training; ensure that rural women in ethnic minority areas have access to official preferential credit; and increase the share of woman-owned businesses. The policy for supporting the development of small and medium enterprises (SMEs) prioritizes those either owned by women or employing many female workers.
43. Overall Viet Nam's rural and agricultural policy framework has been assessed very positively by IFAD and is ranked above that of other countries in the region. Table 4, prepared by IFAD in the framework of its performance-based allocation system (PBAS), shows ratings by category. Although these ratings are subjective and are not based on quantified evidence, the consistency with which Viet Nam is rated ahead of its peers and, in many cases, the wide margins involved, suggests that staff with an Asia-wide perspective is inclined to view Viet Nam's policy achievements in a favourable manner.

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<sup>29</sup> Programme 135 Phase II (P135-II), a five-year poverty reduction programme that was implemented between 2006 and 2010, targeted 1,644 poor and mountainous communes in 45 provinces that are home to the majority of Viet Nam's ethnic minorities. Its budget was approximately US\$800 million and activities were grouped according to four broad components: basic infrastructure, increased market-oriented agriculture production, improved socio-cultural livelihoods through better access to social services, and capacity-building for officials at all levels to better implement the programme. The State Committee for Ethnic Minority Affairs (CEMA) was the lead agency assigned to coordinate and oversee implementation, with several ministries participating in different aspects of the programme. Source: VUFO-NGO Resource Centre. Phase III of the programme will cover the period 2011-2015.

**Table 4: Rural sector performance for Viet Nam compared with the regional average in 2010<sup>30</sup>**

RURAL SECTOR PERFORMANCE INDICATORS		Viet Nam 2010	Regional average 2010
A (i)	Policy and legal framework for rural organizations	5.25	3.93
A (ii)	Dialogue between Government and rural organizations	5.00	3.73
B (i)	Access to land	4.25	3.48
B (ii)	Access to water for agriculture	4.75	3.49
B (iii)	Access to agricultural research and extension services	3.67	3.48
C (i)	Enabling conditions for rural finance services development	4.00	3.48
C (ii)	Investment climate for rural business	4.00	3.83
C (iii)	Access to agricultural input and produce markets	3.67	3.63
D (i)	Access to education in rural areas	5.75	4.66
D (ii)	Women representatives	4.67	3.57
E (i)	Allocation and management of public resources for rural development	4.25	3.50
E (ii)	Accountability, transparency and corruption in rural areas	4.25	3.54
<b>Average of rural sector performance</b>		<b>4.46</b>	<b>3.69</b>

Source: EB 2008/94/R.8; and EB 2009/98/R.56/Add.1.

## D. Official development assistance and major donors

44. As shown in table 5, flows of official development assistance (ODA) to Viet Nam<sup>31</sup> have been increasing over the last few years: US\$3.7 billion of net disbursements in 2009 compared with US\$1.8 billion in 2006. Moreover, the weight of ODA vis-à-vis the overall national economy increased from 3.2 per cent of GNI in 2006 to 4.2 per cent in 2009. Data also shows that, between 2006 and 2008, foreign direct investment overtook ODA flows, increasing to US\$3,471 billion in 2008 but then decreasing dramatically in 2009 owing to the global financial crisis.

**Table 5: ODA flows to Viet Nam (2006-2009)**

Sector	2006	2009
All sectors	US\$1,850 million	US\$3,686 million
Net ODA/GNI	3.2%	4.2%
Agriculture sector (agriculture, forestry, fisheries)	US\$120 million	US\$4166 million
Agriculture/all sectors	6.48%	4.50%
Net private flows	US\$1,822 million	US\$1,719 million

Source: OECD-DAC (QWIDS).

45. Major donors to Viet Nam are the World Bank, Asian Development Bank (AsDB), France and Japan (an agreement is being finalized for support by the latter in Ben Tre Province). The current strategies and operations of these donors are aligned with the SEDP for 2006-2010. At the present time, IFAD's cofinanciers in Viet Nam are GIZ (former GTZ) and Lux-Dev, both of which provide technical assistance (TA) to projects. A brief summary of the country strategies of the four major donors is given below.

46. As far as agricultural and rural development is concerned, government and donor-supported activities have focused on ensuring agricultural productivity growth and diversification; improved farmer access to markets; market information; and

<sup>30</sup> Note: The rating scale goes from 6 (high) to 1 (low) as follows: 6=good for an extended period; 5=good; 4=moderately satisfactory; 3=moderately unsatisfactory; 2=unsatisfactory; 1=unsatisfactory for an extended period (source: EB 2003/80/R.3, IFAD).

<sup>31</sup> Source: Organisation for Economic Cooperation and Development (OECD) - Development aid at a glance; statistics by region.



natural resources management. The International Development Association (IDA) contributes to agricultural and rural development in Viet Nam, with more than 50 per cent of total ODA followed by IFAD with over 12 per cent and Japan with almost 11 per cent (see table 6).

**Table 6: ODA to agricultural and rural development, Viet Nam (2008)**

Donor	Commitment (current US\$ millions)	Percentage
IDA	71.27	53.14
IFAD	16.46	12.27
Japan	14.69	10.96
Ireland	9.74	7.26
France	5.24	3.91
Belgium	4.05	3.02
Spain	3.17	2.36
Luxembourg	2.72	2.02
Australia	1.45	1.08
Germany	1.44	1.08
United States	1.17	0.87
Netherlands	1.00	0.75
Canada	0.87	0.65
Korea	0.70	0.52
New Zealand	0.11	0.08
Italy	0.03	0.02
Sweden	0.01	0.01
<b>Total</b>	<b>134.12</b>	<b>100.00</b>

Source: OECD creditor reporting system.

47. The **World Bank's** country partnership strategy for 2007-2011 focuses on growth accompanied by poverty reduction, with four broad objectives: (i) improving the business environment; (ii) strengthen social inclusion; (iii) better managing natural resources; and (iv) improving governance.
48. **Asian Development Bank** assistance to Viet Nam has progressively shifted towards large-scale infrastructure. Its country strategy programme for 2007-2010 focused on (i) support for business-led, pro-poor and sustainable economic growth; (ii) improved living standards through inclusive social development; and (iii) the sustainability of renewable natural resources and protection of the environment through sustained environmental management. An AsDB evaluation<sup>32</sup> of 2009 underlines the need to improve the implementation performance of projects falling below the average of its Viet Nam portfolio as a whole. This shortfall is primarily attributed to complex governmental ODA procedures and processes; weak implementation capacity of some implementation groups; aversion to risk on the part of some implementation staff; and AsDB procedures not aligned with those of the Government. At the same time, implementation of Decree 131, which decentralized project implementation, points up the need to increase support for capacity-building and articulation of relevant supporting implementing procedures.
49. The **Japan International Cooperation Agency** articulates its cooperation around four pillars: (i) promoting economic growth and strengthening international competitiveness, most particularly through supporting both the business environment and private-sector development; (ii) improving living and social conditions, and correcting disparities through investments in agriculture, forestry and fisheries, development of rural industries, natural disaster prevention and infrastructure development; (iii) environmental conservation relating to urban environmental management, conservation of the natural environment and climate change; and (iv) strengthening governance through the development of legal

<sup>32</sup> Source: AsDB, Independent Evaluation Department: Country Assistance Programme Evaluation for the Socialist Republic of Viet Nam. August 2009.

systems and judicial reforms, improvement of administrative capacity and public financial management, and support for anti-corruption programmes.

50. **Agence Française de Développement** focuses support on three major strategic areas, namely: (i) reform of Viet Nam's financial sector, including microfinance, and development of SMEs; (ii) basic infrastructure in the environment, energy (rural electricity and potable water) and transport sectors; and (iii) agriculture and food security, more particularly development of value chains and support to new public policies and rural infrastructure for the poor.

#### Key Points

- In 1986, Viet Nam introduced major structural economic reforms aimed at transforming the country into a "socialist-oriented market economy". This led to sustained and broad-based economic growth, averaging 7 per cent per annum between 1995 and 2010.
- Viet Nam was recently classified as a lower-middle-income country by the World Bank. Agricultural exports have been among the main drivers of growth.
- Agriculture constitutes about 17 per cent of GDP (2007). The sector's average annual growth reached 4.4 per cent during the period 1996-2000 but declined to 2.8 per cent in 2010.
- The urban population is growing rapidly although Viet Nam remains significantly rural (73 per cent). The rural population accounts for over 90 per cent of the poor.
- In the last two decades, the country has shown an impressive performance in terms of reducing poverty, albeit more slowly than before. This success is generally attributed to market-oriented policies that create economic opportunities for the majority of the poor.
- Foreign direct investment overtook ODA flows in 2008 but decreased dramatically in 2009 owing to the global financial crisis. In addition to IFAD, World Bank, AsDB, Japan and France are the main donors to Viet Nam.
- IFAD is the second agricultural and rural development financial partner in Viet Nam, contributing more than 12 per cent of ODA to the sector.

### III. The country strategy and programme

#### A. Evolution of the country strategy

51. Although IFAD's interventions in Viet Nam started in 1993, the first official strategy for the country was approved in 1996, followed by the approval of new COSOPs in 2003 and 2008.
52. In preparing for **the 1996 COSOP**, IFAD conducted a thorough study of economic characteristics, rural finance, and rural livelihoods and poverty in Viet Nam. The emerging lessons of the first project, the Participatory Resources Management Project (PRMP) in Tuyen Quang, were reflected in the country strategy. In confirming the objectives of reducing rural poverty and enhancing food security, the 1996 COSOP placed the Fund's interventions in the context of the ongoing Government programme for improving the living conditions and welfare of rural people, and interventions were aligned to the national Five-Year Plan, 1996-2000. Key features of the 1996 COSOP included its geographic focus and investments in intensifying agriculture.
53. Supported by the above-mentioned poverty analysis, the 1996 COSOP defined the geographical focus as three regions with the highest incidence of poverty, and where other donor activities had been limited: the northern uplands, the north-central coastal region and the central highlands. The priority target groups were ethnic minorities, woman-headed households and farmers living in remote areas with a poor natural resources base.
54. During the period covered by the 1996 COSOP (1996-2001), IFAD approved four interventions in the country for a total of around US\$63 million in loans (see table 7). Project activities focused on agricultural production, rehabilitation of essential infrastructure such as roads, bridges and irrigation schemes, agricultural extension and animal health services, and the provision of microfinance for the poor. In Ha Giang Province, with a large ethnic minority population, the education

and health status of which were below those of the general population, health and education components were added to the project coverage.

**Table 7: Projects approved within the period covered by the 1996 COSOP**

Project Name	Board Approval	Total Cost (US\$ million)	IFAD Approved Financing (US\$ million)
Agricultural Resources Conservation and Development Project in Quang Binh Province (ARCDP)	December 1996	17.9	14.4
Ha Giang Development Project for Ethnic Minorities (HPM)	December 1997	18.4	12.5
Ha Tinh Rural Development Project (HRDP)	April 1999	19.1	15.4
Rural Income Diversification Project in Tuyen Quang Province (RIDP)	December 2001	30.4	20.9

55. In 2000-2001, a CPRE was undertaken to generate lessons, identify policy issues to be raised with the Government, and provide inputs for the 2003 COSOP. The CPRE confirmed the validity of the IFAD-Government 1996 strategy with its emphasis on targeting the poorest communes and development of participatory approaches. It recommended that IFAD should enhance its strategic support and policy dialogue, and focus on decentralization and participation, rural financial services, gender mainstreaming, marketing and rural infrastructure.
56. **The 2003 COSOP** (2003-2007), approved by the Executive Board in April 2003, focused on lessons learned from the CPRE and on identifying new strategic opportunities, in line with IFAD's strategic framework and its regional strategy for APR. In addition, the Comprehensive Poverty Reduction and Growth Strategy (CPRGS), a ten-year action plan formally adopted by Viet Nam in 2002, provided strategic underpinning for the 2003 COSOP. The CPRGS comprised a number of measures to address rural poverty, including increased resources to improve research and extension systems; special attention to the needs of poor farmers and ethnic minorities in mountainous areas; enhanced access to credit for the poor; improved land tenure security; and measures to facilitate the sustainable management of natural resources with the involvement of all stakeholders.
57. A COSOP formulation mission undertaken in 2002 recommended that IFAD should continue to emphasize the area-based, multisector and single-province approach central to its supported-country programme. The northern uplands, north-central coastal region, central highlands and the Mekong Delta area (a new geographic addition, see paragraph 59) were identified as areas warranting priority attention in view of their high poverty indices and, in many cases, large ethnic minority populations. The 2003-2007 strategy was to develop and test innovative approaches to poverty reduction that could be replicated and scaled up by the Government and/or other donor agencies within the CPRGS.
58. The projects approved during the period 2003-2007, for a total of approximately US\$86 million in loans, are shown in table 8.

**Table 8: Projects approved within the period covered by the 2003 COSOP**

Project Name	Board Approval	Total Cost (US\$ million)	IFAD Approved Financing (US\$ million)
Decentralized Programme for Rural Poverty Reduction in Ha Giang and Quang Binh Provinces (DPRPR)	December 2004	38.8	24.7
Programme for Improving Market Participation of the Poor in Ha Tinh and Tra Vinh Provinces (IMPP)	September 2006	37.3	26.3
Developing Business with the Rural Poor Programme (DBRP)	December 2007	50.5	35.5

59. The broad strategic thrust of 2003-2007 has been maintained under the **2008 COSOP** (which covers the period 2008–2012) and is linked with the SEDP for 2006-2010. The COSOP stresses that the poor in upland areas (host to a large proportion of ethnic minorities) will constitute a major challenge in terms of poverty reduction in the years to come. The geographic targeting, therefore, remains consistent throughout the three COSOPs, and poverty data have supported the three priority areas (northern uplands, north-central region and central highlands). The poverty headcount in the Mekong Delta is lower than in the three other regions owing to its much greater population density. In 2003, the area accounted for 21 per cent of total households in Viet Nam, the highest share for any region, and for this reason was added to the three other geographic areas in the second (2003) COSOP. Four interlinked objectives have been identified to assist the rural poor in the three upland areas: (i) providing access to markets through increased private-sector partnerships, better market linkages and effective value chains; (ii) creating better business opportunities by stimulating a business environment and institutional culture; (iii) ensuring greater access to sustained benefits from productive natural assets, with emphasis on climate change; and finally (iv) pro-poor agricultural, market-driven policy processes at the subnational level.
60. Promotion of policy linkages through coordination among the provinces of a given region is a feature of the 2008 COSOP. It is an ambitious goal because it covers four policy issues linked to legal references. Expected partnerships are detailed and specific. Knowledge management and communication are situated at the project level but with the addition of grant funds to achieve COSOP outcomes in knowledge management and policy dialogue, and synergies with the loan programme. Table 9 lists the projects approved so far within the 2008 COSOP framework.

**Table 9: Projects approved within the period covered by the 2008 COSOP**

Project Name	Board Approval	Total Cost (US\$ million)	IFAD Approved Financing (US\$ million)
Pro-Poor Partnerships for Agroforestry Development Project (3PAD)	December 2008	25.3	21.0
Project for the Economic Empowerment of Ethnic Minorities in Poor Communes of Dak Nong Province (3EM)	April 2010	23.8	19.4
Agriculture, Farmers and Rural Areas Support Project in Gia Lai, Ninh Thuan and Tuyen Quang Provinces (TNSP)	December 2011	65.4	48.0

61. Loan allocations under the COSOP are derived from the PBAS, which uses an assessment of a country's performance on a list of key rural development indicators to derive annual lending allocations (see table 4 for the 2010 indicators). The actual allocation also takes account of a project-at-risk rating and IDA's Resource Allocation Index. On this basis, Viet Nam's indicative country allocation was approximately US\$80 million of lending during the period 2008-2012, but has been subsequently increased to reflect the availability of additional resources as a result of the Eighth Replenishment of IFAD's Resources (2010-2012). Therefore, the actual amount of funding available for Viet Nam during the 2008 COSOP period is expected to be US\$107 million.

62. Table 10 summarizes the main elements of the three COSOPs so far developed for Viet Nam. The analysis supporting changes that mark the evolution in successive COSOPs is the result of extensive consultations and analytical work. The 2003 COSOP relied on the lessons of the CPRE. In preparing the 2008 COSOP, several studies were undertaken: a poverty baseline survey; a study on mitigating the impact of climate change and land degradation; an agricultural and rural development analysis; a knowledge management analysis; and a rural finance study. The country programme management team (CPMT) began planning the analytical work for the next results-based COSOP, for 2013-2018, at CPMT meetings held in 2010,<sup>33</sup> and identified the thematic areas for which IFAD was in need of baseline information, analyses of the socio-economic and political setting, and studies on new, emerging opportunities. The work to be undertaken involves a gender-sensitive baseline poverty analysis; reviews of Viet Nam's regional and global integration, value-chain opportunities and partnerships with the private sector; an agriculture sector overview (direction of the rural economy), partnerships with the private sector, water sector analysis, climate change projections and interventions, and a study on remittances and rural finance.

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<sup>33</sup> Source: Minutes of the CPMT meeting held in Rome on 24 July 2010.

**Table 10: Summary description of the three COSOPs in Viet Nam**

Principal Elements	1996 COSOP	2003 COSOP	2008 COSOP
Overall goal	To focus interventions on poverty-stricken areas and ensure that the country can develop effective mechanisms to tackle poverty alleviation on a sustainable basis.	To develop and test innovative approaches to poverty reduction that can be replicated and scaled up by Government and/or ODA agencies within the CPRGS framework, while emphasizing the area-based, multisector and single province approach.	To improve the livelihoods of rural poor in upland areas.
Major strategic thrusts	<ul style="list-style-type: none"> <li>• Build up local institutional and managerial capacity;</li> <li>• Enhance stakeholder participation in design and implementation; and</li> <li>• Provide support to ethnic minorities.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase access to human and social assets;</li> <li>• Increase access to productive assets and technology;</li> <li>• Promote good governance; and</li> <li>• Strengthen knowledge-sharing.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase private-sector partnerships;</li> <li>• Increase profitable and pro-poor business opportunities;</li> <li>• Improve access to benefits from productive natural assets; and</li> <li>• Support development of pro-poor, market-driven agricultural policy processes at the subnational level.</li> </ul>
Geographic priority	The three regions with the highest poverty incidence, and where other donors were reluctant to go: northern uplands, north-central coastal region and central highlands.	Northern uplands, north-central coastal region, central highlands, and the Mekong Delta region.	Upland areas
Subsector focus	<ul style="list-style-type: none"> <li>• Prioritize support to rural employment and income-generating activities;</li> <li>• Invest in rural infrastructure;</li> <li>• Support natural resources management; and</li> <li>• Support development of sustainable financial mechanisms for lending to the poor.</li> </ul>	<ul style="list-style-type: none"> <li>• Empowerment, social capacity and institution building;</li> <li>• Diversify rural incomes and increase rural employment;</li> <li>• Support rural infrastructure; and</li> <li>• Natural resources management.</li> </ul>	<ul style="list-style-type: none"> <li>• Private-sector development, market access;</li> <li>• Rural infrastructure;</li> <li>• Microfinance and income generation;</li> <li>• Natural resources management and climate change; and</li> <li>• Institutions and policies.</li> </ul>
Non-lending activities	• N/A	<ul style="list-style-type: none"> <li>• Policy dialogue facilitating transfer of lessons learned to relevant national agencies as an input to the national policy/programme formulation process (to be coordinated by UNDP with TA).</li> </ul>	<ul style="list-style-type: none"> <li>• Promote policy linkages through coordination among provinces.</li> <li>• Four policy issues identified: private-sector investment for upland agriculture; upland poor people's ability to benefit from business opportunities; forest use rights and payment for environment services; and capacity-building.</li> <li>• Knowledge management and communications.</li> </ul>
Main partner institutions	Government of Viet Nam; UNDP; World Food Programme; United Nations Children's Fund.	<ul style="list-style-type: none"> <li>• Government of Viet Nam;</li> <li>• UNDP; SIDA; Government of Italy; Australian Agency for International Development;</li> <li>• NGOs (such as ActionAid), community-based organizations, national research institutions.</li> </ul>	<ul style="list-style-type: none"> <li>• Government of Viet Nam and local institutions, including civil society, mass organizations, national research institutions, think tanks and universities;</li> <li>• United Nations (One UN Initiative); GIZ; Canadian International Development Agency; SIDA; Department for International Development (DfID) (United Kingdom).</li> </ul>
Target groups	Ethnic minorities, woman-headed households, and farmers living in remote areas with poor natural resources.	Ethnic minorities, households living in remote areas with poor natural resource bases, households living in coastal areas that are more prone to adverse climatic events, woman-headed households, disabled households, migrants and the landless.	Rural poor in upland areas, including market-participant smallholders, subsistence farmers, and unskilled and waged workers. Special attention to ethnic minority groups and women.
Country programme funding	No specific budget defined.	Total tentative lending during the COSOP period was estimated at US\$48 million. No specific budget defined for grants and non-lending activities.	The indicative total country allocation available at the time of COSOP writing amounts to approximately US\$80 million.
Country programme and COSOP management	No arrangements provided.	CPM and programme assistant based in Rome, supported (since 2005) by a national country presence officer in Hanoi.	Full country presence, with CPM outposted to Hanoi in late-2007. Supervision carried out directly by IFAD country presence office.

## B. IFAD-funded projects and programmes

63. After IFAD started to support operations in Viet Nam, 11 projects/programmes were approved by the Executive Board during the period 1993-2010. Of these, five are completed and six are ongoing. Table 11 lists the portfolio in the order in which the interventions became effective.

**Table 11: IFAD-funded projects covered by the evaluation**

Project Name	Acronym	Provinces*	Loan Effectiveness	Closing Date
1. Participatory Resource Management Project – Tuyen Qang Province	PRMP	<i>Tuyen Quang</i>	1993	2001
2. Agricultural Resources Conservation and Development Project in Quang Binh Province	ARCDP	<i>Quang Binh</i>	1997	2002
3. Ha Giang Development Project for Ethnic Minorities	HPM	<i>Ha Giang</i>	1998	2004
4. Ha Tinh Rural Development Project	HRDP	<i>Ha Tinh</i>	1999	2006
5. Rural Income Diversification Project in Tuyen Quang Province	RIDP	<i>Tuyen Quang</i>	2002	2010
6. Decentralized Programme for Rural Poverty Reduction in Ha Giang and Quang Binh Provinces	DPRPR	<i>Ha Giang Quang Binh</i>	2005	2012
7. Programme for Improving Market Participation of the Poor in Ha Tinh and Tra Vinh Provinces	IMPP	<i>Ha Tinh Tra Vinh</i>	2007	2012
8. Developing Business with the Rural Poor Programme	DBRP	Ben Tre Cao Bang	2008	2014
9. Pro-Poor Partnerships for Agroforestry Development Project	3PAD	Bac Kan	2009	2015
10. Project for the Economic Empowerment of Ethnic Minorities in Poor Communes of Dak Nong Province	3EM	Dak Nong	2010	2017
11. Agriculture, Farmers and Rural Areas Support Project in Gia Lai, Ninh Thuan and Tuyen Quang Provinces	TNSP	Gia Lai Ninh Thuan <i>Tuyen Quang</i>	2011	2016

\*Note: Provinces written in italics are those with repeater projects.

Source: IFAD.

64. In 2004, Interim Evaluations (IEs) of two of the earlier interventions contributed to the design of the subsequent portfolio. Box 2 provides a summary of the IEs' key findings.

## Box 2: Lessons learned from previous evaluations of projects in Viet Nam

- In 2004, IOE conducted IEs of two of the first IFAD-supported projects in Viet Nam: ARCDP, approved in 1996, and HPM approved in 1998. IEs were a requirement when successor projects were planned, as was the case of these two provinces. The evaluations illustrate some of the lessons that were incorporated into subsequent IFAD-supported projects.
- The ARCDP evaluation found that, while the project was highly relevant both to IFAD's COSOP for 1996 and the Government's poverty-alleviation policies, there were serious weaknesses in implementation. In particular, each project activity was carried out separately in each locality so that the benefits and synergies of an area-based approach to rural development were not realised. "This sectoral approach, and the absence of coordination mechanisms, resulted in the disjointed implementation of schemes." The evaluation rated overall project performance as moderately satisfactory, but rated IFAD's performance moderately unsatisfactory in view of the limited policy dialogue, donor coordination and partnership building; lack of follow-up action on cost overruns; and serious design weaknesses in terms of poverty focus and the project's credit arrangements.
- The HPM evaluation found that the relevance and effectiveness of the project had been substantial. "The productive components have, by and large, had the desired effect and laid the basis for continuing improvement of agricultural productivity for the mainstream farming systems and the livelihoods of the people of the province. In a similar vein, the social development interventions have had the desired impact. Impact diversification and credit have, however, not been successful." All aspects were rated either moderately satisfactory or satisfactory with the exception of sustainability, which was rated unsatisfactory. In the view of the evaluation, HPM was "less successful in inculcating conviction, responsibility and capability among line departments and local user groups and beneficiaries."

65. With regard to the size and financing of the portfolio, IFAD loans have ranged from US\$12.5 million to US\$48 million and averaged US\$20-US\$25 million. The overall loan portfolio of US\$257 million is associated with a total project cost of US\$350 million, meaning that the proportion of total project costs financed by IFAD is 73 per cent. This is nearly double the IFAD-wide average of 37 per cent and reflects relatively low counterpart funding from the Government and limited donor cofinancing (see table 18 and further discussion on this topic in chapter V). IFAD-funded projects have leveraged only US\$21 million of cofinancing from UNDP, DfID, SIDA, GIZ and Lux-Dev, equivalent to only 6 per cent of total project costs. Cofinanciers have generally provided grant funds for the TA components of projects.
66. For the period under review, IFAD's loans to Viet Nam have been on highly concessional terms. Despite the classification as a lower-middle-income country by the World Bank in 2010, no changes in loan conditions are expected in the immediate future, but this will have implications for the medium and long term.
67. **Non-lending activities** have been an important part of IFAD's supported operations in Viet Nam. From 1998 to 2010, IFAD approved 18 country grants for a total of about US\$5.1 million, and 11 global and regional grants for a total of US\$11.2 million. Country-specific grants are mainly for supporting the start-up and implementation of lending projects, for implementing policy and knowledge management work, and for environmental services related to lending programmes. However, a number of stand-alone grant projects, not directly linked to the implementation of lending programmes, support policy dialogue, partnership building and knowledge management. They are used, for example, for piloting studies, supporting policy development, or knowledge management and networking with research institutes in Viet Nam. Appendix 6 provides a full list of regional/country-specific grants awarded to Viet Nam.

## C. Country programme management

68. **Supervision.** Before IFAD started direct supervision in 2007, the United Nations Office for Project Services (UNOPS) was the cooperating institution responsible for the supervision of IFAD-supported projects in Viet Nam. In general, UNOPS regularly undertook annual supervision missions that included a range of technical expertise with both national and international consultants. In cases where there is one or more cofinancier, supervision missions have been generally carried out as



joint operations (e.g. IFAD/GIZ for the Programme for Improving Market Participation of the Poor in Ha Tinh and Tra Vinh Provinces (IMPP)).

69. **Country presence.** IFAD's country office in Hanoi was established in April 2005 as part of the Field Presence Pilot Programme, and, in 2007, the Executive Board endorsed the outposting of the CPM. The office in Hanoi is currently headed by the outposted CPM assisted by two local professional staff: a country presence officer and a financial management advisor-cum-country programme assistant. The CPM's role covers the full range of activities foreseen under IFAD's supported country programme, from COSOP preparation and consultation, to supporting the lending programme and non-lending activities such as policy dialogue, knowledge sharing and partnership. In practice, however, most of the CPM's time has been spent on support for the lending programme because of the large number of ongoing loans, and because, until recently, she was also responsible for IFAD's programme in Laos. The country presence officer focuses on policy work, knowledge management and some implementation support (including participating in most supervision missions and recently leading one). The financial management advisor-cum-country programme assistant provides financial support to projects, is responsible for running the office, and spends some time on knowledge management. In addition, the team has access to the services of a financial management and procurement specialist, hired as and when needed. The country office has regular interaction with headquarters (frequent communications between the CPM and the Director, APR; access to internal IFAD information and to the Intranet; and training opportunities such as the ten-day course in Rome attended by the financial management adviser-cum-country programme assistant earlier this year). More formal communications take place when the CPMT meets in Rome.
70. The country office is presently located in an apartment which is part of the United Nations complex in Hanoi. The apartment provides ample space for staff offices but lacks a meeting room that could also be used for visiting missions. Most support services, including IT support, are arranged by the country office and are low-cost arrangements.
71. The estimated budget of the country office for 2011 is close to US\$500,000, of which more than US\$70,000 is for the development of the new results-based COSOP and around US\$320,000 for supervision and implementation support. The budget allocated for annual supervision of a one-province project is around US\$30,000, and double that for a two-province project. The main cost items in the budget are allocations for supervision of the portfolio and the cost of preparing the new COSOP. The budget does not include the CPM's salary and benefits, or the cost of occasional country staff training at IFAD headquarters in Rome.

#### Key Points

- The strategic vision of COSOPs has adjusted to the evolving profile and nature of rural poverty and the country's institutional context.
- The country programme strategy has gradually evolved from the focus on increasing the agricultural productivity of smallholders in the 1996 COSOP to an area-based model in the 2003 COSOP, with increased emphasis on decentralization and participation.
- Support to rural market access was emerging in the 2003 COSOP, and a strong new focus on market intervention is engrained in the 2008 COSOP combined with the area-based model.
- Most IFAD-supported projects/programmes have systematically covered geographic areas having high poverty indices and large ethnic minority populations, concentrating interventions in 11 poor provinces until 2011. In addition to ethnic minorities, projects have also targeted women.
- Besides grants directly linked to the implementation of lending projects, IFAD has approved other grant resources: for example, to promote knowledge sharing from networking with research institutes.
- IFAD's country office in Hanoi was set up in April 2005 and, in 2007, the Executive Board endorsed the CPM's outposting. Since 2007, all projects/programmes are directly supervised by IFAD.

## IV. Portfolio performance

### A. Characteristics of the portfolio

72. From the start of its operations in Viet Nam, IFAD has been committed to supporting the Government's policy of decentralization and to building up the capacity of provincial governments to implement development programmes. Largely as a consequence, all loans are for **area-specific** projects, covering either one or two provinces, until the most recent loan (in 2011) that covered three provinces. In effect, each province constituted a separate project. IFAD has not financed any national subsector programmes in Viet Nam.<sup>34</sup> There are 63 provinces in the country, of which 11 have received IFAD loans, with four provinces receiving follow-up loans (Tuyen Quang, Quang Binh, Ha Giang and Ha Tinh).
73. The provinces are selected on the basis of **poverty incidence**. Fortunately, with Viet Nam's fast rate of growth, poverty incidence is a rapidly moving target. For most IFAD-supported operations until 2002, the poverty incidence in the selected provinces was 50 per cent or more. For the more recent projects, the starting rates for the selected provinces are about 30 per cent. Also, IFAD and the Government have mainly selected provinces with a high proportion of **ethnic minorities**, which is generally consistent with poverty targeting because the incidence of poverty among ethnic minorities is well above the national average. Once a province is selected, however, all the poor in its districts and communes are eligible to participate in the project, whether or not they belong to an ethnic minority. Tuyen Quang Province, for example, has a population that is evenly divided between ethnic minorities and Viet Kinh, and the participating communes include both ethnic minority villages and Viet Kinh villages. Provinces such as Ha Giang, Bac Kan and Cao Bang have an even higher proportion of ethnic minorities. However, IFAD has also selected a number of provinces that are relatively poor but have very small ethnic minority populations, such as the central-coastal provinces of Ha Tinh and Quang Binh.
74. **Key elements of the Viet Nam portfolio.** The portfolio is entirely made up of multicomponent projects/programmes that closely follow the area-based model. The logic of the approach is that a range of activities are undertaken together so as to derive synergies in raising the productivity and incomes of poor rural people. Given the interlocking nature of components, however, it is difficult to separate the various elements of IFAD's operational model for evaluation purposes. In attempting to do so, the evaluation identified four common features of IFAD's supported programme in Viet Nam: (i) support for decentralized development management at the provincial, district and commune levels; (ii) investment in small-scale infrastructure through commune development funds (CDF), with projects selected through a process of local participation; (iii) development of demonstration models for market integration, including models for microenterprise development, and implementation of them through common interest groups (CIGs); and (iv) channelling of microfinance to support business plans through savings and credit groups (SCGs) or through the banking system.
75. These four programme features are represented in all projects in the portfolio. However, the weight given to each is different, depending on the situation of the province where the project is located, and the definitions have changed somewhat over time. That said, the basic model has been applied with a high degree of consistency among the different provinces and over the 18-years of the country programme. These four features are discussed in further detail in the following sections. The instruments that the projects have at their disposal to influence outputs and outcomes are basically finance, management and coordination; and TA

<sup>34</sup> A contrasting example is India, where, although the bulk of IFAD's supported programme is also area-based, the Fund has also supported nationwide programmes for rural women's empowerment and for rural finance.

and training.<sup>35</sup> The mapping of these instruments into the four programme features is shown in table 12.

**Table 12: Relating instruments to the key features of the Viet Nam portfolio**

Key Features/ Instruments	Decentralization	Small-scale Infrastructure	Market Integration	Microfinance
<b>Finance</b>	Funding for PMU (about 10-12 per cent of the loan) and allowances for officials providing services to project.	Loan finances establishment of CDF to spend on small scale infrastructure (SSI), selected through the participatory planning process.	Seed money meets part of the cost of demonstration models.	Seed money to SCGs and loan finance to be channelled through Viet Nam Bank for Social Policy (VBSP) or Viet Nam Bank for Agriculture and Rural Development (VBARD) for financing investments by farmers or for microenterprises.
<b>Management and coordination</b>	Management and coordination through the project steering committee (PSC) headed by the chairman or deputy chairman of the PPC and corresponding units at the commune level.	Project provides manuals, organizes participatory planning approaches and monitors implementation through provincial and district-level.	Project works with line agencies to ensure that technical support is available as needed to assist in preparation and selection of demonstration models and support CIGs in implementation.	The responsible organizations – WU, VBSP and VBARD – are represented on PSC, and PPMU advises their officers on project objectives and approach to be followed.
<b>Training and TA</b>	Special courses and study tours organized for project managers, development officers and accountants at all levels. TA is provided in preparation of various manuals and for training of trainers.	Training provided on procurement for commune officers and on M&E at the district and provincial levels. Some TA is provided in the start-up phase of these activities.	Training for beneficiaries and participants in CIGs as well as special scholarships for vocational training in topics such as forestry. Project organizes specialized TA to farmer groups and CIGs through extension services and supports local extension agents and animal health workers funded by the project.	Office holders of SCGs are given training in management and accounting; and, selectively, also group members.

## B. Relevance

76. The relevance of the portfolio has been evaluated by means of a detailed analysis of the 11 projects covered by the CPE. As indicated in chapter 1, however, the ratings for relevance do not include the three earliest projects. Relevance is assessed both in terms of alignment of project objectives with the country's and IFAD's strategies/policies for agricultural and rural development and the needs of the rural poor; and project design features geared to the achievement of project objectives.

<sup>35</sup> The project components are a mix of inputs and outputs. While management and coordination, and TA and training are often distinct components, finance is always de-composed into the outputs supported by the finance.

The CPE assessed whether project design, strategies and approaches were appropriate for achieving objectives: for example, in the choice of project components, mechanisms and approaches for participation, targeting and gender mainstreaming, synergies among activities and services implementation arrangements.

77. As indicated in the previous section, IFAD's funded programme in Viet Nam focuses essentially on an area-based multicomponent model that has evolved over time towards increased emphasis on market integration through participation of small farmers and the rural poor in the value chain. Given the consistency of the programme, it is possible to look at relevance in the aggregate.
78. **Alignment to IFAD strategies and government policies.** Promoting government ownership has been a key principle of IFAD's interventions, in line with the Paris Declaration on Aid Effectiveness (hereafter Paris Declaration) and the Accra Agenda for Action. In the case of Viet Nam, because of its decentralized development administration, the issue of ownership must be viewed at the national, provincial and commune levels. At the central government level, IFAD's supported programme is planned in coordination with MPI, the chief counterpart agency. Programme funds are administered through the Ministry of Finance (MoF), while MARD is a key partner in the policy dialogue of the innovation and provincial experience from the country programme. MPI takes the lead role in selecting provinces for inclusion in the programme and in building consensus on the COSOP strategy. Besides promoting government ownership, the portfolio has been well aligned to government policies on poverty reduction, decentralization, gender equality and market access, as referred in chapter II, section C.
79. **Relevance to the demand of local governments and rural poor.** Most IFAD-funded projects/programmes in Viet Nam reflect a clear demand from provincial authorities. In the case of the follow-up project in Ha Tinh, for example, the provincial government requested IFAD's support when it was preparing a project in the neighbouring province of Quang Binh. In some cases, the impetus has come from the central government, concerned that additional development efforts should be undertaken in particular provinces. But even in these cases, the provinces themselves have often initiated the demands. IFAD took care, during the project development phase, to ensure the full involvement of the provincial authorities in preparation. The director of the PPMU was generally selected prior to project approval and participated with the PSC chairman in negotiations held in Rome. The high degree of portfolio ownership by provinces is evidenced by the relatively speedy and effective implementation of the programme. In some projects (e.g. HPM), the concerned province developed its own proposals based on consultations at the district and commune levels.
80. An important feature of the country programme has been the emphasis on participatory planning to ensure ownership and relevance of interventions at the commune level. In its first supported project in Tuyen Quang Province (PRMP), IFAD built on the participatory appraisal and planning process at the commune level, previously introduced by SIDA in the same province. This has become the basic approach used in IFAD-supported projects in Viet Nam and it has been extended and broadened over time. In the Ha Tinh Rural Development Project (HRDP), for example, the project used secret balloting in the selection procedures for rural infrastructure and other activities to avoid elite capture and ensure that the views of the poor, and women, were given equal weight. The earlier projects did not take sufficient care, however, to ensure that the planning process was coordinated with the commune's role in preparing and submitting interventions for the SEDP. This was corrected in later projects to ensure that there was a single, combined planning process rather than a parallel process for project-sponsored investments.
81. As the focus of the overall portfolio is on decentralization, market integration (including small-scale infrastructure), and value chain development, the extent to

which such components are relevant to the achievement of overall objectives is discussed below.

82. **Decentralization.** When IFAD first began operating in Viet Nam, there was increasing interest in the concept of decentralization to the provinces and the central government had begun to devolve responsibility for some aspects of economic management. IFAD-funded projects were extremely timely in demonstrating the role that local governments could play, in even the poorest provinces with relatively low capacity, in promoting effective rural development and reducing rural poverty. The Fund was also able to deliver similar messages within provinces through its support for district structures and participatory development at the community level. In the first project in Tuyen Qang, for example, contracting and payments authority were fully decentralized to the CDF.
83. Viet Nam's highly decentralized structure means administrators and technical specialists at the provincial, district and commune levels must be capable of designing and implementing development programmes. IFAD-funded projects have been designed to provide much-needed capacity-building for such decentralized authorities to assume greater responsibility for development planning and implementation. At the provincial level, the PPMU is constituted under the PPC, the main decision-making body of the province and, as such, coordinates the activities of provincial line departments (agriculture, finance, planning, labour, etc.). The projects provide training for PPMU staff, PSC members and other government officials. In addition, specialized TA is often provided by projects (funded either by IFAD or through cofinancing) to support the activities of line departments. At the district level, units are generally set up to handle district-level programme allocations, project accounting and disbursement, and M&E. Again, substantial support is provided in these areas, particularly during the start-up phase of projects. Finally, IFAD has fully supported the complete decentralization of project implementation to communes, with the PPMU providing TA and coordinating line agency inputs as described above. The projects train commune officials to carry out their assigned roles, but also go much further in training farmers and members of SCGs and CIGs. At the local level, project beneficiaries speak enthusiastically about the benefits of the training and study tours, and are eager for more activities of this kind.
84. **Market integration through access roads and increased agricultural productivity.** From the outset, IFAD has recognized the need to go beyond subsistence production. As a general rule, food insecurity in Viet Nam is closely correlated with rural poverty. Farmers with small landholdings and who use traditional methods cannot produce enough rice to provide sufficient food for themselves and their families throughout the year. One option, therefore, is to increase rice yields through irrigation and improved seed and practices. By and large, however, while this may help relieve food insecurity, it does not serve to take families out of poverty on a sustainable basis. In order to do that, smallholders must move at least part of their production to higher-value crops and produce for the market. Earlier IFAD-funded projects focused on persuading smallholders to produce new commodities using novel techniques, and provided the extension support farmers needed as well as small amounts of credit. Production for the market also requires that farmers can reach the market or alternatively that traders can reach the farmers. To that end, the construction of market access roads has therefore been another key element of programme design. In some project areas, IFAD has funded the construction of new market facilities that give local producers better market access.
85. **Helping small rural producers to move up the value chain.** The shift in IFAD-funded projects/programmes towards greater emphasis on integration with markets by supporting the participation of the rural poor in the value chain, which began with IMPP in 2006, was fully consistent with the evolving priorities of the Government itself. The SEDP for 2006-2010 had a significant focus on market access as a means of reducing rural poverty. IFAD-funded projects/programmes

- have also supported implementation of the National Policy for Agriculture, Farmers and Rural Areas (*Tam Nong*), which introduced important changes to legal frameworks for planning, land-use and investment. The most recent project financed by IFAD, the Agriculture, Farmers and Rural Areas Support Project in the Gia Lai, Ninh Thuan and Tuyen Quang Province (TNSP), closely identifies itself with *Tam Nong* and focuses on strengthening the institutional basis both for implementing the project and for improving market opportunities in value chains.
86. The intensified investment in value chain development in recent projects represents an intellectual breakthrough in the Government's and IFAD's poverty reduction efforts in Viet Nam. The value chain projects have a number of common elements, the key element being the development of demonstration models of commercial crops. Farmers participate in CIGs for producing these crops, supported by seed money from IFAD and linked with small loans from SCGs or banks for the investment required. The projects seek to link small producers with processors or traders through supply contracts and, where possible, to improve the quality or increase the level of processing undertaken locally. With the participation of beneficiaries, the Developing Business with the Rural Poor Programme (DBRP) has identified three value chains (coconut, cocoa, and safe fruits) and has linked farmers, processors, traders and exporters through associations for communicating market opportunities and requirements, and for coordinating business actions. While this approach holds good potential for moving local production a step up in the value chain, there is no concrete evidence as to whether this is working because the programme is still at an early stage. In Bac Kan, for example, the Pro-Poor Partnerships for Agroforestry Development Project (3PAD) is designed to engage ethnic minorities in agroforestry production, agriculture, eco-tourism and agribusiness enterprises, and is intended to lead to private/public partnerships for sustainable forestland use.
87. In the more recent projects/programmes, vocational training is also an important feature of IFAD support for the value chain. PPMUs work with the Provincial Economic, Technical and Vocational Training School (PETVTS) in organizing a variety of courses on specialized skills required by projects, and projects are providing scholarships to rural youth to attend regular one- or two-year programmes conducted by PETVTS. These programmes have been particularly useful for forestry components, where specialized expertise is in short supply. They also increase the possibility for graduates to work in the rural areas, cities or abroad, where they can earn good incomes that they send back to their families as remittances.
88. Rural enterprise development started relatively late but has added considerable value to the IFAD-supported country portfolio and to the country's own rural poverty reduction efforts. While much of the rural enterprise development is likely to be undertaken by better off farmers, such development is relevant to the rural poor through enabling them to move their farm production up the value chain, diversify their income sources and it can provide employment for redundant agricultural labour. However, since Viet Nam is still striving to fully transform itself into a market-based economy, IFAD has faced many challenges in mapping out a practical approach to enterprise development. In strategy-making, IFAD has been over-reliant on government agencies for delivering enterprise development, and there has been very limited private-sector partnership in projects. Government services, which initially evolved to support a centrally-planned economy, lack the experience and capacity necessary for providing business and marketing services for SME development.
89. **Targeting approach.** This is a complex issue in Viet Nam. The failure to index poverty levels to inflation until the end of each Five-Year Plan period means that, on paper, large numbers of people move out of poverty each year, only to come back into the poverty target group once the poverty line is corrected. In addition, rural Viet Nam is not characterized by major inequalities of income (although these are beginning to emerge) so that villages also include large numbers of near-poor

people living on less than US\$2 a day. Various government programmes are targeted to the poor, in particular through highly subsidized small loans provided by the Vietnam Bank for Social Policy (VBSP). As a consequence, a family is highly incentivated to be treated as part of the poverty group, even once its income level has risen.

90. In IFAD's funded projects/programmes, the aim is to focus resources on very poor individuals. Targeting begins with the selection of relatively poor provinces and continues to the commune level. The Fund's supported interventions normally cover about 50 communes, generally the poorest in the province involved, although some weight is given to contiguity and ease of access. While the Government has good data on income levels within communes, in most cases IFAD has collected additional data or asked the population to identify themselves as poor or non-poor. In some projects, targeting appears to have stopped short of effectively linking the poor with project design. In Quang Binh, for example, a careful ranking of assets was made but systematic targeting criteria were not defined, as a result of which some project activities seem to have reached only a small proportion of the target group. The SCGs, formed as part of most projects, are generally limited to the poor. There is only one SCG per village and as soon as any member moves out of poverty, he/she is meant to be replaced by a poorer person. For the CIGs established to undertake income-generating activities, the approach has been to allow a mix of the poor and non-poor, given the need to put together a viable group of producers. A number of benefits such as market access roads and small-scale infrastructure derive to the commune as a whole rather than to individuals.
91. As mentioned earlier, apart from poverty targeting, the Fund's COSOPs set very clear objectives for targeting ethnic minorities and women, groups disproportionately represented among the rural poor. The Government generally supports such focus although the question is politically sensitive in Viet Nam. This type of targeting is achieved by selecting provinces, districts and communes with large concentrations of ethnic minorities and, once a commune is selected, all the poor residents thereof are eligible for project benefits. Ethnic minorities can also be targeted by selecting components relating to the economic activities they pursue. The focus on access to forest land in IFAD-funded interventions has been particularly effective in this regard. On the other hand, lack of explicit focus on ethnic minorities makes it difficult to understand the links between the particular socio-cultural practices of different minorities and the potential for poverty reduction.<sup>36</sup>
92. The targeting of women has been a very important element of IFAD's supported programme in Viet Nam. Most projects are designed to work with WU, a mass organization represented at all levels throughout the country. The WU is represented on the provincial PSCs and, on behalf of the PPMU, manages a number of components designed to benefit women, including both the SCGs and parts of the CDF. Women's representation on SCGs is usually around 70 per cent. In addition, parts of the CDFs established under most projects are reserved for programmes selected by poor women (through participatory processes organized by the WU) as responding to what they see as their priorities. These project components, which may represent as much as 50 per cent of the CDFs, are divided into two parts: the first is allocated to activities that benefit women as a group, e.g. kindergartens, primary schools, health clinics, wells located near the village, etc., and the second to individual poor women on a matching basis for small expenditures to reduce drudgery, such as farm implements, or to improve the quality of life, e.g. water and sanitation. In addition, project management stresses the importance of women's empowerment and attempts to build this element into the programme. Most capacity-building activities, such as training and study tours, are targeted to rural women, and a number of recent projects, such as 3PAD,

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<sup>36</sup> An IOE study on rural groups and the commercialization of smallholder farming: targeting and development strategies (draft, 16 March, 2011) indicates, in its preliminary findings, that defining the targeting strategy at the design stage enhances the performance of interventions.

address gender stereotypes and tackle issues such as domestic violence through education and training.

93. **Implementation arrangements.** At first sight, the multisector design of projects appears to be extremely complex and with large numbers of subcomponents, each relating to a different department or service of the provincial government concerned, which entails a considerable effort in terms of coordination. The key to solving this problem, and one of the most important design features of IFAD-funded projects/programmes, is the establishment of a PPMU and locating it within the PPC, as well as the setting up of a PSC with the participation of relevant agencies. While PSCs have a mixed record of involvement in, and ownership of, projects, the chairman of a PSC is generally the deputy-chairman of the PPC concerned; his/her close relationship with the PPMU director is essential for successful project/programme implementation.
94. The role of PPMUs goes beyond the management of IFAD-supported projects. In effect it has become a mechanism for coordinating provincial governments' activities in support of the rural poor in communes where projects operate. In theory the only coordinating body at the provincial level is the PPC, but in practice the core implementing departments (finance, planning and investments) and the mass organizations (FU and WU) also play a coordinating role. None of the latter focus specifically on the poor; only the PPC has the clout to bring the various actors together, but it does so at a macro level. What the PPMUs attempt to do is ensure that the proper government services are available at the right time in order to support the development of infrastructure and productive activities in the communes. They do this in part through a system of paying allowances to officials as an incentive to support the poor. A particularly important step has been the funding by projects of commune-level agricultural extension officers and animal health workers as staff of the provincial departments of agriculture and rural development (DARDs). This helps to ensure that the poor have access both to agricultural extension services and to animal health workers when attempting to expand their production for the market.
95. **Overall assessment.** In spite of evidence that IFAD has still not found the most appropriate modalities for supporting the value chain, the evaluation rates the relevance of IFAD's country portfolio in Viet Nam as *satisfactory* (5). In general, the programme is characterized by a high level of ownership of IFAD-funded programmes at all levels of government, but particularly so in the provinces, districts and communes where the projects are located. Interventions funded by IFAD have been timely, and, in the last four years, the greater emphasis on strengthening poor people's participation in the value chain has been well judged and timely, although this is still in the early piloting stages. The targeting and coverage of programmes is an accurate reflection both of the priority areas for rural poverty reduction and of IFAD's own comparative advantages.

## C. Effectiveness

96. To what extent has the IFAD-funded portfolio achieved its specific project-related objectives? It is still too early to assess the effectiveness of the four most recent projects. While evidence from these projects has been drawn on, the discussion mainly encompasses the first seven projects in the portfolio. And, as for the other criteria, the first three projects are not reflected in the overall rating for effectiveness. Since effectiveness is a complex topic that requires the presentation of the evidence base, the discussion needs to be disaggregated. For purposes of clarity this section uses the categorization proposed in the description of the portfolio in Section A above: (a) decentralization; (b) small-scale infrastructure; (c) market integration; and (d) microfinance. In assessing the evidence, the evaluation drew on the findings of the IEs on ARCDP and HPM, as well as project completion report (PCR) validations undertaken on two completed projects (HRDP and RIDP), the PPA on RIDP, mid-term reviews (MTRs), recent supervision reports on a number of other projects, and field visits and discussions in seven provinces.



## Decentralization

97. Since 1986, Viet Nam's economic reforms have been undertaken in tandem with political reform. This is because the country initiated a decentralization process in the 1990s that created a subnational government framework whereby subnational governments play a leading role in agriculture, forestry irrigation, fisheries, power, water, education and health. Viet Nam has a relatively large number of provinces (63) reporting directly to the central government, and this poses serious challenges to effective monitoring and policy direction from the centre. It also means that there are very large numbers of provincial-level officials carrying a great deal of responsibility, but who lack the administrative experience and training necessary to design and effectively implement development programmes.
98. This is the challenge that IFAD has had to deal with since the start of its funded operations in Viet Nam. It has dealt with this problem by means of a framework that locates a PMU at the provincial level with responsibility for coordinating the delivery of public services to the rural poor and extending that framework to the district and commune levels. The decentralization components of IFAD-funded programmes have two main objectives. First, while the Government initially focused on decentralizing from the national to provincial level, the projects have helped to promote the concept of decentralization down to the district and commune levels. IFAD-funded interventions have pioneered participatory processes and the devolution to the commune level of authority for allocating funds and implementation. There is increasing consideration among PPMU directors with regard to expanding informal decentralization for planning, implementation and allocation of funds to the village level in order to create more ownership than is possible at the commune level, where 10-15 villages may be competing for programme funds. Second, these programmes have built up capacity at all levels through training programmes targeted at senior officials. This is a challenging task. In Tuyen Quang Province, the project faced frequent changes of key personnel. During five years of implementation, 23 of the 66 PPC chairmen changed or were replaced after receiving training from the project. There were similar turnover rates among the chairwomen of commune women's organizations.
99. The multisector nature of projects often leads to complexity and calls for considerable efforts in terms of coordination. The location of the PPMU within the PPC facilitates the coordination process. In general, the evaluation came away with a very positive impression of good working relations between the PPMUs and line agencies in most provinces. Tuyen Quang and Ha Tinh Provinces are good examples of this. The PPMUs make use of allowances to line agencies for support in providing technical advice to beneficiaries. This of course raises the question of whether this coordinated effort in support of the rural poor will continue beyond the life of the IFAD-funded interventions.
100. A key element of support for decentralization has been the use of participatory approaches to learning and rural appraisal, seen as critical to ensure the ownership needed for decentralization to succeed. Projects have organized facilitation at the commune level, supporting the formation of self-management or commune development boards (CDBs), which organized planning, design, procurement and monitoring (reporting to the M&E officer at the district level), and were responsible for maintenance of commune-level infrastructure. In a number of projects, there was evidence that progress in implementing IFAD-funded projects was better than for government projects. The IE of ARCDP in 2004 noted: "There were very positive outcomes in terms of the community's understanding of its responsibilities (particularly in regard to support for the poorest households), their management capacities, the efficient and transparent utilization of internal and external resources, and successful planning, implementation and O&M of the activities."<sup>37</sup> The CPE mission was able to confirm this judgement from its own visits to communes. Inevitably, however, with a large number of communes covered by

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<sup>37</sup> Op. cit. page 18.

each project (generally 40-70), the response was not uniform. Some communes were reactive and did not take on ownership of the programme, with the result that implementation there was relatively slow.

### Small-scale infrastructure

101. When IFAD began to support operations in Viet Nam in the early 1990s, there was an enormous need for investments in rural infrastructure. Few villages had all-weather road connections; there was limited rural electrification; and irrigation canals needed to be built – or, where they existed, to be rehabilitated. IFAD used the approach of setting up CDFs as project components, with participatory planning to allow the communes to determine their own priorities in a transparent manner and to create local ownership and willingness to provide labour for the construction/maintenance of infrastructure. Huge advances have been made in the provision of rural infrastructure over the past 18 years, thanks also to large-scale support from World Bank, AsDB and the Government of Japan. However, most villages are still not connected by all-weather roads<sup>38</sup> and there is still much need for small-scale irrigation. Given the importance of ensuring market access and irrigation, these investments continue to be a feature of IFAD-funded projects. In addition, part of the proceeds of the small-scale infrastructure components is devoted to activities of special interest to women’s groups. Community women determine the allocation of these funds through local women’s organizations. Resources have been mainly used for kindergartens and schools, rural water supply and sanitation, and rural health facilities.
102. IFAD and Government’s investments in village and commune access roads deserve to be treated separately. These types of investments started with the very first project in the country and continue to this day (see Table 13 for a list of projects with investments in road improvement). Investment in rural roads reflects the prioritized needs of villagers because, with concrete roads, farmers can move their produce to nearby markets on motorcycles and tractors and at a reasonable cost, and the transportation of fertilizer, machinery and other inputs costs much less. In addition, local traders can drive to villages and farms to purchase livestock, crops and forest products in bulk, and, with easier road access to government services and traders, flows of market information to villages have also increased. In Tuyen Quang Province, villagers with new road access received more frequent visits from traders to purchase rice and pigs. In Thanh Xuan village in Ben Tre Province, thanks to a new 300m concrete road, Mr Nguyen Van Dang, the owner of a small handicrafts workshop, can now transport his material and finished products to and from markets, which has not only reduced his transport costs but has increased his profits. And, with the increased turnover, he has expanded his production lines and hired more villagers to work with him.

**Table 13: Roads and bridges built by selected projects**

Project	Period	Constructed or upgraded village roads and bridges
Participatory Resource Management Project Tuyen Quang Province (PRMP)	1993-2001	280 km
Agriculture Resources Conservation and Development Project in Quang Binh Province (ARCDP)	1997-2002	166 km
Ha Tinh Rural Development Project (HRDP)	1999-2006	90 km, 78 bridges
Rural Income Diversification Project in Tuyen Quang Province (RIDP)	2002–2009	813 km

<sup>38</sup> The evaluation mission experienced this firsthand when rain forced the cancellation of a number of visits to villages supported by the projects, and one of the vehicles carrying mission members had to turn back after getting stuck on a muddy road.

103. Investment in small-scale infrastructure has been extremely successful, and all the calculations show very high rates of return. Whenever a community is asked about the impact of a project, the first things mentioned are the new access roads or the small-scale irrigation schemes that were built or rehabilitated. Under ARCDP, for example, in the communes served by roads built or upgraded by the project, there were increases estimated at 3,000 per cent, 600 per cent and 300 per cent in bicycle, motorcycle and pick-up truck traffic, respectively.
104. As well as the benefits derived from such infrastructure, another important benefit is the employment of local labour on construction activities. Under ARCDP, for example, approximately US\$450,000 was paid to day-labourers during the road construction component of the project. HRDP provided over 600,000 local labour-days, of which 40 per cent was worked by women. These benefits will obviously not be sustained after the project closes, but as long as they continue they provide an important supplement to family incomes.<sup>39</sup> From IFAD's perspective, however, there has been some concern that the organization's added value in this area relates mainly to the participatory planning process now well established. It is also felt that, in future, these investments may be better undertaken by institutions such as World Bank and AsDB. Although the larger international financial institutions (IFIs) currently focus more on district-level infrastructure, they have the capacity to finance community driven development (CDD) programmes covering commune- and village-level infrastructure and naturally have much deeper pockets than IFAD. In practice, however, this may be difficult, because such infrastructure often supports other components of IFAD-financed projects, i.e. market access roads and increased farmer productivity through irrigation. It also serves an important purpose in generating local ownership and commitment for projects as a whole.
105. While projects are fully aligned with government objectives, there are problems relating to alignment with the implementation of government programmes, particularly Programme 135 that was designed to be Viet Nam's equivalent of IFAD support to infrastructure programmes through the CDFs. IFAD has its own standards for project procurement and financial management, and the difference between these standards and those of the Government creates confusion at the commune level, where capacity and experience in undertaking project implementation is limited.<sup>40</sup> These issues are discussed further in the section on efficiency.

### **Market integration**

106. While Viet Nam had been a centrally-planned economy since reunification in 1975, the economic reforms adopted by the Government in 1986 have gradually introduced free-market elements into the predominantly state-run economy. The Government has launched a series of economic reforms, and encouraged private ownership of farms and companies engaged in commodity production and foreign investment, but maintained control of selected strategic industries and large state-owned enterprises. The Law on Enterprises of 2000 was an important turning point for the development of private enterprises, particularly for SMEs. Since then, the transition to a market economy has accelerated, especially after Viet Nam joined the WTO in 2007. Within this context, the Government has abandoned the soviet approach to agriculture that was based on central planning and production subsidies, and turned to providing support for small-scale farmers to access markets, credit and business services, to enable them both to overcome their pervasive poverty and to actively participate in the market economy.
107. The main activity of poor small farmers in Viet Nam usually has to do with producing rice for family consumption. However, while this certainly limits risks,

<sup>39</sup> Source: ARCDP IE report, page 14. Figure of VND7 billion converted at the 2004 exchange rate of 15.75 to the United States dollar; and the PCR for HRDP.

<sup>40</sup> IFAD-funded projects aim at capacity-building in order to enhance commune capacity in procurement for promotion of decentralization.

with average landholdings of less than 1 ha they are unable to rise out of poverty as that would call for moving to higher-value-added crops. There is ample demand for such crops in the markets and, if they were produced, small traders would almost certainly purchase them from the farmers. The problem has been to convince farmers to produce crops they are not familiar with, and that require different techniques and production cycles and some initial investment – which is what IFAD’s supported interventions are designed to achieve. To that end, the country programme uses informal farmer organizations, referred to as CIGs, generally consisting of 10-20 poor/near-poor producers often linked to a better-off farmer who leads the group. With the assistance of the commune development officer, who is a member of the project staff, these producers shift through a range of options embodied in the demonstration models. If a group decides, for example, to invest in watermelon cultivation for the market, it will be given access to improved seed, training in cultivation practices and other support as needed. In general, the demonstration models are adapted to the local situation and often involve multi-cropping and unique combinations to suit local production conditions.

108. **Projects approved before 1999.** When it first started operating in Viet Nam, IFAD’s area-based model was already developed and operational in a number of other countries. The Fund took the safe step of grafting this model onto its Viet Nam programme, which focused on integrating and streamlining government services in support of agricultural production and food security enhancement. From the outset, market access has played an important role in IFAD’s investments in the country. As explained above, in the early projects, support to market access was mainly realised through building and retrofitting inter- and intra-village roads, which enabled villagers to transport goods more easily to and from local markets, and paved the way for local traders to come to the villages and farms to purchase their produce. The impact of this approach is evidenced by ARCDP in Quang Binh where, following construction of one connecting road, the prices realised by local farmers increased by 30-100 per cent. Building the road also led to the establishment of a new roadside community of 12 households, complete with grocery stores and other services.<sup>41</sup>
109. IFAD’s and Government’s investments in improved or newly-introduced varieties and species of agriculture, livestock and aquaculture in rural areas underpinned the shift that smallholders were making in producing for markets. This change in mind-set affected not only the rural poor but also the staff of the government agencies and institutions involved. Some examples from these early projects show that farmers were gradually adapting to the need to leverage market forces both to increase their income and secure food supplies. The IEs of ARCDP and HPM provide examples of this process in action. For example, ARCDP boosted shrimp and fish production for sale on local markets, and forestation activities provided a useful new source of income for 2,600 households. While the evaluation found evidence of yield increases for crops and livestock, the general conclusion was that achievements in this area were incomplete. In HPM, the forestry component contributed to the planting of new forest plantations several hundred per cent above the original targets. While the project fell far short of its targets for establishing farmers’ field schools (FFS), integrated pest management clubs and producer groups, this was compensated by the effectiveness of the commune-level network of extension and animal health workers, which contributed to significantly increased yields of field crops and livestock.
110. On the whole, evidence from its first three projects in Viet Nam suggests that the programme did not at that stage have a well-developed and tested model of market integration and income diversification. The focus was on putting some of the physical and institutional infrastructure in place; main achievements were in the construction of access roads and small irrigation, and in the locating of extension and animal health workers in the communes.

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<sup>41</sup> ARCDP interim evaluation, page 14.

111. **Projects approved between 1999 and 2007.** Income diversification in projects approved before 1999 were confined to enhancing household-level on-farm activities, such as intensified crop plantation, new breeds of livestock and aquaculture, newly-introduced horticulture, and support for petty trading in a few projects. The subsequent projects have placed much more emphasis on market integration through the development of demonstration models that organize small farmers into groups for the production of various crops or crop combinations. RIDP introduced soybean, special flavoured rice and *acacia* to local farms.
112. Starting with RIDP (2001-2009), microenterprise development and non-farm employment have been mainstreamed into the market integration and income diversification model. The support to employment has been appreciated by beneficiaries because small landholdings and increased agricultural productivity made the issue of redundant rural labour more pressing, and rural youth were eager to work within or near their hometowns. IMPP partnered with a textile company to set up a factory in My Chanh commune, which provided 75 new skilled jobs (see box 3).

### Box 3. Capacity development through Tra Vinh WU training centre

- Tra Vinh WU vocational training centre is a IMPP subcontractor for job training. The project funding criteria requires that 30 per cent of trainees shall be from poor households and that jobs shall be ensured for 70 per cent of graduates. The first condition was tackled with ease by mobilizing commune WUs to recruit trainees. However, the second condition involves engaging a private business that will see the benefits. Often, private businesses expect some initial support from the centre in form of fees for their trainers and materials, other training supplies and scholarships for trainees. And they only find it worthwhile to engage if a considerable number of skilled workers is available. The WU network was mobilized to approach any enterprise that was in need of workers. This took months but they eventually found a garment enterprise in Ho Chi Minh City interested in joint training.
- IMPP approved the WU proposal and provided scholarships of VND750,000 (US\$37) per trainee for three months. The enterprise sent its head coach for training and the WU training centre organized the classes. The partnership was so successful that, after several courses, the private partner not only recruited all the graduates but also established a workshop in Tra Vinh and created 75 work places. The majority of these workers were young women.
- Now, the WU training centre has equipped a mobile team to provide training in rural communes. It has also found a number of outsourcing opportunities for the students.

113. Efforts to promote market-based local development planning also facilitated the country's transition from a traditional food production-focused rural economy into a more vibrant and diversified market economy linked to broader national and international market opportunities. The approach of IMPP (2007-2012) is to promote commune-level market opportunities likely to be integrated into the five-year SEDP process, and it has demonstrated considerable effectiveness in enhancing market-oriented production and improving market awareness. By 2010, all the 30 project communes in Tra Vinh Province had developed commune market opportunity plans that included at least three priority value chains and two cross-cutting issues, and some 272 village awareness seminars on market-based approaches had been conducted.
114. **Projects approved since 2007.** More recent projects funded by IFAD attempt to go beyond crop diversification and the production of high-value crops. They now seek to move producers up the value chain and to generate local employment opportunities through providing marketing services, promoting links with traders and exporters, contracting with large companies, and supporting the development of rural enterprises. This approach has been mainstreamed in the country programme since 2007. Since then, projects such as DBRP (2008–2014), implemented in Ben Tre and Cao Bang Provinces, have piloted the approaches of market-oriented local development planning, value chain development for selected products with good market potential, rural microenterprise development, employment of trained and skilled workers, and partnership with the private sector in investing in rural areas. Box 4 gives an example of the potential impact of

product diversification, which calls for moving to more sophisticated demonstration models in need of greater up-front investments (and risk-taking), and the forging of partnerships with private processors and traders representing the market for such activities. Another important feature of the most recent projects is the inclusion of vocational training programmes for rural youth, including programmes of up to two years at a provincial institute in topics such as forestry, agricultural machinery repair and maintenance, and animal health.

115. With a view to creating sustainable business links between small farmers and external markets, the more recent projects adopt a value chain approach, i.e. selecting a few products with high potential for domestic and external markets, and concentrating investments in infrastructure, rural credit, productivity enhancement and capacity-building. Each project component is designed to contribute to improved market access for the poor and to the development of value chains. In Ben Tre Province, DBRP selected three value chains – coconut, cocoa and safe fruits (see paragraph 86) – and focused on addressing issues regarding farm production, agro-processing and marketing, and providing technical and business training. For example, the programme formed a coconut association, the membership of which comprised farmers, traders and exporters, for boosting coconut production and sales.

#### **Box 4: Overcoming poverty by supplying decorative leaves to flower shops in Ho Chi Minh City**

- The life of Dang Van Thanh, a 34-year old farmer living in Ben Tre Province, has changed drastically over the past three years. He and his wife and child previously lived in a tiny hut in the middle of a field of crops but, since 2010, he has his own 100m<sup>2</sup> house and a small but profitable enterprise. The magic behind this change began when he started supplying the leaves growing wild on his farm to flower shops in Ho Chi Minh City.
- Thanh used to work as a seasonal labourer for local nurseries because his own farmland, of around 300m<sup>2</sup> on which he grew rice, was too small to support his family. On visiting a flower market in Ho Chi Minh City, he realised that the leaves growing wild around his farm could be used for making bouquets and that decorative leaves were in short supply in the market. To begin with, he selected the leaves and transported them by motorcycle, waterway and bus to flower shops in the market. To increase supplies, he purchased seedlings and grew more leaves on his farm. However, lack of capital was a serious challenge to expanding his production. Therefore, with the support of the FU and in cooperation with DBRP, Thanh obtained a bank loan of VND5 million (around US\$250); with his initial success and good credit record, he then obtained a bigger loan. Now, his product lines (various decorative leaves and flowers) have gone from five in 2007 to the present 60. As his business has expanded, he has hired 15 workers from the village. Working with the project, he heads a CIG for producing decorative leaves and has contracted other group members to grow and supply him with small quantities of the leaves. With increased volumes and varieties for the markets, Thanh has signed contracts with new business clients in Ho Chi Minh City and, last year, obtained orders from clients in Hanoi.

116. There is strong capacity for, and understanding of, value chains at the most senior levels of PPMUs and PSCs. However, the value chain approach is still relatively new and unfamiliar, and the corresponding infrastructure, services, and demand and supply links for certain value chains have not always been ready for project implementation. Within this context, project support has mainly focused on improving farm productivity, starting up agroprocessing enterprises, sponsoring trade fairs and study tours, and training in marketing and value chains. Along the value chains, thus far, simple local processing has led to only marginal additional value to final products (such as coffee, rice, fish, chicken, peanut, coconut, sugar cane) because farmers and small processors lack the formal business connections to supply them on a reliable basis and ensure the necessary quality control. Also, there is very limited involvement with large or medium-sized private enterprises that could provide sustainable business opportunities for farmers and processors, and promote higher standards of quality control for local produce. Apart from contract farming, which requires farmers to provide raw produce for brewers or exporters, to date, there have been very few concrete examples of a successful value chain bringing substantial benefits to farmers.

117. Given the early stage of development of these new value chain projects, no rating has been given to their effectiveness. There are, however, some worrying signs. Project directors indicated that, during the start-up phase of projects, they focus on the CDF and infrastructure components and do not take up the value chain component until the other elements are in place, which means that in some cases the project is already halfway towards completion when the value chain component gets under way. Yet these components are probably those in need of the longest lead time, the most careful nurturing to get off the ground, and heavy up-front investments in forging partnerships with the private sector.
118. Although these interventions are still very much work-in-progress, some effort has been put into supporting the provincial business environment. For example, activities under the commune market opportunities support subcomponent of IMPP contribute to decentralization in participating communes. Hence, market opportunity ideas proposed during the commune planning process aim at facilitating market-oriented planning at the commune level through development and institutionalization of the market-oriented socio-economic development planning process. Tra Vinh Province has been particularly successful in arranging and financing vocational training for poor and landless households, in partnership with vocational training centres and business enterprises. More importantly, such training has led to the employment of 70-90 per cent of trainees six months after completion, mostly in rural areas close to their homes (more than 70 per cent of the beneficiaries are poor, half are Khmer and two thirds are women). DPPR, IMPP and DBRP have facilitated workshops to increase awareness of market and value chain development opportunities, and have supported the formation of CIGs and community groups and developed their capacity for closer integration into value chains. In IMPP, this has led to alliances between a number of groups and agro-industrial enterprises, including contract farming arrangements that appear both to reduce farmers' costs and to improve their revenues. These projects also carry out market analyses, provide business and market linkage support, and improve the market-enabling environment. In IMPP, DBRP and 3PAD, activities are being undertaken to improve the provincial competitiveness index through consultancies, surveys, workshops, manuals, and training for cooperatives and SMEs. However, it is too early to assess how effective these business promotion activities are in partnering with the small and medium-scale private sector. It is worth noting that none of the projects has private businessmen or representatives of private business associations on its steering committee. Also needed are better links between the projects and market towns in the provinces, where most of the processing and trading enterprises are located.
119. **Support for rural enterprise development.** Rural enterprise development has been a challenge in Viet Nam owing to the limited capacity of implementing agencies and shortage of quality services for business management and marketing. RIDP's rural enterprise component did not take off because the implementing partner was not equipped to undertake such activities. Some success was achieved with DPRPR (2005–2011), which partnered with the Department of Industry and the Cooperative Alliance that helped to form 31 enterprises and 45 cooperatives, respectively. Employment creation per enterprise was close to the maximum legally permissible to retain the privileges of microenterprises (26 workers) and, reportedly, over 1,500 jobs have been created. Heavy emphasis has been placed on traditional products such as wood, bamboo and rattan products, conical hats and fish sauce, and on brick-making. Many enterprises supported by IMPP in Tra Vinh are still at the household level, without proper quality control, basic accounting or formal business connections. A particular challenge has been to develop enterprises in ethnic minority areas. Ethnic minorities are obliged to overcome geographic and cultural distances to mainstream markets, as illustrated in the difference between the performances of two subprojects under DPRPR. In Ha Giang, an ethnic minority province, the project was unable to form even one enterprise and, of the 196 trained individuals, only one of them found employment. In Quang Binh, a Viet

Kinh-dominated province, ARCDP formed 76 enterprises and cooperatives, and created at least 1,500 jobs.

## Microfinance

120. Because Viet Nam's banking system had not spread much to the rural areas when IFAD started operations in the country, farmers' and rural entrepreneurs' credit demands went largely unfilled. Access to microcredit has continued to be a major constraint for small-scale farmers, particularly among ethnic minorities. Two state banks currently provide agricultural credit: VBSP and VBARD. The former is charged with providing loans to farmers at subsidized interest rates, although loan sizes (about US\$500 equivalent) are too small for business activities that move beyond subsistence-level production. The latter operates as a commercial bank; it does not have an explicit lending policy in favour of agricultural production or rural enterprises, and openly states its preference for lending to medium-scale farmers rather than smallholders (who lack collateral). A news report published by the *Viet Nam News* on 12 March 2011 (see box 5) demonstrates the unfavourable credit environment for smallholders in the Mekong Delta region, the country's largest rice production and export area, which is better positioned for profitable agricultural production than most other parts of the country.

### Box 5: Tight credit hampers delta farmers

- Agricultural products are fetching good prices, but many farmers and enterprises in the Mekong Delta can't access the loans they need to farm. The price of *tra* fish has risen to a record high of VND25,000 (US\$1.20) per kilogram, with promises of good profit margins for farmers. However, many ponds in Can Tho City, Ha Giang and Dong Thap Provinces are empty because farmers do not qualify for loans.
- Vo Van De, whose family has bred *tra* fish in Can Tho Thot Not district for many years, said "The current price of *tra* fish is our dream, but a lot of *tra* fish farmers cannot take advantage of it because they don't have the capital to invest."
- Previously, De had borrowed regularly from VBARD to breed *tra* fish but two years ago the bank stopped giving him loans because of the business risks involved. Other banks also turned down loan applications, especially from small farming operations, as their new policies favoured bigger and better-connected farms. Le Van Tho, director of VBARD's Can Tho City branch, said that, in the near future, his branch would restrict small-scale loans and loans for individuals in order to focus on providing large-scale loans for production models of this category.

Source: News report in the *Viet Nam News* of 12 March 2011 (excerpt).

121. IFAD has supported two mechanisms for providing the microfinance needed by poor rural people to participate in the various income-generating activities proposed under projects: (i) SCGs; and (ii) credit through the banking system. The challenge facing IFAD has been to identify the best means of providing credit to the rural poor and, in collaboration with the Government, choose a strategic partner for building up rural microcredit services.

122. **SCGs** are generally groups of 10-20 members. In most but not all cases, membership is limited to the poor, and the number of groups is usually limited to one per village. When members graduate out of poverty they are expected to leave the SCG to make way for others not originally part of the group. Group members contribute to a revolving fund through monthly payments (usually VND10,000-20,000, equivalent to US\$50-US\$1), and projects provide seed funding to supplement these monthly contributions. The SCGs elect their officers who then receive training from projects. The groups usually make loans of a maximum of VND2 million (US\$100) to members, charging interest of about 1 per cent a month, on the basis of business plans prepared by members who receive training and assistance in preparing them.

123. As SCGs are mainly targeted at poor rural women, the WU has been involved in implementing their activities. The groups were found to be well formed and sustained in most projects. As group members contribute with savings and can quickly obtain microcredit from the groups, this approach has provided the poor with a practical means of obtaining credit for adopting new crop varieties,



purchasing seedlings, or taking up backyard poultry-raising. In addition, the SCGs have served as a forum for members both for discussing opportunities for adopting new on- or off-farm activities and for deciding on their collective needs, for transmission to government agencies (see box 6 for an example of how the groups function).

124. Projects have attempted to link SCGs to the banks in order that, as a group, villagers can acquire a credit record and become bankable. Some groups have built up savings and credit records with banks, although poor rural people still find it difficult to obtain bank loans because of the high risks and transaction costs associated with smallholder agriculture. There are also problems regarding the legal status of groups and joint liability of group members. Moreover, most groups are reluctant to keep their savings in banks because of the long distances involved, preferring to keep them in a mini-safe at the house of the SCG leader; therefore personal credit information does not generally appear in bank records.
125. The provision of microcredit through SCGs has been reasonably successful and is a popular feature of IFAD's country programme. Most projects/programme have established a substantial number of SCGs and almost all have provided loans to members. HRDP in Ha Tinh, for example, established 2,570 village SCGs with 26,582 members, which means that nearly half the targeted households benefited from the SCGs. Some 50-80 per cent of the microcredit provided has been for livestock purchases. During the life of projects, provincial-level data in almost all the provinces where IFAD-supported operations has shown a substantial jump in the numbers of poultry and pigs, which tend to be purchased by the poor in the community.<sup>42</sup> In effect, the seed money provided by IFAD becomes a subsidy for the purchase of livestock. This has clearly added to the incomes of the rural poor who were able to purchase the livestock in this way, but it is unclear as to whether or not it serves as a sustainable means of rising out of poverty.

#### **Box 6: A savings and credit group (SCG) in Quang Binh province**

**SCG in a village in Tuyen Quoc district.** The group has 17 members and contributions are VND20,000 (one US\$) per month. All have received some credit, generally less than VND1 million (US\$50), but two have borrowed VND2 million. The SCG has now completed the first cycle of loans and will begin the second cycle once the loans are repaid. Lending decisions are made by the group, based on the lending plans submitted earlier. The group focuses on livestock development. The head of the group is elected by the members. When asked what they saw as the main benefits of belonging to the SCG, members pointed out that it helped to develop a savings behaviour; they liked its rapid and easy credit access, as compared with the banks formalities. They also appreciated the opportunity to share experience in purchasing and raising livestock.

126. **The banking system.** IFAD's supported programme has used two state banks as intermediaries: VBSP and VBARD. As mentioned in paragraph 120, VBSP provides microcredit loans to the rural poor on highly subsidized interest rates. Although business plans are required, in many areas these loans are regarded as an entitlement. IFAD initially worked with VBSP to provide pro-poor lending to project beneficiaries who had developed business plans in consultation with the project. Cooperation with VBSP under RIDP in Tuyen Quang Province led to a total of VND36 billion (about US\$2 million equivalent) being disbursed in bank loans to 1,005 groups, who then on-lent it to 6,300 members for farming and petty trading activities. However, as the ceiling on VBSP loans is very low (VND10 million or US\$500), lending through that bank is more effective as a means of supporting agricultural production and household enterprises than of funding small businesses.
127. In its more recent supported projects, IFAD has increasingly partnered with VBARD, which on-lends the Fund's money on the same terms as the loans it provides from its own resources. The challenge for projects management has been to persuade

<sup>42</sup> For example, the pig population of Ha Tinh Province rose by 34 per cent during HRDP implementation (1999-2006); the number of poultry in Quang Binh rose by two thirds during ARCDP implementation (1996-2002).

VBARD to make loans to smallholder farmers and small rural entrepreneurs. In DBRP, the financial services component was meant to be delivered by VBARD through a credit line of US\$4 million from IFAD. However, while a comprehensive credit manual has been prepared, at the time of writing, no loan proposal has been financed and staff training has yet to be delivered. Under IMPP, IFAD's credit line added a very marginal amount to the bank's portfolio and there has been little or no training and awareness-building for VBARD staff. Therefore, operating as a commercial bank, VBARD has not been prepared for lending to smallholders or rural microenterprises.

128. On balance the projects do not take account of on-the-ground realities in terms of demand, institutional capacity and the prevailing regulatory framework, particularly with regard to group lending and the legal status of SCGs. VBARD previously required full collateral for its loans and its clients were persons who had risen out of poverty. Now that the bank has eased its requirements, individual farmers should be able to obtain loans of up to VND50 million without collateral. However, in practice, this change does not appear to have had much impact. Some PPMU directors felt that channelling credit through VBARD added no value to IFAD-supported operations, because any borrowers able to access the line of credit through IFAD would have anyway qualified for VBARD loans. For the more recent projects, the intention was that some of the poor would be able to obtain larger loans through VBARD that could lead to microenterprises growing into small ones and employing some of their neighbours. However, the programme has not addressed the problem of VBARD requiring full collateral cover for its loans, including loans funded through the IFAD-supported programme.<sup>43</sup>
129. IFAD has never had a strategy or specific intervention for engaging the Government and national financial institutions in solving the farmers' credit problems, although credit schemes have been part of the game. Neither has any project come up with a solution to the unfavourable credit environment for smallholders. IFAD is not alone in this, as neither the Government nor other donors have formulated an effective strategy for tackling this problem. IFAD has contributed to a number of initiatives for funding micro level on-farm productive activities, but microfinance components have yet to reach the scale needed to support either large-scale business expansion or small enterprises.

### **Overall assessment of effectiveness**

130. Overall, the effectiveness of the IFAD-supported country programme in Viet Nam is rated *moderately satisfactory (4)*. The rating for projects for which there is clear evidence of effectiveness falls between 4 and 5. The CPE acknowledges achievements in IFAD-supported poverty reduction, agricultural production, gender development and support to ethnic communities. However, problems regarding microfinance components as well as the difficulties that some projects located in provinces with large ethnic minority populations appear to have faced in supporting the development of value chains and microenterprises, influenced the evaluation to opt for the more conservative overall rating. The differences between the take-up of DPRPR in Ha Giang (large ethnic minority population) and in Quang Binh (mainly Viet Kinh), and the weak performance of the microenterprise component under RIDP in Tuyen Quang, are examples of a systemic problem that has not received sufficient attention from IFAD. The evaluation attaches considerable importance to this issue given the likelihood that, going forward, the IFAD-supported programme focus on ethnic minorities will be strengthened as a consequence of the high incidence of poverty that still prevails among ethnic minority communities.

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<sup>43</sup> Although this is ostensibly at the discretion of the branch manager, in practice there is no incentive for him/her to lend without collateral. Even for loans without collateral, VBARD holds the original of the land title for the duration of the loan. While this is not formally collateral and is done in order to ensure that the borrower will not use the land as security to borrow from other institutions, most borrowers clearly interpret this as a requirement for collateral.

## D. Efficiency

131. Efficiency is a measure of how economically resources and inputs (funds, expertise, time, etc.) are converted into results. A variety of indicators have been used to assess the efficiency of the portfolio in Viet Nam.
132. Overall, the record of projects in terms of efficiency is good, with timely project effectiveness and completion even by APR's relatively high standards in this regard. The *effectiveness lag*, which is the time gap between project approval and effectiveness, is 5.5 months on average in Viet Nam, well below the regional average of 9.2 months and the IFAD average of 12.4 months.
133. With regard to *project completion*, projects were either completed by the original closing date (HDP and HRDP) or extended (in three cases – PRMP, ARCDP and RIDP) for no more than one year and without additional funding. The two projects for which PCRs are available show good performance with regard to timely project completion. HRDP accomplished all the planned, as well as some additional, activities within the original six-year time frame. Despite a slow start (owing to lack of TA to sensitize it to the participatory approach),<sup>44</sup> project management learned and adapted fast, the project subsequently got back on track, and the IFAD loan was fully disbursed by the completion date. RIDP was extended for one year to implement all the activities without extra funding. Within the extended implementation period, all planned activities, except the microenterprise development subcomponent, were completed.<sup>45</sup>
134. Average *programme management costs* for the entire Viet Nam portfolio are around 10.8 per cent of total costs, which is in line with the average for APR. However, project management costs vary considerably, ranging from less than 7 per cent of the total (for PRMP and HRDP, for example) to more than 13 per cent (DPRP, DBRP and TNSP). An important question here is whether the funding covered one or two provinces. Both PRMP and HRDP covered only one, and thus had to fund only one PPMU and associated district and commune PMUs.
135. Ex post calculations of project *rates of return* are only available in two cases. The recalculated rate of return for HRDP of 28 per cent exceeded the appraisal estimate of 25 per cent. For HPM, the estimated rate of return calculated by the IE was 15 per cent.
136. In a few cases, economic and financial analyses of models developed by projects are available. The PCR of RIDP noted that four out of five models developed by the project were economically efficient, of which chicken- and pig-raising, and fish farming were the most efficient models with rates of return of 50.8 per cent, 88.6 per cent and 91.5 per cent, respectively. The returns on irrigation investment were estimated at 49.85 per cent, a little higher than the expected value given in the project appraisal (48.85 per cent). These high marginal rates of return provided substantial incentives for farmers to follow the recommended models and to take advantage of the extension and animal health services provided through the project. The advanced technical training (FFSs, training of key farmers, demonstrations, etc.) provided by the project helped farmers to increase production by supporting the adoption of modern farming practices. Some activities, however, had unstable economic rates of return (such as pig-fattening and *Momordica cochinchinensis* plantation)<sup>46</sup> as they were very sensitive to both input and output price variations. This underlines the importance of conducting comprehensive

<sup>44</sup> SIDA had originally agreed to provide TA, but subsequently decided not to do so as a consequence of a shift in priorities for its assistance programme in Viet Nam.

<sup>45</sup> Part of the planned funding for microenterprises was reallocated to other project components. The project was not fully disbursed however. At project closing it was found that there was USD 1 million remaining in the account. This was due to the fact that the Government had added an amount in the last year equivalent to the taxes that had wrongly been paid during project implementation and as this amount was not foreseen, the project could not spend all the money in the last year.

<sup>46</sup> *Momordica cochinchinensis*, a fruit known as *gac* in Viet Nam, is served at festivals and on special occasions.

- market analyses for potential products and of providing information on market demand to farmers.
137. In some projects, the infrastructure *costs* were higher than originally foreseen. In ARCDP the cost per kilometre of upgraded roads was 80 per cent higher than expected, owing to the increased price of inputs. In HRDP the higher costs were the result of project management's decision to upgrade the road standards because roads built to the original ones were being washed away during the monsoon. However, the effective mobilization of commune members in providing labour and in planning and operations and maintenance was an offsetting factor that reduced the cost of infrastructure works below appraisal estimates. Overall the costs were consistent with initial projections.
  138. The quality of *programme management* is a key element in determining the efficiency of projects. In the Viet Nam portfolio, positive features include: a high level of consultation, clearly defined objectives, ownership by the Government, effective project coordination, and the reasonable level of support from IFAD to the PPMUs through training activities, supervision and follow-up. However, less positive features may be observed in a few projects, including the overly optimistic assessment of the capacity of implementing agencies and complex project designs. In the following paragraphs, programme management will be discussed in terms of arrangements, M&E systems, financial management and procurement. Supervision and implementation support will be discussed under the section on cooperating institutions.
  139. *Project management arrangements*. Project management is often embedded in the government structure. The executing agency for the IFAD-supported interventions in Viet Nam is the PPC, and the implementing agencies at the provincial level generally include the Departments of Planning and Investment, Agriculture and Rural Development, and Finance. The Viet Nam FU and the WU are also important partners in project implementation. The PSCs usually meet on a quarterly or six-monthly basis, when proposals for project implementation are put forward and tasks delegated to relevant agencies. As a general rule, project directors have good access to the PSC chairmen and can thus ensure that issues are addressed, and decisions made, in a timely manner. Regular exchanges take place between the PPMUs and implementing agencies.
  140. Project implementation is fully decentralized and generally the responsibility of commune project management units (CPMUs),<sup>47</sup> which are responsible for selecting contractors for constructing infrastructure schemes and other activities. They also compile annual commune development plans and submit monthly reports to the district project coordination units, which undertake M&E work and prepare monthly/quarterly physical and financial progress reports to the PPMU.
  141. Projects are generally multicomponent; the decentralization model necessitates a great deal of coordination with regard to activities and levels (between the line agencies and from the provincial level to district level and commune level). In provinces (such as Ha Tinh, Tra Vinh and Tuyen Quang) where there is effective project coordination, project efficiency is considerably enhanced. As noted in the PCR on RIDP, good communication and coordination between the PPMU, district PMUs and implementing agencies at various levels, based on the agreed operational regulations, was one of the most important factors in ensuring project success. Guidance to commune staff, and timely development and distribution of operational guidelines and manuals also made an important contribution to project success.
  142. The projects also contributed to building up the capacity of project management staff with regard to planning, coordination and M&E. Training for project staff was organized to meet the needs of project implementation and management, as per planned targets and design objectives, whereas for the implementing agencies it

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<sup>47</sup> It should be noted that some projects define these as project coordination units (PCUs) rather than project management units (PMUs). For the purpose of clarity the evaluation uses the latter terminology throughout this report.

- focused on technical aspects, implementing methodologies, management and M&E of project activities. In some cases, where available, TA grants have made a good impact in terms of providing guidance and capacity-building, and have greatly facilitated project implementation.
143. Challenges to project management included the complexity of project design and lack of familiarity with market-driven development processes within the communities and among government officials – and even within the PPMUs. The PMD self-assessment (appendix 7) provides a frank appraisal of project implementation weaknesses in Viet Nam, and raises the possibility of a disconnect between the self-assessment and the more positive tone of this evaluation. This is discussed in table 14.
  144. Looking at the portfolio as a whole, project management usually improved during implementation and effectively implemented the annual workplans and budget (AWPBs). Performance obviously varies between different projects and programmes. The evaluation concurs with the PMD self-assessment on factors explaining the variation in performance, i.e.: (i) political commitment of provincial authorities; (ii) project management staff capacity; (iii) engagement of line agencies responsible for implementation, and the relationship between the PPMU and line agencies; and (iv) project design. The IFAD country office conducts training sessions, provides other forms of implementation support to projects, has regular exchanges with project management, performs close supervision and develops manuals. However, this cannot fully offset any lack of political commitment, inadequate project management capacity and limited involvement of implementing line agencies.
  145. Another important issue related to project management is that some projects cover more than one province (such as Ha Tinh and Tra Vinh together in IMPP, Ha Giang and Quang Binh together in DPRPR, and Gia Lai, Ninh Thuan and Tuyen Quang together in the TNSP). There is no strategic basis for the particular combination of provinces in each project. Ha Giang, for example, is a mountainous province with a large ethnic minority population and limited capacity; Quang Binh by contrast is a coastal province with a much smaller ethnic minority population. It is almost impossible to see what synergies are derived from putting these two provinces together in a lending operation. The future scale and coverage of operations will need to be fully explored in the forthcoming COSOP.
  146. *The M&E* of projects has generally captured financial and physical progress. The decentralized M&E system prescribes varying degrees of data collection, analysis and reporting at the provincial, district, commune and village levels. Progress reports are generally submitted in a timely manner and are helpful to project management. However, in many cases, indicators are still confined to output levels and are quantitative. As noted in the PMD self-assessment, the M&E framework does not always disaggregate according to gender and poverty to allow project management to assess project impact on women and poor households, and assist them in responding to issues, challenges and opportunities. The PMD self-assessment also recognizes that the focus of the current M&E manual deals with the monitoring of implementation progress rather than outcomes. However, the CPE notes the efforts made by projects to collect information on impact and outcomes by developing an impact chain based on the logframe (in Ha Tinh and Tra Vinh, for example), and to include more indicators for measuring outcome (for example, not only the number of people attending training sessions but also those subsequently obtaining stable jobs). Nevertheless, this process of developing the impact chain is still ongoing and, since it has not been undertaken in all projects, overall impact assessment still constitutes a challenge.
  147. The country office has arranged the recruitment of an international consultant and training for a national officer with a view to providing M&E support. The M&E units strive constantly to improve their data analysis skills, without which projects would be unable to analyse data collected from IFAD's results and impact management system database and annual surveys. Another important suggestion from the PMD

self-assessment, and with which the CPE concurs, is that M&E units should be assigned functions relating to the quality control of infrastructure investments.

**Table 14: Is the glass half full or half empty? Differences between the views of the PMD self-assessment and the CPE team**

PMD Self-assessment	Evaluation Team
Provincial PSC is often not very active.	In some projects the PSC does not play an important role, but the chairman (usually the deputy chairman, PPC) usually keeps close contact with the project director and is therefore able to address any issues that may arise.
Insufficient linkage with ongoing government national targeted programmes.	This refers particularly to Programme 135. The evaluation agrees with this point, and recommends that a special effort be made to explore how best to strengthen linkages.
Lack of ownership of project activities by the line agencies – delivery limited to specific tasks agreed with PPMUs, with the latter taking the central managing role.	As line agencies have other responsibilities apart from projects, it is understandable that their ownership of project activities is limited. This is why the PMU plays an important role in managing line agency contributions to projects. In a number of projects it has done this effectively.
Lack of staff with capacity in the PPMU – government staff seconded from departments with little experience of implementing ODA projects.	There is always a trade-off between hiring ‘experts’ from outside and using government staff on a project. We think IFAD has made the right choice in recruiting government staff and giving them training and back-up support from the country office. This is building the Government’s own capacity and creates greater sustainability when the project closes.
Weak service delivery at the district level. No clear definition of accountability of project activities by the district PPC, lack of experienced staff.	The same applies to the Government’s own activities – responsibilities at the district level are not clearly defined in the Viet Nam system. The district provides technical support in financial management and M&E, but plays a limited substantive role in projects.
Commune capacity tends to be weak, particularly as investment owners.	The projects are making a major contribution to building up that capacity. It may be necessary for IFAD to work more with village development boards (VDBs) in future projects, because the ownership of individual investment activities tends to be greater at the village level.

148. Apart from the need to improve M&E systems in the field, IFAD’s country office will need to establish mechanisms for capturing results across the portfolio. One approach may be to establish a standardized monitoring system operating across the entire portfolio rather than by individual project, even though account should be taken of specific capabilities in the various provinces when developing such a system. A better monitoring system could serve as an important tool for ensuring sustainability through identifying strengths and weaknesses in project/programme implementation and highlighting potential linkages among individual components.
149. *Financial management* is another important factor in project efficiency. Bottlenecks in flows of funds impede progress. In some projects, authorized allocations to designated accounts have been too small, as a result of which projects have tended to run dry during the peak implementation phase. For example, the authorized allocation for the Ha Giang and Quang Binh special accounts is up to US\$1.2 million each and for Ha Tinh and Tra Vinh up to US\$1.25 million each. With the decentralization in financial management, each project-supported commune opens its own commune account at the district treasury and advances are made to these accounts for implementing project activities. If the amount in the provincial special account is divided equally among communes, this allows for only about US\$25,000 each, and leads to shortages of funds to pay contractors during the peak implementation phase. Indeed, a number of projects have had to borrow heavily from the provinces in order to make up for shortfalls, as recognized in the PMD self-assessment. Efforts have been made to build up the capacity of financial staff at the

commune level to enable them to make payments for activities, collect receipts and deal with district treasury officials. But, overall, the capacity of commune accountants is still limited; given that district accountants have little time (most of them work for the projects part-time) to look at project-related schemes, there are delays in collecting receipts for, and submitting, withdrawal applications. In the recently approved Project for the Economic Empowerment of Ethnic Minorities in Poor Communes of Dak Nong Province (3EM), the problem of small authorized allocations to the special account has been rectified. According to the project's loan agreement, withdrawals from the loan account to the special account may be requested quarterly in advance during project implementation, and advances may be up to the amount of expenditure foreseen in the AWPB, which should help avoid some of the problems faced by earlier projects.

150. Moving forward, the country office should ensure that projects always use the financial management software developed for generating financial statements and withdrawal applications. Commune-level software should be also developed for decentralized financial management. With regard to capacity-building for financial management, IFAD should continue to train project accountants and organize learning events to enable accountants both to network with their peers and to discuss common problems.
151. *Procurement.* The country office has ensured the participation of a procurement expert in all supervision missions, and has developed a system for keeping documentation and records. Procurement plans and major procurement packages (goods, works, services) have been checked by the expert. In general, problems in procurement, particularly during the first year, had to do with the difficulty of recruiting qualified procurement staff for projects.
152. Weak capacity, particularly at the commune level, makes procurement time-consuming. Procurement officers should receive training on IFAD's procurement guidelines, including refresher courses, particularly with regard to the prior review of bids for goods and works; review of bidding documents; and the drafting of bid evaluation reports and contracts. A best-practices manual for commune-level procurement in IFAD-funded projects might also be useful. Random checks of community-built infrastructure could also help ensure that schemes are: (i) built according to quality standards; (ii) follow cost norms (and ensure they are appropriate); and (iii) identified in a participatory manner.
153. One problem in this regard is that IFAD's thresholds are much lower than those of the Government. For example, IFAD's procurement guidelines allow for direct contracting without competition in only a few, exceptional, circumstances; any contracts for goods and equipment for a value of US\$60,000 or more, or for consulting services for an estimated value of US\$40,000 or more, are subject to prior review by IFAD. On the other hand, Viet Nam's tendering law allows for direct contracting for goods and equipment valued at less than VND2 billion (equivalent to US\$100,000) and for infrastructure costing less than VND5 billion (equivalent to US\$250,000), as long as it can be demonstrated that direct contracting is more efficient than competitive bidding.
154. IFAD's more rigorous procedures should ensure better governance and efficiency. However, it may be advisable to assess the Government's procurement regulations (possibly in collaboration with other IFIs), including the overall legislative and regulatory framework and national structure for public procurement. Based on that, the next COSOP might give an opinion as to whether the Government's procurement system may be considered acceptable for undertaking project-funded procurement. However, even if the system is appropriate in theory, there are still issues of implementation capacity given that IFAD works at the provincial, district and commune levels.
155. **Overall assessment.** The efficiency rating for projects/programmes in IFAD's Viet Nam loan portfolio is satisfactory (5). There is evidence of learning and a build-up of capacity at the provincial, district and commune levels over time, and, where

available, quantified indicators of efficiency compare favourably with those of other countries of the region.

## **E. Rural poverty impact**

### **Household income and assets**

156. As mentioned earlier, the steady but substantial growth of per capita income in Viet Nam over the last two decades has lifted large segments of the population out of poverty. It is not surprising, therefore, that there has been a substantial reduction in poverty in all the provinces where IFAD has been active. In the absence of a systematic impact analysis of without-project communes, it is difficult to assess project impact. But, at the very least, it seems reasonable to assume that the IFAD-supported country programme has enabled many ethnic minorities and other poor communities to participate in the country's overall growth and has helped them to avoid slipping into a structural underclass. In most cases, better incomes are attributable to increased agricultural productivity and to investments in livestock combined with improved animal health services. By contrast, microenterprise development appears to have made a limited contribution to income levels. Some examples of the impact of projects on household incomes are given in box 7.

#### **Box 7: Impact of projects on household incomes**

- Under PRMP in Tuyen Quang, increases in household income have been mainly due to higher yields as a result of extension and training provided to smallholders. It was estimated that, between 1993 and 2007, the target group of low-income households decreased from 57.4 per cent to 40.7 per cent.
- Under ACRDP in Quang Binh, the proportion of poor households decreased from 36 per cent to 21 per cent in the six years of project implementation.
- Under HRDP in Ha Tinh Province, in the 137 communes covered, household incomes more than doubled during project implementation. Data from the provincial government indicate that, from 1999 to 2004, the poverty rate decreased from 52 per cent to 18 per cent.
- When IMPP was designed, poverty in project communes in Tra Vinh was estimated to affect 45-50 per cent of the population. Recent studies suggest it has since declined to 29 per cent. For Ha Tinh, the average incidence of poverty in the 50 project communes fell from 47 per cent at the time of appraisal in 2006 to 35 per cent in 2008.

157. With regard to assets, there has been much purchasing of livestock on the part of the rural poor with credits provided through projects. Under PRMP in Tuyen Quang, livestock yields increased considerably, largely thanks to animal health activities supported by the project (including vaccinations) and the recruitment of commune-level animal health workers. Under ACRDP in Quang Binh, provincial figures showed an 11 per cent increase in the number of pigs and of almost 50 per cent in poultry (the two types of livestock most favoured by poorer households) during the project period (1996-2002). The fact that livestock numbers subsequently decreased under PRMP, when beneficiaries sold off their livestock to invest in assets such as house construction, reflected their confidence that a poor harvest would not push them back into food insecurity.
158. A particularly interesting and innovative feature of the IFAD-supported programme in Viet Nam has been the direct support provided by projects to increase women's assets. In recent interventions, as much as 25 per cent of the CDFs are devoted to providing assets to poor women with a view to improving their standards of living and quality of life. These have included agricultural implements intended to both increase productivity and reduce drudgery, and toilets that contribute to the health of the household and the environment.
159. Also important has been the allocation of user rights to forest land. Although the forest land-use certificates (FLUCs) do not convey full ownership, the user rights they provide are sufficiently long-term to encourage investments in the land. They



can also be used as collateral for loans. Under RIDP in Tuyen Quang, 40,000 ha of certified forest land were provided for the use of 26,000 families. Given the long lead time for forest plantations to enter production, for most projects, the impact of the FLUCs on the income levels of the rural poor, particularly among ethnic minorities in the upland areas, will be measurable only after five years or more. Where certificates have been issued earlier under government programmes, however, the evidence suggests that access to forest land has helped to substantially improve the living standards of recipients.

### **Human and social capital and empowerment**

160. All projects include major training components in support of capacity-building in local governments and among beneficiaries. In one project, it was estimated that 920 persons involved (in one way or another) in project management had received formal training. Even more important perhaps is the social capital that has resulted from the participatory processes supported by IFAD. Under the first IFAD-funded project in Viet Nam, PRMP in Tuyen Quang, the participatory process for planning, implementation and monitoring appears to have built up considerable awareness and capacity for tackling development issues. The credit programmes helped to strengthen the WU and FU, and anecdotal evidence suggests that there was greater participation by women in social and public affairs. Under ARCDP in Quang Binh, the supervision reports judged the participatory process to have had more limited success, but took the view that the various training programmes, such as those on animal husbandry, crop cultivation, integrated pest management, irrigation and road management, had been more successful. HPM in Ha Giang was unusual inasmuch as it had a large component devoted to health, education and nutrition. The success of village health workers and the investment in building community schools brought direct benefits. There was evidence of improvements in school access, attendance, retention and a narrowing of the gender divide; and, in terms of health, the record showed reduced incidence of malnutrition and disease in remote villages. In the case of HRDP in Ha Tinh, which devolved considerable responsibility to the village level, supervision missions concluded that it had significantly increased the capacity of village institutions to plan and implement village-level development activities and effectively involved both the poor and women in these activities (see box 7 above).
161. Vocational training has become an important element of the country programme supported by IFAD. Part of such training is designed to meet the specific needs of projects, particularly in areas such as animal health and forestry. In Ha Giang, 474 community animal health workers have been trained and deployed in all 191 communes of the province. In addition, vocational training has been important as an option for income diversification and for diverting redundant rural youth labour to non-farm employment. In Tuyen Quang Province, RIDP (2002-2010) partnered with PETVTS<sup>48</sup> to provide formal long-term training in agricultural machinery repair, extension services, veterinary services, food processing, cooking, accounting, etc., to rural youth in the 66 project communes. The project invested in equipping three new branches of PETVTS in Ham Yen, Na Hang and Chiem Hoa districts and reached agreement that the school would ensure equal training and employment opportunities for women. Based on a survey conducted by PETVTS, roughly 50 percent of the 4,000 graduates have found employment in the state sector or in private enterprises. This model of formal long-term vocational training for rural youth has good potential for replication and scaling up; with the gradually increasing productivity of labour in farming activities in Viet Nam, it is becoming even more urgent to create off-farm employment opportunities for young rural people. IFAD's experience in Tuyen Quang, Tra Vinh and other provinces provides examples of possible avenues for the Government to consider. For instance, one striking result that has emerged from IMPP is that, six months after receiving vocational training, 60-80 per cent of the graduates were employed.

<sup>48</sup> Project Performance Assessment of the Rural Income Diversification Project in Tuyen Quang Province, 2011.

162. Projects supported by IFAD have been also instrumental in building up grass-roots-level groups that empower the poor and create capacity to better articulate and manage development needs. For example, establishment of water users' groups has been a feature of almost all projects with irrigation components. In addition, SCGs have promoted the empowerment of the poor in general and of women in particular. CIGs of producers, who join together to implement demonstration models, have proved useful in boosting the confidence of smallholders to diversify their production and increase their bargaining power (see box 8). While evidence suggests that these groups have been most successful, as long as projects are going forward there are serious issues of sustainability. The two IEs undertaken suggest that only about 50 per cent of these groups are likely to remain in place a year or two after project completion. This is an important issue that merits further analysis and investigation.

#### **Box 8: A CIG in Tra Vinh province**

- Ro Say is a Khmer village. Farmland in Ro Say is limited, and much of it is not irrigated. Recently, even underground water in the village has been affected by alum. Farmers have to drill deep wells and pump water for their crops.
- Ro Say's vegetable CIG includes 21 Khmer and nine Kinh members, of which five are women. To describe their poverty, members explained that only the most disadvantaged people in the village remain in agriculture. Since starting CIG activities about two years ago, they have attended an FFS on green cultivation, gone on study tours in Binh Phuoc Province and, with technical coaching from IMPP, developed a safe vegetables area with high-value crops. One member also piloted new varieties with water-saving cultivation technology. In response to farmers' requests in commune participatory planning, IMPP installed an electricity line to facilitate irrigation for vegetable-growing. In 2010, the vegetables of Ro Say village received a safe quality certificate from the Provincial Quality Control Department, which farmers claim is the passport for their products to enter supermarkets. Ro Say is one of the 79 businesses and groups receiving business development services under IMPP.
- Coordination and consensus among farmers help them to negotiate higher prices for their crops and achieve green cultivation quality. The group now coordinates with regard to diversifying vegetables, adjusting harvest times and having their marketing leader negotiate prices with traders. They have also initiated a revolving fund with contributions of VND50,000 per month from each member for on-lending to members in need.

#### **Food security and agricultural productivity**

163. Increased agricultural productivity and crop diversification appear to be among the success stories of the Viet Nam portfolio. Under PRMP in Tuyen Quang, for example, food production increased from 174,000 mt in 1994 to 271,400 mt in 2001 and maize and paddy yields increased from 1.88 to 3.35 mt/ha and from 3.12 to 4.96 mt/ha, respectively, thereby dramatically reducing the number of food-deficient households. Cultivation areas for sugar cane and fruit trees expanded from 1,185 to 7,200 ha and from 965 to 5,000 ha, respectively. In HPM in Ha Giang, increased yields were estimated at around 40 per cent for paddy (and up to 100 per cent on better lands) and 10-30 per cent for maize and soybean. These increments ensured production above family needs. In HRDP in Ha Tinh, the key yield crops, paddy and groundnut, increased between 15 and 50 per cent, and an estimated 20,000 mt of additional paddy was produced annually in the project area.
164. Data on food security is unfortunately limited to reports obtained during interviews. Under ARCDP in Quang Binh, a socio-economic survey of 564 poor households carried out in April 1995 (prior to the project) showed extraordinarily high rates of food insecurity: 16 per cent lacked food for three months of the year, 15 per cent for four months, 12 per cent for five months, 21 per cent for six months, 18 per cent for seven months and 18 per cent for more than seven months. Households interviewed in 2004 reported average food deficiencies of three months. In this regard, the evaluation concluded that there had been a substantial increase in food security in the project area overall, as confirmed by other projects. Under HRDP in Ha Tinh, the average food consumption of poor households increased from 180 kg to 300 kg per capita. RIDP in Tuyen Quang reported an

increase of 17 per cent (72 kg) in food availability per capita per year in the project area.

### **Natural resources, the environment and climate change**

165. IFAD-funded projects have played an important role in supporting the Government's policy for restoring forest cover in degraded lands by giving the rural poor an incentive to replant such lands in return for a share of any produce. These programmes have proved popular. Under PRMP, forest cover doubled over a period of ten years (from 27 to 51 per cent) as a result of improved land productivity and the move out of shifting cultivation. Under HRDP and RIDP, long-term land leases for community forestry provided many poor households with a productive asset and resulted in more replanting of degraded land than originally projected.
166. There are other examples of environmental activities in IFAD's supported country programme. Although there was an attempt to provide solar panels as a substitute for electricity supply under HRDP, this initiative was overtaken by rapid expansion of the electricity grid and the component was discontinued. At the same time, there are concerns that the agricultural components of projects have led to increased cultivation on steep slopes in some upland areas, which increases the possibility of erosion and environmental degradation. Under HPM in Ha Giang, there has been a positive impact on the environment and common resource base in areas where the project has been most active. However, in terms of the overall need to halt the arable use of steeply sloping lands (to protect the existing vegetation and rehabilitate tree cover across the upper catchments of many of the northern valleys, which may extend to 150,000 ha or more) the achievements of the project, with its coverage of only 20,000 ha (and even those of the similar provincial programmes), can only be considered as a holding exercise.
167. The projects have also tackled the environmental impact of climate change where it is becoming a factor in the project areas. In the project in Ben Tre, paddy fields affected by salinity have been replaced by coconut plantations. Investments have been made to improve the coastal infrastructure to control salt water intrusion. The project has initiated collaboration between the provincial and district agricultural development offices and Can Tho University to develop salt-tolerant species. ARCDP in Quang Binh included measures for the fixation of sand dunes to prevent encroachment of sand into the paddy area. In IMPP in Tra Vinh, some of the dry zones with sandy soils have started growing water melon, chilli and other seasonal vegetables thanks to irrigation pumps provided in collaboration with GIZ through its climate change adaptation initiative.
168. The real issues with regard to natural resources and the environment, however, relate to what the programme has not, rather than to what it has, done. When assessed separately, it was found that project components effectively achieved their objective to mitigate environmental damage in the project areas. However, the scattered components of the programme in Viet Nam do not add up to a systematic and strategic approach to this serious challenge. As indicated earlier, although the country faces enormous problems with regard to climate change, environment-related risks and depletion of key natural resources, it comes across as an after-thought in IFAD-funded programmes. It is true that other donors are also heavily engaged in these issues, but IFAD may have a comparative advantage in terms of exploring the impact of potential environmental damage and the effects of climate change on the rural poor. In the next COSOP, this will need to be an important feature of the programme and perhaps one of the key pillars of IFAD's future engagement in Viet Nam.

### **Institutions and policies**

169. The major impact of the IFAD-funded programme has been to build up capacity at the local level through strengthening provincial, district and commune institutions, thereby supporting the basic principle of decentralization. PRMP, RIDP and HPM all had a visible impact in terms of improving the ability of provincial, district and commune institutions to deliver agriculture extension and other development

services, as seen in the increased effectiveness of extension and the use of participatory approaches in local development planning. HRDP in Ha Tinh, working through line agencies, appears to have contributed to increasing awareness of both the importance of participatory rural development and of the technical skills of Government officials. The experience gained has been applied to broader development programmes in the province.

170. Another important programme contribution has been to build up the capacity of line agencies of provincial governments and provide for the institutionalization of extension and animal health services at the commune level. ARCDP in Quang Binh contributed by setting up an extension system and appointing trained extension workers in each commune. After completion of the project, the province continued to employ commune extension workers.
171. A major turning point in the Viet Nam portfolio was the support to market-based local development planning under IMPP in Ha Tinh and Tra Vinh (2007-2012) and the development of value chain-centred marketing associations under DBRP (2008-2014). In Tra Vinh, the project was involved in the planning and budgeting of commune market opportunities to institutionalize such activities within commune-level government arms and increase market awareness.
172. Another important area of policy support relates to forestry and to providing the rural poor, especially ethnic minorities in the upland areas, with land-use rights for production forestry. In many of these areas, which are of limited value in terms of conservation, forest land had become degraded and was being used mostly as low-value pasture lands. IFAD-funded interventions pioneered the provision of land-use certificates to the rural poor together with training and services to promote the reforestation of these lands with *acacia* (see box 9).

## Box 9: Promoting the productive use of forest lands

- Viet Nam has substantial forest cover. Large parts of the forest areas consist of conservation forests that are not available for production. There are many areas, however, where the forest resources have been degraded and the land could be used more productively. All this land is owned by the state, but the local communities have traditionally used the land; land-use rights are well recognized in the communities – rights to parcels of land are inherited and given as dowries. Until recently, however, there has been no formal title to such land-use rights. Therefore, this land could not be used as collateral for borrowing, and the resultant insecurity often made those who had land-use rights reluctant to invest in these areas. IFAD-funded projects have supported the provision of FLUCs to holders of land with the potential for production and, where there was no current user of the land, the allocation of land-use rights to the rural poor.
- IFAD has helped develop a manual for projects that sets out a seven-step process, as follows:
  - a) An inventory of forest lands in the district and communes is undertaken.
  - b) Meetings are held locally to explain land allocations to various categories, i.e. production forests; watershed forests; and conservation forests.
  - c) Different options for land allocation are discussed.
  - d) A field inspection is undertaken jointly by the task force set up for the purpose and the beneficiaries.
  - e) Land is measured and demarcated, and mapping is finalized.
  - f) Maps are posted publicly so that local communities are aware of boundaries and allocations.
  - g) FLUCs are issued.
- This process has allowed the issuance of certificates to move forward much more effectively than in the past, when it was often held up because of overlapping allocations and disputes that were extremely difficult to resolve. Effectively, this process authorizes the commune to resolve the disputes.
- In parallel with establishing land-use rights, the IFAD-funded projects establish CIGs to develop nurseries for *acacia* seedlings. Support and training are provided to persons who acquire land-use rights for productive use of the land. Generally, for three or four years, cassava will be planted to provide some income while the *acacia* matures. FLUCs can be used as collateral for loans.

## Overall rural poverty impact

173. The country programme's overall rural poverty reduction impact is rated *satisfactory (5)*. There have been concrete achievements across the portfolio in terms of impact on the incomes and assets of smallholders; increased human and social capital and empowerment, particularly for women; and greater agricultural productivity and crop diversification. The CPE assessed as positive the programme's impact on building up the capacity of institutions at the local level, and policy support aimed at obtaining land-use rights for production forestry. However, much remains to be done in terms of adopting a systematic and strategic approach to questions of natural resources, the environment and climate change. Ratings of individual impact domains appear in table 15.

## F. Other performance criteria

### Sustainability

174. Project sustainability in Viet Nam has two different facets. First, there is the sustainability of structures and processes that relate to the functioning of provincial governments, such as: (i) the coordinating role of PPMUs in relation to line agencies; (ii) adoption of participatory approaches at the commune level; (iii) devolution to the commune or village level of ownership and responsibility for the maintenance of small-scale infrastructure; and (iv) the location of animal health and extension workers at the commune level. Second, there is the sustainability of project features that involve organizing and building up the capacity of smallholders and the rural poor. These include: improvements in on-farm productivity; participation in demonstration models and formation of CIGs; formation and successful functioning of SCGs; and maintenance of commune-level roads and small-scale irrigation.

175. As discussed earlier, one of the important innovations of the IFAD-funded interventions in Viet Nam has been the creation of PPMUs reporting to the PPCs to coordinate the work of line agencies in support of the rural poor (see paragraphs 83, 98-99). The key to sustainability at the central government level is the institutionalization of PPMUs. A strong argument could be made that in every province where the rural poor constitute say, 15 per cent or more of the total population, this function should be an integral part of the provincial governance structure, and with appropriate budgeting. This has not been adequately tested thus far because, wherever there is significant unresolved poverty, IFAD has organized a follow-up project. There have been some partial successes. Under HRDP, for example, the Government internalized the achievements in extension and veterinary support and funded the continuation of these activities from its own budget. For the present, however, the jury is still out on whether the integration of government services to support the rural poor will survive completion of the IFAD-funded project.
176. As far as investments and capacity-building are concerned, it seems likely that the benefits they generate will be sustained. The arrangements for infrastructure maintenance by the communities seem robust, and evidence so far is positive. In general, it seems likely that the productivity improvements the projects have supported in crop production, animal husbandry and agroforestry will also be sustained. The training and study tours have made an important contribution to a permanent change in attitudes and in acceptance of the need for, and viability of, production for the market. The sustainability, without project funding, of some of the community-based groups (SCGs and CIGs) is more problematic, however, and will depend on whether the necessary capacity has been built up to enable them to carry on once the projects close. In some projects, such as RIDP, the private-sector development components have lagged behind and their sustainability is open to question. The same applies to the second IFAD-funded project in Viet Nam, ARCDP in Qang Binh, which experienced serious sustainability issues. In 2002, some six years after the project was approved, only 25 per cent of the SCGs were still operational, and there were problems with other project components.
177. As mentioned earlier, IFAD has prepared follow-up projects to some of the interventions in the country portfolio. Indeed, sustained effort in a limited number of provinces is a feature of the IFAD-supported programme in Viet Nam. A third project was recently approved for Tuyen Quang Province, the location of the first IFAD-funded project. There are various explanations for this model. First, the targeting of provinces with large ethnic minority populations makes it logical to focus on the limited number of provinces, mainly in the northern highlands region, that meet this criterion.<sup>49</sup> Second, a follow-up project may reflect the view that it is worthwhile to build on the achievements of the first project and make further headway on poverty reduction in a location that remains relatively poor by national standards. Third, it may reflect the fact that an institutional structure has evolved, that it plays a useful role in the province and would be put at risk if IFAD withdrew. All of these factors have probably played a role.
178. There are good arguments for a continuing IFAD presence in provinces where projects/programmes have already been implemented. But this also reflects, to some degree, both failure to design an appropriate exit strategy and the slow pace of scaling up innovative aspects of these projects. IFAD-supported interventions deal with a genuine institutional gap in Viet Nam – the absence of a provincial-level coordinating mechanism geared to financing investments for, and providing services geared to, rural poverty reduction. The PPMUs are designed to fill this gap, and are recognized as playing a very useful role in coordinating service provision for the rural poor, and in channelling resources and monitoring their effective use. When faced with the possibility of a project closing, loss of the PPMU function and of resources flowing into the province, the tendency is to urge the Government to

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<sup>49</sup> It should be noted, however, that Ha Tinh and Quang Binh, which have both had follow-up projects, are central-coastal region projects with relatively small ethnic minority populations.

consider a follow-up project. IFAD is also reluctant to see both the capital invested and the relationships built up with PPMUs and district and commune structures either reduced or lost completely. One solution might be to institutionalize the PPMU function. IFAD could support the development of poverty programme coordination units in all provinces with significant numbers of poor rural people – not just in the 11 provinces where it has projects. Over time, the costs of these units would need to be absorbed by provincial administrations. This requirement could be built into project agreements, with a gradual increase in the percentage of costs met by provincial governments.

179. The sustainability of the IFAD-supported portfolio in Viet Nam is rated *moderately satisfactory* (4.) This reflects the likely sustainability of some project impact<sup>50</sup> and achievements on the ground, as well as the need for exit strategies to ensure the continuation of institutional benefits. While IFAD-funded projects routinely include such exit strategies, evidence suggests that there is need for a more systemic approach at the portfolio level, which should be examined as part of the next COSOP.

### **Innovation and scaling up**

180. As stipulated in IFAD's innovation strategy, an innovation may be of a technical, social or institutional nature. A practice is considered innovative if it is new in a given context and can "stick" after it is piloted. In this sense the Viet Nam country programme is highly innovative; it is viewed as such by the Government, even though it uses approaches that have been successfully tested by IFAD in other countries. The 2003 COSOP lists a number of opportunities for innovations and project interventions: community development, gender mainstreaming, rural income diversification, land and forest resources, and village infrastructure. However, there is no description of specific innovation forms or types that might be explored. The 2008 COSOP, on the other hand, explicitly outlines three opportunities for innovation to scale up through programme interventions: pro-poor investment in upland areas; upland technology development, transfer and adaptation; and climate change financing mechanisms. That COSOP was well accepted at all levels of operation.
181. The Viet Nam country programme is innovative in its use of participatory processes, support for decentralization and the capacity-building of line agencies of provincial departments. One should not under-estimate the degree to which the move away from top-down planning represented a major innovation in Viet Nam. It is worth noting two features of individual projects that perhaps have some interest beyond Viet Nam. DBRP has a specific innovation aimed at further developing the system of credit insurance through FU. The recent 3PAD has some especially interesting and innovative features that relate to piloting the development of public-private partnerships in agroforestry development. It is worth mentioning the evaluation of IFAD's capacity to promote innovations and scaling up<sup>51</sup>, which includes two case studies, namely, on DPRPR and DBRP. The evaluation concludes that the main expected outcome of DPRPR's innovations in project design was that they would stimulate and strengthen the Government's decentralization agenda and build up capacity at the district and commune levels. The overall rating for this innovation was moderately satisfactory because no additional funding was allocated to support innovations that were not a core activity of project design. As stated in the evaluation, "the solution applied by the project team has been to use the available funds to support new/improved activities as far as possible but this has not occurred in a systematic or deliberative way to generate innovative outcomes. There have been no specific interventions that could be termed 'capacity-building in innovation'. On the other hand, DBRP was rated satisfactory for its major innovation in value chain development.

<sup>50</sup> Over the medium term, even if the project innovations are not sustained, the impact on the incomes of the poor is still likely to be positive in the concerned province.

<sup>51</sup> Source: Evaluation of IFAD's Capacity to Promote Replicable Innovations and its Scaling up. Viet Nam Country Visit, June 22<sup>nd</sup>-27<sup>th</sup> 2009 (pages 2-3).

182. There are two basic mechanisms for replicating and scaling up IFAD-supported projects/programmes. First, the 'mainstreaming' of approaches successfully supported by IFAD in government and provincial government programmes; second, the support by larger donors such as World Bank or AsDB for developing these programmes on a regional or national basis. In Viet Nam, replication is confined to the first approach. IFAD has not so far worked with the larger IFIs to develop scaled-up versions of the integrated rural development model; neither has it attempted to find partners, such as the International Finance Corporation, to bring the value chain approach to a broader private-sector constituency.
183. On the other hand, and as discussed in the sections on policy dialogue and partnerships, features of the area-based model have been integrated into government policies and programmes at both the provincial and national levels. There is increased use of participatory approaches in planning and project implementation, the design and modalities of Programme 135 for supporting poor communes, approach to gender equality and women's empowerment, use of commune-level animal health workers and extension agents in the provinces, government strategies for public-private partnerships in rural infrastructure and agribusiness. All of these bear the stamp of the approach pioneered by IFAD. As mentioned in paragraph 171 regarding early experience under IMPP and DBRP, in Ha Tinh there is potential for scaling up and integrating market-based local development planning and budgeting into the Government's regular five-year SEDP.
184. A case could be made along the following lines: IFAD will continue to be active in Viet Nam over the next 15-20 years. By focusing on a group of provinces with large ethnic minority populations, it will focus on the most difficult part of the rural poverty problem and the areas where there is the highest risk of long-term structural poverty. Most other provinces, even where there is substantial poverty, are likely to benefit from rapid growth at the national level thanks to education, migration and greater agricultural productivity.
185. The CPE agrees with this line of argument. However, that does not exclude greater emphasis being placed on institutionalizing its projects/programmes to cover all communes in provinces where IFAD is active, or innovations being scaled up to the national level where other provinces may benefit from them. IFAD's involvement in Ben Tre and Tra Vinh in the Mekong delta, and in the coastal provinces of Ha Tinh and Quang Binh in the central region (all provinces with relatively small ethnic minority populations), reflects MPI's interest in IFAD playing a role at the national level.
186. The overall assessment of the portfolio for innovation and scaling up is *satisfactory (5)*.

### **Gender equality and women's empowerment**

187. Since transforming to a socialist-oriented market economy (*Doi Moi*) at the end of the 1980s, Viet Nam has made significant progress in eliminating gender inequality (see paragraphs 22 and 42). In recent years, the Government has recognized that mainstreaming gender equality into policy-making and socio-economic development planning is the most effective approach to achieving this objective.
188. In 2003, IFAD defined three corporate objectives for gender equality and women's empowerment: (i) increase women's access to, and control of, basic assets – capital, land, knowledge and technologies; (ii) strengthen women's agencies, their decision-making role in community affairs and representation in local institutions; and (iii) improve women's well-being and ease their workloads by facilitating access to basic rural services and infrastructures. IFAD's gender strategy for Viet Nam formulated in the 2003 COSOP and continued in the COSOP of 2008, reflects these objectives. That strategy remains valid to this day.
189. IFAD has forged consistent partnerships with WU and NGOs with a view to supporting the Government in promoting gender equality and women's rights, and its assistance has served as an effective stimulus to government objectives and



policies in this regard. RIDP in Tuyen Quang contained a component specifically designed to empower women and a well-developed gender strategy<sup>52</sup> that cut across all components. Women participants in field demonstrations and FFSs comprised 91 per cent and 67 per cent, respectively, and, in the SCGs, 76 per cent of members were women. Women also accounted for 47 per cent of the beneficiaries of livestock support. More significantly, women were assured the right to basic production resources. Land-use certificates were awarded in the names of both wife and husband, and this practice was repeated in other IFAD-funded projects. However, there were gaps in gender mainstreaming. For example, HRDP paid insufficient attention to addressing women's needs for labour-saving agricultural implements, as a consequence of project staff having received far too little gender-awareness training.

190. The shift, in the country programme, from comprehensive rural development to support for the value chain and for linking small farmers to markets, resulted in broadening the impact on different vulnerable groups such as landless labourers, farmers with very limited land, and unemployed youth. The public-private partnerships developed by projects show potential for increasing impact with reasonable seed funding, and projects supporting the value chain built up women's managerial and leadership capacities. As enterprise development has generally moved slowly, there are few successful cases of this in the Viet Nam portfolio although, in a few projects, aspiring women entrepreneurs rapidly mastered the necessary marketing and business management skills. A good example of this is the marketing of Hai Ly's rice cakes under IMPP (as described in box 10).

#### **Box 10: A female entrepreneur creates a rice cake brand**

- Hai Ly rice cake is a newly-created brand of a traditional food/snack in Southern Viet Nam. The rice cake, locally called *Banh Tet*, is a bar of boiled sticky rice stuffed with green bean powder, or pork, salted duck eggs and bananas, wrapped in fresh green leaves. Hai Ly is the name of the business owner, and also the brand name of her products. Three years ago, Mrs. Ly's shop was just one of the many rice cake shops in the area where visitors could pick up this type of snack. As her small cake workshop used local farm products, it was spotted by IMPP and supported with business development services. Everything has changed since the day a consultant from IMPP visited Mrs. Ly's shop. The consultant advised her to change the packaging and to register a brand name. She also attended two training courses on marketing and business management organized by IMPP. Cooperation with IMPP continued once her cakes had a brand name, a new look and a logo - with contact information and even an Internet address on the package. The taste and quality of her cakes has improved, as has her expertise in quality control.
- With the project's financial support for attending trade fairs, Mrs. Ly has sold her rice cakes through various channels in the Mekong Delta region, following an initial order from a trader in a neighbouring province that convinced her to continue marketing them. Thereafter, orders started to come in one after the other. Mrs. Ly's shop is now distributing rice cakes and other local delicacies to 11 provinces, including a large supermarket in Ho Chi Minh City. Total sales have increased tenfold, and Mrs. Ly employs 15 regular workers in two production sites, and several saleswomen in the shop.
- Like many other small female traders in the area, Mrs. Ly still counts in her head instead of writing down her expenses and revenues. The business book-keeping is handled by her highschool daughter. Her vision of marketing has changed: she now plans to invest in vacuum packaging technology in order to improve preservation and produce frozen cakes, and she is looking for more opportunities for supermarket outlets and for exporting her product.

191. IFAD's contribution to ensuring gender equality has been particularly important for women in ethnic minority communities in the uplands. The role and status of women in the upland agricultural sector in particular has improved considerably through increased productivity and income; effective participation in community processes and decision-making; and better access to forests and forest land, backed up by land titling in both the husband's and wife's names. Improvements in women's health and welfare in the ethnic minority areas have also contributed to improving their status within the family. Enhancing women's capacity is essential to ensure sustainable poverty reduction in ethnic minority communities.

<sup>52</sup> Project Performance Assessment (PPA) – Rural Income Diversification Project in Tuyen Quang Province, Socialist Republic of Viet Nam, October 2011.

192. On balance, the country programme's impact on gender equality and women's empowerment is rated *satisfactory (5)*. The achievements can be defined in relation to IFAD's specific gender objectives. The expansion of women's access to and control over fundamental assets is most obvious with regard to forest land use, but includes access to livestock and agricultural implements financed by loans from SCGs. Training programmes have had a majority representation of women, are helping to build up human capital and contributing to empowerment, and there is strong anecdotal evidence of their impact on the quality of life of women participating in the projects.<sup>53</sup> The role of women in decision-making is growing, and increasing numbers are represented on village- and commune-level boards. Finally, the Viet Nam portfolio has substantial components where investments are determined by women participating in the WU, and this has enabled the purchase of labour-saving equipment, rural infrastructure geared to reducing time spent in performing basic production, marketing and household activities, and investment in services that women consider to be of high priority, such as kindergartens, school classrooms and health services.
193. With the shift of the IFAD-supported programme towards value chain support (see paragraphs 114-115), there are new opportunities for strengthening women's managerial and leadership capacity: this could be a new focus for the next COSOP. Going forward, there is also a need for better alignment with, and support for, implementation of the newly National Strategy for Gender Equality by improving communications and supporting commune-level implementation of the Law on Gender Equality and, in particular, the Law on the Prevention of Domestic Violence.

## **G. Overall portfolio assessment**

194. In conclusion, the CPE rates the Viet Nam project portfolio as *satisfactory (5)*. One of the few areas where the CPE considers performance to be only moderately satisfactory relates to the programme's impact on natural resources and the environment and sustainability. Despite the successful implementation of natural resources management programmes at the project level, there was a failure to develop a strategic approach covering the whole portfolio and the overall effort was not commensurate with the importance of this topic in Viet Nam. In most areas, portfolio performance is satisfactory, however, and, as may be seen from the data in table 15, it compares favourably with regional comparators.

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<sup>53</sup> In one interview a woman, who was asked what benefits she had derived from the IFAD-funded project in her commune, said with a smile "I am no longer afraid of my husband."

**Table 15: CPE ratings of the Viet Nam portfolio and benchmarking with the ARRI**

Evaluation Criteria	Portfolio Assessment	Percentage of projects in portfolio with a moderately satisfactory or better rating <sup>54</sup>	Percentage of IFAD-funded projects in APR with moderately satisfactory or better rating from the 2010 ARRI <sup>55</sup>
<b>Core Performance Criteria</b>			
• Relevance	5	100	100
• Effectiveness	4	100	93
• Efficiency	5	100	71
<b>Overall Project Performance</b>	4.7	100	97
<b>Rural Poverty Impact</b>	5	100	90
• Household income and assets	5	100	93
• Human and social capital and empowerment	5	100	90
• Food Security and agricultural productivity	5	100	90
• Natural resources, environment and climate change	4	75	70
• Institutions and policies	5	100	77
<b>Other Performance Criteria</b>			
• Sustainability	4	100	70
• Innovation and Scaling up	5	100	90
• Gender equality and women's empowerment	5	100	n/a
<b>Overall Portfolio Achievement</b>	5	100	93

*Note: As explained earlier, the ratings reflect different sub-sets of projects. None of the ratings include the first three projects in the portfolio. The relevance ratings include all subsequent projects. All other ratings exclude the four most recent projects.*

<sup>54</sup> Evaluation criteria that have a rating of 4 (moderately satisfactory), 5 (satisfactory) or 6 (highly satisfactory) are all considered to be in the satisfactory zone.

<sup>55</sup> To make the benchmarking more meaningful, the data contained in the ARRI for the entire block from 2002-2009 has been used for comparison purposes.

### Key Points

- The targeting and coverage of the country programme is an accurate reflection of both the priority areas for rural poverty reduction and IFAD's own comparative advantage, with four major features used in synergy: supporting decentralized development management; investment in small-scale infrastructure; developing models for market integration; and microfinance.
- The evaluation rates the relevance of the country programme as satisfactory and its effectiveness as moderately satisfactory. The portfolio is characterized by a high level of ownership at the provincial government level, and the shift in the last four years to greater emphasis on strengthening poor people's participation in the value chain is considered appropriate and timely. However, efforts to develop partnerships with the private sector and to move producers up in the value chain are still at an early stage.
- The efficiency of the portfolio is rated satisfactory. Improvements from earlier interventions were clear in terms of better performance in project implementation and management; more and better evidence of learning and capacity-building at the provincial, district and commune levels; and better planning, coordination, M&E, supervision and implementation support. However, financial management and procurement systems still need to be improved and more closely aligned.
- The programme's rural development impact is also rated satisfactory. There has been a good impact on household income and assets, increased levels of agricultural productivity, and investments in livestock and income diversification through the use of credits from the projects and increased long-term use of forest land. Vocational training is an increasingly important feature of the programme. However, the portfolio as a whole lags behind in terms of supporting natural resources management, environment and climate change, despite the enormous challenges faced by Viet Nam in these areas.
- Sustainability is rated moderately satisfactory for achievements on the ground in agricultural production and small-scale infrastructure. However, exit strategies should be formulated to sustain the institutional benefits of projects. The main elements of successfully piloted approaches have generally been integrated with government policies and programmes at both the provincial and national levels. Going forward, there is a need for better alignment with the implementation of government poverty reduction programmes.
- The impact on gender equality and women's empowerment is rated as satisfactory. IFAD's contribution to gender equality has been particularly important for women in ethnic minority upland communities.

## V. Performance of partners

### A. IFAD

195. The various facets that enter into the assessment of the Viet Nam country portfolio have been thoroughly discussed in the preceding sections and do not need to be repeated here. The Fund did well in designing and implementing relevant lending programmes. However, an area of relative weakness is the lack of pro-activity it showed until recently with regard to forging partnerships with the private sector to support the participation of the rural poor in value chains; another weakness is in the supply of microfinance from the banking system. Both these issues have been consistently flagged by supervision missions over the past two or three years but have been treated as project-specific problems, with each PPMU trying to find ad hoc solutions. An important initiative was the organization, in 2010, of a public-private-people (PPP) partnership fair with the participation of more than 200 companies to promote interaction among the Government, the private sector and IFAD-funded projects.<sup>56</sup> This will need to be followed up by organizing regional and local events to bring provincial, district and commune officials into closer contact with the private sector, as well as to increase understanding of the potential benefits and what it will take to realise them.
196. **Role of the country presence office.** The work of the country office in Hanoi is much appreciated in respect of its overall support for project implementation. The Government believes IFAD to be an important development partner and that the country office has helped raise the profile of the institution. In particular, the country office has helped to develop much closer relationships with provinces where

<sup>56</sup> Concrete results are emerging from this event. The Government is formulating a new Decree on Public-Private-People Partnership in cooperation with IFAD, and companies have set up public-private-people partnerships in the IFAD-supported programme. The latest case is in Tra Vinh, where the Ba Huan Ltd Company has signed contracts with about 8,000 households to train them and buy organic duck eggs from them for export to Malaysia, Hong Kong and Singapore.

- IFAD-funded projects are being implemented. The provincial governments feel they are fully consulted with regard to decisions on the timing and programmes of supervision missions. Bottlenecks are resolved in a timely manner. Moreover, being able to communicate with the country office in Vietnamese is an added advantage. However, there are complaints about delays in responses from IFAD headquarters, and the PPMUs and Government have urged that greater responsibility for project oversight be delegated to the Hanoi office. It is also felt that the country office's small staff prevents it from being more responsive to issues raised by projects and more involved in other, non-lending, activities.
197. The country office plays an important role in programme design and COSOP formulation. Preparation of the 2008 COSOP involved close participation with the Government in a number of studies and field missions, which would not have been possible without the involvement of, and coordination by, the country office. The country office has also played an important role in non-lending activities. Indeed the greater attention to, and involvement in, non-lending activities is emerging as one of the most important benefits of IFAD's own decentralization process – although the strategic focus and implementation of non-lending activities still leaves much to be desired. Non-lending activities are discussed at greater length in the following chapter.
198. IFAD started direct supervision in 2008. The evaluation found that, compared with supervisions by the cooperating institution, UNOPS, direct supervision and especially implementation support is now more effective and is appreciated by all local partners. For example, government partners and project staff mentioned that, compared with when UNOPS was involved, there is now better interaction and follow-up. Staff of the country office are heavily involved in supervision and implementation support, and have promoted more knowledge sharing among projects. Whenever necessary, the country office also organizes follow-up meetings/workshops to ensure internalization of mission recommendations. Being in the country, the office is able to assist the provinces in preparing for missions and commissioning additional studies to enhance the quality of their work. In fact, more intensive work with the projects has enabled the country office to identify areas in need of more intensive support. The country office also seeks to improve the efficiency and quality of supervision by using the services of the same local consultants/NGOs across the years and in different projects in the portfolio so as to reduce costs, ensure continuous follow-up and share knowledge on the projects. By and large, the CPM is largely engaged with the portfolio, represents IFAD Management in dealings with project managers and stakeholders and vice-versa. It may be concluded that, overall, the country office is effective and efficient in terms of overall support to implementation functions.
199. One of the main reasons for outposting the CPM to head up the country office is to allow her to play a greater role in non-lending activities. By raising IFAD's profile in the country, the outposted CPM ought to be able to engage in key policy dialogue at the central level, strengthen partnerships with civil society and other key donors, and promote enhanced knowledge sharing and strategic use of the grant programme. However, this does not appear to be the case as yet, most efforts having been directed towards implementation support, project-focused policy dialogue and information-sharing at the local level. IFAD will need to focus more on non-lending activities, particularly policy dialogue at the central level, and to actively engage in partnerships that go beyond implementation support, i.e. with partners that could be allies in broader strategic policy issues that might impact on the entire country programme. This is discussed in more detail in the section on non-lending activities, particularly with regard to facilitating a better global definition of the policy dialogue agenda and its expected results, and the level of effort needed to engage in such a strategic function.
200. **Self-assessment.** PMD's self-assessment of the Viet Nam country programme provides a summary both of its progress over the last three to four years and of problems encountered (see paragraphs 143-144). It is a far cry from the self-

congratulatory tone often found in these assessments. As indicated in the section on programme management in chapter IV, the issues identified by the self-assessment as having arisen during the course of programme design and implementation form an excellent set of issues for discussion with the central and provincial governments, and with project authorities. Inevitably, however, identifying relatively weak areas might well short-change some of the more effective parts of the programme. In the view of the CPE there are a number of areas in which the Viet Nam portfolio outperforms that of many other countries.

201. In view of the above, IFAD's performance in Viet Nam is rated *satisfactory (5)* as far as the country portfolio is concerned.

## **B. Government**

202. The Government's performance in regard to aid management and coordination is generally considered to be fairly strong. The recent Paris Declaration/HCS Phase II evaluation report states that the Government's leadership has been mostly focused on channelling aid through general and sector budget support, which policy dialogue is broadly structured around. As an example, development partners have channelled a large part of their assistance into programmes for ethnic minorities, with budget support from six donors for Programme 135 – one of the flagships among 41 poverty-oriented national programmes. These donors are thus in a position to raise collective policy concerns about ethnic communities and inequalities, an opportunity not available to IFAD as an individual partner. The section on policy dialogue describes the challenges that IFAD has to overcome when engaging in policy dialogue with the central government. Many of the issues IFAD deals with call for the involvement of a broader constituency,<sup>57</sup> and would benefit from a collegial discussion on the basis of appropriate background work on the various options.
203. As the representative of the Government, MoF is involved in loan negotiations and also keeps a close eye on the financial management of the country programme. MPI is the focal point agency in ODA attraction, coordination and management; taking the leading role in formulating strategies, policies, master plans of ODA attraction and utilization; monitoring and inspecting the management and organization for implementation of the programs and projects, urging and assisting the implementation of ODA programs and projects. In this capacity, MPI has been closely involved in the selection of provinces and design of projects/programmes, and co-chairs portfolio reviews. The Paris Declaration/HCS Phase II evaluation report also found that "communication and coordination across line ministries in Viet Nam is often poor", which "undermines MPI's capacity to intermediate effectively" with line ministries. But despite this difficulty at the national level, most of the IFAD-funded projects reflect a clear demand from the provincial authorities (see paragraph 79), although the selection of provinces for the IFAD-supported projects has been insufficiently strategic (see section on COSOP relevance). In general, over the last 18 years, the central government has shown great interest in, and provided solid support for, the IFAD-supported projects/programmes.
204. MARD has worked very closely with IFAD in recent years, as also reflected in the cooperation with DARDs at the provincial level. The high degree of portfolio ownership on the part of provinces is evidenced by relatively speedy and effective programme implementation. As a rule, provincial governments have shown substantial commitment to projects located in their provinces, and have been willing to bear the cost of retaining key PPMU staff when projects come to an end with no follow-up interventions (understandably, however, such staff have reverted to the regular pay scales of their respective departments, without the additional allowances provided by IFAD for PPMUs). Although there have been mixed experiences with PSC involvement in the country programme, as a general rule, the

<sup>57</sup> Examples include: ways of increasing the effectiveness of livelihood programmes in communes with large ethnic minority populations; links between IFAD's support for small-scale infrastructure and Programme 135, which finances similar investments; problems encountered with the microfinance components of projects.

chairmen (usually chairmen or deputy-chairmen of PPCs) have frequent contacts with project directors and are thus able to address issues as they arise. In many cases this has helped promote the effective participation of line departments in project implementation.

205. In view of the foregoing, the overall rating for the performance of the Government is *satisfactory (5)*.

### **C. Cooperating institutions<sup>58</sup>**

206. Before IFAD started direct supervision in 2008, UNOPS was the cooperating institution responsible for supervising IFAD-supported projects in Viet Nam. Its supervision missions submitted helpful findings and appropriate, practical recommendations. These were appreciated by the project authorities and management and were, for the most part, followed up. In some cases, however, the quality of UNOPS reports was uneven. For ARCDP, this was because three different portfolio managers were responsible for supervision during the life of the project. As for HDP, the last two years witnessed a marked decline in the quality of supervision owing to staff turnover in UNOPS. In the case of RIDP, the PCR observed that, owing to frequent changes in the composition of the annual supervision missions (which meant that mission members had a limited knowledge of the projects), the recommendations were not always relevant.
207. While in most cases the UNOPS supervision missions' recommendations were on target, in a number of cases the project authorities failed to act on them. For example, under ARCDP, important questions with regard to credit, participatory development and targeting, repeatedly highlighted in supervision reports, remained unresolved for long periods of time partly because of a lack of timely follow-up. This lack of follow-up was basically due to UNOPS's limited involvement and leverage until the following supervision mission, and was largely a function of the IFAD/UNOPS supervision arrangements. The IE report on HRDP stressed that the tight budget for supervision prevented UNOPS from providing adequate technical analysis and advice. For example, in a few cases, the weak performance of the water supply, roads and irrigation subcomponents may have been the result of inadequate specialist engineering expertise in UNOPS supervision missions. In addition, both the central and provincial governments felt that UNOPS did not consult them enough during the missions.
208. In terms of UNOPS's handling of the fiduciary aspects of earlier projects, the processing of withdrawal applications, albeit slow in the initial stages, improved markedly over time. Approval of the AWPB, the review process for bidding/procurement and approval of withdrawal applications, were generally efficient, even though in some cases (such as HDP) UNOPS could have been more rigorous in examining the financial recording and control of individual schemes and cost centres, as highlighted in the IE reports.
209. The general picture that emerges is one of mixed performance, with many supervision missions identifying the right sets of problems but with frequent changes of personnel and less motivation, which led to ineffective supervision. The evaluation rates UNOPS supervision as *moderately satisfactory (4)*.

### **D. Overall summary rating for performance of partners**

210. Table 16 gives a summary of ratings for individual partner agencies in supporting the IFAD-funded portfolio in Viet Nam.

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<sup>58</sup> It should be noted that for the period of the most recent COSOP 2008 – 2012, UNOPS had ceased to be the cooperating institution for IFAD, so that the discussion in paragraphs 206-209, and the rating in Table 16 relates only to the period prior to 2008.

**Table 16: CPE rating of performance of partners**

Partner agency	Rating
IFAD (lending activities only)	5
Government	5
Cooperating institution	4

**Key Points**

- IFAD's performance in preparing, supporting and supervising the portfolio is assessed as satisfactory.
- The country presence office has helped raise the institution's profile through its participation in COSOP formulation and in promoting more knowledge sharing among the projects. Direct supervision, and especially implementation support, is more effective and appreciated by all local partners. However, more attention should have been paid to systemic issues relating to the portfolio, such as the need to be more proactive in developing partnerships with the private sector.
- The outposting of the CPM has not yet yielded the expected benefits in terms of central-level policy dialogue and enhanced partnerships.
- During the last 18 years, the central government has provided efficient support to the IFAD-funded programme. It has not, however, engaged in more substantive discussions or developed a strategic approach to the selection of provinces for inclusion in projects. The Government should also seek to allocate more appropriate levels of counterpart funding in support of projects.
- Provincial governments demonstrate solid commitment and, in most cases, have promoted effective participation of line departments in project implementation.
- UNOPS's supervision was marked by shortcomings in human resources and is therefore assessed as moderately satisfactory.

**VI. Assessment of non-lending activities**

211. Non-lending activities are an important part of IFAD-supported operations in Viet Nam. The following sections provide a summary of performance relating to policy dialogue, knowledge management, partnership building and the use of IFAD's grants to support studies and TA.

**A. Policy dialogue**

212. The discussion on policy dialogue may be separated between *dialogue* as such and *policy impact*. IFAD increasingly emphasizes the importance of non-lending activities to leverage operations successfully piloted in its country programme. IFAD's practical experience of pro-poor agricultural development can advocate towards adjusting policies and regulations to the extent needed so as to ensure that projects benefits reach specific target groups. Dialogue might yield more substantial policy changes if IFAD's advocacy were linked to similar agendas from other financing agencies or donors. Policy dialogue should first of all draw the Government's attention to the constraints encountered and to the need for policy dialogue, drawing on consultations from the community level upwards, as appropriate, and on the views of high-level administrators and decision-makers, legislators and government ministers. In Viet Nam, IFAD has not been able to engage in substantive dialogue on rural poverty issues at the national level (see paragraph 199), particularly with regard to rural finance, support for ethnic minorities, helping the rural poor cope with the impact of climate change, active participation of the private sector in the development agenda, cofinancing partnerships and selecting provinces in partnership with MPI: all of these are important issues for the effectiveness of the IFAD-supported country programme.
213. IFAD's 2008 COSOP for Viet Nam set an ambitious agenda for policy dialogue with the Government (see paragraph 60 and table 10). Policy issues identified in the COSOP relate to the private sector, business opportunities, forest user rights and



- capacity-building. The country office has not engaged in national-level policy dialogue on behalf of IFAD but has engaged in dialogue at the provincial and local levels and has had some success in terms of policy-related activities.
214. Policy dialogue with provincial governments has mainly to do with preparing and negotiating projects, but also as part of MTRs and evaluations. By and large, this is a more active dialogue than at the national level but is still fairly limited. It needs to be said that policy dialogue is a two-way street, and there have been occasions when issues were raised concerning IFAD's policies and the authorities had been informed that the issue was not open for discussion.
  215. Despite these limitations, IFAD has had a policy impact through its funded programme on the ground, mainly thanks to the effect of successful projects/programmes. It also reflects the experience gained through IFAD-funded interventions and the feeding back of that experience, both through the efforts of the country office and the engagement of project directors who constitute an important 'lobby' for the policy approaches developed in projects. This has made an important contribution to the diffusion of some of the approaches included in IFAD-funded projects, such as decentralization, participation, forest land-use rights and public-private partnerships. The support for decentralization and participation started with the very first IFAD-funded projects in Viet Nam and has been a key theme of IFAD's strategies there. IFAD-funded interventions have supported a range of decentralized management functions, down to the district and commune levels, based on the hierarchy of provincial, district and commune government structures.
  216. User rights to forest land are critical to the livelihoods of many rural poor in the mountainous areas, although these rights were already being allocated before IFAD became involved. In addition to accelerating the pace of allocation in the provinces where its projects are located, IFAD-supported projects have also introduced participatory approaches that have helped resolve disputes much more expeditiously. IFAD's support for land-use rights was initiated with HRDP (1999-2005) with an experimental approach to ensuring long-term land leases for community forestry, which provided many poor households with a productive asset. The issuance of forest protection contracts was regarded as a first step in returning the care and management of forests to local communities. The 2003 COSOP identified the allocation and use of land and forest resources as a major opportunity for enhancing the livelihoods of many poor communities in both lowland and upland areas. Thereafter, IFAD-financed projects such as RIDP have made the provision of FLUCs for both men and women an important feature of their operational models. The 2008 COSOP proposed setting the allocation of forest land as a condition for disbursements to particular components in IFAD-financed projects. In practice this has not proved necessary as there is an increasing awareness of the benefits of this allocation process.
  217. With the evolution of the IFAD-supported operations in Viet Nam, the focus of the policy agenda has gradually extended to private-sector investment and capacity-building of farmer organizations. The interventions formulated after the 2008 COSOP tend to include activities in support of formulating a provincial strategy and action plan for private-sector development through TA and policy dialogue. Following the APR self-assessment, the Viet Nam country office has facilitated two workshops on policies for the development of farmers' organizations (one by IMPP in Tra Vinh and one by DBRP in Cao Bang) in April 2010.
  218. Another important focus of IFAD's policy agenda in recent years has been on activities in support of the new rural development strategy. Some ongoing projects (IMPP, BDRP) have developed different models and gained experience in pro-poor market-based agriculture business through promotion of public-private partnerships and development of farmers' organizations (CIGs, collaborative groups and cooperatives). IFAD has contributed to government policies and strategies based on these experiences. One example is its contribution to the developing and testing of guidelines for farmers' CIGs/collaborative groups under Decree 151 on Rural

Collaborative Groups. Another is support to MARD in evaluating the current national policy for rural development, existing models of public-private partnerships in agriculture, and a new government decision on support for public-private partnerships in agricultural and rural development. Yet another is the manual on cooperatives prepared by the Cooperative Alliance, which drew substantially on material obtained through the IFAD country office.

219. The implementation of Programme 135, which funds infrastructure development in poor communes, also builds on IFAD's approach. More specifically, IFAD drew on experience from its projects to contribute to formulating the Inter-Ministerial Circular on Programme 135 Implementation Guidelines and Programme 135 Production Support Component Guidelines. In recognition of the positive impact of the participatory approach adopted by the project, the Tuyen Quang PPC decided to decentralize the management of Programme 135 infrastructure schemes to all communes. In addition, the provincial DARD committed itself to decentralizing agricultural production support activities in 2010, initially with 50 per cent of Programme 135 communes. An agreement has been drawn up with Viet Nam FU to promote this, the largest farmers' organization, in policy monitoring and feedback, organizing policy dialogue on critical issues under IFAD-supported projects, and promoting its role in developing the CIGs/collaborative groups and farmer-market linkages.
220. Moving forward, IFAD is planning to focus on: (i) strengthening cooperation with the Department of Cooperatives and Rural Development of MARD as policymaker, the Institution of Policy and Strategy for Agriculture and Rural Development (IPSARD) as policy think-tank, and the Viet Nam FU as the social policy feedback coordinator; (ii) connecting loan projects in provinces with TA grants at the central level to enable bottom-up policy feedback to link IFAD experience in provinces with policy dialogue at the central level; and (iii) improving integration of IFAD's country programme with other donor-funded and national programmes. Support to the Government on institutional reforms to mainstream its decentralization and public administration policies, drawing on IFAD's experiences with decentralization and participatory planning, could be an additional focus of future dialogue. This is a significant agenda of activities, which, if realised, could make a significant contribution to Viet Nam's policymaking on rural poverty issues.
221. The CPE mission believes that, in the forthcoming results-based COSOP, national-level policy dialogue will need to be carefully defined by identifying topics for policy change and potential allies for raising leverage; earmarking sufficient resources and establishing a credible timetable for implementation; and identifying milestones and M&E impact indicators. Policy dialogue at the national level will need to be approached in a more systemic and corporate manner in respect of the structures and processes of the HCS, and to supplement local policy dialogue anchored in IFAD's operational field experiences in a decentralized context. Furthermore, IFAD has neither made policy dialogue an explicit priority nor allocated sufficient human and financial resources for this purpose, and there does not appear to be any incentive for field presence staff to advance policy dialogue. The implications of prioritizing policy dialogue over direct supervision and implementation support will need to be reassessed in relation to the current human and financial resources of the country office.
222. The evaluation rates IFAD's policy dialogue in Viet Nam *moderately satisfactory* (4). This rating is a composite of moderate progress on policy dialogue at the national level, and a satisfactory performance regarding IFAD's policy impact emerging from policy dialogue activities at the local level.

## **B. Knowledge management**

223. Before the release of the 2007 strategy on the subject, IFAD's institutional knowledge management had been a weak area that was not commensurate with the organization's performance on the ground. In the Viet Nam country portfolio,

there had been some learning activities prior to 2007, but knowledge management was generally limited and not systematic.

224. The first knowledge management and communication strategy appeared in the 2008 COSOP. To bring together the pieces of the knowledge management function, the country office appointed a knowledge management officer (who is also the country presence officer) and as requested by project management, launched a country portfolio website in April 2010. The website describes (in Vietnamese) the experience, events and lessons learned from various projects, and provides source material on learning issues for project staff. The feedback from project managers and staff suggests that this constitutes a major communication and learning tool among projects.
225. According to the 2008 COSOP, all future loan and grant projects in Viet Nam will include a learning agenda, indicating what the stakeholders expect to learn from the project, how they will capture what they learn, and how they intend to communicate it and to whom. Planning, reporting and follow-up on knowledge management efforts will be dealt with in AWPBs and in progress and supervision reports. Each IFAD-financed intervention, loans or grants, will produce at least one product (e.g. research paper, audio-visual or verbal presentation) per year on themes part of the strategic objectives. These knowledge products will be shared through exchange visits among projects and at an annual knowledge fair, with knowledge management materials from numerous exhibitors. In addition, as part of the IFAD-funded country programme, every effort will be made to improve the management of grants and to enhance both their contribution to achieving the COSOP outcomes in knowledge management and policy dialogue and their synergies with the loan programme.
226. There has been considerable progress in implementing the COSOP strategy in this area, despite it being confined to the project level. The country programme review workshop, organized by MPI with the participation of other government aid coordination agencies (MoF, Office of the Government, and the Ministry of Foreign Affairs), DPI directors, and project management teams from all projects/programmes), is also seen as a useful mechanism for sharing knowledge. The emphasis on a broad range of knowledge management approaches has contributed to improving the quality and quantity of project publications, e.g. newsletters/leaflets, and to forging linkages with local newspapers and television. Some PPMUs have been able to link their project websites with the provincial government web portals, thereby providing project information to a wider audience. While much groundwork has been done, data is still fairly scanty on the impact of the knowledge-sharing approaches promoted under projects.
227. As knowledge management is still mostly work-in-progress, it is rated *moderately satisfactory* (4). There is a growing realisation on the part of IFAD Management that, particularly as Viet Nam moves further up into middle-income status, the knowledge the organization is able to put on the table and its ability to share that knowledge on a wide scale, will be its most important contribution. This good start will need to be built upon in the years ahead.

### **C. Partnership building**

228. The 2008 COSOP envisaged partnerships with government and local institutions, other United Nations agencies and development partners, with specific topics of collaboration, such as improving programme impact through knowledge management, promoting learning alliances, mainstreaming experience through provincial policy and institutions, and ensuring sustainability by means of national-level upstream policies. Throughout its 18-year cooperation with the Government of Viet Nam, IFAD has always tried to establish itself as a reliable and trustworthy partner. The success of this approach is demonstrated by the Government's open attitude towards IFAD's strategy of support to decentralization and devolution of responsibility to the provincial, district and commune levels. IFAD's support to Viet Nam has been embedded in the government framework for rural development

and poverty reduction. Since 2002, IFAD's country strategy has been closely aligned with the Comprehensive Poverty Reduction and Growth Strategy (2002–2012) and, thereafter, with the 2008 *Tam Nong* policy for agriculture, farmers and rural areas.

229. At the *central* level, MPI is responsible for planning and allocating IFAD resources; MoF is the representative of the Borrower and focal point for disbursement; MARD is a key interlocutor that provides policy guidance on agriculture and rural development; and the provincial DDARDs are important partners in programme implementation (see paragraph 203). IFAD has also had a close relationship with some of the mass organizations, particularly WU and FU, and with CEMA. IFAD recently signed an agreement with FU to conduct joint thematic studies, convene knowledge-sharing workshops and organize a national farmers' forum. While the Fund's engagement has been more limited with other groups and institutions such as the private sector, NGOs, universities and research institutions, it will seek to engage more actively with these groups in future.
230. One of the most important partnerships that IFAD has developed in recent years is that with MARD (see paragraph 204). For example, in 2010, two workshops were held on a policy for developing farmers' organizations, one by IMPP and the other DBRP in Cao Bang. During the workshops, the MARD team involved in formulating guidelines for implementing Decree 151 on Rural Collaborative Groups participated in discussions on the development of farmers' CIGs/collaborative groups. On PPP partnerships, IFAD assisted MARD in initiating an overview of the current national policy framework and in compiling lists of existing models of public-private partnerships in agriculture. Having provided a grant to MARD, IFAD is currently supporting the recruitment of a policy dialogue coordinator for one year, to assist the international coordination group in bringing national and international experience to bear on the design and implementation of rural development programmes in Viet Nam.
231. Partnerships with *provincial and local governments* are key factors in the successful implementation of IFAD-financed projects. IFAD has gradually built up and enhanced these partnerships by demonstrating the effect its approach can have on rural poverty reduction and local economies. By linking PPMUs to the relevant PPCs, IFAD has forged partnerships with institutions crucial to ensuring effective project and programme implementation.
232. On partnerships with *the donor community*, the HCS reflects the rapid response of both the Government and its development partners in terms of localizing the Paris Declaration. Within a few months of the Paris Declaration in 2005, Viet Nam and its development partners adopted the HCS, setting out 28 partnership commitments and 14 targets to be achieved by 2010. The HCS provides that, through an independent monitoring process, the Government and donors shall periodically review progress against these commitments. A network of donor coordination groups has been established in Hanoi and IFAD has participated actively in the groups relevant to its programme. IFAD has supported the work of MARD's international support group, the largest government/donor partnership and policy dialogue group on agricultural and rural development. More specifically, IFAD assisted MARD in organizing a workshop both to introduce the new national programme on rural development to the donor community, and to mobilize support. The Fund also participates in mechanisms such as the forest sector support group on the framework for sustainable forest land management, the microfinance working group and the partnership committee for Programme 135, Phase II. As mentioned earlier, the aid architecture in Viet Nam leads the Government to policy dialogue through collective consultation mechanisms with development partners rather than to consultations on a one-to-one basis. This is not particularly helpful to IFAD, which is a project-focused institution and is not involved in either general or sector budget support.
233. IFAD has a chequered record as far as direct partnerships with *bilateral donors* are concerned. IFAD reached agreement with SIDA to cofinance an early project, and

with DfID to provide TA to another. But, for a number of reasons, both organizations subsequently withdrew from the arrangements.<sup>59</sup> The Fund has entered into bilateral cofinancing partnerships with a number of other agencies at the project level, such as GIZ in Ha Tinh and Tra Vinh, and with Lux-Dev in Cao Bang in support of market-oriented poverty reduction, through joint supervision, regular meetings and close communication. The feedback from this experience has been positive and the contributions of GIZ and Lux-Dev have been valuable. IFAD is currently in the process of finalizing an agreement with the Japanese International Cooperation Agency with regard to support for cooperatives in Ben Tre Province.

234. IFAD's partnerships with *the multilateral system* have been somewhat limited. The United Nations Development Programme (UNDP) stepped in to support project components for capacity-building, decentralization and policy issues, when the bilateral donor withdrew. While the TA cofinanced by UNDP has been generally effective, there have been problems of poor coordination, local staff salary issues and duplication of M&E. However, UNDP has since moved away from this type of project cofinancing in Viet Nam in favour of budget support. In recent years, IFAD joined the pilot of the One UN Initiative in Viet Nam, but this partnership has been tenuous. First of all, the country office does not have sufficient human resources to participate in the rather frequent meetings and events organized by the Initiative. Secondly, most United Nations participants are technical agencies whereas IFAD is the only major participating lending agency. Having its own specific operating modalities and procedures, and therefore little in common with other participants, the effectiveness of IFAD's contribution to the debate is perforce limited and implies costs both for itself and for others. A number of government representatives met by the mission expressed the view that, while having one voice is desirable, IFAD's mandate is different to that of other United Nations agencies. Therefore, there is little value-added from IFAD's participation in this Initiative unless it limits itself to agenda items commensurate with its resources and comparative advantage.
235. Stronger partnerships with World Bank and AsDB, both are active in rural Viet Nam and support nationwide programmes that complement some of IFAD's micro-level funded activities on the ground (see paragraphs 47 and 48), would be more useful. Such partnerships would also promote the scaling up of more successful features of the IFAD-supported programmes. This is not necessarily a matter of cofinancing. The Government has rejected proposals for the cofinancing of IFAD's programmes by World Bank and AsDB and vice-versa on the grounds that it does not see any added value. IFAD needs to work, however, on developing common approaches and forging knowledge partnerships. The World Bank, in particular, could support IFAD in developing a much more effective approach to filling some of the knowledge gaps in its programme, e.g. on poverty impact at the provincial level, agricultural credit issues, climate change impact at the micro level, etc. Another useful partnership might be with the International Financing Corporation, which is increasingly active in the agri-business sector in many countries and could also offer links with the domestic medium-scale private sector that are currently lacking in IFAD-supported country programme.
236. Partnering with *civil society and NGOs* was referred to in the 2003 and 2008 COSOPs. However, given the Government's reluctance in this respect, such cooperation has been limited. IFAD has entered into a partnership agreement with the Voluntary Service Organization – an NGO providing voluntary consultants – to recruit international consultants to work on IFAD-funded projects. However, because partnerships with civil society are still at a very early stage, this is another area where enhanced policy dialogue is called for. Experience in other countries has shown the effective role that national development NGOs can play in areas such as promoting participatory approaches and market integration. IFAD needs to work

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<sup>59</sup> The reasons are not entirely clear. In the case of SIDA, documents suggest that it withdrew owing to dissatisfaction with what it viewed as inadequate support for decentralization in Tuyen Quang. Other sources suggest, however, that it mainly reflected changes in priorities for SIDA's programme in Viet Nam. Changing programme priorities was the reason given for DfID's decision to withdraw from cofinancing.

with the Government to set up programmes for establishing or strengthening such NGOs. This could be a natural evolution for staff of PPMUs once IFAD exits certain provinces.

237. There is growing emphasis on, and expectations for, engagement with *the private sector* in rural development. Therefore IFAD is gradually increasing its involvement with the private sector in value chain and enterprise development, and in supporting rural services. A recent PPP partnership fair, with over 200 private firms attending, was the first significant step taken by IFAD in this regard (see paragraph 195). In addition to the fair, IFAD collaborated with the Viet Nam Chamber of Commerce and Industry to organize dialogue with private companies and provincial authorities. However, even though the country office seeks to be more active in this regard, it is an area that needs greater emphasis, especially given the need to strengthen the rural poor's participation in the value chain. As mentioned earlier, the private sector is not consulted regarding the design of IFAD-funded projects and is not involved in PSCs; as such, there is still very little systematic outreach. The occasional success story, such as the decorative leaves initiative discussed in box 4, shows existing potential in this area.
238. IFAD's partnerships are rated *moderately satisfactory*. IFAD has formed strong and effective partnerships with the provincial governments where its projects are located. In future however, the Fund will need to take a much more strategic approach to partnerships, focusing on the kinds of support the programme needs and identifying the partners that could fill those needs.

#### **D. Grants**

239. From 1995 to 2010, IFAD approved 18 country-specific grants to Viet Nam for a total of about US\$5.1 million. Individual grants ranged from US\$7,000 to US\$1.5 million.<sup>60</sup> Grant types include loan component grants, environment grants, a Global Environment Facility medium-size grant, TA grants, a special operations facility grant, etc. In addition to these country-specific grants, Viet Nam was also included in the coverage of 11 global or regional grants.
240. Country-specific grants in the Viet Nam portfolio have been mainly for supporting the start-up and implementation of lending projects and environmental services related to the lending programme. Of the 18 country-specific grants, 11 were designed for this purpose. Using IFAD grants mainly to fund TA activities associated with its projects adds limited value to its activities in Viet Nam. Ideally, grant cofinancing should be sought for such TA activities.
241. The strategic weight of the grant programme is therefore carried by the seven stand-alone grant projects not directly linked to the implementation of lending programmes. Among them, two grants of US\$200,000 each are for piloting and studying value chain development. The classification of these grants as stand-alone is technical rather than substantive, however, as both were associated with IFAD-funded projects. One grant in Bac Kan essentially provides funding to the Netherlands Development Organisation to provide TA to complement the ongoing 3PAD intervention in the province. The second, in Ben Tre, is associated with DBRP. Yet another is a small-scale rural development project grant funded by the Government of Italy in a district of Gia Lai Province, which simply replicates, on a small scale, the kind of intervention that IFAD's regular programme supports. The logic here seems to be the Italian Government's interest in including this intervention in its aid programme.
242. The only grant to really meet the strategic criterion, in the sense of supporting the synergies of the IFAD-supported programme and its integration into the overall

<sup>60</sup> The grant for US\$1.5 million was financed from the Italian Supplementary Fund. It supports the Pilot Project for Poverty Reduction in Ia Pa District, Gia Lai Province. This grant is actually an IFAD-facilitated bilateral project between Italy and Viet Nam. The project is stand-alone from any other IFAD-funded operation, and the design of the project is as a small-scale IFAD lending project, with components on food security and rural livelihoods, small-scale village infrastructure, and community empowerment and capacity-building. The project executing agency is the provincial DARD.

framework of rural development policies in Viet Nam, was that of US\$300,000 to MARD to assist in formulating the new rural development strategy and consolidating the current policy framework for agricultural and rural development based on innovative practices. The period of implementation was February 2008-September 2011, and intermediate objectives included building up the capacity of MARD for involving provincial and local institutions in policy dialogue on rural development, and developing vertical, horizontal and cross-learning mechanisms for policy feedback.

243. Another grant which has been implemented by MPI is for “ Capacity strengthening for quality management of the Vietnam – IFAD cooperation programme”. The agreement provides for grant aggregating US\$562.100 made available by IFAD in the form of direct grant to programme for the period from 12 December 2008 to 2013. The long-term objective of this grant is to enhance the effectiveness of the IFAD-supported country programme in Viet Nam. The short-term objective is to develop the capacity of the Government agencies, including the Office of the Government, the Ministry of Planning and Investment, the Ministry of Finance, the Ministry of Foreign Affairs, the Ministry of Agriculture and Rural Development and other relevant agencies to undertake a focal role in quality management during implementation and enhancing the policy impact of the IFAD-supported country programme in Vietnam. As such this is more appropriately viewed as an umbrella grant supplementing the individual project loans that IFAD has made, rather than a strategic contribution to the programme.
244. A number of grants have been also made to research institutions for knowledge management and networking in Viet Nam. One of these meets the strategic criterion: the ‘Knowledge Networking for Participatory Feedback in Rural Development Policy’ grant in the amount of US\$200,000 to IPSARD, a research institute associated with MARD. The objective of the grant was to consolidate the impact of the current COSOP for Viet Nam, in partnership with IPSARD. Main activities included economic and financial analysis, enhanced advocacy and knowledge sharing, and the development of networks among key stakeholders.
245. IFAD has not yet fully exploited the potential of its grant programme for creating synergies and adding value to its Viet Nam country programme. One exception, which points the way for the future, is the support provided to MARD and IPSARD.

#### Key Points

- The Fund’s non-lending activities are an important part of its operations in Viet Nam.
- Policy dialogue is rated *moderately satisfactory*. This is a composite of a moderately unsatisfactory rating for dialogue and a satisfactory rating for policy impact. Dialogue has been limited mainly to the provincial level. IFAD has had a substantial policy impact, however, through the experience gained with regard to decentralization and participation, as well as land use and, more recently, private-sector investment and capacity-building of farmers’ organizations. IFAD is supporting Viet Nam’s new rural development strategy.
- Knowledge management is rated *moderately satisfactory* as it is still work-in-progress. The country office has appointed a knowledge management officer, in response to the first strategy on knowledge management and communication contained in the 2008 COSOP. The country office has established a website in Vietnamese and is preparing publications on topics that form part of the strategic objectives. This provides valuable learning resources material on learning themes for project staff.
- Partnerships are rated *moderately satisfactory*. While partnerships with the provincial and local governments remain a key factor of success in implementation of the programme, a more structured approach is needed in partnering with bilateral donors, IFIs, civil society and the private sector.
- IFAD has made limited use of its grant programme in Viet Nam. Few grants meet the criterion of being strategic, and the potential for creating synergies and adding value to the country programme is not being leveraged.

## E. Overall assessment of non-lending activities

246. The ratings for IFAD's non-lending activities in Viet Nam are summarized in table 17 below.

**Table 17: CPE rating of non-lending activities**

Activity	Rating
Policy dialogue	4
Knowledge management	4
Partnerships	4
Overall rating	4

## VII. COSOP performance

### A. Relevance

247. As mentioned in chapter III, IFAD has issued three COSOPs for Viet Nam (1996, 2003 and 2008). The 2008 COSOP argued that: "IFAD's comparative advantage will lie in maintaining a mandate that is tightly focused on innovative methods for poverty reduction and agricultural and rural development; forming strong partnerships with the provinces; ensuring flexible design and implementation promoting government ownership; and providing feedback to policy from its loans and grants." This effectively positions IFAD relative to other IFIs and bilateral donors active in Viet Nam, emphasizing both the organization's role as a retailer of innovative approaches to rural poverty reduction at the provincial level and the need to scale up such approaches through their impact on national policies.
248. The investment focus of the **1996 COSOP** was on improving farm productivity and natural resources management, which was legitimate inasmuch as the vast majority of the country's rural population was living in absolute poverty. In 1993, Viet Nam ranked as the world's fifth poorest country and there was huge potential for improving agricultural productivity to lift the rural poor out of their food-deficit status. Furthermore, in order to increase incomes from both on- and off-farm activities, the COSOP recognized the importance of providing financial services and rehabilitating rural infrastructure (see paragraphs 52-54).
249. With its clear emphasis on targeting the poor in the country's poorest regions and on investing in increased crop and livestock production, the 2001 CPRE confirmed the validity of the country strategy outlined in the 1996 COSOP. However, it argued that, given the profile and nature of rural poverty in Viet Nam, greater focus was needed with regard to institutional development. Within such a strategic approach, community programmes would be carried out on the basis of a flexible lending mechanism to allow for the financing of community needs identified by a participatory rural appraisal (see paragraph 55).
250. The **2003 COSOP** formulated two strategic thrusts for IFAD-funded operations in Viet Nam: (i) increased acquisition of human and social capital; and (ii) better access to productive assets and technology. Three significant features of IFAD's country programme were emphasized: innovation, decentralization and gender mainstreaming. The COSOP also highlighted the importance of innovation in IFAD-supported operations in Viet Nam, as reflected by the testing and adaptation of approaches used with success by IFAD in other countries. In the words of one government official: "... every IFAD-funded project in Viet Nam is a pilot project". The 2003 COSOP defined IFAD's core strategy in Viet Nam as one of developing and testing innovative approaches to poverty reduction for replication and scaling up by the Government and/or other donor agencies. With lessons learned from operations on the ground, the 2003 COSOP argued that *decentralization* to the commune level was necessary, and that the decentralization of implementation responsibility should be accompanied by the devolution of financial authority. Wherever possible,



the approach should be one of strengthening existing local institutions rather than creating project-specific institutions. The COSOP also made a significant effort in terms of *gender mainstreaming* by developing a gender development strategy (annexed to the COSOP), which stressed the importance of partnering with Viet Nam WU and provided for gender mainstreaming through IFAD-supported programmes.

251. The **2008 COSOP's** focus on targeting the rural poor in upland areas was seen as the key rural poverty challenge.<sup>61</sup> The COSOP took a new step in the direction of market orientation by advocating engagement with the private sector in investing in remote rural areas. The proposed support for market access, agroprocessing, value chains, rural enterprises, and private-sector development was a significant feature of the COSOP, reflecting the evolution in IFAD's overall strategy in relation to supporting smallholder market integration, on- and off-farm enterprises, and partnership with the private sector.
252. That there was a need to enhance policy dialogue, partnerships and knowledge management was also stressed in the 2008 COSOP (see paragraph 59). With Viet Nam reaching middle-income country status, the overall ODA approach was likely to change from heavy involvement in supporting service delivery to knowledge management, capacity strengthening, TA and *policy dialogue*. Adapting to this change, the COSOP proposed four main policy areas relating to: (i) private-sector investment for upland agriculture; (ii) poor upland people's ability to benefit from business opportunities; (iii) forest user rights and payment for environmental services; and (iv) capacity-building. For each of these policy areas, the COSOP established links with particular government policies or legal references, and proposed action to influence policy changes. The *partnership* strategy recommended that IFAD enhance its partnership with key stakeholders in the country, including the private sector. Compared with the previous COSOPs, that of 2008 made a greater effort with regard to *knowledge management and communications* linked to the strategic objectives. It proposed that a 'learning agenda' involving stakeholders be included in all future loan and grant projects, and knowledge management activities included in the AWPBs. In addition, the IFAD-supported country programme would take steps to improve the management of grants, enhancing their contribution to achieving the COSOP outcomes in knowledge management and policy dialogue and synergies with the lending programme.
253. The following points discuss the relevance of the COSOPs in terms of the criteria that IOE has defined for the purpose.
254. *Strategic objectives*. The primary strategic objective has been to develop innovative approaches to rural poverty reduction through interventions that can be either scaled up or internalized in the Government's poverty reduction policies (see paragraphs 181-182). This reflects IFAD's comparative advantage in Viet Nam. The 2003 COSOP saw this as being achieved in the framework of the Government's ten-year poverty strategy, through partnerships with other donors. In practice, however, while the Government has steered IFAD away from that approach, it has taken up a number of the more successful project-level innovations in its own policies and programmes.
255. *Geographic priority*. While the focus on poor provinces, particularly the upland areas, was well founded, the failure of the COSOPs to discuss the Government's insistence on putting together, in one project, non-contiguous provinces with very different economic and social conditions is an obvious lacuna (see paragraph 203). This limited the potential synergies. While possibly appropriate, the recent expansion of the IFAD-supported programme into a number of new provinces does

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<sup>61</sup> Uplands is a term used by CEMA to refer to 20 highland and midland mountainous provinces in central and northern Viet Nam. There are also 114 upland districts in another 26 provinces. The uplands have a complicated topography, and are generally inhabited by ethnic minority groups.

not appear to reflect a clear strategic choice, and was not discussed in the 2008 COSOP.

256. *Subsector focus.* Measured against the context in which each COSOP was issued, the subsector focus of the interventions was well adapted to the evolving needs of the country – beginning with the focus on decentralization and strengthening administrative capacity at the provincial level, moving from increased agricultural production to income diversification through production for the market, and most recently to engagement with the private sector.
257. *Main partner institutions.* The COSOPs placed much emphasis on donor partnerships, perhaps more out of ‘political correctness’ than conviction. This has certainly not been a significant feature of the IFAD-supported programme, with neither the Government nor IFAD appearing to place very high priority on such participation. Partnerships with provincial governments have been much more significant, and IFAD has certainly devoted a great deal of time and effort to building up such alliances (see chapter VI, section C).
258. *Targeting approach.* IFAD’s targeting strategy for social groups merits a very high rating. The COSOPs are very clear about the need for priority to women and ethnic minorities, and this has been reflected in projects. Even when there have not been fixed quantitative targets for women’s participation, project staff on the ground attach great importance to ensuring that women receive the bulk of the training and financing provided. Although it is sometimes argued that poverty targeting has been a weaker area and that there are many non-poor among project beneficiaries, in the context of Viet Nam, where many of the non-poor in villages still survive on less than US\$2 a day, it does not seem to be a major weakness if SCGs and CIGs include membership from this group (see paragraphs 89-92).
259. *Mix of instruments.* As in most countries, IFAD’s support for Viet Nam is heavily skewed towards *loans*. The COSOPs give a great deal of space to non-lending activities, but in practice these are still “second-class citizens” in the programme (see chapter VI).
260. *Provision for country programme/COSOP management.* The provision for project management on the ground merits a very high rating. The combination of locating the PPMUs under the PPCs of the provinces involved and devolution through the provincial administrative hierarchy were both relevant and effective (see paragraphs 139, 140 and 175). IFAD’s own provisions for country management, with the establishment of a country office and outposting of the CPM, reflect the evolution of its approach (see paragraphs 69-71).
261. The *M&E system* for projects has received a positive assessment from the CPE, particularly the significant efforts made at the project level to link output monitoring with outcome measurement (see paragraph 146). At the COSOP level, although the central and provincial governments and other partners greatly appreciate the annual programme review process and discussions on project outcomes, opportunities and the challenges encountered, the annual event would gain by basing the collective reflection on progress in implementing the COSOP on a higher-level M&E analytical tool.
262. With regard to whether or not there are sufficient resources to implement the country programme, the evaluation noted the limited counterpart funding provided by the Government. Table 18 compares this funding with that of other lower middle-income countries, which shows that Viet Nam’s contribution is one of the lowest by a wide margin. So far IFAD has neither developed a policy nor guidelines for negotiating more uniform government counterpart contributions.

**Table 18: Benchmarking the percentage of various funding sources of the total portfolio cost in selected middle-income countries and countries with large IFAD-funded project portfolios**

(As of 1 June 2011)<sup>62</sup>

Selected countries and IFAD	Total approved IFAD loan amount <sup>63</sup> US\$ million	Percentage of IFAD loan as part of total portfolio cost	Percentage of Government funding as part of total portfolio cost	Percentage of cofinancing amount as part of total portfolio cost	Percentage of beneficiary amount as part of total portfolio cost	Total approved portfolio cost US\$ million	Number of total projects	Number of ongoing projects & those not yet effective
Cameroon	116.5	38.69%	21.49%	36.17%	3.62%	301.1	9	3
Ghana	192.9	39.18%	20.11%	33.48%	5.06%	492.3	15	5
India	654.8	34.50%	22.64%	38.94%	3.73%	1 897.9	23	9
Nicaragua	83.2	35.34%	12.82%	49.75%	2.46%	235.4	8	3
Nigeria	156.9	26.28%	40.11%	31.27%	1.64%	597.0	8	3
Pakistan	511.1	23.36%	55.90%	18.19%	2.55%	2 187.6	24	5
Senegal	147.9	44.41%	20.09%	31.08%	4.23%	333.0	14	3
Viet Nam	255.2	72.50%	13.27%	6.85%	5.48%	352.0	11	6
Yemen	192.3	28.77%	20.86%	41.67%	3.98%	668.3	21	6
<b>Total IFAD operations</b>	<b>11 483.1</b>	<b>36.05%</b>	<b>27.43%</b>	<b>30.88%</b>	<b>3.61%</b>	<b>31,855.8</b>	<b>864</b>	<b>257</b>

Source: Project and Portfolio Management System of IFAD.

263. The three Viet Nam COSOPs are rated *satisfactory* for relevance. The first COSOP proposed directions that have essentially stood the test of time as the core of IFAD's supported country programme for Viet Nam. The second gave greater shape to the emphasis on decentralization and participation; and the third internalized the rapid growth and evolution of Viet Nam's economy and the need to link smallholders to markets and develop partnerships with the private sector. While this last point could have been diagnosed earlier, in fairness to the 2003 COSOP, there was then very little awareness within IFAD of the growing importance of market linkages as an instrument for taking many of the rural poor out of poverty on a sustainable basis. The 2008 COSOP was extremely ambitious in the scope of the activities it proposed that IFAD should take on. As of the time of this evaluation, early 2011, these ambitions had not been realised in a number of areas. It was important, however, to signal the importance of these issues and to bring them into discussions with the authorities in preparation for the next COSOP. That also includes the level of government counterpart funding and selection of provinces where IFAD is to support projects.

## B. Effectiveness

264. This section describes the progress made towards achieving the main strategic objectives defined in the three COSOPs.

265. **Enhance stakeholder participation in the design and implementation of local development programmes and build up local institutional and managerial capacity for that purpose.** In the initial phase of its support to Viet Nam, both this and the diversification of production for the market were the core objectives of the IFAD-supported programme. There has been a consistent focus on, and gradual increase in, the devolution of responsibilities under IFAD-funded projects and there is evidence of growing capacity at all levels to manage these interventions (see paragraph 183). CDBs have become part of the architecture of Viet Nam's development delivery system, and also play a significant role in implementing Programme 135.

<sup>62</sup> Approved figures do not include rescinded/cancelled loans.

<sup>63</sup> These figures do not include grant amounts.

266. **Enable rural poor households in upland areas to access markets through increased private-sector partnerships.** Since the first project in 1993, IFAD-supported interventions have been investing in enhanced agricultural productivity and market access through small-scale infrastructure with a view to improving the incomes of poor people in the uplands (see paragraphs 101-103). Recent projects have increased investments in establishing physical markets in the communes. Moreover, trade fairs have been organized and more linkages with the private sector created, thereby generating more opportunities for market integration for the poor (see paragraphs 115-119).
267. **Enable poor and vulnerable households to take advantage of profitable business opportunities.** Although IFAD-funded projects have encountered problems in developing non-farm enterprises in rural areas, concrete progress has been made in the last few years. Vocational training has increased the skills and knowledge of the rural labour force and facilitated access to non-farm employment (see paragraphs 87-88). Efforts have been made to promote rural enterprises and, more recently, there have been greater investments in value chains in order to link smallholder farmers to external markets. However, there have been significant shortfalls in achieving this objective. While projects in the ethnic minority areas have been reasonably successful, it is still not clear whether the value chain model will be effective in such areas. The microcredit and microenterprise components (see paragraphs 120-129) of projects have been slow to get off the ground and, in a number of projects, resources were shifted into infrastructure at the time of the MTR. The main shortfall in effectiveness has been in private-sector engagement, where IFAD has been slow to develop an operational model. Moreover, IFAD still has no strategy for addressing the fundamental challenges to providing rural credit to smallholder farmers.
268. **Provide poor upland communities with secure access to, and enable them to derive sustained benefits from, productive natural assets.** Achievements in forest resources management and the issuance of FLUCs have contributed to increased agricultural production and incomes in the project areas. Mitigation measures have been introduced in response to the challenges of climate change, including salt-tolerant varieties in coastal regions and adaptive field trials in dry zones with sandy soils. However, scattered components in the portfolio do not add up to a systematic and strategic approach to this important issue (see paragraphs 165-168).
269. **Enable the rural poor to contribute to and benefit from pro-poor, market-driven agricultural policy processes at the subnational level.** Efforts in this direction began with support to market-based local development planning under IMPP and the development of value chain-centred marketing associations under DBRP (see paragraphs 111-115). Policy support related to providing land-use rights increased the productive assets of rural households (see paragraph 216).
270. To a large extent, the COSOPs for Viet Nam were snapshots of a well-developed ongoing programme, and already reflected the design and impact of the programmes IFAD has supported on the ground. But, as indicated above, each COSOP took the objectives one step further. These objectives are broadly analogous to the domains of rural development impact and, as such, achievements against them are similarly rated. For the purpose of rating the effectiveness of the COSOPs, however, emphasis has been placed on the core strategic objectives, thereby contributing to a somewhat more mixed picture than that which emerges from the rural development impact domains. In particular, the country programme's strong emphasis on livelihoods promotion for ethnic minorities, through the various instruments IFAD has supported, has yet to show significant results. In addition, while it has contributed to useful conservation measures within the context of individual projects, the support for natural resources management does not add up to a strategic approach to this important area of IFAD's focus. As a consequence the effectiveness of the COSOPs is rated *moderately satisfactory* (4).

**Key Points**

- Overall, the relevance of the COSOPs is rated *satisfactory*. Design was in line with the country's evolving context. This was particularly well reflected in the 2008 COSOP, which emphasized the need to link smallholders to the market and to develop partnerships with the private sector. It also strengthened engagement in policy dialogue and knowledge management.
- The effectiveness of the COSOPs is rated *moderately satisfactory*. While objectives such as support for decentralization, capacity-building and improved production for, and access to, the market has been substantially achieved, the programme has lagged in terms of livelihoods promotion for ethnic minorities, and the approach to natural resources management lacks strategic coherence.

**VIII. Overall IFAD-Government partnership**

271. Table 19 gives the CPE's overall assessment of the IFAD-Government partnership, based on ratings for portfolio performance, non-lending activities and COSOP performance. While portfolio performance is rated satisfactory on the whole, overall non-lending activities are judged to be only moderately satisfactory because, although policy impact has been considerable, the Fund's policy dialogue has been weak, knowledge management is still work-in-progress, and partnerships need to be more strategic and systematic. As indicated earlier, COSOP performance is rated satisfactory for relevance and moderately satisfactory for effectiveness, giving an average suspended between satisfactory and moderately satisfactory. Given the large weight of the lending activities in the overall country programme for Viet Nam, it has been decided to rate the IFAD-Government partnership as *satisfactory* overall.

**Table 19: CPE's overall assessment**

Activity	Rating
Portfolio performance	5
Non-lending activities	4
COSOP performance	5
<b>Overall IFAD-Government partnership</b>	<b>5</b>

**IX. Conclusions and recommendations****A. conclusions**

272. The evaluation concludes that, over the last 18 years, IFAD has contributed significantly to the Government of Viet Nam's efforts to reduce poverty. As the only agency working exclusively with the rural poor – smallholders, subsistence farmers, ethnic minorities and women in the remote and marginalized areas of the country – IFAD is recognized both by its peers and by the Government as having promoted local-level decentralization and participatory decision-making. In particular, the Fund has worked with the central and provincial governments to support the devolution of responsibility for designing and implementing development programmes, which has contributed to strengthening their ownership and sustainability. Moreover, broadly speaking, operations financed by IFAD have led to increased agricultural productivity, rural incomes, and social and human capital.
273. In the last four years, IFAD's approach in Viet Nam has shifted from a predominantly area-based development model to one with greater market-oriented focus. Overall, this new focus has been effective in supporting the Government's poverty reduction strategies in targeted provinces, although the CPE found a number of important market challenges that will need to be addressed in the next COSOP. For example, small farmers seeking to move from subsistence farming to commercial production find it difficult to obtain credit because SCGs are unable to satisfy the increasing demand for financial services in rural areas.

274. As far as non-lending activities (policy dialogue, knowledge management and partnership building) are concerned, the CPE found there had been some impact on policies, even though policy dialogue at the national level has been limited. In general, IFAD's partnership with the Government of Viet Nam has been good, but not so with bilateral institutions and multilateral development banks. Knowledge management has emphasized a broad range of learning issues by means of a variety of products, but there is still room for improvement in documenting the benefits of knowledge-sharing. However, the evaluation also judged that, in general, insufficient resources and attention have been devoted to non-lending activities and that such activities have not been adequately linked to the lending portfolio in Viet Nam.
275. **The evolving country context.** Viet Nam's newly acquired middle-income status is the result of two and a half decades of sustainable growth, the country's impressive progress in reducing poverty and continuously improving social indicators. However, despite these praiseworthy achievements, poverty has been by no means completely eradicated because almost half the population still earns less than US\$2 a day. Based on the national poverty line, some 15 per cent of the population are still classified as poor, with 90 per cent of the poor located in rural areas, and there is less progress in regions with high concentrations of ethnic minorities. These minorities – which constitute some 15 per cent of the total population – account for about 40 per cent of the poor and are concentrated in most of the provinces covered by IFAD-supported interventions (paragraphs 28-31).
276. With Viet Nam's rapid economic transformation and global integration, new challenges to reducing poverty are becoming apparent. First of all, growth in agricultural production has traditionally come from large gains in its rural subsistence-based economy (introduction of new crops, intensification of farm inputs, seed subsidization, etc.). However, agricultural exports (such as rice and coffee) are still seen as low-added-value agricultural products with limited benefits to the producers, especially in remote areas. Secondly, the more talented and ambitious rural youth emigrate to the towns or abroad, and those left behind simply focus on meeting subsistence needs. Finally, the rural poor are also more vulnerable to increasingly serious environmental risks, natural disasters and the effects of climate change.
277. In the medium to long term, Viet Nam's new status as a middle-income country will pose a challenge to its further development as the availability of concessional funding decreases. Indeed, the question of Viet Nam's creditworthiness has become more important, and policy measures aimed at reducing the balance-of-payments deficit and restoring foreign currency reserves to more comfortable levels have taken on greater priority. Reduced concessional funding, combined with increased vulnerability and persistent poverty among ethnic minorities, could more severely affect the rural poor in most of the targeted provinces, thereby making the market-oriented programme shift (as described below) even more challenging.
278. The CPE also noted that, compared with other middle-income countries, Viet Nam provides less counterpart funding as a component of total project costs than other countries covered by IFAD-funded operations. This rather contradicts the country's new economic status.
279. **Evolution of IFAD's approach** (paragraphs 108-115). The IFAD-supported country strategy in Viet Nam has gradually evolved from one of supporting subsistence-level farm production, investments in rural infrastructure and environmental and natural resources management, to an area-based multicomponent model with greater emphasis on decentralization and participation, inspired by the results and recommendations of the country portfolio review and evaluation of 2000-2001. Income diversification, non-farm employment and microenterprise creation were also mainstreamed into the model, and emphasis was placed on developing rural financial services, supporting marketing and rural infrastructure, and gender mainstreaming. Since 2006, the country programme has

further evolved and greater emphasis is now placed on developing commodity value chains and generating local employment opportunities.

280. The shift towards a more market-oriented development focus has been welcomed by the Government and other partners, although it is too early to assess the results of relatively recent operations that place more emphasis on promoting access to markets and commercialization. Moreover, IFAD is well positioned to support the Government in responding to the challenge of reducing rural poverty in poor provinces where it has forged strong partnerships with local governments in support of the rural poor, including ethnic minorities. The CPE concurs with the increased emphasis on the market approach and attention to the country's ethnic minorities.
281. **Portfolio performance.** The CPE considers the overall performance of the Viet Nam portfolio to be satisfactory, particularly in terms of support for decentralization, capacity-building, participatory planning, gender mainstreaming, small-scale infrastructure, development of SCGs, and improving rural livelihoods through production for markets (see paragraphs 96-130). This support remains relevant, and should continue to form the essential building blocks of the country programme. Its effectiveness with regard to major programme areas such as decentralization, small-scale infrastructure, market integration and microfinance is discussed below (paragraphs 282-285). In terms of efficiency, much has been achieved since 2000 with regard to project implementation and management, learning and capacity-building at the provincial, district and commune levels, as well as in planning, coordination, M&E, and direct supervision and implementation support (chapter IV, section D). There is still room for improvement, however, particularly in terms of measuring results and establishing a standardized M&E system for the entire country programme. Among other things, such a system would facilitate annual reviews of COSOP implementation, as well as mid-term and completion reviews of the country strategy (see paragraphs 146-147).
282. The country programme in Viet Nam has helped promote the concept of *decentralization*, within provinces, to the district and commune levels (paragraphs 97-100). IFAD-funded projects have pioneered participatory processes and ensured the devolution of authority, to the commune level, for allocating funds and managing implementation. The location of PPMUs within PPCs has facilitated the coordination process and helped forge relations with provincial line ministries. The CPE concludes that the IFAD-Government partnership has helped build up institutional capacity at all levels of government, mainly through training programmes, although the high turnover in key personnel has hampered effectiveness.
283. There is considerable added value in terms of support for *small-scale infrastructure* through participatory planning processes (paragraphs 101-105). The CPE judges as highly effective the creation of CDFs based on participatory planning, thereby enabling communes to determine their own priorities and facilitating the construction and maintenance of infrastructure. The investment in rural roads has brought farmers closer to markets at reasonable cost, and local traders can more easily reach the farmers to buy their produce.
284. In view of the country's transition from a centrally-planned to market-driven economy, the country programme in Viet Nam has faced significant challenges with regard to promoting *market integration* through developing rural enterprises and value chains, and in generating local employment opportunities by providing market services (see paragraphs 106-119). For example, farmers and small processors lack the formal business connections needed to supply produce on a reliable basis and are unable to make the quality controls that would enable them to move up the value chain. This challenge has been particularly marked in areas dominated by ethnic minorities owing to the Government's limited knowledge and understanding of the opportunities and challenges involved. Furthermore, the requisite infrastructure and demand/supply links are not always ready for project implementation, especially in remote areas populated by ethnic minorities. Finally,

- the CPE found that IFAD-supported projects/programmes in Viet Nam have not invested enough in business development services, and that partnering with the small and medium-scale private sector, which could impart marketing skills and know-how to smallholders and ethnic minorities, has been very limited to date.
285. The IFAD-Government programme has supported two mechanisms for the provision of *microfinance* (paragraphs 120-129). The first was the establishment of SCGs, which have been reasonably successful in enabling members to manage and allocate small loans among themselves, mostly for livestock purchases and other means of increasing their income. The second involved the provision of credit through the banking system, but that mechanism has not been effective. The CPE considers that IFAD has neither a strategy nor a dedicated project to engage the Government or national financial institutions in tackling the challenges of providing access to rural credit. Rural finance is listed in the 2008 COSOP as a major subject for policy dialogue with the central government; to date, however, very little has been done in that respect.
286. **Impact on rural poverty.** Overall, the country programme has had a positive impact on household income and assets, mainly through increased levels of agricultural productivity and investments in livestock. Vocational training has been important for income diversification and for promoting non-farm employment for rural youth. The impact on gender equality and on the quality of women's lives and their empowerment is positive because funding was earmarked for programmes to assist poor rural women. The building up of the capacity of local institutions and policy support for sustainable use of land for production forestry is also judged to be positive. While projects have supported activities related to natural resources management, the environment and climate change (paragraphs 165-168), the CPE considers that the IFAD-Government approach to such problems is too ad hoc and project-based, and is not part of a systematic and strategic approach – especially in view of the enormous challenges the country is facing in this respect (chapter IV, section E).
287. **Sustainability.** IFAD's strategy for ensuring the sustainability of benefits in Viet Nam has been essentially one of pursuing long-term engagements in the provinces covered by the operations it has funded. A number of provinces have undertaken follow-up projects with IFAD support: for example, Tuyen Quang is now embarking on its third IFAD-financed project. Even without these interventions, the infrastructure and agricultural production components of projects are likely to be sustainable. But according to reports on some of the completed projects, others – such as participatory approaches, SCGs and women's empowerment – may be at risk, depending on whether or not the necessary capacity is available. The main elements of successfully piloted approaches have been generally integrated into government policies and programmes at the provincial and national levels. However, there is room for improvement in alignment with government strategies and programmes, including implementation support and development of appropriate exit strategies to sustain the benefits generated (paragraphs 174-179).
288. **Innovation.** The Viet Nam country programme has been innovative in its use of participatory processes, focus on decentralization and support for the capacity-building of line agencies at the provincial level. Features of successful programme approaches (e.g. increased use of participatory approaches in planning and project implementation, the design and modalities of Programme 135 for supporting poor communes, government strategies for public-private partnerships in rural infrastructure and agribusiness, etc.), have been mainstreamed into government policies and programmes at the provincial and national levels. However, IFAD has not thus far worked with the larger IFIs or the private sector to scale up projects or specific aspects thereof (paragraphs 180-186).
289. **Performance of the Government and IFAD.** Since the establishment of the IFAD-Government partnership in 1993, the central government has provided adequate support to the Fund's supported country programme. However, in the past, the Government preferred for IFAD to finance projects covering non-



contiguous provinces with very different economic and social conditions, which created problems in terms of design and implementation, including coordination, service delivery, monitoring and supervision. But on a positive note, provincial governments continue to demonstrate solid ownership and commitment, and have promoted the effective participation of line departments in project implementation (paragraphs 202-205).

290. IFAD's performance as a partner is well appreciated by the Government and other organizations (see paragraphs 195-201). The country office and outposted CPM have helped raise the Fund's profile through participating in COSOP formulation and in designing, implementing and effectively supporting programmes through promoting more knowledge-sharing. Direct supervision and implementation support is more effective, and is appreciated by all local partners. However, outposting the CPM has not so far yielded the expected benefits in terms of better policy dialogue at the national level and enhanced partnerships (paragraphs 228-237), especially with the private sector and IFIs. IFAD will need to focus more substantially and strategically on policy dialogue at the central level, and to actively engage in partnerships that go beyond implementation support, i.e. with partners that can be allies in such policy dialogue on broader strategic issues that can impact on the country programme as a whole and be agents for scaling up successfully piloted initiatives. This would be in line with IFAD moving forward in the adoption of its new business model, which entails, inter alia, more engagement in policy dialogue.
291. **Performance of non-lending activities** (policy dialogue, knowledge management, partnership building and grants). Non-lending activities are an important feature of IFAD-supported activities in Viet Nam (see chapter VI). *Policy dialogue* has been somewhat limited at the national level, however, especially on a number of key topics including access to rural finance. This is partly because few resources are available to the CPM, but is also the result of IFAD Management's ruling that the CPM should focus more on direct supervision and implementation support. Policy dialogue has been mainly at the provincial and local levels in the context of projects, based on the experience of promoting decentralization, participation, land use, and capacity-building of farmers' organizations, which has had some impact on policies. This approach has contributed to policy impact but needs to be elevated to the national level, both selectively and systematically.
292. IFAD has not yet fully exploited the potential of its grant programme for creating synergies and adding value in its Viet Nam country programme. An important exception, which signals a possible new direction, is the recent grant to support development of the new Viet Nam rural development strategy (paragraph 230) by bringing strategic analytical expertise to MARD.
293. Good progress has been made in implementing the 2008 COSOP strategy for *knowledge management*. However, while much groundwork has been done, with emphasis on a broad range of learning themes, there has been little documentation regarding the benefits of different knowledge-sharing approaches promoted under the projects (paragraphs 223-227).
294. With regard to *partnerships*, IFAD has established itself as a trustworthy and reliable partner at the central, provincial and local government levels, whereas its few partnerships with bilateral donors are limited to technical support for projects (paragraphs 228-237). IFAD participation in the One UN Initiative in Viet Nam needs careful consideration as does not have sufficient human resources and technical expertise to participate either fully or meaningfully. Being the only United Nations agency to provide loans makes IFAD's participation in the One UN Initiative somewhat less attractive, given that its operating model is rather different from that of similar participating organizations. IFAD has failed to forge partnerships in Viet Nam with key international financial institutions such as World Bank and AsDB, which are both active in rural areas of the country and support nationwide programmes that complement a number of IFAD micro-level activities on the ground. These institutions could help fill gaps in the IFAD-supported programme in Viet Nam and support the scaling up of some of its more successful features. Such

partnerships can only be achieved with the support of the Government, which has not encouraged such collaboration. Cooperation with NGOs has been limited. Although there has been a gradual increase in private-sector involvement in project operations through value chain and enterprise development, and in support to rural services, partnerships with the private sector have been limited thus far.

## **B. Recommendations**

295. The CPE makes the following recommendations to serve as building blocks for preparation of the next COSOP for Viet Nam.
296. **A strengthened market-oriented approach.** The programme's shift from an area-based multisector approach to supporting value chains has brought more benefits to vulnerable groups such as landless labourers, farmers with very limited land and unemployed youth. As the limited but evolving public-private partnerships developed thus far show potential for achieving better results on the ground, the CPE recommends that this approach be strengthened in the next COSOP. However, because the value chain approach is still relatively new and unknown in many of the areas covered by IFAD-funded operations, a thorough analysis of selected value chains (e.g. rice and coffee) will be needed before new small-scale agriculture interventions are designed for rural areas. Ways and means of bringing ethnic minorities into the development process, at different stages of the value chain, will also need to be explored. Moreover, given the somewhat limited investments in business development services and limited partnerships with the small- and medium-scale private sector, the CPE recommends that IFAD and the Government encourage the strategic engagement of the private sector in supporting this building block in the next COSOP (paragraphs 279-280).
297. **More comprehensive geographic coverage.** The CPE recommends that the Government and IFAD should move towards a model that combines, for example, three to five contiguous provinces as part of a single IFAD-funded operation (see paragraph 289). This would facilitate a move from current area-based development activities to a more thematic model covering wider geographic areas and more poor people, and allow IFAD to focus on issues such as forestry development in upland areas, environmental protection in coastal zones, and private-sector development in provinces with large ethnic minority populations.
298. **A more favourable credit environment for smallholders.** Microfinance and the role of the banking system (paragraph 285) are features of the current programme that will need to be strengthened to support the market integration approach. Current solutions mainly involve funding subsistence-level production. Overall, the programme has had a very limited impact on bank operations and lending policies for supporting farmers and the rural poor. The CPE recommends that IFAD should make every effort to address this major gap in rural finance in any future policy dialogue with the Government.
299. **A more strategic knowledge management programme.** There is a growing realisation – particularly as Viet Nam moves further into middle-income country status – that IFAD's knowledge, and its ability to impart that knowledge on a wide scale, will be a significant aspect of its future contribution to Viet Nam's development. Efforts as a result of the 2008 COSOP knowledge management component were a step in the right direction, and IFAD should build on those efforts in the years ahead (paragraph 293). With regard to the next COSOP, IFAD will need to concentrate on its non-lending activities and grant capacity in order to fill specific knowledge gaps, such as the need for a holistic approach to the development of ethnic minorities in upland areas, better understanding of youth migration and opportunities for rural youth, etc. The CPE also recommends that knowledge-sharing be strengthened by establishing a standardized, countrywide M&E system (paragraph 281), which would make it possible to follow up progress in implementing the results-based COSOP and fine-tune the evolving country strategy.

300. **Strengthening partnerships.** IFAD will need to re-think its approach to partnerships with the private sector and donor community in Viet Nam (paragraph 294). It is recommended that IFAD should continue to participate in the One UN Initiative, albeit in a selective manner, with regard to agenda items commensurate with its resources and comparative advantage. On the other hand, enhanced partnering with AsDB, World Bank, IFC, major bilateral donors and NGOs could contribute to more effective synergies and/or to the scaling up of successful models supported by IFAD over the last 18 years. The analytic capacity of the larger IFIs and their role in supporting the Government's donor coordination mechanisms could provide significant leverage, both for IFAD's lending programme and for its non-lending activities.
301. **Increased counterpart funding from the Government.** It is recommended that, during formulation of the next COSOP, IFAD should reach agreement with the Government on increased levels of counterpart funding, especially in view of the country's middle-income country status and numbers of poor rural people (paragraph 278). The COSOP might also include broad criteria for determining the proportion of such counterpart funding (e.g. minimum percentage of total projects costs) in future IFAD-supported projects in Viet Nam. The CPE recognizes, however, that counterpart funding is a matter for IFAD Management to consider at the global level, including the establishment of related guidelines (currently missing).
302. **A strategic approach to the conservation of natural resources and response to the impact of climate change.** IFAD should scale up its involvement in issues relating to the environment, natural resources management and climate change (paragraph 286). While it is true that other donors are heavily engaged in these areas, IFAD is in a unique position to explore the impact of potential environmental damage and the effects of climate change on the rural poor. It is also well placed to introduce measures against erosion or salt water intrusion or in support of forest cover rehabilitation. This should be an important feature of the next COSOP and, possibly, one of the key pillars of IFAD's future engagement in Viet Nam. While these issues are largely peripheral to current programme design in Viet Nam, and are not commensurate with the priority given to such concerns, they are important features of Government policy and programmes. IFAD could well make a valuable contribution to developing local-level approaches that support the efforts of both the Government and the international community.
303. **A strengthened IFAD country office.** The CPE believes that IFAD's country office in Viet Nam has made an important contribution to the overall success of its country programme. The establishment of a country office with sufficient capacity to support project preparation, implementation and supervision has been broadly successful and should be maintained (paragraph 290). Looking forward, policy dialogue at the central level and the scaling up of successful innovations will need to be more systematic, anchored in IFAD's operational field experience, and in line with the structures and processes of the HCS. IFAD will need to provide its country office, with clear guidelines on prioritizing this agenda, in line with IFAD's new business model and an enabling work environment, i.e. appropriate human and financial resources.

## Viet Nam CPE evaluation framework

	Key questions	Main sources of data and information
Portfolio performance	<p><b><u>Project Relevance</u></b></p> <ul style="list-style-type: none"> <li>• Are project objectives realistic and consistent with Viet Nam’s national agriculture and rural development strategies and policies, the COSOP and relevant IFAD sector and subsector policies, as well as the needs of the rural poor?</li> <li>• Was the project design (including synergies among activities and services, financial allocations, project management and execution, supervision and implementation support, and M&amp;E arrangements) appropriate for achieving the project’s core objectives?</li> <li>• How coherent was the project in terms of its fit with the policies, programmes and projects undertaken by the Government and other development partners in Viet Nam?</li> <li>• Was the project design participatory in the sense that it took into consideration the inputs and needs of key stakeholders, including the Government, executing agencies, cofinanciers and the expected beneficiaries and their grass-roots organizations?</li> <li>• Did the project benefit from available knowledge (for example, the experience of similar projects in the area or in the country) during its design and implementation?</li> <li>• Did project objectives remain relevant over the period of time required for implementation? In the event of significant changes in the project context or in IFAD policies, has design been retrofitted?</li> <li>• What are the main factors that contributed to a positive or less positive assessment of relevance?</li> </ul> <p><b><u>Project Effectiveness</u></b></p> <ul style="list-style-type: none"> <li>• To what extent have the objectives of the project and its components been attained in both quantitative and qualitative terms?</li> <li>• If the project is not yet complete, is it likely that objectives so far unattained may be accomplished in full/in part before its closure?</li> <li>• What factors in project design and implementation account for the estimated results in terms of effectiveness?</li> <li>• In particular, what changes in the overall context (e.g. policy framework, political situation, institutional set-up, economic shocks, civil unrest, etc.) have affected or are likely to affect project implementation and overall results?</li> </ul> <p><b><u>Project Efficiency</u></b></p> <ul style="list-style-type: none"> <li>• What are the costs of investments to develop specific project outputs (e.g. what is the cost of constructing one kilometre of rural road)? The quality of works/supplies needs to be fully (and explicitly) recognized for such input/output comparisons.</li> <li>• Is the cost ratio of inputs to outputs comparable to local, national or regional benchmarks?</li> <li>• What are the loan costs per beneficiary (at the time of appraisal and of evaluation) and how do they compare to other IFAD-funded operations (or those of other donors) in the same country and/or other countries?</li> </ul> <p>How does the economic rate of return at evaluation compare with project design?</p> <ul style="list-style-type: none"> <li>• What are the administrative costs per beneficiary and how do they compare with other IFAD-funded operations (or those of other donors) in Viet Nam or other countries, especially in south-east Asian countries?</li> <li>• A number of IFAD-funded projects have had substantial delays in effectiveness. What has been the cause of these delays and how costly have they been?</li> <li>• By how much was the original closing date extended, and what were the additional administrative costs</li> </ul>	<p>Government of Viet Nam plans; IFAD policy statements and Viet Nam COSOPS. Interviews with IFAD managers, government and project officials.</p> <p>Evaluations of completed projects, PCRs, MTRs and supervision reports. Surveys of project beneficiaries.</p> <p>Evaluations of completed projects, PCRs, MTRs and supervision reports. Surveys of project beneficiaries. Interviews with project managers.</p>

	<b>Key questions</b>	<b>Main sources of data and information</b>
	<p>that were incurred during the extension period?</p> <ul style="list-style-type: none"> <li>• What factors helped account for efficient project performance?</li> </ul> <p><b>Rural Poverty Impact</b></p> <p><b>I. Household income and assets</b></p> <ul style="list-style-type: none"> <li>• Did the composition and level of household incomes change (more income sources, more diversification, and higher income)?</li> <li>• What changes are apparent in intra-household incomes and assets?</li> <li>• Did farm households' physical assets change (farmland, water, livestock, trees, equipment, etc.)? Did other household assets change (houses/pucca houses, bicycles, radios, television sets, telephones, etc.)?</li> <li>• Did households' financial assets change (savings, debt, borrowing, insurance)?</li> <li>• Were the rural poor able to access financial markets more easily?</li> <li>• Did the rural poor have better access to input and output markets?</li> <li>• Do the better health and education promoted by the programme allow the rural poor to obtain higher incomes and more assets?</li> </ul> <p><b>II. Human and social capital and empowerment</b></p> <ul style="list-style-type: none"> <li>• Did rural people's organizations and grass-roots institutions (such as farmers' groups, women groups, water users' groups) change? Were the self-help groups (SHGs) established under the project effective in empowering women in the community and promoting gender equity?</li> <li>• Are changes in the social cohesion and local self-help capacities of rural communities visible?</li> <li>• To what extent did the project empower the rural poor vis-à-vis development actors and local and national public authorities? Do they play more effective roles in decision-making? Was the devolution process facilitated by the project?</li> <li>• Were the rural poor empowered to gain better access to the information needed for their livelihoods?</li> <li>• Did the rural poor gain access to better health and education facilities?</li> <li>• Two important social areas - youth and migration – have not figured prominently in IFAD's programme in Viet Nam. Should there have been a greater effort to integrate these issues into the programme?</li> </ul> <p><b>III. Food security and agricultural productivity</b></p> <ul style="list-style-type: none"> <li>• Did cropping intensity change? Was there an improvement in land productivity and, if so, to what extent? Did the returns to labour change? How many ethnic minority households have moved from subsistent shifting cultivation to economic agricultural activities? Did children's nutritional status change (e.g. stunting, wasting, underweight)?</li> <li>• Did household food security change?</li> <li>• To what extent did the rural poor improve their access to input and output markets that could help them enhance their productivity and access to food?</li> </ul> <p><b>IV. Natural resources and the environment and climate change</b></p> <ul style="list-style-type: none"> <li>• Did the status of the natural resources base change (land, water, forest, pasture, fish stocks, etc.)? In ethnic minority area development, how many hectares of shifting cultivation land were treated with sound conservation measures?</li> <li>• Did local communities' access to natural resources change (in general and specifically for the poor)?</li> <li>• Has the degree of environmental vulnerability changed (e.g. exposure to pollutants, climate change effects, volatility in resources, potential natural disasters)?</li> <li>• Have the projects facilitated the implementation of policies and legislation such as those relating to the access of the poor to natural resources, adaptation to climate change, and the protection of biodiversity?</li> </ul>	<p>Evaluations of completed projects, PCRs, MTRs and supervision reports. Surveys of project beneficiaries. Interviews with beneficiaries and project managers.</p>

	<b>Key questions</b>	<b>Main sources of data and information</b>
	<p><b>V. Institutions and policies</b></p> <ul style="list-style-type: none"> <li>• Were there any changes in rural financial institutions (e.g. in facilitating access for the rural poor, women and ethnic minorities)?</li> <li>• How did public institutions and service delivery change for the rural poor? How did the project facilitate decentralization?</li> <li>• What improvements were discernable in local governance, including the capacity and role of government departments, NGOs, the private sector, and elected bodies and officials?</li> <li>• Were there any changes in national/sectoral policies affecting the rural poor and ethnic minorities?</li> <li>• Did the regulatory framework change insofar as its impact on the rural poor and ethnic minorities?</li> <li>• Was there any change in market structures and other institutional factors affecting poor producers' access to markets change?</li> </ul> <p><i>Note: For each domain, the evaluation should describe the impact achieved and also the underlying reasons (i.e., the "why" factor) behind the observed or expected changes.</i></p> <p><b>Project Sustainability</b></p> <ul style="list-style-type: none"> <li>• Was a specific <i>exit strategy</i> or approach prepared and agreed upon by key partners to ensure post-project sustainability?</li> <li>• What are the chances that benefits generated by the project will continue after project closure, and what factors militate in favour of or against maintaining benefits? What is the likely resilience of economic activities to shocks or progressive exposure to competition and reduction of subsidies?</li> <li>• How robust are the institutions that have been established under IFAD-funded projects, and are they likely to be able to ensure the continuation of benefits to the rural poor?</li> <li>• Is there a clear indication of government commitment after the loan closing date, for example, in terms of provision of funds for selected activities, human resources availability, continuity of pro-poor policies and participatory development approaches, and institutional support? Did IFAD-funded project design anticipate that such support would be needed after loan closure?</li> </ul> <p>Do project activities benefit from the engagement, participation and ownership of local communities, grass-roots organizations, and the rural poor?</p> <ul style="list-style-type: none"> <li>• Did the NGOs involved continue their support to village organizations after project closure?</li> <li>• Are adopted approaches technically viable? Do project users have access to adequate training for maintenance and to spare parts and repairs?</li> <li>• Are the ecosystem and environmental resources (e.g. upland forestry and pasture, fresh water availability, soil fertility, vegetative cover) likely to contribute to project benefits or is a depletion process taking place?</li> <li>• IFAD is one of the few agencies that have operated in conflict situations in Viet Nam. Are there lessons from IFAD's involvement in such situations?</li> </ul> <p><b>Innovation and Scaling up</b></p> <ul style="list-style-type: none"> <li>• What are the characteristics of innovation(s) promoted by the project or programme? Are the innovations consistent with the IFAD definition of this concept?</li> <li>• How did the innovation originate (e.g. through the beneficiaries, Government, IFAD, NGOs, research institution, etc) and was it adapted in any particular way during project/programme design?</li> <li>• Are the actions in question truly innovative or are they well-established elsewhere but new to the country or project area?</li> <li>• Were successfully promoted innovations documented and shared? Were other specific activities (e.g. workshops, exchange visits, etc.) undertaken to disseminate the innovative experiences?</li> </ul>	<p>Visits to sites of completed projects, and interviews with beneficiaries and project managers. In selected cases, consideration will be given to commissioning new surveys.</p> <p>Interviews with Government and state and local governments. In-depth reviews of project documents. Discussions with IFAD managers.</p>

	<b>Key questions</b>	<b>Main sources of data and information</b>
	<ul style="list-style-type: none"> <li>• Have these innovations been replicated and scaled up and, if so, by whom? If not, what are the realistic prospects that they can and will be replicated and scaled up by the Government, other donors and/or the private sector?</li> </ul> <p><b><u>Gender Equality and women's empowerment</u></b></p> <ul style="list-style-type: none"> <li>• What is the relevance of design in terms of gender equality and women's empowerment? This will include assessing the results framework of COSOPs and projects to assess whether gender concerns area adequately integrated therein.</li> <li>• How effective have projects been in promoting gender equality and women's empowerment?</li> <li>• What was the impact of the project in terms of promoting gender equality and women's empowerment? Among other issues, this would include assessing whether: there are changes to women's workload, health, skills, income and nutritional levels; women have been empowered to gain better access to resources and assets; there are changes in gender relations within the project area, etc.</li> <li>• To what extent is the gender-related impact likely to be sustainable after the completion of the IFAD-funded project period?</li> <li>• To what extent did the project: (i) monitor gender-disaggregated outputs to ensure that gender equality and women's empowerment objectives were being met; (ii) adapt project implementation as required to better meet gender equality and women's empowerment objectives; (iii) supervision and implementation support address and report on gender issues; (iv) engage in policy dialogue to promote changes to government and other partner systems and processes that would improve gender equality and women's empowerment; and (iv) systematically analyse, document and disseminate lessons on gender equality and women's empowerment?</li> <li>• What were the strengths and weaknesses of the contributions of IFAD and the Government, respectively, in promoting gender equality and women's empowerment?</li> </ul> <p><b><u>Performance of Partners</u></b></p> <p><b>IFAD</b></p> <ul style="list-style-type: none"> <li>• Did IFAD mobilize adequate technical expertise in project design?</li> <li>• Was the design process participatory (with national and local agencies, grass-roots organizations) and did it promote ownership by the borrower?</li> <li>• Were specific efforts made to incorporate the lessons and recommendations from previous independent evaluations in project design and implementation?</li> <li>• Did IFAD adequately integrate comments made by its quality enhancement and quality assurance processes?</li> <li>• Did IFAD (and the Government) take the initiative to suitably modify project design (if required) during implementation in response to any major changes in the context, especially during the MTR?</li> <li>• What was the performance of IFAD in projects under direct supervision and implementation support? In the case of the supervision of a cooperating institution, how effective was IFAD in working with the institution to carry out the mandated task? In both cases, has IFAD exercised its developmental and fiduciary responsibilities, including compliance with loan and grant agreements?</li> </ul> <p>Was prompt action taken to ensure the timely implementation of recommendations arising from supervision and implementation support missions, including the MTR?</p> <ul style="list-style-type: none"> <li>• Did IFAD undertake the necessary follow-up to resolve any implementation bottlenecks?</li> <li>• Where applicable, what is the role and performance of IFAD's country presence team in Viet Nam (including proxy country presence arrangements)? Did IFAD headquarters provide the necessary support to its country presence team, for example, in terms of resources, follow-up and guidance, adequate</li> </ul>	<p>Interviews with partner agencies, NGOs and IFAD managers.</p>

	<b>Key questions</b>	<b>Main sources of data and information</b>
	<p>delegation of authority, and so on?</p> <ul style="list-style-type: none"> <li>• Has IFAD made proactive efforts to be engaged in policy dialogue activities at different levels in order to ensure, inter alia, the replication and scaling up of pro-poor innovations?</li> <li>• Has IFAD been active in creating an effective partnership and maintaining coordination among key partners to ensure the achievement of project objectives, including the replication and scaling up of pro-poor innovations?</li> <li>• Has IFAD, together with the Government, contributed to planning an exit strategy?</li> </ul> <p><b>Government of Viet Nam</b></p> <ul style="list-style-type: none"> <li>• Has the Government assumed ownership and responsibility for the project? Judging by its actions and policies, has the Government, including national, state and local governments, been fully supportive of project goals?</li> <li>• Has adequate staffing and project management been assured? Have appropriate levels of counterpart funding been provided on time?</li> <li>• Has project management discharged its functions adequately, and has the Government provided policy guidance to project management staff when required?</li> <li>• Did the Government ensure suitable coordination of the various departments involved in execution?</li> <li>• Has auditing been undertaken in a timely manner and have reports been submitted as required?</li> <li>• Did the Government (and IFAD) take the initiative to suitably modify the project design (if required) during implementation in response to any major changes in the context?</li> <li>• Was prompt action taken to ensure the timely implementation of recommendations from supervision and implementation support missions, including the MTR?</li> <li>• Has an effective M&amp;E system been put in place and does it generate information on performance and impact that is useful for project managers when they are called upon to take critical decisions?</li> <li>• Has the Government (and IFAD) contributed to planning an exit strategy and/or making arrangements for continued funding of certain activities?</li> <li>• Have loan covenants and the spirit of the loan agreement been observed?</li> <li>• Has the Government facilitated the participation of NGOs and civil society where appropriate?</li> <li>• Have the flow of funds and procurement procedures been suitable for ensuring timely implementation?</li> <li>• Has the Government engaged in a policy dialogue with IFAD concerning the promotion of pro-poor innovations?</li> </ul> <p><b>Cooperating Institution</b></p> <ul style="list-style-type: none"> <li>• Should there have been greater involvement of partners, such as the United Nations agencies and other development partners, in the design, financing and implementation of the programme?</li> <li>• Has the supervision and implementation support programme been properly managed (frequency, composition, continuity)?</li> <li>• Has the cooperating institution complied with loan covenants?</li> <li>• Has the cooperating institution been effective in financial management?</li> <li>• Has the cooperating institution sought to monitor project impacts and IFAD concerns (e.g. targeting, participation, empowerment of the poor and gender aspects)?</li> <li>• Have implementation problems been highlighted and appropriate remedies suggested? Have the suggestions and related actions been followed in the next supervisions?</li> <li>• Has the cooperating institution promoted or encouraged self-assessment and learning processes?</li> <li>• Has the supervision process enhanced implementation and poverty impacts?</li> <li>• Has the cooperating institution been responsive to requests and advice from IFAD when carrying out its supervision and project implementation responsibilities?</li> </ul>	<p>Interviews with Government officials and IFAD managers.</p> <p>Interviews with representatives of cooperating institutions. PCRs, MTRs and evaluations of completed projects.</p>



	<b>Key questions</b>	<b>Main sources of data and information</b>
	<p><b>Community-based organizations (CBOs) and NGOs</b></p> <ul style="list-style-type: none"> <li>• How effectively have NGOs fulfilled their contractual service agreements?</li> <li>• Have NGOs/CBOs acted to strengthen the capacities of rural poor organizations?</li> <li>• Did NGOs/CBOs contribute to the sustainability of project activities?</li> </ul>	
<b>Non-lending activities</b>	<p><b>Relevance</b></p> <ul style="list-style-type: none"> <li>• Are policy dialogue, partnership-building and knowledge management objectives clearly outlined in the COSOP? Are they in line with the needs of the poor, and are they consistent with the strategic objectives of the COSOP and lending operations, as well as with the Government's priorities?</li> <li>• Do the selected non-lending activities provide sufficient support for country programme objectives as per COSOP, as well as the loan portfolio in the country?</li> <li>• Were resources earmarked for non-lending activities and explicitly outlined in the COSOP (e.g. in the form of grants and/or the IFAD administrative budget)?</li> <li>• Was the selected mix of policy dialogue, partnership-building and knowledge management appropriate and relevant?</li> <li>• Were the advisory services delivered by other partners taken into account in selecting the focus of non-lending work?</li> </ul> <p><b>Effectiveness</b></p> <ul style="list-style-type: none"> <li>• Describe the extent to which non-lending activities achieved their objectives, if they were explicitly articulated.</li> <li>• How did non-lending activities contribute to the replication and scaling up of innovations promoted by IFAD?</li> <li>• Has IFAD systematically engaged in and contributed to the deliberations of donor working groups related to agriculture, food issues and rural development?</li> <li>• How much progress has been made as a result of non-lending activities in furthering the application of provisions contained in the Paris Declaration in terms of ownership, alignment, donor coordination and harmonization, managing for results and mutual accountability?</li> <li>• With regard to knowledge management, were the COSOP's strategic objectives and project design and implementation properly informed by IFAD experiences in Viet Nam and elsewhere?</li> <li>• Were the most appropriate approaches deployed to achieve the desired results?</li> <li>• What have been the roles of the IFAD country representative, where applicable, and of the main government institutions in making non-lending services effective?</li> </ul> <p><b>Efficiency</b></p> <ul style="list-style-type: none"> <li>• Could alternative instruments and activities be implemented to reduce costs in non-lending activities?</li> <li>• What were the costs of the different types of non-lending activities and how do they compare to IFAD benchmarks (where available)?</li> <li>• Was the administrative burden on country officials minimized?</li> </ul>	Review of IFAD documentation on non-lending activities. Discussions with counterparts responsible for implementing these activities.
<b>COSOP performance</b>	<p><b>Relevance</b></p> <p><b>Assessment of the alignment of strategic objectives</b></p> <ul style="list-style-type: none"> <li>• Were the objectives set out in the COSOP consistent with the overarching objectives of the prevailing IFAD strategic framework and relevant corporate policies?</li> <li>• Were the strategic objectives identified in the COSOP consistent with the Government's strategies and policies, such as the PRSP and agricultural sector framework, for agriculture and rural development as</li> </ul>	Review of COSOP. Interviews with Government and IFAD managers.

	<b>Key questions</b>	<b>Main sources of data and information</b>
	<p>well as economic and social development?</p> <ul style="list-style-type: none"> <li>• Were the strategic objectives clearly defined and suitable for achieving sustainable rural poverty reduction? Was the basic approach adopted by IFAD, focused on support for women and socially excluded groups, too narrowly defined in terms of a broad strategy for rural poverty reduction? Should there have been an attempt to encompass issues such as youth, migration and addressing conflict in the rural areas?</li> <li>• Did the poverty analysis (economic and sector work) provide an adequate basis for the development of overall strategy, including the selection of the main elements of the COSOP (refer to Evaluation Manual)?</li> <li>• Are the strategic objectives aligned with the priorities of other bilateral and multilateral donors working in agriculture and rural development in the same country? If other donors pursued other priorities, should they have been convinced to align with IFAD?</li> </ul> <p><b>Evaluating the coherence of the main elements of the COSOP</b></p> <ul style="list-style-type: none"> <li>• Did the strategy succinctly articulate IFAD's comparative advantage and competencies in the country (i.e., country positioning)?</li> <li>• Were the target groups clearly identified in terms of the nature of the assistance that IFAD would provide?</li> <li>• Did IFAD select the most appropriate subsectors for investments?</li> <li>• Were the geographic priorities defined in the strategy consistent with the definition of the target groups?</li> <li>• Were the main partner institutions (e.g. for project execution, supervision and implementation support, community mobilization, cofinancing) the correct ones for meeting the country strategy objectives?</li> <li>• Were specific objectives defined and resources allocated for non-lending activities, including policy dialogue, partnership-building and knowledge management?</li> <li>• Were appropriate synergies foreseen within and among investment activities and between lending and non-lending activities? That is, did IFAD's overall assistance constitute a coherent country programme? For example, in terms of supervision and implementation support, the roles of the country programme management team and country presence arrangements. Country positioning is a measure of how well the organization responded to (or even anticipated) the evolving development challenges and priorities of the Government, built on the organization's comparative advantages, and designed its country strategies and programmes in a manner that took into consideration the support available from other development partners.</li> <li>• Did IFAD assess the extent to which the global policy environment (trade, migration, etc.) and exogenous factors (e.g. climate change, exposure to natural disasters) should guide the choice of lending and non-lending instruments and the priorities for IFAD engagement through lending and non-lending services?</li> </ul> <p><b>Country programme management and COSOP management</b></p> <ul style="list-style-type: none"> <li>• Did the Fund and Government of Viet Nam select appropriate supervision and implementation support arrangements?</li> <li>• How did the country presence support the COSOP strategic objectives? Was the most suitable country presence arrangement established in the country?</li> <li>• Were lessons learned and recommendations set forth in independent evaluations properly reflected in the country strategy?</li> <li>• Were sufficient administrative and human resources made available for the implementation of the country strategy by both IFAD and the Government?</li> <li>• Did the CPM and country presence officer have appropriate skills and competencies to promote the</li> </ul>	

	<b>Key questions</b>	<b>Main sources of data and information</b>
	<p>policy dialogue and partnership-building objectives identified in the COSOP?</p> <ul style="list-style-type: none"> <li>• What is the quality of the COSOP results management framework, project status reports, and aggregated RIMS reports and country programme sheets? Were Management actions in connection with this information system appropriate?</li> <li>• Was the COSOP M&amp;E performed properly? Were annual country programme reviews undertaken in a timely manner and were the corresponding recommendations implemented within the required time frames?</li> <li>• As the COSOP is dynamic, was it modified to reflect changes at the country level?</li> <li>• Did the CPMT concept function appropriately and make the required contribution to country programme management?</li> </ul> <p><b>Effectiveness</b></p> <ul style="list-style-type: none"> <li>• To what extent were the main strategic objectives of the COSOP achieved?</li> <li>• If a new COSOP is not yet foreseen, is it likely that so-far unattained objectives may be achieved in full or in part?</li> <li>• What changes in the context have influenced or are likely to influence the fulfilment of the strategic objectives? Was the COSOP properly adapted mid-course to reflect changes in the context?</li> <li>• Did the Fund devote sufficient attention and resources to promoting effectiveness?</li> </ul>	

## Definition of the evaluation criteria used by the Independent Office of Evaluation of IFAD

<i>Criteria</i>	<i>Definition<sup>a</sup></i>
<b>Project performance</b>	
Relevance	The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, institutional priorities and partner and donor policies. It also entails an assessment of project coherence in achieving its objectives.
Effectiveness	The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.
Efficiency	A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted into results.
<b>Rural poverty impact<sup>b</sup></b>	
	Impact is defined as the changes that have occurred or are expected to occur in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended) as a result of development interventions.
<ul style="list-style-type: none"> <li>• Household income and assets</li> </ul>	Household income provides a means of assessing the flow of economic benefits accruing to an individual or group, whereas assets relate to a stock of accumulated items of economic value.
<ul style="list-style-type: none"> <li>• Human and social capital and empowerment</li> </ul>	Human and social capital and empowerment include an assessment of the changes that have occurred in the empowerment of individuals, the quality of grass-roots organizations and institutions, and the poor's individual and collective capacity.
<ul style="list-style-type: none"> <li>• Food security and agricultural productivity</li> </ul>	Changes in food security relate to availability, access to food and stability of access, whereas changes in agricultural productivity are measured in terms of yields.
<ul style="list-style-type: none"> <li>• Natural resources and the environment and climate change</li> </ul>	The focus on natural resources and the environment involves assessing the extent to which a project contributes to changes in the protection, rehabilitation or depletion of natural resources and the environment. It also assesses any impacts projects may have in adapting to and/or mitigating climate change effects.
<ul style="list-style-type: none"> <li>• Institutions and policies</li> </ul>	The criterion relating to institutions and policies is designed to assess changes in the quality and performance of institutions, policies and the regulatory framework that influence the lives of the poor.
<b>Other performance criteria</b>	
<ul style="list-style-type: none"> <li>• Sustainability</li> </ul>	The likely continuation of net benefits from a development intervention beyond the phase of external funding support. It also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life.
<ul style="list-style-type: none"> <li>• Innovation and scaling up</li> </ul>	The extent to which IFAD development interventions have: (i) introduced innovative approaches to rural poverty reduction; and (ii) the extent to which these interventions have been (or are likely to be) replicated and scaled up by government authorities, donor organizations, the private sector and others agencies.
<ul style="list-style-type: none"> <li>• Gender equality and women's empowerment</li> </ul>	The criterion assesses the efforts made to promote gender equality and women's empowerment in the design, implementation, supervision and implementation support, and evaluation of IFAD-assisted projects.
<b>Overall project achievement</b>	
	This provides an overarching assessment of the project, drawing upon the analysis made under the various evaluation criteria cited above.
<b>Performance of partners</b>	
<ul style="list-style-type: none"> <li>• IFAD</li> </ul>	This criterion assesses the contribution of partners to project design, execution, monitoring and reporting, supervision and implementation support, and evaluation. The performance of each partner will be assessed on an individual basis with a view to the partner's expected role and responsibility in the project life cycle.
<ul style="list-style-type: none"> <li>• Government</li> </ul>	
<ul style="list-style-type: none"> <li>• Cooperating institution</li> </ul>	
<ul style="list-style-type: none"> <li>• NGO/Community-based organization</li> </ul>	

<sup>a</sup> These definitions have been taken from the Organisation for Economic Co-operation and Development/Development Assistance Committee *Glossary of Key Terms in Evaluation and Results-Based Management* and from the IFAD Evaluation Manual (2009).

<sup>b</sup> It is important to underline that the IFAD Evaluation Manual also deals with "lack of intervention". That is, no specific intervention may have been foreseen or intended with respect to one or more of the five impact domains. In spite of this, if positive or negative changes are detected and can be attributed in whole or in part to the project, a rating should be assigned to the relevant impact domain. On the other hand, if no changes are detected and no intervention was foreseen or intended, then no rating (or a notation of "not applicable") is assigned.

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### IFAD-funded projects and programmes in Viet Nam

Project Name	Project Type	Total Project Cost US\$ million	IFAD Approved Financing US\$ million	Cofinancier Approved Amount US\$ million	Counterpart Approved Amount US\$ million	Beneficiaries Amount US\$ million	Board Approval	Loan Effectiveness	Closing Date	Cooperating Institution	Project Status
1. Participatory Resource Management Project – Tuyen Qang Province	AGRIC	25.1	18.4	3.5	1.6	1.6	Apr 1993	August 1993	December 2001	UNOPS	Closed
2. Agricultural Resources Conservation and Development Project in Quang Binh Province	AGRIC	17.9	14.4	1.5	1.8	0.2	Dec 1996	March 1997	December 2002	UNOPS	Closed
3. Ha Giang Development Project for Ethnic Minorities	RURAL	18.4	12.5	3.1	2.2	0.6	Dec 1997	January 1998	June 2004	UNOPS	Closed
4. Ha Tinh Rural Development Project	AGRIC	19.1	15.4		2.3	1.4	Apr 1999	September 1999	March 2006	UNOPS	Closed
5. Rural Income Diversification Project in Tuyen Quang Province	RURAL	30.4	20.9	5.0	2.7	1.8	Dec 2001	August 2002	March 2010	Direct by IFAD	Completed
6. Decentralized Programme for Rural Poverty Reduction in Ha Giang and Quang Binh Provinces	RURAL	38.7	24.7		11.3	2.7	Dec 2004	August 2005	March 2012	Direct by IFAD	Ongoing
7. Programme for Improving Market Participation of the Poor in Ha Tinh and Tra vinh Provinces	RURAL	37.3	26.4	5.7	4.1	1.1	Sept 2006	April 2007	December 2012	Direct by IFAD	Ongoing
8. Developing Business with the Rural Poor Programme	RURAL	50.5	35.6	8.0	5.1	1.8	Dec 2007	May 2008	December 2014	Direct by IFAD	Ongoing
9. Pro-Poor Partnerships for Agroforestry Development Project	RURAL	25.3	21.0	0.6	2.4	1.3	Feb 2009	May 2009	June 2015	Direct by IFAD	Ongoing
10. Project for the Economic Empowerment of Ethnic Minorities in Poor Communes of Dak Nong Province	MRKTG	23.8	19.9	0.9	2.3	0.7	Apr 2010	November 2010	June 2017	Direct by IFAD	Ongoing
11. Agriculture, Farmers and Rural Areas Support Project in Gia Lai, Ninh Thuan and Tuyen Quang Provinces	RURAL	65.3	48.3		10.9	6.1	Dec 2010	February 2011	September 2016	Direct by IFAD	Ongoing

## Projects and programmes ratings by the CPE

Evaluation Criteria	PRMP	ARCDP <sup>66</sup>	HPM <sup>67</sup>	Overall Rating Projects Before 1999	HRDP	RIDP	DPRPR	IMPP	DBRP	3PAD	3EM	TNSP	Overall Rating Projects From 1999	Overall CPE Portfolio Assessment <sup>68</sup>
<b>I. Core Performance Criteria</b>														
Relevance	5	5	6	5.3	5	5	5	5	5	6	5	5	5.1	5
Effectiveness	4	4	5	4.3	5	5	4	4	Na	Na	Na	Na	4.5	4
Efficiency	4	3	5	4.0	5	4	4	5	Na	Na	Na	Na	4.5	5
<b>Overall Project Performance</b>	<b>4.3</b>	<b>4.0</b>	<b>5.3</b>	<b>4.5</b>	<b>5.0</b>	<b>4.7</b>	<b>4.3</b>	<b>4.7</b>	<b>Na</b>	<b>Na</b>	<b>Na</b>	<b>Na</b>	<b>4.7</b>	<b>4.7</b>
<b>II. Rural Poverty Impact</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>Na</b>	<b>Na</b>	<b>Na</b>	<b>Na</b>	<b>4.5</b>	<b>5</b>
Household income and assets	4	5	5	4.7	5	5	5	4	Na	Na	Na	Na	4.8	5
Human and social capital and empowerment	4	4	4	4.0	5	5	5	5	Na	Na	Na	Na	5.0	5
Food security and agricultural productivity	4	5	5	4.7	5	5	4	4	Na	Na	Na	Na	4.5	5
Natural resources, environment and climate change	3	3	4	3.3	5	5	4	3	Na	Na	Na	Na	4.3	4
Institutions and policies	4	3	3	3.3	5	5	4	5	Na	Na	Na	Na	4.8	5
<b>III. Other Performance Criteria</b>														
Sustainability	3	3	3	3.0	5	5	4	4	Na	Na	Na	Na	4.5	4
Innovation and Scaling up	4	5	5	4.7	5	5	4	5	Na	Na	Na	Na	4.8	5
Gender equality and women's empowerment	Na	3	3	3.0	4	6	4	5	Na	Na	Na	Na	4.8	5
<b>IV. Overall Portfolio Achievement</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4.0</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>Na</b>	<b>Na</b>	<b>Na</b>	<b>Na</b>	<b>4.8</b>	<b>5</b>
<b>Partner Performance</b>														
IFAD	4	3	5	4.0	5	4	4	5	Na	Na	Na	Na	4.5	5
Government	4	5	5	4.7	5	5	4	5	Na	Na	Na	Na	4.8	5
Cooperating institutions	4	3	3	3.3	5	4	4	5	Na	Na	Na	Na	4.5	4

<sup>66</sup> Ratings provided by the Project Evaluation on Agricultural Resources Conservation and Development Project in Quang Binh Province, Viet Nam, 2004.

<sup>67</sup> Ratings provided by the Project Evaluation on Ha Giang Development Project for Ethnic Minorities, Viet Nam, 2004.

<sup>68</sup> The overall assessment only includes projects approved from 1999 onwards.

## IFAD grants to Viet Nam

### Appendix 6 – Table 1. Country-specific grants

Subtype	For lending project	Project/Grant Name	Grant Amount	Currency	Effective	Completion
TA grant	NO	Leveraging Private Sector Through Inclusive Business, Bac Kan Province	198,500	US\$	13/10/2010	30/09/2013
Italian Supplementary Fund Grant	NO	Pilot Project For Poverty Reduction In Ia Pa District, Gia Lai Province, Socialist Republic Of Viet Nam	1.540,900	US\$	17/09/2008	30/09/2011
Medium Size Project	YES	Promotion Of Sustainable Forest And Land Management In The Viet Nam Uplands (GEF-19).	654,545	US\$	13/10/2010	30/06/2013
Loan Component Grant	YES	Rural Poverty Reduction In Ha Giang and Quang Binh Provinces	430,000	SDR	17/08/2005	30/09/2011
Loan Component Grant	YES	Prog For Improving Market Participation of The Poor In Ht And Tv	270,000	SDR	18/04/2007	30/06/2012
Loan Component Grant	YES	Developing Business With The Rural Poor Programme	350,000	SDR	06/05/2008	30/06/2014
Loan Component Grant	YES	Econ. Empower. of Ethnic Minor. in Poor Comm. of Dak Nong Province	330,000	SDR	09/11/2010	31/12/2016
Environmental Grant	YES	Agric. Res. Conservation & Dev. Project in Quang Binh Province	96,563.18	US\$	21/06/1995	30/09/2002
Environmental Grant	YES	Ha Tinh Rural Development Project	13,670	US\$	19/11/1998	30/09/2005
TA grant	YES	Participatory Resource Management Project - Tuyen Quang Prov	7,204.66	US\$	21/06/2002	30/09/2001
TA grant	NO	Ministry Of Agriculture and Rural Development For The Rural Development Strategy For 2010-2015 With A Vision To 2020	300,000	US\$	07/02/2008	31/03/2011
TA grant	NO	Building Pro-Poor Market Orientation Skills.	200,000	US\$	20/05/2009	30/06/2011
Special Operational Facility Grant	YES	Ha Giang Development Project For Ethnic Minorities (To Facilitate An Effective Start-Up Of Project Implementation)	21,328.56	US\$	25/03/1998	31/12/2003
TA grant	NO	Linking small poor households to supermarkets and other quality chains – 913 CIRAD Hanoi	199,719	US\$	15/05/2007	21/05/2009
TA grant	NO	Integrating Safe and Off-season Vegetable Production With Market through Information, Education and Training In Ha Tinh and Tra Vinh Provinces – 937 AVRDC	199.991	US\$	10/04/2007	10/10/2009
TA grant	NO	Knowledge Networking for Participatory Feedback in Rural Development Policy – 1157 IPSARD	200,000	US\$	14/12/2010	31/12/2012
Special Operational Facility Grant	YES	Ha Tinh Rural Development Project (Assistance For Project Start-Up)	71,643.39	US\$	18/06/1999	30/09/2005
Special Operational Facility Grant	YES	Rural Income Diversification Project In Tuyen Quang Province	59,358.81	US\$	08/03/2002	30/09/2009



**Appendix 6 – Table 2. Regional grants covering Viet Nam (2002-2008)**

Global/Regional Grants	Approval Date	Effective Date	IFAD	
			Grant Amount US\$	% Disb. by Feb. 2010
Programme for Managing Rice Landscapes in the Marginal Uplands for Household food security & Environmental sustainability - 706 IRRI	09/09/2004	26/07/2005	1.190,000	95
Pro-Poor Policy Formulation, Dialogue and Implementation at the Country Level – 821 FAO	13/12/2005	08/02/2007	1.500,000	82
Programme for Enhancing Agricultural Competitiveness of Rural Households in Greater Mekong Sub-region – 902 FAO	14/12/2006	20/09/2007	609,000	51
Asia and the Pacific Region Asian Project Management Support programme – 998 AIT	15/09/2009	18/12/2009	1.400,000	0
Implementing Gender Sensitive Project Management Training: Laos, Cambodia, & Viet Nam – 1010 AIT	Approved EB Sept 2009	Grant under preparation	200,000	0
Programme on Rewards for Use of and Shared Investment in Pro-poor Environmental Services (RUPES II) – 1032 ICRAF	25/04/2008	15/10/2008	1.500,000	21
Medium-term Cooperation Programme with Farmers' Organizations in Asia and the Pacific Region – 1034 FAO/SEWA	25/04/2008	June 2008	1.420,000	33
Programme for Linking Smallholder Livelihoods of Poor Smallholder Farmers to Emerging Environmentally Progressive Agro-industrial Markets – 1031 CIAT	25/04/2008	14/01/2009	1.500,000	23
Enabling Poor Rice Farmers to improve Livelihoods and Overcome Poverty in South and South-East Asia through the Consortium for Unfavourable Rice Environments (CURE) – 1108 IRRI	30/04/2009	28/07/2009	1.500,000	0
Improving Understanding of Cognition and Institutions for Poverty Alleviation Programmes and Human Security – 840 Washington University	26/01/2006	11/07/2006	200,000	95
Strategy and options for integrating biofuel and rural renewable energy production into rural agriculture for poverty reduction in the Greater Mekong Sub-Region – 925 ASDB	21/12/2006	13/06/2007	200,000	100

## **IFAD Management Self-assessment by the Asia and the Pacific Division**

### **Socialist Republic of Viet Nam**

### **Country Programme Evaluation**

**January 2011**

1. As part of the 2010/2011 country programme evaluation (CPE) of IFAD's country programme in the Socialist Republic of Viet Nam, an attempt will be made to assess IFAD's strategy, loans, grants and non-lending activities. According to the evaluation manual of the IFAD Independent Office of Evaluation (IOE), any evaluation includes an exercise of self-assessment.

#### **A. Country strategy development**

*A.1 Please provide a brief description of the process applied in preparing the 2008 COSOP and indicate any changes that you consider appropriate when preparing the mid-term review.*

2. The COSOP process was an intense engagement with the Government, with a number of different **studies**, Government led missions to the field for review and design, and it would not have been possible without the field presence to carry out such an iterative process. It started in April 2007 with an initial consultation with Government on the scope of the concept note and proposed approach, an agriculture sector analysis in collaboration with MARD, a poverty baseline survey was carried out by university students, a country programme review (CPR) led by the Ministry of Finance in September/October 2007 with field visits to IFAD provinces. Consultations were held in selected provinces and districts to collect and consolidate experiences from project implementation and outcomes, and numerous consultations were also held with key government and donor stakeholders at the central level to discuss findings from the CPR and poverty baseline survey, and on policy recommendations and future support needs. Finally, based on all these steps, a consolidation mission was carried out with further field visits and a team of Government and IFAD consultants to bring everything together. This mission was a joint Government (Ministry of Planning and Investment, Ministry of Finance, Office of the Government, Ministry of Foreign Affairs mission). This process was with heavy involvement of the field presence to bring ongoing experience into the document. Numerous consultations were carried out with the Government.

3. As the COSOP was initiated in 2008, we will not have time for an MTR in the third year of implementation (2011), as we are starting the development of the new COSOP immediately after the findings of the CPE are presented and will be preparing the new COSOP for presentation to the Executive Board in 2012. However, were we to conduct the MTR, it would be appropriate to have a process of consulting the mass organizations, private sector and more civil society actors, particularly to ensure that the voices of people are represented. Also we would look at the interactions between the different working papers in a more strategic manner.

*A.2 What has been done to create awareness about the 2008 COSOP among government partners and PMUs? How has the 2008 COSOP been used in the current cooperation between IFAD and GOV?*

4. The 2008 COSOP has been the basis of design for all the projects that have been developed since the COSOP was presented. The Government took very seriously the findings and in every wrap-up meeting for the design of a new project, the Government would remind us that we need to adhere to the COSOP. The projects that have been developed under the current COSOP have been the Pro-Poor Partnerships for Agroforestry Development (3PAD) in Bac Kan Province, the Sustainable Economic Empowerment of Ethnic Minorities (3EM) in Dak Nong Province, and the Tam Nong Support Project in Tuyen Quang, Ninh Thuan and Gia Lai Provinces. The COSOP has been central in the interaction between the central government and IFAD in the design of projects. The PPMUs have less knowledge of the COSOP and are keener about their own

project designs. However, at the country programme reviews, which are carried out in an annual and biannual basis, the PPMUs have been reminded of the purpose of COSOPs.

*A.3 What role did civil society play in the COSOP consultation process? What other key non-government partners were involved in the process?*

5. Not enough. There was no civil society participation and non-government partners did not play much of a role in consultations for the 2008 COSOP. This must certainly be rectified in developing the new COSOP, and we plan to initiate a policy and social feedback process for it through the FU.

*A.4 Have changes to government and national policies had an impact on the strategic directions? Please explain and provide examples.*

6. The policy of particular importance for the IFAD-supported country programme is the Government of Vietnam's comprehensive strategy for *Agriculture, Farmers and Rural Areas*, more popularly called "*Tam Nong*".<sup>1</sup>

7. Issued in 2008, *Tam Nong* calls for structural changes that would widely affect policy, legal frameworks, planning, land use, investment and principal factors of production within the sector and in the rural areas. The intent of the new policy is to speed up the industrialization and modernization of the rural sector.

8. The most recently designed project, Tam Nong Support Project (TNSP), sets out to operationalize some of the more innovative aspects of this strategy. As can be found in the TNSP logframe, there are a number of overlapping indicators. In general, TNSP aligns itself to the market-oriented agricultural approach, ensuring that rural poor people can participate in and take advantage of market opportunities promoted in the rest of the IFAD-supported country programme.

9. The design is based on addressing some of the main gaps in the current government system that would hamper effective implementation of Tam Nong, including lack of coordination between line agencies for market oriented rural development, capacity for economic management of resources rather than top-down planning, need for understanding pro-poor value chains, lack of private-sector engagement in rural areas and agriculture; inclusion of the rural poor, particularly ethnic minorities, in local planning, decision-making and development processes, and decentralization of resources to the commune/village levels.

*A.5 How effectively does IFAD position itself in relation to the Government and other donors in order to have influence?*

10. IFAD has been developing partnerships with key parts of government, particularly the Department of Cooperatives and Rural development (DCRD) and International Cooperation Department of MARD to develop key policies. Further partnerships have been developed with IPSARD and FU. We also have been participating in the One UN Initiative. However, outside the formalities of signing the One Plan, we have not been able to substantially improve our relationships with other United Nations agencies in Viet Nam. But work is still in progress and we have yet to reap the harvest of our efforts. With respect to other donors, we have three cofinanciers and there is a need to work on partnerships further, as the thrust of the country office activities have been implementation support and supervision. We are more recently in dialogue with the six banks group and also developing partnerships with civil society on issues such as climate change.

11. The real question is about whom one wants to have influence and how this influence is exercised. Policy in Viet Nam is dominated by the Communist Party and carried out by the bureaucracy. So if we are to have more influence on policy, we need to seek ways to be more strategic about policy messaging, ensure regular meetings with the Party when in the provinces, and use the media more effectively to show the results

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<sup>1</sup> Resolution No.26-NQ/TW, dated 5 August 2008, of the Seventh Congress by the Session X Central Executive Committee on Agriculture, Farmers and Rural Areas.

of our projects as meeting the needs of the people. There is a clear need for IFAD to be more actively engaged in implementing the National Target Programme for New Rural Development and to mainstream the successful experiences and lessons learned from IFAD investments.

*A.6 Apart from portfolio development, what follow-up actions have been implemented to address the strategic priorities of the 2008 COSOP and what has been achieved? Did you have any action or implementation plan, with resources assigned to different activities, for achievement of the strategic priorities?*

12. The main event at which the strategic priorities of the COSOP are reiterated is the country programme review, which is an annual and, in some years, six-monthly event. The country programme review is organized by MPI, with the participation of government aid coordination agencies (MoF, Office of the Government, MARD, and DPI directors of all provinces) and project management teams from all projects. The projects are asked to comment on the indicators in the results framework and report on progress vis-à-vis the results management framework of the COSOP. However, as most of the indicators are second-level indicators for the projects, it is not easy to report on the figures.

13. The COSOP 2008-2012 focuses on the following four interlinked strategic objectives (SOs):

SO1: Rural poor households in upland areas access markets through increased inclusive private-sector partnerships;

SO2: Poor and vulnerable households are enabled to take advantage of profitable business opportunities;

SO3: Upland poor communities secure access to, and derive sustained benefits from, productive natural resource assets; and

SO4: The rural poor contribute to and benefit from pro-poor agricultural, market-driven policy processes at subnational levels.

14. With regard to SO1, in 2010 we held a public-private-people partnership fair with over 200 companies participating, with a view to promoting interaction between the Government, private sector and IFAD-funded projects. With regard to SO2, this is being operationalized through our portfolio of loans. We have also developed a grant to the Netherlands Development Organization to help us develop 'inclusive business' ideas to ensure that poor and vulnerable households can take advantage of business opportunities. With regard to SO3 and the climate change focus, we are working with IFPRI and an NGO, Sustainable Rural Development (SRD), on capacity-building and better analysis vis-à-vis climate change. With regard to SO4, the country office needs to carry out more analysis to ensure that we can promote the 'right' policy and also policy platforms for the provincial leadership. We have been discussing with M4P, ACIAR on how a strategic partnership can be developed and HELVETAS. The country office has facilitated IFAD-funded projects in provinces to cooperate with regional offices of VCCI to assist in improvement of their Province Competitiveness Index.

*A.7 What are the main concerns in implementing non-lending activities, such as policy dialogue, knowledge management, and partnership building, and grants as well?*

15. **Policy dialogue.** The main concern with policy dialogue is to undertake it in the way most appropriate to IFAD in Viet Nam, which is to link provincial experience to national-level dialogue. At the CPR meetings, we invite policymakers to introduce IFAD-funded project managers to new government policies and programmes in agriculture and rural development and to allow for feedback from provincial experience to policymakers. There are a number of ongoing grants to the DCRD under MARD, the grant project to IPSARD under MARD and the regional grant to VFU on farmers' organizations to fill gaps in policy formulation, implementation social feedback and the policy research/evaluation process.

16. IFAD is currently focusing on two policy areas: farmers' organizations and PPP partnerships. To enable IFAD-funded projects in provinces to contribute their experiences in the markets-based agriculture development approach, the country office facilitated two policy workshops on policy for development of farmers' organizations (one by IMPP in Tra Vinh on 9 April 2010 and one by DBRP in Cao Bang on 20 April 2010). At these workshops, IMPP and DBRP had opportunities to introduce their experience on the development of farmers' CIGs and collaborative groups to MARD's team of experts who were formulating the guidelines for implementation of the Government's Decree 151 on Rural Collaborative Groups. The lessons learned from IFAD-funded projects in developing CIGs were shared and contributed to national policy formulation. On PPP partnerships, IFAD helped MARD to initiate an overview of the current national policy framework and compile a list of existing models of public private partnerships in agriculture.

17. **Knowledge management.** Knowledge management officers (KMOs) have been identified and were assisted by ENRAP to attend training courses, after which the trainees have actively shared KM-related knowledge and skills with KMOs from other IFAD-funded projects. However, this activity has not led to much as there is minimum use by other project staff. We have also created a social blog (<http://ifad-un-vn.blogspot.com>). Owing to limited English proficiency, articles and news from the projects uploaded to the blog are in Vietnamese only. In April 2010, the country office initiated the development of a country website in response to demand from projects ([www.ifad.org.vn](http://www.ifad.org.vn)). Although there is still much room for improvement, the IFAD website in Viet Nam is a forum for sharing and enabling adoption of experiences and insights among the family of IFAD-funded projects in Viet Nam.

18. Changes are witnessed in the quality and quantity of project publications such as newsletters and leaflets, on a monthly and quarterly basis. Now that projects are making greater efforts and investing more resources in improving liaison with local newspapers and television, news about project activities together with successful stories from the field are published and broadcast on the mass media more frequently. Some projects were able to have their project websites linked to the provincial government web portal, providing project information and knowledge to a wider group of readers from either the public or private sector, urban or rural areas.

*A.7 Do you consider it important to promote synergies between the programmes and, if so, what is being done? Is it feasible to pursue a coherent programme with a thematic/subsector approach, also considering implications for more policy linkages through coordination among provinces in the same region?*

19. The CPR provides an excellent opportunity for promoting synergies between project directors and for reviewing implementation progress, identifying main challenges and setting new policy directions. In organizing the CPR workshop, there is sharing by the project directors. All presentations are done by key management staff, instead of trying to bring in guest speakers. It is organized in different sessions, including for market orientation, decentralization, small-scale infrastructure, economic organization, etc.

20. Not only could there be more policy linkages by coordinating among provinces in the same region but there could be complementarities for value chains. This would require facilitation and engagement of the right stakeholders.

*A.8 Please provide figures on the recent Performance Based Allocation System (PBAS). Are the underlying analyses and assessments discussed with the Government and used to influence the policy and institutional context as well as implementation performance?*

21. The PBAS is in a separate attachment. The PBAS is updated on a yearly basis and there is a lot of good information in it, but the analysis of the gaps is not complete and it is more of a depiction of the current policy situation. There is no comparative analysis done between countries or guidance given as to why certain figures are higher or lower in Viet Nam than in other countries. Neither is there any attempt to guide countries on how to improve policy. In Viet Nam, it is not discussed annually, and its full potential as a tool to influence the policy and institutional context has not been used. However, as this

is a COSOP year, we will certainly take the opportunity to discuss it with the Government.

*A.9 Since the early 1990s, IFAD has gradually moved from an area-based integrated rural development approach to focusing on social infrastructure and natural resources management and to more strategic subsector/thematic approaches based on value chains. What was the rationale for doing so, and what do you consider are the specific advantages, disadvantages and challenges of this evolution in the current context?*

22. The rationale for moving from an integrated rural development approach to one based on value chains, private-sector engagement, institutional reform and capacity-building includes:

- The sustainability of interventions was being called into question; while the projects were being financed, activities were continued. However, as projects were coming to a close, there was a discontinuity of activities even if there was a wish to owing to lack of political commitment or financial resources;
- A significant group of technology innovations were not adopted and the limited plurality in extension delivery has restricted uptake of successful innovations;
- Integrated rural development instruments have been project-based and have not yet translated into comprehensive provincial programmes, thereby reducing sustainability and impact breadth;
- capacity-building achievements have been impressive, particularly at the community level. However, the capacity gaps that limit good governance and the holistic adoption of integrated rural development strategies at provincial level were not addressed; and
- Absence of effective interventions that raise competitiveness and reduce market barriers inevitably reduced the impact of the improvements in livelihoods that projects achieved and, hence, their impact on poverty reduction.

*A.10 Is the value chain approach proving compatible with IFAD's traditional focus on specific target groups such as indigenous people and women? Are you able to integrate natural resources management issues into this context?*

23. The participation of the poor is generally broader during the initial stages of a project, such as in awareness-raising and consultation meetings. However, the establishment of CIGs, which are mostly crop-based, excludes the landless and households with poor land. Women's participation is high at the village-level planning meetings, but they are less well represented in the implementation of activities such as CIG meetings and agricultural training activities, even when such activities are highly relevant for women, such as pig-raising. Therefore cooperation with WU and FU, identification of a suitable time (such as evening) for organizing training activities, the use of cultural venues (such as pagodas) for gathering villagers, selection of skills training subjects and the media of communication that will benefit directly poor landless households, particularly women, are key factors for an effective targeting mechanism. Engagement in value chain development activities must ensure equal benefit for the rural poor through promotion of: (i) carefully identified subsectors that would create employment and relevant production, processing and marketing systems for the poor; (ii) improved business processes of public and private service providers along value chains that benefit the rural poor; (iii) incentives and risk management for increased participation of poor farmers in farm-to-market operations; (iv) access to local and more distant markets; (v) infrastructure and improved connectivity; and (vi) increased use of appropriate technology.

## **B. Lending portfolio**

*B.1 What are the specific factors in Viet Nam that constrain implementation performance? What are the most common issues that arise in implementation?*

### **Implementation capacity issues**

- PPSC inactive – insufficient linkage with ongoing national targeted programmes.
- Lack of ownership of project activities by the line agencies – delivery limited to specific tasks agreed with the PPMU, with the PPMU taking the central managing role.
- Lack of staff with capacity in the PPMU – Government staff seconded from departments to MPU with little experience of implementing ODA projects.
- Weak service delivery at the district level - No clear definition of accountability of project activities by the district people’s committees, lack of experienced staff.
- Commune capacity tends to be weak, particularly as investment owners.

### **Planning and decentralization**

- Weak linkages/integration between project-supported planning processes and the incorporation into provincial SEDP, district and commune development plans;
- Lack of clarity on budget allocations - Almost all district and communes struggle to provide information on the budget allocations, both total and yearly allocations;
- Project management is extremely centralized, with the PPMU directly managing the projects, rather than facilitating the transfer of responsibility to line agencies, districts and communes;
- The participatory planning process under IFAD-funded projects has been used as a tool for project implementation rather than a strategy for reforms in the way provinces plan and implement their development activities;
- Training has been insufficient and delivered by people who themselves may be lacking in training skills and an understanding of the participatory and market-oriented planning approach;
- The gaps in market knowledge, community development and consultation skills of project staff inevitably lead to shortcomings in terms of methodologies and knowledge in instructing the communes in market-oriented SEDP;
- Villagers’ awareness of markets opportunities is still limited during the planning process, and this makes the poor’s participation less meaningful.

### **Market orientation**

- Many communes still do not have sufficient understanding and knowledge to effectively operate the participatory, market-driven approach;
- Engagement with the private sector<sup>2</sup> is weak and project activities are largely confined to the administrative hierarchy;
- Dependency on project funding for scaling up of successful interventions at the commune and village levels rather than small-scale, profit-driven investment by interested farmers and farmer groups;
- Need for capitalization of identified opportunities for a market-oriented approach that links small, relatively poor producers with more commercial supply chains already established;
- No specific procedures have been issued on engaging private enterprises or better-off farmers for provision of marketing, contract farming and training services.

### **Rural finance**

- *SMEs not linked to the credit line.* The SMEs and CGs/cooperatives that received BDS have not been linked with credit from the credit line; the reason cited is that other banks in the town have fewer procedures and are more thus accessible.

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<sup>2</sup> The private sector is defined as anything that is not government, and includes farmers, traders, SMEs, equitized companies and other informal/formal business entities.

- *Institutional coordination between the programme and VBARD.* VBARD and project linkages should be strengthened to ensure that credit flows to enterprises that are receiving support from the programme and need financing.
- *Demand and terms of credit availability.* While the lending procedures and lending terms of the credit line are no different from the normal credit of VBARD, there is an expectation from the communes that the rate of interest should be concessional and collateral norms should be relaxed.
- *Operationalizing the credit manual.* Lending to cooperative groups registered under Decree 151 and cooperatives requires further clarification in the manual and changes to aid smooth implementation. Also credit officers need to have information on how programme activities improve the viability and profitability of the enterprises they lend to, thus reducing credit risk.

### **Monitoring and evaluation**

- Indicators (measures) are confined to the output level. There is a need to aggregate up to an objective (subcomponent and component) level to enable evaluation of the overall project goal.
- Almost all the measures at the output level are quantitative. It is suggested that inclusion of qualitative measures would significantly improve the value and use of M&E information.
- M&E framework does not disaggregate according to gender and poverty to allow project management to assess project impact on women and poor households and respond to issues, challenges and opportunities.
- The focus of the current M&E manual is on monitoring. Evaluation and impact are much more difficult. Small-scale evaluation activities should include approaches that use qualitative and quantitative information describing the state of household, poverty, production activities and income generation prior to and following participation in project activities.
- Improved awareness of the requirements for impact evaluations (even at the village level) will develop a better understanding amongst CFs and M&E staff of the end-outcomes sought from project activities
- M&E unit should be assigned functions relating to quality control of infrastructure investment.
- *B.2 Implementation performance varies between the different projects and programmes. Which factors explain this variation (nature and design of the programme, different capacity among government implementing agencies or project directors, supervision and implementation support etc.)? Does IFAD's current feedback loop enable it to manage the programme effectively?*

24. Factors that explain variations in performance are (i) political commitment on the part of provincial authorities; (ii) project management staff capacity; (iii) engagement of line agencies responsible for implementation, and the relationship between the PMU and line agencies; and (iv) project design. The IFAD country office provides training and other forms of implementation support, regularly communicates with project management, undertakes close supervision and develops manuals. However, this does not make up for problems having to do with political commitment, project management capacity and involvement of the implementing agencies.

*B.3 Please highlight important issues that IFAD has experienced with respect to the Government's financial management, flows of funds, procurement and M&E?*

### **Financial management, fund flows and disbursement issues**

- Financial management of the PPMU may be acceptable, but financial management by line agencies, districts and communes (i.e. other project parties) is not.



- Continued lack of fund transfers for replenishment of the designated account and key bottlenecks in the flow of funds seriously impedes progress by the PPMU and the cooperation of implementing agencies. A number of projects are borrowing heavily from the provinces.
- The authorized allocation into the designated account is too small and projects tend to run dry, particularly during the peak implementation phase.
- Commune accountants have little capacity and district accountants have little time (mostly part-time) to look at project-related schemes and hence the PMU cannot collect receipts and withdrawal cannot be submitted.
- Very slow disbursements and flows of funds to the commune and village levels.

### **Procurement**

- Sometimes, IFAD procedures are not clear as the thresholds are lower than government standards.
- As all our projects decentralize to lower levels and procurement capacity at the commune level is particularly weak, procurement takes time.

### **Monitoring and evaluation**

- Indicators are confined to outputs.
- Almost all the measures at the output level are quantitative.
- M&E framework does not disaggregate according to gender and poverty to allow project management to assess project impact on women and poor households and respond to issues, challenges and opportunities.
- The focus of the current M&E manual is on monitoring and not on evaluation of impact.

*B.4 Please highlight plans concerning cofinancing partnerships with other institutions in the Viet Nam context. Do you experience particular difficulties in attracting cofinanciers? If that is the case, please explain the reasons.*

25. There are usually teething problems between the cofinancier's technical team and the project management team with regard to need for authority from the project management side and need for autonomy from the TA team. As most of the traditional bilaterals are financing the One UN Initiative, it has become more difficult to attract cofinancing.

*B.5 Is there a systematic organization of meetings where the different project teams meet and exchange information and experiences and agree on cooperation?*

26. As explained above, it is the CPR.

*B.6 Have there been any study tours where project staff from Viet Nam visit (a) other IFAD-funded projects, (b) IFAD-funded projects in other countries; or (c) where staff from other countries visit projects in Viet Nam?*

27. Yes, IFAD-funded projects often visit each other, particularly when there are two provinces involved in one project or when there is one province that is doing a particularly good job. Representatives of neighbouring countries (Laos, Cambodia and Bhutan) have visited Viet Nam to view the experience of projects.

*B.7 How useful is ENRAP for knowledge sharing among the various project teams and with Government and civil society?*

28. While it has been useful for training, ENRAP activities are not so relevant for IFAD-funded project teams in Viet Nam owing to the language barrier. Locally, we have developed a Viet Nam ENRAP website and this has been much more successful in ensuring that project-related information and necessary documents are place. However,

relatively little has been done to link to our government partners and civil society through ENRAP.

*B.8 Please highlight changes in country programme management that have taken place since establishment of a field presence office.*

29. The field presence is made up of the CPO and a Country Programme Assistant (CPA), as well as a financial management advisor (FMA) and procurement officer (on retainer contracts).

30. We benefit greatly from the skill-set of the country presence officer, Mr. Tung, in Viet Nam. Policy development is unique in Viet Nam, as the process is driven 100 per cent by the Government. The rest of the UN is moving towards "upstream policy advice" but the Government has said they never asked the UN to provide policy advice. The opportunities have to be identified within a Government-led process in areas that they are trying to operationalize. Policy tends to be pro-poor but there are gaps that need to be filled to ensure effectiveness. It is in this context that the CPO, Mr. Tung, has done an excellent job of identifying opportunities. We start at the provincial level: the first endeavour is institutional engagement of IFAD-funded projects with the provincial system and ensuring that IFAD interventions are mainstreamed into provincial practices and sustained within the government system.

31. Ms. Hoai and FMA and CPA, has been working closely with the project accountants and their teams in the nine provinces to upgrade their capacity on financial management and accounting. She has been mentoring the accountants and also giving advice to their accountant teams, following up on supervision mission recommendations concerning financial management. Most of her work has been done from the Hanoi office through reviewing documents and reports, and by e-mail and telephone calls. But more recently, she has taken the initiative to visit the project sites and offices in the provinces to ensure all is order. She reviews the audit reports to check for quality and follows up on the audit opinion. Currently, part of her work is to review withdrawal applications and give comments to the accountant teams before submitting them to MoF for processing to Rome.

32. We have been able to liaise with central government more effectively, communication with the project management teams are relatively frequent, the supervision missions are carried out with local capacity, design missions are reiterative and there is more ownership, and there is much more implementation support and training being carried out.

### **C. Impact, sustainability and innovation**

*C.1 In which areas and with which types of interventions has IFAD achieved the greatest impact in terms of reducing rural poverty? What are the main constraints to achieving impact on poor rural households?*

33. The main areas where IFAD has achieved the greatest impact are as follows:

- Targeting of the rural poor: There is a broad consensus that IFAD-funded projects in Viet Nam have significantly reduced poverty. Poverty targeting strategies have included a mix of geographical targeting; MOLISA household poverty data; community-based wealth ranking; selective consultation and engagement of disadvantaged groups, especially women; adoption of self-targeting activities such as small-scale technology development, low credit caps and credit delivery through the WU; or infrastructure development targeting remote communities. This approach was largely successful in ensuring that interventions reached the poor and disadvantaged.
- *Agricultural support services and rural institutions.* Projects have typically contracted government extension agencies to implement technology demonstration and transfer programmes. The mission has raised a number of concerns about the appropriateness of some of the technologies promoted and the lack of diversity in extension delivery. In general, there is insufficient appropriate technology available for poor, risk-averse upland farmers engaged in indigenous

farming systems. Furthermore, project technology transfer models rely on under-trained commune extension workers and the provincial DARDs as the principle trainers/service providers. IFAD-funded projects have successfully trained a large cadre of community-based animal health workers (CAHWs) whose financial viability is challenged by unfair competition from government service providers and the expectation, by government, of free CAHW inputs into government animal health programmes. IFAD's project would benefit from less prescriptive technology strategies at start-up, based on more textured analysis of local farming systems; more competitive and pluralistic approaches to technology testing and transfer, including the establishment of stakeholder-led provincial and district extension boards; extension methods that better respond to poor household needs and learning patterns; and strengthened private-sector participation in the delivery of agricultural services. Similar principles apply to the development of sustainable animal health services. Participatory action-research into upland rain-fed farming systems and technologies that are economically attractive and appropriate to the risk framework of poor households is also essential for the development of IFAD's minority people constituencies in Viet Nam. More pluralistic and participatory extension and sustainable (profitable) private village animal health services are essential for upland agriculture and livestock subsector diversification and growth. IFAD-funded projects would benefit from the establishment of stakeholder-led provincial and district extension boards, currently being trialled by MARD in selected provinces.

- *Decentralization and participatory approaches.* IFAD has led the establishment of community-based participatory planning and infrastructure development in Viet Nam, including strengthened provincial regulatory frameworks, and has generated commendable results. It has, however, primarily been a project-led process. IFAD-funded projects have not yet translated project experience into sustainable provincial programmes. There is an urgent need to develop participatory planning and management procedures that can be mainstreamed into provincial development processes, particularly to support the community-based implementation of national investment programmes. Attention needs to be focused on the assumption of ownership of participatory development by the provincial governments and the localization of processes, procedures and budgets, with projects playing a capacity-building and empowerment, rather than implementing, role in participatory development. This will require IFAD-funded projects to change their focus from being directly involved in program implementation to playing an advisory role in which they support provincial and local governments in '*learning by doing*' and thereby build up local planning and managerial capacity. Future projects will need to: (i) align and integrate with relevant national and provincial policies and programmes, (ii) streamline participatory planning processes to improve their timeliness and cost effectiveness with a view to maintaining beneficiary interest, meeting provincial planning requirements and ensuring sustainability, (iii) build capacity across provincial government and technical agencies in participatory planning; (iv) negotiate and implement a phased transfer of decision-making powers from the project to provincial institutions; (vi) secure official endorsement and the commitment of necessary resources for the comprehensive roll-out of participatory approaches through and within provincial agencies; and (vii) progressively transfer responsibilities and accountabilities to local and district governments for participatory implementation of annual planning and budgeting.
- IFAD poverty impacts reflect project M&E systems that are rich in data, including valuable participatory M&E information, but weak in data management and analysis. So the impact data on poverty remains weak.

*C.2 How would you rate (1 to 6 rating scale, 6 being the highest) the effectiveness of IFAD's targeting strategy in reaching the very poor?*

34. 4.

*C.3 How would you rate (1 to 6 rating scale, 6 being the highest) the prospects of sustainability of the activities and assets financed by IFAD and the related outcomes? What are the main explanatory factors for low or high likelihood?*

35. 4, given that we are working through existing agencies.

*C.4 In your view, which are the main innovations that the IFAD programme has generated? How would you rate your effectiveness in seeking, in particular, pro-poor investment in upland areas, upland technology development and transfer and adaptation and climate change financing mechanisms?*

36. We are always searching for and identifying innovations for market orientation and are now underway with identifying appropriate interventions for climate change. The challenge is to ensure that interventions are relevant for upland areas, women, indigenous populations and the poor. The main innovations have been:

- *Application of value chain approach in participatory markets-based local economic planning process:* Key lessons of implementation of the market-based commune SEDP planning processes include: (i) selection of infrastructure schemes should be integrated with or based on the commune business development plans; (ii) market information (value chain analysis, labour market analysis, analysis of local resources) should be disseminated timely and effectively to support villagers for selecting and identifying income improvement activities; (iii) private stakeholders and service providers should be invited to participate in commune SEDP planning because their partnership plays a key role in market-oriented agricultural and rural development; and (iv) the cooperation with the provincial DPI to institutionalize the market-oriented socio-economic planning and budgetary processes should be established from the outset.
- *Strengthening collective actions and cooperation between the better-off farmers and the poor through development of CIGs/collaborative groups.* The development of Common Interest Groups and collaborative groups have been an effective way to *promote* the transition process from subsistence to commodity agriculture production by gathering poorer and smallholder farmers and enabling the technology transfers among the better-off and the poor to the initiation of market supply/value chains.
- *Engaging the private sector.* Key lessons from previous and ongoing projects include: (i) need for a private-sector development action plan that should be contextualized in provincial development strategies and AWP/B processes; (ii) more *emphasis* needed on interventions that raise the Province Competitiveness Index (PCI) and reduce administrative barriers to approval of private investment projects to agriculture and rural sector; (iii) favourable conditions and incentive policies should be provided to enterprises that work in the poor areas and invest in agriculture production and processing; (iv) training and workshops should be organized and tailored to strengthen management and facilitation capacity in market orientation and private-sector development at the province, district and commune levels.

*C.5 What is the experience with scaling up the approaches developed in IFAD-funded projects to the national level? How would you rate scaling up on a 1 to 6 scale?*

37. With regard to scaling up, in general, issues have been the lack of an overall comprehensive strategy for scaling up during implementation agreed upon with line agencies; and lack of institutionalization of key lessons learned into organization and management at all levels. However, there have been some good examples at the provincial level whereby IFAD-funded project activities have been mainstreamed. Scaling up has been a 4.

## **D. Non-lending activities**

*D.1 How do you assess the Government's willingness to discuss policy issues with IFAD – within and outside a project context?*

38. 4-5.

*D.2 What are IFAD's main achievements in policy dialogue – and in which context?*

39. The main achievements have been with regard to Programme 135, production components, CIGs, the Law on Association and new developments with regard to private-sector engagement.

*D.3 How do you assess the willingness of other development partners to enter into cofinancing partnerships with IFAD? Do you have a strategy for developing cofinancing partnerships?*

40. 4. Our strategy for cofinancing partnerships is to work very much with MPI, which has the real leverage with development partners.

*D. 4 How would you rate (1 to 6 rating scale, 6 being the highest) your collaboration with development partners (i.e. in enhancing impact through knowledge management, promoting learning alliances, mainstreaming experience through provincial policy and institutions and, ensuring sustainability through national-level upstream policy)?*

41. I would rate it about 4. While partnerships are important with development partners for cofinancing, many of the donors are starting to do only budget support (PRSC) and One UN Initiative support or NGO support, making it very difficult to find development partners interested in cofinancing a province-based project. As regards the multilaterals, the Government tends to keep investments separate.

42. Collaborative activities that have been promoted include:

43. With MARD to facilitate communications on the NTP formulation with other donors and assist the Government in finding ways to mobilize support from the private sector, local institutions and the international donor community. In response, IFAD has assisted MARD in organizing a workshop in Hanoi to introduce the contents of NTP New Rural Development to the donor community. At a separate workshop, 15 pilot communes under the NTP were invited to introduce their first year's experience in implementing the broad integrated rural development programme.

- IFAD has further strengthened collaborative efforts with GIZ in Ha Tinh, Tra Vinh and with Lux-Dev in Cao Bang provinces through joint supervision missions, regular meetings and close communications to discuss project implementation issues around market-oriented poverty reduction strategy. The CPM participated in the GIZ programme retreat and strategic meetings, reflecting GIZ's considerations on strategic partnership with IFAD.
- The Voluntary Service Organization (VSO) is an NGO providing voluntary consultants. IFAD in Viet Nam has signed a partnership agreement with VSO to recruit international consultants to support IFAD-funded projects. We also have ongoing collaboration with DED.

*D.5 How would you rate the effectiveness of your knowledge management efforts on the themes that correspond to the COSOPs' strategic objectives? What has been achieved? What do you see as constraints on improving knowledge management?*

44. 4. We have attempted a number of knowledge management efforts with focus on documentation.

*D.6 Does IFAD use its leverage as an United Nations agency to contribute to the maximization of UN impact on poverty alleviation in Viet Nam? What are the main constraints? What is the progress made?*

45. The One UN Initiative is focused on sustainable growth, governance and the environment. It is making progress in terms of delivering as one. The main constraint at the moment is time to engage with the many activities required by heads of agencies to administer the One Plan and One Budget.

*D.7 How do you assess the Government's willingness to engage civil society and private organizations in implementation? How do you assess the strengths/weaknesses of civil society/private organizations relevant to IFAD's programme? How do you assess the strength/weaknesses of mass organizations (women's and farmers' associations) in implementation?*

46. Government stands ready to work with civil society and the private sector. Civil society is growing in Viet Nam and there are a number of interesting organizations that could be useful. The Viet Nam Farmers' Union (VFU) and WU are long-standing, key partners for implementing IFAD-funded projects in provinces. With VFU a partnership agreement has been signed, the objective of which is to promote this, the largest farmers' organization in policy monitoring and feedback, organization of policy dialogue on critical issues experienced under IFAD-supported projects and promotion of its role in the development of CIGs/collaborative groups and farmer-market linkages.

*D.8 Have any TA grants been used to enhance policy dialogue and knowledge management? If so, please provide a brief overview of the results.*

47. TA grants thus far have tended to focus much more on technical areas and less on knowledge management and policy dialogue. However, our next group of grants will hopefully address this issue. At the beginning of 2010, the field presence organized a meeting with the grants coordinators related to IFAD policy interventions at the central level, namely, the grant to DCRD under MARD, the grant project to IPSARD under MARD and the regional grant to VFU on farmers' organizations. In particular, the VFU and WU at the central level should be mobilized to link their networks with IFAD provinces.

# Summary of self-assessment of project directors<sup>1</sup>

Socialist Republic of Viet Nam

Country Programme Evaluation

January 2011

Lead Questions	Answers
<b>Project Design</b>	
Is project design relevant to the context and issues?	All project designs were appropriate and relevant to the context and issues at the time of formulation.
Is it flexible to address issues and needs in rural development and poverty reduction?	Designs were flexible and allowed to introduce spontaneous changes as they were perceived.
Were lessons learned from previous projects integrated into this project design?	Most project designs did integrate lessons learned from IFAD-funded projects, and to some extent from other donors. However, for a few projects, the fragmentation and inertia of the state system restricted, to some extent, the significance of those lessons.
Have modifications been made to original design?	Design modifications were made in all projects except for the most recent one. Only two respondents clarified that changes were introduced after the MTR, without specifying the nature of those changes.
Are budget allocations appropriate and adequate?	In all but two projects, budget allocations were considered to be adequate.
Were budget revisions made since project approval? Why?	Budget revisions were made in four of the seven projects in order to fit with the changing demands and market.
Were the prices and costs estimated at project design adequate?	Due to inflation, currency devaluation, market price fluctuations and changes in state provisions, several projects found cost estimates to be unrealistic. Only two projects reported the estimates as fully adequate.
Is there a need for extending project completion date?	Three out of seven projects desire an extension of completion date in order to be able to reach the overall objectives set forward in design. It was underlined that capacity-building as a means to reduce poverty needs time and experience, which often cannot be realised within the allocated project implementation period.
<b>Project Implementation</b>	
Were there any major changes in the implementation plan (e.g. log frame)?	Half the log frames have been adjusted during implementation to ensure that the indicators reflect outputs, outcomes and objectives in a clearer manner.
Were there baseline and repeat surveys?	All but one project have conducted the baseline survey, and most of them also repeat surveys, or are planning to do so.
Is there a functioning M&E system? Is the M&E system used as a management tool?	The M&E systems of all projects are functional, although one project highlighted the difficulties in setting up the system given the lack of experience. It was reported that the M&E system is used as a management tool, but the evaluation function has been less developed.
Are trends in livelihoods discernible?	In all cases, trends were visible but no supporting explanation was provided. One project did underline the shortcomings in rural finance activities reaching the poor.
Are there major project implementation problems?	Two projects do not have major implementation problems. Others highlighted following elements that challenge implementation: low capacity of implementing staff; slow disbursement rates; ensuring participation of the poor; effectiveness of government institutions; and innovative character of activities, requiring time and experience.
Satisfaction with UNOPS	Six projects responded positively to the supervision modalities, without

<sup>1</sup> Given that many projects have different provincial components and different PPMUs, assessments were sought of each management unit. Therefore, in this exercise, project needs to be understood at provincial level, given that design is province-specific.

<b>Lead Questions</b>	<b>Answers</b>
and/or IFAD supervision and backstopping?	providing more information. However, one project stressed that supervision missions had not always understood the context-specific challenges faced by project implementation.
Satisfaction with IFAD support?	Overall, there is a high degree of satisfaction with the support provided by IFAD. One project did express the need for additional support in skills development and knowledge sharing.
Role of cofinanciers, if any?	The role of cofinanciers is variable in terms of contribution and performance.
Was the project assisted with IFAD TA grants?	In five out of seven cases, assistance was provided. One respondent, however, added that the grant is facing disbursement difficulties.
<b>Sustainability</b>	
What is the likelihood that project achievements will be sustained after completion? Why?	Elements speaking in favour of sustainability of project achievements relate to participation, decentralization, community-based organizations, command-driven services. Exit strategies are being implemented to enhance sustainability. Innovative approaches are being shared and institutionalized.
<b>Innovations</b>	
Has your project introduced innovations?	The projects introduced several innovations, mostly related to the planning approach and participatory development.
<b>Non-lending Activities</b>	
Are there any key policy issues that need to be resolved to make the project more effective?	Some projects highlight the need for improved financial policies, support for market development and the private sector.
Has IFAD actively raised these issues with the Government?	Generally, yes.
Have (policies or) policy changes affected your project?	All cases report strong influence on project activities from changed policies, but only one provides a concrete example: the policy for increasing basic interest rates and on-lending interest rates did affect the credit activities of the project.
Has your project collaborated with projects of other development partners?	Collaboration with different partners was sought by all projects, from governmental programmes to bilateral programmes.
Has IFAD promoted such partnership-building with other partners, including the private sector?	Yes, but it was not indicated how.
Have there been any coordination efforts with other IFAD-funded projects?	Yes, but it was not indicated how.
Has your project benefited from activities of knowledge management?	The projects benefited from training, participated in regional annual workshops, exchanges through the regional website or IFAD.
Was this assisted by IFAD TA grants?	About half the projects did receive a TA grant, but it was not indicated for which activities.
Do you personally feel as project manager that IFAD has given you the support you needed to do the job effectively?	All project directors are positive about the support given by IFAD in conducting their job.
<b>COSOP 2008-2012</b>	
Are you familiar with IFAD's COSOP 2008-2012?	The projects are familiar with IFAD's COSOP 2008-2012.
Was your project team involved in the elaboration of the COSOP?	Some projects were involved in the elaboration of the COSOP, but it was not specified how.



<b>Lead Questions</b>	<b>Answers</b>
Had these documents any repercussion on the implementation of your project?	Two projects state that the COSOP had no repercussion on their implementation; others said it had.
<b>Lessons Learned</b>	
Are there, at this stage, some preliminary lessons learned?	Lessons learned include: <ul style="list-style-type: none"><li>• For implementation to be effective, collaboration with line agencies is necessary;</li><li>• Need for alignment between local socio-economic development plans and market development;</li><li>• Development support activities cannot be seen separately from climate change:</li><li>• Proper decentralization contributes to empowerment and social capacity;</li><li>• Value chains need to be adjusted to local context and commodity;</li><li>• Linkages need to be created between poor, better-off and well-off people.</li></ul>