

Second Supervision Mission
April 17 – 23, 2011
Aide Memoire

A. INTRODUCTION

1. The Second Supervision Mission¹ for the NMPRP-2 was conducted during April 17 – 23, 2011 with the principal objectives being to review the overall project implementation since the 1st Supervision mission in December 2010. The mission focused specifically on the following areas: (i) review of the implementation progress and quality of sub-component 1.1, including social and environmental safeguard compliance; (ii) review of the preparation and implementation of the proposed piloting livelihood support activities; (iii) discuss the necessary analytical work/studies or the piloting of the innovation grants under the sub-component 1.2; (iv) review the preparation and readiness of the communes to roll out the Commune Development Budget Component (CDBC); (v) M&E activities, focusing on newly proposed report formats; and (vi) review the staffing issues in Hoa Binh province. In addition, the mission also reviewed the project progress against the agreed actions from the 1st Supervision Mission in December 2010.

2. The mission started with field visits to Bac Yen and Phu Yen Districts of Son La province and then to Lac Son and Da Bac Districts of Hoa Binh province during April 18 – 22, 2011. The wrap-up meeting was held on April 23, 2011 with participation of all project provinces, including Vice Chairmen from the provinces and project Director and staff from CPO, six PPMUs and 27 DPMUs.

3. The second supervision mission by the Bank team was joined in the field by Ms. Nguyen Minh Nghia, Deputy Director of CPO, and other officers from the Central Coordination Office of the Department of Agriculture Economics, MPI, and worked closely with the respective provincial, district and commune authorities and staffs. The Bank team wishes to thank the staff of CPO and representatives of the provincial, district and commune people's committees in visited provinces for their time, effort and support during the mission. This *draft* Aide Memoire (AM) summarizes key findings and recommendations from the mission. The final mission AM will be formally transmitted to Government upon World Bank management clearance.

B. KEY FINDINGS AND SUMMARY RECOMMENDATIONS

Overall Assessment and Principal Findings

4. The development objective for the project is to enhance the living standards of the project beneficiaries by improving: (i) their access to productive infrastructures; (ii) the productive and institutional capacity of local governments and communities; and (iii) market linkages and business innovations. The project has started its implementation for more than eight months since its effectiveness in August 2010. It has smooth start-up and rolling out the planned activities.

5. However, the project's overall performance has lagged a bit compared with the preparation period and the first few months following the project's effectiveness. Below are key findings, followed by key agreed actions. Detailed descriptions of progress and remaining issues are provided in subsequent sections of the Aide Memoire.

¹ The mission was co-led by Vo Thanh Son (TTL) and Nguyen Thi Thu Lan (Co-TTL), and consisted of Tran Trung Kien (Senior Procurement Specialist), Pham Van Cung (Senior Financial Management Specialist), Alice Carloni (FAO/CP Livelihoods Advisor), and Do Thi Tam (Team Assistant).

- a. The first 18-month procurement plans have been updated to facilitate better the implementation process.
- b. The disbursement rate is at 6.9% (as of March 31, 2011), slightly lower than the planned amount and it shows a downward trend in the current quarter (Q4, FY11).
- c. The project has completed key basic trainings for project staff according to the current 18-month capacity building plan. Preparation for the Training Needs Assessment (TNA) to plan for the capacity building of the remaining 42 months of the project has yet to begin.
- d. Progress is uneven among project provinces with Yen Bai being the most progressive whilst Hoa Binh has performed worst. Lai Chau is complimented for good progress so far as a new province.
- e. Upcoming elections of local people's councils and the central national assembly in May, 2011 might result in changes of local government staff which could lead to staff turnover in the project.
- f. Implementation of approved procurement plans, both for CPO and 6 PPMUs are slower than expected.
- g. Staffing issues in Hoa Binh, as identified in the last mission, have not been adequately addressed which continue to cause serious delays and poor quality of project implementation in the province.
- h. Piloting of livelihoods support activities has started with supplementary guidelines in place, but overall progress is still slow.
- i. All provinces reported insufficient or absent counterpart funds which are causing problems of no salary payment for project staff in Son La province and delays in project activities in other provinces.
- j. Procurement of motorcycles for CFs has been advertised for bidding whilst the package for cars for PPMUs and DPMUs has not been submitted for Office of Government for approval yet. Recent measures introduced by GoV in curbing inflation and stabilizing macro-economy involves reduction of GoV's spending which might affect the justification for purchasing cars for project's use.

Key agreements reached with Government/CPO and provinces

6. Below are key agreed actions reached with the CPO and provinces to accelerate the project's implementation toward the end of the year. A more detailed agreed action plan is presented at the end of this *aide mémoire*.
 - a. CPO and PPMUs are to accelerate the implementation progress by adequately addressing the staffing issues and prioritizing key civil works ahead of the raining season in a few months to come.
 - b. Disbursement is expected to pick up toward the end of 2011 when more payments are made for completed civil works.
 - c. Training Needs Assessment (TNA) is the highest priority of the capacity building component in the next 6 months. Additional support will come from FAO/CP resources.
 - d. Provincial leaders of Hoa Binh and Lao Cai provinces have pledged to see to their own issues and get them addressed duly to ensure progress is back on track. MPI/CPO will issue an official letter to all provinces to request proper measures to be taken by the provinces to improve the project progress.

- e. Provinces will update the staff changes, if any, as the result of the local election and prepare for additional training for new project staff as soon as possible.
- f. Contracts to be awarded in the first 18-month procurement plans will be accelerated to ensure their completion by end of 2011.
- g. CPO will have a follow-up visit to Hoa Binh to discuss the issues with the provincial leaders to ensure that all staffing issues will be adequately addressed by end of June 2011.
- h. Draft additional guidelines for sub-component 1.2 and 3.4 are being prepared and will be finalized by the end of June to allow piloting some market linkages and market-linked training. CFs will be strengthened through community facilitation and PRA skills training course to be conducted in May 2011.
- i. MPI will instruct provinces to redirect some centrally allocated budget to prioritize ODA implementation, including the NMPPR-2 at provinces to ensure effective and sufficient counterpart funds are available.
- j. MPI will shortly submit its justifications for purchasing of cars for project use to Office of Government for endorsement, given the current enactment of GoV's spending cut measures.

Overall disbursement

7. Disbursement reached 6.9% as of March 31, 2011. This is slightly lower than the expected rate of 8.3% for the first four quarters of the project. Table 1 below shows the disbursement rates by quarter as of the end of Q3 FY11. It is a big challenge ahead of the project to meet the forecasted disbursement amount of over US\$10 million towards the end of 2011. There is a downward trend in disbursement and if no strong progress takes place to improve the disbursement status and reverse the disbursement trend, the project is at relative risk of failing to meet the disbursement forecast.

Table1. Overall project disbursement by quarter (in US\$)

Quarter	Planned Disbursement (USD)	Actual Disbursement (USD)
Q1-FY11	2,500,000.00	0
Q2-FY11	2,500,000.00	7,605,078.16
Q3-FY11	2,500,000.00	1,175,690.41
Q4-FY11	2,500,000.00	131,427.18
Q1-FY12	5,000,000.00	0
Q2-FY12	5,000,000.00	0

Source: WB Project Portal, as of April 22, 2011

Disbursement by provinces

8. Table 2 below shows the actual disbursement by provinces. Yen Bai province is in the leading position with nearly 11% disbursed. Hoa Binh, Lao Cai and Son La performed worst in terms of disbursement, with less than 6% disbursed so far, lower than the project average. Disbursement rate in the last quarter (i.e., Jan – Mar 2011) slowed down in all PPMUs. This is probably due to the traditional New Year of Tet in February 2011 and activities slowed down before, during and after the event.

Table 2. Disbursements by provinces (Unit: 1000USD)

PPMUs	Total allocated WB funds	Disbursed by 31 Dec 2010	Disbur. Rate /total funds	Disbursed by 31 Mar 2011	Disbur. Rate /total funds

1. Hoa Binh prov.	20.000	1.000	5%	1.088	5,4%
2. Yen Bai prov.	20.000	2.068	10,3%	2.178	10,9%
3. Lao Cai prov.	20.000	1.000	5%	1.027	5,1%
4. Son La prov.	20.000	1.000	5%	1.123	5,6%
5. Lai Chau prov.	17.000	1.000	5,8%	1.232	7,2%
6. Dien Bien prov.	17.000	1.000	5,8%	1.148	6,8%
7. CPO	9.000	500	5,5%	700	7,5
Total	123.000	7.568	6,2%	8.496	6,9%

Source: Client Connection, as of March 31, 2011.

Implementation status

9. Overall project implementation progress has been good but showing signs of slowing down during the last quarter. Of all approved 18-month procurement plans, there are 133 contracts, of which 62 contracts have been awarded, accounting for 47%. The raining season will start in one month or so and will last for 3-4 months. It is critical that PPMUs speed up the preparation and complete the contract awarding as soon as possible so that the remaining contracts could begin and complete when the dry season sets in. Low performing provinces should strive to improve their progress as much as possible to allow this to happen. Notably, Lao Cai and Hoa Binh, two experienced provinces with NMPRP-1 have not yet been able to award any civil work contracts.

10. The Commune Development Budget Component (CDBC) and piloting of livelihoods have started in four provinces and Hoa Binh and Lao Cai are to follow suit soon. The quality of consultations for CDBC appears to be an issues as proposed sub-projects are quite limited and not especially creative. Upcoming training for CFs is expected to help improve the quality and effectiveness of village planning and consultations for CDBC.

11. Capacity building has been well advanced and facilitated well the project implementation so far. Training have, however, not been delivered in ethnic minority languages to allow maximum participation and understanding among many members of Commune Development Boards whose proficiency in the national language is low.

12. Project management has seen expected challenges of inadequate staffing, insufficient counterpart fund and late delivery of vehicles for project use. Several district and communes face issues of staff changes and lack of permanent staff at district level, especially in Hoa Binh province. Central Project Coordination Office (CPO) has played the role of coordination and technical assistance to provinces relatively well. However, as project activities unfold, monitoring for project management poses as a big issue that CPO should consider to strengthen as soon as possible.

C. PROGRESS BY COMPONENTS

Component 1: District Economic Development

Subcomponent 1.1: Economic development investments

13. Progress under this sub-component is relatively slow and varies by province. Yen Bai is leading with several contracts awarded and 9 works have been completed and put into use. Table 3 below indicates the overall progress by province. Four provinces of Lao Cai, Hoa Binh, Lai Chau and Dien Bien are still working on preparations for bidding.

14. During implementation of the sub-component, several updates have been made due to too low estimation of costs during consultation and planning stage. At the same time, high inflation and price fluctuation caused difficulties for both contactors and investment owners. Quality of design consultancy in Dien Bien is reportedly low which led to several delays.

15. *The mission recommends that activities in the sub-component should be accelerated to meet the planned targets for the first 18 months of the projects. PPMUs should take into account for the next 3-4 months of raining seasons to plan accordingly. By end of July, remaining planned contracts under the first 18-month procurement plan should be awarded so that earth works and constructions could start right away when the dry season sets in. The mission repeats its recommendation from the last mission that Operations and Maintenance groups (O&M) should be formed to start the O&M work, using the mechanism of O&M fund under this project. CPO should develop guidelines for this activity soon in due course.*

Table 3. Sub-component 1.1 – progress by provinces

	Yen Bai		Lao cai		Son La		Hoa Binh		Lai Chau		Dien Bien	
	Planned	Impl ²	Planned	Impl ²	Planned	Impl ²	Planned	Impl ²	Planned	Impl ²	Planned	Impl ²
Transport	7	1	6	0	10	7	-	-	5	0	-	-
Irrigation	10	3	8	0	5	5	12	0	7	0	1	0
Water supply	10	5	3	0	9	8	6	0	1	0	1	0
Bridge	4	2	-	-	-	-	-	-	-	-	2	0
Market	2	1	-	-	-	-	-	-	-	-	-	-
Consultancy	-	-	3	3	-	-	-	-	-	-	-	-
Others	4	2	-	-	-	-	-	-	-	-	-	-

Source: CPO consolidated progress report, April 2011

Subcomponent 1.2: Diversification of opportunities for market linkages and business innovation support

16. Since this sub-component is new to all provinces and to the project, provinces are in a waiting mode for additional guidelines issued from CPO. So far, CPO has developed draft guidelines for Situational Assessment, private-public partnerships and an innovation support fund for consultation and further discussion. Final guidelines are expected to be available by the end of June for provinces to implement.

Component 2: Commune Development Budget Component (CDBC)

17. The CDBC component has seen some positive progress though more progress could have been achieved in experienced provinces. CFs have been duly recruited and deployed to assigned communes. The mission noticed that capacity and skills of CFs need further enhancing. Having reviewed the CDBC plans from all six provinces, quality, diversity and innovations of the CDBC sub-projects remain to be improved. CFs have the vital role in this process. *The mission recommends that community facilitation and PRA skills should be delivered as soon as possible to equip CFs with essential skills for quality village meetings and consultations.*

18. The mission found that provinces have followed the issued PIM and additional guidelines from CPO. Resource persons and consultants from CPO have also travelled intensively to provide training and support to provinces. CPO has organized training workshop on additional livelihoods guidelines to three provinces and will do the same for the remaining in early May.

Subcomponent 2.1: Village infrastructure improvements

19. All provinces have completed their consultations for the CDBC first 18 months plans including livelihoods sub-projects and 4 of them have got no-objection letters to their plan to proceed. Hoa Binh and Lao Cai are revising their CDBC plans, and these will be submitted for no-objection letters.

² Implementation started, not necessarily completed.

20. Yen Bai is again the leading province with 119 out of 161 sub-projects completing their technical designs and cost estimations. Contracts to communities/local groups of artisans are to begin in May, 2011. Son La and Lai Chau are also progressing with this sub-component, well ahead of other three provinces of Lao Cai, Hoa Binh and Dien Bien.

21. The mission observed that sub-projects under this sub-component appeared quite limited to inter-village roads, water supply, small irrigation improvements, and purchase of loudspeakers or machines. Not many innovative themes were introduced in the proposed sub-projects.

22. The mission observed in Da Bac district, Hoa Binh that no visited communes there know their allocated budget. This is a serious issue because this information is vital for planning at village and commune levels.

23. *The mission recommends that (i) consultations and village meetings should be effectively conducted to capture relevant and eligible proposals from villagers; (ii) all sub-projects of building toilets, either at public places or for schools, should be designed and included water supply for cleaning and processing, if relevant. Where water supply is scarce, “dry-processing system” should be applied to ensure hygiene and long-term use; (iii) results of village meeting and approved list of sub-projects should be duly posted at commune centres and public places for everybody’s view and access of information; (iv) every commune should know their allocated budget for CDBC and that information should also be published publicly.*

Subcomponent 2.2: Livelihoods support and production services

24. As this is a new area of activities, pilots are being proposed for the first cycle of CDBC. The mission observed that proposed sub-projects are not so diverse and many of them bear the similarity to P135-2 subsidies which is not the intention and design of this project. Many sub-projects are not aiming at creating new incomes or improving current income generation sources. The formation of Common Interest Groups (CIGs) for livelihoods support takes place quite slowly. Table 4 below shows the range of proposed livelihoods support so far. Livestock and crops support and training are the top three priorities.

Table 4. Consolidated plans of livelihoods sub-projects of the provinces under sectors

Provinces	Livestock		Crops		Capacity Improvement		Handicrafts		Welfare		Service support		Processing		Others	
	No. of sub-proj	% ³	No. of sub-proj	%	No. of sub-proj	%	No. of sub-proj	%	No. of sub-proj	%	No. of sub-proj	%	No. of sub-proj	%	No. of sub-proj	%
Son La	27	49.1	9	16.4	14	25.5	3	5.45	3	5.45		0		0		0
Yen Bai	4	36.4	2	18.2	4	36.4		0		0		0	1	9.1		0
Lai Chau	1	50	1	50		0		0		0		0		0		0
Lao Cai	74	59.2	19	15.2	1	0.8	19	15.2	4	3.2	4	3.2		0	4	3.2
Dien Bien	18	50	2	5.88	7	20.6		0	6	17.6		0		0	4	5.88
Hoa Binh	12	68.4	2	10.5	13	21.1		0		0		0		0	1	0
Grand total	136	55.1	35	14.2	30	15.8	22	8.91	13	7.29	4	1.62	1	0.4	6	3.64

Source: CPO consolidated progress report, April 2011

25. CPO has organized study tours to some projects with livelihood support activities in the country. South-South Exchange study tours are being organized together with Laos, Cambodia and Philippines with support from Washington DC. These are expected to generate

³ %: percentage rate of sub-project in each sectors compared to total sub-projects selected

more cross learning within and among countries implementing livelihoods supports through CDD operations.

26. Progress has been uneven between livelihoods subcomponents and is generally satisfactory at CPO level but is only marginally satisfactory at provincial level and below. Under subcomponent 1.2 - Diversification of Market Linkage and Business Innovations – TORs and manuals have been prepared by CPO, but are not yet distributed to the provinces and no activities have started on the ground. Moderate progress has been made on subcomponents 2.2 - Livelihoods Support and Production Services and 2.3 - Women's Socio-economic Development at CPO level and in the 3 provinces where livelihoods training workshops have already been held, but the remaining provinces are lagging. Work on 3.4 - Employment-related Skills Training – has yet to start because priority was given to the other three subcomponents.

27. The main achievements at CPO level have been: issue by CPO of draft guidelines for subcomponents 2.2 and 2.3; preparation of draft TORs for the consultant package on Situational Assessment; and preparation of a draft Innovation Grant Manual for subcomponent 1.2. At field level, all 6 provinces validated and updated their proposals for livelihoods and women's development in the 18-month plan, and four provinces obtained WB NOL for the plan. Implementation of the CDDBC component is ready to start for 2.1 - Village Infrastructure - but the 2.2 and 2.3 are not yet ready. The most urgent activities for the next 3 months to enable implementation of 2.2 and 2.3 to start are: the completion of missing parts of the draft livelihoods guidelines; training of livelihoods officers and Community Facilitators in livelihoods PIM procedures, PRA and business plan preparation; and completion of detailed feasibility studies for approved livelihoods subprojects under CDDBC.

28. Pending issues to be resolved include: ensuring the adoption and use of existing livelihoods guidelines by PPMUs, DPMUs, CDBs and CFs in the provinces that have not yet done so; staffing - two PPMUs still have no full time livelihoods officer; CPO/PPMUs to consider of contracting of outside expertise to support development of traditional ethnic handicrafts in Lao Cai and Son La provinces; and planning for assessment of the 2-year pilot phase of the livelihoods subcomponents, which is scheduled to end in June 2012. The CPO must plan now to generate sufficient data to permit assessment of the results. The CPO must also ensure that subproject implementation starts in all provinces by Sept. 2011, in order to generate objectively verifiable results by the June 2012. For detailed observation/analysis and recommendations see Annex 3.

29. *The mission recommends that (i) provincial leaders assign provincial extension centers to support the project to ensure technical quality and relevance of livelihoods activities at the localities; (ii) CFs should be trained more on technical issues (i.e., agriculture extension, business planning and proposal); (iii) and PPMUs and DPMUs should have assigned staff to monitor and support communes in implementing livelihoods activities.*

30. *The mission also recommends, and the CPO agrees, that in each province each livelihoods staff member (PPMU, DPMU, CF and selected CDB livelihoods staff) be given copies of (i) MARD/DARD booklets/information notes/guidelines on crop, animal and forestry production; (ii) MARD/DARD guidelines on how to prepare budgets for agricultural and agro-forestry projects; (iii) MARD/DARD guidelines on how to prepare cost-benefit analysis of agricultural investment projects.*

31. It was noted that all PPMUs and DPMUs have good computer capacity and Excel software which is perfectly adequate for using to prepare cost estimates and analysis for livelihoods proposals. Formats for tables and analysis are available from MARD/DARD and could be used in preparing invest proposals for livelihoods

Subcomponent 2.3: Support for women's social and economic development activities

32. Similar to progress under sub-component 2.2, women-focused livelihoods supports are also being piloted with a few proposals from villages. The mission observed that clear indication of support to women groups is not present in most CDBC plans and can cause misunderstanding and confusion. Several sub-projects are misplaced between sub-component 2.2 and 2.3 in the CDBC plans of Hoa Binh and Dien Bien provinces.

33. *The mission recommends that women's views and voices be better presented in these women-focused livelihoods sub-projects. Local women unions should be encouraged to take charge and organize their women members to forms groups for livelihoods activities.*

Component 3: Capacity Building

34. Capacity building activities have achieved their key objective of training all project staff on the project's basic information and PIM for implementation. Refresher training courses should be prepared now to remind project staff and to train new project staff, if any. So far, 149 training classes have been conducted for 5961 project trainees at all levels. This has facilitated quite smooth project start off and provided a good basis for project implementation. The mission noticed that there are still difficulties in improving outreach to trainees from villages and communes, whose mother tongue is not national language.

35. *The mission recommends that measures, such as, using audio books in ethnic minority languages to facilitate capacity building among ethnic minorities trainees should be implemented as soon as possible.*

36. The capacity building for the remaining 42 months of the projects will draw heavily on the results of the Training Needs Assessment exercises to be conducted by the end of 2011. *The mission recommends that urgent steps should be taken now to prepare for the assessment and CPO will play the key role in supporting and coordination with provinces to make this happen.* Additional support might come from FAO/CP resources.

37. The mission also recommends that relevant documents from JICA-supported project in Hoa Binh for socio-economic development could be a good starting point to adopt and adapt for the implementation of sub-component 3.1.

38. Additional guidance will be prepared by CPO for sub-component 3.4 and 3.5.

Component 4: Project Management

39. Project management has been relatively well done with support and coordination from CPO. However, there are still several problems and issues to be urgently addressed to facilitate the implementation of other components of the projects.

Staffing issues

40. Hoa Binh has not addressed the staffing issues that were raised in the last mission. Serious delay and poor quality of project implementation in Hoa Binh in the past months are the direct result of staffing problems in the province. The mission learned that 4 new members of the Hoa Binh PPMU have been recruited but those are new and inexperienced and it may be sometime before they can handle the work and provide effective support to districts. At district level, most staff at DPMUs is working part-time, rather than full time, as requested.

41. In other provinces, combining the positions of CDBC, livelihoods and other positions has proven to result in inadequate staff time devoted to vital pilot of livelihoods support. The upcoming election for local people's councils and central National Assembly might cause more staff changes at communes and district levels, which might lead to certain disruption of project activities.

42. *The mission recommends that staffing issues in Hoa Binh be addressed urgently and effectively. Any longer delay will continue to harm the project's implementation in the province and affect the whole project performance. CPO should consider a follow-up visit to Hoa Binh to discuss with the provincial leaders for possible solutions.*

Counterpart fund

43. All projects reported on an inadequate or untimely counterpart funding allocation and requested that more counterpart funds are available for the project activities. Project staff in Son La at district and provincial levels have not been paid salary for the last four months due to no counterpart funds being allocated to the project. In Hoa Binh, it is reported that counterpart funds are not sufficient and the province could run out of counterpart funds for salaries to project staff after May. Relying on the counterpart funds for sole sourcing the consultants for the survey and technical designs, the Project runs the risks of delaying the civil works.

44. *The mission recommends that MPI to work with provinces to ensure sufficient and effective counterpart fund arrangements for the project activities. This issue should be addressed by end of June, 2011.*

Project monitoring

45. Progress reports from provinces followed different report formats and data forms and lack of useful information such as community participation and consultation, communication and social and environmental safeguards. The project is supposed to work on a unified system for data consolidation and effective project management. Provinces have not yet systematically started the “photos story” documentation of project investments.

46. *The mission recommends that CPO to provide further training to provinces on monitoring and reporting to ensure effective project management. A reporting format should be introduced by CPO to all PPMUs to ensure minimum level of information needed for the project supervision.*

Vehicles

47. Recent measures to stabilize the macro economy and curb inflation include GoV's spending cuts. Resolution 11 by the GoV has set forth dozen of measures and halting purchase of new cars is one of them. This might have serious implications to the project as vehicles for project works are urgently needed given the project is working in remote and mountainous areas.

48. *The mission recommends that MPI to submit justifications for purchase of project cars to Office of Government as soon as possible. Project cars belong to ODA category so they should be prioritized rather than restricted.*

D. FIDUCIARY ASPECTS

Procurement

49. In general, the project is making a moderately satisfactory progress on procurement. Delays have occurred in some provinces on procurement of civil works which make up the largest portion of the project funds. The mission noted that all provinces continued to confirm that they would use counterpart funds for preparation of detailed design and cost estimates and for construction supervision. While this decision is acceptable, the mission noted that to ensure the timely procurement of civil works, project provinces should ensure the timely allocation of counterpart budgets for this crucial consulting work and the timely selection of consultants. Normally, to enable civil works to be constructed in the dry season (fourth quarter of the year), the consultants for detailed design should be hired by no later than the

end of the second quarter (June). The mission additionally noted that consulting services for detailed design and construction supervision are eligible for the Credit financing provided that they are procured in accordance with the Bank's Consultant Guidelines and depending on actual values of specific contracts, they may be procured through Selection Based on Consultants' Qualifications (CQS) - a simple and fast track selection method. The mission has done a procurement post review for CPO and 5 project provinces. Detailed findings and recommendations of this post review will be communicated in separate reports.

50. Some project provinces raised a concern about the current high fluctuation of construction material costs. The Bank's Procurement Guidelines request that contracts for works which last more than 18 months must have a provision on price adjustment, but this provision is optional for contracts with a shorter duration. The mission advised that considering that most of works contracts under the project would have a duration of less than 18 months but they may still be affected by the current high inflation environment, project provinces may apply price adjustment for works contracts of 12 months or above. In addition, the mission advised project provinces to review and update the cost estimates of works contracts before starting procurement to ensure that they have included necessary costs for inflation.

51. Procurement for CBDC component should closely follow the guidance in the CDBC manual. For livelihood activities, the mission advised that it should be normally broken down into three broad categories: goods and materials (breeding, seedlings, agricultural materials, etc), training and consulting services. Goods/materials and consulting services should be grouped or packaged into suitable contracts and procured using an appropriate procedure allowed in the Manual. Training should be done by relevant technical agencies/experts (extension centers, technical experts, etc) and the costs will be reimbursed according to actual expenses. The mission advised project provinces to refer to past experiences under NMPRP-1 and commented that to ensure the success of these activities, the role of agriculture extension centers in technical assistance, training and supervision might be critical.

52. The World Bank Office in Hanoi is organizing two procurement workshops in May and June 2011. Project provinces were requested to nominate staff to attend these training courses. In addition, the mission suggested that after the implementation of the project's first year program, CPO should organize a procurement experience sharing workshop for project provinces' procurement staff to share and learn experiences from each other. CPO was also reminded to prepare for the selection of consultants for procurement performance audit (Package C08/CPO).

Financial Management

53. Overall, the mission's observations from the field visits and working with the CPO suggested that serious actions are required to improve the financial management of the project to satisfactory level. Below are the key findings and recommendations

Arrangement of the financial management

54. In Bac Yen district, the full time chief accountant is not in place. In CPO and in Bac Yen, the accounting works (entries, reports) were not reviewed by the designated chief accountants. As a result, many errors occurred without detection.

Bac Yen district should appoint the full time chief accountant for the project. In CPO and Bac Yen the job descriptions of the designated chief accountants should be clarified where they should be tasked with reviewing financial management transactions and accounting records, entries and reports. In Bac Yen and CPO, all the accounting records should be reviewed and accounting errors should be fixed. These should be completed by June 30, 2011.

Delayed budget allocation in Son La

55. In Son La, the mission noted that the allocation of 2011 budget was late and insufficient. Until late April 2011, the budget was not allocated. In addition, the budget proposed by the PPMU was VND 40 billion (IDA 30: billion, counterpart fund: VND 10 billion) which was based on the anticipated activities for 2011 while the approved budget was only VND 17 billion (IDA: VND 10 billion and counterpart fund: VND 7 billion). As result, during the first 4 months of 2011, payments of salaries for PMU staffs and land acquisition could not be made. In 2011, it would be possible that the approved budget is not sufficient for project implementation.

The mission recommended Son La province to improve the timeliness and sufficiency of budget allocation and approval process.

Accounting software

56. The accounting software still does not function properly. In Son La and in CPO, the AMT reports cannot be generated. There are still issues with the report consolidation function. In addition, in CPO, the budget module has not been utilized. As result, reports could not be generated. In CPO, transactions for the first 4 months of 2011 have not been entered into the system.

The mission recommended the CPO to work with the software provider to fix the issues by June 30, 2011.

Management of cash

57. The management of cash in the places visited is weak and needs serious attentions to improve. In all localities, no monthly cash count was performed. In Phu Yen district, the (advance) payment of February CF salaries in January 2011 was not recorded in January 2011 but only February 2011. At the same time, monthly bank reconciliations were not performed.

The mission recommended the Son La PPMU, Bac Yen and Phu Yen DPMUs to review the current cash management practices and take specific actions and controls as suggested in the project Financial Management Manual to improve the cash management.

Interim Financial Reports

58. Up to now, the Interim Financial Reports (IFRs) for Quarter 4, 2010 whose submission deadline was February 15, 2011 was not submitted to the Bank.

The mission recommended that the project to submit the IFRs for Quarter 4, 2010 by May 15, 2011 which is also the deadline for the Quarter 1, 2011.

Safeguards Compliance

Social safeguards

59. Civil works under the project are small scale upgrades. There is no significant issue with social safeguards. So far, only Son La reported 3 subprojects that involved some very small scope of land and asset impacts. Review of the compensation documentation, the mission reminded Son La PPMU to pay attention to the eligibility criteria for other assistance/allowance to be paid to the affected households in addition to the affected land and assets compensation as provisioned by the provincial regulations. Training on safeguards was provided to all provinces as one of the basic courses. However, due to the change of staff

assignment of many PPMUs, refresh training on safeguards was recommended by the mission.

Ethnic Minority aspects

60. The mission observed that the quality of participation of the ethnic minorities in the project activity planning depends largely on the skills and qualification of the CFs. It seems that where CFs are carefully trained on or refreshed with the PRA techniques and skills to work with the community, the quality of facilitation and outcomes of community discussions seem to improve a great deal (relatively good quality in Son La vs under standard quality in Hoa Binh). Facilitation in or through the ethnic minority languages has to be ensured in order to maximize the meaningful participation of ethnic minorities especially of women from smaller ethnic minority groups who might have low proficiency in national languages.

Environment safeguards

61. The mission did not observe any significant issue regarding the environment safeguards. Safeguards compliant conditions were included in the civil work contracts that are bidding contractors to comply.

E. KEY ACTIONS AGREED UPON

62. The mission reached agreement with Government on the following priority actions to be undertaken.

Agreed Actions	Responsibility	By when
1. Remaining contracts under first 18-month procurement plan awarded	PPMUs and DPMUs	July 31
2. Training Needs Assessment (TNA) guidelines issued and training is conducted.	CPO, PPMUs	August 31
3. Hoa Binh to address all remaining staffing issues	Hoa Binh PPMU	May 31
4. CPO to conduct a follow-up visit to Hoa Binh to verify results	CPO	June 10
5. New staffs trained and ready for project work	PPMUs and DPMUs	June 15
6. Community Facilitation and PRA skills delivered to train CFs	CPO, PPMUs, and DPMUs	June 30
7. Additional guideline for sub-component 1.2 and 3.4 finalized and issued.	CPO and PPMUs	June 30
8. MPI/CPO to ensure sufficient counterpart fund is available to project activities.	CPO, PPMUs	June 30
9. MPI/CPO to submit justifications for purchasing of cars for project's use to Office of Government for endorsement.	CPO	May 15
10. Functional accounting software	CPO	June 30
11. Submission of Interim Financial Report	CPO	May 15

NEXT MISSION: Next supervision mission is tentatively planned to take place in August 2011.

Annex 1: Mission TOR and Schedule

VIETNAM

Second Northern Mountains Poverty Reduction Project (NMPP-2)

TERMS OF REFERENCE

for 2nd Supervision Mission, April 17 - 23, 2011

1. **Itinerary.** The Second Supervision Mission for the Second Northern Mountains Poverty Reduction Project (NMPP-2) will be conducted during April 17 – 23, 2011. The mission comprises of Messrs. Vo Thanh **Son** (TTL), Nguyen Thi Thu **Lan** (Co-TTL), Pham Van **Cung** (Senior Financial Management Specialist), Tran Trung **Kien** (Senior Procurement Specialist), **Alice** Carloni (Senior Livelihoods Specialist – FAO/CP Consultant) and Do Thi **Tam** (Team Assistant).
2. The proposed mission will be organized as following:
 - **Field visit during April 17 – 22, 2011:** The mission will travel to two provinces of Son La and Hoa Binh for intensive field visits to a number of communes and districts in these two provinces. Project progress reports are expected from CPO and all six project provinces to be sent to WB one week prior of the mission start.
 - **Wrap-up:** The mission will hold the wrap-up meeting with MPI and Provinces on April 23, 2011 at Hoa Binh province, with the participation of all other five project provinces to review the mission findings and agree on the action plans.
3. The mission will be joined in the field by leader(s) and key members of the Central Project Coordination Office (CPO) of Department of Agriculture Economics, MPI and will work closely with the respective provincial and district authorities and staffs in the areas to be visited.
4. **Objectives.** The objective of the mission is to review the overall project implementation since the 1st Supervision mission of December 2010, with special focus on the following areas: (i) review of the implementation progress and quality of sub-component 1.1, including social and environmental safeguard compliance; (ii) review of the preparation and implementation of proposed piloting livelihood support activities; (iii) discuss the necessary analytical work/studies or the piloting of the innovation grants under the sub-component 1.2; (iv) review the preparation and readiness of the communes to roll out the Commune Development Budget Component (CDBC); (v) M&E activities, focusing on newly proposed report formats; and (vi) review the staffing issues in Hoa Binh province. In addition, the mission will review the project progress against the agreed actions from the 1st Supervision Mission in December 2010.
5. **Team responsibilities**
 - Mr. Vo Thanh **Son** will lead the Bank team, work closely with all team members, and take primary responsibility for completing the mission aide memoire with inputs from all team members. He will pay special attention to livelihoods and M&E areas.
 - Ms. Nguyen Thi Thu **Lan** will jointly lead the Bank team with Mr. Son. Besides sharing the overall guiding responsibility to the team together with TTL, she will focus specifically on the project Commune Development Budget Component, Capacity building and social safeguards issues.
 - Mr. Pham Van **Cung** will be responsible for reviewing FM-related and disbursement issues of the project.
 - Mr. Tran Trung **Kien** will be responsible for conducting a post-review assessment for awarded contracts under the project so far. In addition, Mr. Kien will also help in reviewing other procurement issues of the project if required.
 - Ms. **Alice** Carloni will be responsible in (i) reviewing the Livelihoods Guidelines that have been issued for the pilot phase; (ii) reviewing the practicality of the Guidelines and identify any "gaps" that need to be covered in training, or changes that may need to be made; (iii) making suggestions regarding specific training to bridge the "gaps"; (iv) reviewing the Innovation Grants proposal in the PAD and the work that has been done by the CPO, including the preliminary draft of the guidelines for use by the project; and (v) reviewing the draft TORs for the provincial level Situational Assessments.
 - Ms. Do Thi **Tam** will be responsible for supporting the team and the mission in logistic arrangements and other events during the mission.
6. **Participation, Reporting and Outputs.** It is expected that all task team members will make themselves available to participate full time for the mission. It is essential that all mission members following the requirements for the stated tasks as mentioned above. Mission members are requested to provide respective initial contributions for the wrap-up meeting on April 23, 2011 and more substantial inputs in writing, preferably by April 26, 2011 to contribute to mission's Aide Memoire.

**Second Northern Mountains Poverty Reduction Project (NMPPR-2)
 Second Supervision Mission April 17 - 23, 2011**

Date	Activities	Remarks
Sunday 17/04	PM: Depart to Bac Yen District, Son La province	Overnight in Bac Yen
Monday 18/04	AM: Meeting with Son La PPMU an Bac Yen DPMU PM: Visit one commune in Bac Yen District	Overnight in Bac Yen
Tuesday 19/04	AM: Visit another commune in Bac Yen PM: Travel to Phu Yen and meeting with Phu Yen PPMU	Overnight in Phu Yen
Wednesday 20/04	AM: Mission split into two to visit two communes in Phu Yen PM: Travel to Hoa Binh	Overnight in Hoa Binh
Thursday 21/04	AM: Meeting with Hoa Binh PPMU and Lac Son DPMU in Lac Son District PM: Mission split into two to visit two communes in Lac Son	Overnight in Hoa Binh
Friday 22/04	AM: Meeting with Da Bac DPMU in Da Bac district PM: Mission split into two to visit two communes in Da Bac	Overnight in Hoa Binh
Saturday 23/04	8:00 AM: Meeting with CPO 9:00AM: Wrap-up meeting PM: Travel back to Ha Noi	

Annex 2: Summary of Completion of Agreed Actions from last mission

Priority actions	Responsibility	Progress
1. Monthly reporting on disbursement	CPO, PPMUs	On-going
2. Compliance with WB's safeguard policies	CPO, PPMUs, DPMUs	On-going
3. Staffing issues in Hoa Binh PPMU and its DPMUs to be resolved	Hoa Binh PPMU and its DPMUs	Largely unresolved
4. Solution to bottleneck of disbursement coding for sub-projects	Hoa Binh and Lai Chau PPMUs, CPO (if required)	Resolved
5. Acceleration of issuing supplemental guidance for livelihoods activities	CPO and PPMUs	Completed
6. Recruitment of FM consultant to support FM in Lai Chau and Dien Bien	CPO, PPMUs of Lai Chau and Dien Bien	Direct support CPO and software company, no consultancy services required.
7. Revised MIS formats	CPO	Partially completed; to be further reviewed and strengthened.
8. Conducting of consultation and review of planning	PPMUs	Done
9. Starting the process for procurement of vehicles	CPO	Obtained endorsement from MOF; to submitted to Office of Government for final endorsement
10. Delivery of community facilitation skills for CFs	CPO	Consultant is finalizing training materials, and training will be held in May and June, 2011
11. Refresher training courses for FM and enhancement of FM capacity	CPO, PPMUs	Not yet; timing to be arranged with MOF.
12. Acceleration of procurement of motorbikes for CFs	CPO	Bidding advertised; bid opening date is expected on April, 27 th , 2011
13. O&M groups set up and trained	CPO, PPMUs	Not yet implemented
14. Baseline survey report	CPO	On-going analysis by consultants.
15. Resettlement/Compensation Action Plan	Son La PPMU	Completed

Annex 3. Detailed observations and Recommendations for Livelihoods Support Activities

Progress has been uneven between livelihoods subcomponents and is generally satisfactory at CPO level but is only marginally satisfactory at provincial level and below. Subcomponent 1.2 - Diversification of Market Linkage and Business Innovations – made substantial progress in preparing TORs for Situational Assessments and a draft manual for Innovation Grants. These TORs and draft manual need to be incorporated in a comprehensive guideline for subcomponent 1.2 and disseminated to the provinces before any activities can start on the ground. Moderate progress has been made on subcomponents 2.2 - Livelihoods Support and Production Services and 2.3 - Women's Socio-economic Development at CPO level and in the 3 provinces where livelihoods training workshops have already been held, but the remaining provinces are lagging. Work on subcomponent 3.4 - Employment-related Skills Training – has yet to start because priority was given to the other 3 subcomponents. Nothing has yet been done on recruitment and training of Business Development Officers and Commune Professionals.

Implementation progress and readiness to implement also varies between provinces. Lai Chau, Lao Cai and Yen Bai are on track, whereas – in Son La and Hoa Binh provinces – which were visited by the current mission, there is no indication of readiness to implement. Project staff seemed reluctant to take actions, on the grounds that the component is new and confusing. Dien Bien – one of the two new provinces – is yet to be visited and urgently needs attention.

Sub-component 1.2 - Diversification of Market Linkage and Business Innovations

Research and Studies - TOR for a consultant package for Situational Assessments of promising value chains were drafted by CPO, reviewed by WB, translated into Vietnamese and sent to each of the provinces, to assist them to launch the request for bids. Recruitment of consultants is expected that it will start in August 2011 and complete in January, 2012. In addition, the CPO also prepared a list of existing studies and websites on value chains and small producer market linkages in Vietnam and disseminated a number of existing crop and livestock production models to provincial livelihoods officers via internet.

Innovation Grants – A draft manual on Innovation Grants was prepared by CPO including a draft application form, instructions on how to apply and a 100-point scoring system for evaluation of proposals and was reviewed by the current World Bank mission. The PAD foresees that each of the six provinces will organize – on a yearly basis – its own competition and a separate innovation fair to disseminate the results. The review questioned whether it makes sense for each province to organize a separate competition when the scoring is to be undertaken by a national central expert committee, whether they will attract enough bids and whether the key stakeholders for uptake and replication of innovations would be interested in attending separate innovation fairs in six adjacent provinces on an annual basis.

Productive Partnerships – CPO along with Hoa Binh PPMU met with Dung Tan Rattan Development Joint-stock Company on a proposal to develop rattan in Lo Son Commune, Tan Lac District. In addition, CPO met with the NGO Helvetas to discuss experience in developing non-timber forestry products and handicrafts. A guideline on Productive Partnerships will be prepared in June 2011 to help the provinces to effectively implement these initiatives.

Subcomponents 2.2 – Livelihoods Support and Production Services – and 2.3 – Support for Women's Socio-economic Development

The main achievements have been issue by CPO of draft guidelines for subcomponents 2.2 and 2.3 and completion of 1-day training workshops on the livelihoods guidelines for project staff in Yen Bai, Lao Cai and Lai Chou provinces. Training workshops on the livelihoods guidelines are yet to be held in Dien Bien, Son La and Hoa Binh provinces. At field level, the main achievement has been the validation and updating of proposals for the 18-month plan under CDBC. To date, all 6 provincial plans have been approved by government and 5 provinces received World Bank NOL. Implementation of the CDBC Village Infrastructure component is ready to start, whereas the two livelihoods subcomponents (2.2 and 2.3) need to organize and strengthen CIGs and to complete technical and

feasibility studies for approved subprojects before implementation can start. Several provinces urgently requested CPO to prepare supplementary guidelines on CIG formation, subproject proposal preparation and procurement for livelihoods subprojects. The most urgent activities for the next 3 months to enable implementation of 2.2 and 2.3 to start are: (a) preparation of supplementary guidance on CIG formation, subproject proposal preparation and procurement for livelihoods subprojects; (b) training of livelihoods officers and Community Facilitators in livelihoods PIM procedures, PRA and livelihood feasibility study preparation; and (c) completion of detailed feasibility studies for approved livelihoods subprojects under CDDB.

The field trip revealed that PPMU in Hoa Binh has not yet shared the livelihood guidelines with CPs or instructed DPMUs and CDDBs to use them. Very few subprojects for 2.2 are included in the 18-month plan in Hoa Binh and only 4 in Son La. Implementation of livelihood subprojects has yet to start in all provinces. Project officials in Hoa Binh – and to a lesser extent in Son La – seem reluctant to implement income-generating for CIGs. This resulted in top-down distortion of the bottom-up CDDB planning process. CDDBs in Hoa Binh instructed villages not to identify activities for 2.2, and shifted subprojects identified under 2.2 to 2.3 to avoid the livelihoods component. Officials also undermine the bottom-up planning process by pre-selecting beneficiary villages and imposing arbitrary ceilings on funds. In Hoa Binh, the minutes of village meetings are not transparent. Recommendation: CPO should remind Hoa Binh PPMU to follow PIM procedures. Participants at village meetings should vote by ballot – one participant, one vote – not by unanimous show of hands for all subprojects.

Subcomponent 3.4 – Employment-related Skills Training

The planning of this subcomponent has yet to start and is behind schedule. A fruitful exploratory meeting was held with the Provincial Training Institute in Hoa Binh during the current mission.

Issues and recommendations

Pending issues to be resolved include: ensuring the **adoption and use of existing livelihoods guidelines** by PPMUs, DPMUs, CDDBs and CFs in the provinces that have not yet done so; **staffing** - two PPMUs still have no full time livelihoods officer; suggested contracting of outside expertise to support development of **traditional ethnic handicrafts** in Lao Cai and Son La provinces; and Planning for **assessment of the 2-year pilot phase** of the livelihoods subcomponents, which is scheduled to end in June 2012.

The mission **recommends** that:

CPO should ensure that existing guidelines for subcomponents 2.2 and 2.3 are officially adopted by the PPMUs that have not yet done so and the DPMUs, CDDBs and CFs follow the guidelines. It should instruct the PPMUs, DPMUs and CDDBs not to interfere with the bottom-up planning process and not to shift activities arbitrarily between subcomponents 2.2 and 2.3.

CPO should complete missing parts existing livelihood guidelines by end-May 2011.

Hoa Binh and Son La provinces should recruit a suitably qualified livelihoods officer on a full time basis by end-June 2011.

CPO should revise provincial formats for reporting on village meetings and CDDB decision meetings. The minutes should list all subproject ideas discussed, separately for each subcomponent, indicating the source of the proposal (government or villagers), method used to vote on proposals; the votes received by each proposal and the ranking of endorsed proposals in order of priority.

CPO should consider contracting in outside expertise from NGOs or consultants to support the development and marketing of traditional ethnic handicrafts in Lao Cai and Son La.

Implementation of the first round of livelihood subprojects should start in all provinces by Sept. 2011, in order to generate objectively verifiable results by the June 2012.

CPO should prepare TORs for assessment of the technical and financial outcomes of income generating subprojects financed under subcomponents 2.2 and 2.3 and their likely impacts on livelihoods of beneficiary households.

PPMUs should launch the selection of consultants for Situation Assessments by August 2011 to enable the studies to be completed by the end of the 2-year pilot phase.

CPO should decide whether to go ahead with 6 separate Innovation Grant competitions in the six provinces in 2012. If 6 separate competitions are to be held, the invitations to submit a proposal should be advertised by end-June 2011.