

December 29, 2017

Mr. Nguyễn Văn Hiếu
Vice Minister
Ministry of Planning and Investment
2 Hoang Van Thu
Ha Noi, Viet Nam

Dear Vice Minister Hiếu,

***Subject: Second Northern Mountains Poverty Reduction Project (NMPRP-2)
Additional Financing - Implementation Support Mission
December 7-21, 2017***

I would like to thank you and all concerned staff in your Ministry and participating provinces for their strong cooperation and warm hospitality provided to the recent Mission of the above-referenced project. I confirm the findings of the mission as presented in the attached Aide Memoire.

I am pleased to see the overall implementation progress continues to be moderately satisfactory, and many of the project's targets were met or overachieved. The project has disbursed approximately US\$57 million to date (or 58%) of the Additional Financing (AF) amount denominated in USD. There has been an impressive disbursement amount of US\$17.4 million achieved in the first half of 2017 but the 2nd half of this calendar year has seen a much lower disbursement of only US\$9 million, due to the shortage of ODA fund allocation that has impeded the progress in most of the project provinces.

Nevertheless, the mission reported to me the following key issues that require immediate attention and/or should be noted for MPI leadership's guidance:

- a) Project fund allocation for 2017 does not meet the implementation progress. The overall budget allocation for the project for 2017 was only US\$26.88 million, meeting only 53% of the demand. This shortfall has created additional constraints on project implementation such as incomplete works, arrears by PMUs, no salary for Community Facilitators in Lai Chau since June 2017, etc. Extremely urgent actions by MPI is needed to resolve the shortage of fund allocation to address these critical issues.
- b) Medium-term public investment plan approved a much lower amount for the project and did not include the unallocated budget of USD21 million. If such medium-term plan is not increased soon, it is estimated that by the current closing date of June 30, 2018, USD26 million will be undisbursed while there are still planned infrastructure and communities' livelihood improvement subprojects unfinished or incomplete.
- c) Sustainability beyond the project has been paid attention and be further enhanced during the remaining time of the project, through: i) sound O&M mechanism which recognizes the role of local budget for maintenance and well established O&M groups; ii) linking the CIGs with markets and partnering with agribusinesses. Advanced CIGs are supported to become collaborative groups for higher levels of commercial performance; and iii) Commune Socio-Economic Development Planning (C-SEDP), a good tool for participatory planning, is to be institutionalized and rolled out under the Gov.'s programs.

d) Preparation for impact evaluation. A lot of lessons learnt have been identified during the project's implementation. Many good practices and approaches have already been applied in the Government of Viet Nam's (GoV) programs (P135, NTPs or provincial owned programs) including the SEDP at the commune level, community procurement, and CIG based livelihoods support, among others. These lessons, both positive and negative, should be well documented and shared.

e) We have been informed that MPI will seek Prime Minister approval for an extension of the closing date of the project for 12 months to complete all the planned activities. If that is the case, we expect to receive the official request for this as soon as possible for our internal processing.

In closing, I would like to thank you for your continued support for this important operation, and would appreciate your office's support to the project provinces in their implementation of this project. We stand ready to provide any additional support that you may require.

Yours sincerely,



Son Duy Nguyen
Acting Country Director for Viet Nam
East Asia and Pacific Region

CC:

- Mr. Luu Quang Khánh, Director General, FERD, MPI
- Mr. Tô Huy Vũ, Director General, ICD, SBV
- Mr. Trương Hùng Long, Director General, External Finance and Debt Management Dept., MOF
- Mr. Lê Hồng Lam, Director General, ICD, OOG
- Mr. Nguyễn Thanh Dương, NMPRP-2 Project Director
- PPC Leaders of Lao Cai, Yen Bai, Lai Chau, Dien Bien, Son La and Hoa Binh Province.
- Mr. Andin Hadiyanto, Executive Director, World Bank