

VICTORIA KWAKWA  
COUNTRY DIRECTOR

October 8, 2012

**Mr. Cao Việt Sinh**  
Vice Minister  
Ministry of Planning and Investment  
02 Hoang Van Thu  
Ha Noi, Viet Nam

Dear Vice Minister Sinh,

***Subject: Second Northern Mountains Poverty Reduction Project (NMPRP-2) – CR 4698VN  
Fourth Supervision Mission, July 23 – August 4, and August 26-29, 2012***

I would like to thank you and all concerned staff in your Ministry and participating provinces for the strong cooperation and warm hospitality provided to the supervision mission of the above-referenced project. The mission conducted field visits to the four project provinces of Dien Bien and Lai Chau during July 23 – August 4, and Son La and Hoa Binh during August 26-29, 2012. The wrap-up meeting was held on August 4, 2012 in Lai Chau provinces and attended by leaders of project Provincial People's Committees. I confirm the findings of the mission, as presented in the attached *Aide Memoire*.

The project is approaching the Mid-Term Review and continues to be on track to meet its development objective of enhancing the living standards of its beneficiaries. Many of the recommendations from the Third Supervision Mission in October, 2011 have been acted upon. The project's most challenging component of supporting the diversification of opportunities for market linkages has seen initial encouraging results.

There remain some pending issues to which I would like to draw your attention to help maintain the project progress:

**First, the quality of infrastructure subprojects needs improvement.** Given the harsh weather conditions in the Northern Mountain region, greater climate resilience considerations should be factored into design, supervision and operations and maintenance.

**Second, the innovation grants activity** which was supposed to involve individuals and organizations with new ideas for rural upland livelihood and poverty reduction has not yet started up. The mission requests the CPO to quickly finalize the guidelines so that the financing mechanism can be submitted to MPI for endorsement and MOF for approval.

**Third, the sustainability of Common Interest Groups (CIGs) and livelihood support is still an issue.** Many proposed sub-projects involve one-off support or free inputs, neither of which is likely to result in sustainable changes in attitudes, behavior, technologies or institutional arrangements. It was suggested to lay out a classification scheme covering different types of CIGs, a hierarchy of objectives, ranging from asset preservation at one level to transformative commercial change at the other end, and to define a distinct set of interventions appropriate for each.

**Fourth, the project's fiduciary management needs improvement.** Several critical issues were identified which should urgently be addressed, including delayed budgeting and planning, lack of counterpart funds, delayed implementation of the internal audit function, late submission of audited financial statements and delayed procurement of consulting services, resulting in slow implementation.

**Fifth, continued delay in delivery of vehicles for project use has significantly affected the project implementation.** Much of the implementation occurs in relatively remote and upland areas, to which physical access is difficult. The non-availability of assigned project vehicles results in delayed project activities and considerable hardship to project staff.

The mission received a proposal from the Central Project Coordination Office and project provinces for an extension of project closing date and additional financing to enable effective livelihoods and market-led support. The mission acknowledged this request and confirmed the issues would be discussed with the MPI's Foreign Economic Relations Department and the Bank's management would be sought basing on the thorough assessment of project implementation at the MTR.

In preparation for the MTR mission in December, the mission requested that CPO work with the provinces to prepare and submit to the Bank two weeks before the start of the mission the MTR report which shall include an implementation assessment and any proposed changes to the project design and the Financing Agreement. We would urge you to pay close attention to the achievability of the proposed PDO indicators.

In closing, I would like to thank you for your efforts, and would appreciate your office's close supervision of the issues mentioned above. We stand ready to provide any additional support that you may require.

Sincerely yours,



Victoria Kwakwa



*Cc:*

*Mr. Đào Quang Thu, Vice Minister, MPI*  
*Mr. Hoàng Việt Khang, Director General, FERD, MPI*  
*Mdm. Đoàn Hoài Anh, Director, ICD, SBV*  
*Mr. Nguyễn Mạnh Hòa, Deputy Director, External Finance Dept., MOF*  
*Mr. Trần Anh Tuấn, Deputy Director, International Cooperation Department, OOG*  
*Mr. Doan Van Huong, Chairman of Project Provincial Steering Committee, Lao Cai Province*  
*Mr. Ta Van Long, Chairman of Project Provincial Steering Committee, Yen Bai Province*  
*Mr. Vuong Van Thanh, Chairman of Project Provincial Steering Committee, Lai Chau Province*  
*Mr. Pham Xuan Koi, Chairman of Project Provincial Steering Committee, Dien Bien Province*  
*Mr. Nguyen Ngoc Toa, Chairman of Project Provincial Steering Committee, Son La Province*  
*Mr. Nguyen Van Dung, Chairman of Project Provincial Steering Committee, Hoa Binh Province*  
*Mr. Hekinus Manao, Executive Director, World Bank*