

Ousmane Dione  
Country Director for Vietnam  
East Asia and Pacific Region

June 30, 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  
June 4-19, 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.

*Overall Implementation Progress is Moderately Satisfactory.* The project has disbursed approximately US\$43.82 million to date (or 44.76%) 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. The shortage of allocated fund has impeded the progress in most of the project provinces. Nevertheless, the project has achieved the following results:

- a) Over 90% of sub-projects under the annual plan have been awarded.
- b) Agribusiness Partnerships have made solid progress with 30 partnership proposals approved and implemented, many of which have set up longer-term partnership beyond the project's first support.
- c) There have been 759 training courses of which 68% have been for CIG training.
- d) 9,470 CIGs have been profiled and monitored, 37.5% of which have sustained their business for three production cycles or more and 7.9% are potentially able to transition into "co-operatives".

Notwithstanding these achievements, the mission identified the following key issues that are either affecting project implementation, require immediate attention and/or should be noted for MPI leadership's guidance:

- a) *Project fund allocation.* 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. With the total AF disbursement to date of 44.7%, the

project will not be able to fully disburse by the current closing date of June 30, 2018 if the ODA budget allocation situation does not improve.

b) *Counterpart funding.* The issue of counterpart funding in Dien Bien PPMU, which was raised during the last mission (November 2016), still remains unresolved. By May 2017, only VND5.47 bil. of the shortfall of VND13.46 bil. for the 2010-2015 period, had been arranged. The remaining VND7.99 bil. has not been met. **I strongly urge the Dien Bien PPMU to work out the solution with the PPC and resolve this issue immediately.**

c) *Sustainability beyond the project* has been paid attention and 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 government'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. **I would like to recommend the CPO and PPMUs to start planning for the end of project survey and evaluation.**

In closing, I would like to thank you for your continued support in 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,



Ousmane Dione  
Country Director for Viet Nam  
East Asia and Pacific Region

Cc:

- Mr. Lưu Quang Khánh, Director General, FERD, MPI
- Mdm. Đoàn Hoài Anh, 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, Yên Bái, Lai Châu, Điện Biên, Sơn La and Hòa Bình Province.
- Mr. Andin Hadiyanto, Executive Director, World Bank