

VICTORIA KWAKWA
COUNTRY DIRECTOR

January 7, 2014

H.E. Bùi Quang Vinh
Minister
Ministry of Planning and Investment
02 Hoang Van Thu
Ha Noi, Viet Nam

Dear Minister Vinh,

***Subject: Second Northern Mountains Poverty Reduction Project (NMPRP-2) –
Additional Financing
Identification Mission, November 12 –25, 2013***

I would like to take this opportunity to officially respond to your letter dated April 5, 2013, requesting the Bank to consider providing additional financing (AF) for the NMPRP-2. Since your letter, the project has continued to demonstrate impressive results. It remains a major pillar of the Government's efforts to eliminate poverty, and remains a priority for the Bank under our new strategy of the 'Twin Goals' – one of which is to eliminate extreme poverty. As you mention in your letter, we are keen to explore ways to ensure the sustainability of project results, and to integrate project modalities into the national programs such as the New Rural Development Program and the Program 30a. The proposed AF provides an opportunity to do so.

In accordance with the Mission Announcement letter submitted to Vice Minister Phuong dated November 6, 2013, a joint IDA and MPI team conducted an Identification Mission during November 12-25, 2013 I would like to thank you and all concerned staff in your Ministry and participating provinces for their cooperation and warm hospitality provided to the team. The mission conducted field visits to the project provinces of Yen Bai and Lao Cai and had important meetings in Hanoi with key agencies who manage the Government's poverty reduction programs as well as development partners supporting Vietnam's poverty reduction agenda.

The mission confirmed that as a community driven development (CDD) project, NMPRP-2 employs a methodology in which project activities respond to local needs. Commune-level SEDPs are central to this effort. Project interventions – including small-scale infrastructure and livelihood support – are provided by the project, in line with the plans. Experience suggests that unlike top-down approaches, effective commune-level planning encourages innovative development solutions that reflect local priorities. Furthermore, the combination of hardware and 'soft' interventions are more effective at realizing sustained improvements in livelihoods compared to either on their own. This successful modality could be migrated into the Government poverty reduction program in a structured and coordinated way. Commune-level SEDPs can also help to streamline and coordinate the various interventions that already exist: for instance, the mission observed that Lao Cai has 58 programs directly or indirectly targeting poverty reduction, many operating in parallel in a single commune.

I am pleased to confirm that the Bank supports a scaling up of NMPRP-2 to both extend coverage and to institutionalize the good practices under the project into the Government's programs. Moving forward, I would like to propose a parallel process, whereby the Bank would support project provinces develop an institutionalized, bottom-up approach to poverty reduction programs, building on the lessons of NMPRP-2 while simultaneously working with the national authorities to leverage improvements in the existing targeted poverty programs that can be applied nationwide. The former would be the specific objective of the AF, in addition to possibly expanding coverage with additional districts. The latter would be supported with a program or analytical work and/ or technical assistance (and could dovetail with the Government's own efforts to streamline the national targeted programs).

Specifically, the proposed AF could help to validate and promote the learning and sharing of the successful modalities with the following key elements:

- Enhanced development planning at the commune level, based on commune-level SEDPs, set within predictable resource envelopes and specifying a prioritized list of infrastructure and livelihood interventions with demonstrable impacts on poverty reduction;
- Enhanced technical assistance to communes in the implementation of these plans, capacity building for monitoring and evaluation;
- Approach to improved sustainability of the livelihoods supports;
- Improved coordination in the financing and implementation of support to commune and district level, utilizing resources from various sources including NTPs, line ministry programs and provincial programs, as well as donor funding by devolving SEDP to commune level; and
- Improved accountability for the delivery of public investments and services at the commune level through improved investment ownership.

Moving forward the preparation of the AF, the attached aide memoire summarizes the agreed key time-bound actions including the review of the poverty situation and performance of the project communes, update of provincial and central feasibility studies, review of the SEDP approach and additional assessment of the Government's poverty reduction programs and strategy to better inform the design of the AF operation.

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 along their preparation of AF. We stand ready to provide any additional support that you may require.

Sincerely yours,



Victoria Kwakwa

Cc:

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