

December 23, 2016

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 (NMPPR-2)
Additional Financing (AF) - Implementation Support Mission
November 20 – December 3, 2016***

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\$ 26.4 million to date (or 27.4% of the AF amount) as of December 1, 2016, with about US\$4.4 million disbursed in the second half of 2016. The shortage of allocated fund has impeded the progress in most of the project provinces. Nevertheless, the project has achieved the following results:

- a) 57% of infrastructure investments under sub-component 1 and 68.7% of Commune Development Budget Component (CDBC) sub-projects have been awarded;
- b) agribusiness Productive Partnerships have made solid progress and 20 partnership proposals have been endorsed and rolled out for implementation;
- c) there have been 479 training courses organized, 43% of which was for Common Interest Group (CIG) training classes; and
- d) 9,392 CIGs have been profiled and monitored. Among them, about 80% were categorized as medium and strong performance ones and 37.6% have maintained their activities over more than 3 production cycles. This is a strong indication that these CIGs have been able to establish the momentum for further collective actions within, and among themselves, for sustainable livelihood activities.

Nonetheless, the mission identified the following key issues that are affecting project implementation and which require immediate attention:

1. ***Project fund allocation.*** The overall budget allocation for the project for 2016 was only US\$19.9 million, around 53% of the projected need. This has created additional constraints on project implementation. The current projected gap for 2017 is around US\$28 million

(VND620 billion), or 50% of total projected budget. *The mission urged the Central Project office (CPO) and PPMUs to realistically calculate and project the annual disbursement targets for the next 1.5 years. Based on such calculations, there might be justification for the re-allocation of the remaining project funds to be spent effectively by June 30, 2018.*

2. **Market linkages between CIGs and agribusiness enterprises.** Since the start of the AF phase, 73 proposals have been prepared and submitted for review in three batches. 20 of them have received NOLs for implementation. Some of the partnerships encountered unfavorable weather conditions and/or technical issues. The mission noted that those risks could have been identified and mitigated earlier. CPO and TAPI's technical support should have been requested earlier at the problem's onset. The mission is particularly concerned for the quality and progress of the partnerships in Lao Cai province. The partnerships in the new district of Si Ma Cai was poorly monitored, implemented and managed. *The mission requested CPO to review the progress of the 1.2 subcomponent and furnish a short technical report to the Bank by January 31, 2017, on the overall progress, common issues, proposed solutions to improve the efficiency, efficacy and sustainability of the partnership approach.*
3. **Animal husbandry practices for small-scale livestock sub-projects.** Almost 92.6% of the project's livelihood sub-projects involve livestock production at the household small scale level. The CIG approach has helped to group farmers together for more effective cross support, capacity building and collective actions. But as the production still take place at individual household level, the quality and efficiency depends on the uptake and application of good animal husbandry practices (GAHP). The mission noted that there have been some cases of animal death due to i) poor adoption of disease prevention techniques; (ii) poor animal waste management; (iv) low comprehension among CIGs members of GAHP; and (v) lack of monitoring of district livelihood officers. All of these factors have increased the risk of livestock-based livelihood sub-projects failing to achieve their targets and falling short of expected long term sustainability. *The mission recommended that CPO and the PPMUs review the training materials for all livestock-related livelihoods activities to improve and emphasize the importance of better application of GAHP.*

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,



Achim Fock

Acting 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, Yen Bai, Lai Chau, Dien Bien, Son La and Hoa Binh Province.
- Mr. Andin Hadiyanto, Executive Director, World Bank