

VICTORIA KWAKWA  
COUNTRY DIRECTOR

March 25, 2013

**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  
Mid-term Review Mission, January 7 – 21, 2013***

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 Mid-term Review Mission of the above-referenced project. The mission conducted field visits to the project provinces of Yen Bai on January 7 – 9, 2013 and Lao Cai on January 16 – 20. The wrap-up meeting was held on January 20, 2013 in Lao Cai province and attended by leaders of project Provincial People's Committees. I confirm the findings of the mission, as presented in the attached *Aide Memoire*.

We are pleased to see that after 2.5 years of operation, the project has made good progress. The project is on track to achieve its development objective, with considerable recent momentum related to local level infrastructure, livelihood improvement through the functional common interest groups formed under the project, and the training of project staff and local cadres. Initial results from the livelihoods support activities are encouraging, are likely to be sustainable and can be scaled up. There have been over 1,600 livelihood groups or common interest groups established and functioning to provide additional income sources for the local poor. The project's 230 communes have been effectively acting as investment owners of some 4,446 sub-projects. Despite the fact that the project is operating in the poorest region of the country with the highest level of difficulties and enormous tasks with capacity building, the project has managed to maintain very good disbursement rate of nearly 40% , consistent with projections for mid-term.

Reviewing the last 2.5 years of implementation also revealed several areas for further improvement. Progress has not been consistent across all project provinces. We remain concerned that Hoa Binh and Son La progress has been slow. Several issues relating to poor quality of investments have also been detected and require immediate corrective actions. We recommend the project management in Hoa Binh and Son La to be improved.

The mission agreed with MPI and Provinces specific project modifications/restructuring. These include: (i) the reallocation of the unallocated fund (ii) shifting the focus of vocational training to capacity building for livelihood groups; (iii) re-assigning specific sub-component 2.4 for operations and maintenance; and (iv) modifications of a number of intermediate indicators. Project restructuring will facilitate a better match between livelihood objectives and project modalities with specific local conditions. Project restructuring needs to be accompanied by improvements in the overall quality of management of certain project activities, including in particular infrastructure, technical support services to livelihoods, and operations and maintenance performance.

The mission also received a proposal from the Central Project Coordination Office and leaders from project provinces for an extension of project closing date and additional financing based on the following four arguments: (i) the necessity of sustaining the enhanced local capacity at all levels of project implementation; (ii) the need for further testing and scaling up of the good livelihood initiatives developed under the project for wide up-take of the approaches used and possible institutionalization of the CDD approach into the national or provincial programs; (iii) cost escalation; and (iv) the need to improve the natural disaster resilience of supported local infrastructure. We will need to review further the merits of this request.

The attached aide memoire includes a table of agreed key actions, and I would like to draw your special attention to the following for your urgent attention:

- MPI to step up its oversight of Provincial leaders in Hoa Binh and Son La to address the weak performance in their respective provinces.
- All provinces to strengthen supervision for quality control and ensure the best use of project resources. Project management at the highest level needs to ensure that overall quality remains the highest priority of the implementing agencies.
- The restructuring process should be accelerated so that we receive the restructuring package from State Bank of Viet Nam as soon as possible for our processing.

In closing, I would like to thank you for your continued support for this important operation, 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 General, ICD, SBV*  
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*Mr. Trần Anh Tuấn, Deputy Director, International Cooperation Department, OOG*  
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*Mr. Doãn Văn Hương, Chairman of Project Provincial Steering Committee, Lào Cai Province*  
*Mr. Tạ Văn Long, Chairman of Project Provincial Steering Committee, Yên Bái Province*  
*Mr. Vương Văn Thành, Chairman of Project Provincial Steering Committee, Lai Châu Province*  
*Mr. Phạm Xuân Kôi, Chairman of Project Provincial Steering Committee, Điện Biên Province*  
*Mr. Nguyễn Ngọc Toa, Chairman of Project Provincial Steering Committee, Sơn La Province*  
*Mr. Nguyễn Văn Dũng, Chairman of Project Provincial Steering Committee, Hòa Bình Province*  
*Mr. Sundaran Annamalai, Executive Director, World Bank*