



COMMITTEE FOR  
ETHNIC MINORITY AFFAIRS



THE UNITED NATIONS  
IN VIETNAM

# REVIEWING THE PAST RESPONDING TO NEW CHALLENGES



**MID-TERM REVIEW OF  
PROGRAMME 135-II, 2006 - 2008**

Ha Noi - Vietnam  
June 2009



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# **MID-TERM REVIEW OF PROGRAMME P135-II**

June, 2009

## EXECUTIVE SUMMARY

1. The program scores well in terms of relevance and effectiveness and reasonably well in terms of beneficiaries' perceptions and quality of service delivery, targeting efficacy and efficiency in programme management and implementation. The best performing project is infrastructural development while the projects for Business and production development and for Training for capacity building have still significant margins for progress. As for the new Policy for Livelihood improvement, it is too early to tell.
2. The balance and articulation between the different P135 policies/projects remains a challenge in a number of communes. The focus is still put mainly on infrastructures. The vertical component approach could be improved by designing a combination of projects/policies within a strategic local development plan that could be adapted to fit various commune conditions.
3. The articulation of P135-II and other NTP-PRs remains an issue, both at central and local levels. Designing vertical projects/policies without proper consideration of complementarities and synergies on the positive side, and of possible overlap and inconsistency on the negative side, is conducive to waste of national and donors' resources, significant transaction costs for the various levels of the public sector, and in the end, lower effectiveness and efficiency. The focus on SEDP-based district planning in 61 Poorest Districts initiative offers a unique opportunity to redefine roles and responsibilities according to a win-win arrangement and improve coordination, provided that implementation process takes into consideration of lessons learnt both P135-II and NTP-PR.
4. The policy dialogue between CEMA and donors in the target budget support, the agreement around a common set of targets in a Policy matrix, the Joint-Progress Review mechanism, newly introduced M&E tools (baseline survey, AMT/PMT, annual state audit and CRC) are all positive elements for greater articulation of public programs and aid, more transparent, effective and efficient programs, and greater resource mobilization. However, targets set in the results framework need to take into account the complexity of implementation in a complex legal and regulatory environment, the limited institutional capacities at local levels, and the diversity of situations on the ground.
5. Building institutional capacity at provincial, district and commune levels should be a must. CEMA does not have enough qualified staff to fulfill its mandate and assume its full leadership at local level. The current capacity of staff at district and commune level is a major constraint on improving effectiveness and efficiency.

6. Short term-recommendations for 2009-2010 are the following:
- Make several adjustments in the current planning and budgeting processes toward a result-based approach;
  - Improve coordination;
  - Based on the model and management mechanism of P135-2, contribute to the development of a clear and structured implementation model for the new 61 poorest district initiative, with (i) block grants to districts and Commune Development Funds (CDF) to communes and (ii) a cascade of performance contracts between the central level, the district, and the commune;
  - Improve programme targeting efficacy by defining a unique, simple to use, and multidimensional definition of poverty and focusing projects/policies on the poor households in P135-II communes;
  - Implement the new procurement regulations, encouraging community bidding mode;
  - Strengthen the infrastructure project cycle management in support of facility management and O&M;
  - Make production support implementation more relevant and accessible;
  - Provide guidelines and training to deepen the participatory and decentralized nature of the programme implementation process;
  - Widen the scope and quality of M&E and link it to the incentives system for concrete results-based management;
  - Address head-on the huge capacity-building challenge with a pilot master capacity-building plan.
7. Suggestions for the medium run (2011-2015) are to:
- Focus the targeted poverty reduction program on the poorest areas, i.e. the poorest communes within the 61 poorest districts and develop tailor-made packages that fit local needs, constraints, and opportunities that will be offered on a conditional basis with a perspective to graduate out of poverty;
  - Deepen Results-Based Management and decentralization of programme implementation;
  - Design a master capacity-building plan to support technically and financially CEMA in the implementation of Phase III of P135.

## ACKNOWLEDGMENTS

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***“Policies are usually good, implementation approach and management structure often no”***

Comment made in the NGO Community of Practices.



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## LIST OF ACRONYMS

|         |   |
|---------|---|
| AMT/PMT | Aligned Monitoring Tool/Portfolio Monitoring Tool                         |
| BLS     | Baseline survey for P135-II   |
| BSC     | Balanced ScoreCard  |
| CEMA    | Committee for Ethnic Minorities Affairs                                   |
| CIO     | Commune Investment Ownership  |
| CPP     | Commune People's Committee  |
| CSC     | Citizen Score Card  |
| DEMA    | Division of Ethnic Minority Affairs (CEMA)                                |
| DOF     | Division of Finance (MOF)   |
| DPF     | Division of Planning and Finance (MPI)                                    |
| DPP     | District People's Committee   |
| DSP     | Department of Social Protection (in MOLISA)                               |
| HEPR    | Hunger Eradication and Poverty Reduction                                  |
| IDEA    | Institute for Development in Economics and Administration                 |
| ILSSA   | Institute on Labor Science and Social Affairs (in MOLISA)                 |
| JMTR    | Joint Mid-term Review   |
| JPR     | Joint Progress Review   |
| MfDR    | Managing for Development Results  |
| MIS     | Management Information System   |
| MOF     | Ministry of Finance   |
| MOHA    | Ministry of Home Affairs  |
| MOLISA  | Ministry of Labor, Invalids, and Social Affairs                           |
| MoU     | Memorandum of Understanding   |
| MPI     | Ministry of Planning and Investment                                       |
| MTR     | Medium Term Review  |
| MTR+    | Medium Term Review expanded to include program and policy recommendations |

|         |   |
|---------|---|
| NTPPRs  | National Targeted Programs for Poverty Reduction  |
| NTP-PR  | National Targeted Program for Poverty Reduction (one of the NTPPRs)   |
| PETS    | Public Expenditure Tracking Survey  |
| P135-II | Programme 135 Phase II or Socio-economic Development for Communes Facing Extreme Difficulties in Ethnic Minorities and Mountainous Areas Phase II |
| PPP     | Provincial People's Committee   |
| PR      | Poverty reduction   |
| QS      | Qualitative survey  |
| RBM     | Results-Based Management  |
| SAV     | State Auditor of Vietnam  |
| SEDP    | Socio-economic Development Programme  |
| SEDS    | Socio-economic Development Strategy   |
| SOE     | State Owned Enterprises   |
| STV     | State Treasury of Vietnam   |
| TA      | Technical assistance  |
| TBS     | Targeted Budget Support   |
| ToT     | Training of Trainers  |
| TWG     | MTR Technical Working Group   |



## MTR BACKGROUND



"A View of Ethnic Minority and Mountainous Area" - Hà Giang", photo: Hoàng Trung

# 1. MTR BACKGROUND

## 1.1 A RAPIDLY CHANGING POVERTY CONTEXT

Since the launch of ‘Doi Moi’ reforms in 1986, Viet Nam has embarked upon a hugely successful process of structural reform and socio-economic development. The economy has been fundamentally transformed, from a centrally planned command economy model, to a market based one rapidly integrating into the wider global economy. Poverty has been reduced from approximately 58% of the population in 1993, to only 16% in 2006 (using GSO’s international poverty line data) with other non-income based indicators of welfare such as access to basic social services and infrastructure confirming this positive trend. Throughout this period, the Government has continued to invest significant resources in national poverty reduction programmes with the objective of promoting broad based development and social harmony.

However, as the underlying socio-economic context of the country has changed, so too has the nature of poverty and this has major implications for the continued relevance of national poverty reduction programmes.<sup>2</sup> On the one hand, material poverty has shifted from being a ‘mass based phenomenon’ towards being a particular problem of remote and socially excluded communities. On the other hand new economic processes, an expanding urban environment and new worlds of work have led to new, often more ‘relative’ challenges to well being, such as increasing inequality, vulnerability to socio-economic and environmental shocks, and the erosion of traditional state and community safety nets. Additionally, whilst the benefits of integration into the world economy, as exemplified by WTO membership, have been significant, they also have increased exposure and vulnerability to external shocks. Changes in the international environment are now rapidly translated into shock waves for the domestic economy, as recent developments in 2008-09 have shown. Viet Nam has not been immune to the impact of global increases in fuel and commodity prices, whilst also enduring high rates of domestic inflation which, although the root causes may be domestic, are exacerbated by international exposure and pressures. Then, in mid-2008 a significant global economic downturn impacted upon export demand which in turn has damaging consequences for employment and continued economic growth. It is in this emergent context that the Government’s poverty reduction strategy, and poverty reduction programmes, should be analyzed

## 1.2 PROGRAM P135-II

The Socio-economic Development Program for Ethnic Minorities and Mountainous Areas Phase II (or P135-II) for 2006-2010 was adopted by Decision No. 07 of January 2006. Funded by the Central Government and a number of donors<sup>3</sup>, P135-II is targeting the poorest communes with a high percentage of ethnic minorities with four projects/policies:

<sup>2</sup> For a full discussion please see the MTR module report C1 – Thanh (2008).

<sup>3</sup> World Bank, IFAD, DfID, AusAID, Irish Aid, Finland, and UNDP.

- Project for production development;
- Project for Infrastructural development;
- Project for Training for capacity building;
- Policy for Livelihood improvement.

The Committee for Ethnic Minority Affairs (CEMA) is the focal point for P135 and has a Programme Office that reports to the Steering Committee for the NTPPRs chaired by the Deputy Prime Minister.

P135-II has attempted to learn lessons from Phase I implementation over the period 1998-2005, the 2004 HEPR and P135-I evaluation, and from parallel donor-supported projects (e.g. World Bank's Northern Mountains Project, SIDA's Chia Se work and AusAID's RUDEP). To improve the institutional capacity in direction, management and coordination of national targeted programmes for poverty reduction, the Government decided to establish the Steering Committee for poverty reduction programmes led by a Deputy Prime Minister, and Coordination Offices of two programmes at two leading agencies – MOLISA and CEMA. The Government and donors have also started in 2007 a Partnership for Budget Support for the Program 135 phase II (P135II) for improved effectiveness and quality of P135II and have used a Joint Progress Review (JPR) mechanism for program progress assessment and policy dialogue. The shift from donor's sector support to budget support to P135-2 allowed for greater concentration of resources for the programme, harmonization of procedures and especially improvement of the partnership relationship between the Government of Vietnam and the donors in policy dialogues to improve poverty reduction measures. The resulting Phase II is therefore different from Phase I in some important respects.

- First, donor committed resources represent a share of 30% of the overall P135-II budget (over \$1.1 billion) in Phase II in target budget support;
- P135-II is more geographically focused than its predecessor – it focuses on targeted areas within regions where ethnic minorities predominate (zone III). It also now includes criteria for targeting the poorest villages within poor communes (in zone II);
- P135-II has a broader scope – including rural livelihoods and agricultural production components apart from its traditional infrastructure development component – alongside a more determined decentralization focus and greater resources for capacity building;
- A 13 element Policy Matrix together with a Baseline and M&E system has been established with donor assistance to facilitate programme monitoring.

### 1.3 RECOMMENDATIONS FROM THE 2004 EVALUATION OF HEPR AND P135-I

In 2004, MOLISA and UNDP conducted a final evaluation of the National Targeted Programme on Hunger Eradication and Poverty Reduction (HEPR) and Programme 135-I (MOLISA-UNDP, 2004). This evaluation made ten (10) recommendations intended to inform the design of future poverty reduction programmes for the period 2006-2010:

1. Provide program funds as block grants to provinces to increase local level autonomy;
2. Establish a transparent and easy to administer system of allocating budgetary resources to provinces;
3. Build incentives by linking resource allocation to performance;
4. Strengthen targeting mechanisms to increase the number of poor beneficiaries;
5. Develop mechanisms to promote transparency and accountability of financial management;
6. Improve participation at local levels by operating the Grassroots Democracy Decree;
7. Develop an effective M&E system with a focus on tracking intermediate indicators and rationalizing reporting;
8. Make the programme more manageable by reducing the number of programme components;
9. Build capacities at all levels, especially at the commune level including local cells/leaders of mass organizations;
10. Strengthen the stature and capacity of HEPR office for better programme management and monitoring.

These recommendations will be returned to in the following sections of the report, in order to understand how far recommendations from the earlier evaluation were incorporated into the design for the P135-II in 2006-2010.





## MTR OBJECTIVES AND IMPLEMENTATION



*"Go to Market, Highland - Đồng Văn, Hà Giang", Photo: Kiều Vân*

## 2. MTR OBJECTIVES AND IMPLEMENTATION

### 2.1 MTR OVERALL OBJECTIVES

In 2008, the Steering Committee for NTPPRs gave guidance to CEMA to manage a Mid-term Review (MTR) for P135-II. CEMA indicated to the MTR team specific interest on the following areas:

1. Relevance of programme policies/projects;
2. Programme effectiveness;
3. Efficacy in targeting;
4. Budget allocation process and procurement procedures;
5. Programme management and implementation;
6. Monitoring and evaluation;
7. Participation and ownership;
8. Role of donors in programme design and implementation;
9. Capacity-building in implementation

The MTR therefore assesses progress made in the NTP-PR and P135-II from January 2006 till mid-2008. It provides short term recommendations for the remainder of the period, i.e., 2009-2010 and several mid-term suggestions that could contribute to the current national policy dialogue on the orientation of future poverty reduction strategy after 2010. This relates in particular to the preparation of the Socio-Economic Development Strategy (SEDS) 2011-2020, the next Socio-Economic Development Plan (SEDP) 2011-2015, and the next Rural Development Strategy 2011-2015.

### 2.2 KEY ORGANIZING PRINCIPLES OF THE MTR

The P135-II MTR was conducted according to the following principles:

- Nationally-owned and –led: (i) the MTR is part of the program M&E system including also a Baseline survey (BLS), a Management Information System (MIS), Joint Progress Reviews (JPR), and a final evaluation. The MTR joint framework establishing the scope of the MTR was developed and endorsed by CEMA and MOLISA, (ii) As part of the JPR process, CEMA and its donors conducted a Joint Mid-Term Review of P135-II in November 2008 supported by a field mission, a baseline survey, and several thematic studies funded by donors as indicated in section 2 of this report. This MTR was complemented by a series of other modules jointly conducted by national consultants under for NTP-PR and P135-II under the supervision of MOLISA and, more specifically, the Institute for Labour Sciences and Social Affairs (ILSSA); (iii) the Canadian based IDEA International Institute provided methodological guidance to the MTR through periodic country missions and distance support;
- Participatory: (i) The national consultants that conducted a number of MTR modules came from a variety of institutions; (ii) provincial, district, and commune authorities were significantly involved in survey

operations whenever part of the samples selected; (iii) a Community of practices was organized to capture national and international NGOs field experience; (iv) a roundtable was organized in February 2008 to share and discuss preliminary results.

- Building on past and current work: (i) the consultants team took into account major relevant documents; (ii) relevant studies, in particular thematic studies conducted by donors as part of the Joint MTR of P135-II (November 2008), the various JPR aide-memoires, the P135-II baseline survey, concept notes prepared for the 61 Poorest District initiative, the UNICEF child poverty study, etc.<sup>4</sup>
- Analytical and programmatic: the focus of the various modules was on finding enough evidence to grasp major features of reality in the field, understand underlying causes, and be in a position to make practical recommendations for programmatic and policy orientation. Sample sizes were kept to a minimum for obvious time and budget constraints and significant use of qualitative methods was made. The insufficiency of data which was encountered in the field by a few teams (e.g. PETS) is in itself an important piece of information to guide future improvements in the information system. Some results found might lead to discussions about their validity; if this is the case, this means the MTR played one of its roles in attracting the attention of policymakers on some specific issues on which more in-depth studies might be conducted in the near future.

The MTR involved two evaluation mechanisms:

- An administrative reporting mechanism of cascading reports from the commune level up to ministry and programme management level;
- An analytical reporting mechanism including a series of articulated modules involving key actors within the P135-2 and outside the program. Work on those modules included an analysis of relevant documentation and reports and/or administrative data as well as qualitative and quantitative data collection in representative areas of the country (see Figure 1)

### 2.3 MTR MODULES AND SPECIFIC ASSESSMENT DIMENSIONS

The MTR of P135-II and the MTR for NTP-PR were conducted separately, but coordination took place whenever deemed relevant.

The modules for P135-II MTR included:

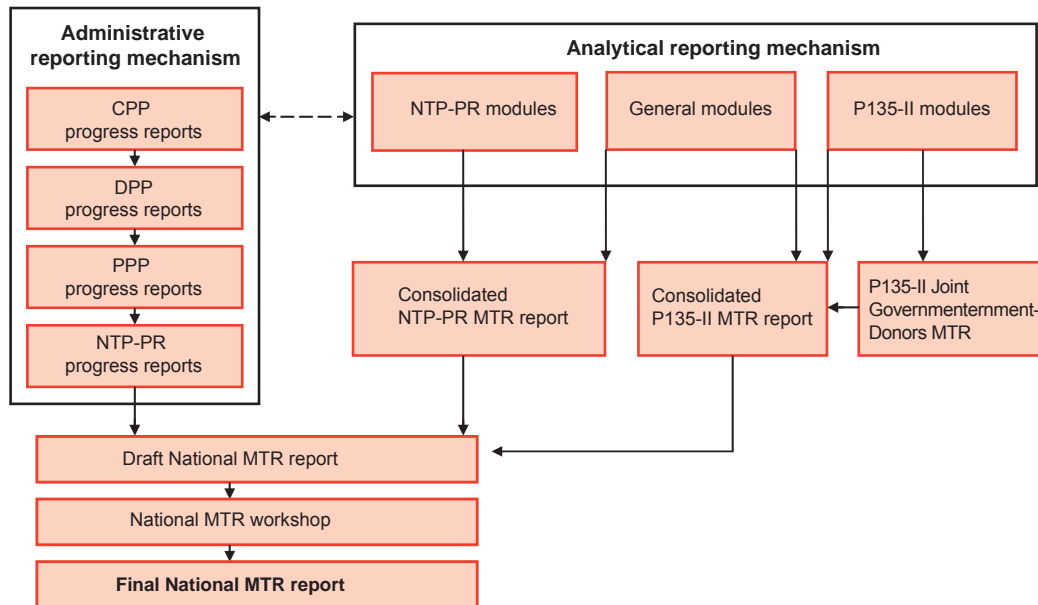
- P1. Study of relevance and effectiveness of P135-II<sup>5</sup>;
- P2. P135-II MTR Qualitative Survey (QS) on Beneficiary Assessment of P135-II services on a stratified random sample of 1620 households in 9 provinces<sup>6</sup>.

<sup>4</sup> Unfortunately, VHLSS 2008 data was not available, which prevented from measuring accurately leakage. A complementary analysis should be conducted as soon as this data set becomes accessible late 2009, early 2010.

<sup>5</sup> Studies P1 to P3 were conducted by national consultants within the MTR team. Studies from P5 to P9 were commissioned and financed by separate donors, respectively Finland, AusAid, Finland, DfID, and UNICEF.

<sup>6</sup> Data collection was conducted jointly for NTP-PR and P135 by ILSA. Purposive selection of 9 provinces: Bac Can, Lao Cai, Son La, Ha Nam, Ha Tinh, Quang Nam, Ninh Thuan, Kon Tum, and Soc Trang; stratified random sampling using pps measure of size of 3 communes per province among P135-II communes with ranking of communes according to poverty headcount index and drawing of one commune in each third; random sampling of 1 village/hamlet per commune; systematic sampling of 30 households per village/hamlet.

**Figure 1: MTR mechanisms**



Pilot Citizen Report Card survey on People's satisfaction with P135-II was also conducted on 480 households drawn in 4 provinces<sup>7</sup>

- P3. P135-II MTR Public Expenditure Tracking Survey (PETS) conducted in 6 provinces, 12 districts, and 17 communes<sup>8</sup>;
- P4. Quantitative analysis of targeting efficacy of P135-II;
- P5. Thematic study on Planning and Resource allocation in P135-II;
- P6. Thematic study on Drivers of good practices in P135-II Implementation;
- P7. Thematic study on Operation and Maintenance for Invested Infrastructure;
- P8. Thematic study on impact of Targeted Budget Support and Donors on Design and implementation of P135-II;
- P9. Thematic study on Component 4 policy.

The common modules that are useful for both NTP-PR and P135-II included:

- C1. Thematic study on implications for NTPPRS of new economic context;
- C2. Thematic Study on appropriate poverty line;
- C3. Thematic Study on child poverty<sup>9</sup>;
- C4. NGO Community of Practices Forum<sup>10</sup>.

The P135-II MTR used also a number of useful information on P135-II households provided by the Baseline Survey (BLS) of this programme conducted in October 2007.

<sup>7</sup> Purposive selection of provinces: Lai Chau, Lao Cai, Binh Phuoc, and Soc Trang; systematic sampling of 2 districts per province and 2 communes per district; random sampling of 2 villages/hamlets per commune; systematic sampling of 15 households per village/hamlet.

<sup>8</sup> This study was conducted jointly for NTP-PR and P135 by national consultants' team. Purposive selection of 5 provinces: Ninh Thuan, Sóc Trăng, Lào Cai, Kon Tum, Quảng Nam; systematic sampling of 2 districts per province; systematic sampling of 1 commune per district except for 2 provinces in which two communes were drawn for a total of 12 communes.

<sup>9</sup> This study was commissioned and financed by UNICEF

<sup>10</sup> 11 NGOs participated in this Forum.

This P135-II MTR report addresses three major questions and related evaluation dimensions:

- Is the programme doing the right thing?
  - Evaluation dimension 1: Programme design relevance. This covers partly Specific requests #1, 7, and 8 by CEMA;
  - Evaluation dimension 2: Programme targeting efficacy. This corresponds to Specific request #3 by CEMA.
- Is the programme doing things right?
  - Evaluation dimension 3: Programme effectiveness in meeting set targets. This corresponds to Specific request #2 by CEMA;
  - Evaluation dimension 4: Programme economy and efficiency in programme management and implementation. This addresses partly Specific requests #4, 5, 6, 7, and 8 by CEMA.
- What are the results of the programme?
  - Evaluation dimension 5: Beneficiaries' perceptions and quality of service delivery. This touches upon Specific requests #1, 2, 3, 6, and 7 by CEMA.

For all those dimensions, it also considers whether recommendations made in the 2004 HEPR and P135-I report have been acted upon as part of a continuous learning process.

As a complementary exercise, a synthetic score evaluation of each individual project and policy under P135-II against the five evaluation criteria is presented in annex 1.

Finally, the report makes a series of recommendations for the management of the programme over the short run (2009-2010) and key suggestions for the medium run (2011-2015).

The P135-II report is structured around one synthesis document (this specific report) and a series of appendices that present the various modules reports and contain much more detailed information, including a methodological annex<sup>11</sup>.

As a final note on this section, two caveats are appropriate: first, each method used, whether qualitative or quantitative, has its strengths and weaknesses and has implications for the results obtained. Hence, interpretation of results must be made from a distance with the analyst's eyes, taking into account the specificities of each module and the context in which it was implemented and looking for triangulation of results. Second, the mandate was for a mid-term review which tried to go beyond anecdotal and idiosyncratic information, but clearly falls short of a final program evaluation such as was the 2004 HEPR and P135-I evaluation. Expectations must be adapted to objectives as well as time and budget limits.

<sup>11</sup> For information purposes, a NTP-PR report has been prepared along the same lines as well as a consolidated NTPPRs report which presents a synthesis of the two program reports, discusses common issues such as the poverty line, and provides a more detailed discussion of the changing socio-economic situation of the country and suggestions for the medium run.



## MID-TERM EVALUATION



*"Electricity Infrastructure Improvement"*, Photo: Kiều Vân

### 3. MID-TERM EVALUATION

The evaluation analyzes successively whether the programme is doing the right thing, whether it is doing them right, and what have been the results based on available evidence. The analysis presented in the main text applies to the programme in general. with indication, when necessary, when an analysis applies mainly to a specific project/policy. An analysis according to the five evaluation dimensions of each P135-II project/policy is presented in Annex 1 in table format.

#### 3.1. IS THE PROGRAMME DOING THE RIGHT THING?

To answer this question, the programme design relevance and targeting efficacy are analyzed sequentially.

##### 3.1.1. Programme design relevance

In seeking to evaluate the design relevance of P135-II, the MTR common framework identified three (3) areas of enquiry as follows:

1. To what extent programme policies and projects are aligned with national set priorities;
2. To what extent programme policies and projects are aligned with the needs of the target group;
3. To what extent programme policies/projects are coordinated with each other and with other relevant national programmes and policies.

##### ***To what extent programme policies and projects are aligned with national set priorities?***

The answer to this question is short and simple. There is a clear alignment between SEDP 2006-10's objectives and development orientations on one hand and P135-II's objectives and project/policy components on the other hand as can be seen in Figures 2 and 3. SEDP has a specific development orientation on poverty reduction (#10) with specific sub-orientations and P135-II strategic orientations are consistent with those orientations. In P135-II communes with a local SEDP, there is also a large alignment of objectives and budget allocated from P135-2 on this local development strategy (P3).

##### ***To what extent programme policies and projects are aligned with the needs of the target group?***

The next issue is to assess the extent to which P135-II components were proposed according to the needs of the targeted communes. Ideally, these needs should have been identified when the P135-II was designed, but the Baseline Survey (BLS) conducted in October 2007 provides a very useful portrait of the household characteristics and needs in P135-II communes.<sup>12</sup> The situation regarding agricultural production, infrastructures, access to social services (education and health) is reviewed successively.

<sup>12</sup>This sub-section draws significantly on P4 and on Pham et al. (2008).



**Figure 2: SEDP 2006-2010 and P135-II major objectives**

| SEDP   | P135-II  |
|--|--|
| <p><b>Poverty objectives</b></p> <ul style="list-style-type: none"> <li>• Try to eliminate hunger</li> <li>• Reduce poor household rate to 10-11% in 2010</li> </ul> | <p><b>Overall objectives</b></p> <ul style="list-style-type: none"> <li>• To make a radical change in production knowledge, accelerate strong economic structural shift toward highly profitable commodities;</li> <li>• To sustainably improve socio-cultural life of people in extremely difficult communes in ethnic minority and mountainous areas in order to narrow the gap among regions and ethnic groups.</li> </ul>  |
| <p>Source: Ministry of Planning and Investment (2006). page 89</p>   | <p><b>Specific objectives</b></p> <p><i>Economic development objectives</i></p> <ul style="list-style-type: none"> <li>• Production development: To make a radical change, improve production knowledge of ethnic minority people, accelerate strong agricultural economic structural shift toward combination of production and market, promote advantages of each region, and improve income.</li> <li>• Infrastructure development: To ensure essential communal infrastructure facilities that are sustainable and adequate to resident and production planning, contributing to improvement of living conditions, production development, and income generation.</li> </ul> <p><i>Social objectives</i></p> <ul style="list-style-type: none"> <li>• To improve socio-cultural life of people in extremely difficult communes in ethnic minority and mountainous areas in order to narrow the gap among regions and ethnic groups.</li> <li>• Objectives to monitor the outputs of the other programs and projects that are implemented in the area</li> <li>• To soundly implement ethnicity oriented policy of the Party and State, line ministries and provinces have carried out the national targeted programmes and socio-economic development programmes in the ethnic minority and mountainous areas, integrated important resources to achieve the objectives of the programme.</li> </ul> |

Source: CEM, 2005, pages 24-25.

**Figure 3: SEDP 2006 – 2010 poverty reduction sub-orientations and P135-II projects/policies**

| SEDP   | P135-II   |
|--|---|
| <ul style="list-style-type: none"> <li>• Encourage households which have already escaped poverty;</li> <li>• Create opportunities for poor households to overcome poverty on their own through assistance policies on infrastructure for production, land, credit, vocational training, job creation, agricultural encouragement, product consumption, etc.;</li> <li>• Speed up training for the poor, especially women, on business and production knowledge and skills;</li> <li>• Improve access to basic social services of the poor through policies on medical care, education, clean water, housing, residential land, infrastructure for peoples' lives, improve people's participation in the decision-making process of programs and projects, mechanisms and policies on hunger elimination, poverty reduction and reduction of repeat poverty rate;</li> <li>• Diversify the mobilization of resources for poverty reduction;</li> <li>• Give priority of investment to communes and districts with high poverty rates;</li> <li>• Enhance the awareness and capacity of all authority levels, branches, organizations and people in terms of hunger elimination and poverty reduction;</li> <li>• Strengthen and improve the capacity of cadres involved in the work of hunger elimination and poverty reduction in communes and districts, particularly difficulty-stricken communes, remote and mountainous areas;</li> <li>• Mobilize organizations and unions to participate in the national target program on hunger elimination and poverty reduction</li> <li>• Develop the system for information, monitoring and evaluation of the implementation of hunger eradication and poverty reduction programs according to set objectives from the central to local levels</li> <li>• Intensify international and community cooperation, continue the decentralization of management and governance of the implementation of national target programs, and better conduct the socialization of hunger eradication and poverty reduction work.</li> </ul> | <p><b>Project for Business and production development</b></p> <p><b>a) Production development project</b></p> <ul style="list-style-type: none"> <li>• Training of village extension workers and vocational training for youth</li> <li>• Agriculture, forestry, and fishery extension</li> <li>• Development of effective production models</li> <li>• Development of processing and preserving industries</li> <li>• Production development: forest economic development, high productivity crop and high value animal and poultry production</li> </ul> <p><b>b) Household support policies</b></p> <ul style="list-style-type: none"> <li>• Production input and output subsidies</li> <li>• Credit support</li> <li>• Support for services, such as irrigation, electricity for production, etc.</li> <li>• Benefits to households and individuals who are transferred, hired, contracted on forestry lands</li> <li>• Vocational training for ethnic minority children and people</li> <li>• Incentives to economic sectors to buy and distribute products.</li> </ul> <p><b>c) Project for Infrastructural development</b></p> <ul style="list-style-type: none"> <li>• Infrastructure planning</li> <li>• Essential infrastructure facilities to be developed in the most difficult communes ( )</li> <li>• Essential facilities to be developed in extremely difficult villages in Zone II</li> <li>• Infrastructure development investment funds</li> </ul> <p><b>d) Project for Training for capacity building</b></p> <ul style="list-style-type: none"> <li>• For key officials, training in organization and implementation of ethnicity oriented policies programme implementation; management; and monitoring.</li> <li>• For professionals CPCs, training in basic technical skills and knowledge.</li> <li>• For village officials, training in management knowledge and skills at their level.</li> <li>• Strengthening community's capacity for effective participation.</li> <li>• Provision of training for high school graduates in vocational schools.</li> </ul> <p><b>e) Policy for Livelihood improvement</b></p> <ul style="list-style-type: none"> <li>• Housing and land use support programme.</li> <li>• Access to clean water supply</li> <li>• Addressing urgent environment and sanitation issues</li> <li>• Access to health care services,</li> <li>• Assisting ethnic minority people in extremely difficult communes in information and culture.</li> <li>• Assisting in improving education and people's educational level</li> <li>• Legal support.</li> </ul> |

Source: CEM, 2005

### Agricultural production

Since the main objectives of P135-II are to eliminate hunger in the targeted area and reduce the poverty headcount index below 30% by 2010, enhancing capacities of households to generate income is crucial. Table 1 and Figure 4 show that agriculture remains a major source of total income for P135-II households, i.e. agriculture income accounted for 60 percent of total household income. Agriculture income source is more important for non-Kinh-Hoa households than their Kinh-Hoa counterparts, i.e. the difference in relative importance is 26 percentage points. Therefore, agricultural production support is relevant.

However, public authorities at various levels and donors do not seem so far to share a common perspective on the kind of production support to agriculture. While the concern of the Government to support small and poor farmers to develop new farming activities and to adopt more efficient technologies is well taken, experience in other countries has shown that the free or heavily subsidized provision of agricultural inputs and equipment to farmers by itself might not be the most effective and sustainable way of developing agricultural activities. It might foster (i) waste (ii) misallocation of unsuitable inputs and equipment, and (iii) a lack of concern for maintenance; unless it is included in a package with other support such as adequate extension and credit that is offered to the farmers within a performance contract. It might also undermine the development of a private supply of agricultural input and equipment.

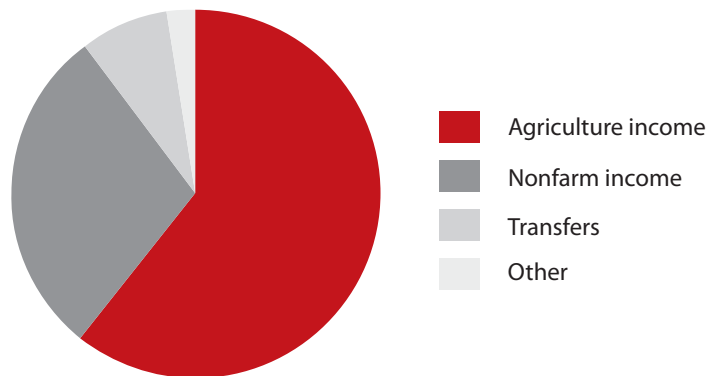
**Table 1: Percentage of income sources in total household income**

|                        | Agriculture income | Nonfarm income | Transfers | Other |
|------------------------|--------------------|----------------|-----------|-------|
| All P135-II households | 60,6               | 29,1           | 7,9       | 2,4   |
| Non-Kinh and Hoa       | 68,5               | 22,2           | 6,5       | 2,8   |
| Poor households        | 72,0               | 19,4           | 6,2       | 2,4   |

Source: BLS

**Figure 4: Main income sources in total household income for P135-II households (%)**

Source: Table 1



Decomposition of agriculture income into sub-income sources is reported in Table 2 and Figure 5. Different crops (paddy rice, other food crops, perennial trees, fruits) play the most important role in generating income. At the time of the BLS, these crops accounted for about two thirds of total income from agriculture; livestock and forestry accounted for 15 percent each. Table 3 and Figure 6 show the percentages of different crops traded. There is a conventional wisdom that households in the poorest communes produce mainly at a subsistence level and hence income generated from selling agricultural products is limited. It is true for rice production, the most important crop for ethnic minorities since they traded only eight percent of their rice output. In terms of other crops, 48% of industrial perennial output were traded, while more than a quarter of other food crops were sold to the market. The BLS also indicates that a significant proportion of commodities from non P135-II communes are purchased by State Owned Enterprises (SOE), while no SOE appears in these poorest P135-2 communes. This also underscores the importance of access to market for households in P135-2 communes. This suggests that production support activities should be focused on raising crop yields and promoting the production of cash crops as much as food crops in the P135-II communes.

**Table 2: Percentage of income sources in total agricultural income**

|                        | Crops | Livestock | Fisheries | Forestry |
|------------------------|-------|-----------|-----------|----------|
| All P135-II households | 63,0  | 16,2      | 5,4       | 15,4     |
| Non-Kinh and Hoa       | 64,4  | 16,5      | 3,9       | 16,2     |
| Poor households        | 64,8  | 13,8      | 4,2       | 17,2     |

Source: BLS

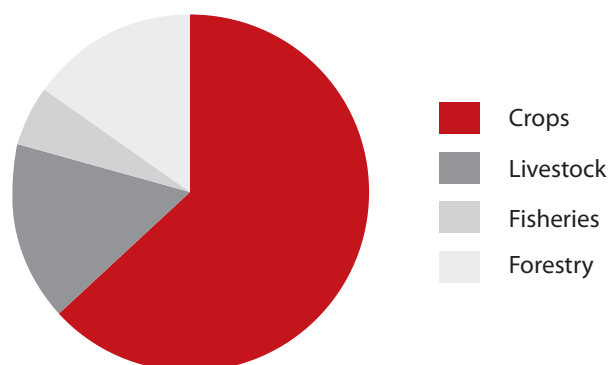
**Table 3: Percentage of cash crops traded**

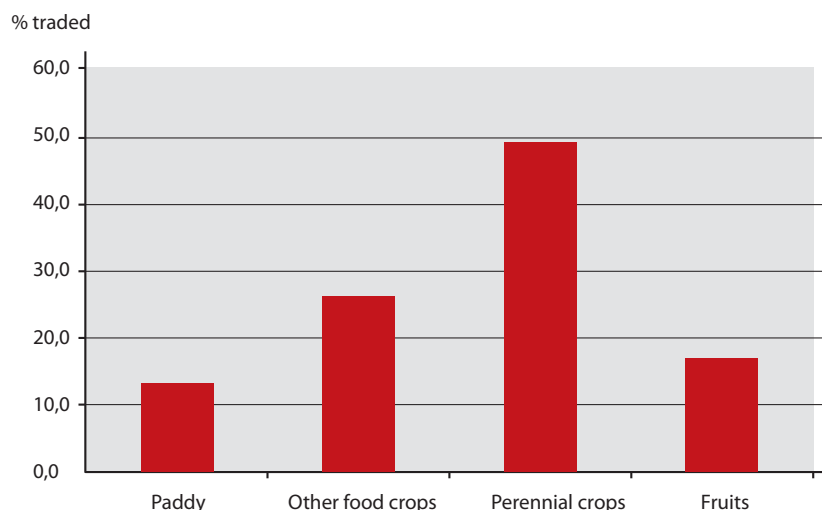
|                        | Paddy | Other food crops | Perennial crops | Fruits |
|------------------------|-------|------------------|-----------------|--------|
| All P135-II households | 13,2  | 26,2             | 49,1            | 16,9   |
| Non-Kinh and Hoa       | 7,4   | 25,6             | 40,6            | 12,3   |
| Poor households        | 4,7   | 22,5             | 40,1            | 11,6   |

Source: BLS

**Figure 5: Main income sources in total agricultural income for P135-II households (%)**

Source: Table 2.



**Figure 6: Percentage of cash crops traded for P135-II households**

Source: Table 3.

Let us also note that little attention has been paid to non farming activities within this production support. At the time of the BLS, non farming income (including wages and income from other non farming activities) accounted for nearly 30 percent of total household income. Pham (2008) has suggested non farming diversification provides a way out of poverty. Given the importance of non farming income for P135-II households, having no attention or support to non farming income-generating activities in the P135-II can be considered as a missing sub-component of production support.

In order to support agricultural production, the provision of agricultural extension services was supposed to be enhanced in P135-II communes. The use of these services was however limited at the time of the BLS (October 2007). In Table 4, only 24% of households sent their members to agricultural extension centers for learning production techniques and only 5% received agricultural extension staff at home for instruction and assistance. This suggests that more attention should be paid to the performance of agricultural extension services (see later sections 3.1.2 and 3.2).

**Table 4: Household access to agricultural extension services**

|                        | % of Agricultural extension centers providing training to households | % of households coming to Agricultural extension center to have training on agricultural techniques | % households having agricultural extension staff coming to their home to provide training | Các nguồn khác |
|------------------------|--|---|---|----------------|
| All P135-II households | 57,0   | 24,2  | 6,5   | 2,4            |
| Non-Kinh and Hoa       | 58,2   | 25,8  | 6,3   | 2,8            |
| Poor households        | 48,4   | 22,5  | 6,5   | 2,4            |

Source: BLS

## Infrastructures

Infrastructure development was always a key component of P135 in order to enhance the economic and social environment of the poor living in P135-II communes. The BLS found that 100% of those communes had enough primary schools and 92.5% had enough lower secondary schools. However, inadequate physical facilities was identified as the most serious obstacle of attending primary schools in 85% of P135-II communes while the corresponding figures for attending lower secondary schools was 80%. This suggests that building new primary or lower secondary schools should not be the top priority. Instead, support should be given to improve conditions for existing schools as well as having plans to build up more upper level secondary schools.

Hamlet-level or communal health centers were the most commonly used health facilities in P135-II communes and often they are poorly equipped. The BLS shows that having medical treatment at hospitals accounted for only 17 percent of the total cases of medical treatment of P135-II communes while hamlet-level or communal health centers accounted for 54 percent. The average distance to hospitals was found to be 39 kilometers, which would take at least three hours by public transport or one hour on motorbikes. This provides sound evidence to support access to healthcare services by P135-II households.

Access to irrigation is considered to be a key for agriculture production. Table 5 shows that irrigation is available for 55% of annual crop land in P135-II communes. This irrigation incidence rate represents a constraint for agriculture production and thus provides a good justification for the Program's target of 80 percent of communes having small irrigation systems by 2010. In terms of access to clean water, the Program aims at providing clean water sources for 80% of P135-II households by 2010. This is quite a challenging target given that the current level of access to clean water for cooking and drinking is about 47%. This also lends a strong support for investing for improvements in water supply conditions in P135-II communes.

**Table 5: Household access to irrigation**

|                        | % of annual land irrigated | Of which              |                        |                      |
|------------------------|----------------------------|-----------------------|------------------------|----------------------|
|                        |                            | % naturally irrigated | % irrigated by pumping | % irrigated by human |
| All P135-II households | 55,1                       | 81,7                  | 13,3                   | 5,0                  |
| Non-Kinh and Hoa       | 49,8                       | 87,8                  | 8,5                    | 3,8                  |
| Poor households        | 50,8                       | 87,2                  | 7,9                    | 4,9                  |

Source: BLS

### Access to social services

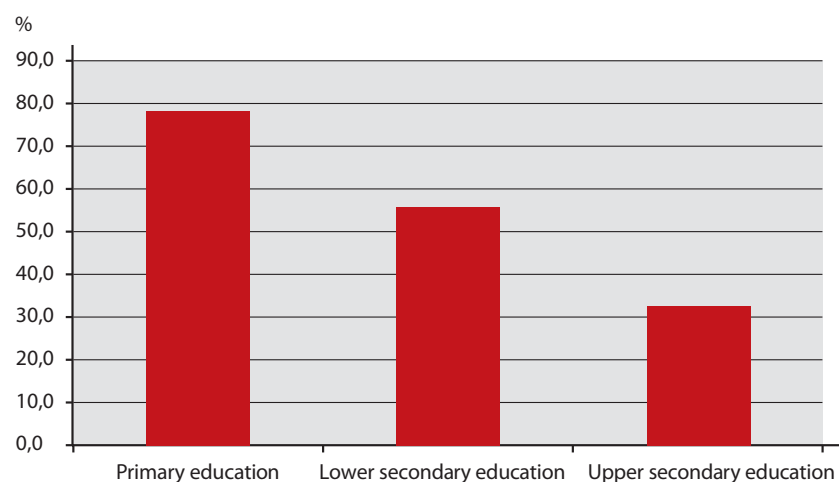
In terms of access of P135-II households to education (Table 6 and Figure 7), there is a marked gap between gross and net enrolment rates at all levels in the P135-II and the national average levels based on the VHLSS 2006. The gross and net enrolment rates at primary schools in P135-II communes were 85% and 78% while the national average rates were 104 and 89% respectively. Gaps of more than 20 percentage points are also reported at secondary schools. Given a wide consensus on positive returns to education in Vietnam (see Pham and Reilly, 2008ab for a review) and the gap compared to the national average, supporting access to education is well justified.

**Table 6: Net enrolment rates at different education levels**

|                        | Primary education | Lower secondary education | Upper secondary education |
|------------------------|-------------------|---------------------------|---------------------------|
| All P135-II households | 77,6              | 55,7                      | 32,7                      |
| Non-Kinh and Hoa       | 76,0              | 54,0                      | 25,7                      |
| Poor households        | 74,8              | 51,3                      | 24,8                      |

Source: BLS

**Figure 7: Net enrolment rates at different education levels for P135-II households**



Source: Table 6.

In terms of education, there are considerable gaps between net enrolment rates across the poor and the non-poor especially when moving to higher levels of education. At primary level, the gap was around 5 percentage points while the corresponding figure at the upper secondary level was nearly 15 percentage points. Among the poor in P135-II communes, ethnic minority groups also enrolled less than Kinh-Hoa counterparts and this gap is most pronounced at upper secondary education, i.e. about 30 percentage points. In this regard, the poor and particularly poor ethnic minorities are at a disadvantage in terms of access to education compared to the non-poor and those in the Kinh-Hoa group.

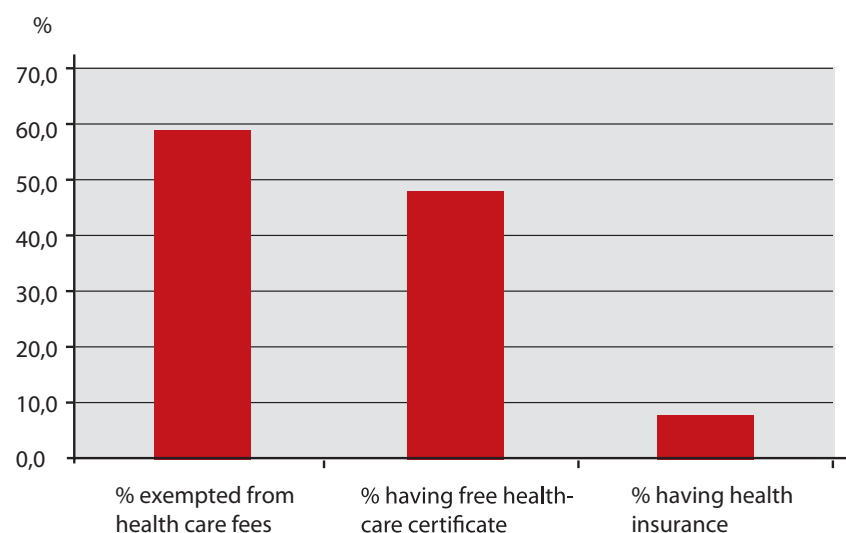
The necessity of improving healthcare facilities was highlighted earlier. It can be expected that given living standards in P135-II communes, the rate of exemption from medical treatment fees would be high and it is indeed the case. 58% of the individuals who received medical treatment over the course of 12 months before the time of interview were exempted from healthcare costs (Table 7 and Figure 8). This provides sound evidence to support access of P135-II households to healthcare services.

**Table 7: Household access to healthcare**

|                        | % exempted from health care fees | % having free health-care certificate | % having health insurance |
|------------------------|----------------------------------|---------------------------------------|---------------------------|
| All P135-II households | 58,6                             | 48,1                                  | 7,9                       |
| Non-Kinh and Hoa       | 69,6                             | 57,0                                  | 9,9                       |
| Poor households        | 65,4                             | 52,2                                  | 10,9                      |

Source: BLS

**Figure 8: Household access to healthcare for P135-II households**



Source: Table 7.

In terms of access to healthcare services, Table 7 shows an 11 percentage point gap in the incidence of having free medical treatment between the poor and the non-poor in favor of the former which makes sense.

For other key services, the poor are at a disadvantage in terms of access to clean water and electricity for lighting. The BLS shows a six percentage point gap between the poor and the non-poor households in access to clean sources of water for cooking and drinking and a 15 percentage point gap in access to electricity. The same finding is also observed for access to irrigation as 51% of annual crop land held by the poor were irrigated while the corresponding figure for the non-poor was around 59%.

Overall, there is strong evidence to support that P135-II components are to a large extent aligned toward the needs of poor households.



**To what extent programme policies/projects are coordinated with each other and with other relevant national programmes and policies?**

Recommendation 8 of the 2004 evaluation was to “Make the programme more manageable by reducing the number of programme components”. P135 was developed in accordance with Recommendation 8: Programme 135 Phase I had 5 constituting projects/components, and in Phase II, two components namely Settlement Planning where necessary, and Commune Cluster Infrastructure Construction were moved to other programmes/projects. Three components that remained were: Production and Business Development Support, Community Infrastructure Development, and Training/Capacity-building for those involved in programme implementation. Besides, systems of policies were added, thus leading to better focus in programme management and implementation.

However, P135 remains to be somewhat of an investment programme, and the desire to develop and implement a balanced and comprehensive programme covering all major dimensions of poverty reduction in P135-II communes has not been made clear yet.

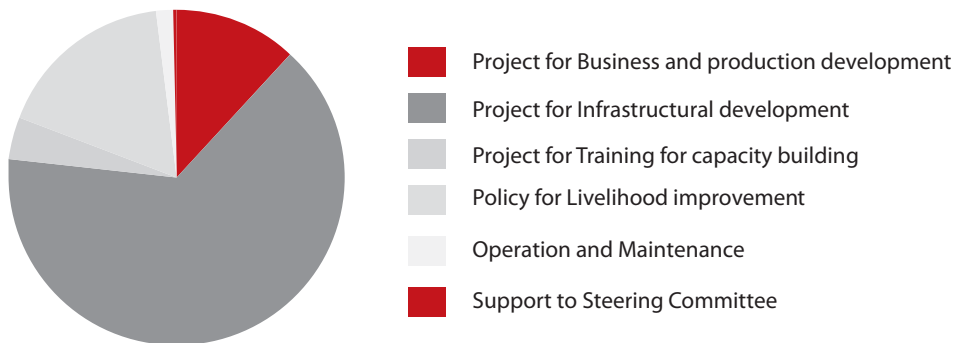
**Table 8: P135-II Project/policy central allocations 2006-08 and budget shares**

| Project/policy                                  | Central allocation 2006-08 (millions VND) | %     |
|---|---|-------|
| Project for Business and production development | 871,43                                    | 12,0  |
| Project for Infrastructural development         | 4692,38                                   | 64,7  |
| Project for Training for capacity building      | 292,69                                    | 4,0   |
| Policy for Livelihood improvement               | 1259,76                                   | 17,4  |
| Operation and Maintenance                       | 112,00                                    | 1,5   |
| Support to Steering Committee                   | 20,88                                     | 0,3   |
| Total   | 7249,14                                   | 100,0 |

Source: MoF

**Figure 9: Share of P135-II budget going to various projects/policies**

Source: MoF



The articulation between the various P135-II projects/policies and even more between P135-II and other NTP-PRs remains an issue, both at central and local levels (P1). While there is widespread recognition of the multidimensional nature of poverty and talk about the importance of an integrated planning and budgeting perspective, this does not translate into practice. P135-II and, for that matter, poverty reduction programs in general, are designed to tackle a specific poverty dimension without proper consideration of linkages which explain the poor's behavior and their inadequate access to a number of economic and social services.

At local level, the integrated planning and budgeting perspective on poverty reduction is also often missing (P1)<sup>13</sup>. The vertical component approach prevents the design of a combination of projects/policies within a strategic local development plan that could be adapted to fit various commune conditions. There does not seem a global view of all sources of funding, including central funds, donor funds, and local funds in a global budget envelope. When some efforts have been made for a more balanced program as was recommended in the 2004 evaluation (recommendation 9), such as the design of a capacity building component, the lack of proper sequencing and unequal importance of each programme component resulted in limited results, i.e., the design of capacity building framework did not catch up with the devolution of Commune Investment Ownerships (CIOs) in decentralization.

Designing vertical projects/policies according to a "silo" approach, without proper consideration of complementarities and synergies on the positive side, and of possible overlap and inconsistency on the negative side (e.g. in the case of agricultural extension support), is conducive to waste of national and donors' resources, significant transaction costs for the various levels of the public sector, lower effectiveness and efficiency, lower access to services from the poor (e.g. some poor do not send their children to school even if they benefit from tuition exemption because they have to pay other costs).

The confusion created by the silo approach is further enhanced by the gap and mismatch between geographic planning (commune, district, province SEDPs) and sectoral plans (vertical line ministries). This issue goes beyond the scope of P135-II design, but contributes to the lack of consistency of the planning process.

Let us conclude though on two positive initiatives regarding coordination. The Steering Committee for poverty reduction programmes established by the Government is an institutional mechanism intended for national coordination of NTPPRs. The policy dialogue between CEMA and TBS donors, the agreement around a common set of targets in a Policy matrix, the Joint-Progress Review mechanism, are all positive elements for greater articulation of public programs and aid, more effective and efficient programs, and greater resource mobilization.

<sup>13</sup> These numbers refer to the MTR module report numbers mentioned on page 6 in Section 2.3

### 3.1.2. Programme targeting efficacy

In seeking to evaluate P135-II targeting efficacy, the MTR common framework identified three (3) areas of enquiry as follows:

1. To what extent P135-II communes meet the chosen selection criteria;
2. To what extent are P135-II communes the poorest communes.
3. To what extent do the poor in P135-II communes benefit from the programme.<sup>14</sup>

#### *To what extent do P135-II communes meet the chosen selection criteria?*

To make sure selection criteria of commune and village were pro-poor and effectively applied, Decision 393/2005/QĐ-UBND incorporated revised, verifiable, poverty-based criteria for selection of communes and villages included in P135-II. Communes were selected into the P135-II according to four sets of indicators that capture infrastructure conditions, social factors, production, and living standards. Box 1 presents all selection indicators that could be calculated.<sup>15</sup>

Let us assess to what extent the communes selected by P135-II meet each selection criteria. Table 9 reports the average values of the criteria underlined in Box 1. Most of the selected communes seem to be in better conditions than the selection criteria in terms of transportation, access to electricity, having schools and healthcare facilities. On average, only 6% of communes lacked a road to commune center and 26% of P135-II communes had limited access to road in one season. Regarding access to electricity, less than one fifth of P135-II communes had no access to national power grid or electricity. No P135-II communes were found not having primary schools and only 8% not having lower secondary schools. Only 3% of the selected communes had no healthcare centers.

The selected communes matched well with the criteria on irrigation, water supply, and access to markets. In terms of watering capacity of irrigation system, the selected communes were just at selection threshold (i.e. around half of total cultivated land was irrigated). Regarding access to market, about 70% of the P135-II had no markets. No information on access to water supply of villages within the targeted communes was made available, but using the data on communal access to clean water as a proxy, it suggests that this selection criterion was also matched.

Social selection criteria for P135-II communes consist of access to post office and universalization of lower secondary education. Table 9 reveals less than 15% of

<sup>14</sup> This section draws heavily on Le and Pham (2008).

<sup>15</sup> Unfortunately, not all desired selection criteria can be calculated.

P135-II communes did not have access to a post office. In terms of universalization of lower secondary school not being achieved, the Program does not specify a numeric value for selection and the criteria can thus refer to any commune with people of relevant school age but not enrolled into lower secondary school. In this regard, P135-II communes satisfied this requirement as the average net enrolment rate at lower secondary education was reported at 81%.

Regarding production conditions, the coverage ratio is around 42% for the selection criterion on crop landholding and 91% for perennial landholding in P135-II communes<sup>16</sup>.

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#### **Box 1: P135-II Commune selection Criteria**

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##### **Infrastructure: lack 4 of 7 essential infrastructure facilities to accommodate production and living conditions of the people:**

- Transport: lack of car road access to commune center or only accessible in one season; more than 70% of villages lack motorbike road access to commune center;
- Watering capacity of irrigation system only covers of 50% of cultivation land;
- Lack of national power grid or accessible to national power grid but more than 60% of villages lack power or alternative energies;
- Lack of schools and classrooms of grade four and above for primary and lower secondary education, three shift classes are presented;
- More than 5% of villages inaccessible to water supply;
- Lack of commune clinics or in temporary conditions;
- Lack of market or trade malls in commune, commodity trading is in great difficulty.

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##### **Social factors**

- Lack of television coverage; lack of commune post offices cum culture points;
- More than 50% of key managers and professional officials in commune obtain basic qualification in public administration and professional training, and less than 25% obtain intermediate qualification and above;
- Lower secondary universalization has not been achieved.

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##### **Production**

- More than 20% of households lack cultivation land according to Decision No. 134/2004/QĐ-TTg or local rate;
- More than 10% of households have not adopted sedentary farming and resettlement.

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##### **Living conditions**

- Poverty ratio is more than 30% according to poverty line in 2000 or 55% according to new poverty line;
  - More than 30% of households live in temporary houses or lack houses;
  - More than 30% of households are inaccessible to water supply; less than 40% of households lack clean water supply;
  - More than 50% of households are inaccessible to power supply.
- 

<sup>16</sup> Unfortunately, no information from any data sources available for this study (i.e. the BLS, VHLSS 2006, and CEMA's dataset) was available on the adaptation of sedentary farming and resettlement in the targeted communes and this criterion is thus not possible to assess

**Table 9: P135-II Communes selection criteria and average indicator values**

|   | P135-II |        | Selection criteria  |
|---|---------|--------|---|
| <b>INFRASTRUCTURE CONDITIONS</b>              |         |        |   |
| <b>Transportation</b>                         |         |        |   |
| Lack of car road access to commune center     | 6.02    | [1.46] | lack of car road access to commune center or only accessible in one season; more than 70% of villages lack motorbike road to commune center |
| Limited accessibility in one season           | 26.32   | [2.71] |   |
| <b>Watering capacity of irrigation system</b> |         |        |   |
| (1) Annual-tree land                          | 65.56   | [3.07] | Watering capacity of irrigation system only covers of 50% of cultivation land   |
| (2) Perennial-tree land                       | 95.61   | [1.36] |   |
| (3) Productive forestry land                  | 100     | [0.00] |   |
| Other forestry land                           | 100     | [0.00] |   |
| (1) + (2) + (3)                               | 56.25   | [7.24] |   |
| (1) + (2) + (3) + (4)                         | 51.43   | [8.57] |   |
| <b>Access to national power grid</b>          |         |        |   |
| No access to national power grid              | 15.41   | [2.22] | Lack of national power grid or accessible to national power grid but more than 60% of villages lack power or alternative energies;          |
| No electricity in the commune                 | 18.42   | [2.38] |   |
| <b>Having schools</b>                         |         |        |   |
| Don't have primary schools                    | 0       | [0.00] | Lack of schools and classrooms of grade four and above for primary and lower secondary education, three shift classes are presented;        |
| Don't have lower secondary school             | 7.52    | [1.62] |   |
| Don't have higher secondary school            | 95.86   | [1.22] |   |
| <b>Access to clean water</b>                  |         |        |   |
| Clean water in dry season                     | 59.4    | [3.02] | More than 50% of villages inaccessible to water supply  |
| Clean water in we season                      | 59.4    | [3.02] |   |
| <b>Healthcare facilities</b>                  |         |        |   |
| Having no commune health center               | 3.01    | [1.05] | Lack of commune clinics or in temporary conditions  |
| Having neither health centers nor hospital    | 1.5     | [0.75] |   |
| <b>Having markets</b>                         |         |        |   |
| Having no commune market                      | 70.3    | [2.81] | Lack of market or trade malls; commodities trading is in great difficulty.  |
| <b>SOCIAL FACTORS</b>                         |         |        |   |
| <b>Access to commune post office</b>          |         |        |   |
| No post office cum culture points             | 14.66   | [2.17] | Lack of television coverage; lack of commune post offices cum culture points  |
| No cultural house                             | 78.95   | [2.50] |   |

|   |       |        |  |
|---|-------|--------|--|
| No radio station                              | 61.65 | [2.99] |  |
| <b>Average educational attainment</b>         |       |        |  |
| Net enrolment at primary education            | 53.01 | [3.07] | Lower secondary universalization has not been achieved   |
| Net enrolment at lower secondary education    | 81.58 | [2.38] |  |
| Net enrolment at upper secondary education    | 48.12 | [3.07] |  |
| <b>PRODUCTION</b>                             |       |        |  |
| <b>Household landholding</b>                  |       |        |  |
| > 20% HHs having < 0.25 ha of crop land       | 41.6  | [3.05] | More than 20% of households lack cultivation land according to Decision No. 134/2004/QD-TTg or local rate; More than 10% of households have not adopted sedentary farming and resettlement |
| > 20% HHs having < 0.50 ha of perennial land  | 90.84 | [1.79] |  |
| > 20% HHs having < 0.25 ha of productive land | 27.48 | [2.76] |  |
| > 20% HHs having < 0.50 ha of productive land | 54.58 | [3.08] |  |
| <b>LIVING CONDITIONS</b>                      |       |        |  |
| Poverty headcount > 55%                       | 42.72 | [2.12] | Poverty ratio is more than 55%   |
| Living and temporary house or lack of houses  | 49.62 | [3.07] | More than 30% of households live in temporary houses or lack houses  |
| <b>Access to clean water</b>                  |       |        |  |
| Inaccessible to water supply                  | 20.68 | [2.49] | More than 30% of households are inaccessible to water supply; less than 40% of households lack clean water supply  |
| Lack of clean water supply                    | 11.65 | [1.97] |  |
| <b>Main source of lighting</b>                |       |        |  |
| Having electricity                            | 84.59 | [2.22] | More than 50% of households are inaccessible to power supply   |
| Having national electricity grid              | 82.1  | [2.01] |  |

Source: P4 – Pham et al. from calculations from BLS  
Notes: standard deviations are in brackets.

For the selection criteria on living conditions, the coverage ratio was 41 percent using the poverty line of VND 200,000 per person/month as specified in the Prime Minister's Decision No 170/2005/QD-TTg dated July 08, 2005; conversely, nearly 59 percent of the targeted communes were better off than the selection criterion on minimum poverty incidence (Table 10). Let us note that this poverty line has been updated since and the coverage rate is likely to have increased, all the more in the inflationary context of 2008<sup>17</sup>.

<sup>17</sup> Unfortunately, 2008 VHLSS data are not yet made available by GSO.

**Table 10: Coverage and leakage for selection criteria on living conditions**

|  | Coverage          | Leakage           |
|--|-------------------|-------------------|
| Poverty ratio is more than 55% according to new poverty line   | 41.22%<br>(76.13) | 58.78%<br>(32.94) |
| More than 30% of households live in temporary houses or lack houses                                  | 100%<br>(93.48)   |                   |
| More than 30% of households are inaccessible to water supply; less than 40% lack clean water supply; | 89.31%<br>(90.69) | 10.69%<br>(7.93)  |
| More than 50% of households are inaccessible to power supply   | 69.08%<br>(91.37) | 30.92%<br>(6.01)  |

Source: P4 – Pham et al. from calculations from BLS.

Regarding housing conditions, all the selected communes met the selection threshold of 30 percent of households living in temporary houses, i.e. the coverage ratio for this criterion is 100%. The coverage ratios in terms of access to clean water and electricity were high at 89% and 70% respectively. Overall, while P135-II communes did not match so well with the criterion of minimum poverty incidence, the majority of them were selected in accordance with the criteria on housing conditions, access to clean water and electricity.

In summary, there is large coverage overall in the sense that most communes fit the majority of criteria. Some communes did not fit those criteria but, rather than indicating leakage, this points out to the need to revise some criteria for commune selection. This was discussed during the P135-II MTR meetings in November 2008 on actual P135-II commune, village and household selection and commitment was made to revise selection criteria in light of the evidence.

### ***To what extent are P135-II communes the poorest communes?***

P135-II focuses on a very important target group, i.e. the poor, predominantly from minority ethnic groups, that live in poor and remote poor communes. This geographic/socioeconomic targeting is quite efficient. Table 11 shows clearly that the poverty headcount index, whatever the measurement method, is: (i) higher in P135-II communes than the national average, (ii) significantly higher among ethnic minorities compared to Kinh and Hoa groups; (iii) varies significantly from 62.5% in the North to 34.2% in the South.



**Table 11: Poverty measures in P135-II communes**

|                  | Headcount unadjusted | Headcount adjusted by rice price | Self-reported headcount |
|------------------|----------------------|----------------------------------|-------------------------|
| <b>Ethnicity</b> |                      |                                  |                         |
| Non-Kinh and Hoa | 50.95                | 62.15                            | 51.23                   |
|                  | [2.18]               | [2.35]                           | [2.45]                  |
| Kinh and Hoa     | 25.84                | 36.17                            | 21.34                   |
|                  | [2.67]               | [3.21]                           | [3.18]                  |
| <b>Regions</b>   |                      |                                  |                         |
| North            | 50.69                | 62.5                             | 45.43                   |
|                  | [2.51]               | [2.37]                           | [2.53]                  |
| Centre           | 46.58                | 58.3                             | 56.41                   |
|                  | [3.16]               | [3.14]                           | [4.10]                  |
| South            | 25.49                | 34.22                            | 17.39                   |
|                  | [3.16]               | [4.12]                           | [3.02]                  |
| Total            | 42.5                 | 53.4                             | 43.27                   |
|                  | [2.12]               | [2.35]                           | [2.51]                  |

Source: P4 – Pham et al. from calculations from BLS

Notes: Mean corrected by sampling weights; Standard errors of mean in brackets

In the current socio-economic context of Vietnam, P135-II communes represent the most important poverty pockets. Between 1993 and 2006, Vietnam's national poverty headcount fell from 58% to 16%. Over the same period, the poverty headcount rate among Vietnam's broadly defined ethnic minorities fell from 86.4% to 52%. School enrolments, nutritional indicators and life expectancy also remain low among ethnic minorities (VASS, 2007; World Bank 2008). Despite comprising just over one-eighth of the national population, the minorities accounted for about 40 percent of the poor in 2004. Some forecast says that by 2010, the poor as ethnic minorities will constitute more than half of Vietnam's poor population (Baulch et al. 2008). Clearly the target group of P135-II is well chosen.

Recommendation 4 of the 2004 Evaluation report is to “strengthen targeting mechanisms to increase the number of poor beneficiaries”. It notes rightly that a combination of methods to identify the poor are used, one based on an absolute income poverty measurement and another one based on the relative assessment of local village authorities. The former is faced with the challenge of evaluating rigorously income based on household declaration and the limits coming with the exclusive use of an indicator of monetary poverty to capture a multidimensional situation. The latter is fraught with the possibility of selection bias coming from subjectivity, pressure to meet poverty reduction targets, and conflict of interest as well as of inconsistency in evaluation across households and communes. In any case, no consideration is made of the depth of poverty in both methods.



Both methods are still in use. There has been some updating of the absolute income poverty lines to reflect changes in prices and in household basket, differentiating between rural and urban areas. However, the limits mentioned above are still valid.

***To what extent do the poor in P135-II communes benefit from the programme?***

Table 12 shows that the large majority of the poor have benefited directly from P135-II or for that matter from other poverty reduction programs; however, the extent to which they have benefited from the programme vary from areas to areas, with those in remote and isolated areas receiving the most modest benefits. This outlines the still limited coverage of these poorest areas and the magnitude of the remaining task. It also outlines the need to focus more programme activities on the poor in P135-II communes than is currently the case. Apart from health fee exemption, the poor benefit relatively less than the non poor from current projects/policies (Tables 1 to 7). Infrastructures benefit relatively more those with a higher volume of economic activities. The model of agricultural production support and agricultural extension chosen focuses on better off farmers who are supposed to be role models for others. Children from poor households are less likely to go beyond primary school and hence benefit less from school and boarding fee reduction.

**Table 12: Percentage of poor households having benefited from P135-II projects/policies in P135-II communes**

|        | % of poor households benefited from projects |                       |
|--------|--|-----------------------|
|        | From P135-II                                 | From other programmes |
| North  | 21.63<br>[1.91]                              | 20.1<br>[1.79]        |
| Centre | 32***<br>[2.68]                              | 26***<br>[2.48]       |
| South  | 6.2***                                       | 7.6***<br>[3.22]      |
| Total  | 23.67<br>[1.58]                              | 20.42<br>[1.43]       |

Source: P4 – Pham et al. from calculations from BLS

Notes: Mean corrected by sampling weights; Standard errors of mean in brackets; \*\*\* difference in mean between two groups is significant at 1%, \*\* difference in mean between two groups is significant at 5%, \* difference in mean between two groups is significant at 10%

As a final note on targeting, let us underline the importance of the new 61 poorest district initiative led by MOLISA. This move of the NTP-PR toward greater area targeting should have positive consequences on NTPPRs targeting efficacy as long as it is coordinated with P135.

## 3.2 IS THE PROGRAMME DOING THINGS RIGHT?

To answer this question, the programme effectiveness and efficiency are analyzed sequentially.

### 3.2.1. Programme effectiveness

In seeking to evaluate P135-II programme effectiveness, the MTR common framework identified two (2) areas of enquiry as follows:

1. To what extent budgets have been executed;
2. To what extent P135-II is making progress toward 2010 results targets.

#### *To what extent budgets have been executed?*

The budget execution rate varied from high to very high over the period: 57% in 2006, 118.9% in 2007, and 64% in 2008, which results in a high average of 74.5% over the 2006-2008 period (Tables 13 and 14). Overall a significant share of central budget goes to commune and village levels. Clearly, infrastructure construction enjoys the highest execution rate (94.5%), very closely followed by capacity-building (91%), then by production development (82.9%); the recently introduced policy on livelihood is only starting to be implemented, hence its low execution rate of 14.6%.

#### *To what extent P135-II is making progress toward 2010 results targets?*

Overall significant progress has been made (Table 15). Targets in terms of access to infrastructures seem achievable with additional focused effort. There is a 14 percentage point gap in terms of the 2010 target for road access to villages, a 20 percentage point gap for irrigation systems, and a 22 percentage point gap for schools and clean water supply.

Several targets set for 2010 seem hardly achievable given current progress: (i) a poverty head count index of 30% by 2010 while the current rate is 43%; (ii) a 0% hunger rate while the current rate is 46%; (iii) a rate of commune investment ownership of 100%

**Table 13: Budget Allocation from Centre for each P135-II Project/Policy**

| Project/Policy                                  | 2006    |       | 2007    |       | 2008    |       | 2006-2008 |       | 2009    |       |
|---|---------|-------|---------|-------|---------|-------|-----------|-------|---------|-------|
|   | Amount  | %     | Amount  | %     | Amount  | %     | Amount    | %     | Amount  | %     |
| Project for Business and production development | 187,66  | 11,2  | 208,08  | 13,8  | 450,68  | 11,7  | 871,43    | 12,0  | 433,68  | 13,2  |
| Project for Infrastructural development         | 1420,60 | 84,9  | 1225,07 | 81,2  | 1880,60 | 48,6  | 4692,38   | 64,7  | 1840,00 | 56,0  |
| Project for Training for capacity building      | 64,12   | 3,8   | 69,36   | 4,6   | 150,78  | 3,9   | 292,69    | 4,0   | 146,18  | 4,5   |
| Policy for Livelihood improvement               | 0,0     | 0,0   | 0,0     | 0,0   | 1259,76 | 32,6  | 1259,76   | 17,4  | 734,78  | 22,4  |
| Operation and Maintenance                       | 0,0     | 0,0   | 0,0     | 0,0   | 112,00  | 2,9   | 112,00    | 1,5   | 114,19  | 3,5   |
| Support to Steering Committee                   | 0,0     | 0,0   | 6,85    | 0,5   | 13,58   | 0,4   | 20,88     | 0,3   | 15,22   | 0,5   |
| Total   | 1672,38 | 100,0 | 1509,36 | 100,0 | 3867,40 | 100,0 | 7249,14   | 100,0 | 3284,05 | 100,0 |

**Unit: billion VND**

Source: MoF

**Table 14: Executed budget and budget execution rate for each P135-II Project/Policy, 2006-08**

| Project/Policy                                  | 2006   |      | 2007    |       | 2008    |      | 2006-2008 |      |
|---|--------|------|---------|-------|---------|------|-----------|------|
|   | Amount | %    | Amount  | %     | Amount  | %    | Amount    | %    |
| Project for Business and production development | 6,67   | 3,6  | 205,31  | 98,7  | 407,88  | 90,5 | 722,08    | 82,9 |
| Project for Infrastructural development         | 925,95 | 65,2 | 1550,36 | 126,6 | 1767,14 | 94,0 | 4435,18   | 94,5 |
| Project for Training for capacity building      | 21,24  | 33,1 | 38,88   | 56,1  | 117,1   | 77,7 | 266,40    | 91,0 |
| Policy for Livelihood improvement               |        |      |         |       | 183,62  | 14,6 | 183,62    | 14,6 |
| Total   | 953,86 | 57,0 | 1794,55 | 118,9 | 2475,74 | 64,0 | 5400,08   | 74,5 |

**Unit: billion VND**

Note: The budget execution rate is calculated as the ratio of the executed budget over the budget allocation from the Centre.

Source: CEIMA

Table 15: P135-II 2010 results targets and achievements over 2006-2008

| Domain and performance indicators  | P135-II 2010 targets                | Achievements as of 2008 (1) |
|--|-------------------------------------|-----------------------------|
| <b>Overall</b>   |                                     |                             |
| Food Poverty Index   | 0%                                  | 46%                         |
| Poverty Headcount Index  | 30%                                 | 35.6%                       |
| Commune investment ownership   | 100%                                | 55.6%                       |
| <b>Production development</b>  |                                     |                             |
| % of households with average income per capita at 3.5 million VND per year   | 70%                                 | N/A                         |
| <b>Infrastructure development</b>  |                                     |                             |
| % of communes having village road access for motor vehicle at least as motorbike   | 80%                                 | 66%                         |
| % of communes having irrigation works that water 85% areas of wet paddy fields   | 80%                                 | 61%                         |
| % of communes having enough permanent primary and secondary schools with teacher's dormitory, necessary accessory facilities, teaching tools and materials; boarding schools where necessary | 100%                                | 80%                         |
| % of villages or village clusters having adequate class rooms for primary class, kindergarten and day care services  | 100%                                | N/A                         |
| % of villages having electricity in residential quarters   | 80%                                 | 85%                         |
| % of communes having permanent clinics with adequate facilities to ensure normal treatment for people  | 100%                                | 98%                         |
| <b>Social objectives</b>   |                                     |                             |
| % of households having access to clean water   | 80%                                 | 47%                         |
| % of households having electricity   | 80%                                 | N/A                         |
| % of dangerous epidemic diseases controlled and prevented  | 100%                                | N/A                         |
| % of households with septic tank   |                                     | N/A                         |
| % rate of school attendance at primary level   | 50%                                 | N/A                         |
| % rate of school attendance at secondary level   | 90%                                 | N/A                         |
| % of communes exercising legal support   | 75%                                 | N/A                         |
| % of people in extremely difficult communes having access to legal services.   | 100%                                | N/A                         |
|  | 95%                                 |                             |
| <b>Monitoring of the outputs of the other programs and projects that are implemented in the area</b>   |                                     |                             |
| % of communes have car road access to commune center   | 100%                                | N/A                         |
| % of communes have electricity   | 100%                                | N/A                         |
| % of leaking and dilapidated houses  | 0%                                  | N/A                         |
| % of communes having a post office with at least 3 telephone lines   | 100%                                | N/A                         |
| % of villages having grassroots radio stations and VTRO television (where television coverage is absent)   | 100%                                | N/A                         |
| % malnutrition rate of children under 5  | <25-30%                             | N/A                         |
|  | (according to context of each area) |                             |
| % shifting farming and dwelling  | 0%                                  | N/A                         |
| % of households having access to regular radio broadcast   | 100%                                | N/A                         |
| % of households having access to regular television broadcast;   | 70%                                 | N/A                         |
| % of villages having some certain newspapers and journals  | 100%                                | N/A                         |
| % of villages achieving "cultural village" standard  | 50%                                 | N/A                         |

Source: P1.

Note: (1) unless otherwise indicated.

While the current rate is 55 % (in spite of significant progress from 18 % in 2006 and 35 % in 2007) (CEMA-Donors, 2008, p. 3).

Several explanations can be brought forward. In some cases, the target validation process does not seem to necessarily respect the SMART<sup>18</sup> criteria which may result in unrealistic targets at times. One key condition for realism is a clear connection between results targets and allocated budgets. In other cases, the target might a priori be SMART, but the slow process of producing and adopting official guidelines, disseminating them, and training all agents on them resulted in slow local implementation.

### 3.2.2. Programme economy and efficiency

In seeking to evaluate P135-II programme economy and efficiency, the MTR common framework identified five (5) areas of enquiry as follows:

1. To what extent P135-II budget allocation mechanisms have been efficient, pro-poor, decentralized, and transparent;
2. To what extent P135-II planning, implementation, and monitoring were participatory and decentralized;
3. To what extent P135-II M&E has been improved and used to make P135-II implementing agencies more transparent and accountable;
4. To what extent have capacities of all actors involved in P135-II been really upgraded;
5. How effective has been cooperation between Government and donors?

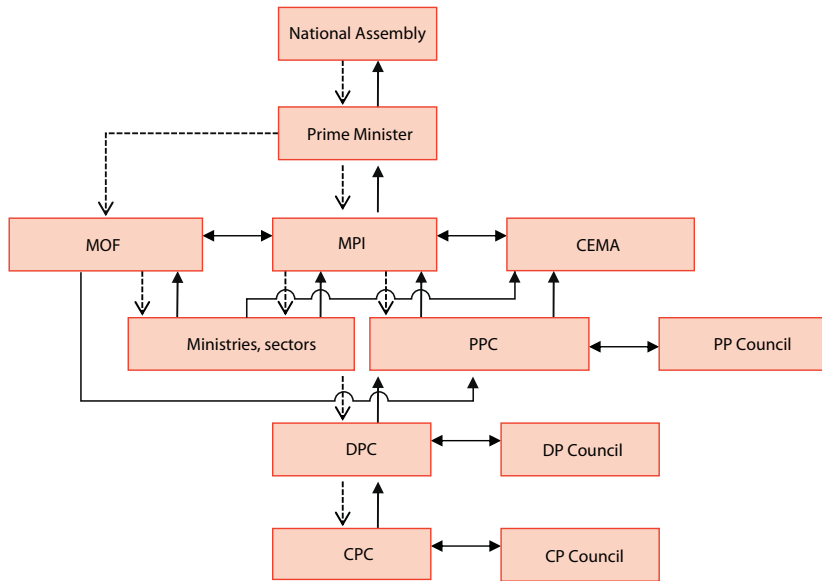
#### ***To what extent P135-II budget allocation mechanisms have been efficient, pro-poor, decentralized, and transparent?***

The P135-II budget elaboration process is based on a bottom up approach (Figure 10):

- (1) People's Committees of all levels, P135-II Managing Agency and Implementing Partners develop the programme annual plan and budget, and send to MPI, MOF for their consolidation and submission to Prime Minister. The proposed plan and budget, thereafter, will be presented to the National Assembly for their endorsement.
- (2) After endorsement, MPI and MOF assign related budget plan to Ministries, sectors and PPCs.

<sup>18</sup> S(pecific), M(easurable), A(chievable), R(elevant), T(ime bound).

**Figure 10: P135-II budget elaboration process**



Source: P3

This traditional budget elaboration process has the merit of reflecting the needs expressed at local level. However, it has four weaknesses. First, it does not start with a realistic macroeconomic constraint in the form of a global budget envelope. Unrealistic targets can be set on the basis of expressed needs and political considerations. This is especially true if macroeconomic forecasts are too optimistic which translate into lower than expected budget revenues which, in turn, translate in budget allocation cuts during the financial year with its potential implications on derailing set work plans and jeopardizing the achievement of set targets. This is a real possibility in the context of the current international economic crisis. Second, since there is no clear connection established between results targets<sup>19</sup> and budget allocations, it is a means-based budget and not a results-based budget. Third, even as a means budget, costing of projects is often outdated; especially in an inflationary context such as was the case in 2008. Several investment norms from the State budget for P15-II might be either lower than real requirements or not suited to local conditions (e.g. the share of investment capital and non-business expenditure for production development). Real costs of management and monitoring tend to be underestimated. The result can be either cost overrun and/or underachievement of targets. Fourth, it has only a yearly horizon. While allowing adjustments for changes in the economic situation, this implies a repetition of a multi-step time consuming process every year and it might not fit well with the time horizon of typical investments. This also adds a lot of pressure on local authorities, contractors, and population to rush to complete construction, especially in flood and rain prone communes.

Recommendation 1 of 2004 evaluation report was to “Provide programme funds as block grants to provinces to increase local-level autonomy.” The block

<sup>19</sup> Results mean outputs, outcomes, and impacts.

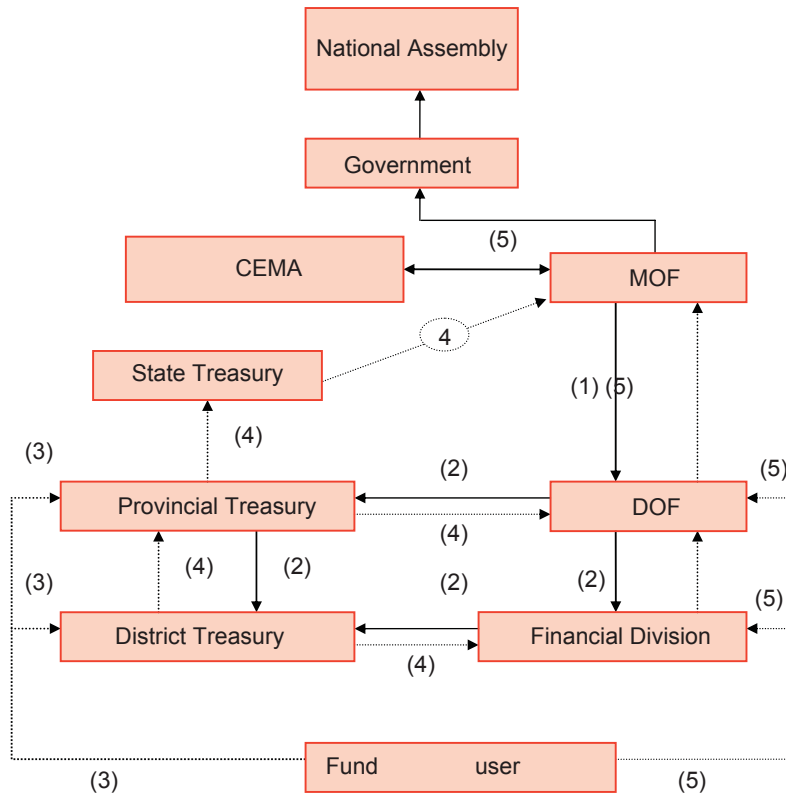
grant mechanism would simplify the planning, budgeting, and implementation processes and contribute to adapting the allocation of the grant to fit with local realities. A similar mechanism to block grants, but at commune level in the form of Community Development Fund, was proposed.

So far, the budget management and payment process has remained traditional and involves the following generic steps (Figure 11):

1. MOF transfers the additional targeted funding from State Budget to provincial level.
2. DOF transfers the fund to either Provincial Treasury or Financial Division so as to feed this amount to District Treasury.
3. The fund user will prepare the Request for withdrawal of budget estimate and send it together with payment documents to the Treasury of transaction place.
4. Treasury reports the allocation status to higher Treasury and related financial units.
5. The fund user prepares and submits the balance report to the financial unit of its level for appraisal, based on that, the latter will send summarized report to its higher level (P3).



**Figure 11: P135-II budget management and payment process**



Source: P3.

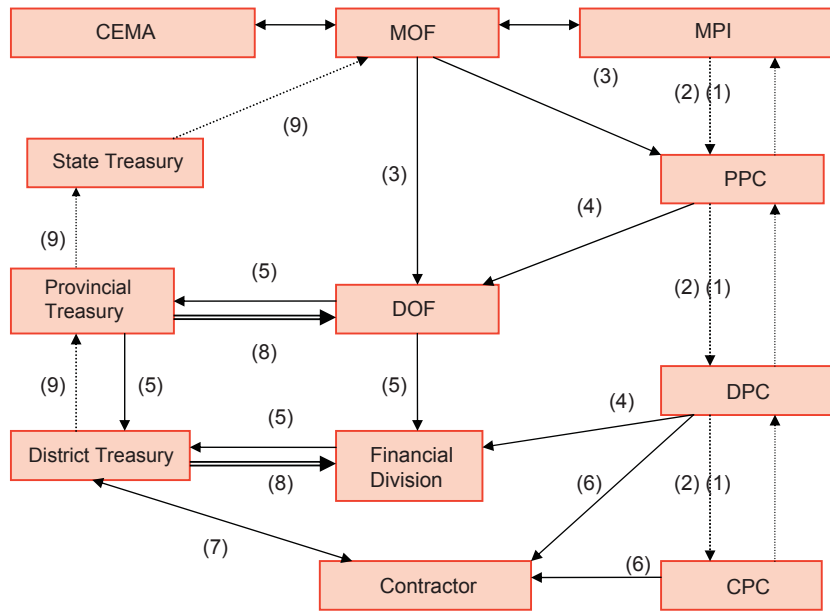
In the case of infrastructure projects, the management and payment process is as follows (Figure 12):

- 1) People's Committees of all levels develop investment budgeting and report to the higher levels and programme management agency for consolidation and submission to the Government.
- 2) The MPI allocates fund to People's Committees of all levels.
- 3) The MOF transfers the fund allocated by State Budget to DOF with respective announcement to provinces<sup>20</sup>.
- 4) The PPC consolidates funds from State Budget and other sources to serve the allocation to all construction works.
- 5) The DoF transfers the fund to Provincial Treasury or Financial Division to proceed next transfer to District Treasury<sup>21</sup>.
- 6) DPC/CPC, acting as the investment owner, signs contract with construction companies after receipt of investment approval from PPC or authorized DPC.
- 7) The construction company sends its payment documents to District Treasury, requesting fund withdrawal and payment.
- 8) The District/Provincial Treasury executes the balance with the fund granting agency.
- 9) The State Treasury provides information, reports on allocation status to relevant higher bodies

<sup>20</sup> Since 2009, the transfer based on payment voucher was replaced by withdrawal of budget estimate at the State Treasury with regard to targeted funding from upper budget levels to lower budget levels.

<sup>21</sup> On the basis of the budget estimate allocated, the fund was advanced in accordance with regulations and implementation progress of programmes and tasks (for both investment and recurrent funds) reported by the investment owner (or the agency/unit assigned with the tasks); the monthly payment results are sent by the State Treasury at the transaction place to the DoF; the DoF consolidates the requested budget estimates to be withdrawn from the targeted funding from the Central Budget to the local budget, and sends it together with the Request for Withdrawal of budget estimates to the State Treasury at the transaction place to withdraw the targeted funding from the Central Budget to the local budget. The maximum amount that can be withdrawn equals the budget estimates approved for the programme or tasks assigned by the Prime Minister.

**Figure 12: Management and payment process for P135-II infrastructure projects**



The generic budget management process follows a top-down cascading budget distribution which gives a large autonomy to local levels to make decision on budget allocations. However, this multi-stage decision process results in four weaknesses. First it takes time which results in late availability of funds at commune level. A compounding factor is the often very limited capacity to mobilize financial resources at local level which means that the implementation of most projects/policies depends to a large extent on central funding. Second, budget allocation decisions made at higher levels (province) are not necessarily consistent with what would have been local budget allocation decisions at lower levels (district and commune) given the high variance of local poverty characteristics. Third, this is again a means budget with no clear connections between budget allocations and results targets. Fourth, several procedures are still quite cumbersome to follow for small scale projects, slowing implementation without real justification.<sup>22</sup> More generally, a number of central implementation guidelines are either untimely promulgated or inappropriate in the contents given the local context.<sup>23</sup>

Apart from the vertical budget cascading issue, the even more pressing issue is the question of horizontal integration and coordination at any level. The linkages amongst components of P135-II (e.g. infrastructure and production, infrastructure and living conditions) and even more between P135-II and other NTP-PRs are at best wanting and at worse missing. What started as a faulty

<sup>22</sup> Circulars No. 01/2006/TT-BXD dated 17 May 2006 by MOC providing guidelines on management of investment and construction; Circular No. 79/2007/TT-BNN dated 20 Sep 2007 by MARD superseding Circular 01/2007, providing guidelines on implementation of the production development support component;

<sup>23</sup> Inter-ministerial Circular No. 676/2006/TTLT-UBDT-KHDT-TC-XD-NNPTNT guiding the implementation of P135-II; Circular No. 04/2007/QD-UBDT dated 19 Jul 2007 by CEMA guiding training; Decision No. 1445/QD-TTg on the structure of investment capital and non-business expenditure, etc.

silo approach at programme design stage results in inefficiencies at the level of implementation, e.g. cases of schools built without access roads or latrines, duplicating training programs, etc. While trying to allocate available resources according to locally felt priorities, district and commune officials also have to juggle with targets set from superior levels and with multiple programs standards and procedures (P3).

To favor poorer participating communes and villages in program resource allocation, Inter-ministerial circular 676/2006 requires that provinces allocate resources to participating communes and villages on a 'non-egalitarian', pro-poor basis. 42 out of 47 provinces have developed and applied pro-poor budget allocation criteria/ formula, based on criteria such as commune population, poverty rate, natural area, the number of villages, the number of required infrastructure projects in the localities, the distance between villages to the commune and district centers, and other typical characteristics of the localities. However, the pro-poor budget allocation criteria sets of some provinces do not appear to be rigorously based. (CEMA-Donors, 2008, p. 11). The actual allocation of P135-2 resources from provinces to participating communes and villages was reviewed at MTR and commitment made to revise allocation criteria in light of evidence.

Recommendation 2 of the 2004 evaluation report is "to establish a transparent and easy to administer system of allocating budgetary resources to provinces". A recurring complaint heard at local level was the cumbersome nature of procurement procedures which were not adjusted for the size of the contract. Restricted or appointed bidding was found to be common practice. Public bidding is used only for 10% of bids. Reasons mentioned to justify this lack of competitive procedures are (i) the small size of the contract which limits attractiveness on the part of potential suppliers (ii) the time required and the complication of regular bidding procedures and (iii) the limited local capabilities in procurement. While such practices might be valid in some cases, transparency and competitiveness should be encouraged as much as possible to promote efficiency in resource allocation and fairness. Right now, this was not the case in the provinces visited by the PETS team. The availability of bidding documents was limited and they were perceived to be too complicated and voluminous. Procurement responsibilities were not always clearly perceived the same way. Advertising was sometimes limited which weakens the competitive process and thus the quality of some deliverables. The involvement of the communities, especially the poor, in the procurement process was found to be low and therefore appropriation limited. A procurement monitoring system has been designed with some performance measurement of the procurement process, methodology and of contract implementation, but was not in full implementation by the time of MTR. Finally, the complaint system appears weak (P3).

Supplementary regulation (revisions in Circular No.01/2008) has been issued, amending procurement requirements under P135-2 so as to: (i) allow Community Contracting and provide details of the bidding process for projects valued from VND 300 million to VND 1 billion; (ii) require open competitive

bidding to be the principal method for civil works under P135-2; (iii) limit the use of Direct Contracting method to exceptional circumstances which shall be clearly specified; and (iv) remove the value-based thresholds for use of Direct Contracting in Sub-Clause 2.8.1(a) of Inter-Circular 676/2006 and revised Inter-Circular 01/2008. A Manual on Procurement in accordance with Inter-Circular 01 was supposed to be issued by CEM early 2009. It is too soon to say if it will solve the issue.

Another important issue related to efficiency in implementation is the importance given to the maintenance of existing infrastructures so that they are kept operational and quality of service maintained. An Assessment of O&M was conducted in 2008 as part of the MTR. Its main conclusion is that the major weakness of O&M in P135 II derives from a structural flaw in its design, i.e. having a separate entity established for each infrastructure facility. This adds tremendously to the transaction costs of setting up and managing each item of infrastructure so as to achieve commune investment ownership (Taylor et al., 2008, p. 26-27). It also notes that the system of community contributions for the OM of individual infrastructure facilities, particularly the in-kind labor contribution, is not functioning effectively for lack of technical know-how.

O&M groups with recognized legal status have started being formed in participating communes and villages and a clear work plan elaborated with monitorable actions formulated on measures to build their capacity. The issuance in 2008 of Official Letter No.744/TTg-KTTH by the Government on the allocation of budget of 6.3% of project investment for O&M of infrastructure works in P135-II was a remarkable step forward which will contribute to the sustainability of the infrastructure investments. MOF/STV 's Official Instruction for Management and Payment of P135-2 Fund, including for O&M spending, was also issued in 2008.

***To what extent P135-II planning, implementation, and monitoring have been participatory and decentralized?***

Two pillars of P135-II are participation and decentralization. It is assumed that community-driven approaches to planning, managing, operating and maintaining basic rural infrastructures would help improving poverty targeting of program resource allocation. In addition, it could lead to enhanced fiduciary transparency and accountability in project implementation and to increased sustainability of the project.

Recommendation 6 of the 2004 evaluation report is “to improve participation at local levels by operationalizing the Grassroots Democracy Decree”. It also argues strongly for strengthening horizontal links with other projects and policies in the area of decentralization and administrative reform.

The participatory approach has been widely applied for the P135-II communes. For greater public participation in program planning and management, a

communication strategy was adopted to guide the planning, implementation of P135-II communication activities of CEM and other implementation agencies at the province, district and commune levels

The pilot Citizen Scorecard survey (CSC) conducted in 4 provinces provides interesting insights on various aspects of the target group's participation in P135-II. First, the percentage of households aware of the works and activities under P135-II is high even if it varies greatly from component to component: from 94.8% for the production development support component to 54% for electricity works. It is not necessarily easy for people, especially in far out villages to be aware of projects and activities carried out in other parts of the commune, especially when the benefits are not direct, which may be the case for some bigger-scale infrastructure works such as electricity works, water supply works (Table 16)..

**Table 16: Percentage of households aware of infrastructure works and support**

| Type of works and Activities                                      | Percentage |
|---|------------|
| Infrastructure Development  |            |
| Electricity works   | 54.1       |
| Transportation works  | 74.4       |
| Schools   | 70.9       |
| Water supply works  | 73.3       |
| Health Stations   | 60.7       |
| Markets   | 86.7       |
| Communal Houses/Commune Cultural Houses                           | 77.8       |
| Irrigation works  | 85.1       |
| Production Development Support                                    | 94.8       |
| Vocational Training   | 72.1       |
| Support to Kindergarten Children and Day-boarding School Students | 61.9       |
| Legal Assistance  | 75.6       |

Source: Le et al, CRC (2009).

During the planning process for projects and works under P135-II in the localities, people are asked for their inputs with an aim to ensure that the projects and works meet their real needs. Of the households aware of the projects and works, 66.7% provided inputs for electricity works, 49.8% for transportation works (roads), 40.5% for water supply works, 50.3% for small irrigation works, and 57.8% for production development support projects/activities. The percentages were lower for projects/activities under other components. The households were asked for their inputs through community meetings in the communes or villages/hamlets (85%) or through meetings with Government officials/staff on their visits to the households (Table 17).

**Table 17: Percentage of households providing inputs for infrastructure works and support activities undertaken in their localities (%)**

| Types of Works and Activities               | Percentage of households providing inputs out of households aware of works/activities | Channels for providing inputs                          |  |
|---|---|--|--|
|   |   | In community meetings at Commune village/hamlet levels | In meetings with Government officials/ staff on their visits to the households |
| <b>Infrastructure Development</b>           |   |  |  |
| Electricity works                           | 66,7  | 85,4   | 18,8   |
| Transportation works                        | 49,8  | 97,8   | 4,3  |
| Schools                                     | 32,5  | 92,1   | 7,9  |
| Water supply works                          | 40,5  | 95,9   | 10,2   |
| Health Stations                             | 16,5  | 80,0   | 20,0   |
| Markets                                     | 26,9  | 100,0  |  |
| Communal Houses/<br>Commune Cultural Houses | 25,7  | 100,0  |  |
| Irrigation works                            | 50,3  | 97,6   | 7,2  |
| <b>Production Development Support</b>       |   |  |  |
|   | 57,8  | 98,0   | 5,5  |

Source: Le et al, CRC (2009).

The households were asked for their inputs in terms of work site selection (over 86%), contributions to work construction (mainly in labor days), participation in construction supervision of construction, or selection of beneficiary households (79.4%) (Table 18).

**Table 18: Input category provided by households for P135-II activities (%)**

| Types of Works and Activities               | Work sites selection | Participation in construction of works | Contributions for construction of works | Participation in supervision of construction |
|---|----------------------|--|---|--|
| <b>Infrastructure Development</b>           |                      |  |   |  |
| Electricity works                           | 87,5                 | 20,8                                   | 18,8                                    | 2,1  |
| Transportation works                        | 86,3                 | 12,9                                   | 25,9                                    | 11,0   |
| Schools                                     | 97,4                 | 7,9                                    | 15,8                                    | 5,3  |
| Water supply works                          | 91,8                 | 42,9                                   | 14,3                                    | 0,0  |
| Health Stations                             | 93,3                 | 13,3                                   | 33,3                                    | 0,0  |
| Markets                                     | 100,0                | 0,0                                    | 0,0                                     | 0,0  |
| Communal Houses/<br>Commune Cultural Houses | 100,0                | 0,0                                    | 0,0                                     | 0,0  |
| Irrigation works                            | 88,0                 | 51,8                                   | 25,3                                    | 9,6  |

Source: Le et al, CRC (2009).

Local authorities mobilized people's participation in supervision of construction or contributions for the construction of works mainly as labor days, or construction materials, and the like (Table 19). Financial contributions for the construction of works were limited. Of all the households aware of the works, only 18.2% contributed financially to school construction, 9.7% to electricity works, and 9.3% to transportation works. The highest levels of contribution were made to water supply works (59.6%) and small irrigation works (54.4%).

Supervision of implementation and construction of works is primarily carried out by the Commune Supervision Board. There is not yet widespread participation by the communities in supervision of construction of infrastructure works in the localities. The percentage of households participating in the supervision of construction of electricity works was 2.8%, transportation works 6.5%, water supply works 1.8%. When asked why they did not participate in supervising construction of works, 80% of the households said that they had not been invited to participate (Hung Pham et al., 2009).

The BLS also provides complementary insights on target group participation. 86% of infrastructure projects under the P135-II held participatory meetings to select projects and 82% have been monitored by people (Table 19). Public biddings to select the contractor were organized in only 10.5% of P135-II projects, even less than for the non-P135 projects (27.8%). Detailed financial information was made public in about half of the P135-II projects, compared with more than 60% for the non-P135 projects. Only 23% of the P135-II projects were "owned" by the commune compared with 44 percent for the non-P135-II projects in 2007. This percentage has increased significantly in 2008 to reach 55%, but is still far from the 2010 target of 100%. Also, in most cases, communes were investment owners of the projects when they were the main financing institutions, i.e. for smaller amounts. Larger projects remain to a large extent "owned" by districts or provinces. Let us also note that 2008 data have not yet distinguished of commune as investment owners in production projects or infrastructure projects, or both.

A larger rate of Commune ownership is conditional on the community's capacity to carry out the entire process from consultation of the targeted population, definition of the project, implementation and financial management to operation and maintenance. This has important implications for the design of the 61 poorest district initiative in terms of the importance to give to capacity building budget and to the design of this component for real population empowerment..



**Table 19: Participatory approach and capacity strengthening**

|   | Projects un-<br>der P135-II | Projects implemented<br>at P135-II communes<br>but financed by other<br>programmes |
|---|-----------------------------|--|
| % projects having participatory meetings to select project      | 86,6                        | 80,0   |
| % of households who participated in these participatory meeting | 87,5                        | 91,1   |
| % projects having public bidding procedures                     | 10,5                        | 27,8   |
| % projects which made financial information public              | 52,8                        | 60,1   |
| % projects being monitored by people                            | 81,9                        | 72,4   |
| % projects having O&M plan                                      | 45,7                        | 44,9   |
| % projects that are 'owned' by communes                         | 22,5                        | 44,1   |

Source: P4 – Pham et al. from calculations from BLS

Apart from the quantitative inadequacies of the participatory process described above, there are also some qualitative aspects to be considered which are related to the understanding of what participation actually means. The planning process is generally participatory, but often only in a formal way (consultation), with limited real participation from the villagers, especially the ethnic minority poor. Participation of local population in actual planning of the policies/projects, especially the poorest, is still limited by (i) insufficient detailed information received about planning and budgeting processes (ii) limited skills of commune staff in terms of participatory planning and budgeting, and (iii) limited education and fluency in Vietnamese of the minority ethnic groups who represent the bulk of the poor in those areas. This may result in inadequate articulation between (i) development priorities expressed by villagers, (ii) results targets set for various programme components at various time horizons, and (iii) yearly budget allocation to various communes and then to different projects in the commune does not appear to be clear-cut. In particular, several allocation criteria used by some provincial authorities might not be well-suited to local realities. The programme procedures and process do not seem to be understood the same way by various public institutions at provincial, and especially commune levels.

Moreover, while nearly all beneficiaries have a relatively high level of general information about P135-II projects/policy components. It is neither detailed, nor very practical, e.g., what are the procedures to benefit from a given policy/project.

Another concern is that local contributions be equitable and that wage-earning opportunities in public works be fully exploited for generation of local multiplier effects, especially for the poorest households. Inter-ministerial circular 676/2006 stipulates that local contributions should be affordable and that poorest households be exempted. It also request mechanisms to be developed to promote paid local labor in civil works, with priority given to poor households in

wage-earning opportunities. Progress was made at least in two respects: more than 50% of infrastructure investments included paid local labor; the value of unpaid labor contributions was captured in MIS and commune accounts (CEMA – Donors, 2008b).

However, an unintended but nevertheless real consequence of the total ownership approach is that the poor effectively pay a disproportionately higher portion of their income in de facto local infrastructure taxes than other income group. One indicative survey showed that the average contributions of rural communities to support public works provision and service delivery was 4.5 times higher than for urban dwellers. (Taylor et al. 2008) p.25-26

An important objective of P135-II is devolution of Investment Ownership. In 2010, 100% of P135-II communes are supposed to be “Commune Investment Owners” (CIO). Guidance on transparent criteria have been drafted and circulated to relevant ministries, agencies and provinces to be used to determine commune readiness to assume investment ownership responsibility. All P135-II communes with prior experience in investment management under State or ODA-supported projects [35% of P135-II communes] were granted investment ownership responsibility in 2007; PPCs adopted the necessary legal framework covering administrative and financial procedures to ensure commune-level investment ownership. As of the end of 2008, it was estimated that 55% of P135-II were investment-owners, still a far cry from the 2010 target.

The issuance late 2008 of Resolution 30a/2008/CP-NQ on the “Programme to support fast and sustainable poverty reduction in 61 poorest districts” in December 2008<sup>24</sup> (so-called Resolution of 61 poorest districts) presents new requirements and issues to be addressed.

The programme implementation is faced with resource risk, when the number of poor needing programme support increases and resources are likely more limited, accentuated by lack of local capacity, especially at the district level with the tasks of putting together the local needs, developing and implementing projects. This is a big challenge, given the current difficult economic situation with its negative impacts on people’s lives, and the foreseen reduction in concessional assistance from donors when Vietnam gets out from the poor countries list.

Another risk for implementation of Resolution of 61 districts is institutional. The resolution was adopted in the context of other ongoing national targeted programmes, while the nature of the programme requires specific mechanisms, and this is a challenge to poverty policy making – how to balance between specific mechanisms for a specific programme on the one hand, and to ensure that poverty reduction interventions follow general directions and principles of decentralization, empowerment, transparency and improved grassroots

<sup>24</sup>The UNDP supported technical assistance project’s role in this process is to work on issues arising from NTP-PR to provide advice to the Government on improvements of design of Resolution 30a on 61 districts. This is a flexible move, as this activity was not anticipated in the project design.

democracy. These issues have not been resolved in the current format of the NTP-PR. Without a better mechanism to coordinate and integrate activities and resources for poverty reduction objective, the chronic concerns about fragmented, uncoordinated and ineffective efforts will remain valid.

At the national level, the resolution requires the central agencies and line ministries to develop special policies and mechanisms to operate the programme, as well as to monitor and evaluate it. Strong decentralization, on the other hand, requires the provincial and district Governments to shift from direct management and implementation programme/project activities to providing technical assistance to the lower level, and maintain coordination with other levels to fulfill programme/project objectives. The capacity to undertake these two functions, especially at the district level, remains limited. The mid-term evaluation shows that the number of communes currently acting as investment owners is still limited, with the common explanation by the provincial and district Governments being that the commune officials and staff capacity is still limited. The Government's determination in strengthening decentralization reflected in Directive 04/2008/CT-Ttg dated 25 January 2008 gives further emphasis on the needs for capacity building at the local levels, but such efforts should not be used as an excuse to hinder the decentralization process.

***To what extent have capacities of all actors involved in P135-II been really upgraded?***

Recommendation 9 of the 2004 evaluation report was "to build capacity at all levels, especially at the commune level and including local cells/leaders of mass organizations." Recommendation 10 was to "strengthen the stature and capacity of the HEPR office for better programme management". All stakeholders acknowledge that the current capacity of staff at commune and village level is a major constraint on improving effectiveness and efficiency, especially in terms of strategic participatory planning, operational planning and budgeting for results, project management, accounting and financial management, community development, intercultural communication, implementation monitoring, results evaluation.

Some important training initiatives have been started and implemented during the 2006-2008 period. The Project for Training for Capacity building which is an integral part of P135-II has started significant training for five (5) target groups:

1. For key officials, training in organization and implementation of ethnicity oriented policies of the Party and State; capacity of dissemination in the programme implementation; construction and investment management; supervision and examination of projects in communes.
2. For professionals in CPCs, training in basic technical skills and knowledge.
3. For village officials, training in management knowledge and skills, solving administrative issues in villages, and knowledge of investment

supervision, production and construction planning, dissemination and organization of people in the process of infrastructure design, handover and utilization.

4. Strengthening community's capacity for effective participation in preparing construction and production plans, supervision of construction investment and production development projects, supervision of land use planning, sanitation and environment protection, deforestation, improved capacity in management of household economy, improved legal understanding of community.
5. Provision of training for high school graduates young in vocational schools to work in agro-forestry farms and construction site or prepare them for labor export (P1).

More than 7% of total program cost was allocated for capacity-building of all kinds at central, provincial, district and local levels. An institutional capacity-building plan was adopted, tailored according to assessed levels of initial capacity, and initiated both at commune/village and higher levels in order to provide enabling environment for exercise of investment ownership and grassroots democracy. More than 60% of program communes and villages have been supported in preparation of participatory multi-year investment plans, coordinating investments from various sources. There has been widespread evidence of community supervision of infrastructure investments in line with Decision 80. Communities have learned from best practices in grassroots democracy, e.g. supervision of investment in activities beyond the scope of P135-2.

So far, 4112 courses have been organized for 160,000 commune and village staff and 231,000 local people (P3).

However, training results have been limited so far for a variety of reasons:

1. The mere size of the challenge given the size of the target groups to be trained in various areas and the low technical knowledge base of staff in many communes;
2. Training initiatives carried more or less on an ad hoc basis without a consistent training plan and with a limited budget;
3. The contents of the training which focus on basic technical skills or on knowledge of central level rules and regulations rather than also mastering communication skills and qualitative participatory management skills, including language skills, most important when dealing with minority ethnic poor;
4. The capacity building framework is designed to address capacity needs of commune and village level with regard to programme implementation; Improve the capacity of provincial and district levels in coordination and management of the programme. In reality, the improvement of skills for coaching commune level has not been as desired;
5. While participation is a key and core aspect in the program management, there seems to be ignorance in supporting the local taskforce at district

level or community facilitators to help bridging the knowledge of the programme to various stakeholders and to the beneficiaries;

6. The type of training methods which emphasize traditional classroom and academic teaching rather than using participants' knowledge of local realities to hone their practical skills in case studies, community of practices and other real life situations simulations. However, almost half of commune staff (49.2%) has over five years of experiences in poverty reduction (44.3% at district level). This is valued experience which can be shared and capitalized;
7. The insufficiency of adapted training material;
8. Limited financial incentives for participants to take part in such trainings and for potential trainers (in particular at provincial level) to support those trainings;
9. The lack of training evaluation after the workshop;
10. The lack of follow up to the training to help participants implement some of the new skills learnt during the training (N5).

One element that must be emphasized is that capacity-building requires much more than training. Among others, institutional capacity-building requires analyzing the organization structure and determining the roles and responsibilities of each unit and person.

Overall, the current administrative staff at provincial, district and commune level tends to be overwhelmed with a number of activities, poverty reduction being only one of them. This overburden becomes worse as one goes down the ladder to local level while technical capacity moves in the other direction. The abolishment of CEMA sections at district and commune levels did not help in that respect. This perceived additional burden also results in lower commitment of the staff and limited proactivity. Combined with limited financial incentives, this may explain the high turnover rate, itself preventing capacity-building at institutional level.

At district level, the poverty steering committee for poverty reduction includes 15 to 25 members which come from all sectors, agencies, mass organizations. Major tasks of those steering committees are to develop programmes, plans, chose objectives and targets, organize, manager and monitor the provision of technical services, technical training. The committee comprises five key positions which are: Director of Steering Committee (Vice Chairperson of District People Committee), standing member of the Committee (Head/Deputy Head of Labor Invalids & Social Affairs Division), member in charge of planning (Head/Deputy Head of Planning & Finance Division), member in charge agriculture extension – production development Head/Deputy Head of Economic Division), member in charge of credit scheme (Director/Vice Director of Vietnam Bank for Social Policy). Those key actors often lack the support of professional officers in quantity and in quality, not so much in pure technical competencies, but in practical skills and work experience. Among 61 officers interviewed at district level, 58 held a university degree.

The challenges grow even bigger at the level of Commune poverty reduction units which have a mandate in terms of propaganda, explanation on policies and motivation of stakeholders, making work plans, capturing demands of poor households, provision of technical instructions, monitoring and reporting implementation results of the programme. The key staff in the unit includes the chairperson and Party secretary of commune, the commune planning staff/accountant, land and administration staff, judicial staff, mass organizations activists. Almost all communes do not have a specialized and responsible staff in charge of poverty reduction. Commune staff in P135-II communes has often achieved a limited education level. Only 34.4% hold a junior college degree and 16.4% a primary technical level/technical-professional degree. The lowest level of education is encountered among mass organizations officers.

This issue of staffing and organization is not only encountered at district and commune level. At central level, CEMA does not have enough qualified staff to fulfill its mandate and assume its full leadership as expected. The few high level cadres are overextended.

Institutional development also involves enforcing functioning standard operating procedures and setting up stimulating incentives for policy and program implementation. The late issuance of national guidelines for local implementation, the organization of ad hoc meetings rather than the planned quarterly meetings, top-down implementation stifling pro-activity and creativeness, seconded staffs having not enough time and capacity to focus on poverty reduction activities, a lack of financial incentives to work and perform on poverty reduction, limited incentives for information-sharing and cooperation across agencies sectors were also features encountered during the field study on capacity-building of NTP-PR (but also apply to a large extent to P135-II) which contribute to limit the capacities of district and commune staff (N5).

### ***How effective has been cooperation between Government and donors?***

The analysis identifies first areas where cooperation between Government and supporting donors has brought positive results<sup>25</sup> in terms of programme management and implementation, second areas where further work and adjustments are needed to deepen cooperation and obtain better results.<sup>26</sup> The following specific areas have been identified as ones where donors have helped to encourage and/or generate good practice in program management and improved programme implementation:

***Fund Allocation Methodology*** : The MoU/Policy matrix objective in this area is for P135-II resource allocation to favor poorer participating communes and villages. This is an area where donor involvement has helped to generate ‘satisfactory’ progress as identified in the 3rd JPR. P135-II funds are now allocated on a more

<sup>25</sup> The JMTR in November 2008 noted a moderately satisfactory outcome to date, with 3 achieved targets, 8 partially achieved targets and 1 not yet achieved policy actions in the Results Framework.

<sup>26</sup> This sub-section draws heavily on Minford (2008).



pro-poor basis. Many provinces now distribute program funds according to a range of economic and social indicators, which help to identify poor localities and poor households.

**Transparency of Budget Allocations:** Donors have consistently and forcefully pushed for greater transparency and efficiency in the use of public and donor resources. There is more transparent allocation of funding to communes (P135-II budgets are now published at district and commune level) and more information is being published on Government websites. The ‘Drivers of Good Practice’ Review produced for the MTR notes that “there is little doubt that central authorities are now taking more concerted action on this issue with favorable results.”

**Improved Centre-Local Communication:** The MoU goal in this area is for socially-inclusive, active and informed community participation in programme planning, implementation and monitoring. Initially, the P135-II design did not make an explicit State Budget funding provision for communication and information dissemination. This was a local responsibility. Donors have pushed for improved communication from the centre to provinces, and from provinces to districts and communes, concerning program implementation. There is now a specified central P135-II budget for communication, and there is increasing evidence of physical posting of information to facilitate community monitoring of the implementation of works funded through P135-II.

**Operation and Maintenance Funding:** This is a clear area where donors have pushed for a revision to policy guidelines, and a policy change has been carried out<sup>27</sup>. The initial design of P135-II specified that maintenance and repairs of construction works carried out under the program were the responsibility of program implementing agencies at a decentralised level. This often resulted in insufficient funds being allocated in central State and provincial budgets for operation & maintenance (O&M) expenditures, reducing the sustainability of P135 investment expenditure. Now, State Budget funds have now been committed to fund O&M expenditure. After some discussion on the appropriate basis for calculating the O&M allocation, MOF has now issued a Circular clarifying practice on this issue.

**Funding for Capacity Building:** Decentralization has always been a strong Government intention and a central feature of P135 design, but capacity building to enable decentralized P135-II management was not necessarily seen as very important. Donors have usefully strongly pushed for more funds to be devoted to capacity building (7% versus initial 1%) at a local level to facilitate more effective program implementation. Regulations (e.g. Decision 1445) have increased funding from VND 40 million to VND 60 million per commune per year to ensure that a minimum of 7% of State Budget funds are budgeted at central level to upgrade competences at district and commune level. However, progress in the capacity building component is recognized to be very limited

<sup>27</sup> The 3rd JPR carried out in April 2008 noted that this is an area where satisfactory progress has been made.



and the approach from the centre is still seen as overly prescriptive and rigid. In many provinces, training seems to be almost exclusively based on explaining the content of national level guidelines and directives, with little attempt to take account of local circumstances in implementing guidelines.

**Monitoring and Evaluation:** Donors have worked together to push for a clear monitoring and evaluation (M&E) framework to be put in place to monitor poverty-reduction achievements around a clear Policy Matrix. It has been agreed that a joint Government / donor evaluation will be undertaken every two years – the 2008 Mid Term Review is one such evaluation. However, previous Joint Programme Reviews have been frustrated to some extent by weak administration – as evidenced by late delivery of Programme progress reports, the late provision of provincial reports, late baseline data, etc.

In general, Government programs have not put in place strong monitoring and evaluation (M&E) systems and P135 used not to be different. Initially, P135-II mandated the same reporting system as in Phase 1. In initial discussions and successive JPRs, donors had strong argument to push Government to undertake a Baseline Survey using a set of indicators, and put in place a P135-II M&E System and sound review procedures to enable actions detailed in the Policy Matrix to be evaluated.

A Baseline Survey was undertaken in 2007 and data has been analyzed in 2008. Although there was a lengthy delay in finalizing a set of M&E indicators, a common M&E reporting format (a MIS using a VAMESP-II format) for communes was developed in 2006-7. A pilot test of the reporting format was then undertaken and the format was finalized. Training on this format is being rolled out to provinces.

**Public Financial Management & Oversight of Public Funds:** The goal in this area is for transparency and efficiency in public resource use to be achieved. Donors have requested that quarterly financial reports and statements of P135-II fund flows are produced. The 3rd JPR noted that financial reporting including reconciliations is now happening in a timely manner.

The 2006 P135-II Audit report was shared with donors, as agreed, although the 3rd JPR noted that the Audit had not been publicly disclosed on the SAV website, as donors had requested. Further action on the dissemination of audit results to all provinces needs to be taken to ensure that audit lessons are fully absorbed.

The following specific areas have been identified as areas where further work and adjustments are needed to deepen cooperation and obtain better results:

**P135-II Production Component :** Public authorities at various levels and donors do not seem to share always a common perspective on this policy so far. MARD suggests that creating effective market linkages in remote areas might be unrealistic and that food security is still the key priority for rural households given difficult climatic and geographical conditions. Donors are afraid of possible

negative effects of providing, on a sustained basis, free agricultural inputs and equipment to farmers and question the extension model used which might not help the bulk of poor farmers.

*Use of donor-funded Technical Assistance:* By the time of the MTR, only UNDP has been providing technical assistance to central level. Finland TA project started much later than expected and newly introduced TA from IrishAid was in process of formulation. The late start of formulation of national guidelines contributed to a slow delivery of TA personnel on the ground. Although UNDP have provided help in the scoping, recruitment and tasking of TA, experience seems to show that it takes time and efforts to be able to use this assistance effectively. Difficulties in the timely use of TA had an impact on programme administration and implementation, including the implementation of an M&E framework system, and the writing and dissemination of guidance, circulars and training materials.

*Commune Investment Ownership:* Donors and Government have a somewhat different view on the feasibility of communes acting as investment owners. It was agreed in the result matrix for a goal of 100% commune investment ownership by 2010, believing that capacity weaknesses might be used as an excuse by some districts for not devolving power and control over decision-making to communes. However, Government suggests that there are real practical capacity and logistical constraints to devolving responsibility to communes in very remote and poor areas.

*Procurement Regulations:* Vietnam's procurement regulations specified that direct contracting is acceptable for contracts under VND 1 billion. Donors have pushed for greater use of more open and competitive procurement methodology. As a result, supplementary regulation (revisions in Circular No.01/2008) was introduced in 2008 to better define and promote more competitive procedures. There seems to be discrepancies in the definition, advantages, and practicality of competitive procurement between Government and donors.. CEMA suggests that this methodology is unrealistic in remote locations, given the paucity of contractors willing to work in remote areas and the small size of many P135-II procurement contracts.

### 3.3. WHAT ARE THE RESULTS OF THE PROGRAMME ?

In seeking to evaluate P135-II programme results, the MTR common framework identified five (5) areas of enquiry as follows:

- What has been the evolution of outcomes and impact indicators in P135-II areas;
- What has been the utilization of completed infrastructure works;
- What has been the level of beneficiaries' satisfaction with the programme's outputs;
- What are the recommendations of the local population to improve P135-II component;
- What are the recommendations from NGOs to improve the programme.

### ***What has been the evolution of outcomes and impact indicators in P135-II areas?***

Let us underline that the MTR was not designed to be an impact evaluation per se, whether quantitative<sup>28</sup> or qualitative<sup>29</sup> and was more focusing on the outputs and outcomes of the programme.

Table 15 page 36 clearly demonstrates the significant increase in access to infrastructures brought by the programme. It also indicates that poverty reduction has decreased substantially overall (3-4% per year) in P135-II communes over the period 2006-2008.

However three caveats are appropriate. First, while there is no doubt that P135-II contributed significantly to poverty reduction in the targeted communes, the specific impact of this program compared to the impact of other poverty reduction programs as well as that of macroeconomic and sector policies is hard to differentiate. This is the famous attribution problem which only a quantitative impact evaluation study can tackle. Second, a more disaggregated analysis reveals that minority ethnic groups have not benefited to the same extent and still constitute the bulk of the poor (Table 11 page 32). Third, while many households have escaped the poverty trap over the last years, a number of them are still just above the poverty line and are vulnerable to falling back into poverty in case of a shock such as high inflation (2008) or high unemployment (2009).

### ***What has been the utilization of completed infrastructure works?***

The percentages of households utilizing transportation works and health stations in the localities were quite high. Lower percentages of households utilized small irrigation works and water supply works due to the long distances between villages/hamlets in the remote and mountainous areas; the works are usually put up in one village/hamlet, and households in other villages/hamlets were not able to access them in practice (Table 20).

**Table 20: Percentage of households utilizing completed works (%)**

| <b>Types of Works</b>                   | <b>Percentage</b> |
|---|-------------------|
| Electricity works                       | 70.6              |
| Transportation works                    | 96.7              |
| Water supply works                      | 48.3              |
| Health Stations                         | 86.7              |
| Markets                                 | 76.9              |
| Communal Houses/Commune Cultural Houses | 61.8              |

Source: P4 - Pham et al (2009).

<sup>28</sup> A quantitative impact evaluation study requires the follow up over time of a group of beneficiaries from the programme and a control group. Repeating the BLS conducted in 2007 in 2010-11 will provide such panel data.

<sup>29</sup> A qualitative impact evaluation study usually implies identifying and understanding the causal chains from programme outputs to outcomes to final long term effects.

The frequency of infrastructure use was high for transportation, average for markets and lower for communal houses (Table 21).

**Table 21: Frequency of utilizing completed infrastructure works by households (%)**

| Type of infrastructures                 | Usually | Sometimes | Never |
|---|---------|-----------|-------|
| Transportation works                    | 75.5    | 21.2      | 3.3   |
| Markets                                 | 57.7    | 19.2      | 23.1  |
| Communal Houses/Commune Cultural Houses | 5.9     | 55.9      | 38.2  |

Source: P4 - Pham et al (2009).

### ***Whas has been the level of beneficiaries' satisfaction with the programme's outputs?***

Let us underline that data from the Qualitative Survey (QS) and from the Citizen Report Card survey (CRC) must be interpreted with care. Typically households tend to provide positive public appreciation of public programmes out of politeness, especially when they are provided free or quasi-free. Also the enumerators were perceived to be related to the public sector which may have produced a bias toward satisfaction for fear of conflict, such as lower access to poverty reduction programs. Nonetheless, it is clear that households were satisfied or very satisfied with the infrastructure works and implementation of programme components in their area whatever they were: electricity works (95.4%), transportation works (92%), health stations (95,5%), production development support (90,7%), and legal assistance (91,5%). The highest level of insatisfaction was 7.7% for market facilities works, which is still very low. 92% of households said the infrastructures provided by the programme corresponded to local needs (Table 22).

Thanks to electricity, the life and production of the households had been improved. Thanks to transportation works, travel has become easier for the villagers, especially during rainy seasons, and it has been easier for children to reach schools. Thanks to irrigation works, they had water for production and did not have to carry water for the crops any more. Besides, they could reclaim the land that had been barren and arid before.

The production development support component also received high appreciation by the households, who said that the support under this component had helped them increase crop productivity, improve production, increase food output for the households, and helped them grow better crops and take better care of the crops, which, in turn, helped improve their lives. The households received in-kind support and said that the procedures for receiving the support had been simple, the support had been timely, and the seeds, seedlings, fertilizers, production machines and tools, and the like, provided to them had been of good quality.

**Table 22: General levels of households' satisfaction with infrastructure works and activities undertaken in the localities under each component (%) <sup>30</sup>**

| Types of Works and Activities                                     | Very Satisfied | Satisfied | Not satisfied | No comments |
|---|----------------|-----------|---------------|-------------|
| Infrastructure Development  |                |           |               |             |
| Electricity works   | 15.2           | 78.8      | 0.0           | 6.0         |
| Transportation works  | 27.8           | 63.5      | 0.4           | 8.3         |
| Schools   | 4.3            | 70.9      | 0.9           | 23.9        |
| Water supply works  | 4.3            | 72.2      | 1.7           | 21.7        |
| Health Stations   | 15.7           | 77.5      | 1.1           | 5.6         |
| Markets   | 30.8           | 61.5      | 7.7           | 0.0         |
| Communal Houses/Commune Cultural Houses                           | 3.0            | 72.7      | 0.0           | 24.3        |
| Irrigation works  | 7.9            | 73.3      | 1.8           | 17.0        |
| Production Development Support                                    | 17.6           | 71.8      | 3.0           | 7.6         |
| Vocational Training   | 6.4            | 63.0      | 1.2           | 29.4        |
| Support to Kindergarten Children and Day-boarding School Students | 8.7            | 79.4      | 0.8           | 11.1        |

Source: Pham et al (2009).

Vocational training, support to kindergarten schools and day-boarding school students, and legal assistance had not been undertaken in a uniform manner in all the provinces. However, the households said that such components were relevant and necessary for the localities.

### ***What are the recommendations of the local population to improve P135-II components?***

The households interviewed in the CSC survey made the following recommendations:

For infrastructure works:

- More intra- and inter-village roads should be opened/built in order to help villagers travel easily. Regular maintenance and repairs of roads should be ensured so that they can last long. Roads in bad conditions should be repaired in a timely manner to avoid deterioration and serious damages.
- Electricity works should be upgraded and better maintenance of wires should be ensured. More electricity works should be put up as parts of the population in the communes/villages still have no access to electricity
- More water tanks should be built and water supply works should be repaired in a timely manner to ensure constant supply of clean water for daily use by the villagers. The water tanks and especially the pipes should be of better quality.

<sup>30</sup> Among households aware of the works and projects/activities undertaken locally

- At present, the irrigation works are too short in length and thus can only benefit a limited number of households. The irrigation canals should be extended in order to provide more households with water for production. Regular maintenance of the works should be ensured.

Local people would also like to receive continued production development support. Financial support for production development, and credits for buying back cultivation land should be made available to a larger group of beneficiaries. Due attention should be made to selection of households eligible for receiving support to ensure that the support really benefit the poor households.

For vocational training, needs-based training courses should be provided so that the children of the villages can have opportunities to improve their lives and employment can be created for the villagers. Training courses should be conducted for more groups of trainees and favourable conditions should be created so that villagers in distant villages/hamlets can receive the training. Financial support should also be provided so that the trainees can pay accommodation and travel costs.

As regards financial support to kindergarten children and day-boarding school pupils, the local people recommended that the support should be continued so that the children and pupils could go on with their schooling, that support should be provided to a larger groups of beneficiaries, i.e. all kindergarten and school children in the villages/hamlets including children of non-poor households should be entitled to the support, and that the allowances should be increased.

Regarding legal assistance, people recommended that more communication activities should be conducted so that they are aware of and understand about legal matters, that the forms of communication should be more innovative, and that more legal assistance should be provided to them.

### ***What are the recommendations from NGOs to improve the programme?***

Eleven NGOs participated in a Community of practices and came up with several recommendations to improve the programme. First, agricultural extension for ethnic minority people should be delivered through new methods which are more suitable with illiterate people, especially illiterate women. The “Reflect” approach is advised to be used (for illiteracy eradication in combination with community development) to intensify socialization of agricultural extension at local levels.

Cooperation mechanisms among farmers to participate in the market economy through flexible/dynamic cooperation modalities (co-operatives, clubs, groups) should be supported. Greater support should go to strengthening linkages between agro-industrial enterprises and farmers to improve integration of farmers in P135-II communes into the market economy and vertical coordination along stages of the agricultural commodity chains.



Poverty reduction policies/projects would be most effective if they balanced better investment in infrastructure for production development (irrigation, roads to production areas) and support to production with development of human resources (education, vocational training) and of social capital (community cooperation mechanisms).

Expansion of “Community Development Fund” is a good method to intensify empowerment to communities to make decisions and implement initiatives in communities, aiming at speeding up poverty reduction in special difficult communes.

Comprehensive social protection system should be in place to respond to natural disasters and economic crisis, aimed at widening safety & direct support toward the most vulnerable people. The most practical supplementary policies include policy on food security; policy on nutrition; policy on meal at school (for ethnic minority children), prevention and control of risks and natural disasters through training on natural disasters with methods suitable for capacity and experience of local people.

In terms of programme management, the emphasis should be on improving the M&E system with clear indicators, timeframe, roles and responsibilities, including community-based monitoring and on result-based management with positive financial incentives for communes that have improved their performance.

### 3.4. OVERALL MTR EVALUATION CONCLUSIONS

Let us start by reminding the huge challenges implied when reaching out to remote and very poor communes and even more to ethnic minorities living in those areas with additional challenges in terms of linguistic and cultural communication. The P135-II programme has done quite well in this context. It scores well in terms of relevance, effectiveness, beneficiaries’ perceptions and quality of service delivery, and reasonably well in terms of targeting efficacy and efficiency in programme management and implementation. The best performing project is infrastructural development while the projects for Business and production development and for Training for capacity building have still significant margins for progress. As for the new Policy for Livelihood improvement, it is too early to tell.

While some recommendations of the 2004 HEPR evaluation have been factored in the design of P135-II and its implementation over the 2006-2008 period, others have not yet been properly addressed and implemented (Table 23). The analysis of reasons behind this situation goes beyond the realm of this MTR. Let us just mention a few possible reasons mentioned by several key informants: the sheer size of the challenges addressed in P135-II and the ambitious nature of targets set; an insufficient understanding of the objectives, constraints and behavior of the poor, especially from various ethnic minorities which are not a homogeneous group; the vested interests of public institutions in continuing their own project/policy; the resistance to change of mid-level bureaucracy; an inadequate synchronization of reforms, insufficient capacities at all levels which hamper reform implementation, an incentive structure which does not reward

results performance and win-win arrangements, insufficient transparency and accountability, and the challenges related to knowledge management, more specifically the development of institutional memory and learning capacity.

**Table 23: Level of implementation of 2004 evaluation report as of end of 2008**

|     | <b>Recommendation</b>   | <b>Implementation as of end of 2008</b> |
|-----|---|---|
| 1.  | Provide program funds as block grants to provinces to increase local level autonomy                                     | Started                                 |
| 2.  | Set up a transparent and easy to administer system of allocating budgetary resources to provinces                       | Largely under way                       |
| 3.  | Build incentives by linking resource allocation to performance  | Not started                             |
| 4.  | Strengthen targeting mechanisms to increase the number of poor beneficiaries  | Largely under way                       |
| 5.  | Develop mechanisms to promote transparency and accountability of financial management                                   | Initiated                               |
| 6.  | Improve participation at local levels by operating the Grassroots Democracy Decree                                      | Largely under way                       |
| 7.  | Develop an effective M&E system with a focus on tracking intermediate indicators and rationalizing reporting            | Initiated                               |
| 8.  | Make the programme more manageable by reducing the number of programme components                                       | Already started                         |
| 9.  | Build capacities at all levels, especially at the commune level and including local cells/leaders of mass organizations | Initiated                               |
| 10. | Strengthen the stature and capacity of the HEPR office for better programme management and monitoring                   | Initiated                               |

Source: Part 3 of this report



## MTR RECOMMENDATIONS



"A Smile", Photo collected by: CEMA IT Department

## 4. MTR RECOMMENDATIONS

Two sets of recommendations are made: first short term recommendations for 2009-10, i.e. until the end of the current P135-II; second, mid-term suggestions to feed into the upcoming policy dialogue on future NTP-PRs after 2010. Those recommendations are made to CEMA, its partner ministries (including among others MOLISA and MARD), central level ministries (MPI, MOF, Ministry of Home Affairs in charge of public administration), and to donors. Only major recommendations are presented in this synthesis report.<sup>31</sup> Responsible institutions are indicated in parentheses.

### 4.1. SHORT-TERM RECOMMENDATIONS (2009-2010)

#### **Recommendation 1: Make several adjustments in the current planning and budgeting processes**

Targets set for the period 2009-2010 need to be validated using SMART criteria and put the focus on results<sup>32</sup> targets rather than inputs or process. To be “Achievable”, targets set in Results Framework need to take into account the global budget envelope available from national budget and development aid alike, the complexity of implementation in a complex legal and regulatory environment, the limited institutional capacities at local levels, and the diversity of situations on the ground (CEMA and donors).

A unique simple and objective pro-poor budget allocation formula which all P135-II provinces can apply should be discussed and adopted for efficiency and equity purposes (CEMA and MOF).

A first pilot Medium Term Expenditure Framework (MTEF) could be designed to provide for a more comprehensive budgeting approach (CEMA and MOF). This MTEF will contribute establishing a realistic budget envelope for P135-II over the medium run based on conservative forecasts to minimize the risk of budget cuts during the period. It will attempt at capturing all sources of funding of the programme projects/policies at the various administrative levels. It will provide a medium-term perspective on programme implementation which will facilitate keeping the focus on mid-term results targets.

#### **Recommendation 2: Improve coordination**

A mapping exercise of all major initiatives related to poverty reduction led by various public agencies, NGOs and donors would be helpful as a starting point to know who is doing what, where and how (MOLISA).

Coordination committees at central and provincial level, associating CEMA, MOLISA and relevant partner ministries for better coordination of projects/policies should be

<sup>31</sup> More detailed recommendations are made in the specific MTR module reports.

<sup>32</sup> Results include outputs, outcomes, and impacts.

made more functional or created where they do not yet exist. They should focus on practical and immediately ways of better coordinating various P135-II components as well as other NTPPRs. Obvious candidates include (i) the P135-II support to business and production development and NTP-PR credit and agricultural extension policies, (ii) P135-II infrastructural support and NTP-PR infrastructure for communes with special difficulties in coastal line and island areas. At lower levels, it is suggested to establish a “Taskforce” at district level and a Community Facilitator for each P135 commune (CEMA, MOLISA and partner ministries).

**Recommendation 3: Develop a clear and structured implementation model for the new 61 poorest district initiative based on (i) block grants to districts and Commune Development Funds (CDF) to communes and (ii) a cascade of performance contracts between the central level, the district, and the commune**

The 2004 evaluation report (pages 120-122) made several recommendations in terms of block grants that are still relevant except that (i) the level of the block grant has changed from province to district and commune and (ii) it is suggested to use a mid-term budgetary framework rather than the yearly allowance. The choice of the district level as the key administrative level appears to be a good compromise between the desire to develop packages of poverty reduction actions that fit with local specificities and the need to allocate a critical mass of funds to a few priority actions and poorest communes within the district to obtain a significant impact. There should be a formal and legal allocation of block grants. A set of unified guidelines governing their use should be elaborated, including an eligible expenditure menu, a list of non admissible expenditures, a spending range for key expenditure categories (e.g. maximum share of infrastructure investments), broad management and monitoring processes and roles and responsibilities which would be further developed in the performance contracts (see below). A simple, easy to understand and to administer mechanism should be used to decide on budget allocations to districts and communes. One possible such scheme is to have (i) a fixed component in the block grant or CDF which guarantees a minimum level of funding of a minimum package of public services to all districts and then communes and (ii) a variable component that would depend on the number of poor and the severity of poverty in a specific district and commune.

Performance contracts would clearly specify: (i) roles and responsibilities of the upper level and lower level; (ii) commitments on the part of the district and the commune to reach SMART results targets resulting from a participatory planning and budget allocation exercise; (iii) commitments on the part of the upper level to provide the lower level with set amount and timing of budget installments and set technical support; (iv) participatory M&E and accountability mechanisms.

This model would be developed in 2009 and pilot-tested in a few of the 61 districts in 2010, so that expansion to all 61 districts could be planned for the post-

2010 period (MOLISA, CEMA, and other national stakeholders). A performance contract would also be signed between MOLISA and CEMA, clearly specifying their roles and responsibilities, targets to be met, and budget allocations. It is up to the Government to decide on the best division of labor, but mandates and comparative advantage suggest that MOLISA supervises the 61 poorest districts initiative while CEMA manages the coordination of poverty reduction actions in the poorest communes within the 61 selected districts.

The pilot-test of the 61 poorest districts should be supported technically and financially by a trust fund managed by MOLISA with continued support to CEMA for P135 to put both MOLISA and CEMA in a position to fulfill their missions (donors).

The rest of 2009 and 2010 should be used by CEMA to contribute to the policy dialogue on the future of national poverty reduction programs in the new economic and social context of Vietnam (CEMA, MOLISA with MOF, MPI, MOHA). The recommendations made below are only a modest contribution among others to this major strategic exercise that will orient future policies and programs for the next five to ten years (CEMA, MOLISA and partner ministries, MPI, MOF, donors). CEMA can also engage central ministries into a dialogue on wider reforms with major implications for the management and performance of poverty reduction programs: (i) legal framework and operational model of decentralization, allowing for block grants at district level and commune development funds with clear roles and responsibilities and related performance contracts; (ii) preparation of the next national Socio-Economic development Plan (SEDP), alignment of corresponding sector strategies (vertical sectoral dimension) and local SEDPs (cross-sectoral consistency at various administrative levels) in a consistent matrix of strategies; (iii) program budgeting and the design of a Medium Term Expenditure Framework (MTEF) and its companion Sector Medium Term Expenditure Frameworks (SMTEFs); (iv) public service reform including recruitment, career management, institutional and individual performance contracts, incentives system, etc.

**Recommendation 4: Improve programme targeting efficacy by defining a unique, simple to use, and multidimensional definition of poverty and focusing projects/policies on the poor households in P135-II communes**

A study should be conducted to improve the methodology for determining poor households by defining a unique, simple to use, and multidimensional definition of poverty (MOLISA and GSO). The 2004 evaluation report suggested using the HDI (page 121). Another option to be considered would be to have ILSSA and GSO jointly conduct a study on the identification of poverty correlates (proxy indicators) using VHLSS data sets that could be used easily and objectively by commune and village authorities to identify the poor. A third option is to use SEDP proxy indicators at local level whenever they exist. In any case, it is suggested to consider not only the poverty headcount index, but also poverty depth among the commune selection criteria.

The focus of production support and agricultural extension should be better balanced between the better off farmers and the worse off farmers. The latter do not share the same opportunities and constraints that the former enjoy. Hence, support and advice should be tailor-made to each category kinds of farmers.

The publication of the list of beneficiaries of the Programme at the commune office and village office combined with the possibility to file complaints would also help triangulate the poor targeting mechanism and help increase the coverage rate and decrease the leakage rate.

A study comparing poverty targeting efficacy of the current method and the new proposed method could be conducted in 2010.

#### **Recommendation 5: Implement the new procurement regulations**

More than 50% of contracts under P135-II in 2009 and 100% in 2010 should be awarded through open and competitive bidding<sup>33</sup>, community contracting and/or other non-direct contracting methods, following the issued Manual on Procurement, and verified by SAV's performance audit reports. Implementation should be accompanied by significant information dissemination, training, and implementation monitoring components (CEMA, MPI, MOF, and SAV).

A study could be conducted on the best methods to improve the linkages between yearly budget planning and procurement planning in order to better relate outputs (i.e. the first level of result targets) to inputs (CEMA, MPI and MOF).

#### **Recommendation 6: Strengthen the infrastructure project cycle management in support of facility management and O&M**

This recommendation implies technical and institutional aspects. 50% of districts and communes in 2009 and 70% in 2010 should have (i) an asset declaration of existing infrastructure (ii) an O&M plan for their infrastructure works, including the specification of the legal status of O&M groups, a capacity building plan for O&M, and a realistic budget taking into account the O&M financing needs based on the asset stock and categories. O&M should be part of a unified and systematic approach to planning, financing and management of infrastructures across all sectors of Government and donor funded projects. An O&M group should be established by the CPC of each commune with specific regulation on their functions, responsibilities, and activities related to the implementation of the O&M plan.

Since the grassroots model of giving the responsibility of O&M to commune users has demonstrated its limits in terms of local competencies and financing capacity, a greater role should be given to the district level professionals. A

<sup>33</sup> Open and Competitive bidding referred in this Policy Matrix means full compliance with the Circular 01 and Manual on Procurement of the P135/II, i.e (i) available procurement plan with proposed procurement type, (ii) transparent with public announcement, (iii) competitive, with 3 bidding proposals received, and appraisal process documented, and (iv) encouraging community bidding



study should be conducted to (i) determine exactly what type and scale of facility communes, as investment owners, are capable of handling, (ii) classify types of infrastructure facility works denoting costs norms and the recommended apportionment of state and community costs in fulfilling O&M requirements, (iii) assess the role and value of the community supervision boards, in particular in terms of responsibility for the establishment and functioning of O&M groups with district level support (iv) make recommendations for Phase III of P135. Preliminary analysis suggests that the formal management function should be transferred from the Community Based User-Group and assigned to the Investment Owner. This would provide the scope for a more professionally based facility management function.

The central and provincial levels can also help districts and communes in supporting the issuance of guidelines and the development of local regulations such as the preparation of a concise set of benchmark indicators of OM resource requirements estimation tools for local usage and the preparation of a model form of inventory of commune facilities denoting their condition and associated repairs over time. They should also participate in the monitoring of the implementation of the O&M plans. This might require the use of a dedicated technical resource person at the district level to assist communes across the project cycle with a strong focus upon systematically applied O&M (Taylor et al., 2008, p.27).

**Recommendation 7: Make production support implementation more relevant and accessible**

Following the elaboration of a consensus on Pro-Poor Orientation of Production/Livelihoods Support, a Circular should be issued on strategy for providing support services in upland communes based on farmer demand and combining preoccupations for food security and sizing market opportunities (CEMA and MARD).

Guidelines should be issued to support inter-circular 01 production support approach and incorporating (i) unification of budget lines; (ii) target of minimum 30% women's participation, (iii) enhanced transparency measures for selection of recipients (CEM/MARD).

A set of Production Operational Manuals should be issued (MARD). The manuals should be simple and easy-to-follow and provide meso-level guidance to provinces while leaving the provinces with certain discretion to adapt and implement the component effectively.

**Recommendation 8: Provide guidelines and training to deepen the participatory and decentralized nature of the programme implementation process**

A Manual on Participatory Planning for P135-II communes is to be issued soon (CEMA). This manual should establish clearly and concretely (i) what is meant by participation, (ii) the detailed process of community participation contract and guidance for implementation, (iii) the role of various local stakeholders in O & M (iv) the ways to stimulate and guarantee the participation of women who are supposed to represent at least 30 % of participants (v) rules and guidelines for the local paid labor and contribution by the villagers. Training courses on the manual should be conducted so that the implementation of participatory planning can begin from 2010.

In order to provide full information to the villagers about the components of the program and the role of the people in the implementation process, CEMA should assist the localities to develop and implement communication plans at village level. To enhance understanding among ethnic minorities, CEM should work with local levels to develop and disseminate communication materials in the most popular ethnic minorities languages apart from Vietnamese. At least 70% of provinces should have communication materials in ethnic minorities languages.

It is also anticipated that devolution of investment ownership will keep proceeding at a fast pace even if initially set targets might be hard to achieve. At least 80% of P135-2 communes in 2009 and 100% in 2010 are supposed to be investment owners for part or total of the programme investment in both Production development and Infrastructure development projects. This will require significant capacity-building (see Recommendation 10).

**Recommendation 9: Widen the scope and quality of M&E and link it to the incentives system for concrete results-based management**

M&E is a vital component of Results-Based Management. To continue past progress made, it is recommended to elaborate a structured M&E improvement action plan rather than a more or less coordinated set of initiatives. To take into account field constraints and institutional capacities, it is suggested to keep M&E activities realistic (e.g. number of indicators kept at a minimum), but make sure they are applied for all communes, all projects/policies and in a timely fashion.

One general issue that should receive more attention in the future is data quality. Poor data quality is bound to result in unreliable indicators which in turn might lead to wrong decisions. It is therefore suggested to conduct a Data Quality Assessment of key programme performance indicators (GSO).

MIS process monitoring should be improved to include indicators related to: (i) participation of the people are included in the progress reports to serve



the joint reviews, (ii) commune ownership in the infrastructure and production components considered separately, (iii) procurement linking process indicators (e.g. delays, overcosts, etc.) to results indicators (end user satisfaction, quality of deliverables, etc.) (CEMA).

Financial monitoring and evaluation should be improved in terms of coverage, reporting timeliness, and information dissemination. To start with, the P135-II budget document should be published on the MOF and CEMA websites. Then, more reliable and timely information on provincial and commune financial reporting should be published including: i) quarterly financial reports (including information on O&M) and reconciliation of expenditures between spending agencies and State Treasury (STV) produced program-wide. MOF/STV and CEM shall conduct a pilot reconciliation and reporting for one province. Lessons learnt and a practical reconciliation and reporting process will then be formulated for the program overall; (ii) quarterly fund-flow maps down to investment-owner level prepared; (iii) yearly and ideally semester reports on allocation, transfer to provincial level, and use of P135 funds by project/policy (including O&M) publicly disclosed via MOF website.

The annual audit plan prepared by SAV should be shared with programme stakeholders. It should include a progressively greater sample of provinces being audited (more than 14 in 2009 and more than 18 in 2010). Audit reports should be published on time and publicly disclosed through the media and website. Local authorities should report to CEMA on the implementation of prior year's audit recommendations and CEMA should review those reports.

Financial monitoring and evaluation should also benefit from the PEFA exercise to be conducted in 2009 by MOF which will identify critical bottlenecks in public revenue and expenditures systems and from the ensuing PEFA action plan in 2010.

In terms of results monitoring, the Citizen Scorecard survey should be conducted yearly, with a progressively increased province and P135-II communes sample, and be used to provide relevant feed-back for decision-makers. An impact evaluation should be conducted in 2010-2011 using the methodological frameworks set up by the BLS.

All these M&E activities will require significant effort in staffing and training M&E units based on an assessment of priority capacity-building needs. Also regular monitoring of the enforcement of the M&E improvement plan is required (CEMA, partner ministries, and MPI).

Finally M&E will only make a difference if its results are tied to the incentives structure. M&E reports, including the MTR, should be an integral part of the budgetary debates and future budget allocations should depend on past results obtained (MPI and MOF).

### **Recommendation 10: Address head-on the huge capacity-building challenge with a pilot master capacity-building plan**

Given the huge training needs, the objective to build up sustainable capacity in national public institutions at all levels to manage poverty reduction policies and programs, and the need to avoid duplication between various capacity-building initiatives, a pilot master capacity-building plan seems appropriate. It should include: (i) the specific identification of target groups (civil servants at various levels in various positions, but also beneficiaries and other local stakeholders) and their specific training needs with reference to clearly specified roles and responsibilities they have to fulfill. Obvious training areas include propoor budget allocation, participatory planning, preparation of participatory multi-year investment plans, procurement, construction preparation, O&M, financial management and accounting monitoring and reporting; (ii) training approach (based on practical skills), program structure, contents, and methods; (iii) training program practical organization and budgeting (including selection and training of trainers, modular structure of training sessions, training material, logistics, costing and funding) (CEMA and training institution specialized in public administration with participation from relevant technical ministries).

The most efficient and sustainable approach would be a “Training of Trainers” (ToT) approach to create a pool of well trained experts whose role would be to support others (local staff, community representatives and other local stakeholders) in different areas of specialization. Those experts would play a consultant’s role using their technical skills combined with “supporting” skills (community development for greater commune investment ownership, client and participatory approaches, etc.) Develop support and capacity building mechanism for technical taskforce from Province and District level to support commune.

Apart from ToT, a lively Community of Practices between programs, provinces and stakeholders should be supported, including field practitioners from the public sector, NGOs and private sector. This is a cost-effective way to share practical and relevant information on lessons learnt and best practices (CEMA, MOLISA, other partner ministries, representatives of NGOs and private sector).

The existing initiatives to design guidelines and manuals (procurement, participatory planning) should be further supported to help disseminate clearly Government priorities at local level and facilitate work of field agents, e.g. designing a project “logical framework”, establishing a baseline, budgeting for results, budget norms at local level and updating, results monitoring, etc. As already mentioned, adequate communication requires translation from Vietnamese into major ethnic minority languages.

Local mass communication through radio, TV and newspapers which are well developed could also be used as training dissemination mechanisms.

Capacity-building should not only take place at local level, but also at central level. To be able to fulfill its mandate, CEMA needs additional qualified human resources. Capacity-building goes beyond staffing and training and includes defining an institutional development strategy. It is suggested to use the Balanced ScoreCard (BSC) approach to elaborate this strategy, considering CEMA's mission, its target groups and their major needs, its staff and the development of its capacities, its processes, and its budget (CEMA).

### Short-term recommendations for specific projects/policies

Complementary specific short term recommendations for each P135-II project/policy are listed below (Table 24).

**Table 24: Short term recommendations for each P135-II project/policy**

| Project/<br>Policy                                 | Specific recommendations   |
|--|--|
| Project for Business and<br>production development | <ul style="list-style-type: none"> <li>• Finalize a set of Production Operational Manuals with modules by agricultural sub-sector.</li> <li>• Conduct commodity chain analyses for major commodities produced in the poorest communes to identify major opportunities and constraints at the different levels of the commodity chain and analyze various policy alternatives to the free provision of agricultural inputs and equipment, e.g. credit to suppliers of agricultural input and equipment.</li> <li>• Link this project with NTP-PR agricultural extension and credit policies/projects.</li> <li>• Conduct a study to analyze in detail various ways to improve current agricultural extension methods and delivery mechanisms to make them more in tune with target groups, including: (i) conducting commune level SWOT analysis to define more appropriate extension packages contents; (ii) shifting the focus from helping better off farmers to representative poor farmers in the area; (iii) reconsidering timing, duration, language, etc.. (iv) moving from a supply-driven approach to a demand-driven approach, including payment of bonuses to extension agents based on results obtained.</li> <li>• Set up a schedule for progressive phasing out of subsidies as a commune keeps benefiting from this project.</li> </ul> |

## Project for infrastructural development

- Finalize and disseminate a Procurement Manual for P135-II with modules per type of infrastructure to reflect their specificities.
- Increasing transparency of the procurement process by posting more information about upcoming tenders and on the budget allocation and the winning contractor for current contracts.
- Revise and simplify construction management guidelines for small scale infrastructure projects.
- Strengthen gender equity during the participatory planning process to decide on the priorities in terms of basic infrastructure.
- Prepare central level O&M guidelines, including (i) making an inventory of assets at district and commune levels (ii) planning enough resources for O&M to be able to identify O&M requirements (iii) setting budget norms about the provision for operations and maintenance for constructions/facilities already completed, and (iv) outlining reliable financing mechanisms for O&M, including clear explanations about the new budget line introduced by Official Letter No. 744/TTg-KTTH.
- Prepare provincial level instructions for use of those O&M funds, specifying (i) targets, (ii) O&M groups and their legal status (iii) activities (iv) capacity building plan for O&M, and (v) budget.
- Include in MOF financial quarterly reports and yearly report information on O&M expenditure.
- Improve the monitoring of contract management to (i) report on timely completion and within budget of the contract outputs according to specifications (ii) establish and disseminate a blacklist of contractors that repeatedly failed on their commitments without proper justification.
- Make a study tour to countries that have a performing technical and financial implementation monitoring system linked to its procurement system such as Mexico and Panama.
- Conduct a study to analyze how to articulate with or incorporate NTP-PR policy on infrastructure in coastal areas.

## Project for Training for capacity building

- Clarify who will be in charge of this component at district and commune level
- Put the focus of training on problem-solving skills of the trainees rather than on the implementation of administrative guidelines.
- Conduct a study to analyze in detail various policy alternatives to (i) shift from a supply driven scheme to a demand driven scheme, including a conditional cash payment to the poor (ii) better articulate with other capacity-building programs, in particular those provided under the NTP-PR Policy on agricultural-forestry-fishery extension and support for development of production and occupation.

- Issue inter-ministerial circular to implement Decision 112, especially detailed guidelines on “what is a semi-boarding pupil?”. Issue model / standard design of an improved sanitation facility and the minimum cost estimation attached. Regulate to which line the environment / sanitation supports should belong to: Ministry of Natural Resources or Ministry of Agriculture and Rural Development.
- Advise the Government to expand beneficiaries to cover all pupils of poor households (in whatever region), especially poor households of ethnic people to benefit from the education supports. It is possible to divide into different support levels for each residential part. Or different levels for semi-boarding pupils but living in village of different regions, or for poor and not poor households. For example: pupils of poor households in regions not under P135 are supported with 50% amount of the poor pupils under P135. Semi-boarding pupils of not poor households or living in villages not under P135 are supported with 50% amount of the poor pupils under P135.
- Coordinate with MPI and MOF to promptly allocate money for environment / sanitation component, to implement all the components which contributes to improve the effectiveness of the policy.
- Conduct a study for the most optimal use of education supports allocated redundantly to provinces.
- Organize trainings, provide enough materials, communicate and disseminate information related to Decision 112 to all levels, industries and communities. Build capacity of commune personnel, especially on poor household recording and updating works, the “base” for identifying list of beneficiaries under Decision 112.
- Issue detailed regulations to materialize participation of communities in all processes of policy implementation.
- Revise accessibility criteria to make them more flexible and adapted to local realities.
- adjust the cash provision mechanism that “provide pupils with cash at the end of the month at set level and actual number of learning days” to “provide pupils with cash at the beginning of the semester or quarter at set level”.
- For schools that don’t have their own accounts, money for pupils should be transferred from district to the commune’s account. Schools receive money from the commune budget, then coordinate with communes to pay families/ pupils.
- Conduct a study to analyze various policy alternatives, including (i) focusing the program on poor children with packages of services, including education, health and nutrition; (ii) articulating better with NTP-PR policies on education and health; (iii) considering a conditional cash payment to poor mothers; (iv) considering integrating this component into future universal social assistance policies as part of the social security system

## 4.2. SUGGESTIONS FOR THE MEDIUM RUN (2011-2015)

Suggestions for the future of P135-II in the medium run are made only to feed the on-going and upcoming policy dialogue. Only major arguments are presented here. A more detailed presentation is made in the consolidated report on NTP-PRs. The first two (2) suggestions are for CEMA and the third one is for donors.

**Suggestion 1: Focus the targeted poverty reduction program on the poorest areas, i.e. the poorest communes within the 61 poorest districts and develop tailor-made packages that fit local needs, constraints, and opportunities that will be offered on a conditional basis with a perspective to graduate out of poverty**

Targeted programs should be focused on the poverty pockets where the chronic poor represent a significant share of the population. The 61 poorest districts framework is a positive initiative in this regard if it is coordinated with P135 Phase III.

The multi-dimensional nature of poverty would be better addressed by (i) using a multi-dimensional definition of poverty to identify the poor households (ii) designing packages of poverty reduction actions. Rather than being structured in separate projects/policies, the programme could provide various packages of support to communes and various target groups, taking into account the variety of local geographic and socio-economic conditions of communes and the diversity of socio-cultural conditions of ethnic groups.

Since the poverty pockets contain a disproportionate share of ethnic groups, a careful analysis of their conditions and aspirations is recommended. This situation is not specific to Vietnam; in developing and industrialized countries alike, minority ethnic groups represent a major proportion of the chronic poor and the truth of the matter is that very few programs have had a significant and sustainable effect in those countries. Those packages would be defined in strong collaboration with the poorest districts, communes, and population through a participatory planning and budgeting process.

Those packages would be offered to the poor using a “one-counter” approach to minimize transaction costs for the poor and for the public sector as well as reducing possible leakage. A related action would be setting up a unique identification card relating the individual to his/her household to obtain a comprehensive vision of the benefits received by the household.

Continued access to any given package of poverty reduction actions would be conditional to a number of actions by the individual and other members of his/her household that are deemed positive for breaking the poverty circle, such as required school attendance and visits to the health center for the children.

<sup>34</sup> These suggestions are taken to a large extent from Institute of Sociology (2008).

<sup>35</sup> A number of lessons can be learnt from Latin America, in particular from project SEDESOL, the Mexican MOLISA which pioneered the Opportunities program (Oportunidades).



The programme offered to the poorest communes, villages and households should provide them positive incentives to get out of the poverty trap and stay there. This means that 1) the continuation of support by the programme should be based on performance in terms of target achievement for the beneficiary, be it a commune, village or household level; 2) CEMA could coordinate with MOLISA and other ministries so that the beneficiary would be accompanied even after moving out of the poverty trap with different sets of projects/policies. For communes moving into the non-poor category, this means having access to (i) larger credit facilities; (ii) guarantees for credit from private banks and for private national and foreign investment; (iii) wider public services such as setting up vocational schools, hosting second level health facilities; (iv) larger infrastructure projects as the economic potential increases and schemes of matching and local money raised can be put in place. For households moving into the non-poor category, this would mean having access to (i) universal social protection put in place by MOLISA and (ii) special credit facilities by social banks to develop small and medium businesses. In other words, the beneficiary would graduate from a package of services offered as a poor to another package of services offered to the non-poor. A smooth transition between those statuses without cuts in support would require good coordination between CEMA and partner institutions.

### **Suggestion 2: Deepen Results-Based Management and decentralization of programme implementation**

Most countries in the world, including Vietnam, are progressively adopting results-based management as their approach to managing the public sector as was exemplified in the hosting of the Third International Roundtable on Management for Development Results (MfDR) in Hanoi in February 2007. This comes obviously from the pressure for more results for target groups, greater effectiveness, efficiency, and accountability. RBM can be also a powerful vehicle to foster public institutions capacities and providing the civil service with more power and incentives to reward performance. However, making complex bureaucracies move in this direction requires leadership, persistence, planning and organization, training, monitoring, incentives, and... time.<sup>36</sup>

P135-II has already a significant experience in decentralization. The 61 poorest districts initiative provides a great opportunity to test and then expand poverty reduction programs using an RBM approach. Decentralized participatory planning at district level, cascading contract performances between MOLISA, CEMA, districts and communes, setting clear results targets and roles and responsibilities, providing block grants and commune development funds to finance the poverty reduction packages, providing districts and communes with adequate technical support, but leaving them some flexibility to manage activities and reallocate resources, making districts and communes accountable for expenditures and results obtained, and making past performance influence future budget allocations are a few key features of what could be the operational model for this framework.

<sup>36</sup> A country like Canada has been engaged in RBM for more than 30 years now.



**Suggestion 3: Design a master capacity-building plan to support technically and financially CEMA in the implementation of Phase III of P135.**

Since the Paris declaration and the Accra Action Plan, donors have committed themselves to significantly support Governments and public sectors in developing countries within the framework of performance contracts and coordinated support. The institutional and technical mechanisms put in place for P135-II such as the Joint Progress Review, the Performance Matrix, the Baseline survey, and Targeted Budget Support (TBS) are positive steps in this direction.

Donors could move further along the path of alignment of aid programs on national strategies, coordination among donors to build up capacities within national institutions which are put in the driver's seat by engaging with CEMA in the design of a Phase III of P135 building on the success of collaboration during P135-II, but on a renewed basis within the framework of the 61 poorest districts. Donors support to capacity-building should move beyond funding one-shot studies or training workshops toward helping CEMA design and implement a master capacity-building plan, i.e. a coordinated set of activities including Training of Trainers, elaboration of manuals and guidelines, and technical assistance to build up CEMA's institutional capacity to support the poorest communes within those 61 districts.

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## ANNEX 1: SYNTHETIC SCORE EVALUATION OF P135-II PROJECTS/POLICIES

As a complementary exercise, a synthetic score evaluation is presented. A set of 'scores' has been ascribed to each P135-II component against each of the five evaluation criteria based on all quantitative and qualitative evidence made available to the MTR team. The ordinal score scale is as follows:

- Overall limited results
- Some results in some areas, but overall major changes recommended to obtain better results
- Significant results in some areas, but significant progress needed in other areas
- Overall good results, even if some progress is needed in some areas;
- Overall very good results

An overall score for P135-II against these five criteria has been given, which was derived from calculating the arithmetic average of the P135-II component scores. Using an arithmetic average implies equal weights given to all five evaluation dimensions and to all programme projects/policies. Alternative calculations can easily be made using different weights to various dimensions or projects/policies.

The MTR team underlines the importance of capturing the order of magnitude more than the specific value as such since various stakeholders might give different weights to various sub-dimensions and therefore vary slightly on the score given to a specific dimension for a given project/policy. The exercise is only deemed worthwhile as a complementary analysis to help establish a baseline and benchmarking value around which the discussion of performance can take place. Justification for the scores is based on analysis presented in Section 3.

### Summary Evaluation of P135-II over 2006-2008<sup>37</sup>

| Project/Policy  | Business and production development | Infra-structural development | Training for capacity-building | Overall |
|---|-------------------------------------|------------------------------|--------------------------------|---------|
| Design relevance  | 3                                   | 4,5                          | 3,5                            | 3,7     |
| Targeting efficacy  | 2,5                                 | 4,5                          | 3                              | 3,3     |
| Programme effectiveness in meeting set targets                    | 4                                   | 4,5                          | 3,5                            | 4,0     |
| Economy and efficiency in programme management and implementation | 2,5                                 | 4                            | 3                              | 3,2     |
| Beneficiaries' perceptions and quality of service delivery        | 3                                   | 4,5                          | 3                              | 3,5     |
| Total grade   | 15                                  | 22                           | 16                             | 17,7    |

<sup>37</sup> No grades were given to the Policy for Living conditions since it is very recent.

## PROJECT FOR BUSINESS AND PRODUCTION DEVELOPMENT

| Evaluation dimensions | Grade | Justification  |
|-----------------------|-------|--|
| Design relevance      | 3     | <p><b>Pluses:</b></p> <ul style="list-style-type: none"> <li>• Support to business and production development is essential for poor households to put them in a position to (i) increase yields and production levels, (ii) produce quality products on a continuous basis, (iii) diversify their income sources, and (iv) seize economic opportunities. This is particularly relevant for minority ethnic groups that depend even more than Kinh-Hoa groups on agricultural income.</li> <li>• The orientation toward integration of the poor into the market is well taken since the BLS found a significant share of agricultural production going for cash generation.</li> </ul> <p><b>Minuses:</b></p> <ul style="list-style-type: none"> <li>• Public authorities at various levels and donors do not seem to share a common perspective on this policy so far. While the concern of the Government to support small and poor farmers to develop new farming activities and to adopt more efficient technologies is well taken, experience in other countries has shown that the free provision of agricultural inputs and equipment to farmers by itself might not be the most effective and sustainable way of developing agricultural activities. It might foster (i) waste (ii) misallocation of unsuitable inputs and equipment, and (iii) a lack of concern for maintenance; unless it is included in a package with other support such as adequate extension and credit that is offered to the farmers within a performance contract. It might also undermine the development of a private supply of agricultural input and equipment.</li> <li>• The main model of extension used so far does not appear to be appropriate: (i) it is too top-down and “one-size fits all” while the variance of local conditions is huge. The identification of target groups and the identification of their extension needs does not fit always with needs expressed in the field; (ii) it is based on the premises that the poor, especially the ethnic minority groups, need to be “modernized”; (iii) support is provided to better off farmers than other poorer farmers are then supposed to emulate, which is not what happens in the field; (iv) extension is provided in Vietnamese which a number of ethnic poor do not understand necessarily well; (v) the promoted technological packages require access to input and output markets which is not yet necessarily the case, especially in remote areas.</li> <li>• There is limited coordination with other relevant poverty reduction programs such as NTP-PR credit and extension projects/policies. There are three difference sources for agricultural extension with no clear coordinating mechanism at local level.</li> <li>• Non-farming activities are not taken into account while support to those activities could also be considered since they provide another source of income and a way to reduce risk.</li> </ul> |
| Targeting efficacy    | 2.5   | <p><b>Minuses:</b></p> <ul style="list-style-type: none"> <li>• Limited coverage: the majority of farmers in the poorest communes still do not benefit from the project. 24% of households sent their members to agricultural centers for agricultural extension and 5% received agricultural extension staff at home for instruction and assistance.</li> <li>• Criteria to decide who would benefit from the project are not always clear at local level and there is some evidence of leakage to non poor farmers.</li> <li>• CRC report provides some data on dissatisfaction of ‘poor household selection process’</li> </ul>   |

|   |     |   |
|---|-----|---|
| Programme effectiveness in meeting set targets                    | 4   | <p><b>Pluses:</b></p> <ul style="list-style-type: none"> <li>• 223,270 households benefited from this project in 2007 (implementation started that year).</li> <li>• 73,000 person days of agricultural extension have been delivered in 2007.</li> </ul> <p>What is Against which target? What is the percentage of coverage and leakage?</p> <p><b>Minuses</b></p> <ul style="list-style-type: none"> <li>• Total budget disbursed for the project was VND 205 billion in 2006-2008, i.e. 67.9% of the total amount planned for the period.</li> <li>• One reason for delays in implementation was linked to the categorization of budget expenditure which has been corrected since in inter-ministerial Decree No. 01/2008.</li> <li>• Another reason is that manuals on production component have not yet been issued by MARD.</li> </ul>  |
| Economy and efficiency in programme management and implementation | 2.5 | <p><b>Pluses:</b></p> <ul style="list-style-type: none"> <li>• There is some evidence of greater use of agricultural inputs and equipment in some communes.</li> </ul> <p><b>Minuses:</b></p> <ul style="list-style-type: none"> <li>• Delays in financial disbursements have been experienced in some communes with significant impacts on production and productivity in some cases, given the need to have inputs on time for agricultural work.</li> <li>• Some communes appear to have a bias toward spending on recurrent expenditures rather than on investment expenditures. This is related to the priority given to satisfying short-run spending needs and the complexity of disbursement procedures for investment expenditures which many commune staff find too complicated.</li> <li>• Some communes do not seem seriously committed to project implementation and success since there is limited ownership and a perception of a “freebie”.</li> <li>• Cost norms set by some provinces do not seem to reflect market prices and were not properly adjusted for the inflationary context experienced in 2008.</li> <li>• The capacity of local staff to deliver adapted services and communicate them well to the ethnic minority poor is often limited.</li> <li>• Although the limited evidence available seems to point toward an increase in production in the short run, there is also evidence that it might not be sustainable (e.g. high mortality of provided seedlings).</li> <li>• Monitoring of implementation and even more results is lacking.</li> </ul> |
| Beneficiaries' perceptions and quality of service delivery        | 3   | <p><b>Pluses:</b></p> <ul style="list-style-type: none"> <li>• Farmers like to receive free inputs and equipment</li> </ul> <p><b>Minuses:</b></p> <ul style="list-style-type: none"> <li>• While there is a demand from the majority of households for agricultural extension services, the level of satisfaction is rather low: (i) the relevance of contents is considered low (ii) accessibility is a problem since timing of training might conflict with agricultural activities of farmers.</li> </ul>   |

## PROJECT FOR INFRASTRUCTURAL DEVELOPMENT

| Evaluation dimensions                          | Grade | Justification  |
|--|-------|--|
| Design relevance                               | 4.5   | <p><b>Pluses:</b></p> <ul style="list-style-type: none"> <li>Construction of infrastructures plays a significant role for economic growth and reduction of mass poverty since it expands access to economic opportunities and social services.</li> </ul> <p><b>Minuses:</b></p> <ul style="list-style-type: none"> <li>There might be a bias toward building those infrastructures since progress in this domain is relatively easier to obtain than for other projects/policies and outputs are more visible.</li> <li>The current emphasis on building new infrastructure could be shifted toward operating, repairing, and maintaining existing infrastructure. Most targeted communes have basic education and health facilities, but a number of them are poorly maintained and equipped. O&amp;M planning at commune level is also undermined by the absence of assets inventories</li> <li>While the principle of turning communes into investment owners is well taken, analysis of field realities shows that most poor communes have insufficient capability for project designing, implementation, and monitoring.</li> <li>The poor should be part at all stages of the process, otherwise the chances of spending money on infrastructures with limited relevance and usefulness for the poor are high, resulting in limited involvement, interest, and maintenance.</li> <li>There is limited coordination between this project and other NTP-PRs that have infrastructures building components.</li> </ul> |
| Targeting efficacy                             | 4.5   | <p><b>Pluses:</b></p> <ul style="list-style-type: none"> <li>The large bulk of the budget has gone to very poor and remote communes.</li> </ul> <p><b>Minuses:</b></p> <ul style="list-style-type: none"> <li>There is some concern with inequity in budget allocation at provincial level since communes with similar levels of hardship have received different budget allocations.</li> <li>Level of poor households use these infrastructure projects?</li> </ul>  |
| Programme effectiveness in meeting set targets | 4.5   | <p><b>Pluses:</b></p> <ul style="list-style-type: none"> <li>4,213 infrastructure works have been built in 2006, 3,307 in 2007, and 2,780 in the first six months of 2008. Types of infrastructures built are in order of decreasing importance: 1) access roads 2) building of schools, dormitories and offices 3) irrigation works 4) power supply works 5) clean water supply works.</li> <li>Total budget allocation for the project was VND 1,555 billion in 2007 and 1,170 billion for the first six months of 2008, i.e. respectively 84% and 77% of the amount planned.</li> </ul> <p><b>Minuses:</b></p> <ul style="list-style-type: none"> <li>The target on the ratio of projects for which communes are investment owners has not been met and the ultimate target set of 100% for the end of the program in 2010 seems hardly realistic, given (i) the limited capabilities at commune level (ii) the lack of specialized staff focusing on this target, and (iii) limited incentives.</li> <li>The target on safe water infrastructures, i.e. providing 80% of P135-II households with safe water, might be hard to reach unless a major effort is made, given the current rate of 47%.</li> </ul>   |



|   |     |  |
|---|-----|--|
| Economy and efficiency in programme management and implementation | 4   | <p><b>Pluses:</b></p> <ul style="list-style-type: none"> <li>• Separate budget line has been allocated for Operations &amp; Maintenance in accordance with the Prime Minister's Decision which allocates 6.3% of programme budget to O&amp;M and Inter-Circular 01/2008 which emphasizes O&amp;M during the preparation of commune annual financial plans.</li> <li>• The revisions in Circular 01/2008 have introduced community contracting and have detailed the bidding process for projects valued from VND 300 million to VND 1 billion with increased simplicity, transparency, and competitiveness in comparison with current regulation on appointed bidding and competitive bidding for projects valued at over VND 1 billion.</li> </ul> <p><b>Minuses:</b></p> <ul style="list-style-type: none"> <li>• Late implementation was noted in several locations due to cumbersome procedures and limited capacity of local staff.</li> <li>• A lack of synchronization of infrastructure work took place in some locations (e.g. bridge or school built, but no access road).</li> <li>• The quality of infrastructure construction seems to be a significant concern, with its implications on its durability. Compounded with insufficient maintenance, it leads to a lower than normal life expectancy of a number of infrastructures and higher repairs costs and needs for rebuilding infrastructures.</li> <li>• Changes in prices unitary costs prices of construction material have not been factored in.</li> <li>• Low local capabilities at commune level limit the possibility of commune investment ownership.</li> <li>• The participation and role of the poor during the supervision of infrastructure project construction is still limited.</li> <li>• Bidding procedures are often restricted or appointed.</li> <li>• The procurement manual for P135-II is not finalized yet.</li> <li>• The construction management guidelines are cumbersome.</li> <li>• The procurement and liquidation regulations are not easy to understand for communes.</li> <li>• Monitoring and evaluation of infrastructural works is not effective.</li> </ul> |
| Beneficiaries' perceptions and quality of service delivery        | 4.5 | <p><b>Pluses:</b></p> <p>The large majority of beneficiaries declared that infrastructures built were relevant and had positive impacts on production and livelihood.</p>  |

## PROJECT FOR TRAINING FOR CAPACITY BUILDING

| Evaluation dimensions   | Grade | Justification   |
|---|-------|---|
| Design relevance  | 3.5   | <p><b>Pluses:</b></p> <ul style="list-style-type: none"> <li>• Training is essential for commune staff and population to put them in a position to have greater access to the programme projects/policies and to make more effective and efficient use of resources they receive.</li> </ul> <p><b>Minuses:</b></p> <ul style="list-style-type: none"> <li>• Training for raising awareness and improving skills of the poor has not taken fully into account the beneficiaries' objectives and constraints. In particular, training methods and material are often ill-suited for participants with very limited formal education and, in the case of ethnic minorities, poor, limited fluency in Vietnamese. Women are particularly at a disadvantage in this regard.</li> <li>• The 11 designed modules in CB framework address only commune and village level, not to district and province level</li> <li>• Lack of appropriate methodology of capacity building to enhance participation of local people, and coaching from province/district level to commune level</li> <li>• Capacity building support may overlap with capacity building provided by other programmes.</li> </ul> |
| Targeting efficacy  | 3     | <p><b>Minuses:</b></p> <ul style="list-style-type: none"> <li>• Coverage is average for commune staff and low for population. Training has been provided mainly to management levels and has not focused yet on trainings for community and local villagers</li> </ul>  |
| Programme effectiveness in meeting set targets                    | 3.5   | <p><b>Pluses:</b></p> <ul style="list-style-type: none"> <li>• 1,367 training courses for 76,748 commune staff and 11,968 individuals were organized in 2007.</li> </ul> <p><b>Minuses:</b></p> <ul style="list-style-type: none"> <li>• Total budget allocation for the project was VND 38.9 billion in 2007. Budget execution rates were 33.5% in 2006 and 53.7% in 2008.</li> </ul>  |
| Economy and efficiency in programme management and implementation | 3     | <p><b>Pluses:</b></p> <ul style="list-style-type: none"> <li>• CEMA has completed and issued the framework of training on capacity building.</li> </ul> <p><b>Minuses:</b></p> <ul style="list-style-type: none"> <li>• There have been delays in project implementation due to cumbersome procedures, lack of trainers, and limited capacity of communes to manage such a project.</li> <li>• There have been delays in the preparation of training material and in their adaptation to local conditions. A number of provinces have not been pro-active enough in developing training plans.</li> <li>• The selection and training of trainers have not received sufficient attention.</li> <li>• This project had relatively high relative costs for limited results so far.</li> <li>• Monitoring of the results of training is lacking.</li> </ul>   |
| Beneficiaries' perceptions and quality of service delivery        | 3     | <p><b>Pluses:</b></p> <ul style="list-style-type: none"> <li>• Nearly 100% people know about the support activities of P135-II.</li> </ul> <p><b>Minuses:</b></p> <ul style="list-style-type: none"> <li>• In several cases, training was found not suitable for target group and not useful to their current roles and tasks.</li> <li>• Incentives for participating have been found low by several beneficiaries.</li> </ul>   |

## POLICY FOR LIVELIHOOD IMPROVEMENT (COMPONENT IV)

| Evaluation dimensions <sup>38</sup>                               | Grade <sup>39</sup> | Justification   |
|---|---------------------|---|
| Design relevance  |                     | <p><b>Pluses:</b></p> <ul style="list-style-type: none"> <li>• So far, this policy newly implemented by Government Decision 112 by has mainly provided financial support for boarding and semi-boarding pupils from poor households living in P135 communes although it also supports enrollment of children in kindergarten, household level sanitation improvement, and village level legal service support. Facilitating access of poor children to education contributes to break the poverty cycle across generations.</li> </ul> <p><b>Minuses:</b></p> <ul style="list-style-type: none"> <li>• This support might be insufficient for a number of poor parents who still have to pay for other education costs, including food and lodging, which might reduce their participation in the policy and thus its impact.</li> <li>• Even though this is still early, care should be exercised not to overlap with other NTP-PR projects/policies and spread thin public resources.</li> </ul>  |
| Targeting efficacy  |                     | <ul style="list-style-type: none"> <li>• There are many discussions and not yet agreement in community on the beneficiaries, especially those for education and environment supports. Cultural and Justice supports are too small. Education and Environment/ sanitation supports are reasonable.</li> </ul>  |
| Programme effectiveness in meeting set targets                    |                     | <ul style="list-style-type: none"> <li>• Operational activities started in 2008.</li> <li>• Total budget allocation for the policy was VND 239 billion in the first six months of 2008, i.e. 19% of the total planned.</li> </ul>   |
| Economy and efficiency in programme management and implementation |                     | <p><b>Plus:</b></p> <ul style="list-style-type: none"> <li>• CEMA has published guiding documents and advised the Government to issue decisions to timely allocate funding to the right beneficiaries.</li> </ul> <p><b>Minuses:</b></p> <ul style="list-style-type: none"> <li>• Coordination among line departments are not synchronized and timely yet. There is a lack of guiding documents vertically from central level down. The inter-ministries circular to implement Decision 111 has not been issued. Decisions to allocate implementation money has been delayed especially at the central level</li> <li>• The implementation of Decision 112 is quite slow and not the same everywhere. Sanitation supports have not been implemented, which is too slow. In some provinces, education supports just reached / are going to reach beneficiaries for 2007-2008 academic year money. List of beneficiaries for 2008 – 2009 is being set up and appraised. Cultural and Justice supports are low and have just been disbursed. Capacity of staff, coordination works, statistics at local level directly affected the implementation process of the Programme.</li> <li>• Procedures to implement the Decision 112 have not been followed quite well at province, district, commune/school levels. In practice, some guidance does not really fit with local situation.</li> <li>• Because the original reporting on beneficiaries was wrong, fund for education supports was allocated redundantly.</li> <li>• Funding allocation criteria for semi-boarding secondary school students are restrictive since a number of the Program areas do not have boarding school or semi-boarding schools close by, thereby resulting in additional transportation costs for families</li> <li>• Information dissemination process and beneficiary communities' accessibility to the policies have been very limited</li> </ul> |
| Beneficiaries' perceptions and quality of service delivery        |                     | <ul style="list-style-type: none"> <li>• Too early to tell.</li> </ul>  |

<sup>38</sup> This evaluation draws heavily from Institute of Sociology (2008).

<sup>39</sup> Since this policy is new, it is too early to give grades.



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