

TAKING STOCK, PALNNING AHEAD:

**EVALUATION OF THE NATIONAL TARGETED
PROGRAMME ON HUNGER ERADICATION
AND POVERTY REDUCTION
AND PROGRAMME 135**

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FOREWORD

Although Viet Nam is still a poor country, it has made impressive progress on poverty reduction. Poverty incidence has more than halved since 1990 and the well-being of people has increased. People in poor communes nowadays have smiling faces and Viet Nam has achieved considerable progress in fulfilling the MDGs on poverty reduction for 2015. These significant outcomes have resulted from the strong commitments from various levels of government, mass organisations, international organisations, enterprises and the poor themselves.

Nevertheless, despite the achievements, further poverty reduction faces fresh challenges. These include: (i) the gap in income and well-being among rural and urban areas, among geographical regions and among specific population groups; (ii) resources not being focused on the most difficult areas like mountainous areas, ethnic minority populated areas, etc., (iii) dependency behaviour and thinking is still popular; (iv) recent poverty reduction gains are not sustainable; and (v) a large number of households live barely above the poverty line.

In this context, the National Targeted Programmes (NTPs) which are an integral part of the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) and the 5-year socio-economic plans, have an important role in delivering resources to poor areas. These programmes guarantee high rates of growth and contribute to sustainable HEPR.

This evaluation report of the NTP for HEPR and Programme 135 acknowledges the achievements of both programmes. But, in order to improve the programmes in the future, the report also highlights some issues, which need to be addressed during the next phase, from 2006-2010 to have greater impact on the well-being of Viet Nam's poor.

In particular, the report recommends improved targeting of poor households to increase the efficiency of the programmes and incentives for poor households to escape poverty. It also recommends strengthening staff capacity at various levels, especially at the commune level and of local leaders of mass organizations; developing an efficient and effective programme monitoring and evaluation system; and better efforts to implement Grassroots Democracy.

The report, another example of the close cooperation among the Government of Viet Nam, UNDP and other donors, helps build an effective HEPR programme, ensuring both the achievement of programme targets on poverty reduction and VDGs for the next phase.

NGUYEN THI HANG

Minister

Ministry of Labour, Invalids and Social Affairs

JORDAN D. RYAN

Resident Representative

United Nations Development Programme

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Overall management - Dang Kim Chung (Deputy Director) and Le Viet Hoa (Manager) of Project VIE/02/001

Support from institutions – CEM, HEPR office, GSO, MARD, MOF, MPI, DOLISAs and various other offices in the selected provinces, districts and communes

National consultants – Vu Tuan Anh, Nguyen Van Bay, Nguyen Tuan Doanh, Nguyen Cao Duc, Vu Xuan Dao, Nguyen Thien Duc, Le Hoang Dung, Le Tien Dung, Nguyen Viet Hai, Nguyen Thi Hang, Tran Thi Hanh, Vu Duc Hoi, Hoang Thanh Huong, Nguyen Thi Lan Huong, Truong Quoc Khanh, Than Phuc, Dao Tran Phuong, Doan Hong Quang, Nguyen Kien Quyet, Dao Tien Thang, Nguyen Thang, Nguyen Chien Thang, Thai Phuc Thanh, Le Dai Tri, Ngo Truong Thi, Vu Van Toan, Le Dang Trung, Nguyen Huu Tu, Phung Duc Tung, Truong Vinh Tung

International consultants – Peter Brooke (Bannock), Alain Jacquemin (Project VIE/02/001), Mark Minford (Bannock), Koos Neefjes (Freelance consultant), Paul Shaffer - IDEA International), Mike Winter (Freelance consultant)

Ideas and information contributors - Bob Baulch (IDS), Doan Mau Diep (ICD, MOLISA), Tong Thi Dua (GSO), Koos Neefjes (Freelance consultant), Rab Nawaz (STA, Project VIE/01/023), Nguyen Tien Phong (UNDP), Edwin Shanks (Freelance consultant), Rob Swinkels (World Bank), Carrie Turk (World Bank), Nguyen Quang Vinh (CEM)

Peer reviewers – Vu Tuan Anh (Institute of Economics), Alwyn Chilver (DFID), Robin Mearns (World Bank), Koos Neefjes (Freelance consultant), Martin Rama (World Bank), Paul Shaffer (IDEA International), Jonathan Pincus (UNDP), Dang Kim Son (MARD)

UNDP – Do Thanh Lam, Divya Nair (Intern), Subinay Nandy, Nguyen Tien Phong, Nguyen Thuc Quyen, Kanni Wignaraja

Secretarial support – Pham Thi Duyen, Nguyen Thi Van Huong

Translation - Hoang Anh (ILSSA), Dang Hai Ha (MOLISA), Pham Hong Phuong (Project VIE/02/001), Le Van Son (Freelancer)

Coordinator and Principal Author - Saurabh Sinha (STA, Project VIE/02/001)

Copy Editing, Graphics and Layout – Dang Huu Cu (UNDP), Russell Goldman (Freelance Consultant), Nguyen Ba Ngoc (Labour and Social Affairs Publishing House)

CONTENTS

Executive Summary	1
A. Background of the Evaluation	10
I. Overall Objectives	10
II. Evaluation Framework.....	11
III. Scope of the Evaluation.....	11
IV. Structure of the Report.....	16
B. Programme Context	19
I. Evolution of HEPR as a NTP.....	19
II. NTP on HEPR	21
III. Programme 135	25
C. Programme Evaluation	29
I. Relevance of Programme Objectives, Targets and Components.....	29
1. Identification of Poor Households and Poor Communes.....	29
2. Resource Allocation.....	55
II. Implementation Systems and Capacities.....	68
1. Administrative Decentralization.....	68
2. Institutional Capacities	71
3. Financial Management System.....	79
4. Monitoring Programme Performance.....	87
III. Impact of NTP on HEPR and P135 on house hold well-being.....	101
D. Conclusions	115
E. Implications for Design of NTP on HEPR for 2006-2010	120
References	128
Annexes	130

TABLES

1.	Methods and Data Sources for the Evaluation	13
2.	Trend in resource allocation for HEPR components	23
3.	Trend in resource allocation for P135 components	27
4.	MOLISA threshold for identifying poor households	30
5.	MOLISA threshold for identifying hungry households	30
6.	Awareness of how the list of poor households is prepared	32
7.	Distribution of households classified as poor by quintile	35
8.	Regional distribution of households classified as poor	37
9.	Increasing coverage of P135	40
10.	Regional distribution of population in poor communes	41
11.	Distribution of population in poor communes by quintile	42
12.	Distribution of access to HEPR sub-programmes by quintile	43
13.	Regional distribution of access to HEPR sub-programmes	44
14.	Targeting Effectiveness of HEPR Programme Components	45
15.	Distribution of forms for supporting the poor in health care in provinces.....	48
16.	Number of health insurance cards for the poor 1998-2002	48
17.	Scale of support for implementation of education policy	52
18.	Adjusted Plans for Programme 135 in Soc Trang	58
19.	Central Allocations for HEPR (2001-2003)	59
20.	Central Allocations and non-central contributions - HEPR	60
21.	Central Allocations and non-central contributions - P135	60
22.	Central Allocations per poor household for HEPR (2001-2003)	64
23.	Central Allocations and actual spending per poor household - HEPR	65
24.	Average Central allocations and actual spending - HEPR (2001-2003)	66
25.	Distribution of central allocation by sector (2001-2003)	66
26.	Allocations and Actual Spending of P135 Central Funds, 2001-2003	80
27.	Allocations and Spending of P135 funds, district and commune levels, 2003.....	80
28.	Central Allocations and actual spending of HEPR funds, 2001-2003	81
29.	Questions addressed in the Integrated impact assessment.....	103
30.	Annual health care expenditure of households without health insurance (by region and quintile).....	106
31.	Share of expenditure on health care in total consumption expenditure (by region and quintile).....	106
32.	Average annual school fee per student by by category and as % of total household expenditure.....	108
33.	Types of other educational expenses per annum (from Ninh Thuan provine – South East).....	108
34.	Sgare of expenditure on education in total household consumption expenditure (by region and quintile).....	109
35.	Share of Tuition Fee in total educational expenditure of households without fee exemptions (by region and quintile).....	109

FIGURES

Study Locations.....	18
1. Organizational Structure of the NTP on HEPR	25
2. How many households on the list of poor households are considered poor?	35
3. Percentage of household members always received health care exemption	50
4. Reasons that eligible household members did not receive health care exemption.....	51
5. Reasons that eligible households did not receive tuition fee reduction.....	53
6. Non-central contribution as % of total - HEPR	61
7. Central allocations and non-central contributions - P135	62
8. Breakdown of non-central contributions by province-P135	62
9. Breakdown of non-central contributions by province – HEPR	63
10. Self-reported importance of money saved from the health fee exemption across regions.....	105
11. Would health care have been sought even without health fee exemption?.....	105
12. School enrollment without school maintenance or fee exemption/reduction.....	107

BOXES

1. Criteria for the selection of a programme as a NTP	20
2. Support Policies	22
3. HEPR-JC Projects	22
4. Steps in preparing the list of poor households	31
5. Villagers' criteria for assessing household well-being status	33
6. Constraints in application of poverty thresholds	33
7. Delays and errors in Poor Household Cards	36
8. Criteria for the selection of communes under Programme 135	38
9. Criteria for the selection of communes under Programme 133/143	39
10. Increase in poor communes in spite of decline in poverty	40
11. Entitlements of households classified as poor	42
12. Factors constraining access to poor households	46
13. Decentralisation of Programme 135 in Tuyen Quang	72
14. Elements of a Programme Monitoring System.....	88
15. Functioning of Project Supervision Boards and people's Inspection Boards	95
16. Effects of improved grassroots democracy on mobilisation and distribution of resources for poverty reduction.....	96
17. Requirements for tracking poverty.....	99

ABBREVIATIONS

ADB	Asian Development Bank
CEM	Committee for Ethnic Minorities
CPC	Commune Peoples' Committee
CPRGS	Comprehensive Growth and Poverty Reduction Strategy
CRP	Centre for Rural Production
DARD	Department of Agriculture and Rural Development
DFID	Department for International Development (UK)
DOET	Department of Education and Training
DOH	Department of Health
DOLISA	Department of Labour, War Invalids and Social Affairs
DPC	District Peoples' Committee
DPI	Department of Planning and Investment
EA	Executing Agency
GOVN	Government of Viet Nam
GSO	General Statistical Office
HEPR	Hunger Eradication and Poverty Reduction (Programme 133)
HEPR-JC	Hunger Eradication Poverty Reduction and Job Creation (Programme 143)
ICD	International Cooperation Department
IDS	Institute of Development Studies (Sussex, UK)
ILSSA	Institute of Labour and Social Science Affairs
M&E	Monitoring and Evaluation
MARD	Ministry of Agriculture and Rural Development
MDGs	Millennium Development Goals
MRDP	Viet Nam-Sweden Mountainous Rural Development Programme
MOET	Ministry of Education and Training
MOF	Ministry of Finance
MOLISA	Ministry of Labour, Invalids and Social Affairs
MOH	Ministry of Health
MPI	Ministry of Planning and Investment
NTP	National Targeted Programme
P135	Programme 135
PDCED	Programme for Socio-economic Development in Communes faced with Extreme Difficulties (also known as Programme 135)

PER	Public Expenditure Review
PPA	Participatory Poverty Assessment
PPC	Provincial Peoples' Committee
PRA	Participatory Rural Appraisal
PRSP	Poverty Reduction Strategy Paper
QHS	Qualitative Household Survey
SBV	State Bank of Viet Nam
SPB	Social Policy Bank
SFDP	Small Farmers Development Programme
SRV	Socialist Republic of Viet Nam
UNDP	United Nations Development Programme
VBARD	Viet Nam Bank for Agriculture and Rural Development
VCP	Viet Nam Communist Party
VDGs	Viet Nam Development Goals
VFF	Viet Nam Fatherland Front
VHLSS	Viet Nam Household Living Standards Survey

EXECUTIVE SUMMARY

BACKGROUND

Viet Nam is unusual in many respects. Few countries in the world combine a strong commitment towards poverty reduction, an elaborate hunger eradication and poverty reduction programme and strong achievements in poverty reduction.

The scope of the hunger eradication and poverty reduction programme (HEPR) is indeed impressive. Formally launched in 1998 as Programme 133 and targeted at poor households across the country, it is budgeted for a total sum of approximately VND19,000 billion that comes from state and local budgets.

The HEPR programme consists of six policies offering free healthcare, school tuition waivers, support to ethnic minorities, support to vulnerable people, and funding for housing and production tools. Additionally, the programme comprises eight projects on credit, extension, infrastructure, production assistance, training of cadres, settlement of migrants into new economic zones, sedentarisation and settlement in poor communes and developing models for replication. The current programme was combined with Programme 120 in 2001 and extended up to 2005 as Programme 143.

From 1996-2002, a sum of VND14,695 billion was provided as concessional loans to 2.75 million households across the country. Up to 1.5 million health insurance cards had been distributed to poor households by 2002, and more than VND120 billion has been set aside for education programmes for the poor.

Programme 135 (P135), or the Programme for socio-economic Development in Communes faced with Extreme Difficulties was also approved in July 1998. P135 was initially conceived as part of the National Target Programme (NTP) but was split from the HEPR programme due to institutional imperatives. Initially, covering 1,715 communes, of which 1,568 were mountainous and 147 were in lowland areas, P135 including around 1.1 million households and over 6 million people. It has recently been expanded to cover 2,362 poor and remote communes. With a total investment of more than VND6,000 billion, from 1998-2003, P135 has focused primarily on developing village and communal infrastructure as well as inter-communal infrastructure.

While the scale of investment and breadth of outreach is clear, what is less certain is the impact of these two programmes on reducing poverty.

EVALUATION

Recognising the need to systematically assess the impact on poverty of the NTP on HEPR, the government (GOVN) requested UNDP assist the Ministry of Labour, Invalids and Social Affairs (MOLISA) in conducting an overall evaluation of the programme. Though separate, the evaluation of P135 was

undertaken at the same time, because the two programmes were designed as one and have considerable overlaps. The two executing agencies, MOLISA and the Committee for Ethnic Minorities (CEM), proposed a joint evaluation to reduce costs and facilitate cross-programme learning that will help in planning the next phase.

The purposes of the evaluation are to: (i) assess the overall effectiveness of the National Target Programme on Hunger Eradication and Poverty Reduction (NTP on HEPR) and Programme 135 in reducing poverty in Viet Nam, and (ii) draw lessons for designing the NTP on HEPR for the period 2006-2010.

The evaluation addresses both thematic and sectoral questions:

- Are the programmes doing the right things? That is, are the programme objectives feasible and the targeting approaches appropriate? How effectively do the programmes target poor households and poor communes, and are public resources allocated for achieving sustainable poverty reduction sufficient?
- Are the programmes doing things right? That is, are optimal institutional arrangements in place for efficient implementation of the programmes? To address this question issues such as the organizational structure, decentralisation, financial management and M&E systems, as well as institutional capacity to satisfactorily implement the two programmes are analysed.
- What is the impact of the programmes on household well-being? And to what extent can well-being be attributed to specific results of the two programmes?

KEY FINDINGS

Targeting households and communes

It is easy to apply income-based criteria to determine which households should be the recipients of programme benefits. However, income levels are set arbitrarily and are difficult to compare across communes. Poor people acknowledge that the official list of poor households is prepared in a consultative way. However, there is often a discrepancy between the number of households officially classified as poor and the number of households considered poor by village residents.

Commune officials classify a total of 11.4% of the population as poor. Even though “many” or “all” households on the list of poor households are considered poor by their neighbours, many poor households do not figure on the list because authorities do not have sufficient resources to include them.

Few “poor household” certificates have been issued to non-poor households. This extent of mis-targeting is not high by international standards.

In terms of access to programme benefits, less than 16% of all households in the country have access to subsidized credit. Of these, 75% are poor. Similarly, less than 10% of households receive free health insurance; of these, more than 70% are poor. Of the 20% of households that receive tuition waivers, 70% are considered poor.

Though each of the sub-programmes in the NTP on HEPR, namely credit, health insurance and tuition exemptions are reasonably well-targeted, reaching more than 70% of poor households in each case, the sub-programmes have very limited coverage among the total poor households in the country.

Nearly a quarter of all communes in the country benefit from Programme 135, covering about 15% of the total population. As more than half of them are below the poverty line, with 66% in the bottom two quintiles, P135 is fairly well targeted.

Resource Allocation

A fixed sum of VND500 million per poor commune under P135 is an apparently equitable distribution of limited resources and has the benefit of clarity and transparency. But it is a relatively blunt instrument in relieving poverty since communes with larger populations and/or communes with relatively more poor people (and hence greater infrastructure needs e.g. water supply, housing etc.) receive similar amounts of funding.

Although the GOVN has a formula for allocating state budget resources across provinces for the HEPR programme, it is not always clear how it is applied, and whether it is always followed.

There is a large variation in allocation of HEPR resources across provinces (both in absolute terms as well as on a per household basis). Large allocations to less poor provinces, suggests that equally poor households in different provinces receive different amounts of government benefits.

This discrepancy is often further increased by provinces contributing their own funds to those allocated from the state. Richer provinces are more likely to generate additional funds, whereas poorer provinces are heavily dependent upon central funding.

This strengthens the argument for the continuation of the NTP framework, but also highlights the need to develop a resource allocation mechanism that does not increase inter-provincial inequality.

In spite of provinces contributing additional funds, the total actual spending on a poor household remains low. It varies from less than VND750,000 to about VND4.2 million per household per year. Even for well-resourced provinces (such as Tuyen Quang) this amounts to about VND11,000 per household per day, or less than USD1 a day. This amount of spending is unlikely to lead to large poverty reduction on its own – other policies are therefore necessary.

In the four provinces from which data on resource allocation were analysed, 50-85% of the central resources during 2001-2003 were allocated for providing subsidized credit to the poor. If at all, the allocation for training HEPR staff was less than 1%.

Decentralisation and Participation

The NTP on HEPR is managed and implemented in a decentralised manner, and provincial authorities, particularly local Party organizations and Provincial People's Committees (PPCs), have considerable discretion in allocating funds.

However, decentralisation below the provincial level is uneven. Most funds allocated to HEPR projects are still controlled at the provincial and district levels (by sector departments), even though the responsibility for implementing the programmes lies with the communes.

In spite of intentions to decentralise P135, most districts still manage the planning, implementing and monitoring of the programme's different activities. By 2003, only 385 out of 2,362 (or only 16%) of the "poorest and most difficult communes" in 20 out of 49 provinces under P135 were "investment holders."

Even where the management is devolved to the commune, spending plans still need approval at the district and provincial levels and may change in the approval process.

There has been some improvement in local level participation in decisions regarding implementation of some components of the two programmes. But this is largely attributable to the Grassroots Democracy Decree (GRDD) and not to the HEPR programme. Even so, GRDD has had little impact in the remotest communes on capacity issues such as financial transparency which are central to the programme's success.

Capacity Constraints

The limited capacities of staff and village leaders, especially in remote and mountainous communes, is often used as an argument against decentralisation. But no effort has been made to reverse the trend as less than 1% of the programme budget is allocated to training cadres.

Village leaders play a crucial role in increasing consultation with locals and supplying them with information, especially in upland villages. However, their capacities are often limited, and in many cases training efforts under the NTPs have focused on commune and higher-level People's Committee cadres, instead of village leaders, heads of social organizations, and members of People's Councils.

Mass organizations play an active role in the HEPR programme's implementation at the grassroots level. But their effectiveness is hampered by weak technical capacities, limited influence on decision-making at higher levels, insufficient integration with HEPR bodies and limited access to funds.

At the central level, the HEPR Office plays a critical role in coordination and monitoring the programme. However, it is limited by its stature and capacity, hampering its ability to perform effectively.

Adequate training needs to be combined concurrently with a system of incentives to improve the performance of the programme staff.

Financial Management System

The allocation of funds for Programme 135 is clear and transparent, and funds pass directly to communes or projects. In contrast to HEPR, poor communes are more aware of the amount of funding available and are thereby more equipped to supervise the implementation of projects. However, meaningful financial information, particularly regarding the signing of contracts, is infrequently supplied.

This lack of transparency arises from the limited consultation that takes place during the planning stage. Although the financing system is relatively strong, the large number of separate sub-programmes within HEPR prevents clear central oversight and control over programme funds. Moreover, the variety of funding sources makes the HEPR programme insufficiently transparent and accountable.

The flow of funds through the Treasury system from the central, province and district levels involves the use of separate accounts which should make accounting for the use of funds relatively straightforward. But, adequate accounting, audit and review mechanisms are not in place, and the system relies heavily on paper-based controls, such as formal annual reports, and one-off audit type checks by the State Inspectorate. As a result, it is difficult to accurately assess the use of funds or check whether those funds are used or transferred for other purposes.

There is insufficient evidence to estimate how much of HEPR funds are “leaked,” or do not actually make it to where they were allocated, because it is difficult to track allocations (even at the provincial level). Financial reports tend to lack actual spending details and recurrent spending cannot be tracked separately.

For recurrent expenditures e.g. staff training, salary/allowances, O&M costs etc., funding is delegated to organizations such as DOLISA, CEM, and the Extension Centres, and funds are allocated along with the current budgets of these organizations. Thus, the Treasury cannot distinguish between recurrent expenditure by the bodies concerned and current spending on the relevant elements of NTPs. This, again, limits transparency.

Overall, the potential for leakage exists in the HEPR programme, and is probably several times higher than that of Programme 135. One of the most likely areas for leakage is in the procurement process for public capital works. Infrastructure and housing capital works are implemented through appointing contractors, often from the local area.

The main potential for leakage is likely to be at the commune level and efforts to tighten the system should be focused at this level. Where communes only passively receive benefits or households largely receive support in kind, there is a higher potential for leakage of funds due to limited involvement and accountability of local people.

Financial documentation and recording at the commune level is a weak link in the system. Many local programme activities are not reflected in the accounts (e.g. providing housing to the poor, contribution by labour, or materials) and commune finance staff often do not have adequate accounting skills.

Monitoring Programme Performance

Even though information on a variety of indicators for both programmes is regularly collected, this does not constitute a programme monitoring system. Input, output and final impact indicators are indiscriminately listed. Without analyzing the pathways of impact, it is impossible to tell how specific policies or projects lead to poverty reduction.

An absence of baseline data has made the present evaluation an extremely challenging exercise. There is little objective data to compare and assess changes in household well-being.

The success of the two programmes is judged solely by frequent estimations of the poverty rate. But there is considerable variation in the way in which poverty rates are calculated in communes. This variation arises from: (i) use of different sampling techniques (census or sample), (ii) the method of data collection (self-reporting and/or village-level discussion or interviews), and (iii) the calculation of household income on the basis of this data (prices and conversion rates). Often these variations are due to flexible interpretations of the definition of poverty lines.

Much of the tracking of poverty rates is driven by the pressure to meet poverty reduction targets set at the central and provincial levels. Annually, exact numbers of households, are assigned to each village as targets based on a certain percentage. These targets are often at variance with what is achievable on the ground.

While there is a strong case for the use of proxy indicators to better identify poor households, there should be clear guidelines on how to use the additional information to assess household well-being.

The central Executing Agencies (EAs) are unable to satisfactorily monitor the use of funds for HEPR activities. Funds are allocated by the PPCs to the provincial departments, and central EAs are often unaware of how much funding is received by provincial departments for sub-programme activities. Additionally, there is no separate budget allocation for monitoring NTPs. Funds for programme monitoring are taken out of the normal annual budget of the EAs. Most agencies, however, are disinclined to spend resources for programme monitoring.

People's Councils, People's Inspection Boards and Project Supervision Boards have been strengthened to some extent, and new legislation is likely to help strengthen them further. But progress reporting on the NTPs takes place from the commune level upwards. There is currently a focus on outputs and outcomes, with no clear, formal mechanism for inputs from the Inspection and Supervision Boards. Furthermore, they monitor only those activities managed by the commune PC and not those managed by higher levels.

The HEPR Office and the EAs have very limited monitoring capacity. There is no full time monitoring staff in most EAs and provincial departments and there are few incentives for good monitoring.

Impact on household well-being of selected components

In the absence of a baseline survey or periodic tracking of outcomes, a mix of techniques were used to assess the impact of selected HEPR and P135 components on household well-being. The results of the Qualitative Household Survey were combined with the results from the PPAs and the VHLSS 2002 to get a better idea of the programmes' impact.

Credit

About half the respondents claimed to have benefited from access to credit. The small size and short duration of the loans as well as a lack of support services were the dominant reasons for lack of a significantly positive impact.

Health

While free healthcare does not increase access to health facilities, the money saved is important for poor households. However, almost 25% of respondents were denied access to health care when they needed it because of complicated procedures or late arrival of health insurance cards.

Tuition Waiver

Waiving tuition increases school attendance of children from poor households. Twelve percent of poor households would not have enrolled their children without tuition waivers. But 20% of households reported difficulties because of complicated procedures or lack of knowledge about the programme.

Extension

Even though many respondents claimed a positive impact of extension programmes on production, other evidence does not corroborate this. Respondents face problems that arise from limited training, insufficient staff, inappropriate technology, and lack of attention to marketing.

Sedentarisation

Nearly 75% of respondents reported no significant impact of sedentarisation on their well-being. The main reasons include: lack of quality infrastructure, poor soil quality and lack of consultation in programme design.

Most respondents rated the impact of the infrastructure projects highly positive. The problems mentioned related to the poor quality and maintenance of local infrastructure.

IMPLICATIONS FOR DESIGN OF NTP ON HEPR FOR 2006-2010

Ten themes emerge from the overall evaluation. Addressing these issues will greatly enhance the programme's effectiveness in the next phase. These are presented as proposals and grouped under four main categories:

1. Resource allocation and budgets

Provide programme funds as block grants to provinces to increase local-level autonomy

The next phase of the HEPR programme should move towards a system whereby provinces are *formally and legally* allocated annual *block grants* for funding poverty reduction activities. Provinces should have considerable and official discretionary spending powers

Grants should consider (i) discretion over HEPR budgetary allocations that provinces already appear to enjoy, (ii) the new State Budget Law, which devolves further budgeting responsibilities to the provincial and local levels, and (iii) the location-specific nature of poverty which requires local - rather than national - planning.

Establish a transparent and easy-to-administer system of allocating budgetary resources to provinces

A simple and transparent mechanism should be established for allocating annual funds to provinces. It is important that the formula is simple, easy to administer, and widely disseminated so that a large number of people can understand the basis on which provincial allocations are made. In addition, the information used to calculate provincial allocations should be unambiguous and not subject to manipulation.

Build incentives by linking resource allocation to performance

The current HEPR funding mechanism provides no incentives (or sanctions) for improved (or deteriorating) performance at the provincial level. This issue could be addressed by setting-up a system of (i) *minimum conditions* (MCs) for provincial access to annual block grants, and (ii) *performance criteria* (PCs) for assessing provincial performance.

2. Targeting poor households

Strengthen targeting mechanisms to increase the coverage of poor beneficiaries

The present system of identification of poor households uses arbitrarily-set poverty thresholds to assess the household's well-being against an absolute poverty standard. These are often at variance with local perceptions where relative poverty criteria are used to identify the poorest households. In addition, identification of poor households is driven by the pressure to meet poverty reduction targets, set at the Central level.

Setting poverty reduction targets realistically, for example, to be determined over a two-year period rather than over one year, can help increase the coverage of poor beneficiaries.

3. Organization & Management

Develop mechanisms to promote transparency and accountability of financial management

Mechanisms to promote transparency and accountability, consistent with the spirit of the Grassroots Democracy Decree, could include expanding and deepening "commune development fund" mechanisms. Clear incentives and sanctions for the publication of programme budgets and plans, and a stronger role for community-based monitoring are also essential.

Improve participation at local levels by operationalising the Grassroots Democracy Decree

Consistent with the Government's Socio-economic Development Strategy for 2001-10, the primary aim of the NTP on HEPR for the next phase should be "empowerment of poor people," to ensure their participation in decision making at all stages of the project cycle. At the same time, the programmes must strengthen horizontal links with other projects and policies, especially in regards to administrative reform and the decentralisation processes.

Develop an effective M&E system with a focus on reporting and tracking intermediate indicators

The monitoring system presently used needs to be strengthened in four essential ways: (i) develop a set of intermediate indicators that help track outcomes, (ii) conduct a baseline study prior to the start of the next phase, (iii) build-in plans for a mid-term review in 2008 and an evaluation in 2010-11, and (iv) streamline the reporting system to reduce the number of narrative reports.

Make the programme more manageable by reducing the number of programme components

Some components e.g. health cards, tuition waivers and extension do not need to be under the NTP framework and can be mainstreamed within their respective ministries. Consolidating and reducing the number of components of the HEPR programme, whilst maintaining the use of existing programme management boards, will make funding allocations more transparent. It will furthermore improve the financial accounting system and make funding choices easier.

All infrastructure-related components may be put together under a single programme such as Programme 135, and all employment-related components could be moved to a separate programme to make the HEPR programme leaner and more efficient.

4. Capacity Building

Build capacity at all levels, especially at the commune level including local cells and leaders of mass organizations

Additional investment in capacity building is necessary for the successful implementation of the NTP on HEPR 2006-10. The total budget for training should be increased, and closer collaboration should be sought with other capacity building efforts such as those under internationally-funded projects.

The next phase of the NTP on HEPR should also encourage capacity building of local people through mass organizations, and other local groups (including informal groups and newly emerging local associations) to enhance the basic technical supervisory skills for local level monitoring.

Strengthen the stature and capacity of the HEPR Office for better programme management

The capacity of the HEPR Office in communication, organization, coordination, reporting and policy analysis is critical for the successful implementation of the programme. However, the Office does not seem to enjoy the same level of administrative authority as other departments of MOLISA. This handicaps its ability to coordinate with other HEPR stakeholders.

The HEPR office should have a stronger mandate for monitoring and evaluating the performance of provinces and act as a central location for exchanging information and advising the government on the strategic direction of the programme.

A. BACKGROUND OF THE EVALUATION

Formally launched in July 1998 as Programme 133, the Government of Viet Nam's National Targeted Programme on Hunger Eradication and Poverty Reduction (NTP on HEPR) has now been operational for nearly six years. It was renewed in 2001 for the period 2001-05 and combined with the Employment Creation Programme (Programme 120) to become Programme 143, or the National Target Programme on Hunger Eradication, Poverty Reduction and Job Creation (NTP on HEPR-JC).

Programme 135, or the Programme for socio-economic Development in Communes faced with Extreme Difficulties (PDCED) was approved by GOVN Decision No. 135 on 31 July 1998. Initially, it covered 1,715 communes including 1,568 mountainous communes and 147 lowland communes with around 1.1 million households and over 6 million people. The Programme has now expanded to 2,362 communes. To an extent it is part of the NTP but was split from the HEPR due to institutional imperatives.

The government undertakes periodic reviews and monitors the programmes. In particular, a mid-term review of the NTP on HEPR was conducted by the Executing Agencies in October 2003, and of the P135 by CEM in April 2004. However, there has not yet been an independent evaluation of the two programmes. External assessments conducted by donor agencies in the past were limited to certain aspects and components of the programme. A study on HEPR institutional capacity was commissioned by UNDP in 1999.¹ During 2000-01, three components (credit, forestry and sedentarisation) were assessed by consultants commissioned by the ADB.² The latter was limited to only focus group discussions at central and local levels, and some qualitative case studies in Quang Tri, Quang Binh, Ha Giang, Dak Lak and Lai Chau provinces. Other than these few reports, the cupboard of independent and comprehensive assessments of the two programmes is rather bare.

I. OVERALL OBJECTIVES

Recognising the need to systematically assess the impact of the NTP on HEPR, the Government of Viet Nam requested UNDP to assist MOLISA in conducting an overall evaluation of the programme. An evaluation of P135 was also undertaken at the same time since even though separate, the two programmes were designed as one and have considerable overlaps.

The evaluation aims to:

- (i) assess the overall effectiveness of the NTP on HEPR and Programme 135 in reducing poverty in Viet Nam
- (ii) draw lessons for designing the NTP on HEPR for the period 2006-2010.

¹ UNDP (1999).

² ADB (2001).

II. EVALUATION FRAMEWORK

In order to assess the overall effectiveness of the two programmes in reaching their objectives, three issues are central to the evaluation:

(i) Are the programmes **doing the right things**? That is, are the programme objectives feasible, the targeting approaches appropriate, and the programme components relevant? Are the two programmes targeting the right people (i.e. poor households and poor communes), and are sufficient public resources allocated for achieving sustainable poverty reduction?

(ii) Are the programmes **doing things right**? That is, are optimal institutional arrangements in place for efficient implementation of the programmes? This requires an analysis of decentralisation, financial management and M&E systems as well as a review of whether there is sufficient capacity to satisfactorily implement the programmes.

(iii) What is the **impact of the programmes on household well-being**? That is, given the targeting approaches and the implementation systems, what is the impact of the programmes on the socio-economic status of poor households? To what extent can these households' current well-being be attributed to the two programmes?

To address these questions, the evaluation was split into a number of components as discussed in Annex 2. In a way, the components correspond to the different stages of the impact chain. Therefore, while the analysis of targeting approaches and selection of programme components relate to the provision of inputs, analysis of implementation systems (such as financial management and M&E) helps assess the process. Finally, to assess the programmes' impact, the report looks at the effects of project outputs and whether a causal relationship can be established between project outputs and changes in household well-being.

The extent of household participation in the two programmes was a key theme through all evaluation components.

III. SCOPE AND METHODOLOGY

The NTP on HEPR and P135 consist of a number of sub-programmes or sectors, also called *support policies* and *projects*.

This evaluation does not review the performance of each policy and project separately. Instead, it has both a thematic and sectoral focus, analysing thematic areas central to both programmes, such as targeting, resource allocation, financial management and M&E systems. This provides valuable insights into the actual functioning of the two programmes, contributes to an improved assessment of their overall effectiveness, and allows the analyses to effectively contribute to implementing the next phase.

However, for assessing impact, the evaluation focuses on specific sectors, or sub-programmes, examining changes in household well-being and the extent to which these could be attributed to the sub-programmes. But given the large number of sub-programmes, it was decided to focus on a few of them comprehensively rather than many poorly.

The report focuses on the impact of the following sub-programmes:³

NTP on HEPR	Programme 135
Credit for the Poor	Commune infrastructure (roads, irrigation, schools, electricity)
Health card	
Exemption of tuition fees	
Extension services	
Sedentarisation	

1. Time period of the evaluation

The two programmes have been operational since July 1998. Initially, the evaluation focused on the period 1998-2001. But it was not always possible to confine the various elements of the evaluation to this time period. The expenditure tracking study, for instance, relates to the period 2001-03 because data prior to 2001 is not readily accessible.⁴ Similarly, impact of different sub-programmes was assessed for two groups of households: (i) those that were on the list of poor households anytime during 1999 and 2002, and (ii) those that are currently classified as poor.

Work on different components of the evaluation was undertaken during May 2003–May 2004.

2. Use of multiple methods and data sources

The overall evaluation consists of a number of components that require a range of methods and equally diverse range of data sources (Table 1).

The methodology used in the impact assessment differs from “standard” impact studies. An attempt was made to integrate three different approaches relying heavily on a new instrument, the “Qualitative” Survey (QS). The QS put the types of questions that often figure in PRA-type impact studies within a national sampling frame. The implementation of the QS, and in particular the open-ended semi-structured questions, was a learning experience. As such, it familiarised national partners with a new type of data collection instrument and served as a sort of pilot which may be adapted in any number of ways in future. Further details of the different approaches are provided in Section C. III.

³ The sub-programmes for impact assessment were selected on the basis of the following criteria: (i) size of resource allocation, (ii) data availability (for components analysed using VHLSS data), (iii) policy relevance, and (iv) ability to establish a clear link between the output of the sub-programme and well-being outcomes at the household level.

⁴ This is not likely to affect the overall result since the studied processes do not change quickly.

Table 1: Methods and Data Sources for the Evaluation

Evaluation Component	Method	Data Sources	
		Primary	Secondary
Synthesis of Targeting Approaches	Desk review	-	√
Budget Allocation	Field Study, Interviews, Documentation review	√	√
Expenditure Tracking	Field Study, Interviews, Documentation review	√	√
Monitoring System Review	Field Study, Interviews, Documentation review	√	√
Impact Assessment	Qualitative Survey, Data Analysis, VHLSS 2002 Data Analysis	√	√
Participation/Empowerment	Desk Review	-	√
Institutional Capacity	Desk Review, Interviews	-	√

The evaluation aims to get a well-rounded and objective assessment of the achievement of NTP on HEPR and P135. For this it is necessary to bring together the extraordinarily rich data on different elements of the two programs from different sources to see whether they “fit” together to tell a credible story.

Thus, the overall analysis is not limited to the primary data collected specifically for the different evaluation components as shown in Table 1. Secondary data from the following sources were also consulted extensively:

- Progress reviews/reports prepared by different line ministries
- Official statistics
- Data from VHLSS 2002⁵
- PPAs conducted during 2003, and
- Reports from other Technical Assistance (TA) projects relating to the sub-programmes.

⁵ Data from VHLSS 2002 is used only as a reference since the poverty threshold used by MOLISA is lower than the poverty line set by GSO and so the two “lines” are not entirely comparable.

3. Limitations

Given the magnitude and complexity of the task, and the diversified nature of the two programs, some limitations of the overall evaluation should be made explicit. These have been grouped under generic limitations – those that are common to the different components, and specific limitations - those that are specific to a particular component.

3.1. Generic limitations

- Lack of a baseline
- Problems of attribution
- Problems in availability of reliable and consistent data
- Limitations arising from memory recall of survey respondents

3.2. Specific limitations

3.2.1. Expenditure Tracking Study

This study has a number of limitations. First, it is not a full-length expenditure tracking study tracking financial flows to all provinces and lower tiers. Such a study requires sampling all (or the vast majority) of decentralized units and hence is time and resource-intensive. Due mainly to time constraints, such a full study was not done.

Second, the study was only able to undertake a limited field study rather than review project spending. An expenditure tracking study should ideally consist of two components:

(i) Qualitative Field Survey component involves asking all responsible financial authorities about the release and receipts of funds from source to destination and expenditures undertaken. This entails administering the survey to authorities at central, provincial, district and commune level.

(ii) Project Expenditure Review component involves convening a meeting with local level authorities and villagers to publicly review the financial statements regarding projects with a view to determine if allocated funds were actually received by beneficiaries and projects undertaken as envisaged.

Project reviews were not conducted separately. However, the household questionnaires in the Qualitative Survey specifically asked about awareness of funds allocation at the local level.

Third, the survey was undertaken in a small sample of four provinces in the country. In each province, two districts were selected and in each district, two communes were selected to administer the survey to

government officials responsible for financial matters. Thus, in the time available the study covered four provinces, eight districts and sixteen communes and could only look in detail at the records of only a sub-set of district in the province (two in each province) and a sample of communes in each district (four communes in each province). Due to the limited selection of districts and communes within the four provinces, the complete funding flow from the province level to all districts and from districts to all communes could not be traced. To assess the full flow of funds would have required visiting all districts in a province and sampling a high number of communes (and preferably all communes) in those districts. Instead, it was possible to only trace the funding that was supposed to be allocated by the province to a district, and then the funding that was allocated by the district to a particular commune by looking at state Treasury records. If the sums recorded as being spent at district or commune level were less or more than sums allocated, there was no way of checking that these sums were indeed being spent or taken away from other districts/communes.

The main implication of these limitations for the overall findings is that the extent of leakage from the two programme studied could not be determined with great precision, due to limited geographical coverage and inability to scrutinize projects. The latter meant that the extent to which spending corresponded to local needs and was necessary could not be assessed.

But the data collected represent an accurate overall picture of funding flows and expenditure in the provinces, districts and communes surveyed. Given the cross-checking of data at different levels and with different sources (MPI, MoF, MOLISA etc.), the broad nature of the findings and recommendations are likely to be valid. However, a wider geographic review and deeper study at commune level (preferably conducted by local consultants and officials) would be necessary to determine the extent of leakage and precision of targeting on poor households with confidence.

The study has, despite the limitations of time and coverage, provided an insight into the allocation, distribution and expenditure at a decentralized level for the two programmes, which will inform their design for the period 2006-10.

3.2.2. Impact Assessment

Measurement error is likely to be an issue for the QS. While *all* surveys are affected by measurement error, the “newness” of the approach and the fact that enumerators had limited experience in semi-structured interviewing suggests that it may have played a role in this study. It is likely that the semi-structured interview questions on “magnitude of impact” are the most affected by measurement error and other questions less so. Some of the results to these questions should be treated with caution.

The QS relied heavily on self-reports to gauge the magnitude of impact. There are clearly limitations associated with this approach to impact assessment as well as a number of potential biases. The choice of methodology took full account of these issues as well as others related to existing data, time and resource constraints and the inherent complexity of HEPR which contains a vast number of sub-projects which are only loosely related. But *all* approaches to impact assessment have limitations.

The impact assessment has attempted to provide a sense of the magnitude of impact and underlying reasons for six major program components, some of which contained multiple sub-components. In principle, each one of these should be the subject of a much more detailed evaluation, which would be able to provide much finer information relevant to project design. Clearly, this is not possible in the present context given the broader scope of the study (in addition to time and resource constraints). So results should be interpreted with caution.

4. Research Locations

To ensure nation-wide representation and geographical spread, primary data collection for different evaluation components was spread across a number of provinces.

The Qualitative Survey (QS) was the most widespread. It sampled a total of 3,700 households over twenty provinces and one city in all eight regions. The field sites for the other components were selected to ensure an overlap, to the extent possible, with the sites for the QS.

Field-level interviews were conducted and data for the study of Budget Allocation processes was collected in Tuyen Quang, Lao Cai and Quang Nam provinces in selected districts and communes.

The Expenditure Tracking Study was limited to sixteen communes and eight districts in the four provinces of Tuyen Quang, Son La, Quang Ngai and Soc Trang.

A review of the monitoring system was conducted at the provincial, district and commune levels in Tuyen Quang, Quang Ngai, Phu Yen and Ho Chi Minh City. The research locations are shown in the map on page 18.

5. Partnerships

While largely independent, different components of the evaluation were undertaken in partnership with different government agencies and research institutes. A team of supervisors and enumerators from the General Statistical Office (GSO) implemented the QS. This required designing, pre-testing, revising and administering the questionnaire and later entering the data from the completed questionnaires. The Institute of Economics was the core national research team involved in the Impact Assessment study and was responsible for developing the QS sampling strategy, analysing QS data, and conducting sensitivity analysis on the propensity score matching exercise.

Work on the Expenditure Tracking Study was undertaken in close cooperation with the Ministry of Finance and with the active participation and support of the staff of the four provinces. The review of the Monitoring System was undertaken with the help of the HEPR office and DOLISA in the four provinces.

IV. STRUCTURE OF THE REPORT

Section A provides the Background of the Evaluation – its objectives, framework, scope, methodology and limitations. The rest of the report consists of three sections.

Section B sets the Programme Context by describing the details of the two programmes.

Section C is the essence of this report. It is divided into three parts. In Section C.I it analyses whether the NTP on HEPR and P135 are doing the right thing. This is done by asking to what extent are the objectives, targeting approaches and components relevant to the reality on the ground. It also examines whether the budgetary resources are allocated to where the poor are, and whether the programme components reflect peoples' priorities.

Section C.II analyses whether the two programmes are implemented the right way. This is done by examining the organisational structure and the extent of decentralisation, and implementation mechanisms such as the financial management and monitoring and evaluation systems. Capacity issues are reviewed to assess the strength of the supportive mechanisms for successful programme implementation.

Section C.III examines the impacts of the two programmes on household well-being using the qualitative household survey and other surveys such as the VHLSS 2002, and the Participatory Poverty Assessments (PPAs). Section D draws conclusions from the research.

Finally, Section E, looks to the future. It uses the results of the evaluation to draw lessons for the design of the next phase of NTP on HEPR for 2006-2010.

STUDY LOCATIONS



B. PROGRAMME CONTEXT

I. EVOLUTION OF HEPR AS A NTP⁶

Hunger and poverty in mountainous and remote regions of Viet Nam was first recognised as a persistent problem at the 7th VCP Congress in 1991. The Congress also noted a lack of sufficient emphasis by the government on providing support services, commune infrastructure, health care and education to the poor and ethnic minorities in these areas.

Ho Chi Minh City, which was well ahead of other cities and provinces in the economic reform (*doi moi*) process, initiated the first HEPR effort at the provincial level in 1992. The initiative aimed to eradicate hunger through increased public expenditure that improved access for the poorest people and communes to preferential credit, housing, food subsidies, basic social services and commune infrastructure. Following the lead of HCMC, 44 provinces set up HEPR funds as a way of coordinating (local and central) activities, resource mobilisation and spending. Most of the funds' activities centered on granting loans with preferential interest rates to help individuals set up businesses.

These efforts received official approval from the central government through MOLISA's participation in guidance and monitoring. The first national poverty lines were also drawn by MOLISA in 1993.⁷ The Government launched a number of nationwide HEPR-related initiatives in 1993 such as VBARD's non-collateral credit for the poor, and programmes 327⁸ and 120.⁹ The latter were pilot-tests of the government's attempts to address socio-economic priorities through targeted programmes.

Prior to 1996, different ministries and agencies implemented many national programmes to meet socio-economic development targets. However, there were no clear regulations on the performance of these national programmes. HEPR emerged as an important component of national policy after the VCP's 8th Congress in 1996, which outlined the objectives of HEPR and associated policy measures. The impetus for the national HEPR programme arose out of the growing recognition of limitations in the country's existing approach to poverty alleviation, including: (i) the lack of integration between existing programmes leading to a lack of coordination between policies and a diffusion of resources, (ii) the heavy emphasis on credit and a relative neglect of education, training, health care and infrastructure development, (iii) the lack of national poverty standards, and (iv) the lack of effective mobilisation of the community behind poverty reduction.

In 1996 the government proposed¹⁰ a national hunger elimination and poverty reduction (HEPR) programme to coordinate existing and new efforts, as well as to channel resources for combating poverty.

⁶ This section is based on UNDP (1999).

⁷ The poverty lines were subsequently revised in 1995 and every two years thereafter.

⁸ 'Reclamation of barren hills, wasted land and sedentarization of nomadic ethnic minorities'

⁹ 'Employment promotion'.

¹⁰ By Prime Minister's Decision No. 531/TTg dated 8/8/1996.

In November 1997 the VCP's Central Executive Committee reviewed local HEPR experiences and created a detailed outline for a future national HEPR¹¹ programme whereby planning and management are defined by the programme while the actual investment is done by the different component-projects.

HEPR was formally set up as a national targeted programme (NTP) in 1998 consolidating a large number of national programmes into fewer but more focused projects. The criteria for selection as a national targeted programme are provided in Box 1.

In April 1999 the development of the national HEPR framework led to the enactment of a number of inter-ministerial instructions to guide the implementation of the NTP and related programmes (such as planning, integration, finance, infrastructure development, health care and staffing).

Thus, the NTP for HEPR did not appear suddenly. Rather, it was the result of a long process of interactions between local initiatives and central responses to emerging challenges by providing policy guidance.

Box 1: Criteria for the selection of a programme as a NTP

- Urgent, regional and/or ministerial issues of national social and economic importance that require concentration of government guidance and resources
- Clear and quantifiable programme objectives or those under the national development strategy
- Definite medium-term, usually 5 years

Source: Decision No. 531/QD-TTg dated 8/8/96 quoted in Vu Tuan Anh (2003)

¹¹ VCP's Central Executive Committee Instruction No. 23-CT/TW on leading and working of HEPR issued on 29 November 1997.

II. NATIONAL TARGETED PROGRAMME ON HUNGER ERADICATION AND POVERTY REDUCTION (NTP ON HEPR)

1. Objectives

The objective of Programme 133 was to eliminate chronic hunger and reduce the percentage of poor households in the country to 10% by 2000.

Another objective, not explicitly stated but often emphasized by the 8th VCP Congress, political leaders and the public was “to narrow the gap among population groups and geographical areas by accelerating the socio-economic development of the disadvantaged.”¹²

These objectives were expanded for the period 2001-05. Thus, Programme 143 aims to:

- Reduce the proportion of poor households to below 10%, using MOLISA's new poverty line – i.e. an average decrease of 1.5-2.0% per year and eliminate chronic hunger.
- Ensure that poor communes have basic infrastructure works such as small-scale irrigation, schools, health care, roads, water electricity, markets, etc.
- Provide jobs for 1.4-1.5 million labourers every year.
- Reduce the unemployment rate in urban areas to less than 6% and promote the labour time use in rural areas to 80% by 2005.

2. Target Groups

The programme benefits are directed at poor households, as defined by the MOLISA poverty line. The mechanism for the identification of poor households is discussed in Section C.I.1.

Despite merging programmes 133 and 120 to make Programme 143, they are still known by their separate names and their activities implemented separately at the central and local levels. This may be because the target groups of the two components are different - while the HEPR components target poor households and poor communes, the job creation activities do not focus only on the poor.

3. Programme Components and Resources

Programme 143, like the earlier Programme 133 on HEPR, is not really a programme, but rather a coordination mechanism for a number of policies and projects implemented by different Ministries. It consists of six “support policies” and twelve “projects”:¹³

Support policies (Box 2) are budgeted for a total non-refundable capital of VND1,600 billion (about USD100 million) all of which is expected to come from local budgets.

Projects (Box 3) are budgeted for a total of VND4,640 billion (almost USD300 million), most of which is expected to come from the central budget but is channeled through province, district and commune

¹² UNDP (1999).

¹³ SRV (2001b).

authorities. Sixty percent of this is for the “hardware” under infrastructure and sedentarisation projects, and 16% as interest rate subsidies.

Box 2: Support Policies

1. Low cost and good quality medical care for the poor (free or inexpensive medical care, free health insurance cards, construction of some infrastructure, supply and training of medical staff, etc.)
2. Low cost, universal and good quality education for the poor (reduced or exempt school fees, free or cheap notebooks and textbooks, scholarships, teacher training especially in boarding schools for ethnic minorities, etc.)
3. Special support for ethnic minorities in extreme difficulties (provision of basic needs, production inputs, production technology training, etc.)
4. Special support for vulnerable people e.g. those affected by natural disasters and temporary migrants (support with production, technical training, also house repair)
5. Housing support (provide appropriate houses to the poor, especially in urban and flood prone areas, also border areas)
6. Support with production tools and land (reclaim, recover, reallocate land, supply boats, fishing nets, hand tools, etc.).

Total cadre training in the policy and the project components of the HEPR-JC was budgeted for VND100 billion over a 5-year period, or just 1.6% of total funds.

It is difficult to compare resource allocation for different components across programmes 133 and 143 because of difficulty in access to comparable data. Still, some trends are evident from Table 2. On a per-year basis, allocations for sedentarisation, farming extension and contribution for health support declined by more than 60%, whereas allocation for production support was reduced by nearly 70%.

Box 3: HEPR-JC Projects

1. Credit for poor households to develop production
2. Guidance to poor people on business, agricultural and forestry extension
3. Developing models of hunger eradication and poverty reduction in poor communes
4. Infrastructure in about 700 poor communes (those not under Programme 135)
5. Assistance to production, i.e. processing of agricultural produce, non-agricultural skill development and small-scale industries and services
6. Training of cadres responsible for HEPR implementation
7. Settlement of migrants in New Economic Zones in poor communes
8. Sedentary agriculture and settlement in poor communes
9. Loans for small-scale employment generation projects
10. Modernising and strengthening the capacity of employment service centres
11. Collect statistical data on the labour market and establish an information system
12. Training and strengthening of cadres involved in employment management

Table 2: Trend in resource allocation for HEPR sub-programmes

(VND bn)

Component	1998-2001	2001-2005	Executing Agency
Policies			
Health support	800	500	MOH
Education	834	n.a.	MOET
Support with production tools and land	n.a.	n.a.	
Assistance to ethnic minorities	262	150	
Housing support	-	250	
Special support to vulnerable people	-	700	MOLISA
HEPR Projects			
Credit	6000*	750#	SBV
Farming extension	200	100	MARD
Models of hunger eradication	-	100	MOLISA
HEPR Projects for non-P135 communes			
Infrastructure	3825**	1400	MARD
Production support	200	90	MARD
Training	100	100	MOLISA
Settlement of new economic zones	-	1400	MARD
Sedentarisation	1200	700	MARD
TOTAL		6240	
JC Projects (included from 2001)			
Loans for small-scale employment generation	-	~ 3000*	MOLISA
Modernising employment service centres	-	210	MOLISA
Strengthen labor market information system	-	30	MOLISA
Training of cadres for employment management	-	30	MOLISA

Source: MOLISA documents, various.

Notes:

- * Credit capital
- ** Includes allocation for Programme 135
- # Interest rate subsidy
- No allocation made under NTP modality
- n.a. Data not available

4. Implementation Arrangement

The organizational structure of the programme management for NTP on HEPR is depicted in Figure 1. The organizations and their responsibilities are summarised in Annex 3.

The programme's management structure is operational at four levels, namely the central, provincial, district and commune. At the central level, MOLISA (assigned as the Programme Managing Agency), MPI, MOF MARD, CEM, MOET, MOH and SBV are responsible for the programme's overall guidance. Together with representatives from mass organizations (namely, VFF, VWU and VFA) they are represented at the National HEPR Steering Board, headed by the Deputy Prime Minister in charge of the rural sector, to assist the government in the programme's overall supervision, coordination and evaluation.

At local levels, PPCs are in charge of organizing and managing the programme, and accounting for the use of all resources within their territory. The implementation authority is delegated to commune PCs or temporarily to district PCs wherever the former have capacity constraints. HEPR Boards have been established in all provinces and most districts and poor communes. Some PPCs and DPCs have an HEPR section or group of experts to help them and the HEPR Board in daily management and coordination of HEPR efforts.

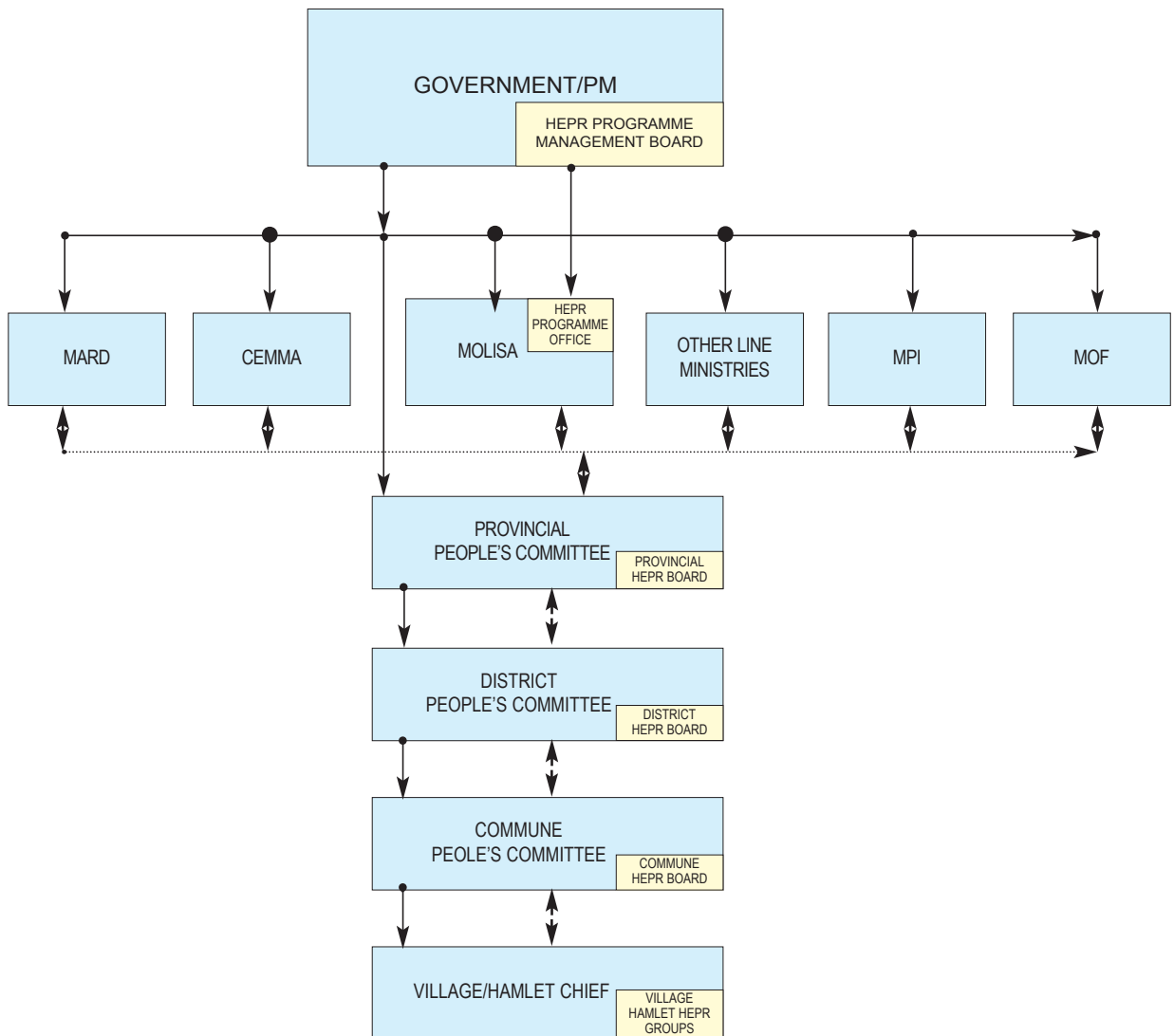
Among central agencies MOLISA, MPI and MOF play key roles in HEPR planning, funding, and coordination. MPI and MOF are responsible for balancing demand and available resources for HEPR and allocating the total amount of funds to the NTP. Moreover, MPI and its local branches (e.g. DPI and SPI) have been designated as the government's focal points for the planning, managing and coordinating of national programmes at their respective levels. MOF is in charge of budgeting, and the transfer and use of funds.

MOLISA is in charge of synthesizing and submitting to MPI and MOF the proposed allocation of the NTP resources among provinces and participating programmes after being cleared by the National HEPR Steering Board.

The Programme Steering Board is designed as a mechanism for coordination, supervision and evaluation and its collective decisions are to be formalized by instructions from concerned members (e.g. the Deputy PM or vice ministers). The Board's coordinating role also overlaps with the coordinating responsibility of MPI and MOLISA.

The key players in HEPR are not central agencies but provincial authorities, particularly the VCP and PPC which are solely responsible for setting targets, organizing, guiding, and coordinating the implementation of HEPR and its resources in the province. The role of commune authorities and mass organizations is essential since they are in charge of the bottom-up planning and implementation of the programme. The districts play a significant role in delivery since most specialized service providers (i.e. VBP, VBARD, extension service centers, education and health care providers) are based at the district level.

Figure 1: Organizational structure of the NTP for HEPR



III. PROGRAMME 135

The Programme for Socio-economic Development in Communes faced with Extreme Difficulties (PDCED also known as Programme 135) was approved by the Prime Minister by Decision 135/1998/QD-TTg issued on 31 July 1998, to enhance poverty reduction in especially disadvantaged communes in 52 provinces in the country. On 29 November 2000, Decision 138/2000/QD-TTg integrated the earlier NTP on HEPR components on sedentarisation, support to especially disadvantaged minorities, and inter-commune center development in mountainous communes into Programme 135. In addition, the component “support for disadvantaged ethnic minority households” was changed into “support for

disadvantaged ethnic minority policies” and shifted from the NTP on HEPR to Programme 135 in 2001. Following these shifts, P135 now consists of five sub-programmes: infrastructure development, inter-commune center infrastructure development, relocation planning, agricultural and forestry extension (linked to processing industries), and training for commune/village staff in remote and mountainous areas.

Technically not a NTP because it does not cover all the provinces, Programme 135 is still considered a focus programme¹⁴ as it is spread over 49 provinces.¹⁵ In terms of budget allocation it is larger than the HEPR projects of Programme 143.

Although formally combined, the two are now independently managed programmes, but there is still no clear division between them. Most local authorities treat Programme 135 as a special channel for the central government’s priority investment into commune infrastructure in the pre-selected communes and the NTP on HEPR as a channel for the remaining supports. Funds for Programme 135 in 1998-2000 and the central government’s contribution in 1999 were planned as a part of the total funding for the NTP on HEPR.

Programme 135 may be considered a special vehicle to focus HEPR resources and activities on particular geographical areas. In fact, the government has simplified investment procedures for infrastructure projects under the programme. The NTP on HEPR and the PDCED overlap geographically, and the coordination and integration of the two programmes are done through the annual planning at local levels, especially at the provincial level.

1. Programme Objectives and Target Groups

To an extent, Programme 135 presents a more comprehensive approach to HEPR, aiming at the promotion of a market economy in disadvantaged areas and setting up a wide range of policies to be further developed. In addition to the HEPR primary target, Programme 135 also contains a number of secondary targets, which are not included in this report and do not completely fit into the NTP for HEPR (e.g. “to integrate ethnic minorities into the national development ...[and] to promote national security”).

Specifically, Programme 135 aims to:

- reduce the proportion of poor households in severe-difficulty communes to less than 25% in 2005, and
- provide adequate clean water, increase the proportion of school-age children attending school to more than 70%, further train poor people in production, control dangerous and social diseases, construct roads to inter-commune centers, and develop rural markets.

¹⁴ Vu Tuan Anh (2003).

¹⁵ However, State Budget funds are only provided to 43 of the 49 provinces included in the P135 - in the remaining 6, funds are allocated from provincial budgets.

A major difference between the two programmes is their targeting methods. This is discussed in further detail in Section C.I.1. Initially focused on 1,000 of the 1,715 communes faced with extreme difficulties, the PDCED uses the geographical method of targeting and includes a wide range of criteria other than poverty and lack of infrastructure for the selection of target communes.

2. Programme Components and Resources

Programme 135 was first implemented in the country's 1,000 poorest communes and was gradually expanded to the 2,362 poorest communes. It funds

- a construction of infrastructure at the village and commune level (roads, health centres, schools, irrigation systems, water supply systems, markets, etc.)
- b construction of infrastructure at commune-cluster level (inter-commune roads, clinics, markets, etc.)
- c settlement and sedentarisation of ethnic minorities
- d agricultural and forestry extension
- e training of commune level cadres (especially for management and monitoring of works)

Funding for 2,233 of the poorest communes is allocated from the State budget and the other 129 from provincial funds. Total investment during 1999-2004 was VND6,795 billion or nearly USD430 million. Of this about 3.5% went to components (c) and (d), and less than 1% for training of commune-level cadres. Almost all funds are allocated for construction of commune- and inter-commune infrastructure (Table 3).

Table 3: Trend in resource allocation across P135 components

(VND bn.)

Component	1999-2001	2002-2004
Village and commune infrastructure	2064.4	3129.7
Inter-commune infrastructure	434.0	865.0
Settlement and sedentarisation of ethnic minorities	0	35.0
Agricultural extension	50.0	164.0
Training of commune-level cadre	21.6	32.0
TOTAL	2570.0	4225.7

Source: CEM

3. Implementation Arrangement

At the central level, CEM is the Programme Managing Agency for the implementation of Programme 135.

The National Steering Committee for Programme 135 was established, and operates in accordance with the Regulation on the 135 National Steering Committee operations, as per Decision 01/TTg of 4 January 1999 and Decision No-13/1998/QD-TTg of 23 January 1999 issued by the Prime Minister. The Committee consists of representatives from various ministries and agencies such as CEM, MOLISA, MPI, MOF, MARD, VFA, and the Minorities Committee of the National Assembly. CEM is the Standing Agency in the committee.

There are clear guidelines for project implementation procedures. For individual sub-programmes, the CEM as the standing body and the EAs have issued inter-ministerial circulars on programme management and implementation.¹⁶ MARD, as the other EA for P135, has also issued various guidelines on implementation of related components.¹⁷

Further details of the organisational structure are summarised in Annex 4.

¹⁶ For example, the inter-ministerial Circular 666/2001/TTLT-BKH-UBDTMN-TC-XD, Guidelines on P135 infrastructure projects' investment and construction management, Circular 12/2000/TT-BXD of 25 October 2000, Guidelines on cost units for P135 infrastructure projects, Circular 867/2001/TT-UBDTMN of 5 November 2001, Guidelines on implementation of P135 "inter-commune center development projects", inter-ministerial Circular No- 912/2001/TTLT/UBDTMN-BTC-BKHĐT, issued on 16 November 2001 by CEM, MPI and MOF, and Guidelines on implementation of especially disadvantaged minorities support policies.

¹⁷ For example, Document No-976/BNN-DCDC of 29 April 2003, Guidelines on implementation of "agricultural and forestry production promotion" sub-programme, Document No-3301/BNN-HTX of 9 October 2003, and Guidelines on implementation of relocation planning projects.

C. PROGRAMME EVALUATION

I. RELEVANCE OF PROGRAMME OBJECTIVES, TARGETS AND COMPONENTS

As laid out in the evaluation framework (Section A.II), this section analyses whether the two programmes are doing the right things. That is, whether and to what extent are the two programmes *targeting the right people* (i.e. poor households and poor communes) and *allocating adequate resources* to achieve sustainable poverty reduction?

1. Identification of poor households and poor communes

The issue of targeting, i.e. directing, benefits to poor and disadvantaged households and regions is not one of whether, but of how and first requires proper identification of poor households and communes. This section will review the criteria and process by which poor households and poor communes are identified. It will then assess the extent to which the two programmes accurately identify the “true” poor. The ability of beneficiaries to access benefits from the various policies and projects will also be analysed.

In addressing these issues, the extent of people’s awareness of the criteria, their participation in the selection process, and their perceptions of the outcomes are also analysed as cross-cutting themes.

1.1. Identification of poor households

MOLISA devised the first poverty threshold for Viet Nam in 1993 to support the Government’s HEPR-related initiatives driven by the need to identify poor households (and poor communes) eligible for direct assistance.

The MOLISA threshold serves purely as a reference income level to which state transfers are linked. Those with incomes below this threshold are entitled to support from the HEPR and other government programmes.

The MOLISA “line”, however, carries with it fiscal implications. The minimum income at which it is set is not determined so much by a notion of need but, instead by the availability of budgetary resources.

The main criticism of the MOLISA threshold is that it is set too low. Financial resource limitations may be one reason. This is also the perception of 42% of the respondents of the Qualitative Household Survey when asked why some poor households do not figure on the list of poor households.

Traditionally, poverty in Viet Nam has been associated with insufficient food and poverty reduction is synonymous with staving off hunger. It is likely that in identifying poor households, the original MOLISA threshold focused only on meeting the food needs of the poor.

The threshold has been adjusted periodically to stay in step with the average growth of the economy and the improvement of the overall living conditions (Tables 4 and 5). In 1997, it was re-adjusted to apply to the 1996-2000 period, and two main changes were introduced: (i) rural locations were sub-divided into mountain areas and plains, and (ii) minimum rice-equivalent per capita monthly income was expressed in monetary terms. In 2001, rice equivalence was dropped altogether and the poverty threshold for each location is now expressed as the minimum income necessary to meet the food needs for each person per month.

Table 4: MOLISA threshold for poor households (in rice equivalence and VND)

(per person per month)

Location	1993	1995	1997	2001
Rural	15 kg	20 kg		
Urban	20 kg	25 kg		
Rural Mountainous and Island			< 15 kg (= VND55,000)	VND80,000
Rural Plains and Midland			< 20 kg (= VND70,000)	VND100,000
Urban			< 25 kg (= VND90,000)	VND150,000

Source: MOLISA documents, various years

Table 5: MOLISA threshold for “hungry” households (in rice equivalence and VND)

(per person per month)

Location	1993	1995	1997	2001
Rural	8 kg	13 kg		
Urban	13 kg	13 kg		
Rural Mountainous and Island				
Rural Plains and Midland			< 13 kg (= VND45,000)	VND50,000
Urban				

Source: MOLISA documents, various years

The poverty threshold used by MOLISA to identify poor households for the period 2001-05 comprises three levels of income (Table 5) for:¹⁸

- urban (VND150,000 or USD9.6 per person per month),

¹⁸ The current poverty standard was adjusted by Decision 1143/2000/QD-LDTBXH.

- rural lowlands (VND100,000 or USD6.4 per person per month), and
- mountainous areas (VND80,000, or USD5.1 per person per month).¹⁹

The income thresholds for identifying poor households are presently under review and new thresholds are being devised for the period 2006-10. They are likely to be set at VND230,000 per capita per month for urban and VND200,000 per capita per month for rural areas.

MOLISA's method of identifying poor households for targeting is a combination of *simple means test* targeting and *community-based* targeting. Different targeting methods are discussed in Annex 5. After the formal start of the NTP on HEPR in 1998, the first assessment was initiated in December 1999 and consisted of four steps (Box 4).

Box 4: Steps in preparing the list of poor households

Step 1 Members of the Commune People's Committee including the village head, cadres of village mass organizations, village police and heads of self-governing groups made a preliminary list of poor households and submitted it to the Commune HEPR Committee.

Step 2 The commune HEPR Committee assigned staff to verify the situation of the listed households. Staff from the district HEPR committee assisted in this phase to develop the proposed list of poor households.

Step 3 The Commune People's Committee conducted a village meeting, including the better-off households in order to seek their opinions on the proposed list. The proposed list was then revised and submitted to the district HEPR Committee.

Step 4 Head of village conducted a meeting that included poor households only to inform the certified poor households in the village.

Updating the list of poor households is based on a relatively simple annual census that collects information on sources of income and other household characteristics (see Annex 6 for a copy of the survey format). The household income as obtained from the respondent is divided by the household size. This information is needed for making the list of each commune's poor and very poor households based on the income thresholds. The use of income-based and location-specific thresholds, which allow for differences in costs of living across different areas, has a number of advantages:

- inadequate income as a cause of poverty is easily understood at the local level, and
- it is easy to administer a two page questionnaire to collect basic demographic, income and asset data.

¹⁹ MOLISA (2003a).

The main disadvantages are that the thresholds

- are set arbitrarily and are strictly not comparable,
- the testing is not uniformly undertaken in all communes,
- it does not cover the entire population, and
- factors other than inadequate income may determine the priorities to identify poor households.

Many households are unaware of the income thresholds for poverty assessment, though nearly 76% of the respondents of the QHS are aware of how the list of poor households is prepared. More than 98% of them confirm that the list is prepared after a consultative process (Table 6).

Table 6: Awareness of how the list of poor households is prepared

(in percent)

Region	The list is prepared by the village head:			
	Without consultation	After meeting with local organisations	After meeting with many persons	Others (including Don't Know)
Red River Delta	0.33	36.39	62.62	0.66
North East	0.00	3.08	97.17	0.00
North West	0.26	4.21	95.26	0.26
North Central Coast	0.28	14.45	84.42	0.85
South Central Coast	2.17	32.25	64.13	1.45
Central Highlands	3.38	18.80	77.44	0.75
South East	1.24	12.03	86.72	0.00
Ho Chi Minh City	5.56	63.89	28.47	1.39
Mekong River Delta	1.00	11.78	87.43	0.20
Total	1.19	17.83	80.56	0.53

Source: Qualitative Household Survey, 2004

Note: Ho Chi Minh City is recorded separately so as not to bias the results from the region.

However, there is usually a discrepancy between the number of households officially classified as poor and those considered poor at the village and commune levels. Much of this has to do with popular perceptions of what constitutes poverty. Local criteria for assessment of well-being usually include a number of factors, of which income is only one (Box 5).

Box 5: Villagers' criteria for assessing household well-being status

- Housing conditions and furniture
- Land: quality and area, location (proximity to a water resource)
- Food availability
- Quantity of livestock (buffalo, cow, goat)
- Inherited assets
- Capacity in doing business, intellectual level
- Labour sources

Source: Ha Giang PPA, (2003)

The difference between households identified as poor and those that appear on the list of poor households also arises because of pre-determined numbers of poor households “allocated” for each village. In some cases villagers select poor households based on allocated numbers and their subjective evaluations. The list drawn from village meetings is then submitted to the commune for approval before the households are informed.

Other than the constraints imposed by pre-set numbers, both local authorities and people feel that the current average income criteria are too low. Many commune officials do not agree with the prescribed income criteria, yet are afraid of listing a higher number of households as poor for fear of damaging their poverty reduction performance (Box 6).

Commune and village staff also find it difficult to categorise households on the basis of average incomes since (i) villagers often have several income sources, and (ii) most poor households do not have stable

Box 6: Constraints in application of poverty thresholds

Officials and local people in Ninh Phuoc and Ninh Son Districts in Ninh Thuan Province said that the per person per month poverty thresholds of VND100,000 for Ninh Phuoc (a Mekong Delta district) and VND80,000 for Ninh Son (a mountainous district) do not reflect actual costs of living. In group discussions in Tuan Tu Village, An Hai Commune and in Hoa Thuy Village, Phuoc Hai Commune, people felt that these thresholds do not incorporate expenditures on necessary items such as education, healthcare, or income-generating investments. The general opinion is that the minimum income threshold must be VND150,000 (per person per month).

compiled from Ninh Thuan PPA, 2003

incomes. Other anomalies also arise. For instance, roofing materials provided by the state are sometimes included in household income (as in Muong Khuong District, Lao Cai Province) although the income table in the questionnaire form only provides for regular income.

Including roofing materials (worth around VND2 million) within these households' monthly income would allow the majority of poor households receiving them to automatically "escape poverty" However, many of these households will "fall back to poverty" the next year (Ageless Consultants, 2003).

Furthermore, the income boundary of VND80,000 per person per month is also difficult to determine. Households considered as having escaped poverty (i.e. just exceeding the VND80,000 threshold) are concerned that they will no longer receive support but will still face a number of challenges. Those households that have just escaped out from poverty can fall back at any time given the risky agricultural conditions in mountainous areas. *"Households in the income range of VND85-90,000 are unsustainable and need further support so as to create security for them over a certain period of time..."* (Pha Long commune officials, Lao Cai PPA, 2003)

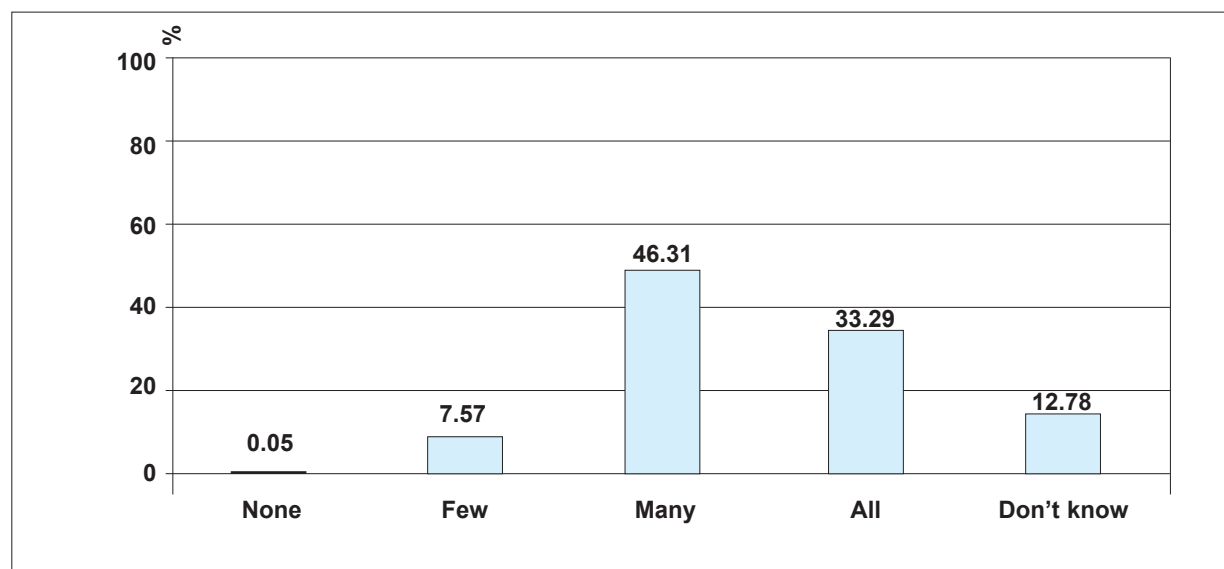
Many households in Ninh Thuan are just above the official poverty line. It is hard to distinguish between the near-poor and poor households. As a result, Ninh Son District (Ninh Thuan province) requested the local Social Policy Bank to alter their policies and permit near-poor households to access "concessional" loans.

A potential weakness of the present targeting method is the systematic exclusion of some types of households. People deemed to be lazy or drunk seldom receive any benefits and may not even be listed as poor. The exclusion from benefits may penalise children in those households who should not be blamed for the bad habits of their parents (World Bank and CRP 2003).

Temporary migrants are also excluded from the lists of poor households. They rarely participate in village meetings. Evidence from a PPA study in Ho Chi Minh City shows that a very high proportion of migrants (up to 40% in surveyed wards) can be classified as poor by PPA wealth ranking approach (SCUK 2003) but do not appear on the list of poor households.

Of the 3,700 households surveyed nationally, 80% confirmed that many or all households whom they considered poor were on the list of poor households (Figure 2). Not surprisingly, a larger proportion (68%) of commune officials asked felt that "all" households on the list of poor households were actually poor.

In spite of regional variations in preparing the lists of poor households, people largely acknowledged that households on these lists are indeed poor (Figure 2).

Figure 2: How many poor households on list of poor households are considered poor?

Source: Qualitative Household Survey, 2003

Note: Subsequent figures are all based on data from the QHS, 2003, unless otherwise stated.

Table 7: Distribution of households classified as poor by quintile

	Percentage of households	
	Classified as poor*	With poor household card/certificate
Total	11.4	3.8
Non-Poor (1)	29.0	27.4
Poor (1)	71.0	72.6
Quintile 1 (Poorest)	58.2	58.5
Quintile 2	22.1	24.7
Quintile 3	11.3	9.1
Quintile 4	5.2	6.5
Quintile 5 (Richest)	3.2	1.1

Source: Compiled from VHLSS 2002

Notes: * By commune officials using the MOLISA thresholds

(1) As per the expenditure-based poverty line

A point of concern is that though 11.4% of the households are classified as poor, only 3.8% were granted poor household certificates by 2002 (Table 7).²⁰ This number may have gone up since then, but it suggests a time lag between preparation of the list of poor households at the commune level and receipt of poor certificates/cards by the designated poor households. Very often the time lag of 4-6 months severely limits the use of the card normally valid for a few months to one year. This concern was voiced repeatedly in the PPAs conducted last year (Box 7).

Box 7: Delays and Errors in Poor Household Cards

The issuance of the poverty certificates is slow and subject to a high margin of error. Villagers in Tra Giang received their poverty certificates in July even though these certificates were dated 1st January 2003. These poor households therefore could only use the certificate for a maximum of 4 months. Furthermore, five out of 15 cards had the wrong date of birth entered for the recipient.

CRP (2003)

Spatial distribution of poor households and poor household cards – The North Central Coast and the Mekong River Delta together make up 41% of the poor households in the country but receive 57% of all poor household cards (Table 8). On the other hand, only half and one-third of poor households in the North West and the South Central Coast respectively have access to poor household cards.

Although the North Western region this region has the highest poverty rate by any measurement method only 5.4% of households are classified as poor. This suggests a low population density and may be a reason for neglecting the region.

No method for identification of poor households is perfect. The overall picture that emerges is that the identification of poor households is progressive, and a fairly large number of poor households have been identified to receive benefits under the NTP on HEPR. The extent to which they do will be examined in Section 1.4.

²⁰ This may be because some localities do not provide "poor household books", rather have the names of poor households in the list of poor households.

Table 8: Regional distribution of households classified as poor

	Percentage of households		Poverty Rate (%)	
	Classified as poor*	With poor household card	GSO (2002)	MOLISA (2002)
Total	11.4	3.8	28.9	11.4
Urban	12.1	9.7	6.6	6.2
Rural	87.9	90.3	35.6	15.1
North East	13.0	10.0	38.8	13.9
North West	5.4	2.8	68.1	21.9
Red River Delta	12.1	8.0	22.7	8.4
North Central Coast	19.2	25.6	43.6	17.8
South Central Coast	6.9	2.2	25.6	13.0
Central Highlands	9.4	8.8	51.4	17.4
South East	12.1	11.3	9.9	6.3
Mekong River Delta	21.9	31.3	23.0	11.3
Total	100.0	100.0		

Source: Compiled from VHLSS 2002. Data on MOLISA poverty rate from MOLISA-GTZ (2004)

Note: * By commune officials using the MOLISA thresholds

1.2. Identification of poor communes

CEM uses the MOLISA poverty rate information as one criterion amongst five to classify communes in especially difficult circumstances (Box 8).

Based on these five criteria, a commune is placed in one of three Areas or Groups:

- Area (or Group) I: Communities that are starting to develop
- Area (or Group) II: Communities with mainly stabilised development
- Area (or Group) III: The poorest and most vulnerable communities: those that meet 4 of the 5 criteria

Box 8: Criteria for the selection of communes under P135

- A Location: remote border or island; more than 20km from a developing centre.
- B Available infrastructure: is absent or temporary; significant transport problems prevail; no access by car to the commune; little or no electricity supply, irrigation, clean water, schools or health centres.
- C Social issues: illiteracy is more than 60%; significant health problems; backward custom.
- D Production conditions: generally unfavourable and inadequate to meet the population's requirements; collection of forest products accounts for a significant proportion of household incomes; forest land is used for agricultural cultivation; shifting cultivation is practiced.
- E Living conditions: more than 60% of households are poor by MOLISA income threshold.

Source: SRV, 1998: 4-6.

Using these criteria, CEM in 1995-96 identified the 1,715 communes facing especially difficult circumstances - this included 1,568 mountainous communes and 147 communes in the Mekong Delta distributed amongst 267 Districts in 46 provinces and municipal areas.²¹

It is difficult to get a clear sense of exactly how the criteria were applied in practice, and whether the districts had a role in identifying the communes for inclusion in the list. Review of past reports and discussions with officials reveal that based on the selection criteria issued by CEM in 1995-96, the PPCs requested the districts prepare a list of communes which qualified for inclusion. CEM then sent specialists to work with the provinces, districts and communes to verify this list.

On other occasions, it was claimed that while communes provided information on request, the District Programme 135 Implementation Board prepared the proposals and they were sent to the province and onward to Hanoi. In Hanoi, the P135 Central Consideration and Approval Committee consisting of representatives of CEM, MPI, MOLISA, MARD, the Government Committee for Organizations and Personnel, and the General Department for Land Administration decided which communes were selected.

After the 1,715 Communes were selected, a sub-set of 1,000 were selected to receive targeted funds in the first phase (1999-2000) of Programme 135. In practice, it seems that informal criteria guided the selection of the 1,000 priority communes and that this selection was largely delegated to provinces. By 2002 the list had expanded from 1,715 to 1,870 communes. In the second phase, the total number of communes increased to 2,362.

²¹ MOLISA et al 1999: 37, SRV 1998: 6-7.

In addition to communes chosen based on poverty criteria, a further round of communes were selected by CEM purely for being located on an international border. In the Northern Mountains the inclusion of these communes has not dramatically affected the total numbers, given that in these provinces the majority of communes, including those on the border with China and Laos, were already selected on the basis of the poverty criteria. The exact definition of these communes varies across districts. Some include them in the list of Area III Communes; other do not, making a clear distinction between Area III (chosen on the basis of poverty/lack of infrastructure) and those chosen by CEM. All, however, qualify for and receive P135 funds.

Apart from the P135 communes, NTP on HEPR also identifies poor communes for directing infrastructure investments under P143 (Box 9).

Box 9: Criteria for selection of poor communes under P133/143

1. Poverty rate over 25%

2. Infrastructure: have less than 3 of the 6 basic infrastructure items listed below:

- Access to safe water: less than 30% of the total number of households within the commune
- Access to electricity for household consumption: less than 50% of total number of households
- Transportation: no road to the commune centre, or inaccessible at certain periods of the year
- School facilities: the number of classrooms (following MOET criteria) cannot accommodate more than 70% of the school population, or classrooms are temporary and built from simple raw materials
- No communal health care centre or rudimentary centre
- No market or rudimentary market

The total number of poor communes has increased steadily since 1998 and at present 2,362 communes are classified under P135 (Table 9). This appears to be an anomaly since poverty has continued to decline from 1998-2002. Part of the increase in poor communes may be because of administrative restructuring. But as presented in Box 10, it could also have been a late realization by commune and district officials of the possible benefits of increased participation in the programme.

The explanation in Box 10 seems plausible except that it suggests that (i) a similar approach must be adopted by government officials in general to under-state poverty so as not to appear inefficient, and (ii) there is considerable “latent poverty” in Viet Nam which surfaces as soon as more resources become available. Official data, therefore, has to be interpreted with caution.

Table 9: Increasing coverage of P135

	1999	2000	2001	2002	2003	2004*
Extremely disadvantaged communes	1,012	1,490	1,884	1,907	1,907	1,919
Border communes	188	388	388	388	388	388
Communes of Safety areas during the war	0	0	53	67	67	67
Total	1200	1,878	2,325	2,362	2,362	2,374
Of which:						
Funded from the state budget	1200	1,753	2,200	2,233	2,233	2,245
Funded from the local budget	0	125	125	129	129	129

Note : Border communes include communes in Zones II and III.

* Planned

Source: CEM (2004)

Box 10: Increase in poor communes in spite of decline in poverty

Discussions with CEM and provincial officials in Ha Tinh and Phu Tho provinces revealed that when select mountainous communes with special difficulties were ranked in 1996, most provinces across the country were unaware about the real purpose of the exercise. Wanting to present a good record of their provinces, officials did not disclose that they still had poor communes with special difficulties. However, when the government started implementing Programme 135 by providing block grants for investment to the "difficult" communes, many districts asked to have more communes included on the list of poor communes.

- from DFID (2000a, 2000b)

Slightly more than 50% of all poor communes under P135 are located in the two northern regions. These are also the regions with high poverty rates - 38% and 68% respectively for the northeastern and northwestern regions by VHLSS 2002. However, only about 12% of the total population living in P135 communes nationally, are located in these two regions (Table 10).

In terms of targeting poor households, nearly two-thirds (66%) of the total population in P135 communes lie in the bottom two quintiles (Table 11). But at the same time, 45% of the households in the P135 communes are not poor. The government has a number of area-specific programmes, data for two of which are presented alongside that of P135. In the poor communes under P143 there are an almost equal number of poor and non-poor households. The non-poor households are likely to benefit disproportionately from the large investments in public goods such as commune infrastructure and other benefits.

The proportion of non-poor households receiving P135 benefits has important implications for the design of future targeting mechanisms.

Table 10: Regional distribution of population in poor communes

	Percentage of population in:			Poverty Rate (%)	
	P135	Remote Areas	Poor Communes under P143	GSO (2002)	MOLISA (2002)
	[1]	[2]	[3]		
Total	14.8	15.9	19.2	28.9	1.4
Urban	3.9	4.0	5.8	6.6	6.2
Rural	96.1	96.0	94.2	35.6	15.1
North East	10.4	9.1	13.0	38.8	13.9
North West	1.7	2.4	5.4	68.1	21.9
Red River Delta	22.7	19.8	12.1	22.7	8.4
North Central Coast	20.1	17.5	19.2	43.6	17.8
South Central Coast	8.9	7.3	6.9	25.6	13.0
Central Highlands	4.0	10.9	9.4	51.4	17.4
South East	11.7	12.5	12.1	9.9	6.3
Mekong River Delta	20.6	20.6	21.9	23.0	11.3
Total	100.0	100.0	100.0		

Notes: [1] Population located in communes with the Programme 135

[2] Population located in communes classified as remote areas by the Government

[3] Population located in communes classified as a poor commune by the PPC

Source: Compiled from VHLSS 2002

Table 11: Distribution of population in poor communes by quintile

	Percentage of population in:		
	P135 communes	Remote Areas	Poor Communes under P143
	[1]	[2]	[3]
Total	14.8	15.9	19.2
Non-Poor (1)	44.8	47.1	49.3
Poor (1)	55.2	52.9	50.7
Quintile 1 (Poorest)	43.5	41.1	39.4
Quintile 2	22.6	22.8	22.3
Quintile 3	15.1	17.9	18.0
Quintile 4	13.6	13.0	13.8
Quintile 5 (Richest)	5.3	5.2	6.5
Total	100	100	100

Notes: (1) As per the expenditure-based poverty line

Source: Compiled from VHLSS 2002

1.3. Access to benefits

This section deals with access of poor households' access to benefits from various policies and projects from NTP on HEPR. Being classified as a poor household entitles the household to the following benefits (Box 11):

Box 11: Entitlements of households classified as poor

- Reduction or exemption of tuition fees and other school fees
- Free healthcare cards and vouchers
- Availability of loans at low interest rates
- Exemption from compulsory public work
- Exemption from agriculture tax
- Exemption from various contributions (national security and defense, education promotion, natural disaster prevention, village events, association fees, etc.)
- Food provision between harvest seasons
- New Year gifts

Source: CRP (2003)

Of these only credit, tuition waivers and free health care are provided as part of the NTP on HEPR for which the households classified as poor need to have poor cards or certificates. But many households do not know how to use the certificates and what kind of services they are entitled to with the certificates. Some certificates have no date of issue and arrive only 4-6 months before they expire. In addition, not enough information is supplied on the certificate to guide the households on how to access programme services (Mekong PPA, 2003).

Analysis of data from the PPAs suggests that certificates are necessary but not sufficient to access programme services. For example, to get education fees waived/reduced, schools require additional stamped papers from CPC or from DOLISA. Consequently, the key questions addressed in this section are: what proportion of the identified poor households actually access programme benefits and what problems do they face in accessing these benefits?

Table 12: Distribution of access to HEPR sub-programmes by quintile

Percentage of households with access to:				
	Credit for the Poor	Free Health Insurance	Education Policy Household	Education for the Poor
Total	2.2	4.0	11.7	5.5
Non-Poor (1)	25.1	28.6	41.1	30.2
Poor (1)	74.9	71.4	58.9	69.8
Quintile 1 (Poorest)	60.2	57.8	46.0	53.6
Quintile 2	20.4	20.8	23.9	24.1
Quintile 3	13.7	13.6	15.4	13.4
Quintile 4	4.4	4.6	10.7	6.4
Quintile 5 (Richest)	1.3	3.3	4.0	2.5
Total	100	100	100	100

Source: Compiled from VHLSS 2002.

Note: (1) As per the expenditure-based poverty line

1.3.1. Subsidised credit

According to government data, a total of VND14,695 billion was provided as concessional loans by the Bank for Social Policies²² during the period 1996-2002 to 2.75 million households across the country.

²² Earlier known as the Viet Nam Bank for the Poor (VBP).

However, data from VHLSS 2002 indicates that only a small percentage of households across the country have access to subsidized credit (Table 12). Of these about a quarter (25.1%) are non-poor households.

Analysing by quintile, more than 80% of households with access to subsidized credit are in the bottom two quintiles and only about 6% of households lie in the top two quintiles. Also, nearly 26% of all households with access to subsidized credit are located in the northern uplands (Table 13) which is a region with a high poverty rate and a large proportion of ethnic minority people.

But there is no data to assess the proportion of total lending by quintile. The average amount of a loan is VND2.5 million (approx. USD170). However, poor households borrow in small amounts and even though 80% of the borrowers are from the bottom two quintiles, the amount of capital reaching these categories is likely to be disproportionately low.

Banks and local organizations still fear that the poor will fail to pay back loans when lending money to them.

Table 13: Regional distribution of access to HEPR sub-programmes

	Percentage of households with access to:		
	Credit for the Poor	Free Health Insurance	Education for the Poor
Total	2.2	4.0	5.5
Urban	10.6	15.6	13.2
Rural	89.4	84.4	86.8
North East	21.7	10.4	8.8
North West	4.1	7.6	2.8
Red River Delta	9.2	14.4	8.2
North Central Coast	30.6	17.2	13.5
South Central Coast	4.7	11.3	7.2
Central Highlands	5.8	7.7	23.3
South East	9.7	15.4	10.5
Mekong River Delta	14.1	16.0	25.8
Total	100	100	100

Source: Compiled from VHLSS 2002

“The Bank for the Poor drew up a list of poor households but offered (funds) to rich households and poor households were granted small loans or nothing. (Thai ethnic woman, aged 30, mixed group discussion in Tam Dinh Commune, Nghe An Province, 2003).

“The policy was worked out, yet poor houses could borrow only little money while big loans went to the rich.” (a woman, aged 68, in Tam Dinh Commune, Nghe An Province, 2003).

Both VBARD and BSP require CPC endorsement for loans thereby making CPC a guarantor. People’s Committees are reluctant to endorse really poor households who don’t have any assets. In many cases bank staff authorized CPC chairmen to select the borrowers with the condition that the CPC would also assume responsibility for the timely recovery of the loan. Furthermore, CPCs often require the village head or village head of mass organizations to endorse a request before they recommend it to the bank. Local Women’s Unions often endorse applications only for members’ households. But most poor households, especially in ethnic minority areas, are not members of mass organizations, and so are sidelined at the first stage.

Data from the VHLSS 2002 is used to assess the targeting efficacy of the various sub-programmes. A targeting efficacy study was also undertaken as part of the evaluation (Shaffer and Thang, 2004). Apart from some variation in the education component, both studies estimated the coverage and mis-targeting or “leakage” rates of the sub-programmes to a similar order of magnitude. The results are presented in Table 14.

The results need to be interpreted carefully. Programme coverage rates suggest that, for example, 20% of the all poor households²³ have access to tuition waivers, and nearly 10% of all poor households have access to health insurance. Programme mis-targeting rates on the other hand, reflect the extent of mis-targeting of programme benefits to the non-poor. So, 25% of non-poor households have access to subsidized credit, or 30% of non-poor households have access to tuition waivers.

Table 14: Targeting Effectiveness of HEPR programme components

Sub-programme	Programme Coverage (C) (%)		Programme Leakage (L) (%)	
	(1)	(2)	(1)	(2)
Credit for the Poor	5.8	5.7	25.1	33.1
Health Care Certificate	2.6	-	27.3	-
Health Insurance	9.9	9.8	28.6	38.1
Education for the Poor	20.0	12.1	30.2	37.7

Sources: (1) Compiled from VHLSS 2002

(2) Prepared by Shaffer and Thang (2004) also using data from VHLSS 2002

²³ Here poor households are defined using the GSO poverty line.

Programme Coverage (C) measures the number of poor households which are programme participants as a proportion of the total number of poor households. That is, $C = N_{p,i}/N_p$, where $N_{p,i}$ is the number of poor households in the programme and N_p is the total number of poor households.

Programme Leakage (L) measures the number of non-poor households who are programme participants as a proportion of the total households in the programme. That is, $L = N_{np,i}/N_j$, where $N_{np,i}$ is the number of non-poor households in the programme and N_j is the total number of households in the programme.

Despite the many achievements of the programme in recent years, which this evaluation recognises, accessibility to credit by the poor remains a problem. There is considerable qualitative evidence to corroborate the low coverage rate of the subsidized credit sub-programme. Reviewing past research, Huong and Thang (2003) summarise the factors that constrain poor household's access to subsidized credit (Box 12).

Box 12: Factors constraining credit access to poor households

Not all poor households in need of capital, especially in very poor communes, can get access to credit. In mountainous provinces, e.g. Son La and Lai Chau, bank officials are unable to reach the communes frequently. In some cases it takes 3-4 days to get to necessary places which costs the officials more than their transport allowance of about VND300,000 (Hoang Son, 2001).

- The targeting-related problems are documented as follows:
- Often the poor borrowers are screened out because of a low repayment capacity. Instead, households not poor according to the MOLISA's poverty thresholds but with a higher credit demand and repayment capacity get loans.
- Insufficient information on financial services in rural Viet Nam is also a problem. The poor are often not aware of the eligibility conditions, interest rates, and other loan terms. Information about credit is mainly conveyed via credit officers and is usually inconsistent (The Viet Nam-Canada Rural Finance Outreach Project, 1999 cited in Dufhues *et al*, 2002).
- Evidence from the village survey by Dufhues *et al.* (2003) show that in some cases "hungry" households are officially excluded as they are assessed as too poor. In contrast to the national policy of providing collateral-free loans, some credit officers insist on collateral in the form of a "Red Book" for a VBP loan. This is in contrast to the national policy of providing collateral-free loans. Some farmers switched from VBARD to VBP because of its lower interest rate, despite having collateral and not belonging to the eligible target group of the VBP.
- In some cases poor households find it difficult to access the loans due to an absence of regular loan provision. The VBP provides loans to the selected poor households in a commune at one time a year but it is once in 2 or 3 years for each village. Then, a poor household that did not gain access to VBP loan at the first time has to wait for 2 or 3 years to next credit cycle to borrow (Nguyen Xuan Nguyen, 2001).

- The poorest households generally do not access VBP loans partly due to self-exclusion (for fear of indebtedness), and also because of restricted outreach and limited range of credit products (Dao Van Hung, 2001).
- Focusing on ethnic groups, Huynh Thu Ba *et al.* (2002) found that in many credit and saving projects, some ethnic groups with no special needs might become beneficiaries of these projects. The provincial government aims at subsidizing the preferential loan interest rate to the poorest communities, which cannot afford the rate set by the Viet Nam Bank for the Poor. Nonetheless, there is no restriction on who can borrow this kind of credit. Many ethnic minorities refuse to borrow money because they do not feel the need to borrow and some of them are even afraid of not being able to pay back the debt. In addition, the Women's Union, which manages the fund, uses some loan criteria that cannot be met by ethnic minorities. Instead, 60-70% of borrowers are Kinh, who are not in the groups that are in need of low-interest loans most.

Source: Huong and Thang (2003)

1.3.2. Health Support

The exemption or reduction in health costs is one component of HEPR's Health Care Support policy. It entails providing poor households or communes free or subsidised health care through:

- the distribution of health insurance cards or poor household certificates which entitle the holders to free or subsidised care, and
- the direct provision of free services in healthcare facilities or through mobile health units.

The Government's Decision 139 allows for free-of-charge medical examinations and treatment for the poor. Targeted groups include:

- poor households under Programme 143
- all households living in communes under Programme 135, and
- ethnic minority households in the Central Highlands.²⁴

In 2002, a total of 43 provinces/cities implemented a policy of providing health insurance cards to the poor, and 18 provinces were supporting the poor in other forms (such as issuing free healthcare books, waivers at hospital, etc.). No province however, applied the reimbursement scheme for HIPC (Table 15).

By end of 2002, about 1.5 million insurance cards had been issued nationwide (Table16).

²⁴ By Decision 168 of the Prime Minister.

Table 15: Distribution of forms for supporting the poor in healthcare in provinces (up to June 2002)

Form	Number of provinces				
	1995	1998	1999	2000	2002
Provision of HI cards to the poor, and settlement is done following normal health insurance procedures	1	11	32	39	43
Provision of HI cards to the poor following reimbursement scheme	7	1	2	6	-
Other forms such as provision of Poor Household card, Free Health Card, direct exemption at hospital...	45	49	27	16	18
Total	53	61	61	61	61

Source: Dang Boi Huong (2003)

Table 16: Number of health insurance cards for the poor 1998-2002

Type of card	1998	1999	2000	2002*
HI card for the poor following normal settlement procedure	134,000	550,789	1,169,072	1,542,744
HI card for the poor following reimbursement scheme	40,000	52,262	198,451	-
Total	174,000	606,051	1,367,523	1,542,744

Source: Dang Boi Huong (2003)

Note: * Until June.

Analysing the distribution of access to free or subsidised healthcare to poor households (Tables 12 and 13) reveals that:

- 4% of the total population has received either a health care certificate or has access to free health insurance,
- of these, non-poor households make up 29% of total beneficiaries,
- 78% of all beneficiaries are located in the bottom two quintiles,

- one-third of all free health care certificate recipients are in the North Central Coast and the Mekong River Delta, and
- users of free health insurance are evenly spread across the regions except in the North West and the Central Highlands.

As shown in Table 14, examining the effectiveness of health support policies, free health insurance covers close to 10% of poor households, though the mis-targeting is around 28%.

These estimates seem plausible as the government's mid-term performance review of NTP on HEPR for 2001-05 acknowledges that "even though health facilities at the grassroots level... have been prioritized for investment, demands of the poor have not been met". The report states that only about 32% of the poor in the two mountainous regions had access to health insurance cards.

Focusing on households with access to the government's healthcare support, the QHS asked eligible respondents if they *always* received the fee reductions or exemptions when they were sought medical care and if not, the reasons why. By eligibility, it was meant either eligible to receive: (i) the health insurance card or poor household certificate or (ii) the actual fee exemption or reduction when seeking medical care. The question is concerned with access to the card or certificate as well as access to the actual services that are supposed to be provided to card holders.

In total, around 75% of respondents maintained that they always received the health fee exemption or reduction when seeking medical care (Figure 3). But there is considerable regional variation. Northern provinces appear to have fared the worst, with only around two-thirds of respondents claiming to always receive the exemption/reduction. In the northeastern region, less than 60% always received healthcare. The provinces in the South recorded the highest percentage of affirmative responses.²⁵ There is also significant variation within and between the three regions as evidenced by the table entries. There are no statistically significant differences in the responses of the subgroups within ethnic or gender categories.

²⁵ A similar question was administered to commune officials in the commune questionnaire concerning the frequency with which eligible households in the commune received the exemption/reduction. The response categories included "always", "frequently", "sometimes" and "never". As above, the South recorded the highest percentage of responses in the "always" category (45%).

Figure 3: Percentage of Eligible Household Members always received healthcare exemption

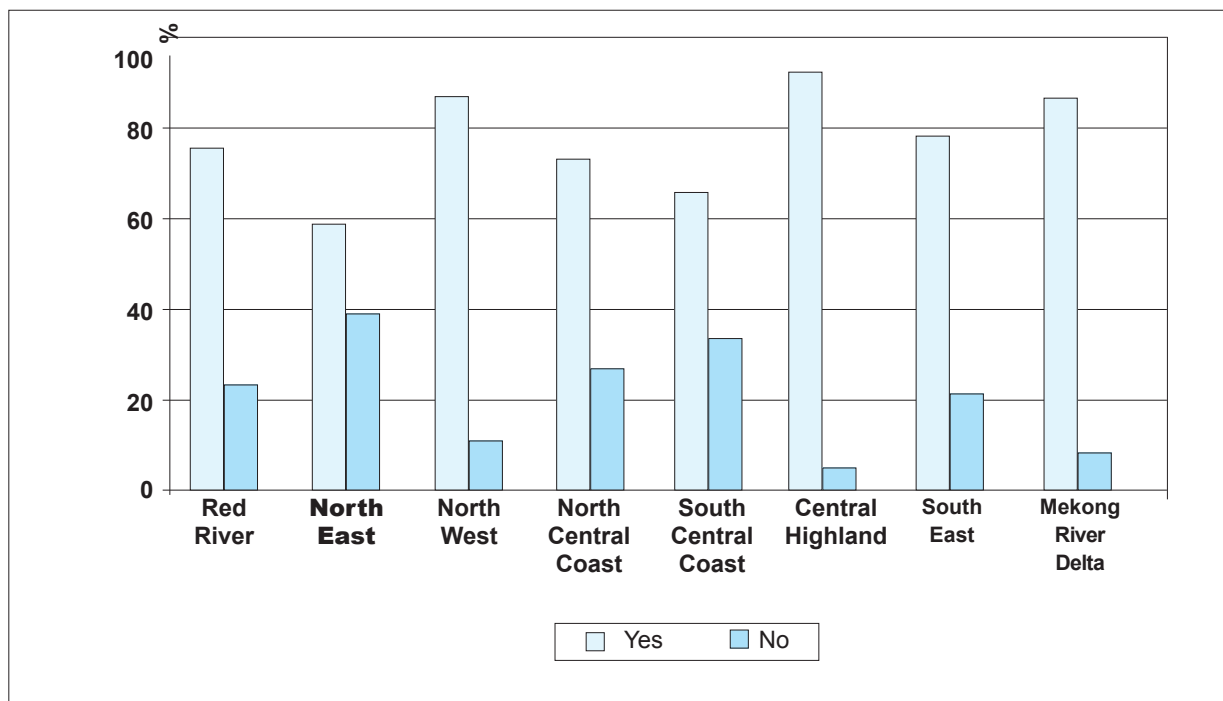


Figure 4 presents some of the reasons why the exemption/reduction was not always received according to the 25 per cent of respondents who didn't always receive it. The two main reasons were that:

- the health card arrived too late and
- the procedures were too complicated to get the card.²⁶

This pattern holds across all geographic regions with two exceptions: in the Centre, “complicated procedures” were not identified as a major reason; in the South, a major reason involved the refusal of health facilities to accept the Poor Household Certificate. This evidence is corroborated by a survey conducted in ten provinces by the Viet Nam Health Insurance Agency and Hanoi Medical University (VHIA, 2002) which states that about 12.5% of patients, who showed introduction papers that they had obtained from their commune authorities were rejected by hospitals which doubted their veracity. Most people with PHB or HIPC are actually poor, while many people who are exempted directly by hospitals are not. The survey highlighted this as one weakness of the direct exemption scheme.

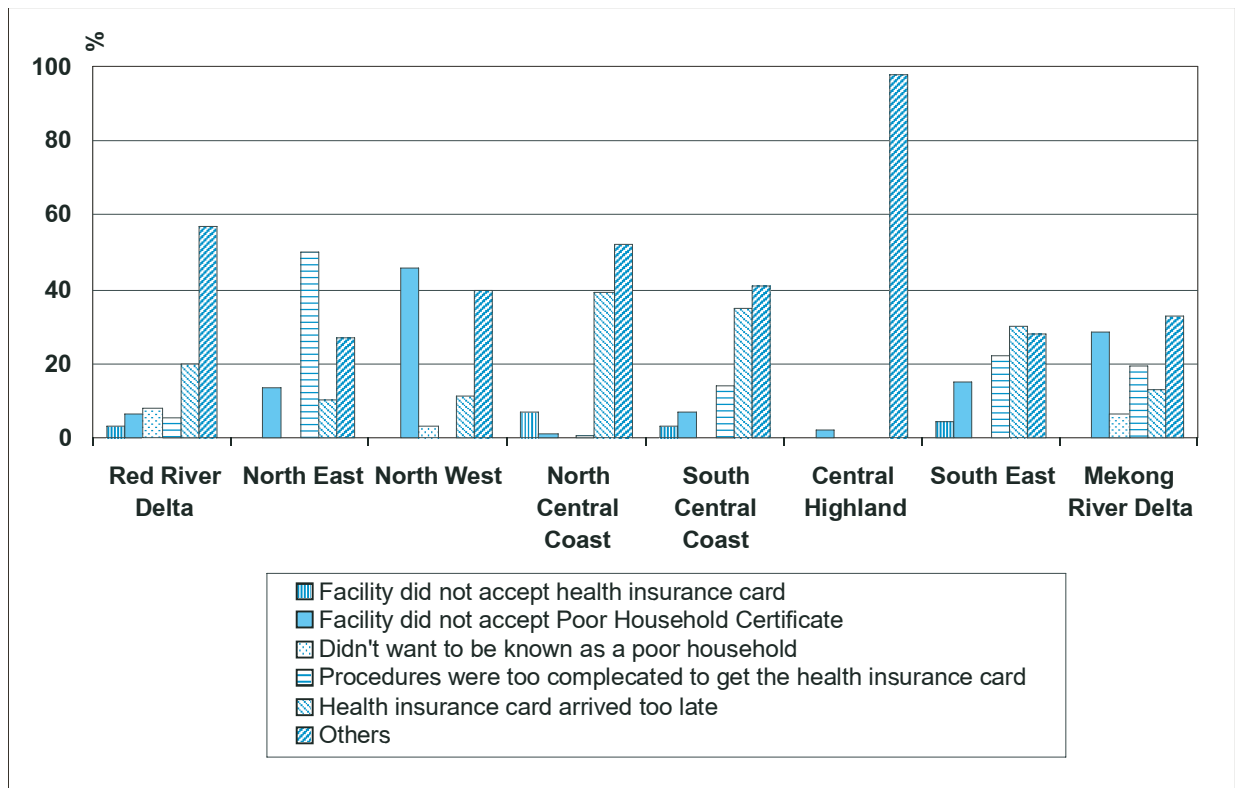
Another difficulty in selection and provision of PHB and HIPC is the ambiguity of Circular 05²⁷, which does not regulate whether health insurance (HI) cards should be provided to households or to individuals. This has caused confusion for both DOLISA (in charge of approving the list of beneficiaries) and the HI

²⁶ A significant number of responses fell into the 'other' category which could not be coded and included in the present analysis.

²⁷ Circular No. 05/1999/TTLT-BLDTBXH-BYT-BTC on Health Insurance and Free Health Care for the Poor.

Agency (in charge of issuing cards). If the provision is for sick, poor individuals, the HI agency is unable to balance the insurance fund, and is not consistent with the risk sharing principle (Dang Boi Huong, 2003).

Figure 4: Reasons that Eligible Household Members did not always receive Health Care Exemption when Seeking Medical Care



Additionally, the difficulty in uniform application of the poverty standard to identify beneficiaries of health insurance cards among different localities has forced some provinces to allocate the number of poor people evenly throughout districts and then communes. Therefore, a poorer district/commune is not guaranteed to have more beneficiaries than a non-poor district/commune. This has partly distorted the spirit of the policy.

1.3.3. Tuition Waiver

The government's achievements in implementing the education support policy are remarkable (Table 17). During 2001-02, the last two years for which comparable data is available, a sum of more than VND120 billion (USD8 million) was set aside for supporting the implementation of the educational policy.

Tables 12 and 13 analyse the distribution of access poor households have to the various types of support provided by the government. A total of 5.5% of households receive partial or full tuition

exemptions, another 11.7% are education policy households. The Education for the Poor scheme is better targeted than the other sub-programmes as nearly 70% of the households with access are poor and nearly 80% belong to the bottom two quintiles. Nearly 60% of the households receiving tuition waivers are in the Central Highlands, the Southeast and the Mekong River Delta regions. The programme also has the best outreach as it covers 20% of all poor households (Table 14).

Table 17: Scale of support for implementation of Education Policy

('000 students, billion VND)

	1998	1999	1999-2000	2001	2002
Provinces →	25	31	38	50	39
Students exempted from tuition fees	683	764	2660	2004*	851
Budget for tuition fee exemption	N.A.	39	95	39	42
Students granted free text books	352	200	1640	1650**	720
Budget for book grant	N.A.	8.3	37.8	6.7	3.1
Students exempted from maintenance fees			1980	600	342
Budget for maintenance fee exemption			47.5	20	8.3
Students granted scholarships				20	12.5
Budget for scholarships				5	3.1

Source: "Educational Support within the framework of the NTP on HEPR for the 1998-2000 and 2001-2005 periods", presentation by MOET, 2004

Notes: * including 730,000 poor children who were also exempted

** including 1.35 million poor children who were also granted free books

In total, around 80% of eligible respondents of the Qualitative Survey maintained that they always received the tuition and school maintenance fee exemption or reduction (Figure 5). While there is some regional variation, there are no statistically significant differences between individual regions and the national average (minus that region). In addition, there are no statistically significant differences in the responses of the subgroups within the ethnic or gender categories based on ethnicity or gender.

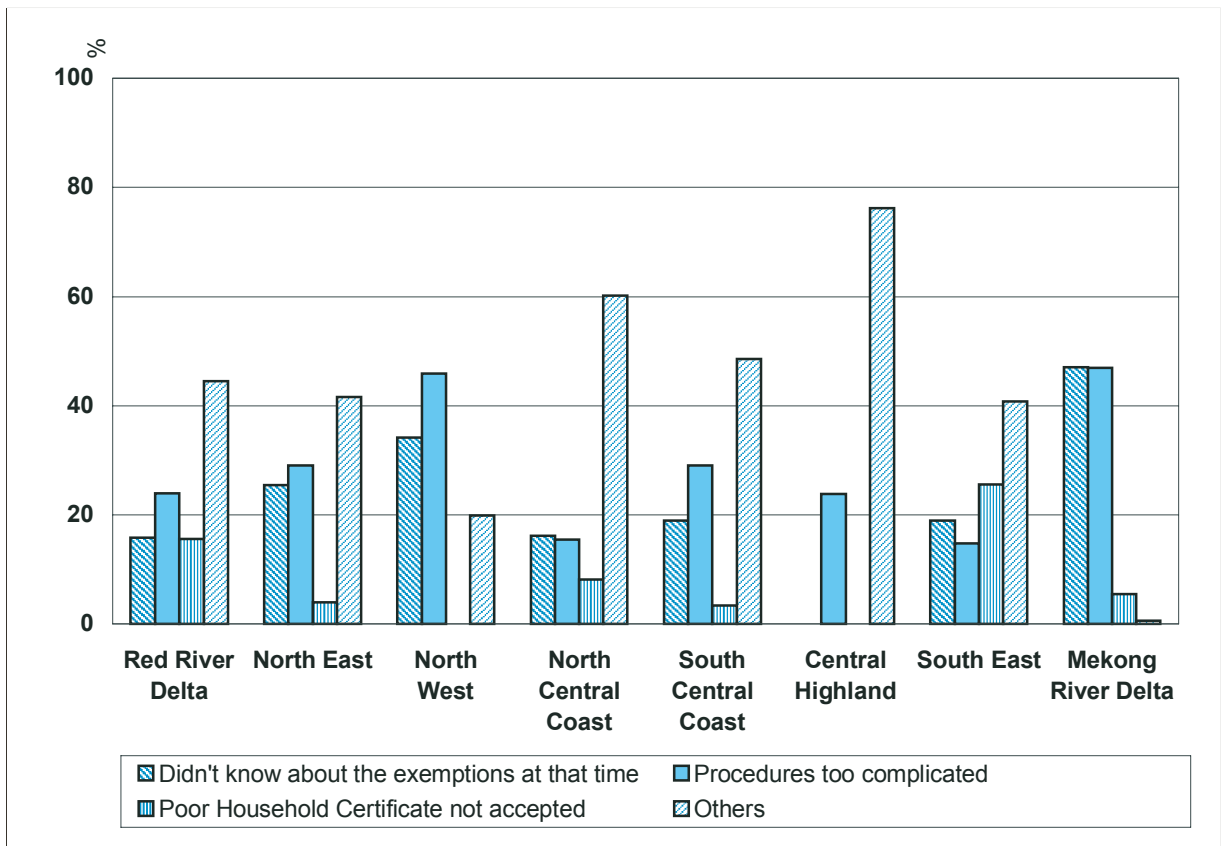
The two main reasons why the fee exemption/reduction was not always received were:

- (i) respondents didn't know they were entitled to exemptions and
- (ii) the procedures were too complicated to get the card.²⁸

²⁸ A significant number of responses fell into the 'other' category which could not be coded and included in the present analysis.

This pattern holds in all three geographic regions with the exception of the South-East where the major problem cited was the refusal to accept the Poor Household Certificate. As discussed in the previous section, refusal to accept these certificates seems to arise because the process of identification of identifying poor households is prone to extraneous influence at the local levels.

Figure 5: Reasons why Eligible Households did not Always Receive the Tuition and School Maintenance Care



Even though the classification as a poor household and the subsequent possession of a poor household card entitles the household to a number of benefits, a poor household does not always receive all those benefits. Because of limited availability, commune officials often distribute access to these benefits among a larger number of poor (and maybe some non-poor) households to increase coverage.

Precisely because poor households don't always have access to the entire panoply of benefits, there is a weak correlation between programme pairs. That is, if a poor household has access to free health care, it may not also have a subsidised loan ($r=0.079$).²⁹ Or, if the poor household has access to a tuition fee waiver, it will most likely not have free health care ($r=0.129$).

²⁹ Correlation coefficients (depicted by 'r') range from 0 (no correlation) to 1 (perfect correlation).

“At present, all poor households in the commune have been issued poor households’ books with restriction as allocated from the higher levels. The commune was allocated 350 poor households, but the number selected by the people is higher than that. The solution is poor households must take turns to receive poor households books.”

Source: Chairman of Tam Dinh Commune’s Fatherland Front, quoted in Nghe An PPA, 2003

That is, poor households most often have access to a fewer number of benefits than they are entitled. Poverty is multidimensional and very often two or more factors work together to perpetuate poverty. This equalizing, or benefit-rationing, approach may adversely affect the prospects of achieving sustainable improvement in household welfare and getting out of poverty.

As confirmed elsewhere, the seemingly “high” mis-targeting rates are not high by international standards (Coady, *et al*, 2002). Increasing coverage rates, however, require a shift in approach. At present only a small percentage of total households in the country have access to different benefits (Table 14). Poor households make up 60-75% of the households that do have access. In that sense the targeting is satisfactory. But because these households make up only a small percentage of the total poor households in the country, coverage rates are low (Table 14). Merely increasing the targeting percentage, therefore, is unlikely to increase the coverage rate. It is more a question of scaling-up which may require a different approach.

1.4. Key Conclusions

- The income-based criteria for identifying poor households for targeting programme benefits is easy to understand, though the income levels are set arbitrarily and difficult to compare across communes.
- Households acknowledge that the list of poor households is prepared in a consultative way, but there is usually a discrepancy between the number of households classified as poor and those considered as poor at the village level.
- Nearly a quarter of all communes in the country are targeted by Programme 135, covering about 15% of the total population. More than half of them are below the poverty line, with 66% in the bottom two quintiles. Thus, P135 seems to be fairly well targeted.
- Of the total households that have access to subsidised credit under NTP on HEPR, 75% are poor. Yet numerous factors still limit poor peoples’ access to subsidised credit.
- A total of about 1.5 million health insurance cards had been distributed by 2002, of which nearly 70% went to poor households. Two-thirds of all health care certificate recipients are in the North Central Coast and the Mekong River Delta regions, though users of free health insurance are more evenly spread across the regions except in the North West and the Central Highlands.
- About 25% of respondents of the Qualitative Survey did not always receive the healthcare fee exemptions because their health cards arrived too late and the procedures were often too complicated to get the card.

- Nearly 70% of the households accessing the Education for the Poor scheme are below the poverty line. The programme also has the best outreach as it covers 20% of all poor households.
- In total, around 80% of eligible respondents to the Qualitative Survey maintained that they always received the tuition and school maintenance fee exemption or reduction.
- The two main reasons why the fee exemption/reduction was not always received were that the respondents did not know they were entitled to exemptions and the procedures were too complicated to get the card.
- However, even though classification as a poor household and the subsequent possession of a poor household card entitles the household to a number of benefits, a poor household does not always receive all those benefits. Because of limited availability, commune officials very often distribute access to these benefits among a larger number of poor (and maybe some non-poor) households to increase coverage.
- This equalizing, or benefit-rationing, approach may adversely affect the prospects of achieving sustainable improvement in household welfare and getting out of poverty.

Key recommendations

- The system of identifying poor households at the commune level needs to be strengthened by possibly including proxy indicators of welfare. However, that should be accompanied by clear set of guidelines on implementation so as to reduce arbitrariness.
- To ensure transparency and fairness, norms should be developed on how many poor households will have access to how many benefits. Given that much of poverty in Viet Nam is extreme, a certain number of poor households per commune should be ensure access to multiple inputs to maximise impact and maximise the prospects of escaping from poverty.
- There needs to be widespread recognition that well-being indicators do not change in the short run, and even when they do, it takes some time before income levels stabilise at a higher level. This requires special efforts to also target near-poor households to ensure that they don't lapse into poverty soon after crossing the threshold.
- Efforts should be made to increase the coverage rates of different sub-programmes.

2. Resource Allocation³⁰

Proper identification of poor households and communes needs to be accompanied by, among other things, allocation of adequate resources to significantly reduce poverty. This section examines the process and basis for, and regional variation in, allocation of state budget resources to the provinces

³⁰ This section is based on Vu Tuan Anh (2003), Winter and Tuan Anh (2003) and Minford and Tu (2004).

and lower levels within the two programmes. The objective is to assess the process of resource allocation and the possible implications of regional and annual variation in resource availability.

The discussion in this section relies upon primary data collected during the expenditure tracking study from selected communes and districts in four provinces – Tuyen Quang, Son La, Quang Ngai and Soc Trang. While the results are interpreted with caution and sweeping generalizations may be hazardous, the results do provide an insight into the allocation and distribution of resources at the decentralised level. This can greatly contribute towards the design of the 2006-10 programme.

2.1. Resource allocation to provinces and lower levels

For making provincial allocations for the NTP on HEPR, the following criteria are used³¹:

- Poverty rate of the province – so that poorer provinces get more
- Difficulties faced because of natural calamities – so that provinces vulnerable to natural disasters get more funds
- Other sources of funds – provinces with other sources of funds get less from the central pool
- Results of the previous year's level of spending and objectives set for the next year.

However, it is unclear how these criteria are applied in practice and whether they are appropriate for directing resources equitably (on a per poor household basis) across provinces. This is because the process of State Budget formulation proceeds in a series of steps "similar to the way a Chinese medical prescription is made" (Vu Tuan Anh, 2003):

- MoF and MPI send guidelines for budget estimates (for the following year) to central agencies and to the provinces in June;
- Provinces and line ministries draw up their plans and budgets, the finalised versions of which must be sent to the central level (MoF and MPI) by August;
- MoF and MPI then assess the plans and make adjustments as a function of national revenue estimates – known as "balancing". In the event that there are adjustments, provinces and line ministries reconsider their plans and budgets. At the latest, finalised budgets should be ready by October, for submission to the Government;
- Once the Government has adopted the State Budget proposal, it is sent to the National Assembly for approval. By law, the National Assembly should approve the State Budget by the end of November;
- State Budget implementation begins at the end of December. Much of the responsibility for implementation lies at the local levels.

³¹ Vu Tuan Anh (2003)

A fixed sum is allocated to each poor commune under P135. This system of allocation is easy to administer and is apparently equitable (in terms of an equal amount of money allocated to each poor commune). Recent changes in rules have given provinces some flexibility in distributing resources (above and below the VND500 million norm) across communes. Yet, this allocation mechanism is a relatively blunt instrument in relieving poverty. Communes with larger populations and/or communes with relatively more poor people (and hence greater infrastructure needs e.g. water supply, housing etc.), or very remote communes with huge cost implications, all receive similar amounts of central funds.

Resource allocation from the centre to provinces – The allocation of HEPR resources to the provinces is more negotiated than those for P135. A review of spending for 2001-03 suggests considerable lack of transparency in the budget allocation process for the HEPR programme. Although the process has both a bottom up and a top down component, funds allocated from the centre do not bear a clear relationship to plans made and funds requested at the province and lower levels. For example, allocations for job creation and training do not always correspond to local needs.

Until recently, funds were allocated in a lump sum for all NTPs, and the provinces did not know the exact amount of funds for each programme, except the funds for P135 which are allocated separately. This made it difficult to target funds precisely. This system has changed in 2004, whereby separate sums are allocated to provinces for each NTP. This change is expected to make the attribution of funds to their targeted purposes easier to assess.

Resource allocation from the province to districts and communes – The PPCs and People's Councils determine the allocation of funds within each province, based on the province's own socio-economic "master" plan. Provincial-level Programme Management Boards oversee the disbursement of funds and manage the programme. Central budget funds are allocated in addition to those from the local level.

The provinces distribute central and local funding to districts based on the latter's own plans and funding priorities. In practice, this degree of variation sometimes leads to inequity between communes with similar degrees of need and/or poverty, and is an arbitrary way to allocate funds.

Funds for P135 are transferred to each district based on the number of qualifying communes within the district. The district allocates funds to communes according to the norm. These funds go to projects within the commune, approved by the PPC.

In theory funding for each commune should equal the norm. In practice districts do not always allocate the specified sum to each commune. Usually, at the end of the third quarter, provincial authorities review actual expenditures and contrasting plans. They estimate their capacity to implement projects in the last quarter, determine where funds are unlikely to be spent, and review which projects have been implemented over budget. Funds are transferred from areas where implementation has been relatively weak to areas of better performance. Fairness is maintained since districts ensure that, over a five-year period, funds available to qualifying communes, on average, equal the norm. This is illustrated by the changing allocations in Long Phu district in Soc Trang province (Table 18).

Table 18: Adjusted plans for Programme 135 in Soc Trang

(VND mn.)

	Previous allocation (decision in March 2003)	New adjustment (decision in Dec. 2003)
Internal road in Liew Tu commune	100	0
Ngan Ro – market in Dai An commune	214	0
Road – Keng Nga – Long Phu commune	376	473
Road – Soc Dong – Tan Hung commune	300	415
Internal bridge – Tan Hung commune	0	111
Road – Trung Binh commune	306	402
Bridge – Trung Binh commune	80	0
Total	1376	1401

Source: Decision No. 2003/2003/QDUBNDT dated 29 Dec 2003 in Long Phu district on Adjusting Budget Allocation Plan of P135

In the HEPR programme, the province is often responsible for planning and allocation while districts and communes have only a limited role in this process. The PPC allocates funds to line ministry departments (DARD, DOLISA, DOH etc.) for implementation. Line departments then transmit information to the districts about their budget allocation. Capital funds are allocated on the basis of projects approved by the PPC to be implemented in a particular commune. Recurrent funds are allocated on the basis of staffing and other costs incurred by each department.

Most of the responsibility for the management and implementation lies with the districts while provinces retain responsibility for staff training and healthcare. Some provinces (e.g. Tuyen Quang and Soc Trang) retain responsibility at provincial level for extension services.

Using the data from four provinces, the next section estimates the total amount of resources available to the provinces and analyses the variation in resource availability for HEPR programme components across provinces.

2.2. Variation in resource allocation

There are wide variations in the amount of central allocations across provinces annually under HEPR. Though allocations are not entirely insensitive to provincial poverty rates, it is difficult to understand how the provincial poverty rate is used for making allocations (Table 19).

It is not immediately clear why Son La and Tuyen Quang received approximately the same amount of central funds in 2001, when Son La's poverty rate was more than twice that of Tuyen Quang. With a similar poverty rate to that of Son La, Quang Ngai received roughly 30% more in 2001.

The next year (2002), Son La and Quang Ngai with similar poverty rates received roughly the same amount of central money, though nearly one-third less than Tuyen Quang which had a poverty rate of only around 8%. The allocation for Soc Trang tripled over the previous year, possibly in recognition of its alarmingly high poverty rate.

Table 19: Central Allocations for HEPR (2001-2003)

Province	2001		2002		2003	
	Poverty rate (%) ¹	Allocation (VND mn.)	Poverty rate (%) ²	Allocation (VND mn.)	Poverty rate (%) ³	Allocation (VND mn.)
Tuyen Quang	12.41	38805	8.19	34259	6.54	14471
Son La	27.06	37433	22.79	24247	18.26	38750
Quang Ngai	24.62	49988	22.01	27072	18.30	27414
Soc Trang	34.35	16870	30.21	52594	26.92	98116
Viet Nam	17.18		14.42		11.61	

Sources: Poverty data from MOLISA; Budget Allocations from MOF and DPIs, DOLISAs in different provinces

Notes:

1 At the beginning of 2001 (with the new poverty line)

2 As on 31 December 2001

3 As on 31 December 2002

In 2003 there was a sharp decline in state budget allocation to Tuyen Quang, which may be explained by its low poverty rate. However, it is difficult to understand the stagnation in Quang Ngai's allocation, since Son La with a similar poverty rate, received 50% more money over the previous year. The six-fold increase in allocation to Soc Trang over 2001-03 contrasts an only marginal decline in poverty during this period.

Correlation is not causality and the data requires more rigorous analysis, but it does seem that central budget allocations have only a very weak impact on poverty reduction, except maybe in Tuyen Quang.

In Son La, for instance, a 35% decline in resource allocation in 2001-2002 over the previous year, and a 50% increase in the next year seem to have little impact as poverty continued to decline steadily during 2001-2003. This is brought out more sharply in Quang Ngai where the rate of poverty reduction was maintained in spite of a 50% decline in resources in 2001-2002 and no further increase in allocation during 2002-2003.

Poverty performance in Soc Trang is a cause for concern and requires a closer look. Despite a massive six-fold increase in central budget allocation during 2001-03, the poverty rate has not reduced appreciably.

2.2.1. Provincial and non-central budget contributions

Topping-up of centrally allocated funds with provincial resources and contributions from mass organizations, state corporations, households and donors is critical for implementation of HEPR

components. Tables 20 (for HEPR) and 21 (for P135) show that (i) the provincial and non-central contributions vary considerably across provinces, and (ii) topping up can be substantial in provinces such as Tuyen Quang.

Table 20: Central allocations and non-central contributions - HEPR

(VND mn.)

Province	2001		2002		2003	
	Central Allocation	Non-central contribution	Central Allocation	Non-central contribution	Central Allocation	Non-central contribution
Tuyen Quang	38805	24617	34259	28840	14471	25613
Son La	37433	3268	24247	5949	38750	6579
Quang Ngai	49988	7256	27072	7293	27414	2316
Soc Trang	16870	0	52594	5712	98116	14091

Sources: MOFI and DPIs and DOLISAs in different provinces

In some provinces such as Tuyen Quang in 2003, non-central contributions for HEPR programme components constituted more than half the total funds available (Figure 6). In both Son La and Quang Ngai, non-central contributions (as a percentage of the total) increased in 2002, and then declined in 2003. Non-central contributions did not contribute anything to actual spending in Soc Trang in 2001, though the province has begun to generate some local resources since 2002.

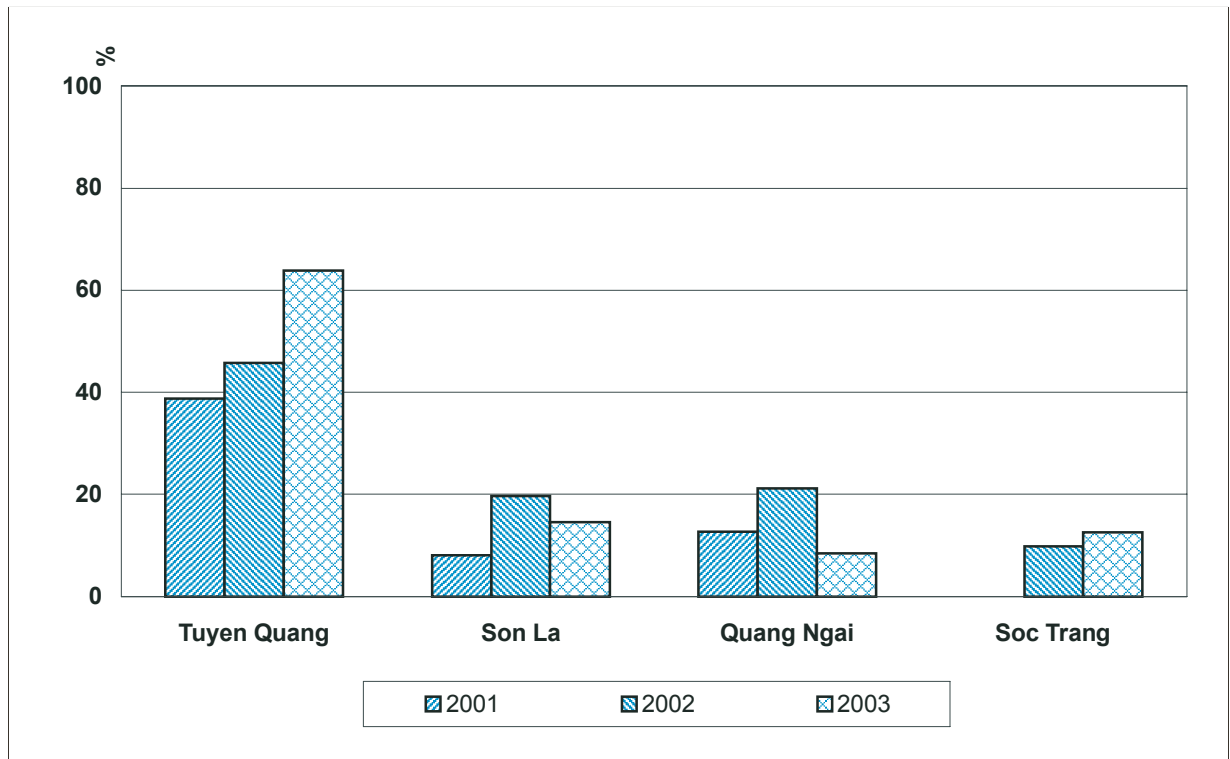
The contribution of non-central sources to the total allocation is much more varied across provinces in P135 (Figure 7). Except in 2003, Quang Ngai consistently has larger non-central contributions compared to the other three provinces.

Table 21: Central allocations and non-central contributions – P135

(VND mn.)

Province	2001		2002		2003	
	Central Allocation	Non-central contribution	Central Allocation	Non-central contribution	Central Allocation	Non-central contribution
Tuyen Quang	28200	3002	29400	4108	36190	4018
Son La	41000	0	43300	0	54950	31831
Quang Ngai	28800	6200.5	29000	8800	38140	15500
Soc Trang	23600	489	24800	195	32000	1037

Sources: MOFI and DPIs and DOLISAs in different provinces

Figure 6: Non-central contribution as % of total - HEPR

Differences in non-central resources emerge where provincial authorities have:

- actively considered finding additional resources;
- organized and delegated responsibility to organizations and agencies in considering and helping poor communes/people;
- taken advantage of foreign donations and encouraged household contributions.

Breaking down the non-central contributions, for HEPR programme components (Figure 9), the provincial budget was the only source of additional funds in Son La and Quang Ngai. In Tuyen Quang, the provincial budget contributed only about 16%— the rest came from donor funds. Soc Trang has a more diversified funding base.

Figure 8 presents a similar picture for P135. The key point is that fund mobilisation by mass organizations plays an important role in both Son La and Quang Ngai, but especially in Quang Ngai where it provides more than 90% of non-central budget contributions.

Figure 7: Central allocations and non-central contributions - P135

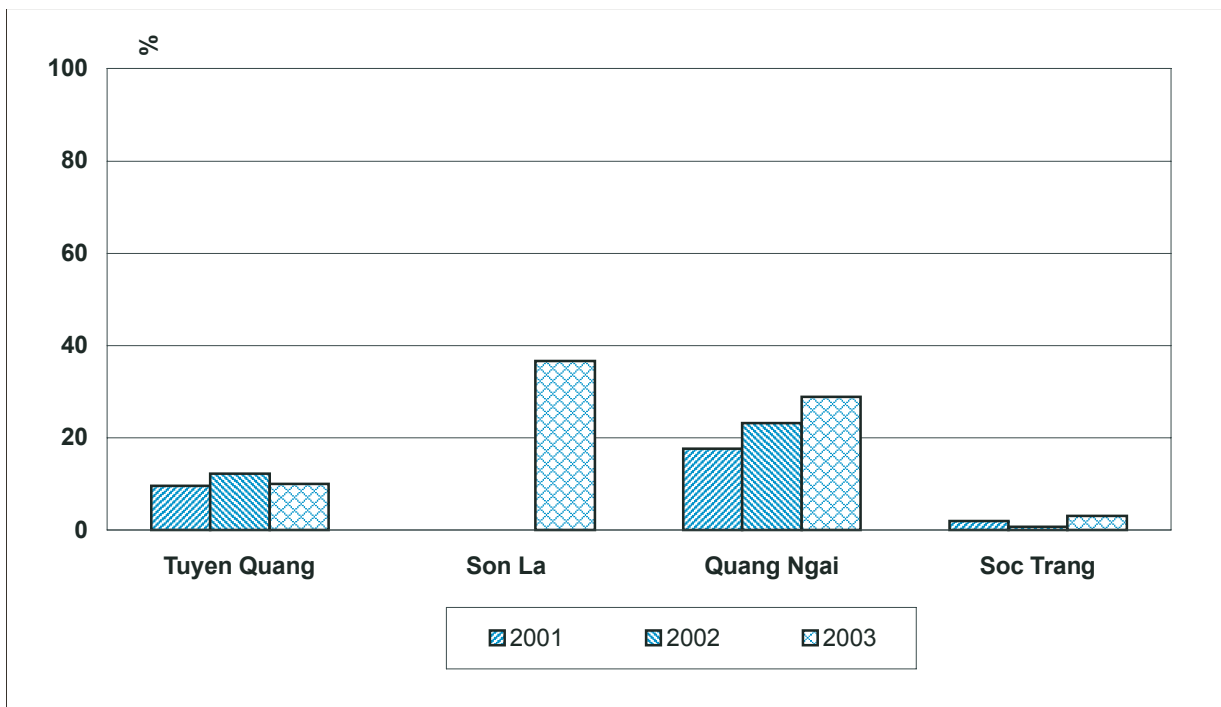


Figure 8: Breakdown of non-central contributions by province - P135

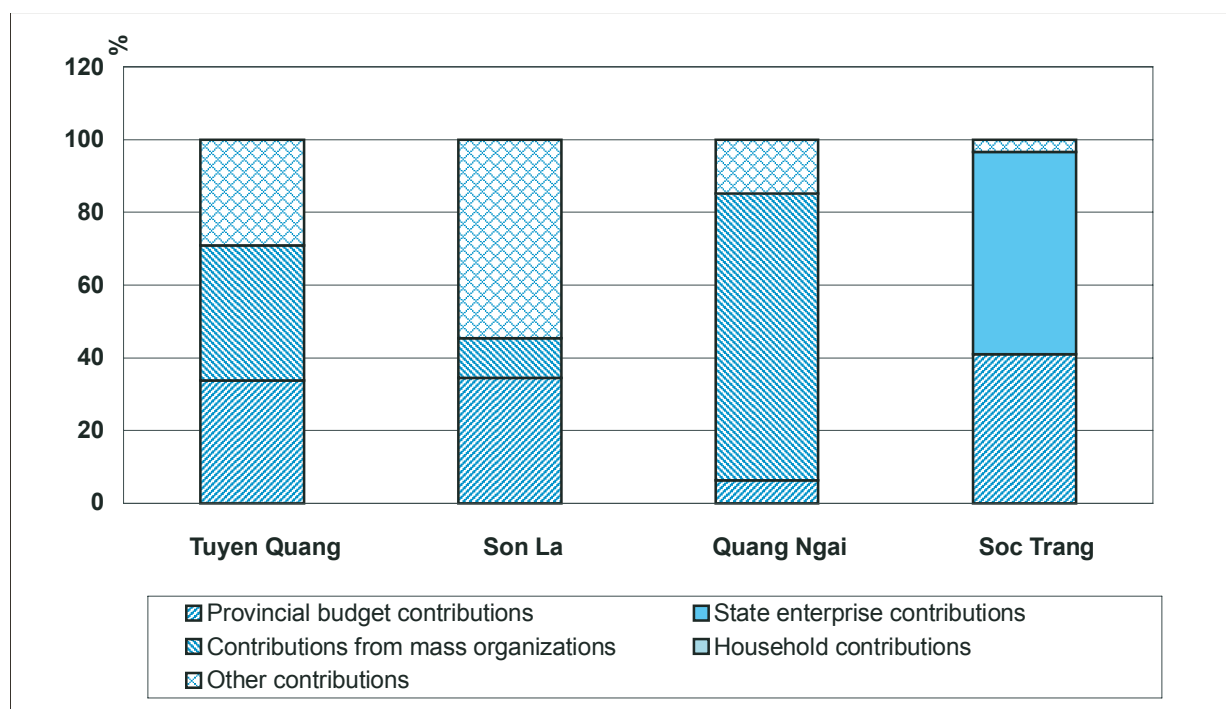
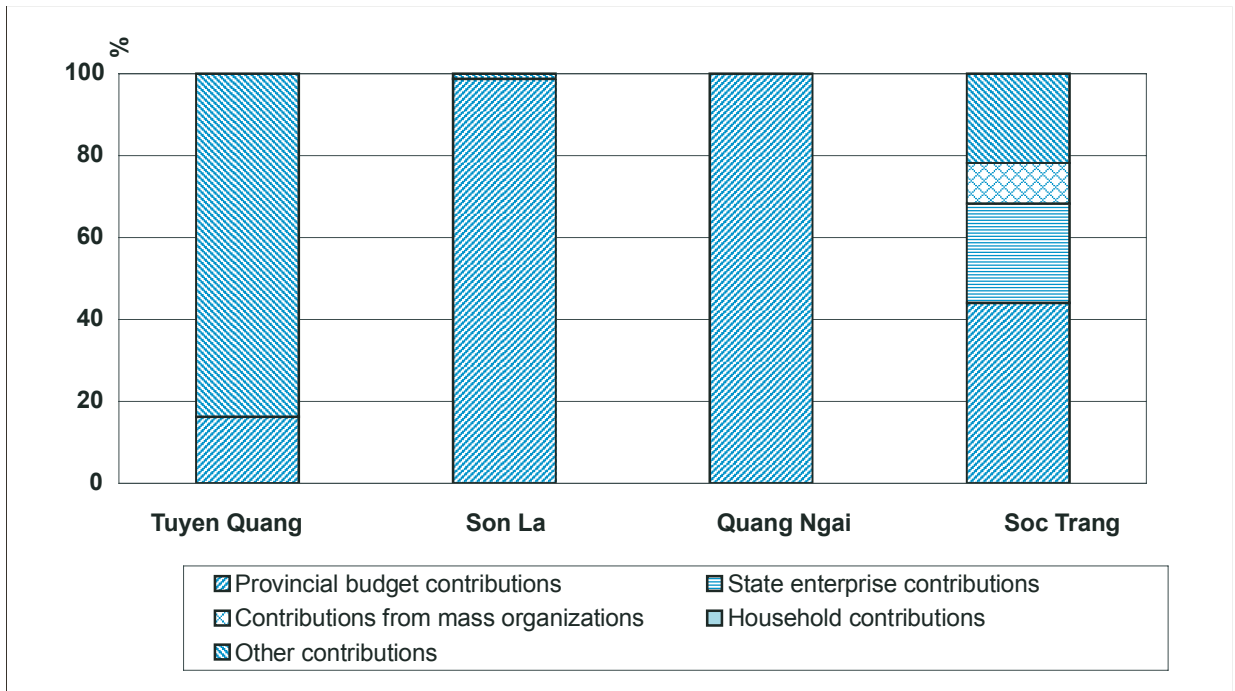


Figure 9: Breakdown of non-central contributions by province - HEPR

By their nature, external donor projects are disbursed and monitored outside the usual Treasury system, with different donors often insisting on their own procedures. Due to the size and complexity of donor projects, these are often undertaken over many years and can be very large in relation to the annual flow of central and local funding for infrastructure and other poverty reduction programmes.

Household contributions - It is difficult to get a sense of household contributions towards HEPR and P135 since these are usually applied directly to projects and not recorded at the provincial level. Household contributions vary significantly both by province and within province, by commune. These variations emerge because (a) the enthusiasm with which this policy is implemented varies in each province; and (b) the method of seeking household contributions is also different.

All household contributions are made in the form of direct project contributions, either in cash, labour or in kind. Contributions in the form of free labour dominate, with in-kind contributions being next most important. Cash contributions are negligible.

Household contributions are used in projects such as infrastructure, housing support and extension support. Many communes have no household level contributions.

Accounting for household contributions is variable and some communes do not account for household contributions when reporting their total project budgets. For example, household contributions of communes in Tuyen Quang are included in the budget account, whereas in Soc Trang and Quang Ngai, these contributions are not recorded in their commune-level accounts.

Use of HEPR Non-Central Funds – Contributions from provincial budgets are usually earmarked for elements of the programme designed to be funded from local budgets, such as infrastructure of poor communes outside P135, housing support to the poor (such as the cost of fibro-cement roofing sheets) and extension.

Contributions from enterprises and foreign donors are usually spent directly on projects and are not reflected in district and commune account books. Officials are often unaware of the exact contributions from state enterprises or foreign donors to particular projects and instead act simply as receivers and beneficiaries.

2.2.2. Resource allocation per poor household

Examining central allocations per poor household in each province presents an interesting picture (Table 22). Poor households in Tuyen Quang continue to receive more money than in other provinces, though this seems to have been rectified; per poor household allocation declined in 2003 to half the level of the previous year. On the face of it, it is inexplicable that the per poor household allocation in Tuyen Quang increased in 2002, even as the poverty rate declined to a single digit. But consistent infusion of sizeable funds may be one factor responsible for poverty reduction in Tuyen Quang. A definite answer, however, requires more research.

Table 22: Central Allocations per poor household for HEPR (2001-2003)

Province	2001		2002		2003	
	No. of poor households ¹	Allocation (VND mn.)	No. of poor households ²	Allocation (VND mn.)	No. of poor households ³	Allocation (VND mn.)
Tuyen Quang	18000	2.16	12000	2.85	9790	1.48
Son La	46000	0.81	39200	0.62	32085	1.21
Quang Ngai	64000	0.78	58000	0.47	49062	0.56
Soc Trang	79000	0.21	71000	0.74	65000	1.51
Viet Nam	2800200		2368200		1941300	

Sources: Poverty data from MOLISA; Budget Allocations from MOFI and DPIs, DOLISAs in different provinces

Notes:

¹ At the beginning of 2001 (with the new poverty line)

² As on 31 December 2001

³ As on 31 December 2002

The trend in per poor household allocation in Son La and Quang Ngai are difficult to interpret. Starting from similar levels of per poor household allocation in 2001 (and similar poverty rates – see Table 19), both provinces saw a sharp decline in their allocations in 2002. Allocations for both provinces climbed in 2003, though only marginally for Quang Ngai. For Son La, with nearly 35% fewer poor households than Quang Ngai, the allocation in 2003 was double that of 2002.

While Quang Ngai has many more poor households than Son La (and Tuyen Quang), its per person allocations are lower. This is a clear indication that funds are not distributed solely according to the number of poor households in a province.

The per poor household allocation for Soc Trang in 2001 was roughly one-fourth that of Son La and Quang Ngai, and one-tenth that of Tuyen Quang. This anomaly seems to have been recognised and allocations have risen sharply in Soc Trang for the last two years. In 2003 Soc Trang allocations were higher than those in Tuyen Quang. This shift in funding may begin to yield results, if the level of funding is maintained over the next few years.

Actual spending per poor household – Examining the data for actual spending³² on a per poor household basis reveals that non-central sources definitely increase the amount of spending on poor households though the level varies across provinces (Table 23).

However, the total amount is still quite low ranging from about VND710,000 (USD45) in Quang Ngai to about VND4.2 million (USD270) in Tuyen Quang per poor household per year during the period 2001-2003 (Table 24).

Table 23: Central allocation and actual spending per poor household - HEPR

(VND mn.)

Province	2001		2002		2003	
	Central Allocation	Actual Spending	Central Allocation	Actual Spending	Central Allocation	Actual Spending
Tuyen Quang	2.16	3.44	2.85	5.18	1.48	4.08
Son La	0.81	0.95	0.62	0.93	1.21	1.30
Quang Ngai	0.78	0.94	0.47	0.69	0.56	0.77
Soc Trang	0.21	0.21	0.74	0.50	1.51	1.37

Sources: MOF and DPLs and DOLISAs in different provinces

³² Actual spending is the amount of money actually spent in a particular year and is usually the sum of central allocation, non-central contributions and previous year's unspent balance.

Table 24: Average central allocation and actual spending – HEPR (2001-2003)

(per poor household per year)

	Average VND mn.		Average USD	
	Central Allocation	Actual Spending	Central Allocation	Actual Spending
Tuyen Quang	2.20	4.19	141.93	270.14
Son La	0.86	0.99	55.24	63.93
Quang Ngai	0.61	0.71	39.40	45.76
Soc Trang	0.78	0.87	50.29	56.23

Sources: MOF and DPIs and DOLISAs in different provinces

Richer provinces are therefore more likely to be able to generate additional funds to spend. The poorest provinces are heavily dependent upon central funding. This disparity is also a reason to continue targeted programmes in Viet Nam.

What is the money spent on? – Analysing the spending pattern (Table 25) reveals that during the period 2001-03 a substantial proportion of total central allocation – close to 85% in Tuyen Quang and Quang Ngai, and around 50% in Son La and Soc Trang – was for providing credit to the poor.

Of the four, Soc Trang was the only province where there was central allocation for infrastructure. Strangely the allocation for training in all four provinces was minimal – none in Tuyen Quang and less than 1% elsewhere. This aspect is discussed in detail in Section C.II.2.

Table 25: Distribution of central allocation by sector (2001-2003)

(%)

Sector	Tuyen Quang	Son La	Quang Ngai	Soc Trang
Infrastructure	0	0	0	11.8
Housing	0.4	2.0	0	14.9
Settlement	13.3	17.0	10.4	4.6
Extension	0.3	3.7	1.7	0.7
Health	1.8	24.9	2.3	18.5
Training	0	0.9	0.7	0.2
Credit	84.2	50.6	84.9	49.2
Total	100	100	100	100

Source: Compiled from data collected from provincial levels during fieldwork for Expenditure Tracking Study, 2004

2.3. Key Conclusions

Key conclusions emerging from the preceding discussion are:

- A fixed sum per poor commune under P135 has the benefit of clarity and transparency. It is also an apparently equitable distribution of scarce resources. But communes with larger populations and/or communes with relatively more poor people receive similar amounts of central funds.
- Although the government has criteria for allocating state budget resources across provinces for the HEPR programme, it is not always clear how they are applied or if they are always followed.
- Thus, there is a large variation in allocation of HEPR resources across provinces (both in absolute terms as well as on a per poor household basis).
- There is an equally large year-to-year variation in funds available across provinces.
- Though not entirely insensitive to poverty rates, large allocations to less poor provinces (for HEPR) suggests that equally poor households receive different amounts of government resources and benefits depending upon their location.
- Because of limited resources, topping up of central allocation by provincial resources and other contributions is critical for the implementation of HEPR components. Often, the addition of non-central sources accentuates the differences in resource availability across provinces.
- Richer provinces are more likely to generate additional funds whereas poorer provinces are heavily dependent upon central funding.
- In spite of topping up, the total amount of actual spending on a poor household is limited. It varies from less than USD50 to about USD270 per poor household per year - i.e. even for well-resourced provinces (such as Tuyen Quang) this amounts to less than USD1 a day.
- A substantial proportion of the central allocation during 2001-03 was for providing subsidized credit to the poor. There was almost no allocation for training.

Key recommendations

- There should be greater equity by making central HEPR funding allocations clearer and more transparently linked to poverty levels at the commune and district level. Recent work on poverty mapping will help in this regard.
- There needs to be greater stability and more certainty about when funds will be allocated to the provinces, possibly through a 3 year planning framework (with pre-announced central allocations).
- The central government should set an achievable target (if possible separately negotiated with each province) for funds to be raised locally and this target should be monitored on an annual basis.
- Guidelines should be issued to districts and communes to help ensure that household contributions are raised fairly, and that poorer households are not unusually burdened.

II. IMPLEMENTATION SYSTEMS AND CAPACITIES

This section will review the organizational structure for implementing the NTP on HEPR and P135. Provincial authorities are the key players in implementing the HEPR programme. They are responsible for target setting, organizing, guiding, and coordinating the implementation of HEPR in each province.

The section focuses on whether provincial, district and commune-level agencies have sufficient and appropriate capacity to:

- (i) plan for community development,
- (ii) design and implement projects,
- (iii) monitor and coordinate projects and
- (iv) mobilize resources

The section will first review the responsibilities of the different key stakeholders in the programme-management structure and the extent of administrative decentralisation. This will then be used as a backdrop to assess whether those agencies, particularly at the sub-national level, have the necessary capacity to successfully manage the HEPR programme.

1. Administrative Decentralization³³

The NTP on HEPR is managed and implemented in a decentralized manner (Figure 1). At the national level, the National HEPR Steering Board and ministries are responsible for the allocation of central resources, the programme's overall guidance, supervision, coordination, evaluation and policy development.

Provincial People's Committees (PPCs) are responsible for organizing and managing programme implementation and accounting for resources within their territory. Commune PCs (or district PCs, wherever the former have capacity constraints) are in charge of planning and implementing commune-based activities.

Under the NTP, provincial authorities, particularly VCP and PPC, are the key players. Provinces coordinate HEPR efforts by making and implementing annual plans. This degree of authority is borne out by the wide level of discretion enjoyed by the provinces in allocating funds.

At the local level, the implementation and management of the HEPR programme is the responsibility of local Party organs and People's Committees. All have set up local Steering Committees, headed by a chairman or vice chairman of the PC to facilitate coordination and supervision. As at the national level, the actual organization, management and implementation of HEPR activities are carried out by functional departments.

³³ This section has been written with help from UNDP (1999) and Neefjes (2004).

To assist local steering committees, the DOLISA is usually designated to host the HEPR office. The local Steering Committees help the PPCs and local technical departments to identify and appraise projects and distribute funds. SCs also monitor and supervise project implementation.

Mass organizations play an active role in HEPR programme implementation at the grassroots level. As part of the political system, they act as a link between the Government and Party, encouraging local people to engage in social movements. They are strongly committed to helping the less fortunate and are experienced working with the target groups. These organizations have extensive networks from the central to village level that enable them to target assistance directly to beneficiaries.

In many cases, they facilitate the delivery of credit services to the poor by forming credit groups, mediating between banks and target groups or guaranteeing loans for their members. The Women's Union and Farmers' Union are involved to varying degrees, from selecting borrowers to actually managing capital in the "credit for the poor" component of HEPR. The Viet Nam' Fatherland Front is the key local agency for convening Peoples' Inspection Boards at the commune level.

The leaders of local cells of the mass organizations such as the Women's Union and the Farmers' Union are often members of the People's Councils. The implementation of the Grassroots Democracy Decree has improved the way local cells of mass organizations channel citizen's feedback to the PC, and has helped strengthen local informal groups³⁴.

Different line departments participate in the programme to different degrees. Those departments whose superior line ministry receive HEPR programme funds have a greater opportunity to be involved in programme implementation (e.g. agriculture, health, education, and planning). Others which receive no direct programme funds but whose functions concern HEPR programme implementation at the grassroots levels often try to profit from providing specific services. For example, the construction department will provide inspection services, and the land cadastral office will survey and allocate land and issue land use certificates.

Most funds under HEPR projects are still controlled at district and province levels by sector departments, even though much of the implementation responsibility lies at the commune level³⁵ with commune PCs, school principals, heads of health centres, etc. In the four provinces surveyed for the Expenditure Tracking Study,³⁶ staff training, health care, extension schemes and new economic zones are mainly managed at the provincial level.³⁷ Management of some components, such as commune cluster development, healthcare, housing support and the provision of credit, are delegated to the district although in Tuyen Quang provision of inter-commune centres is managed at the provincial level.

³⁴ NCSSH-IoE/Oxfam GB (2003)

³⁵ See e.g. UNDP (1999), p.31.

³⁶ Provinces surveyed for the expenditure tracking study include Tuyen Quang, Son La, Quang Ngai and Soc Trang.

³⁷ Except in Son La where these elements, except training, were managed at the district level.

The decentralisation of decision-making and budgeting responsibilities, for most sector projects, to the commune level does not appear to be a priority.³⁸ Some communes (for example, in Quang Ngai and Soc Trang) reported that the process of local level consultation only works during the preparation of the 5-10 year plan and when the plan is reviewed. In regular years, commune officials decide which projects will be implemented from the strategic plan, and these plans are then submitted to the higher authorities for approval.

Districts and communes have little room for re-interpretation of provincial and national guidelines on, for example, allocating money to build schools and classrooms, waiving school fees, supplying free textbooks or providing health insurance cards. The sedentarisation and settlement projects under MARD seem to be managed sectorally at the province and district levels. Most sector programmes under the HEPR programme were decided at the national level, and concern handouts, subsidies and/or exemptions from payments for poor people.

Under Programme 135 the DPCs were initially to be the “project owners” and commune PCs were to be responsible for overall planning, cadre training, supervision of small projects, and mobilisation of resources (notably local labour). Since 1998, planning was expected to include the “full democratic participation of locals,”³⁹ but plans had to be approved by district and province PCs. The intention of gradual decentralisation to the commune level was reinforced by various implementation guidelines, and the same process is followed for deciding the content of the programmes:

- Communes prepare a 5-10 year strategic plan based on the demands of each village with some participation of households. It is then submitted to the district and province and forms part of the provincial P135 “master” plan.
- Every year, based on this approved “master” plan, each village chooses projects to invest in. Households in the village rank the projects to be implemented that year.
- The Commune People’s Committee submits the projects to the Commune People’s Council to decide. The list of projects is then submitted to the district and province People’s committees for approval.

However, of the provinces surveyed, only Tuyen Quang had decentralized implementation and financial management of infrastructure works to the commune level. The other provinces - Son La, Soc Trang and Quang Ngai – had decentralized programme implementation only to the district level. Each of these provinces had implemented a few pilot projects in some communes where they felt there was sufficient management capacity. Hence, contrary to the aim of the programme, the role of the commune in managing projects is often very limited.

38 This can be inferred from MOLISA (2003a), and, for example, the presentation *Education support to the poor households and poor communes* by Dang Huynh Mai (vice Minister of Education & Training), and *Renewed health care mechanism of health care services for the poor* by Le Ngoc Trong (Vice-Minister of Health), to the HEPR-JC Programme review conference in October 2003.

39 CEM (1998), part III

By 2003, after five years of implementing P135, only 385 communes out of the 2,362 “poorest and most difficult communes” in 20 of the 49 provinces had become “investment holders.”⁴⁰ In the other cases the districts still managed the programmes, despite intentions to decentralise to the commune level.

This lack of decentralisation reduces the role citizens in planning, implementing and monitoring the different activities under P135. Furthermore, even where the management is decentralised to the commune, plans for spending still need to be approved by district and province authorities, and may change in the process.

Programme management boards at province and district levels delegate various organizations to manage the different components of the HEPR programme. For example, in general, the training for the poor component is delegated to DOLISA, resettlement works are delegated to the Provincial Resettlement Department, and agricultural extension is delegated to Department of Agriculture and Rural Development (DARD).

Those districts, provinces, and sector departments which are reluctant to decentralise management of infrastructure projects should be made aware of the success of decentralisation in P135 and the lessons of the NTP on HEPR and various internationally-funded projects.

Indeed, decentralisation should be accelerated. But, it should also be accompanied by improving the capacity of higher-level authorities to provide guidance and monitoring.

2. Institutional Capacities

This section assesses whether key stakeholders have the requisite capacity to successfully manage the HEPR programme. It will analyse the role of the HEPR Office and examine capacity at the local level.

The often-made argument against decentralisation hinges on the “weak capacities” of commune authorities and village leaders, especially in remote, poor, and mountainous Programme 135 communes. However it is unclear whether the slow pace of decentralisation has more to do with the provinces’ desire to retain control of scarce resources or the actual capacity of commune-level officials.

There are some successful cases of decentralisation and capacity building in provinces under Programme 135 (Box 13). Though some internationally funded projects have been successful in building project planning and management capacity at commune and village levels,⁴¹ there have been only modest efforts to build capacity under the NTPs. This is borne out by the almost zero resource allocation for training in the four provinces during 2001-03 (Table 25).

2.1. Capacities of the HEPR Office⁴²

The HEPR Programme Office (PO) was established within MOLISA in 1998 to help the NSC manage and coordinate the implementation of the NTP on HEPR. The office has been assigned the following functions:

⁴⁰ CEM (2003), p.12.

⁴¹ Shanks et al. (2003) summarise some of this. See also SFDP (2003) and MARD & MRDP (2002)

⁴² This section draws heavily on UNDP (1999).

- To assist the National Steering Committee (NSC) Chairperson in synthesizing the programme's plans, including programme budgets
- To help the NSC monitor and coordinate programme activities by other institutions, ministries and provinces on a daily basis
- To prepare programme progress reports and to arrange meetings for the NSC. In particular, the PO prepares the programme progress report in the first week of each month to submit to the HEPR Chairperson and his/her two deputies before their monthly meeting.

The capacity of the HEPR Office in communication, organization, coordination, monitoring, reporting and policy analysis of the HEPR implementation is clearly important to the NTP's success.

Box 13: Decentralization of Programme 135 in Tuyen Quang

- Project management under Programme 135 has been decentralised to all 58 "Area III" communes in Tuyen Quang Province. This success in decentralisation of the NTP may be attributed to the following.
- Early decentralisation (from the outset of P135) combined with strong province leadership, clarity in regulation/guidelines for implementation, strict administrative controls/close supervision by higher levels, and limited corruption.
- Close links with the GRDD reflected in implementation guidelines for P135.
- A "learning-by-doing" approach meaning management took risks to decentralise, but through managing the projects the capacity of commune officials improved.
- Training programmes that were considerably stronger than in some other provinces. (Capacities of local leaders were reasonable to begin with and somewhat better than in some of the poorest and most mountainous provinces.)
- Strengthened communes (and commune staff) meant that "demands" (needs) for technical support from the districts were articulated better, which in turn strengthened commune capacities.
- Use of innovative ways to increase accountability to local people, e.g. through village meetings in which simple works are allocated to local artisans, cooperatives, etc., early on in the planning cycle.
- Experience from internationally funded projects that started with participatory planning in the early-1990s at village and commune levels. The province legitimised the Village Management Boards and Water Users Associations that were introduced under IFAD and SIDA funded projects.

Source: Shanks et al. (2003), p.63-65

However, the programme office has been able to carry out only some operational functions such as synthesizing annual plans for MOLSA and Steering Committee approval, preparing work plans, writing regular reports, arranging meetings and preparing training materials.

The programme office is designed as a semi-independent office within MOLISA but it is directly controlled by MOLISA. The programme office does not enjoy the same level of administrative authority as other departments of MOLISA. This has affected its ability to coordinate with other HEPR stakeholders within and outside MOLISA.

The office is responsible for assisting the Chairperson of the Steering Committee in preparing programme plans. However, it generally collects plan proposals from other ministries and PPCs and submits them unedited to the members, rather than prepare its own comprehensive and improved plans.

The monthly programme progress report assigned to the office is not regularly submitted to the HEPR SC directors before their monthly meeting. The office staff need a better idea of what these reports should include and what resources should be utilized to write them. The PO needs to ensure that the data and information received from lower levels is properly analysed.

The HEPR office's weaknesses in monitoring and coordinating programme implementation of other institutions, ministries and provinces stems from its minimal role in allocation and management of financial resources. HEPR funds are allocated by MPI and MOF, and the HEPR office has no role. Therefore stakeholders often only report to these line ministries.

Playing the role of HEPR programme coordinator, the HEPR office is responsible for information collection, analysis, assessment and dissemination. However, it has access to only limited information. Information on local and international experience, progress of components at different levels and other information that is needed for management is often unavailable to the office staff. Not all HEPR EAs report back regularly to the PO even though the office is expected to provide detailed information on progress that can only be collected from lower administrative levels.

The HEPR office has little experience in preparing comprehensive poverty alleviation policy. Most staff members provide only technical inputs rather than coordinate a programme. The skills needed to access and disseminate information should be included in training plans for HEPR staff at central and provincial levels. Providing training facilities is important for improving the capacity of the office.

Without improved capacity and greater empowerment, the HEPR programme office's mandate is unlikely to be met. To ensure success of the HEPR programme, information management should be one focus of the office.

The HEPR office publishes a magazine every two months and also has a website. Still the capacity of the HEPR office needs to be strengthened in terms of:

- Clarifying types of information needed for programme management (financial, personnel, HEPR activities, experiences, HEPR plans);
- Identifying the sources of information needed from HEPR agencies at ministerial and local (province, district) levels;
- Disseminating HEPR information through mass media; and
- Designing a system to collect information from HEPR entities.

For this, the Programme Office should improve its capacity to:

- Consolidate local experiences into key principles and HEPR guidelines, particularly in the areas of targeting, management and reporting.
- Monitor the quality of targeting, implementation and programme impacts.
- Propose HEPR-related social and economic policy analysis and use the results for policy formulation and programme management to ensure better linkages between HEPR and macro policies.
- Coordinate HEPR activities through information sharing and joint planning.
- Facilitate communication and raise awareness among both government officials and target groups.

2.2. Local level Capacities⁴³

This section discusses the capacities at the local levels for implementing the two NTPs.

In spite of their numerous advantages, mass organizations are still weak in remote, poor and upland communes and villages, and sometimes altogether “dormant”.⁴⁴ This is explained by the limited capacities of leaders of the local cells, and also by language barriers, and transport and communication difficulties. The organizations are often biased against non-members and many poor people are often neglected in credit and other training programmes because they are not members.

A number of specific constraints reduce the effectiveness of mass organizations:

- Often the cadres of mass organizations are not technically equipped to handle many tasks. Their role in programme coordination and implementation is often insignificant as they have limited capacity to design and manage the HEPR projects to meet their members’ needs.
- The role of mass organizations in HEPR decision-making at higher levels is limited. They may be invited to meetings, but their opinions often do not differ from the mainstream or tend to be neglected when they do.
- There is insufficient collaboration between mass organizations and administrative bodies in HEPR. The mass organizations often apply top-down mobilization approaches with programmes designed centrally without room for local initiative.
- They also have no financial resources to cover their own expenses, let alone implement projects themselves.

⁴³ Based on Neeffjes (2004).

⁴⁴ DFID (2003), p. 26; see also several other PPAs of 2003.

Thus, to improve their role in HEPR planning and implementation, they need improved skills in community facilitation, monitoring, as well as awareness of social relations and ways to address social inequality. Technical skills to improve monitoring of infrastructure projects also need strengthening.

The following plans to improve capacity can be considered:

- Continued training on participatory approaches as in participatory rural appraisal (PRA) should be implemented at all levels particularly with mass organizations other than the Women's Union.
- More cadres, particularly in the Women's Union, should be trained in financial management and accounting who will then be better equipped to support non-political activities.

2.3. Building institutional capacities⁴⁵

The NTPs have small training budgets. The focus of training has shifted since the formal start of the programmes in 1998, and now includes various social aspects⁴⁶. Initially the training for commune and district level cadres focused on administrative procedures, Decrees, guidelines, etc.⁴⁷ Under Programme 135 the curriculum also includes some technical training.

However, overall the training under Programme 135 was judged to be "limited and unfocused on essential tasks"⁴⁸. Training often happens in conjunction with other meetings, instead of in relation to needs and planning cycles. The critical role of village heads for communication, facilitation and monitoring was not reflected; they were only occasionally included in training.

On the positive side, the Tuyen Quang experience with decentralised implementation of P135 (Box 13) has:

- strengthened capacities at the local level through training and "learning-by-doing",
- increased the confidence of higher level authorities in the capacities of the commune and village levels, and
- legitimised local bodies such as the Village Management Boards and Water Users' Association.⁴⁹

This is documented by internationally-funded projects which have experimented with management of various funds at the commune and village levels. In all cases, their success is strongly attributed to extensive, long-term capacity building efforts in project management skills (including basic financial accounting), some technical skills, skills that relate to community consultation (including PAR), and

⁴⁵ Based on Neeffjes (2004).

⁴⁶ See CEM (2004b) and MOLISA (2003b,c)

⁴⁷ See e.g. Truong Van Am (2000)

⁴⁸ Shanks et al. (2003), p.62

⁴⁹ Shanks et al. (2003), p.65

communication/awareness raising skills.⁵⁰ However, it is also suggested that some of the structures and improvements in capacities were lost when projects ended.⁵¹

Under the Public Administration Reform Programme (PAR) capacities of district and commune officials for general administration, service provision, and implementation of various projects have been strengthened over the past years. By placing, usually young, cadres the People's Committees in the remotest and weakest communes are being reinforced. The PPAs recognise young cadres are very important for these communes and therefore their training should be continued according to recent PPAs. Though not directly related, these efforts are important for the success of the two NTPs.

Though administrative decentralization of the two NTPs has happened to some degree it has been slow. The Tuyen Quang experience with decentralization of managing P135 may be replicated widely, but that requires reinforcement of training programmes, for cadres, village leaders, leaders of mass organizations and local people.

The village heads are particularly important for improved consultation, monitoring, and empowerment. Some of the successes with decentralization suggests the advantage of encouraging other villagers, to form various village management structures (even though the village is not an official administrative unit in Viet Nam)⁵².

Recently updated training materials for commune, district and province HEPR-JC staff include various sections on consultative, participatory approaches including PRA elements. Other concepts have also entered these manuals, including a discussion on gender relations.⁵³ This happened only in the third edition of the manual, published in 2003, and can therefore not yet have had an impact beyond some improved consultation of citizens. Nevertheless, it shows a structural change and depending on resources allocated for training, thousands of local cadres will be exposed to this over the coming years.

One component of Programme 135 is capacity building of commune PC staff and local leaders, including members of Project Supervision Boards, which are created for the duration of an infrastructure project's implementation. The recently updated training materials for grassroots cadres involved in Programme 135 make a direct link between implementing the GRDD and popular consultation, information supply and direct popular involvement in decision-making regarding Programme 135.⁵⁴ The importance of upgrading technical skills of leaders and some citizens for monitoring of infrastructure projects are also addressed, and there is need for more of that.

Thus a potential for stronger capacity building in the next phase of the NTP already exists. This needs to be delivered by (provincial, district) training institutes, whose own capacity, for the most part, also needs improving.

⁵⁰ See SFDP (2003) for extensive experience in Son la province; MARD & MRDP (2002) for experience in various provinces in the Northern Mountains, and also Shanks et al. (2003) who use several sources for case studies.

⁵¹ This is the case in, for example, some of the researched communities in the Lao Cai PPA - see DFID (2003)

⁵² The important role of village heads is highlighted in several PPAs - see World Bank Viet Nam (2003), and for example DFID (2003), p.29-30, which suggests that deputy heads are widely needed, also in small villages in the uplands.

⁵³ See MOLISA (2003 b & c). These manuals were developed and produced with German Technical Assistance.

⁵⁴ CEM (2004b)

In addition, there is considerable training experience in various projects and local private organizations. This experience is generated from the documented experience of a range of successful projects that often include training of local officers in behavioural skills, facilitation skills, and general “community development”. A strong capacity building approach can lead to the institutionalization of participation.

Several official donor and NGO funded community development projects have increased staff capacities at the district and commune levels. There are several examples where this capacity building benefits the implementation of the NTPs. However, not all projects cover all or most communes in a certain province or district, as the NTPs do.

Two large-scale World Bank funded programmes are currently operating in a total of 19 provinces, and with activities closely related to the two NTPs.⁵⁵ These have substantial capacity building components, and in both cases some of the funds are directly managed by commune authorities. Most investment in larger infrastructure, however, is managed by the districts. They make substantial efforts at training community facilitators and others, through local training institutes. Other large and medium scale projects with World Bank or ADB loans or bilateral grants also have grassroots-level capacity building components.⁵⁶

While there has been some improvement in local administration and leadership, more capacity building is needed, especially in terms of acquiring the skills necessary to plan and monitor a range of projects. There is room to learn from the experiences of internationally funded projects in rural and urban areas. This is despite the fact that all these projects are implemented at the local level by PCs, mass organizations, and sometimes other local organizations. In some cases the individuals involved in those projects also have roles in implementing the NTPs.

2.4. Key Conclusions and Recommendations

- The NTP on HEPR is to be managed and implemented in a decentralised manner, and the provincial authorities, particularly VCP and PPC, are the key players. They have considerable discretion in allocating funds.
- However, decentralisation below the provincial level is patchy. Most funds under the HEPR projects are still controlled at province and district levels (by sector departments), even though much of the implementation responsibility lies at the commune level.
- In spite of the intention to decentralise P135, most districts still manage the planning, implementing and monitoring different activities. Even where the management is decentralised to the commune, spending plans still need approval at district and province levels, and may be changed in the approval process.

⁵⁵ The Community Based Rural Infrastructure Project in 13 Central provinces, and the Northern Mountains Poverty Reduction Project in 6 provinces. Each are based on a soft loan through the World Bank of about USD100 million and in addition they have some grant funded capacity building components.

⁵⁶ See e.g. Shanks et al. (2003), p.19

- Thus, by 2003, only 385 communes out of 2,362 “poorest and most difficult communes” in 20 out of 49 provinces under P135 were “investment holders”.
- There has been some improvement in local level participation in decisions regarding implementation of some components of the two programmes. But this is largely attributable to the GRDD.
- Even so GRDD has so far had least effects in remotest communes on e.g. financial transparency, which is central to successful implementation of the two programmes.
- At the central level, the HEPR Programme Office has a critical role in coordination and monitoring of the HEPR Programme. However, it has serious limitations of stature and capacity because of which it is unable to carry out its functions effectively.
- ‘Weak capacities’ of commune staff and village leaders, especially in the remote, poor, and often mountainous P135 communes is often used as an argument for non-decentralisation. But less than 1% of the programme budget was allocated for training of cadres.
- Village leaders have a crucial role in increasing popular consultation and information supply to villagers, especially in upland villages. However, their capacities are often limited, and in many cases training efforts under the NTPs have focused on commune and higher level PC cadre, instead of village leaders, heads of social organisations, and members of People’s Councils.
- Mass organisations play an active role in the HEPR programme implementation at the grassroots level. Women’s Union and Farmers’ Union are involved in implementing the credit for the poor component. Viet Nam Fatherland Front is the key local agency for convening Peoples’ Inspection Boards at the commune level.
- However, the effectiveness of mass organisations is hampered by weak technical capacities, limited influence in decision-making at higher levels, insufficient integration with HEPR bodies, and limited access to funds.

Key recommendations

- Consistent with the Government’s Socio-economic Development Strategy for 2001-2010 and the CPRGS, the NTP on HEPR for 2006-2010 should have ‘empowerment of poor people’ as a primary aim.
- The principle of popular consultation and participation in decision making should be applied throughout the (sub-) project cycles (i.e. during the preparation, implementation, and evaluation stages).
- The programs must strengthen horizontal links with other projects and policies, especially with the grassroots democratisation and administrative reform and decentralisation processes.
- The HEPR Program Office’s stature and capacity should be strengthened to enable it to play a more significant role in the implementation of the NTP on HEPR.

- Technical supervision capacities of local people and of mass organisations should be increased for local monitoring and accountability.

3. Financial Management System

This section analyses the tracking of expenditures across various levels to get a sense of how the financing system operates.

The section addresses three issues:

- (i) whether funds released for activities within HEPR and Programme 135 actually arrive at their destination,
- (ii) the extent, or potential, of “leakage” of funds in financial resource flows, and
- (iii) whether service providers have the correct incentives for providing services to the targeted beneficiaries.

3.1. Tracking Expenditures

Funding for both programmes is managed and disbursed through the Treasury system and is based on recorded progress in project implementation. Signed certificates are required to prove projects have been completed. However, in some circumstances, projects received acquittals from the Treasury based on estimates and not on actual funding requirements based on implementation.

Where there are specific norms for investment, such as for Programme 135 and for the “Housing Support for the Poor” component of the HEPR programme, the process and flow of funds is transparent and based on a clear delegation of management authority. Each level of government is informed about funding and monitoring expenditure.

Under P135, a fixed total for capital infrastructure spending per commune makes it easy to track expenditures in the field. In general, funds are, by and large, accurately passed down to district and commune levels and spending is properly recorded.

Budgets are usually almost completely spent within the year (Tables 26 and 27). The largest discrepancy was a failure to spend a little over 16% in Quang Ngai in 2001.

An under-spend can occur when there is a significant increase in budget allocations from one year to the next (e.g. in Quang Ngai from 2002 to 2003), as disbursements generally lag behind allocations. This is not surprising and reflects a common difficulty by expenditure managers under most systems (including those in developed countries) in matching activities with sudden increases in resource availability.

Allocations from the district to the commune level are clear-cut (Table 27). Funds allocated by the district in all provinces could be matched with commune level expenditures in the four provinces sampled for the study.

Table 26: Allocations and Actual Spending of P135 Central Funds, 2001-2003

(VND mn.)

Province	2001			2002			2003		
	Central allocation	Provincial re-allocation	Actual spending	Central allocation	Provincial re-allocation	Actual spending	Central allocation	Provincial re-allocation	Actual spending
Tuyen Quang	28,200	31,521	30,420	29,400	31,140	29,540	36,190	37,690	35,240
Quang Ngai	28,800	36,343	30,419	29,000	29,390	29,366	38,140	39,638	36,757
Soc Trang	23,600	24,900	24,900	24,800	25,000	24,834	32,000	33,266	33,265
Son La	41,000	49,300	43,186	43,300	51,650	49,101	54,950	56,950	57,742

Sources: MOF/MPI and various DOLISAs, 2004.

Note: Provincial re-allocation adds the previous year's unspent amount to the central allocation. Actual spending, as the name suggests, is the actual amount spent in a particular year and is the sum of the central and non-central funds.

Table 27: Allocations & Spending of P135 funds, District & Commune levels, 2003

(VND mn.)

Province (Commune-District)	Total allocation from the district	Additional (commune) contributions	Total programme spending
Tuyen Quang			
Tan Trao - Son Duong	500	4	504
Son La			
Nam Ty	585	0	585
Quang Ngai			
Binh An - Binh Son	500	0	477
Son Thuong - Son Ha	530	0	500
Son Thanh - Son Ha	500	0	480
Soc Trang			
Chau Hung	893	0	893
Lieu Tu	500	0	312

Note: Data could only be collected on district allocations and commune spending for 2003 in one commune in Tuyen Quang and Son La, two communes in Soc Trang and three communes in Quang Ngai. Where data was collected, it showed (except in one commune in Soc Trang) very small discrepancies between allocations and spending.

The main weakness in accounting for expenditure seems to be at the commune level where, due to limited skills and frequently changing accountants, accounting and reporting of expenditure was not always accurate or thorough. Funds from non-central or provincial sources, as well as monitoring returns on income and expenditure were not always integrated in reports (such as in An Tong commune, Yen Son district, Tuyen Quang).

While capital investment is managed and tracked clearly and transparently at all levels by the state Treasury system, the costs of recurrent expenditure for HEPR sub-programmes cannot be separated from “non-productive” costs for sectoral agencies. This is the result of HEPR funds being merged with mainstream spending (“recurrent costs”) by the relevant agencies.

Allocations and spending were verifiable under HEPR and allocations were largely equal to the spending recorded (Table 28).

Table 28: Central Allocations and Actual Spending of HEPR Funds, 2001-2003

(VND mn.)

Province	2001		2002		2003	
	Programme allocation	Actual spending	Programme allocation	Actual spending	Programme allocation	Actual spending
Tuyen Quang	38,805	61,974	34,259	62,169	14,471	39,954
Quang Ngai	49,988	60,156	27,072	40,170	27,414	37,748
Soc Trang	16,870	16,259	52,594	35,773	98,116	88,818
Son La	37,433	43,866	24,247	36,353	38,750	41,869

There is consistent overspending by Tuyen Quang, Quang Ngai and Son La (partly due to credit fund spending exceeding allocations). There is significant underspending in Soc Trang (again largely driven by credit spending) and decreases in allocations in recent years in Tuyen Quang and Quang Ngai. Allocations, especially from 2002 to 2003, increased in Soc Trang.

Where spending is not equal to allocations (as in Son La), this may be due to:

- non-implementation of some sub-programmes because of limitations in planning, and changes in conditions;
- non-disbursement of funding for credit to the poor, for example in Soc Trang for about VND8 billion;
- problems in commune level accounts including the variable practice in recording non-central contributions, meaning expenditure probably took account of funds that were not recorded as income at the local level; and

- lags in recording expenditure, which occur when allocations exceed disbursements, for example in health funds in Soc Trang and Son La where allocations exceeded disbursements by more than VND10 billion.

Funds that are unspent by the end of the year can be transferred to the next fiscal year as long as payments are made by the following January. Funds unspent by the end of January must be remitted to the centre. Although the additional time window granted is fairly small, it limits the practice (often seen where end-year flexibility (EYF) is not available) of committing resources to unnecessary projects in order to avoid returning funds to the centre.

3.2. “Leakage” of Programme Funds

“Leakage” of funds is said to occur either when spending of funds on the programme have not been recorded in provincial, district or commune accounts, or expenditure exceeds allocation for no documented reason.

The State Treasury at the provincial and the district levels is responsible for recording the use of state funds and contributions made according to the State Budget Law. Spending under the two programmes is covered by this provision.

Central and provincial allocations are recorded and controlled by the Treasury and so leakage of funds is limited by the control exerted by the Treasury over disbursement and acquittals. However, other contributions e.g. by state enterprises, individual households and donor agencies are not always, or routinely, recorded through this system. For example, household contributions (whether in cash or in kind) are not usually recorded at district or provincial levels. This means that there is no full accounting for the funds flowing into the programmes at different levels.

Use of different distribution mechanisms for capital and recurrent expenditure has consequences for the transparency of spending. In the case of programme capital expenditure, such as on infrastructure, inter-commune centres, resettlement projects or new economic zones, Treasury records are kept separate. This is therefore a relatively transparent process.

However, for recurrent expenditure e.g. staff training, salaries/allowances, O&M costs etc., funding is delegated to organizations such as DOLISA, CEM, Extension Centres, and others. Funds are allocated along with the current budgets of these departments/organizations. But the Treasury cannot distinguish between recurrent expenditure by these organizations and current spending on the relevant elements of NTPs. This limits the transparency of such expenditure.

It is difficult to assess the precise share of recurrent spending for the above reasons, but much of P135 spending is on capital works, so the share of recurrent spending of P135 funds are likely to be small. The share is estimated at under 10 per cent and perhaps as low as 2-5 per cent.

The share of recurrent expenditure in HEPR funding is higher. This, however, is likely to be a relatively small proportion of the total funds made available to provinces. The majority of HEPR funds are credit funds, although Soc Trang and Son La to some extent, have large capital and health care expenditure components as well.

In the case of recurrent spending there is not a presumption of leakage per se (as opposed to a lack of transparency), but the accounting framework makes it very difficult to accurately assess the use of HEPR funds or check whether those funds are used or transferred for other purposes.

The 2003 State Inspectorate report on Programme 135 expenditure in 23 provinces reported errors/mis-spending for around five percent of programme funds. That is to say, USD750,000 out of a total capital investment of USD15 million was mis-spent. The review of financial systems and data on allocations and spending would suggest that leakage was not much higher than this. For example, officials in the Treasury of Long Phu District, Soc Trang Province and the Treasury in Son Ha District, Quang Ngai, were mis-spending 0.3-0.6% of committed funds.

Examining acquittals and disbursements from district and provincial Treasury records for Programme 135 suggests that disbursement of funds is managed according to the provisions for regulating construction investment. Acquittal data showed that typically all funds for Programme 135 were used. In some cases in Soc Trang, funds were not fully spent. In those (relatively rare) cases, unspent commune funds were transferred to other communes. It is believed that these transferred funds are refunded over the next few years to ensure that the average spending in each commune equals the central norm.

Where there is leakage, it is likely to be in construction projects, since the Supervision Boards of most communes and many districts do not have the requisite skills to manage and control the construction process, and there are no standard procedures for obtaining bids from contractors, drawing up a shortlist, or assessing the value-for-money (VFM) of proposals and monitoring outturns.

Recent state inspection reports have commented that leakage of funds may occur through deficiencies in the quality of project implementation, such as in materials being the wrong quality, incorrect or insufficient materials being used, costs being over-stated by contractors etc. A reported error rate of 5% is well within international standards for leakage/errors in capital programmes and, while the management and value-for-money of the programme could be improved further, relatively strong treasury systems and procedures are in place.

The main potential for leakage is likely to be at the commune level and efforts to tighten the system should be focused at this level. In situations where communes only have the role of passively receiving benefits or households are largely receiving support in kind, there is higher potential for leakage of funds due to limited involvement and accountability of local people.

This is brought out by the analysis of transparency in Programme 135 which suggests that the supply of information - in particular, the meaningful and timely disclosure of financial information to the public - is still limited. Related information, such as the signing of contracts is also rarely provided, or is late. This lack of transparency is related to the (still) limited consultation at the planning stage. If good consultations were held, detailed information on budgets and draft designs would be provided. Leakage has also been linked to non-public decision-making about budgets and contractors.⁵⁷

⁵⁷ Shanks et al. (2003), Pham Hai (2002) and Do Xuan Hoa (2002)

Instituting a “community development fund” may be an effective way to ensure poor households and village leaders are involved in management and supervision of funding. The fund might also ensure that funding is commensurate with real demands in the area.

There is insufficient evidence to estimate leakage from the HEPR programme. There is also little corroborative evidence available. Overall, the potential for leakage exists in the HEPR programme, and is probably several times higher than that of Programme 135, since:

- it is difficult to track allocations to expenditure (even at the province level),
- financial reporting to the centre is limited in details of actual project spending because of capacity limitations at lower levels and
- recurrent spending cannot be tracked separately.

Under HEPR, one of the most likely areas for leakage is in the procurement process for public capital works. Infrastructure and housing works are implemented through contractors, often from the local area. The advantage of retaining funds in the local area through the use of local firms/individuals gives social and economic dividends to poor localities, uses local labour and stimulates the local economy. Another advantage of this approach is the quick selection and mobilization of a contractor. But these are outweighed by disadvantages. Selection is often arbitrary and determined by a contractor's links with officials. Bid prices are often inflated, and a well-connected contractor does not worry about accountability and quality.

Given the scope for manipulation of prices/quality (especially where locals are not involved in supervision/implementation), the same contractors should not receive work year after year in the same localities.

In recent years, provision of health services to the poor have led to wasted funds and leakage, especially in the provision of free medicines. In Tuyen Quang, the province did not distribute free health insurance cards. In Soc Trang cards were only distributed in October 2003, and in Son La there were problems with bureaucracy e.g. households had to travel to claim entitlement and faulty planning meant that demand did not materialise as anticipated and the drugs were wasted. From 2003 (by decision of the Prime Minister) the basis for funding the programme was changed from one of supplying medicines directly to reimbursing households through a Fund for Health Care for the Poor. This is likely to reduce wasted funds.

Leakage may also occur in extension services. The supply of materials (such as breeding animals, plants, medicinal drugs etc) to beneficiaries has many advantages. However, with the current delegation of management for extension activities to Extension Service Centres (ESCs)⁵⁸, this can result in difficulties in accounting at the commune/district level and therefore the possibility for leakage to occur. For example, individuals typically only sign for receiving materials while the agencies (e.g. ESCs) will acquit with the Treasury to the value of the materials supplied.

⁵⁸ Extension Service Centres seek contractors to provide the breeding animals, plants etc to households with prices of contact controlled by DOF. However, in some communes, households when receiving the breeding plants, animals did not know whether the qualities of materials and prices of materials corresponded to what was ordered.

Corroborative evidence for this comes from the PPA in Quang Ngai (and several others) which highlight the fact that top-down planning is still the norm and that extension services, for example, are still not fully responsive to people's needs. Consultation on extension needs and transparency in decision-making about extension service implementation need to be improved.

3.3. Programme Incentives

It is unclear whether incentives currently available for project managers are best designed to ensure that resources are allocated optimally, and that people receive the highest quality services within given economic constraints.

While provincial and district administrations are, in theory, encouraged to allocate funds according to local conditions, there is considerable variation in practice. These variations are dependent on the capacity of local staff and the extent to which funding meets more than very basic needs.

The incentives for improved targeting and management within the two programmes are further limited by the management mechanisms. The centre does not provide significant economic incentives regarding implementation or for the effective use of programme monies. Those that do exist operate poorly and often with significant delays. The sanctions that do exist – sudden inspections and withdrawal of funding for lack of capacity - are mainly punitive.

The following incentives exist:

- Awards (in the form of certificates) to the best performing province or communes, after several years of implementation.
- Communes which showed progress towards programme objectives could be advanced funds for project implementation. These resources are generally transferred from funds of other communes, which have problems in implementation or have low capacity for implementation. These advanced funds are paid back in future years.
- Unspent funds in one financial year could be transferred to the next (until the end of January) without penalty (the 'end year flexibility'). However, this negative incentive is of limited benefit. Low levels of funding and the non-use of credit funds, result in few funds being leftover in any given year.

It is often difficult to strike the right balance between rewarding good provinces and penalising bad/inefficient behaviour. Allocating additional funds to well-performing provinces, districts or communes will lead to greater inequalities between provinces and disparities in growth and employment. There is some evidence that this is already happening. The relatively well-performing province of Tuyen Quang is allocated extra funds by the centre and also receives additional donor funds.

The central government should consider introducing some positive incentive mechanisms such as:

- Providing bonuses to provinces/districts for ensuring that allocations are correctly spent, although care will need to be taken that the regional distribution of rewards or donor funds does not exacerbate tendencies within the funding system to reward dynamic provinces.

- Poor performance as assessed in annual reviews triggers additional funds (say, for capacity building) to help the province/district address the causes of poor performance. This would help balance the current sanctions-based regime with some positive incentives to help create an environment for desirable outcomes.

3.4. Key Conclusions

- The flow of funds through the Treasury (DoF) system from the central, province and down to the district level involves the use of separate accounts which means funds are easy to control and monitor as well as prevent leakage.
- Partly due to the relatively rigorous financial system, adequate accounting, audit and review mechanisms are not in place. The system relies heavily on paper-based controls (formal annual reports) and one-off audit type checks (by State Inspectorate etc.)
- The allocation of funds for Programme 135 is clear and transparent, and funds pass directly to communes or projects. Poor communes are more aware than under HEPR of the amount of funding available to them and this enables them to properly supervise project implementation.
- Although the financing system is relatively strong, the large number of separate sub-programmes within HEPR prevents clear central oversight and control over programme funds. Combined with a variety of funding sources, this makes the HEPR programme insufficiently transparent and accountable.
- Financial documentation and recording at the commune level is a weak link in the system. Many local programme activities are not reflected in the accounts (e.g. providing housing to the poor and labour or material contributions). Commune finance staff often do not have the necessary knowledge and training in accounting and financing.
- Adequate training needs to be combined with a system of incentives to improve performance of programme staff.

Key recommendations

- Central spending norms should be streamlined and brought up to date using the latest price levels and best practices in procurement.
- Provinces and districts should audit commune level practices and systematically improve the way funds are monitored at the commune level, with help provided through training etc.
- Inspection arrangements should be improved at all levels to consolidate, control and reduce inappropriate practices at local levels.
- Adequate training of programme staff needs to be combined with a system of incentives to improve performance.

4. Monitoring Programme Performance⁵⁹

This section explains the monitoring system and reviews the way in which the two programmes are monitored compared to the attributes of a sound monitoring system found in Box 14. The review of the monitoring system includes:

- the selection of indicators: the system of data collection at different levels and use of the data for decision-making,
- the reporting system,
- capacity for data collection and analysis, and
- performance of local level monitoring structures.

Since much of the focus on monitoring tracks the achievements in reducing the number of poor households, the last section will examine the process of assessing impact.

The results of the monitoring system review undertaken in four provinces – Tuyen Quang, Quang Ngai, Phu Yen and HCMC – are combined with additional data from other provinces.

4.1. Institutional Structure

At the central level, the HEPR Programme Office under MOLISA and the Policy Department under CEM are responsible for monitoring the NTP on HEPR and Programme 135 respectively. The mandate of the HEPR office is to assist the programme's National Steering Board in developing HEPR annual and 5-year plans. These "master" plans are based on sectoral and provincial plans and monitoring programme implementation. They provide guidelines to the central EAs and the provincial programme SC standing bodies on programme management, monitoring and implementation.

The EAs that implement the NTP on HEPR and P135 are also responsible for monitoring and reporting on subprogramme activities and outcomes, as per Decision 42.⁶⁰ Information on programme performance and outcomes are channeled both horizontally and vertically, at the central and local levels. Horizontally, such information is shared at different levels, among the sub-programme EAs, the programmes' Standing Bodies in the Steering Boards/Committees and other stakeholders in these Boards/Committees. The Standing Bodies at various levels co-ordinate the monitoring of and reporting on programme performance and impact.

Vertically, such guidelines and data are channeled from the Prime Minister's Office, through the HEPRJC/135 Steering Boards, to the programme EAs at the central level, down to the HEPRJC/135 Steering Committees at the provincial level, and similar Steering Committees at the district and commune level.

⁵⁹ This section draws upon Hanh, Toan and Doanh (2004) with contributions from Alain Jacquemin.

⁶⁰ Regulation on management of National Target Programmes, issued by the Prime Minister as part of Decision 42/2002/QĐ-TTg of 19 March 2002, includes sections on reporting requirements (what reports are to be prepared, by whom, to whom, and how frequently).

However, there is no legal document which defines what areas the programme standing agency, EAs and relevant agencies are responsible for monitoring. Nor is there any formal information-sharing mechanism between provincial and central EAs on the one hand, and provincial EAs and provincial standing agencies on the other.

Box 14: Elements of a Programme Monitoring System

Programme monitoring involves:

- Tracking changes in outcomes over time and across groups and areas,
- Collecting information to study the determinants of such outcomes, and
- Providing feedback on the effectiveness of the programme intervention.

Specifically, a Programme Monitoring system consists of the following activities:

- Data collection,
- Data collation,
- Data analysis, and
- Dissemination of results.
- Data collection and collation constitute one group of integrated activities, whereas data analysis and then subsequent dissemination and feedback comprise another set of activities.
- An important step in the design of a poverty monitoring system is the selection of indicators and their level of disaggregation.
- A Programme Monitoring System should collect data to monitor the following indicators:
 - **Outcomes** – These can assess progress in reducing poverty, improving health, raising educational achievement and enhancing the voice and participation of the poor using information from household surveys. Changes in access to, usage of and satisfaction with the supply of services such school dropout and repetition rates; distance to facilities; and satisfaction with the services can also be tracked.
 - **Output** – These are indicators of goods and services generated and assess whether programme activities are implemented in accordance with the plans. Examples include number of beneficiaries of employment programmes for the poor; number of new schools built; number of primary school teachers; number of doctors per 100,000 inhabitants, etc.
 - **Input** – These are essentially public expenditure reviews to assess whether the financial and physical resources are being allocated to the appropriate programmes in accordance with the plans. Examples include expenditure on primary education as a share of total expenditure on education and expenditure on primary health care as a share of total expenditure on health, etc.

There is no separate budget allocation for monitoring of NTPs. Funds for programme monitoring are taken from the normal annual budget of the EAs. Therefore, most EAs are rarely keen on spending resources for programme monitoring.

For monitoring of P135 sub-programmes, the inter-ministerial Circular 666/2001/TTLT-BKH-UBDTMN-TC-XD stipulates:

- (i) reporting procedures and frequency (quarterly, semi-annual and annual),
- (ii) content of the report (assignments, mobilised funds, delays, number of works completed, problems encountered, and recommendations),
- (iii) and responsible reporting authorities: PMU reports to project owner, project owner to provincial P135 standing agency, provincial programme steering committee to National Steering Committee, NSC to the Prime Minister.

Additionally, CEM issued Circular 894/2001/TT-UBDTMN of 13 November 2001, includes guidelines on data collection for reporting on the development of infrastructure and inter-commune centers, with clear guidance on reporting and presenting data.

4.2. Selection of monitoring indicators

The HEPR office, after consultations with relevant ministries and the DOLISAs, developed a set of indicators to monitor implementation of the two programmes. All central EAs identified a set of relevant indicators to assess their own sub-programme. The HEPR office compiled these sets and added a number of indicators, for example on household poverty status. The combined set of indicators was sent to the provincial Standing Bodies (usually the DOLISA) in a number of provinces for feedback.

The HEPR office included the feedback into the final set of indicators and sent it to all EAs. The latter then selected the indicators that they considered relevant for their own work and sent the set of guidelines and indicators to their provincial departments. In some provinces the EA departments adjusted the final list of indicators (added a few locally relevant ones). Thus, the final full DOLISA⁶¹ list of indicators varies slightly across provinces. In P135 provinces, the lists of indicators again differ.

These indicators have been organised into standard formats to facilitate monitoring by provinces and districts as part of their semi-annual and annual poverty reports. The indicators are categorized into three groups (see Annex 7):

Group 1 - indicators on households,

Group 2 - indicators on commune poverty status and

Group 3 - performance indicators for investment project/policies.

Group 1 indicators collect data on the number of poor households in the district/province, broken down by location (rural/urban), targeting status, and ethnicity. Data is also collected on the number of

⁶¹ For example, the Programme 135 has some small health component, and a few indicators for that component may be added to the final indicator list.

households that have crossed the poverty line or fallen back again in the reporting period. As shown in the table, most of the data in this group is reported every six months.

Group 2 Indicators collect information on the infrastructure status of communes and the information is updated every six months.

Group 3 indicators collect information on the implementation of the policies and sub-programmes that comprise the HEPR programme. All except two health-related indicators track either inputs or outputs.

Annex 7 demonstrates that there is an indiscriminate listing of input, output and final outcome indicators with no real analysis. Indicators were not selected after a careful analysis of the processes of impact, so there is no real monitoring system – only a collection of indicators. This is also borne out by the following:

- For all three groups, it is not clear why data on some indicators are collected every six months, and others annually. It seems that input indicators are tracked annually, whereas output indicators are tracked biannually. However, this is not always the case - the “amount of funds” for infrastructure development (an input indicator) is tracked every six months.
- Of this list, only four indicators track outcomes – the rest are input or output indicators. There is a lack of analysis as to why these indicators are the most appropriate, how the data collected will track programme performance, or the impact on poverty. Collecting data on the number of poor households in the district/province, and their movement on and off the poor households list assumes that this is entirely due to the implementation of the HEPR activities.

This assumption is difficult to believe in the absence of any analysis of the channels or processes of impact, particularly when the total central and non-central resources allocated to poor households is, on average, less than US\$ 1 per day (see Table 24 and discussion in Section C.I.2).

- Even if there was a direct link between HEPR programme implementation and poverty reduction, a severe limitation of the monitoring system is the undue emphasis on tracking the poverty status of households without tracking outcomes of the programme components that are assumed to contribute to the overall objective of the programme.
- Changes in household well-being come about more slowly than in the six month period required for reporting.

CEM also issued guidelines on P135 monitoring and formats for statistical reporting to the PMUs and the relevant provincial PCs. The indicators in the reports include input indicators such as the amount of funds disbursed as total and broken down by source at the provincial and district level, and output indicators such as the number of infrastructure works completed. Again, no outcome indicators are included.

Thus, the overall emphasis is on getting data on final impacts but without tracking intermediate (i.e. outcome) indicators. This makes it difficult to attribute impacts to specific policies or projects.

Baselines - Prior to the start of the programme, the HEPR programme office did not carry out a separate national baseline survey to assess the nation’s poverty status. It tried to develop baseline data based on surveys done by GSO and MARD as well as poverty data from the provinces. In addition, it organised

some sample surveys to get additional information on household living standards and income. No other ministries and agencies, including CEM, carried out any baseline surveys before the start of the programme.

Absence of a baseline has made the present evaluation of the two programmes a hazardous exercise. There is little data to make comparisons with, in order to assess changes in household well-being as a result of the two programmes. It is hoped that this shortcoming will be rectified prior to the start of the next phase of the HEPR programme in 2006.

4.3. Reporting System and Guidelines

As per the Prime Minister's decision, the HEPR Office and CEM are responsible for monitoring programme performance and preparing semi-annual and annual programme reviews and poverty status reports based on the subprogramme EAs and the provincial SC standing bodies. These are submitted to the Prime Minister, MPI and MOF every six months.

But the HEPR office and CEM face considerable difficulties in getting timely and reliable data. Most sub-programme EAs and provinces send only narrative reports by post. Not all information needed is included in these reports. Furthermore, not all EAs and provinces send regular reports as required. In 2003, only 54 of 61 provinces/cities sent annual reports to the HEPR office.

Often the provinces and EAs send only annual reviews, not biannual reports as required. Consequently, the HEPR office and CEM have to collect information about programme implementation by telephone and fax. Data collected this way are not reliable. Data is not often collected through field visits because of limited resources.

The sub-programme EAs for the HEPR, MARD, MOET, MOH, and SPB are to collect data from provinces based on their regular reports. However, most provinces do not send biannual programme portfolio review reports even as a part of the sector performance review reports to these EAs. This is because the funds are allocated by the PPCs to the provincial departments, and central EAs often do not know the amount of funds received by their provincial departments for subprogramme activities. So the central EAs are unable to compare the actual funds used for the HEPR activities and planned funds.

In order to compare the percentage of poor households at the reporting moment to the previous year, they have to get the data from the previous year reports. This is difficult to do because of constraints of data storage and access. Therefore, most EAs provide descriptive and narrative reports, with little analysis.

Last year MOH received the annual reports on the programme performance initially only from 22 provinces. Substantial follow up was required to get the reports from the other provinces.

CEM issued the guidelines on Programme 135 monitoring⁶² with the formats for statistical reports to PMUs and to the relevant provincial PCs. The indicators in the reports include only input indicators (such

⁶² Circular No- 894/2001/TT-UBDTMN, issued in November 13th 2001, on the 'Infrastructure development and commune clusters development' components implementation data collection and reporting.

as the amount of funds disbursed as total and broken down by sources in the province/district) and output indicators (such as the number of works done). No outcome indicator is included.

MARD developed different guidelines but mostly for the implementation and not the monitoring of some components, including Promotion of farming and off-farm production, employment for the Poor, and Sedentarization in poor communes. Other EAs such as MPI, MOF, MOH and MOET have not issued separate guidelines on HEPR and P135 monitoring, except those guidelines on preparing the socio-economic development plan performance review. This is because the HEPR and P135 monitoring is put in the same basket with the sectoral socio-economic development plan performance monitoring. Specific indicators on programme performance are included in the overall sector reports. MOET and MOH take the needed information on HEPR policies implementation from the overall sector reports and send the reports on the HEPR policies implementation to HEPRJC office when requested or once a year.

Use of data - The sector-related data are used by concerned ministries and agencies, primarily for meeting the reporting requirements. For the ministries as the sub-programme EAs, the data are also used for making decisions on sub-programme management, e.g. the decisions on the sub-programme budget proposals preparation and sub-programme scope review and adjustment. For MPI and MOF, the data are used for budgeting, mainstreaming the HEPR activities into the socio-economic development planning and policy analysis (to a limited extent). For MOLISA and CEMMA as the Standing Bodies of the HEPR and P135, the data are used for making decisions on sub-programme management and policy analysis (to a limited extent).

Some EAs such as the Social Policy Bank strictly follow reporting requirements, but data collected from their reports has only a very limited use for policy analysis in the absence of data on outcome indicators.

In the absence of any data on outcomes, it is difficult to get a sense of the overall direction of the programmes and undertake mid-course corrections if necessary. Thus, the data collected is not used for steering the programmes. The most common use of the data is for reporting on financial inputs (such as the amount of funds used) and physical outputs (such as the number of infrastructure projects completed).

4.4. Monitoring capacity

The HEPR programme office and all HEPR-JC departments under MOLISA have been equipped with computers, fax machines and telephones. However, these computers are connected neither to the network of the local ministries, nor to provinces. The same situation is true for the MOF, MPI, MARD, MOH and CEM. For PB the data on the HEPR programme performance are collected together with the data on normal lending activities. The SPB uses a special software for monitoring lending performance.

There are seven full-time professional staff in the HEPR Office with graduate and postgraduate qualifications. Most of them have experience in project management and monitoring. Some of them have participated in in-country or overseas short training courses on data processing tools, such as STATA or poverty mapping. In the Policy department of CEM only one staff member has been assigned to monitor programme 135.

The Department of Social Security under MOLISA is responsible managing and monitoring the two sub-programmes and two full-time staff members have been assigned. Funds for these sub-programmes come from the state budget to MOLISA. Therefore, it is less difficult for MOLISA to collect the data on the sub-programme performance from selected provinces and state general corporations. MOLISA sends quarterly, semi-annual and annual reports directly to the National Steering Board.

For the remaining EAs only one, usually part-time, staff member has been assigned to monitor the sub-programme. There are few incentives for the person to perform well. Moreover, they have little power in receiving reports from the provinces on time, to complete the reporting requirements. Few ministries send reports as required (quarterly, biannually and annually). Most EAs send annual portfolio review reports only because data for most indicators are available by the end of the year. There is no incentive for good monitoring and no full time monitoring staff in provincial departments. Therefore, provincial departments do not send the separate HEPR review reports, but send data on HEPR sub-programme performance as part of their annual plan performance review report.

The HEPR office has prepared two sets of training manuals, one for commune HEPR staff with 11 topics and one for provincial and district HEPR staff with 13 topics.

Four topics (“Introduction of the NTP on HEPR-JC,” “Gender issues in poverty reduction,” “Participatory approach in poverty reduction,” and “The Policy Bank and Credit for poor households”) are included in both manuals the same way. The first three topics are useful, but the presentation does not seem appropriate to commune HEPR staff. They are too long and academic. The topic “the Policy Bank and Credit for poor households” should be more specific and shorter so that commune HEPR staff can better understand how to monitor credit disbursements.

Among the 11 topics for commune HEPR staff, two topics relate to monitoring: “Household survey and how to prepare poor households’ monitoring records” and “Poverty reduction performance monitoring, assessment and reporting”. All formats of the survey have been included to help commune HEPR staff conduct household surveys. The guidance given is specific enough. However, the topic “Poverty reduction performance monitoring, assessment and reporting” is too short. Commune HE PR staff should be better trained on how to undertake “Poor household movement analysis”, and review “HEPR programme performance”.

For district and provincial staff there are two topics relating to monitoring: “Monitoring and evaluation indicators system” and “Methodology and Experience in poverty data collection.” The list of indicators is introduced with some information on the requirements for poverty assessment and how to identify the indicators to be monitored. Under the topic “Methodology and Experience in poverty data collection” the poor household and commune eligibility criteria and the methodologies of surveys and preparation of poor household lists have been introduced for carrying out household surveys. The information included in this topic is specific enough to be useful for district and provincial HEPR staff.

Most of the other topics, in both sets, are about individual projects, such as Guidelines on commune infrastructure development project management, HEPR modality development, etc. However, the Guideline on “Commune infrastructure development project management”, for example, is short and not very specific for project management.

4.5. Performance of local level monitoring structures⁶³

The Grassroots Democracy Decree provides a framework and methodology for supervising projects with popular participation through a group of elected representatives.⁶⁴ It provides for the creation of Project Supervision Boards, which are to work independently towards community benefits through supervision of construction projects in the communes. Each board has three to five elected members, who are generally respected men and women. These boards are expected to be dissolved upon project completion. They are supervised by the local Fatherland Front and the commune People's Council.

All communes in Viet Nam also have People's Inspection Boards⁶⁵ which predate the Supervision Boards. They have a broad mandate and are part of a national structure of supervision, focusing on financial matters. They are overseen by the State, province and district level inspectorates. The People's Inspection Board and selection of its members is led by the commune Fatherland Front, which reports to the People's Council. Members of the People's Inspection Board officially cannot hold posts in the commune People's Committee.

People's Inspection Boards (PIBs) and Project Supervision Boards are a means of democratic supervision in addition to the elected members of the People's Council and village leaders. They are local monitoring mechanisms that exist widely. The creation of Project Supervision Boards was stimulated by increased investments in localities, partly under the two NTPs, and are primarily relevant to infrastructure investments under Programme 135. Their mandate overlaps that of the People's Inspection Boards which are generally seen as still too weak, largely because of limited technical skills of local people.

Both boards were generally considered weak in the early years of the two NTPs, especially in remote and mountainous communes as a result of low cadre capacities and limited education of the general population. However, their effectiveness has gradually improved since 1998, and there are suggestions that the PIBs may in some cases have been strengthened as a result of the Decree 29 and the popularisation of the mandate of Project Supervision Boards.⁶⁶ At the same time, however, there are several reports that indicate they are not as effective and independent as they should be, often because they are strongly influenced by the PCs.⁶⁷ They are also not part of the formal reporting process for the two NTPs as confirmed by recent evidence (Box 15).

Nevertheless, at the same time many project management and monitoring teams, boards and committees exist in a majority of communes, for all kinds of purposes. Estimates put the number of such boards in any one commune at between ten and 15.⁶⁸ For various projects, government funded or funded by international agencies, district and commune authorities usually form "Project Management Boards" with members from different departments and mass organizations.

⁶³ This section uses material in Neefjes (2004).

⁶⁴ This Decree was promulgated in 1998 and renewed/improved in 2003.

⁶⁵ Set up under Decree 241-HDBT of the Council of Ministers (1991) - see NCSSH-IoE/Oxfam GB (2003)

⁶⁶ NCSSH-IoE/Oxfam GB (2003), p.21

⁶⁷ See e.g. AAV/ADB (2003), p.26

⁶⁸ Shanks et al. (2003), p.31

Analysis of the overall implementation systems and field observations in several provinces led to the conclusion in 2000 that local level “monitoring and evaluation systems are extremely weak” in the two NTPs, so it was difficult to absorb lessons and adjust the programme direction and implementation practices.⁶⁹

Thus, strengthening basic technical skills of local people for local-level monitoring is a priority for capacity building.⁷⁰

Box 15: Functioning of Project Supervision Boards and People’s Inspection Boards

Assessment of M&E systems and practices in several provinces reveals the following:

- Consultation and participation
- There is some but very limited consultation of beneficiaries of the projects, and also limited consultation of village heads and village and commune leaders of mass organizations with regards to progress, completion and quality of the various projects under the two NTPs.
- In HCM City, for example, certain “self management savings groups” supply minutes of their meetings to their commune / ward level HEPR unit. In Tuyen Quang the provincial DOLISA adjusted guidelines and indicators for reporting based on “participatory consultation.” In that province DOLISA has also done some participatory analyses of poverty status. However, current M&E practice under the two NTPs can certainly not be labeled “participatory.”

Reporting progress

- The systems of upwards reporting starts with the commune PC (Chairman) and also school principals, heads of health centres and others. This focuses on output and outcome indicators.
- The Project Supervision Boards (for infrastructure) and People’s Inspection Boards (with a wider remit) do not appear to have a role in the reporting system.
- It is common that People’s Council Chairmen or commune Party Secretaries head these two types of Boards and relationships with the PC are generally very close, if not too close for effective supervision. This would suggest that the findings of these Boards should be well known at the PC, but there is no guarantee that they will be reported to district and province HEPR Boards.

Reporting impact

- Reports on trends in poverty incidence by the national poverty criteria are also supplied upwards, starting with reports from village heads.
- Reduction in poverty is arguably the main aim and therefore the main impact of all the projects under HEPR-JC and 135 put together. However, analysis of the comparative contribution of some or all the components under these NTPs to poverty reduction is generally absent.

⁶⁹ Fritzen (2000), p.14

⁷⁰ See e.g. Shanks et al. (2003), p.62

This is not to suggest that there has been no change as a result of the promulgation of GRDD and the implementation of NTPs. There has been improvement in direct monitoring by citizens and monitoring by representatives, although not uniformly and in many cases only in modest ways. There are, however, many examples where improvements were significant, and where the knock-on effects were clearly felt. Improvements in transparency, and participation in monitoring have helped achieve practical goals such as improved construction quality, and stimulated the generation of local resources, i.e. people's own contributions. This may happen despite poverty and strong limitations in time and financial capability.

Box 16 provides a summary of knock-on effects of improved grass roots democracy – these effects are not primarily attributed to the NTPs, but rather to the success of the GRDD in several localities. It illustrates what could happen if the NTPs and their sub-projects were better linked to the GRDD. It also illustrates the idea that empowerment (participation as an end in itself) and functional participation (as a means to an end) can become two mutually reinforcing aspects of a virtual cycle.

Box 16: Effects of improved grassroots democracy on mobilisation and distribution of resources for poverty reduction

In many communities local people now often discuss issues related to mobilization and distribution of local resources for poverty reduction. The GRDD has helped mobilise more local resources for poverty reduction programmes through local contributions to Government investment programmes and local voluntary support to the poor. Community organizations participate actively in the management and distribution of such resources.

Women, the poor, elderly, single people, ethnic minorities, and generally those with the least formal education still have little voice in the discussions about poverty reduction, due to their limited capabilities. Nevertheless, distribution of resources for poverty reduction has become fairer and more effective. This is at least partly because of the GRDD.

Inadequate decentralization leaves the provinces and districts as “investment-owners” of many projects. Because commune officers have little responsibility for these projects there is little consultation with the local population, and they cannot explain to citizens about budgets, implementation schedules and arrangements. Therefore local officers and citizens cannot be expected to mobilise local resources for such projects, or help strengthen their poverty focus.

Source: NCSSH-IoE/Oxfam GB (2003), p.28

4.6. Tracking the poverty rate

Indicators on the number of poor households and the proportion moving in and out of poverty are very closely monitored. In a sense, progress towards the achievement of the overall objectives of the NTP on HEPR and Programme 135 are judged solely by regular estimations of the poverty rate.

Without going into the merits of this approach, this section analyses the process of estimating the poverty rate. Does the process build confidence in the poverty numbers?

There is considerable variation in the way in which poverty rates are calculated in communes arising from:

- the use of different sampling techniques (census or sample),
- the different methods of data collection (self-reporting and/or village-level discussion or interviews), and
- the calculation of household income on the basis of this data (prices and conversion ratios).

Sometimes, however, the variability is due to the flexible interpretation of the definition of the poverty lines.

All communes have undertaken at least one “comprehensive survey” (around 1998-99) to identify poor and hungry households and reasons for their poverty. This baseline information was collected using a two-page form (Annex 6). Reports have been supplemented with field-level interviews to confirm the considerable variation across communes in the way these forms were completed.

While monitoring poverty, it is this baseline information (“list of poor households”) that is updated every 6 or 12 months.

The post-baseline estimates involve revisiting the households on the original list of poor and hungry, and seeing if their status has changed (i.e. if they have escaped from poverty or hunger). It was assumed that this list was taken only as a base, and that when reporting the annual poverty rate commune officials would add to the list those households which have fallen into poverty (or even hunger) since the first survey. There is evidence from the Bac Kan and Cao Bang provinces (EU 2001), that this was explicitly *not* the case in some communes, and unclear in others. Most often, for the purposes of monitoring progress using the official data, the poverty rate can only ever remain stable or decline. Increases are rare.

Variation across communes and provinces in monitoring poverty emerge from the use of different processes. The following are the types of methods in use:

- Commune staff and village heads distribute forms to households, asking them to complete the form and return it to the village chief. Those who are illiterate are helped to complete the form by the village chief.
- In some communes, the monitoring of poverty reduction is less formal. Households identified as poor or hungry in the baseline survey were divided among members of the Commune Poverty Reduction Board: each member is responsible for a small number of households, which he or she is expected to know very well. Poverty monitoring surveys (i.e. evaluations of whether households on the baseline list have escaped from poverty or hunger) are completed by these officers on the basis of their knowledge of these households.
- In some places, poverty-monitoring surveys are based upon the findings of interviews. However, the household income/poverty status form is not completed during the interview, but back at the commune office, on the basis of notes and recollection from the interview.
- The household income/poverty status forms are completed on the basis of information collected earlier in the year (mainly harvest information) and consultations with the village chiefs.

At the same time, and as evident from the form, there is considerable potential for the flexible interpretation of the data collected during the re-survey. It is unclear how the data on assets is used to assess the poverty status of the household. Quality of house and the value of durable consumption goods are the most common indicators. However, there are no specific quantitative criteria for these indicators. As a result, there is a likelihood that these indicators may be used arbitrarily.

While there is a strong case for the use of proxy indicators to better identify poor households, there should be clear guidelines on how to use this additional information in assessing household well-being.

Much of the tracking of poverty rates is driven by the pressure to meet poverty reduction targets, set at the central level. They are in turn, set in a way so as to meet the specific objectives of the programmes (see Section B.II.1). Presently, the targets are about 2% per year, that is, the proportion of poor households in the commune has to decline by that rate. Exact numbers of households are assigned to each village as a target for each year.

These targets are often at variance with what is achievable on the ground. For example, in Tan Lap Village (Ninh Thuan Province), twenty-five poor households were identified using MoLISA criteria but the commune approved only fifteen. The village leaders then had to choose the programme beneficiaries from the twenty-five.

It is not clear how the final selection of households is done, but in the absence of any guidelines, there is considerable flexibility in assessing the final number. This has two implications: (i) the numbers of poor households cannot be compared across villages or communes, and (ii) it is difficult to assume that the final number of poor households arrived at by this process constitutes the total number of poor households.

While a large number of people are aware of how the list of poor households is made (Table 6), the majority of poor people are not aware of the criteria used to identify households that have escaped poverty. *"The village considered us to be better so they collect the certificates back for other poor households"*. - Poor households in Dong Thap (Ninh Thuan province, PPA, 2003).

Most of so called "poverty-escaped households" were not informed that they had already escaped from poverty. Their certificates were taken back without any explanation. When they realised that they were not on the list of poor households any more they guessed that it must be because they are no longer considered poor (CRP, 2003).

The households that really escape poverty are usually those with specific conditions such as having small land, abundant labour, certain skills/experience in agriculture production or having family members who get regular jobs in other provinces. These people have better chances to succeed in their businesses when they borrow subsidized loans for the poor and get other support at the same time.

Further research to identify characteristics of such households and factors responsible for their “escape from poverty”, will greatly assist the design of appropriate mechanisms for the next phase.

In light of the requirements for tracking poverty (Box 17), the present system of collecting reliable information on poverty rates at the commune level can be improved considerably.

Box 17: Requirements for tracking poverty

To effectively monitor change in poverty, the data should possess the following attributes:

- The poverty line should be set at an appropriate level.
- The poverty line should be uniform across all administrative areas.
- The methodology used to measure household income/consumption and to calculate the poverty rate should be technically sound.
- The methodology used to calculate the poverty rate should be uniformly applied across administrative areas and be consistent over time.

Aspects of methodology that must be standardised include:

Sampling: Are the annual poverty statistics derived from a census of all households in the administrative unit, or from a sample of selected households?

Method of data collection: Is the data recorded by commune officials through interview with households; reported by households; or discussed and agreed in village-level meetings? If a form is used to record income and food production, is it the same form in all districts and communes? Is this form filled in during the interview, or back in the Commune office, based on notes from the interview, or from what is already known of the household?

Methods of calculation and conversion: When converting income into rice consumption terms, or consumption of own-produced non-rice crops into rice consumption, are the same prices and ratios used throughout?

Timing: do surveys occur in different places simultaneously or at different times?

- The data on poverty rates should be available at regular, preferably annual intervals, and reasonably accessible to project staff (i.e. available for individual communes at the district and province level as well as at the commune itself) within a reasonable period after the data was collected.

4.7. Key Conclusions and Recommendations

Indicators

- There is no effective monitoring system - only an indiscriminate list of input, output and final impact indicators. The overall emphasis is on getting data on final impacts but without tracking intermediate (i.e. outcome) indicators.

- The indicators have not been selected after a careful analysis of the pathways of impact and so it is not clear how implementation of specific policies or projects leads to poverty reduction.
- In the absence of any data on outcomes, it is difficult to get a sense of the overall direction of the programmes and undertake mid-course corrections if necessary. The data collected is not used for steering the programmes, but only for reporting on financial inputs (such as the amount of funds used) and physical outputs (such as number of infrastructure projects completed).

Lack of baseline data

- Absence of baseline data has made the present evaluation of the two programmes an extremely challenging exercise. There is little objective data to compare with changes found in household well-being in the two programmes. This shortcoming should be rectified prior to the start of the next phase of HEPR programme in 2006.

Reporting

- The central EAs are unable to monitor the use of funds for the HEPR activities. Funds are allocated by the PPCs to the provincial departments, and central EAs are often unaware of the amount of funds received by their provincial departments for sub-programme activities.
- There is no separate budget allocation for monitoring of NTPs. Funds for programme monitoring are taken from the normal annual budget of the EAs. Therefore, most EAs are disinclined to spend resources for programme monitoring.
- The HEPR Programme Office and the EAs have limited monitoring capacity. There is no incentive for good monitoring and no full time monitoring staff in most of the EAs and provincial departments.

Local level monitoring

- Local monitoring mechanisms such as the People's Inspection and Supervisory Boards exist widely. Basic technical supervisory skills of local people should be strengthened for enhanced local level monitoring of projects.
- People's Councils, People's Inspection Boards and Project Supervision Boards have been strengthened to some extent, in most of the country, and new legislation is likely to help strengthen them further.
- Progress reporting on the NTPs happens from the commune level upwards (PC Chairman, school principal, head of health post). This focuses on outputs and outcomes, and provides very little analysis of the causes of poverty reduction.
- There is no clear, formal mechanism for the People's Inspection Boards and Project Supervision Boards to input their findings into reports. Furthermore, they only have formal monitoring roles for activities managed by the commune PC, not those managed by higher levels.

- Even though there are few mechanisms for popular feedback on the quality of the services provided (e.g. health, education and extension services), general complaints and feedback channels have improved somewhat as a result of the GRDD.

Poverty Monitoring

- There is considerable variation in the way in which poverty rates are calculated in communes. A lot of it is due to the flexible interpretation of the data collected during the re-survey.
- While there is a strong case for the use of proxy indicators to better identify poor households, there should be clear guidelines on how to use the additional information to assess household material well-being.
- Much of the tracking of poverty rates is driven by the pressure to meet poverty reduction targets, set at the central level. Exact numbers of households are assigned to each village as a target for each year. These targets are often at variance with what is achievable on the ground.
- While a large number of people are aware of how the list of poor households is made, a majority of poor people are unaware of the criteria used to identify households that have escaped poverty.

Key recommendations

- An effective monitoring and evaluation system needs to be put in place with clear links between inputs, outputs and outcomes.
- The selection of indicators should be preceded by an analysis of the channels of impact, and there should be greater emphasis on developing proxy indicators to better identify poor households.
- The next phase of the HEPR programme should be preceded by a nationally representative baseline survey to enable mid-term steering of the programme and clearly assess the programme's impact in 2010.
- The monitoring capacities of local bodies should be strengthened to enable them to play a greater role in community-based monitoring of the HEPR sub-components.
- Stabilising the incomes of households that have recently escaped poverty needs greater attention.

III. IMPACT OF NTP ON HEPR AND P135 ON HOUSEHOLD WELL-BEING⁷¹

Impact assessment requires making a causal link between programmes and outcome variables to essentially answer the question: what difference does the project make? In the absence of a baseline survey, assessing the impact of HEPR and Programme 135 requires multiple approaches.

⁷¹ This section is based on Shaffer (2004)

The methodology for the impact assessment combined three approaches - a Literature Review, a Qualitative Survey, and a Propensity Score Matching Exercise - within an integrated research design. These are briefly discussed below.

Component 1 - Literature Review (Process Tracing)

The primary objective of this component was to provide a detailed understanding of the processes or transmission mechanisms linking outputs to outcomes. It specifically focused on the *reasons why* project components have succeeded or failed to generate an impact on well-being. Information was compiled and synthesised from a range of sources including PRAs, project evaluations, research studies, etc. This information guided questionnaire design for the “Qualitative” Survey.

There are three key limitations of the data contained in the literature reviews. First, it is unclear how representative the findings are. Second, the quality of the different studies varies. And third, these data generally, do not provide an assessment of the magnitude of impact.

Component 2 - “Qualitative” Survey (Process Tracing + Self-Reports)

Component 2 aimed to present a representative account of: (i) people’s perceptions of the project components’ impact and (ii) the factors contributing to and limiting that impact.

In the QHS, respondents were asked to rank the well-being impact of project components over time, based on open-ended questions regarding the processes or transmission mechanisms generating impact. Respondents were then asked for their opinions about why some components impacted them negatively, insignificantly or not at all, using pre-coded reasons drawn, *inter alia*, from the results of the literature review. The QHS combines process tracing exercises and self-reports.

Component 3 - Propensity Score Matching (Quasi-Experiment)

The primary objective of Component 3 was to conduct sensitivity analysis on the results of a Propensity Score Matching (PSM) exercise conducted by the World Bank in 2003. The PSM is an example of a quasi-experimental approach which uses statistical techniques, to create a control group (non-project participants) who are then compared to the treatment group (project participants).

The PSM analysis provides an estimate of the magnitude of impact of select HEPR project components contained in the VHLSS relative to what would have happened in the absence of the project.

The three project components assessed using this technique were: tuition and school maintenance fee exemption or reduction, health fee exemption or reduction and credit from the Viet Nam Bank for the Poor.

The sensitivity tests were designed to determine if changes in the way the analysis was conducted would affect the results. Specifically, different weights were used to calculate average outcome indicator values among non-participants, and tests were conducted to check for selection bias.

Propensity score matching has the following limitations. First, there is no analysis of the transmission mechanisms generating impact, or the reasons why impact was or was not generated. This information is particularly important for programme redesign. Second, quasi-experiments are always potentially

vulnerable to the problem of selection bias. It is extremely difficult to take into account all the factors jointly affecting project participation and impact when creating comparison groups.

Table 29 provides a summary of the key questions that the different components of the integrated impact assessment attempted to address.

Table 29: Questions Addressed in the Integrated Impact Assessment

	Component		
	Literature Review	Qualitative Survey	Propensity Score
1. Why and how have project components succeed or failed to have an impact?	✓	✓	
2. How much impact have project components had over time according to people's perceptions?		✓	
3. How much impact have project components had relative to what would have happened in the absence of the project?			✓

To get a rounded picture of impact, these results were supplemented with data from the VHLSS 2002.

1. Credit

Around 50% of the respondents ranked the impact of credit on household income to be significantly positive, whereas around one-third of the respondents maintained it was insignificant.⁷² Much smaller proportions felt impact was significantly negative or non-existent. It is striking that the core finding is uniform across the eight geographic regions, though there is some intra-regional variation. There are statistically significant differences between minorities and the Kinh/Hoa ethnic group, with the former ranking project performance less positively. No statistically significant gender differences are apparent.

These findings present a very different assessment of programme impact than the results of the PSM exercise which suggested the programme has not had a statistically significant impact on household expenditure per capita. There are a number of potential reasons to explain these differences. First, the time frame for the PSM was a one-year period prior to the VHLSS, whereas the present time period was between 1999 and 2002. Second, "impact over time due to credit" is not the same thing as "impact relative to the situation of the comparison group". For example, a good credit programme with significant impact upon income over time may show no or little impact in a PSM if a suitably matched comparison group also gets access to credit from other sources (formal or informal).⁷³ Both approaches legitimately measure "impact", but relative to different scenarios. Third, it is possible that the open-ended questions were not sufficiently probed, leading to a positive response bias.

⁷² The results of the commune questionnaire show an implausibly high figure of 97% of commune officials who considered that credit had a significantly positive impact upon the income of a majority of commune households.

⁷³ The assumption is that the treatment group could also have received credit in the absence of the project.

Small loan size and a short duration are the two main reasons for the credit sub-programme's lack of a significantly positive result at the national level.

There is variation between and within regions. In the South, lack of support services figured prominently as they did in the North West (Son La) and the Central Highlands. Lack of knowledge about investment opportunities was a major response only in the South East and did *not* appear to disproportionately affect ethnic populations. In general, the data do not reveal large difference in responses across ethnic or gender categories.

2. Health

A vast majority of respondents considered the money saved a result of access to free healthcare to be either very important or important (Figure 10). There is a high degree of uniformity to this result across regions, ethnic groups and gender categories. This finding contrasts with one of the explanations advanced in the VDR2004 for the limited impact of the programme.

Overwhelmingly, respondents maintained that they would still have sought medical care when they were ill even if they had not benefited from the health fee exemption or reduction (Figure 11). Taking into account sampling error, and omitting the "don't knows", up to 95% of respondents said they would have sought medical care. Once again, there is a high degree of uniformity across regions, as well as ethnic and gender categories.

These results are consistent with, and provide an explanation for, those of the PSM, which suggested that the programme has had very little or no impact on the utilisation of healthcare. The insignificant impact of this programme on healthcare utilisation rates, relative to non-participants, may be due to the fact that people would simply pay for health services in the absence of the programme. No, or little, impact would be discernable if focusing on utilisation rates. A different conclusion would emerge if focusing on the perceived importance of the money saved.

It is instructive to understand how much money the beneficiaries can save as a result of improved access to free healthcare by analysing the data from the VHLSS 2002. The average annual household expenditure on health is VND630,000 (Table 30). While this varies across regions and quintiles, on average it constitutes nearly 5% of total consumption expenditure (Table 31).

As expected richer households have a higher expenditure on health than the poor. This is because richer households have a propensity to seek private, more expensive medical attention for problems that might be ignored by the poorer households – either because medical attention is not available, or expensive, or they don't perceive it to be a problem requiring attention.

Given that around 80% of households with access to free health care or insurance are in the bottom two quintiles (Table 12), the health policy component of NTP on HEPR has a sizable progressive impact. The only problem seems to be limited outreach – only 1-4% households have access.

Results from the household questionnaire do not suggest systematic poor treatment of HEPR recipients by healthcare providers. In fact, similar percentages of HEPR beneficiaries felt their treatment was as good or bad as paying patients. This finding holds across all major regional, ethnic and gender groupings.

Figure 10: Self-reported importance of money saved from the health fee exemption across regions

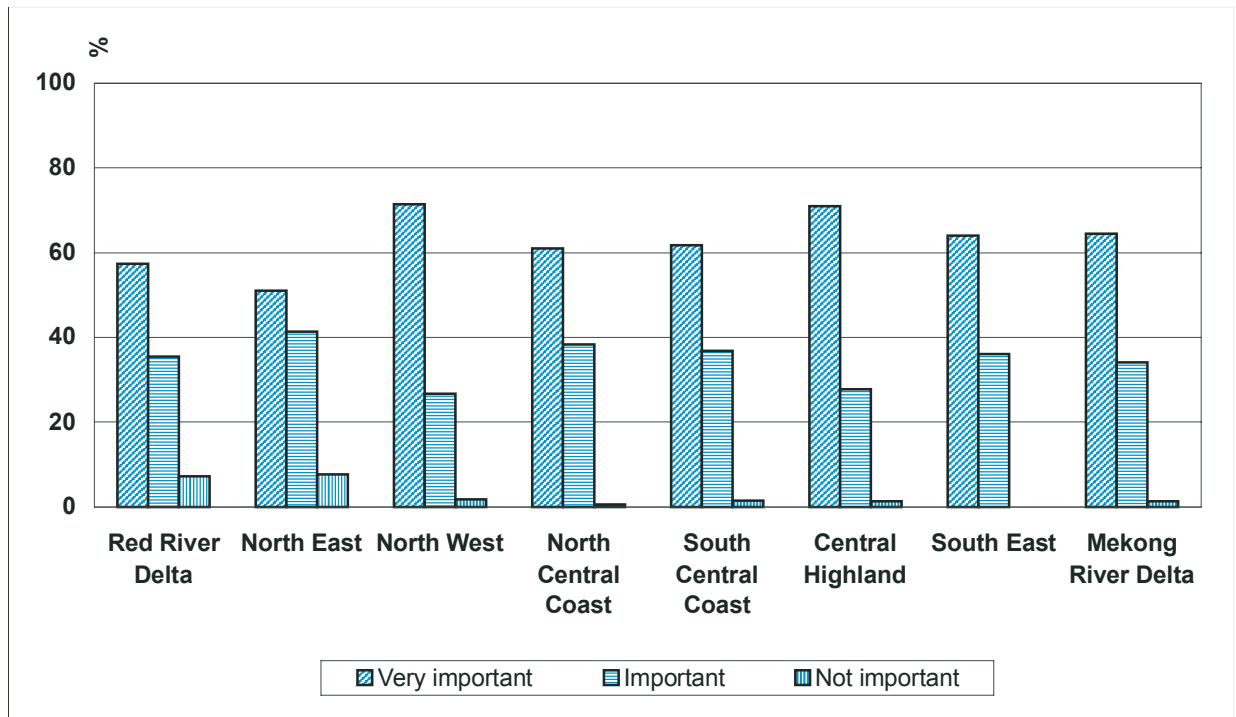


Figure 11: Would health care have been sought even without health fee exemption?

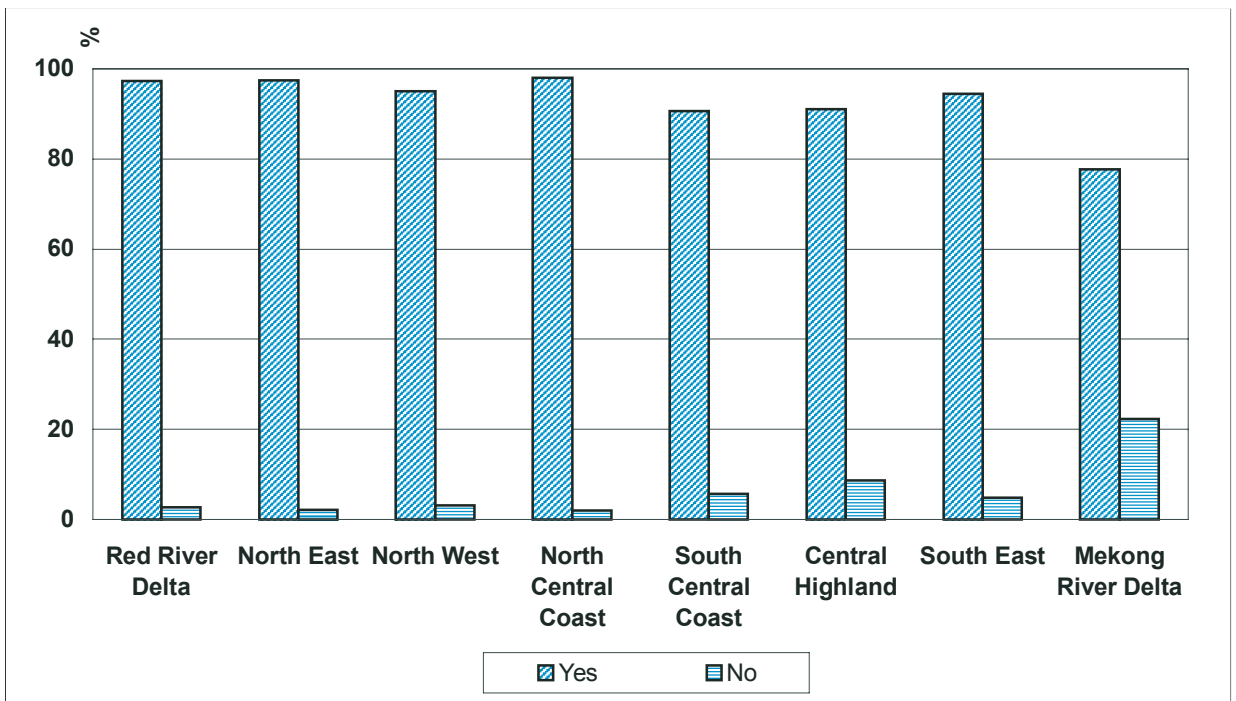


Table 30: Annual health care expenditure of households without health insurance (by region and quintile)

('000VND)

Region	Quintiles					Total
	1	2	3	4	5	
North East	188	408	831	1735	1102	328
North West	259	325	4028	160	N.A.	344
Red River Delta	371	739	1339	3241	2588	909
North Central Coast	313	863	885	2946	8505	627
South Central Coast	133	667	745	2006	421	434
Central Highlands	413	823	649	2733	5169	574
South East	338	570	852	877	1917	819
Mekong River Delta	365	713	847	1146	4531	657
Total	313	690	930	1707	2705	620

Source: Compiled from VHLSS 2002

Notes: Quintile 1 – poorest; Quintile 5 – richest

N.A. Not Available

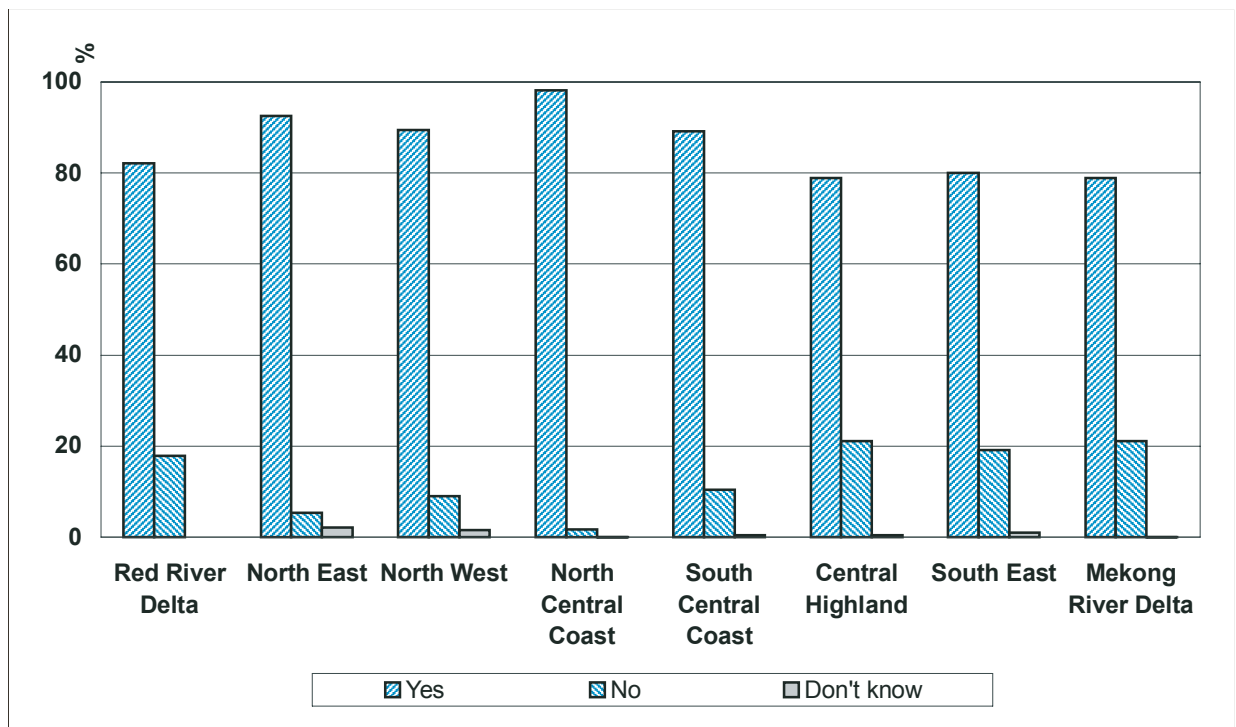
Table 31: Share of expenditure on health care in total consumption expenditure (by region and quintile)

(%)

Region	Quintiles					Total
	1	2	3	4	5	
North East	2.5	3.2	4.6	4.0	5.0	3.6
North West	3.7	5.4	4.8	4.1	5.2	4.2
Red River Delta	4.9	5.0	5.2	5.4	5.4	5.2
North Central Coast	4.3	4.5	4.6	5.8	7.5	4.9
South Central Coast	3.5	4.6	4.9	5.4	6.0	4.9
Central Highlands	4.5	5.8	6.3	6.6	6.1	5.4
South East	3.9	5.0	4.6	4.3	4.1	4.3
Mekong River Delta	4.2	4.9	5.7	5.7	6.3	5.4
Total	3.7	4.6	5.1	5.3	5.4	4.8

Source: Compiled from VHLSS 2002

Notes: Quintile 1 – poorest; Quintile 5 – richest

Figure 12: School enrollment without school maintenance or fee exemption/reduction

3. Tuition Waiver

A vast majority of respondents of the Qualitative Survey considered the money saved because of tuition waivers to be either very important or important. There is a high degree of uniformity to this result across regions, ethnic groups and gender categories. There are statistically significant differences between population proportions of Kinh/Hoa and ethnic minorities in the “not important” category, though the levels are still very low.

On average around 12% of respondents claimed that they would not have enrolled their children in school in the absence of the programme (Figure 12). This figure is within the range of programme impact found in the propensity score matching exercise which examined *actual* differences in attendance between programme participants and non-participants. There is some regional variation in this finding but no statistically significant differences between individual regions and the national average (minus that region). In addition, there are no statistically significant differences between ethnic or gender categories.

Annual school fees per student vary by category and region (Table 32). Thus, while the annual fee for primary school education is less than VND75,000 in the North West, it can exceed VND1,000,000 at the upper secondary level.

Table 32: Average annual school fee per student by category and as % of total household expenditure

	Primary School		Lower Secondary		Upper Secondary	
	Annual Fee ('000 VND)	as % of total HH exp.	Annual Fee ('000 VND)	as % of total HH exp.	Annual Fee ('000 VND)	as % of total HH exp.
North East	97.7	0.8	223	1.6	752.8	3.4
North West	72.9	0.7	217	1.6	565.6	3.1
Red River Delta	148.1	1.1	329	2.1	1092.3	4.9
North Central Coast	134.4	1.2	299	2.4	748.6	4.1
South Central Coast	117.9	0.8	252	1.6	1064.5	4.8
Central Highlands	164.2	1.1	306.6	1.7	1065.5	3.8
South East	250.7	0.9	407.3	1.3	1506.2	3.8
Mekong River Delta	80.5	0.5	252.4	1.2	1107.2	4.1
Total	137.4	0.9	299.7	1.8	1066.6	4.3

Source: Compiled from VHLSS 2002

But tuition is only one of many expenditure categories on school education.

Current government assistance to poor households includes exemptions and reductions from various school fees. In addition to the official fees, there are other fees including purchasing the family liaison book, school reports, class funds, and electricity if the school uses fans. Pupil health insurance is in principle voluntary, but some schools require pupils to purchase health insurance making it mandatory. Parents rarely know the breakdown of school fees and usually have to pay a lump sum at the beginning of the year. Table 33 provides an example of the different types of expenditures at primary and secondary levels in Ninh Thuan Province. Even though the poor households are exempted from 50% of costs, they still have to pay around VND 225,000-450,000.

Table 33: Types of other educational expenses per annum (from Ninh Thuan province – South East)

('000 VND)

Expenses	Primary level		Secondary level	
	Non poor	Poor	Non poor	Poor
Tuition	0	0	60	30
Construction fees	50	25	70	35
Parent Association Fund	40	20	50	25
Textbooks	60	60	80	80
Supplies: notebook, pen and book bag	60	60	80	80
Uniforms	60	60	100	100
Insurance	40	0*	40	0*
Facilities: Bicycle parking/ water and toilets	0	0	100	100
Total	310	225	580	450

Source: Ninh Thuan PPA, 2003

* Insurance usually not purchased

Table 34: Share of expenditure on education in total household consumption expenditure (by region and quintile)

(%)

Region	Quintiles					Total
	1	2	3	4	5	
North East	1.9	3.5	4.0	5.6	6.2	4.2
North West	1.9	2.6	3.3	4.7	5.7	2.8
Red River Delta	3.4	4.1	5.1	7.8	7.5	6.0
North Central Coast	3.4	5.2	6.6	7.0	7.3	5.8
South Central Coast	2.4	3.7	5.7	6.5	6.4	5.3
Central Highlands	1.6	3.8	3.1	8.1	8.1	4.7
South East	1.9	2.9	4.8	4.9	5.7	5.1
Mekong River Delta	2.1	1.8	2.4	3.4	5.6	3.2
Total	2.5	3.5	4.4	5.7	6.3	4.8

Source: Compiled from VHLSS 2002

Table 35: Share of Tuition Fee in total educational expenditure of households without fee exemptions (by region and quintile)

(%)

Region	Quintiles					Total
	1	2	3	4	5	
North East	25.7	25.6	24.1	29.6	33.0	27.8
North West	18.1	15.1	21.9	19.8	22.2	19.0
Red River Delta	30.8	31.9	28.7	30.1	37.5	32.3
North Central Coast	23.6	22.6	26.4	27.6	25.4	25.2
South Central Coast	22.7	23.9	27.1	27.2	29.2	26.9
Central Highlands	16.0	17.4	24.9	24.7	31.3	23.9
South East	20.5	23.5	24.1	18.3	30.8	27.0
Mekong River Delta	12.8	17.2	17.9	18.4	22.5	18.6
Total	22.3	24.5	24.5	24.5	30.8	26.3

Source: Compiled from VHLSS 2002

On average expenditure on school education makes up about 5% of total household consumption expenditure (Table 34), tuition exemptions comprise 25% of the total household expenditure on education across all except the top quintile (Table 35). Thus, tuition waivers can positively impact household well-being especially for poor households with two or more school-going children. While education for the poor reaches about 5-6% of the total population across the country (see Tables 12 and 13), it covers only about 20% of poor households (see Table 14).

The household and commune questionnaires of the Qualitative Survey asked questions concerning perceptions of service quality by teachers. The questions attempted to gauge the “attitude” or “behavior” of teachers towards recipients of the HEPR exemption/reduction, but not the “quality” of education *per se*. Some studies had reported discrimination against HEPR beneficiaries and worse treatment from teachers.

These data do not suggest systematic worse treatment of HEPR recipients by teachers. In fact, a higher percentage of HEPR beneficiaries felt that their treatment was better than non-HEPR students. This finding holds across all major regional, ethnic and gender groupings. In addition, over 95% of respondents in the commune questionnaire felt that the treatment of HEPR and non-HEPR students was the same.

4. Extension

Around 60% of respondents ranked the impact of extension on productive activities to be significantly positive. Only around one-third of respondents maintained it was insignificant.⁷⁴ Much smaller proportions felt impact was significantly negative or non-existent. As with credit, it is striking that the core finding is quite uniform across the three geographic regions, though in the South, there is substitution between the “no impact” and “insignificant impact” categories. Not surprisingly, the highest percentage of respondents who maintained that extension had no impact, insignificant or a significantly negative impact were in HCMC (around three quarters.) No statistically significant differences between ethnic or gender categories are apparent.

A limited number staff, insufficient training and inappropriate technology were the main reasons for the lack of a significantly positive result.

There is significant regional variation. Inappropriate technology appears to be more of a problem in the South and Centre than in the North. In the South, lack of attention to marketing also figures prominently. In general, the data do not reveal large differences in responses across ethnic or gender categories though ethnic minorities appear to place more emphasis on “too few trainings and not enough staff” than the Kinh/Hoa group.

5. Sedentarisation

Nationally, around 75% of respondents felt that resettlement had insignificant impact upon their lives. There are striking regional differences. Almost all respondents in the North felt that project impact was insignificant while around half of respondents in the Centre felt the project had no or insignificant impact. While relatively high standard errors are a concern, especially in the Centre, the results suggest that a large proportion of the population did not rate this project component favourably. In fact, it received the lowest rating of all the project components assessed.

⁷⁴ The results of the commune questionnaire show an implausibly high figure of 97% of commune officials who considered that credit had a significantly positive impact upon the income of a *majority* of commune households.

The results are heavily weighted toward the situation in the North. The three main reasons cited were:

- lack of quality infrastructure
- poor quality soil
- lack of consultation in programme design.

No gender or ethnic differences are apparent as all respondents were ethnic minorities and male.

Infrastructure

Unlike the self-report-based data presented hitherto in the report, some of these data reveal extremely high positive ratings for some of the infrastructure projects. Schools and irrigation works were rated particularly well, though healthcare centres and roads received more modest responses. The positive values may be the result of small sample size (n=17 for schools), or more likely, measurement error, i.e. the failure to sufficiently probe the open-ended questions. In these cases, there is no meaningful information on “reasons for lack of a significantly positive impact” because very few respondents were in this category. Responses in the Health Center module present a more balanced assessment of impact but small sample size precludes a more detailed understanding of the reasons for the lack of a positive impact. The Roads module provides more useful information and is discussed below.

Roads

Across the Centre and North, around 60% of respondents maintained that roads had a significantly positive impact upon their lives. The assessment of the road’s impact is slightly more favourable in the Centre. While relatively high standard errors are a concern, especially in the Centre, the results suggest that a significant proportion of the poor population, around 40%, did not rate this project component favourably.

The three reasons identified for a significantly negative impact were

- the poor condition of the roads,
- a lack of consultation and
- a lack of employment opportunities during road construction.⁷⁵

Small sample size and high standard errors urge caution when interpreting this result.

Some of these data reveal extremely high positive ratings (schools and electricity). The range varies from almost 100% of “significantly positive” responses for electricity and schools to around 75% for irrigation. It is likely that these high values are due to measurement error, in particular the failure to adequately

⁷⁵ The largest number of responses fell into the “other” category which could not be coded and included in the present analysis.

probe the open-ended question on the pathways of impact. While it is possible that impact of electrification on living conditions may rate very high, the extremely high rating of schools is less likely given that the physical location and condition of schools is only one among many factors affecting enrolment/attendance. In general, the self-reports appear to work less well with the infrastructure projects than with the other project components included in the evaluation.

6. Programme 135

6.1 People's Participation

Nationally, the results on People's participation in P135 are quite mixed. For irrigation and electrification projects, consultations appear to have been more widespread with around half of respondents stating that they had been consulted. For roads and schools, only around one third of respondents claim to have been consulted. There is significant regional variation with higher levels of consultation in the Centre than in the other two regions. Ethnic differences are pronounced as well though no clear pattern emerges. Consultation of minorities is apparently lower in the cases of roads and schools but higher for electrification projects.

The data reveal agreement rates of near 100% for all projects. While this result has been found elsewhere where similar questions were posed, it does raise questions concerning a positive response bias. Nevertheless, the data are consistent with the very positive assessment of impact and do not suggest widespread disagreement with project decisions regardless of the extent of consultation.

6.2 Roads

At the national level, around 85% maintained that roads had a significantly positive impact upon their lives. The assessment of the roads' impact is highest in the Centre, though still very high in the North and South. There are no statistically significant differences between gender or ethnic categories in the population proportions within the significantly positive category.

The number one reason 15% of respondents did not rank impact as significantly positive, was the poor quality of roads.⁷⁶ Quality was the top reason cited in all three geographic regions (after taking into account sampling error).

6.3 Irrigation

At the national level, around 75% maintained that irrigation had a significantly positive impact upon their agricultural production. Those who disagreed were almost all from the Center, in particular the Central Highlands. There are no statistically significant differences between gender or ethnic categories. The main for the lack of a significantly positive impact among the other 25% of respondents, was the poor quality of the irrigation system.⁷⁷ The small sample size, however, urges caution when interpreting this finding.

⁷⁶ The largest number of responses fell into the "other" category which could not be coded and included in the present analysis.

⁷⁷ The largest number of responses fell into the "other" category which could not be coded and included in the present analysis.

7. Key Conclusions and Recommendations

- In the absence of a baseline survey or periodic tracking of outcomes, a mix of techniques were used to assess the impact of selected HEPR and P135 components on household well-being. The results of the Qualitative Household Survey were combined with the results from the PPAs and the VHLSS 2002 to get a better idea of impact.

Credit

- About half the respondents claimed to have benefited from access to credit though small loan size and short loan duration seem to be the dominant reasons for lack of a significantly positive impact. Lack of support services was an important reason for low impact in the South, North West and Central Highlands.

Health

- While health fee exemptions do not increase access to health facilities, the money saved is very important to poor households.
- Almost 25% of respondents were denied access to health care when they needed it because of complicated procedures or late arrival of the health insurance card.

Tuition Waiver

- Tuition waivers increased school attendance of children from poor households. 12% of poor households would not have enrolled their children without tuition exemptions.
- But 20% of households report difficulties because of complicated procedures or lack of knowledge about the programme.

Extension

- Nearly 60% respondents claim a positive impact of extension on production. But this figure seems far too high.
- Respondents also face problems that arise because of limited training and insufficient staff (across all regions), inappropriate technology (in the South and Central regions), and lack of attention to marketing (in the South).

Sedentarisation

- Nearly 75% respondents report no significant impact of sedentarisation on their well-being. Main reasons include: lack of quality infrastructure, poor soil quality and lack of consultation in programme design.
- Most respondents rated the impact of the four infrastructure types highly positive. Problems mentioned refer to poor quality of construction and maintenance of infrastructure.

Key recommendations

Health Fee Exemption/Reduction

- Priority should be given to ensuring the timely issuance of health cards and simplifying procedures.

School Tuition Exemption/Reduction

- Priority should be given to raising awareness about the programme and simplifying procedures for accessing the exemption or reduction.

Credit

- Increase the proportion of loans of medium or long-term duration for productive investments with longer-term returns.
- Analyse the feasibility, and implications for coverage, of increasing loan size.
- Provide more systematic support services for credit recipients in the form of extension, marketing, veterinary services or financial management.

Extension

- Increase the number of extension cadres and frequency of training.
- Reassess the “standard models” of extension technology proposed in close consultation with local people, with a view to better match technical solutions and local needs.
- Broaden extension training to provide information on marketing processes and channels.

Sedentarisation

With respect to resettlement: i) Improve the quality of infrastructure in new settlements and ii) Involve local people more closely in programme design and implementation.

With respect to road construction: i) direct more attention to the quality of road construction and its maintenance and ii) provide increased employment opportunities during road construction.

Programme 135

With respect to both roads and irrigation, greater emphasis on the quality of construction and maintenance is needed.

Local poor people should be given priority for all wage labour opportunities in the scheme. Using poor worker should be a standard clause in the contract awarded for scheme construction.

D. CONCLUSION

The evaluation framework (Section A.II) outlined a way to assess the effectiveness of the two programmes in reaching their objectives. The report examined whether the programmes were doing the right things, doing things right, and their impact on household well-being.

This section will not reiterate the conclusions made at the end of each of the earlier sections. Rather, this section will critically review the evidence presented, in order to address some key elements of each issue. Later, Section E will prioritise and review the key findings and recommendations to suggest how they might contribute to the design of an improved NTP on HEPR for 2006-2010.

1. Are the programmes doing the right things?

The NTP on HEPR and P135 do three essential things:

- (i) By directing additional benefits to poor communes and poor households the programmes aim to increase the rate of poverty reduction. This is considered necessary because while growth might eventually lead to poverty reduction, the process may not be pro-poor in the short-term, that is, poorer groups may be left out of mainstream socio-economic development, leading to an increase in inequality.
- (ii) By directing public resources to poor provinces, communes and households, the programmes aim to keep inequality in check. Government funding for targeted programmes often makes up to 80% of a poor commune's annual budget. Thus, targeted programs may well serve as inter-provincial fiscal transfer mechanisms to poorer provinces/communes.
- (iii) By providing resources directly to provinces, the NTPs provide autonomy to sub-national levels for allocating, spending and managing funds. Programme funds can, therefore, be used more flexibly to finance local solutions and meet local needs.

The major significance of the NTP is that in addition to raising awareness, it promotes mainstreaming hunger eradication and poverty reduction concerns into the government's regular planning process. It utilizes government annual plans - the tool that the government uses for management of the country's socio-economic development - for the purpose of poverty reduction. The NTP for HEPR's targets, activities and resources are planned and implemented as a part of the government's development plans at all levels.

In terms of financial management, the NTP is a fast disbursing resource allocation mechanism. Government funds are transferred directly to poor households, communes, districts or institutions according to approved plans and volume of work done.

CONCLUSION

The funds are transferred, in the form of benefits such as subsidized credit, health insurance cards, etc. to poor households identified as lying below the poverty threshold. The key questions focus on whether targeting approaches are appropriate and whether the programmes are targeting the benefits to the right (i.e. poor) people and communes.

There is evidence that:

- (i) even though the lists of poor households are prepared in consultation with the villagers, and
- (ii) most households on these lists are indeed poor,
- (iii) the number of households considered poor at the village level usually exceeds the number officially classified as poor. That is, many poor households do not make it to the list of poor households. Thus,
- (iv) relying largely on these lists, the different programme components have not reached all intended target poor households.

Increasing the number of poor households with access to programme benefits is a major challenge.

Correctly identifying poor households is important to reduce mis-targeting and improve targeting efficiency. Improved measurement and targeting methods will be necessary as the economy becomes more market-oriented and public spending decisions are delegated to provinces.

Protecting public spending for the poor will require budget transfers from rich to poor provinces and thus, a reliable estimate of measuring poverty at the provincial level. An effective mechanism to identify the poorest households within each commune is necessary for the allocation of specific benefits, such as tuition waivers and free health insurance cards.

However, proper identification of poor households is only part of the story. It does not necessarily ensure access to benefits by poor households. For example, subsidised credit still does not reach a large proportion of “correctly-identified” poor households. Suitable targeting mechanisms need to be devised to ensure that programme benefits indeed reach the poor. In January 2005 the government is expected to approve the new poverty line for 2006-2010, as the living standard of the majority of Vietnamese people has improved. The poverty line for urban residents will be set at VND 233,000/person/month (USD15) and for rural residents at VND200,000 (USD13)/person/month. With this new standard, Viet Nam’s poverty rate at the end of 2005 will be around 26%, more than twice the proportion of people currently classified as poor by MOLISA. This will put an additional burden on the administrative system to maintain the current, albeit low, rate of coverage.

Already there are complaints of complicated procedures, late arrival of cards, and bureaucratic rationing. In this context, it seems highly unlikely that the next phase of the programme will be able to increase coverage of poor households using the present administrative targeting methods. Thus, even while the programmes are doing the right thing by transferring fiscal resources to poor households and poor communes, there is an urgent need to increase efficiency of targeting for increased impact.

2. Are the programmes doing the things right?

Administrative decentralisation is one of the key vehicles for implementing the two programmes. P135 shows that decentralisation does work, even though only 16% of all P135 communes are “investment holders” so far.

Instituting a “community development fund” can be an effective way to ensure that poor households and village leaders are involved in management and supervision of funding as well as ensure funding is commensurate with real demand in the area.

There is a concern that these community development funds may end up becoming “village elite funds,” controlled by the village elites for the benefit of a small number of people, who are not necessarily poor.

But even at present, in most cases, these funds are controlled by the provinces and districts, and the communes have little say in how the funds are spent. Decentralisation through “community development funds” should therefore be accompanied by increased grassroots participation, transparency, accountability and local capacity for supervision of projects.

A key element of doing things right is knowing that the process is on track. In the absence of any data on outcomes, it is difficult to get a sense of the overall direction of the programmes in order to make mid-course corrections if necessary. Currently, data collected is not used for steering the programmes, but only for reporting on financial inputs (such as the amount of funds used) and physical outputs (such as the number of infrastructure projects completed).

At the same time there is an excessive emphasis on tracking the movement of poor households out of poverty every six months to one year. This is because the success of the two programmes is judged by frequent estimations of the poverty rate and number of completed infrastructure projects. But there is considerable variation in the way in which poverty rates are calculated across communes that arises from: (i) use of different sampling techniques (census or sample), (ii) the method of data collection (self-reporting and/or village-level discussion or interviews), and (iii) the calculation of household income on the basis of this data. Often the variability is due to the flexible interpretation of the definition of the poverty lines.

Much of the tracking of poverty rates is driven by pressure to meet poverty reduction targets, set at the central level. Exact numbers of households to escape poverty are assigned to each village as a target for each year. These targets are often at variance with what is achievable on the ground. These factors tend to distort the assessment of the overall impact of the programme.

Additionally, changes in household well-being are not always apparent in the short interval of a single year. Sustainable poverty reduction requires a combination of policy interventions and project inputs and occurs over a longer period of time. Thus, there is a strong case for enhancing programme monitoring (with an emphasis on intermediate or outcome indicators), and move away from annual or semiannual monitoring.

3. Impact on household well-being

In the absence of a baseline survey a variety of techniques were used to assess impact on household well-being, as discussed in Section C.III. The Qualitative Survey relied heavily on self-reports to gauge

CONCLUSION

the magnitude of impact. There are clearly limitations associated with this approach to assessing impact including a number of potential biases.

It is in the nature of self-assessments that few respondents are likely to reply that a particular component has had a negative impact. This is because whatever impact the component would have had is better than nothing.⁷⁸ It is clear that the NTP on HEPR has had some positive impact, but it is not clear whether the programme provides value-for-money, or how it compares with other alternatives. The results of the impact assessment, therefore, have to be interpreted with caution.

The impact assessment attempted to provide a sense of the magnitude of impact for the major programme components, some of which contained multiple sub-components. In principle, each one of these should be the subject of a much more detailed evaluation, which would be able to provide detailed information on impact and be relevant for future project design.

The absence of periodic monitoring of outcome indicators has made it difficult to assess the contribution of the NTPs to poverty reduction across the nation. As per various official documents, the GOVN claims that poverty reduced at the rate of 2% per annum from 1998-2001. The implication being that poverty reduction is the result of the whole process of socio-economic development, in which the NTP on HEPR and P135 play an important role.

Given the generally limited access of poor households, especially those in remote and mountainous areas, to basic social services, subsidised credit, and other social assistance, the additional benefits provided by the NTP on HEPR and P135 are considered very valuable by poor households. These have also had some important impact on their well-being, and have been rated as such in the QHS.

It is difficult to claim, on this basis, that poverty reduction in Viet Nam during the last five to six years has come about almost entirely from the targeted programmes. To do so, is to ignore the contributions of macroeconomic policies, fiscal management, commodity prices, international trade and other factors.

At the same time, it needs to be recognised that (i) the impact of the NTP on HEPR and P135 could have been increased through better targeting, increased participation, more transparent and accountable financial management systems, and better capacity and incentives to implement the programmes, and (ii) there may be more effective and efficient ways to achieve similar results that should be explored.

However, the evaluation highlights the need for a longer-term impact assessment of various components during the next phase. This can begin by designing a proper baseline survey, and developing an M&E system to track progress periodically. As mentioned earlier, the evaluation analysed the impact of selected programme components on household well-being. A review of the results may help determine the composition of the NTP on Poverty Reduction in 2006-2010.

Barriers for poor households when accessing subsidised credit, the limited impact of subsidized credit due to the small loan sizes and short-term durations, and problems facing sedentarisation and settlement demonstrate the urgent need to reconsider each component in the future.

⁷⁸ Mot mieng khi doi bang mot goi khi no - a small bite of bread when you are hungry equals a big loaf.

Poor households consider health support and tuition waivers considerably more important to improving their well-being than other sub-programmes. However, delays in the issuance of health cards, complicated procedures and a lack of awareness about accessing benefits need to be addressed.

Infrastructure projects also were highly rated by respondents of the QHS but the impact of farming extension received mixed reviews.

The overall picture that emerges is that there seems to be little rationale for continuing with sedentarisation, settlement of new economic zones, and farming extension as HEPR components. Farming extension while useful, does not always have a pro-poor focus and may be mainstreamed within its respective ministry.

Credit is essential for poor households and attempts should be made to increase their access. International evidence suggests that poor households are willing to pay market rates for accessing credit, without affecting repayment rates, provided they have reliable and easy access.

There may also be a strong case for separating the social sectors (health care cards and school tuition exemptions) from the livelihood related components such as subsidised credit, farming extension, and infrastructure. In any case, these different component categories should not be in a single management structure as they require different management/targeting approaches.

Based on this discussion, Section E will make recommendations for the design of the NTP on HEPR for the next phase.

E. IMPLICATIONS FOR DESIGN OF NTP ON HEPR 2006-2010

The second of the two objectives of the overall evaluation was to draw lessons for designing the NTP on HEPR for the next phase. This section prioritises and analyses the key findings and recommendations in order to contribute ideas to the design of an improved poverty reduction programme for 2006-2010.

Ten themes emerge from the overall evaluation. Addressing these themes can greatly enhance the programme's effectiveness in the next phase. These are presented as proposals grouped under four main programme facets:

- Resource allocation and budgets.
- Targeting mechanism (province, commune & beneficiaries)
- Organization & Management, including M&E etc.
- Capacity Building.

This allows discussion and analysis of linked issues in one block at the same time and in a more comprehensive manner e.g. M&E is closely linked with overall organization and management. Block grants, budget allocations, transparency and accountability of financial management are also closely linked.

These are discussed below.

Resource allocation and budgets

1. Provide programme funds as block grants to provinces to increase local-level autonomy

The next phase of NTP on HEPR can achieve more by doing less by providing the provinces with block grant. This will simplify the planning, budgeting, monitoring and coordination of HEPR activities at the provincial level, involving interactions between both line agencies and local governments.

This is in line with the (i) considerable discretion over HEPR budgetary allocations that provinces already appear to enjoy, (ii) new State Budget Law, which devolves further budgeting responsibilities to the provincial and local levels, and (iii) location-specific nature of poverty issues which require local level – rather than national – planning.

The HEPR programme should move towards a system whereby provinces are *formally and legally* allocated annual *block grants* for funding poverty reduction activities. Provinces would be given considerable and official discretionary spending powers.

Block grants will need to be accompanied by a set of *unified* guidelines (or “norms”) governing their use, specifying:

- the broad intention of the HEPR programme is to address poverty and the priority areas/sectors for provincial investments, in line with the SEDP 2006-2010;
- an eligible “investment menu”, detailing the kinds of activities that provinces will be able to fund using their HEPR block grant;
- a list of “exclusions”, or items that cannot be financed out of the HEPR block grant (e.g. vehicles, office buildings);
- the range of spending applicable to certain kinds of activities (e.g. a maximum of 30% to be spent on infrastructure, a minimum of 25% to be spent on capacity-building for district and commune level staff, a minimum of 20% to be spent on extension services, etc.);
- the basic mechanisms for the administration of provincial poverty reduction block grants (reporting requirements, devolution of responsibilities to districts and communes, performance criteria, etc.).

At the same time, (i) given the relative lack of emphasis on “software” activities (extension, capacity-building, etc.), the government may want to build incentives for provinces to use their HEPR block grants for such purposes and (ii) encourage the provinces to devolve poverty reduction responsibilities and activities to districts and communes in line with the Grassroots Democracy Decree.

The ultimate aim should be to enable the communes to become “investment holders”. But that will need to be preceded by first successfully decentralising management to the provincial level, and strengthening capacity at the grassroots level. There should also be greater programme management and coordination at provincial levels as currently exists for donor-funded projects.

2. Set-up a transparent and easy-to-administer system of allocating budgetary resources to provinces

A simple and transparent mechanism should be established for dividing up the total annual allocation earmarked for provinces. Two options⁷⁹ are:

- Allocate block grants to provinces on the basis of the absolute number of poor households in each province. This option would rely on the new poverty thresholds currently being developed.
- Combine the population size of each province with an additional weighting for the province’s Human Development Index (HDI). Thus, a large province with a low HDI would be allocated a larger block grant than a large province with a high HDI – the logic being that the former has greater needs and probably fewer resources. The advantage of using HDI is that it provides a broader definition of development, and is not based solely on income.⁸⁰

⁷⁹ Winter and Tuan Anh (2003).

⁸⁰ However, this has to be devised carefully, since “wealthier” provinces may contain “poor” communes. For example, 32 communes of Thua Thien Hue province are included under P135 - even though, according to the HDR 2001, Thua Thien Hue has a high HDI based on a high average per capita income. It would be inequitable to reduce per capita allocations to the 32 communes simply because they are situated within a province with a high HDI.

Other options may be developed using the results of current on-going research on poverty mapping. It is important that the formula is simple, is easy to administer, and widely disseminated so that a large number of people can understand the basis upon which provincial allocations are made. In addition, the information used to calculate provincial allocations should be unambiguous and not subject to easy manipulation.

It was observed in Section C.I.2.1 that the current fixed-sum allocations of VND500 million to each P135 commune is a relatively blunt instrument for reducing poverty.⁸¹ P135 should develop a more equitable formula for allocating block grants to communes. The formula⁸¹ could be structured as follows:

- An equal share component would enable all communes to meet a basic minimum of investment requirements. This takes into account the large variations in the demographic size of communes, which (in one Lao Cai district alone) ranges from less than 2,000 to over 14,000 people. The total value of equal share components (for all the communes in a given province) should not exceed 15% of the total allocation made to communes (so as to keep per capita variations to tolerable levels).
- A population-based component, proportional to the population of the commune, reflects the assumption that development needs generally grow with the size of the constituency. Up-to-date demographic data is readily available in the communes.

The allocation formula could be limited to these two criteria alone if P135 communes in individual provinces are homogeneous in terms of poverty and remoteness. However, if there are significant differences in the relative poverty and isolation of P135 communes in a province, the allocation formula could include one and/or two other components:

- Communes that are more remote would have access to proportionately more funds than less remote communes, on the assumption that increasing remoteness raises the costs of development investment.
- The formula could include a poverty weighting, so poorer communes receive higher per capita allocations than less poor communes.

3. Build incentives by linking resource allocation to performance

The current HEPR funding mechanism provides no incentives (or sanctions) for improved (or deteriorating) performance at the provincial level. This could be addressed by the government in the next programme phase by putting in place a system of

- *minimum conditions* (MCs) for provincial access to annual block grants,
- *performance criteria* (PCs) for assessing provincial performance.

⁸¹ Suggested by Winter and Tuan Anh (2003).

Complying with MCs would be an essential basis for accessing annual HEPR block grants. Unless a province demonstrates full compliance with HEPR MCs, it will *not* be allocated its annual block grant. For example, MCs could be designed to encourage timely reporting by provinces on the use of their block grants.

At the very least, the MCs will provide incentives for provinces to report on their HEPR activities and on HEPR budget implementation. They will also enable the HEPR office to track HEPR implementation on a more timely and consistent basis.

PCs refer to the pre-determined criteria used to assess provincial performance – with assessments having budgetary consequences. Provinces that plan and implement their HEPR activities are compensated through increases in their annual block grant allocation. Provinces that demonstrate inadequate performance, on the other hand, will be sanctioned through reductions in their annual block grants.

As there is a danger of increasing inequality among provinces, with better performing provinces progressively getting more, this system needs to be devised carefully. Winter and Tuan Anh (2003) propose some criteria to do this. However, care should be taken to ensure that the poor in one province do not suffer because of the incompetence of the provincial leadership. Poor performance should first have negative fallout for the provincial leadership, and only later for programme allocation.

Targeting poor households

4. Strengthen targeting mechanisms to increase the number of poor beneficiaries

The present system to identify poor households relies upon a combination of methods. The arbitrary poverty thresholds aim to assess the households' well-being against an absolute poverty standard. These are often at variance with the decisions of the villagers' who, using relative poverty criteria, identify the poorest households. So only one of two equally poor households in neighbouring villages may benefit from the sub-programmes.

In addition, identification of poor households is driven by the pressure to meet poverty reduction targets, set at the Central level. Currently, the targets are about 2% per year, that is, the proportion of poor households in the commune has to decline by that rate. Exact numbers of households are assigned to each village as a target for each year.

Setting poverty reduction targets realistically may help increase the number of poor beneficiaries.

Organization and Management

5. Develop mechanisms to promote transparency and accountability of financial management

The highly negotiated nature of HEPR in particular and the variability of local contributions makes transparency an issue. A key implication is the transparency within the resource allocation system i.e.

the predictability of how resources introduced into the system will be deployed and the objectivity of the criteria used. The new 2004 Budget Law may help in this respect.

Mechanisms that promote transparency and accountability, consistent with the spirit of the Grassroots Democracy Decree, will play an important role in the new programme. These could include expanding and deepening “commune development fund” mechanisms, clear incentives and sanctions for the publication of programme budgets and plans, or a stronger role for community-based monitoring in the NTP on HEPR.

6. Improve participation at local levels by operationalising the Grassroots Democracy Decree

Successful implementation of decentralised development approaches will require the formal revision of a number of regulations and procedures by provincial governments. The required regulatory framework should be established prior to the start of the next phase in 2006. This could be, as earlier recommended, part of the *minimum conditions* for accessing HEPR funds.

The overall aims of the NTPs for the period 2006-2010 should express “empowerment of poor people” as a primary aim. Popular consultation and participation in decision making will be applied throughout the (sub-) project cycles (i.e. during the preparation, implementation, and evaluation stages). This is consistent with the Government’s Socio-economic Development Strategy for 2001-2010 and the CPRGS.

The programmes must strengthen horizontal links with other projects and policies, especially with the grassroots democracy, administrative reform and decentralisation processes. This is imperative for two reasons:

- Synergies from working with and learning from other policy processes and projects will increase the effectiveness of the NTPs, i.e. they will achieve their immediate objectives of poverty reduction better if PAR and improved grassroots democracy are successful. Additionally, NTPs will absorb lessons from other projects, especially on capacity building and decentralisation.
- All national projects should contribute to the wider objectives of the government. That is, the NTPs should also contribute to achieving the aims of, for example, grassroots democracy legislation and policies on improving gender equality (the status of women in the household and community) and the participation of ethnic minorities in public life.

The patchy achievement in participation and empowerment reinforces the imperative for the NTPs to seek synergy and aim more clearly to support the implementation of the GRDD.

7. Develop an effective M&E system with a focus on tracking intermediate indicators and rationalising reporting

A good M&E system also promotes transparency and accountability. To assess efficiency and effectiveness, a combination of quantitative and qualitative methods involving a range of stakeholders at different levels needs to be considered while developing the M&E system for the programme.

The monitoring system presently used needs to be enhanced in four essential ways:

- (i) develop a set of intermediate indicators that help track outcomes,
- (ii) conduct a baseline study in 2005 prior to the start of the next phase in 2006
- (iii) build-in plans for a mid-term review in 2008 and an evaluation in 2010-2011 into the design of the M&E system for the next phase,
- (iv) streamline the reporting system to reduce the number of narrative reports, but increase the use of the information for effectively steering the programme.

The new NTP on HEPR should have a clearer and more transparent link between funding provided at the centre or localities and outputs achieved/reported. At the moment, it is difficult to tell which GOVN programme (whether mainstream or NTP) is responsible for reductions in poverty. Further development of the planning process in order to create clearer connections between resource allocation at the top and the results for which managers in the field are accountable, would assist agencies in demonstrating the impact of funding.

8. Make the programme more manageable by reducing the number of programme components

Consolidating and reducing the number of components of the HEPR programme, whilst maintaining the use of existing programme management boards, will make funding allocations more transparent and funding choices easier. For instance, all infrastructure-related components may be put together under a single programme such as Programme 135, and all employment-related components could be moved to a separate programme to make the HEPR programme lean and focused.

At the same time, some components do not need to be under the NTP framework any more and can be mainstreamed within their respective ministries. Some parts e.g. health cards and tuition fee waiver can be placed under sector plans of ministries rather than under NTP. Fewer components will also help in improving the financial accounting system.

Capacity Building

9. Build capacities at all levels, especially at the commune level and including local cells/leaders of mass organizations

Capacity building of grassroots cadres must be embedded in wider learning mechanisms. For instance, HEPR Boards in provinces and the central level HEPR Steering Committee should create centres or regular forums where lessons from implementing the programme are discussed. Participatory Poverty (reduction) Assessments (PPAs) may be conducted regularly to evaluate impacts and inform the learning process.⁸²

⁸² Most of the proposals in this section are from Neefjes (2004).

The NTP on HEPR in 2006-2010 should encourage capacity building of local men and women through social organizations such as the Women's Union, Youth Union, Farmers' Union, and other local groups (including informal groups and newly emerging local associations). In some cases additional clubs and special classes may be initiated, for example on monitoring and maintenance of infrastructure, management of Water Users' Groups, savings and credit, gender equality and literacy classes (especially for ethnic minority women).

The percentage of the total budget under HEPR for training should be increased. Closer collaboration should be sought with other capacity building efforts, including internationally funded and national and provincial cadre training institutes.

Additional investment in capacity building is necessary for the successful implementation of the NTP on HEPR 2006-2010. But this will have to be aligned with the priorities of the programme for the next phase. The following skills can greatly improve popular consultation and participation in decision making, and enhance the likelihood of empowerment and effective poverty reduction:

- Facilitation skills, for ensuring popular participation in public meetings, consultations and decision-making.
- PRA tools and processes, and similar inclusive methodologies for shared analysis in planning, implementation and monitoring of projects and services.
- Communication skills, for improving transparency, and awareness raising.
- Social analysis, including gender analysis, ways to help develop the potential of women and ethnic minorities, and ways to enhance their status and active participation in public life.
- Technical skills, of local officers, village leaders and/or (selected) local people who are or can be involved in technical monitoring of infrastructure projects.
- Budget and project management skills.
- Cadre training must be delivered in structurally improved ways, by regional and provincial training centres/cadre schools. That means that trainer/teacher capacity needs be boosted, with specific focus on the above skills.

10. Strengthen the stature and capacity of the HEPR Office for better programme management and monitoring

The capacity of the HEPR Office in communication, organization, coordination, reporting and policy analysis of the HEPR implementation is important to the NTP's success.

However, the programme office does not seem to enjoy the same level of administrative authority as other departments of MOLISA. This handicaps its ability to coordinate with other HEPR stakeholders.

To ensure success of the HEPR programme, the programme office should have improved capacity in:

- Consolidating local experiences into key principles of success and HEPR guidelines, particularly in the area of targeting, management and reporting,
- Monitoring programme impacts,
- Proposing HEPR-related social and economic policy analysis and using the results for policy formulation and programme management to ensure better links between HEPR and macro policies,
- Coordinating HEPR activities through information sharing and joint planning, and
- Communicating and informing both government officials and target groups.

Apart from capacity constraints, the HEPR office's weaknesses in monitoring and coordinating programme implementation of other ministries and provinces stems from its minimal role in allocation and management of financial resources. HEPR funds are allocated by MPI and MOF, and the HEPR office has no role. The stakeholders often only report to these line ministries.

The central HEPR office should have a stronger mandate for monitoring and evaluating the performances of provinces and act as a central lesson-sharing and information dissemination clearing-house. The office should provide advice to the government on the strategic direction of the programme.

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Annex 1

List of Participants at the Ha Long Workshop (13-14 July 2004)

CEM

Nguyễn Quang Vinh, Officer, Dept of Ethnic Policy

CIEM

Nguyễn Thắng

Lê Mạnh Hùng

Consultant

Ngô Huy Liêm

DOLISAs

Trần Nhiệm, Director, Sơn La

Nguyễn Văn Nam, Director, Hải Phòng

Trần Xuân Giới, Deputy Director, Hải Phòng

Trần Thế Cảo, Hải Phòng

Vũ Mạnh Hùng, Hải Phòng

Cao Hồng Linh, Hải Phòng

Nguyễn Minh An, Deputy Director, Quảng Ninh

Nguyễn Công Hàn, Director of Insurance and Social Protection Section, Quảng Ninh

Economics Institute

Nguyễn Thắng

Farmers' Union

Lê Anh Dũng, Deputy Director

Đoàn Thị Ninh, Officer

GSO

Phùng Đức Tùng, Officer

MARD

Đặng Kim Sơn, Director

Đỗ Văn Hòa, Director

Trần Văn Môn, Deputy Head

Nguyễn Văn Châu, Officer

MOF

Hoàng Kim Hà, Officer

Ministry of Fishery

Nguyễn Văn Diệp, Deputy Director

Nguyễn Minh Toàn, Officer

MOLISA

Đàm Hữu Đắc, Vice Minister

Nguyễn Hải Hữu, Director, Social Protection Dept

Đỗ Trọng Hùng, Director

Nguyễn Mạnh Cuong, Deputy Director

Đào Quang Vinh, Deputy Director

Nguyễn Thị Lan Hương, Deputy Director, ILSSA

Trần Hữu Trung, Director, Office of NTP ON HEPR & Job Creation

Ngô Tr- ờng Thi, Deputy Director, Office of NTP ON HEPR & Job Creation

Bùi Xuân Dự, Officer, Ministry Office

Lê Tuyết Nhung, Officer, Social Protection Dept

Nguyễn Ngọc Toản, Officer, Social Protection Dept

Phạm Ngọc Tiến, Deputy Director, Social Protection Dept

Nguyễn Văn Chính

Doãn Mậu Diệp, Deputy Director

Đặng Hải Hà, Officer, Dept of International Cooperation

Hà Thanh Quế, Officer, Dept of International Cooperation

Lê Hoàng Dũng, Officer, ILSSA

MPI

Vũ Xuân Thạnh, Deputy Director, Cultural, Social & Labour Dept

Nguyễn Thế Ba, Officer, Social & Labour Dept

Chu Văn Hoàng, Deputy Director

Nguyễn Xuân Minh, Officer

Nutrition Institute

Phan Văn Huân, Director of Planning

Project VIE 02/001

Đặng Kim Chung, Deputy NPD

Lê Việt Hoa, PM

Nguyễn Văn H- ơng, AA

Phạm Thị Duyên, Accountant

Phạm Hồng Phương, Interpreter

Saurabh Sinha, STA

Alain Jacquemin, International Consultant

Koos Neefjes, International Consultant

Social Policy Bank

Phạm Kim Nhuận, Deputy Head

Phạm Anh Đức

State Bank of Viet Nam

Cao Vân Anh, Head of IMF Section, Dept of Foreign Relations

UNDP Viet Nam

Đỗ Thanh Lâm, Programme Officer

Youth Union

Lê Ngọc Khánh, Officer

List of Participants at the Do Son Workshop (13-14 July 2004)

Nguyễn Minh Thuận

Đỗ Thị Vân

CEM

Nguyễn Quang Vinh, Officer, Dept of Ethnic Policy

Central Communist Party Office

Nguyễn Hữu Từ, Director

CIEM

Võ Chí Thành, Section Head

DOLISAs

Doãn Mậu Diệp, Director, Bắc Kạn

Hồ Tất Thắng, Director, Nghe An

Nguyễn Đăng D- ơng, Head of Wages and Labour Section, Nghệ An

Lê Văn Thúy, Nghệ An

Phan Duy Năm, Nghệ An

Lê Nhung, Director, Hà Tĩnh

Nguyễn Văn Duyên, Head of Wages and Labour Section, Hà Tĩnh

Trần Thanh Nghị, Deputy Director, Điện Biên

Phạm Văn Thành, Điện Biên

Lê Hồng Sơn, Director, Thanh Hóa

Nguyễn Văn, Thanh Hóa

Sèn Chử Ly, Director, Hà Giang

Nguyễn Ngọc Lâm, Deputy Director, Hà Giang

Vũ Nh- Chung, Hà Giang

Nguyễn Văn Chiến, Hà Giang

Nguyễn Mạnh Tuấn, Cao Bằng

L- ơng Anh Dũng, Deputy Head of Social Protection Section, Cao Bằng

Đình Duy Sơn, Director, Hoà Bình

Lê Bạch Hồng, Director, Yên Bái
Nguyễn Trung Thoa, Yên Bái
Lê Thị Dung, Director, Tuyên Quang
Trần Tiến Khang, Deputy Director, Phú Thọ
Phú Thọ, Khuất Duy Tâm
Lê Thi Đài, Deputy Director, Hải Phòng
Trần Thế Cảo, Hải Phòng
Nguyễn Chung, Hải Phòng
Cao Hồng Linh, Hải Phòng

Economics Institute

Vũ Tuấn Anh, Expert
Nguyễn Chiến Thắng

Farmer's Union

Lê Anh Dũng, Deputy Head
Đoàn Thị Ninh, Officer

GSO

Nguyễn Phong, Director

MARD

Trần Văn Môn, Deputy Head
Nguyễn Văn Bổng

MOLISA

Nguyễn Thị Hằng, Minister
Đàm Hữu Đắc, Vice Minister
Nguyễn Hải Hữu, Director, Social Protection Dept
Hoàng Kim Ngọc, Deputy Ministry and Office Director
Đỗ Trọng Hùng, Director
Trần Phi T- ớc, Director
Nguyễn Hữu Dũng, Institute Director
Nguyễn Thị Lan Hương, Deputy Institute Director
Trần Hữu Trung, Director, Office of NTP on HEPR & Job Creation
Ngô Tr- ờng Thi, Deputy Director, Office of NTP on HEPR & Job Creation

Bùi Xuân Dự, Officer, Ministry Office
Nguyễn Ngọc Khiêm, Officer, ILSSA
Thái Phúc Thành, Officer, Office of NTP on HEPR & Job Creation
Lê Tuyết Nhung, Officer, Social Protection Dept
Nguyễn Ngọc Toàn, Officer, Social Protection Dept
Bùi Ngọc Quỳnh, Officer, Social Protection Dept
Phạm Văn Sửu, Officer, Social Protection Dept
Nguyễn Thị Yên, Officer, Social Protection Dept
Phan Tự Kiên, Officer, Labour and Social Journal
Bùi Đức Tùng, Officer, Labour and Social Journal
Nguyễn Thanh Hải, Officer, Dept of International Cooperation
Đặng Hải Hà, Officer, Dept of International Cooperation
Hà Thanh Quế, Officer, Dept of International Cooperation
Ngô Bá Tr- ờng Giang, Officer, Dept of International Cooperation
Phùng Đắc Quang, Officer, Dept of International Cooperation
Hằng, Officer, Dept of International Cooperation
Lê Hoàng Dũng, Officer, ILSSA
Chữ Hà, Labour and Social Paper

Ministry of Fishery

Nguyễn Minh Toàn, Officer

MOET

Vũ Văn Long, Officer

MOF

Vũ Văn Thao, Dept of Administration
Vũ Thị Hải Yến, Officer, Dept of Administration
Nguyễn Hữu Thanh

MOH

Nguyễn Thành Thái, Officer

MPI

Lê Đăng Doanh, Minister Advisor
Vũ Xuân Thạnh, Deputy Director

Nguyễn Thế Ba, Officer
D- ơng Ngọc Khánh, Officer

National Assembly

Nguyễn Thúy Anh, Committee for Social Affairs
Bùi Quang Trí

Nutrition Institute

Phan Văn Huân

Project VIE 02/001

Đặng Kim Chung, Deputy NPD
Lê Việt Hoa, PM
Nguyễn Văn H- ơng, AA
Phạm Thị Duyên, Accountant
Phạm Hồng Ph- ơng, Interpreter
Saurabh Sinha, STA
Alain Jacquemin, International Consultant
Koos Neefjes, International Consultant

Section of Social-Politics, People Paper

Trần Hồng Thanh

Social Policy Bank

Phạm Kim Nhuận, Deputy Head

Sociology Institute

Nguyễn Hữu Minh, Deputy Director
Nguyễn Xích Việt
Bùi Thế C- ơng, Deputy Director

VTV

5 people, News Section

Youth Union

Hà Văn Chung, Director

List of International participants at Do Son Workshop, 17-18 August 2004

Action Aid

Ramesh Jung Khadka, Country Director

Phan Văn Ngọc, Policy Research and Advocacy Manager

ADB

Võ Trúc Điện, Programme Officer

CARE International in Viet Nam

Nguyễn Thanh Tùng, CASI Programme Adviser

Counterpart International

Mai Ph- ơng, Assistant of Programme Officer

DED

Tran Thi Thu Lan, Programme Officer

Nguyen Cam Van, Programme Officer

DFID

Bella Bird, Head of Office

Thân Thiên H- ơng, Senior Programme Officer

Võ Thanh Sơn, Senior Programme Officer

Alwyn Chilver, Senior Programme Officer

Cindy Berman, Senior Programme Officer

Harwal Gitta, Senior Programme Officer

Donald Brown, Senior Programme Officer

Hoàng Thị Ph- ơng, Programme Officer

Embassy of Australia

Andrew Rowell, Development Cooperation Counselor

Nguyễn Quốc Việt, Senior Advisor

Embassy of Finland

Pekka Seppölä, Development Cooperation Counselor

Embassy of Luxemburg

Đặng Thị Minh Thắng, Counselor Assistant

GTZ

Hans Gsanger, International Consultant

Võ Nguyễn Khanh Nhã, Programme Officer

IFAD

Atsuko Toda, Country Programme Director

ILO

Rose Marie Greve, Director

Tr- ơng Đức Tùng, Programme Officer

JBIC

Satoko Hirakawa, Representative

JICA

Naganawa Shingo, Senior Project Formulation Adviser

Trần Thị Hải Dung, Assistant Programme Officer

MPI

Edwin Shanks, International Consultant, PAC – Coordinator

Oxfam GB

Phạm Quang Nam, Programme Officer for Tra Vinh

Nguyễn Lê Hoa, Programme Coordinator

Lê Thị Sâm, Local Programme Officer for Lao Cai

Oxfam Hong Kong

Nguyễn Thị Oanh, Programme Officer

Save the Children

Britta Ostrom, Director

SCUK

Phạm Thị Lan, Project Manager

SDC

Nguyễn Thị Bích Liên, Programme Officer

UNDP

Jordan Ryan, UNDP Resident Representative/ UN Resident Coordinator

Junichi Imai, Programme Officer

Nguyễn Tiên Phong, Head of Poverty & Social Development Cluster

Đỗ Thanh Lâm, Programme Officer

Johnathan Pincus, Country Economist

UNICEF

Daniel Seymour, Planning Officer

VNAH

Caillin Wyndham, Programme Officer

Voluntary Service Overseas

Tim Boyes-Watson, Director

WB

Carrie Turk, Poverty Specialist

Martin Rama, Lead Economist

Đoàn Hồng Quang, Economist

Nguyễn Thế Dũng, Economist

Nguyễn Thị Kim Phương,

WHO

Nguyen Thi Kim Phuong, Public Health Officer

Annex 2

List of Study Teams and Background Papers

1. Budget Allocation Study - Mike Winter and Vu Tuan Anh

Vu Tuan Anh, *Budget Allocation in National Targeted Programme of Hunger Eradication Poverty Reduction and Job Creation Programme*, Individual Report, 2003

Winter, Mike and Vu Tuan Anh, 2003, Budget Allocations for the HEPR-JC and 135 Programmes

2. Targeting - Doan Hong Quang, Paul Shaffer and Nguyen Thang

Doan Hong Quang, 2004, "A Synthesis of Poverty Targeting Methods in Viet Nam"
Shaffer, Paul and Nguyen Thang, 2004, "Targeting Efficacy Study"

3. Monitoring Systems Review - Tran Thi Hanh, Vu Van Toan and Nguyen Toan Doanh

Hanh, Toan and Doanh (2004) *Review of Monitoring Systems of HEPRJC and 135 Programme*, Project VIE/02/001 UNDP- MOLISA, Ha Noi, June 2004

4. Public Expenditure Tracking - Mike Minford, Doan Hong Quang and Nguyen Huu Tu

Minford, Mark with Doan Quang and Nguyen Huu Tu, 2004, "An Expenditure Tracking Study of the Hunger Eradication and Poverty Reduction Programme and Programme 135"

5. Literature Review - Hoang Thanh Huong and Nguyen Chien Thang

Hoang Thanh Huong and Nguyen Chien Thang, 2003, *Impact Assessment of the HEPR and Programme 135 Literature Review*, Ha Noi, August-September 2003

6. Impact Assessment - IDEA International (Paul Shaffer and Nguyen Thang)

IDEA International, 2004, Impact Assessment of the Hunger Eradication and Poverty Reduction Programme (HEPR) and Programme 135, VIE/02/002- Support to the National HEPR, July 2004

7. Participation and Empowerment - Koos Neefjes

Koos Neefjes, 2004, *Participation and Empowerment in the HEPR Programme: Report of a Desk Study*.

Annex 3

Responsibilities for HEPR programme management

		RESPONSIBILITIES
Programme National Steering Board		General guidance and overall supervision and coordination of programme implementation
Standing Body	MOLISA	Assist the government and the HEPR Steering Board in programme implementation coordination, monitoring and supervision. Develop poverty lines and provide general HEPR instructions, training and information
Executing Agencies	MOLISA, MARD, CEM, MOH, MOET, SBV	Supervise the implementation of programme components delegated to them, develop sectoral policies and provide technical guidance and supports according to their mandate. CEM is the focal point for the P135.
Others	MOF	(i) Prepare budget for the programme's recurrent expenditures, (ii) Allocate funds from the State Budget for the programme, (iii) Provide guidance to local authorities on financial management and (iv) M&E of funds utilization.
	MPI	Budget the programme's capital investment part, (ii) Prepare budgets for the programme's recurrent expenditures in cooperation with MOF, (iii) Mainstream the NTP on HEPR and P135 in the national socio-economic development plans, (iv) Provide guidance to local authorities on integrating other poverty reduction related programmes and projects into their development plans, (v) Evaluate programme performance, and (vi) Mobilize and coordinate ODA for poverty reduction.
Mass Organizations	VFA, VFF, VWU, VYU	Involved in various activities according to their functions and mandates, such as helping organizing credit savings teams, identifying the training needs of farmers for agricultural extension. In addition, these organizations have been allocated some funds from the state budget within the HEPRJC framework to provide credit to their members.
At the Province level	PPC	Fully responsible for HEPR in the province - planning and integrating HEPR activities, approving HEPR plans and projects of the sub-provincial levels, funding mobilization and management, coordinating and supervising the implementation of HEPR efforts in the province with assistance from DOLISA (in charge of monitoring, and the general HEPR general implementation coordination), DPI (in charge of integration and funds allocation) and Ethnic Minorities Board (in charge of the implementation of the P135). Often also adapt poverty lines, list of priority communes & HEPR policies to local conditions, identify commune infrastructures to be developed based on consultation with sub-provincial levels and approve infrastructure development projects.

		RESPONSIBILITIES
At the District level	DPC	Approve HEPR plans and projects of the commune (except infrastructure projects above VND2 bn.), implement commune-based HEPR projects if the commune level lacks necessary capacity; otherwise, provide support role (e.g. assist the PPC in monitoring and supervising the commune-based HEPR activities and support commune PCs in undertaking technical supervision of their implementation). Also provide technical services (including project design and construction works) to communes without approval authority for commune infrastructure projects.
At the Commune level	CPC	Focal point for implementation of commune-based HEPR plan/projects. Mobilizing people's participation at the grassroots level, and organizing and managing the implementation of the plan/projects. It is accountable to the Commune People's Council, DPC & PPC. Specifically, the PC regularly reports to the commune people's council & community, organizing the preparation of the commune's HEPR plan and its implementation, when approved; mobilizing commune resources and disbursing HEPR funds. Also conduct poverty mapping & maintain updated list of poor households.

Source: Compiled from materials in UNDP (1999)

Annex 4

Responsibilities for Programme 135 management

	Agency	RESPONSIBILITIES
Standing Body	CEM	Coordinating with relevant ministries/agencies and provinces in programme implementation, Providing guidelines on programme implementation, management and monitoring
Executing Agencies	CEM	Coordinating sub-programme implementation
	MARD	Coordinating sub-programme implementation Providing guidelines to provinces on land planning and relocation, and agricultural and forestry production promotion linked to processing industries
Others	MPI	In cooperation with MOF and other agencies, prepare programme budgets
	MOF	Providing guidance and supervise disbursement and utilisation of funds from state budget, and report to Government on fund use from local budget
	VFA, NCMA and MOLISA	Participate in programme evaluation

Annex 5

Targeting Methods

Targeting methods can be broadly classified into two groups: *administrative targeting* and *self-selection* (Coady *et al*, 2002). Each has advantages and disadvantages. Targeting methods are, however, not mutually exclusive and as in Viet Nam, governments often use two or more methods together.

Administrative targeting relies on limited eligibility and consists of individual/household assessment and categorical targeting. In this methodology, applicants are directly assessed by officials as to whether they are eligible for the program. The most common methods of individual/household assessment are the verified means test and the simple means test in which eligibility criteria like income is independently verified using documented evidence or qualitatively with visits to households by program workers. Community-based targeting is another popular assessment method that selects program participants based on the decision of community members or a community leader.

Categorical targeting, also referred to as statistical or group targeting, views all individuals in a specified category as being eligible to participate in the program. In categorical targeting, it is common to use easily observable characteristics of individuals as eligibility criteria. For example, age and geographic location are two categories commonly used in targeted programs in developing countries.

Targeting by *self-selection* is associated with universal eligibility, that is, the programme is open to all individuals. However, the program is designed in a way that encourages the poorest to while discouraging the participation of the non-poor. The incentive to participate depends on the private participation costs, which differ between poor and non-poor households. By generating appropriate low-level benefits, the non-poor with higher private costs will not take part in the program as long as the benefits they obtain are lower than the costs.

The choice of the targeting method depends critically on the concept of poverty. Poverty is multi-dimensional, encompassing both material and psychological deprivations, and can be viewed in terms of not having enough money, not being able to work, being ill, lacking education, lacking land and other physical capital, and/or being excluded from social, economic or political processes. There is no unique definition of poverty and, therefore, no perfect indicator to measure it.

All the same, income and/or expenditure are commonly used to classify poor households as these money-metric indicators are correlated to other dimensions of poverty, and are easy to measure and compare across regions and time.

The effectiveness of targeting depends, among other things, on how well the targeting units are classified. A useful tool for classifying targeting units is a poverty line or threshold, which separates the population into poor and non-poor categories. These categories are based on commonly accepted welfare indicators such as income or expenditure.

Annex 6

Declaration form of poor households

PART I – GENERAL INFORMATION ON HOUSEHOLDS

Full name of household head..... Sex: Male, Female
 Number of capita:..... Number of labours:..... Ethnic.....
 Address: Village (hamlet)..... Commune..... District.....

LIST OF CAPITA IN HOUSEHOLD

No.	Full name	Year of birth	Sex		Relation to household head	Educational level (grade/system)	Status of schooling of people from 5 years above (follow notes at the end of the form)
			4	5			
1	2	3	4	5	6	7	8
1
2
3
4
5
6
7
8
9
10

* **Note for column 8:** 1. Never been to school 2. Being in school 3. Drop out, complete school

- 1. Household having deserved people.
- 2. Social policy household.
- 3. Female household head.
- 4. Household having social addicts.

- Regional code:
- 1. Urban
 - 2. Rural.
 - 3. Mountainous.

PART II – HOUSEHOLD INCOME

No.	Income source	SELF-DECLARATION OF HOUSEHOLD			ADJUSTMENT		
		Total income (1000 d)	Expenses and hiring costs (1000 d)	Net income (1000 d)	Total income (1000 d)	Expenses and hiring costs (1000 d)	Net income (1000 d)
1	2	3	4	5	6	7	8
I	From cultivation	.....	.....	.....	.....	.....	.....
II	From animal husbandry	.....	.....	.....	.....	.....	.....
III	Trading, services, other careers	.....	.....	.....	.....	.....	.....
IV	Salary, allowances	.....	.....	.....	.....	.....	.....
A	Total	.....	.....	.....	.....	.....	.....
B	Average income per capita per annum	.....	.....	.....	.....	.....	.....
C	Average income per capita per month	.....	.....	.....	.....	.....	.....

PART III – HOUSEHOLD ASSETS VALUE

ASSETS TYPE	ASSETS VALUE (million dong)	
	Self-declared by household	Adjustment
Housing		
Bathrooms		
Cages/breeding facilities		
Household tools (radio, bicycle, case, ...)		
Production tools		
Materials (cement, bricks, wood, roof ...)		
Not harvested products value		
Other		
Total value of assets		
Average value of assets per capita		

Types of household (Circle the selected figure)

1. Solid houses (built houses, flat roof houses)
2. Semi-solid houses (tiling roof houses)
3. Leaking and dilapidated houses (bamboo& grass houses, bamboo wall, temporary houses)
4. No houses rented or borrowed houses.

Main reasons influencing income and poverty situation of household

(Circle the selected figure)

- | | |
|--|---|
| 1. Lack of experience in doing business. | 6. Having lazy/social addicts |
| 2. Lack of labor | 7. Accidents, risks |
| 3. Many dependents | 8. Having sickness, disable,
elderly without working ability |
| 4. Lack of funds | |
| 5. Lack of production land | |

Classification by village, hamlet:

- Rank household income (Circle the selected figure)

- | | |
|-------------------|--------------------|
| 1. Under 55.000 d | 4. Under 90.000 d |
| 2. Under 70.000 d | 5. Under 100.000 d |
| 3. Under 80.000 d | 6. Under 150.000 d |

- Classify poor household by new poverty line (Circle the selected figure)

- | | |
|---------|-------------|
| 1. Poor | 2. Non-poor |
|---------|-------------|

Day.....month.....year 200...

VILLAGE HEAD*(write down full name and sign)***DECLARED PERSON***(write down full name and sign)*

Annex 7: Poverty Indicators system for the provincial and district reports

			Indicator	Unit	Plan	Frequency	
						6-month	Annual
			I. Household data				
1	1.1 1.2		Total Number of households - Urban - Rural			x	
2	2.1 2.2 2.3 2.4 2.5 2.6		Total Number of poor households - Urban - Rural - Privilege - Of social targeting policy - Vietnamese - Minority			x	
3			Percentage of poor households			x	
4			Number of poor households going out from the poor household list			x	
5			Number of poor households falling in again the poor household list			x	
			II. Commune data				
6	6.1 6.2		Total number of communes: - of specially disadvantaged, border - of poor communes				
7	7.1 7.2 7.3 7.4 7.5		Percentage of poor communes: - Number of communes with the poor household percentage of more than 40% - 25 - 40% - 20 - 25% - 10 - 20% - lower than 10%			x	

			Indicator	Unit	Plan	Frequency	
						6-month	Annual
8	8.1		Total number of communes without infrastructure: - Number of communes without roads for all seasons			x	
	8.2		- Number of communes having classrooms meeting less than 50% of the needs				
	8.3		- Number of communes without commune health care centers				
	8.4		- Number of communes having small irrigation meeting < 50% of the irrigation needs				
	8.5		- Number of communes with < 30% of households accessing to clean drinking water				
	8.6		- Number of communes with < 50% of households having electricity grid connected				
	8.7		- Number of communes without commune/commune cluster market				
			III. Policy and investment support performance				
			1. Policies				
9	9.1	a/ Health policy	- Number of the poor receiving health cards			x	
	9.2		- Amount of funds used for health cards				
	9.3		- Number of hospital visits of the poor				
	9.4		- Number of the poor receiving health service fees exemption certificates			x	
	9.5		- Number of poor receiving free of charge health services				
	9.6		- Amount of funds used for free of charge health services				
	9.7		- Number of the poor receiving health service from charity centers				
10	10.1	b/ Education support	- Number of the poor students exempted from education fees			x	
	10.2		- Amount of funds used for education fees exemption				
	10.3		- Number of the poor students exempted from school repairing and other expenses			x	

			Indicator	Unit	Plan	Frequency	
						6-month	Annual
	10.4		- Amount of funds used for school repairing and other expenses contribution exemption				
	10.5		- Number of the poor students receiving free of charge text books and note books				
	10.6		- Amount of funds used for text books and note books				
	10.7		- Number of the poor students receiving social support and scholarship				
	10.8		- Amount of funds used for social support and scholarship				
	10.9		- Number of boarding schools for minorities				
	10.10		- Number of minorities staying in boarding schools				
11			c/ Housing support				
	11.1		Total number of poor households receiving housing support:			x	
		1	- for new construction				
		2	- for repairing				
	11.2		Total amount of funds used for housing support:				
		1	- from the state budget				
		2	- community contribution				
		3	- international donors				
			2. Investment support				
12			2.1 Poverty reduction subprogramme				
			a/ Credit				
	12.1		Total households receiving concessional loans:			x	
		1	- number of poor households				
		2	- number of poor households just gone out from the poor household list				
	12.2		Percentage to the total number of households			x	
	12.3		Total amount of funds used for concessional loans:			x	
		1	- from BP				
		2	- from other sources				

			Indicator	Unit	Plan	Frequency	
						6-month	Annual
13	13.1		b/ Agr. Extension subprogramme - Number of demonstration models				
	13.2		- Number of poor beneficiaries				
	13.3		- Number of poor attending training courses on business			x	
	13.4		- Number of poor households trainees				
	13.5		- Number of communes having agricultural extension (AE) workers				
	13.6		- Number of commune AE workers				
	13.7		- Amount of allowance given to AE workers			x	
	13.8		Total amount of funds used for AE:				
		1	- from the state budget				
		2	- community contribution				
		3	- other sources				
14	14.1		c/ PR modality development Number of PR modalities developed			x	
	14.2		Number of households benefitted from the modalities developed				
	14.3		Total amount of funds used for PR modality development:				
		1	- from the state budget				
		2	- local budget				
		3	- other sources				
15	15.1		2.2 PR subprogramme not under the 135 programme a/ Infrastructure development Number of poor communes receiving investment			x	
	15.2		Total amount of funds used for infrastructure development:			x	
		1	- from the state and local budget			x	
		2	- community contribution			x	
		3	- other sources				
	15.3		Amount of funds received by villagers for participating into the work implementation				

			Indicator	Unit	Plan	Frequency	
						6-month	Annual
	15.4		Total number of infrastructure projects: 1 - roads 2 - schools (classrooms) 3 - health centers 4 - water supply 5 - small irrigation schemes 6 - electricity 7 - market 8 - others				
	15.5		Number of projects completed and delivered into operation				
16	16.1		b/ Non- farming industries support subprogramme Total number of households supported: 1 - by giving land 2 - seeds and fertilizers 3 - training 4 - others			x	
	16.2		Total amount of funds used for jobs creation support: 1 - from the state 2 - local budget 3 - community contribution 4 - other sources				
17	17.1		c/ Settlement and new economic zones development Number of households voluntarily migrated receiving support			x	
	17.2		Total amount of funds used for resettlement and new economic zones development: 1 - from the state 2 - from local budget			x	
18	18.1		d/ Sedentarization in poor communes Number of households supported for stable settlement			x	

			Indicator	Unit	Plan	Frequency	
						6-month	Annual
	18.2		Total amount of funds used for sedentarization: 1 - from the state 2 - from local budget				
19			e/ Training for HEPR staff				
	19.1		Number of communes having fixed HEPR staff				
	19.2		Number of communes giving allowance to HEPR staff				
	19.3		Allowance level given to HEPR staff				
	19.4		Total number of training courses: 1 - at commune level 2 - at district/provincial level			x	
	19.5		Total number of trainees: 1 - from communes 2 - from districts/ province			x	
	19.6		Total amount of funds used for HEPR staff: 1 - from the state budget 2 - from local budget 3 - other sources				