

Executive Summary

Findings from the Joint IFAD-World Bank Assessment of the National Targeted Program on New Rural Development (NTP-NRD) Phase 1

Overall Assessment

In its first phase, the NRD made important contributions to rural development, particularly through its role in assisting the improvement of rural socio-economic infrastructure. However its direct contribution to rural economic transformation is less clear. There have been gains in some provinces and communes, particularly in terms of enhanced local level planning and especially where donor-supported projects have been undertaken. However, there has been little institutionalization of such gains and improved approaches and processes have generally not been sustained after completion of subprojects. Clearly, rural development remains a priority for Vietnam in order to achieve socio-economic development and sustainable growth. This development, however, must go beyond access to improved socio-economic infrastructure and services in rural areas and involve the broad based integration of small-scale rural producers into sustainable value chains, connecting them to domestic and international markets for both existing and new products. Along with this, there needs to be a supportive social and economic platform for the self-improvement efforts of the people, their organizations and the private sector. The key NRD lessons distilled from the IFAD-WB assessment¹ are as follows:

- The NRD criteria set for Provinces, Districts and Communes to attain were quite rigid and left little room for local investment prioritization; the 19 criteria in some cases led to construction of non-essential or low priority infrastructure and the criteria also did not sufficiently emphasized or promoted rural economic diversification and income generation opportunities.
- The implementation was not driven by needs-based commune-level planning mechanisms, and the accountability framework was unclear. Subsequently, the communes were not empowered as investment owners, and inadequate attention was given to the roles of Provinces and Districts in providing coordination and technical support, and
- There was no systematic monitoring of the development performance and financial management of the key institutional actors in planning and implementing NRD1.

Key Findings

1. The principle of bottom-up Commune-level planning was compromised from the very beginning by the “target” nature of the NRD1 criteria, and the top-down pressures and incentives to achieve them, often regardless of actual commune needs;

¹ This technical assistance was provided to the VN MARD National Coordinating Office of the National Targeted Program for New Rural Development (NTP-NRD) from December 2015 to June 2016. As a result of this technical assistance, IFAD and the WB produced the following documents: (a), (b), and (c). This Executive Summary was prepared based on these 3 papers and feedback provided from technical peer reviewers (Kevin John Crockford, Senior Rural Development Specialist and Kai Alexander Kaiser, Senior Economist). The joint IFAD-WB technical assistance team was comprised of Henning Pedersen (IFAD Country Director for Vietnam), Gary Howe (Strategic Planning Specialist), Soren Davidsen (Senior Public Sector Specialist), Vinay Vutukuru (Senior Rural Development Specialist), Douglas Forno (Institutions Specialist), Chris Jackson (Lead Agriculture Economist), Carolina Figueroa-Geron (Lead Rural Development Specialist) and Tam Thi Do (Program Assistant).

2. The emphasis on achievement of the NRD1 targets/criteria would seem to have provided incentives to Provinces to make allocations more readily available to Communes with the greatest probability of success (in reaching all of the NRD 19 Criteria) rather than the greatest need for actual support in each commune;
3. The emphasis on new infrastructure development to meet targets led to exacerbation of a characteristic problem of public finance in Vietnam, i.e., inadequate provisions for recurrent costs, including capacity building and operations and maintenance – raising important questions about the sustainability of the investments financed;
4. Many of the key institutional actors at various levels were unprepared for their roles in NRD1, and received insufficient capacity building efforts or incentives to support the program;
5. Planning work at sub-national levels tend to be seen as the sole responsibility of the planning sections and units rather than the work of both planning and technical staff. This has minimized inputs from technical units who should play important roles in ensuring more realistic targets. The potential and important roles of Districts, supported by Province-level public entities in improving the effective planning and implementation of NRD 1 were neglected;
6. The impact and effectiveness of Commune-level investments were weakened by the lack of an integrated approach to planning, and resulted in multiple plans and report;
7. Planning and budgeting were not well aligned and often, policy objectives were not sufficiently costed or prioritized, resulting in unfunded multiple plans;
8. The link between planning and budgeting was missing both for recurrent and capital investments, and for ensuring sectoral plans were in line with relevant policies;
9. The lack of predictability in NTP transfers impeded planning, budgeting, and delivery of NTP targets. The level of resource allocation was not closely aligned with the targets and objectives due to their ambitious nature;
10. Complex, input-based guidance on NTP implementation has reduced flexibility and increased burden of reporting;
11. Provisions for supporting economic diversification through income generation livelihood opportunities were given little attention; and
12. There was little use of M&E functions to inform and correct policy and guide implementation. There was no systematic monitoring of the development performance and financial management of the key institutional actors in planning and implementing NRD1, nor was there any comprehensive assessment of development impact in rural areas. Lack of a baseline also impeded the tracking of implementation progress and impacts of the program.

Based on the above key findings, a number of clarifications and modifications would be needed in the next phase of the NTP-NRD in regard to : (i) the oversight, policy guidance and incentive framework; (ii) how national strategic plans and targets are to be integrated with local-level needs and priorities; (iii) elaboration of technical and socio-economic criteria through which to determine capacity and readiness, site selection, prioritization of investment, and design aspects; (iv) investment review and approval processes; (v) procurement, (vi) funds flow mechanisms and accounting; (vii) operation and maintenance; and (viii)

monitoring and evaluation. Specific recommendations on each of these points are summarized below.

Recommendations

1. Policy Guidance, Principles for Investment Prioritization, Incentive Framework, Resource Allocation and Implementation Guidelines, Roles & Responsibilities

A Prime Minister Decision would be needed to complement and provide additional guidance to other such Government instruments. Specifically, for the next phase of the NTP-NRD, it is suggested that a PM Decision should clarify the strategic objectives and expectations, define oversight and implementation roles and responsibilities, and provide key policy guidance including the incentive framework that would be needed to motivate the proactive participation of Provinces, Districts and Communes in the NTP-NRD.

- A. The PM Decision as a means to lay out the principles on how NTP NRD would be managed and implemented: In order to achieve more efficient prioritization of investments and their tailoring to local production, ecosystem, and socio-economic conditions, clear guidance needs to be given as to how prioritization should be done and on the criteria that should be used to determine the suitability and eligibility of various types of investments. Importantly, there needs to be much greater flexibility in how the NRD criteria are to be applied. While still specifying the 19 NTP-NRD criteria (targets) for provinces, districts and communes, the PM Decision should:
- 1) specifically allow for local-level flexibility in prioritizing investments based on local needs, rather than simply achieving centrally determined targets;
 - 2) be clear that a key planning and investment strategy for meeting the NRD objectives should be that investments are prioritized towards raising agricultural and fisheries productivity and value addition, including support for clustering of producers for start-up or expansion of micro to small enterprises.(i.e., in line with MARD's strategic objectives under the Agriculture Restructuring Plan); and
 - 3) be clear that Value Chain Analyses would be used as the technical basis for identifying and prioritizing agricultural productivity and value addition investments in the socio-economic development planning (SEDP) process of Provinces, Districts and Communes.

Other key principles for inclusion in the next phase of the NTP-NRD should be that as part of Provincial Plans:

- 1) provision should be made for the integration of national strategic agricultural development objectives with local level needs and priorities;
- 2) there should be broad stakeholder consultation in the Provincial, District and Commune investment planning process
- 3) Commune-level NRD plans should be harmonized with Commune-level SPR plans through joint steering committees and procedures, and both should be fully integrated with institutionalized Commune-level SEDPs;

- 4) responsibility for implementation should be that of the local authorities, and Districts should be empowered as coordinators and technical assistance units for commune SEDP planning as well as NRD/SPR investments;
- 5) national agencies should be directed to provide technical backstopping and strategic guidance;
- 6) decision making on site selection, scope and scale of investment should be based on clear technical and socio-economic based criteria; and
- 7) continued participation and support under the NTP-NRD should be based on adherence to safeguard policies, procurement, and compliance with accounting procedures and requirements.

B. Incentive Framework for Provincial, District, and Commune participation: This is an important strategic design aspect for the NTP-NRD through which to influence the choices that Provinces, Districts and Communes will make in responding to the funding provided under the next phase of the NTP-NRD. Clear guidelines and procedures need to be developed by the NRD-NCO as to how rewards for improving planning, investment and implementation efficiencies are to be determined and allocated. Such incentives could include performance and competitive grants. There could also be different levels of cost-sharing between state and local levels of financing to provide an incentive for investments in activities such as environmental protection, climate change adaptation and mitigation, food safety or enterprise development which may otherwise receive less priority because of their less apparent immediate benefits e.g., compared with infrastructure.

In the case of performance or competitive grants, criteria for award could be based on the extent to which investment prioritization is aligned with Province-level value chain development strategies, investment sustainability and benefits, as well as participation of small-scale producers and their organizations, the estimated total number of beneficiary rural households, and potential number of those who would graduate from poverty and near-poverty status. Eligible expenditures under such grants would need to be clear and could, for example, include investment in physical value chain-related infrastructure, equipment, and technical assistance.

C. Resource allocation under the NTP-NRD: The PM Decision should spell out how resources are to be allocated with attention being given to ensure adequate provision is made for capacity building to enable the efficiencies in implementing the NTP-NRD to be achieved. Extensive on-the-job training, workshops etc., will be needed to strengthen planning and investment prioritization, resource management and M&E. It is suggested that resources be allocated according to two broad and inter-linked components:

- 1) Participatory Planning, Resource Mobilization, M&E and Implementation of Local Investments Support. For this, some 75% of the NTP-NRD budget could be allocated in the form of block grants for commune level planning and commune-owned investments such as infrastructure; and
- 2) Development and Implementation of Agricultural (and other) Value chains. For this, some 25% of the NTP-NRD could be allocated for activities at the Province and District levels, which would focus at value chain development and income generation opportunities through farmer group organization, and instruments such as grants for enterprises and cooperatives.

D. Implementation Guidelines. The PM decision could define some broad guidelines to facilitate the work of Provincial, District and Commune planners and decision makers. Such guidelines, it is suggested could be further amplified and detailed in Operation Manuals for the NTP-NRD, which to the maximum extent possible, should be harmonized with other Government-issued Operational Manuals and Circulars defining implementation procedures, specifications and standards (See Section 2 below). Key points that could be made are as follows:

- 1) Investment proposals for funding under the NTP-NRD should be required to specify the impact objectives and principal outputs (linked to the NRD Criteria). Additionally, proposals should detail sources of funding and how provision is to be made for recurrent costs.
- 2) Planning should specifically address the larger challenge of rural economic transformation through commodity mapping to identify the priority commodities and sub-sectors that are competitive given the local context and market conditions and how improved production and income is to be achieved among large numbers of small-scale rural producers. i.e., through coordinated action among public and private partners (including farmers' organizations) across Communes, and across District and Province, boundaries.
- 3) The use of Value Chain analyses under the NTP-NRD should also be seen as contributing to the formulation, financing and implementation of broader National and Province-level development strategies e.g., in implementing the Agricultural Restructuring Plan, Non-Farm, Off-Farm Employment programs, etc., to provide for broad-based increases in income and employment.

E. Roles and Responsibilities of Agencies in terms of oversight, coordination and implementation should be defined, including their responsibilities in terms of monitoring and evaluating impact of interventions against the performance and outcome indicators. It is suggested that the PM Decision should spell out the critical features which could include the following:

- 1) The mechanisms through which the NTO-NRD is to be managed and implemented needs to be clearly defined at the outset and have the full commitment of the responsible agencies. Roles and responsibilities of Ministries responsible for capacity and technical back-stopping for NTP-NRD should be spelled out;
- 2) The NCO needs to have dedicated teams that will support the implementation of the program at the national, province and district levels. These dedicated teams could be a combination of government staff and hired professionals. However, it is essential that the project teams at various levels, national and commune are clear about the objectives of the program, have outlined roles and responsibilities, and receive appropriate training to fulfill their responsibilities;
- 3) While some VCAs may be done at the national level, others may be more regionally focused while specifically addressing provincial roles and opportunities in the value chain. Ensuring the quality of these VCAs will be paramount and MARD has a key role to play in this as well as in ensuring transparency and avoidance of duplication in formulation of VCAs by different provinces;
- 4) An NTP Program Steering Committee (NCO as the Secretariat) would be needed for (i) formulation of overall policy and resource allocation; (ii) issuance of

implementation guidelines and clearance of Operational Manuals; (iii) program level monitoring; and (iv) inter-sectoral coordination and improvement of policy and regulatory environment;

- 5) Provincial Responsibilities should include: (i) overall responsibility for overseeing direct implementation by Communes, including technical agency support; (ii) performance monitoring, within the framework of national legislation and guidelines; and (iii) leadership of province-level value chain strategy development. At the Province level, capacity could be established in the form of a small unit to: (i) plan and oversee Province- and District value chain assessments and studies, and the overall Provincial program for institutional capacity building for value chain development; (ii) support the process of awarding performance or competitive grants; and (iii) monitor plan implementation and investment project achievements. A multi-stakeholder Value Chain Advisory Committee (including concerned private sector operators, representatives of farmers, financial sector institutions, and line agencies) should be established in each participating province to provide a consultative basis for capacity development;
- 6) District responsibilities could include: (i) review and coordination of Commune plans; (ii) review of implementation of Commune plans for conformity with national procedures and norms; (iii) support for and facilitation of implementation of Commune plans; (iv) validating Commune performance self-reports; and (v) promotion of value-chain strategies at District and Commune levels; and
- 7) Commune responsibilities could include: (i) participatory development planning, (ii) financial planning for investment and maintenance; (iii) implementation of plan and financial management within norms; and (iv) performance reviews and commune-level monitoring.

2. Operational Manuals

Detailed Operational Manuals will need to be prepared to guide the implementation and to provide transparent tools and procedures for the many processes and decision points that will be needed to effectively implement, manage, ensure accountability and monitor and evaluate the effectiveness of the NTP-NRD. Key Operational Manuals and their substantive content could include the following:

- A. **Planning Process Manual:** This would *inter alia* describe in detail: (a) how there is to be integration of national strategic plans and targets with local-level plans, needs and priorities; (b) stakeholder consultation processes; and (c) elaboration of technical and socio-economic criteria through which to determine capacity and readiness, site selection, and prioritization of investments. The following additional aspects should also be taken into account in preparing the Planning Operational Manual:
 - 1) The Planning and Investment Prioritization Guidelines should define how NTP-NRD plans and investment priorities can be more effectively integrated as a part of the Socio-Economic Development Plans (SEDPs) of provinces, districts and communes;
 - 2) Commune-level NRD plans should be harmonized with Commune-level SPR plans through joint steering committees and harmonized procedures;

- 3) Commune level NRD plans should include, for each investment proposed: (i) results/impact objectives and principal outputs (linked to the NRD Criteria); (ii) specification of relevant technical norms, implementation and procurement modalities, review and approval procedures; (iii) assessment of relevant human and institutional implementation capacity; and (iv) adequate provisions for O&M of infrastructure investments; and source and timing of funding;
 - 4) Participatory planning at the commune level should be integral to the planning process with technical vetting being undertaken by line agencies and coordinated by provinces and districts. The developed planning systems and processes should be applicable to both NRD and SPR NTPs; and
 - 5) Planning and investment prioritization for NTP-NRD should be based on value chain analyses which should include: (i) areas of local comparative advantage in major commodities in production and processing; (ii) key components of the corresponding value chains; (iii) stock-taking of the local capacities; (iv) a strategic gap analysis of the value chains; (v) identification of the main potential actors in filling the gap and their technical, infrastructural, organizational and financial resource requirements; and (vi) potential approaches to exploiting opportunities.
- B. **Infrastructure Manual**: This would cover (climate-resilient) design standards and technical criteria for selection and prioritization of infrastructure investments, procurement requirements and procedures and provisions for Operation and Maintenance. Specific recommendations for consideration would be:
- 1) Establishment of local infrastructure should be in accordance with appropriate technical standards. Adherence to these standards should be spelled out and vetted by appropriate technical national agencies, including appropriate social and environmental safeguards;
 - a) Each infrastructure funded under the NRD should include an O&M sustainability plan which, from the outset would define both the technical and financing requirements and responsibilities;
 - b) Formal agreements need to be made with appropriate technical agencies to support preparation, implementation and O&M of NRD-funded infrastructure and livelihood subprojects; and
 - c) Adequate capacity building should be provided at various levels for feasibility study preparation, simple business planning and supervision of such subprojects.
- C. **Funds Flow and Accounting Manual**: This manual would need to spell out in detail the budgeting and accounting procedures to be followed. Specific points to be taken into consideration in preparing the manual would be:
- 1) Central government resources channeled through the NRD should be focused on the poorest provinces and communes (in terms of incidence and magnitude of poor households using existing data and poverty maps) according to a transparent and progressive allocation formula responsive to local conditions. Provinces should sub-allocate central government NRD resources to communes on the basis of the same progressive formula. Provinces should also take this formula into account in allocating their own resources for co-financing NRD investments at the Commune level.

- 2) The regular budget preparation calendar should be followed to allow scrutiny of local budgets by People's Councils;
- 3) Increased transparency and participation in the budget process should be pursued through publication of Citizens' Budgets and other instruments to improve communication;
- 4) Net of modest retentions for Province- and District-level capacity building to enhance their capacity to support Commune-level planning and implementation of the NRD, all central government resources channeled through the NRD to the Provinces should be sub-allocated by the Provinces to the Communes, and transferred to NRD Commune accounts;
- 5) On the basis of the allocation formula, Provinces and Communes should receive an indicative medium-term NRD central government funding envelope, to be released in tranches, subject to:
 - i. preparation of approved medium-term and annual Commune NRD/improved SEDP plans; and
 - ii. satisfactory performance and financial absorption in the use of prior- NRD 2 allocations

D. **Monitoring and Evaluation Manual:** The principal function of the NRD-M&E should be to report on implementation and achievement of agreed plans in order to identify issues in a timely manner and to facilitate prompt and relevant remedial actions. Standard monitoring formats should be provided and maintained in an electronic format, in order to allow for report aggregation at the District, Province and National levels. Procedures for baseline data collection, as well as indicators for monitoring program performance in terms of intermediate outputs (targets) and outcomes would need to be spelt out. Specific recommendations are:

- 1) Clear, measurable outcome indicators need to be adopted to monitor the program's intended results. These indicators need to be tracked and monitored at the Commune, Province, District and National level.
- 2) Provision should be made for social accountability systems such as community score cards, social audits, grievance systems and annual learning events to serve as a feedback loop to inform reform in the implementation of the NTP-NRD;
- 3) There should be periodic field visits by District, Provincial, and National monitoring teams to Communes, and include interviews with households to assess concerns;
- 4) The principal responsibility for M&E and implementation should lie with the Communes, within the framework of the Commune NRD plans; and
- 5) Line agencies should draw upon information that they gather in the course of their normal responsibilities in providing a framework for facilitating, and tracking all public investment and financial management;
- 6) Effective financial monitoring of the decentralized NRD would be greatly facilitated by full implementation of national general financial reporting systems such as the TABMIS at the Province-, District- and Commune-levels, in order to allow detailed tracking of expenditures. The linking of TABMIS with the

physical tracking of investments through geo-tagging would provide a powerful tool for enhancing the efficiency of the NTP-NRD; and

- 7) The NRD-NCO should produce semi-annual quantitative and qualitative reports on the implementation of the NRD, drawing upon the information contained in the NRD monitoring and MIS; highlighting achievements, disbursements, problems, and remedial actions to be taken.